

Leicester and Leicestershire Local Enterprise Partnership

# Economic Recovery Strategy

## Evidence Review



Draft Report

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## Executive summary

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### Introduction

This report provides an overview of the latest evidence on the Leicester and Leicestershire economy, including analysis of the impacts of Covid-19 and Brexit; and a synthesis of previous strategies and findings from 14 workshops that were conducted in March 2021.

**This document and this Executive Summary is not a strategy.** It provides an overview of the issues, challenges and opportunities that the strategy must be able to address. It represents the first step in devising a strategy – in-depth knowledge and insight into the past, present and future of the economy of the region.

A separate sectors study is also being undertaken, due for completion in May 2021 which will be incorporated into the evidence base and final strategy in June 2021.

### Impacts of Covid-19 and Brexit

The economic context and environment has changed significantly in the past 12 months. The main implications of Covid-19 and Brexit for the economic prospects facing Leicester and Leicestershire can be summarised as follows.

#### Overall economy

*Leicester and Leicestershire has generally been hit harder by the Covid-19 pandemic than elsewhere in the country.* Current (February 2021) caseloads in the county are still some 70% higher than the national average. Entering Spring 2021, 1 in 14 Leicester and Leicestershire residents are estimated to have returned a positive test for Covid-19, compared to 1 in 16 across the rest of the country.

*Employers within Leicester and Leicestershire have been less likely to have made redundancies compared to the national average,* but the true impact of Covid-19 will only be apparent once furlough and other support ends. In the short-term, vulnerable sectors have been highly reliant on furlough and other Covid support. Once support tapers off there is a risk of job and business losses. Some sectors in the UK have been more active users of government support (grants, loans, and furlough schemes) – including manufacturing, utilities, accommodation and food, and other services.

The LLEP business survey conducted in September 2020 showed the obvious concern for doing business with the Coronavirus impacting the economy and operations. 50% of businesses were aiming for steady growth over the next 12 months, 34% planned to stay as they were, and 6% planned to downsize. Only 1% planned to cease trading.

Preliminary economic forecasts indicate that by 2030, as a legacy of the pandemic, the Leicester and Leicestershire economy could expect to have in the region of 1,600 fewer jobs, output £800 million lower, and a workforce £1,300 per annum less productive. However, within the wider national context, not only is the short-run impact expected to be less pronounced in Leicester and Leicestershire, but its recovery could match and potentially exceed the UK

average, resulting in a smaller relative 'lost growth' shortfall over the longer term.

### **Sectors, business and innovation**

*Leicestershire's sectoral structure could insulate it from the worse of the long-term economic effects.* Pre-Covid the Leicestershire economy had a lower relative incidence of jobs in 'vulnerable' and 'very vulnerable' sectors.

*The disruption to business activity is expected to be less severe locally, but still substantial.* Short-term, such sectors have been highly reliant on furlough and related support. There has been a slightly lower rate of decline in payrolls in Leicester and Leicestershire compared to nationally. Longer-term though there is an increased risk of job losses and business dissolutions, particularly with the reduction or winding down of any support.

*Retail, leisure and tourism are amongst the hardest hit sectors, but appear to be more resilient in Leicestershire.* The retail, leisure and tourism sector - which accounts for a substantial 62,000 jobs in Leicester and Leicestershire - has seen a markedly steeper drop and slower recovery in activity and revenues compared to other sectors.

*Innovative and international businesses have faced distinct challenges* – including a fall in demand, and reduced access to R&D facilities. Concerns have also been raised about future access to research funding, and the fall in exports.

### **Employment and skills**

*On aggregate, labour market impacts have been substantial, with Leicester and Leicestershire faring slightly better than the UK average.* The main findings from the analysis of the impacts of Covid-19 and Brexit in this chapter revealed that The labour market impact has been substantial, though Leicester and Leicestershire has fared better than others due to the industrial structure of the economy and employment.

*Significant concentrations of impact in Leicester.* Within Leicester and Leicestershire, the labour market impact has largely been a 'Leicester story'; 4 in 10 of those out of work in the county reside in the city, which has accounted for half of all new unemployment claims in Leicester and Leicestershire. These increases have largely been within deprived parts of the city already afflicted with high levels of worklessness and deprivation.

*Flexible and self-employed workers have been the hardest hit employment group.* The impact of the pandemic for these employment groups has been significant; close to two-thirds have reported having less work than usual, whilst self-employed earnings are set to be a third lower during the crisis.

*Homeworking potential is high in Leicestershire,* though workers have been quick to return to the workplace. It is estimated 4 in 10 (39%) Leicester and Leicestershire jobs can be easily done from home, a higher proportion than regional and national averages (36% and 38% respectively).

*The skills impact is uncertain, though disruption to teaching has been greater in Leicestershire.* Pupils in Leicester and Leicestershire have already been much more likely to experience school closures and interruptions to teaching than peers, creating potentially unrecoverable gaps in learning.

*Overseas labour arriving in Leicestershire has plummeted, and has the potential to exacerbate skills shortages.* NINo registrations to overseas adults halved in 2020 compared to 2019 - with EU citizens making up three-quarters of this fall. Sectors particularly vulnerable include Distribution, Hotels and restaurants, Textiles, Food and drink, Banking, finance and insurance, Public administration, Education and Health and social care, and Agriculture.

There are further risks, as we will have created a cohort of young people and workers unable to secure apprenticeships or entry-level jobs during the past 12 months; allied with uncertain labour demand if business confidence is low for the rest of 2021 and increased competition from experienced workers made redundant. This could create a cohort of workers who are unemployed, do not enter a career path, or end up disaffected and marginalised.

### **Inequality and inclusion**

The following groups have been more severely affected by Covid-19 and the lockdowns:

- Low earners and low skilled – significantly 24% of jobs in Leicester and Leicestershire were paying less than a Living Wage pre-Covid; almost 1 in 10 working age residents (almost 60,000 people) have no formal qualifications
- Prior to Covid-19, 81,800 households were in relative poverty in Leicester and Leicestershire – half of these were in the City of Leicester, which had the 7<sup>th</sup> highest rate of poverty out of 181 urban authorities.
- Young people – Leicester and Leicestershire has a larger share (14%) of population aged 16-24 (UK=12%)
- Black, Asian and Ethnic Minority (BAME) residents - some 23% of adults in Leicester and Leicestershire are BAME, almost twice the national average of 13%.

### **Place, infrastructure and transport**

*Transport use has seen unprecedented change during the pandemic, with private travel prioritised.* Public transport use declined sharply, as did car use, with active travel increasing significantly.

*Public transport providers have been particularly hard hit, though use has been more resilient in Leicestershire.* Public transport use dropped by over two-thirds during the first lockdown in Leicester and Leicestershire.

*Despite obstacles, demand for freight and logistics has been relatively buoyant.* Commercial road transport volumes, though dropping by over 50% during the first lockdown, recovered strongly during the Summer – particularly compared to other indicators of economic activity - and by the Autumn was eclipsing pre-Covid levels. Alongside this, global air freight demand started to bounce back, and by 2021 had started to recover its 2020 losses.

*Demand for residential space is changing, whilst local property prices have increased.* Rightmove saw a doubling in searches for homes in small towns and villages, and a significant rise in searches for homes further from town and city centres, with larger gardens and space for a home office. Leicester and Leicestershire's housing market could be particularly well-suited to any such shift in demand.



*The ‘death of the office’ narrative appears premature, though demand patterns could change.* The reaction of the market has been swift; commercial leases were down 60% in the first nine months of 2020. However there has been some distinction between demand and rents rising for new offices, yet declining for older and sublet space. Mobility data has shown Leicester and Leicestershire workers have been quicker to return to the office.

### **Low carbon and environmental sustainability**

*Environmental sustainability and climate change continue to present a major public policy and economic challenge.* For the UK to meet its carbon budget target, it needs to cut carbon emissions by 31% by 2030, on top of the 29% reduction achieved between 2009 and 2019. Many urban authorities wish to pursue comprehensive carbon reduction policies and actions, and the Local Government Association estimated that this has the potential to sustain 694,000 jobs over the next 10 years, and 1.18 million jobs to 2050.

Analysis of the recent evidence points out that:

- There was a sharp decline in air pollution during lockdown, though it has since recovered. In Leicester, the lockdown has reduced emissions - NO<sup>2</sup> concentrations dropped by some 30% on predicted levels during the first months of lockdown
- Green spaces and natural capital have been increasingly prioritised by residents during the pandemic. during Summer 2020, Leicestershire residents spent almost twice as much time at parks and outdoor attractions than they did pre-Covid
- If Leicester and Leicestershire followed a green recovery plan (HM Government’s ‘Ten Point Plan’), this could help to establish a low-carbon trajectory and create 4,500 jobs.

### **Informing the objectives of the economic strategy**

A range of views have been discussed during the workshops and LLEP board meetings concerning the aims and role of the economic strategy. To date, these have been summarised as follows:

#### **Aims of the strategy**

- Be ambitious
- Demonstrate leadership, including thought leadership and that way forward is fit for future challenges
- Have 5 or 6 major priorities – be focused
- Be agile and responsive enough to deal with the covid-19 recovery period, and other challenges that emerge
- Reflect the changing national government priorities, frameworks and funding opportunities
- Make progress in low carbon whilst also achieving economic growth
- Set out the broad principles
- Set out the response to ensure community recovery
- Demonstrate that the strategic planning is in place

- Ensure alignment with bottom-up concerns and issues
- Overcome the fragmentation of funding, initiatives and services to deliver coherent solutions for the next 5-10 years

### **Local identity**

During the workshops and in board discussions, there is the ambition to ensure that the new Economic Strategy reflects the uniqueness of Leicester and Leicestershire.

The main areas and assets differentiating Leicester and Leicestershire from other parts of the UK include:

- ✓ Diversity – diverse business base, diverse population, diverse urban and rural places
- ✓ Young population and workforce
- ✓ 3 leading universities
- ✓ High tech industries and research strengths – health, life sciences, space and earth observation, engineering, advanced manufacturing, automotive, IT, cyber, and sports
- ✓ World class sites and science and technology parks
- ✓ Leading and growing logistics hub
- ✓ Attractive, diverse city with great connections and large workforce
- ✓ Successful county towns with their own unique specialisms
- ✓ Partnership working and collaboration

### **Developing the strategic objectives**

Taking what we have learnt and interpreted from the evidence base, relevant existing strategies and workshop findings - one interpretation could be to distil the findings into themes and objectives outlined below:-

#### **SECTORS, ENTERPRISE AND INNOVATION**

##### **Enterprise growth, resilience and innovation**

- Building on high rates of entrepreneurship and the high start-up rate
- Supporting new ‘beacons’ – scaling up SMEs with growth ambitions
- Supporting business survival and resilience, financial readiness and bounce back from Covid-19
- Helping businesses transition to low carbon and digital

##### **Innovation strengths and capabilities**

- Increasing innovation: spend, collaborative networks, and activity through the whole company base (‘bootstraps’)
- Continue to build on existing research strengths through collaborations, and business commercialisation
- Explore how corporate R&D strengths and capabilities can be used to benefit the local economy and SME base



**Sector specialisms and strengths**

- Continue to support growth in key sectors, including space and earth observation, life sciences, medtech, sport and sports science, IT, digital, cyber, textiles, logistics, low carbon, food and drink and agritech, advanced manufacturing and automotive
- Develop the visitor offer, and local cultural and leisure offer for visitors, residents, workers and investment attraction
- Continue to grow knowledge-based businesses and jobs

**Ensuring the enterprise support offer is relevant and accessible**

- Reflecting the needs of rural and urban areas, ethnicity, gender, and sectors

**Refreshing approaches to trade and inward investment**

- To align to opportunities posts-covid and after the EU transition

**EMPLOYMENT AND SKILLS****Workforce skills and development**

- Ensure that the growing, younger workforce has the qualifications, skills and progression routes to sustain work, earnings and meet employers' needs
- Matching skills supply to demand to achieve employer-led skills provision
- Improving skills and qualifications attainment
- Improving individual take-up of apprenticeships
- Engage with growth sectors

**Youth transitions**

- Ensure young people successfully transition to subject choice, FE, HE and employment
- Improve graduate retention
- Continue to build upon success in establishing guidance services and capabilities

**Employer development**

- Improve and support SME HR, skills specification and recruitment activity
- Help SMEs to access apprenticeships

**Mobility**

- Improve worker mobility and travel-to-work, particularly for access to FE, apprenticeships and entry level jobs

**Low carbon**

- Identify low carbon skills specifications and pathways

**Funding transition**

- Transition from European Funds to UK funded solutions

## **INEQUALITY AND INCLUSION**

### **Reducing deprivation**

- Address low earnings
- Improve in-work progression

### **Reduce risks of exclusion**

- Keep vulnerable groups and individuals (including NEETs) close to the labour market, and improve and maintain employability
- Continue to develop and expand guidance services
- Identify and address gaps in existing support and welfare system
- Resolve and reduce risks of digital exclusion

## **PLACE, INFRASTRUCTURE AND TRANSPORT**

### **Transport**

- Continue to deliver strategic road and rail projects, including east-west connectivity, improved train speeds, rail electrification, and infrastructure to support strategic growth sites
- Improve public transport services and modal shift
- Develop sustainable transport infrastructure, particularly alternative for fuels and electric vehicles

### **Energy**

- Improve energy infrastructure, particularly to accommodation housing and employment growth sites
- Implement sustainable energy strategy
- Continue to increase renewable energy generation and sourcing

### **Networks**

- Improve 5G services, implement a test bed
- Improve broadband access and asynchronous connectivity

### **Housing**

- Increase housing supply and improve affordability

### **Sites, city centre and town centres**

- Town centre and high street transition and renewal in rural market towns and towns
- City centre transition and development, including grade A commercial office provision in the City Centre
- Continue to support the build out and extension of successful strategic sites, including EZ sites, science and technology parks, Space Park, MIRA, East Midlands Airport and SEGRO

## **LOW CARBON AND ENVIRONMENTAL SUSTAINABILITY**

### **Creating the pathways to a low carbon economy**

- Develop and identify low carbon pathways, including strategies and incentives
- Support business transition to low carbon
- Pathways to green jobs and skills
- Enhance and maintain biodiversity and natural capital

### **Sustainable transport**

- Deliver sustainable public transport infrastructure and services, and infrastructure for alternative fuels and electric vehicles

### **Low Carbon and Environmental Goods and Services (LCEGS) Sector**

- Grow the LCEGS in Leicester and Leicestershire
- Use local research, technology, innovation and entrepreneurial capabilities
- capabilities

# 1 Introduction

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## 1.1 About this report

This report provides an overview of the latest evidence on the Leicester and Leicestershire economy, including analysis of the impacts of Covid-19 and Brexit; and a synthesis of previous strategies and findings from 14 workshops that were conducted in March 2021.

This document *is not a strategy*. It provides an overview of the issues, challenges and opportunities that the strategy must be able to address. It represents the first step in devising a strategy – in-depth knowledge and insight into the past, present and future of the economy of the region. This document provides the insights to help to update the draft Local Industrial Strategy finalised in March 2020. .

A separate sectors study is also being undertaken, due for completion in May 2021 which will be incorporated into the evidence base and final strategy in June 2021.

## 1.2 A changing context

The economic context and environment has changed significantly in the past 12 months.

### Covid-19

Since the last comprehensive strategy was developed for Leicester and Leicestershire in March 2020 (The draft Local Industrial Strategy), much has changed, new challenges have emerged, and additional strategies and action plans have been published.

As we come out of the third national lockdown for England, the immediate and long-term impacts of Covid-19 are significant, and could be far reaching for certain industries and communities. Patterns of investment, employment and how and where people work may change in the future.

The national impacts are revealing: GDP in November 2020 fell to 8.5% below the levels seen in February 2020 and claimant unemployment has increased to 2.6 million. Furloughs peaked at 8.9 million employments in May – representing one-quarter of all workforce jobs.

Covid-19 has amplified existing inequalities in our communities, and the impacts have been uneven both spatially and according to income group, age, ethnicity and gender.

In particular, the industries that help shape the urban and rural experience – retail, hospitality, and the visitor economy – have been severely affected. Office-based activities that provide jobs and footfall for urban areas have also been curtailed, with many people working from home.

The true impact of Covid-19 will not be known until the vaccination programme nears completion, and relief programmes such as the Coronavirus Job Retention Scheme (CJRS) have ended

## Brexit

The Brexit deal agreed in December 2020 has several implications in terms of trade, customs and supply chains. The main features of the deal are summarised below.

*Trade in Goods.* The agreement ensures that most goods traded between the EU and U.K. won't face new tariffs or quotas. However, British exporters will face an array of regulatory hurdles that will make it more costly and burdensome to do business in Europe, including rules of origin certification. Cars will face special restrictions. Gasoline or diesel vehicles will need to be made with at least 55% local content to escape tariffs. Electric and hybrid vehicles will be allowed to contain 60% overseas content - but that will fall to 55% by 2026. Batteries will be allowed to contain 70% international content, but that will drop over the same period of time to 50%. The absence of a mutual recognition agreement means U.K. regulatory bodies won't be able to certify products for sale in the EU, a potentially big barrier to trade.

*Financial Services.* The deal offers little clarity for financial firms. There is no decision on so-called equivalence, which would allow firms to sell their services into the single market from the City of London. The agreement only features standard provisions on financial services, meaning it doesn't include commitments on market access. No further progress has been made on this since December 2020.

*Level Playing Field.* Both the EU and UK committed to upholding their environmental, social, labour and tax transparency standards to make sure they don't undercut each other.

*Customs.* The UK has left the Customs Union. The accord largely commits the EU and Britain to follow international practices aimed at minimizing customs costs for businesses. However, in practice, over the last three months this has proved to be particularly burdensome for businesses in several respects – the new processes and paperwork require to clear customs and delays associated with this, the end of groupage clearance (every item must be certificated); the imposition of additional transport and processing fees; and the requirement for EU purchasers to pay UK VAT in advance directly to HMRC.

*Aviation.* The EU has stopped short of granting automatic recognition to British aerospace designs and products. Such recognition will be confined to minor changes until the EU “gains confidence in the U.K.’s capability for overseeing design certification.”

*Haulage.* Both sides commit to “good and efficient management of visa and border arrangements for road hauliers, in particular across the U.K.-Union border” and to “appropriately facilitate the entry and stay of” truckers.

*Data Flows.* The deal includes a temporary solution to keep data flowing between the EU and U.K. until the bloc has adopted a data adequacy decision.

*Energy.* The U.K. won't have access to the EU's internal energy market. This was expected but there will be new arrangements in place by April 2022 to make sure that trading is smooth and efficient on interconnectors - huge power cables that run between the U.K. and Europe.

*Professional Services.* The deal means that there will no longer be automatic mutual recognition of professional qualifications. Doctors, nurses, dentists, pharmacists, vets, engineers or architects must have their qualifications recognized in each member state they wish to practice in, according to the deal. However, the deal does create a framework for the recognition of qualifications in future.

*Business Travel.* The U.K. and EU agreed that short-term business visitors won't need to hold work permits or undergo economic needs tests.

*Agriculture.* Trade of farm goods will benefit from the zero-tariff, zero-quota terms between the two sides. U.K. agri-food consignments will have to have health certificates and undergo sanitary and phyto-sanitary controls at member states' border inspection posts. Food and agri-products entering Northern Ireland from Great Britain will be subject to checks and phyto-sanitary controls.

The OBR has predicted that the economy will suffer a 4% drop in output over the long-term from Brexit, even if the UK and EU sign a free trade deal. As well as the need for recovery policies and programmes to build back the economy and jobs lost, there will be pressures on the public finances due to reduced tax revenues and increased expenditure as a result of the pandemic.



## 2 Pre-Covid trends

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### 2.1 The Leicestershire economy pre-Covid

According to the Leicester and Leicestershire draft Local Industrial Strategy completed in March 2020, in 2019 the area generated £24.5 billion in GVA, and had 42,065 businesses, with 538,000 jobs in the area. The diversity of the economy in terms of its sector mix, is an important feature emphasised in previous strategies and studies, as has been the dominance of microbusinesses (1-4 employees) in the economy. Productivity rates in Leicester and Leicestershire, at £30.91 in GVA per hour worked, 2019 were below the England average (£33.99 GVA per hour worked). Population growth in 2019 was four times the national average, at 1.2%. The claimant unemployment rate was 1.4% in 2019.

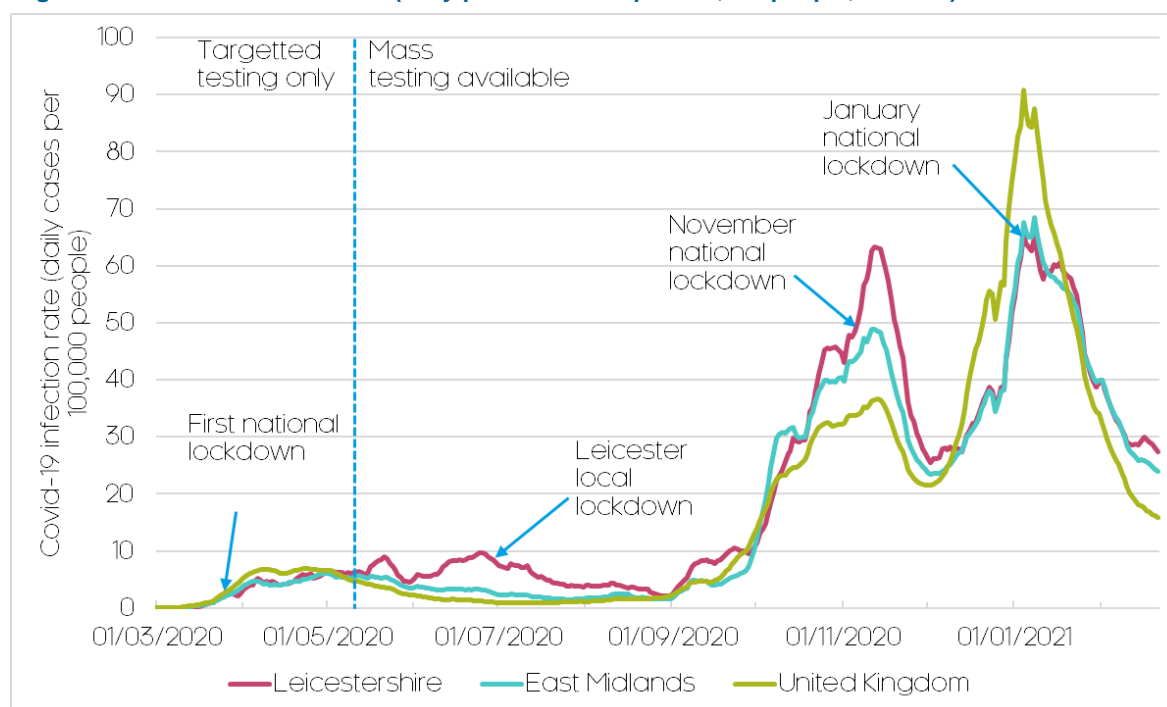
Manufacturing is the largest broad sector in terms of employment – with 59,000 employees comprising 12.4% of the total (compared to the England average of 9.8%). Managerial and professional jobs have grown significantly – by 40,000, or 13% (from 240,000 to 280,000 jobs) between 2014 and 2019. Notably, Operative and elementary; and Administration and Skilled trades had shown little growth over this period, but continued to employ 269,000 people, so continue to be significant. Earnings were a concern in the 2000s but notably, growth was twice the national average between 2008 and 2013, and earnings had risen in 2019.

The contrast between Leicester City and the surrounding rural area has been emphasised in past economic strategies, notwithstanding the track record of partnership working in the LEP and Strategic Growth Plan (a non-statutory joint spatial plan). The mixed offer of sport, culture, retail and leisure of Leicester City is complemented by the distinctive market towns surrounding it, and natural capital such as the National Forest.

## 2.2 The Covid-19 pandemic in Leicester and Leicestershire

Leicester and Leicestershire has been hit harder by the Covid-19 pandemic than elsewhere in the country. As Figure 2.2.1 shows, current (February 2021) caseloads in the county are still some 70% higher than the national average, though this was preceded by a much gentler peak during the virus' third wave over Winter 2020-21. Entering Spring 2021, 1 in 14 Leicester and Leicestershire residents are estimated to have returned a positive test for Covid-19, compared to 1 in 16 across the rest of the country.

**Figure 2.2.1: Covid-19 caseloads (daily positive cases per 100,000 people, 2020-21)**



Source: HM Government, Cambridge Econometrics. Note: 7-day rolling average, by specimen date.

**Table 2.2.1: Covid-19 caseloads (2020-21) and related deaths (2020 only)**

	Total Covid-19 cases	...per 10,000 residents	Total Covid-19 deaths	...per 10,000 residents
<b>Leicester &amp; Leicestershire</b>	<b>73,955</b>	<b>697.4</b>	<b>1,393</b>	<b>13.1</b>
<i>National average</i>	<i>4,081,747</i>	<i>611.1</i>	<i>80,741</i>	<i>13.6</i>
Blaby	6,476	637.9	128	12.6
Charnwood	11,410	613.9	206	11.1
Harborough	4,718	502.9	104	11.1
Hinckley and Bosworth	5,565	491.9	144	12.7
Leicester	33,361	941.8	492	13.9
Melton	2,409	470.4	76	14.8
North West Leicestershire	5,380	519.2	129	12.5
Oadby and Wigston	4,636	813.1	114	20.0

Source: HM Government, Cambridge Econometrics.

Of course, this rate varies within the county, with Leicester and Leicestershire's performance particularly influenced by the city of Leicester, as Table 2.2.1 shows. The city has accounted for almost half (45%) of all cases in the LEP area, with 1 in 10 Leicester residents estimated to have returned a positive test for Covid-19. Resultantly, the city has been under some form of lockdown longer than any other city in the UK. Away from Leicester, caseloads have been substantially lower, and generally in-line or below the national average.

The health implications of the virus' rapid spread in Leicestershire has been telling; throughout 2020, 1,400 Covid-related deaths were recorded in the county, at a rate of 13.1 per 10,000 people, marginally lower than the national average (13.6). Just over two-thirds of these deaths were recorded within the city of Leicester.

A number of risk factors have been identified that could explain Leicestershire's response to the virus. Table 2.2.2 explores a number of risk factors that are more pronounced locally, particularly in Leicester, including housing conditions, overcrowding, use of public transport, high Covid-risk occupations, and a large Black, Asian and Minority Ethnic (BAME) population.

**Table 2.2.2: Virus transmission risk factors**

	Proportion of:				
	Residents in multi-unit housing	Residents in multi-generational housing	Households in overcrowded conditions	Public transport trips per 1,000 workers	Workers in high Covid-risk occupations
<b>Leicester &amp; Leicestershire</b>	<b>8.5%</b>	<b>6.4%</b>	<b>7.3%</b>	<b>81.1</b>	<b>38.9%</b>
<i>National average</i>	15.9%	5.4%	8.5%	164.0	37.2%
Blaby	3.8%	4.4%	3.0%	60.1	-
Charnwood	7.4%	4.1%	5.0%	66.3	-
Harborough	4.7%	3.3%	3.1%	41.4	-
Hinckley and Bosworth	5.1%	3.2%	3.2%	38.6	-
Leicester	15.0%	11.0%	15.2%	149.2	41.3%
Melton	4.6%	3.2%	3.4%	40.8	-
North West Leicestershire	4.5%	3.6%	2.9%	28.3	-
Oadby and Wigston	4.9%	8.1%	4.3%	95.5	-

Source: ONS, Cambridge Econometrics. Note: all data is pre-Covid.

The risk of regular and prolonged inter and intra-household contact and proximity indoors is made higher by the incidence of multi-unit housing, inter-generational housing and overcrowded households. These are disproportionately overrepresented in Leicester, particularly for low-earners and those from ethnic minorities.

Alongside this are the significantly higher rates of public transport use in Leicester, which has also been closely linked to virus transmission; workers in the city are almost three times more likely to use public transport than elsewhere in the county. Similarly, lower-income and ethnic minority workers

are more likely to rely on such forms of transport, whilst many will have continued travelling during the pandemic for essential work.

Such groups are also more likely to work in occupations where the risk of virus transmission is higher, such as health and care, transport, and education, which are also overrepresented in Leicester. Finally, Leicestershire has a highly diverse population with a greater share of BAME residents. Evidence throughout the pandemic suggests such groups are at a disproportionate risk of virus transmission and mortality, largely as a result of the aforementioned factors<sup>1</sup>.

### 2.3 The headline economic impact and prospects for recovery in Leicester and Leicestershire

Updated forecasts produced by CE (March 2021, presented in Figure 2.3.1) incorporating the impact of the Covid-19 pandemic and the latest Brexit developments indicate a comparatively short, but unprecedented, impact to economic activity in Leicester and Leicestershire, but with a favourable outlook relative to regional and national comparators.

Boosted by the furlough scheme and related labour market support (e.g. self-employment support), alongside the desires of firms to retain staff in spite of falls in output, employment is expected to prove much more resilient than output, contracting by only 1% across the UK.

In fact, within Leicester and Leicestershire, *net* job losses could be negligible compared to the national average. However, with the unwinding of furlough support, labour market uncertainty will persist into 2021, before stronger jobs growth picks up 2022-onwards with the momentum of a UK-wide recovery.

Output (i.e. GVA), meanwhile, is expected to recover quickly following a very sharp bottoming-out in 2020. Given lower furlough uptake and a more resilient labour market, output could decline by 7.3% (in real terms) in Leicester and Leicestershire over 2020, significantly lower than the UK average of 8.4%.

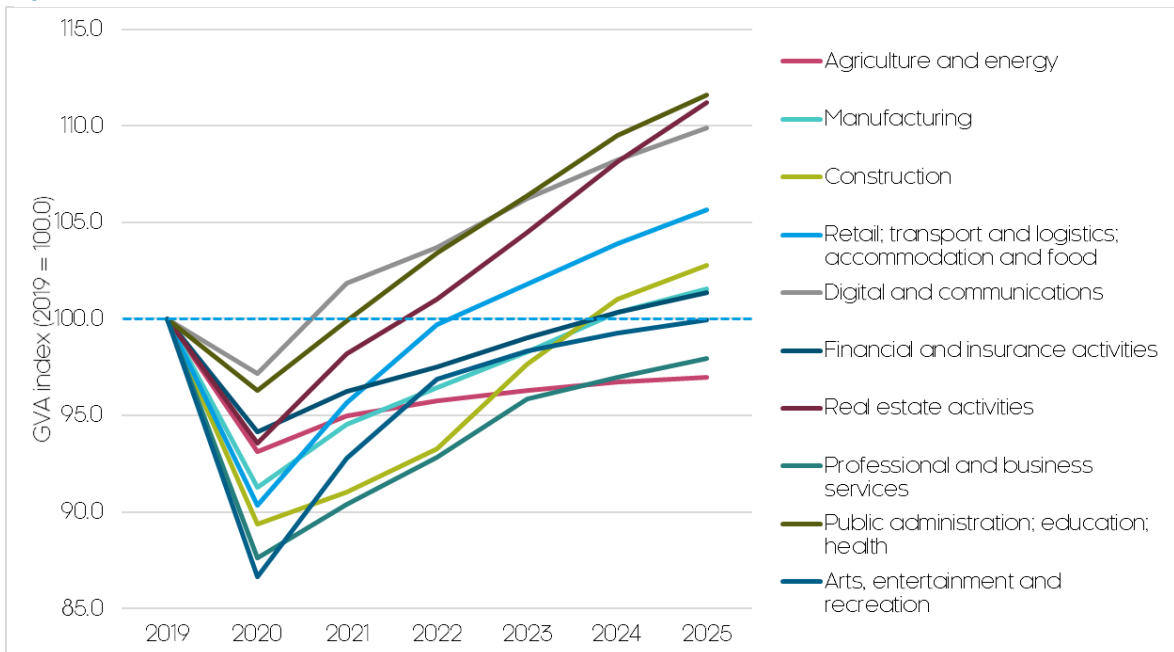
However, this contraction is unprecedented compared to previous economic crises; after the 2008 recession, the output hit was ‘only’ 4.8% in Leicester and Leicestershire. There were however 13,500 net job losses during this time, multiples of those expected during the pandemic.

Given the contrasting response of output and employment, productivity consequently undergoes a sharp drop in 2021, further exacerbating Leicester and Leicestershire’s ‘productivity puzzle’, although the recovery could be productivity-led, driven by increased digitisation and automation triggered by the pandemic.

<sup>1</sup> The BMJ (2020), [Covid-19: Increased risk among ethnic minorities is largely due to poverty and social disparities](#)

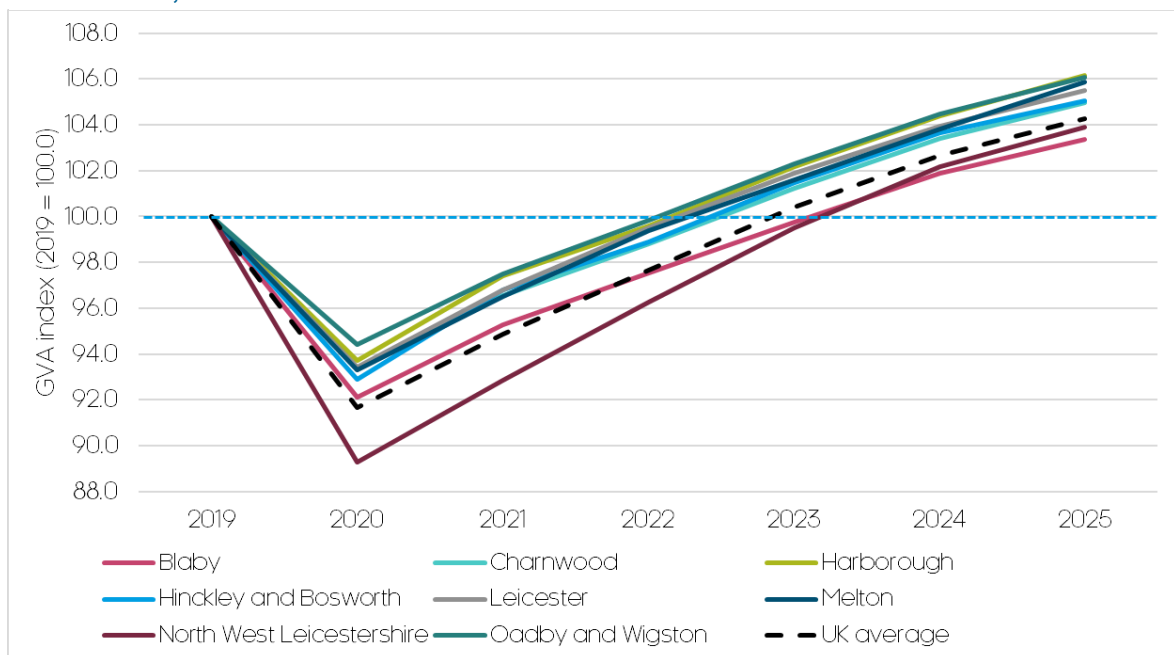
**Figure 2.3.1: Forecast jobs (top) and GVA (bottom) impact and recovery from the Covid-19 pandemic, 2019-25**

As Figure 2.3.3 shows, sectors such as retail, accommodation and food, and arts and recreation are expected to be the hardest hit in Leicester and Leicestershire, particularly short-term. Public administration and health, digital, and real estate could prove resilient and emerge strongly post-Covid. The sectoral dimension of the crisis is explored in greater detail in *Chapter*

**Figure 2.3.3: Forecast GVA impact and recovery from the Covid-19 pandemic by broad sector, 2019-25**

Source: ONS, Cambridge Econometrics. Note: charts indexed to 100.0 in 2019.

Figure 2.3.33 considers the impact within Leicester and Leicestershire. North West Leicestershire – with its higher incidence of impacted industries, such as aviation, retail, and tourism – could be the hardest hit, but it is the only area in the LEP area to underperform relative to the UK average. All areas are expected to fully recover to pre-Covid levels of economic activity by 2023, in line with the UK average, and all but two areas outperform the UK recovery.

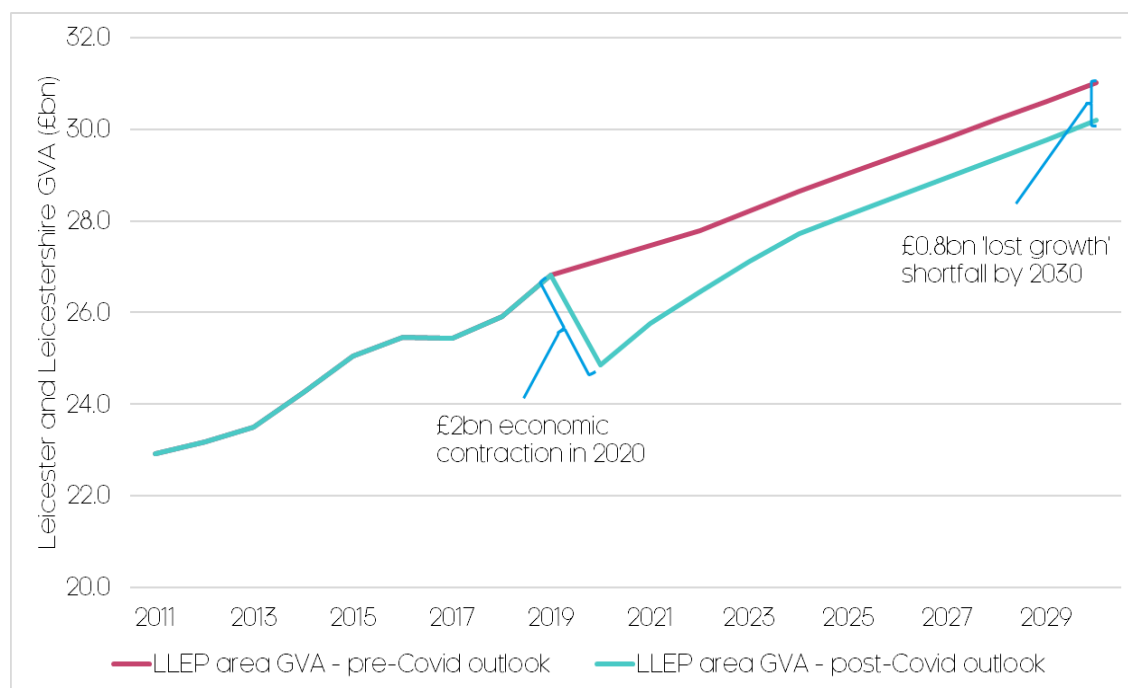
**Figure 2.3.2: Forecast GVA impact and recovery from the Covid-19 pandemic by local authority area in Leicestershire, 2019-25**

Source: ONS, Cambridge Econometrics. Note: charts indexed to 100.0 in 2019.



The long-term implications of the pandemic could however be significant. As Figure 2.3.4 and Table 2.3.1 show; relative to a pre-Covid trajectory, CE's preliminary forecasts indicate that by 2030, as a legacy of the pandemic, the Leicester and Leicestershire economy could expect to have in the region of 1,600 fewer jobs, output £800 million lower, and a workforce £1,300 per annum less productive.

**Figure 2.3.4: Leicester and Leicestershire's pre- and post-Covid outlook, 2010-30**



Source: ONS, Cambridge Econometrics. Note: pre-Covid outlook relates to CE's January 2020 forecasts

**Table 2.3.1: Leicester and Leicestershire's pre- and post-Covid outlook, 2019-30**

	2019 (forecast baseline)	2025	2030	Growth, 2019-30	% growth, 2019-30
Employment (jobs)	550,800	559,400	568,300	17,400	3.2%
<i>relative to pre-Covid outlook</i>	-	-1,200	-1,600	-1,600	-0.3%
GVA (£bn)	£26.8	£28.1	£30.2	£3.4	12.6%
<i>relative to pre-Covid outlook</i>	-	-£0.9	-£0.8	-£0.8	-3.0%
Productivity (£)	£48,700	£50,300	£53,100	£4,500	9.2%
<i>relative to pre-Covid outlook</i>	-	-£1,500	-£1,300	-£1,300	-2.6%

However, it is important to set these trends within the wider national context; as

Table 2.3.2 shows, not only is the short-run impact expected to be less pronounced in Leicester and Leicestershire (see column 1), but its recovery could match and potentially exceed the UK average (column 2), resulting in a smaller relative 'lost growth' shortfall over the longer timeframe (column 3).

**Table 2.3.2: Leicester and Leicestershire's post-Covid outlook relative to the UK average**

	GVA impact, 2020 (relative to 2019)	GVA recovery per annum, 2021-30	GVA shortfall relative to pre-COVID-19, 2050
<b>Leicester and Leicestershire</b>	<b>-7.3%</b>	<b>2.0%</b>	<b>-2.6%</b>
UK average	-8.4%	2.1%	-4.0%

Source: ONS, Cambridge Econometrics.

## 3 Sectors, business and innovation

### 3.1 Introduction

This Chapter examines the economic performance and conditions facing sectors, businesses and innovation prior to Covid, and analyses the impacts of Covid. It also provides an overview of existing strategic priorities and adds observations from the consultations and discussions to date.

It is worth noting, that a separate study is being conducted which will analyse sector trends, specialisations and forecasts in more depth, which is being used to inform the Economic Recovery Strategy.

### 3.2 The 2020 baseline

#### **Strengths and challenges outlined in the draft Local Industrial Strategy and MIT Reap submission**

##### *Enterprise*

The 2020 draft Local Industrial Strategy highlighted the progress made since 2014 in increasing the size of the business base (+ 20% between 2014 and 2019), and in improving start-up and survival rates.

With 40 firms for every 1,000 residents, Leicester and Leicestershire was above the East Midlands average of 42.8%. The challenges of many small businesses operating in lower value-added and lower productivity sectors was highlighted, with the priority to raise productivity rates across all businesses.

The MIT REAP submission, made in September 2020 also emphasised the following performance characteristics:

- Above average composition of microbusinesses and freelancers, who are more likely to operate below the official VAT/Pay-As-You-Earn (PAYE) thresholds
- BIS Business Population Estimates for 2017 indicate that around 90 per cent (89.8%) of businesses in Leicester and Leicestershire are micro (employing 0-9 people) compared to 84 per cent for the UK as a whole
- Microbusinesses are particularly prevalent in textiles and fashion, design, arts, media, music, and IT sectors, which at the local level equates to an additional c20,000 businesses

##### *Innovation*

Within the Industrial Strategy, the government committed the UK to reaching 2.4 per cent of GDP investment in R&D by 2027 and 3 per cent of GDP in the longer term.

In 2016, R&D spend of £573m across the across the Leicestershire, Rutland & Northamptonshire NUTS2 region accounted for only 1.3 per cent of GVA.

In the period from 2010, levels of overall R&D expenditure in Leicestershire, Rutland and Northamptonshire have remained relatively constant in real terms, rising by only 0.6 per cent – well below the UK average of R&D expenditure growth of 15.1 per cent over the same period.

The area also performs broadly in line with the rest of the UK for patent applications, ranking 17<sup>th</sup> and 18<sup>th</sup> out of 37 NUTS2 regions for the rates of non-high tech and high-tech patents, respectively.

A significant proportion of the area's businesses were regarded as underperforming in terms of productivity – with only three sectors performing above the national average.

Leicester and Leicestershire's innovation strengths were outlined in the draft Local Industrial Strategy as:

- Three outstanding universities:
  - Leicester University has five Research Institutes with specialisms in space and earth observation, structural and chemical biology and precision medicine
  - De Montfort University has internationally acknowledged research groups spanning cybersecurity, transport, clean energy, water, advanced manufacturing and creative industries
  - Loughborough University has expertise spanning advanced manufacturing and engineering, data and digital technologies (including med-tech, life and health sciences), logistics and textiles technology
- Advanced engineering and aerospace (e.g. the Rolls-Royce University Technology Centre at Loughborough University)
- Automotive – particularly at MIRA Technology Park, which hosts automotive and engineering firms and expertise in its offices, laboratories and workspaces. HORIBA MIRA works in close collaboration with vehicle manufacturers and suppliers around the world, providing comprehensive support ranging from individual product tests to turnkey engineering design, development and build programmes.
- Space – with Space Park Leicester set to open in 2021, which will provide a significant global hub for businesses, researchers, academia and innovation
- Life sciences
- Sport
- Agri-tech
- International R&D intensive businesses: 3M Healthcare (Loughborough), IBM Client Innovation Centre (Leicester), PepsiCo R&D Centre (Leicester), Samworth Brothers and Mars Group

Knowledge intensive services are forming an increasing share of the local workforce – comprising 238,600 jobs in 2018, and have increased by 2% per year since 2000.

Scientific and technical occupations support 34,100 jobs - around seven per cent of the total workforce, and representing one-in-eight additional jobs generated across the area since the year 2000.

The MIT REAP submission, made in September 2020 also emphasised the following performance characteristics:

- Research excellence in Leicestershire’s higher education institutions: 43 industry centres of excellence: 16 at Loughborough University; 16 at the University of Leicester; and 11 at De Montfort University.
- Research excellence located within the Leicester Food Park (Food and Drink) and the MIRA Technology Park (Automotive), as well as the applied research present in the enterprise zones.
- £12.75m of turnover through Leicestershire’s university spin-outs (both formal and with some HEP ownership) and the £110,000 turnover of graduate start-ups in 2017/18 (HESA Intellectual Property metrics).
- University patents filed in 2017/18 (53), the number filed by external partners naming a HE provider (353), number granted (105), and the cumulative patent portfolio (684) for Leicestershire.
- Knowledge Transfer - 16 companies (SMEs) currently engaged in formal knowledge transfer with HE providers, or conducting national R&D with Innovate UK, amounting to 120 grants and knowledge transfer partnerships to the value of £25m. This falls short of formal R&D expenditure in other regions and LEP areas.
- Interest in knowledge exchange: 28,000 attendees at HE events in 2017/18 and 10,000 attendees each year at Leicester Business Festival and Innovation Week.
- Significant number of established R&D sites and facilities, accelerators and incubators, maker/hacker/fab labs, co-working spaces, and events.
- Survey evidence reveals significant innovation activity and interest, skills as a barrier to growth, and low awareness of finance options for growth

### *Sector priorities*

In the 2014-2020 Strategic Economic Plan and in the 2020 draft Local Industrial Strategy, there were a number of sectors and activities which were highlighted.

- The most important sectors in terms of total employment included Manufacturing, Logistics, Education, Health and Retail.
- Strong sector specialisations included Manufacturing, Logistics, Education, Motor Trades, and Mining, quarrying and utilities.
- Sectors that had lower shares of employment, but made a high GVA contribution included Professional, scientific and technical activities, Finance and insurance, ICT, and Property.
- Sectors and activities with strong levels of R&D activity and specialisms included:
  - Space and satellites
  - Automotive, including autonomous and electric vehicles
  - Sports science
  - Life sciences and medtech
  - Food & drink and agritech
  - Cyber security



Cultural, leisure and tourism industries were also emphasised in the draft Local Industrial Strategy – with the visitor economy generating £1.88bn for the local economy in 2018 and supporting 23,076 jobs. The lack of awareness and knowledge of Leicester and Leicestershire as a visitor destination was highlighted as a challenge.

Sector prioritisation was made with the aim of increasing jobs, productivity, earnings and GVA. In the 2014 SEP, the following sectors were prioritised: Logistics, High tech manufacturing, Food and drink manufacturing, Business and financial services, Tourism and hospitality and Creative design. New sector development was also prioritised in Low carbon, Space, and Life sciences. It was acknowledged that Health and social care, and Retail were big employers and important to monitor as core sectors.

In the 2020 draft LIS, sector prioritisation was much the same as the 2014 SEP, with perhaps additional emphasis on Automotive and autonomous vehicles.

The 2014 SEP emphasised the need to engage more businesses in innovation and with the universities, to help increase knowledge intensive business growth and jobs.

There are a number of key sites that are strongly related to sector specialisms, and where geographical clustering has been supported and enhanced, and significant progress has been made:

- Space and satellites: Space Park Leicester opened in 2020, with Phase 3 underway; and £14m funding for METEOR
- Autonomous and electric vehicle assets: MIRA and Bruntingthorpe proving ground
- Sport and Sports science: SportPark Loughborough
- LUSEP Is one of the UK's largest science parks, part of the Enterprise Zone and already home to 75 innovating businesses and 2200 jobs across a range of sectors.
- Life sciences, medical (particularly cardiovascular, respiratory, diabetes, cancer and regenerative medicine) and medtech, health data: Charnwood Campus Life Sciences Opportunities Zone. The construction of the Defence Health and Rehabilitation Centre has also enhanced the life sciences sector.
- Cyber Security – De Montford – Academic Centre of Excellence
- Logistics – SEGRO Logistics Park; Freeport

### **3.3 Recent trends and outlook**

All businesses have been impacted in some way by the Covid pandemic and Brexit. The type of activity that a business engages in determines the extent to which the impacts have been highly negative, slightly negative, or, in some cases, positive.

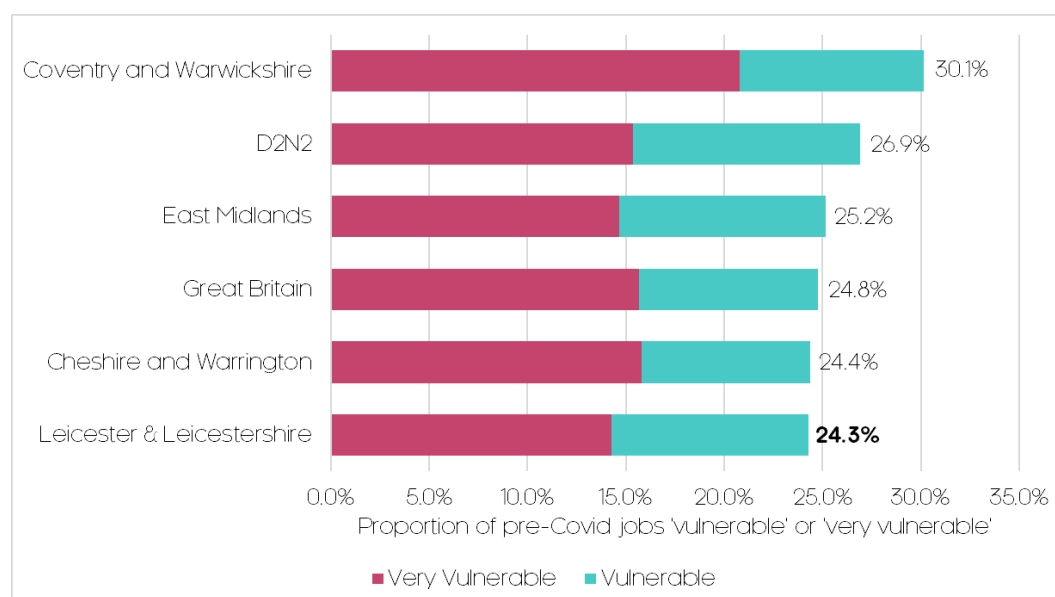
## Leicestershire's sectoral structure could insulate it from the worse of the long-term economic effects

Analysis by the Centre for Cities (adapted in Figure 3.3.1) shows that pre-Covid the Leicestershire economy had a lower relative incidence of jobs in 'vulnerable' and 'very vulnerable' sectors - these are activities that are expected to experience a discernible and lasting impact from the pandemic and/or Brexit, including sectors such as accommodation, food service, transport (notably automotive and aviation), leisure, and some retail.

The city of Leicester was ranked as having the fifth lowest share of such jobs in the country, accompanying Oxford and Cambridge as "places [that] are expected to bounce back more quickly"<sup>2</sup>. Such proportions still equate to a significant number of jobs though; 117,000 in Leicestershire, encompassing 12,000 local employers (the majority, some 99% of whom, are SMEs).

Short-term, such sectors have been highly reliant on furlough and related support. Longer-term though there is an increased risk of job losses and business dissolutions, particularly with the reduction or winding down of any support.

**Figure 3.3.1: Proportion of pre-Covid (2019) jobs in 'vulnerable' and 'very vulnerable' sectors**



Source: Centre for Cities, ONS, Cambridge Econometrics.

Table 3.3.1 looks in greater detail at the sectoral composition of these jobs. Tourism, retail and leisure – which has been highly disrupted by the pandemic and social distancing measures - account for 58,000 (50% of all) 'vulnerable' and 'very vulnerable' jobs in Leicestershire. Conversely, the 30,000 jobs in machinery, automotive and metals are at risk largely due to Brexit and other factors. Fossil fuels and mining, facing additional pressures alongside the pandemic and Brexit, account for a further 9,000 at-risk jobs.

<sup>2</sup> Centre for Cities (2020), [What does the COVID-19 crisis mean for the economies of British cities and large towns?](#)

Table 3.3.1: Composition of ‘vulnerable’ and ‘very vulnerable’ sectors in Leicestershire (2019)

Sector classification	Within Leicestershire			
	Jobs affected	Proportion of total jobs	Businesses affected	Proportion SME
<b>Vulnerable sectors, of which:</b>	<b>48,410</b>	<b>10.0%</b>	<b>4,635</b>	<b>98.6%</b>
Retail & wholesale (excl. food, drug or other “demanded products”)	16,885	3.5%	2,185	100.0%
Machinery & equipment	11,655	2.4%	865	97.7%
Basic metals & metal products	8,140	1.7%	705	96.5%
Transport (excl. air & freight transportation)	3,775	0.8%	395	97.5%
Rubber & plastics	3,575	0.7%	160	100.0%
Non-metallic minerals	2,295	0.5%	70	100.0%
Mining	1,635	0.3%	35	85.7%
Film & video production	450	0.1%	220	97.7%
<b>Very vulnerable sectors, of which:</b>	<b>68,715</b>	<b>14.3%</b>	<b>7,415</b>	<b>99.1%</b>
Tourism & business travel	29,475	6.1%	2,915	99.8%
Leisure (incl. sports, amusement parks, arts facilities, etc.)	11,165	2.3%	1,095	97.3%
Automotive & parts (whole value chain, incl. tyres)	10,135	2.1%	1,805	100.0%
Fossil fuel producers & distribution	7,625	1.6%	125	92.0%
Services that cannot performed at home or offered online, nor be postponed (e.g. hair & beauty)	5,755	1.2%	1,235	98.8%
Aviation	4,560	0.9%	240	97.9%
<b>Very vulnerable or vulnerable total</b>	<b>117,125</b>	<b>24.3%</b>	<b>12,050</b>	<b>98.9%</b>

Source: Centre for Cities, ONS, Cambridge Econometrics.

Spatially, the distribution and composition of ‘vulnerable’ and ‘very vulnerable’ jobs varies across Leicestershire, as Figure 3.3.1 and Figure 3.3.3 shows. Over a third (31%) of all jobs in North West Leicestershire are classified as such, with 7,000 jobs alone in the district related to tourism, travel and aviation. A similar share is observable in Hinckley, which has 4,000 jobs in automotive and machinery. After Leicester (19%), Blaby has the lowest share in county, with only 22% of all jobs classified as ‘vulnerable’ and ‘very vulnerable’.

### Resultantly the disruption to business activity is expected to be less severe locally, but still substantial

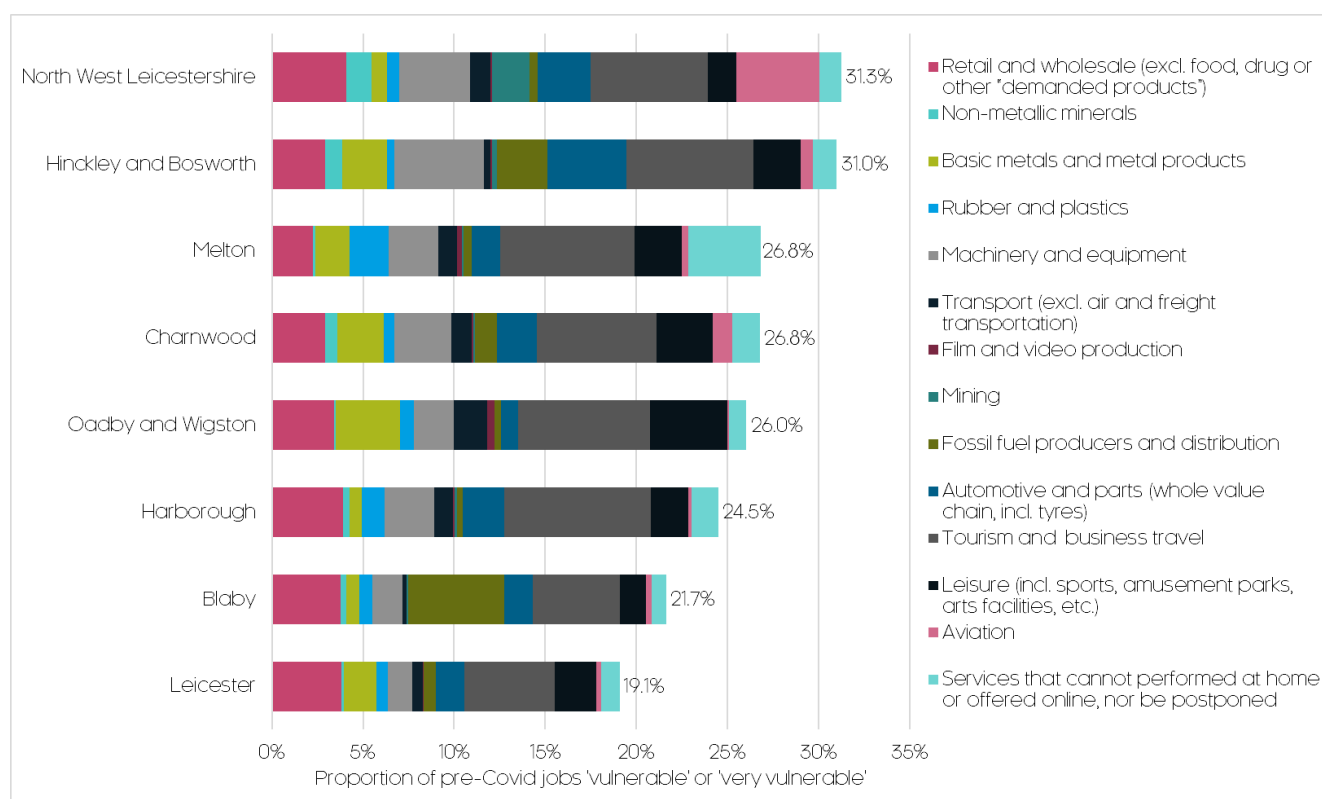
Given this favourable sectoral structure, the overall disruption to business appears to have been gentler locally; payroll data presented in Figure 3.3.4 shows employers in Leicester and Leicestershire<sup>3</sup> have been the least likely in the country to have made redundancies since March 2020 (joint with Cornwall, out of 41 areas). Local wages and hours worked have also been resilient, with the former increasing by 3.4% in real terms (ahead of a 2.8% increase nationally).

<sup>3</sup> The Leicestershire NUTS2 geography, which also includes Rutland and Northamptonshire.

The scale of the disruption is still significant though; by Summer 2020, across the UK, GDP had contracted by as much as 25%, accompanied by some 655,000 redundancies, whilst 410,000 businesses were undergoing dissolution. This contrasts to a 6.3% contraction in GDP and redundancies of 1.7 million during the peak of the 2008-09 recession. Critically, the disruption has been sectorally uneven, concentrated in a few, mostly consumption and interaction-driven activities (

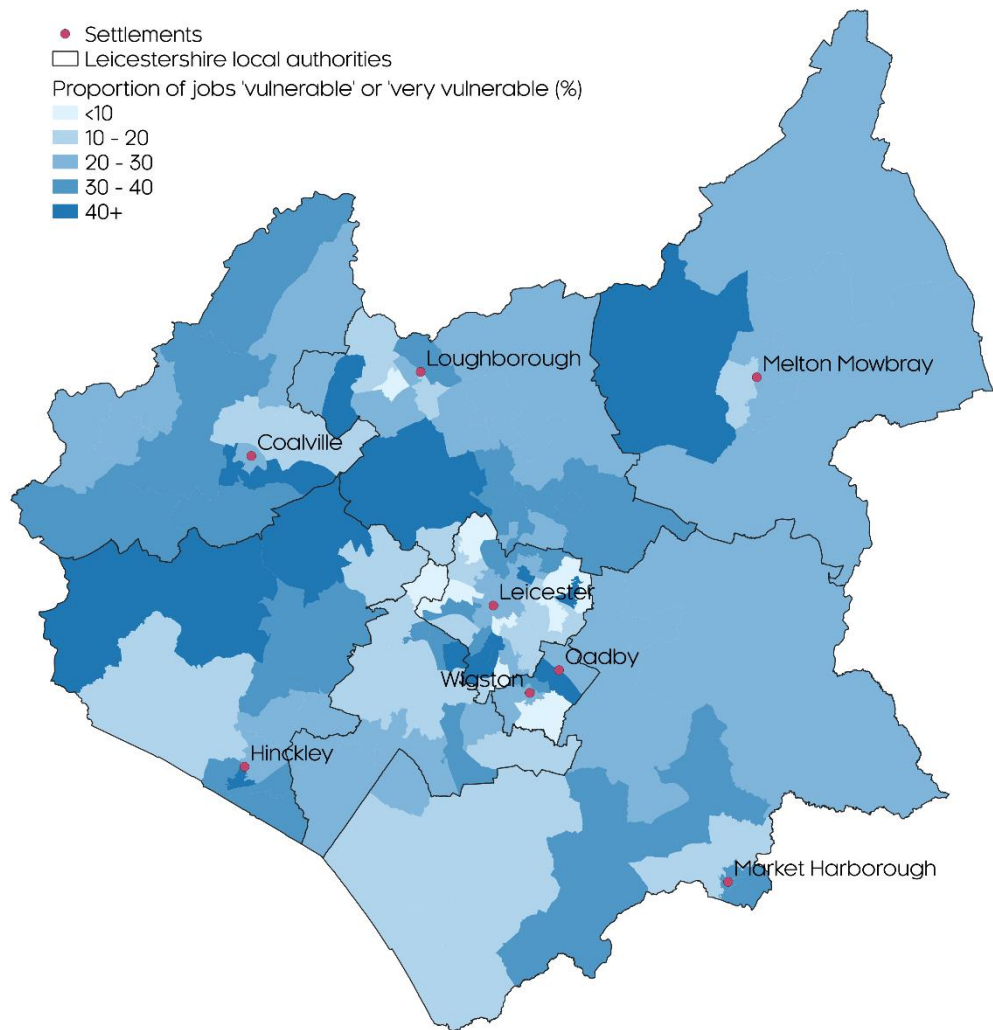
Table 3.3.2) – notably accommodation and food, arts and entertainment, retail and other services.

**Figure 3.3.2: Proportion and composition of pre-Covid (2019) jobs in ‘vulnerable’ or ‘very vulnerable’ sectors across Leicestershire**



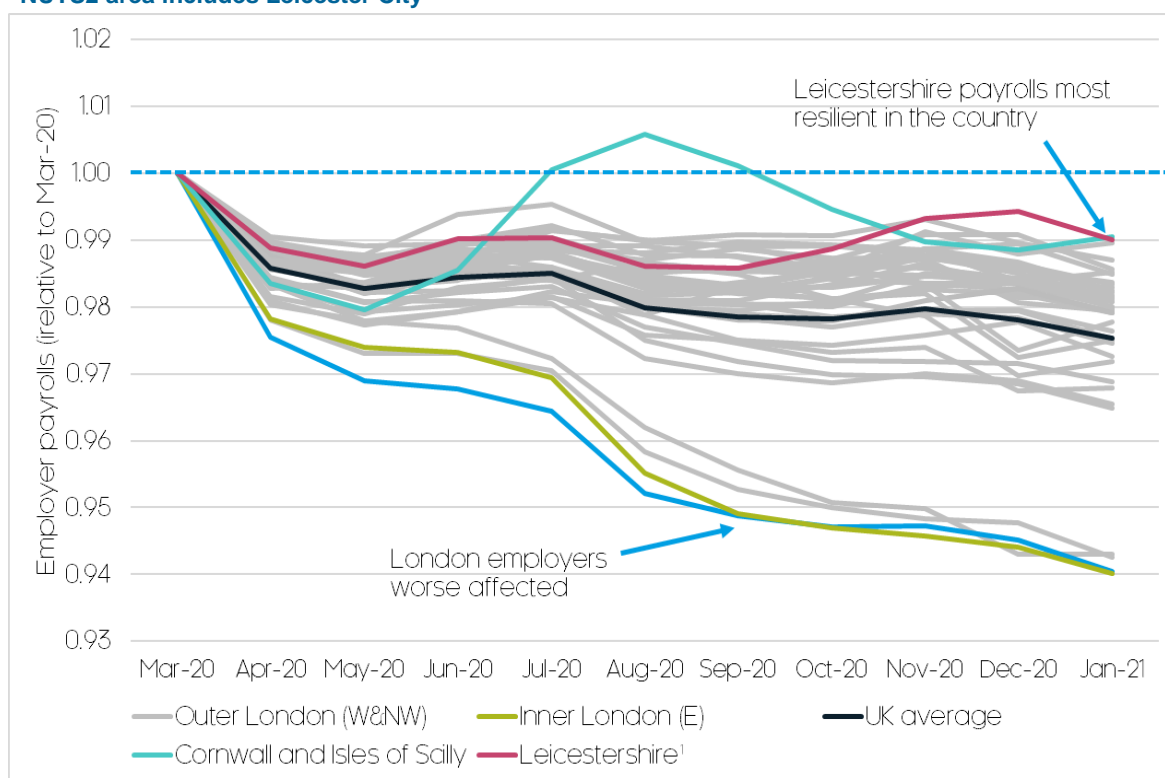
Source: Centre for Cities, ONS, Cambridge Econometrics.

**Figure 3.3.3: Proportion of pre-Covid (2019) jobs in ‘vulnerable’ or ‘very vulnerable’ sectors across Leicester and Leicestershire (MSOA level)**



Source: Centre for Cities, ONS, Cambridge Econometrics.

**Figure 3.3.4: Employer payrolls (indexed relative to March 2020) – NUTS2 areas, Leicestershire**  
NUTS2 area includes Leicester City



Source: HMRC, ONS, Cambridge Econometrics.

**Table 3.3.2: Business impacts during the Covid-19 pandemic**

Sector	Proportion of UK businesses (surveyed Feb-21):			
	Currently trading	Temporarily or permanently closed premises	Currently have turnover lower than expected	Have low confidence of surviving the next 3 months
Manufacturing	78%	18%	61%	10%
Utilities	97%	1%	53%	0%
Construction	75%	32%	55%	6%
Wholesale & retail	67%	42%	70%	15%
Transportation & storage	75%	18%	62%	10%
Accommodation & food service	35%	74%	89%	28%
Information & communication	79%	21%	43%	9%
Real estate	81%	23%	51%	7%
Professional, scientific & technical	81%	18%	49%	11%
Administrative & business support	66%	36%	64%	12%
Education	70%	39%	71%	12%
Health & care	90%	26%	49%	14%
Arts, entertainment & recreation	50%	59%	85%	8%
Other services	19%	78%	66%	20%
<b>All Industries</b>	<b>70%</b>	<b>34%</b>	<b>62%</b>	<b>12%</b>

Source: ONS, Cambridge Econometrics. Note: data UK-wide.



In contrast to previous recessions, this disruption has been softened by substantial levels of targeted support, such as furlough, grants and government-backed loans. Generally, Leicester and Leicestershire businesses have been slightly less reliant on such support, though the volume has still been substantial – at its peak, a third of the Leicester and Leicestershire workforce was furloughed, covering approx. £300 million of local wages. And as Table 3.3.3 shows, the dependency on, and type of, support varies by sector.

### Retail, leisure and tourism are amongst the hardest hit sectors, but appear to be more resilient in Leicestershire

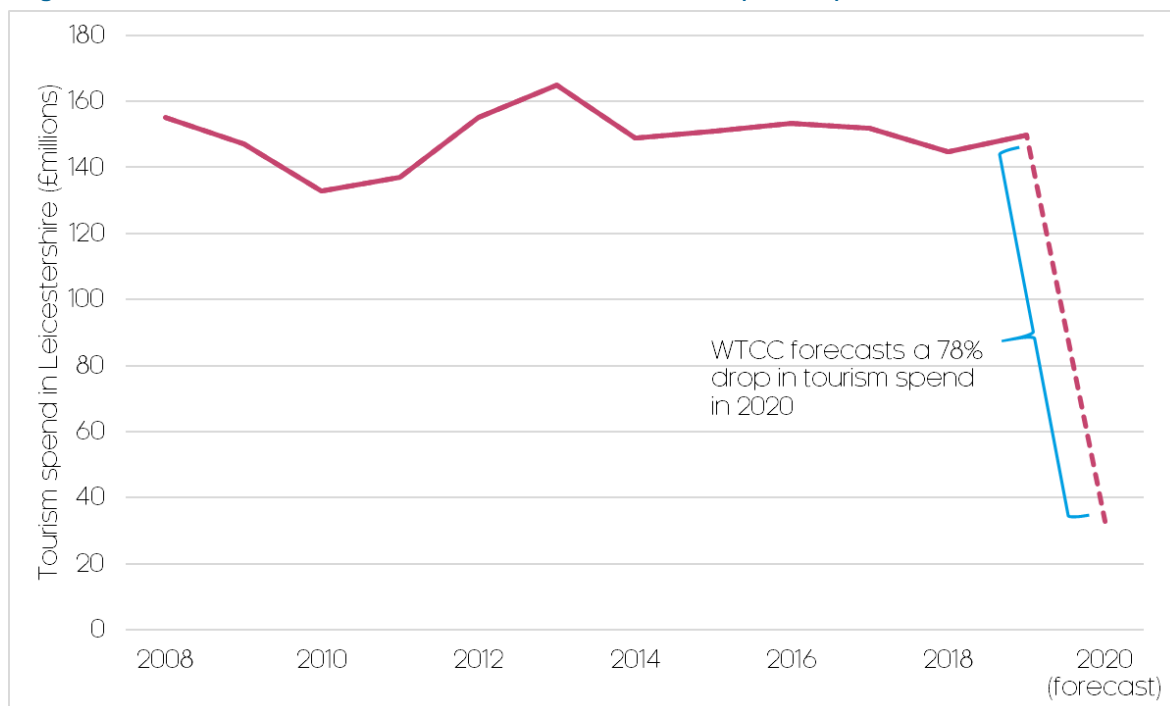
The retail, leisure and tourism sector - which accounts for a substantial 62,000 jobs in Leicester and Leicestershire - has seen a markedly steeper drop and slower recovery in activity and revenues compared to other sectors. The World Travel & Tourism Council (WTTC) expects UK tourism spending to fall by 78% in 2020<sup>4</sup>; for the 6,400 tourism businesses in Leicester and Leicestershire, this would equate to a drop in gross annual revenues from £150 to £30 million (see Figure 3.3.6).

**Table 3.3.3: Business support accessed during the Covid-19 pandemic**

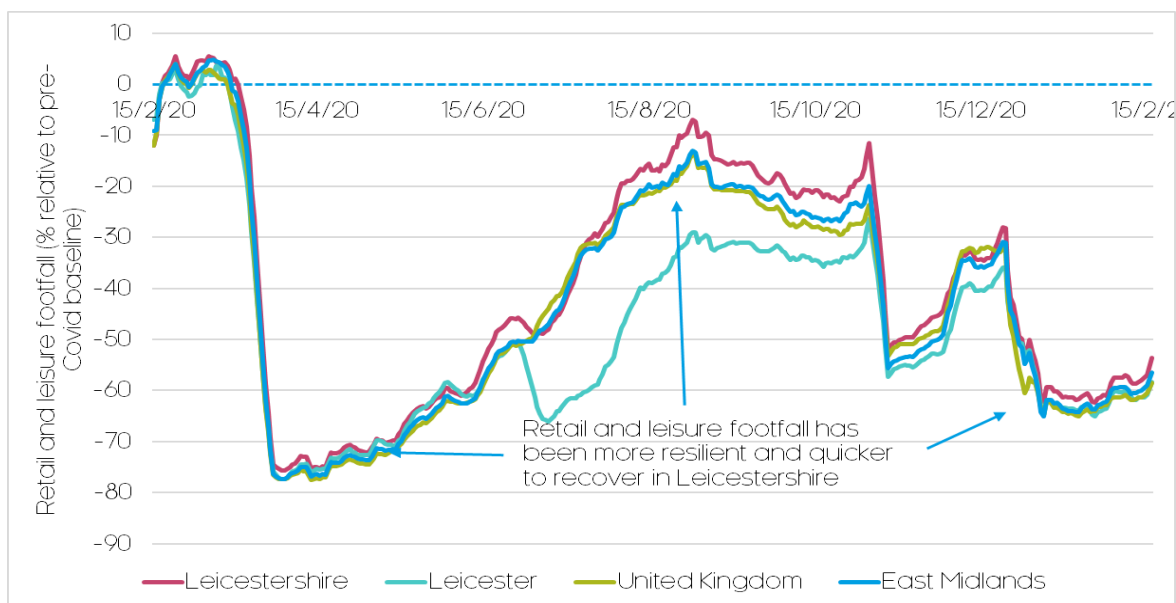
Sector	Proportion of UK businesses (surveyed Feb-21):		
	Have applied for government grants	Have received government-backed loans/finance	Using, or intending to use, furlough-related schemes
Manufacturing	23%	37%	52%
Utilities	3%	49%	64%
Construction	15%	38%	50%
Wholesale & retail	43%	35%	57%
Transportation & storage	5%	29%	28%
Accommodation & food service	73%	43%	69%
Information & communication	4%	28%	24%
Real estate	19%	17%	44%
Professional, scientific & technical	8%	27%	33%
Administrative & business support	15%	29%	49%
Education	24%	36%	52%
Health & care	19%	32%	35%
Arts, entertainment & recreation	37%	16%	48%
Other services	81%	41%	85%
<b>All Industries</b>	<b>25%</b>	<b>32%</b>	<b>46%</b>

Source: ONS, Cambridge Econometrics. Note: data UK-wide.

<sup>4</sup> WTCC (2020), [WTTC says UK looks set to lose £22 billion from missing tourists and visitors due to pandemic](#)

**Figure 3.3.6: Tourism revenues in Leicester and Leicestershire (2008-20)**

Source: VisitBritain, WTTC, Cambridge Econometrics.

**Figure 3.3.5: Retail and leisure footfall relative to pre-Covid baseline (2020-21)**

Source: Google, Cambridge Econometrics. Note: 7-day rolling average.

Figure 3.3.5 shows that retail and leisure footfall<sup>5</sup> in Leicester and Leicestershire has been up to 80% lower during the pandemic. Accompanying this has been a shift to online shopping, with the city of Leicester seeing the sixth largest swing to online in the UK (accounting for 25% of all retail spend in the city)<sup>6</sup>. Despite this challenging environment, Leicestershire's high streets have proven resilient; by September, footfall in the county had almost recovered to pre-Covid levels, outperforming national and regional trends,

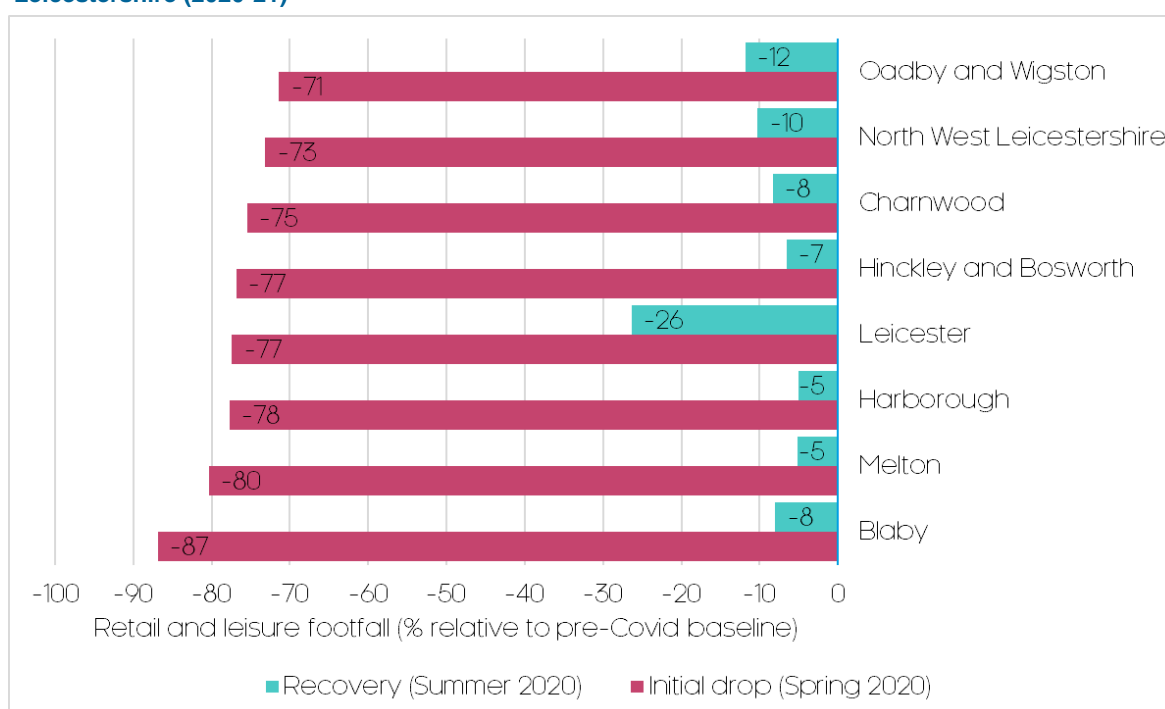
<sup>5</sup> Excluding supermarkets and pharmacies.

<sup>6</sup> Centre for Cities (2020), [How have coronavirus and lockdown impacted online shopping in cities?](#)

which it has since stayed above. Leicester's footfall performance reflects its extended lockdown period.

Spending that hasn't moved online has also been observed shifting spatially, moving away from large city centres to suburbs and smaller towns, closer to where people live. This has had implications for 'Pret economy' vendors reliant on commuting and office trade, particularly in the city of Leicester, where even during the Summer footfall remained 26% below normal. In contrast, there was an improved performance in suburban and rural districts (Figure 3.3.7), with footfall flourishing in some smaller/market towns.

**Figure 3.3.7: Retail and leisure footfall relative to pre-Covid baseline across Leicestershire (2020-21)**



Source: Google, Cambridge Econometrics. Note: 7-day rolling average.

### **Innovative and international businesses have faced their own challenges**

Innovative and research-led businesses have not been immune to the economic challenge; key impacts - uncovered in a survey of over 70 innovative SMEs – include a drop in demand (52% of businesses), delays in product/service trials (2%), limited access to R&D facilities (5%), and the subsequent need to cut costs. Despite this, 10% of businesses have identified growth opportunities relating to the pandemic and Brexit.<sup>7</sup> Similarly, analysis shows the majority of innovative SMEs are in higher end markets less negatively impacted than other sectors.<sup>8</sup>

Beyond these short-term effects, there are longer-term concerns relating to innovation and research moving forward, particularly relating to the relationship between innovation and homeworking, with a large body of evidence linking physical proximity and interactions to higher levels of

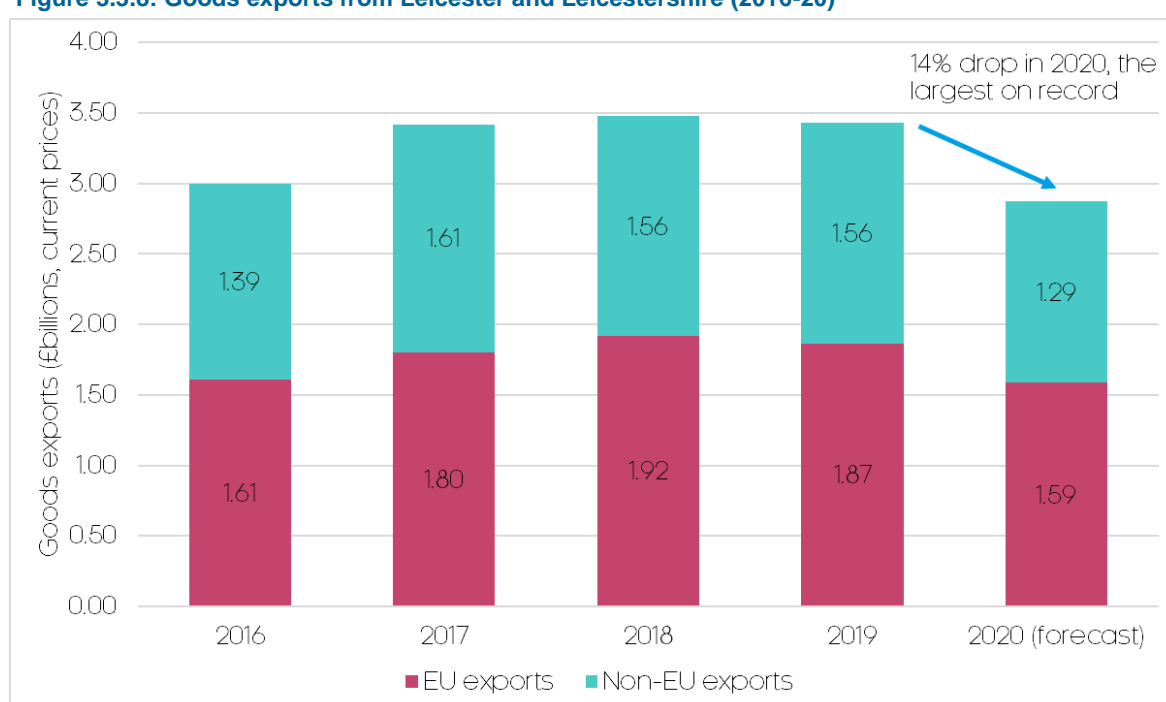
<sup>7</sup> Tbc

<sup>8</sup> Tbc

innovation.<sup>9</sup> Concerns have also been raised regarding the implications for research funding and capacity as a result of Brexit and the pandemic, particularly within higher education institutions.<sup>10</sup>

Given the global dimension of the pandemic, international-facing businesses have also experienced a discernible impact, compounded by the end of the EU transition period. The value of goods exported from the UK declined by 16% throughout 2020 – the largest drop since comparable records began. For the 5,500 exporting businesses in Leicester and Leicestershire, this would equate to a drop in annual exports from £3.4 to £2.9 billion (see Figure 3.3.8). Import values dropped by a similar amount, though by the end of 2020 they had recovered to pre-Covid levels, in contrast to exports, which were still 11% lower.

**Figure 3.3.8: Goods exports from Leicester and Leicestershire (2016-20)**



Source: HMRC, ONS, Cambridge Econometrics. Note: goods exports only (excludes services).

Two-fifths of exporters and a third of importers are exporting/importing less than normal, with a quarter reporting severe business disruption as a result. And as Table 3.3.4 shows, the impacts have been acute for certain sectors; 25% of manufacturing firms have faced additional costs due to Brexit, whilst 12% have been unable to get goods, services, or material from the EU as normal. Pre-Covid, 54% of Leicester and Leicestershire's goods exports and 52% of imports were to the EU, compared to UK averages of 46% and 53% respectively, with some 4,200 Leicester and Leicestershire businesses reliant on EU imports.

<sup>9</sup> Economics Observatory (2020), [Who can work home and how does it affect their productivity](#)

<sup>10</sup> Royal Society (2021), [Brexit and UK science](#)

Table 3.3.4: Trade impacts during the Covid-19 pandemic

Sector	Proportion of UK businesses (surveyed Feb-21):			
	Exporting less than normal	Importing less than normal	Unable to get goods, services, or material from the EU as normal	Experiencing additional costs due to Brexit
Manufacturing	41%	33%	12%	25%
Utilities	36%	4%	1%	8%
Construction	23%	32%	7%	5%
Wholesale & retail	58%	41%	17%	23%
Transportation & storage	19%	13%	1%	12%
Accommodation & food service	N/A	15%	0%	13%
Information & communication	36%	21%	5%	7%
Real estate	N/A	N/A	0%	4%
Professional, scientific & technical	31%	20%	3%	7%
Administrative & business support	44%	35%	4%	10%
Education	72%	30%	1%	1%
Health & care	6%	77%	6%	5%
Arts, entertainment & recreation	22%	49%	13%	9%
Other services	N/A	10%	23%	13%
<b>All Industries</b>	<b>42%</b>	<b>33%</b>	<b>8%</b>	<b>11%</b>

Source: ONS, Cambridge Econometrics. Note: data UK-wide.

### 3.4 Workshop findings

Three workshops were held to discuss sectors, business and innovation issues in March 2021. The main findings from these workshops were as follows.

The workshop findings reflect the perceptions and views of attendees, and sometimes reflect the range of views and debate.

#### **Previous challenges that remain relevant, with updated insights:**

Much of the workshop discussion concerned issues where there has been a history of challenges, and strategies and activities to address them.

*The MIT REAP programme report* provides an up-to-date analysis and strategy to support enterprise and innovation. The “beacons and bootstraps” approach was discussed, with reflection that perhaps there was insufficient support for the bootstraps, and that perhaps some of the beacons were too quick to sell off their company once they reached a certain size.

*Which businesses to prioritise support for* was an area of lively discussion. There was some consideration that mid-sized firms with growth aspirations lacked support, compared to start-ups and high-tech firms. The needs of rural business were also emphasised in terms of their ability to access support, business premises needs, and the rural challenges of broadband access, and securing and developing workforce skills.

*Confusion over enterprise support* was discussed as a concern – that SMEs still had difficulty understanding what kind of support existed, and that the proliferation of networks and technical language, even the term “innovation”, meant that many businesses didn’t think that available support was relevant to them.

*The key sectors and attack brands* continued to merit a lot of discussion and prioritisation, including Health, life sciences and pharma; Professional and business service sectors, Space and satellites, earth observation; Automotive; Sport; Natural capital and the National Forest; Logistics; existing science, technology and business parks, cyber security and professional services.

*The three universities* continued to be mentioned as a key strength for the region, and that significant progress had been made in providing business leadership and management, support, incubators, and knowledge transfer initiatives.

*Existing corporates* were viewed as an untapped opportunity. With some corporate R&D facilities and headquarters in the region, it was felt that more could be done to engage with them.

*The lack of commercial office and workspaces in market towns and town centres* was discussed as a particular challenge, and also an opportunity in terms of reconfiguring retail premises and sites.

*Barriers to digital business* include lack of rural broadband, 5G coverage and digital skills. Having a 5G testbed could be an opportunity for Leicester and Leicestershire.

*Land, premises and workspace.* Most workspaces are full, grade A commercial full, and Permitted Development Rights are removing employment premises and land. There is a lack of speculative office development in Leicester City, despite good fundamentals such as rail connectivity, workforce, and interest of professional services firms.

*The draft Local Industrial Strategy was well regarded.* Particularly in terms of in-depth needs and issues. There were some views that the draft LIS approach could be updated, improved and refined, but there was a lot of good regard for the broad substance and priorities.

### **New challenges emerging over the past 12 months:**

*A lack of readiness for digital business* was cited as being brutally exposed by the Covid-19 pandemic, including the business use of IT, digital, online sales, and skills.

*Financial robustness and readiness* of the business base was questioned in relation to the levels of indebtedness incurred during Covid-19, largely driven by government loans. There is no doubt that these loans kept many businesses afloat, but for some, servicing the debt repayments may be beyond current business operations and models. Covid-19 and the business loan support offered highlighted a lack of financial readiness and fitness amongst SMEs in Leicester and Leicestershire. There is a lack of investable propositions, interest, and financial readiness.

*International business and diaspora links* in the region were emphasised as being a great advantage, particularly in seeking new investment and trade opportunities.

*The Freeport* was regarded as an opportunity, with a chance to inform and shape the strategy paper which is currently in development.

*Lack of incentives for inward investment.* There is a lack of grants and incentives, with which to build an offer post-Brexit.

*Sectors vs. themes.* There was much mention of priority sectors, and some workshop attendees thought the focus is best made on themes or business needs – e.g. growth, finance, digital business, innovation – and apply them to sectors. It was also recognised that combining sectors, technologies, services has also resulted in some market leadership and new innovations. There were views that focused on prioritising sectors, and others suggesting that the region should focus on one-stop-shop for business that channels them according to opportunities for growth. Perhaps a fresh take on this would be to prioritise support to businesses that create jobs, have growth ambitions and want to trade internationally.

#### **Awareness of the new policy environment and how that will affect the enterprise & innovation agenda:**

*Consistency and long-term solutions needed.* It was noted during the workshops that the government's approach was often to run with policy initiatives for a few years, then to change these suddenly, as has been witnessed with the abandonment of the industrial strategy.

### **3.5 Implications and strategy priorities**

#### **Enterprise**

*The previous strategy*, the draft Local Industrial Strategy identified the following issues and priorities for enterprise and innovation.

Strengths:

- Rising business population
- Increasing start-up and survival rates
- Central location attracting logistics and distribution companies
- Retained strong manufacturing base
- Three outstanding universities, each with national and international research specialisms

Challenges:

- Many businesses are inefficient, in traditional lower value-added sectors with low productivity
- Climate change and the transition to low carbon means profound change in markets, businesses, supply chain, transportation and energy supply
- Lack of awareness of the visitor economy offer / untapped opportunity for visitor economy growth

Opportunities:



- Using existing automotive strengths to respond to the low carbon mobility challenge

Priorities:

- Raise productivity and performance across all levels of the local economy, creating healthy, efficient and competitive businesses
- Develop the sports and physical activity economy
- Support the development of the cultural, leisure and tourism offer

The MIT REAP submission, made in September 2020 also proposed the following barriers to economic development which also formed the basis of a proposed action plan:

- Tackling low productivity and low innovation in some sectors
- Converting E-cap (Educational Capability) to I-cap (Innovation Capability)
- Levering existing university involvement in start-up mentoring and knowledge diffusion into mature manufacturing firms
- Making stronger cross-sectoral connections
- Take up of finance for growth
- Spaces for cross-sectoral collaboration and drawing in other sectors and activities

This was taken forward as the “Bootstraps & Beacons” Strategy, which aims to grow Leicestershire’s economy through enabling technology diffusion within the manufacturing community (pulling them up by their bootstraps) and driving regional commercial innovation and investment through our frontier-leading Beacons of activity and businesses.

*Analysis of recent evidence and the impact of Covid-19 reveals that:*

*Accelerated and new priorities* include digital transformation acceleration, with demands for advice and support increasing markedly – with businesses now facing pressures on driving sales, revenues and cashflow, and new international trading conditions and supply chain arrangements.

*Indebtedness due to Covid-19 is a significant issue where perhaps there is lack of broader awareness.* Many business have had to take government loan support to survive during the pandemic, a large proportion of these are indebted for the first time. This has also revealed a significant lack of financial planning and readiness amongst the SME base.

## **Innovation**

*The previous strategy*, the draft Local Industrial Strategy identified the following issues and priorities for enterprise and innovation:

- Despite the significant R&D capability within the area’s three universities, two enterprise zones and major employers – the relative immaturity of the local innovation infrastructure has impeded progress towards government targets of increased R&D investment
- Response – to provide effective networks to support technology convergence across sectors and facilitate knowledge transfer between local businesses – through –



- Focus on the growth opportunities from existing areas of R&D and University excellence including space and earth observation, sport, sports science, life sciences, medtech, cyber-security, engineering and automotive

*Site and specialism development*

- Development of the pioneering R&D taking place in the area's EZs and Science and Technology Parks
- Delivering Space Park Leicester as the centre of excellence for Earth Observation and satellite technology
- Developing and expanding test facilities at MIRA Technology Park and Bruntingthorpe Proving Ground – particularly developing autonomous and electric vehicle R&D assets
- Supporting the development of SportPark and LUSEP
- Development of the Charnwood Campus Life Sciences Opportunities Zone to create clusters linked to the Shared Diagnostics and NHS Data Centre and sports science
- Develop SportPark Loughborough as a national centre of excellence in sports and science technology
- Supporting the evolving food and drink sector through embedding innovation and agri-tech into food and drink production, showcasing new approaches through the delivery of the Melton Mowbray Food and Drink Manufacturing Pilot.

*Developing the innovation ecosystem*

- enhancing the Growth Hub offer to support to SMEs to adopt new technologies and processes
- driving local R&D investment and growth in the area's breakthrough sectors and technologies;
- supporting the convergence of technologies across sectors and facilitating knowledge transfer between local businesses, particularly SMEs and
- brokering partnerships to connect innovative and ambitious businesses to Enterprise Zones, global opportunities and ecosystems.

*Analysis of recent evidence and the impact of Covid-19 reveals that:*

*Accelerated and new priorities* include the demand for, and interest in applying technology to business processes and improvements, the increased risks and difficulties accessing finance for new innovative / R&D based businesses.

**Analysis of recent evidence and the impact of Covid-19**

Summarising section 3.3, we can conclude that:

*Leicestershire's sectoral structure could insulate it from the worse of the long-term economic effects.* Pre-Covid the Leicestershire economy had a lower relative incidence of jobs in 'vulnerable' and 'very vulnerable' sectors.

*The disruption to business activity is expected to be less severe locally, but still substantial.* Short-term, such sectors have been highly reliant on furlough

and related support. There has been a slightly lower rate of decline in payrolls in Leicester and Leicestershire compared to nationally. Longer-term though there is an increased risk of job losses and business dissolutions, particularly with the reduction or winding down of any support.

*Retail, leisure and tourism are amongst the hardest hit sectors, but appear to be slightly more resilient in Leicestershire compared to the national average.* The retail, leisure and tourism sector - which accounts for a substantial 62,000 jobs in Leicester and Leicestershire - has seen a markedly steeper drop and slower recovery in activity and revenues compared to other sectors.

*Innovative and international businesses have faced distinct challenges – including a fall in demand, and reduced access to R&D facilities. Concerns have also been raised about future access to research funding, and the fall in exports.*

### **Moving forward – implications for skills and employment priorities**

*Recent skills priorities related to Covid-19 recovery, as outlined in the Economic Recovery Action Plan include:*

#### *Enterprise:*

- Putting more resources into assisting and advising enterprises through the pandemic, via the Growth Hub – and provision of on-going advice and support
- Established a Massachusetts Institute of Technology (MIT) Regional Entrepreneurial Acceleration Programme (MIT REAP)<sup>1</sup> project group comprising De Montfort, Leicester and Loughborough Universities, SMEs, Corporates, Risk Capital, LLEP Growth Hub and UKRI to drive forward innovation priorities through enabling improved connections between the area's assets in science and technology and its strong manufacturing base.
- Additional LLEP funding for low carbon technologies and enhancing support
- Responding to anticipated increase in demand for start-up support
- Commission research and business survey on the impact of Covid-19 and EU transition
- Use discretionary funding to extend availability of business grants, particularly to business unable to access other forms of support to date
- Establish peer networks to enhance resilience and recovery
- Support for digital transformation
- Develop a comprehensive roadmap for the zero-carbon economy

#### *Innovation:*

- Establish and resource the LLEP Innovation Board to drive forward accelerated innovation priorities
- Develop sector-focused accelerator programmes to channel innovation in bootstrap and beacon sectors

- Identify and action quick win creation of new spaces for knowledge exchange
- Support improved engagement between universities and businesses
- Enhance collaboration with HE and FE to help the manufacturing workforce adopt new technologies
- Engage with low carbon innovation programmes to ensure relevance to local businesses and industries

*Additional observations and priorities have been identified as follows*

- Continued monitoring and business intelligence on the impacts of Covid-19 and EU transition are essential. There is much uncertainty over the shape and nature of recovery, and the challenges and opportunities facing business.
- In the shorter term, quite rightly the concerns about ensuring business survival, business indebtedness and continuity need to be met with effective responses, but the longer-term challenges and solutions considered in the MIT REAP report should be pursued
- The range of sectors and business issues and initiatives has proliferated. The need for the Growth Hub and business advisory services to navigate businesses through the support network would seem to continue to be needed as a priority
- Digital transformation continues to be a priority business need, that has accelerated over the past 12 months. This could be used as a way of introducing other performance improvements such as digital accounts, HR and customer management
- It will probably be necessary to ensure that a clear range of business support solutions are available that are relevant, accessible and adaptable to a range of sectors and types of business across a range of needs such as accommodation, finance readiness, low carbon, innovation, skills and HR, as it will be difficult to provide separate services to each and every sector or type of business.
- Finally – the digital transformation of business support services is probably an area to explore, as it can provide the means to connect and tailor a wide range of support to individual businesses, and allow some degree of ‘self-service’ for advisory and learning resources.

## 4 Employment and skills

### 4.1 Introduction

This Chapter considers evidence and previous strategies for employment and skills in Leicester and Leicestershire and analyses recent evidence on the impacts and implications of Brexit and the Covid-crisis.

### 4.2 The 2020 baseline

#### Trends and characteristics before the Covid-19 pandemic

The Leicester and Leicestershire area has a population of 1.05 million with ethnic and cultural diversity being a prominent feature. The area has experienced rapid population growth since 2000 – with population increasing by 164,000 or 0.9% per annum (UK=0.7%), with much of the increase fuelled by migration. Between 2000 and 2017, net migration was +95,000 residents – representing 58% of population growth. Population growth has helped to expand the working-age population, with 63.2% of residents of working age – the highest amongst the 10 Midlands LEPs and 0.6% above the UK average.

The Leicester and Leicestershire area has experienced strong employment growth, with growth of 8.8% over the 10-year period (2008-2018), with a total of 538,100 jobs in 2018. Unemployment in 2018 was low, with a 1.4% claimant unemployment rate.

The LLEP Skills Evidence Base (2020) revealed a number of key trends and features of the local labour market:

- A larger and younger working age population compared to the national average
- Rates of inactivity (21%) were the same as the national average.
- ILO Unemployment, at 3.4% was lower than the national average of 3.9% in March 2020. The rate of unemployment was notably higher in Leicester (4.7%) than in Leicestershire (3.1%).

Leicester and Leicestershire has lower rates of qualifications attainment, on average, but this is significantly affected by the lower rates of qualifications attainment in Leicester. 38.1% of working age adults in Leicester and Leicestershire had a qualification at NVQ4 or above, compared to the national average of 40.3% in GB. However – in Leicester, 33.2% of the working age population had a qualification at NVQ4 or above, compared to 40.8% in Leicestershire.

More students in Leicester and Leicestershire also go on to progress in education. In 2017/18, 65 per cent of students at the end of Key Stage 5 left to another education destination, four percentage points higher than in England.

Like many other localities, the take up of Apprenticeships has declined markedly in recent years – with Apprenticeship starts in 2017/18 declining by one-third compared to the previous academic year.

An over-arching trend in Leicester and Leicestershire has been occupational change between 2013 and 2017 with growth in Managerial, Professional and

Technical occupations of +57,600 employees, compared to a loss of 17,200 Administrative and Skilled Trades employees. Service Occupations (including caring, sales, customer service) grew by +10,000 employees over this period, as did Machine operatives and elementary occupations, growing by +11,900.

Once we include replacement demand (which estimates the need to replace those leaving the workforce permanently) into estimates of labour demand, there is forecast to be 165,600 job openings between 2017 and 2023 in Leicester and Leicestershire – comprised of – 146,150 job openings due to replacement demand and 19,450 due to expansion demand (new jobs).

Employer surveys revealed that the majority of employers (71%) had no problems recruiting, and of those that did – the most common difficulties were a lack of applicants with the right skills.

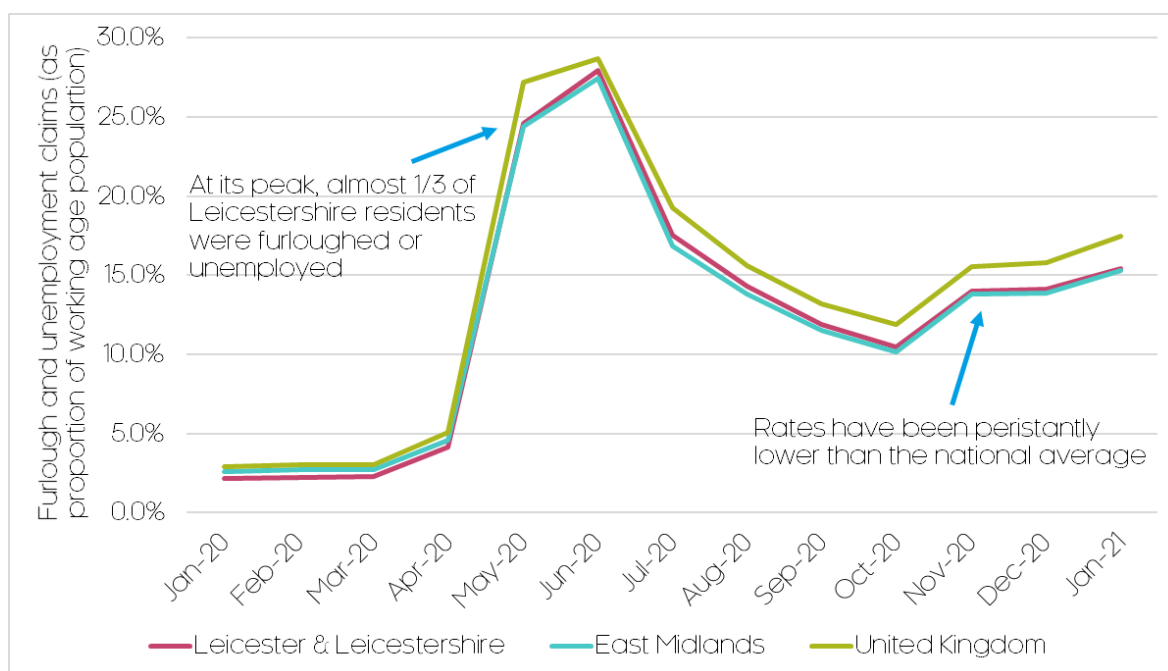
In sum, the draft Local Industrial Strategy concluded that the proportion of low qualified, entry level jobs in the region is higher than the national average, leading to underutilisation of the skills available and suppressing pay levels in the area. Conversely, where specific advanced technical skills are required, there is a corresponding shortage of qualified technicians to meet the demands of our high value-added sectors. Leicester is ranked 32nd of the most deprived local authority areas and those who live in disadvantaged circumstances have a wide range of health issues which impact on life expectancy and economic activity.

### 4.3 Recent trends and outlook

The economic crisis related to the pandemic and Brexit have presented an unprecedented challenge for local labour markets. The scale of the impact, and the potential for recovery, varies across sectors, areas, and cohorts, which will have implications for skills provision and development.

#### **The labour market impact has been substantial, though Leicester and Leicestershire has fared better than others**

As observed in the previous chapter, Leicester and Leicestershire's favourable sectoral structure could insulate the county from the worse of the labour market impacts; within the UK, Leicester and Leicestershire saw the joint-lowest decline in employer payrolls (out of 41 areas), whilst the proportion of residents furloughed or unemployed has been persistently lower than the national average (see Figure 4.3.1). Hours worked and wages have also been more resilient.

**Figure 4.3.1: Furlough and unemployment claims (2020-21)**

Source: HMRC, ONS, Cambridge Econometrics.

The scale of the impact remains substantial, and the prolonging of the pandemic could add to this strain; at least 103,000 people – almost 1 in 5 Leicestershire residents - were out of work in January 2021 (two-thirds of whom were furloughed, and technically still in paid employment). The 34,000 unemployment claims recorded in January 2021 eclipses the 25,000 experienced during the peak of the 2008-09 recession.

Within Leicester and Leicestershire, the labour market impact has largely been a 'Leicester story'; 4 in 10 of those out of work in the county reside in the city, which has accounted for half of all new unemployment claims in Leicester and Leicestershire, and saw the largest increase in claims across the whole of the East Midlands. As Figure 4.3.2 shows, these increases have largely been within deprived parts of the city already afflicted with high levels of worklessness and deprivation. Away from Leicester, local labour markets have largely been resilient.

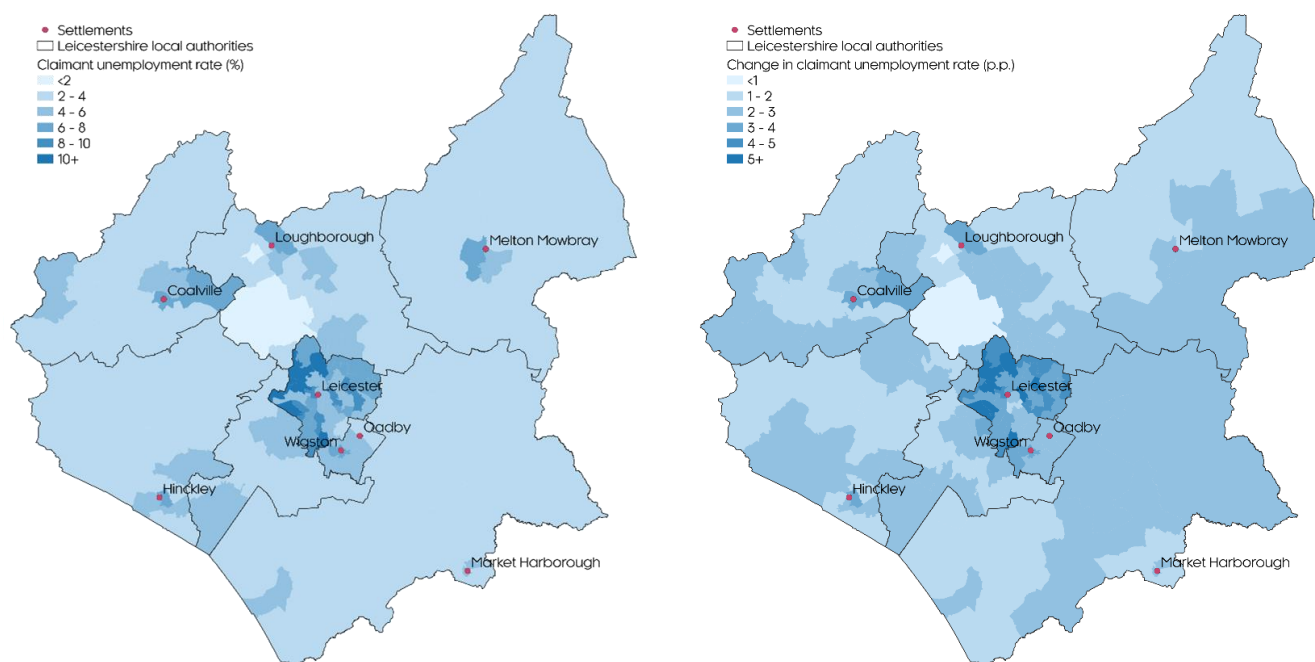
### **Flexible and self-employed workers have been the hardest hit employment group**

At the start of 2020, 67,000 Leicester and Leicestershire residents were self-employed, whilst 25,000 were employed on flexible contracts. The impact of the pandemic for these employment groups has been significant; close to two-thirds have reported having less work than usual,<sup>11</sup> whilst self-employed earnings are set to be a third lower during the crisis.<sup>12</sup> Solo and older workers have been the most affected, whilst app-based employees have seen less of an impact. Up to a fifth consider it likely that they will leave self-employment – a potential reduction of 13,000 self-employed in Leicester and Leicestershire.

<sup>11</sup> Centre for Economic Performance (2020) [Covid-19 and the self-employed: six months into the crisis](#)

<sup>12</sup> Centre for Cities (2020), [How will Coronavirus affect jobs in different parts of the country?](#)

**Figure 4.3.2: Claimant unemployment rate (Jan-21, left) and change in claimant unemployment rate (Feb-20 to Jan-21 right) across Leicestershire (MSOA level)**



Source: ONS, Cambridge Econometrics.

Though benefitting from renewed support (notably the Self-Employment Income Support, SEISS), in contrast to the furlough scheme, this has been regarded as poorly targeted and avoiding those most in need.<sup>13</sup> Within Leicester and Leicestershire, take-up has been broadly in line with regional and national averages, though still equating to a substantial volume; in January 2021, 64% of Leicestershire self-employed were still claiming SEISS, with an average claim of £2,800. This was down from its peak of 77% in July 2020, though it is believed 1 in 5 claimants at this time had not suffered any income loss<sup>14</sup>.

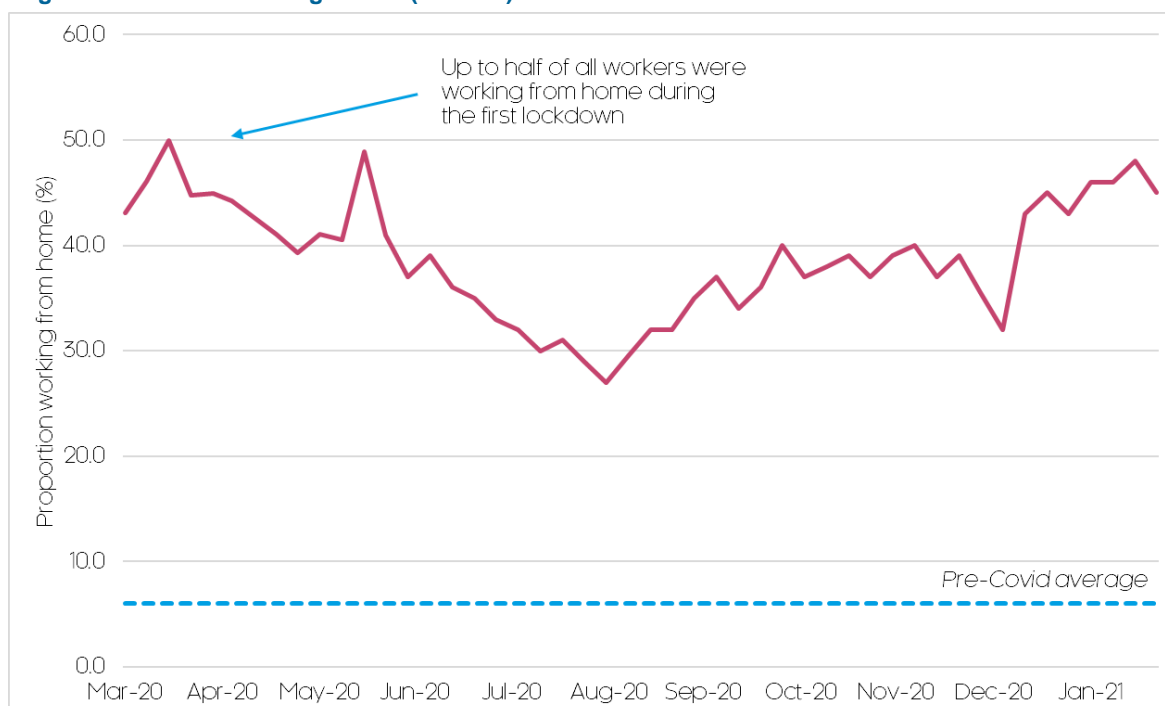
### **Homeworking potential is high in Leicester and Leicestershire, though workers have been quick to return to the workplace**

The pandemic, and associated 'lockdown' measures, have ushered in an unprecedented change in the way people work, almost overnight. As Figure 4.3.3 shows, at its peak in April, half of all workers were regularly 'working at home' in any given week, either exclusively or partially; pre-lockdown, the average was only ever 6%. Even with the easing of restrictions, this proportion barely dipped below a third, multiples of its pre-Covid average.

<sup>13</sup> Resolution Foundation (2020), [Self-Employment Support Scheme pays out over £1.3 billion to thriving businesses, but nothing to 500,000 left without work](#)

<sup>14</sup> Ibid.



**Figure 4.3.3: Homeworking trends (2020-21)**

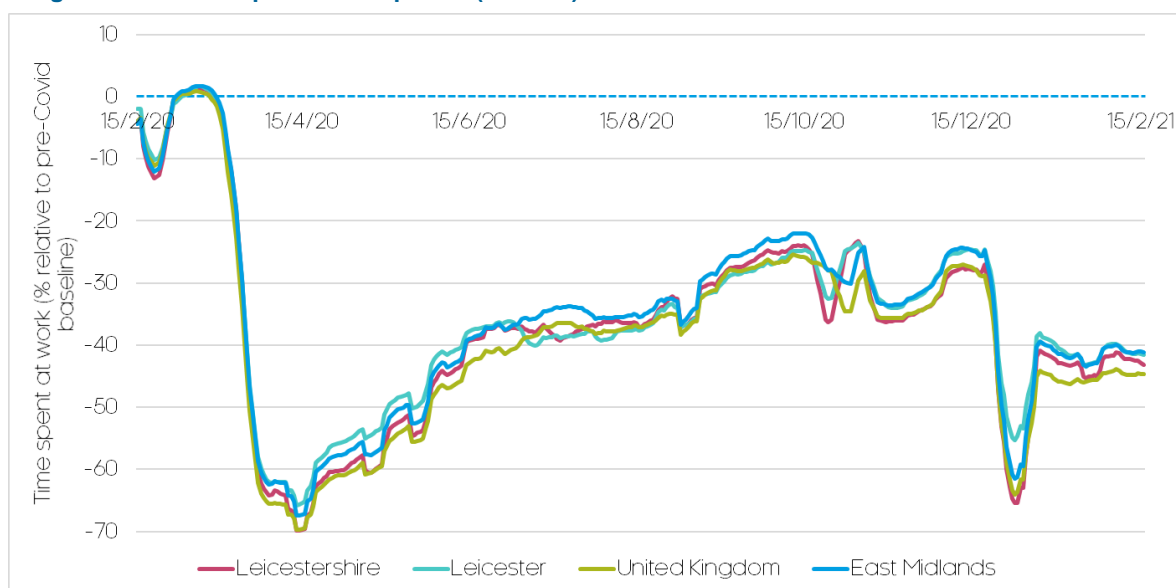
Source: ONS, Cambridge Econometrics. Note: data UK-wide.

It is estimated 4 in 10 (39%) Leicester and Leicestershire jobs can be easily done from home,<sup>15</sup> a higher proportion than regional and national averages (36% and 38% respectively). Resultantly, as Figure 4.3.4 shows, workers in Leicestershire have spent up to 70% less time at work. They have however been quick to return to the workplace, and by the Autumn, time spent at the work was only 23% below its pre-Covid baseline (nationally, it was still down by 30%).

Working patterns within the county have varied; workers in Blaby and Charnwood saw the largest falls in time spent at work (dropping by 70% and 71% respectively), reflecting the high homeworking potential in these areas (with 43% and 40% of local jobs easily done from home, the highest proportions in the county). Workers in Leicester have been the least likely to avoid the workplace (dropping only 66%), despite high homeworking potential (39% of all jobs) and stricter mobility restrictions in the city.

<sup>15</sup> Adapted from: Dingel & Neiman (2020), [How Many Jobs Can be Done at Home?](#)



**Figure 4.3.4: Time spent at workplaces (2020-21)**

Source: Google, Cambridge Econometrics. Note: 7-day rolling average.

Though the short-term trends and implications of this shift in working are clear, there is a large amount of uncertainty regarding whether this will be sustained and what the longer-term impacts might look like. This will largely depend on how durable and widespread the shift to homeworking turns out to be. Surveys of workers and businesses suggest increased homeworking is likely to persist, probably under a hybrid mode, though this will not be on the same scale as peak-pandemic, whilst the pattern will vary across different sectors and firms.

The shift to homeworking could also exacerbate the existing digital skills divide in the UK; less than half of employers believe new entrants to the workforce were arriving with the necessary advanced digital skillset, whilst up to three-quarter are reliant on digital skills to maintain profitability.<sup>16</sup> With the pandemic causing firms to shift an increasing amount of work on to digital platforms, a shortage of the necessary skills could stymie the recovery, and widen inequalities in the labour market.

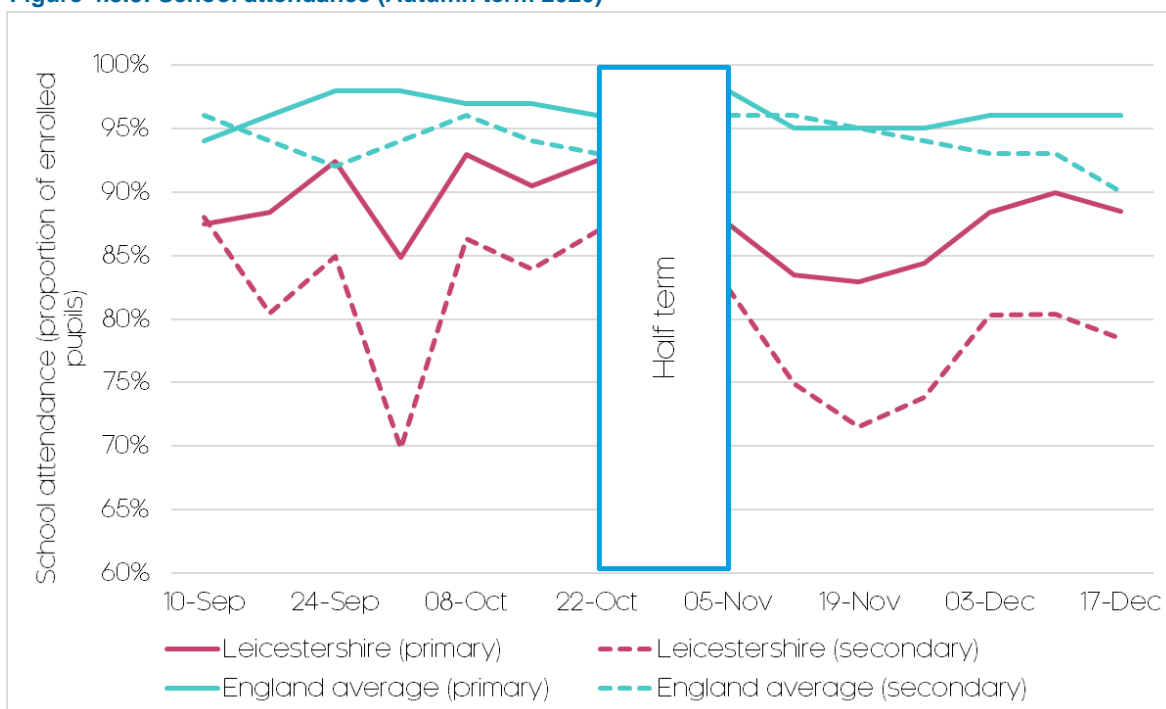
### **The skills impact is uncertain, though disruption to teaching has been greater in Leicestershire**

Though it may be too soon to understand the true scale of the skills impact, those in education, particularly children, have had to contend with an unprecedented change and upheaval in how they are taught, assessed and progress. Of particular concern is the distribution of any negative impacts, which could exacerbate and entrench already existing disparities within the education system.

<sup>16</sup> BBC (2021), [UK 'heading towards digital skills shortage disaster'](#)

As Figure 4.3.5 shows, pupils in Leicestershire have already been much more likely to experience school closures and interruptions to teaching than peers, creating potentially unrecoverable gaps in learning. UNESCO stresses the high and wide ranging social and economic costs of school closures for both pupils and their communities, particularly those already vulnerable and marginalized.<sup>17</sup> The Sutton Trust has reported 15% of teachers in the most deprived schools believe students lack adequate home learning resources, compared to 2% in the most affluent, and they are also twice as likely to say students are sending in work of much lower quality than normal.<sup>18</sup>

**Figure 4.3.5: School attendance (Autumn term 2020)**



Source: DfE, Cambridge Econometrics.

The 60,800 students across the three universities in the county (Leicester, De Montfort and Loughborough) have also had to contend with an upheaval in how they are taught and assessed. Given the strength and size of the higher education sector in Leicestershire, the potential ramifications of the pandemic and Brexit could be significant<sup>19</sup>:

- for universities, this could include reduced income streams, lower enrolment – especially international - and reduced research funding/capacity;
- for students, this could include less rigorous teaching and assessment, and reduced employment opportunities (short-term); and
- for the wider dependent community (e.g. graduate employers, landlords, and leisure and retail businesses), this could include reduced demand for local goods and services.

<sup>17</sup> UNESCO (2020), [Adverse consequences of school closures](#)

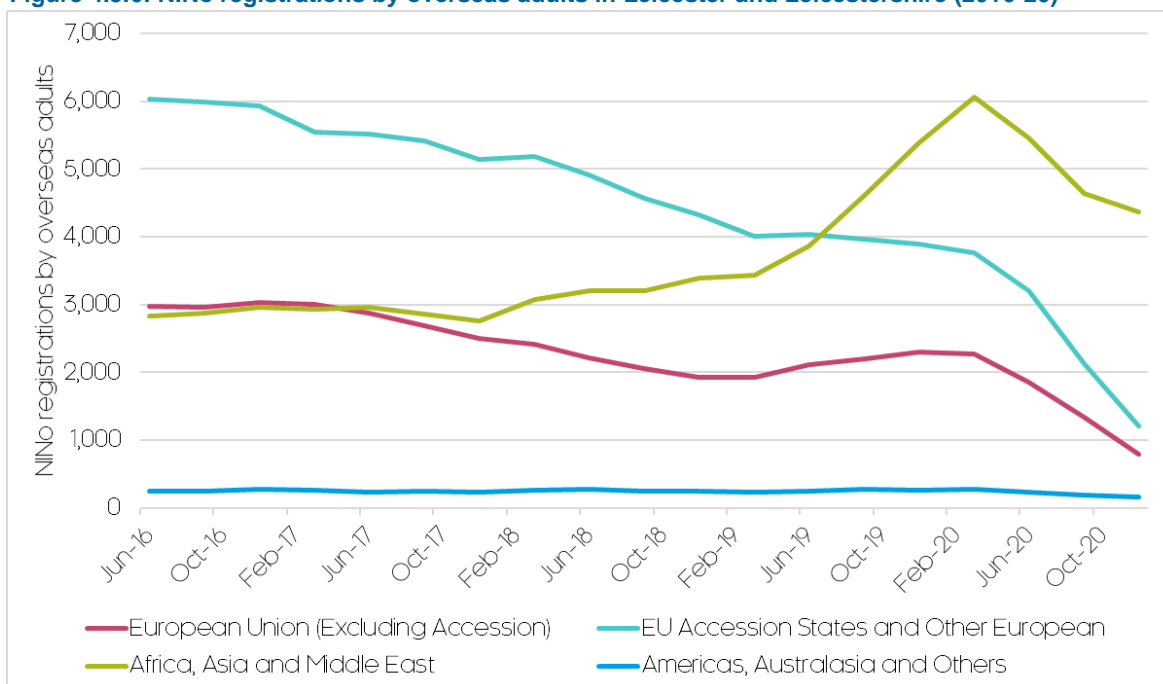
<sup>18</sup> The Sutton Trust (2020), [COVID-19 Impacts: School Shutdown](#)

<sup>19</sup> The EIU (2020), [Covid-19: the impact on higher education](#)

## Overseas labour arriving in Leicestershire has plummeted, and has the potential to exacerbate skills shortages

The reduction and relocation of working opportunities as a result of Brexit and the pandemic has seen a significant decline in overseas labour arriving in Leicester and Leicestershire. As Figure 4.3.6 shows, NINo registrations to overseas adults dropped substantially through 2020; after peaking at a record 12,400 registrations in March, by December, registrations were running at half this rate. A sharp decline in registrations from European nationals (both EU and non-EU) accounted for almost three-quarters of this drop.

**Figure 4.3.6: NINo registrations by overseas adults in Leicester and Leicestershire (2016-20)**



Source: DWP, Cambridge Econometrics. Note: quarterly data for preceding 12 months.

Pre-Covid, 14% of the Leicestershire workforce were non-UK nationals, higher than the national average of 12%, and a three-fold increase on 2005 levels. Analysis has shown that five sectors – whom already have established skill shortages and gaps - are more likely to rely on overseas labour, and are thus more exposed to any changes in migration trends and policy moving forwards.<sup>20</sup> These include:

- Distribution, Hotels and Restaurants
- parts of Manufacturing (Textiles and Food and Drink)
- parts of Banking, Finance and Insurance (Shared Services)
- parts of Public Admin, Education and Healthcare (in particular Social care)
- Agriculture, Forestry and Fishing

These sectors account for approximately 22% of jobs in Leicester and Leicestershire. If such sectors are unable to attract suitable labour in the future – particularly if such inflows do not recover - significant skills shortages and gaps could emerge; pre-Covid, 1 in 5 vacancies in Leicester and

<sup>20</sup> The Migration Observatory at Oxford University (2015)

Leicestershire were already going unfilled due to skills shortages, whilst two-fifths of affected employers were reliant on non-UK labour to overcome such shortages.

#### 4.4 Workshop findings

Three workshops were held to discuss employment and skills issues in March 2021. The main findings from these workshops were as follows.

The workshop findings reflect the perceptions and views of attendees, and sometimes reflect the range of views and debate.

##### **Previous challenges that remain relevant, with updated insights:**

Much of the workshop discussion concerned issues where there has been a history of challenges, and strategies and activities to address them.

*Low skill, low pay jobs* continued to be of concern, with the perception that this was not being improved by a better qualified cohort of young people entering the labour market. There was some discussion as to how far this situation reflected the activities and size of SMEs in the region, and whether there needed to be more activity to address the ‘demand side’ in terms of helping SMEs improve business performance, understand their skills needs and upgrade their HR practice.

*Youth transitions* were discussed, particularly the issue of youth aspirations versus the actual local jobs on offer. Many commentators, who were at the sharp end of finding youth placements on work experience commented on how difficult it was to find placements with employers, particularly during the Covid-19 pandemic. This is likely to pose further challenges for T-Levels, which have a significant component of work experience.

*Apprenticeships* were recognised as an urgent priority in terms of the decrease in uptake both pre- and during Covid-19, and in the difficulties that SMEs have with the Apprenticeship Levy and bureaucracy of apprenticeships.

*Graduates*, in particular improving graduate skills in the economy and improving the graduate retention rate were significant areas for discussion, with insights from the Universities, who have established targets and activities to increase this.

*Mobility and travel-to-work* were issues, particularly relating to young workers and rural workers accessing jobs in science, technology and business parks. In terms of Covid-19 – the decline in public transport use and services was highlighted as a particular risk if services were not restored in time.

*Low carbon and sustainable skills* – the fundamental issue seems to be the lack of a framework or informed plan for the transition to low carbon. There are some fairly well-known needs, such as retrofitting existing buildings, but the critical mass of legislative change, incentives, and delivery have yet to emerge.

**New challenges emerging over the past 12 months:**

*The transition from European Funding* was highlighted as a real issue in terms of addressing gaps in the education and training system, and helping young people and disadvantaged communities remain close to the labour market, activities traditionally funded by ESF projects.

*Labour supply constraints* were discussed, including the return of EU workers to home countries during the Covid-19 pandemic and due to Brexit, and the uncertainty of whether a large fall in EU worker availability will become the norm.

**Awareness of the new policy environment and how that will affect the skills and employment agenda:**

*The Adult Skills White Paper* was mentioned in terms of the proposed loans for adult learning, which was seen as a major barrier to encouraging career change and retraining; and to the proposed clawback of Adult Education Budget funds from FE Colleges, which creates significant financial risks.

*The retendering of National Careers Service projects and services* was seen as an opportunity for better integration of adult and young people's careers advice, including establishing better working arrangements with CEC / Careers Hubs to better enable all-age guidance services in one place.

*Capital grant programmes* are a major feature of the central government funding landscape, and there was some concern over a lack of funding for education, training and employability needs.

*There was some desire to have more influence, and to innovate with the provision of Apprenticeships.* For example, Loughborough College now has a dedicated team for SMEs working on introducing T-levels; and has been looking into Flexi-apprenticeships – where the college holds the apprenticeship, and the clients are SMEs.

*Improve support for business in workforce development,* recruitment and HR, including improving how we relate business development and growth campaigns and support more directly to skills and HR. Also the need for dedicated support staff and services was mentioned – to help SMEs with apprenticeships – particularly with respect to the IT / digital aspects now required by DWP. SMEs could have a graduate programme – and we need to get beyond the mindset that graduate recruitment is not for SMEs. Perhaps some kind of employer's youth charter would provide a vehicle for these aims? This would commit them to engaging with schools, graduate internships, etc and in return they get support.

*Expand the skills and employability offer* by providing and embedding skills for life that will enhance the employability of individuals – including enterprising skills, innovation skills, soft skills, communication skills. Keeping young people near the labour market post-covid – will need a selection of interventions / initiatives.

Some workshop attendees thought that much could be *learnt from other localities* who have made progress in skills and youth transitions - places like Leeds and Manchester who have tried to develop and implement more coherent, integrated services for young people, careers and employability.

The need to further *engage with growing sectors* was emphasised, such as the need to continue engagement with the logistics sector and SEGRO.

*Better connecting employers and education institutions was discussed.* This would require a more comprehensive and integrated approach to school careers education, subject and careers choice, and matching people to jobs.

*Transitioning into new funding programmes and priorities* was regarded as a huge challenge, given the significant funding ESF gives to youth transition and employability initiatives. For some, this represented an opportunity to provide mainstream services rather than time limited projects that had to be differentiated in each funding round.

*Low Carbon* issues were discussed, such as the provision of low carbon training and support for young people; and the idea of having low carbon and sustainability in every aspect of training.

## 4.5 Implications and strategy priorities

### Existing strategies

*The previous strategy*, the draft Local Industrial Strategy and the current Local Skills Plan have identified the following issues and priorities:

#### *Strengths*

- Favourable demand conditions - Science and Technology Enterprise Zones and skills and jobs demand from high technology businesses; growing logistics sector
- Diverse economy without over-reliance on one single sector or a few large employers
- Diverse workforce which is linked to entrepreneurship, innovation and creativity
- High level of business start-up activity
- Three outstanding universities, each with national and international research specialisms, 60,000 students and 19,000 graduates per annum
- Established FE provision in 4 FE colleges for 50,000 young people each year
- Enterprise Adviser Network was created in 2016 to create lasting connections between local businesses and schools
- Success in establishing one of 20 Careers Hub pilots in 2018, and successful establishment of Employment Hub, Construction Skills Hub, Youth Employment Hub, Ex-Offender Hub)
- Skills Advisory Panel

#### *Challenges*

- Transition from labour intensive economy to high-skilled, high paid economy
- Preparing for the fourth industrial revolution
- Slowing population growth and declining working-age population, including reduced migrant labour supply

- Higher rates of inactivity compared to the national average
- High rates of replacement demand due to an ageing population – 146,150 job openings will be created. Particularly high in manufacturing, health and social work, and retail
- Lower share of well-qualified residents. 33.4% had NVQ4+ qualifications (vs. 38.3% in England), with it forecast that 42% of jobs will require NVQ4+ qualifications by 2030 Large share of low-skilled, entry level, low paid jobs compared to national average
- Graduate retention is also lower than average
- Underutilisation of skills available
- Shortage of skills supply for advanced technical skills
- Skills mismatch between supply and demand
- Slow growth in apprenticeship uptake and starts
- Increasing importance of social media, digital literacy and data skills in future
- Deprivation in Leicester

Current skills and employment priorities, as outlined in the 2020 Local Skills Plan include:

- *Cross cutting / golden threads – principles for prioritisation or considering strategy solutions and actions:*
  - *Place*
  - *Green recovery*
  - *Digital*
  - *Inclusive growth and wellbeing*
- *Integration/cooperation*
  - Development of an integrated FE and HE employer-led skills system, with closer working between FE and HE to provide clear local skills progression pathways in high value industries from school through to HE and for workers made redundant from contracting industries
  - Utilise these pathways to fill high value employment opportunities within the Leicester and Leicestershire Enterprise Zones
  - Develop an integrated FE and HE employer-led skills infrastructure for the low carbon, health, life sciences and logistics sectors
  - Development of a Training Provider Forum
  - Implement an Institute of Technology
  - Establish a Digital Skills Partnership
  - Apprenticeship Action Plan to address decline in apprenticeships
  - Continue to develop the new Skills Advisory Panel
- *Graduate retention*
  - Improve graduate retention and attraction



- *Inclusion and health*
  - Develop and build on local projects/ services to address inclusive growth (Employment Hub, Construction Skills Hub, Youth Employment Hub, Ex-Offender Hub)
  - Further develop and enhance the Enterprise Adviser Network and Careers Hub
  - Utilise health, sport and natural assets to promote healthy living
- *Skills demand, skills development and HR practice*
  - Improve leadership and management skills in entrepreneurs and SMEs
  - MIT REAP project to facilitate SME training programmes for technology and productivity
  - Continue skills development for key sectors such as Space, Engineering and construction, Automotive, Logistics, STEM, Health and social care
- *Low carbon*
  - Develop capacity to provide training for low carbon technologies
- *Support government initiatives*
  - Kickstart
  - Restart
  - Adult Lifetime Skills Guarantee
- *Informed*
  - Continue to produce current and accurate labour market intelligence
- *Flexible*
  - Maintain flexibility and agility to adapt response as the challenges emerge from the end of the pandemic and changes due to Brexit

### **Analysis of recent evidence and the impact of Covid-19**

*On aggregate, labour market impacts have been substantial, with Leicester and Leicestershire faring slightly better than the UK average.* The main findings from the analysis of the impacts of Covid-19 and Brexit in this chapter revealed that the labour market impact has been substantial, though Leicester and Leicestershire has fared better than others due to the industrial structure of the economy and employment.

*Significant concentrations of impact in Leicester.* Within Leicester and Leicestershire, the labour market impact has largely been a ‘Leicester story’; 4 in 10 of those out of work in the county reside in the city, which has accounted for half of all new unemployment claims in Leicester and Leicestershire. These increases have largely been within deprived parts of the city already afflicted with high levels of worklessness and deprivation.

*Flexible and self-employed workers have been the hardest hit employment group.* The impact of the pandemic for these employment groups has been



significant; close to two-thirds have reported having less work than usual, whilst self-employed earnings are set to be a third lower during the crisis.

*Homeworking potential is high in Leicestershire*, though workers have been quick to return to the workplace. It is estimated 4 in 10 (39%) Leicester and Leicestershire jobs can be easily done from home, a higher proportion than regional and national averages (36% and 38% respectively).

*The skills impact is uncertain, though disruption to teaching has been greater in Leicestershire*. Pupils in Leicester and Leicestershire have already been much more likely to experience school closures and interruptions to teaching than peers, creating potentially unrecoverable gaps in learning.

*Overseas labour arriving in Leicestershire has plummeted, and has the potential to exacerbate skills shortages*. NINo registrations to overseas adults halved in 2020 compared to 2019 - with EU citizens making up three-quarters of this fall. Sectors particularly vulnerable include Distribution, Hotels and restaurants, Textiles, Food and drink, Banking, finance and insurance, Public administration, Education and Health and social care, and Agriculture.

There are further risks, as we will have created a cohort of young people and workers unable to secure apprenticeships or entry-level jobs during the past 12 months; allied with uncertain labour demand if business confidence is low for the rest of 2021 and increased competition from experienced workers made redundant. This could create a cohort of workers who are unemployed, do not enter a career path, or end up disaffected and marginalised.

### **Moving forward – implications for skills and employment priorities**

*Recent skills priorities related to Covid-19 recovery, as outlined in the LLEP Draft Local Skills Plan include:*

- Supporting government initiatives such as Kickstart, Restart and the Adult Lifetime Skills Guarantee
- Ensuring that plans address the needs of all parts of our economy, including recovery sectors such as retail and hospitality in both high streets and city centre; areas of growth such as logistics; support for entrepreneurs (including the self-employed) to create new businesses.
- Mitigate against increase in NEET numbers, with a strong careers offer with the support of schools and colleges.
- Monitor additional impact arising from EU Transition – Leicester and Leicestershire has a significant number of EU migrant workers employed in the logistics and food processing industries and as an area recruits more EU workers more than many other areas. This will include identifying emerging skills gaps.
- Building upon strengths of the area to aid recovery. Supporting the role of the Enterprise Zones and the new Logistics Parks to provide high quality jobs in growth areas.
- Support applications for a Freeport and an Institute of Technology in the LLEP area.

- Helping workers impacted by the economic downturn to transition to areas of demand. This could include current vacancies such as health and social care or retraining for jobs of the future (e.g. retro fitting homes).
- Keep the plan flexible to accommodate ‘unknown unknowns’ which could emerge from COVID recovery and ‘the new normal’, Brexit changes or climate change initiatives.

These priorities all seem valid – and we would perhaps add the following insights:

- Agile skills and employment policies and initiatives – as the Adult Skills Strategy notes, we are uncertain what the recovery will look like. There will be a need to be agile and respond, perhaps sometimes with significant resources, to needs as they arise over the next 2-3 years.
- Guidance, counselling and support – would seem to be of significant importance in the next few years – to help young workers, and redundant workers
- Retraining and flexible training and support – to help people find work, change careers, or incentivise employers to expand and hire in Leicester and Leicestershire
- Focus – there will probably be a requirement to prioritise deprived neighbourhoods and vulnerable industries

In addition, the following observations are also made:

- *Perhaps there needs to be a clearer link to the fact that demand for skills is a derived demand.* Ultimately an employer demands skills to deliver a product or service. Improving an employer’s growth prospects and performance via the use of technology, productivity, marketing, sales, and improved business practices is likely to drive increased demand for skills, more sophisticated HR practice and engagement with education and skills providers. Improving demand for graduate labour will largely be driven by the business need for graduate skills to provide the service or product required as much as lack of awareness concerning the benefits.
- *Flexible and self-employed workers.* Covid-19 has hit these workers hard, and perhaps there is merit in establishing a priority to explore the impacts and develop an action plan.
- *Perhaps there needs to be a clearer path for the foundational skills needed in the future.* STEM skills, quite rightly, have been a focus in the past. Other foundational skills could relate to digital business, communication skills, project management, enterprising skills, portfolio career management and green skills. Perhaps additional work on the foundational and complementary skills between priority sectors would be valuable, too. For example, there may be underlying large-scale skills needs for software engineers across all sectors – the type of need which can be met by existing education and training institutions.
- *There are many skills challenges and opportunities – finding focus and avoiding spreading resources too thinly is a challenge.* It is going to be a difficult to resource and address all the needs identified. Careful thought

needs to be taken on approaches to leadership, partnership working and capacity.

## 5 Place, infrastructure and transport

### 5.1 Introduction

This chapter examines the Covid-induced change in working patterns, transport usage, and living/working space, and the durability of these changes and implications for infrastructure and transport. It reviews previous evidence and strategies, and considers how priorities may be accelerated, reinforced or amended at this present time.

### 5.2 The draft LIS baseline

#### Infrastructure

The draft Local Industrial Strategy identified the key infrastructure challenges as transport and digital connectivity and the urgent need to generate sustainable, low carbon energy in response to growing consumer demands from sectors such as logistics and manufacturing and from increased housing needs.

Further, it was proposed that more could be done to take advantage of the strategic location of Leicester and Leicestershire, at the heart of a logistics ‘golden’ triangle formed by the M1, M6 and M42 motorways and to East Midlands Airport – particularly east-west road and rail connectivity and poor public transport connectivity between the city, towns and major employment areas, resulting in high car dependency, congestion and pollution.

Digital coverage and connectivity were also cited as a critical factor in enabling the region’s rural and high technology businesses to thrive and improve productivity.

The draft Local Industrial Strategy identified the following infrastructure priorities:

- the delivery of strategically important road and rail projects included in the Midlands Connect Strategy and supported by government;
- the delivery of efficient and affordable public transport provision to improve connectivity between the city, towns, and key employment and housing sites;
- delivery of a transport infrastructure network enabling cycling and walking as a viable choice and encouraging a modal shift in travel methods;
- delivery of fuelling facilities to enable operation of electric vehicles for personal, commercial and public transport;
- working to implement the recommendations of the Energy Infrastructure Strategy; and
- driving improvements in digital connectivity including adoption of 5G as a transformative enabler in the logistics and space technologies sectors.

#### Place

Retail decline and the need to improve public realm in town and city centres was highlighted as a challenge in the draft Local Industrial Strategy. Some of the key challenges faced by Leicester and Leicestershire’s towns include

developing their visitor economies by improving their cultural offer, events and attractions; shrinking their existing retail stock and converting it into housing to increase the sustainability of their high streets; and supporting traditional independent retailers to adapt to on-line selling to increase their reach and customer base.

Housing availability and affordability was also highlighted as a challenge. Population growth has impacted on the availability and affordability of housing, with demand outpacing supply. In 2018, the average house price was £206,000 - below the national average but higher than the East Midlands average of £190,000. House prices have also grown by 29% over the past decade.

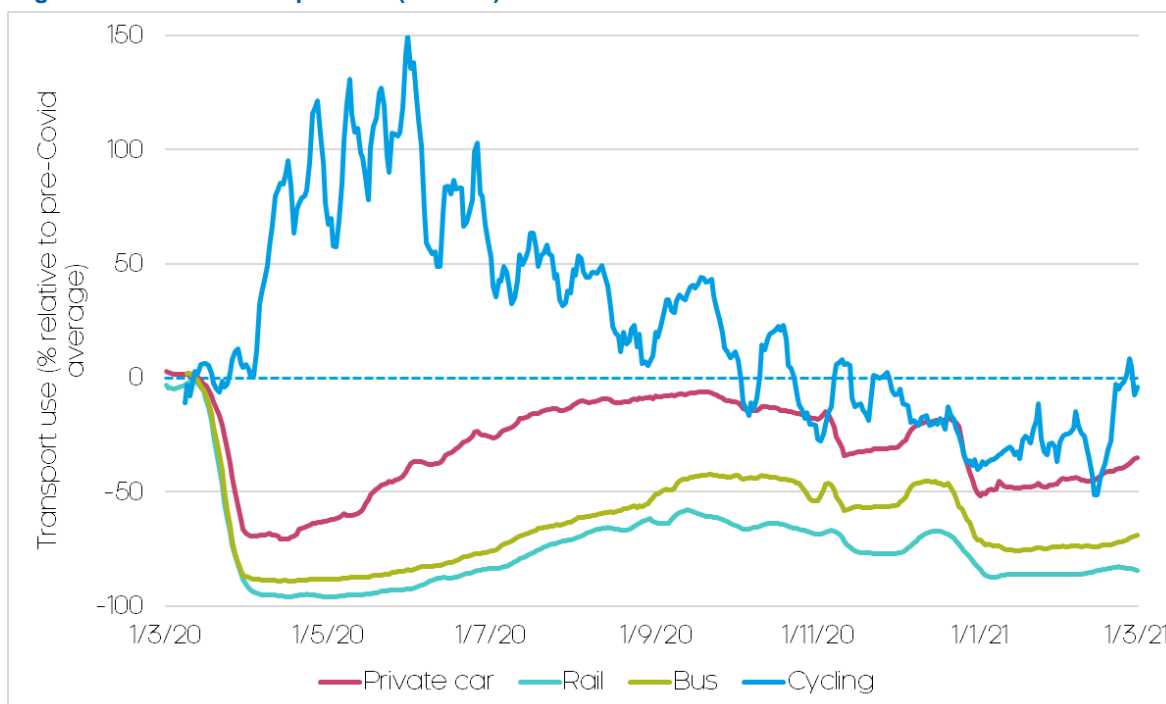
### 5.3 Recent trends and outlook

One of the most visual impacts of the pandemic has been the sudden and relatively sustained decline and shift in transport use and commuting patterns, largely a result of the shift to homeworking. Alongside this, there has been a notable change in the demand for living and working space.

#### Transport use has seen unprecedented change during the pandemic, with private travel prioritised

As shown in Figure 5.3.1, across Great Britain transport use ground to an effective halt during the first lockdown, reflecting the 'stay-at-home' advice for all but essential workers during this time. Moving into Summer 2020, and with the loosening of restrictions, there was some return to trend, though less so for public transport (notably rail and bus) which barely eclipsed 50% capacity at its peak in September and has since tailed off again.

Figure 5.3.1: Modal transport use (2020-21)



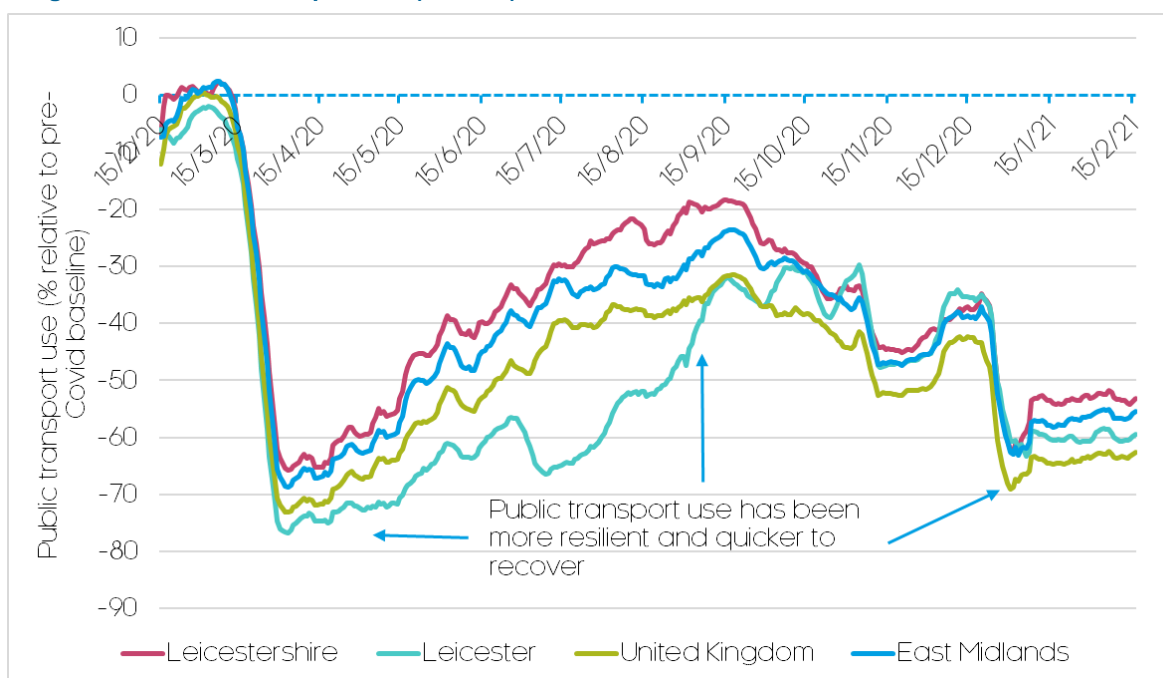
Source: DfT, Cambridge Econometrics. Note: data GB-wide. 7-day rolling average.

Those that have had to travel for work during the pandemic have increasingly prioritized private transport, which had almost recovered to pre-Covid levels by the Autumn, though it has since eased off given the reimposition of ‘stay-at-home’ advice. Active travel, specifically cycling, has been one of the beneficiaries of reduced road volumes and short-term route improvements, though this started to decline moving into the Winter, actually falling below pre-Covid levels.

### **Public transport has providers have been particularly hard hit, though use has been more resilient in Leicestershire**

Public transport use dropped by over two-thirds during the first lockdown in Leicester and Leicestershire, as shown in Figure 5.3.2, though this was less than regional and national averages. Interestingly, use has recovered much faster in Leicester and Leicestershire than elsewhere in the country, and by Autumn was running only 20% below its pre-Covid baseline. This corroborates previous findings that Leicester and Leicestershire workers appeared to return to the workplace quicker than elsewhere in the country.

**Figure 5.3.2: Public transport use (2020-21)**



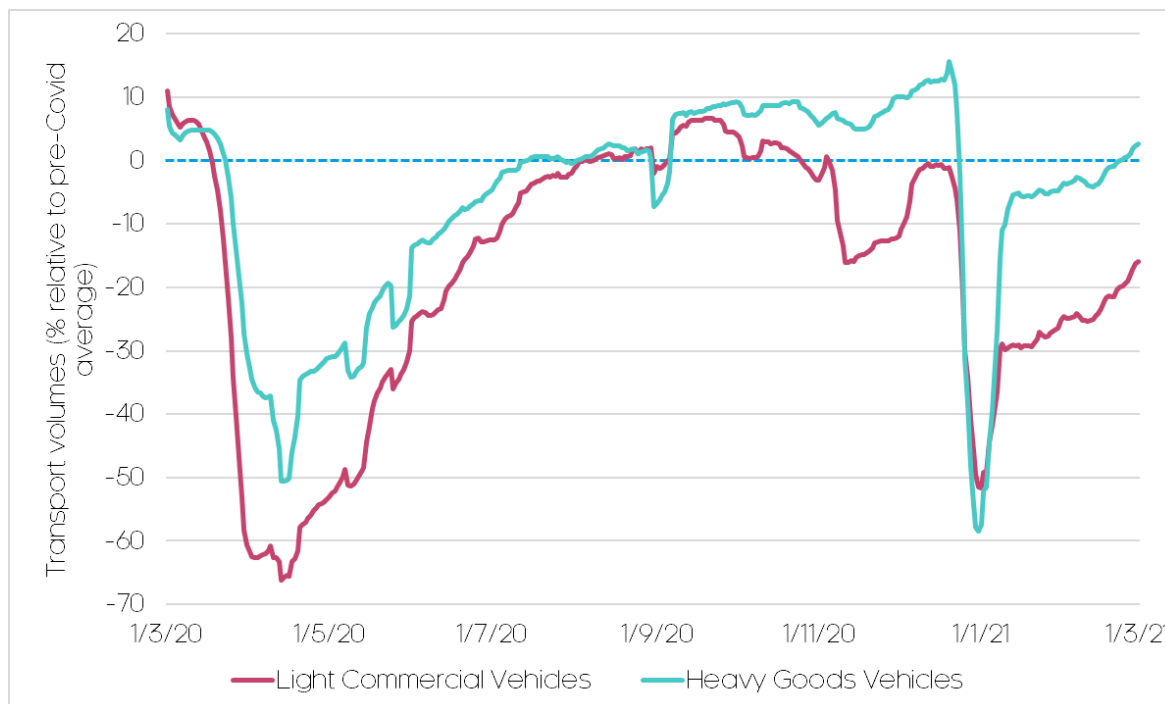
Source: Google, Cambridge Econometrics. Note: 7-day rolling average.

With use tailing off into the Winter again, the longer-term implications of the pandemic for public transport could be significant. Beyond the direct economic impact in terms of commuting revenues – e.g. for bus and rail companies, and automotive-related sales and servicing, which account for some 13,900 jobs in Leicester and Leicestershire - there are also broader economic implications associated with this shift in commuting, given the wider commercial ecosystem that is dependent on and has been built around places of work and commuting (e.g. the ‘Pret economy’).

## Despite obstacles, demand for freight and logistics has been relatively buoyant

Though the pandemic and Brexit have presented significant challenges for the 2,600 businesses in Leicester and Leicestershire's freight and logistics sector – which pre-Covid employed some 25,700 people - demand has remained relatively robust. Figure 5.3.3 shows that commercial road transport volumes, though dropping by over 50% during the first lockdown, recovered strongly during the Summer – particularly compared to other indicators of economic activity - and by the Autumn was eclipsing pre-Covid levels.

**Figure 5.3.3: Commercial road transport use (2020-21)**



Source: DfT, Cambridge Econometrics. Note: data GB-wide. 7-day rolling average.

Alongside this, global air freight demand started to bounce back, and by 2021 had started to recover its 2020 losses (in contrast to its air passenger counterpart)<sup>21</sup>. This is reflected locally, where East Midlands Airport experienced an increase in freight volumes of 21.2% and 18.5% respectively<sup>22</sup>. Also, in November 2020, East Midlands Airport (EMA) processed its highest number of goods in a month at 41,613 tonnes, a 26.4% increase on last year<sup>23</sup>.

As a result of such demand, Rightmove has reported a record number of enquiries for industrial and warehousing property – away from London and the South East, the East Midlands region saw the third largest increase in interest.<sup>24</sup>

The scale of the Brexit challenge has however been considerable; road transport volumes dropped by over 50% during the first weeks of 2021, whilst

<sup>21</sup> ACW (2021), [Global air cargo volumes recover to pre-COVID level inside 10 months](#)

<sup>22</sup> <https://mediacentre.eastmidlandsairport.com/lockdown-lifestyles-drive-growth-in-ema-cargo-operations/>

<sup>23</sup> <https://www.bbc.co.uk/news/uk-england-leicestershire-55361080>

<sup>24</sup> Yahoo Finance (2021), Demand for warehouses skyrockets as retailers adapt to online sales amid COVID-19



70% of freight and logistics firms operating internationally reported disruption at UK borders, with three-quarters attributing the challenging environment to the end of the EU transition period. During this time, costs have also been reported jumping substantially.

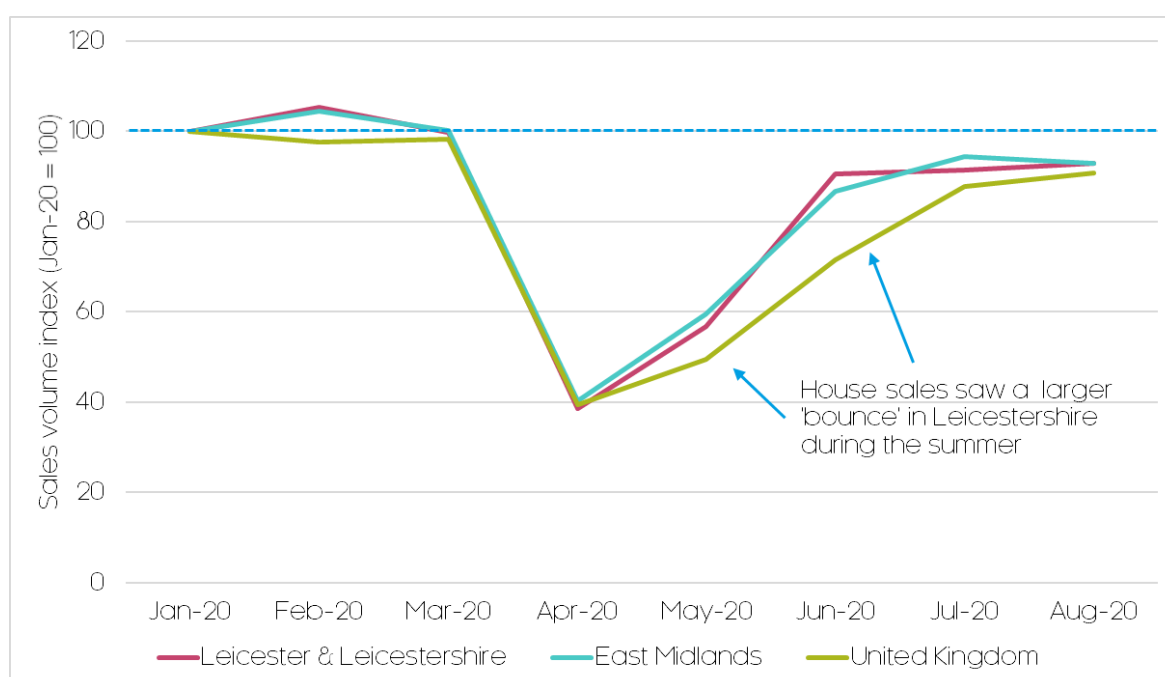
### **Demand for residential space is changing, whilst local property prices have increased**

The uptake of homeworking alongside the pandemic-induced change in property tastes has already been observed impacting local property markets; Rightmove saw a doubling in searches for homes in small towns and villages, and a significant rise in searches for homes further from town and city centres, with larger gardens and space for a home office.<sup>25</sup> Such research accompanies significant publicity regarding a ‘city exodus’ and a ‘race for space’<sup>26</sup> since the beginning of the pandemic.

Leicester and Leicestershire’s housing market could be particularly well-suited to any such shift in demand; detached and semi-detached properties – which given space and amenity benefits have proven increasingly desirable post-Covid – accounted for 61% of pre-Covid sales locally, well above the national average of 55%. In addition, EPC data shows homes in Leicester and Leicestershire typically have an additional 1.2 m<sup>2</sup> of floorspace than elsewhere in the country. Accompanying garden space is also more than twice as generous as the national average.

Official data shows there was additional interest in Leicester and Leicestershire’s housing market over the Summer, with sales volumes rebounding strongly after a ‘shutdown’ during lockdown, with a notable ‘bounce’ relative to the national average (see Figure 5.3.4). This interest was

**Figure 5.3.4: Sales volumes (indexed relative to January 2020)**



Source: HM Land Registry, Cambridge Econometrics,

<sup>25</sup> BBC (2020), House prices rise as Covid sparks rural relocation

<sup>26</sup> BBC (2020), Lockdown city living 'wasn't the best idea'



largely concentrated in rural/market town districts, such as Melton, Hinckley and Bosworth, and Harborough. The recovery was slower in and around Leicester. Even by the Autumn though, county-wide sales were still running 20% lower than normal.

This additional interest, alongside the Stamp Duty ‘holiday’, has seen a sharp appreciation in house prices; the 7% rise in Leicester and Leicestershire between January and October 2020 exceeded both the 6% increase nationally, and the 4% rise over the same period in 2019, with the average sale price peaking at a record £238,200. This appreciation has again been driven by rural/market town districts, though in contrast to volumes, prices have also been accelerating within the city of Leicester. Such increases could worsen affordability in the county, particularly for low-earners and those out of work and without income, and in rural and semi-urban areas.

### **The ‘death of the office’ narrative appears premature, though demand patterns could change**

Commercial property markets have been similarly affected; with the rise in homeworking, offices across the country have been left at reduced capacity as production and staff moved online. The reaction of the market has been swift; commercial leases were down 60% in the first nine months of 2020, according to Jones Lang LaSalle.<sup>27</sup> There is uncertainty however as to whether these effects will persist, though already, some of the initial outlooks, including the ‘death of the office’ narrative, appear overly pessimistic.

For instance, rather than a wholesale decline, an initial diversion has been observed in the market, with demand and rents rising for new offices, yet declining for older and second-hand space. Likewise, a group of large US firms surveyed over the Summer predicted zero change in their future demand for space.<sup>28</sup> Alongside this, mobility data has shown Leicester and Leicestershire workers have been quicker to return to the office; by November, office capacity was only 23% below its pre-Covid average (nationally, it was still down by 30%). Over two-thirds of jobs in the county still cannot be done from home.

In addition, previous research has shown commercial property markets can be highly adaptable to shocks and sudden changes in local values and needs, in particular, through the change of use of land and premises.<sup>29</sup> Post-Covid, the market may demonstrate this adaptability by focussing development around local service centres (e.g., retail and food, exploiting the footfall shift seen in previous chapters), distributed shared office space or city centre collaboration hubs (to enhance interaction benefits in a remote working future), and also the opportunities around the repurposing of city centre space (be it to residential, leisure, R&D, cultural etc.)

<sup>27</sup> Bloomberg (2020), Only the best London offices thrive in an emerging Covid divide

<sup>28</sup> NBER (2020), Surveying Business Uncertainty

<sup>29</sup> BBC (2020), Coronavirus may have huge impact on property markets

## 5.4 Workshop findings

Three workshops were held to discussion place, infrastructure and transport issues in March 2021. The main findings from these workshops were as follows.

The workshop findings reflect the perceptions and views of attendees, and sometimes reflect the range of views and debate.

### **Previous challenges that remain relevant, with updated insights:**

Much of the workshop discussion concerned issues where there has been a history of challenges, and strategies and activities to address them.

*Partnership working* was viewed to be effective, as represented by the *Strategic Growth Plan* – a non-statutory plan for Leicester, districts and the county. This long-term planning for land use and infrastructure was also regarded as a strategic and competitive advantage for the region – particularly if the government’s interest in subregional planning picks up the pace.

*The main transport constraints* mentioned included East-west rail and road connectivity, the live speeds of trains, and ensuring infrastructure provision for MIRA, LUSEP, the SportPark and other key development sites.

*Lack of employment land supply.* Quite a few respondents were concerned that there was pressure on employment land supply, and that this was pressured beyond five years.

*Viability.* For the identified growth sites – infrastructure commitments and developments are often required to get site viability.

*Leicester and Leicestershire’s science, technology and industry sites* were regarded as a significant asset for continued and future growth. The Space Park, LUSEP, LSOZ, MIRA, SportPark and SEGRO sites were all mentioned, as well as a major office and mixed-use site being in Leicester City Centre.

*City Centre Offices.* There was reported high levels of demand for new commercial office space, but also a reflection that there was no speculative developments, all developments had to be backed by the City Council and the public sector, even though occupation rates were good. The city centre offer was thought to be competitive, particularly in terms of rail access to London, workforce availability and improvements to the attractiveness of the city centre, including public realm. One barrier to increasing office premises in the city has been permitted development rights, which have eaten into existing employment land designations and created imbalances in terms of mixed-use sites and neighbourhoods.

*Investing in infrastructure for growth.* It’s been a long-term challenge – that without investing in infrastructure, further growth will cause even more congestion.

*Mismatch between housing and employment sites.* A challenge is moving employers to new sites 20 miles away, when many don’t want to move. Also housing growth sites tend not to be located near or within easy access of the major employment sites that are being developed.

*Smart / digital city and internet connectivity.* The lack of internet and 5G connectivity continues to be a challenge, and lack of impetus to increase

digital transformation and services. It was also noted that the upstream download speeds were often poor in the region, which constrains effective cloud working and asynchronous services.

*Community co-design* was emphasised, as there is a need to bring the community into the development process, which often results in more sustainable and workable results. This also helps to avoid existing new communities being by-passed by new developments.

*There were ambitions to be bold and innovative* for example in how infrastructure and transport could enable carbon reductions – such as through sustainable energy, and the use of waterways.

### **New challenges emerging over the past 12 months:**

*The acceleration of change on the high street.* Covid-19 has resulted in mixed opportunities for local high streets. Whilst Leicester City Centre has been drastically affected by the downturn in retail and office workers, other town centres and local high streets have been quite resilient, as people have had to use local shops and services. There was also a view that retail cores should be protected and kept coherent, whilst managing redevelopment elsewhere. Successes were noted in helping hospitality venues to maintain business via pavement grants in Leicester. However, there was also the spectre of vacant shops and shopfronts, and the need to provide incentives and initiatives to address this.

*The 20-minute neighbourhood* was a popular concept, with plans to provide the amenities and services residents need in existing centres, within a 20-minute walk or bike ride. This also was valued for its contribution to carbon reduction.

*Retail restructuring* could provide an opportunity to expand knowledge-based jobs in city and town centres. There was awareness of retail conversion in other cities into incubator workspace, R&D space and wet labs. This would also help reduce transport needs, and advance the 20-minute neighbourhood concept if housing quality and provision were suitably aligned.

*Overall people's (residents, businesses, workers and visitors) concepts of place and locality are likely to have changed during lockdown.* There was some discussion of this, the role of consumption, town centres and public spaces – and the need for redesign.

### **Awareness of the new policy environment and how that will affect the placed, infrastructure and transport agenda:**

*Resources* were mentioned by many workshop participants. There are many capital investment needs and priorities. Strategic prioritisation and matching to funding sources was regarded as a necessary task. The need for a pipeline of capital schemes that are ready to be put forward for central government funding was also mentioned as being vital, particularly given the short timescales of government announcements and deadlines for funding applications and spend.

*Capacity* to develop projects and capital programmes was also a concern. Experience of the Town Deals process has illustrated that good ideas aren't good enough on their own to be investable propositions for central government funding pots. There needs to be a pipeline of deliverable projects

that are also strategically coherent in terms of their potential to transform adapt town and city centres.

*Housing targets* were a concern, with Leicester City being hit with a 35% targeted increase in housing units by MHCLG, and being constrained in terms of available sites. This means that adjacent districts may have to help deliver this target. There was concern that this by-passed existing plans, and also had consequences for carbon abatement and congestion.

## 5.5 Outlook, implications and strategy priorities

### Existing strategies

*The previous priorities* in the draft Local Industrial Strategy and Strategic Economic Plan related to population growth pressures, housing demand and affordability, sustainable and public transport, low carbon energy infrastructure and supply, improved power networks, continued development of EZs / strategic sites, and continued regeneration priorities in Leicester and Melton Mowbray centres.

The Strategic Growth Plan agreed between the nine local authorities set out aspirations for housing and infrastructure, including the need for 187,000 new dwellings between 2011 and 2050, with 96,580 of these required by 2031 and a further 90,516 between 2031 and 2050. It was estimated that between 367 and 423 hectares of employment land would be required by 2031.

### *Strategic location*

The strategic location of Leicester and Leicestershire has been emphasised in all the LEP strategies, and partner strategies over the past 10 years, particularly the road, rail and air connectivity. Benefits from HS2 are also expected. East Midlands Airport is located in north west Leicestershire and is the UK's number one pure freight airport, flying 4 million passengers per year, and also central to the Freeport.

### *Strengths, challenges and priorities*

#### Strengths

- Central location – M1, M6, M42; 95% of UK population within 4 hours – has translated into major logistic industry centre and attraction
- Midland Mainline connections
- HS2 Phase 2b of line running through NW Leicestershire to new station at Toton in Nottinghamshire
- East Midlands International Airport
- Strategic Rail Freight Interchange and SEGRO Logistics Park East Midlands Gateway (SLPEMG)
- Well-developed transport plans with Midlands Connect
- Good progress on cycling and walking infrastructure via Connecting Leicester
- Generally better broadband speeds than nationally

#### Challenges

- Increasing car use and dependency, resulting in congestion and carbon emissions
- Rail connectivity east to west needs improvement, as does electrification of the Midlands Mainline
- No direct rail service between Leicester and Coventry (26 miles apart)
- Poor station facilities in Leicester
- Falling bus use and increasing costs of bus travel
- Cycling and walking infrastructure and use needs further development – to make meaningful increase in modal shift
- Revenue funding support for public transport, walking and cycling has been challenging to find
- Discrepancies in broadband speeds and access across the County, particularly in certain rural areas
- Overall – transport infrastructure, particularly rail and public transport – will fail to meet the needs of a growing population
- The power supply network and infrastructure has little demand headroom. Additional loads must be paid for by customers – which is a major constraint on the development of housing and employment land in Hinckley, Coalville, Loughborough, Central, West and South Leicester

#### Priorities

- Working on flexibility-based connections

#### *Strategic sites*

Several key sites have been subject to prioritisation and investment, and have been central to the 2014 SEP and 2020 draft LIS.

- Space Park Leicester opened in 2020, with Phase 3 underway; and £14m funding for METEOR
- MIRA Technology Park and Bruntingthorpe proving ground
- SportPark Loughborough
- LUSEP
- Charnwood Campus Life Sciences Opportunities Zone
- Defence Health and Rehabilitation Centre
- SEGRO Logistics Park
- Leicestershire International Gateway (also now part of the Freeport)

#### *Transport majors*

The Leicester and Leicestershire draft Local Industrial Strategy focused on these priorities:

- Transport and digital connectivity
- Urgent need to generate low carbon energy in face of growing manufacturing, logistics, housing
- Strategic road and rail

- Public transport
- Sustrans – cycling and walking
- EV charging points
- Digital connectivity / 5G

Strategic priorities identified in the 2020 draft Local Industrial Strategy include:

- the delivery of strategically important road and rail projects included in the Midlands Connect Strategy and supported by government;
- the delivery of efficient and affordable public transport provision to improve connectivity between the city, towns, and key employment and housing sites;
- delivery of a transport infrastructure network enabling cycling and walking as a viable choice and encouraging a modal shift in travel methods;
- delivery of fuelling facilities to enable operation of electric vehicles for personal, commercial and public transport;
- working to implement the recommendations of the Energy Infrastructure Strategy and
- driving improvements in digital connectivity including adoption of 5G as a transformative enabler in the logistics and space technologies sectors.

#### *Town and City Centres*

The strategic objectives in the draft Local Industrial Strategy relating to town and city centres included the following:

- Support the regeneration and development of towns to create attractive and productive places that people want to live, work and invest in, including support for the LE-One City Centre Management Partnership and its strategy
- Encourage inward investment to maximise use of vacant units and upper storeys
- Diversify land use
- Attract high quality housing into town centres
- Create affordable new housing for rural residents
- Improve public realm for residents and visitors
- Support local road and rail improvements, especially sustainable transport
- Improve rural broadband, wifi and 5G connectivity
- Ensure successful delivery of the Stronger Towns Fund

#### **Analysis of recent evidence and the impact of Covid-19**

*Transport use has seen unprecedented change during the pandemic, with private travel prioritised.* Public transport use declined sharply, as did car use, with active travel increasing significantly.

*Public transport has providers have been particularly hard hit, though use has been more resilient in Leicestershire.* Public transport use dropped by over two-thirds during the first lockdown in Leicester and Leicestershire.



*Despite obstacles, demand for freight and logistics has been relatively buoyant.* Commercial road transport volumes, though dropping by over 50% during the first lockdown, recovered strongly during the Summer – particularly compared to other indicators of economic activity - and by the Autumn was eclipsing pre-Covid levels. Alongside this, global air freight demand started to bounce back, and by 2021 had started to recover its 2020 losses. As discussed earlier, East Midlands Airport has recorded significant recovery in air freight volumes in recent months.

*Demand for residential space is changing, whilst local property prices have increased.* Rightmove saw a doubling in searches for homes in small towns and villages, and a significant rise in searches for homes further from town and city centres, with larger gardens and space for a home office. Leicester and Leicestershire's housing market could be particularly well-suited to any such shift in demand.

*The 'death of the office' narrative appears premature, though demand patterns could change.* The reaction of the market has been swift; commercial leases were down 60% in the first nine months of 2020. However there has been some distinction between demand and rents rising for new offices, yet declining for older and sublet space. Mobility data has shown Leicester and Leicestershire workers have been quicker to return to the office.

### **Moving forward – implications for place, infrastructure and transport**

*The Economic Recovery and Action Plan highlighted the following priorities:*

1) Delivery of four additional capital projects through the Getting Building Fund which mitigate against the impact of Covid-19:

- Junction 23 M1 / A512 Access Improvements;
- St. Margaret's Gateway;
- SportPark Pavilion 4 and
- Granby Street and St. George's Street Regeneration Gateway.

2) Leverage existing natural capital assets to drive a green economic recovery through the development of a Natural Capital Plan to establish a baseline position and assess contribution of natural capital assets to local growth and productivity, with appropriate metrics to allow for future monitoring and evaluation.

3) Identify opportunities to add further green credentials to plans, e.g. zero emissions vehicles, charging/re-fuelling locations to support zero emissions connectivity and wider uptake of such vehicles by the public sector, private sector and wider use.

4) Facilitate improvements in digital connectivity through broadband, Wi-Fi and 5G connectivity, particularly in rural blackspots. Develop a viable and achievable plan for encouraging SMEs and other businesses to adopt 5G technologies as a transformative route to both innovation and improved productivity.

These priorities all seem valid – and we would perhaps add the following insights:



- The acceleration of the pace of change on the high street would merit some consideration in terms of having a range of support and finance tools to allow local authorities and partners to facilitate and incentivise transformation.
- The office market seems to be turning against older properties and favouring newer, more modern facilities. This could further put pressure on and use in terms of permitted development rights on redundant commercial space.
- Longer-term the declaring of climate emergencies and the development of low carbon strategies and priorities will probably need to be reflected in the Strategic Growth Plan, and Local Planning frameworks.

## 6 Inequality and inclusion

### 6.1 Introduction

Emphasizing the inequality aspect of the crisis, drawing out the implications and priorities for disadvantaged groups such as the young, BAME, and low-skilled/earners, and how these groups are represented in Leicester and Leicestershire.

### 6.2 The 2020 baseline

Deprivation and high rates of economic inactivity are a challenge in Leicester. Another concern over the years has been the mismatch between the career aspirations of young people and the local job openings that are available or are being generated.

Leicester and Leicestershire ranked 23 out of 38 LEPs for deprivation. Leicester City has significant concentrations of deprivation and NEET rates (5% vs. England=3%). Although many Leicester and Leicestershire residents enjoy a good quality of life and unemployment is relatively low, the area still suffers from isolated pockets of deprivation and there are significant differences across different local authority areas. Around 24 per cent of Lower Layer Super Output Areas (LSOAs) in Leicester are among the 10 percent most deprived nationally, while this figure falls to just 3.4 per cent in Harborough and 2 per cent in Charnwood. However, while many rural areas appear to lack the deprivation of urban areas, poorer access to public services due to greater distances and irregular public transport can place barriers to services in more remote areas. More expensive house prices in sought after rural areas also puts housing out of reach for many.

### 6.3 Recent trends and outlook

The impacts of the pandemic and Brexit have been unevenly distributed, with a disproportionate share of the burden being shouldered by certain workers, age groups, minorities, and areas. Critically, this could exacerbate and entrench existing inequalities.

#### **The inequality dimension of the pandemic could be on an unprecedented scale**

The potential implications of the pandemic for inequalities and economic opportunity in Leicester and Leicestershire could be substantial. CE's analysis for the Local Government Association looking at the inequality dimension of the crisis in urban areas has identified a small number of groups - many already in a disadvantaged position pre-Covid - who are shouldering a disproportionate burden of the economic fallout. These include:

- Low earners and low skilled: have faced the brunt of the economic crisis; low earners are 7 times as likely as high earners to work in a vulnerable industry. Resultantly, 3 in 10 low earners have been furloughed, lost their job or have had their pay or hours reduced, in contrast to 1 in 10 of the

highest-earners. A third of those in poverty have been unable to afford basic items during the pandemic.

- Young people: 1 in 5 new unemployed claimants in Leicester and Leicestershire are young (16-24), twice their population share. Young people are 2.5 times more likely to work in vulnerable industries and occupations. As a result, over one-third of young people had been furloughed or lost their main job, twice the average of prime-age workers. Young workers have also been more likely to rely on atypical and flexible work.
- Black, Asian and Ethnic Minority (BAME): persons have not only been at a greater health risk from the pandemic, but also at greater economic risk. 2 in 10 employees in vulnerable industries and occupations are BAME. 4 in 10 BAME employees work in lower-paying, higher Covid-risk occupations. BAME families are also more likely to be in overcrowded and poor-quality housing at risk of virus transmission.

### Some of the hardest hit groups are already overrepresented in Leicestershire

The scale of the inequality impacts could be significant in Leicester and Leicestershire, particularly for the city of Leicester, given the overrepresentation of economically vulnerable groups in the lead up to the pandemic, as shown in Table 6.3.1. For instance, 81,800 households were in relative poverty in Leicester and Leicestershire pre-Covid; half of these were in Leicester, with the cities 33% relative poverty rate the 7<sup>th</sup> highest out of 181 urban authorities nationally.

**Table 6.3.1: Incidence of economically vulnerable groups pre-Covid (2019-20)**

	Pre-Covid proportion of:			
	Jobs low paying	Residents unskilled	Young in the labour market	Adults Black and Ethnic Minority (BAME)
<b>Leicestershire</b>	<b>24.2%</b>	<b>9.0%</b>	<b>13.6%</b>	<b>23.0%</b>
<i>United Kingdom</i>	20.1%	7.7%	12.5%	12.7%
Blaby	16.2%	3.9%	13.4%	6.9%
Charnwood	21.3%	2.6%	8.8%	10.8%
Harborough	25.5%	4.6%	16.7%	5.9%
Hinckley and Bosworth	22.8%	5.6%	12.2%	6.2%
Leicester	28.5%	16.9%	16.3%	51.6%
Melton	32.3%	2.0%	18.6%	2.9%
North West Leicestershire	20.6%	7.1%	14.1%	5.4%
Oadby and Wigston	23.5%	8.4%	6.0%	25.6%

Source: ONS, Cambridge Econometrics. Note: young = aged 16-24, adult = aged 16+.

Even when in-work, Leicester and Leicestershire residents are faced with fewer opportunities out of poverty; 24% of jobs in Leicester and Leicestershire were paying less than a Living Wage pre-Covid, higher than the national average of 20%. Leicester has a particularly acute low-pay problem, with

almost 3 in 10 jobs in the city paying below the Living Wage, whilst the Centre for Cities ranks Leicester as having the 9<sup>th</sup> lowest median pay out of 63 cities.

Closely related to these trends is an overpenetration of low and unskilled labour in Leicester and Leicestershire; almost 1 in 10 working age residents (almost 60,000 people) have no formal qualifications. Again, the vast majority (67%) of these are located in Leicester; the Centre for Cities ranks the city as having the 3<sup>rd</sup> highest incidence of unskilled labour out of 63 cities.

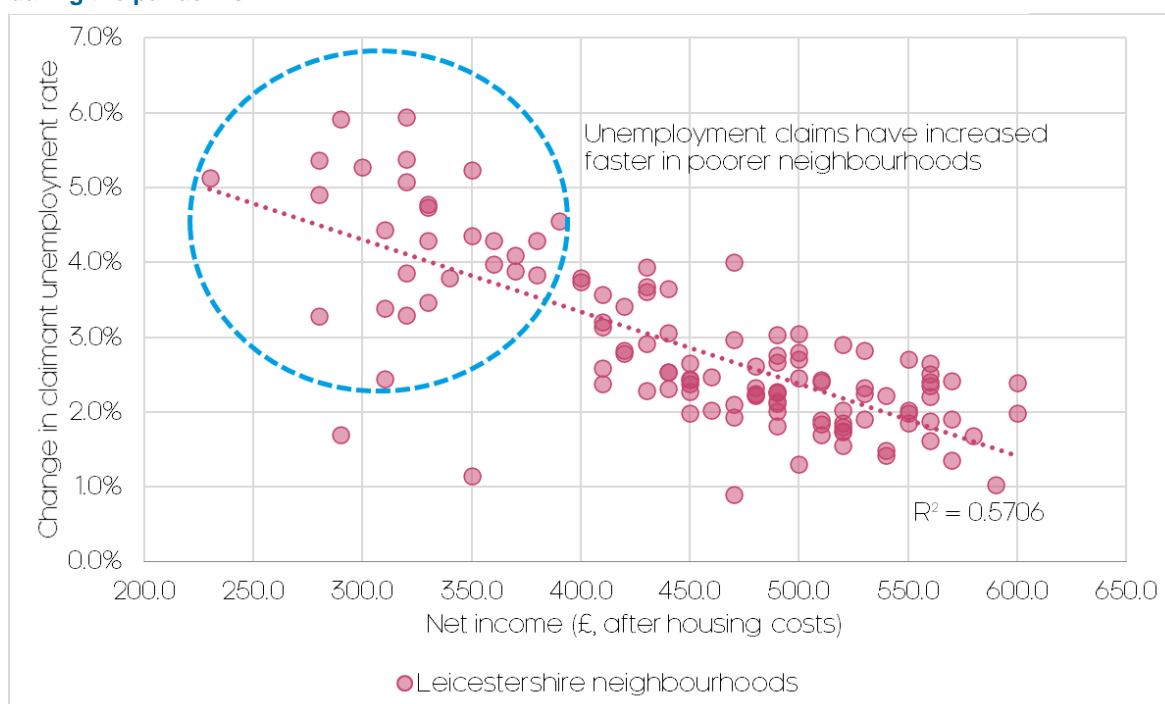
Leicester and Leicestershire also has a higher proportion of young people in its labour market; pre-Covid, almost 14% of economically active residents (excluding students) were aged between 16-24 (equating to 74,700 people), above the national average of 12%. Notably, this incidence was evident outside Leicester; almost 2 in 10 workers in Melton were aged between 16-24.

Finally, Leicester and Leicestershire has a large and diverse Black and Ethnic Minority (BAME) population; some 23% of adults in the Leicester and Leicestershire are BAME, almost twice the national average of 13%. Over three-quarters of Leicester and Leicestershire's 192,700 BAME adult population resides in Leicester. This group was already at increased economic risk before the crisis, with BAME households twice as likely to be in poverty or be unemployed pre-Covid.

### The impact will be most keenly felt in already poor and deprived parts of Leicestershire

There is the potential for the economic fallout to be unevenly distributed across already deprived and poorer parts of Leicester and Leicestershire, restraining the potential for a quick recovery in these areas. For instance, Figure 3.3.1 shows that Leicester and Leicestershire's poorest

**Figure 3.3.1: Relationship between neighbourhood income and unemployment claims during the pandemic**



Source: ONS, Cambridge Econometrics. Note: income data 2018.

neighbourhoods have seen the biggest increase in unemployment claims. This corroborates previous analysis (Figure 4.3.2) showing the correlation between an area's unemployment claims during the pandemic and existing worklessness and deprivation.

Alongside this, additional evidence reviewed within the addendum has also highlighted the relative resilience and recoverability of more affluent areas, particularly within suburban and rural/market towns. Throughout the pandemic, such areas have generally seen:

- Low levels of unemployment and furlough, and high rates of homeworking.
- Higher levels of retail and leisure footfall and consumer spending.
- Increased housing activity and prices.
- Low levels of virus transmission and deaths.

## 6.4 Workshop findings

Three workshops were held to discuss skills, inequality and inclusion issues in March 2021. The main findings from these workshops were as follows.

The workshop findings reflect the perceptions and views of attendees, and sometimes reflect the range of views and debate.

### **Previous challenges that remain relevant, with updated insights:**

Much of the workshop discussion concerned issues where there has been a history of challenges, and strategies and activities to address them.

*Concentrations of deprivation and disadvantage* were acknowledged as a long-standing issue, in particular affecting those in low skilled and low paid work.

*Acceleration and deepening of inequalities and exclusion.* There was much agreement and comment that Covid-19 had made inequalities worse, and had put more people at risk of economic exclusion. It was noted that the BAME community were now even less able to access digital skills, and labour market opportunities.

### **New challenges emerging over the past 12 months:**

*Labour market exclusion risk.* It was identified that there was a significant risk that those furthest from the labour market pre-covid, are even now further marginalised and even more distant.

*Young people* were thought to be at significant risk of labour market exclusion and disaffection, with formal schooling cut short, fewer apprenticeships and entry level jobs during the past 12 months.

*Transition from European Funding* – again, reflecting the discussion on employment and skills, ESF funding has enabled many projects and services for young people or those that need intensive assistance to engage with the labour market. Successful projects such as CURVE, GREAT, Soft Touch and Yes were mentioned, and there were some concerns that these would have to end once ESF funding ended.

*Digital exclusion* – there was a lot of awareness and discussion about digital exclusion, particularly affecting young people in education, FE College, or involved in job search. Both the lack of access to IT equipment and network connectivity as well as the skills to use it. There was concern that an increase in remote working could exclude certain communities even more, if they do not have the equipment, skills or network connectivity – such as young people and rural residents.

**Awareness of the new policy environment and how that will affect the inequality and inclusion agenda:**

*Education and skills policy becoming more driven by value of skills for work* and to employers, rather than ensuring no-one is left behind or putting in place foundations for successful education, training and employment.

*There were concerns that the Adult Skills Loans* as proposed would result in excluding a lot of learners and workers from lower paid jobs and low incomes – they could not afford to take on a loan. This could exacerbate inequalities.

*DWP Transition funding* was perceived of as pushing clients into low-paid jobs, and not doing much to increase aspirations or training for access to jobs with progression opportunities.

*On the plus side*, it was mentioned that Apprenticeship entry requirements can be quite low for manufacturing and engineering sectors – and this can be a route to labour market inclusion and diversity. There are examples of employer using apprenticeships as be a route to helping young people in more deprived communities, increasing the diversity of their workplace, and embedding the employer more within the local community. There are examples of employers looking at alternative entry requirements and project work with school students.

Also there are some good initiatives such as The University of Leicester and the Space Park sharing a post for Careers Guidance and Outreach with the Neighbourhood Services Team at the City Council, which will help to link university staff to communities.

## **6.5 Implications and strategy priorities**

### **Existing strategies**

The draft Local Industrial Strategy highlighted:

- Leicester's vibrant, multi-cultural population
- Population growth has been substantially driven by in-migration
- The need to address the ageing population
- Pockets of deprivation in Leicester and Leicestershire
- Housing has become less affordable
- Improving community and cultural environments
- Supporting local transport improvements to link people more effectively to jobs
- Supporting young people by establishing guidance services such as the Enterprise Advisor Network and Careers Hub Pilots

- Addressing inactivity and improving access to the labour market
- Improving educational attainment and skills levels
- Addressing the low wage economy of the area

The 2020 LLEP Draft Local Skills Plan also emphasised the following issues, in addition to the draft Local Industrial Strategy:

- Leicester’s local lockdown lasted through the summer of 2020, and is amongst the longest lockdown periods of any locality in the UK
- There is high local demand for low-paid, labour intensive jobs, at almost twice the national level
- Unemployment has risen rapidly during the pandemic
- Risks of further job loss from manufacturing contraction
- The need to mitigate against further increases in NEET numbers
- Maintain flexibility and agility to adapt response as the challenges emerge from the end of the pandemic and changes due to Brexit

### **Analysis of recent evidence and the impact of Covid-19**

The analysis in section 6.3 revealed that the following groups have been more severely affected by Covid-19 and the lockdowns:

- Low earners and low skilled – significantly 24% of jobs in Leicester and Leicestershire were paying less than a Living Wage pre-Covid; almost 1 in 10 working age residents (almost 60,000 people) have no formal qualifications
- Prior to Covid-19, 81,800 households were in relative poverty in Leicester and Leicestershire – half of these were in the City of Leicester, which had the 7<sup>th</sup> highest rate of poverty out of 181 urban authorities.
- Young people – Leicester and Leicestershire has a larger share (14%) of population aged 16-24 (UK=12%)
- Black, Asian and Ethnic Minority (BAME) residents - some 23% of adults in Leicester and Leicestershire are BAME, almost twice the national average of 13%.

### **Moving forward – implications for inequalities and inclusion**

The Economic Recovery Action Plan has emphasised the following relevant priorities:

- Augment the national Kickstart programme through the delivery of local enhancements to maximise young people’s prospects of securing employment
- Deliver additional targeted support to those young people most at risk of becoming NEET
- Identify and deliver interventions targeted at reducing digital poverty across Leicester and Leicestershire
- Deliver effective careers, employment and retraining advice through DWP, NCS and other partners.



- Consider if there is a need to further supplement this activity at a local level.
- Reduce the flow of low skilled, poorly qualified individuals into adulthood and ensure that good quality, relevant careers support is available to all age groups, including those over fifty.
- Enable continued delivery of support interventions for those furthest from the labour market in both urban and rural settings.

These priorities all seem valid – and we would perhaps add the following insights:

- *The risks of gaps in the support network and services, particularly for groups falling outside of government funding priorities or DWP services, including women, older adults and BAME residents.*
- *The risks of digital exclusion and low carbon transition disadvantaging these groups.* Perhaps there is a need for equalities impacts studies for major transformations such as these.

## 7 Low carbon and environment

### 7.1 Introduction

This Chapter explores Low carbon and environmental priorities in terms of the situation pre-covid, the impacts of Covid and Brexit, and new and emerging priorities.

### 7.2 The 2020 baseline

Key challenges identified in the 2020 draft Local Industrial Strategy included

- High rates of car dependency have resulted in congestion problems with their associated environmental impact
- Rail connectivity is poor in linking east to west
- Public transport use has been declining, with costs increasing. Transport access to major employment centres is poor
- 25% population growth is forecast for urban areas. Without sustainable and public transport capacity – it is likely that this will lead to further congestion and environmental problems
- Lack of sustained investment in public transport has meant that capacity has not kept up with demand
- Digital connectivity could be improved. Ultrafast broadband coverage is not good and there is poor 4G mobile connectivity
- Power networks are stressed, and there is little headroom in electricity generation

More recently, the draft Local Industrial Strategy focused on low carbon energy, sustainable and public transport and the development of EVs and alternative fuels for vehicles.

Local authority low carbon and sustainability strategies are also quite well advanced:

- Leicestershire County Council – declared climate emergency and pledged its own operations to be carbon neutral by 2030. Has a climate emergency strategy and action plan
- Leicester City Council – declared climate emergency – ambition is for Leicester to become carbon neutral by 2030 or sooner
- It was mooted in 2020 that a joint statement issued by leaders of all seven district and borough councils in Leicestershire to acknowledge the global climate emergency
- Local authorities – are developing ‘roadmaps’ to becoming carbon neutral as organisations

The Low Carbon Environmental Goods and Services (LCEGS) Report, complete in March 2021 also revealed the following:

*Economy:* The LCEGS sector generated £2.8bn of sales for the Leicester and Leicestershire economy in 2019/20. These sales were generated by over 1,000 businesses that employed over 21,000 people in the sector in 2019/20.

*Growth:* The LCEGS sector in the Leicester and Leicestershire LEP grew year on year since 2017/18. In 2017/18 total sales in the sector were worth £2.5bn and have now reached £2.8bn in 2019/20. The sector in the Leicester and Leicestershire LEP grew by 4.1% during the financial year 2017/18 to 2018/19 and 4.6% during 2018/19 to 2019/20. This rate of growth is slower than both the MEH average (5.2% and 5.9% respectively) and the UK average for the same period (10.0% and 8.1% respectively), however, the fast rate of growth in London raises the UK average.

*Employment:* Employment in Leicester and Leicestershire LEP's LCEGS sector in 2019/20 was 21,437, up from 20,089 in 2017/18. Annual growth rate in employment was 3.0% between 2017/18 and 2018/19 and 3.6% between 2018/19 and 2019/20. This rate of growth is slower than both the MEH average (5.7% and 5.0% respectively) and the UK average for the same period (9.4% and 7.3% respectively) however, the fast rate of growth in London raises the UK average.

*Companies:* The number of companies in the LCEGS sector in 2019/20 was 1,022, up from 982 in 2017/18. Annual growth rate in the number of companies was 0.5% between 2017/18 and 2018/19 and 3.5% between 2018/19 and 2019/20. This rate of growth is slower than both the MEH average (3.7% and 6.9% respectively) and the UK average for the same period (9.3% and 10.3% respectively) however, the fast rate of growth in London raises the UK average.

*Leicester and Leicestershire sub-sectors:* In 2019/20 Leicester and Leicestershire LEP's LCEGS sector was made up by the following proportions: Renewable Energy 41%, Low Carbon 37% and Environmental 22%.

*Leicester and Leicestershire sub-sector strengths included:*

- Wind (£474m) – this includes control systems development and manufacture, drive train development, manufacture and systems integration, consulting houses and companies providing power firming systems and services, maintenance services and grid integration services.
- Building Technologies (£394m) - this includes head office functions, building systems design and consultancy and building systems providers and installers.
- Alternative Fuels (£384m) – this includes R&D functions, alternative fuel providers, designers and consultancy, process implementation, sales and accounting and application development specialists.
- Photovoltaic (£296m) - this includes head office functions, systems developers, providers and installers.

The skills shortage for the LCEGS sector for the Leicester and Leicestershire LEP being 8.6% (MEH 8.7%). Significant skills gaps are present within some SOC's with large numbers of employees:

- Production Engineers 34.5% (MEH 35.7%)
- Power Distribution Engineers 30.1% (MEH 29.8%)

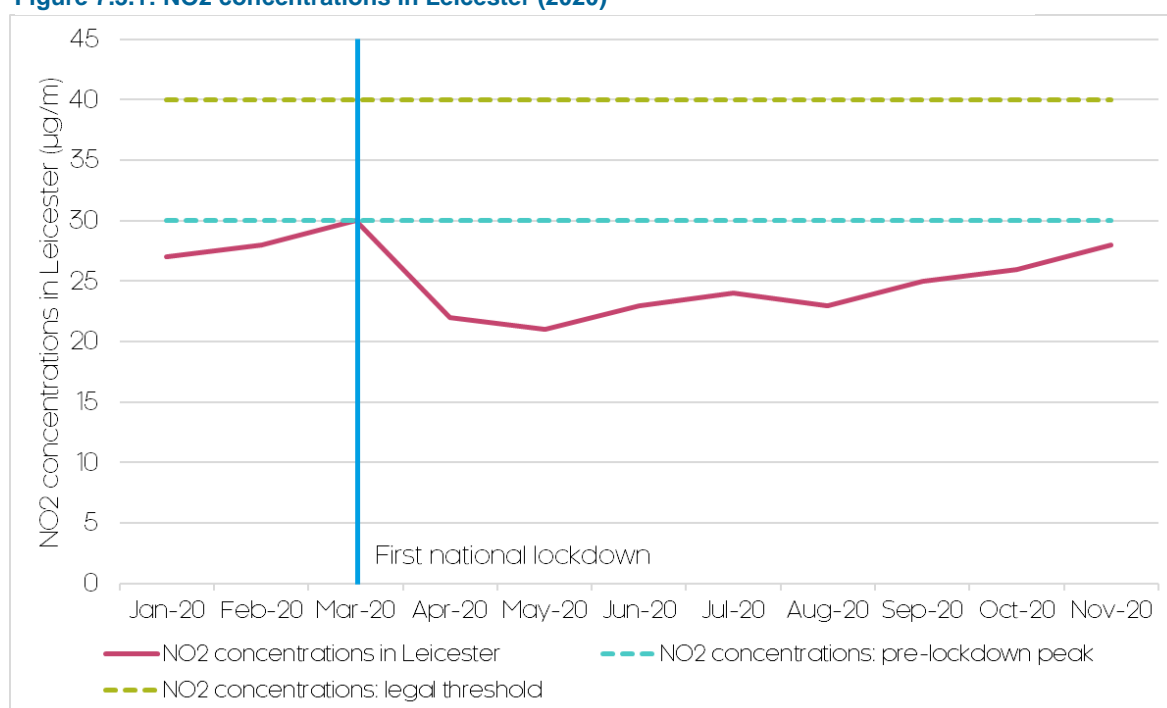
- Technicians 22.0% (MEH 22.2%)

### 7.3 Recent trends and outlook

#### There was a sharp decline in air pollution during lockdown, though it has since recovered

During the first national lockdown in 2020, harmful emissions and air pollution were observed dropping significantly across the UK, a result of both reduced traffic volumes (particularly private transport), and to a lesser extent, reduced industrial activity. Figure 7.3.1 adapts research by the Centre for Cities, and shows this drop was equally pronounced in Leicester; NO<sub>2</sub> concentrations dropped by some 30% on predicted levels during the first months of lockdown.<sup>30</sup>

**Figure 7.3.1: NO<sub>2</sub> concentrations in Leicester (2020)**



Source: Centre for Cities, Cambridge Econometrics. Note: data weather adjusted.

The Centre did however note this was the 7<sup>th</sup> smallest drop out of 49 cities assessed in the UK, and by October, emissions had almost returned to pre-lockdown levels. Both trends corroborate previous analysis that workplace activity and commuting was more resilient and faster to recover in Leicester than elsewhere in the country, with the Centre finding a particularly strong link between traffic volumes and emissions in the city.

Resultantly, the Centre concludes this has two implications: “First, human-made air pollution can be reduced if behaviour changes and, second, if there are no measures in place to keep the levels low, air pollution is likely to bounce back.” Such conclusions will be important post-Covid; though the Centre acknowledges Leicester performed comparatively well on key measures of air quality pre-Covid, in 2017 there were an estimated 216 deaths in the city attributable to poor air quality.<sup>31</sup>

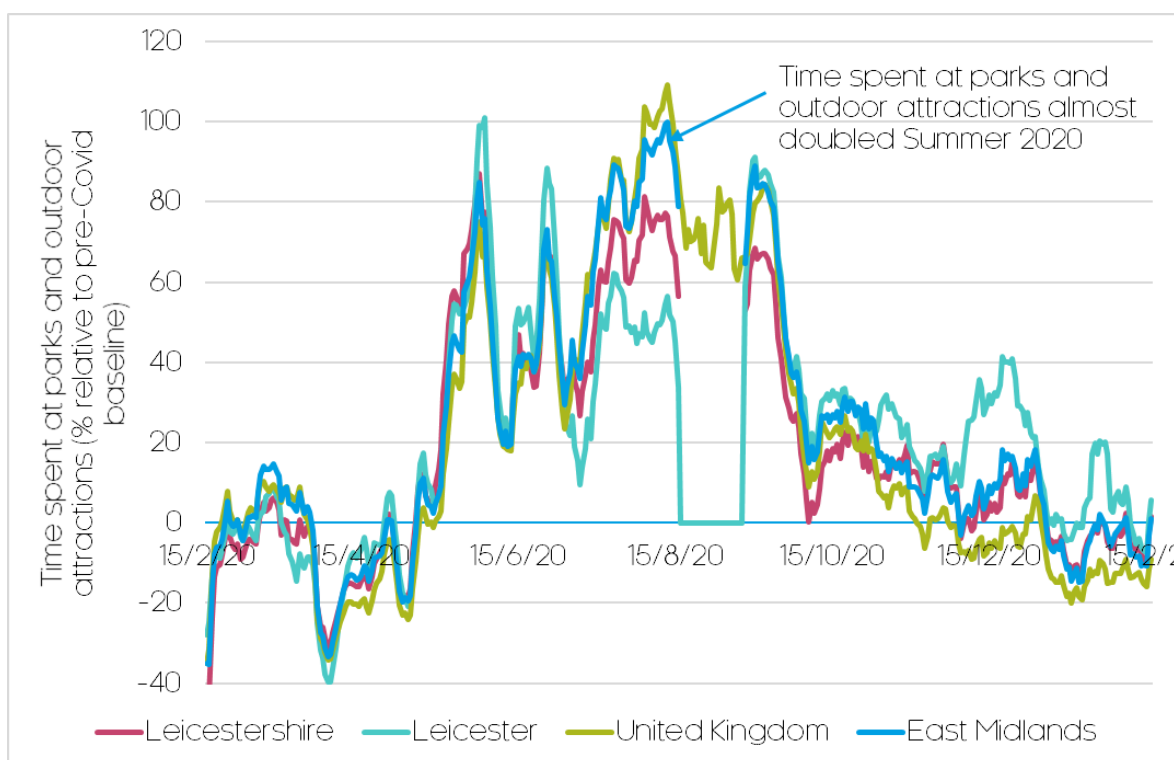
<sup>30</sup>

<sup>31</sup>

### Green spaces and natural capital have been increasingly prioritised by residents during the pandemic

During the pandemic, many people have readdressed how they use and value natural capital and outdoor spaces. As Figure 7.3.2 shows, during Summer 2020, Leicestershire residents spent almost twice as much time at parks and outdoor attractions than they did pre-Covid, a trend that even persisted into the Winter (at rates above the national average). Land use data shows 23% of Leicestershire is undeveloped (non-agricultural), with approximately 2,200 km<sup>2</sup> of forest, open land, water and outdoor recreation in the county.

**Figure 7.3.2: Time spent and parks and outdoor attractions (2020-21)**



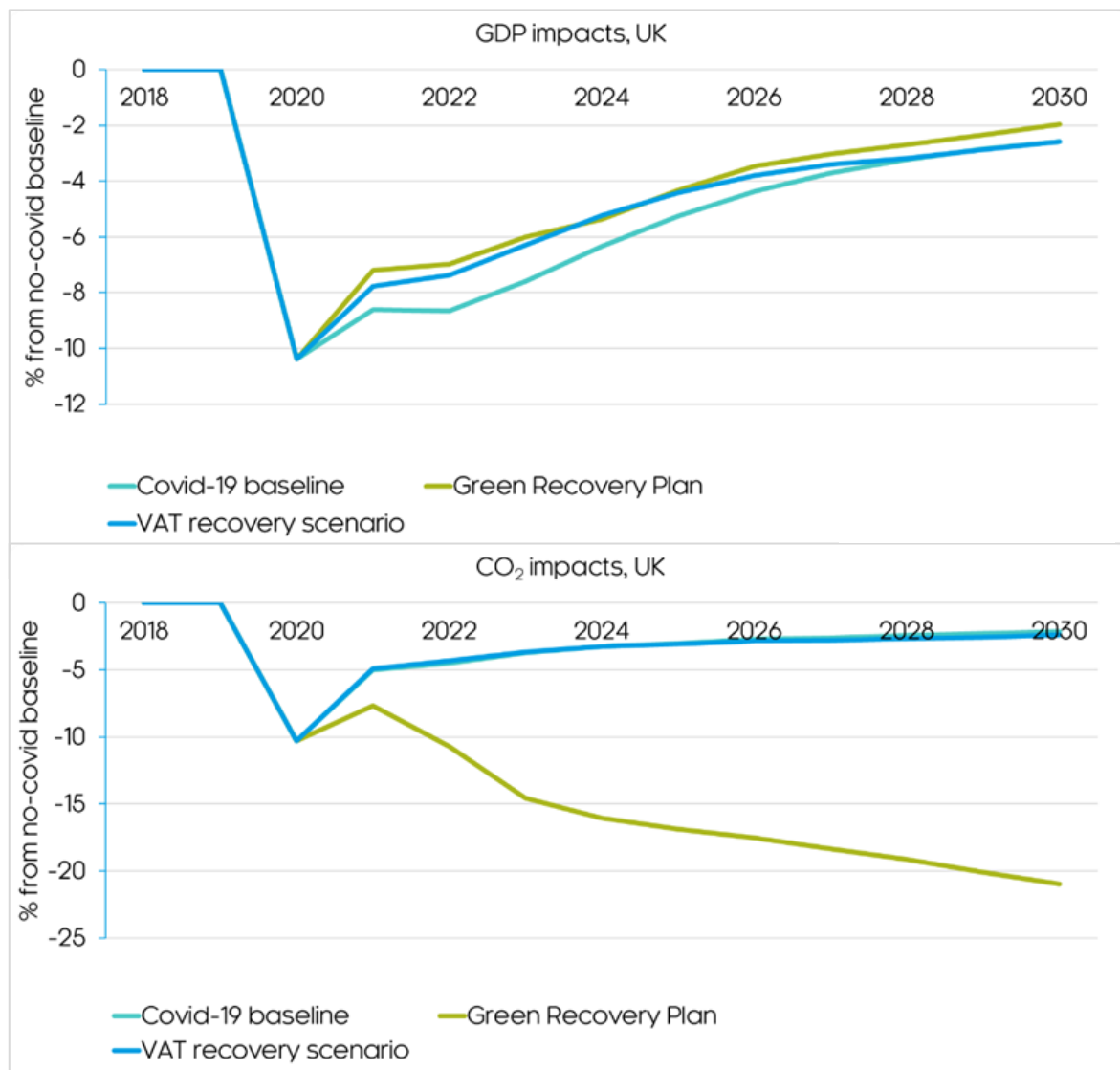
Source: Centre for Cities, Cambridge Econometrics. Note: data weather adjusted.

### The recent economic crisis has renewed calls for a 'Green Recovery'

The 'Green Recovery' is a popular term for a potential package of environmental, regulatory and fiscal reforms to be used in the recovery from the economic shock of the pandemic, and has been gaining increased international momentum; for instance, the United States 'Plan for Climate Change and Environmental Justice', the European Commission's 'European Green Deal', and the UK's 'Ten Point Plan for a Green Industrial Revolution' have recently been published or progressed to a reasonably advanced stage.

Macroeconomic analysis by CE has found a ‘Green Recovery’ stimulus package could not only help the economy recover but also set the UK on a low-carbon trajectory more aligned with ambitions to become a net-zero economy by 2050<sup>32</sup>; as Figure 7.3.3 shows, the implementation of ‘Green Recovery’ investments could boost income, employment and GDP in the UK more than ‘return-to-normal’ stimulus measures (e.g. a VAT cut), with the added benefit of reducing emissions along a 2050 net-zero trajectory.

**Figure 7.3.3: Potential macroeconomic impacts of a ‘Green Recovery’ in the UK, 2018-30**



Source: Cambridge Econometrics (on behalf of We Mean Business coalition).

The investments used in the analysis include public investment in energy efficiency; subsidies for wind and solar power; public investment in upgrading electricity grids; car scrappage schemes; and tree planting programmes. A number of these investments have since been included within the UK’s ‘Ten Point Plan for a Green Industrial Revolution’<sup>33</sup>, which are summarised in Table 7.3.1. CE estimates that some 4,500 ‘Green Recovery’ jobs could be created in Leicestershire as a result of the interventions outlined in the Ten Point Plan.

<sup>32</sup>

<sup>33</sup>

Table 7.3.1: Government's 'Ten Point Plan for a Green Industrial Revolution'

Ambition	Government description	Potential employment benefit (by 2030)
<b>Advancing Offshore Wind</b>	1. Offshore wind: Producing enough offshore wind to power every home, quadrupling how much we produce to 40GW by 2030, supporting up to 60,000 jobs.	60,000
<b>Driving the Growth of Low Carbon Hydrogen</b>	2. Hydrogen: Working with industry aiming to generate 5GW of low carbon hydrogen production capacity by 2030 for industry, transport, power and homes, and aiming to develop the first town heated entirely by hydrogen by the end of the decade.	8,000
<b>Delivering New and Advanced Nuclear Power</b>	3. Nuclear: Advancing nuclear as a clean energy source, across large scale nuclear and developing the next generation of small and advanced reactors, which could support 10,000 jobs.	10,000 (at peak)
<b>Accelerating the Shift to Zero Emission Vehicles</b>	4. Electric vehicles: Backing our world-leading car manufacturing bases including in the West Midlands, North East and North Wales to accelerate the transition to electric vehicles, and transforming our national infrastructure to better support electric vehicles.	40,000
<b>Green Public Transport, Cycling and Walking</b>	5. Public transport, cycling and walking: Making cycling and walking more attractive ways to travel and investing in zero-emission public transport of the future.	3,000 (by 2025)
<b>Jet Zero and Green Ships</b>	6. Jet Zero and greener maritime: Supporting difficult-to-decarbonise industries to become greener through research projects for zero-emission planes and ships.	5,200
<b>Greener Buildings</b>	7. Homes and public buildings: Making our homes, schools and hospitals greener, warmer and more energy efficient, whilst creating 50,000 jobs by 2030, and a target to install 600,000 heat pumps every year by 2028.	50,000
<b>Investing in Carbon Capture, Usage and Storage</b>	8. Carbon capture: Becoming a world-leader in technology to capture and store harmful emissions away from the atmosphere, with a target to remove 10MT of carbon dioxide by 2030, equivalent to all emissions of the industrial Humber today.	50,000
<b>Protecting Our Natural Environment</b>	9. Nature: Protecting and restoring our natural environment, planting 30,000 hectares of trees every year, whilst creating and retaining thousands of jobs.	20,000 (to 2027)
<b>Green Finance and Innovation</b>	10. Innovation and finance: Developing the cutting-edge technologies needed to reach these new energy ambitions and make the City of London the global centre of green finance.	"hundreds of thousands" (300,000 in exports and domestic industry)

Source: HM Government.

## 7.4 Workshop findings

Three workshops were held to discussion environmental sustainability and climate change issues in March 2021. The main findings from these workshops were as follows.

The workshop findings reflect the perceptions and views of attendees, and sometimes reflect the range of views and debate.

**Previous challenges that remain relevant, with updated insights:**



Much of the workshop discussion concerned issues where there has been a history of challenges, and strategies and activities to address them.

*Where to start?* There was genuine concern that the low carbon agenda was so wide, and the implications so significant, that it was often difficult to appraise where best to start to take action and invest.

*The need for a roadmap.* There was agreement that there needs to be a common roadmap for stakeholders to follow, that identifies the main routes, barriers, investments, and opportunities for the low-carbon transition, identifying practical steps now, and other major changes required to realise this.

*The resource challenge* is significant in relation to low carbon. This was seen as significantly constraining the ability to incentivise and deliver sustainable housing, transport infrastructure, and the transformation of public and private services and supply chains.

*Low carbon services and infrastructure aren't in place yet.* This reflected the frustration of several local authorities that they had attempted to procure low carbon, sustainable services or EV fleets but had not been able to find an affordable supplier that was fit for purpose, nor find sufficient EV charging capacity in place to enable this transition.

*Embedding low carbon into business practice.* This had been recognised, and efforts were underway to ensure all Growth Hub advisors had low carbon training and were ready to address this. There was some discussion about how to make low carbon achievable and practical for businesses. Also there were some ideas about promoting and supporting ethical business, including improved principles and standards regarding sustainability and supplier sourcing. The identification of business exemplars and B2B networks to promote low carbon was also mentioned. Having the tools for businesses to estimate their carbon footprint and identifying a range of actions, from the immediate and practical, to more ambitious long-term changes – were also discussed.

*The role of public procurement* was seen as essential, as public organisations have analysed that a huge share of carbon emissions come from their supply chain. A few examples were given, such as sourcing building supplies from China for public realm work in Town Centres, or wooden cladding sourced from Russia. There is a need to put carbon accounting and social value into public procurement decisions. This has been done elsewhere in the UK, and could be implemented in this region, along with support to help suppliers transition to low carbon. A unified public sector procurement approach and support to SMEs could be rolled out in the region.

*Low carbon skills* were regarded as a significant challenge. Whereas some activities, such as energy efficiency retrofitting of older buildings, could be appraised quite easily in terms of the scale of work, labour and skills required, other activities such as changes to manufacturing processes and sourcing, were less easy to envisage in terms of skills impacts. Again, the issue of pathways was mentioned in terms of skills planning.

Existing capabilities and progress should be regarded as positive. Including the Energy Infrastructure Study, Low Carbon Sector Study from Sustainability West Midlands, and the expertise in the universities. The monitoring of

pollution by Earthsense, owned by the University of Leicester, was also regarded as a leading exemplar.

Overall – low carbon and sustainability were regarded as integral to the economic strategy, not an add-on. The need for collaborative strategy, targets and actions was emphasised.

### **New challenges emerging over the past 12 months:**

*Car use has increased during the pandemic, and public transport use has declined.* There was acknowledgement that the pandemic had resulted in increasing car use, and concerns about how to effectively restore public transport and implement modal shift.

*The need to update spatial and infrastructure plans.* There were some comments that the Strategic Growth Plan would need to be further evolved subsequent to the local authority climate change declarations.

*The need to be ambitious about low carbon* was often discussed, with the way forward to set out goals such as being the national or global leader in sustainable logistics, or being a leader in sustainable air transport at East Midlands Airport.

*Advocacy* was discussed, in relation to the LEP role. There was scope for the LEP to increase its advocacy and promotion of the low carbon agenda.

*Recognition about the scale of the challenge* was apparent in the workshops, with the identified need to set out common, collaborative solutions and very long-term projects and services.

*Need to be more opportunistic and mainstream low carbon into everything* – e.g. new housing developments, sustainable travel routes. There was much comment that new housing developments still relied on gas central heating systems, and did not incorporate renewable tools such as ground heat source pumps, or greywater recycling.

*Bold ambitions.* There were some bold ambitions articulated by workshop participants. For example, Leicester could join 100 cities with 70% renewable energy, aiming to achieve 100%. New buildings could be required to be completely carbon neutral. Leicester and Leicestershire could adopt the UN's Sustainable Development Goals. There was also an idea for Leicester to become the UK's first rush-hour free city and perhaps an initiative to get businesses to declare a climate emergency. It was also noted that Leicester's Business Festival was in the same week as COP26.

### **Awareness of the new policy environment and how that will affect the low carbon and environment agenda:**

*Lack of national strategy and commitment.* There was some comment that the national government approach to carbon reduction was confusing, fragmented, and offered few resources for local delivery – and was a major barrier to progress. Most finance and grants sources are short-term when we are facing a major long-term challenge. The example was given of national planning guidance and building regulations, and that there was perhaps a lack of ambition and regulatory change to push the transition to low carbon. Also, reference was made to the lack of progress of electrification of the East Midlands Mainline and that getting these basics right was fundamental.

## 7.5 Implications and strategy priorities

### Existing strategies

*The previous priorities* – as outlined in the draft Local Industrial Strategy, included:

- The overall aim to achieve carbon neutrality by 2050
- Supporting businesses to move towards carbon neutrality and deliver business efficiencies and a move to the circular economy
- Create a low carbon and circular economy business cluster at LUSEP
- Create new sustainable and affordable housing
- Develop and encourage more sustainable forms of transport to mitigate the impacts of climate change
- Biodiversity and protected sites
- Natural capital and green infrastructure
- Delivering clean, smart and flexible power

### Analysis of recent evidence and the impact of Covid-19

*Environmental sustainability and climate change continue to present a major public policy and economic challenge.* For the UK to meet its carbon budget target, it needs to cut carbon emissions by 31% by 2030, on top of the 29% reduction achieved between 2009 and 2019. Many urban authorities wish to pursue comprehensive carbon reduction policies and actions, and the Local Government Association estimated that this has the potential to sustain 694,000 jobs over the next 10 years, and 1.18 million jobs to 2050.

Analysis of the recent evidence points out that:

- There was a sharp decline in air pollution during lockdown, though it has since recovered. In Leicester, the lockdown has reduced emissions - NO<sup>2</sup> concentrations dropped by some 30% on predicted levels during the first months of lockdown
- Green spaces and natural capital have been increasingly prioritised by residents during the pandemic. during Summer 2020, Leicestershire residents spent almost twice as much time at parks and outdoor attractions than they did pre-Covid
- If Leicester and Leicestershire followed a green recovery plan (HM Government's 'Ten Point Plan'), this could help to establish a low-carbon trajectory and create 4,500 jobs.

### Moving forward – implications for low carbon and the environment

*The Economic Recovery and Action Plan highlighted the following priorities:*

- Developing more detailed plans, strategies and delivery of zero carbon – through a Natural Capital Plan, Roadmap to low carbon
- Developing investment plans, understanding of skills requirements and training needs – for the zero-carbon transition
- Developing plans and incentives for decarbonisation of key strategic sector such as logistics and air freight

- Continuing emphasis on public and sustainable transport
- Mapping out the changes / actions needed at national and local level to achieve zero carbon

These priorities all seem valid – and we would perhaps add the following insights:

- The low carbon agenda is massive, and can be overwhelming and there is a lot of confusing messaging out there. Developing a roadmap approach, clearly defining the challenge and the actions needed to address it will help.
- Low carbon and sustainability will have to become a major consideration for every element of the economy, and the economic strategy. To be taken seriously in terms of low carbon goals – some serious statements of intent need to be made.

## 8 Taking the strategy forward

This chapter considers some of the broader aims and objectives of the Strategy as a vehicle for making progress on the opportunities and challenges facing the Leicester and Leicestershire economy.

### 8.1 Workshop findings and board discussions

Some of the discussions in workshops and with the board usefully covered the criteria and considerations for designing the strategy, and prioritisation.

These range of views included the following points (please note – this reflects views and perceptions, we have yet to interpret and edit them into a definitive set of goals – this will come later after further board consideration).

#### Aims of the strategy

- Be ambitious
- Demonstrate leadership, including thought leadership and that way forward is fit for future challenges
- Have 5 or 6 major priorities – be focused
- Be agile and responsive enough to deal with the covid-19 recovery period, and other challenges that emerge
- Reflect the changing national government priorities, frameworks and funding opportunities
- Make progress in low carbon whilst also achieving economic growth
- Set out the broad principles
- Set out the response to ensure community recovery
- Demonstrate that the strategic planning is in place
- Ensure alignment with bottom-up concerns and issues
- Overcome the fragmentation of funding, initiatives and services to deliver coherent solutions for the next 5-10 years

#### Prioritisation

Some of the criteria for developing strategic priorities and resource allocation included:

- Ensuring coherent long-term provision – including continuing to ensure the success of initiatives started and launched over recent years – whether relating to technology parks or careers guidance
- Impact for the economy, environment, and for social wellbeing. Low carbon was a big issue which many wanted to see the new Economic Strategy fully embracing and pushing forward
- Support businesses who want to grow, capable of international trade
- There was some debate on whether support to businesses should be based on business needs and activities (such as growth, marketing, HR, trade, finance), or through a sector focus

## Local identity

During the workshops and in board discussions, there is the ambition to ensure that the new Economic Strategy reflects the uniqueness of Leicester and Leicestershire.

The main areas and assets differentiating Leicester and Leicestershire from other parts of the UK include:

- ✓ Diversity – diverse business base, diverse population, diverse urban and rural places
- ✓ Young population and workforce
- ✓ 3 leading universities
- ✓ High tech industries and research strengths – health, life sciences, space and earth observation, engineering, advanced manufacturing, automotive, IT, cyber, and sports
- ✓ World class sites and science and technology parks
- ✓ Leading and growing logistics hub
- ✓ Attractive, diverse city with great connections and large workforce
- ✓ Successful county towns with their own unique specialisms
- ✓ Partnership working and collaboration

## 8.2 Strategic issues

Taking the evidence base, relevant existing strategies and workshop findings - one interpretation could be to distil the findings into themes and objectives outlined below:-

### SECTORS, ENTERPRISE AND INNOVATION

#### Enterprise growth, resilience and innovation

- Building on high rates of entrepreneurship and the high start-up rate
- Supporting new ‘beacons’ – scaling up SMEs with growth ambitions
- Supporting business survival and resilience, financial readiness and bounce back from Covid-19
- Helping businesses transition to low carbon and digital

#### Innovation strengths and capabilities

- Increasing innovation: spend, collaborative networks, and activity through the whole company base (‘bootstraps’)
- Continue to build on existing research strengths through collaborations, and business commercialisation
- Explore how corporate R&D strengths and capabilities can be used to benefit the local economy and SME base

#### Sector specialisms and strengths

- Continue to support growth in key sectors, including space and earth observation, life sciences, medtech, sport and sports science, IT, digital,

cyber, textiles, logistics, low carbon, food and drink and agritech, advanced manufacturing and automotive

- Develop the visitor offer, and local cultural and leisure offer for visitors, residents, workers and investment attraction
- Continue to grow knowledge-based businesses and jobs

### **Ensuring the enterprise support offer is relevant and accessible**

- Reflecting the needs of rural and urban areas, ethnicity, gender, and sectors

### **Refreshing approaches to trade and inward investment**

- To align to opportunities posts-covid and after the EU transition

## **EMPLOYMENT AND SKILLS**

### **Workforce skills and development**

- Ensure that the growing, younger workforce has the qualifications, skills and progression routes to sustain work, earnings and meet employers' needs
- Matching skills supply to demand to achieve employer-led skills provision
- Improving skills and qualifications attainment
- Improving individual take-up of apprenticeships
- Engage with growth sectors

### **Youth transitions**

- Ensure young people successfully transition to subject choice, FE, HE and employment
- Improve graduate retention
- Continue to build upon success in establishing guidance services and capabilities

### **Employer development**

- Improve and support SME HR, skills specification and recruitment activity
- Help SMEs to access apprenticeships

### **Mobility**

- Improve worker mobility and travel-to-work, particularly for access to FE, apprenticeships and entry level jobs

### **Low carbon**

- Identify low carbon skills specifications and pathways

### **Funding transition**

- Transition from European Funds to UK funded solutions



## **INEQUALITY AND INCLUSION**

### **Reducing deprivation**

- Address low earnings
- Improve in-work progression

### **Reduce risks of exclusion**

- Keep vulnerable groups and individuals (including NEETs) close to the labour market, and improve and maintain employability
- Continue to develop and expand guidance services
- Identify and address gaps in existing support and welfare system
- Resolve and reduce risks of digital exclusion

## **PLACE, INFRASTRUCTURE AND TRANSPORT**

### **Transport**

- Continue to deliver strategic road and rail projects, including east-west connectivity, improved train speeds, rail electrification, and infrastructure to support strategic growth sites
- Improve public transport services and modal shift
- Develop sustainable transport infrastructure, particularly alternative for fuels and electric vehicles

### **Energy**

- Improve energy infrastructure, particularly to accommodation housing and employment growth sites
- Implement sustainable energy strategy
- Continue to increase renewable energy generation and sourcing

### **Networks**

- Improve 5G services, implement a test bed
- Improve broadband access and asynchronous connectivity

### **Housing**

- Increase housing supply and improve affordability

### **Sites, city centre and town centres**

- Town centre and high street transition and renewal in rural market towns and towns
- City centre transition and development, including grade A commercial office provision in the City Centre
- Continue to support the build out and extension of successful strategic sites, including EZ sites, science and technology parks, Space Park, MIRA, East Midlands Airport and SEGRO

## **LOW CARBON AND ENVIRONMENTAL SUSTAINABILITY**

### **Creating the pathways to a low carbon economy**

- Develop and identify low carbon pathways, including strategies and incentives
- Support business transition to low carbon
- Pathways to green jobs and skills
- Enhance and maintain biodiversity and natural capital

### **Sustainable transport**

- Deliver sustainable public transport infrastructure and services, and infrastructure for alternative fuels and electric vehicles

### **Low Carbon and Environmental Goods and Services (LCEGS) Sector**

- Grow the LCEGS in Leicester and Leicestershire
- Use local research, technology, innovation and entrepreneurial capabilities