

Title: Economic Challenges in Leicester and Leicestershire
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1. Background

- 1.1 Over the last 50 years, we have witnessed the gradual decline of our manufacturing base, along with the rise of the service sector. Here in Leicester and Leicestershire, we have also witnessed a dramatic change in the industrial make-up of our city and county. If we look back to 1963, where we had a population of around 800,000, over 140,000 people were employed in the textile and associated industries. If you look at Leicester and Leicestershire today, with a population of around a million, you will find that this number has fallen to under 15,000 people, which is a significant change in its own right.
- 1.2 On the positive side if you look at leisure and tourism, back in 1963 they didn't record the number of people employed in this sector as it wasn't seen as either relevant or of sufficient size. However, in 2011 we find that over 40,000 people are now employed in this sector, with tourism alone contributing £1.4b pa to the city and county £18.5b economy.
- 1.3 As a result of these changes, the physical size and make-up of the local business community has also change significantly. In the industrial 1960's the local economy was dominated by very large employers such as British Shoe employing 10,000 people, Corah's employing 5,000 etc. Today, the make-up of our local business community is very different. In 2011, we have a local economy made up of over 38,000 businesses, with over 84% of those businesses employ less that 10 people. Only 17% of our local businesses are now involved in manufacturing (11% nationally), and 20% of all working adults in the city and county are employed in some form of retailing.

2. The Challenges

- 2.1 This seismic change to the make-up of the local economy has left us with some enormous challenges going forward, along with some real opportunities. The first significant challenge is a landscape peppered with old industrial units that are not suitable for the either the service sector or the new business being created. The second is the shortages of skills where we have a potential pool of labour that no longer have the relevant skills required for the jobs being created in the local economy.
- 2.2 The first issue is gradually being addressed by a combination of market forces and private sector investment, though much curtailed in recent years, along with a series of public sector interventions. The public sector interventions have been implemented via the City Council, Leicester Shire Economic Partnership (LSEP), and Leicester

Regeneration Company (LRC), and now the new Local Enterprise Partnership (LEP), all of whom have drawn down a myriad of different Government-led regeneration funds to redevelop various parts of the city. Though drawing down funding for this type activity in the future will be far more constrained, it is often easier for the Government to find capital than it is revenue, as seen in the Chancellors Autumn Statement. So there can be a reasonable assumption that a mixture of private and public funding, at a much slower pace than previously experience, will be available to address some of the physical deficiencies in the local economy.

- 2.3 That leaves us with the second and more pressing issue of the makeup of the local labour market. In our opinion, it is the signal biggest threat to the future success of our local economy. This is not a new issue but is something that has been steadily getting worse and has been further compounded by the recession and the jobs now being created in the local economy.
- 2.4 This problem can be traced back to the last recession, where our economy went through a series of major changes that left many unemployed people with a set of skills that were no longer relevant to the emerging businesses. In Leicester and Leicestershire this was an issue that focussed around the loss of our textile companies and the skill associated with this once buoyant sector.
- 2.5 By the time we had reached 2007, the position had started to become critical. In September 2007, unemployment stood at 14,000 in the city and county, with job vacancies being around 20,000 (this is using the combined figures from Job Centre Plus and the estimated vacancies amongst the 200 private sector employment agencies operating in Leicester, who fill two in every three vacancies).
- 2.6 The onset of this recession clearly impacted on these figures, where at one point unemployment had peaked at 25,000, yet vacancies still remained high at 14,000. From this point onwards the situation has continued to deteriorate. In November 2011 unemployment fell, against the national trend, and vacancies rose. Currently we have just under 22,000 people unemployed with an estimated vacancy figure running at 20,000, which is borne out by many local companies reporting severe difficulties in recruiting people with the right skills.
- 2.7 To compound the issue, it appears that the problem has now become even more complex than in the 1990s, where it is no longer just an issue about a skills mismatch, but also involves an element of 'work readiness' skills. According to the major private sector employment agencies, the work readiness issue is as big a barrier to gaining employment as not having the relevant skills for the job.

3. Solutions

- 3.1 To tackle this huge issue in the local labour market requires a joined up approach from both the public and private sectors. The problem cannot be solved by individual agencies working alone; neither can it be left to the private sector under the guise of market forces to find a solution.

4. Work Readiness

- 4.1 This is a something that can be seen with young people leaving education at 16, 18, and even university. It is also something that occurs as early as three months after exiting the labour market, and will continue to become an issue the longer the person stays unemployed.
- 4.2 To tackle this issue in the education system, local authorities should aim to introduce work readiness training for young people as part of the curriculum. There are plenty of examples from Leicester Education Business Company, Leicestershire Cares, and local Rotary Clubs, where local business people have gone into schools to help young people prepare CVs and undertake mock interviews. This type of activity should be built into the schools programme and made available to all schools in the city.
- 4.3 For the university sector, we are currently working on a pilot with the University of Leicester where a programme of work readiness training is being given to graduates, but at a much more in-depth and higher level than currently offered to schools. If this is successful, then it will be offered out to the other two universities in the city and county.

5. Long Term Unemployed

- 5.1 This requires a multi-agency approach, similar to the approach taken under previous programmes such as City Strategy, which supported the Highcross development and One Skilled Workforce. Both programmes were proven to be successful in that they were able to get long term unemployed people back into employment.
- 5.2 Clearly skills are a major issue in getting long term unemployed people to re-engage in the local labour market. However, we often forget that the reason people are disengaged can be for a number of different reasons, which combined prove almost impossible for that person to become economically active again. The success of both City Strategy and One Skilled Workforce was the joint agency approach and the ‘account management’ of the person involved. All too often people slip between the cracks when dealing with numerous agencies and often never quite get what they need. By a combination of account managing a person through the system and providing them with training in work readiness skills, they will stand a far better chance of re-entering the local labour market.

6. Skilled Labour

- 6.1 This is a far more complex issue that we need to address as the jobs being created in the local economy at present are often skilled or semi-skilled. In the past, local businesses have relied on imported labour to fill that gap, but that is now proving to be unsustainable and is something the current Government does not wish to see continue. Therefore, greater emphasis has to be placed on training by companies along with a serious revitalisation of apprenticeships. The only long term solution has to be the training of people to meet the needs of business going forward.

7. Conclusion

- 7.1 If the local economy is to recover and prosper, where our citizens can enjoy a good standard of living through gainful employment, then we have to address this issue of skills shortages. The City Council, through a multi-agency approach, can and should provide the leadership to help tackle this problem.