Industry in Focus

Good Growth for Cities

Taking action on levelling up

#IndustryInFocus #GoodGrowth

pwc

Contents

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As we emerge from the pandemic, one of the country’s priorities must be the delivery of a fair recovery – one that benefits all people and places.

Though damaging in so many ways, the pandemic does appear to have driven a shift in public preferences, which now presents an opportunity. Building on the increased emphasis many people are placing on their communities and the environment, we now have the chance to reset and address some of the regional inequalities that have characterised our country for generations.

The recently published Levelling Up White Paper is a welcome start, but as the analysis in this year’s Good Growth for Cities report demonstrates, the Government, businesses and local leaders will need to work together if we are to capitalise on this once in a generation opportunity to create successful places right across the UK.”

Carl Sizer, Head of UK Regions, PwC

Executive summary

As the pandemic loosens its grip on the UK, we are beginning to understand how it has exacerbated already deep-rooted inequalities in our society. The more we understand what drives these inequalities, the better our prospects of securing a fair economic recovery for all.

For the last decade, our annual Demos-PwC Good Growth for Cities Index has measured the performance of cities and regions right across the country. The Index looks beyond performance against purely economic indicators, and focuses on additional measures of wellbeing, such as access to jobs, income, health, skills, work-life balance, housing, transport and the environment. In addition, and to reflect some of the more obvious issues highlighted by the pandemic, this year's Index includes two new indicators[1] covering safety and the vibrancy of local high streets.

As in previous years, we asked members of the public to provide their views on the measures they think matter most. This year, the results of our survey were stark. There has been a marked shift in public preferences, with greater weight being placed on issues such as work-life balance, income distribution and the environment.

Though it is possible we will see a shift back to a more predictable pattern of preferences in future years – one in which access to employment and skills re-emerge as the measures on which the public place the greatest importance – there is a clear emphasis being placed on the need to press for a fairer deal for all regarding income, protection of the environment and having the time to enjoy it safely. There would appear to be significant support for a nationwide programme to improve equality and level up.

While it is difficult to be precise about the extent to which the pandemic has driven these changes, it is reasonable to argue that the way we have all been living over the past two years, along with relatively strong confidence in the employment market, has caused a proportion of the population to reflect on the things they value. The data included in this report suggests this is having a significant impact on the relative fortunes of different places – the cities that perform well against this year's Index have strong local economies but are also characterised by strong environmental and safety credentials.

Our analysis also suggests some city dwellers have been moving to commuter belts or rural areas amid the growing focus on wellbeing, the environment and income distribution. In some cases, this is prompting a faster economic recovery in provincial cities. Based on total population count for each city, we estimate that many of the smaller cities in our analysis – such as Bournemouth, Exeter and Plymouth – will see stronger Gross Value Added (GVA) growth rates in 2021 and 2022 compared to the larger metropolitan cities.

Though the improved performance of some smaller and provincial cities is to be welcomed in the context of the levelling up agenda, it is also clear that the majority of places benefitting from the trends referenced above are in the South of the country. Many of the issues underpinning the relative underperformance of cities in the Midlands and the North have been exacerbated by the pandemic. Though the economies in some of these cities are in reasonably good shape, they have been unable, as yet, to capitalise on the changing nature of public preferences and may need further help or intervention to catch up with those moving more quickly.

Nevertheless, our analysis indicates there are numerous opportunities for cities and other areas to benefit from the changing nature of the way we live and bring greater precision to their plans to deliver Good Growth. This year, we interviewed several different local leaders at the heart of the place-shaping agenda, to explore how they plan to take action to drive economic growth in their areas. Included in the case studies throughout our report are examples of how investment in townscapes, support for community cohesion, efforts to foster local pride and attract new types of businesses are being used to boost growth in these places.

While the pandemic has exacerbated many of the more systemic challenges in our society, shifting public preferences, coupled with the political will to deliver levelling up signalled by the publication of the White Paper, present a window of opportunity to reset and deliver Good Growth across the UK. Achieving this will require imagination, bold action and collaboration by government, businesses, and local leaders. Only by working together will we secure Good Growth now and for the future.

1) For this reason, it is not legitimate to compare the relative performance of cities in this year's report with their performance in previous years.

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A widespread shift in public priorities has been triggered by the pandemic – people want to be more connected to their communities and to live in greener, fairer places. This shift has led to a change in how and where people live and work – altering the makeup of the UK economy, and the shape of growth prospects for every city and region across the nation.”

Public priorities for growth

Living through two years of a pandemic has challenged the work, home and social framework of people across the UK. It has prompted the public to reassess their lives, and adjust their priorities and ways of living accordingly. In recognition of this, we have taken the opportunity to re-engage with the public and refresh our research approach.

We published our first Good Growth for Cities Index with the think tank Demos a decade ago[2], measuring the performance and characteristics of cities and regions in a composite 'Good Growth' Index. The Index seeks to recognise that if growth is essentially about improving the prosperity, opportunities and wellbeing of the general public, the focus must go beyond traditional measures of economic success, such as GDP or GVA.

Our annual Index covers a list of broad measures of economic wellbeing – factors the public identifies as most important to their work and finances, and are therefore essential for judging economic success. This year, we worked with Demos to understand if these factors remain relevant – and to explore what else the public may now prioritise.

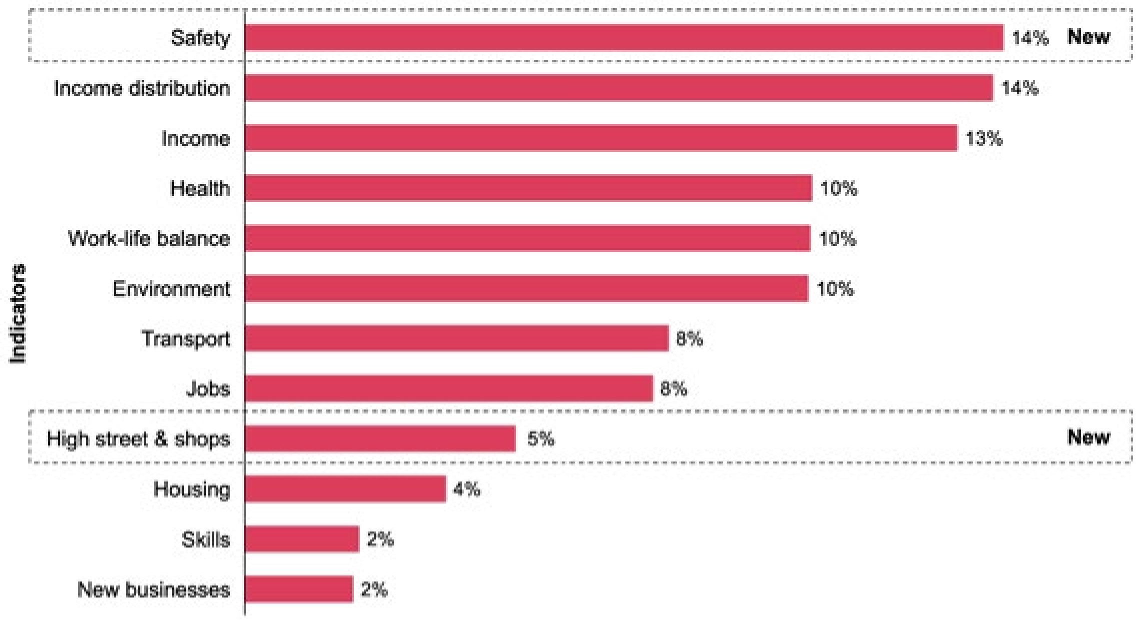
We found that all our original measures of economic success are still consistent with public views. But our research revealed that low crime rates, having a safe neighbourhood and a vibrant local high street are also core topics of public interest.

The popularity of these topics, and the emphasis placed on it in our analysis of public priorities, prompted us to update the Index. We now include two new measures of economic success the public feels strongly about: high streets and safety.

2) We published our first Good Growth Index in 2011. The first Good Growth for Cities report was published in November 2012.

3) The Good Growth for Cities Index measures life expectancy, this was selected to give an overarching portrayal of the state of health outcomes.

Figure 1: Measures of economic success, ranked highest to lowest in terms of their weightings, rounded to nearest whole number



Source: Demos / PwC Analysis (2021)

Compared to 2020, the weightings for our variables this year see a significant shift in their importance relative to the other and new variables. **Table 1** outlines our weightings from last year's Index and compares them to our weightings this year.

Jobs and Skills, two of the most important variables in our Index last year, see significant decreases in their relative importance in our updated Index, most likely due to current confidence in the employment market. In contrast, income, environment and income distribution see significant increases. It is possible this change of emphasis is a temporary response to the pandemic and we may see the relative weightings even out in future years.

Table 1: Our revised Good Growth weightings compared to 2020

%	Jobs	Income	Health	Work-life balance	New businesses	Housing	Transport	Skills	Environment	Income distribution	Safety	High Street & Shops
2020	14	12	14	8	6	10	8	12	8	8	N/A	N/A
2021	8	13	10	10	2	4	8	2	10	14	14	5
Change	[illegible]	Δ	[illegible]	Δ	[illegible]	[illegible]	–	[illegible]	Δ	Δ	–	

As in our previous reports, our variables are weighted according to their level of relative importance. This year, the weights of each variable were determined via a public polling run by Demos. We used a robust stated preference approach through conjoint analysis in order to deduce these weightings. Further details can be found in the Appendix section.

Important note: Comparison to last year's report is not possible

Due to the extent of the Index refresh, we would not advise making a comparison between the scores in this year's report and those included last year.

Responding to public priorities

Our Future of Government research has consistently highlighted our view that for the levelling up agenda to succeed, it needs to reach beyond geographic inequalities and better respond to the public's priorities and concerns around the inequalities within regions and communities.

With the publication of the Levelling Up White Paper on 2 February 2022, we now have a clearer understanding of the Government's vision. Though this vision focuses exclusively on geographic inequality, it recognises there are multiple inequalities which affect people and acknowledges the need for more rounded strategies of economic recovery.

The White Paper outlines 12 national levelling up 'missions' and sets out plans to:

- expand devolution across England
- increase pay, employment and productivity
- commit to domestic investment outside London and the South East
- upgrade infrastructure and public services
- reduce crime
- improve health, wellbeing and pride in local communities

The variables we captured as part of our Index refresh fall broadly in line with the Government's 12 well-rounded missions (as demonstrated by **Table 2** opposite). As cities and regions across the UK develop their levelling up plans, they will need to adopt a similar well-rounded approach. They may find it helpful to consider their performance on the Good Growth Index this year, in order to identify the most and least successful indicators within their geography.

It is interesting to note that in the White Paper's 12 missions, the environment is omitted (in relation to sustainability / climate change). Environment continues to be an important measure of economic success according to our analysis, and our view is that cities and local leaders should consider this indicator in their levelling up plans.

Inequality within London and the South East

While the Levelling Up White Paper turns its attention to improving the economies outside of London and the South East, it is important to recognise there are areas within these regions which experience significant challenges. We explore this further on page 23 in the section on 'Economic recovery as indicated by employment'. The case for focusing on inequality within London and the South East is stronger if other types of inequalities are referenced, such as those between different ethnic groups, men and women, and different generations. Though the focus on regional disparity is critical, so is addressing inequality within regions.

Table 2: Comparison of the 12 missions in the Levelling Up White Paper (LUWP) with Good Growth indicators

Missions / Focus Area in the Levelling Up White Paper	How we measure each LUWP mission in Good Growth for Cities 2021
Living Standards	• Jobs – Unemployment rate • Income – GDHI per head scaled by regional price indices • Income distribution – Ratio of median to mean income
Transport & Infrastructure	• Transport – Average commuting time to work
Education	• Skills – Skills (16-24)
Skills	• Skills – Skills (25+)
Health	• Health – Life expectancy
Well-being	• Work-life balance – % in employment working more than 45 hrs per week
Pride in place	• High streets & shops – Retail store openings & closures • New businesses – New businesses per head of population
Housing	• Housing – Housing price to earnings ratio and owner occupation rate
Crime	• Safety – Total crime count discounting fraud & cybercrime per head of population
Research & Development (R&D)	-
Digital connectivity	-
Local leadership	-

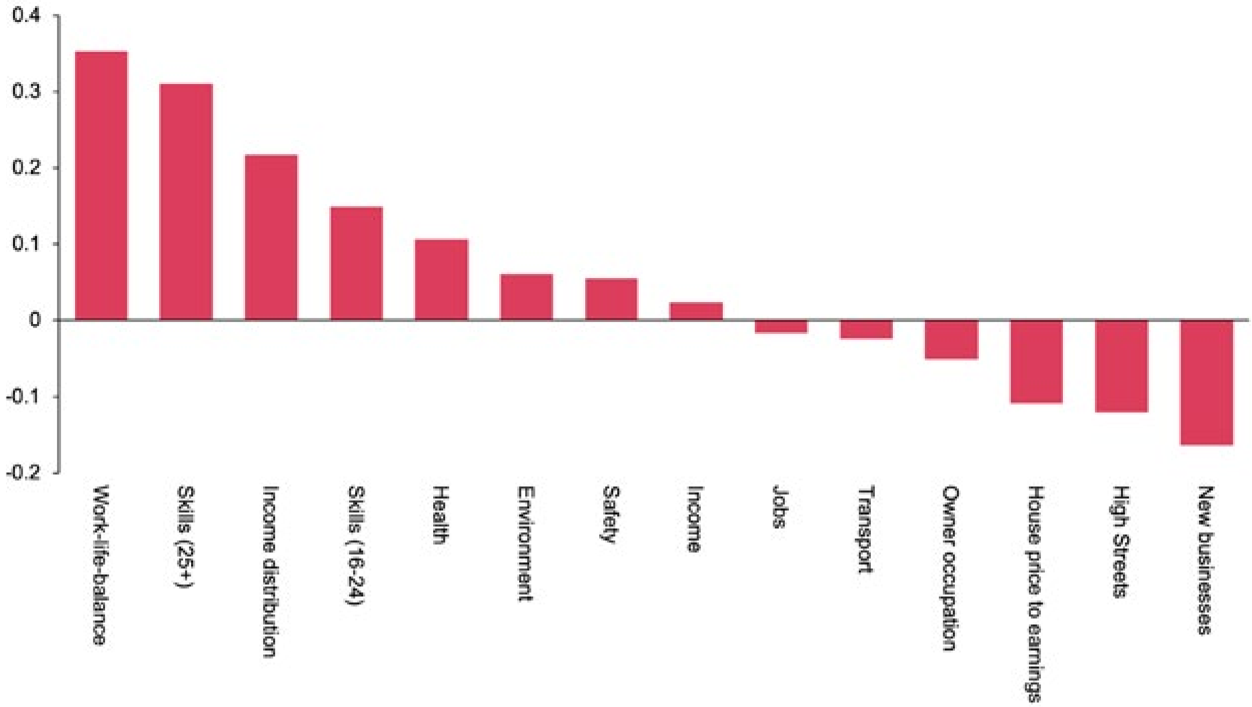
Work-life balance drives Good Growth

Though there are significant hurdles to be faced on the path to a fair recovery, most cities continue to see improvements in their Good Growth scores[4]. It is also encouraging to see the pandemic has levelled the playing field to some degree between the highest and lowest ranked cities, with the gap narrowing slightly this year.

The 12 variables in this year's index consist of 14 indicators, with housing composed of owner-occupation and house price to earnings ratio, and skills consisting of youth skills and adult skills. Of these 14 indicators, the biggest driver of improvement between 2017-19 and 2018-20 is work-life balance (**Figure 2**). There are also broad improvements in the skills of workers (aged 25+), as well as income distribution and life expectancy, perhaps reflecting the rise in flexible working patterns.

However, there are signs of declining high streets and new business openings, with the pandemic putting pressure on businesses to find new ways to generate cash. Housing has also been impacted, with a sharp decline in the house price to earnings ratio, highlighting how housing affordability and owner-occupation rates have fallen since the start of the pandemic. Despite efforts from the Government to address housing affordability, through schemes such as the Stamp Duty exemption, the historic increases in house prices are still very much apparent[5]. We expect prices to continue to rise in 2022, though at a slower rate than in 2021 as economic conditions return to pre-pandemic levels.

Figure 2: Average change in score since 2017-19, by indicator of the Index



Source: PwC Analysis (2021)

4) Since we have added two new indicators in our composite Index and have an entirely new weighting system, we have rebased our analysis to 2017-19. This enables us to understand the annual changes that we would usually see with the Index.

5) PwC comments on ONS November house price figures

Figure 3: 2018 - 2020 Good Growth Index results by city, ranked highest to lowest

Source: PwC Analysis (2021)

Good Growth scores by city

Oxford and Bournemouth are the two highest performing cities in this year's Index. Oxford performs well on income, health, safety, new businesses and skills (25+), helping to secure its first place position. Bournemouth was last year's highest ranked city, but slipped to second place this year due to a poor performance on jobs and house price to earnings in 2020. Swindon is in third place, performing relatively well across the board on all metrics, with jobs performing particularly strongly this year. Reading rounds off our top four, performing strongly on income and skills (25+).

Figure 3 presents the overall distribution of cities' scores, defined by travel to work areas (TTWAs) and our baseline over 2017-19.

Important note: Comparison to last year's report is not possible

Due to the extent of the Index refresh, we would not advise making a comparison between the scores in this year's report and those included last year.

Spotlight on Edinburgh:
Scottish capital focuses on the ‘missing middle’

The raw assets of Edinburgh give it an undeniable headstart for Good Growth. As a capital city, it is home not only to extraordinary natural and architectural beauty, but to keystone institutions, such as the Scottish Parliament, three universities, a slew of private sector headquarters and its own financial district in the West End.

Yet local leaders are aware that the legacy of the past may not lend itself well to the future. Edinburgh’s rich history and creative scene means it continues to attract workers from surrounding areas, and will always draw tourists. But in the short-term, COVID-19 has hit the tourist sector hard, and more broadly it may have prompted inequalities to widen, leading to a polarised workforce.

The city has a great deal of high paid jobs and low paid jobs, but there is a big gap in between – pointing to a missing middle in Edinburgh’s workforce. The local authority and its partners are **focusing on reskilling opportunities to support workers to progress in their careers, and to bridge the growing labour market gap**. But this reads across another constraint: encouraging a balanced labour market and innovation led growth is putting pressure on supply of the right office and workplace offer.

Unlike many other large metropolitan cities, such as Manchester or Birmingham, Edinburgh does not have large numbers of brownfield sites left vacant by the demise of industrialisation that it can build upon. The city needs to offer more space for businesses to scale up and grow sustainably.

Another key challenge is **transforming Edinburgh’s city centre environment to be fit for the future**. A key priority is to address traffic congestion in the city and improve the quality of the public realm in key locations. While the city is confident of a strong economic recovery, it believes that prospects for progress rest on the quality of its workforce, reducing inequalities, and enhancing the extraordinary legacy of some of Europe’s greatest spaces and places.

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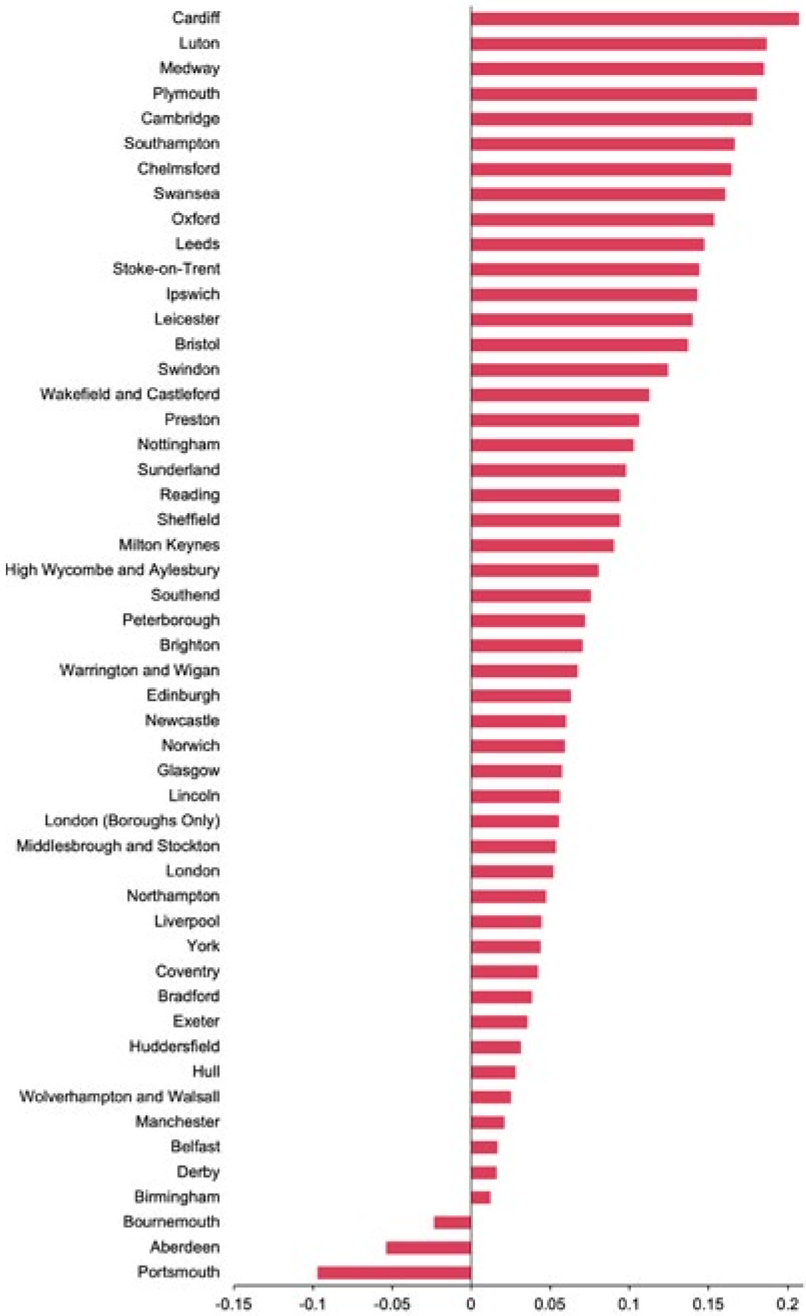
Edinburgh is working to establish a better relationship between innovation growth and the commercial property sector, in order to provide opportunities for indigenous companies and anchor institutions to stay close and to scale up.”

Figure 4: Change in Good Growth Index score by city, from a new 2017-19 baseline index to 2018-20 Index, ranked by highest to lowest change



Source: PwC Analysis (2021)

As shown in **Figure 4**, we observe a marked improvement for Cardiff this year, thanks to improvements in jobs, income and health. Luton and Medway also make significant gains, stemming from improvements in jobs, income distribution and work-life balance.

Important note: Comparison to last year's report is not possible

This graph shows the difference in Index scores between this year and last, had we used our refreshed methodology for the period 2017-2019.

Due to the extent of the Index refresh, we would not advise making a comparison between the scores in this year's report and those included last year.

Spotlight on Belfast:

City targets holistic connection with surrounding communities

Belfast takes a **balanced and deliberately interventionist approach to regeneration**. Local leaders are pro-development in the city core, but believe that any development has to be right for the communities surrounding it. This includes diversifying the city centre to offer more residential accommodation, house greater numbers of students and provide more hotel rooms, office space and improved cultural offerings. All the while, local leaders are investing in place-making, open and green spaces, community infrastructure and connectivity, to create a more attractive, accessible, safe and vibrant city centre – a people focused city centre which draws the wider community in.

City investment plans include a citywide commitment to invest in Belfast's wider neighbourhoods with strategies that **integrate physical regeneration with cultural, social and environmental regeneration, and elongating the city / civic spine**. The city has invested heavily in neighbourhood assets, such as community centres and sports facilities, and will continue to do so through funds at neighbourhood level. These funds allow local organisations to apply for support, in return for allowing the local community to access facilities. Over the last few years, for example, Belfast has invested c.£105m in new leisure facilities for communities.

Central to plans for the city centre is creating a cleaner, stronger and more resilient city core. This is underpinned by the Bolder Vision for Belfast, which aims to rethink how the city's streets and places are used to build sustainable and inclusive growth. The vision sets out the importance of safe, accessible and vibrant local places, and offers a call to action for the council, civic partners, local businesses and the wider local community.

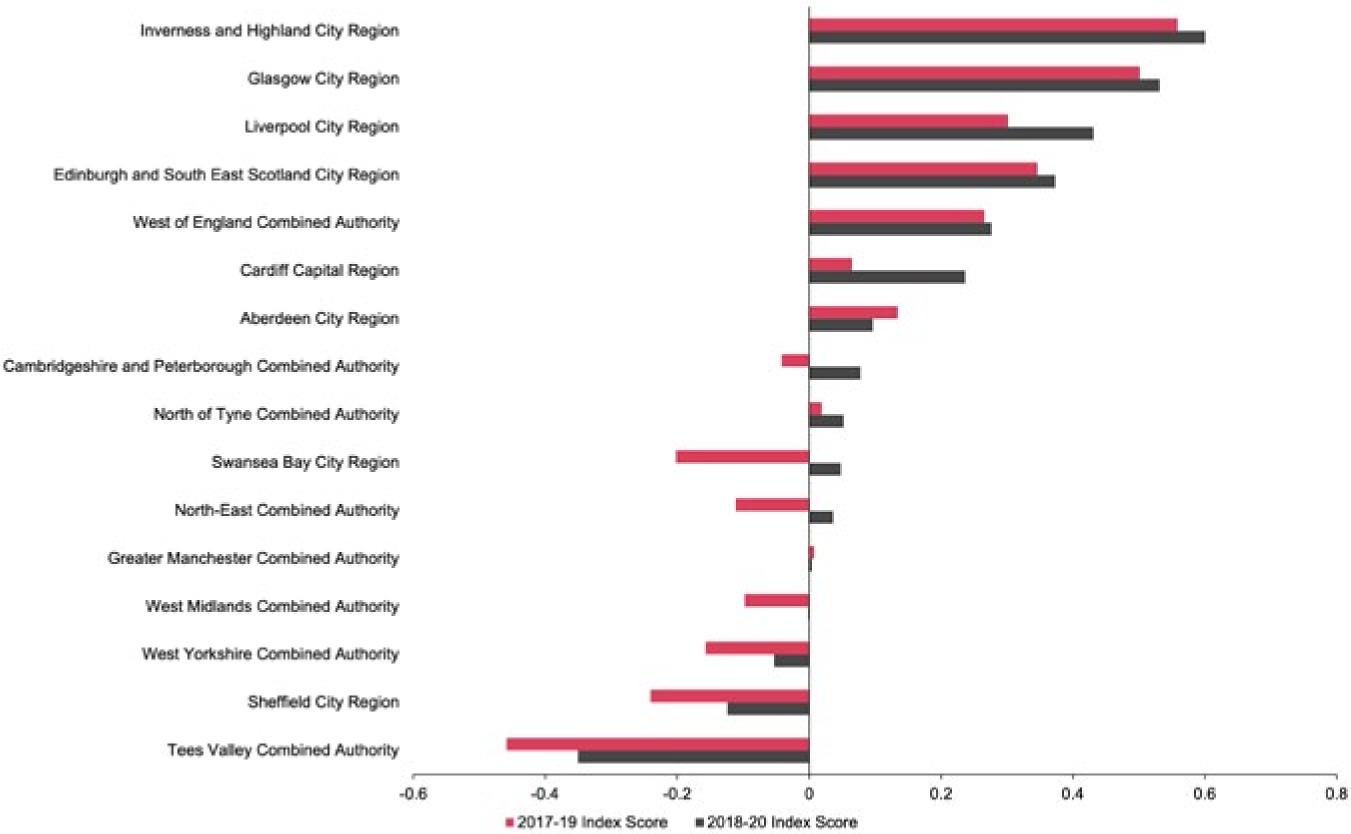
Looking ahead, Belfast is working to establish the city as a cultural centre in order to realise its global cultural and economic ambitions. As part of a **10-year cultural programme** to 2028, it is focusing on providing the right cultural offering, including encouraging independent retailers, unique pubs and art projects. Plans for a Year of Culture in 2024 are already underway, bolstering Belfast's position as a UNESCO City of Music and developing a £100m landmark tourism anchor in the city centre – an authentic experience with Belfast's people and personality at its heart.

For business, Belfast's ambition extends from tourism to financial services to research and development (R&D). The city's innovation and inclusive economic growth plans seek to capitalise on its dual market access, supported by a **£1bn Belfast Region City Deal investment**. Engagement so far has led to Belfast becoming the number one city for global FinTech investments and top European city for new medical software development. This further investment in digital connectivity, funding innovative industry solutions and supporting centres of excellence is intended to drive Belfast forward as a global digital and scientific centre and globally significant destination for innovation.

"Belfast's regeneration plans include accelerating city centre residential development, with ambitions fixed on encouraging the unique cultural offerings the city can present to the world."

Good Growth scores by Combined Authorities

Figure 5: Good Growth Index scores by Combined Authority area, ranked by highest to lowest 2018-20 score[6]



Source: PwC Analysis (2021)

Figure 5 shows the Good Growth Index scores for combined authorities in England and equivalent areas in Scotland and Wales between 2017-19 and 2018-20. Almost all Combined Authorities show an improvement over this time period, with Cardiff Capital Region's significant improvement most notable.

Important note: Comparison to last year's report is not possible

Due to the extent of the Index refresh, we would not advise making a comparison between the scores in this year's report and those included last year.

6) Combined authorities are typically more similar in size to LEPs than cities, and hence LEPs have been chosen as a more appropriate group for comparison. This comparison sheds light on how combined authorities perform relative to other areas across the country.

Spotlight on Cardiff:

Welsh capital renews focus on private sector partnerships

Looking back at the decade leading up to the pandemic, Cardiff's workforce grew by more than 20% – boasting growth of around 5,000 new jobs a year. That's a faster rate than all but one of the core cities in this report. While the city's economy grew across the board, the financial services sector grew the fastest – adding 2,000 new jobs every year and accounting for two-fifths of all new net jobs growth.

Looking ahead, the city's challenge is to share the opportunities around – to develop sustainable communities that **build a workforce for the future**. The local authority wants to connect the right kind of jobs and opportunities in the growth sectors to young people and those in poverty.

With this in mind, the city is **renewing its focus on links with private business and the education sector**. It has secured multi-billion pound investments and private business partnerships for Central Square, Wales' first Central Business District of scale, which is now home to the new headquarters of BBC Cymru. This comes amid investments from Cardiff University in its innovation campus developments and the University of South Wales in its School of Creative Industries.

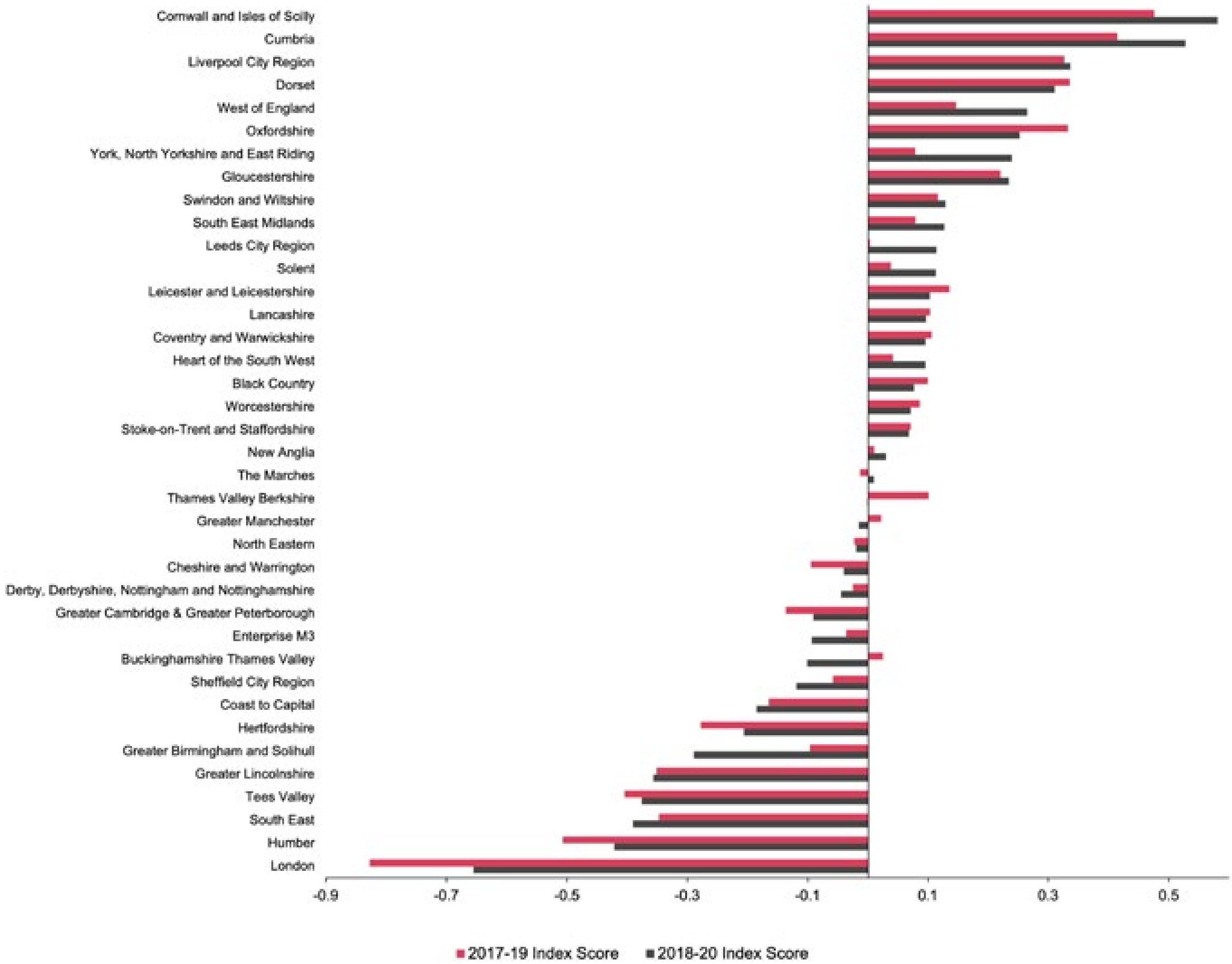
The city is taking a **sector-focused approach to growth**, targeting key sectors including FinTech, the creative industries and advanced manufacturing and technologies like compound semiconductors. It has given rise to a number of homegrown start ups, such as Delio and Wealthify in the FinTech cluster and the TV production studio Bad Wolf in the creative sector.

As part of its recovery strategy, the local authority is investing in reinvigorating its city centre as it emerges from the pandemic. Footfall in Cardiff has returned to pre-pandemic levels already and the investment in and around Central Square means the city is well placed to lead the economic recovery for Wales. In addition the local authority is also looking at development outside of Cardiff city centre – prioritising investment in infrastructure that will **connect the wider region to the city**. The **£1bn plans for the Metro** aims to cut journey times across the network and more than double the frequency of services on some routes. Further investment is planned to link with the improved Metro and develop a comprehensive urban public transport system. It is hoped this infrastructure will support the new £150m Arena in the Cardiff Bay waterfront development, which the council sees as an anchor for the wider regeneration of the Atlantic Wharf site.

"Cardiff's use of assets to attract and sustain private sector investment has led to strong partnerships, including one with a large insurance firm that is considered the most successful regeneration project in Wales."

Good Growth scores in England's Local Enterprise Partnership (LEP) areas

Figure 6: Good Growth Index score by LEP, ranked by highest to lowest 2018-20 score



Source: PwC Analysis (2021)

We have also analysed the Good Growth Index scores for the 38 LEP areas in England. **Figure 6** represents the score for each LEP, relative to the average score for all English LEP areas in 2017-19.

Cornwall and Isles of Scilly is the highest ranked LEP this year, outperforming Cumbria which has a similar high score when looking at the 2018-20 baseline index. London and York, North Yorkshire and East Riding LEPs are the biggest improvers from the 2017-19 baseline index.

Important note: Comparison to last year's report is not possible

Due to the extent of the Index refresh, we would not advise making a comparison between the scores in this year's report and those included last year.

Spotlight on Cornwall:

Region plays to strengths with green growth agenda

While Cornwall may not feature in our list of Good Growth cities, it attracts attention for **challenging the concept of a traditional city**. The region gained global recognition as host of the 2021 G7 summit at Carbis Bay, and is currently in the running for 2025 City of Culture. Local leaders often describe it as an exploded city, while maintaining that regions and rural populations can also be engines for growth, not just urban cities.

The Council and Local Enterprise Partnership have made very **deliberate decisions around the type of growth they want to pursue**, exploring opportunities to power growth nationally with clean renewable energy for example. By playing to its strengths as a region rich in natural resources, Cornwall's decarbonisation agenda works with industry and academia to attract investment and kickstart new industries, such as the geothermal energy industry. Cornwall has invested large sums in the first geothermal wells in the UK, including £1.4m in a 4.5km deep well which will heat the Eden Project's iconic Biomes, as well as other greenhouses and offices.

Beyond geothermal energy, Cornwall is focusing on **promoting other renewable energy sources**, developing lithium and critical tech metals, tackling agricultural methane and supporting horizontal satellite launches. In a first for Europe, horizontal satellites will be launched from **Spaceport Cornwall** this year, as part of the UK's pioneering National Space Strategy.

These local growth priorities are driven largely by putting the voice of residents at the heart of both the Council's plans and the 2050 vision for Cornwall shared by all partners. Major listening campaigns have revealed a striking demand among the public for action on climate change, and on housing. As a result, any decisions now made in the region are based on doughnut economics – which incorporate a visual framework for sustainable development. In this case, all assessments are backed by the local authority's 'decision wheel', which ensures **social and environmental considerations** inform all decisions, not just economics alone.

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Behind the picturesque postcards and reports of soaring house prices, Cornish communities are grappling with inequalities that strike at the heart of the nation's levelling up agenda, such as low wages and a housing supply crisis."

Small cities lead UK recovery

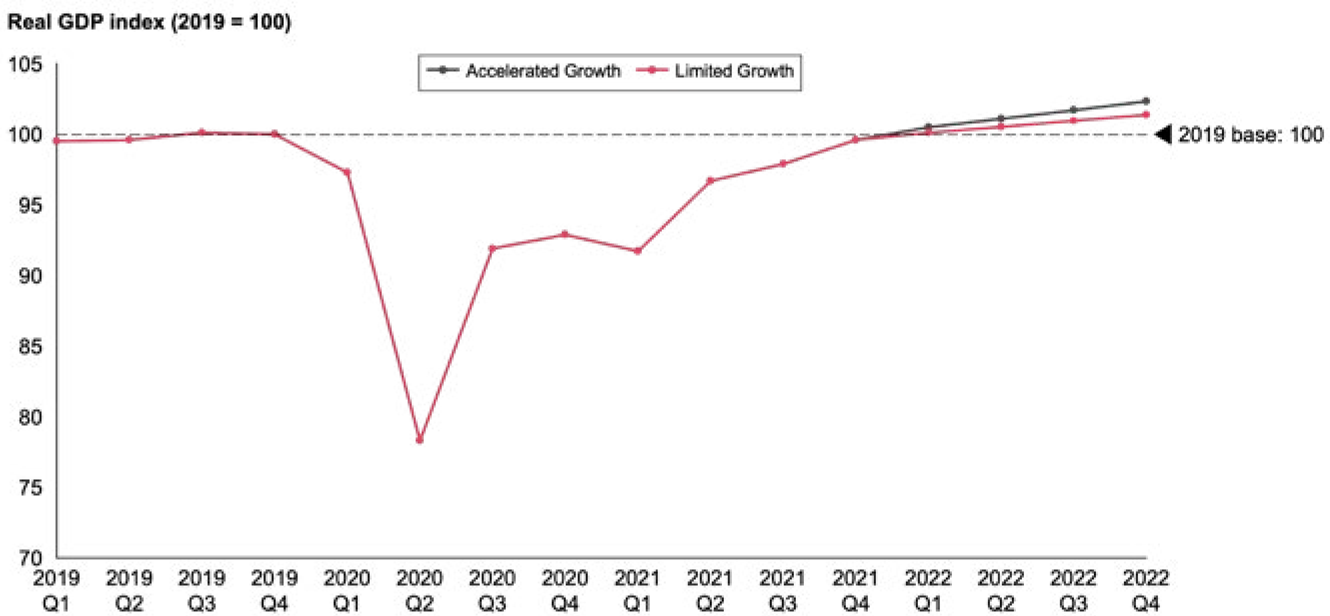
Just as the pandemic has played out unevenly across sectors, regions and households in the UK, we expect this trend to continue to impact the nation's economic recovery and progress with the levelling up agenda, at least in the medium term.

Our analysis points to stronger growth in smaller cities, which we believe is largely driven by the rise of hybrid or home-working patterns. Cities such as Plymouth and Exeter, for example, are expected to see stronger GVA growth rates in both 2021 and 2022 than larger cities more generally. Meanwhile, the South West is estimated to see the highest GVA growth rate over the same time period.

UK's economic recovery from COVID-19

Figure 7 demonstrates our forecast for the UK economy over the 2019 - 2022 period[7]. Based on our latest estimates, the UK economy will reach its pre-pandemic outputs at around 2022 Q1. Figures published by the ONS in February 2022 show the UK economy grew by 7.3% in 2021. We expect the UK economy to continue growing at 5.1% under the 'Accelerated Growth' and 4.5% in the 'Limited Growth' scenario in 2022.

Figure 7: Quarter-on-Quarter growth for UK Real GDP (2019 Q4 = 100)



Source: ONS Gross Domestic Product: chained volume measures, PwC UK Economic Outlook – December 2021

It is important to note that our annual forecasts are based on the economic activity in previous years (base-year effects). In 2020, certain sectors felt the impact of nationwide lockdowns more so than others. Industries such as 'Accommodation & Food services' and 'Arts, Entertainment and recreation' were hit hard (42.4% and 25.9% decrease in 2020 compared to 2019 levels respectively). These sectors therefore, began 2021 on the backfoot more so than others and significant upturns should be expected if more normal consumption patterns return.

7) PwC UK Economic Update, December 2021

How well positioned are UK cities for economic recovery?

The sectoral mix of a city or region, coupled with its demographics, will impact its economic recovery. In response to the significant downturns we saw in 2020, we estimate some sectors will see sharp recoveries as consumers begin to return to more normal spending patterns. In the latest PwC Hotels Forecast, we estimate hotels in London will be earning 43%-86% of their pre-pandemic revenues per available room (RevPAR) and hotels in the regions to be earning 64%-100% of their RevPAR by the end of 2022.

We have reviewed our wider forecasts for sectors in 2022 by exploring key economic data, events and information published over the past year, and the existing expectations we have for the forthcoming recovery.

2021 / 2022 Sector recovery rates

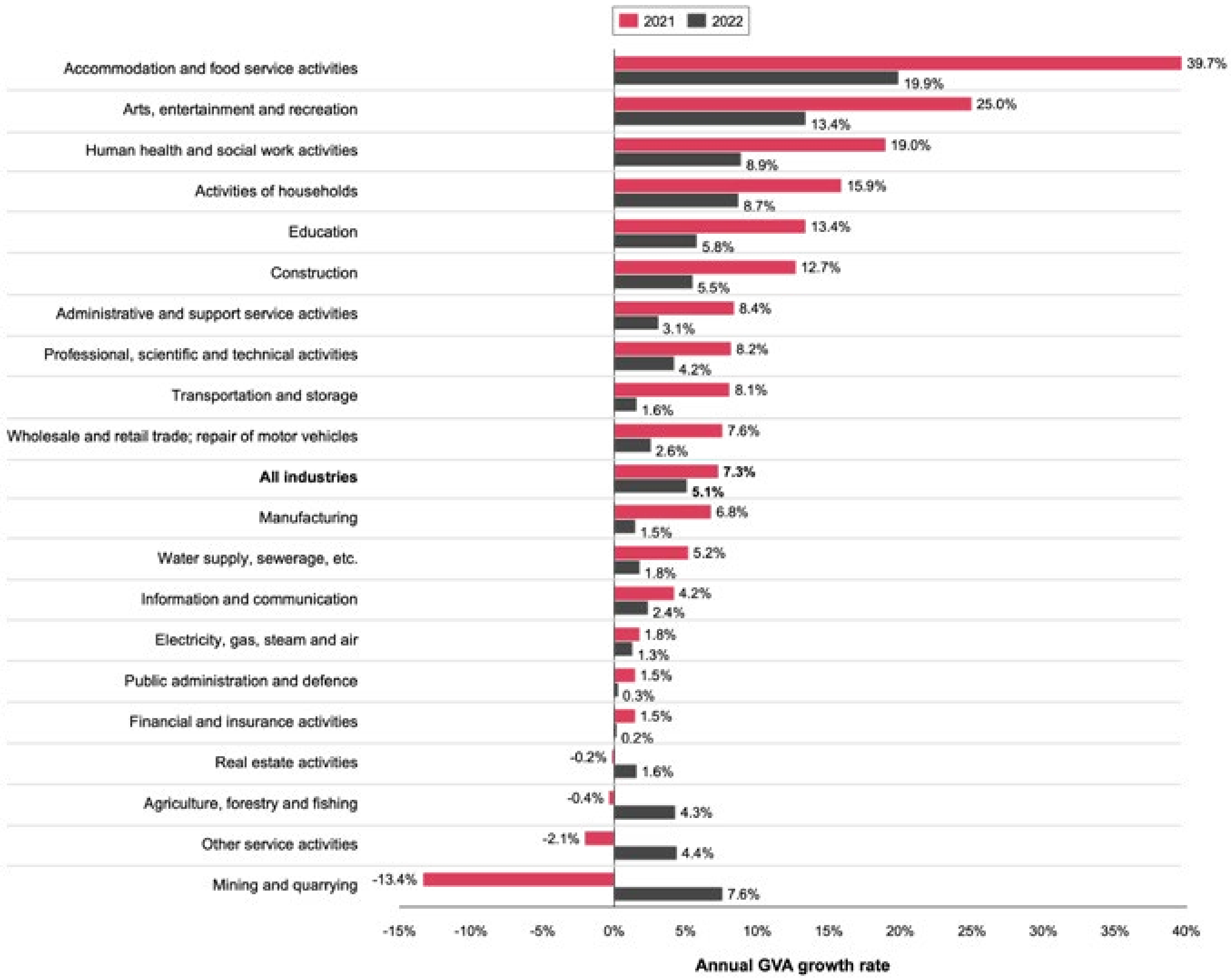
The PwC UK December 2021 Economic Outlook outlines our GVA estimates on recovery rates by sector for 2021 and 2022. Since then, the ONS has published the UK-wide annual GVA impacts to each sector in 2021. It notes the retail sector is now almost 10% ahead of where it was before the pandemic, while our latest Consumer Sentiment survey confirms consumer confidence has returned quickly to reach levels above pre-pandemic average. Retail sales recovered quickly after lockdowns or enhanced restrictions, leading to a strong bounce-back for the sector in 2021.

Meanwhile, other sectors are expected to see slower recoveries from the pandemic due to supply chain effects. Real estate, for example, declined slightly in 2021 by 0.2% but we estimate the sector will see a stronger recovery of 1.6% in 2022 as consumer confidence returns in the year[8]. Sectors such as Mining and quarrying, for example, saw significant supply side effects in 2021, prompting continued decline as the sector contracted by 13.4%. We expect these effects to reverse in 2022 with the sector growing by 7.6% in 2022.

Our full estimates by sector are in **Figure 8**.

8) PwC – December UK Economic Outlook

Figure 8: Actual & Projected GVA growth rate by industry sector. 2022 projections under 'Accelerated growth' scenario, % annual change in 2021 and 2022[9]



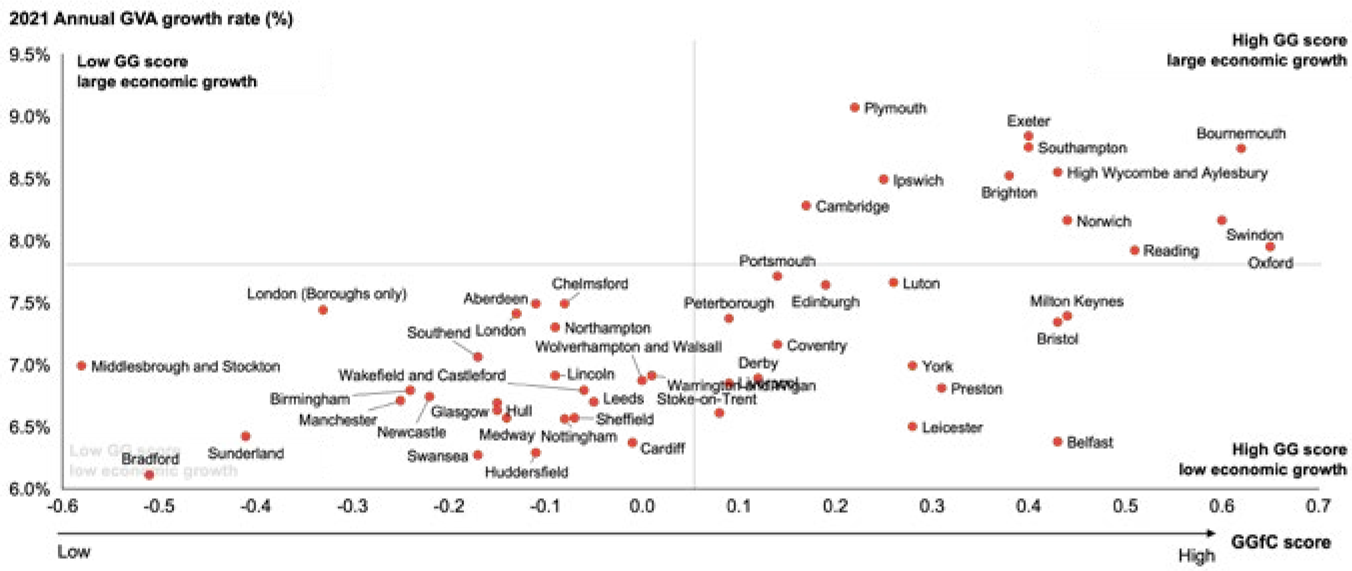
Source: ONS Gross Domestic Product: chained volume measures, PwC UK Economic Outlook, December 2021

This national level analysis is one of the inputs we use when calculating the GVA impacts to each city's economy in the Index. The other components of the GVA calculation include the COVID-19 local infection rates, the Google Mobility index and Universal Claimant Count statistics (see the Appendix for further details).

9) Given current conditions, our projected GVA growth rate is based on a 'Accelerated growth' scenario. However, in our UK Economic Outlook, we also include a 'Limited growth' scenario where the GVA growth rates are lower to each sector in the economy.

Figure 9 illustrates where each city lies in terms of its annual change in GVA growth rate in 2021 and its score in the Good Growth for Cities Index. It is clear that cities will have very different opportunities as they recover from the economic impacts of COVID-19.

Figure 9: 2021 annual GVA growth rate (%) and Good Growth for Cities Index score



Source: PwC Analysis (2021)

Generally, cities that perform well in the Index are expected to see stronger economic recoveries in 2021 (our GVA analysis is indicative of full year figures for 2021 and 2022 as local authority data has not been published yet, see the Appendix for details).

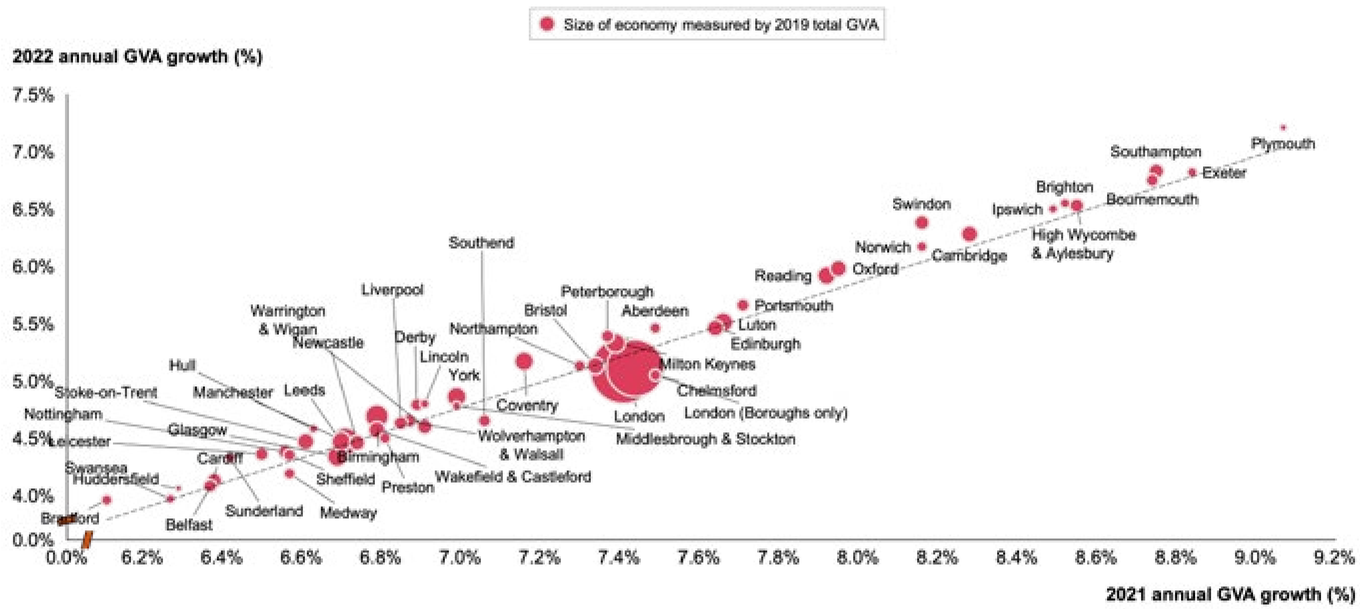
Cities along the south coast of England are projected to see the strongest GVA growth rates in 2021: Plymouth, Bournemouth and Southampton all have recovery rates of more than 8.0% in 2021. This is largely due to the higher proportions of high-growth sectors in these cities than the UK city average – such as Accommodation & Food Services, which grew by 39.7% in 2021 according to the ONS.

Conversely, cities that perform poorly in the Index are expected to see slower economic recoveries in 2021. Bradford, Huddersfield and Sunderland all perform poorly in the Index and are expected to recover more slowly in 2021 relative to other cities.

London, meanwhile, is expected to grow by 7.4% which is largely in line with the UK average rate in 2021. Though it is too early to be certain, there is anecdotal evidence that a boomerang effect could be driving better than expected growth in London to some extent. It is possible that, as the pandemic eases, more people will return to the city than some commentators have previously suggested.

Figure 10 highlights the 2021 GVA recovery rates with the 2022 GVA impacts. As 2022 begins, we can expect GVA growth rates to range from 4.0% (Bradford) to 7.1% (Plymouth), with an average GVA growth rate in 2022 of 5.0% across all cities in the Index[10].

Figure 10: 2021 and 2022 annual GVA growth rates



Source: PwC Analysis (2021)

Economic recovery as indicated by employment

Employment continues to be one of the most important indicators in the Index ('Jobs' and 'Income' variables alone account for around a fifth of our Index when combined). Higher levels of employment naturally lead to an increase in consumer spending which provides a boost to the overall economy. Measuring levels of unemployment therefore, allows us to see how economic recovery rates are faring across the country.

10) Note: This differs to the UK wide GVA forecast of 5.1%. This is due to not all local authorities being under consideration in our cities for the Good Growth Index

Impact of the furlough scheme

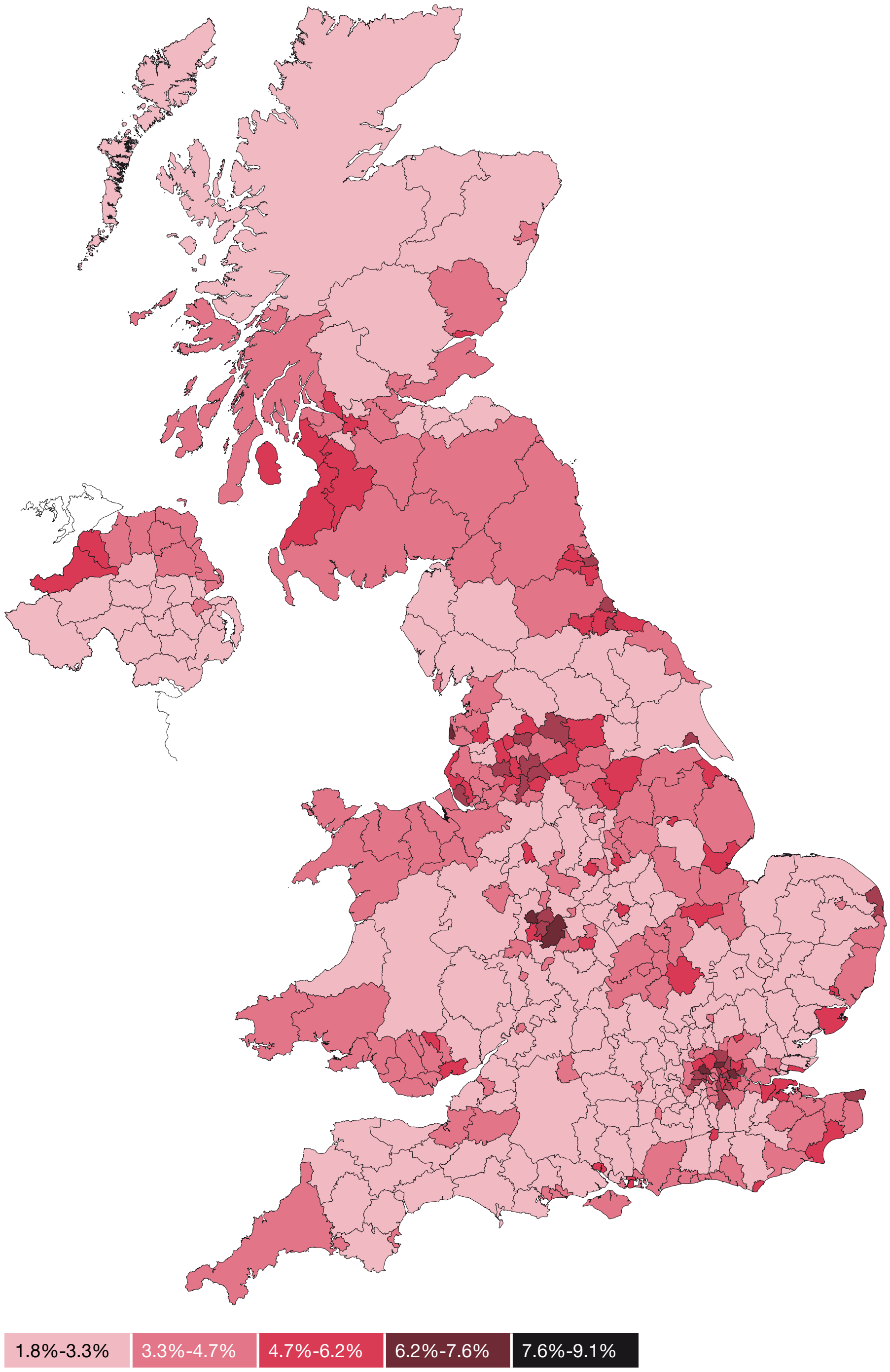
We included statistics from the UK Coronavirus Job Retention Scheme in our economic analysis last year, in order to see how reliant each region was on the furlough scheme. Following the end of the scheme in September 2021, we reflect that:

1. Emerging evidence suggests the end of the scheme has not set back the labour market recovery
2. It will take time to understand the full impact of the end of the scheme
3. The short-term outlook for the labour market is cautiously optimistic
4. There will inevitably be a period of adjustment over the coming months

Overall, we are yet to see the end of the furlough scheme have a substantive impact on the economic recovery across UK cities. However, whether businesses will survive without the support may be called into question as we continue to recover over the next few months. Further lockdowns for new variants could challenge businesses in generating revenue, affecting workers as businesses aim to minimise future business impacts.

As **Figure 11** demonstrates, there continues to be a high unemployment rate in the larger cities in our Index, indicating that recovery is being negatively impacted by Universal Credit claim rates in Birmingham, Bradford, Liverpool, Leeds and London.

Figure 11: Percentage of population aged from 16 to 64, based on mid-year 2020 population estimates, claiming Universal Credit, UK, correct as of 19 February 2022



Source: CC01 Regional labour market: Claimant Count by unitary and local authority (experimental) – January 2022

According to the Office for National Statistics (ONS), the percentage of those on Universal Credit fell by 1.6% across the UK between November 2020 - November 2021, which we see relatively consistently across our cities.

Table 3: Top 10 and bottom 10 city claim rates of Universal Credit, correct as of 19 February 2021

Highest Universal Credit claimant city	Jan 2022	Jan 2021	Lowest Universal Credit claimant city	Jan 2022	Jan 2021
Birmingham	6.8%	8.5%	Bristol	3.1%	4.7%
Bradford	6.3%	8.1%	Chelmsford	3.0%	4.7%
London (Boroughs only)	5.7%	8.1%	Norwich	3.0%	4.2%
Leeds	5.5%	7.4%	Southampton	2.9%	4.4%
Liverpool	5.5%	7.5%	Swindon	2.9%	4.1%
Manchester	5.3%	7.2%	High Wycombe	2.8%	4.3%
London	5.3%	7.5%	Cambridge	2.8%	4.4%
Middlesbrough	5.1%	7.1%	Oxford	2.8%	4.1%
Wolverhampton	5.0%	6.8%	Reading	2.7%	4.2%
Sunderland	5.0%	6.8%	Exeter	2.5%	4.0%

Source: PwC Analysis (2021)

Table 4 shows that the largest and smallest decreases in the claim rate of Universal Credit. We see the greatest decrease in London (Boroughs only), where the claim rate fell from 8.1% in January 2021 to 5.7% in January 2022. Meanwhile, Swindon has seen the lowest decrease since January 2021, largely because the city's labour force was less impacted by the pandemic originally. This is signified by the change of 4.1% to 2.9% of the working age population claiming Universal Credit in Swindon.

Table 4: Top five and bottom five city increases in the Universal Credit claimant rate, by percentage point (pp), January 2021 to January 2022

Greatest decrease since January 2021		Lowest decrease since January 2021	
London (Boroughs only)	-2.4pp	Leicester	-1.3pp
London	-2.3pp	Belfast	-1.3pp
Liverpool	-2.0pp	Oxford	-1.3pp
Glasgow	-2.0pp	Norwich	-1.3pp
Southend	-2.0pp	Swindon	-1.2pp

Source: CC01 Regional labour market: Claimant Count by unitary and local authority (experimental) – February 2022

Spotlight on Birmingham:

City focuses on those left behind by rapid development

While Birmingham has been very successful in attracting inward investment for development in recent years, city leaders are acutely aware that the growth has not been sufficiently inclusive. The city has a young and growing population, but unemployment is double the national average, and there is a decade's gap in life expectancy between the poorest and most affluent areas. During the pandemic, these widening gulfs have become even more real and more urgent, with the rising cost of living a particular worry.

The city plans to tackle these inequalities with a **decade of inclusive growth** – which will be driven by an ambitious levelling up strategy and a focus on five strategic 'levelling up accelerators'. This decade will be sandwiched between two major events for Birmingham: the **Commonwealth Games** in summer 2022 and the **opening of HS2** in the early 2030s.

To drive the growth agenda, Birmingham is pursuing a levelling-up strategy that aims to **boost the city economy by £9bn a year**, creating c.75,000 jobs. This strategy is built around five key accelerators that will drive change at scale:

1. Longer-term, more efficient **single pot funding** and increased devolved powers for the city to enable increased freedom for investment.
2. The **East Birmingham Inclusive Growth Strategy**, an approach to drive regeneration and tackle deprivation for a quarter of a million of Birmingham's poorest residents.
3. Birmingham's **early intervention and prevention model** to offer support services to residents across the age range that prevent them needing crisis services.
4. **Regional connectivity**, including both green and digital infrastructure, and a comprehensive, affordable transport network.
5. **Retrofitting of social housing at scale** across the three cities of Birmingham, Coventry and Wolverhampton to decrease carbon emissions, improve housing standards and create green jobs.

The local authority is also making efforts to better understand the strengths and challenges the city and its people are facing by creating a **City Observatory**. The observatory will publish and share data and insight on Birmingham, including a baseline of the current state of the city and tracking of progress on levelling up. Insights will be used to understand key issues in the city, the causes of those issues and to drive potential solutions and partnership approaches.

“Birmingham's challenge is putting the engine of growth to work for those who need it most – the poorer communities that live right up alongside the rapid growth but can't yet feel the benefits.”

Regional recoveries

Based on our mapping of UK cities to regions, **Table 5** illustrates the weighted 2021 and 2022 GVA growth rates by region. The South West is estimated to see the highest GVA growth rates in 2021 and 2022, chiefly based on the underlying performance of the cities in the region. The South West includes cities estimated to see strong recoveries in both years: Plymouth, Exeter and Bournemouth to name a few.

Table 5: 2021 and 2022 GVA growth rate by region[11]

Region	2021 GVA growth rate	2022 GVA growth rate
South West	8.2%	6.1%
South East	7.9%	5.9%
East of England	7.8%	5.7%
London	7.4%	4.7%
Scotland	7.1%	4.9%
East Midlands	6.9%	4.8%
West Midlands	6.9%	4.8%
North West	6.8%	4.5%
Yorkshire and The Humber	6.7%	4.5%
North East	6.7%	4.5%
Northern Ireland	6.4%	4.1%
Wales	6.3%	4.0%

Source: PwC Analysis (2021)

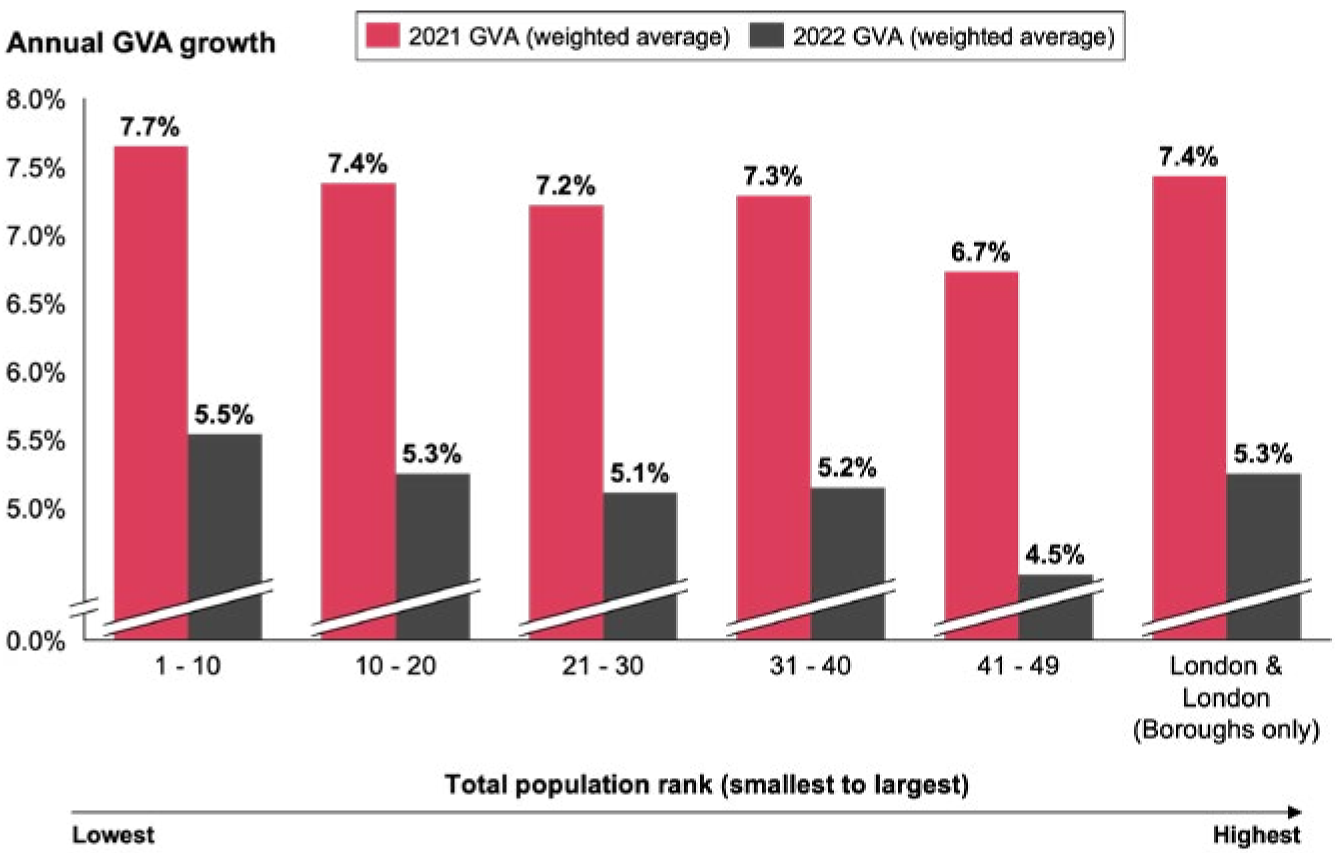
11) Regions are not exhaustive of all local authorities in the region. The weighted GVA growth rates are based only on the cities and proportions of local authorities that constitute the region. Some local authorities in each region are excluded as a result of the mapping.

Economic growth between smaller and bigger cities

Figure 12 outlines the 2021 and 2022 GVA growth rates by total population count (smallest to largest). Based on total population count for each city, the smallest sized cities in our analysis, such as Plymouth and Bournemouth (ranks 1-10), are estimated to see stronger GVA growth rates in both 2021 and 2022 than larger cities generally, with the exception of London & London (Boroughs only). This is likely due to a number of factors, but we believe the main driver is the shift in working patterns caused by the pandemic.

We believe that smaller, provincial cities with lower population counts are benefitting from an increase in hybrid or home working patterns. As people spend less time commuting to larger urban cities, a rise in local spending can be expected, boosting the recoveries of smaller, city economies more so than larger cities. However, it is too early to know if this trend will be sustained – London sees a slightly above average recovery rate in 2021 which could suggest that migration away from some larger cities could be temporary.

Figure 12: 2021 and 2022 weighted average annual GVA growth rates ranked by smallest to largest cities in our Index



Source: PwC Analysis (2021)

Recovery among different social groups

While it is important to track the recovery of cities and regions, it is also vital that we understand how different demographics and societal groups are set to benefit from the recovery.

As previously mentioned, the Levelling Up White Paper focuses on inequalities between geographical areas, but government, businesses and local authorities would do well to take it a step further and look at the broader inequalities found within each region. This will help to embed fairness in the structure of local policies going forward.

Young workers

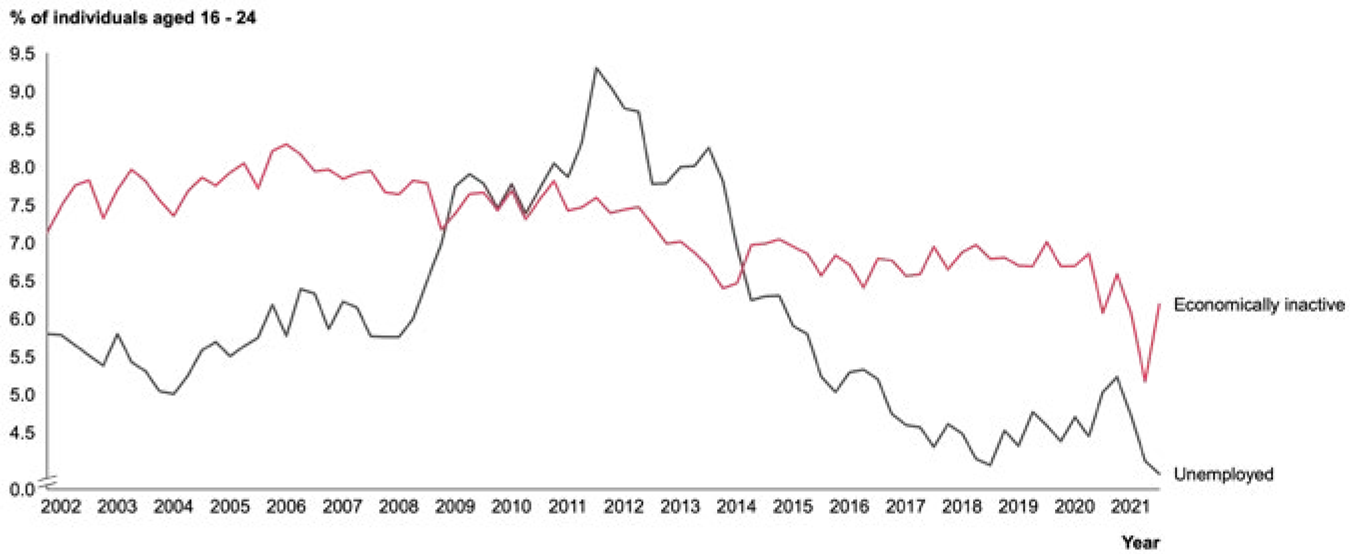
Despite the disproportionate impact on young workers during the pandemic, we are seeing indications that the economic recovery for young workers is relatively strong.

As **Figure 13** highlights, 2021 Q3 saw the lowest relative unemployment among 16-24 year olds since records began in 2001. The quarter saw unemployment levels for this group drop below 4% of total 16-24 year olds for the first time in 20 years, signalling the success in the measures that the government implemented to shield youth unemployment from the pandemic.

In the same quarter however, we also saw the largest quarter on quarter increase in economically inactive young adults. This could partly be explained by the reported rise in further education or early career breaks. The perception of a pandemic stricken economy, where job demand is perceived to be relatively low, is likely to have driven this increase in economically inactive young adults.

While these individuals are not currently contributing to the economy, this should not necessarily be perceived as a poor sign of economic recovery. Rather, adoption of further studies will benefit the economy in the future, as a more upskilled workforce enters the labour market with greater training, making them more productive when they do ultimately enter the economy.

Figure 13: Percentage of young people economically inactive and unemployed from 2001 Q4 – 2021 Q3



Source: ONS – Young people not in education, employment or training (NEET) November 2021

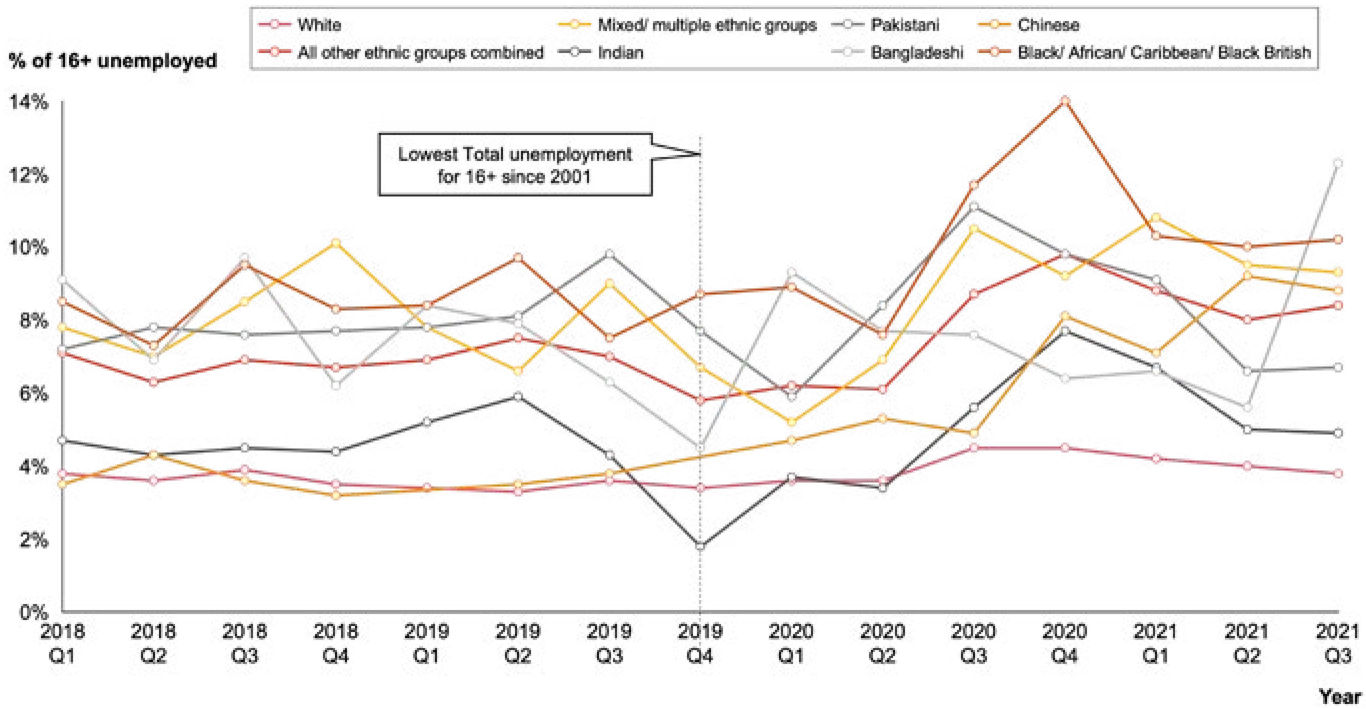
Ethnic groups

The disproportionate impact of the pandemic on racial and ethnic minority communities[12] has been well documented. In the UK, these individuals are reported to be more vulnerable to the effects of the COVID-19 pandemic than their White counterparts. A number of studies since our report last year have explored the likely causes, and in summary it is largely due to racial and ethnic minority groups:

- Coming from poorer socio-economic backgrounds on average;
- Having a higher representation of workers in frontline sectors (such as hospitals); and
- Tending to work on insecure contracts rather than full-time contracts [13, 14]

The extent of the economic recovery for individuals from different racial and ethnic groups is mixed. **Figure 14** reveals unemployment figures by ethnic group for people aged 16+.

Figure 14: Unemployment by ethnic group, based on people aged 16+ (2018 Q1 to 2021 Q3)



Source: A09: Labour market status by ethnic group – Unemployment by ethnicity: People (not seasonally adjusted). Latest released on 16 November 2021.

12) For the purposes of this report, we define racial and ethnic minority communities as those people who are non-White

13) House of Commons Women and Equalities Committee: Unequal impact? Coronavirus and BAME people – December 2020

14) UNISON – October 2020

According to the latest figures, all ethnicities are seeing higher unemployment rates than their pre-pandemic levels. However, comparing the difference in unemployment levels between each ethnic group from pre- to post-pandemic paints a more striking picture regarding economic recovery.

White individuals have the lowest unemployment rate of all ethnic groups – with 3.8% of those aged 16+ across all groups categorised as unemployed in 2021 Q3, compared to 3.6% of White individuals. The differences in percentage of people 16+ that are unemployed is summarised in **Table 6**.

Table 6: Percentage of unemployed 16+ people, (2018 Q3 - 2021 Q3)

	2018 Q3	2019 Q3	2020 Q3	2021 Q3
Total	4.3%	4.0%	5.1%	4.4%
White	3.9%	3.6%	4.5%	3.8%
Mixed / multiple	8.5%	9.0%	10.5%	9.3%
Indian	4.5%	4.3%	5.6%	4.9%
Pakistani	7.6%	9.8%	11.1%	6.7%
Bangladeshi	9.7%	6.3%	7.6%	12.3%
Chinese	3.6%	3.8%	4.9%	8.8%
Black / African / Caribbean / Black British	9.5%	7.5%	11.7%	10.2%
Other	5.5%	7.4%	7.0%	9.6%

Source: A09: Labour market status by ethnic group – Unemployment by ethnicity: People (not seasonally adjusted). Latest release on 16 November 2021.

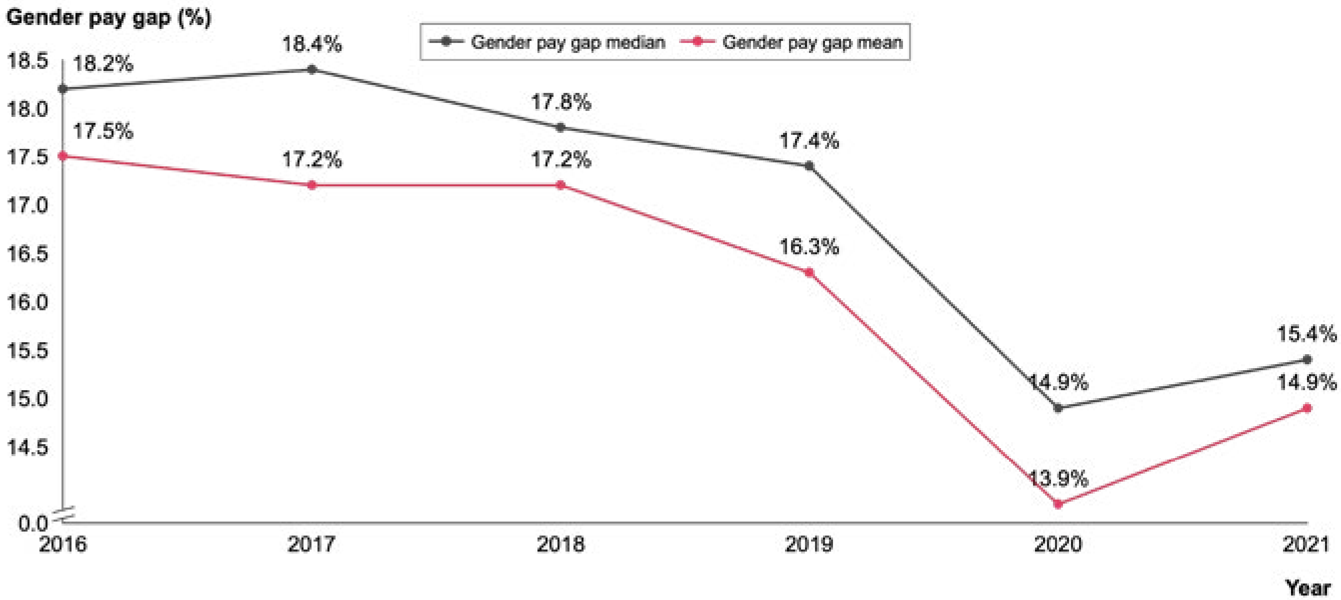
Meanwhile, our Ethnicity Pay Gap Report 2021 shows ethnicity pay penalties have remained stubbornly high over the past seven years in the UK. There are significant differences in the pay between ethnic groups that are magnified once you factor in gender and region, and have worsened during the pandemic. It is evident the economic recovery is not playing out evenly across the major ethnicity groups, and is more supportive for individuals from White backgrounds than those from non-White backgrounds.

Women

Finally, **Figure 15** illustrates the differences in gender pay gap[15] between men and women in the UK. The pay gap has generally improved over a six year period, with the gender pay gap perhaps surprisingly improving in 2020 despite negative impacts of the pandemic on women.

15) For clarity, we define gender pay gap in line with the ONS's definition of the terminology. It is defined as the difference between men's and women's hourly earnings as a percentage of men's earnings.

Figure 15: Median & Mean gender pay gap at UK-wide



Source: ONS – Earnings and hours worked, place of residence by local authority: ASHE Table 8.12 – Gender pay gap

However, since the furlough scheme came to an end, we have seen the gender pay gap increase. Caution therefore needs to be taken when assessing whether women are benefitting from the economic recovery. The shift towards hybrid working, alongside new and growing industries, has the potential to increase wellbeing and productivity for both men and women in the workforce. Yet our Future of Government research shows there is a risk women will not benefit as much as men. Targeted measures will be required in order to support the economic recovery for women going forward.

Green jobs: an opportunity to embed gender equality in the future workforce

According to our Future of Government report, Targeting gender equality, most women believe they are ill-equipped for green jobs, lacking the right skills and opportunities to benefit from the green economy revolution. Just 21% of women are aware of opportunities for green jobs, compared to 32% of men. Similarly, just 20% of women feel they have the right skills to work in a role in the green economy, compared to 31% of men.

Our research supports the view that targeted measures by the government would help women to apply for roles in the green economy. Career support schemes, improvements in parental leave and flexible working patterns are all measures that can be applied to roles in the green economy in order to make the roles more appealing for women.

Agenda for action

As central government, businesses and local leaders come together to think innovatively about how the UK adapts to the impact of the pandemic and moves forward, they should do so in a way that does not leave people, or places behind.

We believe that efforts to secure a fair economic recovery and build sustainable growth should focus on the following:

1) Levelling up and the reality of regional inequality

It is well documented that the UK is one of the most geographically unequal countries in the developed world, and that despite the presence of deprivation within the region, productivity is highest in London and the South East.

Actions for central government

The Levelling Up White Paper announced a package of 12 missions for levelling up for the UK to achieve by 2030. The Government may wish to now focus on the detail of how these missions will be delivered at pace, and should look to:

- Work with local leaders and industry to develop a roadmap for the delivery of each of the 12 missions, including outlining measurable and achievable targets to translate goals into visible outcomes.
- Establish a UK-wide outcomes framework, encompassing a broad definition of economic success, and gather hard evidence against this framework, to track the impact of government funding and deliver targeted interventions to support levelling up.
- Leverage the funding packages referenced in the White Paper with a view to addressing the fragmented nature of how some investment decisions are made, refreshing the processes associated with decision making and resourcing to use the available funds as efficiently as possible.

Actions for local leaders

Our research shows the public's priorities for levelling up go beyond investment in infrastructure and transport. Local leaders should consider responding to the public's concerns in order to deliver Good Growth for their region. We suggest that local leaders look to:

- Invest in relationships across the public, private and third sectors as a foundation for developing comprehensive strategies for place-based transformation, facilitated by a frictionless and enabling planning system.
- Focus on providing high quality employment through sector-focused investment, including investment in human capital, to boost available jobs and match these to local skills, particularly for young people.
- Develop and implement integrated programmes of investment in infrastructure and local services, including investment into high streets, to create safe, sustainable and vibrant local communities.

Actions for businesses

Our previous research shows businesses have the opportunity to build public trust by playing a greater role in the levelling up agenda – improving the opportunities, social mobility and equality in the places they operate. Businesses can look to:

- Take a proactive role in developing local economic strategies, in partnership with local and regional leaders, to identify strategic priorities to boost productivity and support innovation.
- Play a greater role in delivering a fair recovery across the UK, with a particular focus on reskilling and upskilling, to ensure people are equipped with the right tools for future jobs, particularly in green growth industries.
- Seek collaborative ventures, including partnership and coordination roles, with central and local government, charities and community groups to create business opportunities and improve the effectiveness of levelling up interventions.

2) Capitalising on growth outside larger metropolitan cities

The Government's levelling up agenda focuses on inequalities between regions, but inequalities within regions can be just as challenging, particularly when comparing urban and provincial areas. The latter are commonly challenged by low wage levels, connectivity issues, and skills deprivation.

Yet strong interdependencies exist between urban and rural areas. Almost 16% of England's GVA in 2019 was attributed to predominantly rural areas – highlighting the need to maintain traditional rural produce, and propel new technologies, such as agri-tech and energy generation.

Actions for central government

The Government should continue to recognise the potential in provincial areas and the interdependencies that exist between urban and rural. Provincial areas are at risk of greater social and economic exclusion without serious improvement and investment from the Government in digital connectivity.

- The Government has made progress in combating the digital divide through initiatives such as Building Digital UK – with Project Gigabit aiming to reach 85% coverage by the end of 2025. When it comes to levelling up initiatives such as these, the Government may wish to be transparent about how budgets will be allocated, and set realistic targets in order to maintain trust.

- Government policy should aim to help places help themselves. Business and local growth requires sustained support at a local level which is sensitive to local opportunity and context. The Government could reassure local leaders that its proposal for capital investment and development is worthwhile, by building on the principles it has announced for county deals, and providing a 'devolution framework' which sets the parameters within which deals will be agreed.

Actions for local leaders

Local leaders should explore the opportunities and inequalities that exist within their regions. They have the opportunity to capitalise on the recent success of rural or provincial areas through sustainable Good Growth that can power neighbouring cities and bring economic and social benefits back to the rural areas. Understanding these interdependencies will be the first step for regions, as a whole, to build Good Growth.

- As stated previously, almost 16% of England's GVA came from predominantly rural areas in 2019, and there are many examples of successful rural environments capitalising on their rural assets, such as Cornwall (see Spotlight on Cornwall). Regions and local leaders must seek alternative opportunities to power growth nationally and benefit their communities through investment.

- The pandemic has exposed the shortcomings of people's living and working arrangements in urban areas, and placed greater value on surrounding green and/ or garden space. Local leaders may wish to emphasise their offerings of greater work-life balance as viable alternatives for city living, by creating affordable housing options, shared working spaces, and improving transportation links between urban and rural areas.

- Building an intra-region circular economy could be a focus for local leaders, in a way that incentivises green growth and shopping locally, promoting the consumption of produce from within the region.

Actions for businesses

Businesses have a vital role to play in managing the gap between urban and provincial areas by recognising and capitalising on the potential in local areas, from skill retention and asset building to pioneering the future of flexible working.

- Provincial economies typically experience a deprivation of skilled workers as a result of low wages or better opportunities being offered in more urban areas. Businesses can improve this by investing in the development of talent, through retraining and apprenticeship programmes.
- Businesses should continue to explore ways to increase flexibility for their employees in a hybrid working environment. Greater flexibility and the opportunity to decide when and where to work may encourage more employees to help support rural and provincial economies, at the same time as helping larger metropolitan areas recover.
- In partnership with local leaders, businesses can push forward the circular economy and green growth agenda by exploring opportunities to localise supply chains as much as possible, reducing excessive carbon emissions from production and transportation and capitalising on local assets.

Spotlight on Northumbria:

NHS Trust sets sights on becoming regional powerhouse

In its response to COVID-19, Northumbria Healthcare NHS Foundation pushed the boundaries of its expected role. It set up a PPE factory which not only revived the local textile industry, but is now set to become the country's leading PPE supplier for NHS Trusts.

While the Trust does not operate in a city, it is inextricably linked to the economics and culture of both the Newcastle City region and the North of Tyne Combined authority, pointing to the important role it plays in both rural and urban communities across Northumbria. The Trust was the first in the UK to formally commit in 2021 to tackling the issues that drive health inequality – the **Community Promise package** reaches across six broad pillars: poverty, education, economy, environment, wellbeing and employment.

In a bid to **improve resilience and skills in the community** the Trust has set up the Northumbria Manufacturing and Innovation Hub. During the pandemic, the hub set up the PPE factory in order to guarantee a PPE supply for local healthcare workers and reduce costs. By the end of 2020, the factory had produced more than two million gowns, and expanded into other products such as isolation gowns, scrubs, masks and even pillows.

The expansion of the factory has brought the **local textile industry back to life –** initially re-engaging retired seamstresses as volunteers, the hub now trains a paid workforce as part of a high-tech future textile industry and offers facilities and equipment such as a clean room, lasers and branding machines.

There are plans to go further, to train a future workforce in healthcare as well as textiles. It has committed to a **30% increase in apprentices**, with programmes offering opportunities to Looked After Children and people from socioeconomically deprived backgrounds. Through its outreach programme, the PPE factory is also producing miniature scrubs to send to schools to engage children with the NHS and to widen participation in local communities.

> “
>
> Northumbria Trust seeks to use its position as an anchor institution to drive a strong local supply chain – increasing local jobs for local people and providers, rather than defaulting to national providers.”

3) Driving social mobility and addressing intergenerational inequality

The pandemic has set back social mobility in the UK, deepening divides between generations in particular, with younger generations hit hard over the last two years. The impact of the pandemic, coupled with rising inflation, cost of living, and house prices, will continue to widen the prosperity gap between the old and the young, unless significant action is taken.

Actions for central government

Central government should continue to seek ways to alleviate the housing crisis. Our Future of Government report Driving social mobility found that only 27% of young people consider home ownership to be representative of social mobility, compared to 41% of older people, highlighting the fact that home ownership has become largely unattainable for many young people.

- Despite responses from the Government to address housing affordability, through schemes such as the Stamp Duty exemption and 'Help to Buy', neither of these have seen significant improvements in lower-price housing access due to an unresponsive housing supply in areas with greater job opportunities, such as Greater London. The Government should seek alternatives to increasing the access of housing in desirable areas.
- Central government can work with local authorities to boost housing growth in commutable locations, in order to boost levelling up and development outside London and major metropolitan areas.
- Amending policy to allow the building of new houses on green belt land with no environmental or amenity value has been successfully pursued in some areas[16].

Actions for local leaders

Young people (employees under 25) were the primary receivers of the furlough scheme[17] during the pandemic, as a result of the large impact on the hospitality and retail sectors. Looking ahead, respondents to the Social Mobility Barometer 2021 said boosting employment should be a top priority for the Government's recovery programme (47%) followed by addressing mental health issues (46%) and improving access to education (33%)[18]. Local leaders can support in actioning this in the following ways:

- Local leaders work with central government to shape local education requirements, build partnerships and highlight opportunities to assist the Government's devolution agenda.
- Local leaders may wish to engage with schools early in the education cycle to help share insights on varied employment options and encourage networking and mentoring programmes (see Spotlight on Northumbria for how the Healthcare NHS Foundation has engaged young children with the NHS).

Actions for businesses

This year's Good Growth Index shows a significant difference in how 16-25 year olds rank the importance of skills compared to those 25+, with younger people placing lower importance on skills compared to other Index measures, such as income. Businesses should engage with this shift and actively engage with young people and the skills system.

- Businesses should recognise the cost that the pandemic has had on the upskilling experience for young people, whether that be virtual fatigue and the perception of online training, or that new hybrid ways of working have made it increasingly difficult to learn from colleagues on the job.
- Businesses can begin to reimagine the upskilling journey, but first they may wish to increase their involvement with education and training providers, as well as apprenticeship schemes, to understand where improvements can be made to reinvigorate the learning experience.
- Businesses should look strategically at the skills system, focusing on skills that will enable the capabilities of the future.

16) LSE: The UK housing crisis
17) Job retention statistics – Furlough by age
18) Social Mobility Barometer

Spotlight on Cambridge:

City looks beyond ‘best in class’ to deliver fairness

Cambridge is renowned for its historical and intellectual assets, which draw more than eight million visitors from across the world every year. Since the 1960s, growth in Cambridge has been driven by the **‘Cambridge phenomenon’**, a boom in innovation and industry focused around technology and the life sciences. This rapid growth continued throughout the pandemic, with Cambridge ranked as the leading regional technology city in the UK last year.

Demand for ‘best in class’ research and development space in the city this year was three times the available capacity, as the city attracted more than £1.3bn in investment for companies rich in intellectual property. Cambridge’s growth, however, has brought challenges, in the form of **widening inequality in the city** and a lack of social mobility – with the city among the lowest 20% of local authority areas for social mobility.

In response, Cambridge’s strategy for the city focuses on **delivering fairness and holistic growth**. This includes committing to £70m funding for social housing, and £100m for affordable housing in the wider devolution area, as well as setting out a five year plan to end homelessness. The latter includes innovative initiatives, such as working with SoloHaus, to provide 18 safe and sustainable pods as a stepping stone out of homelessness.

The city aims to **create a sustainable, connected region** to support these housing initiatives. As part of the Greater Cambridge Partnership, £500m has been earmarked for transport infrastructure, particularly green public transport and cycleways, up to 2030. Further investment is destined for green infrastructure, in areas such as waste and energy. Some £227m in government investment is being used to support the relocation of Anglian Water’s wastewater treatment plant to create a zero-carbon plant nearby. In its place, the city is seeking to **build a new sustainable district for the city**, consulting with local residents to design a low-carbon site with space for nature.

Cambridge’s growth will continue to attract inward investment, new jobs and innovative businesses. To support plans for fairer, greener growth the city council has kicked off a conversation with residents and businesses around corporate citizenship. Many local businesses are developing Environmental, Social and Governance (ESG) strategies and recognise that they can make an important long-term contribution, with public and third sector partners, to help address social inequality, achieve net zero and promote greater biodiversity.

“There is a pressing need for more affordable housing, with Cambridge consistently ranking among the top five least affordable cities in the UK, as well as being deemed the most unequal UK city for income.”

4) Green growth to provide a basis for all future action

The appetite for green growth continues to expand amid increasing calls from the public for the Government, businesses and local leaders to prioritise sustainability. Our Green Jobs Barometer has built an evidence base to track the relative performance of UK regions and industry sectors on their progress in developing green jobs over time. As the country works towards net zero and a greener economy, regional differences are emerging. It is clear support and investment is needed to ensure accessible green employment grows in the places it is needed most.

Actions for central government

Sustainability continues to climb the Government agenda, with Glasgow hosting COP26 in 2021 and the publication of the Government's Net Zero Strategy: Build Back Greener. Central government needs to deliver against sustainability targets, while ensuring the green economy acts to decrease, not widen, inequalities. The Government should look to:

- Outline a bold approach to delivering its Net Zero Strategy, using investment to drive change at the forefront of innovation and incentivise local leaders and businesses to prioritise green initiatives.
- Integrate equality measures into green objectives to ensure the legacy of the green transition is not a reduction in economic opportunity for regions that have yet to capitalise on green opportunities.
- Prioritise investment into accessible green technologies and infrastructure, such as electric charging infrastructure, to provide jobs, increase resilience and promote use by the general public.

Actions for local leaders

Over the last year, the number of local authorities declaring a state of climate emergency rose by 13%. Delivering green growth will require the right decision-making processes, investment and skills. Local leaders should look to:

- Embrace the green opportunity by updating regional industrial strategies to focus on emerging green sectors, such as renewable energy supplies, green transport and low-carbon infrastructure.
- Embed sustainability at the heart of local and regional development through the creation of holistic decision making frameworks, accounting for social, environmental and economic considerations.
- Boost productivity by investing funds and resources into green upskilling, to match workforce skills with emerging green jobs.

Actions for businesses

Our 25th Annual CEO Survey reveals that commitments to purpose and environmental, social and governance (ESG) are on the rise. There is a growing focus among business leaders on trust, transparency and personal accountability. Successful strategies, as referenced in our report ESG and Growth: A New Way of Thinking, are grounded in an honest assessment of their strengths and weaknesses, with an eye on the future. With this in mind, businesses should look to:

- Craft a coherent and actionable strategy to deliver sustainable growth by breaking down ESG considerations into a set of manageable actions and selecting the areas in which they want to compete.
- Make use of innovation hubs and grants to collaborate across public and private institutions, to embrace innovative ways of working and disruptive technologies.
- Unlock efficiencies through incentivising better use of resources, including decreasing waste and energy usage.
- Drive social mobility, as well as racial and gender equality, in green sectors by offering accessible educational pathways, including skills programmes and apprenticeships, and increased support for career progression.

Appendix

Good Growth Index methodology

In developing the Demos-PwC Good Growth for Cities Index this year, we have used the same methodology as in previous editions. This year, we have made our usual minor adjustments to the periodic data that we assess, but have made more significant changes to our geographic definitions and have included two new variables in our Index. The way we have included our two new indicators remains consistent with the method observed in our first edition. The variables, and the weights applied to them, are outlined in Table A1 below.

Due to the differences in the way we have captured the analysis this year, we caution against drawing comparisons to our report last year as the underlying methodology is inconsistent. Our overall approach to developing the Index is summarised in **Figure A1**.

Where local authority level data is missing gaps have been benchmarked to an appropriate local or regional alternative. However, this has not had a material impact on the results.

Figure A1: Our Approach

Quantitative analysis

1. Scoping
- Review of methodology for cities index and agree changes
- Agree list of cities and city regions for the Index

2. Consultation
- Informal discussion with a range of local authorities and others on how to further develop the index, taking account of feedback on previous reports

3. Review of data
- Review of update of latest available data for index variables
- Assemble database

4. Polling
- Poll of c.2,000+ UK citizens of working age to test for continuing validity of weightings from earlier studies

5. Index
- Determine weights from supplementary polling and previous analysis
- Calculate indices
- Robustness checks

6. Conclusions
- Develop conclusions for local public leaders and officials, central government and businesses

Table A1: Index variables, geographical areas and weights

Category	Measure	Time period	Geography	Weight
Safety	Violence against the person, weapons and drugs offences	2017-2020	LA	14%
Income distribution	Ratio of median to mean income	2017-2020	LA	14%
Income	GDHI per head scaled by regional price indices	2017-2020	LA	13%
Health	Life expectancy	2017-2020	LA	10%
Work-life balance	% in employment working more than 45 hrs per week	2017-2020	LA	10%
Environment	Carbon emissions: gCO2/£ GVA	2017-2020	LA	10%
Transport	Average commuting time to work	2017-2020	LA	8%
Jobs	Unemployment rate	2017-2020	LA/TTWA	8%
High street & Shops	Stores openings & closures	2017-2020	LA	5%
Housing	Housing price to earnings ratio and owner occupation rate	2017-2020	LA	4%
Skills	Share of population, aged 16-24 & 25-64, with NVQ 3+	2017-2020	LA	2%
New businesses	New businesses per head of population	2017-2020	LA	2%

Measure refresh: Health

With health remaining an important indicator, in this iteration of the Index, the health metric has been updated from the proportion of the workforce not working due to long-term sickness, to the more widely used life expectancy at birth. This has resulted in a re-ranking of cities in terms of health outcomes in the Index, but ultimately represents a better measure of health outcomes, with life expectancy being linked to living standards, lifestyle and health services[19].

Constructing the Index

The scores for each city are given relative to a base period of 2017-19 (i.e. a score of zero means that a city's Index score in 2018-20 is equal to the 2017-19 average score for all UK cities in the Index). For each element of the Index, a city receives a score equivalent to the number of standard deviations it is away from the mean score on that indicator for all cities. As a result, a score of +0.2 means a city performs 0.2 standard deviations better than the sample mean for that element of the Index in the base year. The scores for each element are then weighted and summed to create the overall Good Growth Index score for that city. The approach is the same for the analysis of different geographies, such as those covered by Combined Authorities. This is the same approach that we have taken in previous reports and is standard practice when constructing such indices.

19) https://data.oecd.org/healthstat/life-expectancy-at-birth.htm

Our list of cities

Alongside refreshing our Index this year with new public priorities, we have also refreshed our framework of how we decide which cities we include or exclude from our analysis. Our refreshed decision criteria is outlined below.

- **Population size:** all cities contain 350,000 or more people, based on 2019 population data[20].
- **Mix:** one of the most important criteria for any city list is to ensure there is a mix of economies in order to provide interesting good growth comparisons.
- **Spread:** we ensure we have a good geographical spread, including cities in the devolved nations.

The use of this new methodology has meant that the total list of cities in our index has increased from 42 to 50 cities[21]. The full list of cities included in this year's Index is set out in **Table A2** below. It is important to note, the use of our new framework has led two cities from last year's Index, Doncaster and Birkenhead, to be excluded.

Table A2: All 50 cities included in our index). *indicates new entry

City		City		City		City		City	
1	London	11	Nottingham	21	Medway	31	Middlesbrough and Stockton	41	Ipswich*
2	Manchester	12	Leeds	22	Southend	32	Exeter*	42	Huddersfield*
3	Birmingham	13	Warrington and Wigan	23	Reading	33	Derby	43	Lincoln*
4	Glasgow	14	Cardiff	24	Oxford	34	Preston	44	Peterborough*
5	Newcastle	15	Wolverhampton and Walsall	25	Portsmouth	35	High Wycombe and Aylesbury	45	Bournemouth*
6	Liverpool	16	Luton*	26	Bradford	36	Swansea	46	Plymouth
7	Leicester	17	Cambridge	27	Stoke-on-Trent	37	Aberdeen	47	Wakefield and Castleford
8	Belfast	18	Edinburgh	28	Hull	38	Swindon	48	York*
9	Sheffield	19	Southampton	29	Chelmsford*	39	Sunderland	49	Brighton
10	Bristol	20	Coventry	30	Norwich*	40	Milton Keynes	50	Northampton*

20) Based on mid-2019 Small Area Population Estimates

21) We engaged the ONS to understand what the proportion of each local authority was in each TTWA in June 2021. Source: ONS (2021), "Listing of 2021 UK local authorities by component 2011 travel to work areas based on mid-2019 Small Area Population Estimates"

Cities included in the Demos-PwC Good Growth Index (defined as TTWAs).

A full list of local authorities covered in the TTWA definitions is available on our website.

We also apply the Good Growth Index methodology to:

- **10 Combined Authorities:** Cambridgeshire and Peterborough, Greater Manchester, Liverpool City Region, North of Tyne, North East, Sheffield City Region, Tees Valley, West of England, West Midlands and West Yorkshire. We also look at the performance of six city regions in Wales and Scotland, including Aberdeen City Region, Edinburgh City Region, Inverness City Region, Glasgow City Region, Cardiff Capital Region and Swansea City Region.
- All 38 Local Enterprise Partnerships (LEPs) areas in England

Economic impact analysis methodology

Our economic analysis assesses the economic growth rates of cities in our Index. We have predicted the economic impacts based on Gross Value Added (GVA).

The core modelling we have used to determine GVA impacts at a city level is the application of nation-wide sectoral impacts to each city's local authorities. Using the latest data available at the time of writing from the ONS, we have applied the sectoral impacts and forecasts to all local authorities in the UK, to understand and predict the economic growth rate of each city. We have used our UK Economic Outlook: December 2021 sectoral forecasts under the 'Accelerated Growth' scenario to the ONS 2019 Regional GVA by industry figures from 2020 to 2021. Based on the proportion of each city's industry relative to the entire UK economy, we applied the sector impacts to each local authority from 2019 and mapped these to the cities included in the Good Growth Index.

Additionally, we have used other measures as proxies to further refine our economic analysis. This includes the Google Mobility Index, the Universal Claimant count and the case rate of COVID-19 at local authority levels in the UK.

We have weighted each proxy in order to account for all proxies, but have more strongly weighted proxies that we feel are the most accurate measures of GVA. In this instance, we have weighted the sectoral analysis as the most accurate measure of GVA at the city level.

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2. We're authentically cross-party, working across party lines with community leaders, businesses and activists to create a movement for social change.
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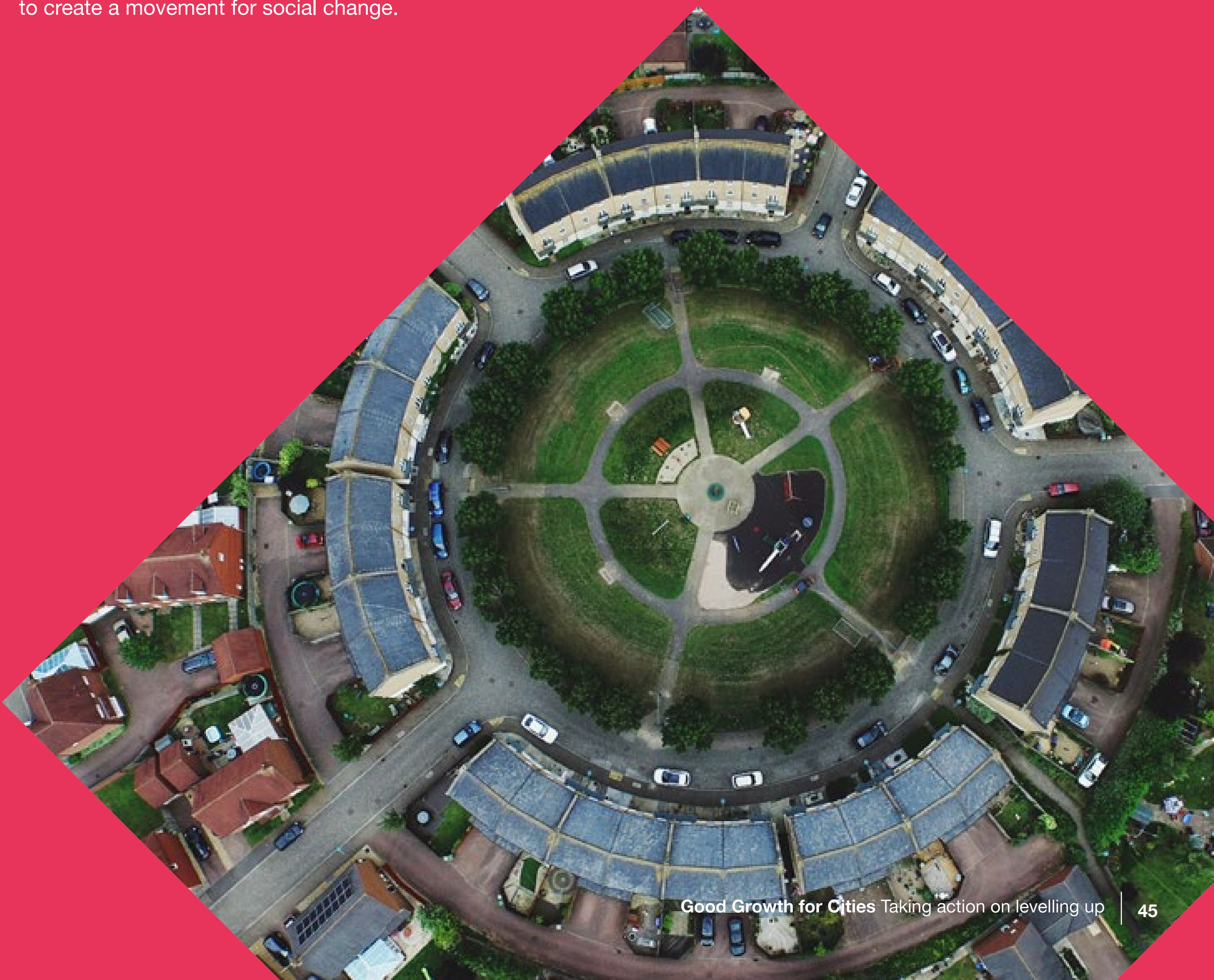

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