Lightcast

formerly Emsi Burning Glass

Levelling up

Using Key Insights to Assess Labour Market Challenges and Solutions

Contents

Introduction

In its ambitious levelling up plans, the Government pledged to reduce inequalities between different parts of the country while ensuring every place experiences strong economic growth.

To do so, it set out twelve missions which encompass all aspects of a local economy – from increasing its productivity and labour market outlook, to investing in civic pride, empowering local leaders and improving public services.

Underpinning all missions, there is a strong focus on data. Data can help understand the scale of the levelling up challenge different places face on different metrics and it can also help identify how to tackle these challenges and track change over time.

In this respect, labour market insights can provide valuable information into the economic outlook of different areas, supporting places as they address two levelling up missions in particular:

1. **Living standards:** *"By 2030, pay, employment and productivity will have risen in every area of the UK, with each containing a globally competitive city, and the gap between the top performing and other areas closing."*

2. **Skills:** *"By 2030, the number of people successfully completing high-quality skills training will have significantly increased in every area of the UK. [...]"*

In this report, we look at how different areas perform against a number of labour market metrics and their implications for levelling up. We look at:

- The skills equilibrium
- Labour market performance over the past decade
- Current recruitment activity
- Economic complexity
- Skills needs

Alongside this national report, we have produced regional reports offering a more in-depth analysis of the state of the economy in each individual areas. Over the coming months we will provide more detailed analysis on the practical steps areas can take to level up their economy.

Breaking the low-skilled equilibrium

When it comes to improving the economic performance of a place, two key factors are at play: its talent pool and its industry make-up.

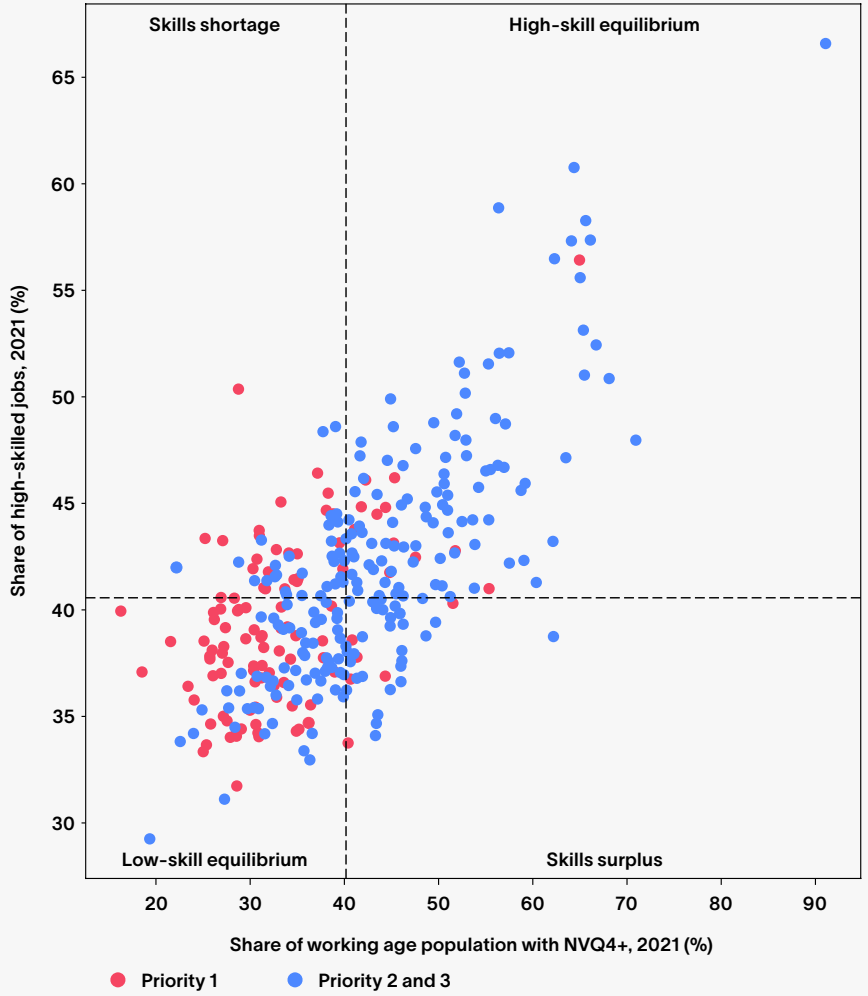
The more high-skilled people and high-skilled jobs a place has, the more economically successful it tends to be. And these two factors tend to reinforce one another: places that already have a lot of high-skilled jobs and people tend to attract even more talent and businesses, they are in a 'high-skill equilibrium'. In contrast, places with fewer high-skilled people and high-skilled jobs tend to be less productive and find it harder to break this pattern, this low-skill equilibrium, they are stuck in.

As Figure 1 illustrates, **many of the places identified by the Government as in need of levelling up are currently stuck in a low-skilled equilibrium**.

These are the areas identified as 'Priority 1' by the Department for Levelling Up, Housing and Communities for the allocation of the Levelling Up Fund. The Department used an index with multiple metrics to classify local areas based on their levelling up needs and split them in three priority groups, from high (Priority 1) to low (Priority 3).

The goal of levelling up is to help these areas break out of their low-skill equilibrium and move towards a high-skill one. To do so, places need to understand why their economies do not create high-skill demands and how to improve their attraction and retention of talent. Changing these patterns is no simple task and will require investment and commitment over the long-term.

Figure 1: The skills equilibrium

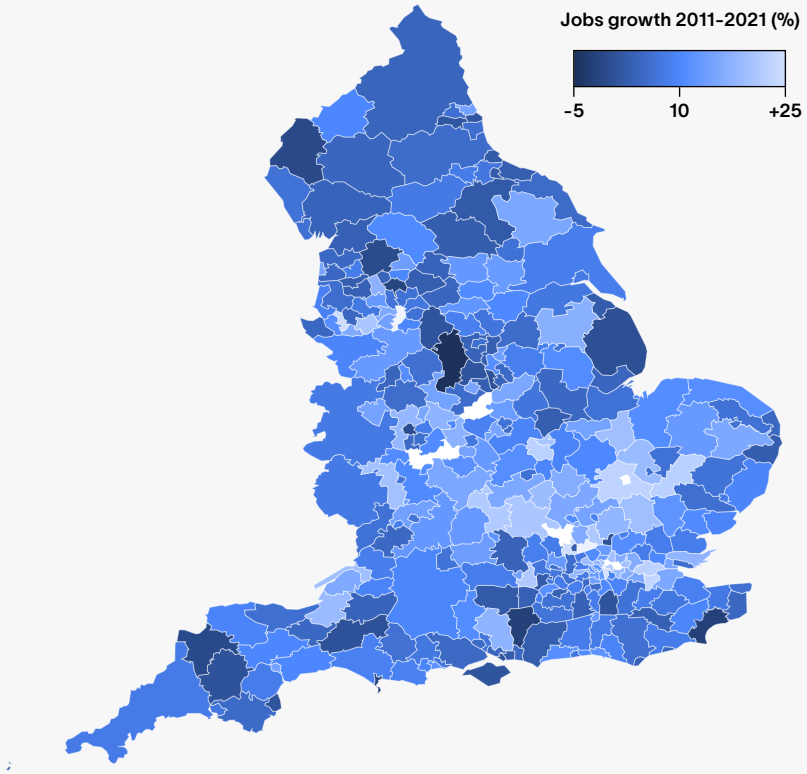


Lightcast 2022.1, Educational Level and Jobs data

Geography matters when it comes to levelling up

Not every place experienced the same growth over the past decade: as the map in Figure 2 illustrates, **job growth between 2011 and 2021 concentrated around London and the Greater South East of England**. Areas elsewhere in the country either experienced a slower pace of growth or an actual decline in jobs over the past decade.

Figure 2: Jobs growth 2011-2021 (%)

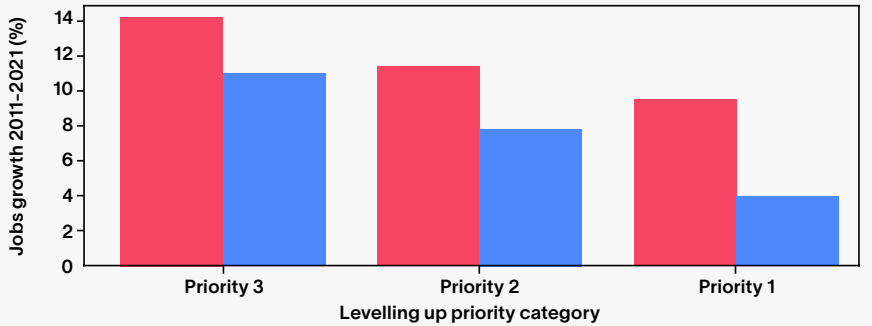


Lightcast 2022.1, Jobs data

Looking at this through the lenses of the Levelling Up categories set out by the Government, it is the areas in Priority group 1 that have experienced the slowest growth (see Figure 3).

But Figure 3 also shows that another important factor is at play when it comes to job growth: when splitting local authorities between urban and rural using the definition set out by the ONS, it clearly appears that **urban areas in general – regardless of their priority group – have in the past decade generated more new jobs than rural areas**. This is because different places play different roles in the national economy and that influences their ability to generate economic activity and jobs. Unlike rural areas, urban areas benefit from 'agglomeration effects', i.e. from all those benefits that accrue from having large numbers of businesses and people coming together in an area. Because of these effects, it is cheaper for businesses to carry out their activities in urban areas, as they can more easily access the resources they need in terms of infrastructure, presence of other businesses they can learn from and trade with, and access to talent. Hence cities are at an advantage compared to rural areas when it comes to generating economic growth.

Figure 3: Jobs growth by type of areas



Lightcast 2022.1, Jobs data

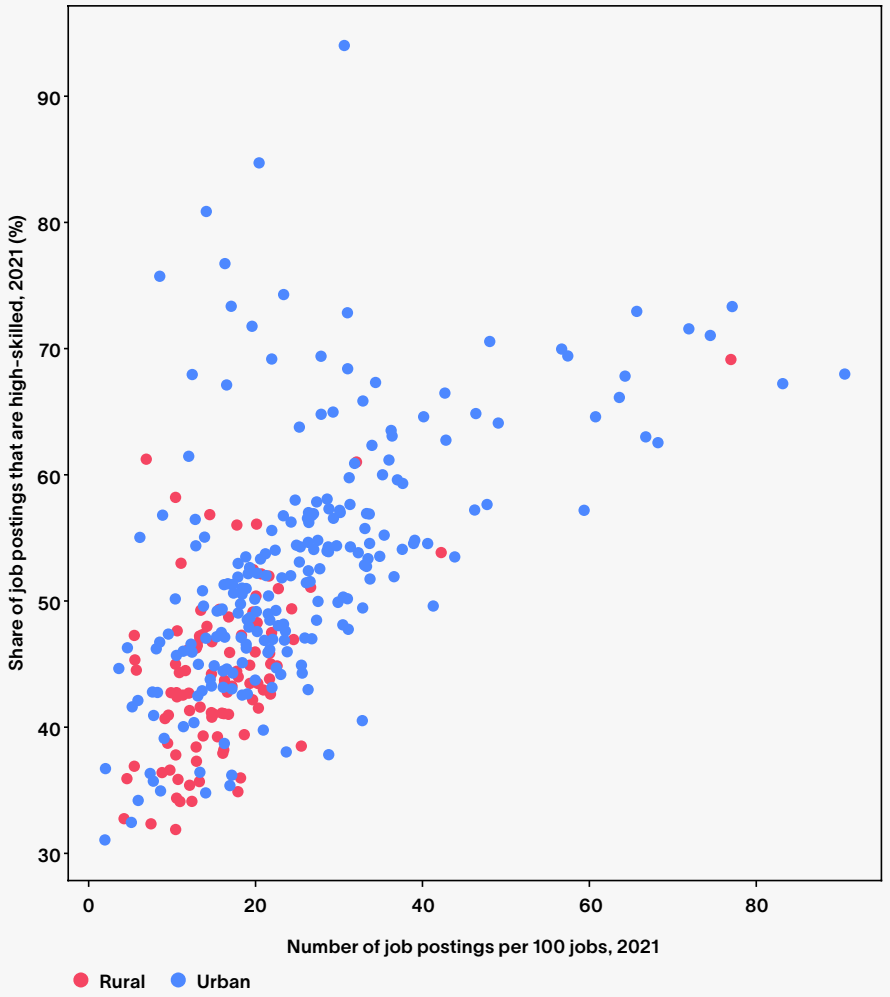
The urban versus rural split of economic activity is even more visible when looking at recruitment: over the past year, on average, there have been 22 job postings for every 100 jobs available in urban areas, compared to 17 job postings in rural areas, meaning **recruitment activity is 30 per cent higher in cities**. This more intensive recruitment in turn means more job opportunities available at any one time, which makes it easier to move around the labour market.

Not only is the recruitment market more vibrant in urban areas, it is also more focused on high-skilled job opportunities (see Figure 4). Over the past year, 56 per cent of all job postings in cities were for high-skilled roles compared to 46 per cent in other areas.

These differences matter and show that **the geography of a place affects its ability to generate growth and hence its potential to level up**. It would be unrealistic to expect Northumbria to perform at the same level as the City of London – but we should expect the economic performance of urban areas like Glasgow and Liverpool to be more in line with that of other successful urban areas like Bristol for example.

Understanding these differences and identifying the right benchmarks can help places set realistic expectations about their levelling up ambitions.

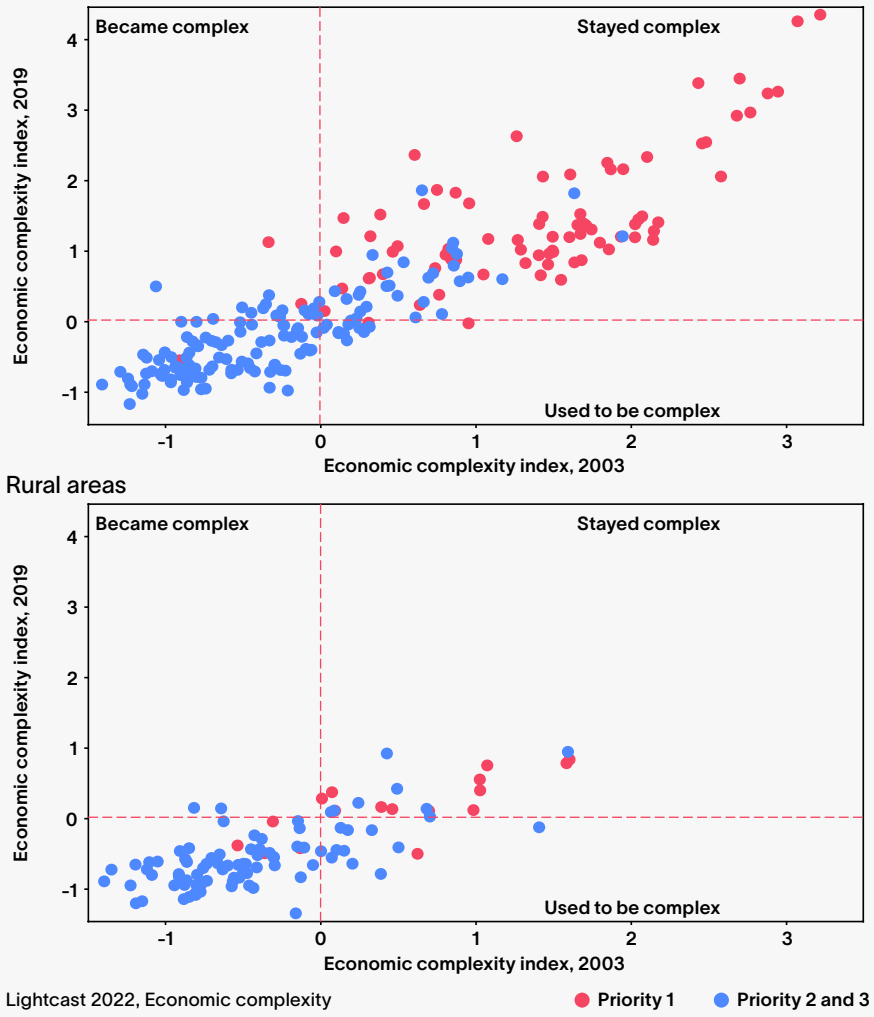
Figure 4: Recruitment activity



Lightcast 2022.1, Jobs and job postings data

What economic complexity tell us about levelling up

Figure 5: Economic complexity over time



Once established that different geographic areas have different economic potentials, we can then look in more details at what makes a place successful.

In section 2, we have seen that more successful areas, the one in a high-skill equilibrium, tend to have a larger share of high-skill businesses, but what type of economy has – and attracts – these types of businesses?

We can look at this through the lenses of economic complexity: **strongly performing economies – both urban and rural – tend to be more economically complex** (see Box 1 on page 8 for an overview of what economic complexity is).

This is a pattern that lasts over time: as figure 5 illustrates, there is a strong positive correlation between economic complexity at the beginning of the century and now, with places that were more economically complex then still among the most economically complex today.

That said, there are some notable exceptions to this, especially among urban areas: Lincoln, Northampton and Norwich for example are among the areas that have become more economically complex over the past 20 years. And the pace of increase in complexity varies from one place to another with places like Cambridge and Manchester, which were already complex in 2003, having increased their complexity at a faster rate than other areas.

Using this information, we can then help local areas dig deeper into their local economy. We can look behind the headlines and understand which industries have driven the increase in economic complexity of successful places and draw implications for places in need of levelling up.

Box 1: What is economic complexity? [1]

The concept of economic complexity used in this report was first developed in 2009 by Hidalgo and Hausmann to identify countries' competitive advantage by analysing their exports. The idea behind this concept is to attempt to capture the process of knowledge creation and diffusion in an economy.

Using this approach, economies are measured against two metrics: (1) how diverse they are – i.e. how many different sectors they specialise in and (2) how ubiquitous their specialisation is – i.e. how many places specialise in that particular sector. From the interaction of these two metrics, it is then possible to calculate an Economic Complexity Index which captures the level of complexity of a particular economy.

The Economic Complexity Index is a relative measure. An Index above 0 indicates an economy that is more complex than the average and an Index below 0 indicates an economy that is comparatively less complex. Generally speaking, economies tend to have a higher Index when they have a competitive advantage in several highly complex sectors.

Research shows that the Economic Complexity Index is positively associated with a local economy's income and productivity. Economies that are more complex have larger amounts of accumulated knowledge and they are more likely to generate growth and innovation.

[1] Hidalgo C.A. and Hausmann R. (2009) *The Building Blocks of Economic Complexity*, Centre for International Development at Harvard University, working paper no. 186.

Skills for levelling up

Figure 6: Skills demand

Lightcast 2022, Job postings data

Alongside understanding which businesses successful areas are able to attract, it is equally important to understand which skills they need. This is because – as shown in section 2– the business make-up of a place and its skills make-up tend to reinforce one another, either creating a virtuous cycle of growth in places that are in a high-skill equilibrium or a vicious cycle of low growth for places in the low-skill equilibrium.

This is where levelling up gets complicated: **to break their equilibrium, areas in need of levelling up need to change their industry make-up AND their skills make-up at the same time**. This is easier said than done: how can an area plan for the skill needs of businesses they do not currently have in their economy? On top of that, there is the risk that people, once trained, will leave to find job opportunities elsewhere in the country.

One way to get around this issue is to understand which types of skills are more in demand among businesses in strongly performing areas - the areas that are more economically complex - and see how it compares to demand in other areas. Figure 6 does this and shows that the relative concentration of skills demanded is very different in different areas: strong economies tend to have more demand for skills related to professional services and knowledge intensive activities, while in other places skills around manufacturing and production, transport and supply chain are relatively more concentrated.

These differences are not surprising as they reflect the different industrial make-up of different places but they clearly highlight the scale of the skills challenge places face when it comes to levelling up.

Conclusions

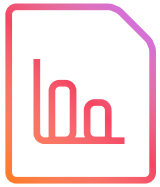
Labour market insights provide valuable information on the current health of a local economy and while levelling up is no simple task, these insights can help places identify their current challenges and paths to address them.

As this report shows, when it comes to levelling up local economies, there are three factors at play: geography, industry make-up and skills make-up. Given their central role in creating economic activity, urban areas have a bigger growth potential than other areas. In terms of industry and skills make-up, places need to become more attractive to high-value businesses and high-skilled people. To do so, they need to look at the economic complexity of their local area and they need to ensure their skills demand is in line with current – and future – business needs.

With this understanding, areas can then start to think about the actions they may need to take to level up. This is very much at the core of our mission here at Lightcast and, in coming months, we will use our labour market insights to work with interested local areas to identify quick, actionable, focused interventions they can apply to their local economy to gradually start their process to level up.

Lightcast data

Our data is at the heart of what we do and we are confident that it is the most reliable, accurate and granular labour market insight available in the UK. We take the view that to get a realistic picture of your focus labour market, rather than looking at traditional labour market intelligence or 'big data' like job postings or profiles alone, you need them together. This is why we have uniquely integrated these different data sources, to give you one seamless dataset describing various aspects of the economy in your area and beyond — available through software tools, research consulting, or API access.

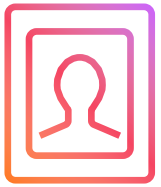


Labour Market Intelligence

Over 2 billion data points ranging across jobs, earnings, employment levels, education output, and more. Data are sourced from a range of government datasets; but we synthesise them and model to infer missing cases; then we project forward job counts ten years from latest BRES (now to 2030), detailed down to local areas (LAU1) and specific occupations (4-digit SOC) and industries (4-digit SIC).

Job Posting Analytics

Harvested from tens of thousands of job boards, JPA is updated every month with between 800,000 and 1 million new unique postings — we have a database of more than 50 million postings as of writing. Every posting is categorised across occupation (4-digit SOC), detailed job title, location, company name and against Lightcast's continuously updated library of nearly 30,000 common and hard skills. Metrics include posting counts, but also posting intensity, posting duration and salary.



Profile Analytics

A database of 17.8 million professional employment profiles, Profile Analytics provides a supply-side counterpart to the content-rich, demand-side intelligence from JPA. Each profile captures occupation, detailed job title and location, just as with job postings, as well as categorising against Lightcast's skills library. In addition, the data allows identification of universities and degree subject areas, as well as in some cases the career path through which a professional has reached their current role.

Lightcast

Lightcast is the world's leading authority on job skills, workforce talent, and labour market dynamics. Organisations across the globe use our market research, analytical software, and data expertise to better understand their own workforce and identify skilled and diverse talent for future growth.

Headquartered in Boston, Massachusetts, and Moscow, Idaho, Lightcast is active in more than 30 countries and has offices in the United Kingdom, Italy, New Zealand, and India.

The sorts of insights in this report are available in a number of different ways, including intuitive software platforms, direct access via APIs, and custom consulting reports answering highly complex labour market queries. Contact us to discuss how your organisation can access this data.

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