CITIES OUTLOOK 2023: BRIEFING

Background

This briefing presents a summary of findings from the Centre for Cities 2023 report - '*Cities Outlook 2023'*. The Centre for Cities is an independent, non-partisan research organisation which produces data-driven research and policy ideas for the largest cities and towns in the UK, to help address challenges and generate opportunities and prosperity for local people. The annual Cities Outlook report focuses on the condition of the UK's largest 63 cities, as well as special topic analysis – in 2023 the special topic is the scale and geography of economic inactivity, including "hidden unemployment". This report will be split into two sections covering:

- A summary of how Exeter has performed across a variety of different indicators including population, skill levels, housing, innovation, broadband connectivity, and wages, as well as comparisons with Plymouth and historical comparator cities.

- Highlighted points from this year's special topic analysis on economic inactivity and the hidden unemployment of the involuntarily inactive.

Key messages

- Overall, Exeter's performance in this year's key indicators remains comparatively strong with half of its indicators within the top third of the 63 largest cities and towns in the UK. Exeter has performed particularly well for low claimant count but has seen some drops across other variables.

- Exeter remains one of the smallest cities covered by the report - but population growth over the past 10 years has been rapid – the city is in 59th for population size for the third year in a row. Population growth between 2011 and 2021 was 10th in the country: this is high, but a lower position than in the two previous reports where Exeter was 2nd on this indicator.

- The number of business start-ups dropped a little from 2020 to 2021, moving Exeter from 29th position to 33rd. Business stock also dropped in both number and ranking from 345.1 businesses per 10,000 people and 25th position to 336.4 and 29th position. Patent application data has not been updated.

- GVA per hour has dropped in position from 17th to 21st, despite an increase in the value from £35.80 to £36.30 between 2019 and 2020.

- Exeter has stayed in a stable position for low unemployment benefit claimant count and ranked 3rd for the latest data (November 2022). The claimant count in Exeter has dropped by 0.5 percentage points since November 2021, but the ranking has dropped by only a single place.

- Exeter historically performs poorly on the ratio of private to public sector jobs: it currently sits at 59th of 63 cities and large towns. It has a low level of private sector job growth (52nd position) and saw a reduction of 0.8% between 2020 and 2021. Performance on private Knowledge Intensive Business Services has dropped from 35th to 39th.

- This edition adds a new measure looking at new economy firms per 10,000 working age population. This includes emerging knowledge-intensive sectors such as FinTech and advanced manufacturing. Exeter is in a very strong 10th position overall.

- Exeter has seen a surprisingly large drop in position on levels of residents with no formal qualifications, dropping from 2nd to 21st. This is worth further investigation.

- The ranking for residents with NVQ Level 4+ has slipped a little from 10th to 13th.

- Performance for pupils achieving between 9 and 4 in GCSE English and Maths has improved to 9th.

- The Centre for Cities has released wage data for 2022, leaving out data for 2020 and 2021 due to confidence concerns over the pandemic. Compared to the 2019 data, Exeter has dropped from 16th position to 42nd despite an increase in average weekly workplace earnings from £519.43 to £553.30. The volume of public sector jobs restricted by government pay restraint is likely the driver here.

- Housing stock growth in Exeter has dropped from 1st to 18th. House prices continue to rise dramatically: Exeter has moved from 38th position to 15th with an increase from 6.5% to 7.2%. Exeter's ranking among other cities remains comparatively stable for mean house prices, and Exeter's housing affordability ratio remains one of its worst indicators.

- Exeter is one of the greenest cities in the UK, moving up one to 6th position for low CO_2 emissions per capita, and improving its position on air quality from 32nd to 23rd. However, Exeter's level of connections to 30+ Mbps broadband is one of the worst in the country at 59th.

- The special focus area for *Cities Outlook 2023* is the hidden unemployment masked by official unemployment figures.

Produced by Gabrielle Climie, Regional Impact Team, Innovation, Impact & Business (IIB) - February 2023

1. Exeter rankings at a glance

Exeter's ranking on each indicator is presented in Table 1: the city features in the top half of the rankings for 13 indicators.

Table 1: Summary of indicator rankings: Exeter

High (1-21)	Mid-ranking (22-43)	Low (44-63)
Low claimant rate (3rd)	Business stock (29th)	Employment rate (48th)
Low CO2 emissions (6th)	Business start-up (33rd)	Private Sector Growth (52nd)
GCSEs (9th)	Private KIBS (39th)	Housing affordability (56th)
Population growth (10th)	Workplace earnings (42nd)	Housing stock (56th)
New economy (10th)		Ratio private/public jobs (59th)
High-level qualifications (13th)		Broadband connectivity (59th)
House prices (15th)		Population size (61st)
House price growth (15th)		Business closures (51st)
Housing stock growth (18th)		
Air quality (20th)		
No qualifications (21st)		
GVA per hour (21st)		
Patents (21st)		

It is among the 'top 10' (out of 63 cities) for:

- Low claimant count (%)
- Low CO_2 emissions per capita
- Pupils achieving 9-4 grades at GCSE
- Population growth 2011-2021
- New economy jobs per 10,000 working age population

It is also in the 'top third' (out of 63 cities) for:
- Residents with level 4+ qualifications
- Mean house prices
- Mean house price growth 2021-2022
- Housing stock growth 2020-2021
- Low number of days a year of poor air quality
- Low number of residents with no formal qualifications
- GVA per hour (2019)
- Patent applications per 100,000 people

Exeter sits in the lowest third for a small but notable number of indicators: this includes housing affordability, housing stock, the ratio of private to public jobs, population size, and connections subscribed to 30+ Mbps broadband. All these measures were in this third in the

2022 Centre for Cities report as well. Population size is related to the fact that Exeter has always been a very small city, and this also impacts housing stock.

There have, been several important movements within the table. Population growth dropped from 2nd to 10th position with an almost 5 percentage point decrease in the rate of change. Private sector job growth has dropped from 28th position to 52nd, despite the figure changing from a -2.5% reduction to a 0.8% reduction: this has poor implications for how Exeter has recovered from the pandemic. Weekly workplace earnings also dropped drastically in position from 16th to 42nd likely driven by public sector pay restraint. Nonetheless, house price growth has increased from 37th to 15th position. Air quality has improved from 32nd to 23rd position. Most indicators for Exeter changed position by no more than 4 positions.

Ranking is not the only aspect that matters. In Table 2, Exeter's indicator rankings (i.e. above or below average) are compared against how the figures have changed over the previous year. This provides a useful quick reference guide to whether measurements are improving or worsening (using the Centre for Cities' ranking methodology to determine the "positive" change of an indicator), and where Exeter sits in comparison to other cities. Indicators in the bottom 50% and worsening are particular areas of concern. This year Exeter sees a considerable number of indicators in the worsening column of this table, both in the top and bottom 50% of indicators.

Table 2: Exeter's indicator rankings against indicator value changes

Top 50% Rank, Worsening Indicator	Top 50% Rank, Improving Indicator
Claimant Count	Low CO2 Emissions
Population Growth	Pupils achieving 9-4 GCSE grades
Residents % with Level 4+ qualifications	House price growth
Housing stock growth	Air quality
Residents % with no qualifications	House prices
GVA per hour	
Business stock	
Bottom 50% Rank, Worsening Indicator	**Bottom 50% Rank, Improving Indicator**
Business start-ups	Housing stock
Private Knowledge Intensive Business Services	Broadband connectivity
Weekly workplace earnings	Population size
Private sector job growth	
Housing Affordability Ratio	
Ratio private/public sector jobs	
Business closures	
Employment rate	

2.   A look at Exeter and Plymouth

Table 3 compares the positions for Exeter and Plymouth across all the city rankings. Exeter largely ranks more favourably than its neighbour on most indicators with a few notable exceptions, and these trends remain largely similar on a year-by-year basis:

- No formal qualifications – both cities perform relatively well on this measure, but Plymouth is currently outperforming Exeter with fewer in this category.
- Air quality – Plymouth typically has fewer days of poor air quality in a year.
- Employment rate – as of the most recent Centre for Cities data, Plymouth has a 6 percentage point lead on Exeter for employment rates.
- Mean house price – On average, Exeter is a considerably more expensive place to buy a house than Plymouth.
- Housing affordability ratio – The difference in house prices is not matched by higher incomes: it is more expensive in both numerical and real terms to buy a house in Exeter.
- Housing stock – Exeter is one of the lowest ranking cities for its small housing stock, which can be linked to its history as a very small city. In comparison, Plymouth is ranked higher and sits in the middle third for its housing stock, reflecting its mid-ranking population size.
- Private sector job growth – Plymouth sits barely above the halfway point but still currently outperforms Exeter.
- Digital connectivity – Plymouth has a slightly (4%) higher rate of connections subscribed to 'superfast' 30+ Mbps broadband than does Exeter.

Table 3: Comparison of Exeter and Plymouth rankings

Exeter more favourable ranking than Plymouth	Broadly the same	Exeter less favourable ranking than Plymouth
Claimant Count (3rd vs 16th)	Ratio private to public sector jobs (59th vs 55th)	Residents with no formal qualifications (21st vs 15th)
CO2 emissions (6th vs 13th)		Air quality (23rd vs 8th)
GCSE attainment (9th vs 38th)		Employment rate (48th vs 19th)
Population growth (10th vs 47th)		Private sector job growth (52nd vs 29th)
New economy (10th vs 59th)		Housing affordability (56th vs 33rd)
Residents with high-level qualifications (13th vs 33rd)		Housing stock (56th vs 35th)
House prices (15th vs 36th)		Digital broadband connectivity (59th vs 45th)
House price growth (15th vs 20th)		
Housing stock growth (18th vs 51st)		
GVA per hour (21st vs 49th)		

Patents (21st vs 30th)		
Business stock (29th vs 61st)		
Business start-ups (33rd vs 57th)		
Private KIBS (39th vs 62nd)		
Workplace earnings (42nd vs 61st)		
Business closures (51st vs 60th)		

3. Size

Exeter has dropped to 61st position in terms of population, making it the third smallest city covered. Despite this, Exeter's population growth is among the highest in 10th position. This is still an 8 place and nearly 5 percentage point decrease from its position of 2nd in the 2022 report. Plymouth's population size has dropped a single place to 38th nationally, the same drop of a single place as seen in the 2022 report, and its population growth remains poor despite moving from 52nd position to 47th.

Table 4: Exeter and Plymouth size measures, rankings, and ranking changes

	Exeter			Plymouth		
	Latest	Latest Rank	Change in rank	Latest	Latest Rank	Change in rank
Population change (%), 2011-2021	10.40%	10th	↓	3.20%	47th	↑

4. Economy, business, and innovation

Exeter sits on the edge of the top third of the UKs most productive cities with GVA per hour worked (Table 5) about three fifths of the most productive city, Slough[1]. It remains in the top third for patent applications, and on the edge of the top half of business start-ups and stock. Exeter's business stock has begun to drop (Figure 1) compared to Plymouth, while the national trend is a small increase. Business start-up rates declined in Exeter between 2020 and 2021.

Table 5: Exeter and Plymouth economy, business and innovation measures, rankings, and ranking changes
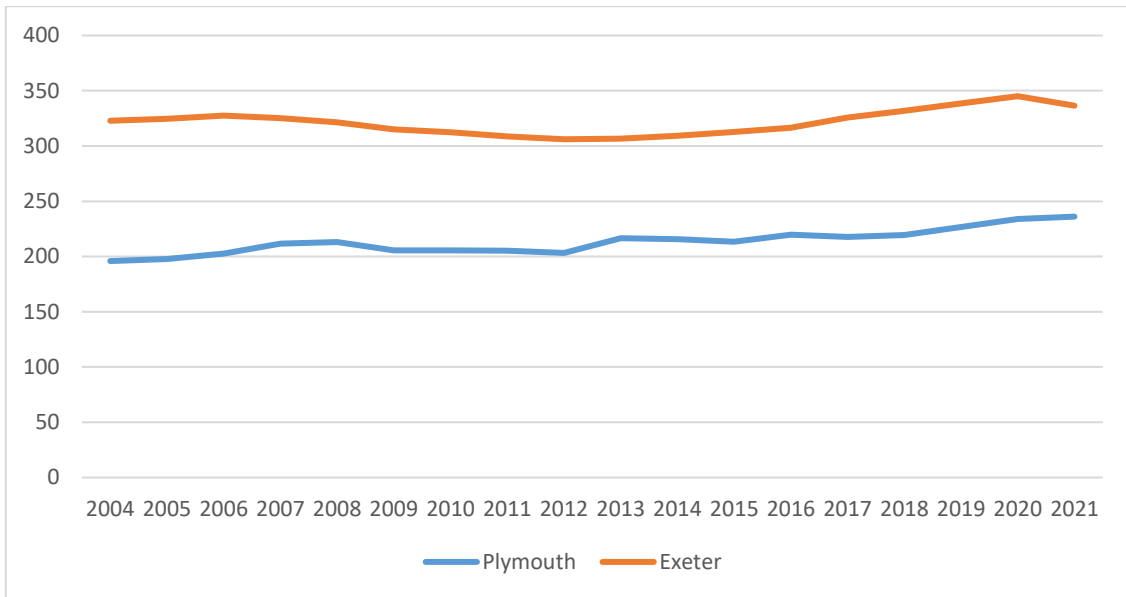
	Exeter			Plymouth		
	Latest	Latest Rank	Change in rank	Latest	Latest Rank	Change in rank
Business start-up (per 10,000 pop.), 2021	45.6	33rd	↓	39.3	57th	↔→

---

[1] GVA per hour worked in Slough was £60.30 per hour worked in 2020.

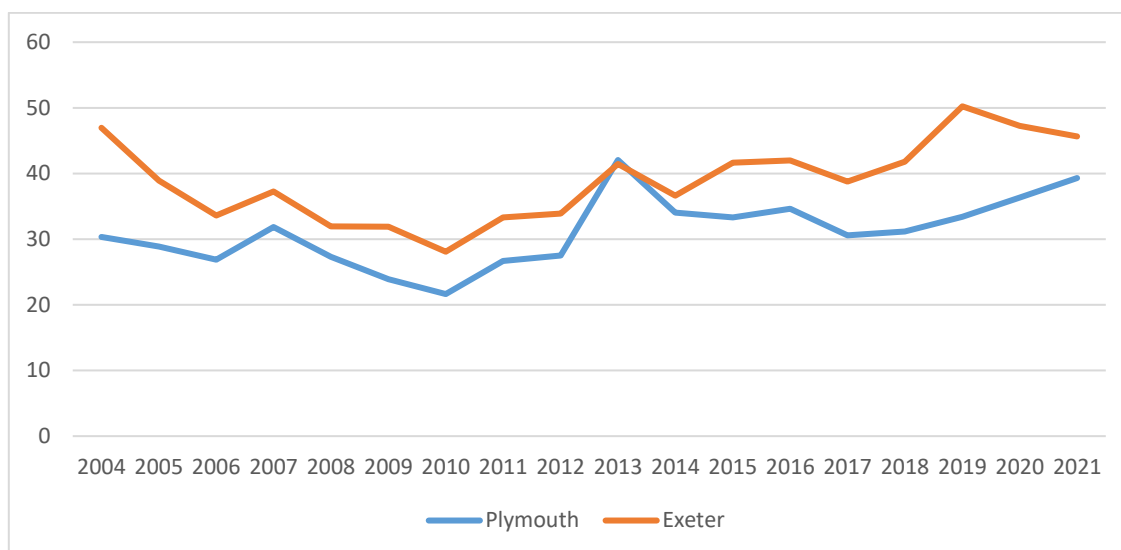| Business closures (per 10,000 pop.), 2021	33.6	51st	↑	27	60th	↑
Business stock (per 10,000 pop.), 2021	336.4	29th	↓	236.1	61st	←→
GVA per hour (2020)	36.3	21st	↓	31	49th	↓
Patent applications (per 100,000 pop.), 2020	13.83	21st	N/A	9.9	30th	N/A

Exeter is ranked 29th for the size of its business stock, and 33rd for the rate of business start-ups. The business stock per 10,000 population has increased steadily after a small dip around the financial crisis shown in Figure 1.

Figure 1: Business stock per 10,000 population; Exeter & Plymouth: 2004 to 2021

Exeter has seen notable drops in start-ups while these are increasing in Plymouth. Start-ups have seen some changes locally over the past years, with previous low-points in 2010: despite the decreases in Exeter, start-up levels remain well above this (Figure 2).

Figure 2: Business start-ups per 10,000 population; Exeter & Plymouth: 2004 to 2021

Exeter ranked 51st highest for business closures, a decrease from its previous position of 44th. This sits at 33.6 closures per 10,000 population, which is only a 0.2 increase. Unlike measures such as the claimant count and poor air quality, this has historically been ranked from highest to lowest by the Centre for Cities due to its role in measuring business churn as an innovation indicator. This low ranking has good implications for Exeter's businesses surviving the pandemic. The patent application data has not been updated since the 2022 edition of the report. The highest-ranking city for this indicator is Cambridge with 258.5 patent applications per 100,000 population, almost twice that of the next highest city (Derby, with 130.9 patent applications per 100,000 people).

Plymouth performs less well with regards to the business indicators. This means that business churn in Plymouth remains low. For business stock, Plymouth remains low in the rankings in 61st position.

5.   Jobs and employment

Exeter's performance in the jobs and employment measures has seen a decrease in position across every measure except the newly added 'new economy' measure. Exeter's ranking is largely influenced by its university, as well as the presence of both Exeter City Council and Devon County Council. Plymouth's position has dropped considerably to 62nd. Generally speaking, cities with a strong higher education presence feature at the bottom of the rankings for the private:public sector jobs ratio, including the famous university cities of Oxford (62nd) and Cambridge (59th).

8

Table 6: Exeter and Plymouth jobs and employment measures, rankings and ranking changes

	Exeter			Plymouth		
	Latest	Latest Rank	Change in rank	Latest	Latest Rank	Change in rank
Employment Rate, 2022 (%)	71.10%	48th	⬇	77.80%	19th	⬆
Claimant count (%), November 2022	2.0%	3rd	⬇	3.2%	16th	⬆
Ratio private/public sector jobs, 2021	1.49	59th	⬇	1.8	55th	⬇
Private sector job growth (%), 2020-21	-0.8%	52nd	⬇	2%	29th	⬆
Private Knowledge Intensive Business Services (%), 2021	10.11%	39th	⬇	5.53%	62nd	⬇
New Economy firms 2022 (per 10,000 working age population)	25.16	10th	N/A	11.76	59th	N/A

Exeter and Plymouth rank fairly low for employment in private sector knowledge-intensive business (KIBS), and both cities saw decreases in their positions for 2021. Exeter was ranked 39th (10.1%) while Plymouth was ranked 62nd (5.5%). The highest ranked cities on this measure were Reading (26.4%), London (24.6%) and Warrington (21.9%).

Figure 3: Ratio of private to public sector employment: 2010 to 2021
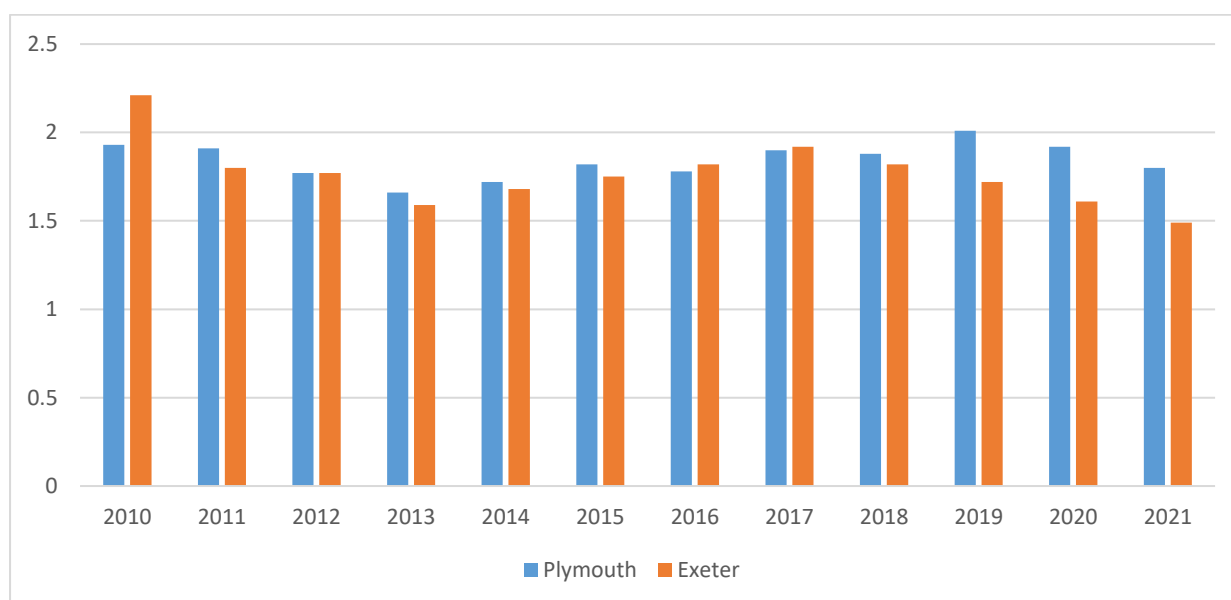
Growth in private sector jobs in Exeter and Plymouth has seen distinctly mixed results. Exeter saw a decrease of 0.8% between 2020 and 2021, resulting in a drop from 28th to 52nd, despite the previous change having been -2.5%. Plymouth saw an increase of 2%, moving it from 38th (and a previous change of -3%) to 29th. 11 cities experienced a negative growth rate, the lowest of which were Oxford (-5.7%), Crawley (-5.6%) and Gloucester (-4.4%).

The claimant count ranking (referring to the proportion of the population claiming unemployment benefits) has improved slightly for Exeter in numerical terms, decreasing from 2.5% to 2.0% between 2021 and 2022. The result of this was that Exeter only dropped from 2nd to 3rd lowest claimant count. Exeter remains comfortably below the national average rate of 3.6%, whereas Plymouth's claimant count of 3.2% is still lower but much closer to the average. Comparatively, Plymouth has improved slightly in rank between 2021 and 2022, from 23rd to 16th position, accounted for by a 1.2 percentage point decrease in its claimant count. The employment figure faces accuracy difficulties due to the high confidence rate in smaller cities.

6.   Skills and wages

Exeter has dropped to 21st position from 2nd for the percentage of residents with no formal qualifications as the result of this rate doubling. However, this figure has very large confidence levels in the Annual Population Survey data and the real change could be very different. The city's ranking for the proportion of residents with qualifications above NVQ Level 4 moved from 10th position to 13th position.

Table 7: Exeter and Plymouth skills and wages measures, rankings and ranking changes

	Exeter			Plymouth		
	Latest	Latest Rank	Change in rank	Latest	Latest Rank	Change in rank
Residents Level 4+ qualifications (%), 2021	48.72%	13th	↓	37.73%	33rd	↑
Residents no formal qualifications (%), 2021	6.02%	21st	↓	5.08%	15th	↑
Pupils achieving 9-4 grades in Maths & English at GCSE (%), 2020	72.69%	9th	↑	64.66%	38th	↓
Weekly workplace earnings (£), 2022	£553.30	42nd	↓	£515.60	61st	↓

Figure 4 illustrates the general direction of change in qualifications above NVQ Level 4 in both Exeter and Plymouth, highlighting the degree of difference between the two cities.

Figure 4 : Percentage of working age population with a qualification at NVQ4+: 2004 to 2020
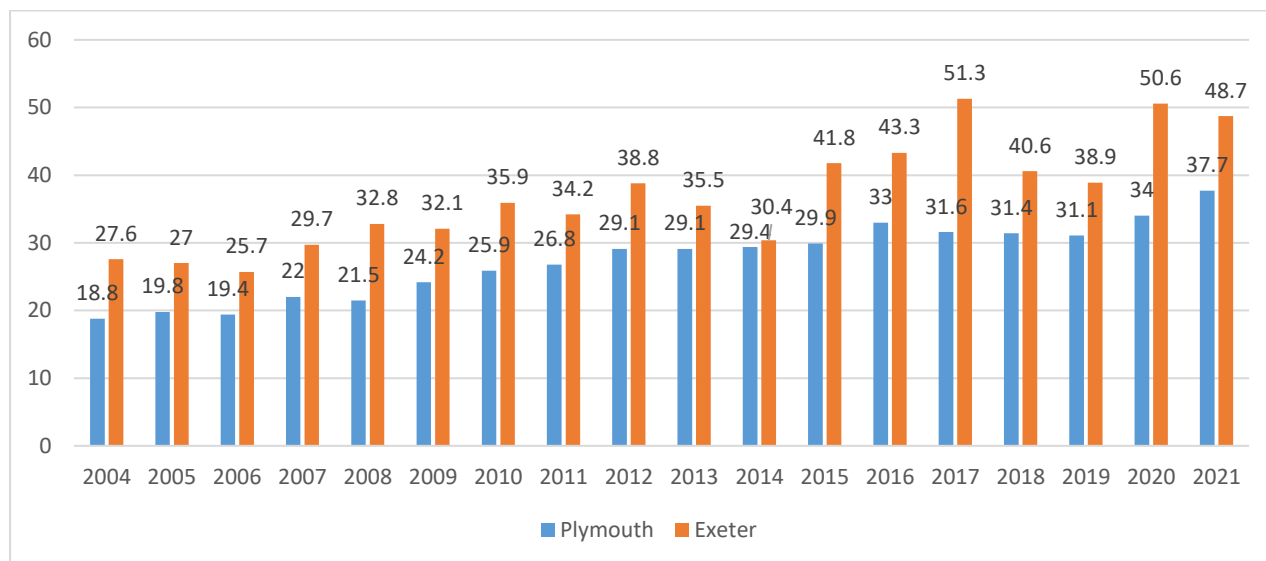
Exeter's higher proportion of workers with at least a qualification of NVQ Level 4 or above is likely linked to the presence and performance of its local university. The cities ranking highest for this metric are, unsurprisingly, cities with world-ranking universities which are also in the Russell Group – Edinburgh (69.1%), Oxford (66.1%) and Cambridge (63.5%). Exeter has also seen an improvement in ranking for pupils achieving at least a 9 to 4 in Maths and English at GCSE level despite a 0.1 percentage point decrease in the overall rate. Plymouth has dropped back down from 18th to 38th position on GCSEs, with a reduction in 9 to 4 in English and Maths of over 7 percentage points.

Centre for Cities data on workplace earnings has now been updated so that there is a viable comparison: this is between 2022 and the previous data for 2019, as the pandemic data was not considered sufficiently reliable. Both Exeter and Plymouth saw considerable decreases in their ranking over this time period (16th to 42nd and 22nd to 61st respectively), although the actual weekly wages increased: this reflects existing challenges around real wages.

7.   Housing, environment, and connectivity

The most expensive house prices in 2022 were slightly more than twice the national average of £339,320 at £694,658 (London), while the least expensive city (Hull) had house prices less than half the national average (£134,925). Exeter and Plymouth's rankings have remained relatively stable for their mean house prices: Exeter moved from 16th back to 15th position, while Plymouth did not change in 36th. Although both means are below the national average, the national figure is influenced by high top-end values.

**Table 8: Exeter and Plymouth housing environment and connectivity measures, rankings and ranking changes**

	Exeter			Plymouth		
	Latest	Latest Rank	Change in rank	Latest	Latest Rank	Change in rank
Housing affordability ratio, 2022	11.86	56th	⬇	8.54	33rd	⬇
Mean house prices (£), 2022	£334,682	15th	⬆	£230,075	36th	⬅➡
House price growth (%), 2021-22	7.20%	15th	⬆	6.60%	20th	⬆
Housing stock growth (%), 2020-2021	0.90%	18th	⬇	0.40%	51st	⬇
Total CO_2 emissions per capita (tons), 2020	2.81	6th	⬆	3.06	13th	⬇
Number of days a year of poor air quality (2019)	20	23rd	⬆	13	8th	⬆
Connections subscribed to 30+ Mbps broadband (%), 2022	72.63%	59th	⬆	76.48%	45th	⬇

For house price growth, Exeter jumped from 37th to 15th position, while Plymouth had a similar change from 38th to 20th. The raw percentages are a moderate increase from the previous figures. No cities saw a decrease in house prices over this period. Both Exeter and Plymouth saw lower levels of housing stock growth as well as lower positions for this indicator.

One of the key city environmental impact measures is CO2 emissions, which can be scientifically measured and tracked over the years. The national average for CO2 emissions per capita in 2020 was 4.57 tons, a decrease of over half a tonne compared to 2019, with the highest emissions in Swansea (19.39 tons) and Middlesbrough (9.83 tons), and the lowest in Worthing (2.54 tons). Exeter saw a slight improvement, reducing the total CO2 emissions to below 3 tons per capita and increasing in position by one place, while Plymouth saw a decrease in both emissions and rank.

Figure 5 illustrates the historical trend in CO_2 emissions over the past 10 years.

Figure 5   CO$_2$ emissions per capita (tonnes): 2005 to 2020
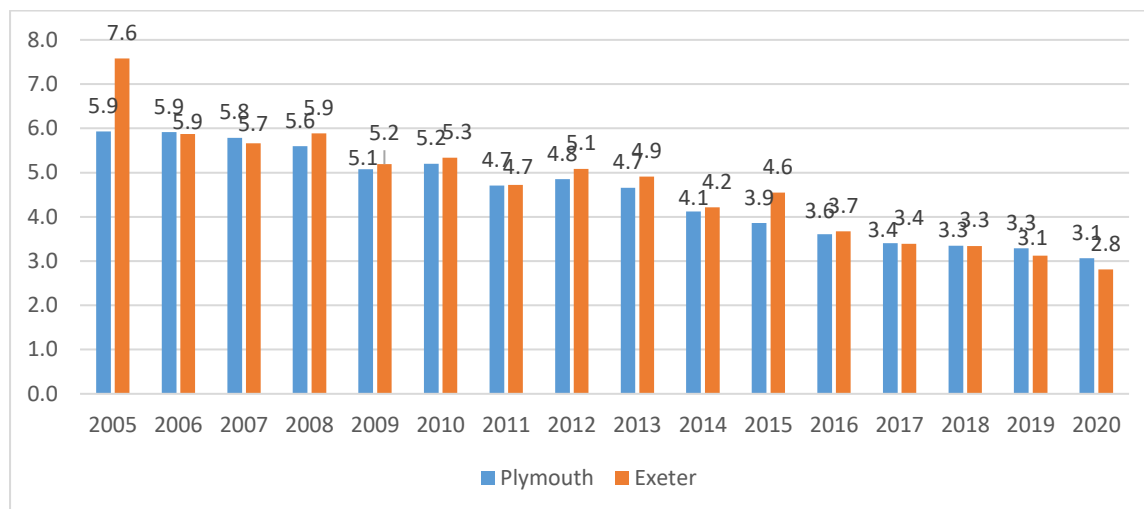
Internet connection is now an essential part of modern life: while the direct limitations of pandemic mitigation measures may have faded, existing trends towards digitalisation were accelerated and show little sign of stopping. Broadband connectivity is an indicator of how well the area's population can access important online services including the government portal, online GP services and a large number of job applications, as well as enabling social and cultural engagement. Exeter saw a small increase in ranking to 59th, but still stands among the lowest levels of high-speed connectivity in cities and large towns. Plymouth saw a major decrease in ranking from 36th to 45th position, with only a 0.38 percent increase in high-speed connections over the past year. The best performing cities for superfast broadband connectivity are Luton (81.7%) and Blackburn (81.6%), whilst the worst performing is Hull (65.0%). Figure 6 illustrates the speed of this change.

Figure 6 Connections subscribed to 30+ Mbps, 2016 to 2022
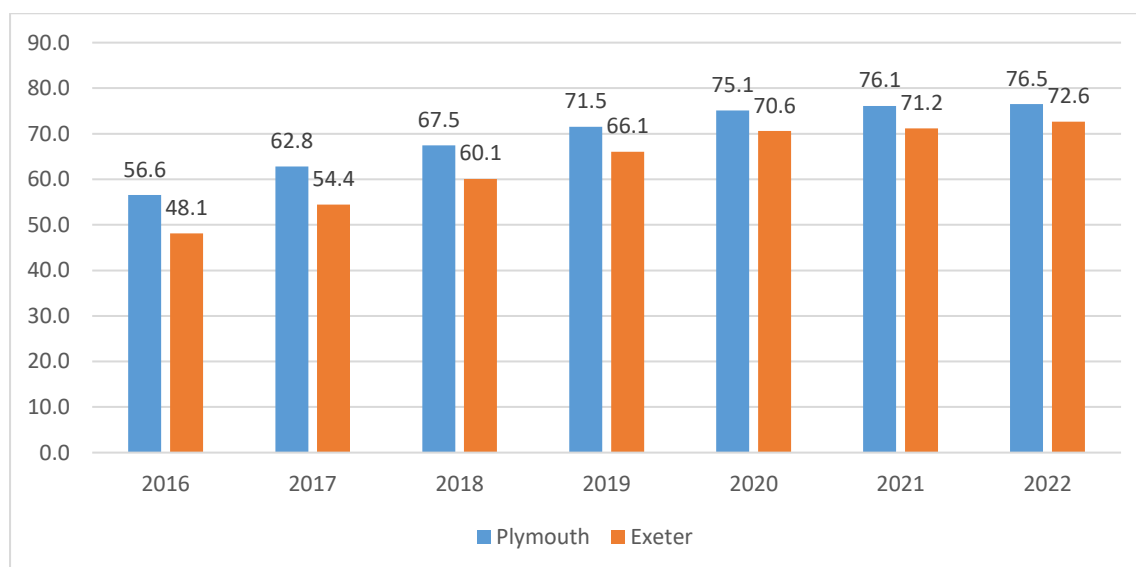
8.   Exeter's performance compared with other similar cities

Table 9 and Table 10 show a snapshot of the key performance indicators for Exeter and other historic comparator cities with similarities to Exeter, as determined by Exeter City Council. It also compares Plymouth and Bristol with Exeter, as these are local comparator cities. Figures in parentheses show each city's ranking within this group of eight cities for any given indicator. Exeter performs best among these only in having the lowest CO_2 emissions. However, it also only performs worst on one indicator, which is current population size.

Table 9: Indicators compared with comparator cities: Size, Business and employment.

City	Population 2021	Population Change (%) 2011-2021	Business Start-ups 2021 (per 10,000 population)	Business stock 2021 (per 10,000 population)	GVA per hour 2020 (£)	Patent applications 2020 (per 100,000 population)	Claimant Count Nov 2022 (%)	Ratio Private to Public Sector Jobs 2021	Private [1]KIBS 2020 (%)
Bristol	761,800 (1)	10.2% (4)	48.3 (2)	368.2 (1)	£38.90 (1)	39.7 (2)	2.8% (4)	2.41 (3)	17.7% (2)
Cambridge	144,700 (6)	17.9% (1)	39.4 (7)	340.7 (4)	£34.80 (6)	258.5 (1)	1.9% (2)	1.46 (8)	17.8% (1)
Exeter	129,300 (8)	10.4% (3)	45.6 (3)	336.4 (6)	£36.30 (3)	13.8 (5)	2.0% (3)	1.49 (7)	10.1% (6)
Gloucester	132,500 (7)	8.7% (5)	44.1 (4)	290.9 (7)	£30.00 (8)	28.6 (3)	3.1% (6)	1.91 (5)	10.1% (7)
Norwich	275,300 (2)	7.2% (6)	43.6 (5)	341.0 (3)	£36.70 (2)	4.3 (8)	2.8% (5)	2.63 (2)	13.2% (4)
Peterborough	216,300 (4)	17.2% (2)	64.5 (1)	358.4 (2)	£35.70 (4)	22.6 (4)	4.6% (8)	3.14 (1)	11.8% (5)
Plymouth	264,700 (3)	3.2% (7)	39.3 (8)	236.1 (8)	£31.30 (7)	9.9 (7)	3.2% (7)	1.8 (6)	5.5% (8)
York	201,700 (5)	2.0% (8)	39.7 (6)	336.7 (5)	£35.70 (5)	12.9 (6)	1.9% (1)	2.01 (4)	13.4% (8)

[1]Knowledge intensive business services

Table 10: Indicators compared with comparator cities: Skills, wages, and housing

City	Population with level 4 Qualification or Above 2021 (%)	Population with No Formal Qualifications 2021 (%)	Pupils Achieving 9-4 in Maths & English GCSEs 2022 (%)	Average Weekly Earnings 2022 (£)	Mean house price 2022 (£)	Housing Price Growth (%) 2021-2022	Housing stock growth (%) 2020-2021	CO2 Emissions per Capita 2020 (tons)	30 Mbps or higher internet connections 2022 (%)
Bristol	52.5% (3)	4.6% (4)	68.2% (5)	£655.21 (2)	£376,227 (2)	7.2% (3)	1.0% (3)	3.73 (6)	75.9% (6)
Cambridge	63.5% (1)	3.4% (2)	73.6% (2)	£697.20 (1)	£591,401 (1)	11.2% (1)	0.8% (5)	3.55 (5)	80.7% (1)
Exeter	48.7% (4)	6.0% (6)	72.7% (3)	£553.30 (6)	£334,682 (3)	7.2% (4)	0.9% (4)	2.81 (1)	72.6% (7)
Gloucester	35.6% (8)	3.3% (1)	70.8% (4)	£568.00 (4)	£246,470 (7)	5.9% (6)	1.1% (2)	3.15 (3)	77.5% (3)
Norwich	37.9% (5)	6.7% (8)	66.9% (6)	£539.14 (7)	£303,020 (5)	8.6% (2)	0.5% (7)	3.86 (7)	78.7% (2)
Peterborough	36.3% (7)	6.6% (7)	65.2% (7)	£560.90 (5)	£246,758 (6)	5.0% (7)	1.5% (1)	4.98 (8)	76.3% (5)
Plymouth	37.7% (6)	5.1% (5)	64.7% (8)	£515.60 (8)	£230,075 (8)	6.6% (5)	0.4% (8)	3.06 (2)	76.5% (4)
York	59.4% (2)	3.7% (3)	75.3% (1)	£595.40 (3)	£333,088 (4)	4.9% (8)	0.7% (6)	3.45 (4)	69.2% (8)

9. The Hidden Unemployed

The *Cities Outlook* produced by the Centre for Cities covers a special topic for the year. For the 2023 edition this special topic is the so-called "hidden unemployed", the involuntarily economically inactive disguised by how official unemployment figures are developed. According to the Centre for Cities, this results in more than three million working-aged people not being included in the official unemployment figures, increasing the unemployment rate from 3.7% to 12.1%. Almost two million of these live in cities. Eight out of 10 cities and towns with the highest hidden unemployment rates are in the North.

What is hidden unemployment?

The standard definition used for unemployment is the one specified by the International Labour Organisation (ILO). The ILO defines unemployed people as being out of work but either actively seeking work in the past four weeks and able to start work in the next two or due to start a new job within the next two weeks. This definition is also used by the Office for National Statistics (ONS), Statistical Office of the European Union (Eurostat) and by the Organisation for Economic Co-operation and Development (OECD)[2].

The Centre for Cities notes that this definition of unemployment is at historically low levels. However, it stresses that the reason for this was not a booming jobs market, but rather rising numbers of people being classed as economically inactive, withdrawn from the labour market despite the increase in vacancy levels. Cities typically have higher levels of overall inactivity: this is driven by higher levels of students. The concern raised by the Centre for Cities is not inactivity related to individuals making positive choices for themselves such as enrolling in higher education or financially secure early retirement. Health issues and discouragement, meanwhile, present distinct challenges for policymakers. By adjusting the inactivity measure for those most likely to be involuntarily inactive, the Centre for Cities reveals a group of otherwise hidden unemployed. Exeter had the 28th highest hidden unemployment rate nationally, while Plymouth had the 43rd highest rate.

Causes and Impacts

Levels of involuntary inactivity or hidden unemployment are not distributed equally by geography. Eight of the ten cities with the highest levels were in the north. Historical data from 1981 shows a firm association between high levels of involuntary inactivity and the economic scarring from deindustrialisation, with long-term impacts from workers, mostly men, withdrawing into inactivity rather than increasing unemployment. Inactivity had been generally declining since the start of the 21st century, largely driven by women joining the workforce: this trend was reversed by the pandemic. Increased student numbers and early retirements accounted for, at most, a third of this increase. Most of the increase has been in involuntary inactivity.

---

[2] A guide to labour market statistics - Office for National Statistics (ons.gov.uk)

Increases in hidden unemployment have varied across the country: for those with existing high rates, such as Barnsley and Hull, the rises have compounded existing problems, while for the mainly southern cities, who had low levels that are now rapidly rising, such as Swindon and Milton Keynes, this poses new economic challenges. One of those existing challenges is low educational attainment rates: cities with the highest percentage of residents with no formal qualifications also have the largest hidden unemployment rates.

Strength of the local economy also matters low-skilled people are more likely to be employed in cities where the economy is performing better. The Centre for Cities argues that the key difference between cities in the North and South is that the former are more likely to face a job shortage, while the latter have greater issues with labour shortages. In areas with job shortages, the available jobs are more likely to be low skilled and low paid, with low-skill roles tending to be physically demanding (and as result more taxing on health) and low pay discouraging people from joining the labour market.

The geographical aspect is also important for the headline figures about poor health and economic inactivity. This too has a strong North-South divide that matches the geography of hidden unemployment: more than 40 percent of all inactive people are not seeking work due to poor health in Newport and Sunderland compared with less than 15 percent in Aldershot and Norwich. This too has historical precedent, with long-term sickness especially acute among former coal miners, steelworkers, and other industrial workers. Plymouth is in a higher city category for this (29-33% of inactivity due to long-term sickness) than Exeter (24-29%). People who previously worked in wholesale retail and trade, transportation, construction, and manufacturing are most likely to be inactive due to ill health. Spatial inequalities are additionally present in access to health care and treatment.

Policy Implications

The Centre for Cities emphasises the failure of policy interventions to provide post-industrial cities with the tools they need to transition to high-skilled, high-wage economies, and as a result in many cities the bigger challenge is a long term jobs shortage rather than a short term worker shortage. Policy needs to approach challenges with a long term view, with four key factors needing to be addressed.

- **Levelling Up –** regional inequality is exacerbated by the lack of acknowledgement of hidden unemployment.
- **Job shortages –** the need for 'good jobs' is more pressing in the worst affected cities, with different cities having job or labour shortages that inform their market.
- **Good jobs –** part of discouragement from the labour market is the idea that there is no worthwhile work. In cities with job shortages, it is more likely that the available jobs are low paid and low skilled.
- **Health –** Long-term sickness is now given as the main reason why people are outside the labour market.