

South Yorkshire Weekly Policy Briefing

4th March 2022

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This week's policy takeaways

- ❑ A live Department for Education consultation proposes to reform the student loan system, lowering the interest payable and earnings threshold, and extend the payback window to 40 years. IFS analysis finds that the exchequer benefits are modest and that it will increase the overall cost on lower earnings and reduce it for higher earners.
- ❑ Since the pandemic there has been a significant increase in the number of older workers leaving the labour market before they reach state pension age, and this is strongly linked to long term illness and taking early retirement. There are important compositional differences with this, for example BME workers are more likely to be out of work due to illness or caring responsibilities.
- ❑ A Centre for Cities blog examines the Levelling Up White Paper's aim to produce several 'globally competitive' cities in the UK.

Student loan changes: A lifelong graduate tax

How is higher education funding changing?

Policy changes

- A [policy statement](#) from the DfE outlines that HE students studying from the academic year 2023/24 onwards will pay back university loans over 40 years instead of the current 30 year period.
- A new, reduced repayment threshold of £25,000 will be introduced, which will increase annually in line with RPI from FY 2027-28.
- Interest rates on student loans will be cut from RPI +3% to RPI for new borrowers.

Consultation on further reforms

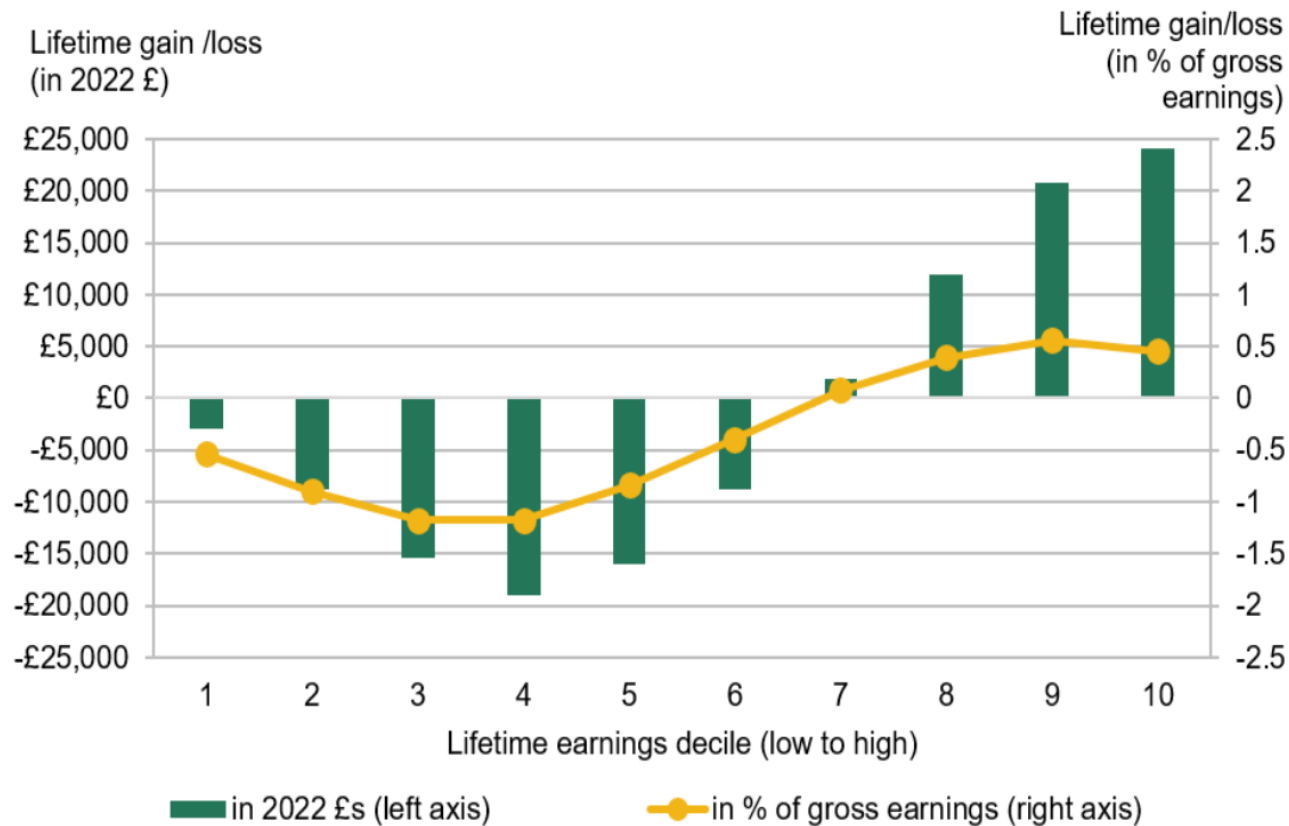
- Student number controls used to grow 'provision with the best outcomes for students, society, and the economy.'
- Minimum eligibility requirements to access HE student finance.

Does this ‘rebalance the burden of student loans more fairly’?

The [Institute for Fiscal Studies](#) highlighted that the reforms will reduce the cost of loans for high-earning borrowers but increase it for lower earners.

The lower interest rate and lower repayment threshold will reduce the total debt of the top 10% of earners, resulting in large decreases in lifetime repayments of 26% compared to the current system.

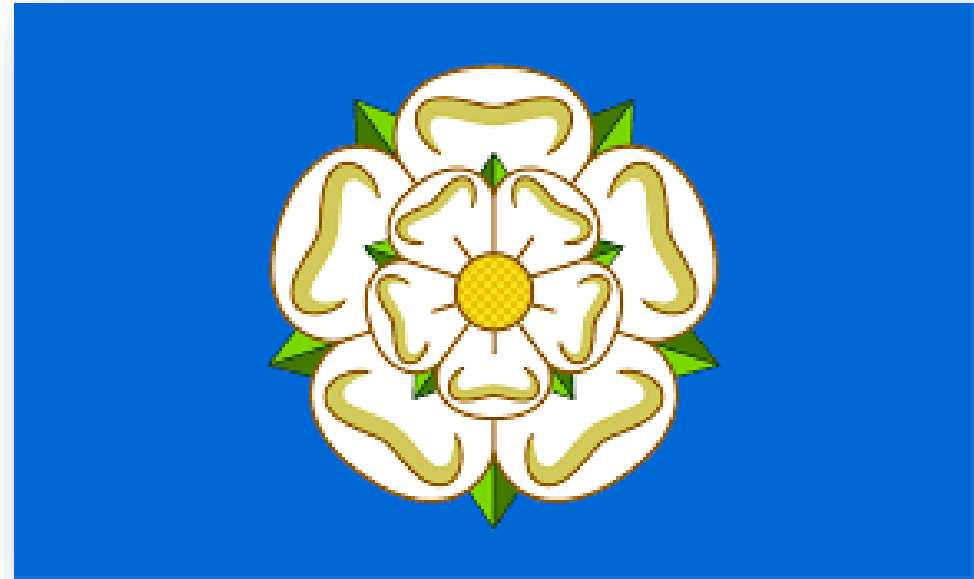
The long-run benefit for the taxpayer will therefore be ‘modest at around £1 billion per cohort of university entrants, as higher repayments by borrowers with low or middling earnings will be mostly offset by lower repayments of high-earning borrowers.’



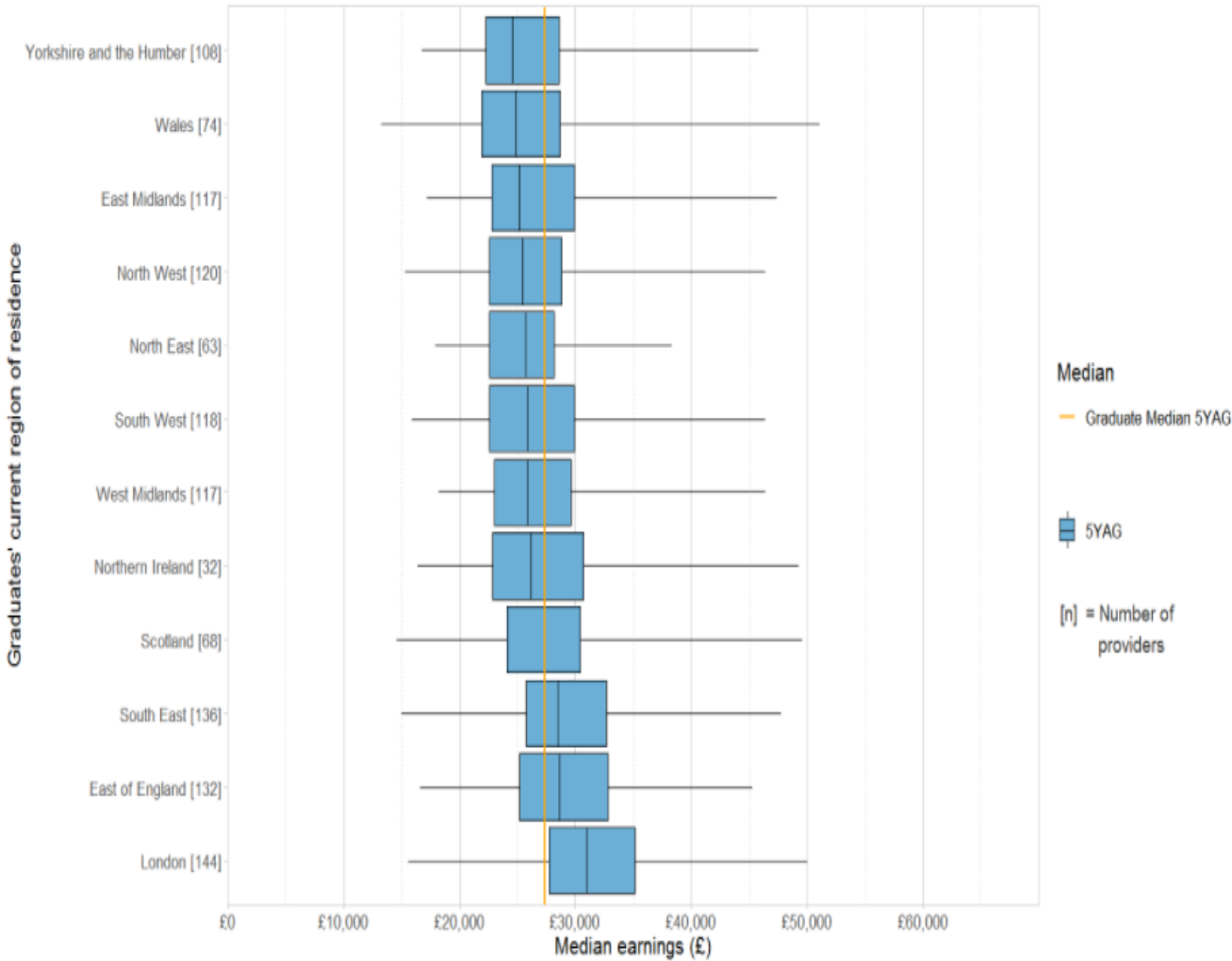
What impact will this have?

The Department for Education published an [impact assessment](#) detailing that women, graduates from disadvantaged backgrounds, and graduates that reside in the North, Midlands, South-West or **Yorkshire and the Humber** are more likely to be negatively impacted, experiencing increased lifetime repayments under the reforms.

The Institute for Fiscal Studies calculated that on average, men will repay around £5,500 less towards their student loans under the new system, whereas women will pay £6,600 more. Women tend to spend more time out of work than men and on average earn less than men when in work. As a result, men are more likely to pay off their loans and benefit from lower interest rates.

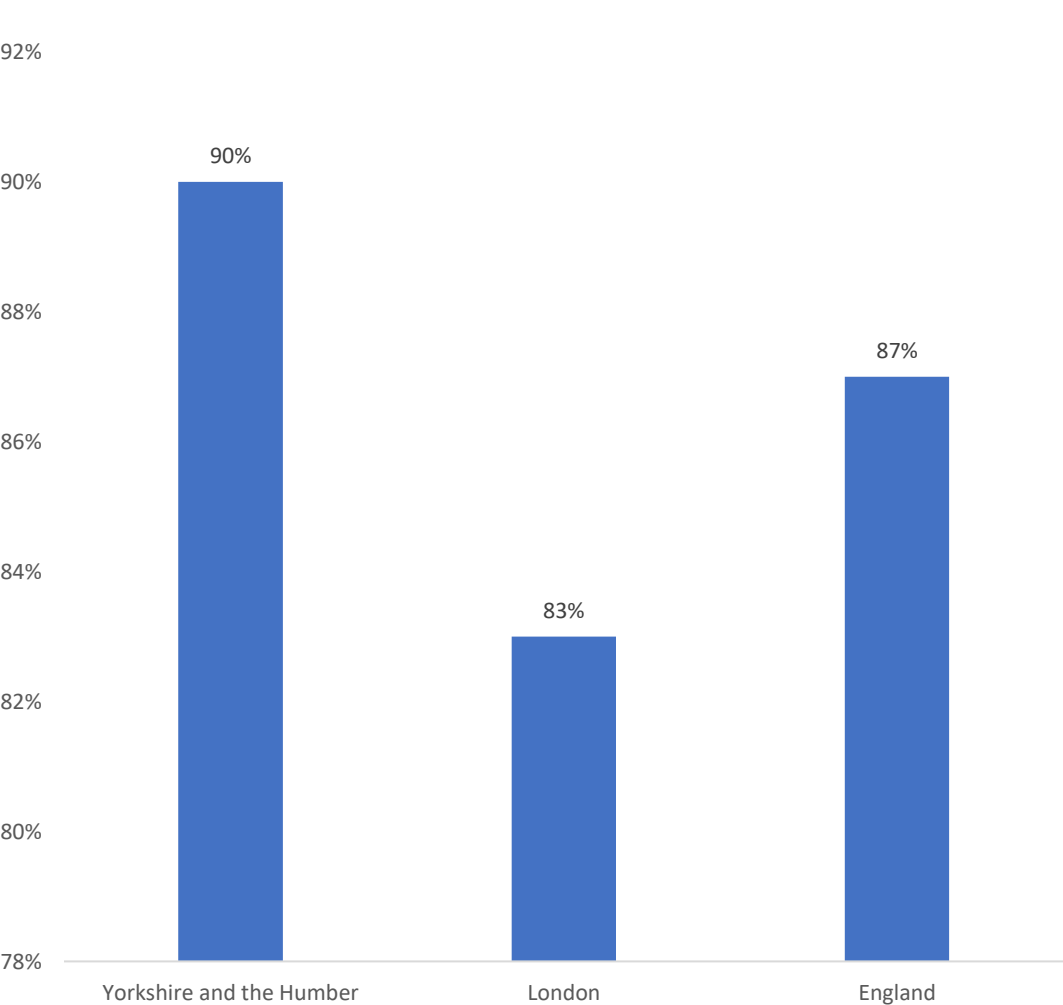


Distribution median earnings across HEIs for each current region 5 years after graduation, first degree graduates, 2018/19 tax year



Source: Graduate outcomes (LEO): Provider level data

Full-time, English domiciled undergraduate enrolments with fees funded by SLC by region at English HE providers in AY2019/20



Source: DfE Equality Analysis

Behavioural change

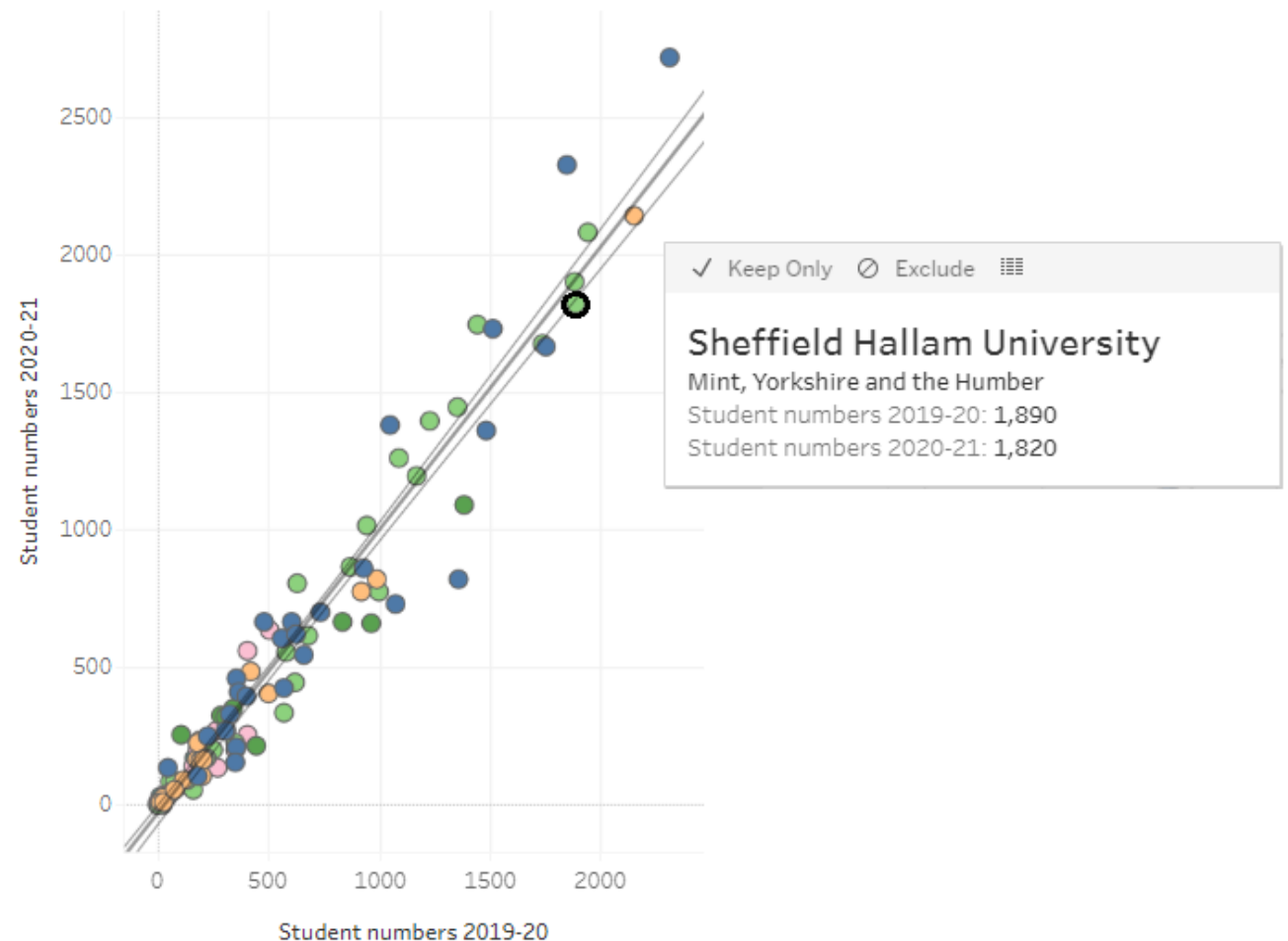
The DfE report that the changes are not sufficient to cause behavioural change or reduce participation due to student finance playing a secondary role in students' decisions to go on to HE.

However, the [student income and expenditure survey in 2015](#) found that 29% of part-time students surveyed reported the cost of fees affected their decision to attend HE, compared to 25% of full-time students surveyed. For those studying at FE colleges, 33% reported the cost of fees affected their decision, compared to 25% of those at HE institutes.

There is potential for this to impact the skills landscape and affect participation in South Yorkshire, as well as increase inequality both nationally and within regions.

UK domiciled student numbers 2019-20 and 2020-21

Mode: Part-time | Level: First degree
Data: HESA



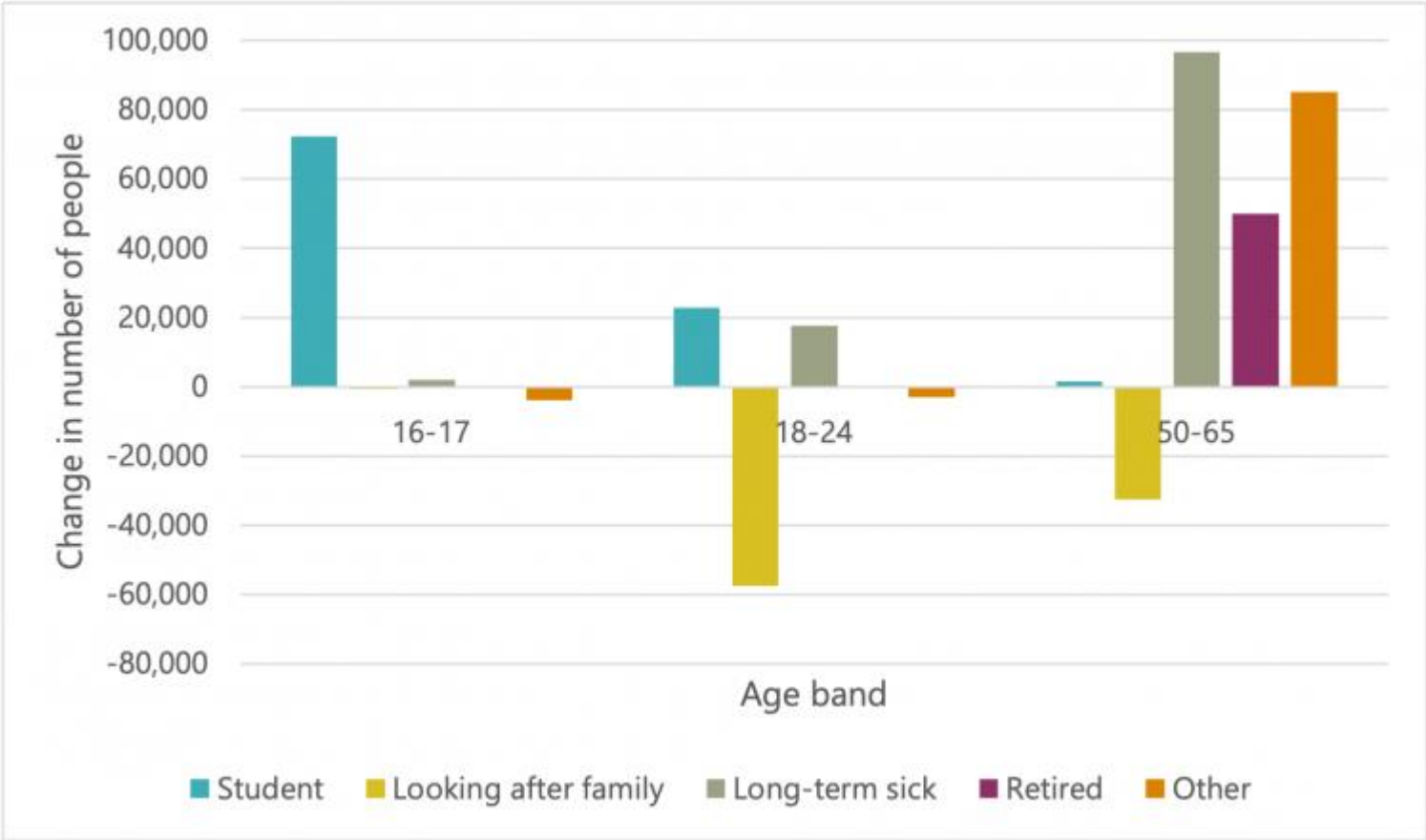
Source: WONKHE HESA spring 2022: Student data

Changes to the labour market for older workers and people with disabilities

Economic Inactivity - Reasons

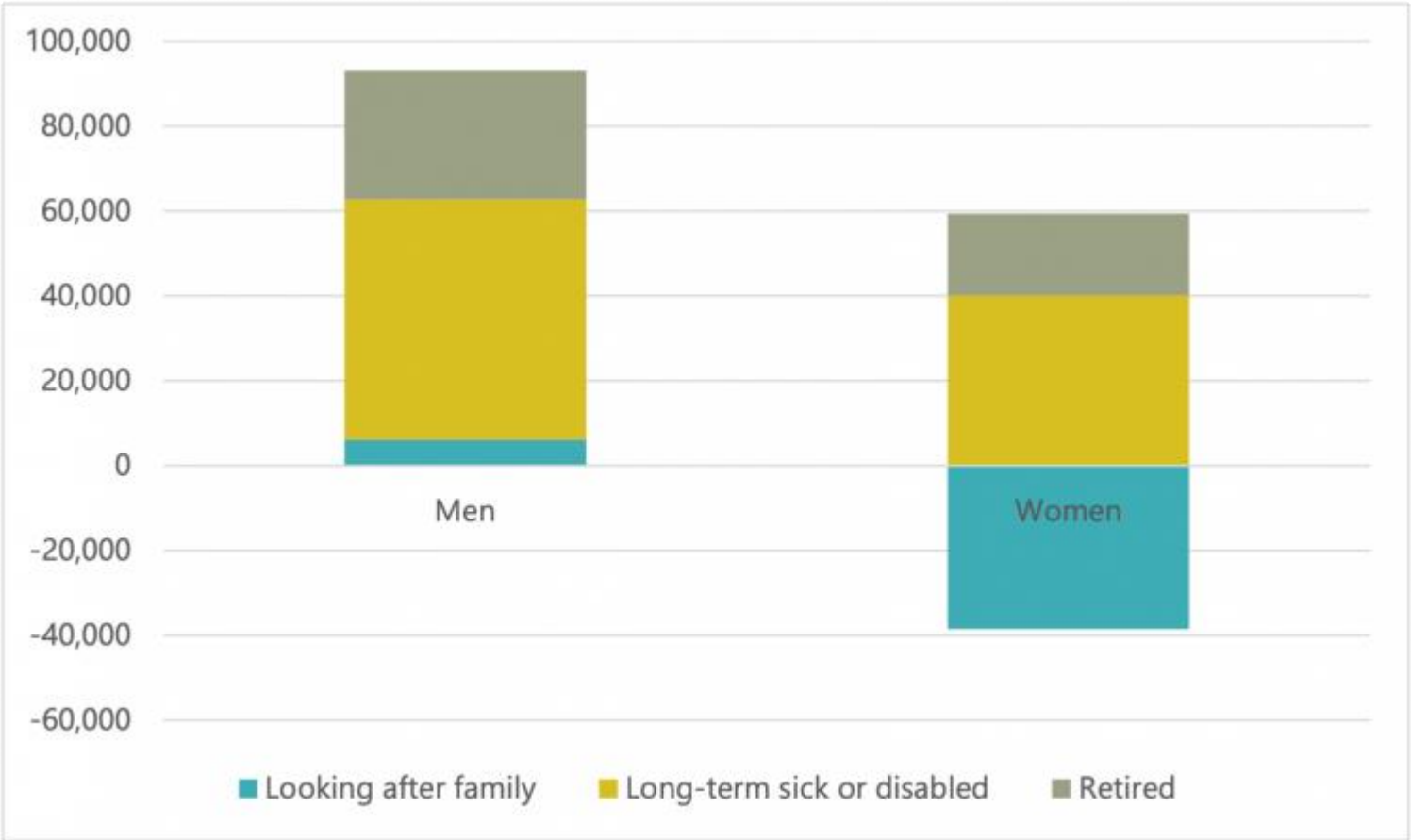
There has been a significant increase in the number of older workers leaving the labour market before they reach state pension age. The number of people aged 50-65 who were not actively looking for work increased by over 200,000 between the third quarters of 2019 and 2021.

This has been driven by an increase in the numbers leaving because of long-term health conditions and an increase in the numbers retiring from paid work. This is a problem for the labour market, which is experiencing labour shortages leading to a participation crisis, despite unemployment being down.



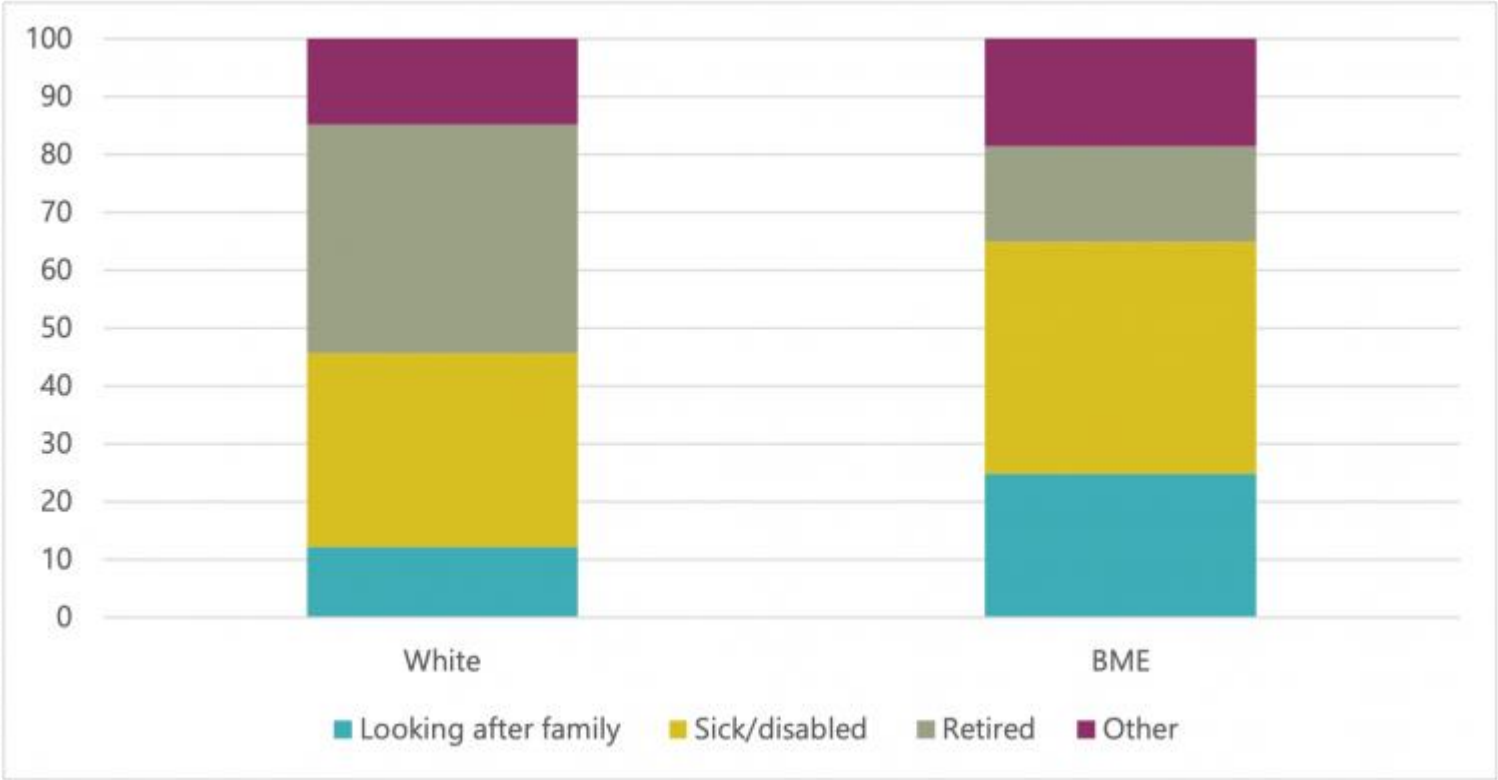
Economic Inactivity - Gender

While levels of economic activity have fallen for both men and women over the pandemic, the gender activity gap still appears to be closing. This is driven by changes in the number of people out of the labour market because of caring responsibilities. While the number of women aged 50-65 who were economically inactive for this reason fell, there was actually a small increase for men in this age group.



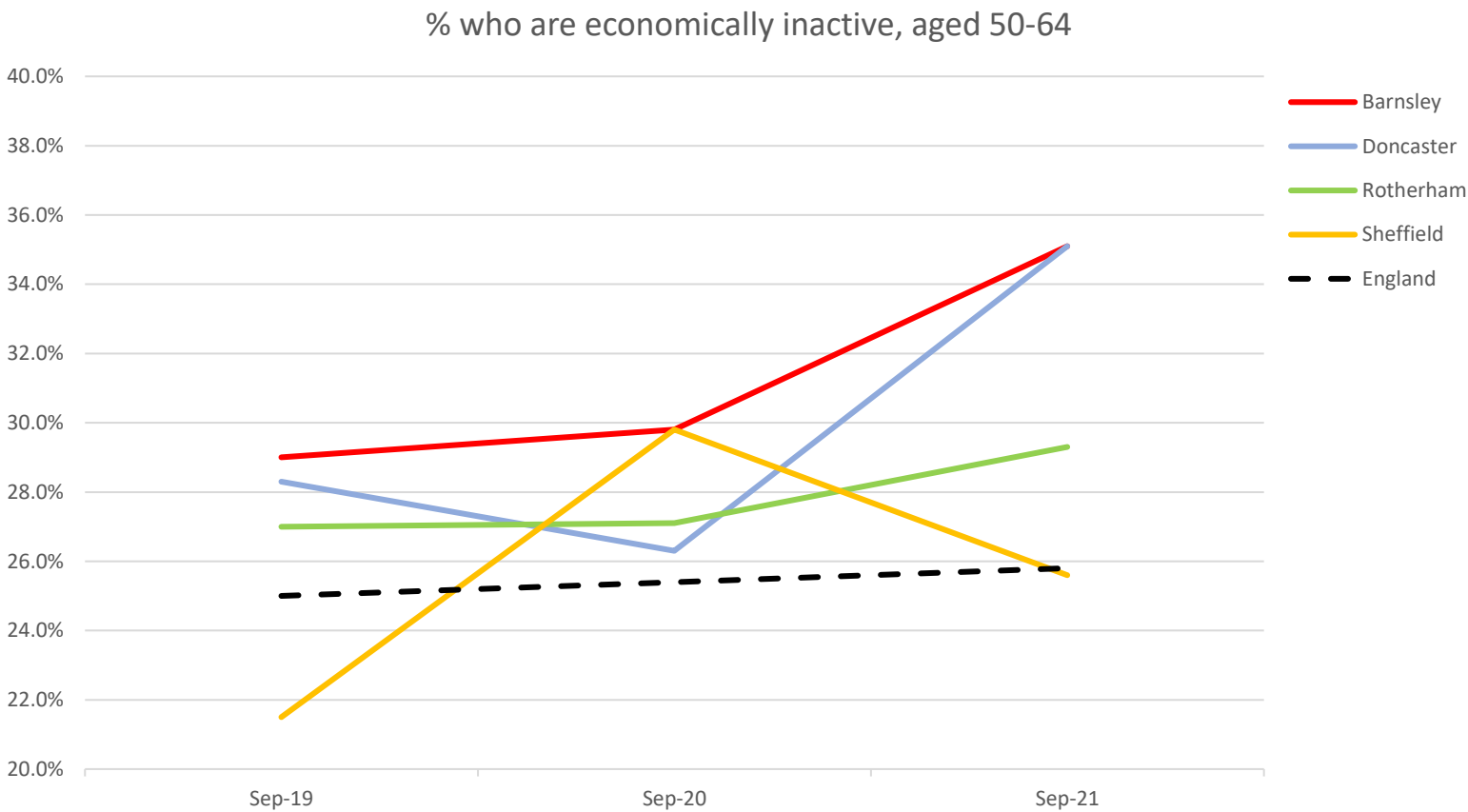
Older workers from black and minority ethnic groups are more likely to leave the labour market

Black and minority ethnic (BME) workers aged 50-65 are less likely to be economically inactive than their white counterparts. Some 26% of BME people in this group are inactive compared to 29% of white people, with this gap widening by 1 percentage point between Q3 2019 and Q3 2021. But those that are inactive are significantly less likely to be retired, and more likely to be in poor health or have caring responsibilities.



Economic Inactivity in South Yorkshire

Economic inactivity is higher in South Yorkshire than the national average, as shown in previous briefings. Whilst there has been an increase nationally of people aged 50-64 no longer working or looking for work, this is much higher in the three towns of South Yorkshire, with Barnsley and Doncaster seeing big increases in 2021.



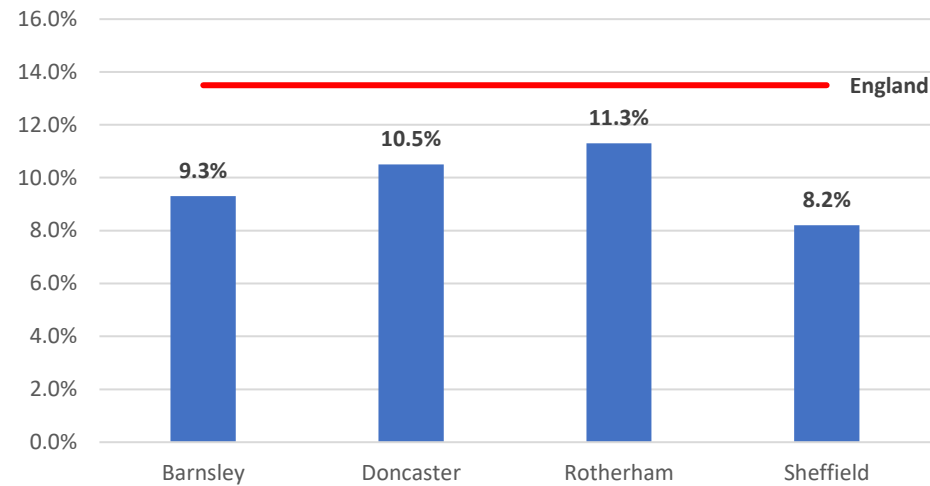
Economic Inactivity - Retired

England has a bigger share of its economically inactive cohort due to being retired. Sheffield's low rate can be explained by students, whereas in the towns it shows other reasons are more popular, suggesting that this isn't a lifestyle choice or people taking early retirement for financial reasons.

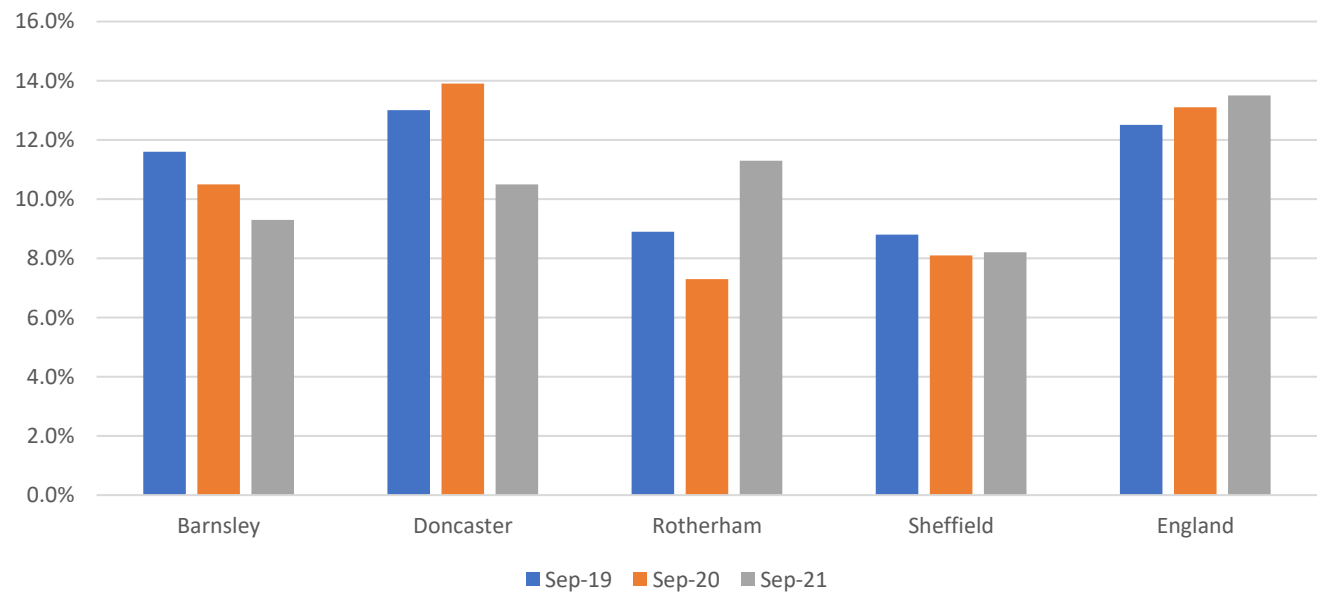
Since Covid, retirement as a reason for being economically inactive has marginally increased across England. In South Yorkshire, this is only replicated in Rotherham.

Source: SYMCA analysis of ONS data

% who are economically inactive retired, Sep 2021



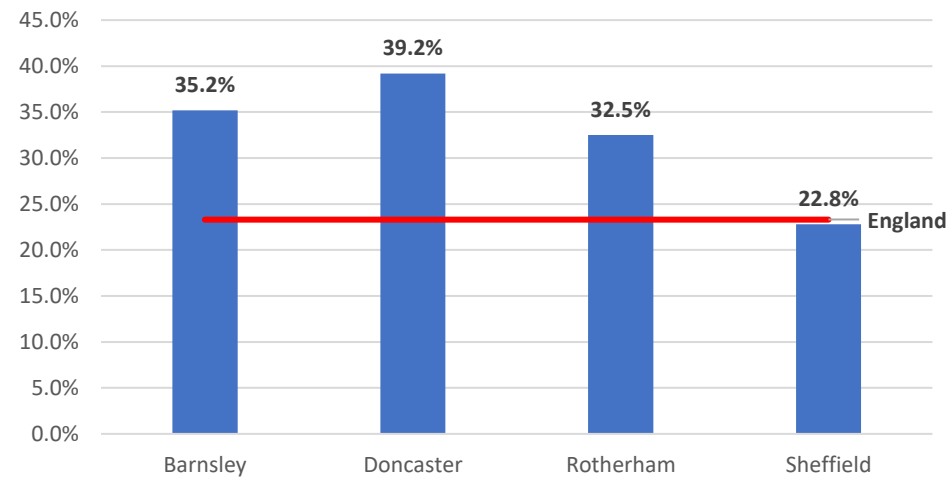
% who are economically inactive retired, 2019-2021



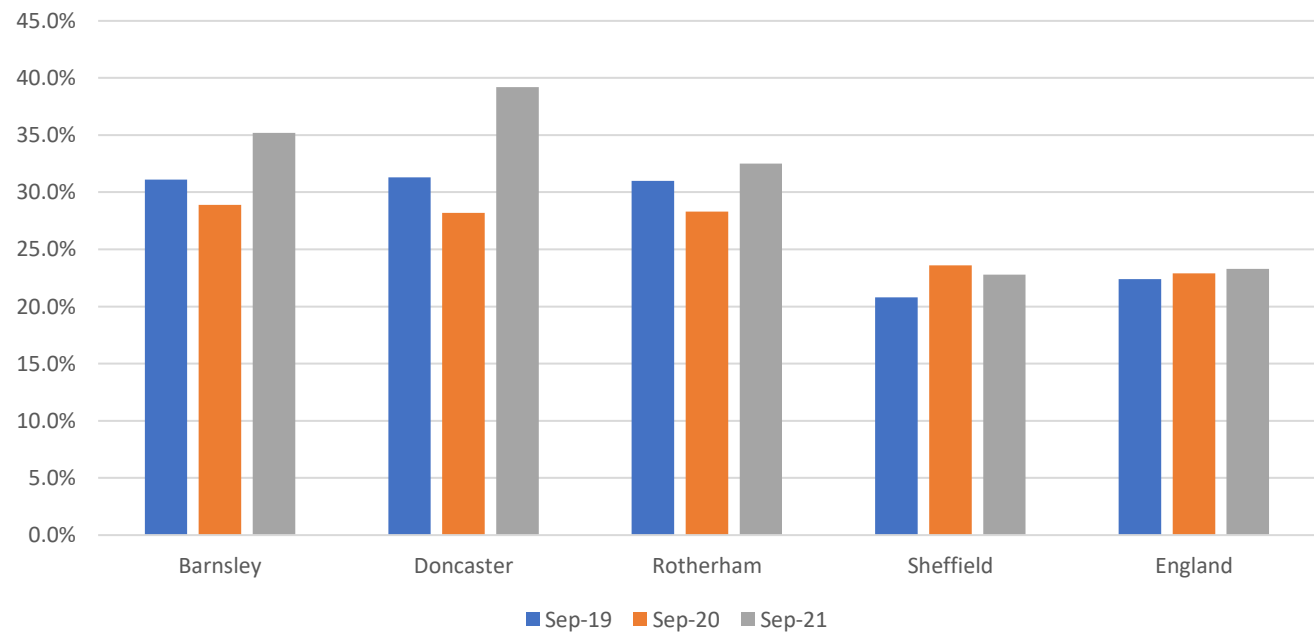
Economic Inactivity – long-term sick

Concerningly, the share of people in South Yorkshire who are economically inactive due to long-term sickness is much higher than the national average. Barnsley and especially Doncaster have seen big increases for this since the pandemic began.

% who are economically inactive long-term sick, Sep 2021



% who are economically inactive long-term sick, 2019-2021

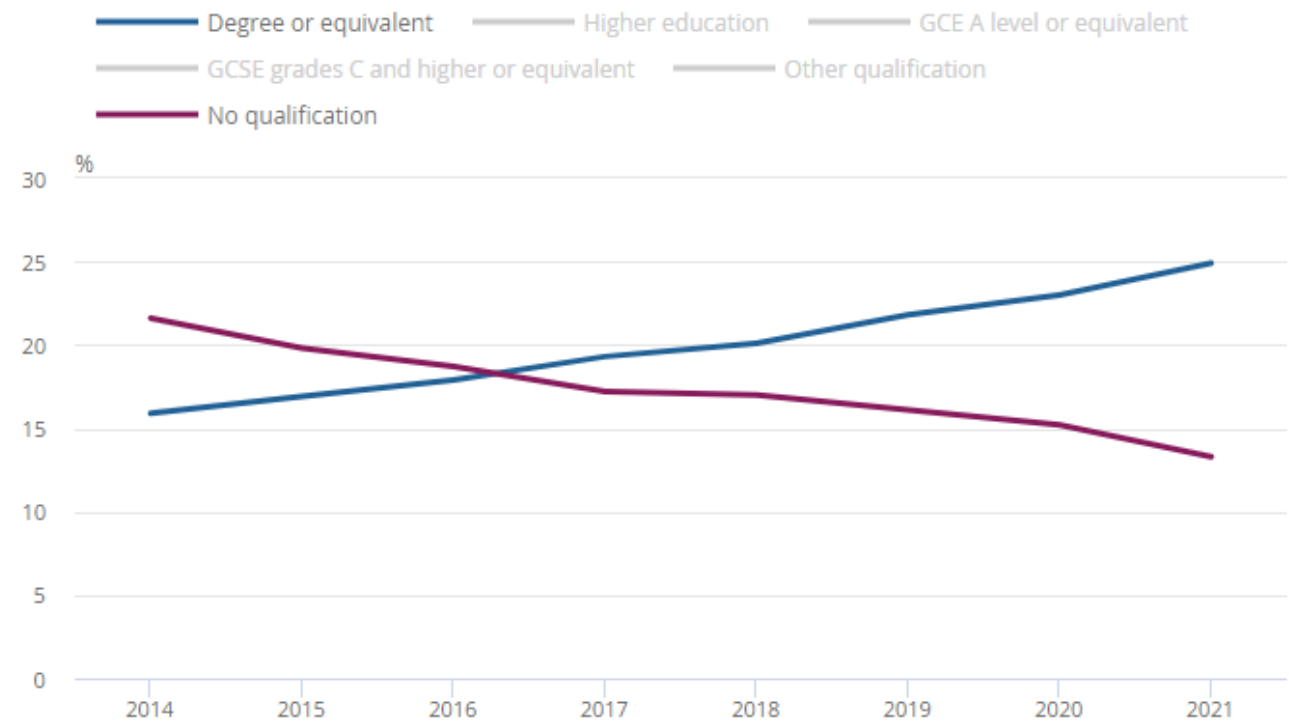


People with Disabilities - Qualifications

Previous briefings have shown that people furthest from the labour market - including people with disabilities - need to be helped back into work if we are going to start filling the record jobs vacancies.

The chart shows that the proportion of people with disabilities with no qualification decreased between 2014 and 2021, while those obtaining degrees has steadily increased. However, 24.9% of people with disabilities aged 21 to 64 years in the UK had a degree as their highest qualification compared with 42.7% of non-disabled people, whereas 13.3% of people with disabilities had no qualifications compared with 4.6% of non-disabled people.

Proportion of disabled people by highest qualification, aged 21 to 64 years old, UK, year ending June 2014 to year ending June 2021

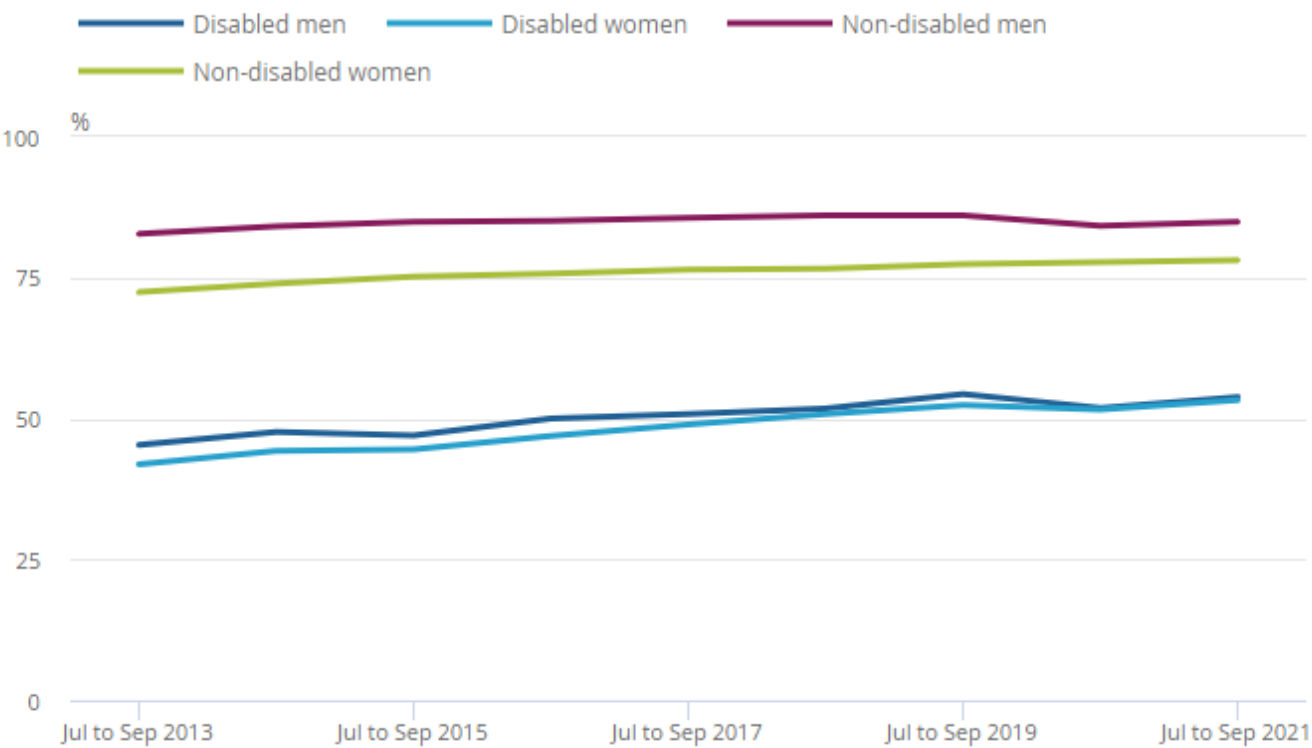


People with Disabilities – Employment Rate

Between July and September 2021, 53.5% of people with disabilities aged 16 to 64 years in the UK were employed compared with 81.6% of non-disabled people.

While similar patterns were seen for both sexes, a larger gap was seen in the employment rate between people with disabilities and non-disabled men (31.1 percentage points) than for women (24.8 percentage points). The larger disparity was driven by the higher employment rate for non-disabled men (84.9%) than for non-disabled women (78.1%) while the employment rates for people with disabilities of both sexes were similar (53.8% for men and 53.3% for women).

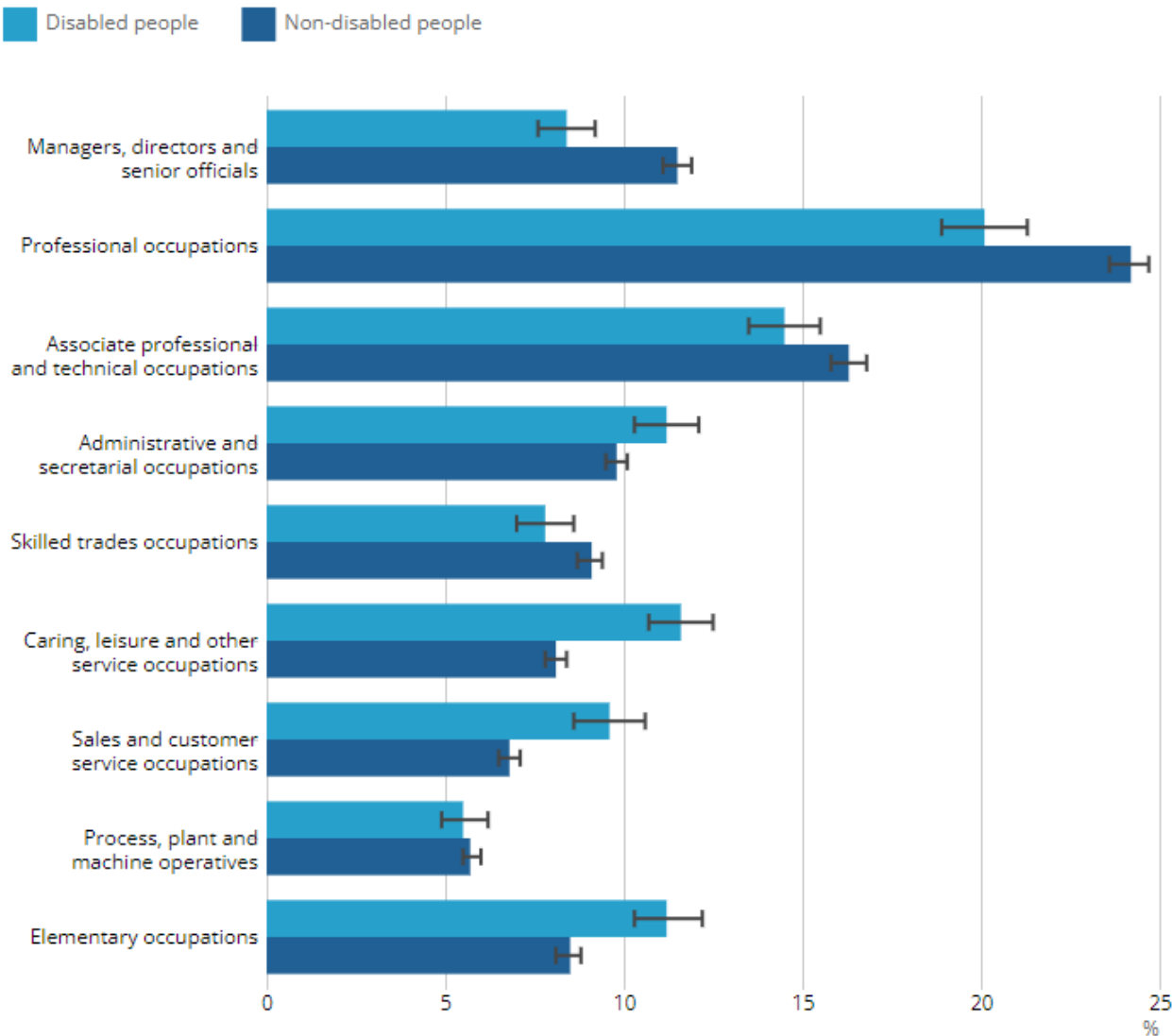
Employment rate for disabled and non-disabled people aged 16 to 64 years, by sex, UK, July to September 2013 to July to September 2021



People with Disabilities – Occupations

Working people with disabilities were less likely to work as managers, directors and senior officials or in professional occupations than working non-disabled people.

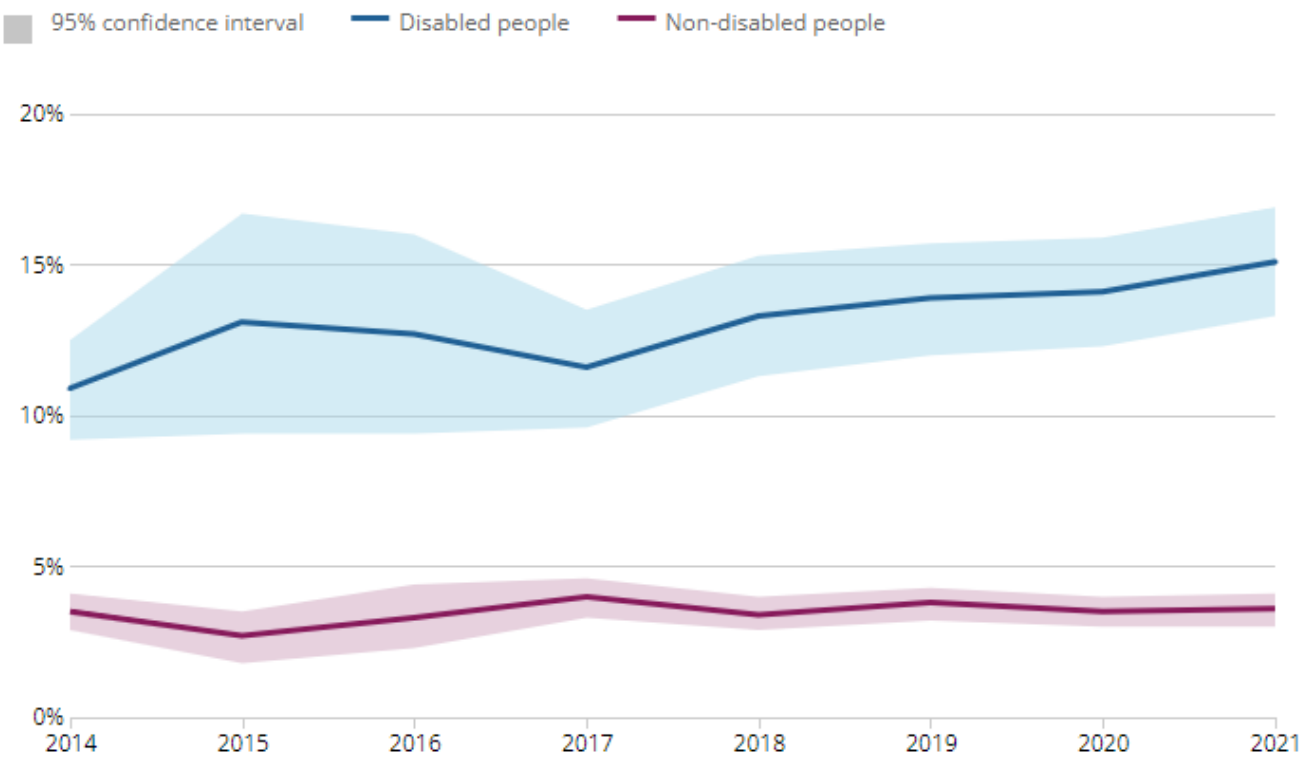
Occupation of working disabled and non-disabled people, aged 16 to 64 years, UK, year ending June 2021



People with Disabilities – Loneliness

The proportion of people with disabilities (15.1%) aged 16 years and over in England who reported feeling lonely “often or always” was over four times that of non-disabled people (3.6%).

Proportion of people who feel lonely “often or always” by disability status, aged 16 years and over, England, year ending April 2014 to year ending March 2021



**Can the UK have a globally
competitive city in every region
by 2030?**

Globally Competitive Cities

Centre for Cities recently produced an interesting blog which explores a small element of the recently-published Levelling Up White Paper.

They point out that one of the aims of the Government's first mission is for: "each area [to contain] a globally competitive city". Centre for Cities recognise this as "implicitly recognising" the need to improve the economies of the largest cities outside of the Greater South East.



Want to see whether you are a competitive cities guru?

[Click here for a quiz from the World Bank!](#)

Defining a globally competitive city is not straightforward

Centre for Cities sees high productivity levels – one of the metrics identified in the Levelling Up White Paper – as an outcome of being a globally competitive city.

They note that in a globalised world, a city's productivity level tends to reflect its ability to attract and foster both talent and innovative businesses, especially at the international level, and this is what drives economic growth.

Centre for Cities view:

A globally competitive city needs to meet the following criteria:

- **Size:** More than 950,000 residents within its metropolitan area.
- **Productivity:** GDP per worker above \$95,000 USD (constant prices, constant PPP, base year 2015).

Tale of two tables...

Table 2: The UK has as many globally competitive cities as some of its smaller neighbours

Country	Globally competitive cities
Netherlands (3)	Amsterdam, Rotterdam, The Hague
Belgium (2)	Brussels, Antwerp
Sweden (2)	Stockholm, Gothenburg
Spain (2)	Madrid, Bilbao
United Kingdom (1)	London
Austria (1)	Vienna
Czech Republic (1)	Prague
Denmark (1)	Copenhagen
Finland (1)	Helsinki
Ireland (1)	Dublin

Source: OECD; Centre for Cities' calculations. The nine large cities in the UK are London, Manchester, the West Midlands urban area (Birmingham), Glasgow, Leeds, Bristol, Liverpool, Newcastle and Sheffield. • Created with Datawrapper

Table 3: The UK has fewer competitive cities than any of the other G7 nations

Country	Globally competitive cities	Large cities	Share of large cities that are globally competitive
United States	26	53	49%
Japan	10	14	71%
Germany	8	15	53%
France	5	8	63%
Italy	3	5	60%
Canada	2	6	33%
United Kingdom	1	9	11%

Source: OECD; Centre for Cities' calculations. A globally competitive city is defined as having more than 900,000 residents in its metro area and a GDP per worker above 95,000 USD (constant prices, constant PPP, base year 2015). The nine large cities in the UK with more than 900,000 residents are London, Manchester, West Midlands urban area (Birmingham), Glasgow, Leeds, Bristol, Liverpool, Newcastle and Sheffield. • Created with Datawrapper

The case for UK Global cities

Centre for Cities identifies that the Government needs to recognise the trade-offs within its Levelling Up missions. Centre for Cities research shows that the three largest cities outside of London – Birmingham, Manchester and Glasgow – are the ones with the highest productivity potential.

These areas were also identified in the Levelling up white paper as 3 new Innovation Accelerators, major place-based centres of innovation which will see local businesses and researchers in these areas backed by £100 million of new government funding to turbo-charge local growth, learning from the MIT-Greater Boston and Stanford-Silicon Valley models.



Where is South Yorkshire in comparison?

Based on Centre for Cities’ criteria, London is the only globally competitive city in the UK, with the remaining large cities 12-25 per cent below the productivity threshold.

South Yorkshire (and selected comparators) is no different. The chart to the right shows the productivity gap to the competitive city threshold.

Local Authority	GDP in 2019	Approximate Difference to “Competitive City Criteria”
Barnsley	£42,620	-40.2%
Doncaster	£43,835	-38.5%
Rotherham	£44,768	-37.2%
Sheffield	£45,434	-36.2%
South Yorkshire	£44,546	-37.5%
Manchester	£55,622	-21.9%
Birmingham	£48,573	-31.8%
Glasgow City	£50,816	-28.7%
Wigan	£43,549	-38.9%
Ipswich	£55,762	-21.7%

More globally competitive cities means hard choices?

The analysis from Centre for Cities suggests that the Government is correct in recognising the lack of globally competitive cities in the British economy. However, the Government risks failure as the investment needed is perhaps too much and the number of cities that can realistically become globally competitive is too large.



SimCity 2000 - Won "Best Strategy Computer Game of 1994"

German reunification shows the challenges and opportunities

The examples of German reunification reinforce this point. [Three decades and €2 trillion later](#), none of the largest cities in former East Germany, including Berlin, are globally competitive and all still lag behind the large cities in former West Germany.

However, as Centre for Cities point out elsewhere ([here](#)) the former East Germany now has a GDP per capita higher than many parts of Northern England and Wales and has made great progress on employment and wage growth.



Dortmund, third-largest city in North Rhine-Westphalia

Price of Oil and Recessions?

The Guardian reports that what happens to the oil price still matters and Russia – which is the second biggest exporter after Saudi Arabia – is a key player in the global market. So far, most economists think Russia's invasion of [Ukraine](#) will merely dent the recovery they have pencilled in for this year.

But as the Warwick University academic Prof Andrew Oswald has noted, [almost every postwar recession](#) has been preceded by a rise in oil prices. The cost of crude rose sharply in 1973, in 1979, in 1990 and in 2007. All were followed by [recessions](#), though sometimes dearer energy was not the only factor.

And finally...



“When you see a dinosaur cycling, everybody gets at least 17% happier”

We say 21%...

Click on the image to determine for yourselves

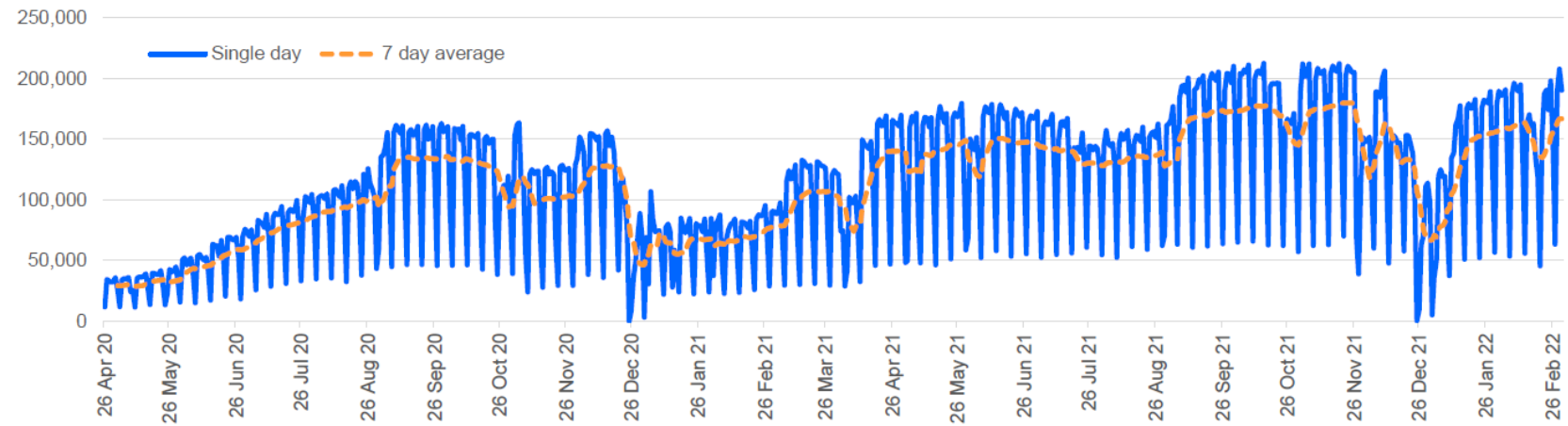


Local Data

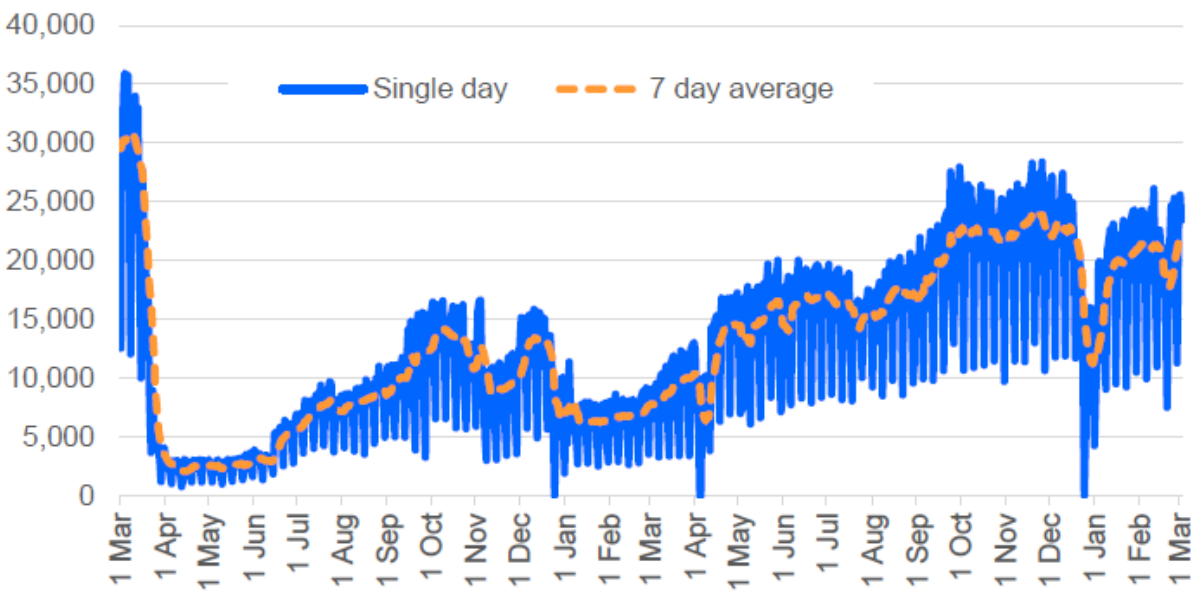


PUBLIC TRANSPORT TRACKING

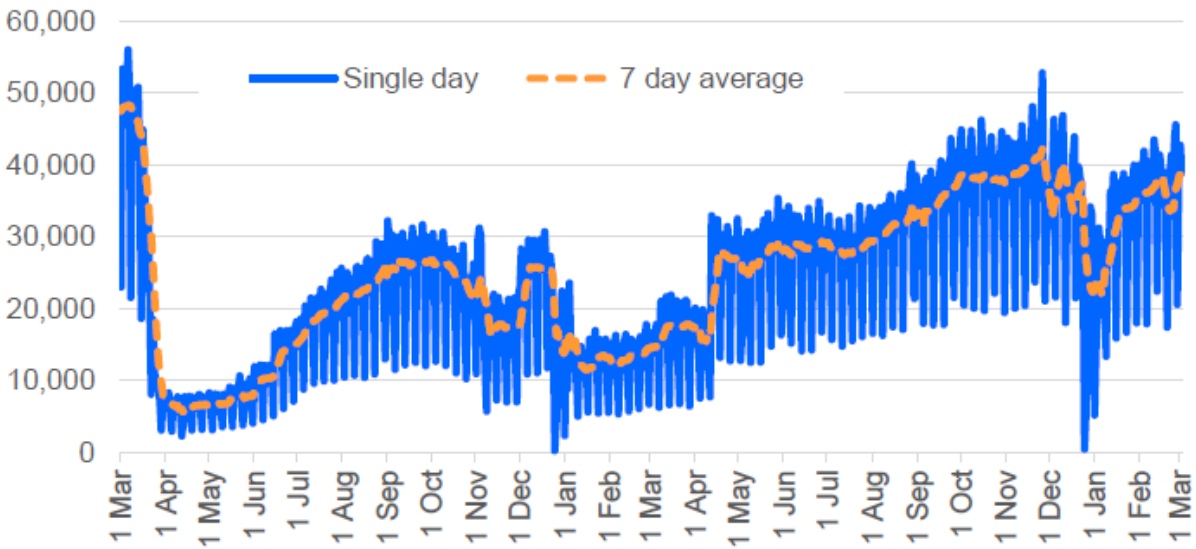
Bus Patronage
(First, Stagecoach and TM Travel)



Supertram Patronage



Total Interchange People Counter Data
(Excludes Doncaster due to data reporting lag)



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