City Relationships:
Economic Linkages in Northern city regions
Leeds City Region

November 2009
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Summary

This is one of seven reports published as part of the City Relationships research programme. The research aimed to test a hypothesis derived from previous research that stronger and more complementary economic relationships between towns and cities in the North of England would generate higher levels of sustainable economic growth and development.

The project examined the economic relationships between the five most significant economic centres in the North – Leeds, Liverpool, Manchester, Newcastle and Sheffield – and selected cities and towns nearby, looking in particular at labour market linkages and the connections between businesses. It considered barriers to more complementary economic relationships and what public policy might do to foster them.

At a time when the public policy environment is focused on recovery from the current recession, and when there are emerging changes in the tools available to agencies and institutions at sub-national level working on economic development, the report aims to generate insights about how these tools could secure better economic outcomes for places across the North of England.

The seven reports published through the research programme include:

- Five reports detailing our findings and conclusions for each of the city regions in this study.
- A report on the Research Methodology.

In addition, there are five supplementary data annexes supporting the five city region reports.

These reports are available on The Northern Way website at www.thenorthernway.co.uk/cityrelationships

Key findings and policy conclusions

Economic development in the Leeds City Region

- Within the polycentric Leeds City Region, Leeds is a key centre of employment for neighbouring cities and towns and the main driver of city region growth. There are already signs that Leeds is moving towards more interdependent relationships with neighbouring areas based on ‘spillovers’ from the centre. This suggests that city region policy should further strengthen growth in Leeds, the economic core, as this will create additional benefits for other towns and cities. This requires Leeds to focus on attracting high value knowledge intensive employment and investment, and to enable neighbouring areas to play to their strengths and attract alternative types of investment and employment.

- In the context of the city region, neighbouring cities and towns can maximise economic benefits by focusing on how their distinctive assets affect their links with Leeds. However, policy priorities should vary according to place. In the North of the city region (York, Harrogate) the key issue is increasing the supply of good quality housing, while maintaining the area’s quality of life. In the South and West of the city region (Wakefield, Calderdale, Kirklees, Bradford) the priority should be up-skilling local residents and transport links to ensure residents can access and benefit from economic opportunities in Leeds.
The Golden Triangle Partnership, an association across the Leeds, Harrogate and York Local Authorities that works to make housing in the ‘golden triangle’ area more affordable, demonstrates how these relationships are being developed in the city region. Similarly, Metro, the West Yorkshire Integrated Transport Authority, is not only extending its integrated ‘Metro’ ticket into the North Yorkshire area, but also investigating the possibility of providing better aligned bus services in the Wakefield area.

**Draw of Economic Centre**

- Compared to the other city regions in this study, Leeds has a strong draw for residents of neighbouring areas as an economic centre. With earnings of £461 a week, Leeds is, after Manchester, the economic core in this study with the second highest workplace based median weekly earnings in 2008. The importance of Leeds as a centre of employment for the city region shows in its large travel-to-work area extending up to 55 kilometres outwards.

- The Leeds City Region has an emerging pattern of polycentricity, with centres of different economic strength surrounding the economic core, ranging from towns such as Harrogate to a regional city such as Bradford. Yet historical relationships remain important, illustrated by the fact that commuting movements between the Local Authority Area within the former West Yorkshire Metropolitan Council are much stronger than between these Councils and North Yorkshire or York.

**Labour Market Relationships**

Labour market relationships with Leeds vary across the city region. In our selected towns and cities, we found that:

- The Wakefield Local Authority area is dependent on Leeds in labour market terms, albeit different areas of Wakefield have differing levels of commuting to Leeds. Overall, 14.2 percent of Wakefield’s residents commuted to Leeds in 2004, but only 3.2 percent commuted from Leeds to Wakefield. Nevertheless, together with Bradford, Wakefield is one of the two Local Authority areas that attract major commuter inflows from Leeds in absolute numbers. Over time, our analysis of commuting data suggests that Wakefield may move towards a more interdependent relationship with Leeds.

- Harrogate also depends on Leeds in labour market terms. In 2004, 13.3 percent of Harrogate’s residents commuted to Leeds, whilst a fraction commuted from Leeds to Harrogate. However, Harrogate also has a small economy of its own and its skilled population is making it less reliant on Leeds. Over time, our analysis suggests that Harrogate may move towards a more interdependent relationship with Leeds.

- Kirklees is the third Local Authority area within the study depending on Leeds in labour market terms, although it also has important links with Wakefield and Calderdale. 10.6 percent of Kirklees residents commuted to Leeds in 2004, whilst 1.5 percent commuted from Leeds to Kirklees. Although North Kirklees has relatively strong links with Leeds, the South of the Local Authority area is more isolated. Over time, Kirklees seems likely to become more dependent on Leeds for employment opportunities.
- **Calderdale** is relatively isolated from Leeds in labour market terms – the Local Authority area has more important commuting links with both Bradford and Kirklees. In 2004, only 5.5 percent of the area’s residents commuted to Leeds, whilst 1.8 percent commuted from Leeds to Calderdale. Over time, our analysis suggests that Calderdale may become more interconnected with Leeds.

- **York** functions as an economic centre in its own right and is relatively independent from Leeds in labour market terms. In 2004, 4.7 percent of York residents commuted to Leeds, while 0.7 percent commuted from Leeds to York. Over time, our analysis suggests that York is moving towards an even more independent relationship from Leeds as employment opportunities in York increase.

- **Bradford**’s labour market increasingly overlaps with that of Leeds, particularly in the North East of the Local Authority area. In 2004, 9.9 percent of Bradford residents commuted to Leeds, while 6.1 percent of Leeds residents commuted to Bradford. Bradford also has links with Kirklees and Calderdale and to a lesser extent with North Yorkshire. Over time, our analysis suggests that Bradford residents may become more dependent on Leeds for employment opportunities.

Wheel of city typologies – Leeds City Region
Firm Relationships

- The retail sector is a key employer in the Leeds City Region. The sector is characterised by a clear hierarchy between different economic centres and different areas within the city region complement each other in their offer and target market. Leeds, for example, has the most diverse offer within the city region and caters particularly for the younger age group, while Harrogate specialises in higher-value retail and Wakefield in distribution. Catchment areas differ between centres at different levels within the hierarchy but also between different shops, while supply chains, especially within non-food retailing, are international. Most employees within the sector live locally.

- The financial services sector is a key economic driver in the Leeds City Region. The sector is characterised by a clear hierarchy between different Local Authority areas and strong complementarities. Harrogate, for example, specialises in wealth management and ICT for the sector, while York specialises in insurance. While some areas specialise in certain products (e.g. ICT) or in certain activities (e.g. back office), others attract certain types of businesses due to their specific offer. Financial services companies are embedded to varying degrees within the city region but their market is pan-regional. While many higher earners within the sector live in the North of the city region, most other employees live locally. Career development within the sector tends to follow the spatial hierarchy within the sector, meaning that people may start their career in some of the less specialist centres in the city region and then gradually move around the city region as they advance in their careers, with the highest level jobs tending to be in Leeds itself.

Economic Relationships

- Transport, quality of life, skills and the availability and quality of housing and business space shape labour market and firm relationships between Leeds and its neighbouring cities and towns and will be important levers in helping maximise economic benefits.

- On balance, past decisions by firms and people seem to have increased complementarities between Leeds and its neighbouring towns and cities. This suggests that the city region is moving in the right direction to making the most of the distinctive assets of its economic centre and the neighbouring towns and cities on which the city region relies for continuing competitiveness.

- Productivity in the Leeds City Region has increased since 1996, but there is an increasing productivity gap between Leeds and its neighbours. This suggests that there is potential for neighbouring towns and cities to do more to take advantage of their economic relationships with the centre in order to fully reap the benefits of its economic success.
1: Introduction

For policymakers seeking to enhance the productivity of individual places, it is vital to look beyond administrative boundaries. Local areas are open and dynamic. Their economies are shaped by economic relationships with other areas - connections and flows of people to and from home, work and leisure, as well as firm relationships and supply chains. These have the potential to generate benefits for both local areas, for example, in the Greater South East, London’s success has benefited nearby cities and towns such as Reading.

When local areas have economic relationships that create advantages for both areas we have defined them as complementary economic relationships: labour market and firm links between two urban areas that generate mutual economic benefit.

However, not all economic relationships are complementary; some places appear to be less likely to benefit from their links with one another. In the North of England, for example, there is a desire to understand why the success of, for example, Manchester, Newcastle and Leeds has not spread to neighbouring areas in the same way that the success of London has benefitted surrounding areas. This raises questions about the factors that contribute to more or less complementary economic relationships.

In response The Northern Way and CLG have been supporting a partnership of the Centre for Cities, SURF and The Work Foundation to investigate relationships between cities in more detail. Building on City Links’ and our review of additional literature, our hypothesis is:

“Sustainable economic growth of places, a more highly skilled workforce, higher individual prosperity and reduced deprivation could be achieved in the North by strengthening the economic links between the economic centres of city regions and the towns and cities that surround them. These links could be supported through policies to improve integrated transport links, focus up-skiiling of the working population, and foster innovation and investment in specific business clusters and their supply chains.”

To test this hypothesis, the partnership has investigated the relationships between the five most significant economic centres in the North – Leeds, Liverpool, Manchester, Newcastle and Sheffield – and selected cities and towns nearby, seeking to answer the following questions:

What are the factors that contribute to complementary or non-complementary economic relationships between northern cities?

Can a focus on complementarity lead to higher and mutually beneficial economic spillovers within and around the city regions of the North?

Supplementary questions:

1. What supports complementary economic relationships between cities?
2. What are the barriers to complementary economic relationships developing between cities?
3. What can public policy do to support and develop complementary economic relationships between cities? Are there transferrable lessons from other cities that have successfully developed and supported complementary economic relationships?
Our methodology is summarised in Box 1 and set out in more detail in a Methodology Paper.

**Box 1: Summary of Methodology**

We selected two sectors to focus on in each city region, enabling us to understand supply chains and business relationships in more detail.

We also selected six towns and cities in each city region, focusing on three local authorities that have strong commuting links with the economic centre, one ‘boundary’ local authority (a local authority at the edge of the city region), and two local authorities, each with a high concentration of employment in the selected sectors. These are set out in the table below. More details (including SIC codes) are available in the methodology paper.

The work started with *background data analysis* to help us test the hypothesis. This set out measures of economic performance, skills, individual prosperity, wages and deprivation for the economic centres of the city regions and selected towns and cities in the surrounding area.

We then analysed secondary data to review the relationships between the economic centre and the towns and cities which surround them, focusing on three main themes:

1. Economic scale and increasing returns;
2. Labour market links;
3. Transport links.

We also conducted a brief literature review and a series of interviews with selected policymakers and businesses. This was to help us understand more about two issues:

1. Business supply chains;
2. Other factors that might affect relationships between cities, for example the history of places and their relationships, cultural issues such as a preference for local working, and political and geographical challenges.
1.1 This paper
The work aims to inform the development of economic development strategy at a number of levels: The Northern Way’s strategy, regional strategies, sub-regional and city regional development plans; and the work of CLG and other Government departments in the development of Multi-Area Agreements (MAAs), City Region Economic Prosperity Board pilot schemes and prioritising infrastructure projects for the post 2014 budget. In addition this work aimed to provide insights to inform the way that city regions respond to recession, prepare for recovery and work together in the context of tough spending decisions that will be required to be made by Government over the next few years.

This analytical paper focuses on the results of our analysis for the Leeds City Region. It is accompanied by an overarching paper setting out our overall findings and papers on the other four city regions: Liverpool, Manchester, Sheffield and Tyne and Wear. These are all available at www.thenorthernway.co.uk/cityrelationships

This paper on Leeds City Region sets out our findings in the following sections:

First, we provide a summary of the current position in the city region. It briefly sets out the context for, and the history of, relationships within that city region, and then focuses on the characteristics of Leeds as the economic centre — e.g. its economic performance and how this affects relationships within the city region.

Secondly, we review how individual labour market relationships affect relationships at a city region level, focusing on ‘life choices’ (migration, jobs and homes), career development, and the relationships between housing, workplace, skills and transport.

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### Table 1: Overview of case study places

<table>
<thead>
<tr>
<th>City Region</th>
<th>Top commuting LAs</th>
<th>Boundary LAs</th>
<th>Sector LAs</th>
</tr>
</thead>
</table>

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8 Warrington can look both east and west, to Manchester and to Liverpool, and we have considered this as part of our analysis.

9 Barnsley can look both south to Sheffield and north to Leeds, and we have considered this as part of our analysis.

10 Data analysis conducted as part of the research was carried out prior to the 2009 local authority boundary changes. Local authorities affected as part of the 2009 Local Authority boundary changes include Easington and Sedgefield (part of Durham Unitary Authority), and Chester (part of Cheshire West and Chester Unitary Authority).
Thirdly, we review firm links in the city region: presenting the findings about specific sectors within the city region, assessing how supply chains work and how relationships between different cities operate. In the Leeds City Region these sectors are financial services and retail.

In the fourth section, we draw together our findings about the linkages and relationships within the city region between places, using the analytical model which has been developed through this study, across the five city regions in which we have been working. Given our findings about the importance of labour market linkages to the economic relationships between places, the main focus for this model is on the labour market linkages. In this section, we apply our spectrum of different types of labour market relationships to the Leeds City Region, and explain why we characterise each city in the way that we do. This sets out information about commuting patterns, skills, earnings, economic performance, transport and house prices for each city or town we reviewed.

Finally, we highlight the key findings and policy conclusions that this research raises for the current and future relationships between Leeds and the neighbouring towns and cities.
2. Background

Box 2: Literature

This report builds on and complements a variety of existing literature on the city region’s economic geography. Rather than repeating their findings in detail here, these reports are referenced within the appropriate sections of this report – both for further reference or to benchmark our findings against existing research. Key background documents to this report are: the Leeds City Region Multi Area Agreement (2008); the Leeds City Region Development Programme and its appendices (2006); Deloitte’s 2008 work on the future of the financial services industry; Ekosgen’s recent 2009 work on economic resilience within the city region; Centre for Cities 2007 work on the case for transport investment in Leeds; and Tribal’s 2009 work on residential futures. These are examples of various existing and forthcoming work on the city region only and should be seen as indicative rather than exhaustive. Further relevant literature on the city region can be found in this report’s bibliography or can be obtained on request from the authors.

The Leeds City Region stretches over the former Metropolitan County of West Yorkshire, over parts of North Yorkshire County Council as well as York Unitary Authority. It is a polycentric city region, with centres of differing economic strength and size, from smaller towns like Halifax to regional cities such as Bradford, surrounding and complementing Leeds, the economic core.

Figure 2.1: Leeds City Region Case Study Area
Over the last decade, Leeds City Region’s economy has been transforming. Between 1996 and 2006 GVA per capita in the city region grew by 67.9 percent; in the Manchester City Region it grew by 65.5 percent. The city region has shifted from more traditional industries such as textiles and coal mining to a service based economy. Its growth has been particularly fuelled by the expansion of the financial services industry, which has seen employment growth of over 10 percent over the past years.\footnote{11}

Yet, despite these improvements the city region still lags slightly behind national averages. Output per head in 2006 was £16,975 in the Leeds City Region, £19,430 in the UK.\footnote{12} An average of 25.3 percent of Leeds City Region residents were qualified to degree level in 2007, in Great Britain it was 28.6 percent. The region also has slightly less workers working in more highly skilled professions such as managers and senior officials or professional occupations and slightly more workers are working in less skilled professions such as elementary occupations or process, plant and machine operatives.\footnote{13}

\subsection{2.1 Partnership working in Leeds City Region}

Compared to other city regions in this study the Leeds City Region has relatively well established ways of working together across Local Authority boundaries. As one of the Government’s two forerunner Statutory city regions, partnerships can be expected to strengthen further.

The cities and towns within the Leeds City Region are operating within a shared economy. Neighbouring cities and towns are benefiting from Leeds as a market for their firms and as a pool of job opportunities for their residents. The city region’s labour and housing markets increasingly overlap, in particular at the higher end of the income ladder. However, there are still pronounced differences between the North and the South of the city region due to their different industrial legacies and differences in their quality of life.

While labour markets have become more integrated and Local Authorities are striving to work more closely together through the city region, other governance arrangements do not operate at city region level. The two areas where this is currently most apparent are skills and transport.

Both Learning and Skills Councils (LSCs) and Transport Authorities are organised along the lines of the old Metropolitan Councils. This makes it more challenging to devise skills and transport policy at the level at which people live and work, and at the level at which much of Leeds City Region is now working. While the city region’s future Employment and Skills Board is expected to take over from the LSCs from 2010 onwards, transport policy will remain more challenging to develop at a city region level. This is because of the creation of an Integrated Transport Authority based on West Yorkshire only, which has the potential to create barriers to the development of stronger complementary relationships between the surrounding centres and Leeds.\footnote{15}

\subsection{2.2 Current relationships are shaped by history}

Many of the current city region relationships are heavily influenced by historic identities and relationships between authorities and residents. Leeds and Bradford were at the heart of the Industrial Revolution and were major centres of the textile industry, specialising in the manufacture and trade of wool. Both towns prospered and grew rapidly during and following the Industrial Revolution, subsequently experiencing considerable decline during the latter half of the 20th century.

\begin{itemize}
\item[11] ONS, 1996 and 2006 data
\item[12] Nomis, ABI 1998 and 2005 data
\item[13] ONS, 2006 data
\item[14] Both NVQ4+ data and occupational data from Nomis, APS
\item[15] Learning and Skills Councils, for example, have different sector priorities, while transport spending in North Yorkshire does not necessarily prioritise Selby’s, Craven’s or Harrogate’s links with Leeds (stakeholder interviews). See also: Tochtermann, L. (2009) Let’s have transport to match our needs. Yorkshire Post, Leeds.
\end{itemize}
Assisted by the Leeds Development Corporation, Leeds managed to turn its economy around, and, building on its legal services sector, became England’s second financial services centre. Bradford was hit harder by the decline of the textile industry, but has made progress in recent times by increasing skills levels and moving towards a more service based economy.

However, its current relationship with Leeds is still very much shaped by history. As a major centre of the textile industry, Bradford was once as successful, if not even more successful, than Leeds, and Bradford residents are proud of this heritage. Acknowledging that Leeds is now clearly the economic centre of the city region can therefore be challenging. This makes it particularly important that city region strategies capitalise upon Bradford’s distinctive assets as well as building upon the potential for Leeds to grow.

The Kirklees, Wakefield and Calderdale areas comprised several mill towns, most importantly Huddersfield and Dewsbury. Wakefield’s pits and collieries also provided the coal that fuelled the growth of Leeds and, in particular, Bradford. All three areas have made progress in recent times: Calderdale as a secondary centre for the financial services industry, Wakefield as a centre for logistics and distribution and Kirklees through Huddersfield University. However, all three areas still lag behind the North of the city region when it comes to skills levels and GVA per capita.

While the South of the city region was very much dominated by the textile industry and related industries, the North of the city region followed a slightly different path. As a spa centre, Harrogate remained relatively unaffected by the Industrial Revolution. To its east, York, a previous centre of wool trade, developed as an ecclesiastical centre and a centre for the railway and confectionary industry. Both were therefore less closely integrated into the manufacturing structures of West Yorkshire, as well as being part of a different Local Authority - the North Yorkshire County Council. York and Harrogate therefore traditionally have stronger links with the North of the region rather than with the South of the region or with Leeds.

Industrial legacy matters today. Some of the wards within the South of Wakefield, such as South Kirkby, Ryhill and South Hiendley, continue to struggle with the impact of industrial decline and commuting distances within these areas are still relatively short, indicating small labour markets. The north of Wakefield district has been more successful than the south in overcoming industrial decline, and has a much stronger relationship with Leeds. This is mainly due to inward investment and inward migration into this area by more highly skilled individuals taking advantage of the area’s good transport links with Leeds and its attractive house prices.

Physical location also matters. Their remote Pennine location means that large parts of Calderdale and Kirklees are economically relatively isolated from Leeds, and the Pennines also act as a physical barrier to stronger economic relationships with nearby Manchester. However, certain towns within Calderdale and Kirklees which are close to Leeds, such as Batley, or towns that have relatively good transport links with Leeds, such as Halifax, have a stronger economic relationship with Leeds.
2.3 Leeds is a centre of employment for the city region

Compared to the other city regions in this study, Leeds has a strong draw as an economic centre. After Manchester, Leeds is the economic core with the second highest workplace based earnings and has one of the largest travel-to-work areas, with a radius of approximately 55 kilometres (see Figure 2.2 below).

Figure 2.2: Leeds’ travel-to-work area

Source: 2001 Census, ONS
Leeds serves, to varying degrees, as a centre of employment for many of its neighbouring towns and cities. For example, over 14 percent of the Wakefield Local Authority area’s residents travelled to work in Leeds in 2004, while the percentage of York residents travelling to work in Leeds was much lower at 4.7 percent. Leeds itself is a well bounded core city, with most of Leeds’ residents also working in Leeds in 2004 (80.4 percent).\(^2\)

While Leeds’ high median workplace earnings make it an attractive place to work (see Figure 2.3 below), not everybody can afford or chooses to live in Leeds. With average house prices of over £170,000 Leeds is often too expensive a place to live for those at the lower end of the income ladder.\(^2\) Higher earners, on the other hand, often choose to live outside Leeds in areas such as Harrogate or York, part of the ‘golden triangle’ and areas with a high quality of life.\(^2\) House prices and quality of life therefore shape Leeds’ links with its neighbouring towns and cities. Section 4.2 looks at this in more detail.

Figure 2.3: Change in median workplace earnings in Leeds City Region 2002-2008

Source: Annual Survey of Hours and Earnings, 2009

2.4 Leeds is the key economic driver of the city region

Leeds is one of the only two Local Authorities areas within the city region that is more productive than the GB average (see Figure 2.4 below). Leeds is performing relatively well on skills: in 2007 the percentage of Leeds residents with no qualifications was around the GB average. The percentage of residents qualified to degree level was only 4 percent below the GB average – which is high for the West Yorkshire area.
However, Leeds’ deprivation performance is more mixed. In 2007 27.5 percent of Leeds’ lower super output areas (LSOAs) were among England’s top 20 most deprived LSOAs, while 15.8 percent of LSOAs were amongst the top 20 least deprived. Deprivation is concentrated primarily in the centre of Leeds, but is also an issue in certain parts to the West and South (e.g. Middleton Park).\(^\text{23}\)

Figure 2.4: Gross value added per capita 1995-2006

25 Leeds’ sectors and economic relationships

The Local Authority area has several long standing (10 years) sectoral specialisations and these, together with its more recent patterns of sectoral specialisation, create opportunities to facilitate or discourage firm relationships with its neighbours. Longer standing sectoral specialisations of Leeds include the manufacture of medical equipment and finance and insurance activities. A more recent specialisation is regulation activities,\(^\text{24}\) such as regulation to support the more efficient operation of business (SIC 7513) or the regulation of activities that provide health care, educational or cultural services (SIC 7512).

Leeds has an extremely diverse economy, with a total of 80 four digit SIC code sectors in 2007 employing over 500 people. Most of these sectors are ‘agglomeration sensitive’, meaning they derive above average benefits from being located in or near a big city.\(^\text{25}\) Leeds has around 40 percent less employees working in sectors that do not benefit from agglomeration than the English and Welsh average. However, Leeds could benefit more from agglomeration, as the example of York illustrates. York employs more people in sectors that are agglomeration sensitive and less people in sectors that do not benefit from agglomeration than Leeds.\(^\text{26}\)

Source: ONS, 2009

23 Annual Population Survey, 2007 data; CLG, 2007 Index of Multiple Deprivation

24 Nomis, Annual Business Inquiry, 1998 to 2007 data


26 For more information about the ‘agglomeration sensitivity’ of Leeds and its neighbouring cities and towns see Table 15 in the Annex.
Business links with neighbouring cities and towns are predominantly within the city region’s financial services and insurance sector, which is pepper potted across the region with Leeds acting as a focal point. But there are also business links across sectors, with Leeds acting as a higher order centre providing business services, for example, for the manufacturing industry in Kirklees.

Business links are shaped by, among other things, the price of business space, which is the UK average in Leeds, but considerably lower in most of the other centres within the city region with the exception of York (e.g. Kirklees 53.8 percent of UK average). This positions Leeds’ neighbouring cities and towns uniquely to benefit from second round investment, a feature often seen in polycentric city regions with a strong economic core. In financial services, for example, this has led to a concentration of small and medium enterprises (SMEs) and spin-offs locating in the Local Authorities surrounding Leeds. Bigger, more established financial services companies, such as HBOS, also cite costs as a significant advantage of ‘outer Leeds locations’.

This overview of the evolution of Leeds City Region offers an insight into the history and spread of the functional economy and it suggests how the Local Authorities administrative areas are economically inter-linked. The next three sections of this report aim to look more closely at these connections – looking in particular at the linkages between businesses within the two selected sectors, financial services and retail, and the movements of people to and from the six selected Local Authority areas. This helps understand more about the roles of different places in the functioning of the city region’s economy and inform the future strategy of the city region.
3. Labour market relationships within the city region

3.1 Wider Commuting Patterns

This paper aims to understand if stronger economic links between Leeds and its neighbouring towns and cities could lead to mutual economic benefit. The Leeds City Region is an interesting case. Analysis shows that the city region is not only characterised by the relationships that Leeds has with its neighbouring towns and cities, but that it is also shaped by the relationship these cities have with each other. Calderdale, for example, might be relatively isolated with regards to Leeds, but it maintains commuting relationships with both Bradford and Kirklees. Similarly, Kirklees has links with Wakefield and Bradford.

These wider commuter movements (see Figure 3.1 below) are shaped by historic relationships. In 2004, commuting networks to the South and West of Leeds, for example, were still much stronger than the region’s links to North Yorkshire. Movement within North Yorkshire was also relatively low, which is less surprising considering the area’s low population density.

Figure 3.1: Commuting Movements in the Leeds City Region in 2004*

Population per sq km 2004 | Number of commuters 2004
--- | ---
16,800 to 22,100 | 16,200 to 21,700
14,000 to 16,800 | 10,800 to 16,200
11,200 to 14,000 | 5,400 to 10,800
8,400 to 11,200 | 0 to 5,400
5,600 to 8,400
2,800 to 5,600
0 to 2,800

Source: Annual Population Survey and Neighbourhood Statistics
The map illustrates that the Leeds City Region, in particular the West Yorkshire area, is developing a polycentric network of commuting links, with labour and housing markets increasingly overlapping.

Polycentricity has been identified as one of the key strengths of the Greater South East and has so far been less prominent in regions which previously specialised in more traditional industries. Polycentricity means that secondary centres to Leeds have labour market links of their own and often develop as secondary business centres specialising in industries complementing the economic centre. Financial services are a good example of this in the Leeds City Region. Complementarity can lead to improved economic performance. However, not all cities will have complementary relationships to the same degree. Section 4 will look at this issue in more detail.

3.2 House prices, quality of life and business rates

Labour market links are not only influenced by socio-economic characteristics but also by the characteristics of the built environment, the quality of life offer and the quality of transport links. Skilled workers themselves base their location decisions not only on job opportunities but also on the availability of adequate housing and amenities. Understanding local and regional imbalances in housing and workplace and how this affects location decisions is critical to understanding how cities and neighbouring cities and towns interact with each other. These place attributes will affect both commuting and migration patterns across the city region and need to be understood before assessing how to improve the economic links between centres and neighbouring towns and cities.

Figure 3.2 below depicts commuter inflows of knowledge workers into Leeds in 2004 on a ward level basis. Compared to Figure 2.2 in section 2 depicting the overall level of in-commuting into Leeds, this map shows a much wider economic footprint for Leeds. The map illustrates the fact that people on higher incomes tend to be willing to commute longer distances to access the housing and quality of life they desire, for example the very attractive countryside and proximity to National Parks in North Yorkshire.

Figure 3.2: Commuting on knowledge workers into Leeds in 2001
These life choices of knowledge workers have impacted on house prices in the city region, particularly within the golden triangle of Leeds, Harrogate and York. House prices within the triangle have increased by an average of 115 percent between 2000 and 2006 (see also Figure 3.3 below). Similar effects can also be observed in Todmorden in Calderdale, where the Leeds City Region Development Programme cites anecdotal evidence that ‘local’ tenants in the lower value private rented sector have been replaced by economic in-migrants.

Figure 3.3: Change in house prices, 1996-2007

Source: Land Registry, 2009

House prices and commuting linkages are only part of the picture. Transport linkages, job opportunities and the cost of business space also have an important role to play in shaping economic relationships between cities. Figure 3.4 below highlights these interdependencies. It depicts 2008 business rateable values per square metre, 2007 average house prices and 2004 commuting movements into and out of Leeds, together with the 2001 occupational split of those commuting into Leeds. This, together with our interviews and data analysis, highlights a series of key findings about how life choices impact on economic relationships within the Leeds City Region.
There are clear differences between the South and the North of the city region. The North/South split of the city region can be seen clearly in the occupational split of commuters into Leeds. Commuter flows from Harrogate and York into Leeds tend to include a much higher proportion of knowledge workers than commuter flows from Kirklees or Wakefield, where the percentage working in administrative occupations is higher.

Bradford and Wakefield were the only two Local Authorities attracting a significant absolute number of commuters from Leeds in 2004. This indicates the city region’s move towards polycentricity and the fact that secondary centres are starting to more strongly complement Leeds with a cheaper business space offer. Despite its relatively cheap business space offer, Calderdale has not yet benefited as much as some other centres from second tier investment. This could be due to the absence of locally available employment land or a lack of demand. The Local Authority is planning to look into this issue through the update of the Halifax town centre Masterplan.

Despite recent overlaps, Leeds City Region still has a variety of housing markets. Despite these developments towards a more strongly interconnected city region, the Leeds City Region still has a variety of distinct housing markets that go beyond the simple North/South divide: Bradford; Kirklees; Wakefield South; parts of North Leeds and Harrogate; York; Leeds and North Wakefield; and Halifax; for example. However, despite the existence of a number of separate housing markets, there are still strong and complementary commuting relationships across the city region. This suggests that separate housing markets, per se, do not necessarily represent a barrier to complementary economic relationships. This factor distinguishes the Leeds City Region from other city regions within this study, where separate housing markets tend to go hand-in-hand with more self-contained labour markets. There

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33 Given Wakefield’s and Bradford’s poor skills performance, up-skilling might help more local residents benefit from these increasing job opportunities in their areas.


35 Stakeholder interview
are differing potential explanations for this characteristic. This could be a feature of the polycentric nature of the city region. Stakeholders interviewed as part of this study suggested that it might be a function of housing markets lagging behind labour market developments.

3.3 Patterns of Migration

Patterns of migration are the observed outcome of residents “voting with their feet” and reacting to differences between places in, for example, their quality of life and housing offer. Migration patterns help identify the role different places within the city region play – and identify ways in which these places can maximise the potential of their links with Leeds.

Pattern of net migration is mixed

Overall, the picture of migration within the city region is mixed. While Bradford, Leeds, Wakefield and Kirklees Local Authority areas (in descending order) lost population due to migration in 2006/07, Calderdale, Harrogate and York (in descending order) registered a net population gain from migration. The chart below shows the in- and out-flows of different age groups at different life stages in more detail.

Figure 3.5: Migration in 2006/07

Patterns of migration confirm Leeds’ role as a centre for employment

The patterns of migration confirm Leeds’ attractiveness as a centre of employment within the region: despite an overall net outflow of those in the 20-34 age bracket, Leeds has a much higher turnover of people in their earlier career stages than any of its neighbouring towns or cities. As university cities, Leeds and York also have a net inflow of students. However, local evidence suggests that this inflow is primarily...

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37 NHSRC, 2006/07 data
from outside the city region – and once graduated, many leave the region. Isolated Calderdale, but also dependent Harrogate are characterised by a much lower volume of movement overall.

House prices and quality of life influence migration in the Leeds City Region
Migration patterns and house prices are interlinked. Residential choices affect house prices, as seen in the North of the Leeds City Region. However, in many cases, life choices are influenced by house prices, which can serve as a tipping point for workers considering commuting further or relocating. This is seen, in particular, in the South of the city region, which is an attractive area for first time buyers due to its relatively low average house prices. Calderdale and Kirklees, for example, where housing is relatively cheap, received net inflows of the 30-34 age group in 2006/07.

Box 3: Case Study: Harrogate

Harrogate’s pattern of migration is heavily influenced by house prices, the area’s quality of life and its quality of schools. The town can therefore offer a good insight into the drivers of population changes.

At the higher end of the labour market, many school leavers leave Harrogate to go to university elsewhere in the country or abroad. After graduating many start their career in the South East rather than return to Harrogate, where average house prices are high for first time buyers (2007 average house price over £270,000 ). However, for those starting a family, returning to Harrogate makes financial sense. Harrogate’s house prices, even though high for the region, are lower than house prices in London. Living in Harrogate and sending children to state schools is much lower cost than living in London and paying private tuition fees. Therefore, many return to Harrogate at this stage of their lives.

At the lower end of the labour market, Harrogate’s high house prices increasingly lead to out-migration. This has shaped commuting patterns in Harrogate, with those on higher incomes commuting out of the town each morning and those on lower incomes commuting into the town to access employment opportunities.

Leeds attracts people to live in the surrounding areas
Neighbouring cities and towns gain population because of Leeds’ success. ‘Return migration’ into Leeds’ neighbouring cities and towns at the higher end of the labour market, as illustrated in the above case study on Harrogate, is often attracted by Leeds’ economic success and the quality of life of the wider region. However, most migration within the city region is not due to ‘return migration’. Stakeholder interviews and evidence from the Leeds City Region Development Programme suggest that most movement is within the city region itself or cross-Pennine from Manchester.

Could some places have more complementary relationships with Leeds?
It is interesting to note that most parts of Bradford or Wakefield, which are much better connected to Leeds and where housing is even cheaper than in other parts of the city region, have not seen net migration inflows, despite seeing recent displacement activity from Leeds. This could be due to differences within the Local Authority areas themselves – within Bradford, Ilkley is very different from Bradford town centre and within Wakefield District, Wakefield town centre is very different to Hemsworth. As migration data is based on GP registrations, the lack of migration

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38 CLG, 2007 data
39 Stakeholder interview
40 Stakeholder interview
from Leeds to Bradford and Wakefield could be explained by the fact that when people move they often prefer to stay with their GP rather than registering with a local one. But it could also indicate barriers to more complementary relationships with Leeds, perhaps because of preconceptions about places, or the type and quality of housing on offer.

3.4 Career Development
Data on migration patterns helps us understand net population in- and out-flows, but it cannot give us information on the origin or destination of migration movements. Local knowledge as well as information obtained in interviews with local businesses on career development can help shed more light on some of the patterns we observe. The following examines career development opportunities within the city region in our two case study sectors, retail and financial services, focusing on the impact that career opportunities can have on life choices of individuals. Section 4 will then discuss firm links in more detail.

3.4.1 Career development within the retail sector
Employees within the retail sector, with the exception of managers, tend to work on relatively low wages which do not differ very much within the city region. Many of the employees in the sector are migrants from Eastern Europe or other countries such as Turkey. In places such as York, retail jobs are also taken up by students.

Generally, people below a threshold of annual earnings of £13,000 do not tend to look very far for jobs. Stakeholder interviews suggested that there is a lack of information about job opportunities elsewhere, and low skills as well as poor public transport services and high travel costs act as additional barriers. We can therefore assume (and interviews with local employers tend to confirm this) that employees in the retail sector tend to work locally. This means that most employees in the retail sector do not tend to move between different places in the city region as they progress their career. However, this may change within the current economic climate, which is likely to see a concentration of retail within centres such as Leeds or York, and a contraction of retail employment in centres such as Wakefield or Kirklees.

Is career development mostly local?
This said, within the different centres of the region, poaching of employees with higher level skills has been seen when new stores have opened up in the past. And skills shortages within the sector could mean that there are certain paths of career development for those more highly skilled or with management capabilities. However, we could neither confirm nor disregard this through our interviews. In addition, there are likely to be differences between national chains and independent stores, where prospects for local career development might be higher.

Is career development within the retail sector unaffected by economic relationships between places?
The retail sector, both within the Leeds City Region and nationally, is characterised by relatively small wage differentials between different Local Authority areas. This makes commuting between Local Authority areas for those at the lower end of the labour market less attractive. In the city region, this is illustrated by the fact that, although until very recently there was a strong demand for labour within Harrogate’s retail sector, this tended not to be filled by Bradford’s ready supply of labour. Therefore, due to a lack of incentives and the preference for short commuting distances of those at the lower end of the labour market, job and career development patterns in retail across the Leeds City Region seem to be less affected by the hierarchy or specialism of different retail centres.
Barriers to more complementary relationships between Leeds and its neighbouring towns and cities within the retail sector are therefore primarily labour market related (bus links, travel costs and information gaps). For example, a rapid transport bus link between Bradford and Leeds could mean that a higher percentage of Bradford’s younger population accesses retail jobs in Leeds.

3.4.2 Career development within the financial services sector
Career development opportunities within the financial services sector look very different. Financial services cluster in different centres across the Leeds City Region, strengthening its position as the second financial centre in England after London. Leeds alone houses over 30 different national and international banks, including the headquarters of First Direct and Yorkshire Bank and other prominent players in the region are Norwich Union in York, Bradford and HBOS in Calderdale.

Before the current economic downturn, the city region offered a variety of job opportunities in financial and related services such as ICT, and this was one of the region’s key strengths. Financial services sector employees were attracted to the region due to the large number of potential employers, while more financial services companies were attracted due to the region’s relatively skilled population and the prospect of being able to find specialist finance skills. This led to a virtuous cycle strengthening the cluster. Once employees had located within the region, they could also benefit from the strong sector network initiatives such as the Leeds Financial Services Initiative (LFSI).

Are financial services employees returning to the region ‘like a boomerang’? Research by the LFSI, indicates that career development at the higher end of the sector follows a certain spatial path and resembles a ‘boomerang’: many students studying one of the region’s financial services courses take up jobs in the City in London after graduating. They often later return to Yorkshire to take up a still relatively junior role in one of its secondary centres such as York, Harrogate or Calderdale and then later move onto an international financial services firm in Leeds. However, the majority of those currently employed in the financial services industry have stayed in the region after graduating. Stakeholder interviews suggest that people working in less skilled positions within the city region (e.g. call centre, back office or local branch employees) do not tend to progress to the same degree within Leeds’ financial services cluster, but do tend to stay with their local employer.

Within the current economic climate, we can expect to see much less of these ‘spatial career development patterns’ for the highly skilled, as job vacancies in the industry decline and employment in the industry concentrates in Leeds. However, financial services employees made redundant in the Leeds City Region should find it considerably easier to find a new job if they are made redundant due to the cluster’s size and networks than, for example, financial services employees in centres such as Newcastle, where there are fewer large firms.

Career development in finance sector influenced by economic relationships
Financial services cluster across the Leeds City Region, with international banks locating in Leeds, while those more cost-driven locate in one of the region’s secondary financial centres. Those developing their career utilise this hierarchical structure within the city region and use second order financial centres as a springboard with the aim of working within one of the big internationals at a later stage in their career.
Career development patterns within the financial services sector therefore seem to be strongly influenced by the economic relationship between Leeds and its neighbouring cities and towns. Our interviews did not discum any local barriers to strengthen these complementary relationships further meaning career development patterns might mirror the hierarchy between financial centres within the city region even more in future.

3.5 Transport
Transport is a key enabler of labour market movements and a potential facilitator of more complementary economic links between Leeds and its neighbours - with people at the lower end of the labour market commuting mostly by bus and people at the higher end commuting to work by train or by car.

Congestion and overcrowding impacting upon the higher end of labour market
At the higher end of the labour market, many commuters face congestion in the morning and evening peak hours around the region’s centres. Despite this, like for like traffic speeds within Bradford and Leeds have increased slightly between 1999/2000 and 2006 both at peak and off-peak times. Rail commuters, on the other hand, have been facing increasingly overcrowded trains, in particular, on morning peak hour trains from places like Keighley, Shipley, Harrogate and Huddersfield into Leeds (see Figure 4 in the Annex). Although being far from the conditions many commuters face within the rush hour in London, delays and overcrowded trains could potentially represent a barrier to more complementary labour market links in the future.

Transport integration matters at lower end of labour market
At the lower end of the labour market, transport integration is important. Having a ticket which covers different modes of transport, and services that line up increases labour market flexibility. It also allows people from deprived communities to access job opportunities elsewhere within the city region.

As part of this research, we developed a ranking of the degree of transport integration and compared this with actual commuting flows in order to assess potential for stronger complementarities. Table 26 within the Annex details how we derived the different integration scores and how, depending on the existence of a joint transport ticket, joint transport planning and travel times, integration scores increase.

The ranking illustrates cases where transport integration seems to matter less – Harrogate, for example, an area with a high percentage of residents working at the higher end of the labour market, has relatively high commuting flows into Leeds despite an integration score of only 1.5. Calderdale, on the other hand, an area with relatively low skills levels, has very small commuting flows into Leeds despite being well integrated into the region’s transport system. The ranking also highlights cases where links possibly could be strengthened when comparing across city regions.

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Transport underpins complementary relationships

Our findings suggest that within the Leeds City Region, transport facilitates economic links in some cases, while not impeding them in others. The relationship between York, Harrogate and Leeds could be more complementary if travel times were shorter. Better bus links between Wakefield and Leeds, and, Bradford and Leeds might also help foster more complementary people links by facilitating access to jobs for the two areas’ relatively deprived population.60

Decent transport networks underpin complementary economic relationships but they are not the only condition on which complementary relationships depend. Complementary relationships are also affected by wage differentials, job offers or patterns of sectoral specialisation. More highly skilled workers, for example, often find a way to overcome transport barriers if they need to, while merely providing transport links will not necessarily improve the local economy. For transport improvements to be most effective, they should therefore go hand-in-hand with other policy initiatives strengthening local demand for labour or fostering local supply chains.61
4. Firm links and supply chains

The other key feature of the economic relationships between Leeds and its neighbouring towns and cities are the linkages developed by firms as they undertake their business activities – and businesses are not constrained by Local Authority boundaries as they develop their links to markets and suppliers.

One way of examining current complementarities is by examining how patterns of sectoral specialisation have changed over time and assessing progress that has been made. This section examines patterns of sectoral specialisation and employment in our seven Local Authority areas (Leeds, Bradford, Calderdale, Wakefield, Harrogate, Kirklees and York) to assess where there is greater potential for complementary links. For example, if the economic core has a specialism in advanced financial services and the smaller city has as a result developed a specialism in more general financial services, this suggests that it is highly likely there are supportive economic relationships between the two.

However, focusing only on sector specialisation does not capture firm relationships which may exist because a centre does not have a UK specialisation, but is a specialist centre within the city region. Where our research has highlighted these city region specialisms we have noted it accordingly.

Even using analysis of sector specialisation and specialisms within the city region, we cannot definitively demonstrate that these links exist, which is why we have investigated two sectors in more detail through interviews. For the Leeds City Region, these sectors are retail and financial services. These sectors were chosen in consultation with the city regions and according to several criteria, such as potential future growth or importance in terms of employment. Within each of these sectors, we have held several business interviews with the aim of understanding current business linkages better and gaining a more detailed understanding of the external business environment.

Understanding firm links and supply chains remains challenging because of the lack of data on these often intangible relationships. Nonetheless, our view is that the combination of sector specialisation analysis, highlighting any specialist roles within the city region and more detailed interviews in two sectors can enhance understanding of where city regions could focus their efforts to enhance complementary links between firms.

4.1 Sector specialisation
Based on sector specialisation, Bradford, Wakefield, Kirklees and Harrogate have not increased their potential complementarity to Leeds. Bradford traditionally specialised in manufacturing industries (e.g. equipment manufacture) and these still dominate its pattern of sectoral specialisation, despite a recent shift from manufacturing to a more service oriented economy. Over the past ten years, Bradford’s economy has therefore not increased its potential to form complementary firm relationships with Leeds with respect to its pattern of sectoral specialisation.

Wakefield traditionally specialised in the manufacture of food and drinks, packaging activities, but also in justice and judicial activities, public security, law and order activities. This has not changed significantly over the past decade within the Local Authority area as a whole. Over time, Wakefield’s industrial composition has therefore not increased its potential to form complementary relationships with Leeds. However, Wakefield has an important role within the region as a logistics
centre, and its specialisation in storage and warehousing means Wakefield has potential complementarities to Leeds within one of our case study sectors, the retail sector.

Kirklees was a centre for the textile industry and traditionally specialised in wool and spinning activities and related manufacture. Although employment in this sector has declined over the past years, employment is still higher than the England and Wales average. The Local Authority area has recently developed specialisations in activities like the retail sale of furniture – but overall, Kirklees’s industrial composition has not yet increased its potential for complementary relationships with Leeds.

Although strongly complementary in labour market terms, patterns of sectoral specialisation do not show strong complementarities between the economies of Harrogate and Leeds, and this has not changed much over the past ten years. However, Kirklees and Harrogate have complementarities to Leeds in the financial services sector, in which they have major employment (>500) but do not specialise. The same holds for retail and the entertainment industry in Harrogate.

Calderdale has retained, but not strengthened its potential for complementarities. Calderdale has historically been complementary to Leeds in the financial services sector, also specialising in more traditional industries such as carpet and rug manufacture. Over the past decade, these complementarities have remained but the few more recent sectoral specialisations in Calderdale (e.g. general mechanical engineering) mean the Local Authority area’s pattern of sectoral specialisation has become less similar to Leeds’.

York has increased the potential for complementary relationships. Traditionally, York specialised in the manufacture of chocolates and higher education – and was in this respect, partially complementary to Leeds. These complementarities have been strengthened over the past decade with York’s increasing specialisation in life insurance, pension funding and other financial services activities.

Out of all of these sectors, as in all our case study city regions, we have chosen two sectors that we examined in further detail: retail and financial services.

### 4.2 The Retail Sector in the Leeds City Region

Retail is a large source of employment for the Leeds City Region and employment within the sector in 2007, was at 10.6 percent, slightly above the Great Britain average of 10.4 percent. Within Leeds’ city centre alone, there are around 1,000 retail units and across the region there are also major out of town retail centres such as the White Rose Shopping Centre on the edge of Leeds or the Redbrick Mill, North of Dewsbury.

Retail within the city region, as in any other city region in the UK, has been characterised strongly by national trends and developments, such as a high proportion of migrants working within the sector and challenges during the current downturn, further exacerbated by the abolishment of the empty property rates relief.
Importance of sector varies
In terms of employment, retail varies in importance in each of our case study Local Authorities. In 2007, employment varied from 13.3 percent in Bradford to 8.2 percent in Calderdale.68

Clear hierarchy between different retail centres
Within the Leeds City Region there is a clear hierarchy of retail centres and there are some distinct specialisations complementing each other. At the top of the retail hierarchy sits Leeds, attracting shoppers from across the city region; followed by York; Bradford; Wakefield; and then Kirklees, Calderdale and Harrogate, which cater more for a local market.69

Leeds is the most diverse amongst these centres in terms of its retail offer and caters particularly for the younger age groups. It can sustain such a high degree of diversity because its offer builds on Bradford as a market. Harrogate caters more for the older age groups specialising in high-end boutiques and delicatessen food stores. York, although much smaller than Bradford, comes second within the hierarchy as its attractiveness to tourists allows it to sustain a much wider offer than would otherwise be possible for a centre of its size.70 71

While places like Harrogate or York have a very visible complementary offer to Leeds, the roles Bradford and Wakefield play within the sector are less visible but still important.72 Both specialise in food manufacture and wholesale activities. Wakefield also strongly specialises in distribution and storage, while Marks and Spencer is currently investing in a distribution centre in Bradford.73 Asda is an example that illustrates this well. Out of four distribution centres in the Yorkshire and Humber area, two are within Wakefield and another one is located just outside of Wakefield.74

The retail sector in the Leeds City Region therefore represents a good example of how neighbouring cities and towns can complement the economic core rather than compete with it. Our analysis also suggests that Bradford and Wakefield have the potential to develop even stronger complementary economic relationships with Leeds in the retail sector.

Supply chains are increasingly global
Research by Yorkshire Forward for the Yorkshire and Humber region in 2006 estimated the extent to which spending on inputs for a variety of sectors was contained within the region. Including the value of the labour supply, it demonstrated the overall value of locally sourced supplies to the retail sector in the region was around 32.3 to 34.2 percent.75

In the food sector, many products are still sourced relatively locally despite increasingly global supply chains, especially within high end food stores. Examples might be the ‘Thomas of York’ baker in Harrogate’s Victoria Shopping Centre or Betty’s Tea Shop chain with outlets in York, Northallerton, Harrogate and Ilkley. Of the big supermarket chains, however, Asda is the only one that sources locally in all of their UK stores. The company sells over 5,000 local products in stores across the country.76

In the non-food retail sector, most of the businesses we spoke to said they were sourcing nationally and internationally. Mulberry Hall, for example, a high end china retailer from York, sources less than one percent from within the city region.77 And
supply chains of stores like H&M or New Look within the Victoria Shopping Centre in Harrogate are likely to source a similar proportion of inputs locally.

Apart from distribution and warehousing, backward supply chains within the region are therefore limited and the scope for traction is therefore limited. This lack of local complementarity within the Leeds City Region’s retail sector is an outcome of increasingly global supply chains within the sector nationally and is also due to a frequent lack of local control over supply chains, with decision making taking place in headquarters outside the region.

Different shops have different catchment areas
Catchment areas within the Leeds City Region depend very much on the kind of store, but they also depend on a place’s rank within the retail hierarchy. Leeds city centre has a catchment area of 3.2 million people, 1.9 million of whom live 30 minutes away, while Harrogate’s Victoria shopping centre attracts mostly people with a HG postcode.

Residents of the Leeds City Region are using the different centres within the hierarchy differently depending on what they need. Wakefield residents, for example, would go grocery shopping within Wakefield, but to choose a toy for their children, many would travel to Leeds, especially after Wakefield’s Woolworths closed down. In addition, some shops serve niche markets and therefore have much larger catchment areas – one example is Redbrick Mill in Kirklees that attracts shoppers from as far as Liverpool. Despite these differences between stores and centres, however, retailers benefit from the city region as it increases their potential market.

Most employees within the sector live locally
The retail sector has low average wages and most of its employees therefore tend to commute relatively short distances. This has been confirmed in our interviews (see also Section 4.3), and was also cited as an advantage for retailers. Asda, for example, actively recruits local employees and often recruits through Local Employment Partnerships.

Retailers tend to be bad networkers
Compared to other sectors we examined as part of this work, the retail sector was one of the few sectors characterised by a lack of any wider geographical networking associations. Many Local Authorities have city centre management associations and some have voluntary organisations used by retailers to lobby for certain issues (e.g. better car parking in York), yet there is no association with a wider remit than the Leeds and York Chamber of Commerce. One stakeholder suggested that reasons for this included a lack of time, a lack of local decision making structure within the sector and the short term focus of local retailers. This is a clear barrier to stronger links within the sector across the whole city region, which could help develop complementarities within the sector further.

Transport impacts strongly upon local retailers
Transport plays a major role for the retail sector across the whole supply chain: affecting deliveries, customer parking and travel to work patterns of employees. Particular bottlenecks depend on the type of business and its exact location and examining the details of this was beyond the remit of this study. It is noteworthy though that certain retailers within the region have switched to early morning or late evening deliveries due to congestion problems.
Transport also plays a major role for the retail sector because it determines the sector’s catchment area. As part of the research, we assessed the number of potential customers within the Northern economic cores within reach of retailers in different locations. This resulted in the following hierarchy within the neighbouring cities and towns within the sample. Wakefield has the highest market potential. It is followed in close proximity by Bradford, then Calderdale (Halifax), Kirklees (Huddersfield) and Harrogate. York is the city with the smallest market potential. This is not surprising given its location within North Yorkshire, with a relatively low population density – although as has been previously noted York has access to a substantial tourist and visitor market.

These opportunities are not always fully exploited – Wakefield, for example, has an enormous market for its products on its front door. However, our analysis suggests that Wakefield would benefit most from complementing Leeds’ retail offer rather than competing with it, which could take away business from Leeds and make its retail offer less diverse. Bradford, on the other hand, has started to utilise its market potential through, for example, Leeds Road and White Abbey Road.

4.3 The Financial Services Sector in the Leeds City Region

Financial services are one of the key economic drivers of the Leeds City Region despite average employment within the sector being almost half of the employment in the retail sector. In 2007, an average of 4 percent worked in financial intermediation in Great Britain. In the Leeds City Region it was 5.3 percent.

Over the past 40 years the city region’s importance as a financial services centre has grown rapidly. It started as a mainly sub-regional centre in the 1970s to become a regional centre in the 1980s and finally a pan-regional and national centre in 2000. The region now hosts a number of major industry players and their supply chains, amongst them are mortgage and retail banks, building societies, wealth managers, accounting firms and a Bank of England Regional Office.

Importance of sector varies

Although financial services clusters across the whole of the Leeds City Region, employment within the sector varies between different Local Authorities (see figure 4.1). Proportionately, employment within the industry in 2007 was highest in Calderdale with 11.5 percent and lowest in Kirklees with 1.2 percent.

Figure 4.1: Financial Service Functions
As with the retail sector, there is also a clear hierarchy between Local Authority areas within the financial services sector. Again, Leeds leads this hierarchy, being followed by York and Harrogate on the second rank, Calderdale on the third rank and Wakefield and Kirklees on the fourth rank. Bradford ranks somewhere in between York, Harrogate and Calderdale.88

Different sectors complement each other in the financial services sector:
- **Leeds** lies at the centre of the cluster, has a very diverse offer and the critical mass to attract multi-national corporations. It also specialises in legal and accountancy services, which played a major role in attracting the sector to the region.89
- **York** specialises in the insurance sector (e.g. Aviva/Norwich Union).
- **Harrogate** specialises in wealth management (e.g. Engage Mutual) and information and communication technology for the sector (e.g. In Technology or Link).
- **Calderdale**’s financial services sector is mostly concentrated in one company, HBOS (now Lloyds).
- **Wakefield** and **Bradford** are centres for back office functions, although Bradford is also home to the headquarters of the Yorkshire Building Society.
- **Huddersfield** and **Dewsbury** in **Kirklees** mostly cater for a local market.90

As part of this research, we spoke to a variety of businesses within the sector, from independent financial advisors and their support services to the Yorkshire Bank, the Yorkshire Building Society, HBOS and the LFSI. Many of these firms are shedding jobs and restructuring due to the current recession.

Nonetheless, overall these companies benefit from being located within the city region as they tap into local expertise and benefit from a skilled and specialised labour market. The companies operate across the city region in different ways. Some of the companies are strongly embedded and spread across the whole city region, sharing outsourcing functions with other local players and sourcing services locally. Others with a more international focus mainly use Leeds but benefit from the wider city region’s quality of life and attractiveness for financial services employees. Independent financial advisers, on the other hand, use the city region in a way to access a maximum of clients as locally as possible.91

**How big is the sector’s local content**

The above mentioned 2006 research by Yorkshire Forward on the value of local supplies estimated that between 41.8 and 51.5 percent of the value of inputs into the financial services and insurance sector in Yorkshire and Humber is being sourced locally.92 This indicates the strength of the local cluster as well as the fact that a relatively big proportion of the sector’s inputs are high value labour costs.

Many of the companies we spoke to had links into Leeds or other centres within the region, for example sourcing business and professional services locally. But, as has been shown in other research, they have links to other financial centres such as London or Edinburgh.93 Services sourced from these centres ranged from insurance policies to financial services. There might therefore be an opportunity to foster stronger local supply chains and complementarities.
Box 4: Yorkshire Bank

Amongst our firm sample, Yorkshire Bank was the company with the strongest degree of local ‘embeddedness’, sourcing legal services and accountancy from York, Leeds and Bradford, insurance products and cardholder protection services from the CPP Group in York and some of its IT services from Engage Mutual in Harrogate. Yorkshire Bank also jointly out-sources its mortgage processing function with the Skipton Building Society.

In addition, different parts of the region host different roles within the organisation: there is a specialist agricultural team in York serving the North Yorkshire hinterland, business centres are located in Bradford, Harrogate and York, while more strategic functions are located in Leeds.

In many ways, Yorkshire Bank is highly embedded locally, mainly due to organisational changes within the bank about four years ago, which led to stronger empowerment of local branches. Yet, the company is a case study of what stronger local supply chains and more complementary working across the city region could look like. And research by Roger Henderson for the Leeds City Region Development Programme in 2006 concluded that there could be further scope for this.

Despite its success Leeds is still very much a pan-regional centre
Retail and small business banking as well as independent financial advice are very much local services with clients across the region. Pearson Jones, for example, are independent financial advisers with two offices within the region: one in outer Leeds between Bradford and Leeds allowing them to maximise their catchment area and one in York, allowing them to serve North Yorkshire, Hull and East Riding.

However, some providers of more specialist or internet or phone based services have a wider catchment area. Simply Biz, for example, provides support and compliance services to independent financial advisers across the whole of the United Kingdom from Huddersfield, and HBOS offers mortgages to clients across the UK. History and ownership also play a role in what markets financial services companies serve, with companies expanding over time or with changes in ownership. Yet, the company is a case study of what stronger local supply chains and more complementary working across the city region could look like. And research by Roger Henderson for the Leeds City Region Development Programme in 2006 concluded that there could be further scope for this.

Despite the ‘Golden Triangle’ most employees live locally
As would be expected, not all financial services employees live within the Golden Triangle of North Leeds, York and Harrogate, despite the attractiveness of this area for high level employees. The majority of employees of the businesses we spoke to as part of this research live relatively close to their jobs. Employees within the branches of Yorkshire Bank live in Leeds or surrounding villages, employees of Huddersfield’s Simply Biz live in Kirklees and Pearson Jones’s employees live within a 10-20 mile radius of the company’s offices.

Networks are important for the financial services sector
All of the companies we interviewed were members of networks but the degree to which these were local varied. While some were members of trade associations and professional bodies based in London, others were active members of the LFSI and had close relationships with local universities. Overall, there seems to be a potential to strengthen local complementarities further and develop supply chains through stronger local networks. The expansion of the LFSI to cover the whole city region represents a good step in this direction.
Transport plays a less crucial role for financial services – but is still important for employees and networks

In comparison with the retail sector, transport plays a less crucial role in terms of the sector’s supply chains. However, a well integrated and rapid transport system is important in supporting the sector and has been identified by the Leeds City Region Development Programme as one of the factors that could further enhance the sector’s performance.

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<th>Table 2: Travel times in the Leeds City Region</th>
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<td>York</td>
</tr>
<tr>
<td>Harrogate</td>
</tr>
<tr>
<td>Calderdale /Halifax</td>
</tr>
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</table>

Source: AA Route Planner; www.nationalrail.co.uk

Most of the employees within the companies we spoke to commute to work by public transport or car and face congestion around the region’s centres, particularly on the M1 and the M62. Areas that have been identified for the improvement of public transport services are the links to Bradford as well as York and Halifax. For an overview of travel times by different modes please see Table 2 above.

Different sectors have different economic links

There is a strong place hierarchy within the Leeds City Region within both the retail and the financial services sector. However, both sectors use the city region to different degrees:

- The financial services sector has local to national supply chains, while the retail sector has primarily international supply chains.
- Many employees within the financial services sector commute across the city region, while most retail sector employees live locally.
- With a few exceptions, the retail sector primarily serves local markets, while the financial services sector caters for the pan-regional and national market.

Policies to strengthen complementarities between Leeds and its neighbouring towns and cities must therefore vary according to the sector. In the financial services sector, initiatives might want to focus on strengthening local networks and supply chains, while in the retail sector initiatives might want to focus on increasing labour mobility at the lower end of the income ladder.
5. Characterising links between Leeds and neighbouring towns and cities

5.1 Overview of city typologies

Across this research programme, our analysis of economic relationships within the five city regions has identified four typologies of places within a city region, based in particular on their labour market relationships with the economic centre.

These typologies are helpful in understanding how places currently relate to each other economically within a city region context and what some of the factors are which influence the nature of these relationships. This analysis helps to shape thinking about how future economic development strategy could build more effective and complementary economic relationships between places.

The broad typologies are illustrated in the diagram below.

Figure 5.1: Roles of Cities: Labour Markets and “City typologies”

These typologies, which focus particularly on labour market relationships, enable us to capture two characteristics of places. First, the roles which places play in a city region based on their relationship with the economic centre. Places are described as being in one of the four typologies based on: commuting patterns; skills; earnings (resident and workplace); sectoral mix; and house prices.

Second, the typologies provide a way of assessing the extent to which places benefit from their economic relationships by identifying different categories within the four typologies. For example, areas such as Harrogate, with high levels of skills, are likely to have more mutually beneficial economic links with their economic centres.
than lower skilled areas such as Wakefield because individuals’ mobility (both geographic and occupational) is influenced by their skills and qualifications.

The typologies are based upon Local Authority areas, despite the arbitrary nature of administrative boundaries, because this is the level at which policy is often developed. We recognise, however, that typologies based on Local Authority areas are by necessity a simplification: characteristics often differ within, as well as between, Local Authority areas. The fact that places are constantly evolving further compounds this complexity. Nonetheless, consultation with stakeholders suggests that, despite these caveats, understanding the roles of different Local Authority areas can provide valuable insights to support the development of city region strategies.

The wheel below positions our case study cities and towns within the Leeds City Region according to the four typologies.

5.2 Leeds City Region - City Typologies

Many cities in the Leeds City Region depend on the economic core. Leeds is a centre of employment for residents of its neighbouring towns and cities and this can be seen in the wheel by a concentration of Local Authority areas in the ‘dependent’ upper left quadrant. The wheel classifies York as independent, Calderdale as isolated, Harrogate, Wakefield and Kirklees as dependent and Bradford as interdependent.

The following section explains why towns and cities are positioned where they are, looking beyond labour market patterns at other characteristics that lie behind the typologies.
5.3 Why did we characterise each place the way we did?

Wakefield
The Wakefield Local Authority area was a centre for the textile and mining industry, with the textile industry clustered along the River Calder and the mining industry located in pit villages around Wakefield. Since the decline of these industries, Wakefield has had to face increasing unemployment and deprivation. Whilst the area is still characterised by high levels of deprivation and low levels of skills, much of the deprivation is concentrated in particular neighbourhoods. There has also been ongoing work in recent years to increase the prosperity of the area, reflected in a 12 place increase in the Index of Multiple Deprivation ranking between 2004 and 2007. Similarly, Wakefield’s pattern of sectoral specialisation has changed and due to its good transport links, the Local Authority area is now a major transport and distribution centre.

Wakefield has a population of 321,600 and in labour market terms, the district depends on Leeds. Within our sample, it is the area with the highest percentage of residents commuting into Leeds in 2004 (14.2 percent). However, only 3.2 percent travelled from Leeds into Wakefield. Wakefield is therefore positioned in the middle of the ‘dependent quadrant’ in the wheel.

Labour market links vary considerably within the District. Labour market links with Leeds are stronger in the North of the Local Authority area (Wakefield, Pontefract, Castleford), reflecting the proximity of the North to Leeds and the stronger transport links. Commuting in the South of the District is more local overall – although commuting links to Leeds, and, also Sheffield and Barnsley exist.

Comparing 2001 and 2004 commuting data suggests that, as a whole, Wakefield Local Authority area is moving towards a more interdependent relationship with Leeds, with commuting patterns increasing both to and from Leeds.

Box 5: Dependent places

Our research found three types of ‘dependent place’ depending on an area’s level of skills and earnings, its sectoral composition, average house prices and levels of deprivation.

1) Places with traditional industries are often characterised by low levels of skills and earnings, house prices and poor deprivation scores. They benefit less from their relationship with the centre than other dependent areas.
2) Places with a mix of industries often have medium levels of skills and earnings, medium house prices and mixed deprivation scores. They benefit to some degree from their dependent relationship with the centre.
3) Places with a more complementary pattern of sectoral specialisation have higher levels of skills, resident earnings and house prices. Their deprivation scores tend to be good and their workplace based earnings medium level. They are the dependent places that benefit most from their relationship with the economic centre.
Wakefield District overall falls into the first category of a dependent area

- **Skills levels are low in Wakefield**: In 2007, the percentage of Wakefield residents with no qualifications was more than 25 percent above the GB average, while the percentage of residents qualified to degree level was, at 17.4 percent, the lowest within the city region sample.
- **Median weekly earnings levels represent the only criterion where Wakefield resembles a type two dependent area**: Both resident and workplace based earnings in 2008 were only slightly below the GB average.
- **Wakefield specialises mostly in traditional sectors, such as food production or packing activities**. However, Wakefield also has some employment in financial and business services, which is primarily clustered within the North of the District in wards such as Pontefract North, Wakefield East and Wakefield North. It also has employment in logistics reflecting its connectivity (being on the West Coast mainline and near junctions on the M1 and M62).
- **2007 average house prices in Wakefield were around two thirds of the English average**.
- **Wakefield has a high degree of deprivation**: 30.6 percent of LSOAs were within the top 20 most deprived LSOAs in 2007, while 6.2 percent were within the top 20 least deprived. Deprivation is mostly concentrated in the North and in the South of the Local Authority area. However, this masks significant progress that has been achieved in recent years with a decrease in the percentage of residents living in the top 20 most deprived areas from 35 percent in 2004 to 30.6 percent in 2007. This reflects the considerable investment in addressing deprivation challenges within the area.

Harrogate

**Harrogate** District lies in close proximity to the Yorkshire Dales and rural North Yorkshire and comprises the historic towns of Harrogate, Ripon and Knaresborough. As a spa town, Harrogate has a successful tourism industry as a centre for short breaks and a gateway to Yorkshire’s countryside, and hosts a range of events at the Harrogate International Centre.

Harrogate is a preferred residential location for Leeds’ knowledge workers and the Local Authority area therefore is strongly linked to Leeds in labour market terms. In 2004, 13.3 percent of Harrogate’s 158,800 residents travelled to work in Leeds, while only 1.3 percent commuted from Leeds to Harrogate. Yet, Harrogate also has a small, independent economy of its own and a highly skilled population making it less reliant on Leeds. Harrogate was therefore positioned towards the interdependent side of the dependent quadrant. Its dependence on Leeds could be described as a ‘mutually supportive dependence’. Comparing 2001 and 2004 commuting data suggests that Harrogate is moving towards a more interdependent relationship with Leeds.

Harrogate falls into the third category of a dependent city

- **Harrogate has a high level of skills**: Harrogate has an above average proportion of residents that are qualified to degree level (135.3 with GB=100 in 2007), while the percentage of residents with no qualifications was almost 30 percent below the GB average.
- **Median weekly earnings levels in 2008 were slightly below the GB average**, with resident earnings above workplace based earnings, reflecting the importance of Harrogate’s role as a high quality residential area for highly skilled workers.
- **Harrogate Local Authority, especially to the North, is to a large extent rural, but it also has major employment (>500) in sectors that are complementary to Leeds**.
Complementary sectors are, in particular, retail, financial and business services and the entertainment industry.

- **House prices in Harrogate were over 20 percent above the English average in 2007**, reflecting its desirability as a place to live.
- **Harrogate has almost no deprivation.** Only one percent of LSOAs was in the top 20 most deprived in 2007, while 44.2 percent were in the top 20 least deprived.

**Kirklees**

Kirklees Local Authority lies in close proximity to the Peak District in the Pennines between the Manchester and Leeds City Regions, to the North West of the Sheffield City Region. It was traditionally a centre for the textile industry and still struggles with this legacy following industrial decline. Kirklees has a population of 401,000 and comprises Huddersfield, Dewsbury and Batley and a series of other towns and villages. Kirklees is the third Local Authority area within the Leeds City Region that was characterised as dependent based on its labour market links with Leeds. However, within the Local Authority area Huddersfield functions as an economic centre.

Kirklees had a slightly lower percentage of residents working in Leeds in 2004 (10.6 percent) than Harrogate or Wakefield. This number is, however, strongly driven by North Kirklees (in particular Batley, Birstall and Dewsbury East), while Huddersfield and a rather large area in the South of the Local Authority area lies comparatively isolated in the Pennines (e.g. Holmfirth, Marsden). Kirklees was therefore positioned towards the isolated side of the ‘dependent quarter’. Over time, our analysis of commuting patterns suggests that the Local Authority area is becoming more dependent on Leeds for employment opportunities.

Due to the differences between the South and the North of the Local Authority area, Kirklees lies somewhere between a type one and a type two dependence—its South seems to fit more into the first and its North more into the latter category.

**Kirklees falls in between the first and second category of dependence**

- **Kirklees has mixed levels of skills:** in 2007 its percentage of residents that were qualified to degree level was below the GB average (83.6 with GB=100) but its percentage of residents with no qualifications was only slightly below the GB average (83.1).
- **In terms of median weekly earnings Kirklees performs relatively well,** although both resident and workplace based earnings were below the GB average in 2008.
- **Kirklees specialises mostly in traditional industries** related to its industrial legacy, textiles, and a variety of other manufacturing activities, such as machine manufacture. The area also has major employment in education and food manufacture. Kirklees has over 500 employees working in several financial and business services, but compared to average employment within these sectors at the national level these are not industries in which Kirklees specialises.
- **House prices in Kirklees were only about 70 percent of the English average in 2007.**
- **Kirklees’ level of deprivation is mixed:** while a relatively large percentage of its LSOAs were amongst the top 20 most deprived LSOAs in 2007 (26.9 percent), 11.2 percent of its LSOAs were within the top 20 least deprived. Most deprivation is however concentrated within Dewsbury and Huddersfield, while Holme on the edge of the Peak District is an attractive residential location and has virtually no deprivation.

101 This is a simplification based on commuting patterns and patterns of sectoral specialisation, as skills, earnings and house price data is not available at ward level. In reality, differences both within the North and the South of the District exist.
Calderdale

The Local Authority area of Calderdale lies between the Leeds and Manchester City Regions in the South Pennines and has a population of 200,100. Calderdale District includes Halifax and a series of towns and villages, with Halifax functioning as an economic centre with its own labour market within the Local Authority area. Only a relatively small percentage (5.5 percent) of Calderdale’s residents travelled to work in Leeds in 2004 and an even smaller percentage made the commute from Leeds into Calderdale (1.8 percent). However, Calderdale has commuting links with Bradford and Kirklees.

There are considerable differences between places within Calderdale. For example, Northowram and Hipperholme have strong links with Leeds whereas Hebden Bridge, renowned for its creative industries, faces more towards Manchester and lies relatively isolated in the Pennines. Halifax, on the other hand, is a centre of employment for the financial services industry (Halifax Building Society, the HBOS and now Lloyds).

Leeds is not a strong centre of employment for Calderdale, and the Local Authority was therefore characterised as isolated from Leeds in terms of labour market relationships. However, comparing 2001 and 2004 commuting data suggests that Calderdale might become more interconnected with Leeds over time. Albeit from a low level, more commute into Leeds from Calderdale each morning, and similarly more Leeds residents commute to Calderdale each morning. Calderdale was therefore placed on the dependent side of the ‘isolated quadrant’.

Calderdale is an isolated area, but performs better than most isolated areas in many respects

- **Calderdale’s residents are relatively low skilled**: Calderdale had almost 18 percent more residents with no qualifications than the GB average in 2007 and a similar percentage less residents that were qualified to degree level.
- **Calderdale’s 2008 median weekly earnings were also mixed**: although both resident and workplace based earnings were below the GB average, they were still reasonably high. Median weekly resident earnings were 94.1 percent and median weekly workplace earnings were 87.0 percent of the GB average.
- **Calderdale specialises in a mix of industries**: more traditional industries are the manufacture of rugs and carpets or plastic builders ware; more complementary industries are other monetary intermediation or non-life insurance.
- **Houses in Calderdale cost on average 35 percent less than an average house in England in 2007**.
- **Calderdale’s deprivation scores are mixed**: 22.5 percent of LSOAs were amongst the top 20 most deprived LSOAs in 2007, while 12.4 percent of LSOAs were amongst the top 20 least deprived. Most deprivation is concentrated in Todmorden and Halifax, while places like Sowerby Bridge or Northowram have very low levels of deprivation.

York

York is an important tourist destination, with historic assets such as York Minster and the City Walls, and a host of Museums and Heritage attractions, and is a renowned educational centre, including a strong University. It is also one of England’s five Science Cities. York has a population of 193,300 and functions as an economic centre in its own right, drawing many of its commuters from North Yorkshire and the East. Its links with Leeds are less strong and are mostly at the higher end of the labour market – in 2004 only 4.7 percent of York’s residents commuted to Leeds.
and of these 4.7 percent over 11 percent worked in business services. York was therefore characterised as independent and positioned towards the interdependent side of the ‘independent quadrant’. Over time, our analysis suggests that York is becoming more independent from Leeds.

**Box 6: Independent places**

Our research found two types of ‘independent place’ depending on an area’s level of skills and earnings, its sectoral composition, average house prices and levels of deprivation.

1. Places with diverse industries are often characterised by a high level of skills, earnings, house prices and good deprivation scores. These are the areas with the strongest economic performance and with the most opportunities for residents.

2. Places with a mix of industries are often characterised by a medium level of skills, earnings, house prices and mixed deprivation scores. These areas are slightly less economically successful than their more diverse ‘independent’ counterparts.

York shows most of the characteristics of a type one independence

- **Skills levels in York are high**: A significantly higher proportion of residents than the GB average was qualified to degree level in 2007 (121.3 with GB=100), while the percentage of residents with no qualifications was a good 30 percent below the GB average.

- **Median weekly earnings in York were slightly below the GB average with resident earnings slightly above workplace based earnings in 2008**, due to the fact that some of York’s highly skilled residents commute out of the Local Authority area each morning.¹⁰³

- **York’s industrial composition is diverse**, stretching from tourism, finance and legal activities, to the manufacture of chocolates. The city’s specialisation in insurance complements Leeds’ financial services industry and represents an area where Leeds and York could become more interdependent (see also Section 3).

- **York’s house prices are above those of Leeds, but below the national average** (94.8% of the national average in 2007).

- **York performed well on indicators of deprivation**: in 2007 6.8 percent of LSOAs were amongst the top 20 most deprived LSOAs, while 39.8 percent were amongst the top 20 least deprived.

**Bradford**

Bradford was historically a major centre of the textile industry. Its boom during the Industrial Revolution was followed by decline during the 20th century. However, the city still boasts many historic buildings and, in the Salts Mill at Saltaire, houses a UNESCO world heritage site. Bradford has a population of 497,400 and a labour market of its own that increasingly overlaps with that of Leeds. In 2004 9.9 percent of Bradford’s residents travelled to work in Leeds, while 6.1 percent of Leeds residents travelled to work in Bradford.

However, there are pronounced differences within Bradford itself in terms of commuting. Places like Ilkley, Shipley or Bingley closely link into the Leeds economy and are arguably part of it, while minority ethnic communities in inner-city Bradford tend to commute only very short distances and are less well linked with Leeds.¹⁰⁵

In key aspects, therefore, Bradford is interdependent with Leeds, but the potential for wider mutual economic benefit is not currently realised. Many of Bradford’s skilled

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¹⁰³ A city with diverse industries can be distinguished from a city with a mix of industries according to two criteria: a diverse city specialises in a wider breadth of industries and has a smaller percentage of employment in traditional industries than a city with a mix of industries.

¹⁰⁴ According to the 2001 Census the highest total number of knowledge worker commuters commutes into Leeds (over 3,000). However, East Riding, Harrogate, Selby, Hambleton and Ryedale also feature highly (around 700 respectively).

¹⁰⁵ 2001 Census and stakeholder interviews. Part of this is likely to be due to improved transport connectivity and new, better quality rolling stock on the electrified Airedale and Wharfedale railway lines. Shipley station, for example, is only 17 minutes away from Leeds’ centre.
residents leave the city each morning to work in Leeds and, instead of Bradford firms benefiting from Leeds as a market for their products, Leeds firms tend to use Bradford as a market. One example is Leeds’ retail sector, which benefits substantially from Bradford’s young population.  

While figures from the 2004 Annual Population Survey (APS) indicate that a higher number of people commute from Leeds into Bradford than the other way round, 2007 figures from the APS as well as evidence from local stakeholder interviews suggests that this is a data anomaly. Bradford was therefore placed on the dependent side of the ‘interdependent quadrant’, with our research suggesting that it may be moving towards becoming more dependent on Leeds for employment opportunities for residents.

**Box 7: Interdependent places**

Our research found two types of ‘interdependent city’, which can be distinguished according to an area’s level of skills and earnings, its sectoral composition, average house prices and levels of deprivation. These two types look very similar to the two types of ‘independent places’:

1. Places with complementary industries are often characterised by a high level of skills, earnings, house prices and good deprivation scores. These areas benefit significantly from interdependent relationships with the economic centre.
2. Places with a mix of industries are often characterised by a medium level of skills, earnings, house prices and mixed deprivation scores. These areas benefit to some degree from interdependent relationships with the economic centre.

Bradford resembles a type two interdependent city, but in many respects looks like a type one dependent city:

- **Bradford has very low levels of skills**: in 2007 the proportion of residents with no qualifications was 45 percent higher than the GB average, while the proportion of residents qualified to degree level was over 23 percent below the GB average.
- **Bradford’s median weekly earnings are well below the GB average** – with median weekly resident earnings at 81.5 in 2008 and median weekly workplace based earnings at 87.4 (GB=100).
- **With the exception of publishing and retail sale via mail order, Bradford specialises almost exclusively in traditional industries**, such as cardboard and TV manufacture, metalworking or the manufacture of lighting equipment. This makes it more challenging for Bradford to form complementary firm relationships with Leeds.
- **On average, houses in Bradford cost 30 percent less than the average house in England.** However, this varies across the Local Authority area, with house prices in Ilkley, Bingley and Shipley being significantly higher, reflecting the quality of life and desirability of these neighbourhoods.
- **Bradford has concentrations of very high deprivation**: in 2007 41.0 percent of its LSOAs were in the top 20 most deprived LSOAs. However, the north of the authority area looks quite different to the rest. The 11.4 percent of LSOAs that were amongst the top 20 least deprived were spatially clustered in the North of Bradford city.

These individual relationships have an impact on the dynamics across the city region as a whole, and are affected by the characteristics of the built environment, the quality of life offer and the quality of transport links.
6. Key findings and policy conclusions

6.1 The economic geography of the Leeds City Region has clear characteristics that impact on the development of complementary economic relationships between places

The Leeds City Region has an emerging pattern of polycentricity. Leeds is the main economic driver and employment centre and is surrounded by other centres of different economic strength. Leeds plays an essential role in driving the growth of the city region because of its creative and cultural offer, and its role as a centre of knowledge-intensive employment, such as financial services. However, it also relies on and benefits from its links to neighbouring areas. This should be seen as an opportunity to build the strength of the city region as a whole and to create opportunities for stronger and more mutually beneficial labour market connections and firm links.

6.2 Existing links between places have impacted on economic growth and individual prosperity but there is untapped potential

The key research question at the start of this project was to assess the potential for complementary relationships between economic centres in the North and their neighbours to lead to economic spillovers. A useful way of assessing how much neighbouring cities and towns have benefited from Leeds is to look at gross value added over time (see also Figure 2.4 in section 2).

Over the past decade productivity has increased in all of our sample Local Authority areas and overall neighbouring areas are benefiting from stronger links with Leeds. This is despite the productivity gap between Leeds and its neighbouring towns and cities widening – with the smallest increase in Wakefield (50.2 percent) and the biggest increase in York (427.9 percent).

This pattern of a widening productivity gap between the economic core and neighbouring cities and towns is present in all of our case study city regions. Considering the rapid development of the financial and business services sector in Leeds over the past decade, it is unsurprising that the productivity gap between Leeds and its neighbouring towns and cities has widened.

It seems likely too that without spillovers, productivity gaps could be bigger still. Between 2002 and 2008, whilst the gap in workplace-based earnings has been increasing between Leeds and Calderdale, Bradford, Harrogate and Kirklees, it has narrowed between Leeds and York and Wakefield. In addition, the gap between Kirklees and Leeds has only widened slightly.

In the Leeds City Region, spillovers seem to occur particularly in those areas that currently depend on Leeds. Many residents from neighbouring areas travel to work in Leeds, reflected in the degree of convergence in resident earnings. Significant investment projects within these areas are also likely to depend on the overall success of Leeds. In other words, they are likely to benefit from a stronger Leeds.

Overall, this suggests that although there have been some positive spillovers, and benefits from complementarity can be observed, for the majority of Leeds’ neighbouring cities and towns there is still potential to benefit more from economic links with the economic centre.
6.3 How can the city region benefit more from complementary relationships in the future?

In the Leeds City Region, past decisions seem to have increased complementarities between Leeds and its neighbouring cities and towns. However, economic relationships do not stand still, but are constantly evolving based on choices made by both residents and firms. In certain areas, there appears to be scope to influence city relationships to help ensure neighbouring cities and towns derive the maximum economic benefit from the economic centre.

Leeds City Region can secure more economic benefits from working together to promote growth in Leeds as the economic core

Within the Leeds City Region, Leeds is the key centre of employment for neighbouring cities and towns, and the main driver of city region growth.

Our agglomeration index shows that, apart from being a major centre of employment, within the Leeds City Region, Leeds is the city with the strongest agglomeration forces at work. This indicates that a policy focussing on growing Leeds would help maximise benefits for the city region as a whole in a time of fiscal constraint, as well as spreading benefits more widely.

However, neighbouring towns and cities support Leeds through the provision of good quality housing, cheap business space or a ready supply of skilled labour. Therefore, policies focused on strengthening economic performance in Leeds will have wider benefits for neighbouring cities and towns.

To maximise economic benefits from links with Leeds, neighbouring towns and cities should build on their distinctive assets

It is crucial that the city region understands the different roles of different places and builds on their key strengths. Leeds growth has led to benefits for its neighbours, who have seen second-round investment, but this in turn has also strengthened Leeds. This research indicates that in the Leeds City Region housing, transport and skills are the key levers to strengthen links. However, the importance of these three policy levers varies across the city region, especially considering the city region’s North-South divide.

Some general conclusions about actions within these policy areas at the city regional level are set out below, alongside actions for specific places.

There are also specific actions that can be taken to improve complementarities within retail and financial services, our two case study sectors (see Box 8).

Housing should be the policy priority in the North of city region

The North of the Leeds City Region, in particular, the ‘Golden Triangle’ of North Leeds, Harrogate and York, is an attractive residential area for knowledge workers and an area of high housing demand. The area performs well on skills and seems less affected by low levels of transport integration. Increasing the supply of good quality housing, while maintaining the area’s quality of life, should therefore be the key priority for the city region and the Homes and Communities Agency in this area going forward, to ensure Leeds City Region has the future levels of skills it needs. Areas like Wakefield or Barnsley in the South of the city region also fulfil an important role in meeting housing demand, in particular for first time buyers and families. While housing policy will remain important, transport and skills policy should be the key priority policy areas for the South of the city region going forward.
Transport and skills should be the policy priorities in the South and West of city region

Transport Policy Levers
Transport is an enabler of closer economic links between places. However, in the South of the city region (Calderdale, Wakefield, Kirklees) and large parts of the Bradford Local Authority area, high levels of transport integration on a Local Authority level mask underlying differences in transport connectivity. Not all parts of the Local Authority areas of Calderdale, Wakefield, Kirklees and Bradford are connected equally well to Leeds, especially by bus. In Wakefield, for example, connectivity between Wakefield town centre and Leeds is much better than the links between Leeds and Wakefield’s five towns. In Calderdale and Kirklees, commuter rail services compete with inter-regional, trans-Pennine services.

Increasing transport connectivity and labour mobility, therefore, needs to be a key priority for the city region working closely with the Integrated Transport Authority. This will help more residents access job opportunities within Leeds city centre. And, although not the key priority in the North of the city region (York, Harrogate), better transport integration could also strengthen economic links between those areas and Leeds. Strategies to achieve these objectives would include stronger alignment of services (timing and routes) and smartcard ticketing covering the whole city region. In this respect, it is crucial that transport governance covers the city region’s functional economy. Given the likely reduction in transport budgets, the city region should prioritise transport projects that enhance growth and mobility, and which would therefore have the highest economic benefit for the city region as a whole.

Skills Policy Levers
The South of the city region and large parts of the Bradford Local Authority area struggle with low levels of skills. However, skills shortages within the retail sector are found across the whole of the city region.

Skills and transport policy work hand-in-hand. While transport enables closer economic links between places, residents need to have the appropriate skills to be able to access higher-value-added jobs. Therefore, this research identifies skills as the most important policy lever in facilitating complementary links between cities. Skills policy represents a key policy lever in the South and West of the Leeds City Region.

While the city region has made good progress on understanding high level skills needs and addressing worklessness, and, working together with the Learning and Skills Councils, has provided skills support to the financial services sector - knowledge of the issues at the lower end of the skills ladder is still less detailed.

In addition, the impact of the recession has highlighted the need to continue to focus across the economy with a diverse and energetic skills strategy. A strategy to tackle low level skills and improve basic, generic and transferable skills should therefore be a key priority for the city region’s newly created Employment and Skills Board (ESB), which should also encourage the exchange of best practice in tackling these issues between Local Authorities in the West and South of the city region.

107 One example is the Wakefield Local Authority area. Connectivity from Wakefield city centre into Leeds by public transport is relatively good, while the connectivity between Leeds and Wakefield’s five towns is sub-optimal (stakeholder interview).

108 This means transport governance should cover at least those areas that are interdependent with Leeds or depend on it.

109 Stakeholder interview
Policy intervention must vary according to an area’s role within city region

This research has illustrated strongly the different roles that different Local Authority areas play within the city region overall, and it provides a strong message about the importance of Local Authorities aiming to maximise spillovers from Leeds by developing complementary strategies. Alongside the development of a strategy for the forerunner city region, the forthcoming process of developing Local Economic Assessments offers a key tool for this approach.

Positioned on the edge of two of the most economically successful city regions within the UK, Calderdale and Kirklees have a strategic role to play. With both either isolated or dependent/near isolated with respect to Leeds, the two Local Authorities should concentrate on maximising economic opportunities with Leeds, but also reflect on their relationship with the Manchester City Region.

- For Calderdale, this is about improving transport connections (travel time and frequency) and building on its quality of life offer. This will help end economic isolation from Leeds, which is inefficient over the long run. In the short run, Calderdale should concentrate on strengthening its links with Bradford and Kirklees.
- For Kirklees, this is about up-skilling local residents to enable them to benefit from job opportunities. This will help increase the benefits from its dependent relationship with Leeds.

Although they emerge with different typologies from this analysis, both Harrogate and York have one major characteristic in common. Both are a preferred place of residence for knowledge workers, leading to steady increases in local house prices. The two Local Authorities should therefore work with the city region and the Homes and Communities Agency to alleviate pressure on their housing markets and make the most of their relationship with Leeds. For York, this is much less about transport than it is about engaging with the city region on skills and science and technology issues.

Although our analysis suggests that the city is moving towards a more dependent labour market relationship with Leeds, Bradford with its ready supply of labour has a key role to play within the city region. Bradford’s economic relationship with Leeds could be stronger and there is a role for the Local Authority to clearly analyse and communicate its role. It is a diverse city, and it will need to adapt different strategies in different areas of the Local Authority to maximise its economic outcomes.

Although our analysis currently classifies the Local Authority area as dependent, Wakefield is moving towards a more interdependent relationship with Leeds. The Local Authority now needs to ensure the benefits of this emerging interdependent relationship are spread more widely into Wakefield’s five towns. This is primarily about working with Metro and local bus operators to secure better bus links to Leeds and also about working with the city region’s ESB to up-skill local residents. In addition, the Local Authority needs to work with Yorkshire Forward to sustain a business-friendly environment.

110 Larkin, K. (2009)
111 In the Shipley/Bingley/Ilkley area, the focus should be on making sure the right kind of housing and quality of life remains available. With regards to inner-city communities reducing barriers to work through up-skilling and ensuring low cost transport options (e.g. rapid bus link) are available.
Despite current contractions the financial services sector will remain an important employer within the Leeds City Region. This research shows that there is a clear hierarchy within the sector and clear complementarities between different geographical areas. However, backward linkages could be stronger and networking is currently very much focused on Leeds. With regards to the financial services sector, we therefore recommend:

- Supported by Yorkshire Forward, the Leeds Financial Services Initiative (LFSI) needs to continue to expand its geographical scope to match the city region area more closely. One way of doing this would be to organise more evening events in financial sub-centres outside Leeds.

- The LFSI should look into increasing the membership of organisations within the sector’s supply chain (e.g. financial ICT providers). Through networking events, this could help LFSI members identify local business opportunities and potentially strengthen the sector’s backward business linkages.

Within the retail sector, there is less scope for direct policy intervention. However, a focus on effective public transport links to centres of retail employment can help increase labour mobility and flexibility. In addition, the current recession is likely to lead to a consolidation of retail employment in those centres higher up in the retail hierarchy – Local Authorities need to factor this into their employment land planning and need to think of alternative uses for empty retail business space.

Leeds City Region should develop an Economic Strategy that reflects this analysis

At a time when resources for investment are tight, and the short- to medium term impact of the recession is likely to create labour market challenges, the importance of building on the strong foundations which have been laid within the city region is stronger than ever.

This research has offered an analysis which seeks to identify the roles played by different parts of the city region in maximising the economic outcomes for the city region as a whole. It has looked in detail at two key sectors, and analysed the relationships between Leeds, as the economic core, and six other Local Authority areas, selected to offer a broad analysis of economic relationships within the city region. It is intended that this approach will enable reflection on the role of other places within the city region.

A city region Economic Strategy built around this type of analysis could help to shape thinking about the prioritisation of approaches and investments to overcome these challenges. Such a strategy should aim to maximise economic benefits for the city region as a whole, thinking about the existing roles of places but also their potential to change over time. There is further agglomeration potential in Leeds, and an opportunity for strengthening complementary linkages with other cities and towns.
Annex A – Interviewees

Our thanks go to the following interviewees for their time and insights:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Organisation</th>
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<tbody>
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<td>Kathryn Daly</td>
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<tr>
<td>John Griffiths</td>
<td>Head of Economic Development Services</td>
<td>Kirklees Metropolitan Council</td>
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<tr>
<td>Paul Stephens</td>
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<td>David Williamson</td>
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<td>Eileen Scotten</td>
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<td>Roger Kojan</td>
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<td>Sally Hinton</td>
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<td>Bryn Jones</td>
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<td>Andy Haigh</td>
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<td>Andrew Sharp</td>
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<td>Howard Kew</td>
<td>Chief Executive</td>
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<tr>
<td>Jean Dent</td>
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<tr>
<td>Nigel Avison</td>
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<tr>
<td>Anne Gose</td>
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<td>Barra MacRuari</td>
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<td>Paul Whitaker</td>
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<td>Ken Davy</td>
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<td>Simply Biz</td>
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<td>David Horth</td>
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<td>Patrick Bowes</td>
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<td>Leeds and York Chamber of Commerce</td>
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<td>Chris Leslie</td>
<td>Director</td>
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