SUBMISSION FROM NORTH AYRSHIRE COUNCIL

1. Introduction

The purpose of this report is to assist and inform the Committee’s inquiry into the Living Wage, by setting out the background and the context of North Ayrshire Council’s approach to its adoption.

2. Background

The Council adopted the living wage having regard to the current and future reduction of public sector expenditure, expected to equate to an average annual decline in Scottish Government spending of 3% through to 2015/16.

In addition, the wider economic climate will likely have a significant impact on North Ayrshire given that North Ayrshire already has high levels of unemployment and youth unemployment; has a vulnerable industrial structure characterised by a high proportion of its jobs in the public sector and in intermediate level manufacturing that is at risk of global competition; and the importance of investment in the regeneration of Irvine Bay.

The economic circumstances outlined above are affecting all of Scotland and much of the developed world. However, they are likely to have particularly severe effects on North Ayrshire as it is starting from a position of weakness:

- Pre-recession, North Ayrshire had one of the highest levels of unemployment in Scotland and this will persist unless North Ayrshire can buck the trends on unemployment and jobs growth outlined above.

- Pre-recession, North Ayrshire had a high level of youth unemployment and a large proportion of young people in the MCMC group. As young people tend to be disproportionately affected by the decline in available employment opportunities during the recession, North Ayrshire risks a “lost generation”.

- The industrial structure of the North Ayrshire economy may put it at greater risk than other areas. The perception amongst key stakeholders is that North Ayrshire companies tend to produce low value goods and services, with manufacturing focused on the intermediate stages of production. This makes these companies vulnerable to competition from other economies.

- Linked to this, whilst there are many successful SMEs in the area, these tend to focus on selling to the local market. GDP growth will require UK companies to export more – and over time North Ayrshire is likely to fall even further behind other areas without a core of companies that can exploit opportunities abroad.

- Pre-recession, North Ayrshire struggled to attract private sector investment (for example, developing housing or commercial property).
The recession has made attracting private sector investment more difficult for all areas but North Ayrshire will be a particularly unattractive proposition because of the poor yield on investment compared to other areas.

Other key impacts of the economy and public sector spending cuts on North Ayrshire are:

- Since the start of the recession, the numbers claiming Jobseekers Allowance in Scotland has increased from 2.8% of the 16-64 population to 4.0%. In North Ayrshire, the proportion has increased from 4.7% to 6.3%.

- 20% of North Ayrshire’s working age residents are claiming an out-of-work benefit. In addition, the area has a slightly larger proportion of retirement age residents than Scotland as a whole. Proposed cuts to benefits and pensions will reduce income in the area.

3. Current Position

The Council approved its Economic Development and Regeneration Strategy 2010-2020 in February 2011, and has and will continue to engage with strategic partners, public sector agencies and governments to deliver the outcomes set out in the Strategy implementation plans. An Executive Summary of the Strategy is attached at Appendix 1.

The Council is the largest employer within North Ayrshire, with a workforce of 6,673 people ranging from unskilled workers to professionals. The Council previously employed 294 people who previously earned below the living wage of £7.15 per hour.

As a policy initiative, having regard to the weakness of the local economy and level of worklessness, the Council took the policy step to introduce the Living Wage on 1 April 2011, in support of its ambitious plans to take forward its Economic Development and Regeneration Strategy.

4. Going Forward

The Council currently does, and will increasingly, include Community Benefit clauses in its contracts let to the marketplace. The aim is to stimulate the local economy within the contract compliance regime. The Council has not taken the step to include the Living Wage as a contractual clause in its procurement exercises, given the fragility of the local economy and having regard to its strategy to support SME’s, for whom the Living Wage may adversely impact on their sustainability as a local employer.
5. Conclusion

The Council’s decision to introduce the Living Wage is both to help stimulate the local economy, and to be in a position to lead by example in order to embrace influence the larger employers within the area to follow suit to also implement the Living Wage concept.

Murray Macfarlane
Head of Human Resources
North Ayrshire Council

2 December 2011
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APPENDIX 1

NORTH AYRSHIRE COUNCIL

ECONOMIC DEVELOPMENT AND REGENERATION STRATEGY

2010-2020

October 2010
Economic Development and Regeneration Strategy

1. North Ayrshire has for sometime experienced profound economic difficulties in relation to high unemployment, low pay, multiple deprivation, low levels of business start up and business stock, poor quality urban fabric and lower than average house prices. The economic recession further exacerbates these difficulties.

2. North Ayrshire Council and the North Ayrshire Community Planning Partnership place the upmost importance on the need for economic development and regeneration and have worked hard to tackle North Ayrshire’s economic difficulties. However, to guide future activities, an Economic Development and Regeneration Strategy for North Ayrshire for 2010-2020 is required. This will provide North Ayrshire Council and its partners with:
   - A clear vision for North Ayrshire’s future.
   - A framework for a more joined up approach to economic development and regeneration.

Our Challenges and Opportunities: Economy and Public Sector Spending Cuts

3. Our Strategy is being developed at a time of great uncertainty for the economy as a whole and particularly for the public sector given the significant cuts required to tackle the budgetary deficit. Our Strategy will be delivered within this context – with the main challenges being:
   - The UK and Scotland are now out of recession but economic output remains well below pre-recession trends and growth is likely to be weak over the medium term.
   - Previous recessions show that unemployment lags economic recovery meaning that unemployment could continue to rise in the short to medium term – particularly if there are future cuts in public sector employment.
   - Public sector expenditure is expected to fall by 15% between 2009/10 and 2015/16. In Scotland, this is expected to equate to an average annual decline in Scottish Government spending of 3%. Capital investment (which includes local government, transport and housing and regeneration) is likely to be particularly badly hit.

4. The wider economic climate will likely have a significant impact on North Ayrshire given that North Ayrshire already has high levels of unemployment and youth unemployment; has a vulnerable industrial structure characterised by a high proportion of its jobs in the public sector and in intermediate level manufacturing that is at risk of global competition; and the importance of investment in the regeneration of Irvine Bay.
Our Challenges and Opportunities: Scottish and UK Policy

5. The policy environment is also in a period of flux following the election of the new UK Government in May 2010. Scottish policy is more well-established but the May 2011 Scottish Parliamentary elections may lead to future changes. For North Ayrshire, the main challenges and opportunities are:

- To contribute more strongly to Scotland’s Government Economic Strategy and National Outcomes.
- To respond quickly to changes in UK welfare policy and programmes so that North Ayrshire’s out-of-work benefits claimants are supported as effectively as possible towards and into jobs in North Ayrshire and elsewhere.
- To support the opportunities for North Ayrshire stemming from the National Planning Framework for Scotland and National Renewables Infrastructure Plan – most notably the opportunities from Hunterston.

Our Challenges and Opportunities: North Ayrshire’s Economy and Labour Market

6. North Ayrshire’s future prospects are further complicated by evidence that indicates that North Ayrshire’s economy and labour market has been deteriorating relative to other areas over the last 5 years. Our Strategy will therefore first need to reverse these trends before creating a more vibrant and diverse economy and labour market over the next 10 years. The main challenges are:

- **Increasing North Ayrshire’s business base** – if North Ayrshire had the same jobs and business density as Scotland, it would have 22,500 more jobs and 850 more businesses. By industry, North Ayrshire is well-represented in manufacturing, tourism and public sector services but is strongly under-represented in business, financial and IT services.

- **Tackling North Ayrshire’s high worklessness rates** – North Ayrshire performs below the Scotland and West of Scotland averages on all unemployment measures with the gap widening on most indicators.

- **Improving North Ayrshire’s skills levels** – using qualifications as a proxy for skills, North Ayrshire performs below the Scotland and West of Scotland averages on adult and school age qualifications with the gap again widening.

- **Reducing North Ayrshire’s deprived areas** - the Scottish Index of Multiple Deprivation shows that deprivation levels in North Ayrshire have increased with 24% of its datazones now in Scotland’s worst 15%.
Our Challenges and Opportunities: Stakeholder Perspectives

7. Our Strategy is informed by the views of a wide range of stakeholders – including local employers and local communities. While all recognised the challenges facing North Ayrshire, opportunities and assets on which to build were also identified.
   - The **challenges** (over and above those outlined above) include the poor state of many of North Ayrshire’s town centres; the surplus of former industrial land; the poor quality of available business premises; gaps in the North Ayrshire tourism offer; and the lack of higher level and technical skills amongst the local workforce.
   - The **opportunities and assets** identified include North Ayrshire’s quality of environment and scenery; tourism assets such as Arran, Largs, Clyde Muirshiel Regional Park, golf courses and marinas; good road and rail transport infrastructure with access to air and sea ports; the presence of some major global and innovative businesses; the development opportunities around Hunterston, Ardeer’s energetics cluster and Glengarnock/Lochshore; and an available pool of labour.

8. The uncertain economic climate makes addressing North Ayrshire’s challenges and building on its opportunities and assets and more demanding. However, in addition to the uncertain spending environment, stakeholders also identified **weaknesses in past economic development and regeneration activities** that our Strategy will seek to overcome. These weaknesses include:
   - No clear strategy or vision for North Ayrshire – amidst a wider lack of ambition for the area.
   - Lack of clarity around who is driving forward economic development and regeneration in North Ayrshire.
   - Lack of leadership around key sectors and opportunities – e.g. tourism and renewables.
   - Limited evidence on how effective North Ayrshire’s economic development and regeneration activities have been.

Our Strategy

9. Our **vision** that guides the North Ayrshire Economic Development and Regeneration Strategy is that by 2020 North Ayrshire will be:
   - **Vibrant** – With more businesses and jobs located in the area and revitalised town centres.
   - **Diverse** – There will continue to be a diverse range of businesses and industries in North Ayrshire, attracting a wide range of people to live and work in the area.
   - **Connected** – North Ayrshire will be well-connected to ensure individuals and businesses can take advantage of opportunities outside the area. North Ayrshire will have a clear role in the wider Glasgow City Region.
• **Ambitious** – Individuals and businesses will be ambitious, making the most of what North Ayrshire has to offer and taking advantage of the connections to elsewhere. The public sector will be ambitious for North Ayrshire as a whole and ensure the supports are in place to help individuals and businesses to realise their ambitions.

• **Visible** – Individuals, businesses, policymakers and funders will have a clear sense of what North Ayrshire can offer them. Combined, these characteristics will *revitalise* North Ayrshire’s economy and communities, making them more resilient.

10. To achieve our vision, we have set two bold *strategic goals* for our Strategy.
   • North Ayrshire becomes a leading location for doing business, with a jobs density in the top half of all Scotland’s local authorities. A longer term aspiration is to be in the top quartile of Scotland’s non-city local authorities.
   • Worklessness is at the Scottish level and there is less inequality within North Ayrshire, with no datazone having an unemployment level of more than double the rate for North Ayrshire as a whole. This will help halve the number of deprived areas in Scotland’s worst 15%.

11. We have also set a *strategic principle* that is important in delivering the vision.
   • The public sector will be responsive to the needs of businesses and individuals and will achieve this by working more effectively individually, collectively and, where appropriate, in partnership.

12. We have 8 *strategic objectives* which will help to focus our efforts.
   • To increase the number of jobs through a coordinated approach that encourages start-up, supports existing business to grow and attracts businesses to North Ayrshire.
   • To encourage the current business base to move up the value chain and to attract high value-added activities and jobs to North Ayrshire.
   • To provide an accessible and seamless pathway of services to help workless residents, including young people, into sustainable employment.
   • To stimulate demand for skills and training amongst employers and residents.
   • To transform deprived areas in North Ayrshire into strong, resilient and sustainable places by developing a customised approach for each area.
   • To support the creation of distinctive, vibrant town centres and establish mechanisms to encourage spend in North Ayrshire.
   • To improve North Ayrshire’s connections to neighbouring areas, the West of Scotland, Scotland, the UK and internationally. This encompasses both physical connections and institutional and business links.
   • To develop clear statements of North Ayrshire’s offer and to ensure the area is promoted effectively to individuals, businesses and Government.
Implementing Our Strategy

13. Our Strategy must be turned into action and begin to change the way economic development and regeneration activities are planned, commissioned and delivered. Critical to this is the development of strategic projects that have the capacity to make a significant impact on North Ayrshire but are also targeted at specific opportunities or weaknesses. We have identified 10 strategic projects.

- Develop a Business Development Continuum for businesses to access the services they need whether delivered by a local, pan-Ayrshire, regional or national organisation. A key element of this is a Beyond North Ayrshire programme to encourage local businesses to widen their markets.
- Attract and retain high value businesses through developing modern business facilities and a skilled and adaptable workforce that builds on employment and skills pathways into key industries, promotes the benefits of training, and encourages employers to partner with schools.
- Improve the tourism offer by addressing identified gaps and developing a cross-marketing campaign as used successfully in Arran.
- Build on North Ayrshire’s major assets, including Hunterston and the energetics cluster, to help create skilled jobs.
- Update the current Employability Strategy with the aim of developing an Integrated Employability Pathway.
- Develop customised approaches for North Ayrshire’s deprived areas – including the development of Total Place pilots.
- Town centre regeneration by ensuring an appropriate mix of facilities and services in each town centre.
- Encourage local businesses and the public sector to spend more locally through developing business to business networking opportunities and public sector community benefit clauses and supplier development programmes.
- Continually improve North Ayrshire’s connections to other areas by working with partners to overcome infrastructure problems faced by local businesses.
- Develop clear statements of North Ayrshire’s offer that are customised to the target audience – with regular major events or developments also delivered to help raise North Ayrshire’s profile.

14. It is essential that our Strategy has the mechanisms in place to drive forward the Strategy. The immediate priority is to establish a Strategic Group (or Board) that is tasked with ensuring the Strategy’s vision, goals, objectives and projects are delivered.

- Its remit includes signing off the strategy; agreeing a 3 year Business Plan and 1 year Implementation Plan; making key decisions around service design, delivery and resource allocation; and reviewing progress towards milestones and targets (staged at intervals leading up to 2020).
• It should have a small but senior level membership that consists of North Ayrshire Council, Irvine Bay Regeneration Company, Scottish Enterprise, Skills Development Scotland, Jobcentre Plus and Visit Scotland. Private sector representation may also be advantageous.
• The Strategic Group needs to be served by a dedicated and resourced secretariat.

15. At an operational level, it is essential that there is a dedicated **Implementation Group** in place.
• Its remit is to be collectively responsible for the delivery of specific strategic projects; report progress against strategic projects, milestones and targets, and raise any emerging issues, challenges and opportunities.
## APPENDIX: PURSUING OUR STRATEGIC OBJECTIVES

<table>
<thead>
<tr>
<th><strong>SO1:</strong> To increase the number of jobs through coordinated approach that encourages start-up, supports existing business to grow and attracts businesses to NA</th>
<th><strong>SO2:</strong> To encourage the current business base to move up the value chain and to attract high value-added activities and jobs to NA</th>
<th><strong>SO3:</strong> To provide an accessible and seamless pathway of services to help workless residents, including young people, into sustainable employment</th>
<th><strong>SO4:</strong> To stimulate demand for skills and training amongst employers and residents</th>
<th><strong>SO5:</strong> To transform deprived areas in NA by developing a customised approach for each area</th>
<th><strong>SO6:</strong> To transform deprived areas in NA by developing a customised approach for each area</th>
<th><strong>SO7:</strong> To improve NA’s connections to neighbouring areas, the West of Scotland, Scotland, the UK and internationally</th>
<th><strong>SO8:</strong> To develop clear statements of North Ayrshire’s offer and to ensure the area is promoted effectively to individuals, businesses and Government</th>
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<tr>
<td><strong>SO1</strong> Headline Evidence</td>
<td><strong>SO2</strong> Headline Evidence</td>
<td><strong>SO3</strong> Headline Evidence</td>
<td><strong>SO4</strong> Headline Evidence</td>
<td><strong>SO5</strong> Headline Evidence</td>
<td><strong>SO6</strong> Headline Evidence</td>
<td><strong>SO7</strong> Headline Evidence</td>
<td><strong>SO8</strong> Headline Evidence</td>
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<tr>
<td>Low jobs density</td>
<td>Concentration of low-value economic activities (especially manufacturing)</td>
<td>High levels of worklessness</td>
<td>Skills profile poor</td>
<td>Entrenched and deepening deprivation</td>
<td>Large proportion of North Ayrshire is part of wider economy</td>
<td>North Ayrshire is under-represented in funding allocations</td>
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<td>Low business density</td>
<td>At risk of competition</td>
<td>Significant gap compared to Scotland</td>
<td>Worsening compared to other areas</td>
<td>Affects significant proportion of NA population (c.25,000)</td>
<td>Heavily reliant on local market by SMEs</td>
<td>Lack of inward investment</td>
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<tr>
<td>Low start up rate</td>
<td>At risk of competition</td>
<td>High levels of youth unemployment</td>
<td>Gaps persist over time</td>
<td>Impact on viability of town centres</td>
<td>Falling population</td>
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### Our Tasks

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<th><strong>SO1</strong> Our Tasks</th>
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<td>Enhanced business development support</td>
<td>Customised marketing of NA offer</td>
<td>Facilitate developments at Hunterston and energetics cluster</td>
<td>Coordinated approach to improve tourism offer</td>
<td>Enhanced business development support</td>
<td>Customised marketing of NA offer</td>
<td>Developing statement of North Ayrshire offer</td>
<td>Customised marketing of NA offer</td>
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<td>Customised marketing of NA offer</td>
<td>Develop modern business facilities</td>
<td>Improve employment and skills pathways</td>
<td>Beyond North Ayrshire programme to encourage exporting</td>
<td>Enhance employability service offer</td>
<td>Mechanisms in place to ensure demand can be met</td>
<td>Enhance employability service offer</td>
<td>Enhanced business development support</td>
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<td>Facilitate developments at Hunterston and energetics cluster</td>
<td>Improve employment and skills pathways</td>
<td>Beyond North Ayrshire programme to encourage exporting</td>
<td>Promote benefits of training</td>
<td>Redundancy matching service</td>
<td>Improved business networking opportunities</td>
<td>Beyond North Ayrshire programme to encourage exporting</td>
<td>Developing statement of North Ayrshire offer</td>
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<td>Coordinated approach to improve tourism offer</td>
<td>Integrated transitions team for young people</td>
<td>Enhance education-business links</td>
<td>Customised approaches including ‘Total Place’ pilots</td>
<td>Improve linkages to jobs outside NA</td>
<td>Deploy public funding to maximise benefits for residents</td>
<td>Improve linkages to jobs outside NA</td>
<td>Customised marketing of NA offer</td>
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### Additional Evidence

- North Ayrshire under-represented in funding allocations
- Lack of inward investment
- Falling population
## Agenda item 2

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<th>What We Will Achieve</th>
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<tr>
<td>• More businesses</td>
<td>• Industrial profile remains diverse</td>
<td>• Decrease in proportion with no qualifications</td>
<td>• Better results from services</td>
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<td>• More start-ups</td>
<td>• More high value added activities – including SG/SE priority industries</td>
<td>• Increase in proportion of workforce with Level 3/4 qualifications</td>
<td>• Fewer datazones in worst 15% nationally</td>
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<td>• More jobs</td>
<td>• Increase in GVA per employee</td>
<td>• Lower number of 18-24s on JSA</td>
<td>• Relative increase in employment rates for deprived areas</td>
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<td>• Higher qualifications levels for 16-24</td>
<td>• Inequality reduced within North Ayrshire</td>
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<td>• Improvement in unemployment rates</td>
<td>• Improvement in employment rates</td>
<td>• More jobs/businesses</td>
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<td>• Improvement in unemployment rates</td>
<td>• Fewer in NEET group</td>
<td>• More visitors to NA</td>
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<td>• Increase in funding received</td>
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