Co-Living and the Exeter Economy

FINAL REPORT

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1: Introduction

1.1 The purpose of this report is to introduce the relatively recent phenomenon of Co-living as an alternative form of accommodation and to highlight the relevance of the concept to several current and emerging challenges facing the economy of Exeter.

Introduction to Co-living

1.2 Co-living is a recently emerging concept that is especially relevant to people with a relatively short-term accommodation need, such as might traditionally be met by a house-share or serviced accommodation. Co-living offers shared amenities with all-inclusive bills and with relatively 'easy-out' arrangements. The benefit of the Co-living concept for residents is that higher standards of amenity and support services are typically provided than would be found in alternative forms of accommodation, such as a house-share.

1.3 Co-living developments typically provide residents with their own studio bedroom with ensuite, plus a workspace and often a kitchenette. Larger kitchen facilities, dining rooms, laundry facilities and social space (such as lounge-rooms, TV rooms, games room and other recreation space) are usually provided in common areas that are available to all residents. Co-living developments also usually provide co-working space to help foster networking opportunities for young professional workers and entrepreneurs. These developments are staffed to provide residents with concierge services and security.

1.4 Co-living schemes have emerged partly in response to the growing needs for cities at the forefront of the modern, knowledge-focused economy for a more agile and mobile workforce, such as professional workers employed on short-term contracts (e.g. to deliver local projects for their employer on behalf of locally based clients, or to work as part of an assembled special project team over a relatively short duration). The growing need for an agile workforce to meet the needs of the economy is explored further in Chapter 2 of this report.

1.5 The emergence of Co-living in the UK is also a response to the escalating cost of housing in many larger or more dynamic city economies. The increasing cost of housing relatively to growth in incomes is a particular challenge for graduate workers starting their careers. Whilst over their working careers graduates will usually enjoy above-average incomes, starting salaries for graduates are significantly lower, hence accessing the housing ladder or affording rent in expensive cities can be a substantial challenge for these young professional workers.

Exeter's economy: opportunity and challenges

1.6 The City of Exeter has a very successful economy when judged against a number of standard criteria. Based on data up the end of 2019, levels of employment in Exeter were high compared regional and national averages, and as a consequence levels of unemployment and economic inactivity were relatively low. Moreover, the City has grown its employment base very strongly in recent years, and the number of businesses based in the City have also increased steadily. Furthermore, a high proportion of the new employment appears to be in sectors that have above-average levels of productivity (such as Information Technology) and which require substantial numbers of highly qualified graduate recruits.

1.7 This strong growth trajectory is predicted to continue. Forecasts contained in the *Exeter Skills Strategy* published in 2019 suggest that an additional 12,000 workers could be needed to fill jobs created in Exeter by 2029, with many of these jobs requiring high levels of skills and qualifications. Based on current demographic trends, it is possible that there will be sufficient capacity in the local resident workforce to fill perhaps one-quarter of these jobs. Additional supplies of workers will therefore be needed if the city's economy is to grow to the level anticipated by the *Exeter Skills Strategy*.

1.8 Various potential sources of additional labour supply will need to be tapped into if Exeter is to fulfil its future growth potential. One ready source of additional and highly skilled workers is the annual supply of graduates from the University of Exeter, which is a highly rated Russell Group institution. Recent data suggests that only around 12% of graduates for the University currently continue to live and work in Exeter after graduation, with a further 5% working elsewhere in Devon. Around two-thirds of graduates leave for work opportunities outside the South West, with London the largest single destination. Therefore, in order to capture a greater proportion of potential future economic growth Exeter will almost certainly need to do more to retain a greater proportion of the annual supply of highly qualified graduates produced by its own University.

1.9 However, one challenge to retaining a higher proportion of graduates is the current lack of affordability of housing in the City. For example, a recent *Cities Outlook* report produced by the Centre for Cities highlighted that Exeter had one of the highest levels of increase in house prices in 2018, and was the sixth most expensive city in terms of affordability in the UK with a ratio of 11.7 between average house price and average wage.[1]

1.10 The emergence of the Co-living concept is therefore highly relevant to the identified need of Exeter to attract additional supplies of highly qualified workers to meet the future recruitment needs of local employers, especially those operating in 'knowledge economy' sectors such as Information technology, Digital Media and Professional services, as well as in sectors such as Health care and Education.

Structure of the report

1.11 The purpose of the report is to examine the issues introduced here, with the remainder of the report structured as follows:

- Chapter 2: explores further the concept of Co-living and its relevance to the modern economy
- Chapter 3 examines more closely the nature of the opportunities and challenges facing the economy and labour market of Exeter over the period to 2029
- Chapter 4 provides some brief conclusions.

[1] Cities Outlook 2019, Centre for Cities

2: More on Co-living

2.1 Co-living as a concept apparently first appeared in Copenhagen but has since emerged in various major global cities such as New York, Berlin and London. The concept arose in response to the growth in demand in those cities for an agile and entrepreneurial workforce catering to the needs of fast-moving, high value industries such as digital media, creative industries and ICT.

2.2 More recently, developments and proposals for Co-living schemes have begun to appear in larger regional UK cities such as Manchester, but also smaller urban areas such as Cambridge. The latter is a useful comparator for Exeter as world-class business clusters centred around Biotechnology and ICT has emerged in Cambridge in recent decades, driving strong demand there for an agile, highly skilled workforce.

The Co-living Concept

2.3 Co-living is a recently emerging concept of communal living that is proving to be popular with young professional workers and young knowledge-economy entrepreneurs, many of whom live and work on their businesses from the same Co-living development. With Co-living schemes residents can network and establish synergies to help with their enterprise and business projects.

2.4 Co-living developments are usually physically located near to the centre of cities, proximate to the highest density of professional and other knowledge-economy work opportunities with attractive leisure, recreation and cultural facilities located close by. Such schemes also minimise the need for time spent travelling to work and reduce the need for car ownership.

2.5 Co-living is a community living concept whereby young professional and entrepreneurs can inhabit attractive living space with like-minded people, sharing living costs and high-quality facilities whilst also benefiting from flexible rental terms. Co-living developments usually provide residents with their own studio bedroom with ensuite, plus a workspace and often a kitchenette.

2.6 Co-living developments also provide a substantial number and amount of communal space, such as large kitchen facilities and dining rooms, laundry facilities, wellness and exercise space (such as gyms and spas). Co-living developments also typically provide a high proportion of social interaction space (such as lounge-rooms, TV rooms, games room and other recreation space) in common areas that are available to all residents.

2.7 Co-living developments also provide co-working space to help foster networking opportunities for young professional workers and entrepreneurs.

2.8 With Co-living developments there is also the opportunity for interaction with other residents in shared facilities that may not be available in serviced accommodation. For example, Co-living developments frequently provide residents with access to a calendar of events (such as movie nights, games and quiz nights, themed meals, etc.) that are managed or facilitated by the management of the building.

2.9 It is envisaged that the majority of the residents of Co-living developments would be young workers with graduate qualifications, either working as professionals or associate professionals for private sector and public service employers (or as entrepreneurs in their own right). The typical age profile of occupants would be expected to be aged between 25 and 35 years. Occupants are therefore expected to be well-qualified and would often be at an early stage on the career ladder.

2.10 Whilst Co-living as a concept is not designed as key worker housing, it is likely that some residents would be employed by the public sector, e.g. as teachers, lecturers or other University staff; as junior doctors, nurses or other health care professionals; as emergency services workers; or as young professional workers employed by the City Council.

2.11 Whilst Co-living is usually thought of as being primarily relevant to young professional workers from their early 20s up to mid-30s, the concept can also be relevant to 'young minded' middle aged workers. For example, the concept can be attractive to single people in their 40s/50s or those who have recently experienced a relationship break-up.

Co-living and the Modern Economy

2.12 The growth of Co-living developments is linked in turn to the concept of business and technology clusters, whereby individuals in linked industries can operate in close proximity, leading to more frequent interactions and collaborations. In the UK and internationally, creative and knowledge-based industries businesses often congregate together in urban quarters, generating an 'urban buzz' that is attractive to young entrepreneurs and skilled workers.

2.13 Such clustering helps to foster effective collaboration within and between young, dynamic enterprises and highly skilled workers, many of whom work on a flexible basis (such as short-term contracts) or are self-employed.

2.14 This concept is fully acknowledged in the Design Review for the proposed Gladstone Road, Exeter, scheme prepared on behalf of Watkin Jones Group by Manson, where it is recognised that one of the advantages of a Co-living scheme is that "*access to co-working space reduces the need for travel to work and facilitates information exchange and exchanging of ideas*".

2.15 The beneficial outcomes of such fostering such interactions – sometimes known as 'creative collisions' – for companies and locations participating in the modern, knowledge-driven economy can include:

- increased levels of innovation and productivity growth
- increased rates of business growth and heightened levels of survival among new start enterprises
- attraction and retention of highly skilled and creative workers, including through the development of a dynamic 'urban buzz', thereby assisting in the so-called 'war for talent'
- enhanced reputation and image effects, leading to additional inward investment, including in digital media, ICT, biotechnology and professional services sectors.

2.16 Perhaps the key benefit is in terms of supporting future employment growth and recruitment of talent, particularly in sectors that have above-average levels of productivity. Thus, the longer-term benefit can be measured in terms of higher levels of business start-ups, improved business survival and young stage growth rates, increased employment and enhanced GVA per worker.

2.17 The ONS Labour Force Survey (LFS) provides some insights into trends concerning flexible and agile working in the UK, with the number of people working with some form of flexible arrangement is now well over 6 million, with the growth in flexible working increasing by nearly 4% per annum.

2.18 Although many people working flexibly are employed in sectors such as leisure and hospitality, there is also significant growth in high productivity sectors such as Professional services, ICT, Financial services and Business support services.

2.19 An allied trend is the (pre-Cov19) trend towards an increasing proportion of people working from home. The ONS Labour Force Survey (LFS) provides a partial picture of the extent of remote working in the UK. However, the data is limited to those who work predominantly from home (including those who use their home as their main place of work and, separately, those who work in different places but use their home as a base). The LFS data from the final quarter of 2019 suggests that the number of people working remotely in the UK is around 1.8 million, with the size of the 'remote working' workforce increasing at a rate of 4.0% p.a.

2.20 The LFS data also suggests that the largest sources of growth in remote working (over 57% of the total) are from predominantly private sector office-based services, with Professional services (contributing c. 19% of the overall increase); Business support services (c.16%) and ICT (c.15%) being particularly important.

2.21 The emergence of Co-living as a concept is strongly aligned with the rise of high-technology clusters plus the growth in demand for an agile and flexible workforce including among highly skilled knowledge-intensive sectors such as ICT and Healthcare. Co-living also provides the young professional workforce with an affordable opportunity to access and share high quality accommodation with like-minded people.

Summary

2.22 Co-living is a recently emerging residential concept that provides residents with their own studio bedroom with ensuite, plus access to a range of shared facilities such as larger kitchens, dining rooms, laundry facilities and social space. The benefit of the Co-living concept for residents is that higher standards of amenity and support services are typically provided than would be found in a house share, but with the convenience of all-inclusive bills and with flexible tenancies.

2.23 Co-living is proving to be popular among 'millennials' in cities with fast-growing economies. Co-living is especially relevant to young professionals and entrepreneurs working in knowledge-intensive and creative sectors of the economy. Co-living is also highly relevant to workers with a relatively short-term accommodation need, such as might traditionally be met by serviced accommodation.

2.24 Co-living schemes have emerged partly in response to the growing needs for cities at the forefront of the modern, knowledge-focused economy for a more agile and mobile workforce, such as professional workers employed on short-term contracts. The emergence of Co-living in the UK is also a response to the escalating cost of housing in many larger or more dynamic city economies, which is a particular challenge for graduate workers starting their careers.

2.25 All these issues are highly relevant to Exeter, which has a fast-growing city with a predicted need for thousands of additional professional workers over the next decade. However, in Exeter there is a locally based opportunity to address this challenge, by raising the currently very low rate of graduate retention from the city's University. The specific relevance of Co-living to this challenge is explored in the next chapter of this report.

3: Local Socio-economic Context

3.1 This chapter presents an overview of the current and expected future labour demand and supply situation in Exeter. The overview is particularly focused on segments of the workforce and job roles that are especially relevant to the concept of Co-living.

Working age population

3.2 The Office for National Statistics (ONS) defines working age as being 16-64 years. According to the latest (2019) Population Estimates produced by the ONS, Exeter possesses just over 131,000 residents, of which nearly 90,000 (68.4%) are of working age. This percentage figure is around eight percentage points higher than the regional average (60.1%). It is also significantly higher than the national (GB) average (62.5%). The percentage figure for Exeter reflects the generally younger population profile of cities, especially those that host higher education institutions.

Employment and activity rates

3.3 Two widely used indicators of labour market activity are the employment rate and the economic activity rate. The former focuses on the proportion of the working age population that is in employment, while the latter also takes account of those who are actively seeking and are available for work.

3.4 The latest ONS data (from the Annual Population survey) for both indicators reveal that the rates for the City of Exeter lie between the average rates for the South West region and the GB averages. The latest available data covers a 12-month period up to March 2020, whereby:

- the **economic activity rate** was 81.5% for Exeter compared to 79.1% for GB; and
- the **employment rate** was 78.4% for Exeter compared to 76.0% for GB.

3.5 The ONS data also provides insights as to the levels and reasons for economic inactivity – those of working age who are not either in employment or actively seeking work. Overall, 18.5% of Exeter's working age population is economically inactive, which is a higher proportion than for the South West as a whole (18.1%) but lower than the GB average (20.9%). The key differentiator for Exeter is the reason for inactivity, with 69.3% being in full time education compared to just 24.1% across the South West as a whole and 26.8% across GB.

3.6 These statistics indicate that the potentially available workforce in Exeter is comparatively highly deployed compared to national averages. Moreover, an additional implication from these metrics data is that the labour market in Exeter is fairly tight, with relatively little spare capacity.

Occupational and skills structure

3.7 According to the *Exeter Skills Strategy* (2019), the occupational structure of the currently employed residential population of Exeter exhibits a greater proportion (53.5%) employed in management, professional and associate professional occupations compared to the national average (45.6%).

3.8 Based on the source data (ONS Annual Population survey), the proportion of roles filled by residents of Exeter that are in management and professional occupations grew by around 2.5% per annum over the 2004-2018 period.[2] Moreover, this is significantly greater rate of growth than the equivalent trend growth rate for GB as a whole, which is 0.8% p.a.

3.9 Given these trends, a key challenge for Exeter is to compete successfully to attract and retain resident workers with a higher occupational and qualification profile to meet future needs of local employers for a professional and technical workforce. Co-living can play a positive contribution to this by providing attractive and affordable housing solutions for graduates and other young professional workers and entrepreneurs.

Employment structure

3.10 So far, we have focused on the characteristics of the resident working age population and their occupations. However, it is also insightful to focus on the 'demand' side of the local labour market by focusing on the structure of local employment (i.e. workplace analysis). The main source of data to support this assessment is the annual Business Register & Employment Survey (BRES) published by ONS, with the latest available data being for year 2018.

3.11 One of the key findings of the data analysis is that employment in Exeter – compared to national averages – is orientated towards activities such as Information & Communications services, Property & Building services, Education, Health activities and Public administration. By contrast, other types of service sector activity such as Retail, Hospitality and Financial Services are less important for the local economy compared to national and regional averages.

3.12 The table below highlights the main 'specialisms' of businesses and other key employers (including the public sector) located in Exeter.

Table 3.1: Proportion of all employment accounted for by individual sectors (2018)

Sector	Exeter	South West	Great Britain
Land economy (Agriculture, mining etc.)	0.1%	2.8%	1.8%
Manufacturing	2.7%	8.3%	7.9%
Utilities	2.7%	1.3%	1.2%
Construction	4.3%	5.5%	4.8%
Wholesale & retail	14.9%	15.6%	15.1%
Transportation	3.2%	4.0%	4.7%
Accommodation & food services	6.4%	9.5%	7.5%
Information & communication services	4.8%	3.3%	4.1%
Financial services	2.4%	2.7%	3.3%
Property services	2.6%	1.9%	1.9%
Professional services	8.5%	7.2%	8.7%
Business support services	8.5%	6.4%	8.8%
Public administration	7.4%	4.2%	4.1%
Education	10.6%	8.4%	8.5%
Human health & Social care	17.0%	14.3%	12.9%
Arts, entertainment & recreation	2.1%	2.7%	2.5%
Other service activities	1.9%	2.0%	2.1%
Total	**100.0%**	**100.0%**	**100.0%**

Sources: ONS BRES data, 2018

[2] The proportion of managerial and professional jobs in Exeter increased from 33.6% in 2004 to 53,8% by 2018. The equivalent increase nationally over the same time period was a rise from 39.8% to 46.0%

3.13 One further implication of the current employment structure in Exeter is that an above-average proportion of the workforce is likely to qualify as key workers, especially in the areas of Health & social care and Education.

3.14 A review of employment trend data from the BRES source reveals that principal sources of employment growth in Exeter over the last three years have been accounted for by Information services (with around 500 additional jobs) and Education (around 1,000 jobs).

Jobs and jobs density

3.15 The latest data from the ONS (2018) shows that there were 110,000 jobs located in Exeter.[3] The definition of jobs included in this data series covers both employees and the self-employed.

3.16 The same data series indicates that there has been strong growth in the number of jobs located in Exeter over the past decade or so. Since 2011, the overall number of jobs has grown by around 23,000 (from 87,000 to 110,000), equivalent to overall growth of over 26% (and a CAGR of 4.0%).

3.17 It should be acknowledged that some of this growth represents a ‘bounce-back’ from the 2008-2010 recession, but it is worth highlighting that since 2014 the average rate of growth of jobs in Exeter has been increasing at an average rate of around 2,250 jobs per annum (with a CAGR of around 2.2% p.a.)

3.18 The ONS also produce a data series called the job density index: this is essentially the ratio between the total jobs located in an area by the resident working age population of that area. In the case of Exeter, the latest available data (2018) indicates a jobs density ratio of 1.23:1.00, implying that there is a much greater number of workplace jobs located there compared to the number of working age residents of the City.

3.19 The overall average job density ratio for the South West region is 0.89:1.00 indicating that – in a regional context – Exeter possesses a very much higher job density figure than the South West region as a whole. However, the more appropriate comparison is with the job density ratio of the region’s other major commercial centres, such as Bristol, Swindon, Bournemouth and Plymouth. The relevant data is set out below.

Table 3.2: Job density ratios for larger urban centres in the South West (2018)

Local authority area	Job density ratio
Bath	0.84
Bournemouth	0.82
Bristol	0.99
Cheltenham	0.96
Exeter	**1.23**
Gloucester	0.64
Plymouth	0.78
Taunton	0.95
Swindon	0.91
Weymouth	0.57

Sources: ONS Job density data series (2018), sourced from NOMIS

[3] Source: ONS jobs density data series. The data covers employee jobs, the self-employed and HM Forces.

3.20 The data clearly show that the job density ratio of Exeter is significantly greater than that for the other major centres of the South West region. This indicates that Exeter has a much higher proportion of employment opportunity compared to its working age population resources compared to other major commercial centres located in the region. For the economy of Exeter to function effectively, it must therefore draw upon a workforce located beyond its administrative boundaries to a greater extent than any of the regional benchmark urban areas. The provision of additional accommodation of the right form within the city centre would therefore help to address this.

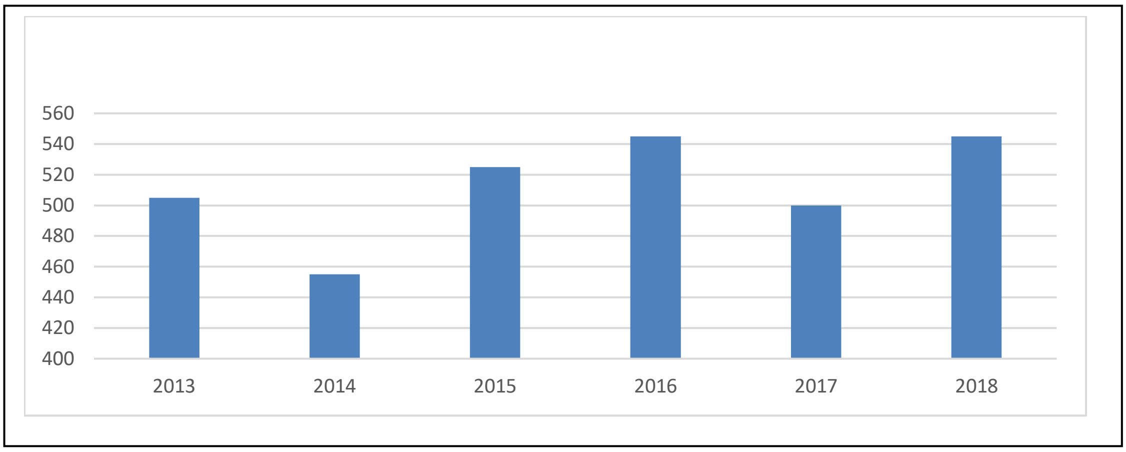
Business counts and Entrepreneurship

3.21 The latest (2020) data from the Inter-departmental Business Register (IDBR) indicates that there are around 4,365 enterprises located in Exeter. This represents an increase of around 860 businesses over the 2010-2020 period, which is an increase of around 24%. This is a larger proportionate increase compared to that occurring across the South West region as a whole (19%) but lower than that occurring nationally (32%) over the same period.

3.22 It is also useful to look at Business Demography datasets published by the ONS. This data source – which originates from data compiled by Companies House and HMRC – illustrates trends in both the local business population and the rate at which new businesses are being established. The latter is a particularly important economic competitiveness indicator as evidence published by the OECD indicates that slightly over half of all new jobs created in the UK are from newly established and early growth stage businesses.[4]

3.23 It is also important to note that unlike the evidence for the estimated numbers of employees and the self-employed discussed above, the business demography data utilised here is based entirely on actual counts of currently actively business units rather than model-based predictions based on survey data.

3.24 In terms of this enterprise data, for Exeter – over the period 2013 to 2018 – the rate of formation of new businesses has generally been fairly stable, as is illustrated in the chart below, with typically around 450-550 new businesses established annually.



Source: ONS Business demography datasets (2013-2018)

[4] https://www.oecd.org/sti/ind/Policy-Note-No-Country-For-Young-Firms.pdf

3.25 However, it should be noted that when benchmarked against national and regional averages, there is evidence of a business formation deficit in Exeter. The standard way of measuring levels of entrepreneurship between areas is to convert the annual formation rate into a per capita rate, measured against working age population. On this basis, levels of per capita entrepreneurship in Exeter are at around two-thirds of the national average (i.e. 60.6 businesses established in Exeter per 10,000 working age population compared to a national average of 92.6).[5]

3.26 This entrepreneurship deficit partly explains why the growth in the number of enterprises in Exeter has been growing at a slower rate than has occurred nationally over the past decade or so.

3.27 Co-living could have a particularly useful role to play in helping to boost Exeter's current entrepreneurship deficit. This is because Co-living schemes are conducive to the establishment and survival of new enterprises, particularly those in knowledge-economy sectors such as Digital industries, ICT and creative industries, as they provide environments where entrepreneurially-minded millennials can network with each other and establish synergies that can assist with their enterprise projects.

Graduates and graduate recruitment

3.28 Exeter possesses a considerable advantage compared to many equivalent sized urban areas in the UK in that it hosts a top-ranking research-intensive university. Moreover, the University of Exeter has grown substantially over the past decade, including an increase of around 21% in student enrolment in the most recent 5-year period.[6] The presence of the University has the potential to provide a supply of high level graduates across a range of disciplines highly relevant to businesses and public sector employers located in Exeter, including those operating in the sectors that are expected to dominate overall employment growth expected over the period to 2029 (as identified by the future employment forecasts contained in the *Exeter Skills Strategy* discussed above).

3.29 It is worth noting that around 40% of student enrolment is in STEM subjects, with over 50% of postgraduate research students working in these areas.

3.30 Although the presence of the University of Exeter is a major advantage for Exeter, it may be questioned whether currently the economy of the City is taking full advantage of the asset. Data sourced from the Higher Education Statistics Agency (HESA) indicates that only around 12% of graduates of the Exeter Campus of the University were working for an Exeter-based employer 6 months after graduation, with a further 5% or so working for employers located elsewhere in Devon.

3.31 This proportion compares poorly to other small cities in the UK. For example, a Centre for Cities report published in 2016 highlighted that the average graduate retention rate for small UK cities that host universities is about twice the level (23%) currently achieved by Exeter (12%).[7]

3.32 The same report also provides an assessment of the composition of the new graduate workforce for Exeter, which comprises of four components:

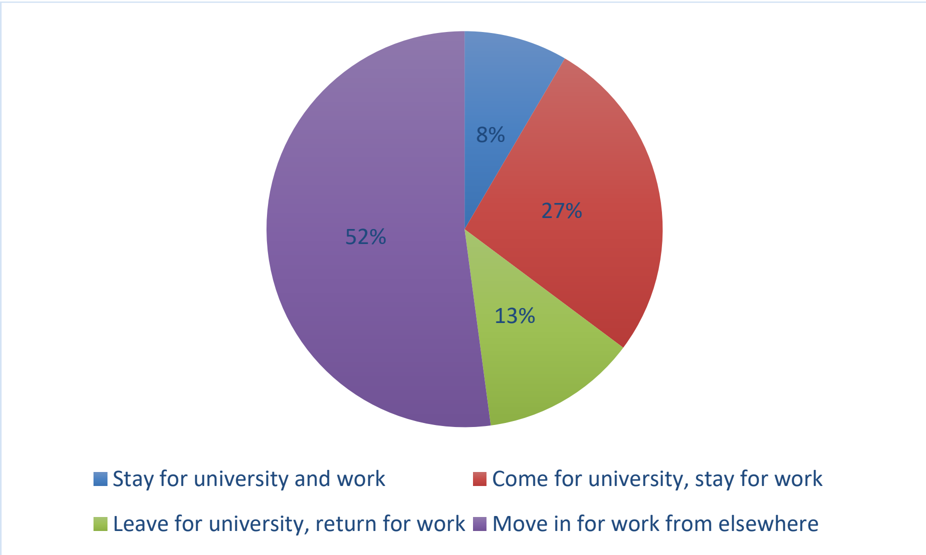
- Residents of Exeter who attend the local University and stay on to work there upon graduation

[5] These measures are estimated using 2018 business formation data and 2018 working age population estimates
[6] Student enrolment in increased from around 19,600 in 2015/15 to 23,600 in 2018/19
[7] Centre for Cities (November 2016): *The Great British Brain Drain*, page 13

- Students who move to Exeter to study but stay on afterwards to start their careers
- Residents of Exeter who attend university elsewhere but return to Exeter to start their careers
- Non-residents who studied elsewhere but moved to Exeter after graduation to start their careers.

3.33 As can be seen from the chart below it is the last group (52%) that is the largest component of the new graduate workforce. It is worth noting however that over one-third of Exeter's annual recruitment of newly graduated workers originates from the University of Exeter, although around a quarter of these graduates also attended school in the City.

Chart 3-1: Components of Exeter's New Graduate workforce



Source: Data sourced from Centre for Cities report – *The Great British Brain Drain* (2016), page 22

3.34 It is also worth noting that according to the latest HESA data the largest proportion of Exeter graduates who continue to work in Exeter are employed in the Education, Health and Public services sectors. Many of these graduates are therefore likely to be key workers or to be supporting key workers.

3.35 Co-living as a concept is squarely orientated towards enhancing the prospects of Exeter increasing its rate of graduate retention – particularly amongst graduates who are not native to the city – by providing an opportunity for attractive but affordable housing sharing facilities with other like-minded young people.

Employment forecasts and skills needs projections

3.36 Earlier it was noted that according to ONS estimates, the number of jobs located in Exeter has been increasing at an average rate of around 2,250 jobs p.a. over the 2014-2018 period. Employment forecasts produced on behalf of Exeter City Council for the *Exeter Skills Strategy* (dated March 2019) has predicted an overall increase of around 12,000 jobs located in Exeter by 2029.[8] This prediction is equivalent to an 11% increase in the employment base of the City.

[8] *Exeter Skills Strategy Evidence Base* (March 2019), page 19

3.37 Moreover, this predicted growth is expected to be dominated by growth in demand for worker in the following sectors:

- Professional services: circa 2,240 full time equivalents (FTEs)
- Public administration, Education and Health (c.1,570 FTEs)
- Business support services (1,400 FTEs)
- Financial and property services (c.800 FTEs)
- Information & communication services (c.760 FTEs).

3.38 It should be noted that all of these predicted increases are on an FTE basis. The headcount of workers needed to fill these roles will be around 25% greater to take account of demand for part-time work on the part of a significant minority of the workforce.

3.39 It is also worth highlighting that a very significant and growing proportion of the roles that are expected to underpin this growth can be expected to require NVQ4 qualifications or higher (i.e. degree or postgraduate level qualifications or equivalent).

Future supply of labour and skills

3.40 According to the most recent (2018) ONS population projections, the overall size of the resident population of Exeter is expected to grow by around 8,900 persons between 2018 and 2029. This is equivalent to overall growth of around 6.8%.

3.41 However, of this growth, half (c. 4,470 persons) is expected to be persons aged 65 or over. A further 240 persons fall into the 0-15 age group. The increase among those aged 16-64 (the range the ONS uses to define the working age population) is expected to amount to c. 4,200 persons, 47% of the total increase.

3.42 Given that the current economic activity rate amongst the working age population of Exeter is 81.5%, the increase of 4,200 persons indicates an approximate potential increase in the economically active population of around 3,420 persons by 2029 compared to 2018 levels.

3.43 Earlier it was noted that the prediction contained in the *Exeter Skills Strategy* (2019) is for an increase of around 9,000 FTE jobs in Exeter by 2029, equivalent to an increase in demand for workers of around 12,000 when a proportion of part-time working is accounted for. On this basis, it may be predicted that an increase shortage of workers amounting to around 8,600 workers could be expected to be experienced by 2029 unless additional sources of labour supply can be harnessed.

3.44 This potential deficit in workforce supply could be partially addressed by a number of mechanisms, including the following:

- **Greater levels of in-commuting**: Some of the deficit could potentially be met by increasing levels of commuting into Exeter from adjacent districts (such as East Devon, Mid Devon and Teignbridge). However, it should be acknowledged that existing levels of commuting are already substantial, as implied by the exceptionally high figure for job density in Exeter as revealed by ONS data referred to above. It is also the case that these adjacent districts are also predicted to experience the same demographic trend (i.e. the ageing of the population) as is expected to occur in Exeter.

- **Increased economic activity amongst older age groups**: Some of deficit may be addressed by increased levels of economic activity amongst older age groups, such as those aged 65-69).
- **Faster growth of the resident working age population**: Some of the deficit could be addressed by accelerated housing development in Exeter, thereby increasing levels of residents of resident population growth that are currently built into the latest (2018-based) ONS population projections for the City. This potential route is also linked to potential measures to address worsening levels of housing affordability in Exeter discussed in the previous chapter of this report.

3.45 A fourth opportunity is to harness a larger proportion of annual supply of graduates from Exeter's highly regarded University. Currently, the proportion of graduates from the Exeter campus that stay on to start careers in Exeter is only 12%, equivalent to around 320 graduates per annum. However, if this rate of retention could be increased to the average level achieved across the full cohort of small British cities that host universities, the annual throughput of graduates staying on to commence their careers with local employers would be in the order of 600 per annum. Whilst this would be by no means address in full the expected future increase in recruitment requirement, it would form a very useful component towards a comprehensive solution.

Summary and Implications

3.46 Exeter possesses a highly deployed working age population with comparatively little spare capacity and very significant levels of in-commuting occurring from neighbouring districts. Exeter has experienced strong growth in its employment base in recent years, with many of these jobs in professional positions requiring graduate or post-graduate qualifications. The creation of many of these jobs is linked to growth of sectors such as ICT, Healthcare and Education, with the growth of Exeter University playing a significant role with respect to the latter.

3.47 According to the *Exeter Skills Strategy* (2019) a large increase is predicted for Exeter's employment base, with around 9,000 FTE jobs forecast for the period to 2029. When a proportion of part-time working is accounted for, this suggests the need for an additional 12,000 workers over the next decade or so. Many of these additional jobs will require workers educated to level NVQ4 or higher (i.e. workers with degree level qualifications or higher).

3.48 There is a particular opportunity to recruit a significant proportion of this expanded workforce locally, particularly as the local retention rate of graduates of Exeter University (12%) is – according to HESA data – only around half that of the average for other small UK university cities (23%).

3.49 The Co-living concept could play an important role in helping to boost levels of graduate retention in Exeter, by providing an opportunity for attractive but affordable housing sharing facilities for local graduates alongside other like-minded young people.

3.50 Co-living could also an important role to play in helping address another challenge, which is helping to boost Exeter's current entrepreneurship deficit. This is because Co-living schemes are conducive to the establishment and survival of new enterprises, particularly those in knowledge-economy sectors such as Digital industries, ICT and creative industries, as they provide environments where entrepreneurially-minded millennials can network with each other and establish synergies that can assist with their enterprise projects.

4: Conclusions

4.1 As noted in previous Chapters, Co-living offers the opportunity for Exeter to address several economic challenges, most notably the need:

- To recruit large numbers of workers – especially ones with higher levels of qualifications – to meet the predicted expansion of the city's employment base
- To help address the 'entrepreneurial deficit' that the city exhibits compared to national averages
- To improve rates of graduate retention, which are currently around half of the levels exhibited by other small university cities in the UK.

4.2 Co-living developments also have the potential to make other contributions to the economy and quality of life in Exeter. These contributions include the following.

Support for local services and facilities

4.3 Firstly, by helping young workers find more easily affordable housing, Co-living developments would also help to stimulate demand for cafés, restaurants and other types of entertainment and cultural venues in Exeter. This is because by providing homes for younger, professional workers in sustainable, city-centre locations, Co-living developments will also provide additional sources of demand for businesses and facilities catering to the service and entertainment demands of a young and active population.

4.4 Co-living developments would similarly help to ensure a sustained source of demand for a variety of pubs, entertainment venues and other cultural facilities within Exeter. A similar point can also be made about the support that a larger population of young professionals would provide to restaurants and food preparation establishments. Research evidence (such as from the ONS annual household expenditure surveys) clearly indicate that younger households spend more per head on eating out than do older households.

Support for business clusters and economic innovation

4.5 The previous chapters have highlighted the role of Compact-living projects in helping to fuel Exeter's predicted demand for a well-qualified workforce.

4.6 The development of the Co-living concept also reinforces the concept of business clusters, whereby individuals in linked industries can operate in close proximity, leading to more frequent interactions and collaborations. In the UK and internationally, creative and other knowledge-based industries businesses often congregate together in urban quarters, generating an 'urban buzz' that is attractive to skilled workers and helps to foster effective collaboration within and between businesses and knowledge-industry workers. Co-living projects are especially suited to helping stimulate the urban buzz of Exeter city centre, as they provide an affordable option for younger workers, especially those at an early stage in their career progression.