



# Economic Assessment of the Coast to Capital Region - 2015

Final

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## PREFACE

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In 2011, when I took the helm of the newly-formed Coast to Capital Local Enterprise Partnership, it was with a passionate belief in the power of partnership working to achieve change. Over our first four years, together we have achieved great things. We have secured over £250 million in Growing Places and Local Growth fund investment to create an environment for strong business growth and private sector employment.

Our vision for the region is clear. At the heart of everything we do is the desire to create an economy that is trade-led with a business community that is outward looking, investment focused and driven by the desire to be innovative. And we have set ourselves robust targets. Over the next 25 years we will create 100,000 new jobs, increase trade by £780m each year and increase annual output by £1.1bn.

In order to track our progress towards meeting these goals, we have produced this, our latest Coast to Capital Economic Assessment. The 2015 Economic Assessment provides an in depth evidence base for Coast to Capital and its partners and reflects our desire to be an open and transparent organisation that is focused on inclusive economic growth. It also helps us to target our efforts in the right areas going forward.

The 2015 Economic Assessment shows us that our economic 'hotspots' such as the area around Gatwick Airport are flourishing thanks to high levels of innovation, entrepreneurialism and an outward-looking businesses. In 2013, Coast to Capital recorded its highest number of new business creations since 2004. In the region's labour market, employment rates are also at the highest they have been since 2004.

However, we are never complacent and the Economic Assessment also shows us that not all businesses and sectors in the region are fulfilling their potential, particularly relative to those in other LEP regions. It also highlights a number of skills gaps in the workforce.

We will continue to work closely with our partners to tackle the priorities highlighted by this Economic Assessment for the benefit of the region and the success of UK Plc.



Ron Crank

Chief Executive, Coast to Capital LEP

September 2015

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## INTRODUCTION

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1. The Coast to Capital Economic Assessment for 2015 has been produced to fulfil a number of functions. It is an update to the 2013 Economic Assessment, an in depth evidence base for Coast to Capital and its partners and it is a reference point for potential applicants for the European Structural Investment Funds (ESIF) that have been allocated to the Coast to Capital region. It reflects Coast to Capital's desire to be an open and transparent organisation that is focused on inclusive economic growth.
2. The broad structure of the Economic Assessment is split into four main sections:
  1. Business and Enterprise
  2. Priority Sectors
  3. Employment and Skills
  4. Inclusive and Cohesive Society
3. The Economic Assessment shows that the main indicators of underperformance include low productivity and business performance as evidenced by the gross value added (GVA) per head figure being 13<sup>th</sup> out of the 39 Local Enterprise Partnerships (LEPs) and GVA growth over the last 10 years being 12<sup>th</sup> out of the 39 LEPs. Businesses are not growing as fast as in other LEP areas, the percentage of firms growing from £0 to £1 million turnover and £1 million to £3 million turnover over the last three years is below average. The Coast to Capital region is ranked 35<sup>th</sup> and 30<sup>th</sup> respectively out of the 39 LEPs on these measures.
4. There is also underperformance in some of the priority sectors, employment is has fallen, and is predicted to continue to fall, in the Advanced Manufacturing and Engineering sector. Employment in the Creative, Digital and IT sector is proportionally lower than in the South East and productivity growth in the sector is lower than nationally. Knowledge Economy employment growth, which cuts across all of the priority sectors, has been weak and has been slower than in the South East.
5. Furthermore, the labour market is not performing for everyone. Employment rates are below the regional average in parts across the region, unemployment rates are significantly higher than average for certain groups, such as females, Black, Asian, and Minority Ethnic groups, and Youths (16-24), and employment rates are significantly lower. Net jobs growth has been in part-time roles, full-time roles have had a net decrease over the last five years and the number of people who want more hours at work is increasing. The difference in resident and workplace wage levels suggests many are commuting for better paid jobs indicating that local residents are not accessing the well paid local jobs. In West Sussex and Brighton and Hove and Lewes wages are lower than the South East average and across the region females generally have lower wage levels than males.
6. There is also evidence that the skills of the workforce are not meeting employers' demands. Skills gaps within companies is higher in the Coast to Capital region

compared to nationally, as are skills shortage vacancies. A number of skills have been identified by employers as missing in employees and potential candidates at a higher rate than nationally. Poor staff motivation in particular is a key problem identified by employers, both in current staff and those recruited from all levels of schooling. There are lower than expected higher education participation rates along the coast and in Crawley, which is also seen the lower rates of the population with a NVQ level 4+ qualification in these areas.

7. Despite these areas of underperformance there are strengths in the Coast to Capital economy. The highest Gross Value Added (GVA) contributions are split between Brighton and Hove, Croydon, and Crawley equally, creating a diverse economic base connecting the region. Gatwick Airport and the businesses located around it are a key part of the local economy, Crawley accounts for 3.5% of the businesses in the Coast to Capital region and 14% of its GVA. Businesses in the region are highly innovative when compared to other regions, linked to the high levels of entrepreneurialism seen in the increased rate of start-ups in the region. In 2013 the highest number of new business creations was recorded since 2004.
8. In the labour market the employment rate has reached its highest point since 2004 and the number of jobs in the region has increased by 15,000 since 2009. The re-balancing between private and public sector employment is ongoing, public sector jobs have fallen by 1.8% since 2009. The workforce is also becoming better qualified, success rates in GCSEs through to University degrees have been rising and is reflected in the growth of the level of the population that has a NVQ level 4+ qualification. The retention of graduates in the region is also increasing, particularly in STEM subjects.
9. In line with the rising employment rate, the unemployment rate has been falling since 2010 and are at their lowest points in the last five years and the number and proportion of people claiming job seekers allowance has halved since 2010. Similarly the number of economically inactive has declined significantly since 2010 and an increasing number have stated they would like a job and at a much higher rate than in the South East in general, bringing them to the labour market would represent a large untapped source of labour and skills.



## EXECUTIVE SUMMARY

### BUSINESS AND ENTERPRISE

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#### GROSS VALUE ADDED

10. The Coast to Capital region has high overall productivity, gross value added (the measure of productivity) stands at £44.3bn, which is the 6th highest out of all the 39 Local Enterprise Partnerships (LEPs) and had the 8<sup>th</sup> highest year on year growth in 2013<sup>1</sup>. However, in gross value added (GVA) per head terms the Coast to Capital region is ranked 13<sup>th</sup> and over the last ten years the region has been the 12th fastest growing of all the 39 LEPs. At the industry level the highest GVA growth over the last ten years came in Real Estate activities and in Public Administration and Defence activities, whereas the lowest growth came in Information Technology.

#### BUSINESS STOCK

11. Business stock across the region has grown strongly, by an average of 2.8% per year between 2011 and 2014<sup>2</sup>. The total number of businesses now stands at 77,630, up by just over 6,000 since 2011. There are a further estimated 37,000 businesses below the VAT and/or PAYE threshold in the region<sup>3</sup>. The main industries that businesses operate in are Construction, Retail, Information Technology, and Professional, Scientific, and Technical activities, but there are sub-regional differences that create a good mix of businesses overall.

#### BUSINESSES INCORPORATIONS AND DISSOLUTIONS

12. New business incorporations are at their highest levels since 2004, reaching 11,700 in 2013, and dissolutions have fallen from 2012 to 2013<sup>4</sup>, however the Coastal West Sussex area has had slightly more dissolutions than incorporations. There is also a high level of entrepreneurs aged 30 years old or younger starting a business and a high level of businesses aged 3 years old or less in the Coast to Capital region<sup>5</sup>, the rates of both are higher than in the South East, which is good for the introduction of new ideas, products, and services into the economy.

#### FOREIGN OWNED COMPANIES

13. Foreign owned companies in the Coast to Capital region account for around 1.5% of all businesses; in the South East the proportion is 2.3%, in London it is 3.7%, and in the UK it is 1.7%<sup>6</sup>. There are some areas of strong foreign ownership in Crawley where 8.3% of companies are under foreign ownership, along with Mole Valley (3.6%) and Reigate and Banstead (2.4%).

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<sup>1</sup> ONS regional gross value added estimates 2014

<sup>2</sup> ONS Business Counts 2014

<sup>3</sup> Experian Market IQ database January 2015

<sup>4</sup> ONS Business Demography 2014

<sup>5</sup> Experian Market IQ database January 2015

<sup>6</sup> Ibid

## **EMPLOYMENT SPACE**

14. Average vacancy rates in commercial properties (which includes office and industrial spaces) have fallen from 8.3% to 6.6% across the Coast to Capital region<sup>7</sup>. The average rental rate in all commercial properties in the Coast to Capital region has risen from £1.11 per square foot per month in 2011 to £1.16 in 2014. In the issue of a lack of 'move on' space for businesses that have grown too large for their current location has been identified as a key issue.

## **EXPORTERS**

15. Two local studies covering East Surrey<sup>8</sup> in 2013 and Greater Brighton and West Sussex<sup>9</sup> in 2014 found that in East Surrey an estimated 22% of businesses were engaged in exporting whilst in Greater Brighton and West Sussex an estimated 19% of businesses are exporting.

## **INNOVATION**

16. In the Greater Brighton and West Sussex survey 64% of businesses were engaged in some sort of innovative activity<sup>10</sup> and in the Surrey Business Survey 70% of respondents were involved in some sort of innovative activity in the last three years, 21% had made significant investment in research and development, and 9% were involved in protecting their innovation.

## **PRIORITY SECTOR PROFILES**

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17. Coast to Capital has five priority sectors which are strong components of the local economy but also have the potential to drive growth and boost employment in the local economy in the future.

### **ADVANCED MANUFACTURING AND ENGINEERING**

18. There are 3,400 Advanced Manufacturing and Engineering (AME) businesses in the Coast to Capital region, they account for 4.4% of all businesses in the region, and the sector has grown by 12% from 2010 to 2014, slower than the South East region where they grew by 14%<sup>11</sup>. Across the region AME jobs account for 4% of total jobs in the region, although jobs have fallen by 10.7% between 2010 and 2013<sup>12</sup>. The same has happened in the South East region, although jobs fell by 7.2% in comparison. The decline in jobs is expected to continue until 2022, however jobs will become increasingly high skilled and require higher levels of

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<sup>7</sup> CoStar Property database 2014

<sup>8</sup> Surrey Business Survey 2013

<sup>9</sup> Greater Brighton and Hove and West Sussex Business Survey 2014

<sup>10</sup> Defined as introducing a new product/service/process in the last twelve months or planning to introduce one

<sup>11</sup> ONS Business Counts 2014

<sup>12</sup> Business Register and Employment Survey 2013

education<sup>13</sup>. Key challenges include the increasing move up the value chain by developing countries as they look to capture more of the value for themselves.

### **CREATIVE, DIGITAL AND IT**

19. There are 12,000 Creative, Digital and IT (CDIT) businesses in Coast to Capital, accounting for 15.5% of total businesses, which has grown 21.4% between 2010 and 2014<sup>14</sup>. The number of jobs in the sector is 40,500, making up 5.2% of total employment<sup>15</sup>. The number of jobs in the sector has grown by 6.2% between 2010 and 2013, less than half of the 14% growth seen in the South East. The number of jobs is expected to increase between 2012 and 2022, becoming increasingly high skilled and demanding higher levels of qualifications<sup>16</sup>. However, applications to computing and IT courses are in decline and the quantity of graduates may not be sufficient to meet the growing demand for professional and technical skills. This may go some way to explaining the lack of productivity growth in the sector; GVA growth has been slow in comparison with UK and South East levels.

### **ENVIRONMENTAL TECHNOLOGIES AND LOW CARBON GOODS AND SERVICES**

20. It has been estimated that low carbon activities in Sussex generated £2.7bn in sales and supports 21,000 jobs and 1,550 businesses. The Low Carbon sector accounted for 52% of the sales total, with Renewable Energy responsible for 30% and Environmental Industries share is 18%. Each sector is expected to grow between 2013/14 and 2018/19, albeit at different rates; the Renewable Energy sector is predicted to grow between 7.2% and 8.2%, the Low Carbon sector is to grow between 5.2% and 6.1%, and the Environmental Industries by 2.9% to 3.8%.

### **FINANCIAL AND BUSINESS SERVICES**

21. There are 14,000 businesses in the sector, which accounts for 18% of total businesses in the Coast to Capital region, in line with the proportion in the South East, and has grown by 11.4%<sup>17</sup>. The number of jobs in the sector is just over 100,000 in 2013, 12.8% of the Coast to Capital regional total, which has grown by 4.4% between 2010 and 2013<sup>18</sup>. In the South East region the sector represents 11.7% of employment and grew by 4% in the same period. It is estimated that employment in this sector will increase by 16% by 2022, with jobs shifting to higher level occupations, demanding higher level qualifications<sup>19</sup>.

### **HEALTH AND LIFE SCIENCES**

22. There are 425 businesses in the sector which make up 0.5% of the total business population in the Coast to Capital region, slightly lower than the 0.7% share in the South East<sup>20</sup>. There has been a 6.3% increase in businesses since 2010, lower

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<sup>13</sup> UK Commission for Employment and Skills: Working Futures 2012

<sup>14</sup> ONS Business Counts 2014

<sup>15</sup> Business Register and Employment Survey 2013

<sup>16</sup> UK Commission for Employment and Skills: Working Futures 2012

<sup>17</sup> ONS Business Counts 2014

<sup>18</sup> Business Register and Employment Survey 2013

<sup>19</sup> UK Commission for Employment and Skills: Working Futures 2012

<sup>20</sup> ONS Business Counts 2014

than in the South East where growth was 8.8%. There are 10,300 jobs in the sector, representing 1.3% of total jobs, this is lower than in the South East where the proportion is 1.9%<sup>21</sup>. Growth in jobs between 2010 and 2013 was 2%, which is half the South East's growth rate. This sector has great potential both in terms of building the reputation of Coast to Capital as a specialised knowledge economy and delivering high value jobs in the future. The medical technologies sub-sector in particular presents an opportunity for the Coast to Capital region as a number of strong medical technology companies operate in the region.

## THE LABOUR MARKET

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### EMPLOYMENT

23. The employment rate has never been stronger in the Coast to Capital region; the number of people in employment now stands at 920,000, up by 40,000 people since 2009<sup>22</sup>. The employment rate is 76.5%, which is 0.5% higher than the South East. There has been particularly strong growth in the Croydon and Brighton & Hove (and Lewes) areas.

### SELF-EMPLOYMENT

24. From 2010 to 2014 the number of the working age population in self-employment in the Coast to Capital region has risen by 19,000 up to 156,000, they account for 17% of employment<sup>23</sup>. Self-employment has contributed 48% of growth in employment numbers in the Coast to Capital region. In the Coast to Capital region female self-employment rates have declined 1.4% over the last five years, whereas male self-employment has increased. This is not the same as in the South East where both male and female self-employment has risen and female growth has been over twice the rate of male growth.

### FULL-TIME AND PART-TIME EMPLOYMENT

25. From 2009 to 2013 all net employee growth in the Coast to Capital region has come from part-time jobs, around 22,600, and there has been a net fall of 7,500 full time jobs<sup>24</sup>. Much of the fall in full time jobs has been concentrated in Croydon, where full-time jobs fell by 10,000, with some smaller falls in the Gatwick Diamond and Rural and Coastal West Sussex areas. Brighton & Hove (and Lewes) is the only Area Partnership to have had a rise in full time employees in the 2009 to 2013 period.

### PUBLIC AND PRIVATE SECTOR EMPLOYMENT

26. There has been a shift in employment from the public to the private sector. Public sector employment has fallen by 8% since 2009; it currently stands at 134,000 in the Coast to Capital region, it accounts for 17.2% of jobs, which is higher than the South East rate of 16.3%<sup>25</sup>. In the private sector employees have grown

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<sup>21</sup> Business Register and Employment Survey 2013

<sup>22</sup> Annual Population Survey 2014

<sup>23</sup> Ibid

<sup>24</sup> Business Register and Employment Survey 2013

<sup>25</sup> Ibid

by 26,600 in the Coast to Capital region from 2009 to 2013, a 4.3% rise; they now make up 646,500 jobs in the region.

### **OCCUPATIONAL STRUCTURE**

27. In the Coast to Capital region 50% of employees are in the top three occupational groups, the three most knowledge intensive and requiring high level skills; this share has increased by 1.8% since 2010<sup>26</sup>. In the South East the share of the top three occupations is 49.3%. In the middle three occupations the share of employment is 28.9%, this has fallen 1.1% since 2010, and in the South East the share is 29.7%. The lower three occupations share is 20.8%, down 1% from 2010; in the South East the share is 22.7%.

### **TRAVEL TO WORK**

28. A net figure of 93,900 people leave the Coast to Capital region each day for work in London and the South East; the gross total for outflows is 202,000 which represents 22% of employees in the Coast to Capital region<sup>27</sup>. All of the top ten destinations for out-flows are in London, accounting for 62% of outflows. Around 190,000 people commute within the Coast to Capital region. Crawley is the main destination for commuters, it has a net in-flow of 17,700 workers. At the other end of the scale the area with the biggest net out-flow at -14,500 is Arun.

### **THE KNOWLEDGE ECONOMY**

29. Broadly the Knowledge Economy is the "effective utilisation of intangible assets such as knowledge, skills and innovative potential as the key resource for competitive advantage"<sup>28</sup>. An estimated 155,200 people work in the Knowledge Economy in the Coast to Capital region accounting for 19.9% of total employees<sup>29</sup>. Since 2009 this has increased by a 0.6% rise which is weak in comparison with the 3.4% growth in the South East. This weak growth is why the Knowledge Economy share of total employment has fallen in the Coast to Capital region.

### **FUTURE EMPLOYMENT PROJECTIONS**

30. Employment in the Coast to Capital region is expected to rise by 4.8% between 2012 and 2022, in the top-level occupations there is expected to be a 15% increase in jobs, whereas there is a projected 4% fall in both mid and lower level occupations. For qualifications this means there will be a 51% increase in demand for qualification and credit framework (QCF) level 7-8 qualifications and a 25% increase for QCF level 4-6 qualifications. All the other QCF levels at level three and below will experience a fall in demand.
31. This will be driven by growth in IT, which is expected to grow by 27%, electricity and gas (15%), construction (12%), and professional services (13%)<sup>30</sup>. There are some industries that are predicted to have a decline in employment however,

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<sup>26</sup> Annual Population Survey 2014

<sup>27</sup> Census 2011

<sup>28</sup> The Work Foundation – Defining the Knowledge Economy

<sup>29</sup> Business Register and Employment Register 2013

<sup>30</sup> UK Commission for Employment and Skills Working Futures 2012-2022

agriculture (20%), mining (11%), engineering (20%), manufacturing (10%), and public administration and defence (10%).

## **SKILLS**

32. In Level 2 and level 3 attainment by age 19 has been steadily increasing, however the rate is lower in Brighton and Hove and East Sussex but this gap is closing<sup>31</sup>. The number of people completing apprenticeships at all levels has also been increasing in the Coast to Capital region, around 18% year on year, particularly in subject areas such as Business Administration, Customer Service, Health and Social Care, Hospitality and Catering, Team leading and Management, and Retail<sup>32</sup>.
33. Over the last two years the number of graduates from institutions in the Coast to Capital region has increased, as have the number achieving first and upper second class degrees<sup>33</sup>. The graduate retention rate is 46.2% and the STEM graduate retention rate is 51.6%. The type of employment graduates are going into is also improving.
34. The top two qualification levels have grown from 2010 to 2014 whereas the lower levels have declined<sup>34</sup>. The share of those with NVQ level 4+ in the Coast to Capital region is 39.6%, however there are still areas where the population has low levels of NVQ level 4+ qualifications.
35. Skills shortage vacancies affect 3% of companies and skills gaps are prevalent in 15.6% of companies, they are most affected by staff not being fully proficient in their jobs<sup>35</sup>. The top skills identified as being missing are customer handling, team working, oral communication, planning, and job specific/technical skills.
36. An estimated 28% of employers in the Coast to Capital region have recruited a school leaver and although reported preparedness for work improves with each level of schooling they are recruited from employers in Coast to Capital are more likely to be dissatisfied than employers in the UK<sup>36</sup>. Across all age and schooling levels poor attitude and motivation is a key problem reported by local employers at a higher rate than in UK businesses.

## **INCLUSIVE AND COHESIVE SOCIETY**

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### **AGE DEMOGRAPHICS**

37. The working age population of the Coast to Capital region is 62.8%, identical to the South East level<sup>37</sup>, and there has been some shift to an older population. From 2001 to 2011 the number of people aged over 45 grew by 13% whilst those under

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<sup>31</sup> Department for Education - Level 2 and 3 attainment by young people aged 19 - 2014

<sup>32</sup> SFA apprenticeship data cube 2008-2013

<sup>33</sup> Higher Education Statistics Agency destination of leavers survey 2011-2013

<sup>34</sup> Annual Population Survey 2014

<sup>35</sup> UK Commission for Employment and Skills - Employers Skills Survey 2013

<sup>36</sup> Ibid

<sup>37</sup> ONS Mid-Year Population Estimates 2013



45 only grew by 5%<sup>38</sup>. Both the Croydon and Brighton & Hove (and Lewes) areas have working age populations that are above the regional average.

### **UNEMPLOYMENT**

38. The unemployment rate is 5.8% and has fallen by 1% from 2010 to 2014, the number of people who are unemployed in the Coast to Capital region is estimated to be 59,900<sup>39</sup>. This fall was in line with the South East until 2014 when the rate declined sharply to 4.8%.

### **ECONOMIC INACTIVITY**

39. In the Coast to Capital region the inactivity rate has been falling steadily since its peak in 2011; the rate is 18.6% and is lower than the South East rate<sup>40</sup>. The number of inactive people has fallen by 5.5% in comparison to the South East where the number fell by 1.3%. The rate of those who are inactive and who want a job has been rising strongly in the Coast to Capital region, it has gone from 25% to 32% over the last five years.

### **YOUTH EMPLOYMENT AND UNEMPLOYMENT**

40. In the Coast to Capital region the youth (16-24) employment rate has fallen from 60% to 55% since 2008 and has not seen the same recovery as total employment has<sup>41</sup>. Youth unemployment in the Coast to Capital region is currently 17.3%, around 22,000 people<sup>42</sup>. Youth unemployment makes up 37% of total unemployment in the Coast to Capital region despite making up 18% of the working age population. It is estimated there are 3,390 people not in education, employment, or training (NEETs) in the area in 2014, down from 4,900 in 2011.

### **EMPLOYMENT AND UNEMPLOYMENT BY GENDER**

41. The male employment rate is currently 82% compared to 71% for females<sup>43</sup>. Since late 2010 however the gap has been closing due to the female employment rate growing faster than the male rate. The financial crisis appears to have affected female unemployment more than male unemployment, pre-crisis the female unemployment rate was lower or in line with the male rate; after the crisis it has been consistently higher than the male rate. Currently the female unemployment rate is 7.1% compared to 5.2% for male unemployment.

### **ETHNICITY IN THE COAST TO CAPITAL REGION**

42. Black, Asian, and Ethnic Minorities (BAME) make up 14.5% of the Coast to Capital population, this is 5% higher than in the South East region as a whole<sup>44</sup>. These groups are more likely to be economically inactive and are more likely to be unemployed than white ethnic groups, and recently the employment rate has

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<sup>38</sup> Census 2001 and 2011

<sup>39</sup> Annual Population Survey: Model based unemployment estimates 2014

<sup>40</sup> Annual Population Survey 2014

<sup>41</sup> Ibid

<sup>42</sup> Ibid

<sup>43</sup> Ibid

<sup>44</sup> Census 2011

fallen to 65.4%<sup>45</sup>. Unemployment for BAME groups was 14% in late 2014 accounting for 19,900 people, which is 33% of unemployment despite making up 15% of the working age population. The gap between the BAME and white ethnic group's unemployment rates is much larger in the Coast to Capital region compared to the South East where BAME unemployment has been falling.

### **JOB SEEKER ALLOWANCE CLAIMANTS**

43. The claimant count has been falling since 2011, down by 50% from 32,750 to 16,330 in January 2015<sup>46</sup>. The proportion of the population claiming has also fallen by half, down to 1.3%. Those aged 16 to 24 are more likely to be on JSA but are less likely to be on it for more than a year compared to those aged 25+. BAME groups are also more likely to be claiming JSA. In Croydon BAME groups make up 57% of claimants despite representing 45% of the Croydon population.

### **WAGES**

44. Wage data is only available at Local Authority level so the Coast to Capital region or the Area Partnerships cannot be represented here. In both resident and workplace wages the Arun and Adur areas are where wages are lowest<sup>47</sup>. Crawley and Mole Valley are the only areas where resident median wages are below workplace median wages, suggesting local people are facing barriers to accessing local well-paying jobs. In Arun and Mole Valley wages are lower now than in 2010 in both workplace and resident wages. Female median wages are consistently below the male level across the region.

### **HOUSING**

45. The level of additional affordable housing made available each year has been steady over the long term but recent changes to move away from 'social' rented housing to 'affordable' housing has led to a drop in supply over the last two years<sup>48</sup>. The median sale price of houses across the Coast to Capital region has risen in five out of eight years from 2005 to 2013<sup>49</sup>. The median sale prices have risen from 18% in Lewes up to 31% in Mole Valley over this period. This in turn has pushed up the house price to earnings ratio across the region.

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<sup>45</sup> Annual Population Survey 2014

<sup>46</sup> JSA Claimant Counts 2015

<sup>47</sup> ONS Annual Survey of Hours and Earnings 2014

<sup>48</sup> Government housing supply live tables: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply>

<sup>49</sup> ONS House Price Statistics for Small Areas 1995-2013

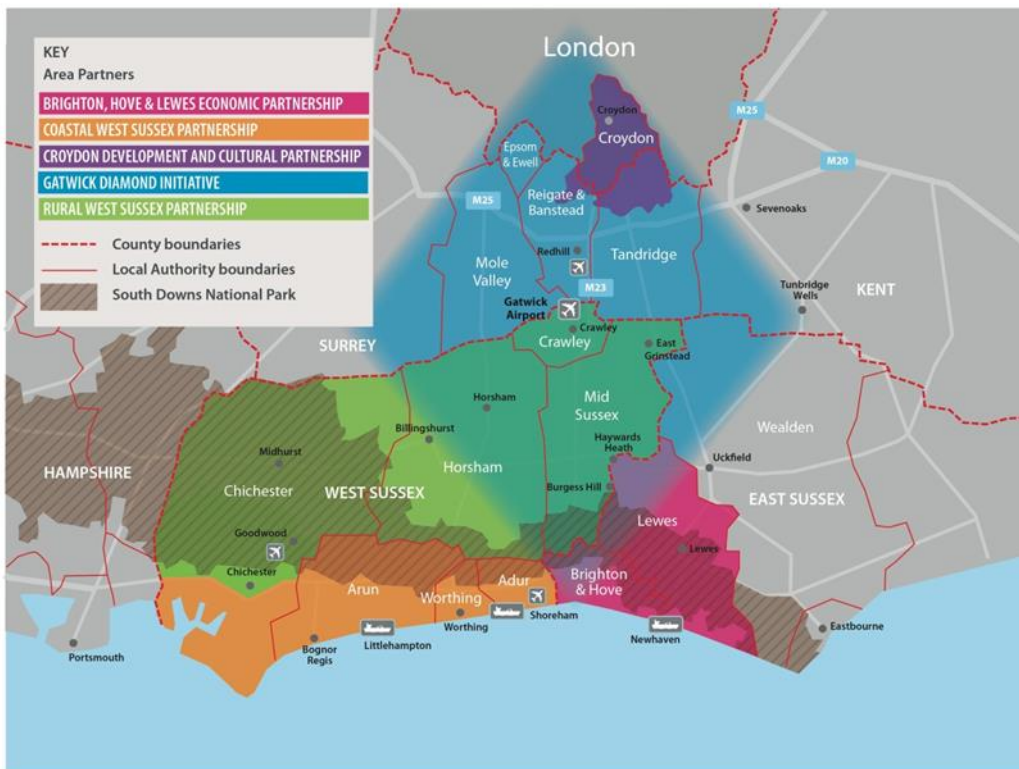


## BACKGROUND

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46. Coast to Capital spans the UK's two most successful and important economic regions; it extends from South London to the coast, from Chichester in the west along to the city of Brighton and Hove and on to Lewes in the east. Coast to Capital comprises the whole of West Sussex, the London Borough of Croydon, the City of Brighton and Hove, East Surrey and the local authority district of Lewes, which is part of East Sussex. It has a resident population of nearly two million and an estimated 116,000 businesses.
47. At the heart of our area is Gatwick Airport, the UK's second airport, surrounded by the Gatwick Diamond, a large and successful hub for businesses. Coast to Capital also contains an extensive rural area; nearly two thirds of the South Downs National Park lies within our boundaries, as does the whole of West Sussex. Where agriculture and tourism once predominated, the rural area has an increasingly diversified economy and Wholesale and retail trade is the largest sector in employment terms. The coastal area in the south includes the vibrant, creative city of Brighton and Hove, which has international standing, both as a visitor destination and as a location for the Creative, Digital and Information Technology (CDIT) industries. The coast also includes important urban centres such as Worthing and the East Sussex county town of Lewes, the ports of Shoreham and Newhaven and a deceptively large and sectorally diverse business population. Reflecting the economic sub regions in our area, there are five local Area Partnerships represented graphically in the map below: Brighton, Hove and Lewes Economic Partnership; Coastal West Sussex Partnership; Croydon Development and Cultural Partnership; the Gatwick Diamond Initiative and Rural West Sussex Partnership.

## Coast to Capital Area Local Partnerships



48. For data purposes these partnerships have been built up using the Local Authority areas that they cover, listed below. Some of these partnerships overlap and some Local Authority areas are counted in both, for this reason the Area Partnership data will not add up to the Coast to Capital regional data. The Gatwick Diamond, Rural West Sussex, and Coastal West Sussex all have areas that overlap.
49. In Rural West Sussex the Arun and Mid Sussex Local Authorities are not classified as rural and data for Rural West Sussex includes the urban centres within those Local Authorities. Currently there are no regularly updated datasets split by urban and rural classifications, which makes it impossible to provide up to date data for rural areas. This necessitates the use of the broader Local Authority areas to make up Rural West Sussex. Similarly Chichester is largely rural but is also part of the Coastal West Sussex Partnership and is included in data for Coastal West Sussex.

Croydon	Brighton & Hove and Lewes	The Gatwick Diamond	Rural West Sussex	Coastal West Sussex
<ul style="list-style-type: none"> <li>•Croydon</li> </ul>	<ul style="list-style-type: none"> <li>•Brighton and Hove</li> <li>•Lewes</li> </ul>	<ul style="list-style-type: none"> <li>•Crawley</li> <li>•Epsom and Ewell</li> <li>•Horsham</li> <li>•Mid Sussex</li> <li>•Mole Valley</li> <li>•Tanbridge</li> <li>•Reigate and Banstead</li> </ul>	<ul style="list-style-type: none"> <li>•Arun</li> <li>•Chichester</li> <li>•Horsham</li> <li>•Mid Sussex</li> </ul>	<ul style="list-style-type: none"> <li>•Adur</li> <li>•Arun</li> <li>•Chichester</li> <li>•Worthing</li> </ul>

## SWOT Summary

### Strengths

- High overall GVA – ranked 6<sup>th</sup> out of all LEPs
- Top GVA contributions come from three places equally – Croydon, Crawley, and Brighton & Hove
- Gatwick Airport has a strong, positive effect on the economy – Crawley has a 3.5% share of businesses and contributes 14% of total GVA
- There is a good mix of businesses, both across industries and across geographies
- Businesses in the South East are more innovative active than London and recent surveys suggest high levels of innovation in the Coast to Capital region

### Weaknesses

- Poor GVA per head – ranked 13<sup>th</sup> out of all LEPs and there is significant variation at Local Authority level
- Highest GVA growth came in Real Estate and Public Administration activities
- Low share of large businesses – they provide proportionally more employment opportunities, are more productive, and invest more in capital and labour
- Low share of foreign owned companies- they have been shown to drive growth, be more likely to export, and make an outsized contribution to the economy
- Low percentage of companies growing turnover from £0 to £1m and from £1-2m to £3m

### Opportunities

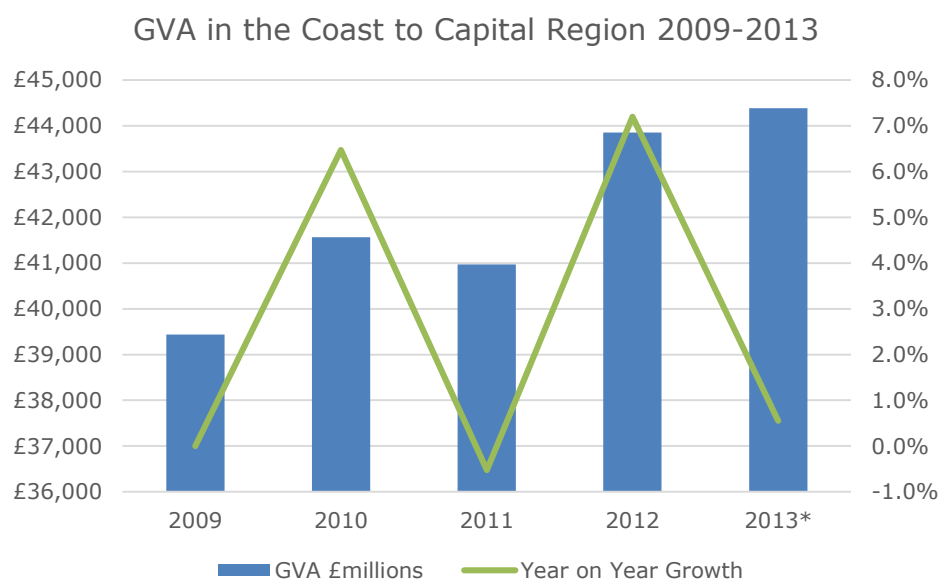
- 2013 had the highest rate of new businesses creation since 2004
- One year survival rates for businesses are rising after three years of decline
- There are high levels of young businesses and entrepreneurs, particularly in Croydon and Brighton & Hove (and Lewes) – often young businesses are where new ideas and products arise
- Low commercial rents in coastal areas could attract new business

### Threats

- Poor GVA growth in Information and Communication,
- Low business stock growth in Coastal and Rural West Sussex
- Higher business dissolutions than incorporations in Coastal West Sussex
- High commercial rents and a lack of move on space in Brighton and Hove may constrain growth of businesses in the area

## GROSS VALUE ADDED ESTIMATES

50. Gross value added (GVA) in the Coast to Capital region reached £44.3 billion<sup>50</sup> in 2013, up slightly from £43.8 billion in 2012. The 2013 figures are currently provisional and will be revised later in the year; similarly the 2012 figure has been revised up by around £3.1 billion since last year, going from £40.7 billion to £43.8 billion. Since 2009 GVA is estimated to have risen by 12.5%, or nearly £4.9 billion. Figure 1 shows the level of GVA in the Coast to Capital over time in both value and yearly percentage growth.

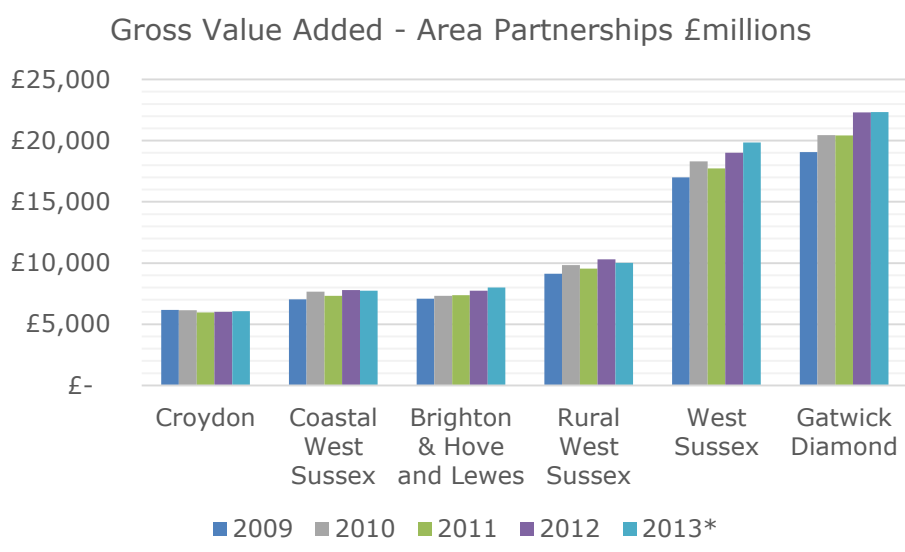


**Figure 1 – GVA estimate for the Coast to Capital region 2009-2013; Source: ONS regional gross value added 2014/ONS BRES 2009-2013/ONS ASHE 2009-2013/Coast to Capital 2014**

51. In figure 2 GVA is broken down by the Area Partnerships, this data is based on ONS GVA estimates for the Coast to Capital region as a whole, but has been broken down into Area Partnerships and Local Authority areas using a formula worked on by Coast to Capital and partners<sup>51</sup>. This data comes with the caveat that whilst the data is based on GVA by the ONS it is *not* published by the ONS and should be treated as an *experimental* estimate created by Coast to Capital.
52. The Gatwick Diamond has the highest GVA and accounts for around 50% of the region's total GVA due both to its size and the proximity to Gatwick Airport, the large size and concentration of the Manor Royal Business Park, and the high number of business Headquarters. West Sussex accounts for 45% of regional GVA. Each Area Partnership shows an upward trend, over the 2009 to 2013 period the Gatwick Diamond grew 17%, West Sussex grew by 16%, Brighton & Hove (and Lewes) grew by 13%, Rural West Sussex grew 11.5%, Coastal West Sussex grew by 10%, but Croydon appears to have fallen 1.5%, going against the trend of the rest of the region.

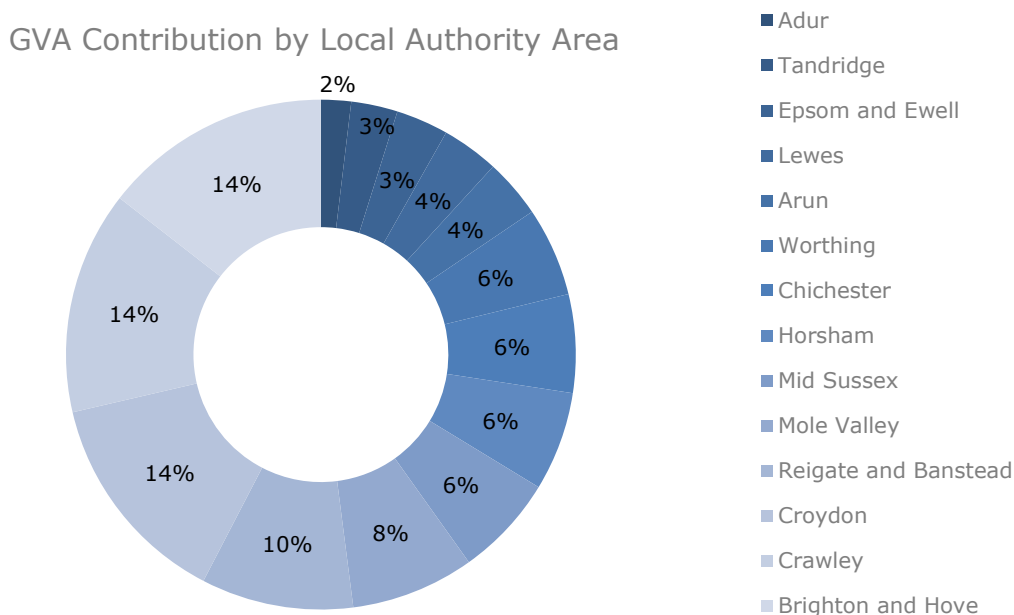
<sup>50</sup> ONS regional gross value added estimates 2014

<sup>51</sup> Formula available in the Annex



**Figure 2 - GVA estimate for the Coast to Capital region 2009-2013; Source: ONS regional gross value added 2014/ONS BRES 2009-2013/ONS ASHE 2009-2013/Coast to Capital 2014**

53. Figure 3 shows the share of GVA each Local Authority area contributes to the total regional GVA<sup>52</sup>. It is worth noting how the relatively smaller area of Crawley contributes similar GVA to the region compared to the relatively large area of Croydon and it is only slightly behind Brighton and Hove in terms of overall GVA contribution. This further highlights the importance of Gatwick airport to the local economy.

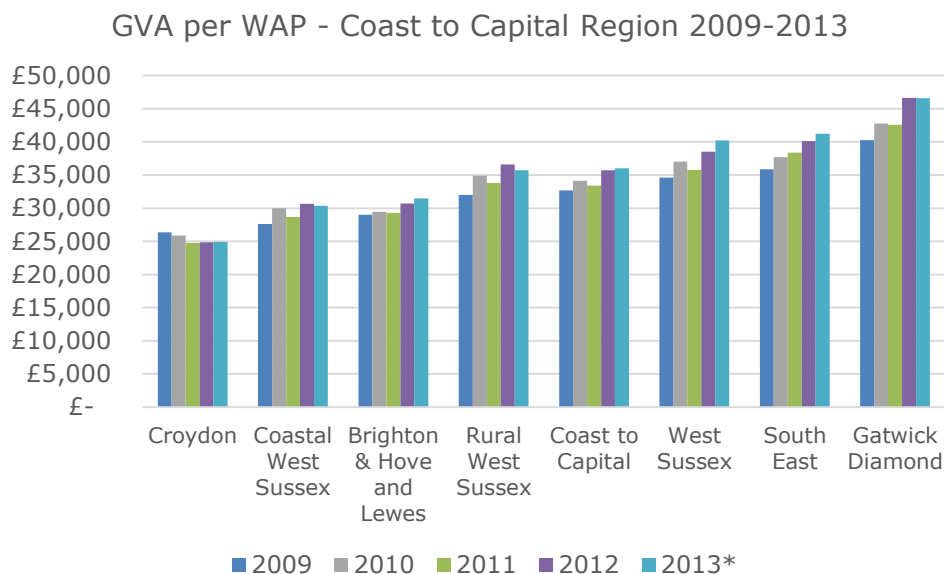


**Figure 3 - GVA estimate for the Coast to Capital region 2009-2013; Source: ONS regional gross value added 2014/ONS BRES 2009-2013/ONS ASHE 2009-2013/Coast to Capital 2014**

<sup>52</sup> Coast to Capital 2014

## GROSS VALUE ADDED PER WORKING AGE POPULATION

54. The GVA per head of working age population<sup>53</sup> (WAP) follow the same growth trends and relative productivity levels as total GVA. As can be seen in figure 4 the Coast to Capital GVA per head of WAP figure is £36,000, some way below the South East's figure of £41,200.
55. The GVA per head of working age population in the Area Partnerships and Local Authority areas has been based on ONS GVA estimates for the Coast to Capital region as a whole, but has been broken down using a formula worked on by Coast to Capital and partners<sup>54</sup>. The Gatwick Diamond is the highest at £46,600, West Sussex is £40,200, Rural West Sussex is £35,700, Brighton & Hove (and Lewes) is £31,400, Coastal West Sussex is £30,400, and Croydon is £24,900.



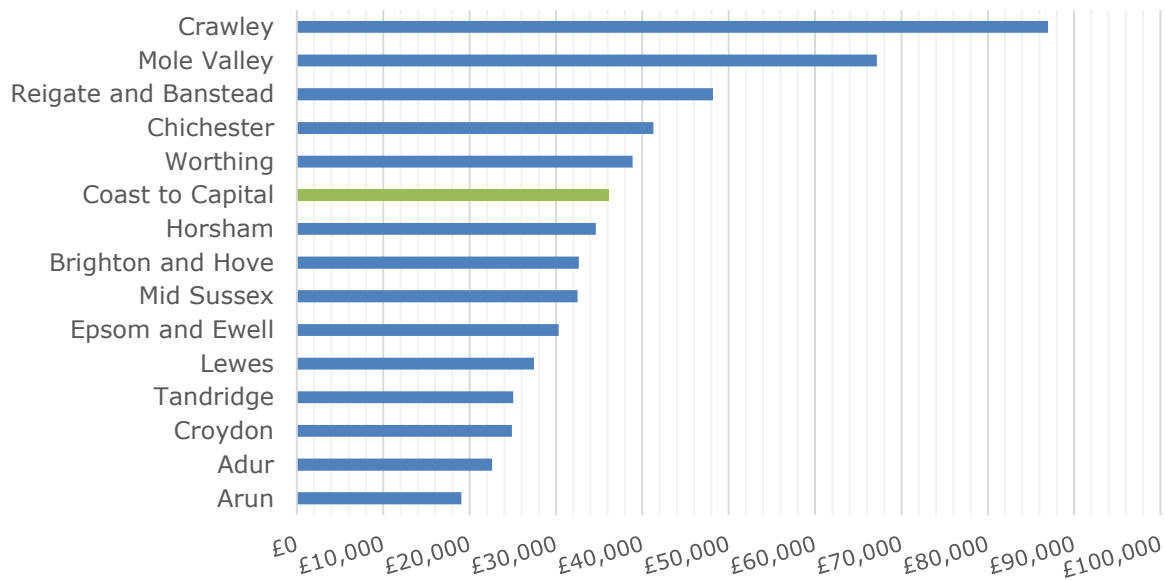
**Figure 4 - GVA estimate for the Coast to Capital region 2009-2013; Source: ONS regional gross value added 2014/ONS BRES 2009-2013/ONS ASHE 2009-2013/ONS mid-year population estimates 2009-2013/Coast to Capital 2014**

56. Figure 5 breaks down the GVA per head of WAP into the Local Authority areas, it further highlights the effect Gatwick Airport has on the local economy, as GVA per head of WAP in Crawley is by far the largest in the region at nearly £87,000. The other most sizable area is Mole Valley at £67,200. At the other end of the scale Arun is the least productive with a GVA per head of WAP of £19,000, this is some way off the second lowest area, Adur, which has a GVA per head of WAP of £22,600.
57. Some of the sizable gap can be attributed to the above average proportion of large businesses in the Gatwick Diamond area, and particularly in Crawley, as larger businesses are generally more productive than their smaller counterparts, this also suggests there are higher value, higher skilled jobs in the Gatwick Diamond area.

<sup>53</sup> Coast to Capital 2014

<sup>54</sup> Formula available in the Annex

### GVA per WAP in Local Authority Areas



**Figure 5 - GVA estimate for the Coast to Capital region 2009-2013; Source: ONS regional gross value added 2014/ONS BRES 2009-2013/ONS ASHE 2009-2013/ONS mid-year population estimates 2009-2013/Coast to Capital 2014**

### GROSS VALUE ADDED ACROSS INDUSTRIES

58. The Office of National Statistics (ONS)<sup>55</sup> produced GVA estimates for each LEP and the broad industrial groups from 1997 to 2012 that gives the opportunity to explore what industries add the most in terms of GVA and which industries have seen growth in productivity. (The broad industry groups have been set out at the end of the section.)
59. In the decade from 2003 to 2012 GVA in the Coast to Capital region grew by 36%. Four of the broad industrial groups grew faster than this; Real estate activities, Public administration and defence, compulsory social security, Education, Human health and social work activities, Financial and insurance activities, and Professional, scientific and technical activities, Administrative and support service activities. Almost all the industrial groups had at least double-digit growth rates apart from one, Information and communication where growth has been slower than the UK Information and communications sector. The lack of expected productivity gains is something that may be due to a mix of different sectoral, national and local factors. The 'Solow Paradox' suggests that the improvements in technology have not yet produced complementary productivity boosts, there is a national problem with low productivity recently across all sectors, social and demographic factors of the region may play a part, potentially businesses have not yet taken full advantage of the benefits of clustering in the region, the sector is quite labour intensive and has not yet been subject to automation, and it may be that the sector provides productivity boots to other sectors more than itself.

<sup>55</sup> ONS regional gross value added estimates 2014



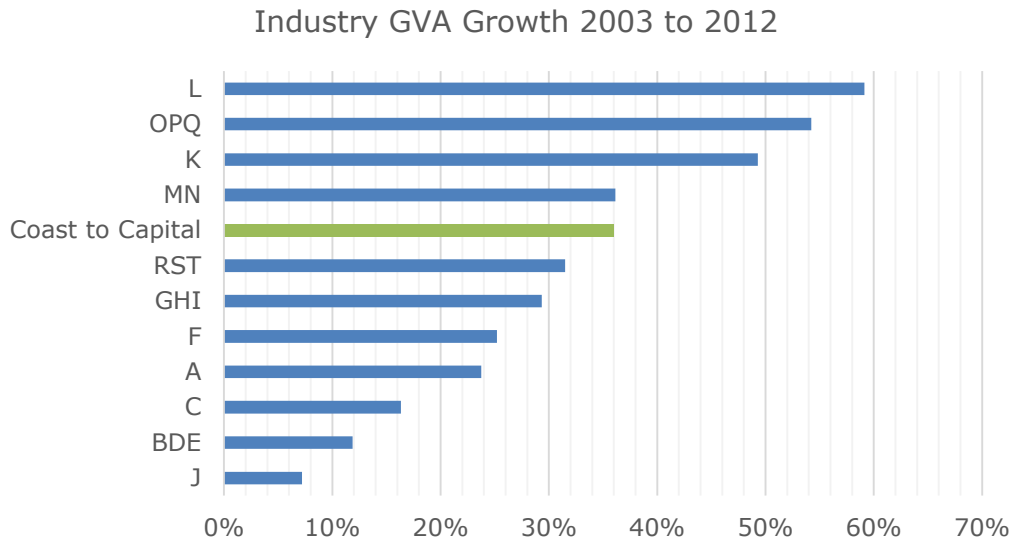


Figure 6 – Estimates of GVA growth by industry 2003 to 2012 – Coast to Capital region; Source: ONS regional GVA 2014

60. In 2012 the top two industries in the Coast to Capital region, Wholesale and retail trade; repair of motor vehicles and motorcycles, Transportation and storage, Accommodation and food service activities, and Public administration and defense; compulsory social security, Education, Human health and social work activities contributed just over 38% of regional GVA between them. This is to be expected as retail will be a large part of any regional economy and there is a large presence of transport activities in the region around Gatwick Airport and the ports, along with the four universities and large care sector.
61. At the other end the lowest contributor to GVA is Agriculture, forestry and fishing at 0.5%, followed by Mining, energy supply, and waste management at 2.4%, and Arts and entertainment, and other activities at 4.1%. This is also largely to be expected as Mining, and Agriculture, forestry and fishing are relatively small industries, energy supply is concentrated in a small number of locations throughout the country, and Arts and entertainment are labour intensive and have limits to its productivity growth, although this may yet change with increasing adoption of new technologies in all sectors.



### Industry Share of Total GVA

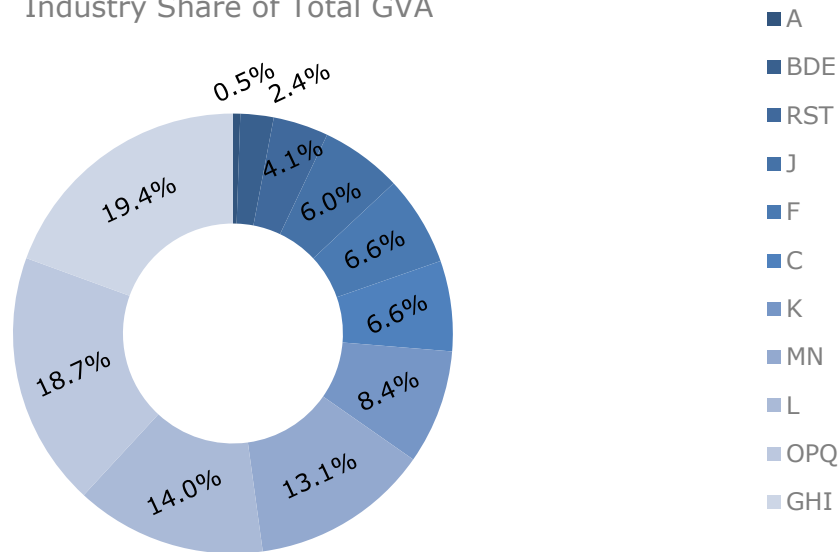


Figure 7 - Share of GVA by industry – Coast to Capital region; Source: ONS regional GVA 2014

62. Comparing the industry share of total GVA in 2003 with 2012 highlights the fact that both real estate activities (L) and public admin and defence, social security, education, and human health and social work activities (OPQ) have each gained a 2% share of the total at the expense of almost all other industries except Financial and insurance activities which gained a 0.7% share.

#### Broad Industry Categories

A	Agriculture, forestry and fishing
BDE	Mining and quarrying, Electricity, gas, steam and air conditioning supply, Water supply; sewerage, waste management and remediation activities
C	Manufacturing
F	Construction
GHI	Wholesale and retail trade; repair of motor vehicles and motorcycles, Transportation and storage, Accommodation and food service activities
J	Information and communication
K	Financial and insurance activities
L	Real estate activities
MN	Professional, scientific and technical activities, Administrative and support service activities
OPQ	Public administration and defence; compulsory social security, Education, Human health and social work activities
RST	Arts, entertainment and recreation, Other service activities, Activities of households as employers

Table 1 – Broad industry definitions

#### GROSS VALUE ADDED RANKINGS

63. The ONS GVA data for Local Enterprise Partnerships (LEPs)<sup>56</sup> allows for the comparison of productivity measures between the LEPs; all rankings are out of the 39 LEPs. In 2013 the Coast to Capital region had the 6<sup>th</sup> highest GVA total with £44.9 billion, behind Enterprise M3 on £47.8 billion and ahead of the South East Midlands on £43.7 billion.

<sup>56</sup> ONS regional gross value added estimates 2014

64. Over the longer term productivity growth has been slow in the Coast to Capital region, but it has recently been improving. Coast to Capital's average annual growth rate of 3.5% over the last ten years places Coast to Capital 12<sup>th</sup> out of 39 LEPs and using the average annual growth rate from the last five years since 2009 puts Coast to Capital 6<sup>th</sup> in the rankings. In 2012 the Coast to Capital region had the fastest growing GVA out of the 39 LEPs, although this has fallen to 8<sup>th</sup> in 2013.
65. Using the more directly comparable GVA per head Coast to Capital is 13<sup>th</sup> out of 39 on £22,935 per head, just behind Solent LEP (£23,211) and ahead of Coventry and Warwickshire LEP (£22,442). At the top of the rankings is London LEP on £40,215 per head and at the bottom is Cornwall and Isles of Scilly on £15,403 per head. On this measure the ten and five year average annual growth rates Coast to Capital has had relatively poor growth over the last ten years, ranking 12<sup>th</sup> out of the 39 LEPs with a 2.6% average annual growth. There has been improvement in its position however, average growth over the last five years is ranked 6<sup>th</sup> out of the 39 LEPs with a 1.8% average annual growth.

### **BUSINESS STOCK**

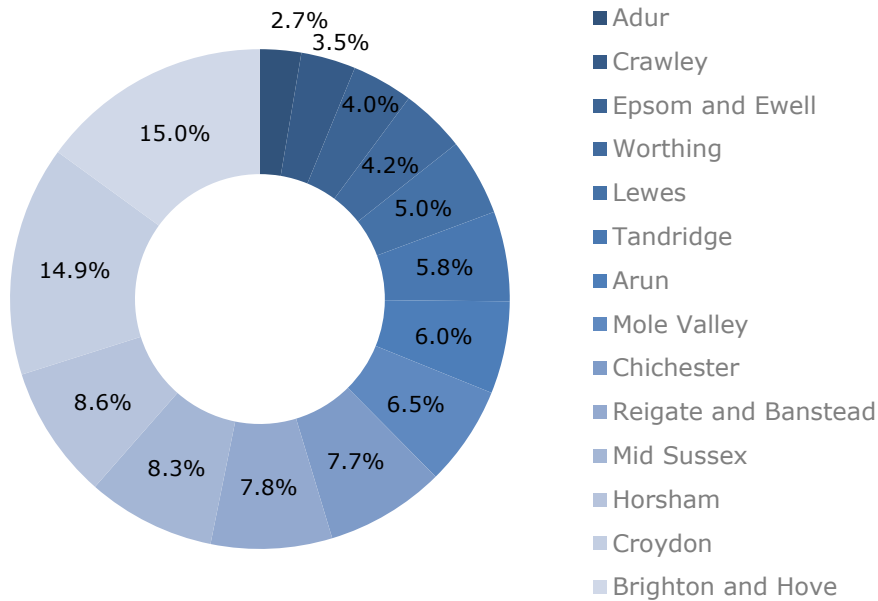
66. Business stock across the region has grown strongly, an average of 2.8% per year between 2011 and 2014, and ahead of the South East region, which grew by 2.5% a year on average<sup>57</sup>. The total number of businesses now stands at 77,630, up by just over 6,000 since 2011. These businesses are just the VAT and/or PAYE registered; there a further estimated 37,000 businesses below the VAT and/or PAYE threshold in the region<sup>58</sup>.

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<sup>57</sup> ONS Business Counts 2014

<sup>58</sup> Experian Market IQ database January 2015

## Share of Business by Local Authority Area 2014



**Figure 8 - Business share by Local Authority area 2014; Source: ONS Business Counts 2014/Coast to Capital**

67. Croydon has been the fastest growing area for business stock within the Coast to Capital region with an average yearly growth rate of 5.2%; the business stock grew by 1,600 from 2011 to 2014, or just over 16%. Brighton & Hove (and Lewes) was the only other partnership to grow above the Coast to Capital and South East averages at 9.9%; its business stock went up by 1,400 from 2011 to 2014. The Gatwick Diamond matched the South East rate at 7.5% and had the largest stock gains of 2,400, but this is down to its geographical coverage. West Sussex business stock grew by 5.8%, Rural West Sussex business stock grew by 4.9% (1,100 additional businesses) while Coastal West Sussex lags behind with a 4.4% increase, or 700 businesses.

Business Stock Growth 2011-2014

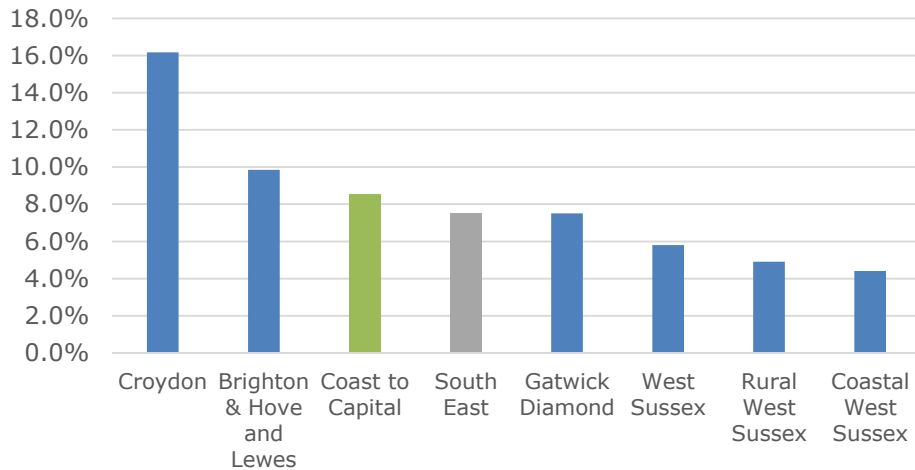


Figure 9 – Business stock growth – Coast to Capital, Area Partnerships, and South East 2011-2014; Source: ONS Business Counts 2011-2014/Coast to Capital

68. Looking at the Local Authority areas, Croydon was the fastest growing area but Epsom & Ewell and Crawley were ahead of Brighton and Hove. It is worth highlighting the low growth rate of Arun, less than half the next lowest rate in Chichester and 4% below the average. Between 2012 and 2013 Arun’s growth rate fell by 2.6%, the largest fall across all the Local Authority areas at any point in the time period.

Business Stock Growth - Local Authorities 2011-2014

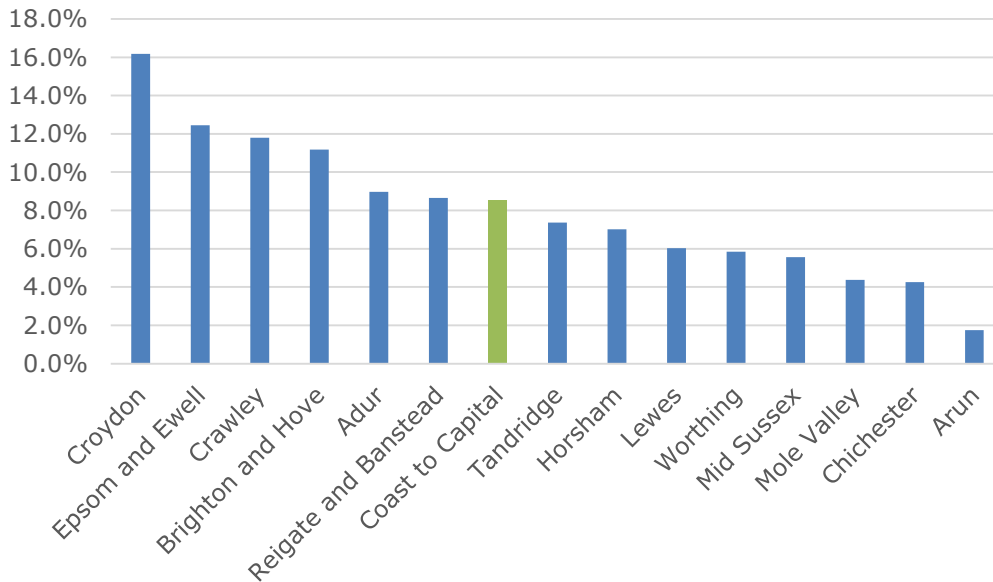
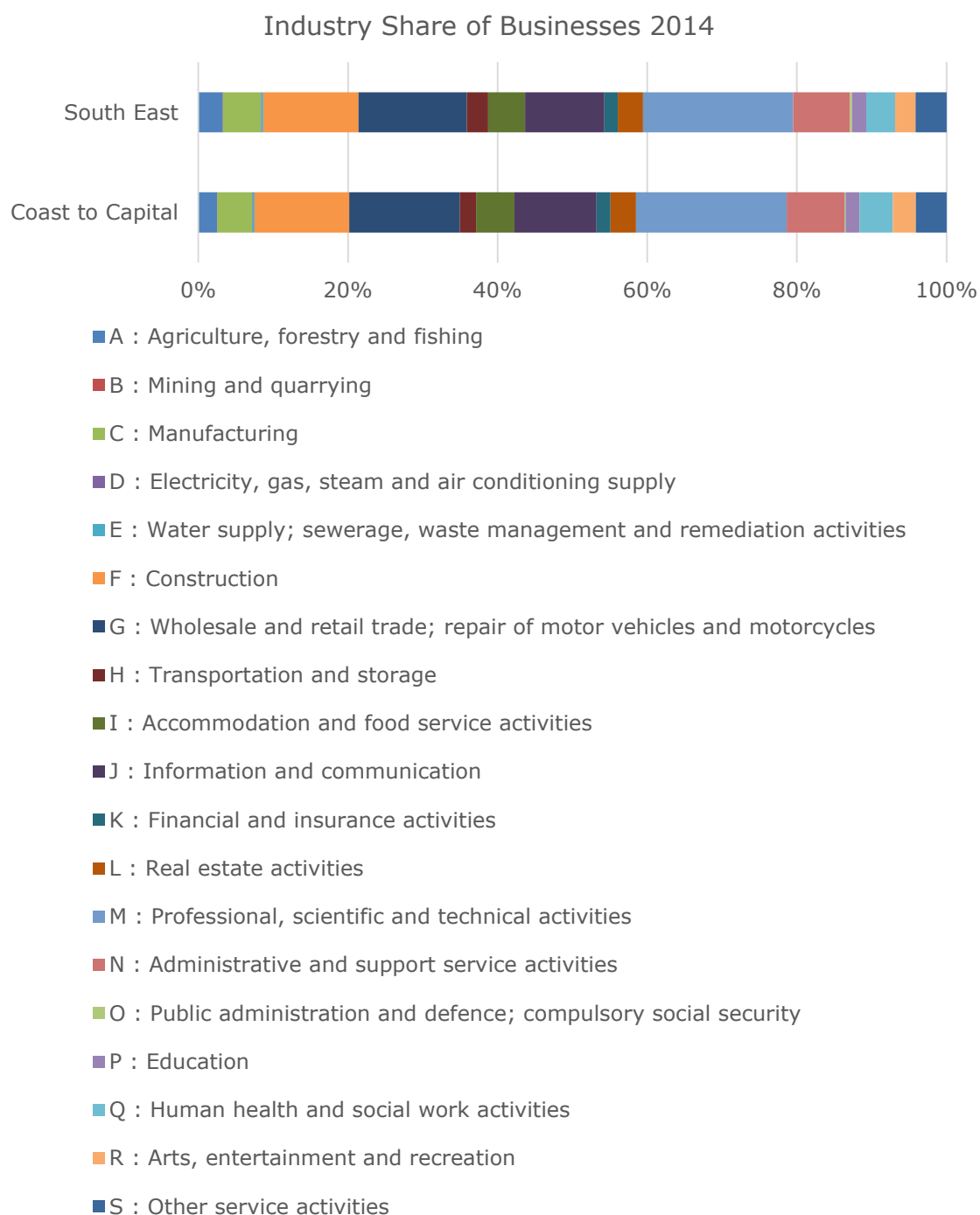


Figure 10 – Business stock growth – Coast to Capital and Local Authority areas 2011-2014; Source: ONS Business Counts 2011-2014/Coast to Capital

## BUSINESSES BY INDUSTRY

69. Having a good mix of industries is just as important as having strengths in in high value sectors and the differences in locations, such as the higher levels of Information Communications in Croydon and Brighton & Hove (and Lewes), or the higher levels of Professional, scientific, and technical activities in the Gatwick Diamond

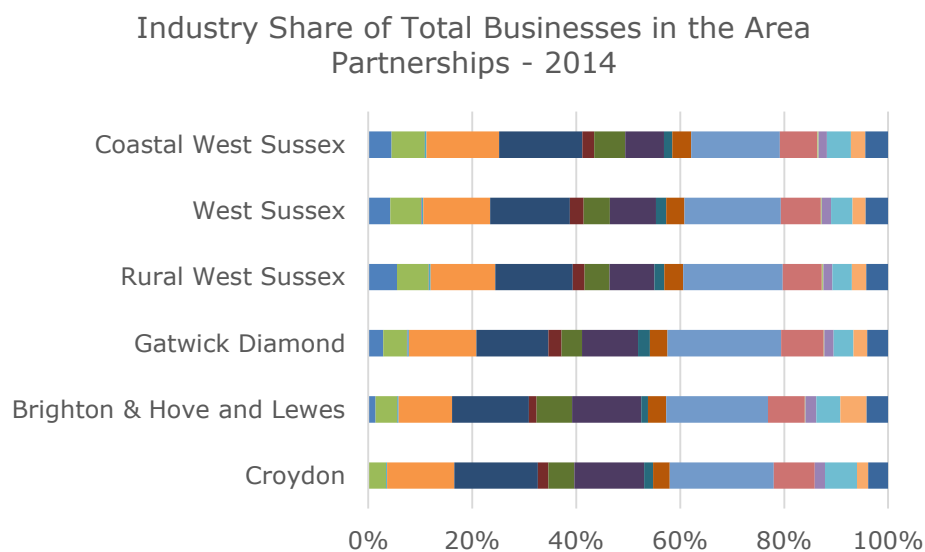


**Figure 11 – Share of businesses by industry – Coast to Capital region; Source: ONS Business Counts 2014**

70. The top four industries in Coast to Capital are Professional, scientific, and technical activities (20%), Wholesale and retail trade (15%), Construction (13%), and

Information and Communication (11%) which together make up slightly less than 60% of the businesses in the region<sup>59</sup>. Professional, scientific, and technical activities includes: legal and accounting, head office activities, research and development, advertising, and veterinary activities. The sector is mostly made up of head office activities and this sub-sector has driven much of the growth in industry share in the region. This is the same as in the South East, with only slight variations in the overall make-up of the industries.

- 71. Since 2010 the main changes in the make-up in both regions has been a 1% fall in share for Construction, this was offset by a 2% gain by Professional, scientific, and technical activities. This was due to a lack of growth in business numbers in manufacturing and construction.
- 72. In figure 12 the industry share of total businesses is compared across the Area Partnerships; highlighting regional differences such as the higher proportion of Agriculture in Rural West Sussex, higher proportions of Information and communications in Croydon and Brighton & Hove (and Lewes), strong representation of Construction in Coastal West Sussex, and the higher levels of Professional, scientific, & technical activities in the Gatwick Diamond.



**Figure 12 – Industry share of businesses in Area Partnerships: Source: ONS business counts 2014**

- 73. Figure 13 below shows the industry share of businesses in each of the Local Authority areas, both this chart and the one above use the same key to identify the industries as Figure 11.

<sup>59</sup> ONS Business Counts 2014

## Industry Share - Local Authority Areas 2014

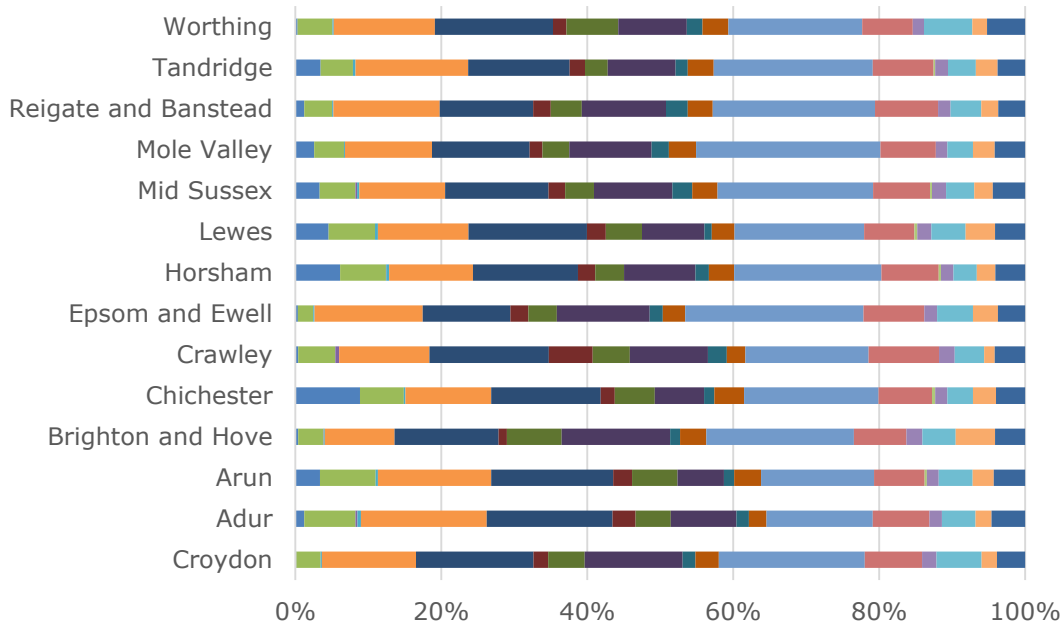


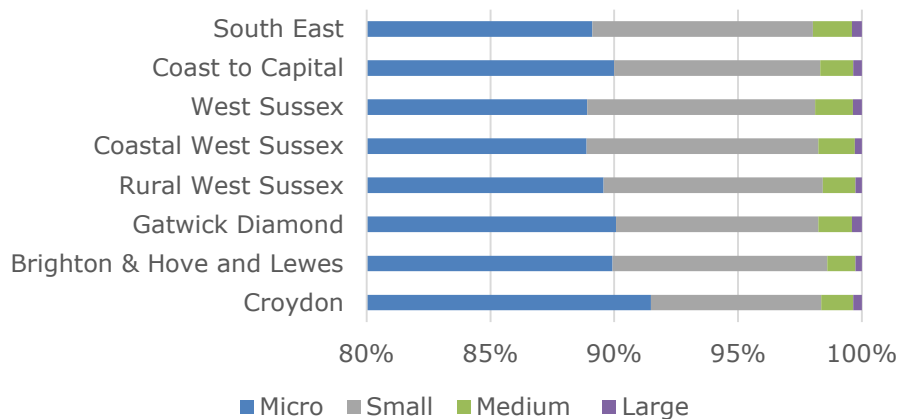
Figure 13 – Industry share of businesses in Local Authority areas; Source: ONS business counts 2014

### BUSINESS SIZE

74. It is important to have a good mix of businesses sizes in the economy, micro businesses make up the majority of businesses, are where the majority of people are employed, and provide the most potential for growth, whereas larger businesses have higher productivity and are more likely to be engaged in international trade.
75. Micro businesses (0-9 employees) dominate the business structure, accounting for 90% of all businesses, which is 0.9% higher than the South East<sup>60</sup>. At the Area Partnership level, Croydon has the largest make-up of micro businesses at 91.4%, the only Area Partnership above the Coast to Capital level. This is mostly at the expense of small businesses (10-49 employees), which at 6.9% is the lowest across the Area Partnerships. Coastal West Sussex and West Sussex as a whole have the lowest proportion of micro businesses at 88.9%, with a larger proportion of small businesses at 9%. Apart from these main differences the make-up of business size are broadly similar across the Area Partnerships, at Local Authority level is where there is more variation.

<sup>60</sup> ONS Business Counts 2014

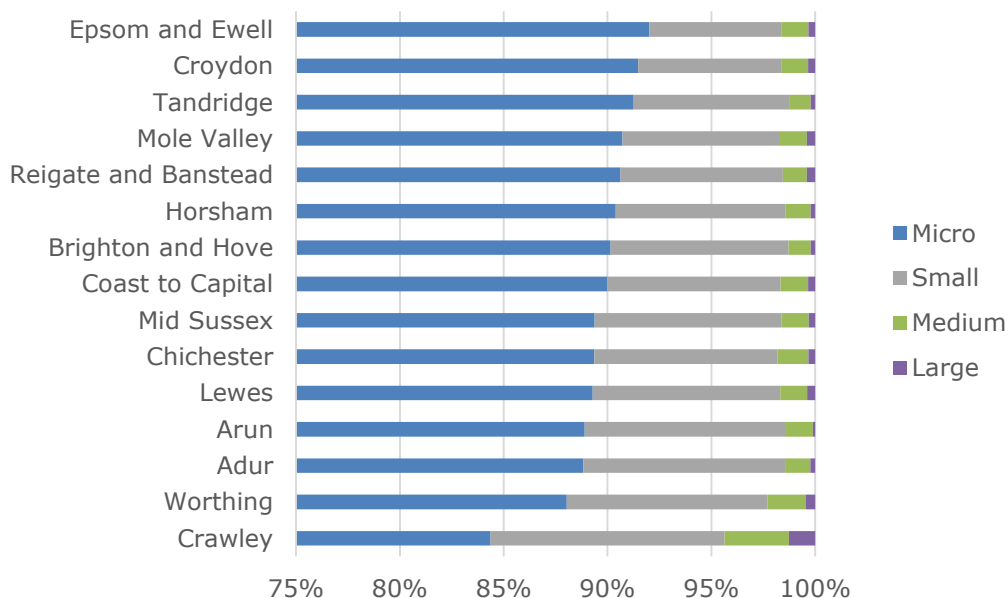
### Business Size Proportion - Coast to Capital Region 2014



**Figure 14 – Size of business proportion of total businesses – Coast to Capital region; Source: ONS business counts 2014**

76. Micro business proportions range from 91.9% in Epsom and Ewell down to 84.4% in Crawley; this is an outlier as the next lowest proportion is 88.2% in Worthing, which makes for a much narrower range. Crawley has the largest proportions of small, medium and large businesses (medium and large business share are around double that of other areas). Worthing also has larger than average proportion of medium and large businesses, whilst Chichester has the 3<sup>rd</sup> highest proportion of medium businesses and Reigate and Banstead, Mole Valley, and Lewes have the joint 3<sup>rd</sup> highest proportions of large businesses.

### Business Size Proportion- Local Authority Areas 2014



**Figure 15 – Size of business proportion of total businesses – Coast to Capital region; Source: ONS business counts 2014**

77. There appears to be a north south split between the West Sussex and coastal areas and the East Surrey and Croydon areas whereby those closer to London



have increasing levels of micro businesses and proportionally fewer small businesses. The proximity to London may be the key factor here for two reasons; one is the competitive pressures London exerts on surrounding locations, making it harder for micro businesses to grow, secondly those people who might be able to grow a micro businesses to something bigger may be drawn to working in London for larger companies. Another reason linked to this is that micro and small businesses are more likely to be located where the owners are based, whereas medium and large businesses are able to locate where it is most advantageous for them to operate, this might help explain why the shares of medium and large businesses appear to be unaffected by the north-south split the same way as micro and small businesses.

78. It appears that although the number of businesses are growing, they are not growing in turnover. Research by the Enterprise Research Centre has shown that the percentage of start-ups that reach £1 million turnover within three years is low, 4.9% compared to 6.5% in England; the Coast to Capital region is ranked 35<sup>th</sup> out of 39 LEPs. The percentage of businesses that had £1-2 million turnover in 2011 and reached £3 million turnover within three years is 5.8%, compared to 7% in England; the Coast to Capital region is ranked 30<sup>th</sup> out of the 39 LEPs<sup>61</sup>.

#### **BUSINESS INCORPORATIONS AND DISSOLUTIONS**

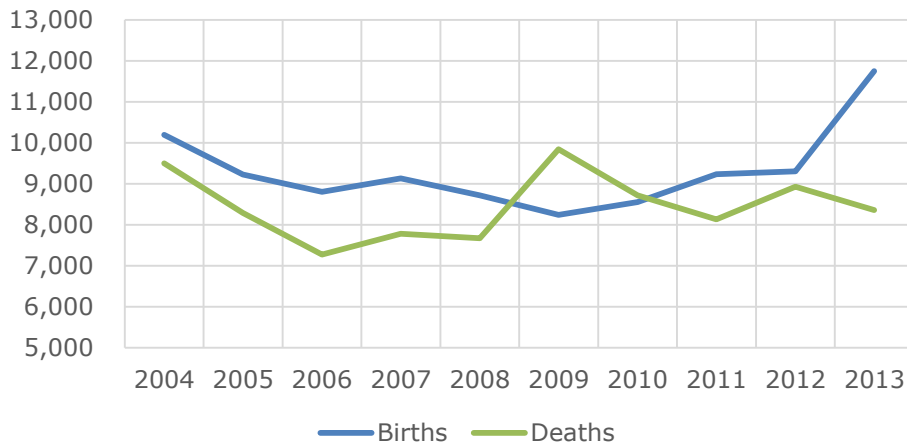
79. New businesses bring dynamism to the local economy through increased competition, bringing innovative ideas to current markets, creating new markets, generating jobs growth, and forcing out inefficient businesses. The next few sections deal with these new businesses and the young entrepreneurs who are likely to drive these innovative ideas.
80. Business incorporations had been on a downward trend between 2004 and 2009 both in the Coast to Capital region and in the South East, however since 2010 the trend has reversed and 2013 had the biggest increase in new businesses in the last ten years and surpassed the previous 2004 peak for number of new businesses<sup>62</sup>.

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<sup>61</sup> Enterprise Research Centre: Business Growth Service – Growth Dashboard June 2015

<sup>62</sup> ONS Business Demography 2014

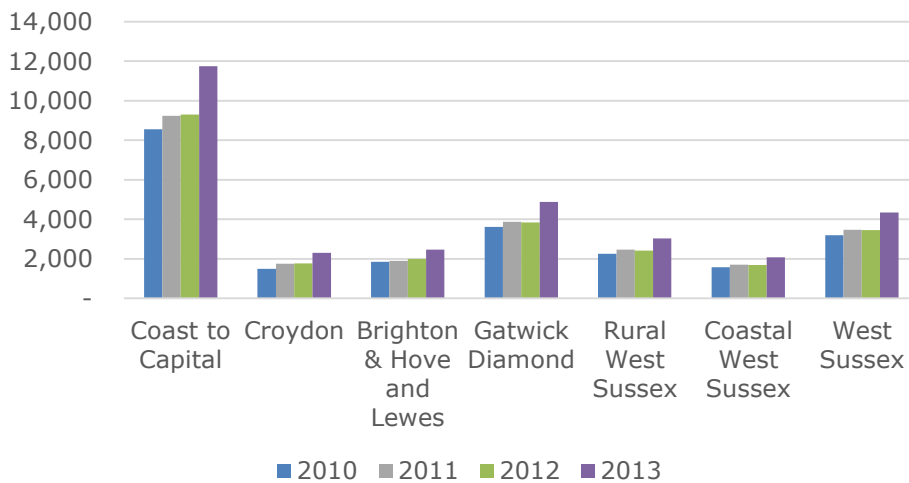
### Business Incorporations and Dissolutions - Coast to Capital 2004 - 2013



**Figure 16 – Business incorporations and dissolutions – Coast to Capital 2004-2013; Source: ONS Business Demography 2013/Coast to Capital**

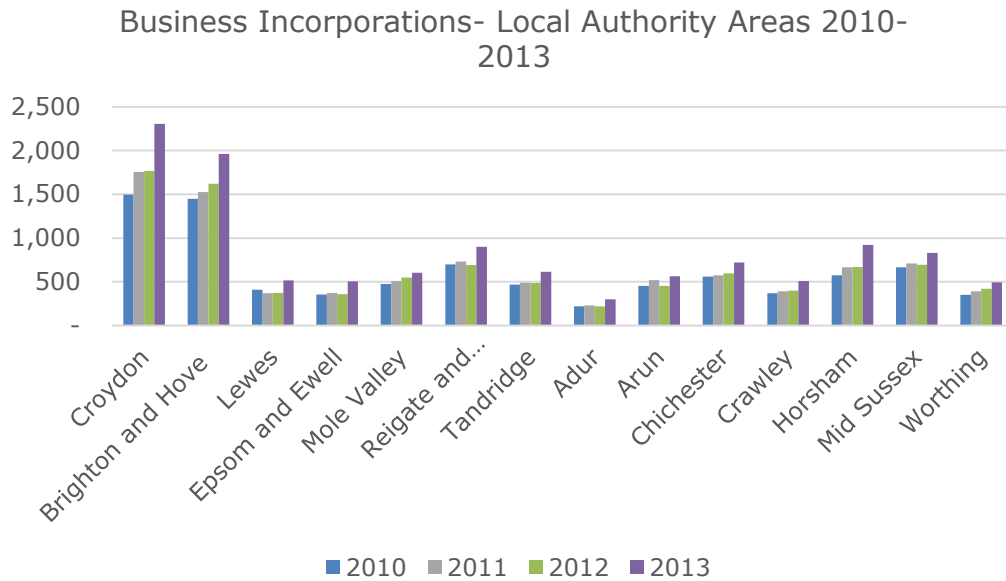
81. In 2013 business incorporations rose 26.3% in the Coast to Capital region, compared with 23.4% in the South East, reaching 11,745 new businesses. The previous high in 2004 was 10,190. Using average yearly growth rates from 2010 to 2013 shows Croydon as the biggest grower (13.8%), followed by Brighton & Hove (and Lewes) (10.6%), Gatwick Diamond (8.9%), West Sussex (8.3%), Rural West Sussex (8.1%), and Coastal West Sussex (6.8%).

### Business Births - Coast to Capital Region



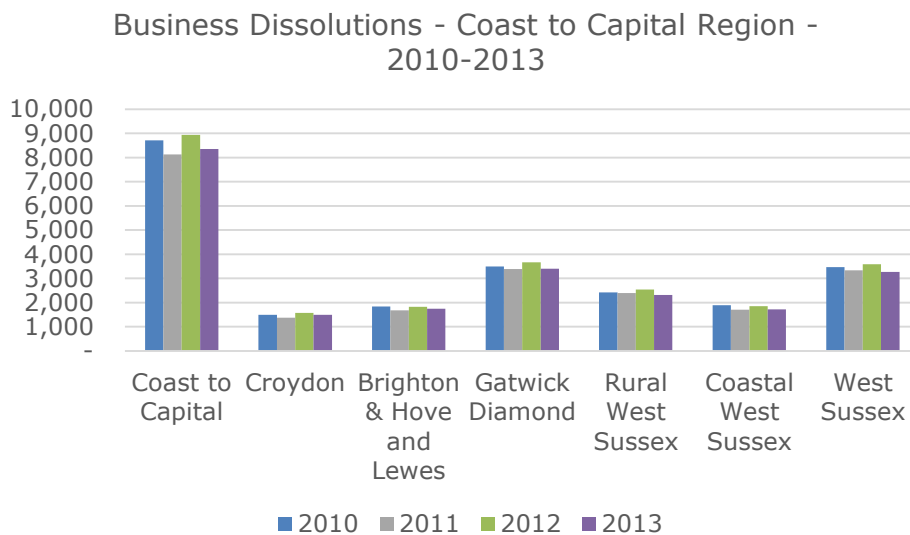
**Figure 17 – Business Births 2010 to 2013 Coast to Capital region; Source: ONS Business Demography 2014**

82. Below is the number of business incorporations at Local Authority level from 2010 to 2013. As can be seen Croydon and Brighton and Hove make are the two largest areas for businesses incorporations and between them accounted for 37% of incorporations in 2013.



**Figure 18 – Business Incorporations in Local Authority areas 2010 to 2013; Souce: ONS business demography 2014**

83. Business dissolutions have also fallen on average since 2004<sup>63</sup>, although every two to three years they spike upwards in what might be considered a market correction. In 2009 the number of dissolutions jumped up 28.2% in the Coast to Capital region, overtaking the number of business incorporations in both 2009 and 2010 as the effects of the credit crisis were felt. The same trends appear in the South East region.

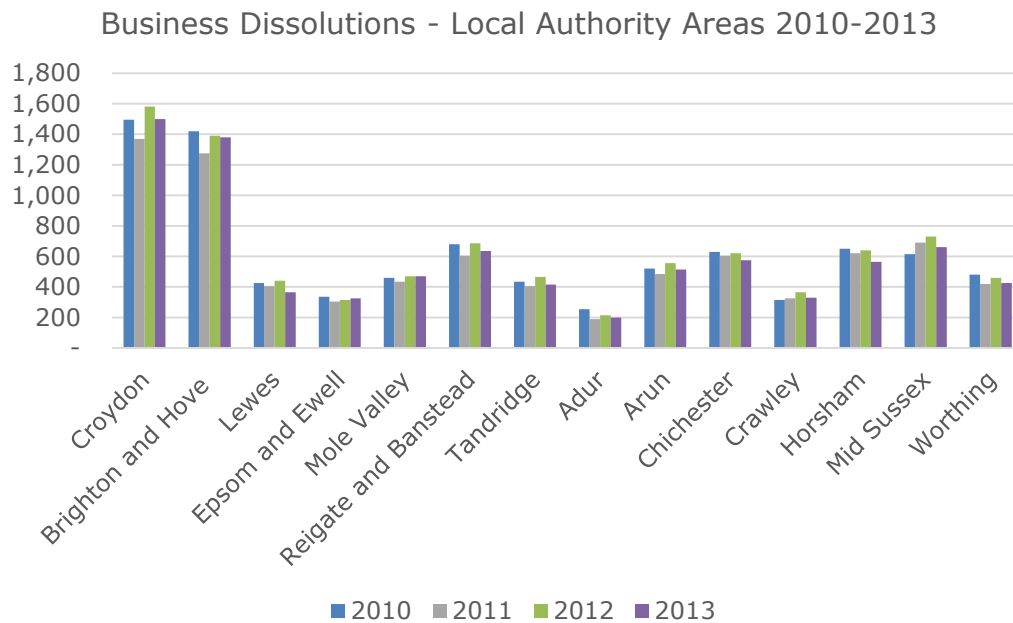


**Figure 19 – Business Dissolutions in the Area Partnerships 2010 to 2013; Source: ONS business demography 2014**

84. The average yearly fall of business dissolutions in the Area Partnerships is almost a reversal of the rankings of growth in incorporations, this is due to limits on business stock growth through a mixture of supply of entrepreneurs, infrastructure

<sup>63</sup> ONS Business Demography 2014

and premises, and market demand. The areas with the biggest average fall in business dissolutions is West Sussex and Rural West Sussex (4.8% each), then Coastal West Sussex (4.4%), Gatwick Diamond (4%), Brighton & Hove (and Lewes) (3.9%), and Croydon (1.6%).



**Figure 20 – Business Dissolutions in Local Authority areas 2010 to 2013; Source: ONS business demography 2014**

85. Using the average business incorporations to dissolutions ratio from 2010 to 2013 identifies relative performance in business creation across the region. The Coast to Capital average is 1.14, just above the South East average of 1.13. Croydon has been the most active area for business incorporations with a ratio of 1.23, this is some way ahead of Brighton & Hove (and Lewes) and the Gatwick Diamond, which are both on 1.16. West Sussex is below the Coast to Capital and South East averages at 1.09, as are Rural West Sussex (1.06) and Coastal West Sussex. In the Coastal West Sussex area the ratio is 0.99, which indicates dissolutions have been slightly above incorporations over the four year period.

Business Incorporations to Dissolutions Ratio 2010-2013

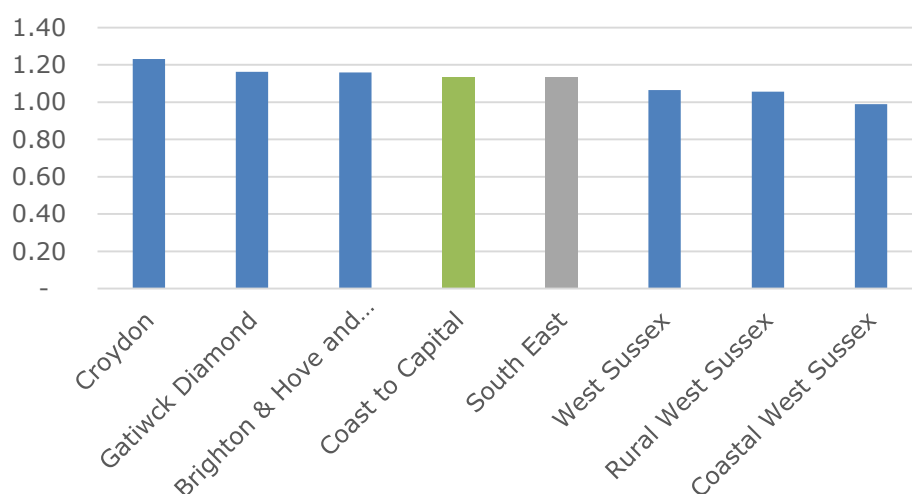


Figure 21 – Business incorporations to dissolutions ratio 2010 to 2013; Source: ONS business demography 2014/Coast to Capital 2015

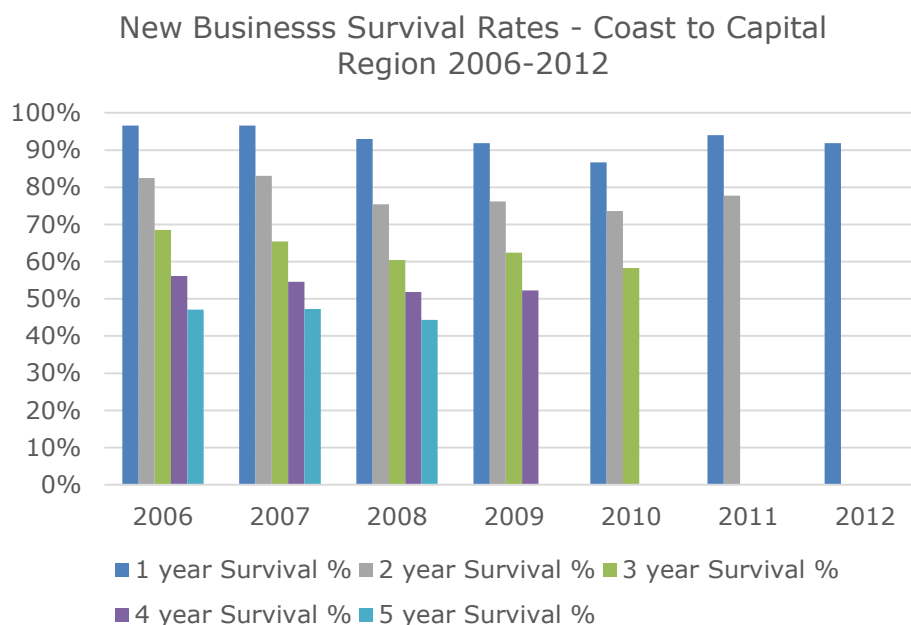
86. At the Local Authority level all of those below the Coast to Capital average are either in West Sussex or on the coast, Crawley and Horsham are the only Local Authority areas in West Sussex to be above the regional average, although Horsham is only slightly above which is hidden by rounding. Crawley has proven to be an entrepreneurial outlier in West Sussex with a higher ratio than almost any other area in the Coast to Capital region.

Incorporations to Dissolutions Ratio	2010-2013
<b>Crawley</b>	1.25
<b>Epsom and Ewell</b>	1.25
<b>Croydon</b>	1.23
<b>Brighton and Hove</b>	1.20
<b>Tandridge</b>	1.20
<b>Mole Valley</b>	1.17
<b>Reigate and Banstead</b>	1.16
<b>Horsham</b>	1.14
<b>Coast to Capital</b>	1.14
<b>South East</b>	1.13
<b>Adur</b>	1.13
<b>Mid Sussex</b>	1.08
<b>Lewes</b>	1.02
<b>Chichester</b>	1.01
<b>Arun</b>	0.96
<b>Worthing</b>	0.93

Table 2 – Business incorporations to dissolutions ratio 2010 to 2013; Source: ONS business demography 2014/Coast to Capital 2015

## BUSINESS SURVIVAL

87. Starting a business is good but getting it to survive is better and it has been getting harder since 2006. In 2006 the one-year survival rate of new businesses was 96.6% but in 2012 it had fallen to 91.9% and in 2010 it fell as low as 86.7%<sup>64</sup>. There is some good news as the rate has risen since 2010 and in the last two years the survival rate has been slightly above the South East region's survival rate.



**Figure 22 – Business survival rates in the Coast to Capital region 2006 to 2012; Source: ONS business demography 2014**

88. The three and five year survival rates follow the same trend although it is unclear if they have started to rise again in the last two years. The three-year survival rate has fallen from 68.5% in 2006 to 58.2% in 2010, a bigger fall than the South East region. The five-year rate fell from 47.1% in 2006 to 44.3% in 2008, the Coast to Capital and South East region's rates have stayed close together, which may hint that Coast to Capital start-ups fail sooner but over the longer term things even out.

<sup>64</sup> ONS Business Demography 2014

Year Started	New Business Survival Rates	1 year Survival Rate	3 year Survival Rate	5 year Survival Rate
<b>2006</b>	South East	97.0%	68.8%	47.8%
	Coast to Capital	96.6%	68.5%	47.1%
<b>2007</b>	South East	96.2%	66.2%	47.3%
	Coast to Capital	96.6%	65.5%	47.2%
<b>2008</b>	South East	93.2%	61.4%	44.3%
	Coast to Capital	93.0%	60.4%	44.3%
<b>2009</b>	South East	91.6%	61.9%	
	Coast to Capital	91.8%	62.4%	
<b>2010</b>	South East	87.9%	59.5%	
	Coast to Capital	86.7%	58.2%	
<b>2011</b>	South East	93.6%		
	Coast to Capital	94.0%		
<b>2012</b>	South East	91.1%		
	Coast to Capital	91.9%		

**Table 3 – 1, 3, and 5 year Business survival rates in the Coast to Capital and South East regions;  
Source: ONS business demography 2014**

89. Across the region there is little variation in the survival rates at Area Partnership level and the trends follow that of the Coast to Capital region as a whole, although in Croydon the three and five year survival rate is consistently lower than the regional average.

<b>1 Year Survival Rates</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Coast to Capital	96.6%	96.6%	93.0%	91.8%	86.7%	94.0%	91.9%
London Borough of Croydon	94.3%	95.0%	91.7%	90.4%	86.6%	93.7%	93.2%
Brighton and Hove and Lewes	96.8%	95.8%	94.6%	91.9%	86.8%	95.3%	91.7%
Gatwick Diamond	97.0%	97.2%	91.4%	91.7%	86.6%	93.7%	91.7%
Rural West Sussex	97.9%	96.5%	94.8%	92.2%	87.5%	94.1%	92.3%
Coastal West Sussex	97.5%	97.4%	96.1%	93.2%	86.8%	93.9%	91.1%
West Sussex	97.5%	96.9%	94.7%	92.4%	87.3%	93.8%	91.3%
<b>3 Year Survival Rates</b>							
Coast to Capital	68.5%	65.5%	60.4%	62.4%	58.2%		
London Borough of Croydon	60.4%	60.5%	55.2%	58.6%	53.2%		
Brighton and Hove and Lewes	68.9%	65.0%	59.5%	61.2%	58.1%		
Gatwick Diamond	70.8%	67.4%	62.1%	63.8%	60.2%		
Rural West Sussex	71.8%	67.2%	65.1%	64.3%	60.6%		
Coastal West Sussex	70.8%	66.1%	62.5%	63.7%	58.7%		
West Sussex	70.3%	66.1%	62.7%	63.2%	59.0%		
<b>5 Year Survival Rates</b>							
Coast to Capital	47.1%	47.2%	44.3%				
London Borough of Croydon	38.6%	41.4%	40.0%				
Brighton and Hove and Lewes	47.9%	46.0%	44.2%				
Gatwick Diamond	49.9%	49.5%	45.7%				
Rural West Sussex	51.1%	49.3%	47.8%				
Coastal West Sussex	48.3%	49.0%	45.6%				
West Sussex	48.8%	48.4%	45.7%				

**Table 4 – 1, 3, and 5 year Business survival rates in the Area Partnerships; Source: ONS business demography 2014**

## HOME BASED BUSINESSES

90. There is no regular official data on this subject at the local level, however the 2011 Census has some data on those who work mainly at or from home. There are 115,000 residents who mainly work from home, of that 66,000 are self-employed, which may be an indication of the size of the home based business population. Looking at the rising trend in self-employment it is possible this number is now much higher.
91. At the national level the Department for Business, Innovation, and Skills (BIS) estimates there are 2.9 million home based businesses in the UK, around 57% of all businesses<sup>65</sup>. In 2011 there were an estimated 110,000 businesses in the Coast to Capital region, assuming 57% were home based this would amount to 62,700 businesses, which is in line with the Census data. Of course not all self-employed people own businesses and it may just be a coincidence that the two numbers are relatively close but it is potentially a reasonable proxy measure.

<sup>65</sup> BIS Small Business Survey 2014



## YOUNG COMPANIES

92. A large proportion of young companies are an indicator of a dynamic, competitive, and entrepreneurial economy, such as in London where 47.6% of companies are under three years old<sup>66</sup> in 2014. Coast to Capital is some way behind this at 39.2%, but it is higher than the South East (37%). There are two main sub-regional areas where a similar composition to London can be found, one is Croydon (46%), which is part of Greater London, and the other is Brighton and Hove (44.1%), which is creating competitive pressures internally, likely through its position as a Creative, Digital, and IT cluster.

Businesses Under 3 Years Old	Number	% Share
<b>South East</b>	167,895	37.0%
<b>Coast to Capital</b>	44,675	39.2%
<b>Croydon</b>	10,235	46.0%
<b>Brighton &amp; Hove and Lewes</b>	11,785	42.7%
<b>Gatwick Diamond</b>	16,050	35.7%
<b>Rural West Sussex</b>	9,280	35.2%
<b>Coastal West Sussex</b>	6,605	34.7%
<b>West Sussex</b>	13,890	36.0%
<b>Croydon</b>	10,235	46.0%
<b>Adur</b>	950	38.6%
<b>Arun</b>	1,645	34.8%
<b>Brighton and Hove</b>	10,460	44.1%
<b>Chichester</b>	1,920	31.8%
<b>Crawley</b>	1,570	39.6%
<b>Epsom and Ewell</b>	1,585	38.9%
<b>Horsham</b>	2,855	36.6%
<b>Lewes</b>	1,325	34.4%
<b>Mid Sussex</b>	2,860	36.7%
<b>Mole Valley</b>	1,885	31.1%
<b>Reigate and Banstead</b>	3,095	34.6%
<b>Tandridge</b>	2,200	34.7%
<b>Worthing</b>	2,090	35.8%

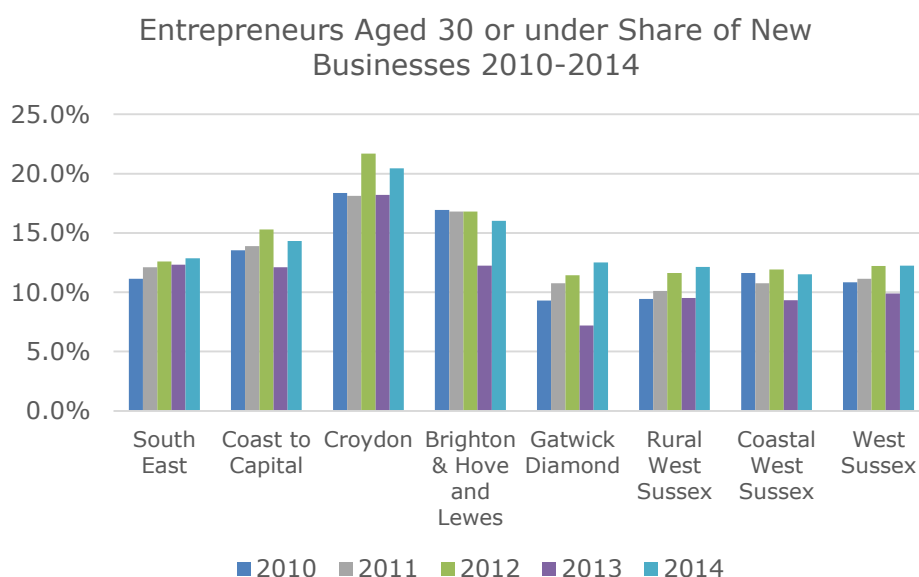
Table 5 – Businesses under 3 years old as a share of total businesses 2014; Source: Experian Market IQ 2015/Coast to Capital 2015

93. Beyond the Croydon and Brighton & Hove (and Lewes) Area Partnerships the proportion of businesses under three years old is around 35%. Other Local Authority areas that are just under the 40% mark are Crawley (39.6%), Epsom and Ewell (38.9%) possibly benefitting from being equidistant from Gatwick Airport, Heathrow Airport, and London. Adur has 38.6% and is possibly benefitting from its proximity to Brighton and Hove.

<sup>66</sup> Experian Market IQ database January 2015

## ENTREPRENEURS UNDER 30

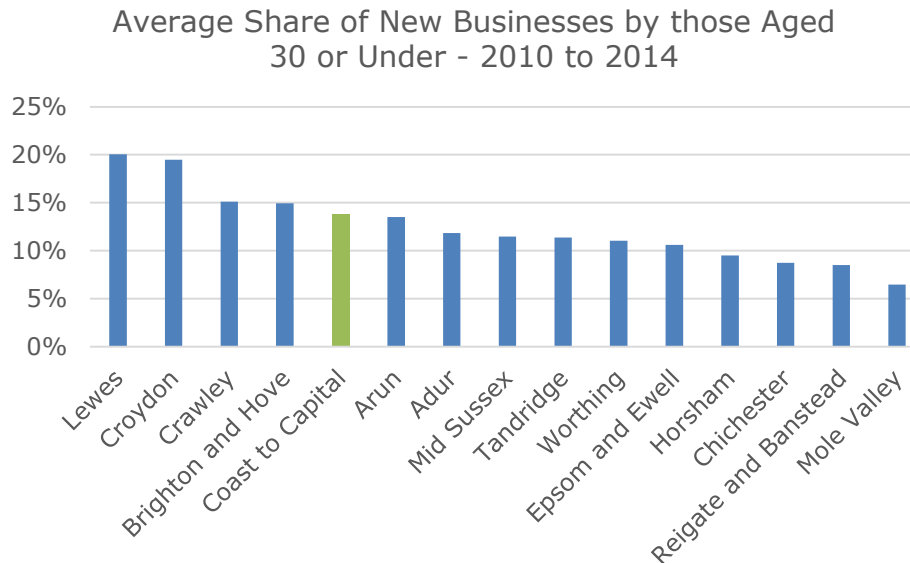
94. Young entrepreneurs are a vital source of innovative business ideas and risk taking. They are often best placed to take advantage of new technologies, such as the rise of internet based companies, and their experience now, both successes and failures, will be invaluable in the future when they become the next generation of business leaders.
95. In Coast to Capital the number of businesses started by people aged 30 or under has steadily grown from 1,500 in 2008 to 2,900 in 2014, an 88% rise, much higher than the 77% rise in the South East region<sup>67</sup>. The share of new businesses started by someone under 30 has gone from 10.7% in 2008 to 12.9% in the South East and from 12.7% to 14.3% in the Coast to Capital region.



**Figure 23 – Entrepreneurs aged 30 or under as a share of new businesses 2010 to 2014; Source: Experian Market IQ 2015/ Coast to Capital 2015**

96. The share of new businesses started by those aged 30 or under in the Area Partnerships follows similar rankings as the young companies, although Coastal West Sussex has moved from 6<sup>th</sup> to 4<sup>th</sup>. Using the average share from 2010 to 2014 flattens out the larger variations. From 2010 to 2014 Croydon had a 19.5% share, Brighton & Hove (and Lewes) had 15.6%, West Sussex and Coastal West Sussex each had 11%, Rural West Sussex had 10.6%, and the Gatwick Diamond had 10%.
97. At the Local Authority level Lewes has the highest average proportion of young entrepreneurs at 20%, followed by Croydon (19.5%), Crawley (15.1%), and Brighton and Hove (14.9%). At the other end of the scale the areas with the lowest proportion are Horsham (9.5%), Chichester (8.7%), Reigate and Banstead (8.5%), and Mole Valley (6.5%).

<sup>67</sup> Experian Market IQ database January 2015/Coast to Capital 2015



**Figure 24 – Entrepreneurs 30 or under as a share of new businesses 2010 to 2014; Source: Experian Market IQ 2015/Coast to Capital 2015**

98. There are some demographic factors involved here as broadly those areas with higher proportions of 16 to 29 year olds have higher rates of young entrepreneurs, but there may also be some networking effects taking place as three of the top four locations are areas of high business and residential concentration. There may also be some cost of living considerations in effect; Lewes, Crawley, and Croydon are at the lower end of the range for house price to earnings ratio and Chichester, Mole Valley, and Horsham are at the higher end.

### FOREIGN OWNED COMPANIES

99. Foreign owned companies have been shown to make a proportionally greater contribution to the national economy compared to their share of businesses<sup>68</sup> and are more likely to be engaged in exporting activities than British companies, making them an important part of the national and local economy.
100. In 2014 there were an estimated 1,720 foreign owned<sup>69</sup> companies in the Coast to Capital region, accounting for around 1.5% of all businesses<sup>70</sup>. In the South East the proportion is 2.3%, in London it is 3.7%, and in the UK it is 1.7%, putting the Coast to Capital region below them all.
101. There are some areas of strong foreign ownership however, particularly in Crawley where 8.3% of companies are under foreign ownership due the Gatwick Airport effect. The other areas significantly above the regional average are Mole Valley (3.6%) and Reigate and Banstead (2.4%). The observed benefits of foreign ownership and relative lack of foreign ownership across the Coast to Capital region highlights the need for the on-going work attracting Foreign Direct Investment into the area.

<sup>68</sup> ONS Business Ownership in the UK 2012

<sup>69</sup> Defined as any Ultimate Parent Country of a company being outside of the United Kingdom.

<sup>70</sup> Experian Market IQ database January 2015

Foreign Owned Companies 2014	Number	% share
<b>South East</b>	10,310	2.3%
<b>Coast to Capital</b>	1,720	1.5%
<b>Croydon</b>	205	0.9%
<b>Brighton &amp; Hove and Lewes</b>	170	0.6%
<b>Gatwick Diamond</b>	1,130	2.5%
<b>Rural West Sussex</b>	375	1.4%
<b>Coastal West Sussex</b>	215	1.1%
<b>West Sussex</b>	785	2.0%
<b>Croydon</b>	205	0.9%
<b>Adur</b>	25	0.9%
<b>Arun</b>	45	1.0%
<b>Brighton and Hove</b>	140	0.6%
<b>Chichester</b>	85	1.4%
<b>Crawley</b>	330	8.3%
<b>Epsom and Ewell</b>	40	1.0%
<b>Horsham</b>	125	1.6%
<b>Lewes</b>	30	0.8%
<b>Mid Sussex</b>	120	1.6%
<b>Mole Valley</b>	220	3.6%
<b>Reigate and Banstead</b>	215	2.4%
<b>Tandridge</b>	85	1.3%
<b>Worthing</b>	55	1.0%

**Table 6 – Foreign owned companies in the Coast to Capital region 2014; Source: Experian Market IQ database 2015/Coast to Capital 2015**

## EMPLOYMENT SPACE

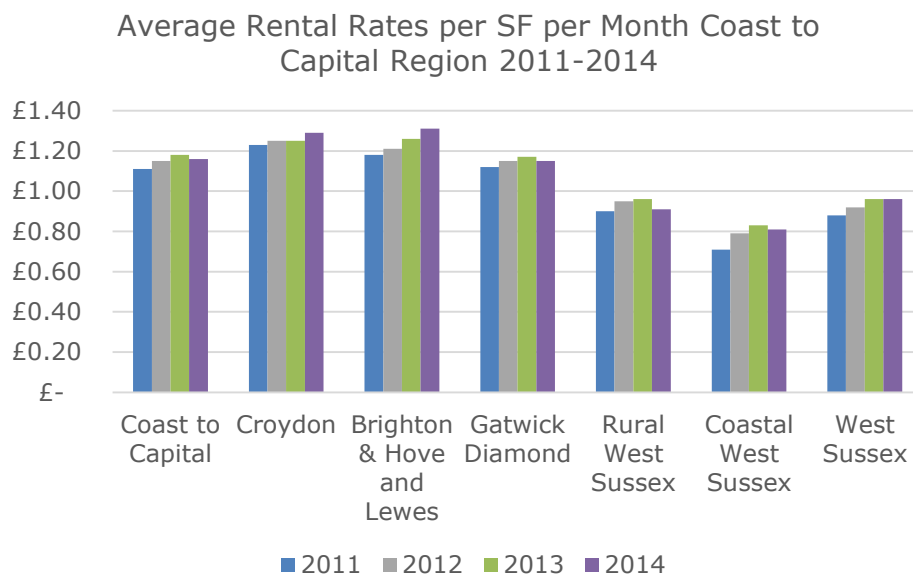
102. Available employment space is an important part of the local economy, having suitable, good quality space in accessible locations can affect location decisions (e.g. access to main roads or transport links, and, increasingly, access to superfast broadband), and having a good mix of premises sizes can help growth businesses stay in the area.
103. Much of the data has been covered in the KPI report<sup>71</sup> and shows the overall vacancy rates in commercial properties<sup>72</sup> falling from 8.3% to 6.6% across the Coast to Capital region; however there are some places where vacancy rates remain high, such as Mole Valley, Epsom and Ewell, and Reigate and Banstead, where vacancy rates are over 8%<sup>73</sup>. Along the coast is where the lower vacancy rates are, in Brighton and Hove the rate is 4.8%, and in Worthing it is 4.9%.

<sup>71</sup> Measuring Coast to Capital's KPIs 2010 to 2013

<sup>72</sup> This covers office and industrial space

<sup>73</sup> CoStar Property database 2014

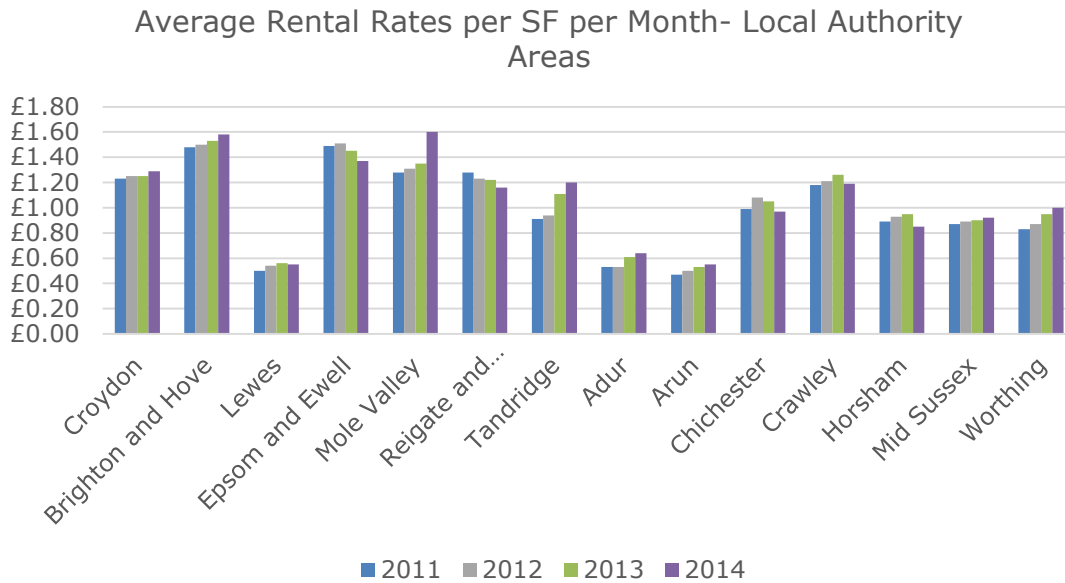
104. In half of the Local Authority areas there has been net growth in the employment space available<sup>74</sup>, most notably in Worthing, however in the other half three areas have lost net employment space, such as Croydon. In the other four Local Authority areas there has been no net change.
105. The average rental rate for total commercial properties in Coast to Capital has risen from £1.11 per square foot (SF) per month in 2011 to £1.16 per SF per month in 2014, a trend most areas have followed although locations such as Epsom and Ewell and Reigate and Banstead have seen falls in rental rates. In 2014 rents ranged from £0.55 per SF per month in Arun and Lewes all the way up to £1.58 per SF per month in Brighton and Hove and £1.60 per SF per month in Mole Valley<sup>75</sup>.



**Figure 25 – Average rental rates in Area Partnerships 2011 to 2014; Source: CoStar property database 2015/Coast to Capital 2015**

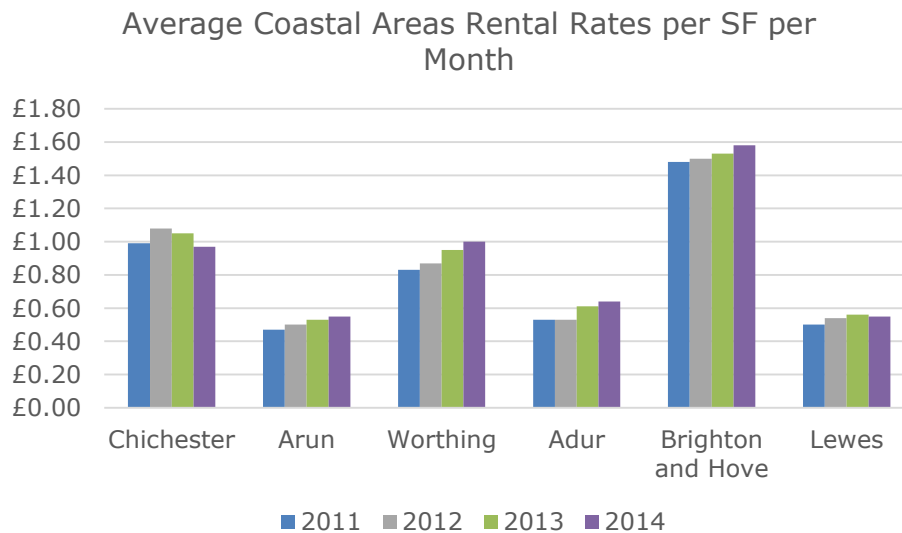
<sup>74</sup> CoStar Property database 2014

<sup>75</sup> Ibid



**Figure 26 – Average rental rates in Local Authority areas 2011 to 2014; Source: CoStar property database 2015/Coast to Capital 2015**

106. Coastal West Sussex is the area with the lowest overall rents but they have increased by 14% since 2011 due to the increased demand as seen in the vacancy rates. Brighton & Hove (and Lewes) had the second largest increase in overall rental prices (11%), overtaking Croydon as the Area Partnership with the most expensive overall rental rates. Along the coast from Chichester to Lewes a distinct pattern of hot and cold spots of business activity can be identified from the average rental prices.



**Figure 27 – Average rental rates in coastal areas; Source: CoStar property database 2015/Coast to Capital 2015**

107. New ways of working are affecting the use of employment space; there have long been serviced offices, where small businesses can rent space in a larger office with other businesses to reduce costs, but now this model is being adapted to accommodate the increasing number of self-employed and freelancers who have

no offices. These co-working spaces allow people to rent out office space for days or weeks at a time where they can meet other self-employed people and network and host meetings with clients in a professional space. There are also less formal co-working clubs that get together frequently to rent out a space for a day so that people who work from their home can work with others in a more conventional office environment.

108. The local market is not without its problems; in Brighton and Hove the issue of a lack of 'move on' space for businesses that have grown too large, or wish to grow further, for their current location has appeared more frequently. Physically limited by its location between the sea and the South Downs National Park, large developments are difficult to build. Increasingly the city is looking to surrounding towns such as Lewes, Shoreham and Burgess Hill to find the space to accommodate these growing companies. There is also increasing demand for employment space in the Gatwick Diamond area, which is placing pressure on supply.

## EXPORTERS

109. Exporting continues to be an important part of the economy; exports were worth £40,000 million in the South East from Q3 2013 to Q2 2014 (the highest in the UK), and an important part in Coast to Capital's strategy for growth.
110. There have been no region-wide surveys since 2010, when the proportion of businesses estimated to be exporting was 16%, but there have been two local studies covering East Surrey<sup>76</sup> in 2013 and Greater Brighton and West Sussex in 2014<sup>77</sup>. In East Surrey the survey estimated 22% of businesses were engaged in exporting whilst the Greater Brighton and West Sussex survey estimated around 19% of businesses are exporting. This equates to around 3,970 businesses in East Surrey and 9,000 in Greater Brighton and West Sussex.
111. In both surveys the EU was the top destination for exports and North America was second, much in line with the UK as a whole. The Greater Brighton and West Sussex survey found that respondents were increasingly planning to export to China, India, and Asia in general.

### **Increasingly Exporting?**

Making the assumption that both figures are relatively comparable this means the overall proportion in both sub-regions is 19.8%, suggesting a 3.8% improvement since 2010. If this percentage were applied to the business stock in Croydon it would add another 2,300 exporting businesses to the total.

This is *highly speculative* and a more consistent methodology would likely provide different results, but there is merit in considering the potential scale of total exporters in the region.

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<sup>76</sup> Surrey Business Survey 2013

<sup>77</sup> Greater Brighton and Hove and West Sussex Business Survey 2014

## INNOVATION

112. Innovation is a tricky thing to define and even harder to measure but it is an increasingly important part of modern business:

*Only 11% of the Fortune 500 companies from 1955 still exist today, while the average time that companies stay in the top 500 has fallen from 75 years to 15 years. In this age of rapid change, those who lag behind become irrelevant– in a heartbeat.... Their choice is simple: innovate or become irrelevant.*

*- Mohammed Bin Rashid Al Maktoum<sup>78</sup>*

113. The UK Innovation Survey most recent release highlights the South East region as being more innovative across a number of activities than both the UK as a whole and London. Looking at the results of recent surveys suggests businesses in Coast to Capital are also innovative.

Enterprises engaging in innovation activity by type of activity, 2010-2012							
	Innovation active	Broader innovator	Wider innovator	Product innovator	Process innovator	Both product AND process innovator	Either product OR process innovator
<b>UK</b>	<b>44.4</b>	<b>45.2</b>	<b>36.9</b>	<b>18.0</b>	<b>10.3</b>	<b>7.0</b>	<b>21.3</b>
<b>South East</b>	45.8	46.3	38.5	20.1	10.8	7.6	23.3
<b>London</b>	42.2	43.6	36.7	17.2	10.2	7.2	20.3

Table 7 – Innovation activity in enterprises 2010 to 2012; Source: UK innovation survey 2012

114. In the Greater Brighton and West Sussex survey 64% of businesses were engaged in some sort of innovative activity, defined as introducing a new product, service or process in the last twelve months or planning to introduce one. As noted in the report this is much higher than the national average of 45%. Below are the types of innovative activities that companies are involved in.

**Figure 3.3.1 Innovation Activities**

Innovation	% all businesses
Introduced new or improved products/services	49
Working on new products/services	39
Introduced new/improved processes	36
Any of the above (Innovation Active)	64

N = 1000

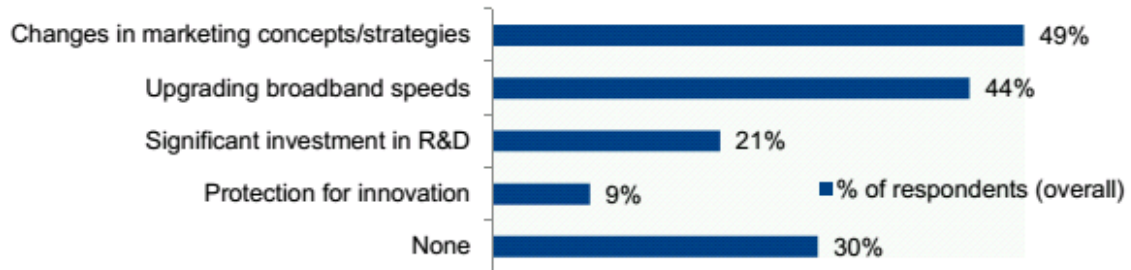
Figure 28 – Innovation activities in companies in Brighton and Hove and West Sussex 2014; Source: Greater Brighton and West Sussex business survey 2014

<sup>78</sup> Project Syndicate - <http://www.project-syndicate.org/commentary/government-corporate-innovation-by-mohammed-bin-rashid-al-maktoum-2015-02#7XKE8LrSaZY1t6xs.99>



115. In the Surrey Business Survey 70% of respondents were involved in some sort of innovative activity in the last three years, 21% had made significant investment in research and development, and 9% were involved in protecting their innovation.

Chart 7.1: Innovation in Surrey



Base: All respondents UNWTD 1300 WTD 1300

Figure 29 – Innovation activities in businesses in Surrey 2013; Source: Surrey business survey 2013

116. Patents have been adopted as a measure of innovation as part of Coast to Capital’s Key Performance Indicators and the recent data has shown a downturn in the number of patents per working age population (WAP) being applied for by businesses and persons in the Coast to Capital region. The same has happened to patents in the South East as a whole but the rate has fallen faster in Coast to Capital, which was already somewhat behind the South East in terms of patents per head of WAP. In 2012 the patents per WAP ratio was 0.60 for the Coast to Capital region and 1.03 for the South East region, in 2013 it had fallen to 0.50 and 0.80 respectively<sup>79</sup>.

<sup>79</sup> UK Intellectual Property Office 2013

## PRIORITY SECTOR PROFILES

117. Coast to Capital has identified five priority sectors which have a strong presence in the local economy but also have the potential to drive growth and boost employment in the future, they are:
- Advanced Manufacturing and Engineering
  - Creative, Digital and IT
  - Environmental Technologies and Low Carbon Goods and Services
  - Financial and Business Services
  - Health and Life Sciences
118. This section briefly explores these sectors, their contribution to the local economy, the people they employ, and their opportunities and challenges.

## SWOT Summary

### Strengths

- There has been strong growth in businesses across all the sectors
- There is an internationally recognised CDIT cluster in Brighton & Hove
- LCEGS sales in Sussex were worth £2.7bn in 2013 – the sector supports 21,00 jobs and 1,500 businesses
- A large Financial & Business Service sector – it employs 100,000 people
- Health & Life Science is high value and knowledge intensive

### Weaknesses

- Employment has been falling in Advanced Manufacturing and Engineering
- CDIT sector share of employment is lower than the rest of the South East
- LCGES is a nascent sector that is not deeply embedded in the local economy

## Opportunities

- There is expected to be increasing levels of higher level occupations and higher levels of qualifications for all the sectors
- There is a need for increasing strategic management skills in SMEs in all sectors
- Exploiting synergies between digital technologies and creative content
- Environmental technologies will cut across all sectors – there will be increasing awareness and research into low carbon technologies
- Health & Life Sciences can build reputation of the Coast to Capital region as a specialised knowledge economy
- Changing population demographics will increase demand for research into illnesses related to old age

## Threats

- Employment in Advanced Manufacturing and Engineering is expected to fall until 2022
- Rapid changes in technology will constantly shift businesses plans across all sectors
- In Advanced Manufacturing and Engineering developing countries will move up the value chain putting competitive pressure on UK companies
- Climate change and adoption of technologies and regulations will affect all sectors
- There is declining applicants for IT and Computing courses – there is also low take up of these courses by females
- Continued regulations in the financial sector may require additional time to adapt and to find new ways of working
- The Health & Life Science sector is small and dominated by a few large companies – any strategic decision taken by them will have a big effect on the sector

## ADVANCED MANUFACTURING AND ENGINEERING

119. Advanced Manufacturing and Engineering (AME) has been defined as 'activities that apply high-level design and scientific skills to produce technologically complex products'<sup>80</sup>, it is highly knowledge intensive and dependant on high level skills and innovation. There are 3,400 AME businesses in the Coast to Capital region<sup>81</sup>, they account for 4.4% of all businesses in the region, and the sector has grown by 12% from 2010 to 2014, slower than the South East region where they grew by 14%. Below are the Standard Industrial Classification (SIC) codes that make up the sector:

- 
- 20 - Manufacture of chemicals and chemical products
  - 21 - Manufacture of basic pharmaceutical products and pharmaceutical preparations
  - 26 - Manufacture of computer, electronic and optical products
  - 27 - Manufacture of electrical equipment
  - 28 - Manufacture of machinery and equipment
  - 29 - Manufacture of motor vehicles, trailers and semi-trailers
  - 30 - Manufacture of other transport equipment
  - 33 - Repair and installation of machinery and equipment
  - 7112 - Engineering activities and related technical consultancy
- 

120. Looking at the proportion of AME businesses in Local Authority areas highlights locations where AME has a stronger presence. Arun, Crawley, Horsham, and Mid Sussex are all areas where AME businesses make up more than 5% of the local businesses. Each area has its own strengths that may attract such businesses to those areas; Horsham and Mid Sussex have a well-educated population, Crawley has a competitive business base and strong local supply chains to the large international companies that operate around Gatwick Airport, and Arun has a strong industrial and manufacturing base, using its expertise to move into higher value added activities. Perhaps unsurprisingly, Brighton and Hove has the lowest proportion of AME businesses at 2.7%, mostly because of creative and digital clustering and constrained employment space for larger industrial or manufacturing operations.

121. Jobs in the sector have not fared as well as the business stock, it has fallen by 10.7% between 2010 and 2013, roughly 3,700, and this has largely been concentrated in the Engineering activities sub-sector, which accounted for just under half of all job losses<sup>82</sup>. This has mirrored the performance in the South East region, although jobs fell by 7.2% in comparison. There have been some growth spots however, in particular the Manufacture of computer, electronic, and optical products, up 13.9% in the Coast to Capital region and up 7.5% in the South East.

122. Across the region AME jobs account for 4% of total jobs, in the South East they make up 4.4%. The Local Authorities with the highest proportion of AME jobs are

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<sup>80</sup> Source: 'Foreign Direct Investment Sector Propositions for Coast to Capital' This is Regeneration March 2012

<sup>81</sup> ONS Business Counts 2014

<sup>82</sup> Business Registers and Employment Survey 2013

much different to the areas with concentrations of businesses; this brings up the possibility of fewer, but larger AME companies in these areas that employ more people than a larger number of smaller companies. The Local Authorities with high proportions of AME employment are Adur, Crawley, Epsom and Ewell, Mole Valley, and Worthing.

123. From 2012 to 2022 the number of people employed in engineering and manufacturing jobs is expected to decline by an estimated 5,000, a 14% drop<sup>83</sup>. Replacement demand will remain high however. There is expected to be 12,000 jobs that will need to be replaced by 2022. Most of this demand will shift to higher level occupations as the lower level occupations are expected to reduce by greater amounts; skilled trades occupations are predicted to fall by 25%, administrative roles may fall by 22%, and process, plant, and machine operatives are expected to fall by 35%.
124. This move towards higher level occupations means that there will be more demand for higher levels of education; demand for employees with qualifications of QCF level 4 or higher is predicted to rise by 7% whilst demand for employees with qualification levels 1 to 3 is expected to fall by 25% and demand for employees with no qualifications is expected to fall by 50%.

<b>Advanced Manufacturing and Engineering Sub-Sectors</b>	<b>Employees</b>	<b>% Share</b>	<b>Companies</b>	<b>% Share</b>
<b>20 : Manufacture of chemicals and chemical products</b>	800	2.5%	60	1.7%
<b>21 : Manufacture of basic pharmaceutical products and pharmaceutical preparations</b>	1,400	4.4%	20	0.6%
<b>26 : Manufacture of computer, electronic and optical products</b>	7,700	24.7%	295	8.6%
<b>27 : Manufacture of electrical equipment</b>	2,000	6.4%	105	3.1%
<b>28 : Manufacture of machinery and equipment n.e.c.</b>	2,100	6.9%	185	5.4%
<b>29 : Manufacture of motor vehicles, trailers and semi-trailers</b>	1,900	6.0%	55	1.6%
<b>30 : Manufacture of other transport equipment</b>	800	2.6%	50	1.5%
<b>33 : Repair and installation of machinery and equipment</b>	2,000	6.4%	335	9.8%
<b>7112 : Engineering activities and related technical consultancy</b>	12,500	40.2%	2,325	67.8%
<b>Total</b>	<b>31,000</b>		<b>3,430</b>	

**Table 8 – Advanced manufacturing and engineering sub-sectors share of total sector employment and businesses 2014; Source: ONS business counts 2014/BRES 2013**

125. Engineering activities and related technical consultancy make up the largest proportion of the AME sector and accounts for 40% of employees and two thirds of businesses. Employment is strong in three particular areas, Croydon, Epsom and Ewell, and Mole Valley where employees in the sub-sector account for 71% of AME employees in Croydon and up to 97% of AME employees in Epsom and Ewell.

<sup>83</sup> UK Commission for Employment and Skills: Working Futures 2012

Manufacture of computer, electronic and optical products accounts for just under a quarter of employees in the sector and just over a third of that are based in the Crawley area. Another noticeably concentrated sub-sector is the Manufacture of motor vehicles where 56% of employees are based in Chichester, mostly because of the presence of Rolls Royce.

126. By definition, Advanced Manufacturing is knowledge intensive and dependent upon a relatively high level of innovation and higher level skills and there is thus increasing demand for people to work in relatively high skill occupations, with a contraction in the need for lower-skilled occupations. 11% more managers, directors and senior officials will be employed in 2022, than were in 2012. Correspondingly, demand for process, plant and machine operatives will decrease by 23%. However, more than half of managers and professionals currently do not hold qualifications at Level 4 or above. Increasingly important specific, high-level skills requirements include:
- Digital techniques
  - Computing
  - Numeracy
  - Analytical thinking
  - Technical skills
  - Man-machine ergonomics and interface development
  - Risk analysis and understanding methodologies (including design for manufacture, design for assembly and design for automation)
127. The principal challenge is the rapid pace of technological development, which is taking place on a global scale and the need to maintain productivity gains. Businesses need to extend and retain their share of the high value added market in manufacturing through the research and development of new products and processes, design for manufacture, and the manufacture of relatively complex products. Another key challenge will be the increasing moves up the value chain by developing countries as their labour becomes more expensive and they look to capture more of the value for themselves; many Chinese companies are already leaders in the manufacturing of consumer electronics.
128. The challenge for SMEs is to acquire the strategic management skills that will allow them to prosper and grow. This includes recruiting functional specialists as well as technical specialists. Strategic skills are increasingly required across all disciplines including management, environmental issues, market awareness, R&D and innovation, technical development, efficiency and finance.
129. Products, processes and advanced manufacturing systems will all need redesign in the light of various climate change measures that will also create a demand for new skills. There is the probability that in future countries/companies will increasingly compete on their capacity for 'green' production processes, which in turn will have implications relating to the design of products and the processes used in their production and the skill needs to achieve this. There is also the threat that 3D printing will disrupt the industry, opening up productive capacity to consumers at all levels.

130. It should not be overlooked that migrant labour is an important source of workforce capacity – both in highly skilled sectors (e.g. aerospace) and lower skilled work (e.g. food processing) and that recent changes to student visas has made it much more difficult for those skilled students from outside the EU to find work in the UK.

### CREATIVE, DIGITAL AND IT

131. The Creative, Digital and IT (CDIT) is based around bringing together creative and digital skills to create products and services in an increasingly technological environment. It is expected to become one of the biggest sectors in the economy, increasing, economic growth, employment, and productivity. Below is how Coast to Capital has defined the sector, based on work by the Department for Culture, Media, and Sport, NESTA, and Creative Skillset:

- 
- 58 - Publishing activities
  - 59 - Motion picture, video and television programme production, sound recording and music publishing activities
  - 60 - Programming and broadcasting activities
  - 61 - Telecommunications
  - 62 - Computer programming, consultancy, and related activities
  - 63 - Information service activities
  - 90 - Creative, arts and entertainment activities
  - 741 - Specialised design activities
  - 742 - Photographic activities
  - 743 - Translation and interpretation activities
  - 731 - Advertising
  - 7021 - Public relations and communications activities
  - 8552 - Cultural Education
- 

132. There are 12,000 CDIT businesses in Coast to Capital, roughly 15.5% of total businesses and 1% higher than in the South East, and have grown 21.4% between 2010 and 2014, around 2,100 businesses<sup>84</sup>. In comparison CDIT business stock in the South East has grown by 17.5%. Growth has been particularly strong in computer programming and consultancy activities, accounting for 70% of growth in businesses.

133. Brighton & Hove (and Lewes) has the largest proportion of CDIT businesses (21.1%) and Coastal West Sussex has the lowest proportion at 10.7%, almost half that of Brighton & Hove (and Lewes), suggesting the strength of the CDIT cluster in Brighton and Hove has not yet spread along the coast; although there are sub-sector strengths in Worthing and Chichester.

134. At Local Authority level Brighton and Hove is top with 23.4% of CDIT businesses as a proportion of total businesses; other areas above the Coast to Capital average of 15.5% are Croydon (17.3%), Epsom and Ewell (16.4%), and Mole Valley (16%). Four out of the lowest five are in coastal areas; Arun particularly stands

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<sup>84</sup> ONS Business Counts 2014

out as its proportion of CDIT businesses is 8.7%, just over half the regional average.

135. In 2013 the number of jobs in the sector was 40,500, making up 5.2% of total employment<sup>85</sup>. In the South East region CDIT jobs account for 7.2% of the total. The number of jobs in the sector has grown by 2,300 between 2010 and 2013; this 6.2% increase is less than half of the 14% growth seen in the South East however. The sector is reliant on computer programming and consultancy activities for jobs; they are the largest sub-sectors and contributed just over 60% of jobs growth in the 2010 to 2013 period.
136. Both Brighton & Hove (and Lewes) (6.7%) and Gatwick Diamond (5.3%) have CDIT job shares above the Coast to Capital average, Coastal West Sussex is noticeably behind at 3.6%. Brighton & Hove (and Lewes) are mostly driven by Brighton and Hove where 7% of jobs are CDIT, in the Gatwick Diamond the Mole Valley area is a strong contributor where 9.9% of the area's jobs are CDIT. Linked to the relatively low levels of CDIT businesses Arun also has the lowest levels of CDIT employment at 2.6%. In Rural West Sussex CDIT jobs make up 4.3% of all jobs in the area.

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<sup>85</sup> Business Register and Employment Survey 2013



Creative, Digital and IT Sub- Sectors	Employees	% Share	Businesses	% Share
<b>60 : Programming and broadcasting activities</b>	100	0.3%	80	0.7%
<b>61 : Telecommunications</b>	4,900	12.3%	300	2.5%
<b>581 : Publishing of books, periodicals and other publishing activities</b>	4,400	10.9%	455	3.8%
<b>582 : Software publishing</b>	600	1.4%	80	0.7%
<b>591 : Motion picture, video and television programme activities</b>	1,600	3.9%	745	6.2%
<b>592 : Sound recording and music publishing activities</b>	200	0.4%	145	1.2%
<b>631 : Data processing, hosting and related activities; web portals</b>	1,500	3.8%	175	1.5%
<b>639 : Other information service activities</b>	500	1.3%	125	1.0%
<b>731 : Advertising</b>	2,700	6.8%	760	6.3%
<b>741 : Specialised design activities</b>	1,100	2.6%	930	7.7%
<b>742 : Photographic activities</b>	700	1.7%	370	3.1%
<b>743 : Translation and interpretation activities</b>	100	0.1%	40	0.3%
<b>6201 : Computer programming activities</b>	4,300	10.8%	1,340	11.1%
<b>6202 : Computer consultancy activities</b>	9,500	23.7%	4,025	33.5%
<b>6203 : Computer facilities management activities</b>	100	0.1%	25	0.2%
<b>6209 : Other information technology and computer service activities</b>	4,900	12.3%	1,020	8.5%
<b>8552 : Cultural education</b>	100	0.2%	25	0.2%
<b>9001/03: Performing arts and artistic creation</b>	2,400	6.0%	1,240	10.3%
<b>9002/04: Support activities to the arts and operation of arts facilities</b>	500	1.3%	140	1.2%
<b>Total</b>	<b>40,200</b>		<b>12,020</b>	

Table 9 – CDIT sub-sectors share of total sector employment and businesses 2014; Source: ONS business counts 2014/BRES 2013

137. Employees are fairly spread out across five sub-sectors that have over 10% shares and in total make up 70% of employees in the CDIT sector. The largest sub-sector is computer consultancy activities that make up just under a quarter of employment and a third of businesses, suggesting it is made up of a lot of small businesses. A similar pattern is seen in the performing arts, where businesses also have a proportionally higher share than employees.
138. Brighton and Hove has a 22% share of all CDIT employees across the Coast to Capital region, only Croydon (13%) and Mole Valley (10%) also have shares over 10%. Brighton and Hove and Croydon make up 40% of employees in Telecommunications, which is a more centralised sub-sector with a proportionally small number of businesses and a high number of employees. Advertising is mostly located in Brighton and Hove and Worthing, accounting for 40% of employees in this sub-sector. In computer consultancy activities Brighton and Hove has the largest share of employees (17%); it is closely followed by Croydon (15%), Mole Valley (12%), and Horsham (11%). In other IT and computer services Mole Valley is the area with the highest share of employees (28%), ahead of Brighton and Hove (24%).

139. The level of employment in the sector is expected to increase by 16%, around 9,000 jobs<sup>86</sup>. These jobs are expected to be in the top level occupations, they are predicted to rise by 26% whereas those middle and lower level occupations are estimated to have reductions of 2% and 7% respectively.
140. This is likely to drive up demand for higher level skills, the Working Futures research suggests there will be a 40% rise in demand for employees with qualifications above level 4, whilst the demand for those with qualifications at levels 1 to 3 is expected to fall by 12% and for those with no qualifications demand is predicted to drop by 17%.
141. Demand for skills outstrips supply, particularly at higher levels. Applications to computing and IT courses are in decline and the quantity of graduates may not be sufficient to meet the growing demand for professional and technical skills. Women make up only 15% of the intake to computing-related courses. The number of creative graduates is rising and the majority is female. Employers are increasingly concerned about education's ability to provide a pipeline of able students with the most up to date vocational skills and qualifications, and in the required numbers to meet the needs of a rapidly changing sector. Funding of FE colleges has been significantly cut in recent years, particularly for over 19 year olds, adding increased pressure on the supply of skilled students. This will affect all sectors, not just the CDIT sector. This highlights the need for such organisations as Croydon Tech City, Wired Sussex, and the Sussex Innovation Centre, among others, which provide support for the CDIT sector, including support for improving skills in the sector.
142. According to employers, the outcomes of persistent skills shortages are:
- Increased (uneven) workloads
  - Higher wages
  - Migrant labour usage
  - Delays in introducing new products/services
  - Outsourcing of work
143. This may go some way to explaining the lack of productivity growth in the sector seen over the last ten years in the Coast to Capital region; GVA growth has been slow in comparison with UK and South East levels. The lack of expected productivity gains is something affecting all countries, the 'Solow Paradox' suggests that the improvements in technology have not yet produced complementary productivity boost<sup>87</sup>. There are other potential causes such as the national problem with low productivity, potential social and demographic factors of the region, businesses have not yet taken full advantage of the benefits of clustering, and that the sector is quite labour intensive and has not yet been subject to automation. It may also be that the IT sector in particular provides productivity boots to other sectors more than itself, however this would not fully

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<sup>86</sup> UK Commission for Employment and Skills: Working Futures 2012

<sup>87</sup> More detail is available in the Coast to Capital 'Creative, Digital and IT Sector Report 2015' - <http://www.coast2capital.org.uk/strategic-objectives/research-and-statistics/2-uncategorised/323-priority-sector-reports.html#sthash.lvWKNq2M.dpbs>

explain the lower growth seen in the Coast to Capital region compared to elsewhere.

144. In the short term, the projected skills required are:
  - IT security skills
  - Cloud computing abilities (including technical architecture, infrastructure and networking skills),
  - IT convergence skills (to move from hardware to software intensive platforms)
  - Multi-platform content management (security maintenance skills and technical expertise).
145. In the medium term green-IT skills (e.g. a range of technical skills focused around power management and environmental impact assessment), and information and analytics knowledge (the ability to generate, gather and analyse data will require skills in modelling, simulation and analytics) will be needed.
146. Although the sector has great growth potential, it is also quite fragile as it is highly subject to rapid technological change and global competition. There is a very high percentage of freelancers, small and micro businesses in the sector and they all require business skills as well as technical skills. Often they come together in loose associations around a particular project and later disperse rather than adopting a standard business model.
147. The ability to exploit synergies between digital technologies and creative content is key. These developments are creating rapidly changing sets of technical skills needs as well as the ability to manage the process of development and innovation, e.g. managing projects, protecting intellectual property and commercialising innovation and monetising IPR. These skills sets are often referred to as being 'T' shaped - having the technical depth and the commercial breadth to maximise business opportunities. Ensuring as many firms as possible possess this twin strength is crucial to maintaining the sector's innovative and competitive edge.

### **ENVIRONMENTAL TECHNOLOGIES AND LOW CARBON GOODS AND SERVICES**

148. There is currently no official, measurable classification for this sector, through SICs or other means, partially due to the market being in its early stages and companies involved cut across sectors. However, due to the attention being given to this sector, the importance and support given to it by government, and increasing market activity and maturity, it is likely it will reach a critical mass where it can no longer be without official classification. In the interim a solution for measuring this industry is likely to be found using third party research and market intelligence reports, however this requires further work.
149. The following list is not a definitive list but contains the main recognised sub-sectors within the Environmental sector:

- 
- Air Pollution Control
  - Cleaner Technologies and Processes
  - Decommissioning/Decontamination of Nuclear Sites
  - Environmental Consultancy
  - Environmental Monitoring, Instrumentation and Analysis
  - Energy Management/Efficiency:
  - Marine Pollution Control
  - Noise and Vibration Control
  - Remediation and Reclamation of Land
  - Renewable Energy
  - Waste Management, Recovery and Recycling
  - Water Supply and Wastewater Treatment
- 

150. The Green Growth Platform at the University of Brighton commissioned a report by kMatrix that has suggested that low carbon activities in Sussex generated £2.7bn in sales and supported 21,000 jobs and 1,550 businesses. The Low Carbon sector accounted for 52% of the sales total, with Renewable Energy responsible for 30% and Environmental Industries share is 18%. Each sector is expected to grow between 2013/14 and 2018/19, albeit at different rates; the Renewable Energy sector is predicted to grow between 7.2% and 8.2%, the Low Carbon sector is to grow between 5.2% and 6.1%, and the Environmental Industries by 2.9% to 3.8%.
151. Research in key technologies for energy storage and electro-mobility (e.g. electric vehicles) is progressing rapidly, creating continued demand for high-level R&D skills as well as broader-based business skills to exploit and commercialise innovation.
152. New forms of technology will also require new intermediate-level skills to maintain equipment and machinery; the key skills that are likely to be required across the sector include:
- Adaptability and transferability skills
  - Environmental and sustainability awareness
  - Systems and risk analysis
  - Entrepreneurship
  - Innovation (to identify opportunities and create new strategies)
  - Communication and negotiation
  - Marketing and consulting skills (to advise consumers about green solutions and to spread the use of green technologies)
  - Core technical and job-specific skills are required to meet regulatory demands
153. The main challenge for this sector is gaining the critical mass that will allow it to compete with traditional energy markets, becoming cost effective enough to operate without subsidies and to be widely adopted both at commercial and consumer levels. Energy storage is also a key issue, improvements in the charge a battery can hold and the speed at which it can be recharged will affect almost all electronics and will particularly impact on the adoption of electric cars. There

is also the issue of on-going opposition to highly visible renewable energy infrastructure, typically wind and solar farms.

## FINANCIAL AND BUSINESS SERVICES

154. Financial and Business Services is the largest of the priority sectors with many international businesses having headquarters or sizable offices in the Coast to Capital region pulling some of those high value jobs and services away from London, which underlines its importance to the local economy. Below are the SIC codes used to define the Financial and Business Services sector:

- 
- 64 – Financial service activities, except insurance and pension funding
  - 65 – Insurance, reinsurance and pension funding, except compulsory social security
  - 66 – Activities auxiliary to financial services and insurance activities
  - 692 - Accounting, bookkeeping and auditing activities; tax consultancy
  - 70 – Activities of head offices and management consultancy activities
  - 73 – Advertising and marketing research
  - 78 – Employment activities
  - 82 – Office administrative, office support and other business support activities
- 

155. There are 14,000 businesses in the sector, which accounts for 18% of total businesses in the Coast to Capital region, in line with the proportion in the South East (18.2%), and has grown slightly faster than the South East region, 11.4% compared to 10.1%<sup>88</sup>. In both regions three quarters of the growth was driven by increases in businesses in activities of head offices and management consultancy activities.

156. The Gatwick Diamond is the key financial and business service area in the Coast to Capital region, both in volume and in concentration, financial and business services account for 20.2% of total businesses there. Croydon and Rural West Sussex hover around average at 18.2% and 18% respectively, and Brighton & Hove (and Lewes) and Coastal West Sussex fall below average with 16.8% and 14.5% respectively. The Local Authority areas in East Surrey are the key areas in this sector, with business shares ranging from 19.5% to 22.6%, much higher than anywhere else. Business numbers in the sector is relatively weak along the coast where business share for the sector is below 15% except in Chichester (15.5%) and Brighton and Hove (17.7%) but they are still under the regional average.

157. The number of jobs in the sector is just over 100,000 in 2012, 12.8% of the Coast to Capital regional total, which has grown by 4.4% between 2010 and 2013<sup>89</sup>. In

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<sup>88</sup> ONS Business Counts 2014

<sup>89</sup> Business Register and Employment Survey 2013

the South East region the sector represents 11.7% of employment and grew by 4% in the same period. Surprisingly the increase in businesses in head offices and management consultancy activities has not translated into an increase in jobs. Most of the jobs have come from Insurance, Auxiliary activities to finance, and Accounting and bookkeeping, which added 6,500 jobs to the sector. There have been reductions of around 1,000 jobs in both of the Financial service activities and Office administration activities sub-sectors.

158. Despite its low concentration of Financial and Business Service businesses the Brighton & Hove (and Lewes) Area Partnership has the highest concentration of employment in the sector (14.2%) due to the location of a number of large companies, such as American Express. This is followed by the Gatwick Diamond at 13.6% and the other three Area Partnerships are below the Coast to Capital average, although Croydon only slightly so. Both the Rural and Coastal West Sussex areas are below the South East average, but the Rural West Sussex area is only 0.1% below. Employment in the sector is particularly low in the Arun, Adur, and Lewes areas along the coast.

Financial and Business Service Sub-sectors	Employees	% Share	Businesses	% Share
<b>64 : Financial service activities, except insurance and pension funding</b>	12,900	12.9%	340	2.4%
<b>65 : Insurance, reinsurance and pension funding, except compulsory social security</b>	11,200	11.2%	170	1.2%
<b>66 : Activities auxiliary to financial services and insurance activities</b>	18,300	18.3%	945	6.7%
<b>70 : Activities of head offices; management consultancy activities</b>	18,700	18.7%	6,500	46.4%
<b>73 : Advertising and market research</b>	3,600	3.6%	900	6.4%
<b>78 : Employment activities</b>	18,700	18.7%	890	6.4%
<b>82 : Office administrative, office support and other business support activities</b>	9,300	9.3%	2,670	19.1%
<b>692 : Accounting, bookkeeping and auditing activities; tax consultancy</b>	7,400	7.4%	1,590	11.4%
<b>Total</b>	<b>100,200</b>		<b>14,005</b>	

**Table 10 – Financial and Business Service sub-sectors share of total sector employment and businesses 2014; Source: ONS business counts 2014/BRES 2013**

159. The employees in the Financial and Business Service sub-sectors are fairly evenly distributed overall but advertising and market research is some way behind the rest and is half the share of the sub-sector in the South East (6.8%). Brighton and Hove accounts for over a third of employees in Financial service activities and in Insurance, reinsurance, and pension funding, Reigate and Banstead also makes up a third of employees in insurance. Auxiliary finance activities are strong in Croydon (24% of employees) likely in service of the financial markets in London, but there are also strong concentrations in Reigate and Banstead and Mid Sussex (16% each). Mole Valley has the largest share of employees in Activities of head offices and Consultancy activities, while in the Accounting sub-sector Croydon and



Crawley are the two main areas for employees, accounting for a third of the Coast to Capital region between them.

160. The Working Futures data projects that employment in this sector will increase by 17,000, or around 16% and is going to become higher skilled and require higher levels of employee qualifications. In the top level occupations the demand is expected to increase by 20%, whilst the middle and lower occupation groups are likely to fall by 14% and 2% respectively. For qualification demands this means that employees with qualifications at level 4 or above are expected to rise by 31%, those with level 1 to 3 qualifications will face a reduction of 21% and employees with no qualifications are predicted to fall by 22%.
161. Financial services employees are generally educated to a higher level than the national average with an average of 40% educated to degree level. However, these are divided between those in professional occupations who hold the highest levels of qualifications and managers and senior officials of whom only a third are qualified to degree level. This will continue to increase as mid-level administration and secretarial roles are automated.
162. Retail financial services generally suffer greater skills gaps and shortages than wholesale financial services. 77% of employers in this sub-sector reports skills shortages, including basic numeracy, problem-solving and people skills required, as well as basic industry and product knowledge. Skills deficits in wholesale banking are less pronounced because of high wage levels and an international pool of talent. Where deficits have been identified, these relate to quantitative analytical skills and new product understanding. However, much of the responsibility for the financial crisis in this sub-sector has been attributed to poor management and leadership in the sector, as well as a lack of understanding of risk as well as other factors. Insurance, in both retail and wholesale markets, is less attractive to high-quality candidates than banking partly, as there is a remuneration disparity with other financial services companies.

## HEALTH AND LIFE SCIENCES

163. The Health and Life Science sector is one of the smallest priority sectors but it is still highly important as a provider of high skilled jobs and valuable economic contribution. It is predicted to become an increasingly important sector as an ageing population increases pressure on healthcare and global demand for high-tech medical devices increases. Below are the SIC codes used to identify the health and life science industry:

- 21 - Manufacture of basic pharmaceutical products pharmaceutical preparations
- 266 - Manufacture of irradiation, electro medical and electrotherapeutic equipment
- 267 - Manufacture of optical instruments and photographic equipment
- 325 - Manufacture of medical and dental instruments and supplies
- 721 - Research and development on natural sciences and engineering
- 2013 - Manufacture of other inorganic basic chemicals
- 2014 - Manufacture of other organic basic chemicals
- 4646 - Wholesale of pharmaceutical goods
- 4675 - Wholesale of chemical products
- 4774 - Retail sale of medical and orthopaedic goods in specialised stores

164. There are 425 businesses in the sector, which makes up 0.5% of the total business population in the Coast to Capital region, slightly lower than the 0.7% share in the South East<sup>90</sup>. There has been a 6.3% increase in businesses since 2010, again lower than in the South East where growth was 8.8%. Almost all of the growth came from companies in Research and development into natural sciences and engineering, a particularly high value and knowledge intensive sub-sector.
165. Using the ONS business count data below the LEP level causes some problems as the smaller numbers are hidden by rounding methods, which also causes distortions when aggregating the data. To look at the Area Partnerships and Local Authority areas data from the Experian Market IQ database will be used. The tables below show the levels of businesses in each area, these do not exactly sum to the ONS numbers due to the inclusion of some non VAT/PAYE registered businesses.

<b>Area Partnerships Estimated Health and Life Science Businesses</b>	
<b>Croydon</b>	115
<b>Brighton &amp; Hove (and Lewes)</b>	100
<b>Gatwick Diamond</b>	280
<b>Rural West Sussex</b>	160
<b>Coastal West Sussex</b>	120

**Table 11 – Area Partnerships Estimated Health and Life Science Businesses; Source: Experian Market IQ Database April 2015**

<sup>90</sup> ONS Business Counts 2014



Local Authority Area Estimated Health and Life Science Businesses	
<b>Adur</b>	20
<b>Arun</b>	30
<b>Brighton and Hove</b>	85
<b>Chichester</b>	35
<b>Crawley</b>	45
<b>Croydon</b>	115
<b>Epsom and Ewell</b>	20
<b>Horsham</b>	55
<b>Lewes</b>	20
<b>Mid Sussex</b>	40
<b>Mole Valley</b>	40
<b>Reigate and Banstead</b>	70
<b>Tandridge</b>	10
<b>Worthing</b>	35

**Table 12 – Local Authority Area Estimated Health and Life Science Businesses; Source: Experian Market IQ Database April 2015**

166. There are 10,300 jobs in the sector, representing 1.3% of total jobs, which is lower than in the South East where the proportion is 1.9%<sup>91</sup>. Growth in jobs in the sector between 2010 and 2013 was 2%, half the South East’s growth rate, and resulting in a net gain of just 200 jobs. Much of the growth came from Research and development on natural sciences and engineering and from the Manufacture of irradiation, electro-medical, and electro-therapeutic equipment, both very technical industries and is a sub-sector that is expected to grow nationally by 4.5% per year until 2018<sup>92</sup>. The medical technologies sub-sector is a key strength for the Coast to Capital region as a number of strong medical technology companies are in the region and the sector presents an opportunity for increased activity covering innovation, R&D, new or improved technology and service re-design. Some sub-sectors have experienced decline however; the Manufacture of pharmaceuticals and the Wholesale of pharmaceuticals have had combined losses of around 1,000 jobs.
167. Due to the small size of the sector there is no specific data available on future employment and qualification demands, but as the sector has a large cross over with the Advanced Manufacturing and Engineering sector it is likely to follow a similar pattern of declining overall employment but with increasing numbers of high level occupations and demand for high level qualifications.
168. The Gatwick Diamond Area Partnership has the highest volume and concentration of Health and Life Science jobs, 6,450 and 1.8% respectively, and is closely followed by Rural West Sussex (1.4%) and Coastal West Sussex (1.4%). Croydon and Brighton & Hove (and Lewes) are both on 0.6% and each have fewer than 1,000 jobs in the sector. Crawley accounts for 40% of Gatwick Diamond’s health

<sup>91</sup> Business Register and Employment Survey 2013

<sup>92</sup> HM Government: Strength and Opportunity 2014

and life science jobs and has the highest concentration of jobs at 3.1%. Other notable areas for both size and concentration are Horsham (although this is likely to change now that Novartis is leaving the area), Reigate and Banstead, and Worthing, which each have between 1,000-1,300 jobs and a 2.1%-2.7% share of jobs. Brighton and Hove also has a strong concentration of jobs (2.1%) in percentage terms, but it is a relatively small labour force at around 400 jobs.

Health and Life Science sub-sectors	Employees	% Share	Businesses	% Share
<b>21 : Manufacture of basic pharmaceutical products and pharmaceutical preparations</b>	1,400	13.1%	20	4.7%
<b>266 : Manufacture of irradiation, electro-medical and electro-therapeutic equipment</b>	1,500	14.3%	10	2.4%
<b>267 : Manufacture of optical instruments and photographic equipment</b>	100	1.4%	15	3.5%
<b>325 : Manufacture of medical and dental instruments and supplies</b>	1,200	11.3%	65	15.3%
<b>721 : Research and experimental development on natural sciences and engineering</b>	2,600	24.8%	130	30.6%
<b>2013 : Manufacture of other inorganic basic chemicals</b>	-	0.0%	-	0.0%
<b>2014 : Manufacture of other organic basic chemicals</b>	-	0.0%	-	0.0%
<b>4646 : Wholesale of pharmaceutical goods</b>	2,900	28.4%	105	24.7%
<b>4675 : Wholesale of chemical products</b>	500	4.7%	40	9.4%
<b>4774 : Retail sale of medical and orthopedic goods in specialised stores</b>	200	2.0%	40	9.4%
<b>Total</b>	<b>10,300</b>		<b>425</b>	

**Table 13 – Health and Life Science sub-sectors share of total sector employment and businesses 2014; Source: ONS business counts 2014/BRES 2013**

169. Over half of businesses and employees are in the Wholesale of pharmaceuticals and Research and experimental development of natural sciences and engineering sub-sectors. A third of the wholesale employees are based in Crawley, whilst 60% of research and development takes place in Horsham and Reigate and Banstead. There is also a high number of medical technology companies throughout the sector engaged in high tech medical device design and manufacture. Because of the relatively small size of the sector certain locations dominate the sub-sectors; Worthing is the main location for the Manufacture of pharmaceutical products, Crawley accounts for 70% of employees in the Manufacture of irradiation and electro-medical equipment and for half of the wholesale of chemical products.
170. The sector is very heavily dependent on higher-level skills and particularly research skills in biological sciences and other health related disciplines and in engineering and design in medical technology sectors. Often companies are very small and need help with general business management as well as developing collaborative ventures with other companies and universities. The top four skills that will need improving or updating in the next 12 months according to employers are:

- Technical, practical or job specific skills
- Management skills
- Problem solving skills
- Team working skills

171. Pharmaceuticals employers expect that the demand for both professional and technical skills will increase. The main recruitment routes are mature entrants (75%), graduates (63%) and agency (50%) whilst 75% of employers reported dependence on contractors for routine operations.
172. This sector has great potential both in terms of building the reputation of Coast to Capital as a specialised knowledge economy and delivering high value jobs in the future. Creative healthcare solutions are being driven by a growing and changing demand for healthcare (especially to tackle diseases related to old age); the need to deliver these more cost-effectively within an increasingly competitive global market; the application of digital technologies; and the emergence of interdisciplinary approaches to product development. Increasing demand for healthcare products in emerging economies provides new opportunities, particularly for established healthcare brands.

# SWOT Summary

### Strengths

- Employment has reached historic highs
- The total number of jobs in the region has increased by 15,000 since 2009
- Public sector jobs have fallen by 1.8% since 2009
- The rates of students achieving qualifications from GCSEs to Degrees have been increasing
- Retention of graduates from Universities in the region has increased year on year, particularly in STEM subjects
- The percentage of residents with NVQ level 4+ qualifications have been growing and is higher than in the South East

### Weaknesses

- Employment rates remains lower than average in Croydon and Brighton and Hove
- Half of employment growth has come from self-employment
- Net jobs growth has come from part-time roles – full-time jobs fell by 7,500 since 2010
- Most of the growth has come from low value industries – e.g. Accommodation and Food Services, and Retail Trade
- The region is a net loser of commuters – the top ten destinations are in London
- Skills gaps are higher than in the UK
- School leavers at all levels of education are found to have higher levels of poor attitude/motivation than nationally

## Opportunities

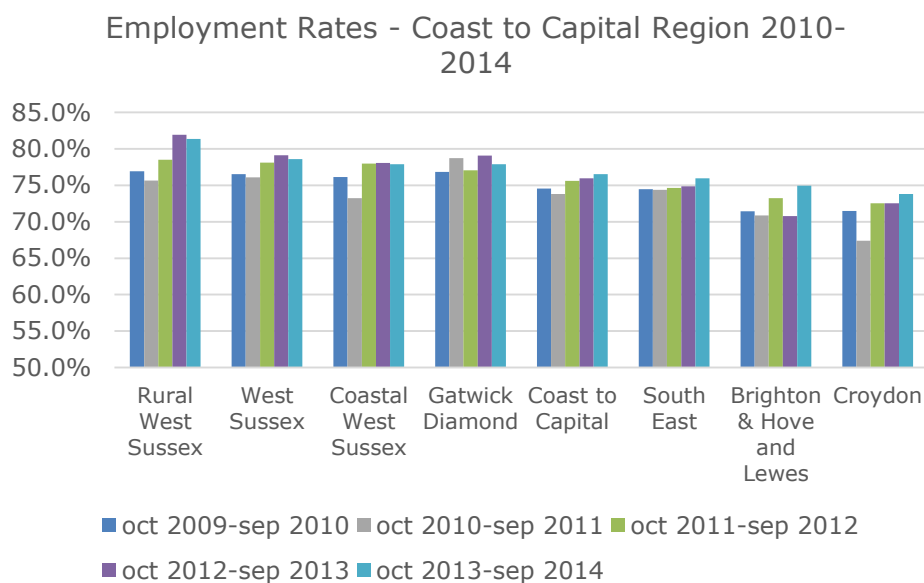
- There are increasing levels of self-employment – indicating a high level of entrepreneurship to be nurtured
- Jobs growth is in high level occupations – these are expected to grow by 15% by 2022 and will increase demand for high level qualifications
- 190,000 people commute within the Coast to Capital region – creating good quality jobs near where they live would significantly reduce the burden on public infrastructure
- Another 200,000 commute out of the region – creating local jobs for them would boost the local economy

## Threats

- Self-employment needs to be for the right reasons – not because of an inability to find regular employment
- Knowledge Economy jobs grew by 0.6% - in the South East they grew by 3.4%
- The level of employees is falling in Coastal West Sussex and Croydon – all job growth came from self-employment
- 30% of all jobs are in two areas, Brighton and Hove and Croydon – Croydon has seen falls in employment in each of the last 5 years
- There are lower than expected levels of higher education participation for young people along the coast and around Crawley
- In Coastal West Sussex there are much lower levels of the population who have NVQ level 4+ qualifications

## EMPLOYMENT

173. The employment rate has never been stronger in the Coast to Capital region; the number of people in employment now stands at 920,000, up by 40,000 people since 2009<sup>93</sup>. The employment rate is 76.5%, 2% higher than in 2010 and 0.5% higher than the South East, however this remains variable across the region.



**Figure 30 – Employment Rates in Coast to Capital and Area Partnerships 2010 to 2014; Source: Annual population survey 2014**

174. Employment has been highest in Rural West Sussex, followed by the West Sussex area, the Gatwick Diamond and Coastal West Sussex; both currently have the same employment rate. Croydon and Brighton & Hove (and Lewes) are the two Area Partnerships that have had the lowest employment rates, although this is the highest rate over the last five years. Croydon is the one partnership where employment rate fell below 70% over the last five years. It should be noted that Croydon's employment rate has been consistently higher than Inner and Outer London over this five year period and in September 2014 Croydon's employment rate was 73.8%, Outer London's was 71.5% and Inner London's was 70.5%.
175. There has been strong growth in the Rural West Sussex, Croydon, Brighton & Hove (and Lewes), and West Sussex areas; the employment rates have increased by 4.4%, 2.5%, 3.5%, and 2.1% respectively over the last five years. In the other Area Partnerships rates have also increased but not by as much; in Coastal West Sussex it increased 1.7%, and in the Gatwick Diamond it is up 1.1%. As the three areas with employment rates above the regional average lower growth is expected, economies will eventually reach natural limits to their rate of employment at which point growth slows.

<sup>93</sup> Annual Population Survey 2014

Employment Rate in Local Authority Areas 2010-2014

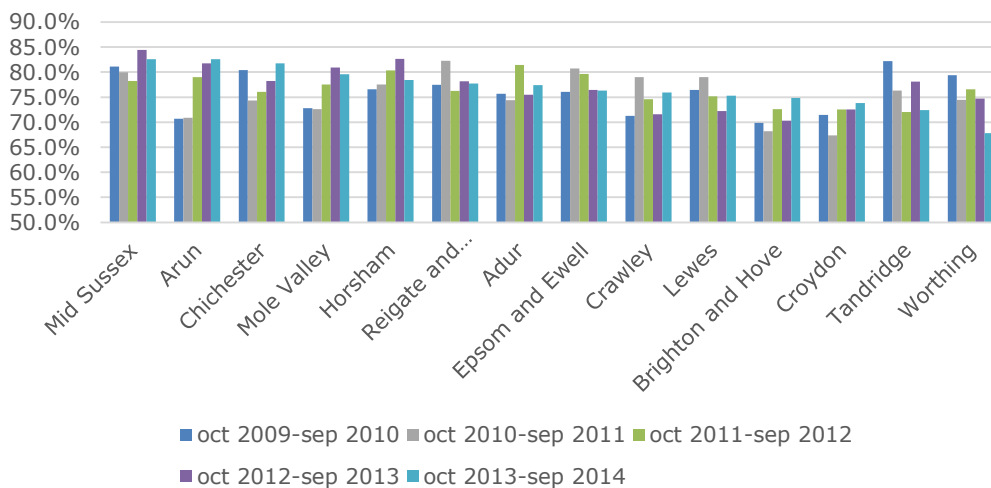


Figure 31 – Employment Rates in Local Authority areas 2010 to 2014; Source: Annual population survey 2014

176. At the Local Authority level a few trends stick out; in Arun the number of people in employment has increase by 10,000 since 2010 and the employment rate has risen by 11.9%, it has gone from having the second lowest employment rate to the second highest. Brighton and Hove has had an increase of 11,000 people in employment and a 5% increase in its employment rate, despite this it is still 1.7% below the Coast to Capital rate. Worthing appears to have had a 7,000 decrease in the number of employed people and the employment rate has fallen by 11.5%, however this has mostly occurred in the most recent data so it may prove to be a statistical anomaly that sometimes appears in data at this level. The Lewes and Tandridge areas appear to be more consistent in their falls, suggesting the respective 1.1% and 9.8% decreases in employment rates is fairly accurate and is a particularly acute problem for Tandridge.

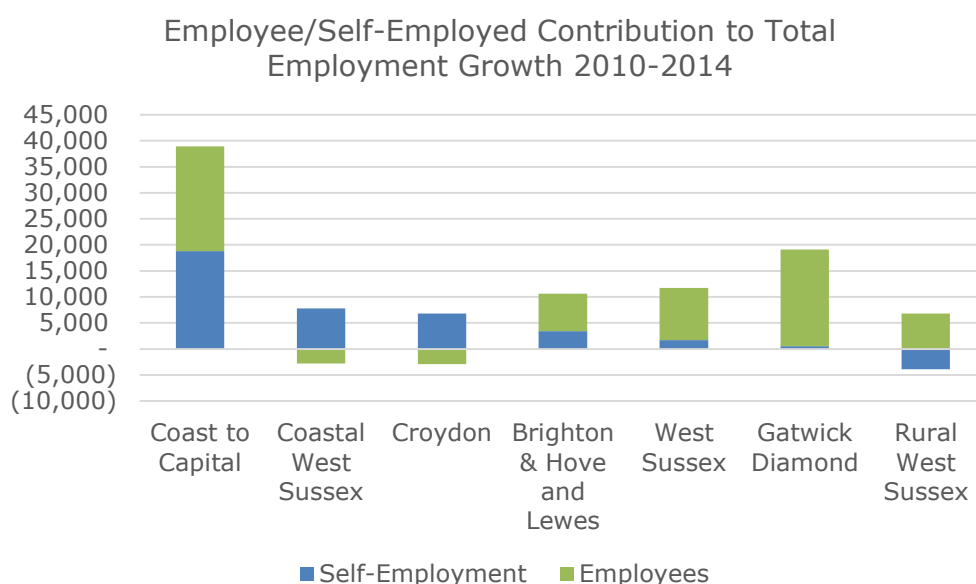
### SELF-EMPLOYMENT

177. Self-employment has been in focus recently as the number of people in self-employment has risen quicker than in the past. The early research into the trend has suggested that this is a continuation of a long-term trend but that the numbers have increased due to fewer of the older self-employed workers retiring or moving into employed jobs. It has also been found that those who go into self-employment are not necessarily doing it as a last resort; they are developing their ideas and wish to work for themselves. It is not all good however; one survey found that 25% of those self-employed are unhappy with their situation and the ONS has suggested that wages for the self-employed have fallen by 20%. This fall in wages may explain why many older workers are staying in self-employment; their retirement plans may have been affected and they now have to work longer, which is not just a reality for the self-employed, the irony being that the more people in self-employment increases competition and may push down wages further.

178. From 2010 to 2014 the number of the working age population in self-employment in the Coast to Capital region has risen by 19,000 up to 156,000, and they now

account for 17% of employment<sup>94</sup>. In the South East self-employment accounts for 14.9% of employment, up 1% since 2010, whilst the Coast to Capital share has risen 1.3% in this time.

179. There are variations at Area Partnership level, Coastal West Sussex has seen the largest increase in the number of self-employed, up by 7,800, followed by Croydon (6,800), and Brighton & Hove (and Lewes) (3,400). In the Gatwick Diamond area the number rose by 500, and because the number of people in employment rose this led to a 2.3% fall in the self-employment rate. In Rural West Sussex the number of self-employed fell by 3,900. It is particularly striking that Rural West Sussex was the area with the highest proportion of self-employment in 2010, but in 2014 it had the lowest.
180. In figure 32 the different contributions of self-employment and employees to overall growth in employment can be seen. Self-employment has contributed 48% of growth in employment numbers in the Coast to Capital region. The Gatwick Diamond had almost only net growth in employees, whilst Croydon and Coastal West Sussex have seen net growth only in self-employment. The Brighton & Hove (and Lewes) area has had a fairly balanced mix between self-employment and employee growth, as has the West Sussex area. This could be taken to mean two things; one, that Croydon and Coastal West Sussex have especially entrepreneurial populations, or two, that there are a lack of more traditional employment opportunities. The two are not necessarily mutually exclusive but the stark contrast between the Area Partnerships suggests there is at least some imbalance in employment opportunities.



**Figure 32 – Self-employment contribution to employment growth 2010 to 2014; Source: Annual population survey 2014**

181. In Table 14 the percentage of self-employment as a share of total employment for each Local Authority area is set out. The numbers should be interpreted cautiously

<sup>94</sup> Annual Population Survey 2014



as data this specific has a wide margin of error but the overall trends remain. Crawley stands out as the location with the lowest levels of self-employment by some margin; this accords with the lower than average levels of micro businesses in the area. Areas such as Mid Sussex and Mole Valley are on downward trends and, despite having the third highest proportion of self-employment in September 2014, Chichester is also on a downward trend. The largest increase is in Adur, 2011 to 2012 stand out but seen over time those two years could be regarded as outliers and there has been a steadier upward trend over the longer term than the table suggests.

Self-employment share of total employment	Sep-10	Sep-11	Sep-12	Sep-13	Sep-14
<b>Tandridge</b>	17.6%	25.2%	20.7%	27.8%	35.4%
<b>Lewes</b>	25.1%	12.2%	15.8%	17.8%	21.7%
<b>Chichester</b>	15.5%	22.8%	17.1%	12.5%	21.3%
<b>Reigate and Banstead</b>	15.5%	17.7%	16.4%	18.6%	20.1%
<b>Worthing</b>	12.0%	12.9%	15.7%	25.7%	18.4%
<b>Brighton and Hove</b>	16.0%	16.5%	18.5%	17.9%	18.3%
<b>Adur</b>	6.7%	5.8%	18.1%	14.1%	17.3%
<b>Horsham</b>	20.4%	17.8%	12.3%	17.2%	17.0%
<b>Croydon</b>	12.6%	13.0%	14.6%	14.5%	16.2%
<b>Epsom and Ewell</b>	15.5%	17.9%	19.5%	15.0%	14.4%
<b>Arun</b>	16.2%	12.7%	17.3%	13.7%	13.0%
<b>Mole Valley</b>	23.7%	15.2%	15.0%	13.9%	12.0%
<b>Mid Sussex</b>	17.6%	16.5%	16.9%	12.7%	9.9%
<b>Crawley</b>	9.8%	8.6%	6.0%	5.6%	9.9%

**Table 14 – Share of self-employment in Local Authority areas 2010 to 2014; Source: Annual population survey 2014**

182. Self-employment is highly skewed towards men in the Coast to Capital region; female self-employment is low and has shown no signs of improvement. Males are twice as likely to be in self-employment compared to females, 22% compared to 11%. The gap is smaller in the South East and has been closing over the last five years; both in the South East and nationally female self-employment rates have been rising faster than males. In the Coast to Capital region, however, female self-employment rates have declined, and are down by 700 people (1.4%) over the five years whereas male self-employment has risen by 19,000 (24%). In the South East both male and female self-employment has risen, for males by 30,000 and for females by 33,000, and females growth has been larger in volume and over twice the rate of male growth, 19% compared to 8%.

## EMPLOYMENT STRUCTURE

183. The Business Register Employment Survey (BRES) is used for this section, it records all the jobs that are based within the Coast to Capital region, this give a more accurate picture of local employment structure than the employment rate which records residents in the Coast to Capital region who may be employed somewhere else. There were 780,500 jobs in the Coast to Capital region in 2013, largely mapped to the expected geographies based on population concentrations.

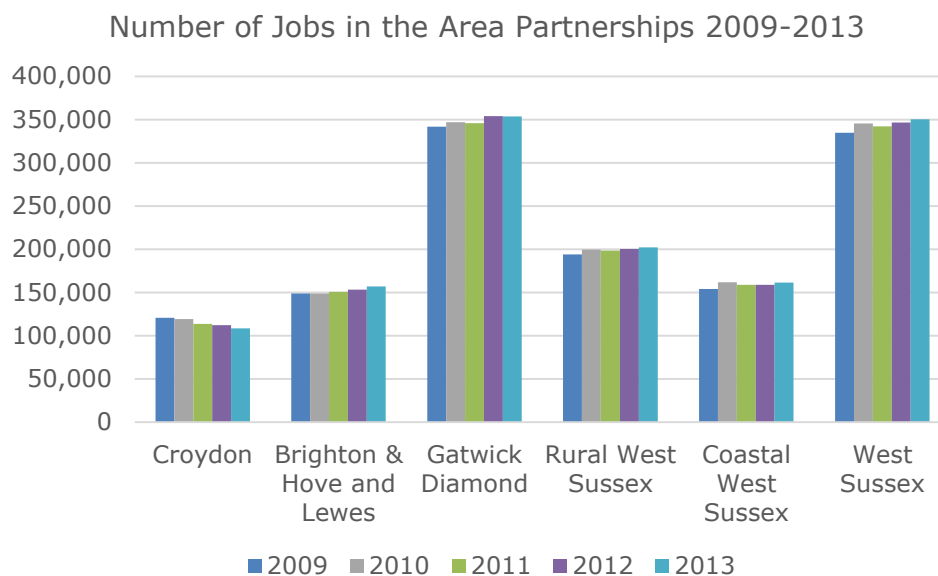


Figure 33 – Number of jobs in Coast to Capital region and Area Partnerships 2009 to 2013; Source: BRES 2013

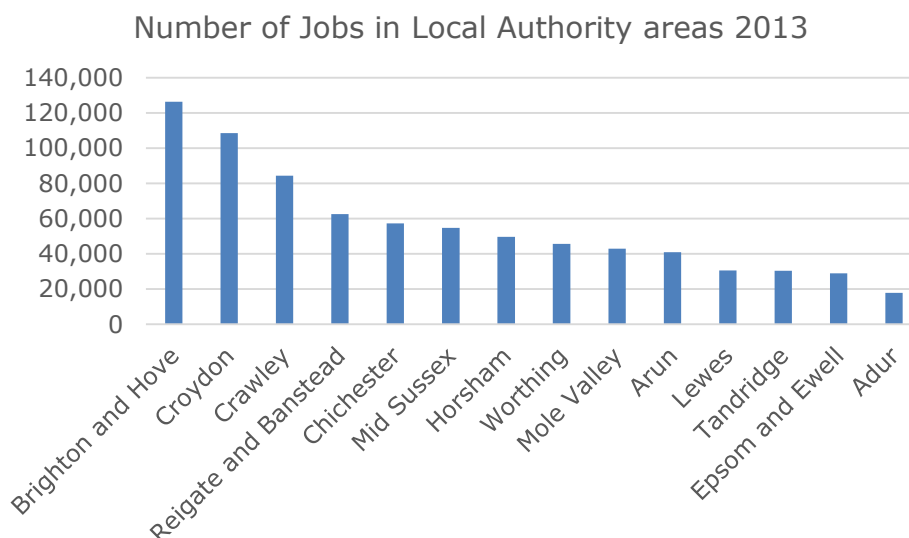
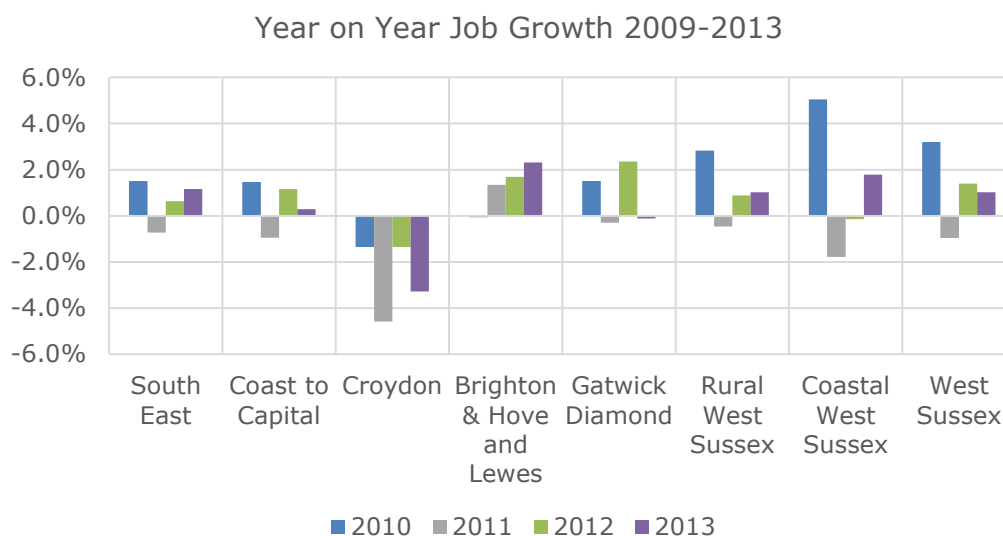


Figure 34 – Number of jobs in Local Authority areas in 2013; Source: BRES 2013

184. In the Coast to Capital region, the number of jobs has risen by 15,000 from 2009 to 2013, a 2% increase, whereas by comparison the South East grew 2.6%. This would have been higher if Croydon had not lost 12,000 jobs over the same period considering in each Area Partnership and in West Sussex there was at least a 3.5% growth in jobs. The Gatwick Diamond has seen the largest volume increase but

Brighton & Hove (and Lewes) has had the largest proportional increase, rising 5.4% from 2009 to 2013.

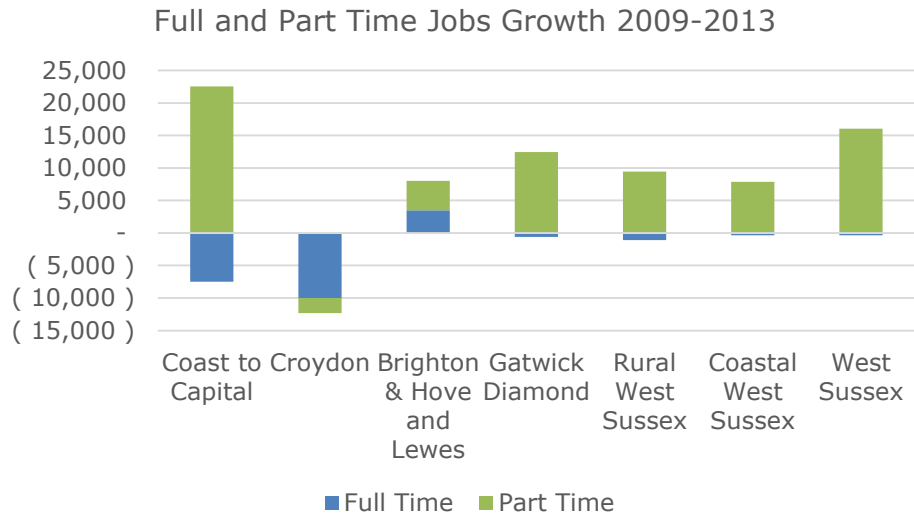


**Figure 35 – Year on year employee growth in Coast to Capital and South East 2009-2013; Source: Business Register and Employment Survey 2009-2013/Coast to Capital**

#### FULL-TIME AND PART-TIME EMPLOYMENT

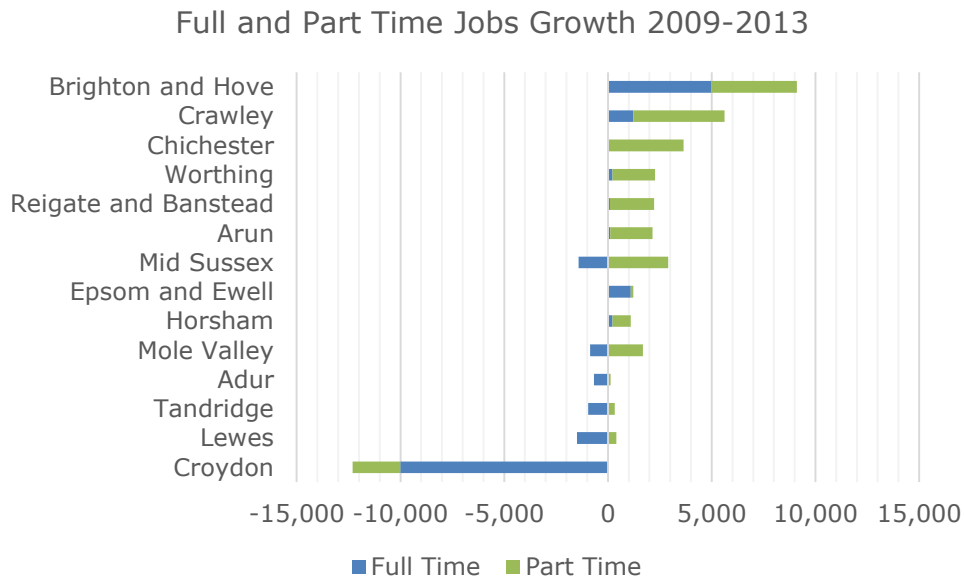
185. The overall growth figures look good but the type of growth is not necessarily encouraging. Growth has been almost exclusively in part-time jobs from 2009 to 2013. This links into recent figures from ONS that show 700,000 people are on zero hour contracts in 2014, up by 100,000 since the year before, and that businesses employ around 1.8 million people on such contracts, suggesting many people have more than one zero hours contract. Whilst some people may enjoy the flexibility that zero hours or part-time contracts allow them there has been an increase in the number of people in part-time work who say they want more hours, a third on zero hours contracts want more hours and the rate of workers who wish to work more hours has risen from 7% in 2008 up to 10% in 2014.
186. Figure 36 shows the changes to full time and part time jobs and their contribution to the overall growth of jobs in the Coast to Capital region and Area Partnerships. As can be seen, all of the net jobs growth in the Coast to Capital region and West Sussex has come from part-time jobs, around 22,600, and there has been a fall of 7,500 full time jobs<sup>95</sup>. Much of the fall in full time jobs has been concentrated in Croydon, where they fell 10,000, with some smaller falls in the Gatwick Diamond and Rural and Coastal West Sussex, with a very slight fall in West Sussex. Brighton & Hove (and Lewes) is the only Area Partnership to have a rise in full time jobs (3,400) in the 2009 to 2013 period.

<sup>95</sup> Business Register and Employment Survey 2013



**Figure 36 – FT/PT Employee growth in Coast to Capital and Area Partnerships 2009-2013; Source: Business Register and Employment Survey 2009-2013/Coast to Capital**

187. At Local Authority level growth in jobs from 2009 to 2013 comes almost entirely from part-time jobs, the exceptions are in Brighton and Hove where half the jobs are full-time, Crawley where 20% of jobs are full-time and Epsom and Ewell where 90% of jobs growth was full-time. In Adur, Tandridge, and Lewes net jobs have declined but part-time jobs have increased.



**Figure 37 – Full-time and part-time jobs growth 2009 to 2013 in Local Authority Areas; Source: BRES 2013**

188. Figure 38 is a year on year breakdown of full time and part time employee growth for the Coast to Capital region. 2011 stands out as the region lost 16,600 full time jobs that year and only half were regained in 2012 before falling again the year after. In three out of four years part time jobs grew faster than full time jobs, the exception being 2012, though this may have been a reaction to the severe losses in the previous year rather than the start of a new trend. Figure 39 breaks down

employee growth by industry, to show where in the economy the jobs are coming from.

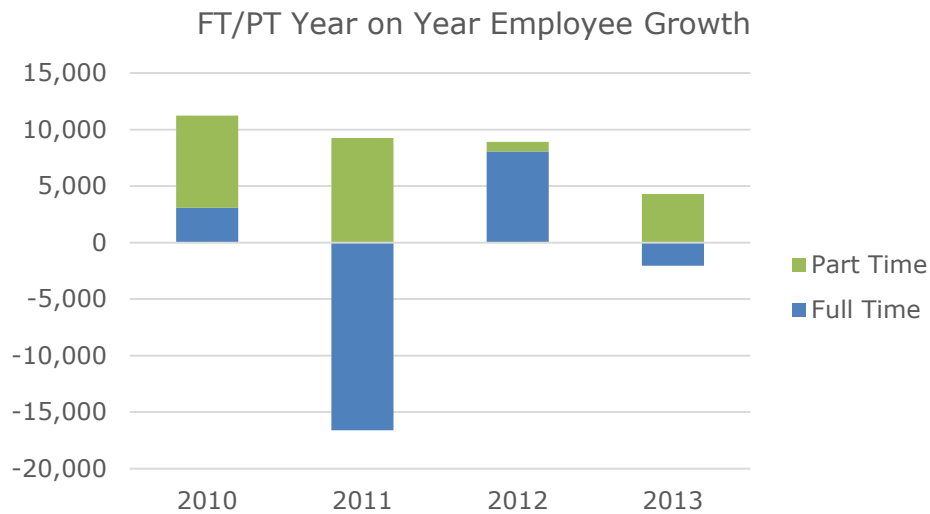


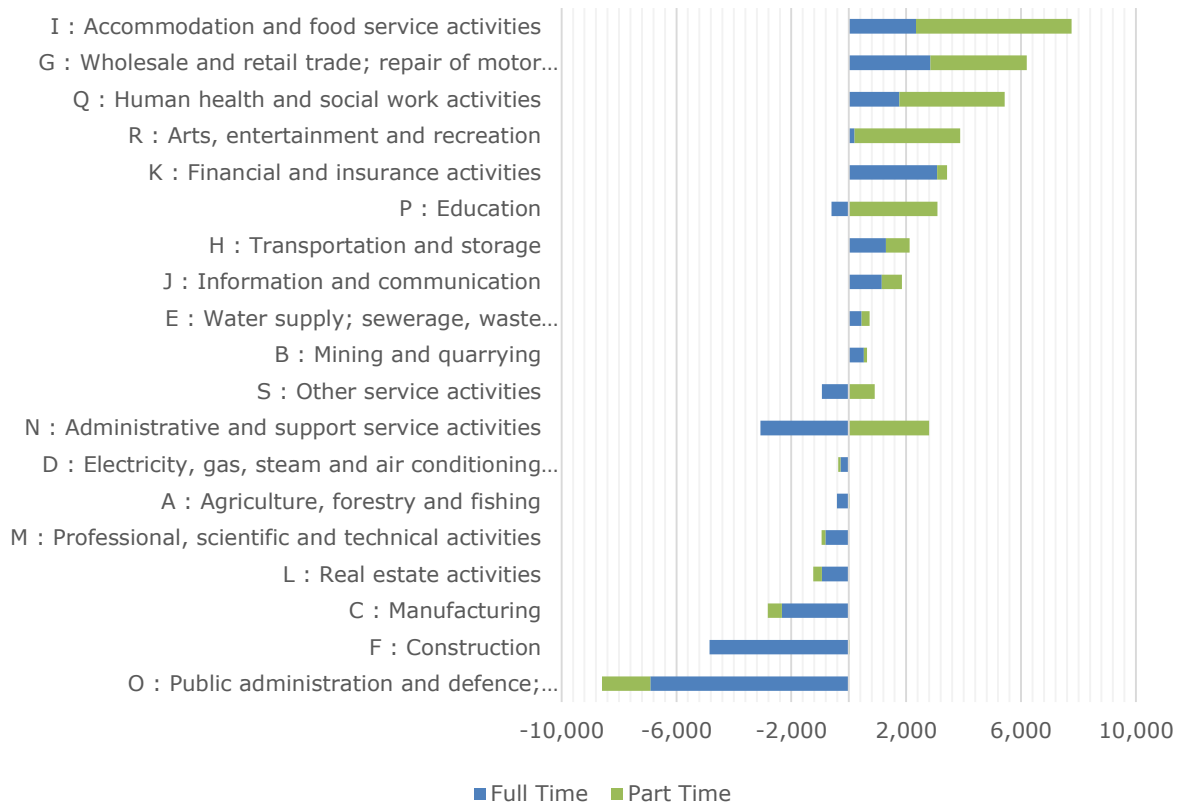
Figure 38 – FT/PT Year on year employee growth in Coast to Capital 2010-2013; Source: BRES 2009-2013/Coast to Capital

### INDUSTRY STRUCTURE

189. The top three industries for employee growth were Accommodation and food services, Wholesale and retail trade, and Human health and social work activities, combined they contributed 19,400 jobs over the 2009 to 2013 period, around 56% of gross employee growth<sup>96</sup>. This is unsurprising in the context of high part time employee growth; these three industries are largely made up of part time employees as can be seen by the proportion of part time employee growth in those industries. There has also been strong part time employee growth in Arts, entertainment, and recreation, Education, and Administrative and support service activities.
190. At the other end of the scale Manufacturing, Construction, and Public administration and defence are the biggest net losers of jobs, particularly full time jobs. Administrative and support service activities is also a big loser of full time jobs but has offset this with gains in part time ones. Again this is not surprising given the context; Manufacturing and Construction are particularly sensitive to the health of the economy, and the effects of the recession, and there has been a strong push for public sector cuts since 2010. What should be of concern is the level of those full time employees who have not been able to find another full time job.

<sup>96</sup> Business Register and Employment Survey 2013

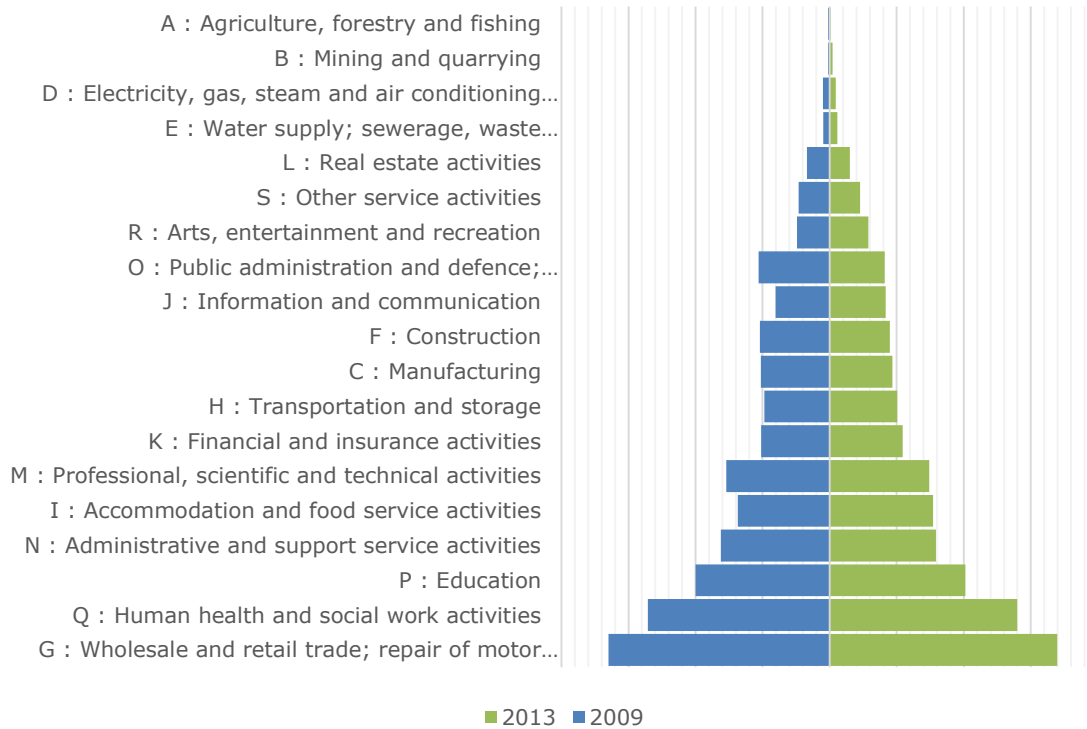
## FT/PT Employee Growth by Industry 2009-2013



**Figure 39 – FT/PT employee growth by industry in Coast to Capital 2009-2013; Source: BRES 2009-2013/Coast to Capital**

191. The overall employee growth in industries has led to two main changes in the structure of industry share by employees. In Figure 40 both Public administration and defence, and Professional, scientific and technical activities have both lost enough share to drop down a place in the rankings. Public administration has lost a 1% share and although Professional, scientific and technical activities only lost a 0.3% share it fell in the rankings due to the Accommodation and food service industry gaining a 1.1% share. The top two industries in 2009 remained so in 2013 following strong growth in employees and each gained a 0.5% share of jobs.

## Industry Share of Employees 2009 & 2013



**Figure 40 – Industry share by employees in the Coast to Capital region 2009 and 2013; Source: BRES 2013**

192. There are four main differences in employee structure by industry between the South East and the Coast to Capital region; first Manufacturing is 1.7% higher in the South East, second Information and communication is 2.1% higher in the South East, third Financial and insurance activities are 2.2% higher in the Coast to Capital region, fourth Human health and social work activities are 1.7% higher in the Coast to Capital region. The higher share of Health and social work activities backs up recent research that has shown that the south coast has the highest proportion of care home residents, Arun and Worthing are in the top five Local Authorities in the country for proportion of care home residents<sup>97</sup>.

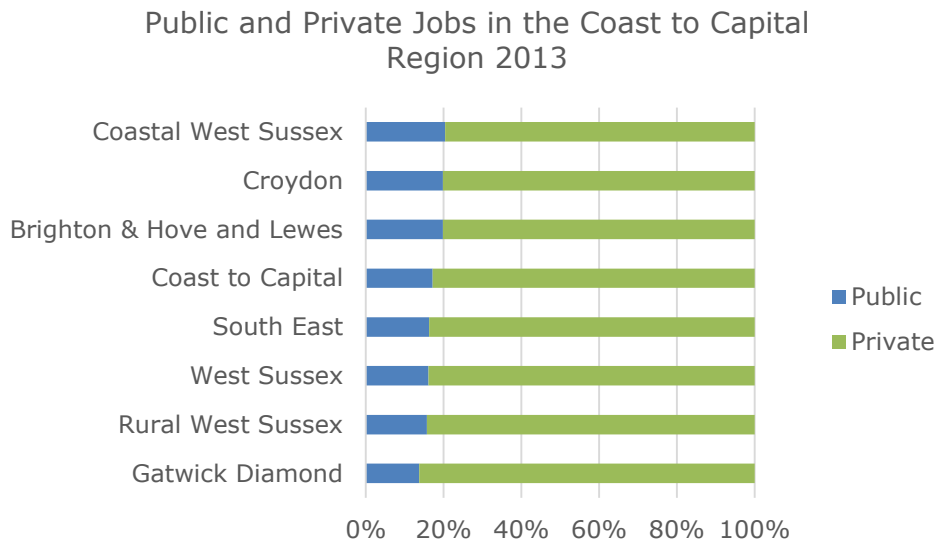
### **PUBLIC AND PRIVATE EMPLOYMENT**

193. Public sector employment has fallen substantially since 2009; it currently stands at 134,000 in the Coast to Capital region, down from 145,500<sup>98</sup>. It accounts for 17.2% of jobs, down 1.8% since 2009 which is higher than the South East rate of 16.3% but the gap has reduced by 0.3% in that time. The fall in public jobs has been biggest in Croydon, where it has fallen by 6,400 (23%) and the public jobs share of total employment has fallen 3.3% to 19.9%. The share of public sector jobs has fallen by 3% in West Sussex, 4% in Coastal West Sussex, 5% in both

<sup>97</sup> ONS: Census Analysis, What Does the 2011 Census Tell Us About People Living in Communal Establishments?: <http://www.ons.gov.uk/ons/rel/census/2011-census-analysis/what-does-the-2011-census-tell-us-about-people-living-in-communal-establishments-/info-communal-establishment-residents.html>

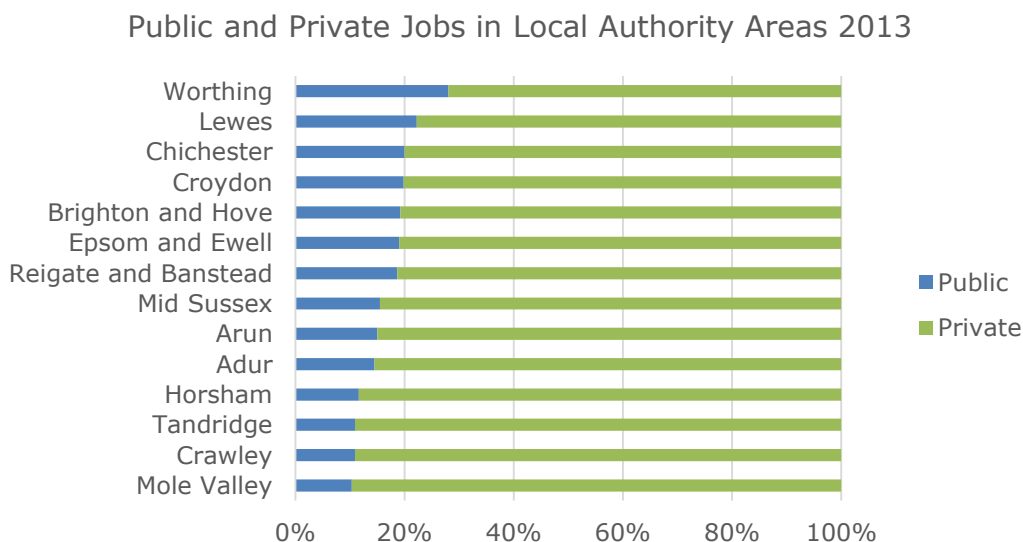
<sup>98</sup> Business Register and Employment Survey 2013

Brighton and Hove (and Lewes) and Rural West Sussex, and by 8% in the Gatwick Diamond.



**Figure 41 – Public and Private jobs share in Coast to Capital and Area Partnerships 2013; Source: Business Register and Employment Survey 2013**

- 194. At the Local Authority level all but two areas have seen a fall in public sector employees; these two areas are Worthing and Horsham. Worthing saw a large 15% increase in public sector employees between 2009 and 2013, compared to a 2% increase in Horsham. Horsham had no change in the percentage of public sector employees as a share of total employees whereas Worthing had a 2.5% rise.
- 195. Croydon is still the area with the largest fall in public sector employees, it is closely followed by Adur (down 22%); other notable decreases in public sector employees include Tandridge and Lewes (both down 16%), and Brighton and Hove, which is down 15%. The rest of the Local Authority areas fall between 1% and 6% falls in public sector employees.



**Figure 42 – Public and Private jobs share in Local Authority areas 2013; Source: BRES 2013**



196. In the private sector, the number of employees has grown by 26,600 in the Coast to Capital region from 2009 to 2013, a 4.3% rise compared to the South East's 4.5% rise; they now make up 646,500 jobs in the region. Croydon was the only area where there was a fall in private sector employees, down by 5,900 (6.3%). The Brighton & Hove (and Lewes) area had the largest percentage rise in private sector employment, up by 8.2%, followed by Coastal West Sussex (7.3%), Rural West Sussex (6.9%), and the Gatwick Diamond (4.9%).
197. Separating this out by Local Authority areas reveals that Croydon is the only area where there was a decline in private sector employees; there are some areas of very low growth however, such as Tandridge, which grew by 0.1% and Lewes, which grew by 0.9%. Chichester had the highest proportional growth in private sector employees, a 14% increase. Brighton and Hove had the second highest proportional growth (10%) and the highest volume of growth (9,400 employees) whilst Crawley had the second highest volume of growth (5,900 employees) and the third highest percentage growth (8.5%).

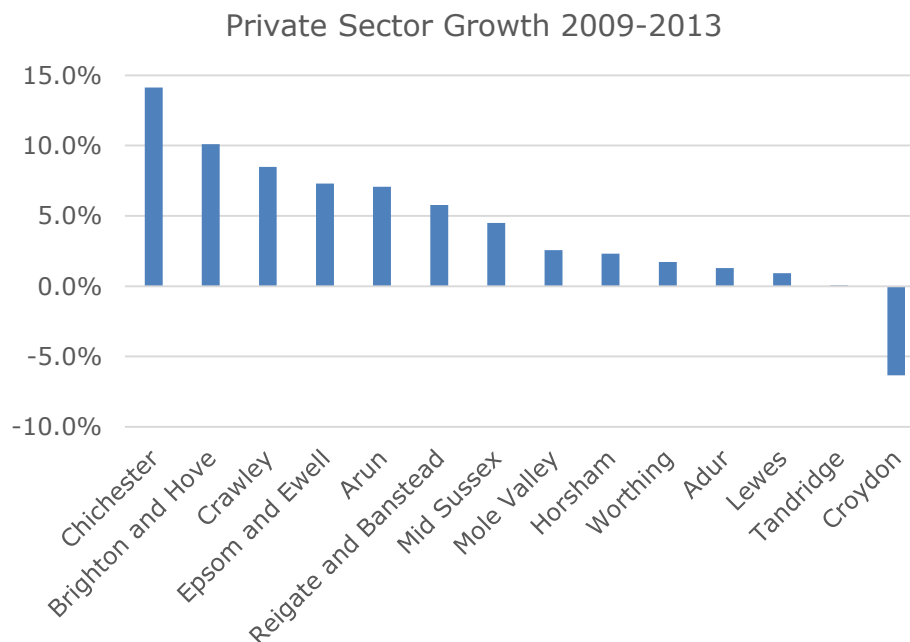


Figure 43 – Private sector job growth in Local Authority areas 2009 to 2013; Source: BRES 2013

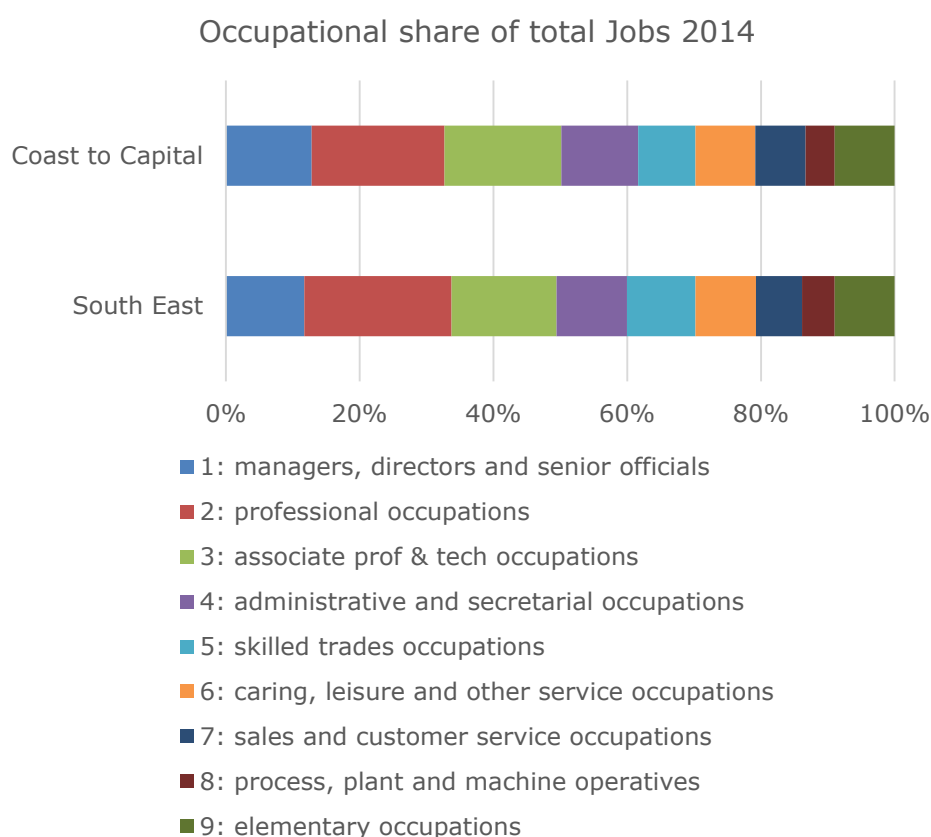
## OCCUPATIONAL STRUCTURE

198. The level of occupation people have is important as a high skilled and high value added economy will have higher rates of people employed in top level occupations. The phenomenon of jobs polarisation or the hour glass effect whereby employment is concentrated at the top and lower level occupations is observable in the Coast to Capital region. The implication is that if there are no middle level jobs than those at the bottom can no longer progress. However recent research into jobs polarisation by the Resolution Foundation<sup>99</sup> noted that high level jobs growth outpaced low level jobs growth and that mid-level jobs were growing in care and

<sup>99</sup> Resolution Foundation: 'Hollowing out – deeper than it sounds'  
<http://www.resolutionfoundation.org/media/blog/hollowing-out-deeper-than-it-sounds/>

leisure occupations which creates more of a 'Nike swoosh' effect; this is also reflected in the Coast to Capital region, in particular the growth in care and leisure.

199. In the Coast to Capital region 50% of employees are in the top three occupational groups, largely seen as the three most knowledge intensive and requiring high level skills, this share has increased by 1.8% since 2010<sup>100</sup>. In the South East the share of the top three occupations is 49.3%; this has increased 3.6% over the same period. The associate professional and technical occupations have increased their share by 2%; around 28,000 extra people are employed in these roles compared to 2010. Managerial and director occupations have also increased their share by 0.5% but professional occupations have seen a 0.7% loss of share despite an increase in people employed in those occupations it has not been enough to keep pace with other occupation levels.



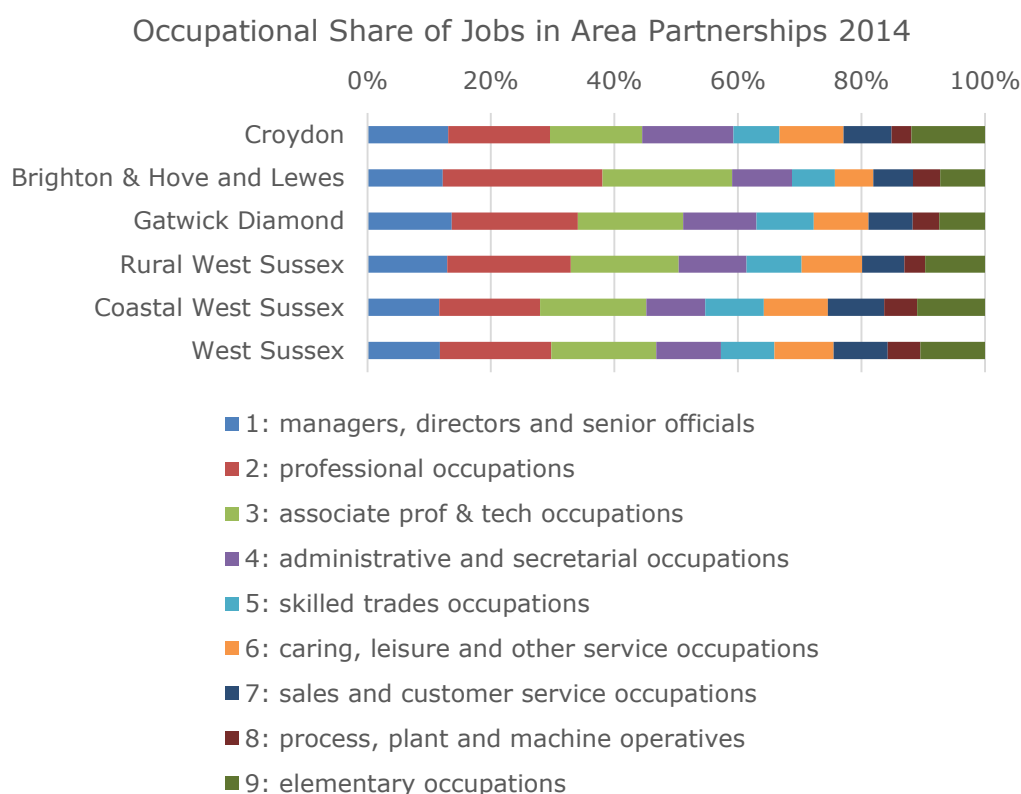
**Figure 44 – Occupational jobs share in the Coast to Capital and South East regions in 2014; Source: Annual population survey 2014**

200. In the middle three occupations the share of employment is 28.9%, this has fallen 1.1% since 2010, and in the South East the share is 29.7%, which is 1.9% lower than 2010. Of these three occupations Caring, leisure, and service activities has gone up by 7,600 people and gained a 0.3% share, whereas Administration occupations are down 0.9%, although this is half the South East fall in share.
201. The lower three occupations share of employment is 20.8%, down 1% from 2010; in the South East the share is 22.7%, down 1.6% from 2010. In both regions the

<sup>100</sup> Annual Population Survey 2014

largest share and volume fall was in Sales and customer services. In the Coast to Capital region there was a rise of 0.2% in Elementary occupations, the lowest of the nine occupations, an increase of 7,100 people which is the fourth largest volume increase across the nine occupations.

- 202. The Brighton & Hove (and Lewes) Area Partnership had the largest share of the top three occupations at 59% and the highest growth in this share at 7.4% since 2010. Both Coastal West Sussex and Croydon are below the Coast to Capital average, as is West Sussex as a whole, but Coastal West Sussex had the second largest growth at 1.8% and West Sussex had the 3<sup>rd</sup> highest growth at 1.4%. Rural West Sussex had the third highest growth with 1.2% but Croydon and Gatwick Diamond saw virtually no growth, the Gatwick Diamond has the advantage of already being above the regional average however.
- 203. The Area Partnership with the highest growth in share of the middle level occupations is Croydon which had an increase of 1.8%, followed by Rural West Sussex on 1.2% and Gatwick Diamond on 0.8%. The Area Partnerships of Brighton & Hove (and Lewes) and Coastal West Sussex saw significant reductions in mid-level occupations, down 4.1% and 4.5% respectively. West Sussex as a whole had a fall of 3.6% in mid-level occupations from 2010 to 2014.



**Figure 45 – Occupational jobs share in the Area Partnerships in 2014; Source: Annual population survey 2014**

- 204. In the lower level occupations the Coastal West Sussex Area Partnership has the highest share due to the 2.3% growth in people employed in these occupations; it has overtaken Croydon, which has had a 2.6% fall in these occupations. West Sussex as a whole has the second highest share of lower level occupations, which

have grown by 2%. The largest fall was in Brighton & Hove (and Lewes) which is down by 3.4%, followed by Rural West Sussex (2.2%) and the Gatwick Diamond (0.8%); the Gatwick Diamond has seen the least overall change, shifting 0.8% of employment in lower level occupations to the mid-level occupations.

205. Lewes is the Local Authority area with the highest growth in the share of top-level occupations, it rose 8.4% and the next closest increase was in Brighton and Hove which grew by 7%. Adur, Horsham, Mole Valley, and Worthing were also good performers, each gaining between 4% and 5% in top-level occupations. The Epsom and Ewell area stands out as the worst performer in this respect, top-level occupation share fell by 4.5% from 2010 to 2014. Falls in top level occupations have also happened in other East Surrey areas, the share has fallen by 1.9% in Reigate and Banstead and by 1.8% in Tandridge; Reigate and Banstead is the only East Surrey area to be below the Coast to Capital level however.
206. In mid-level occupations Adur and Worthing had large falls in the share of these jobs, down 15% and 14.5% respectively and Lewes and Crawley also had notable decreases in share, falling 8.4% and 6.5%. Epsom and Ewell had the largest rise in mid-level occupations; its share is up by 12.5%. Chichester and Reigate and Banstead have also risen, up 6.3% and 6.1%; Reigate and Banstead is the area with the largest share of mid-level occupations by around 8%.
207. In the lower level occupations Adur and Worthing have seen large increases in the share of these occupations up by 10.5% and 8.9%, mirroring the falls in mid-level roles. Crawley is also notable for the rise in these occupations, up by 5.8% and again mirroring the fall in mid-level occupations; Lewes is the only area that saw a significant shift from mid-level to higher-level occupations. Epsom and Ewell and Chichester saw significant falls of lower level roles, down 8% and 6%, followed by Brighton and Hove and Reigate and Banstead, both down 4.4%.

## TRAVEL TO WORK

208. Where, and how many, people travel to work has implications for many things, not least the infrastructure people use to travel to work each day, be it by road, rail, or other public transport; there are also implications for well-being, a recent study showed the time of the commute had a detrimental effect on peoples happiness<sup>101</sup>. In Coast to Capital 43% of employed residents work in a Local Authority other than where they live suggesting that there is either not enough jobs or not enough good quality jobs in those areas to keep residents working locally.
209. A net figure of 93,900 people leave the Coast to Capital region each day for work in London and the South East<sup>102</sup>; the gross total for outflows is 202,000 which represents 22% of the number of employees in the Coast to Capital region. All of the top ten destinations for workers leaving the region are in Greater London accounting for 62% of outflows, Westminster accounts for 21% alone; for

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<sup>101</sup> ONS Commuting and Personal Wellbeing 2014

<sup>102</sup> Census 2011

comparison the next most popular destination is Sutton, which accounts for 7% of outflows.

210. Outflows to London and the South East appear to be less geographically based than those who travel to work within the Coast to Capital region, there are some exceptions to this however; Croydon which still has its largest commuter population going to Westminster, City of London, also has a noticeable share of commuters going to other London Boroughs; Chichester has a more people commuting west to Portsmouth, Havant and East Hampshire; Lewes commuters are more likely to head east to Wealden and Eastbourne.

<b>Top 10 In and Out Flow Locations</b>			
	<b>In</b>		<b>Out</b>
Sutton	14.2%	Westminster, City of London	21.1%
Wealden	9.3%	Sutton	7.1%
Bromley	6.4%	Lambeth	5.1%
Merton	5.0%	Southwark	4.7%
Eastbourne	4.2%	Wandsworth	4.2%
Lambeth	3.7%	Merton	4.1%
Kingston upon Thames	3.7%	Camden	4.1%
Havant	3.5%	Bromley	4.0%
Wandsworth	3.3%	Kingston upon Thames	3.6%
Guildford	3.0%	Tower Hamlets	3.6%

**Table 15 – Top 10 locations for commuter in and out flows; Source: Census 2011**

211. In-flows come from more diverse places but appear to be geographically influenced, six of the top ten in-flow locations are London Boroughs, but the other four are Wealden, Eastbourne, Havant, and Guildford. Sutton is the most popular origin point, accounting for 14% of in-flows, mostly going to Croydon, Epsom and Ewell, and Reigate and Banstead. Next was Wealden, with a 9% share, with the main destinations being Lewes and Mid Sussex. In-flows from Havant were almost exclusively to Chichester and just under half of in-flows from Guildford go to Mole Valley.
212. Around 190,000 people commute within the Coast to Capital region, just under 21% of all employed people. Of the Local Authority areas within the Coast to Capital region Crawley is the most popular destination for commuters, it has a net in-flow of 17,700 workers, and the next closest area is Chichester, which has a net in-flow of 8,700. At the other end of the scale the area with the biggest net out-flow at -14,500 is Arun, Adur is the next closest at -6,200.

Net In-Flows		Net Out-Flows	
<b>Crawley</b>	17,700	<b>Tandridge</b>	-1,400
<b>Chichester</b>	8,800	<b>Croydon</b>	-1,800
<b>Mole Valley</b>	4,200	<b>Horsham</b>	-4,300
<b>Brighton and Hove</b>	3,500	<b>Lewes</b>	-5,100
<b>Reigate and Banstead</b>	2,700	<b>Mid Sussex</b>	-5,200
<b>Epsom and Ewell</b>	1,200	<b>Adur</b>	-6,200
<b>Worthing</b>	500	<b>Arun</b>	-14,500

Table 16 – Internal commuter flows in the Coast to Capital region; Source: Census 2011

213. Geographical proximity is a factor in internal commuting flows, for example the large majority of in-flows to Crawley come from Horsham, Mid Sussex, and Reigate and Banstead, around 60%, and the out-flows from Crawley follow a similar pattern. This can be seen across the region, where in and out flows are strong between Local Authorities with adjoining borders. Table 20 below is a visual representation of where people travel to work from, origin along the left, and where they end up, destination along the top, with the Red, Amber, Green system representing the relative level of travel between each Local Authority area.

**Travel to Work Patterns - Heat Map**

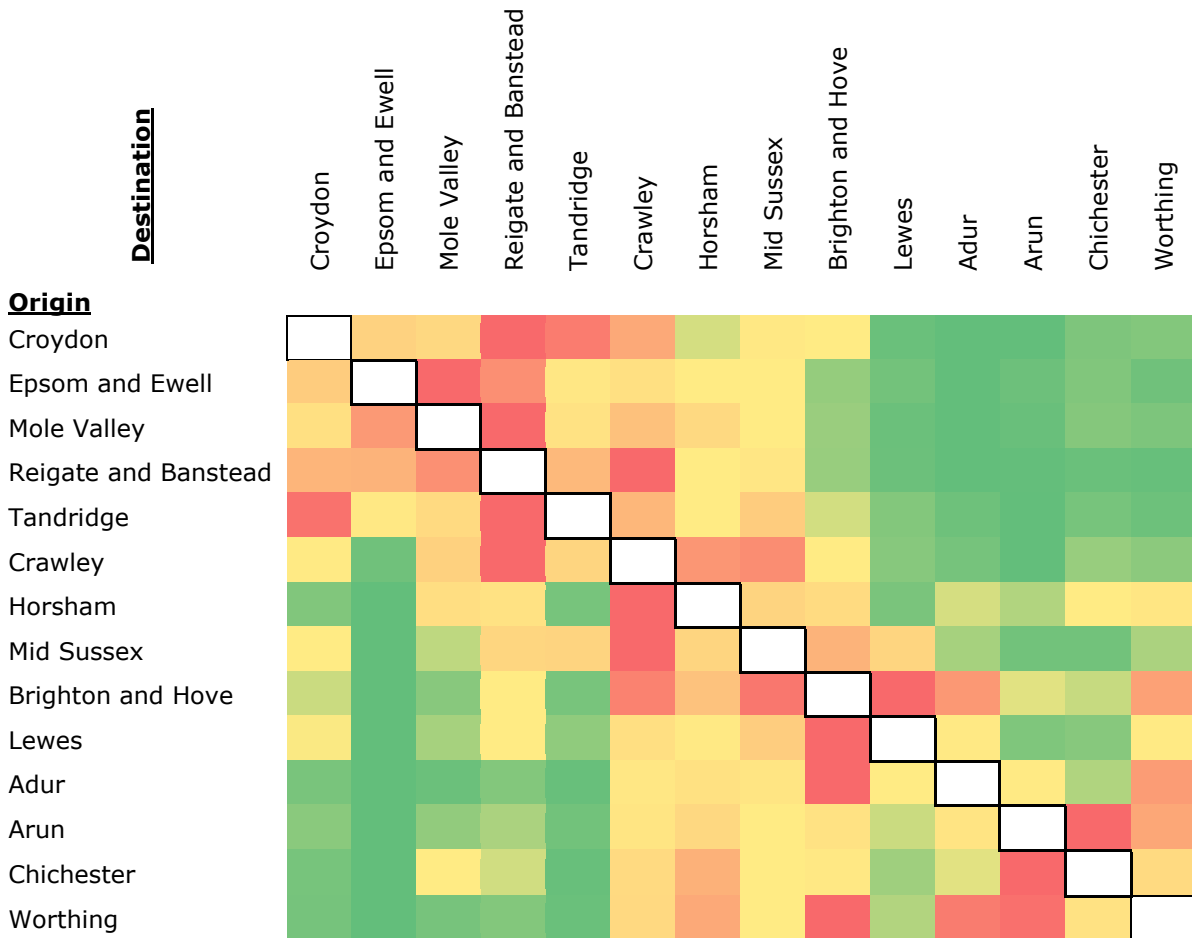
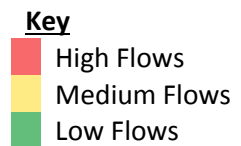


Table 17 – Internal commuter flows heat map; Source: Census 2011/Coast to Capital 2015



**THE KNOWLEDGE ECONOMY**

- 214. The Knowledge Economy is important because it is where increasingly the high value businesses and jobs are found and it is the basis of improving competitive performance in the global economy. Broadly the Knowledge Economy is the “effective utilisation of intangible assets such as knowledge, skills and innovative potential as the key resource for competitive advantage. The term “knowledge economy” is used to describe this emerging economic structure<sup>103</sup>. A SIC code definition of the knowledge economy can be found in the annex.
- 215. Jobs in the Knowledge Economy have not fared well in the Coast to Capital region. In 2013 155,200 people work in the Knowledge Economy in the Coast to Capital region accounting for 19.9% of total jobs but since 2009 its share of total jobs has fallen by 0.3% whereas in the South East as a whole it has risen by 0.2%; the

<sup>103</sup> The Work Foundation – Defining the Knowledge Economy



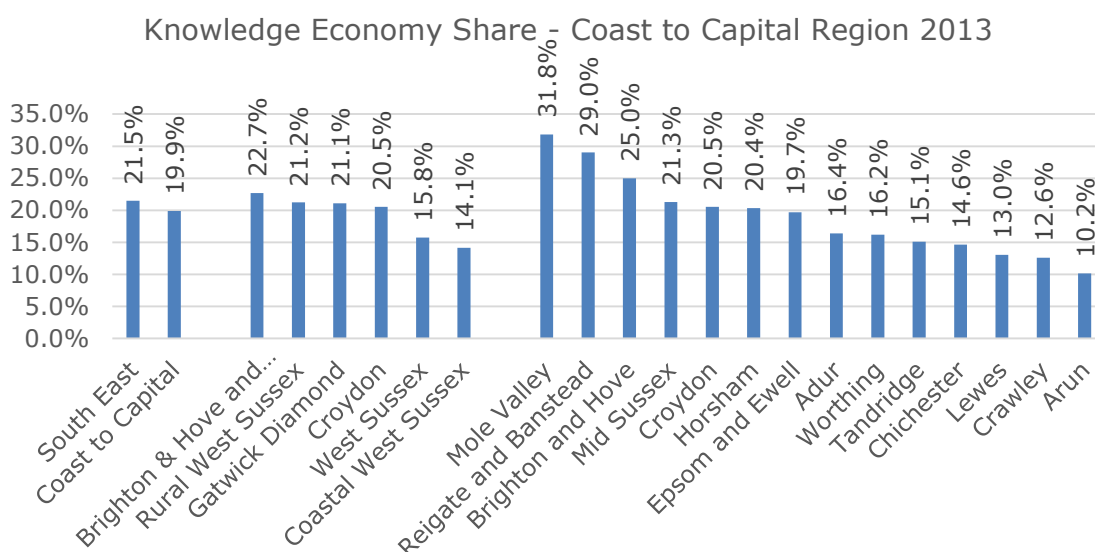
number of jobs has increased by 1,000, a 0.6% rise which is weak in comparison with the 3.4% growth in the South East<sup>104</sup> and suggests that other sectors in the region are growing faster. However, there are significant variations in Knowledge Economy growth and decline across sectors and geographies.

216. Much of this poor growth has been affected by large declines in Printing and reproduction (down 31.6%), Finance service activities (11.5%), Architecture & engineering (9.7%), and Professional, scientific, and technical activities (30%), between them they account for job reductions of 6,200. These are also sub-sectors that cut across some of Coast to Capital's priority sectors. Where there has been growth it has been strong enough to counter these declines, sub-sectors such as Computer programming and consultancy (up 15.8%), Insurance and reinsurance (37.5%), and Activities auxiliary to finance (12.4%), which between them added 7,700 jobs to the local economy. Insurance and reinsurance in particular added 3,100 jobs.
217. Brighton & Hove (and Lewes) is the Area Partnership with the highest share of Knowledge Economy jobs and has increased its share by 0.8% (and the number of knowledge jobs by 3,000). There were two main sub-sectors of growth in Brighton & Hove (and Lewes), Computer programming and consultancy (1,300 jobs) and Insurance and reinsurance (3,000) which accounted for almost all the growth in this sector at the Coast to Capital regional level. Croydon's knowledge jobs share also rose by 0.8% despite a 1,600 fall in Knowledge Economy jobs, suggesting it gained share due to larger falls in jobs in other sectors.
218. The three other Area Partnerships had loss of knowledge jobs share, notably 0.9% in Coastal West Sussex and 0.8% in Gatwick Diamond, and Rural West Sussex had a fall of 0.3% share. Rural West Sussex accounted for 60% of the Coast to Capital regional growth in the Activities auxiliary to finance sub-sector. The fall in knowledge employment share for Coastal West Sussex is an issue as it was already the area with the lowest share of knowledge employees; it now has a 5.8% lower share than the Coast to Capital regional average. In West Sussex as a whole the share of Knowledge Economy jobs has fallen by 1% from 2009 to 2013, and has the 5<sup>th</sup> largest share of Knowledge Economy jobs when compared to the five area partnerships.
219. Looking at knowledge employees in the Local Authority areas shows that Croydon still has the largest volume fall in knowledge jobs but that Crawley and Worthing had significant falls of knowledge jobs, they are down by 1,000 and 700 respectively. Crawley, Worthing, and Epsom and Ewell had the largest decreases in share of knowledge jobs, which are 2% lower than in 2009. Brighton and Hove has seen a large increase in knowledge jobs, an additional 3,200 since 2009, and the knowledge jobs share of total jobs has risen by 0.8%. Other areas such as Adur (0.5%), Horsham (0.6%), and Mole Valley (1%) have also seen rises in knowledge jobs share of total jobs.

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<sup>104</sup> Business Register and Employment Register 2013





**Figure 46 – Knowledge Economy share of jobs by location 2013; Source: Business Register and Employment Survey 2013**

## IT EMPLOYMENT

220. The IT economy will become increasingly important as more devices become Internet enabled (the 'internet of things') and commerce increasingly becomes digital. This will require large numbers of employees skilled in web and app development, digital infrastructure, cyber security, and data analytics; having the large IT workforce would place the Coast to Capital region in an ideal place to take advantage of these changes<sup>105</sup>.
221. In 2013 there were 20,900 IT jobs in the Coast to Capital region accounting for 3.3% of all jobs, which is 2% lower than the South East; this share has only grown by 0.2% since 2009 which is a third of the share growth in the South East. Growth in IT employment between 2009 and 2013 has been good, 8.6% which represents 2,000 jobs, but it is still only half the growth rate of the South East (16.3%)<sup>106</sup>.
222. There are noticeably low shares of IT employment in Coastal and Rural West Sussex, although no area is far above the regional average or close to the South East average. Both Croydon and Coastal West Sussex had shares of IT employment fall by 0.2% as they are the two Area Partnerships that have had declines in IT employee numbers. Coastal West Sussex has the lowest share of IT employment. Brighton & Hove (and Lewes) and the Gatwick Diamond had large increases in IT employment, both in volume and proportionally, they grew by 26.7% and 15.1% respectively.

<sup>105</sup> The definition used for the IT industry has its limitations as it does not cover IT professionals working outside of the IT sector and includes non IT workers working within the IT sector.

<sup>106</sup> Business Register and Employment Survey 2013

<b>IT Employment as a share of total employment</b>	
<b>South East</b>	5.3%
<b>Coast to Capital</b>	3.3%
<b>Croydon</b>	3.6%
<b>Brighton &amp; Hove and Lewes</b>	3.8%
<b>Gatwick Diamond</b>	3.7%
<b>Rural West Sussex</b>	2.5%
<b>Coastal West Sussex</b>	1.8%
<b>West Sussex</b>	2.5%
<b>Croydon</b>	3.6%
<b>Adur</b>	3.8%
<b>Arun</b>	1.4%
<b>Brighton and Hove</b>	4.2%
<b>Chichester</b>	1.3%
<b>Crawley</b>	2.6%
<b>Epsom and Ewell</b>	2.6%
<b>Horsham</b>	4.3%
<b>Lewes</b>	2.3%
<b>Mid Sussex</b>	3.0%
<b>Mole Valley</b>	8.0%
<b>Reigate and Banstead</b>	3.1%
<b>Tandridge</b>	3.1%
<b>Worthing</b>	2.0%

**Table 18 – IT employment as a share of total employment in the Coast to Capital Region: Source: Business Register and Employment Survey 2013**

223. There are some strong variations at Local Authority level, some of which are due to low starting figures; for example, Adur had an increase of 400 IT jobs which represented a 117% growth from 2009 to 2013. There were three areas with declines in IT employment, Crawley (5.5%), Croydon (15%), and Worthing (48%) and they are the three areas that saw declines in IT employment as a share of total employment, Worthing’s IT employment share was cut in half, down to 2% in 2013 from 4% in 2009. Two areas had strong gains in IT employment shares, Adur which more than double its share and Mole Valley which had a 1.6% increase, this is impressive as its IT employment share was the highest in 2009 at 6.4% and now stands at 8%, the only area above the South East average.

### **FUTURE EMPLOYMENT PROJECTIONS**

224. The employment forecasts provided by the UK Commission for Employment and Skills (UKCES) in the last economic assessment have been updated to cover 2012 to 2022<sup>107</sup>. There have been no major changes to the overall trends seen in the last release. Employment is expected to continue to increase in the top-level

<sup>107</sup> UK Commission for Employment and Skills Working Futures 2012-2022

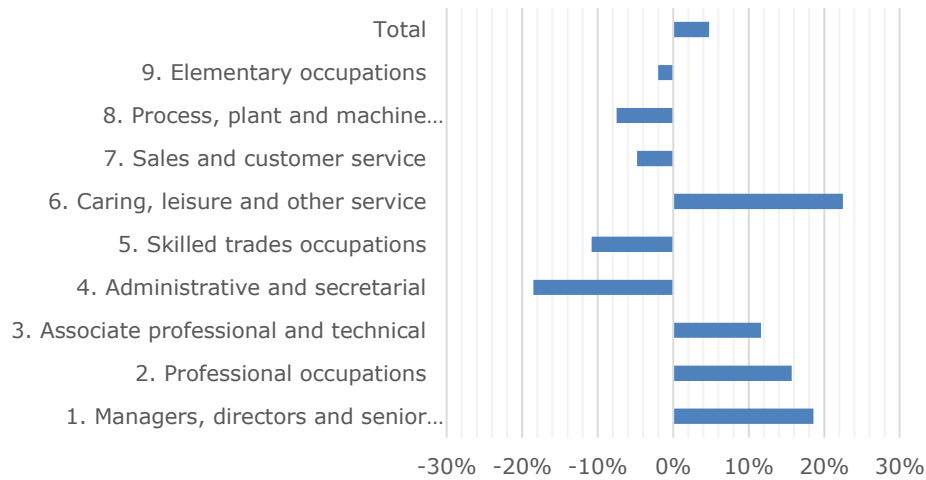
occupations, while mid-level and lower level occupations will shrink. This will also continue to increase the need for workers with higher-level skills; most of the net growth will be in Qualifications and Credit Framework (QCF) level 4+ qualifications<sup>108</sup>.

225. Total employment is expected to rise by 4.8% between 2012 and 2022, driven by growth in IT, which is expected to grow by 27%, Electricity and gas (15%), Construction (12%), and Professional services (13%). The expectation that Construction will be a driver of employment growth is at odds with recent trends, which have seen employment in the sector fall by 3.8% since 2009. There are some industries that are predicted to fall, Agriculture (20%), Mining (11%), Engineering (20%), Manufacturing (10%), and Public administration and defence (10%), many of which are expected, especially Public administration and defence, but the predicted fall in Engineering and Manufacturing will have an effect on the Advanced Manufacturing and Engineering sector, which is a priority sector for Coast to Capital.
226. The projections for self-employment also do not match up with the recent trends that have seen self-employment increase rapidly across the country; here it is expected to rise by 0.1%. There are some industry projections that might be reasonably expected to play out however, self-employment in IT is projected to grow by 34%, Agriculture is to fall by 28%, Wholesale and retail trade down by 24%, and Mining down by 17%.
227. Part-time employment is projected to grow by 8.3% by 2022, which appears to be in line with recent changes in the labour market. Only one industry is predicted to see a decrease in part-time employment, Agriculture. There are four industries where growth in part-time employment is expected to grow and by a large margin, IT part-time employment will double, Transport and storage will grow by 39%, Mining by 34%, and Media will grow by 24%.
228. In the top-level occupations there is expected to be a 15% increase in jobs, whereas there is a projected 4% fall in both mid and lower level occupations. This will lead to a 4.5% increase in employment share for the top three occupations, a 2.5% decrease in mid-level occupational share, and a 2% fall in lower level occupational share. Breaking this down into the nine occupational classifications reveals the biggest increase is expected in caring and leisure roles where a 22% increase is projected. In comparison managers and directors are expected to rise by 19%; again this is somewhat different to recent data that has shown more of an increase in associate professional level jobs. The biggest decline is in administrative and secretarial positions where an 18% fall is projected, 8% more than the next nearest occupation expecting a fall, skilled trade occupations.

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<sup>108</sup> More information on QCF levels can be found in the Annex

## Estimated Net Change in Occupations 2012-2022



**Figure 47 – Estimated net change in occupations from 2012 to 2022; Source: UKCES working futures 2012**

229. For qualifications this means there will be a 51% increase in demand for QCF level 7-8 qualifications and a 25% increase for QCF level 4-6 qualifications. All the other QCF levels will see a fall in demand, particularly level 1 which has a projected 24% fall in demand. Those with no qualifications are predicted to be hit hardest; projected demand will fall by 43%.

### SKILLS

230. Skills are a key driver of economic performance<sup>109</sup> and having a well skilled labour market is a core part of Coast to Capital's mission. The region has a strong level of well-qualified labour market participants, which is increasing and higher than the wider South East region, but there are some areas along the coast where qualifications remain low however. There are also issues with skills gaps, particularly in customer handling and organisational skills, and hard to fill vacancies are being caused by a mix of applicants not having the required skills and not enough interest in the jobs advertised; this is causing increased workload for other staff, and difficulty meeting quality standards and introducing new products. The supply of well skilled labour, i.e. students, is also strong with achievement levels increasing over time at a range of ages and qualifications types, from GCSEs to Apprenticeships to Graduates.

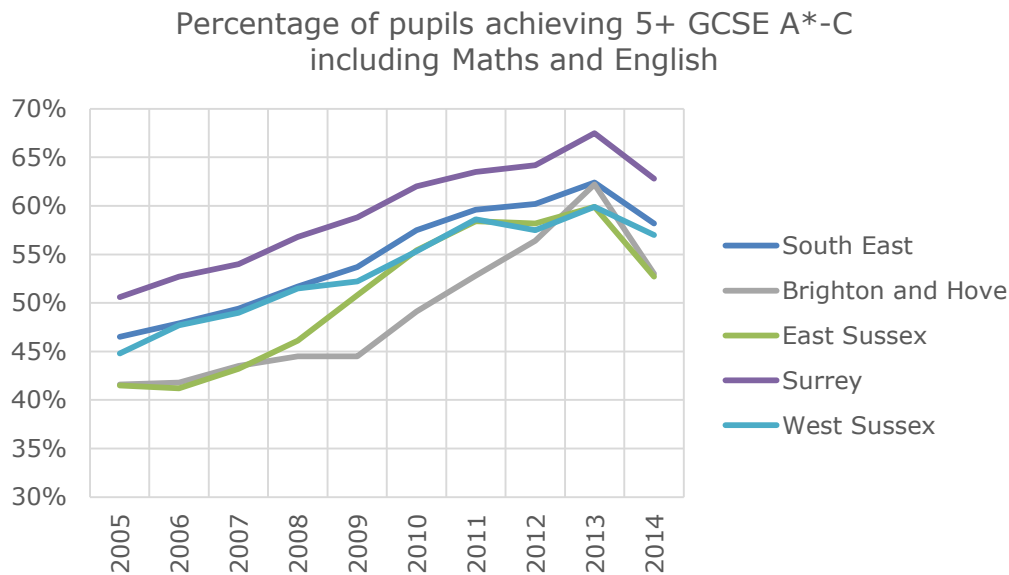
### GCSEs

231. Across the region the level of pupils achieving 5+ GCSEs at A\* to C including English and Maths has steadily increased, although in 2014 there has been a notable fall in each area to varying degrees<sup>110</sup>. Brighton and Hove and East Sussex were the two lowest performing areas, although by 2010 East Sussex had caught up with West Sussex and Brighton and Hove has caught up by 2012. These two

<sup>109</sup> The Relationship between Skills, Productivity, Innovation, and Growth: Literature Review – Coast to Capital 2013

<sup>110</sup> Department for Education - Level 2 and 3 attainment by young people aged 19 - 2014

areas fell back below West Sussex in 2014; Brighton and Hove fell particularly sharply, down 9.2% on 2013.

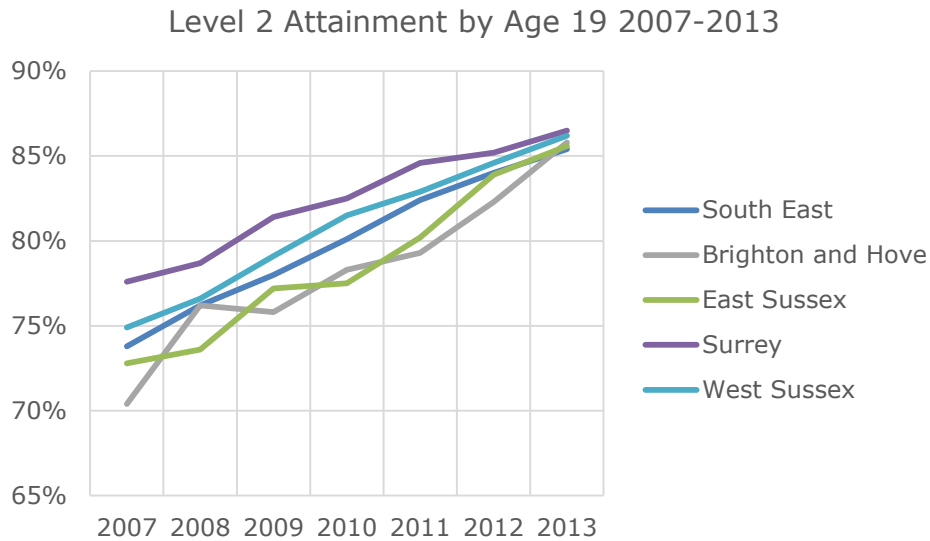


**Figure 48 – percentage of pupils achieving 5+ GCSE A\*-C including English and Maths 2005 to 2014; Source; Department for Education 2014**

### ATTAINMENT LEVELS

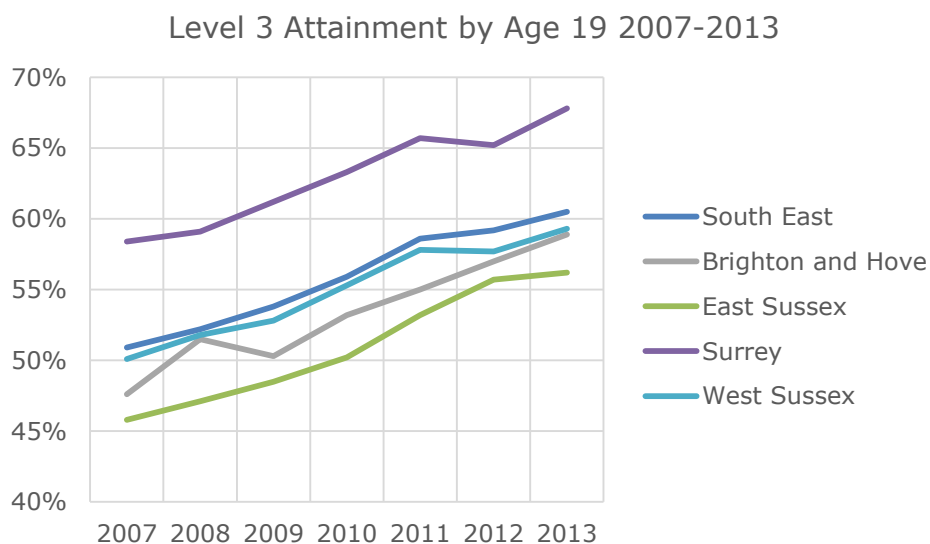
232. Attainment of Level 2 equates to achievement of 5 or more GCSEs at grades A\*-C or equivalent qualifications, and Level 3 equates to achievement of 2 or more A levels or equivalent qualifications<sup>111</sup>.
233. In Level 2 attainment by age 19 Surrey and West Sussex are consistently above the South East rate, whereas Brighton and Hove and East Sussex only caught up with the South East in 2012 and 2013. Every area has closed the gap between itself and Surrey; from 2007 to 2013 Surrey's attainment rate increased by 8.9%, by comparison Brighton and Hove increased by 15.4%, East Surrey grew by 12.8% and West Sussex by 11.3%.

<sup>111</sup> Department for Education



**Figure 49 – Level 2 attainment by age 19 County level 2007 to 2013; Source: Department for Education 2014**

234. Level 3 attainment by age 19 is naturally lower than level 2 attainment but Surrey stands out as being far ahead of the rest, on average the area is 6-7% above the South East level and almost 10% ahead of Brighton and Hove in 2013. Brighton and Hove and East Sussex attainment levels again grew faster than the South East, increasing 11.3% and 10.4% respectively from 2007 to 2013, whilst the South East had an increase of 9.6%. Both Surrey and West Sussex had increases but at 9.4% and 9.2% it was at a slower pace than the South East.



**Figure 50 – Level 3 attainment by age 19 County level 2007 to 2013; Source: Department for Education 2014**

### APPRENTICESHIPS

235. Increasing apprenticeships is a strong focus for the Coast to Capital skills strategy and higher and advanced level apprenticeships are also a part of Coast to Capital's KPIs. The evidence<sup>112</sup> suggests that people completing apprenticeships at all levels

<sup>112</sup> All apprenticeship data taken from the SFA apprenticeship data cube 2008-2013

have been increasing strongly particularly in subject areas such as Business Administration, Customer Service, Health and Social Care, Hospitality and Catering, Team leading and Management, and Retail.

### **INTERMEDIATE LEVEL APPRENTICESHIPS**

236. Intermediate apprenticeship achievements have accounted for the highest volume of the three apprenticeship levels, but in 2012/13 there was a 3.9% fall in achievements which affected almost every area within the Coast to Capital region. Total growth from 2008/09 to 2012/13 was 60.6% representing an additional 1,300 achievements since 2008/09.
237. Croydon is the area that saw the largest overall growth in achievements (122%) partly due to its low starting point; it has moved from being the lowest area for achievements up to third out of the Area Partnerships. All the other Area Partnerships' growth was below the Coast to Capital regional average, showing the effect that Croydon's growth has had. Rural West Sussex grew at the slowest pace, 34% from 2008/09 to 2012/13, which is 8% lower than the next lowest area, Brighton & Hove (and Lewes), which grew by 42%. West Sussex as a whole grew by 47%, close to that of Coastal West Sussex.
238. There are three Local Authority areas that stand out for growth between 2008/09 to 2012/13, Croydon (122%), Reigate and Banstead (106%), and Crawley (99%). Many of the Local Authority areas experienced a decline in achievements in 2012/13, particularly Chichester, Epsom and Ewell, and Lewes, which had declined between 18%-30%, much higher than anywhere else. There were four areas that had growth in achievements, Croydon (7.4%), Reigate and Banstead (13.5%), Tandridge (11.8%), and Worthing (20%).
239. Much of this growth has been in subject areas such as Business Administration, Customer Service, Health and Social Care, Hospitality and Catering, Team leading and Management, and Retail. There have been noticeable declines in both Vehicle Maintenance and Repair and Construction achievements over the same period whilst apprenticeships in Passenger Carrying Vehicles and Hairdressing make up sizable chunks of the regional achievements but have not grown or declined to any real extent.

### **ADVANCED LEVEL APPRENTICESHIPS**

240. Advanced apprenticeships are the second largest group of apprenticeships and have grown twice as fast as intermediate apprenticeships, largely influenced by the lower starting point in terms of achievements; in percentage terms advanced achievements have grown 152% from 2008/09 to 2012/13 which represents an increase of 1,500 achievements, higher in volume than intermediate achievement growth.
241. Croydon is again the Area Partnership with the highest level of growth (181%), and growth in the other Area Partnerships follows the same trends as the intermediate level achievements, just at a higher rate. Rural West Sussex is again the area with the lowest overall growth but it does have the second highest



numbers of Advanced Level Apprenticeship after the Gatwick Diamond. West Sussex as a whole has the second lowest growth at 133% in between Rural and Coastal West Sussex.

242. At Local Authority level Croydon is only the fifth fastest growing area in advanced achievements, both Epsom and Ewell and Mole Valley had growth of over 200%, and Reigate and Banstead and Worthing had growth of 198% and 188% respectively. Only two areas had growth of less than 100%, they were Chichester and Horsham.
243. Growth and decline in subject areas for achievements are identical to that of intermediate achievements; growth has been in subject areas such as Business Administration, Customer Service, Health and Social Care, Hospitality and Catering, Team leading and Management, and Retail. Declines were again in both Vehicle Maintenance and Repair and Construction achievements over the same period. Apprenticeships in Passenger Carrying Vehicles and Hairdressing continue to make up sizable chunks of the regional achievements but have not grown or declined to any real extent.

#### HIGHER LEVEL APPRENTICESHIPS

244. Achievement levels in higher apprenticeships are very low as they a relatively new type of apprenticeship so take up has not yet reached 'critical mass' and achievements only start in the 2009/10 period. The available numbers suggests a slow but steady increase in achievements, but the data is defined more by what is missing. Brighton & Hove (and Lewes) is the only Area Partnership not to have had an achievement in higher-level apprenticeships, along with Adur and Worthing at the Local Authority level. Only Croydon, Horsham, Mid Sussex, and Tandridge have achievements in each year of the 2009/10 and 2012/13 periods.

#### GRADUATES

245. Graduate data has been taken from the Higher Education Statistics Agency destination of leavers survey<sup>113</sup> that surveys students six months after graduation. The data shows that over the last two years the number of graduates has increased, as have the number achieving first and upper second class degrees, and more graduates have found work locally than last year, particularly those from STEM subjects.
246. There were 9,800 graduates from institutions in the Coast to Capital region in 2012/13; this is a 3% increase on the previous year. All of this increase came from the University of Brighton, which had an 11.9% increase in graduates, whereas the other universities have seen falls in their number of graduates year on year.
247. The number of graduates achieving first class degrees rose by 12.4% year on year, roughly an additional 120 graduates. Graduates gaining upper second class degrees grew by 1.9%, there was no change in lower second class degree

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<sup>113</sup> For years 2011/2012 and 2012/2013. The geography is only down to County level so data is based on areas that cross over into the LEP boundaries (Surrey, East and West Sussex, and Brighton and Hove).



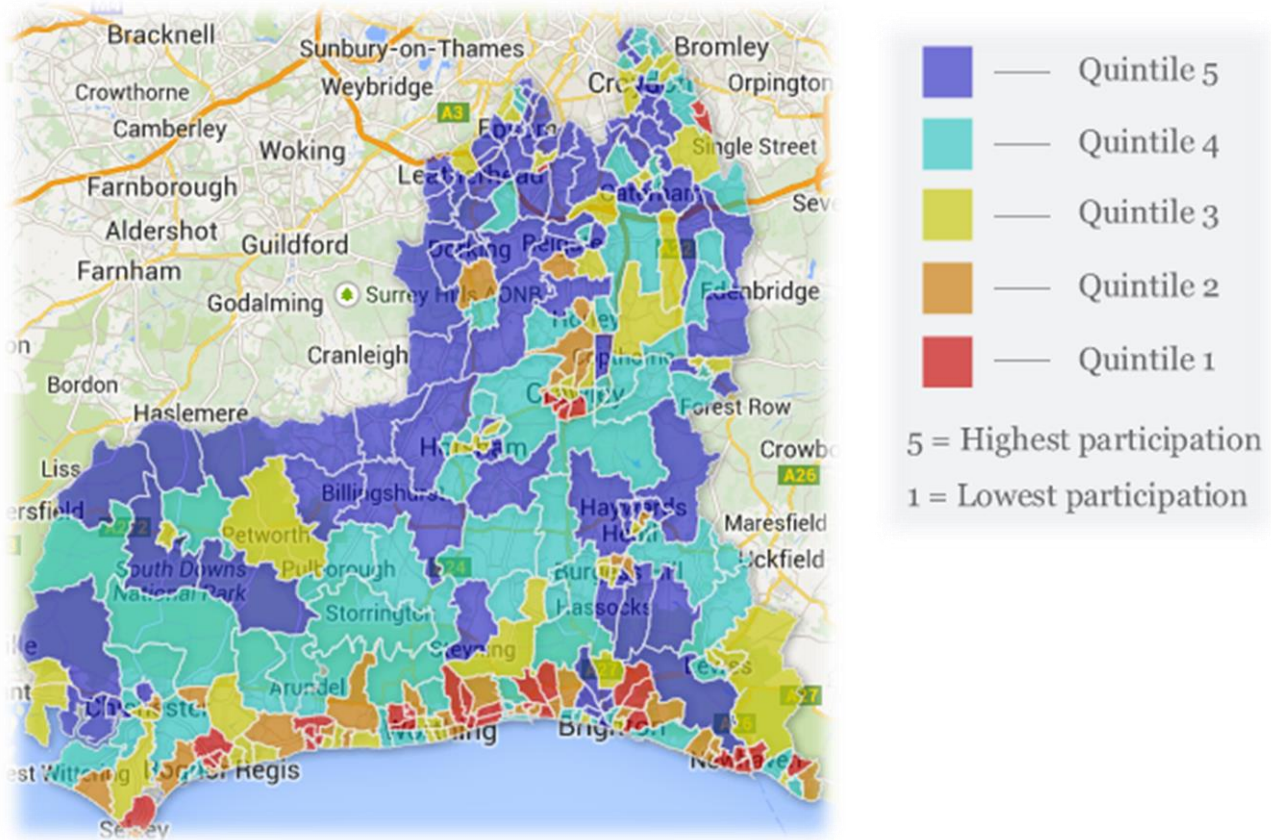
achievements, and third class degrees fell by 11.2% although is only equates to 30 fewer graduates gaining this classification.

248. The graduate retention rate is 46.2%, a 1.9% increase on the year before. In this instance graduate retention is calculated as the rate of graduates from Coast to Capital institutes finding work in the Coast to Capital region. Brighton and Hove is the place where most graduates find work, around 16% of graduates, followed by West Sussex (15%), which has had a 1.6% increase in graduate retention. Greater London is the area where most graduates find work, 20.5% found work there in 2012/13 which is 0.8% less than the previous year<sup>114</sup>.
249. Graduates in STEM subjects are more likely to find work in the Coast to Capital region than graduates in general. The STEM retention rate was 51.6% in 2012/13, an increase of 6.2% on 2011/12. Both Brighton and Hove and West Sussex moved ahead of Greater London as a destination for graduates, which saw a 3.3% reduction in STEM graduates from the region. Both East Sussex and Surrey remain below Greater London in STEM retention but East Sussex's rate increased by 1.3% whereas Surrey had a 0.4% drop.
250. In 2012/13 70.2% of graduates were in some form of employment, up 0.6% on the previous year and the number of graduates who were unemployed fell by 1.1% year on year to 6%. Graduates from UK institutions were slightly less likely to be in some form of employment, 69.6%, and slightly less likely to be unemployed at 5.7%; the difference is due to more people from UK institutions going into further study.
251. The type of employment graduates are going into is also improving, those who went in to professional employment rose by 4.1% year on year up to 54.3% whilst those in non-professional roles fell by 4.4% to 21%. The percentage of graduates in professional employment is below the UK rate of 56.4% for 2012/13, but with a 1.6% increase on the previous year in the Coast to Capital region grew faster.
252. There are still areas where participations rates are lower than expected however. In figure 51 the Higher Education Funding Council for England (HEFCE)<sup>115</sup> has mapped out how likely 15 year olds are to have entered higher education by the age of 19 during the 2005-06 and 2010-11 academic years. As can be seen there is lower than expected participation along the coastal areas and Crawley; the pockets of low participation around Brighton and Hove is surprising considering there are two universities in the area.

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<sup>114</sup> Higher Education Statistics Agency destination of leavers survey 2011/2012 and 2012/2013/Coast to Capital 2015

<sup>115</sup> Higher Education Funding Council for England Data maps of higher education provision – 2014: <http://www.hefce.ac.uk/analysis/coldspots/>



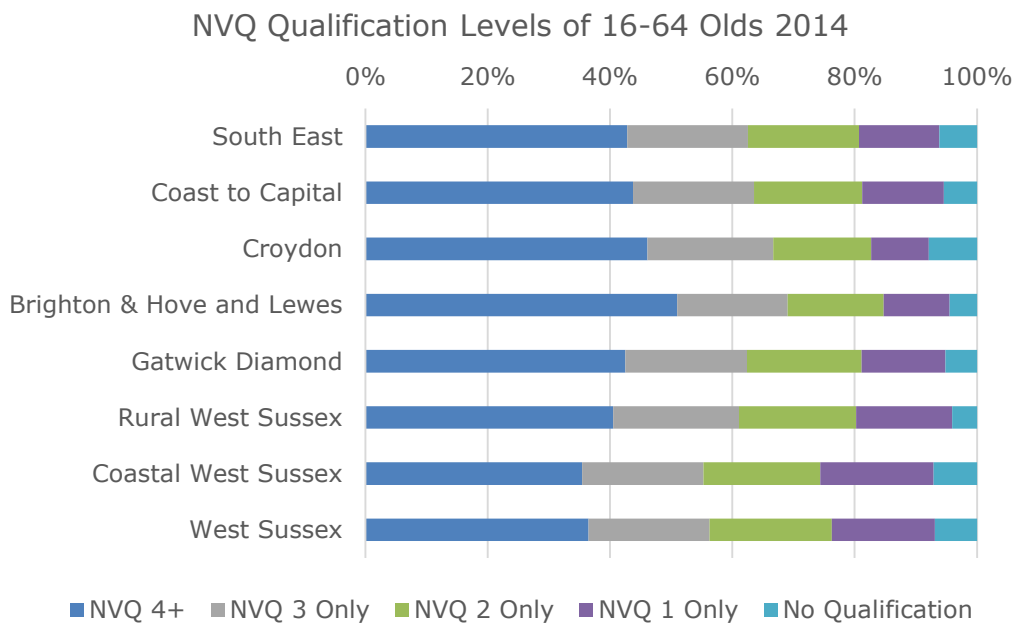
**Figure 51 – Higher Education Participation of 15 year olds by aged 19; Source: Higher Education Funding Council for England 2014**

### QUALIFICATION LEVELS

253. The NVQ qualifications levels act as a proxy for the skills level for the wider labour market and the Coast to Capital region is becoming increasingly highly skilled; the top two qualification levels have grown from 2010 to 2014 whereas the lower levels have declined. The share of those with NVQ level 4+ in the Coast to Capital region is higher than in the South East although growth at this level has been slower than in the South East<sup>116</sup>.
254. In the Coast to Capital region the percentage of 16-64 year olds with an NVQ 4+ level qualification or higher was 39.6% in 2014, slightly higher than the South East but has fallen from 40.4% in 2013. Brighton & Hove (and Lewes) (47.6%), and Croydon (40.7%), have populations with slightly higher levels of NVQ 4+ qualifications; the Gatwick Diamond's (38.3%) proportion is around 1% lower than the Coast to Capital regional average, Rural West Sussex (37.7%) is around 2% lower than the regional average, and West Sussex (33.9%) and Coastal West Sussex (33%) are around 6% lower than the regional average. Every area has seen a fall in the level of NVQ 4+ qualifications from 2013 to 2014 by around 2% except Brighton & Hove (and Lewes) where it rose by 3%.

<sup>116</sup> Annual Population Survey 2014

255. At 4.9% the level of people with 'no qualifications' is lower than the South East level although this has fallen at a slower rate than in the South East since 2010. Both the Croydon and Coastal West Sussex Area Partnerships have 'no qualifications' rates above the Coast to Capital level, but the Coastal West Sussex area is also the most improved, the level has fallen by 3.6% since 2010. Rural West Sussex had the second biggest decrease in 'no qualification' levels and now has the lowest rate of 'no qualifications' out of all the Area Partnerships.

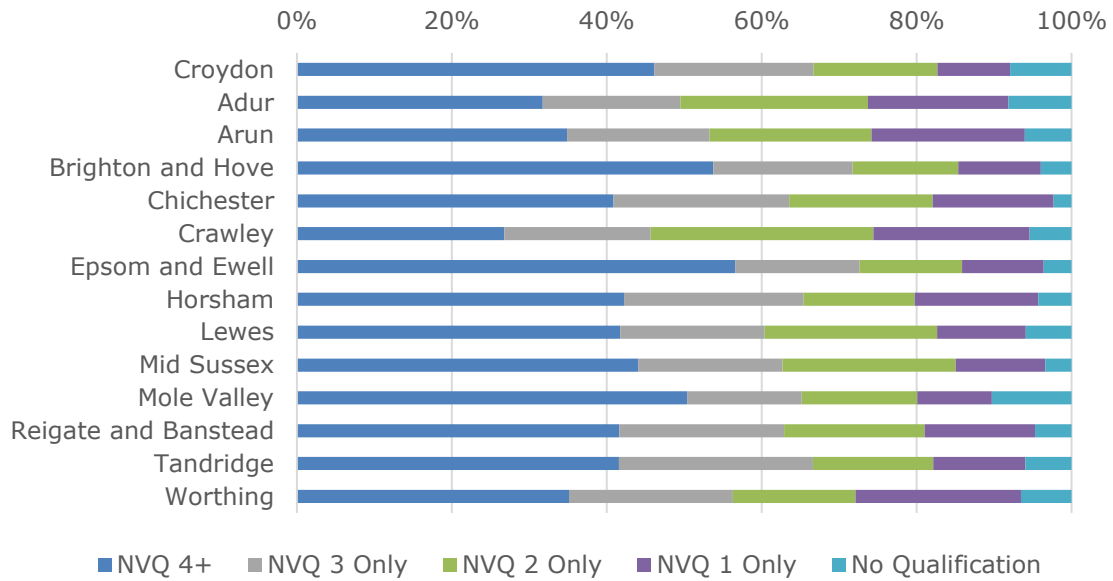


**Figure 52 – NVQ level qualification levels of 16-64 year olds in the Coast to Capital and South East regions and Area Partnerships 2014; Source: Annual population survey 2014**

256. At the Local Authority level only five of the areas have NVQ 4+ qualification levels above the Coast to Capital regional average; they are Brighton and Hove, Croydon, Epsom and Ewell, Mid Sussex, and Mole Valley. Of those that are below the regional average the lowest are Crawley and Adur, where NVQ level 4+ rates are below 30%.

257. Many of the Local Authority areas with above regional average levels of no qualifications are along the coast, excluding Brighton and Hove and Chichester. Other areas that have above average levels of no qualifications are Croydon, Mole Valley, and Tandridge. The Croydon and Mole Valley areas, along with Mid Sussex, are the only areas to have had an increase in the level of people with no qualifications.

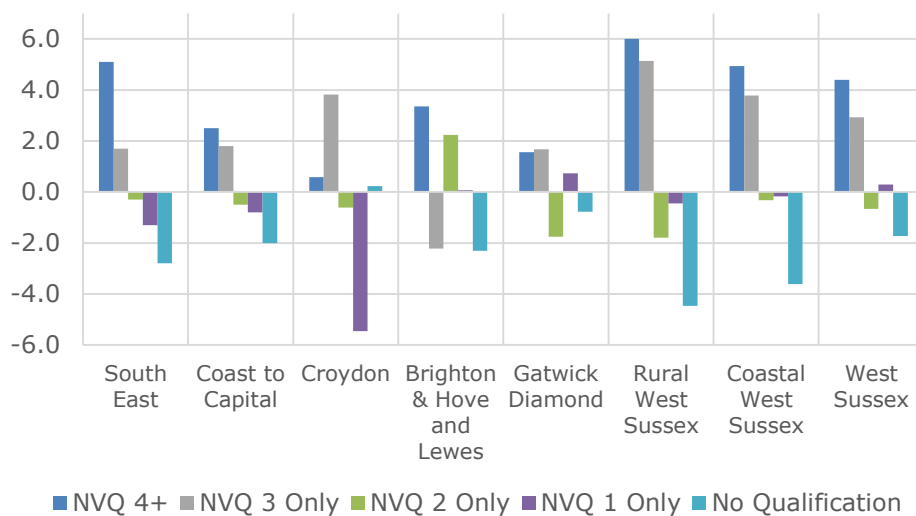
### NVQ Qualification Levels of 16-64 Year Olds - Local Authorities 2014



**Figure 53 – NVQ level qualification levels of 16-64 year olds – Local Authorities 2014; Source: Annual population survey 2014**

258. Looking at changes in rates of NVQ levels 4 to 1 and 'no qualifications' between 2010 and 2014 it can be seen that overall there is a trend towards higher qualification levels, this particularly noticeable in the Rural and Coastal West Sussex. In most areas NVQ level 2 and 1 and 'no qualifications' rates have fallen and NVQ level 3 and 4+ rates have risen, although in Brighton & Hove (and Lewes) and Rural West Sussex the NVQ level 2 rate increased, and in the Gatwick Diamond the NVQ level 1 rate has increased slightly.

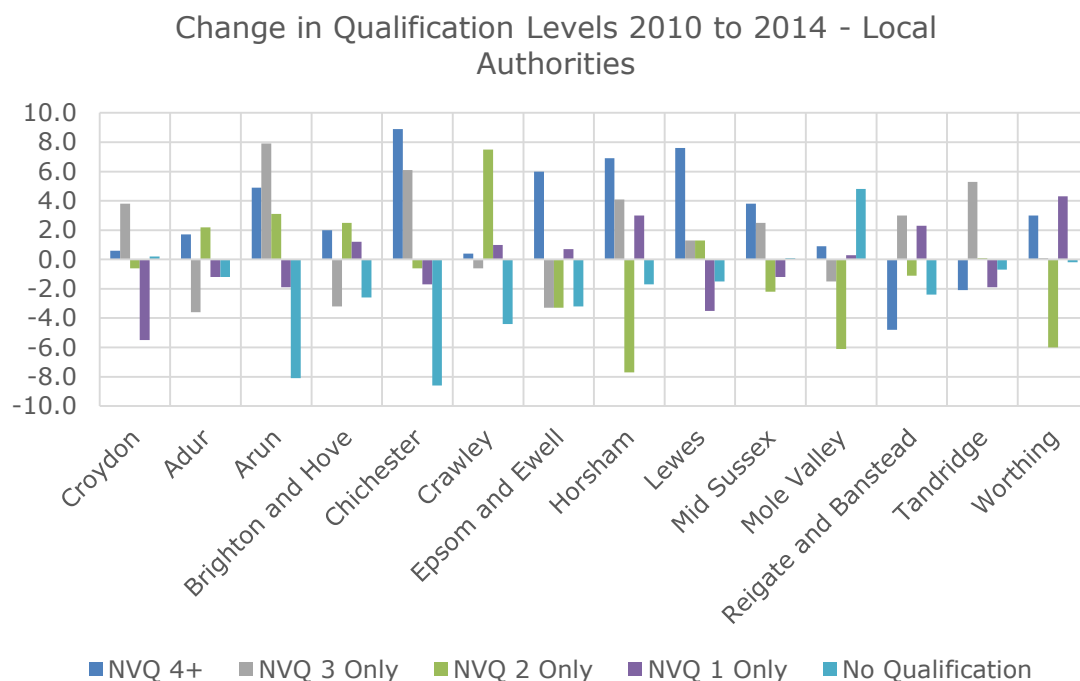
### Change in Qualification Levels 2010 to 2014



**Figure 54 – Change in qualification levels 2010 to 2014; Source: Annual population survey 2014**

259. There is more variation at the Local Authority level in changes but there is still a trend towards increasing qualifications levels; Chichester, Arun and Horsham

stand out for high increases in the level of NVQ level 3 and 4+ qualifications, as does Lewes for a large increase in NVQ level 4+ qualifications. Two areas have experienced a decline in the rate of NVQ level 4+ qualifications, Tandridge and Reigate and Banstead. Some areas have seen increases in lower level skills, the Crawley area has seen a large rise in NVQ level 2 qualifications, the Worthing area has seen a larger rise in NVQ level 1 qualifications, and in the Mole Valley area the largest rise has come from the level of people with 'no qualifications'.



**Figure 55 – Change in qualification levels in Local Authority areas 2010 to 2014; Source: Annual population survey 2014**

## SKILL GAPS

### Definition:

- A skills shortage vacancy, or SSV, is a type of vacancy caused by a shortage of skills or experience the employer looks for.
- Skills gaps are problems with skills inside the business – a problem with the existing employees.

260. The employer skills survey for 2013<sup>117</sup> provides a good view of the skills situation the in the Coast to Capital region. Skills shortage vacancies affect 3% of companies and skills gaps are prevalent in 15.6% of companies. They are mostly affected by staff not being fully proficient in their jobs, typically because they are new to the role, but there is also a big issue with poor staff motivation. The top skills that have been identified as missing are customer handling, team working, oral communication, planning, and job specific/technical skills, the main

<sup>117</sup> UK Commission for Employment and Skills - Employers Skills Survey 2013



consequences of which are increased workload for other staff, and difficulty meeting quality standards and introducing new products. Companies are more likely to offer training in the Coast to Capital region however, though this may be in reaction to the skills deficiencies rather than a proactive initiative.

261. Skills shortage vacancies affect 3% of companies, which is only slightly higher than the UK level. Internal skills gaps appear to be a larger problem, affecting 15.6% of companies, which is 2% higher than the UK. Overall Coast to Capital has 2.4% more companies affected by skills shortage vacancies and skills gaps than the UK as a whole.
262. This has been caused by the 5.5% of employees in businesses in the Coast to Capital region being not fully proficient in their job, 0.4% higher than the UK level. Of this 5.5% only two occupation levels are more likely to have staff who are not fully proficient; Caring and Leisure, where 9.5% of staff are said to be not fully proficient compared to 8.5% in the UK, and Elementary Staff where 36.7% of staff are classed as not fully proficient, well above the 19.2% rate in the UK as a whole. These are two occupations where their share of employment has increase recently, whereas in the South East they have fallen, which may partly explain why non-proficiency rates are higher in the Coast to Capital region; the influx of new staff have not yet reached the required level.
263. The most cited cause of the skills gaps is the fact that staff are new to their role, however in the Coast to Capital region this is lower than the UK, 57% compared to 62%. The second highest reason for skills gaps is lack of staff motivation, 50% of those with skills gaps are said to be poorly motivated, in comparison the UK level is 41%. At the UK level the second highest cause of skills gaps is that staff training has not been fully completed (57%) whereas in the Coast to Capital region it is 44%. Completing training does not appear to help too much however, of those who have completed training 38% have not seen a sufficient improvement in performance; this is the same for both the UK and Coast to Capital region.
264. Some causes of skills gaps in which Coast to Capital has higher incidences compared to the UK are; new products and services, 28% compared to 20%, new working practices, 36% compared to 31%, and problems attracting staff, 27% compared to 25%. The cause of skills gaps where the Coast to Capital region has fewer incidences than the UK level are: not receiving appropriate training, 23% compared to 29%, problems retaining staff, 13% compared to 17%, and introduction of new technology, 14% compared to 20%.
265. Table 19 shows the top five skills identified as lacking in the Coast to Capital region in comparison with the UK level. Customer handling skills are the furthest from the UK level by around 8% and job specific skills and planning and organisation skills are below the UK level. Outside of the top five literacy skills are 10% higher than the UK level, foreign language skills are 9.2% higher, and numeracy skills are 6.1% higher. The lack of foreign language skills being much higher than the rest of the UK may be an indication that international trade is being held back by being unable to communicate in other markets.

Top 5 Skills Lacking	UK	Coast to Capital
<b>Customer handling skills</b>	51.6%	59.5%
<b>Team working skills</b>	53.3%	56.3%
<b>Technical or practical skills or Job specific skills</b>	57.3%	54.9%
<b>Planning and Organisation skills</b>	56.7%	52.7%
<b>Oral communication skills</b>	48.0%	50.8%

Table 19 – Top five skills lacking in staff in companies in the Coast to Capital region 2013; Source: UKCES Employer skills survey 2013

266. These skills gaps have all sorts of consequences; the main one for businesses in the Coast to Capital region is an increased workload for other staff, which affects 55% of businesses and is 3.2% higher than the UK. Two other areas where the effect is felt more in the Coast to Capital region are difficulties in meeting quality standards (1.3% higher) and implementing new working practices (1% higher). Overall just under 40% report that 'none of the above' apply which may suggest they have no impacts from skills gaps or that the effects skills gaps have are more specific than the survey allowed for; the UK rate is higher at 41%, suggesting that overall Coast to Capital businesses are more affected by skills gaps.

Implications of skills gaps	UK	Coast to Capital
<b>Increased workload for other staff</b>	52.2%	55.5%
<b>None of the above</b>	41.4%	39.6%
<b>Have difficulties meeting quality standards</b>	26.2%	27.6%
<b>Have difficulties introducing new working practices</b>	24.5%	25.5%
<b>Have higher operating costs</b>	26.4%	24.9%
<b>Lose business or orders to competitors</b>	20.9%	20.6%
<b>Delay developing new products or services</b>	16.4%	16.3%
<b>Outsource work</b>	10.1%	9.3%
<b>Don't know</b>	0.1%	0.0%

Table 20 – Implications of skills gaps in companies in the Coast to Capital region 2013; Source: UKCES Employer skills survey 2013

267. The action taken to remedy skills gaps is more likely to involve increased training activity, more staff supervision, buddy/mentoring schemes, and staff appraisals when compared to the UK. It appears that Coast to Capital businesses are more likely to try more than one thing to address skills gaps as most actions taken have higher rates than businesses in the UK as a whole, however they also appear more likely to do nothing (17% compared to 15%).

Actions Taken	UK	Coast to Capital
<b>Increase training activity / spend or increase/expand trainee programmes</b>	68.0%	67.7%
<b>More supervision of staff</b>	59.2%	64.8%
<b>More staff appraisals / performance reviews</b>	50.9%	53.2%
<b>Implementation of mentoring / buddying scheme</b>	46.7%	52.7%
<b>Reallocating work</b>	35.7%	36.0%
<b>Changing working practices</b>	30.6%	33.4%
<b>Nothing</b>	15.6%	17.1%
<b>Increase recruitment activity / spend</b>	15.9%	16.0%
<b>Recruiting workers who are non-UK nationals</b>	10.9%	13.6%
<b>Other</b>	1.5%	1.9%
<b>Don't know</b>	0.9%	0.8%

**Table 21 – Actions taken to counter skills gaps in companies in the Coast to Capital region 2013; Source: UKCES Employer skills survey 2013**

268. Connected to actions taken, the level of training provided by employers is also an important part of improving overall employee performance and ability. Businesses in Coast to Capital are more likely to provide any sort of training, 2.1% higher than the UK, although they are less likely to offer just on-the-job training. This higher level of training may be in response to the higher level of skills gaps found in employees in the region, rather than just an indication of generally higher levels of training.

Type of Training	UK	Coast to Capital
<b>Off-job and on-job training</b>	34.7%	35.9%
<b>Off-job training only</b>	13.8%	15.4%
<b>On-job training only</b>	17.3%	16.5%
<b>Do not train</b>	34.3%	32.2%
<b>ANY TRAINING</b>	65.7%	67.8%

**Table 22 – Type of training undertaken by in companies in the Coast to Capital region 2013; Source: UKCES Employer skills survey 2013**

### EDUCATION LEAVER SKILLS

269. The skills and capabilities of people recruited for their first job are often cited as being below par, with the blame placed at the doorstep of education institutions who in turn complain about the lack of communication from industry. In an increasingly competitive and international business environment employers need recruits who are ready to go from day one which may have led to, possibly excessive, raised expectations of recent education leavers. Similarly education providers have not yet fully responded to the increased need for students to be ready for work when they leave, whereas in the past such integration would have happened on the job.

270. An estimated 28% of employers in the Coast to Capital region have recruited a school leaver, overall they are 0.9% more likely to hire any school leaver than UK businesses and employers are more likely to recruit university graduates and at a



higher rate than UK employers (by 1.5%)<sup>118</sup>. Preparedness for work improves with each level of schooling they are recruited from, although employers in Coast to Capital are more likely to be dissatisfied with leavers from any level of schooling than employers in the UK.

271. Across all age and schooling levels poor attitude and motivation is a skill that is identified as lacking by employers at a higher rate than in UK businesses; this is the one area where it is consistently above the UK level. Employers of both 16 year old school leavers and university graduates have higher levels of dissatisfaction with their preparedness than at the UK level, just over 4.5% each, whilst 17-18 year old school and FE/College leavers are in line with UK levels. Most of this difference comes from the lack of required skills or competencies employers find with recruits from 16 year old school leavers and university graduates; 16 year old school leavers are 4.2% more likely to be lacking these skills compared to UK recruits and university graduates are 3.2% more likely to have these skills lacking than UK graduates.

### VACANCIES

272. Despite higher skills gaps and dissatisfaction with school leavers the level of vacancies that are hard to fill and skills shortage vacancies are lower than the UK level<sup>119</sup>. These vacancies account for half of the vacancies in the region and the main reason for them is that there are a low number of applicants with the required skills and that not enough people are interested in the jobs, the rate is 10% higher than the UK level. The main impacts are increased workload for other staff, difficulties in meeting customer service objectives, and increased operating costs.
273. The percentage of vacancies that are hard to fill is 26% and skills shortage vacancies account for 20% of all vacancies and both are 2% lower than the respective UK rates; including other hard to fill vacancies all three categories make up just over half of all vacancies in the Coast to Capital region.
274. Hard to fill vacancies are most prominent in the caring and leisure occupations (27%) and the rate is 8% higher than the UK level; other occupations that are above the UK rate are Machine Operating and Elementary Staff, both slightly over 3% higher. Occupations that have lower rates of hard to fill vacancies than the rest of the UK are Associate Professionals (8.7% lower) and Professionals (4.5% lower).
275. The main reason for hard to fill vacancies is low number of applicants with the required skills (45%), this is higher than the UK rate by 4%. The second highest reason is not enough people interested in the type of job posted, at 28% it is 10% higher than the UK rate. This may be linked to the higher rates of Caring and Leisure Jobs, Machine Operatives, and Elementary Staff. A lack of work experience is the second highest reason for hard to fill vacancies at the UK level but the Coast

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<sup>118</sup> UK Commission for Employment and Skills - Employers Skills Survey 2013

<sup>119</sup> Ibid

to Capital rate is 11% lower and a lack of qualifications for the role is 8% lower in the Coast to Capital region.

276. Skills shortage vacancies (SSV) follow the same patterns across the occupation groups as the hard to fill vacancies; Caring and Leisure Staff SSVs are 10% higher than the UK level, Machine Operative are 4% above the UK level, and Elementary Staff are 6% higher than the UK level. Once again Professionals (5% lower) and Associate Professionals (9% lower) are below the UK level.
277. The main skills that are difficult to obtain from applicants are oral communication skills, planning and organisation skills, job specific skills, and problem solving skills. Most notably job specific skills are 16% lower than the UK level and overall the difficulty of obtaining specific skills is lower than the UK, suggesting skills needs are less immediate than at the national level. However it may also be another example of the higher rates of SSVs in Caring and Leisure Staff, Machine Professionals, and Elementary Staff reducing specific skills needs and the difficulties are more about the attitude towards those jobs.
278. Impact of these SSVs is mostly in an increased workload for other staff, difficulties in meeting customer service objectives, and increased operating costs. These areas are mostly in line with UK levels, the main differences are in impacts that are lower down the list, difficulties in introducing new working practices is 13% below the UK level and difficulties introducing new technologies are 9% lower than the UK level.

# SWOT Summary

### Strengths

- A younger working age population in Croydon and Brighton and Hove
- Unemployment is lower than the national rates and has been falling since 2010
- Economic inactivity rates have been falling since 2010
- JSA claimants have been falling since 2011 across all ages and ethnicities

### Weaknesses

- There is persistently higher unemployment in Croydon
- The youth unemployment rate is much higher than the total unemployment rate
- The male employment rate is higher than the female employment rate
- The female unemployment rate are higher than the male unemployment rate
- A low employment rate and a high unemployment rate for BAME ethnic groups
- Lower wages along the coast
- Females generally earn less than males

### Opportunities

- There are increasing number of the economically inactive population that say they want a job – a potential new source of labour to be tapped into
- The female employment rate has risen faster than the male rate over the last 5 years
- Increasing the housing supply could boost the economy by £133 million and create 2,500 new jobs

### Threats

- There is an older population living in Rural and Coastal West Sussex
- Youth employment fell 5% in 2009 and has not recovered
- Females were harder hit by the recession, unemployment rose faster and has remained higher than male unemployment
- People in BAME ethnic groups are more likely to be claiming JSA – particularly in Croydon
- Older people are more likely to be claiming JSA for more than a year
- Resident wages are much lower than workplace wages in Crawley
- Rising house prices have increased the 'wages to house prices' ratio
- Currently there is a gap in additional affordable housing supply as there is a move away from 'social housing' towards 'affordable housing'

## AGE DEMOGRAPHICS

279. The working age population of the Coast to Capital region is 62.8%, identical to the South East level, and the five-year age bands are also very closely aligned; the real variation is at the sub-LEP level<sup>120</sup>. There has been some shift to an older population however, from 2001 to 2011 the number of people aged over 45 grew by 13% over this time whilst those under 45 only grew by 5%<sup>121</sup>.
280. Both Croydon and Brighton & Hove (and Lewes) have working age populations that are above the regional average, at 65% and 67% each, the other Area Partnerships have working age populations below the Coast to Capital average; Coastal West Sussex is the lowest at 58%, Rural West Sussex is also below the Coast to Capital average at 59%, and West Sussex as a whole is slightly higher at 60%. This is seen in the fact that the South Coast has a lot of retirement homes; Worthing and Arun are in the top five Local Authority areas for the percentage of the population in care homes. Both Rural West Sussex and Coastal West Sussex have higher levels of people aged 65 and over, 23% and 25% respectively, compared to 18% in the Coast to Capital region.
281. These high levels of older people are noticeable in Arun (28%) and Chichester (26%) and as such have the lowest rates of working age population. Brighton and Hove has the highest rate in the region, just over 70%, and has a noticeably large concentration of 20-24 year olds, at 11% it is almost double anywhere else due to its popularity with young people and the location of two universities in the area. Croydon and Crawley also have younger age profiles in their populations, particularly those aged 25 to 39 years old, in part because of their high levels of economic activity and proximity to London, at least in Croydon's case. It is also notable that areas in East Surrey, Mid Sussex, and Horsham have high levels of under 19s but that this drops off in the 20-24 year olds age band, it could be a sign of a future trend where the population will trend back to being younger, or it could be that once people reach 20 they have moved out of the area either to find work or go to university.

## UNEMPLOYMENT

282. Unemployment is 5.8% as of September 2014 and has fallen over the last five years, mainly between 2010 and 2011. In the Croydon area unemployment rose between 2011 and 2013<sup>122</sup>. Unemployment has also been higher in Brighton and Hove and Crawley, but all areas have been falling and currently stand at their lowest rates for five years.
283. Unemployment has fallen from 6.7% in late 2010 to 5.8% late 2014, but much of this fall occurred between 2010 and 2011 and since then the rate has been hovering just under 6%. The number of people who are unemployed in the Coast to Capital region is estimated to be 59,900, which has fallen by 5,500 since 2010. The same trend was happening in the South East until recently when the rate fell

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<sup>120</sup> ONS Mid-Year Population Estimates 2013

<sup>121</sup> Census 2001 and 2011

<sup>122</sup> ONS Annual Population Survey – Model Based Unemployment Rates 2014

to 4.8%. It is expected that the Coast to Capital rate will fall similarly soon after, although remaining at a slightly higher rate than the South East in line with past trends<sup>123</sup>.

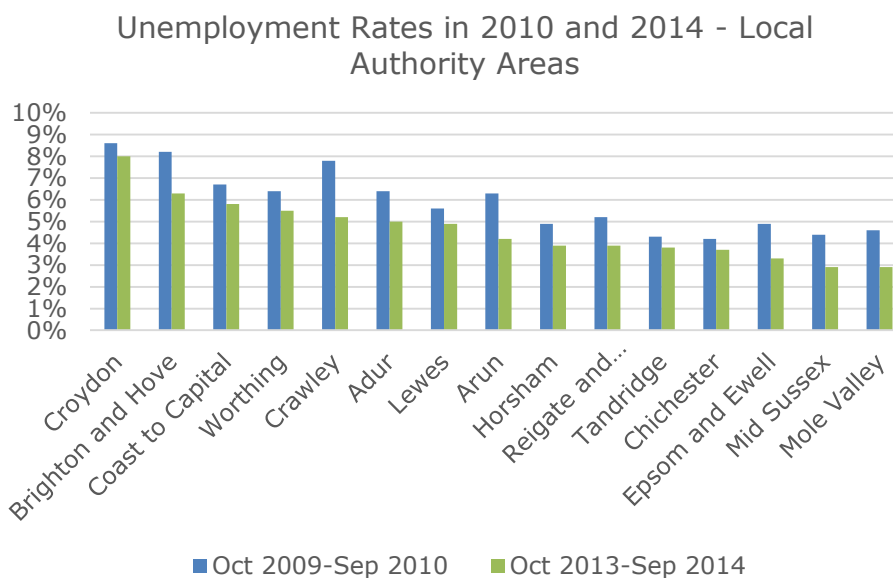


**Figure 56 – Unemployment rates in Coast to Capital and Area Partnerships 2010 to 2014; Source: Annual population survey model based estimates of unemployment 2014**

284. All the Area Partnerships have had reductions in unemployment from September 2010 and September 2014 and particularly between 2013 and 2014; Croydon and Brighton & Hove (and Lewes) have higher unemployment rates than the regional average and between them they account for just over 41% of the unemployed in the region. Their rates have been falling too however, Croydon’s unemployment rate is now 8%, down from a peak of 10.1%, and Brighton & Hove (and Lewes) is down to 5.9% from a peak of 8%, the lowest rates in the last five years for both areas. Coastal West Sussex has had a strong fall in unemployment, down 1.2% since 2010, and is in line with the South East rate. In West Sussex the unemployment rates is lower than the Coast to Capital region but slightly higher than the South East and has fallen by 1.1% since 2010. The Gatwick Diamond and Rural West Sussex areas are the locations with the lowest unemployment rates, both at 3.9%, and the Gatwick Diamond had the second largest reduction in unemployment over the five year period (1.4%). The total number of unemployed people declined strongly in most areas; it was down by almost a quarter in the Gatwick Diamond, a fifth in both Rural and Coastal West Sussex, 16% in Brighton & Hove (and Lewes), but only by 4% in Croydon.
285. At the Local Authority level all areas had a reduction in unemployment, from 2.6% in Crawley to 0.5% in Tandridge and Chichester. These two areas already had low levels of unemployment so might expect a small change, but Croydon had a high level of unemployment and had the second smallest reduction in unemployment (0.6%), highlighting the sticky nature of unemployment in the area in particular

<sup>123</sup> Particularly as there appears to be an issue with the Coast to Capital data as unemployment in the Area Partnerships and local authority areas appears to have fallen in line with the South East trend. The Coast to Capital data has been included unchanged as previous years data is in line with the sub-LEP trends.

in comparison to Brighton and Hove which had a similar level of unemployment in 2010 but has had a 1.9% reduction since then. Only Croydon (4%), Chichester (4%), and Lewes (8%) had reductions in the total number of unemployed people of less than 10%; at the other end of the scale the total number of unemployed people fell by 32% in Mid Sussex, Mole Valley and Epsom and Ewell fell by 28%, and Crawley and Adur both fell by 25%.



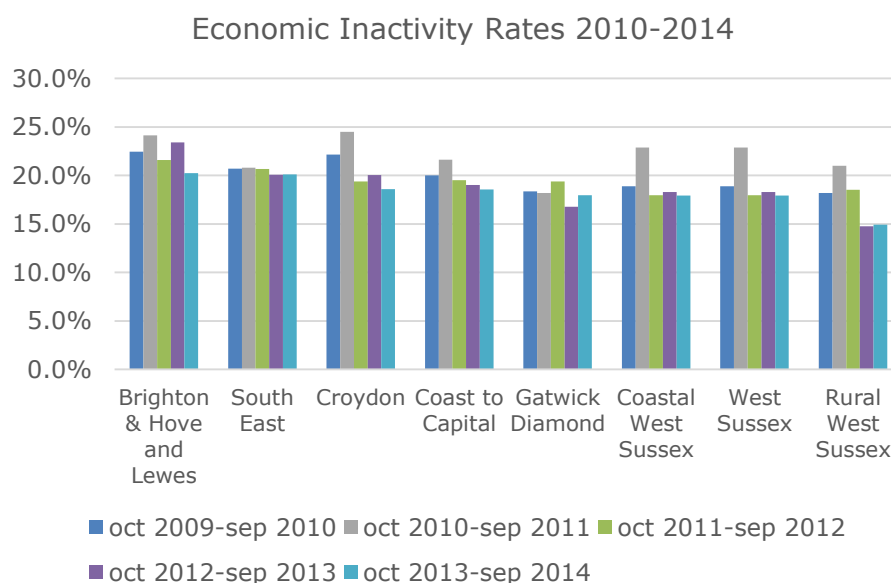
**Figure 57 – Change in unemployment rates from 2010 to 2014 in Local Authority areas; Source: Annual population survey model based estimates of unemployment 2014**

### ECONOMIC INACTIVITY

- 286. Economic inactivity is the number of working age people who are not looking for or available for work for a variety of reasons, the most popular being looking after home or family and being students. This rate has been falling in most areas but some places have seen rises but overall the rate has fallen to 18.6% in the Coast to Capital region<sup>124</sup>. Encouragingly, most Area Partnerships have inactivity rates below the South East rate, only Brighton and Hove and Lewes is above the South East level. The overall falling levels of inactivity suggests those leaving unemployment are finding jobs rather than falling out of the workforce and the number of inactive people who would like a jobs has also risen strongly.
- 287. In the Coast to Capital region the inactivity rate has been falling steadily since its peak in 2011; at 18.6% it has fallen 1.5% since 2010 and is 1.5% lower than the South East rate. The number of inactive people has fallen by 13,000, or 5.5% in comparison to the South East where the number fell by 1.3%.
- 288. Croydon has seen the largest share and volume fall, down 3.6% and 8,300 respectively, followed by Brighton & Hove (and Lewes), which is down 2.2% but still has the highest rate in the region. The Gatwick Diamond area had a 0.4% fall in the rate of inactivity but has had a rise of 1,600 people who are inactive since 2010; Coastal West Sussex has had a 0.9% fall in its inactivity rate, as did West

<sup>124</sup> Annual Population Survey 2014

Sussex, and Rural West Sussex has had a 3.3% fall and is the area with the lowest inactivity rate by a 3% margin.

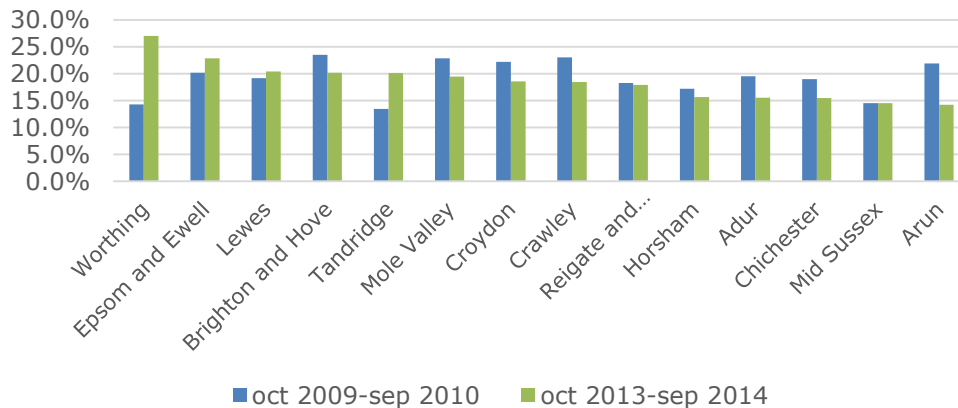


**Figure 58 – Economic inactivity rates in Coast to Capital and Area Partnerships 2010 to 2014;**  
**Source: Annual population survey 2014**

289. There has been more variation in performance in the Local Authority areas; in some cases the rate of inactivity has risen. Worthing has had the largest rise from 2010 to 2014, up by 12.7%, making it the area with the highest inactivity rate in the region, this may be in part because of an unusually low rate in 2010 but overall the rate has been on an upward trend; the same can be said of Tandridge where the rate is up by 6.7%. Along with these areas Epsom and Ewell and Lewes have also had increases in their inactivity rates, 2.7% and 1.3% each. This has been driven by an increase of 8,100 in the number of inactive people in Worthing, a 3,700 increase in Tandridge, a 2,100 increase in Epsom and Ewell, and 700 in Lewes.
290. Arun has the largest decrease at 7.7%, the next closest fall was in Crawley which fell by 4.6% followed by Adur (4%); Arun has moved from having one of the highest rates to having the lowest over the last five years. After Croydon Arun had the largest volume fall in inactive people, down 6,500, followed by Brighton and Hove, which decreased by 5,200.



### Economic Inactivity Rates 2010 and 2014 - Local Authority Areas



**Figure 59 – Economic inactivity rates in Local Authority areas 2010 and 2014; Source: Annual population survey 2014**

#### INACTIVE AND WANT A JOB

291. Those identified as economically inactive by the annual population survey taken the ONS may state that they do, or do not, want a job despite currently being inactive. The rate of those who are inactive and who want a job has been rising strongly in the Coast to Capital region, it has gone from 25.4% to 32% over the last five years; this is a much faster rise than in the South East as a whole which has gone up by 0.6% over the same period<sup>125</sup>. In terms of volume the number of inactive people who want a job has risen by 11,600, roughly 19%, compared with a 1% rise in the South East. Overall the number has reached 71,500 people who are inactive and want a job, this is more than the number of unemployed people in the region.
292. This rise has been fairly consistent across the region, the Area Partnerships have had increases of around 10% in their rates as has West Sussex, which is indicative of the wider trend being represented. Brighton & Hove (and Lewes) has not followed this trend however, it has gone from having one of the highest rates of inactive who want a job to being the lowest, as the rate only grew by 1.6% from 2010 to 2014.
293. Most of the Local Authority areas have been on an upward trend, with rates mostly peaking in the last two years, although Brighton and Hove is the one area to have a lower rate now than in 2010. Almost all the areas fell from 2013 to 2014 which may be an indication that rates will start to come back down; areas where the rate peaked earlier, such as Brighton and Hove, Epsom and Ewell, and Reigate and Banstead, have been on a downward trend since then and may be how the other areas will be affected in the coming years.

<sup>125</sup> Annual Population Survey 2014



## INACTIVITY BY REASON

294. The data on reasons for economic inactivity is patchy below the LEP level so will only be looked at for the Coast to Capital region as a whole and the South East. The main reason people are inactive is because they are looking after the family or home (27.7%), followed by being a student (24%), long term sickness (17.5%), then retirement (16.4%)<sup>126</sup>. Two areas have seen a rise in share between 2010 and 2014; retirement went up 0.9%, and those looking after the family or home went up 2.2%. This share has been taken fairly evenly from other reasons but it is notable that those who are inactive because they have been discouraged has fallen from 1% to 0.3%. The main difference between the Coast to Capital region and the South East is that in the South East inactivity because they are students is 3.8% higher and those looking after the family or home is 2.1% lower. In the South East only the rate of student as a reason for inactivity went up, all others went down, particularly retirement, which went down by 1.6%.

## YOUTH EMPLOYMENT AND UNEMPLOYMENT

295. Those aged 16 to 24 have generally been hit harder by the financial crisis than other age groups as employment levels have fallen and not recovered like the overall employment rate. The rates are particularly low in Brighton & Hove (and Lewes) and Croydon but have been rising, whereas in other Area Partnerships they have been falling recently. Youth unemployment has risen since 2008 and at a faster rate than in the South East, pre-2008 the rate was 0.8% higher but after 2008 it was 2.5% higher. The rate of youth unemployment has been falling more recently as has the rate of NEETs although it has remained high in East Sussex and Brighton and Hove.

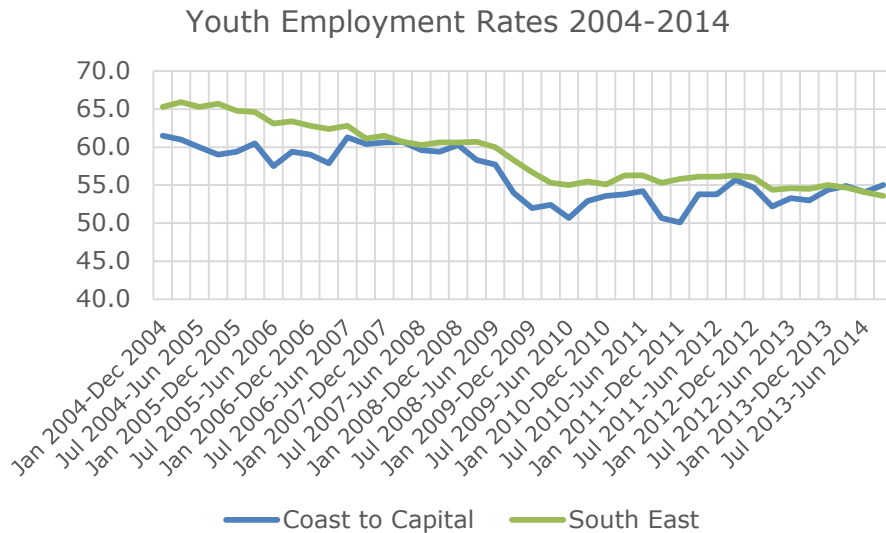
## EMPLOYMENT

296. Youth employment has been badly affected by the financial crisis, in the Coast to Capital region before 2008 the employment rate was around 60% and after the 2008 recession it has fallen to around 55% and has not seen the same recovery as the total employment rate despite recently trending upwards<sup>127</sup>. Youth employment in the Coast to Capital region has long been below the South East rate but this has changed recently as the local rate trends up and the South East continues to fall. In 2004 the employment rate in the South East was 65% and has since fallen to 53.6%; not all of this is due to the crisis however, it had been falling before 2008 at which point it fell sharply and continued to fall.

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<sup>126</sup> Annual Population Survey 2014

<sup>127</sup> Ibid



**Figure 60 – Youth employment rates in Coast to Capital and the South East 2004 to 2014; Source: Annual population survey 2014**

297. Brighton & Hove (and Lewes) and Croydon have generally had youth employment rates below 50%, but they have recently been trending up and have broken this mark, they are still the areas with the lowest rates however. The Gatwick Diamond and Rural West Sussex had peaks in youth employment rates around late 2011 and early 2012, before falling slightly and holding steady until the last three quarters where it has begun to fall. Coastal West Sussex peaked in late 2012 and has had the most improved overall youth employment rate, but has also begun to fall in the last three quarters. In West Sussex the rate is slightly higher than in 2010 but it too has fallen from its peak, youth employment was around 64% in 2013. The fact that Croydon and Brighton & Hove (and Lewes) account for just under half of all employed young people in the region and often trends in the opposite direction to the other three Area Partnerships suggests why youth employment has remained around 55% across Coast to Capital.

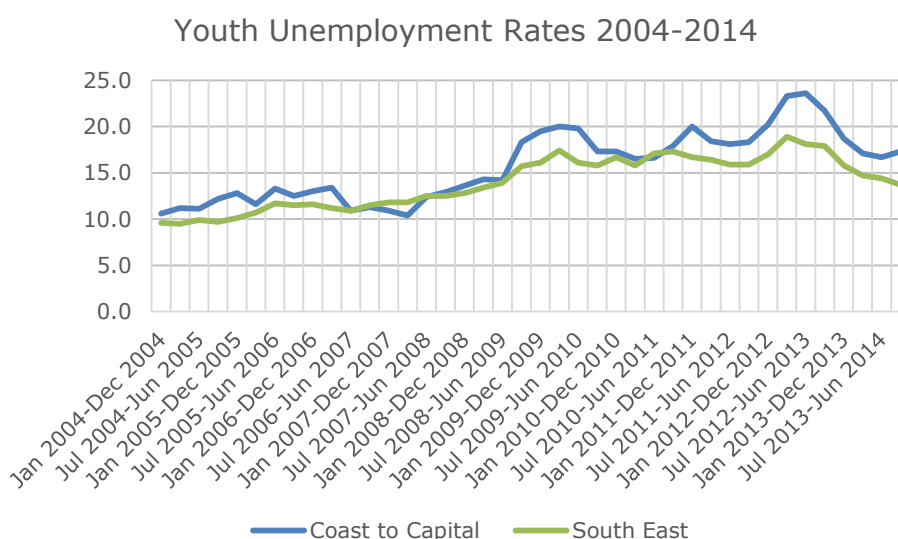
Youth Employment Rate %	Oct 2013-Sep 2014
<b>Croydon</b>	53.9
<b>Brighton &amp; Hove and Lewes</b>	51.8
<b>Gatwick Diamond</b>	69.2*
<b>Rural West Sussex</b>	56.4
<b>Coastal West Sussex</b>	65.3
<b>West Sussex</b>	59.2

**Table 23 – Youth employment rates in the Area Partnerships – September 2014; Source: ONS Annual Population Survey 2014 - \*Gatwick Diamond missing data for Epsom and Ewell**

298. At the Local Authority level the areas that have been on an upwards trend are Croydon, Adur, and Chichester, and those on a downward trend are Crawley, Horsham, Lewes, and Reigate and Banstead. The others have had no real overall trend either way, usually peaking around late 2011 and falling back to previous levels, although Tandridge follows a U-shaped curve falling then returning to 2010 levels, whilst there is missing data for Epsom and Ewell making any interpretation difficult.

## UNEMPLOYMENT

299. Youth unemployment in the Coast to Capital region is currently 17.3%, around 22,000 people. Youth unemployment makes up 37% of total unemployment in the Coast to Capital region despite 16-24 year olds making up 18% of the working age population. In a reversal of the trend seen in youth employment, youth unemployment was lower before the financial crisis at which point it jumped up by around 4% where it has stayed since<sup>128</sup>. From mid-2009 youth unemployment has been 18.9% on average; from 2004 to mid-2009 it was 12.2% on average. It was at a higher rate than the South East before the crisis, roughly 0.8% higher on average, after the crisis however this has risen to 2.5% higher on average. The youth unemployment rate peaked in mid-2013, reaching 23.6% and 5.5% higher than the South East rate, both the rate and the gap have fallen since then, but the rate remains 3.6% higher in the Coast to Capital region.



**Figure 61 – Youth Unemployment rates in Coast to Capital and the South East 2004 to 2014;**  
**Source: Annual population survey 2014**

300. Most of the data is missing at Local Authority level, only Brighton and Hove and Croydon have complete data, whilst Crawley, and Mid Sussex have reasonably complete data for recent years. Croydon has experienced the highest rates of youth unemployment, reaching over 35% from late 2011 to mid-2013, since then it has started to fall, reaching 18.9% in late 2014. Brighton and Hove peaked at 26% in mid-2013 and has since fallen but has been holding around 22%. Both Croydon and Brighton and Hove have long had youth unemployment rates above the Coast to Capital level, averaging 19% and 16% respectively pre-2008. In Crawley the trend follows that of Brighton and Hove, peaking at 28% in mid-2013 then falling and holding around 21% since then. In Mid Sussex the rate has reached its current peak of 30.9% after increasing over the last 18 months following a period of relatively low youth unemployment in comparison with the Coast to Capital region.

<sup>128</sup> Annual Population Survey 2014

301. There is also good data for the West Sussex area as a whole, pre-2008 the average unemployment rate for 16-24 year olds was 8.6% and post-2008 it has risen to 15.4% on average. This is on average lower than the Coast to Capital region although in neither area does the unemployment rate appear to be increasing or decreasing.

### NOT IN EDUCATION EMPLOYMENT OR TRAINING

302. Those who are not in education, employment, or training (NEETs) have long been on a downward trend, particularly from 2005 to 2010<sup>129</sup>, although data is only available at County level. After the methodical change in 2010 there is more variation year to year but overall there has been a continuation of the downward trend and it is estimated there are 3,390 NEETs in the available areas in 2014 down from 4,900 in 2011<sup>130</sup>. Only two areas are below the South East NEET rate, Croydon and Surrey, although West Sussex is only just above the South East rate. Brighton and Hove and East Sussex have the highest rates but Brighton and Hove has been consistently falling whereas East Sussex is only just below its 2011 rate after rising to 8% in 2012 and 2013.

NEET Rate	2011	2012	2013	2014
<b>South East</b>	5.8%	5.4%	5.1%	4.2%
<b>Brighton and Hove</b>	7.9%	6.7%	6.9%	5.6%
<b>East Sussex</b>	5.9%	8.0%	7.9%	5.3%
<b>Surrey</b>	4.2%	4.0%	1.8%	1.7%
<b>West Sussex</b>	5.3%	2.8%	4.9%	4.4%
<b>Croydon</b>	6.1%	4.4%	3.0%	3.3%

Table 24 – NEET Rate 2011 to 2014; Source: Department for Education 2014

### EMPLOYMENT AND UNEMPLOYMENT BY GENDER

303. Females continue to be underrepresented in the workforce as males have long been more likely to be in employment than females. There has been some change in this dynamic recently as the female employment rate has grown faster than the male employment rate. The financial crisis had a more pronounced effect on female unemployment rates than male rates, as it was pushed as high as 8% and since 2008 female unemployment has been higher than male unemployment whereas pre-2008 it had generally been lower. Recently the economic activity rate of females has increased by 3%, the reason that the unemployment rate remains high is in part due to the inability of the labour market to fully absorb these new entrants to the labour pool.

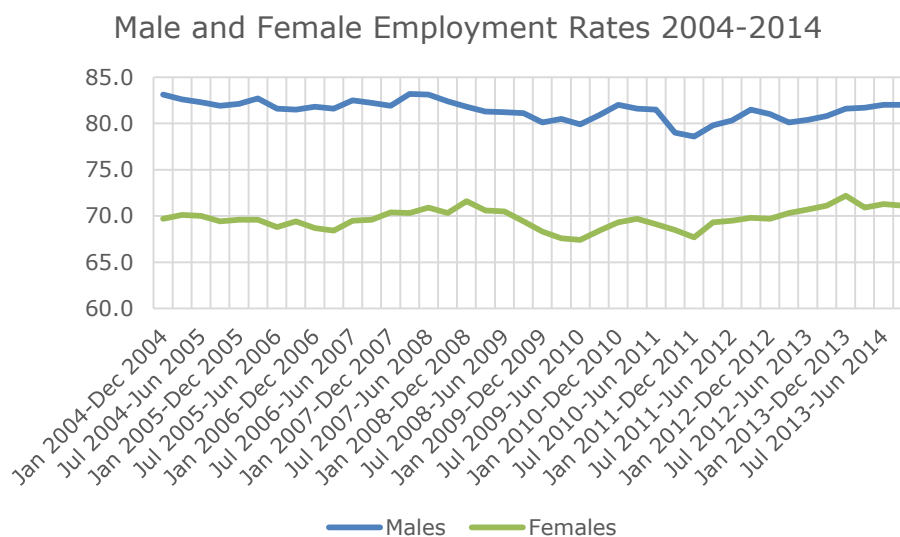
### EMPLOYMENT

304. Males are more likely to be in employment than females in the Coast to Capital region, both the employment rate and volume of males in employment is higher than for females. The male employment rate is currently 11% higher than the female rate, this is down 1.5% since 2010 but looking back to the 2004 to 2008 period the rate was also around 12.5% so over the longer term the gap has been

<sup>129</sup> In 2010 the methodology changed to count young people by where they live rather than where they study.

<sup>130</sup> Department for Education 2014

stubborn<sup>131</sup>. Since late 2010 however the gap has been trending downwards due to the female employment rate growing faster than the male rate since that time, although in both cases they appear to hold around certain levels over the longer term (81% for males and 70% for females).



**Figure 62 – Male and Female employment rates in Coast to Capital 2004 to 2014; Source: Annual population survey 2014**

- 305. Using the average gap over the last five years to reduce the effects of erratic data shows Brighton & Hove (and Lewes) has the lowest gap between male and female rates, 7% on average, followed by Croydon (11.1%), Rural West Sussex (11.5%), West Sussex (11.7%), the Gatwick Diamond (12.6%), and Coastal West Sussex (12.7%). Looking at the changes from 2010 to 2014 the main changes came in Croydon and West Sussex where the gap decreased by 5% in both places, in the Gatwick Diamond the gap decreased by 1%, and in Rural West Sussex it went up by 1%. This is down to the female employment rates rising faster than male employment rates expect in Rural West Sussex and Brighton & Hove (and Lewes).
- 306. Again using the average gap over the last five years to smooth out the erratic variations in the data the findings are that Brighton and Hove has the lowest gap at 6.6%, closely followed by Mole Valley at 6.9%. Lewes (8.6%) and Horsham (9.4%) are only two other areas have gaps below 10%. Areas with the largest gaps are mostly concentrated in East Surrey, including Epsom and Ewell (18%), Tandridge (17%), Reigate and Banstead (15.8%), and Adur (15.2%). Those areas where the gap is trending towards an increase are Epsom and Ewell, Mid Sussex, and Tandridge, and those areas where the gap trend is in decline are Croydon, Adur, Horsham, and Mole Valley.

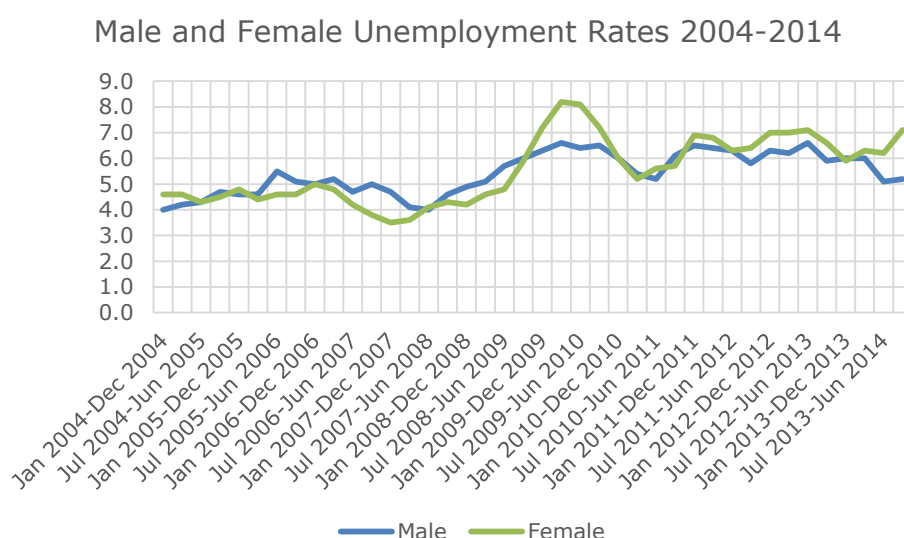
### UNEMPLOYMENT

- 307. The financial crisis appears to have affected female unemployment more than male unemployment, whilst both rose post crisis the female unemployment rate

<sup>131</sup> Annual Population Survey 2014

reached 8% whereas the male rate peaked around 6.5% and pre-crisis the female unemployment rate was lower or in line with the male rate, after the crisis it has been consistently higher than the male rate, in particular in the last three quarters the female rate has risen whilst the male rate has fallen<sup>132</sup>.

308. The female unemployment rate in the Coast to Capital region is also higher than the South East rate; currently the female unemployment rate is 7.1% in the Coast to Capital region and 5.1% in the South East. In comparison the male unemployment rate has been either below or in line with the South East rate. This is in part due to the bigger rise in female economic activity rates, which are up by 3% since 2008 compared to 1% in the South East region and unchanged for males in the Coast to Capital region, the labour market has not fully absorbed the new female entrants to the workforce.



**Figure 63 – Male and female unemployment rates in Coast to Capital 2004 to 2014; Source: Annual population survey 2014**

309. There is currently not enough reliable information at Local Authority level to create an accurate picture of male and female unemployment as this level. For West Sussex there is data which shows similar trends to the Coast to Capital region, there is not much difference between male and female unemployment rates but the female unemployment rate has become slightly higher than the male rate on average since 2011. As of September 2014 the male unemployment rate in West Sussex was 4.6% and the female rate was 6.1%.

### ETHNICITY IN THE COAST TO CAPITAL REGION

310. Black, Asian, and Ethnic Minorities (BAME) make up 14.5% of the Coast to Capital population, this is 5% higher than in the South East region as a whole and is strongly swayed by Croydon where the BAME population is 45%. Other areas where the BAME population is high are in Crawley (20%), Epsom and Ewell (14%), and Brighton and Hove (11%)<sup>133</sup>.

<sup>132</sup> Annual Population Survey 2014

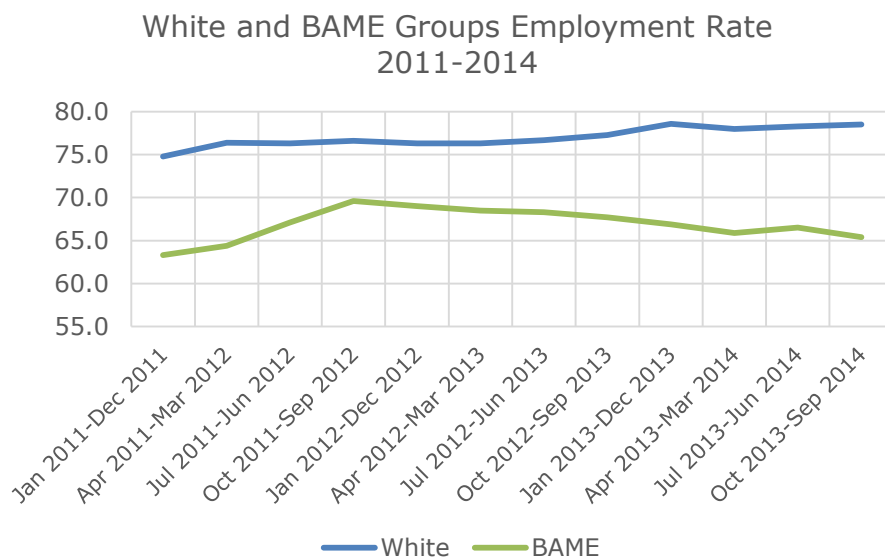
<sup>133</sup> Census 2011



311. These BAME groups are generally poorly served by the labour market, they are more likely to be economically inactive, they have employment rates around 10% lower than white ethnic groups, and recently the employment rate has fallen to 65.4%<sup>134</sup>. Unemployment is much higher in BAME groups as it has been on an upward trend since 2012 and had reached 14% in late 2014, whilst the white ethnic group's unemployment has been falling to 4.6%, as a result the gap between the two is much larger in the Coast to Capital region compared to the South East where BAME unemployment has been falling.
312. Research by the Joseph Rowntree Foundation has shown that people in ethnic minority groups are more likely to have higher child poverty rates, have higher rates of persistent poverty, more likely to work in low paying jobs and be earning less than the living wage, and that graduates in ethnic minority groups were more likely to be over qualified for their job role<sup>135</sup>.

### EMPLOYMENT

313. There is a break in the data in 2011 when the questions on ethnicity were changed so the data before this cannot be used. In the Coast to Capital region the BAME employment rate from 2011 to 2014 was 10% lower on average than white ethnic groups<sup>136</sup>. In the South East region the BAME employment rate was also 10% lower than for white ethnic groups.



**Figure 64 – White and BAME groups employment rate 2011 to 2014; Source: Annual population survey 2014**

314. From 2011 to 2014 there are some slight variations between the South East and Coast to Capital regions despite the same 10% average gap in employment rates. In both regions the white ethnic group's employment rate has been steadily rising, and is slightly higher in the Coast to Capital region. The BAME employment rate

<sup>134</sup> Annual Population Survey 2014

<sup>135</sup> Joseph Rowntree Foundation: Six things about how poverty affects different ethnic groups in the UK: <http://www.jrf.org.uk/blog/2015/03/-poverty-different-ethnic-groups-uk>

<sup>136</sup> Annual Population Survey 2014

has been falling from late 2011 to late 2013 before beginning to rise in the South East. In the Coast to Capital region the BAME employment rate peaked in mid-2012 at 69.6% but has been steadily falling since then; the gap between BAME and white ethnic group's employment rate has been increasing in both regions but it has been rising faster in the Coast to Capital region and has recently become wider than the gap in the South East.

315. There is only reliable data for Croydon, Brighton and Hove, and West Sussex below the LEP level. Croydon follows the same trends as the Coast to Capital region, unsurprising as it has the largest population of BAME groups; from 2011 to 2014 the average BAME employment rate was 65% compared to 75% in white ethnic groups. Unlike the Coast to Capital region the BAME employment rate has been steadily rising, reaching 68.1% in late 2014. In Brighton and Hove the BAME employment rate has been an average of 58% since 2011 whilst the white ethnic group's rate has been at 73%, this means the gap has been around 15% on average. At its peak the BAME employment rate reached 65% in in mid-2013 but it has been falling since then. In West Sussex the BAME employment rate has been falling since late 2011 when it was 83%. It is possible that the 2011 employment rate was overestimated but the overall trends are than BAME employment rates are falling and white ethnic groups employment rates are rising.

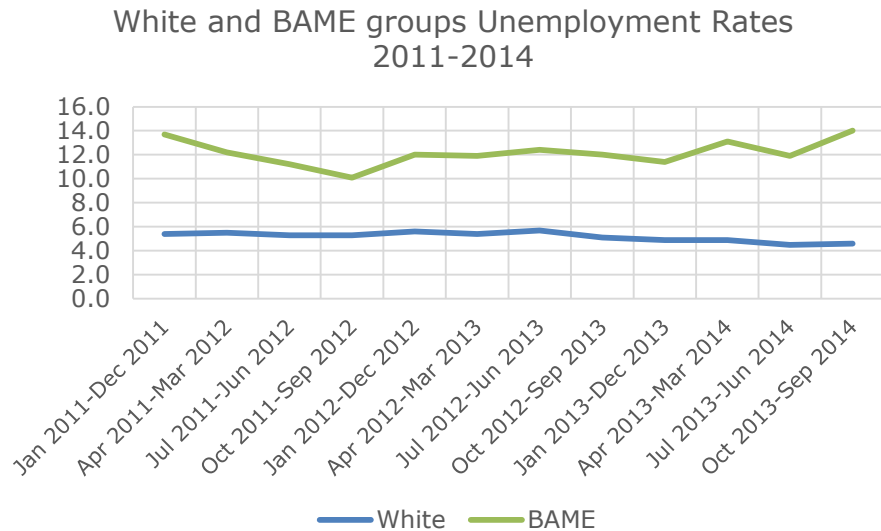
## UNEMPLOYMENT

316. In the 2011 to 2014 time frame the BAME rate was on average 7% higher and in the South East it is 4.6% higher on average<sup>137</sup>. In the Coast to Capital region in the 2011 to 2014 period the white ethnic group's unemployment rate has been on a downward trend only peaking at 5.7% in mid-2013; overall it has fallen 1% from late 2011 to late 2014. The BAME unemployment rate has been rising since late 2012 where it fell to its lowest point of 10%, which was still almost double the white ethnic group's rate. It is currently at its highest rate of 14%, this is 19,900 people which makes up 33% of unemployment despite making up 15% of the working age population. This has opened the gap between the BAME ethnic group's unemployment and White ethnic group's unemployment to 9.4%.
317. In the South East the white ethnic group's unemployment rate has also been falling, although it is slightly higher than in Coast to Capital, whereas the BAME unemployment rate had been holding at around 10.5% over 2012 and 2013 before falling over the last three quarters. The BAME unemployment rate in the South East is currently 8.8%, higher than the white ethnic group's rate by 4.3%, much lower in comparison with the Coast to Capital rates.

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<sup>137</sup> Annual Population Survey 2014





**Figure 65 – White and BAME groups unemployment rates in Coast to Capital 2011 to 2014; Source: Annual population survey 2014**

318. Croydon and Brighton and Hove are the only areas to have reliable data below the LEP level. The Croydon BAME unemployment rate has been hovering around 14.5% since late 2011 but has been on a slight downward trend over this time. On average this is 7.8% higher than the white ethnic group’s rate; the gap has been on an upward trend as the white ethnic group’s unemployment rate has been falling faster than the BAME unemployment rate. In Brighton and Hove the BAME unemployment rate has been an average of 12.4%, around 5% higher than the white ethnic group’s rate in the area. The BAME unemployment rate in Brighton and Hove has followed a U-shaped curve, starting and finishing the late 2011 to late 2014 period at around 16%. The white ethnic group’s unemployment rate peaked at 9.4% in late 2013 and has since been falling, leading the gap between the two to widen.

**JOB SEEKERS ALLOWANCE CLAIMANTS**

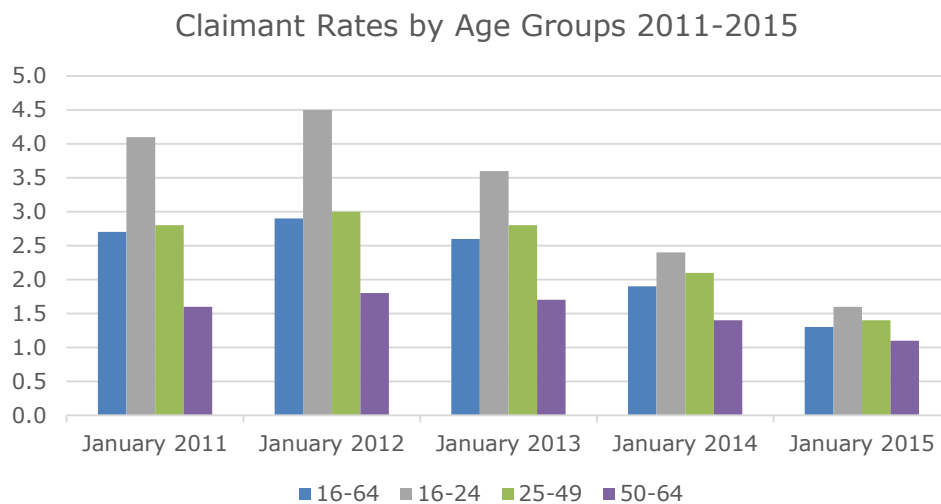
- 319. The job seekers allowance (JSA) claimant count is a useful indicator for unemployment as it is an administrative count, meaning it is a very accurate count even if not all people who are unemployed are on JSA it provides as good picture of relative rates at local levels. The JSA count has been falling since 2011, down by 50%, but it remains relatively high in places like Croydon and Brighton and Hove. Those aged 16 to 24 are more likely to be on JSA but are less likely to be on it for more than a year compared to those aged 25+. BAME groups are also more likely to be claiming JSA particularly in Croydon where BAME groups make up 57% of claimants despite representing 45% of the Croydon population.
- 320. The claimant count in the Coast to Capital region has been continually falling since January 2011, down 50% from 32,750 to 16,330 in January 2015. The proportion of the population has also fallen by 50%, down from 2.7% to 1.3% over the same period; this rate is slightly, and persistently, above the South East rate<sup>138</sup>.

<sup>138</sup> JSA Claimant Count 2015

321. Croydon and Brighton and Hove are the two areas with the highest rates of JSA claimants, in January 2015 their rates are 2% and 1.8% respectively; Croydon has particularly improved, falling from 4% in January 2011. The lowest rate is in Mid Sussex (0.5%), one of the lowest rates in the country, closely followed by Mole Valley at 0.6%. All of the East Surrey areas along with Mid Sussex and Horsham have claimant rates below 1%.

**CLAIMANTS BY AGE**

322. Young people are more likely to be on JSA as older people are more likely to have spouses or savings they can rely on and that would make them ineligible for JSA even if they applied. This comes through in the data, particularly in 2011 and 2012 where the gap between the age groups is much wider, which may also be an indication that younger people were hit harder by the recession.



**Figure 66 – Claimant rates by age group in Coast to Capital January 2011 to January 2015; Source: JSA claimant count 2015**

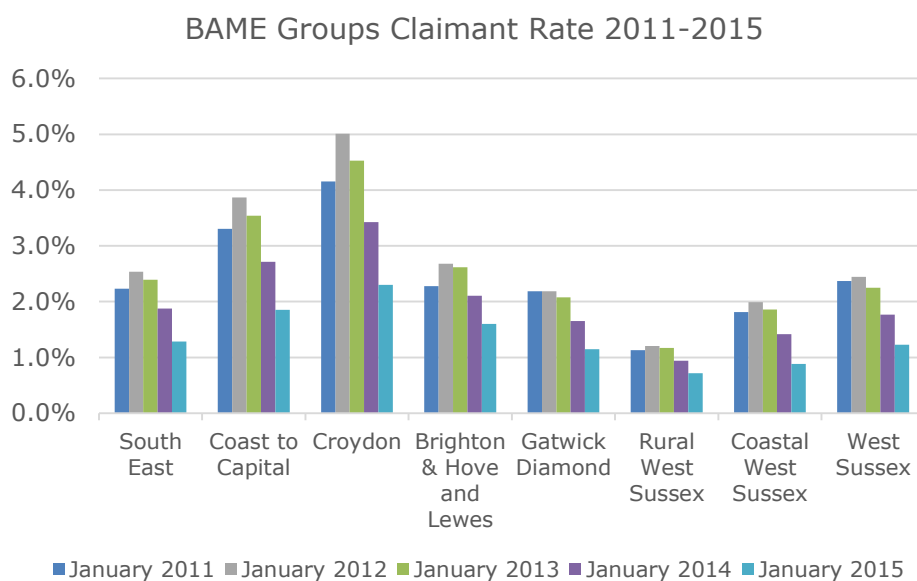
323. Young people (those aged 16-24) are more likely to be on JSA for less than 6 months compared to other age groups, whereas those aged 25-49 and 50-64 are more likely to be on JSA for over a year compared to the 16-24 age group as young people appear to be able to reintegrate into the labour market faster than older workers who may need to be re-trained. This is particularly noticeable over time when the rate of people claiming for less than 6 months or 6 to 12 months has fallen faster than those claiming for over a year and when comparing claimants over a year across the age groups it can be seen that those aged 16-24 and 25-49 fell by half but those aged 50-64 only fell by a third.

**CLAIMANTS BY ETHNICITY**

324. People of Black, Asian, and Ethnic Minorities (BAME) are more likely to be claiming JSA than white ethnic groups in the Coast to Capital region, the BAME claimant rate for January 2015 was 1.9% compared to 1.1% for white ethnic groups, and this rate is higher than in the South East where the BAME rate is 1.3%<sup>139</sup>. The rate

<sup>139</sup> Rates were calculated using Census 2011 population counts for the ethnic groups, as JSA counts do not provide proportional rates for ethnicities.

has also fallen at a slower rate than for white ethnic groups, falling by 43% compared to 51% for white ethnic groups.



**Figure 67 – BAME groups claimant rate January 2011 to January 2015; Source: JSA claimant count 2015**

325. Both Croydon and the Gatwick Diamond are areas where the BAME claimant rate is higher than white ethnic groups. In the Gatwick Diamond this is largely because of the large population of BAME groups in Crawley; in Croydon the rate is 1.3% higher on average and in the Gatwick Diamond it is around 0.4% higher. In the other Area Partnerships the BAME claimant rates have been lower but the gap has been closing over the last five years.
326. Croydon has the largest BAME claimant rate (2.3%) and the largest gap (0.9%) between the BAME group and the white ethnic group claimant rate at the Local Authority level. Croydon is the only area where the number of BAME people claiming JSA is higher than the number of white ethnic people, overall they account for 57% of claimants in Croydon despite accounting for 45% of the population. Crawley has the next largest claimant rate (1.8%) for BAME groups and the next largest gap (0.5%) between the two ethnic groups. Tandridge has the next largest gap at 0.4% after which the other Local Authority areas range from 0.2% to -0.5%. In many of these areas the white ethnic group’s claimant count is falling faster than the BAME group’s claimant count and look set to fall below the BAME rate; this has already happened in the Epsom and Ewell, Horsham and Mid Sussex areas.

## WAGES

327. Not all employment is of equal quality, looking at wage data can help identify differences between areas where on the surface employment levels are broadly similar, but where wages are wildly different, to bring out the wage inequality across the region. For example Reigate and Banstead and Adur have similar employment rates but full-time median weekly wages are over £200 higher in Reigate and Banstead.

328. In both resident and workplace full-time wages<sup>140</sup> the Arun and Adur areas are where wages are lowest, in Crawley and Mole Valley resident full-time wages are below workplace wages, suggesting local people are cut off from those well-paying jobs, and Arun and Mole Valley have lower wages now than in 2010 in both workplace and resident wages. Comparing the male and female full-time wage levels is also a good indicator of a fair and inclusive society, however female wages are consistently below the male level across the region, the most equal areas are Brighton and Hove and Chichester where the gap is less than £100, in areas such as Mid Sussex, Horsham, and Mole Valley female employees are paid over £200 less than male workers.

### RESIDENT WAGES

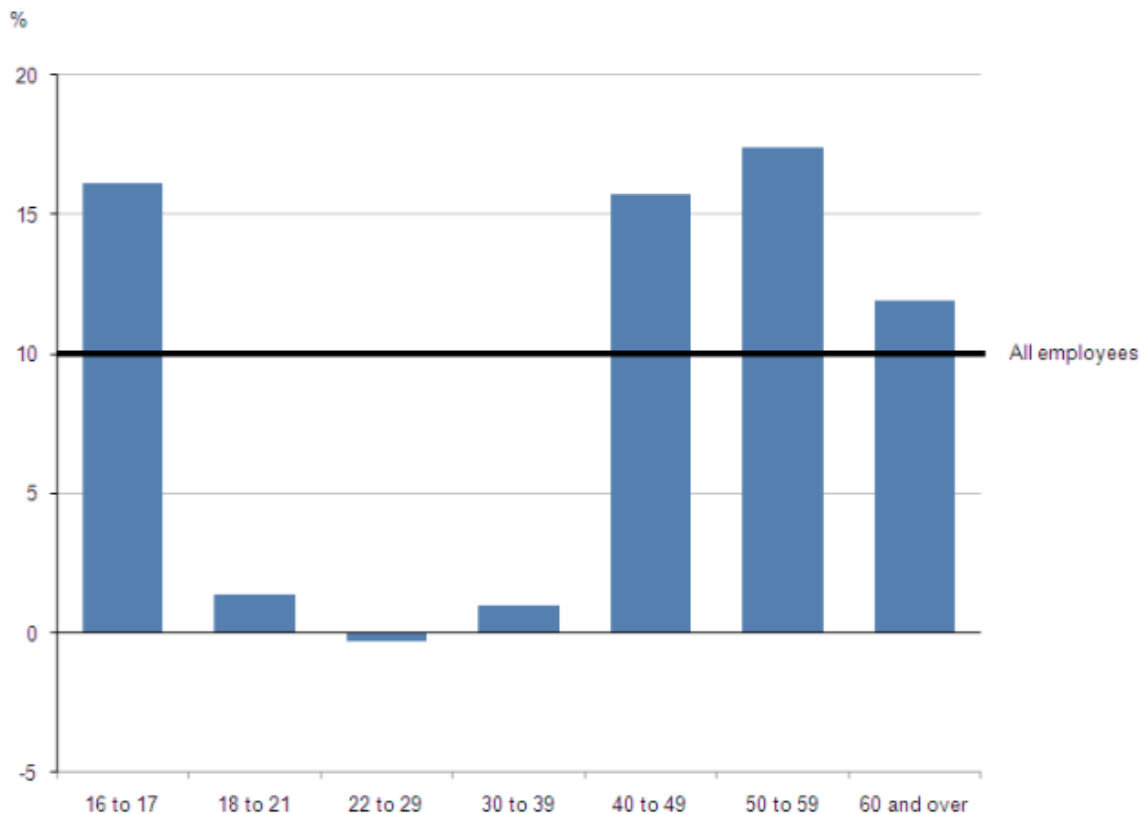
329. Using the South East as a proxy for full-time median weekly resident wages in the Coast to Capital region it can be seen that all of those areas below the regional median are along the coast, and Crawley<sup>141</sup>. Looking at the gap between the two areas either side of the South East there is a £42 difference, the largest difference between two proximate areas when ranked by wage level, followed by Adur and Arun being £39 behind Chichester. It appears as if residents in Crawley and the coast are cut off from the higher wage earning population and Adur and Arun are even further adrift from that.
330. Looking at the average annual growth rates (AAGR) from 2010 to 2014 Worthing stands out as having an AAGR of 3.3%, followed by Adur on 2.6% and Tandridge on 2%. Only Arun (-0.4%) and Mole Valley (-0.8%) had AAGR that had declined over the period.
331. In every area female residents median full-time weekly pay is less than male residents; the gap is particularly high in Mid Sussex and Horsham where the average gap between male and female weekly median full-time wages are around £200 and in Reigate and Banstead where the gap is almost £170. At the lower end of the scale Brighton and Hove has the lowest average gap between male and female weekly wages at just under £50. The next closest areas are in Chichester (£81), which is the one area where the gap has been definitively falling year on year, and Lewes (£84). In the South East the average gap is £136.

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<sup>140</sup> Resident wages are based on the wages of residents in a location but do not necessarily work there, whereas workplace wages are based on the workers in a location but who do not necessarily live there.

<sup>141</sup> ONS Annual Survey of Hours and Earnings 2014

**Figure 10: Gender pay gap for median full-time gross hourly earnings (excluding overtime) by age group, UK, April 2013**



Source: Annual Survey of Hours and Earnings (ASHE) - Office for National Statistics

**Figure 68 – taken from the ONS provisional release of the annual survey of hours and earnings 2013**

332. As can be seen in figure 68 much of this wage gap appears sometime after age 40 in the national figures. This is likely due to women having taken time out of the labour market to look after children, combined with career the choices made, or options left, when they return to the workforce<sup>142</sup>.

### WORKPLACE WAGES

333. Again using the South East as a proxy for the median weekly full-time workplace wages in the Coast to Capital region a slightly different picture emerges compared to residents wages. In this instance median weekly full-time wages for 2014 are below the South East level in ten out of fourteen of the Local Authorities, only Mole Valley, Reigate and Banstead, and Croydon remain above the South East rate in comparison with resident wages and Crawley has the second highest wage level for workplaces. Worthing, Chichester, Adur, and Arun have the lowest wage levels for workplaces, the same as the rankings for the resident wage levels.

334. Average annual growth rates (AAGR) also have differences from the resident wages; Horsham and Lewes have the largest AAGR at 2.2% and 2.4% respectively whilst Epsom and Ewell (-1.9%), Mole Valley (-0.5%), and Arun (-0.3%) have

<sup>142</sup> ONS – Annual Survey of Hours and Earning Provisional Results - 2013

AAGR that have been in decline. In both workplace and resident wages the areas of Mole Valley and Arun have seen a decline.

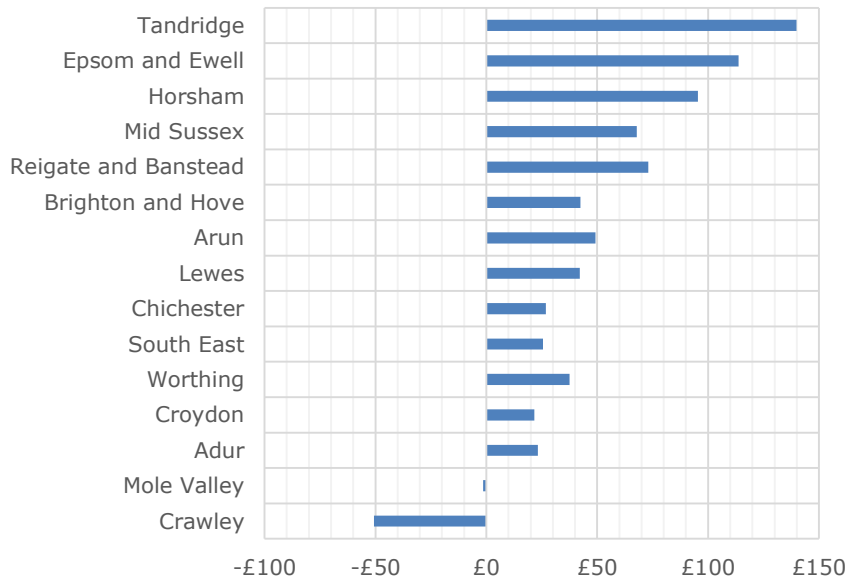
335. As in resident wages female median weekly full-time workplace wages are lower than male wages, it does appear that the gap is slightly lower overall in workplace wages however. The main areas where the gap is low on average<sup>143</sup> are Chichester (£40), Arun (£67), and Brighton and Hove (£71); Mole Valley stands out as the area with the highest average gap at £227, the next closest is Reigate and Banstead (£152), and Crawley (£142). For comparison the South East average gap is £125. Overall there have been no discernable trends up or down across the Coast to Capital region, the South East however, has seen a consistent fall in the gap between female and male median weekly wages.
336. In comparing the resident median weekly full-time wages with workplace full-time wages it can be seen that resident wages are usually higher than workplace wages except in Crawley, where resident wage levels are lower by £66 on average, and Mole Valley, where resident wages are roughly £28 lower on average. This suggests that local residents are not accessing the local high paying jobs that are likely going to those who live outside of the area and commute in for work<sup>144</sup>. Linked to this is the fact that part-time wage levels have much smaller differences between resident and workplace levels, people are less likely to travel for part-time work as the flexibility would be diminished by the travelling and it is less likely that a well-paid job would also be part-time. The average gap in full-time median weekly wages between resident and workplace levels is mostly below £100 but Epsom and Ewell (£107) and Tandridge (£148) are above this and Horsham is close at £97.

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<sup>143</sup> Based on the average gap over last five years.

<sup>144</sup> See 'travel to work patterns' earlier

### Difference Between Resident and Workplace Wages 2014



**Figure 69 – Difference between Resident and Weekly median weekly wages in Coast to Capital 2014; Source: Annual survey of hours and earnings 2014**

### HOUSING AFFORDABILITY

337. Housing is an ongoing issue across the country, particularly the supply of housing, and a problem arising from a lack of supply, along with other issues such as low wage growth, under-employment, increasing buy-to-let and rising rents, is the lack of affordable housing that is cutting people off from the housing market, especially the young. This is seen in the rising house prices across the region, which in turn has pushed up the house price to earnings ratio from around 6.0 in 2000 to 9.0 in 2012.
338. The level of additional affordable housing made available each year has been steady over the long term but recent changes to move away from social rented housing to affordable housing has led to a drop in supply over the last two years and the waiting lists for housing in some areas such as Brighton and Hove, Epsom and Ewell, and Mid Sussex have doubled<sup>145</sup>. The National Housing Federation suggests that if 2,600 affordable homes were built each year in the Coast to Capital region it would contribute £133 million to the economy and support 2,500 jobs<sup>146</sup>.
339. The median sale price of houses across the Coast to Capital region has been rising in five out of eight years from 2005 to 2013, the exceptions being 2008, 2009, and 2011<sup>147</sup>. The median sale prices have risen from 18% in Lewes up to 31% in Mole Valley over this period. Most of the lower growth areas have been along the

<sup>145</sup> Government housing supply live tables: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply>

<sup>146</sup> National Housing Federation: Tackling South East housing crisis would boost region's economy by £440 million: <http://www.housing.org.uk/media/press-releases/tackling-south-east-housing-crisis-would-boost-regions-economy-by-440-milli/>

<sup>147</sup> ONS House Price Statistics for Small Areas 1995-2013



coast and in Crawley, Brighton and Hove is the one coastal exception as median sale prices have risen 29%.

Area	2013 Median Sale Price	2005-2013 Growth
<b>Mole Valley</b>	£376,000	30.9%
<b>Epsom and Ewell</b>	£327,000	30.8%
<b>Tandridge</b>	£310,000	27.6%
<b>Reigate and Banstead</b>	£290,000	23.4%
<b>Horsham</b>	£285,000	26.5%
<b>Chichester</b>	£275,000	19.6%
<b>Mid Sussex</b>	£269,475	23.0%
<b>Brighton and Hove</b>	£250,000	28.9%
<b>Croydon</b>	£239,952	23.7%
<b>Lewes</b>	£235,000	18.1%
<b>Adur</b>	£218,000	21.1%
<b>Arun</b>	£216,500	20.6%
<b>Crawley</b>	£205,000	20.6%
<b>Worthing</b>	£202,000	22.2%

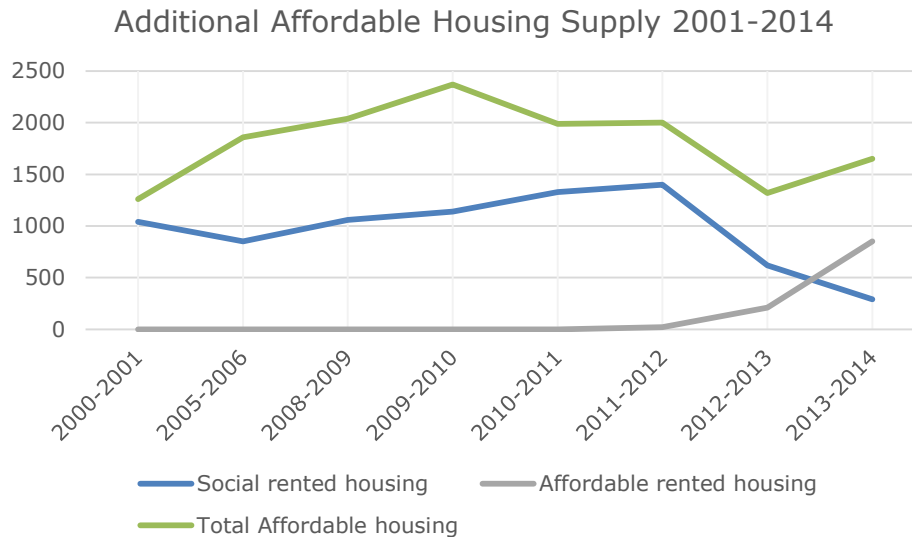
**Table 25 – Median house sale price 2013 and growth of median house sale price from 2005 to 2013 in Local Authority areas; Source: ONS House price statistics for small areas 1995-2013**

340. These rising prices has meant that the ratio of median house prices to median earnings has risen across the Coast to Capital region since 2000, but most of this increase has happened between 2000 and 2005<sup>148</sup>. Since then most areas peaked in 2008 before falling again, in many cases below the 2005 level. Tandridge is the one area where the rate has been continually trending upwards, reaching a ratio of 13 in 2012 to make it the most expensive place to live, followed by Mole Valley, Horsham, and Epsom and Ewell all with a ratio of 10.2. Croydon and Crawley stand out for having the lowest ratios, around 7.5 and 6.2 respectively, likely due to their higher density of housing.
341. Additional affordable housing has fallen in the last two years compared to the 2008-2012 period, this is mostly due the drastic fall in additional 'social rented' dwellings which have been replaced with 'affordable rented' dwellings<sup>149</sup>. Whereas social rented housing was capped at around 40% of the market rate affordable rented housing can be offered at up to 80% of the market rate. Many areas have not fully made this switch so some gaps have appeared where additional social rented housing is winding down and affordable rented housing has not yet replaced the supply. This trend appears in most areas but at different rates, for example Brighton and Hove, Tandridge, and Worthing have had affordable rented housing introduced in 2013-14, whereas some areas have not yet seen it introduced, such as Adur, Lewes, and Mole Valley although it is likely this will have changed in 2014-2015.

<sup>148</sup> DCLG Open Data Communities 2015

<sup>149</sup> DCLG Live Tables on Affordable Housing Supply 2015





**Figure 70 – Additional affordable housing supply in Coast to Capital 2001 to 2014; Source: DCLG live tables on affordable housing supply**

342. The waiting list for housing appears to have risen across the Coast to Capital region but this has been heavily influenced by the numbers in Brighton and Hove which have more than doubled since 2004, reaching 19,000 in 2014 and accounting for half of the Coast to Capital total. Other areas where the waiting list numbers have risen include Epsom and Ewell and Mid Sussex, which have seen growth greater than in Brighton and Hove but not in the same volume. In the other areas the waiting list peaks between 2009 and 2012 and begins falling after that, in Horsham the waiting list has been falling for the last seven years. It is unclear whether this is a true representation of the housing situation in each of these areas as local authorities have different criteria for checking if people continue to need housing, keeping the list up to date, and in the introduction of choice-based lettings has led to an increase in the number of households on the waiting lists<sup>150</sup> but if the larger trends are indicative then there are some problem areas within the region.

### INTERNET EXCLUSION

343. Now discontinued, the rate of Internet users and non-users<sup>151</sup> offers a small insight of Internet exclusion. As of quarter one in 2014 around 90% of people in Counties that cross into the Coast to Capital regional boundaries have used the Internet at some point, but this is slightly higher in Brighton and Hove (91%) and lower in East Sussex (88.5%). At this level there is no age breakdown or indication of regular access to the internet but at the UK level the over 65s are more likely to have never used the internet compared to other age groups and those over 65 that have used it are more likely to have used it over 3 months ago.

<sup>150</sup> London Data Store: <http://data.london.gov.uk/dataset/households-local-authority-waiting-list-borough>

<sup>151</sup> ONS Internet Access Quarterly 2014 (Discontinued)

## ANNEX

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### GLOSSARY OF TERMS

<b>Abbreviation</b>	<b>Meaning</b>
<b>AAGR</b>	Average Annual Growth Rate
<b>AME</b>	Advanced Manufacturing and Engineering
<b>APS</b>	Annual Population Survey
<b>ASHE</b>	Annual Survey of Hours and Earnings
<b>BAME</b>	Black, Asian, and Ethnic Minorities
<b>BIS</b>	Department for Business, Innovation, and Skills
<b>BRES</b>	Business Register and Employment Survey
<b>CDIT</b>	Creative, Digital and IT
<b>ESIF</b>	European Structural Investment Funds
<b>GDP</b>	Gross Domestic Product
<b>GVA</b>	Gross Value Added
<b>HEFCE</b>	Higher Education Funding Council for England
<b>HESA</b>	Higher Education Statistics Agency
<b>JSA</b>	Job Seekers Allowance
<b>KPI</b>	Key Performance Indicator
<b>LEP</b>	Local Enterprise Partnership
<b>NEETs</b>	Not in Education, Employment, or Training
<b>NVQ</b>	National Vocational Qualification
<b>ONS</b>	Office of National Statistics
<b>PAYE</b>	Pay As You Earn
<b>QCF</b>	Qualifications and Credit Framework
<b>SEP</b>	Strategic Economic Plan
<b>SFA</b>	Skills Funding Agency
<b>SIC</b>	Standard Industrial Classification
<b>SME</b>	Small and Medium Enterprises
<b>SSV</b>	Skills Shortage Vacancy
<b>STEM</b>	Science, Technology, Engineering, Mathematics
<b>SWOT</b>	Strengths, Weaknesses, Opportunities, Threats
<b>UKCES</b>	UK Commission for Employment and Skills
<b>VAT</b>	Value Added Tax
<b>WAP</b>	Working Age Population

## LOCAL LEVEL GVA ESTIMATES METHODOLOGY

344. A method for calculating Local Authority level GVA estimates was created both to analyse sub-regional productivity, and to build GVA estimates for Area Partnerships. There is no readily available government source for this. A method was developed under the guidance of a working group made up of economic officers from partners in the region.
345. Throughout this work ONS GVA estimates for the Coast to Capital LEP region and West Sussex were used as markers for accuracy, as these are the areas that the ONS has provided figures for. Then the sub-regional GVA estimates from the various methods explored could be built up to West Sussex and LEP levels and compared with the official estimate. By getting as close as possible to the official estimates it ensured that GVA estimates for geographies that are not provided by the ONS, such as East Surrey, Lewes, and Croydon, could be calculated with a high degree of confidence. It also helped narrow down the right variables to use, which are:
- **'Workplace based mean gross weekly earnings'** for FT and PT employees from the Annual Survey of Hours and Earnings (ASHE);
  - **'Total employees'** from Business Register and Employment Survey, and;
  - **'NUTS3 regional GVA estimates'** from the ONS.

346. This led to the method below, in which X= NUTS3 level and Y= Local Authority level:

$$\left( \frac{X \text{ GVA}}{X \text{ total employees}} \right) * \left( \left( \frac{Y \text{ FT-PT mean gross weekly wage} - X \text{ FT-PT mean gross weekly wage}}{X \text{ FT-PT mean gross weekly wage}} \right) + 1 \right) * Y \text{ total employees}$$

347. Croydon does pose a problem due to there being no Outer London South option for ASHE, except for 2012/2013. The wider Outer London area that is available skews Croydon's GVA higher by around £500 million due to high GVA in West London boroughs. The way around this is to first find the mean weekly wage for the outer London south area:

$$\text{Outer London South mean FT-PT weekly wage} = \frac{\left( \text{Croydon Employees} * \text{Croydon FT-PT mean weekly wage} \right) + \left( \text{Bromley Employees} * \text{Bromley FT-PT mean weekly wage} \right) + \left( \text{Merton Employees} * \text{Merton FT-PT mean weekly wage} \right) + \left( \text{Sutton Employees} * \text{Sutton FT-PT mean weekly wage} \right) + \left( \text{Kingston upon Thames Employees} * \text{Kingston upon Thames FT-PT mean weekly wage} \right)}{\text{Total Outer London South employees}}$$

## THE KNOWLEDGE ECONOMY

348. There are many different definitions of the Knowledge Economy, with no one particular definition being adopted as the standard<sup>152</sup>. Broadly the Knowledge economy is the “effective utilisation of intangible assets such as knowledge, skills and innovative potential as the key resource for competitive advantage. The term “knowledge economy” is used to describe this emerging economic structure”<sup>153</sup>.
349. The Knowledge Economy SIC definition used here is the same as the LEP Network<sup>154</sup>, which has matched the OECD knowledge intensive industries to three digit UK Standard Industrial Classification (SIC 2007) codes. It should be noted there are limits to this as the SIC 2007 code will capture employees and businesses that are not entirely based in the knowledge economy. The codes are as follows:
- 18 - Printing and reproduction of recorded media
  - 262 - Manufacture of computers and peripheral equipment
  - 263 - Manufacture of communication equipment
  - 58 – Publishing activities
  - 591 - Motion picture, video and television programme activities
  - 60 - Programming and broadcasting activities
  - 61 - Telecommunications
  - 62 - Computer programming, consultancy and related activities
  - 63 – Information service activities
  - 64 - Financial service activities, except insurance and pension funding
  - 65 - Insurance, reinsurance and pension funding, except compulsory social security
  - 66 - Activities auxiliary to financial services and insurance activities
  - 69 - Legal and accounting activities
  - 70 - Activities of head offices; management consultancy activities
  - 71 - Architectural and engineering activities; technical testing and analysis
  - 72 - Scientific research and development
  - 73 - Advertising and market research
  - 74 - Other professional, scientific and technical activities
  - 82 – Office administrative, office support and other business support activities
  - 854 - Higher education
  - 91 - Libraries, archives, museums and other cultural activities

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<sup>152</sup> The Work Foundation – Defining the Knowledge Economy

<sup>153</sup> Ibid

<sup>154</sup> LEP Network Annual Report 2012, Appendix B: Methodological Notes

## QUALIFICATIONS AND CREDIT FRAMEWORK (QCF)

350. The Qualifications and Credit Framework (QCF) is a new credit transfer system which has replaced the National Qualification Framework (NQF). It recognises qualifications and units by awarding credits. And since each unit has a credit value and the credits can be transferred, the system gives the learners the ability to get qualifications at their own pace. The QCF is jointly regulated by the England’s regulator Ofqual, Wales’ DCELLS and Northern Ireland’s CCEA.

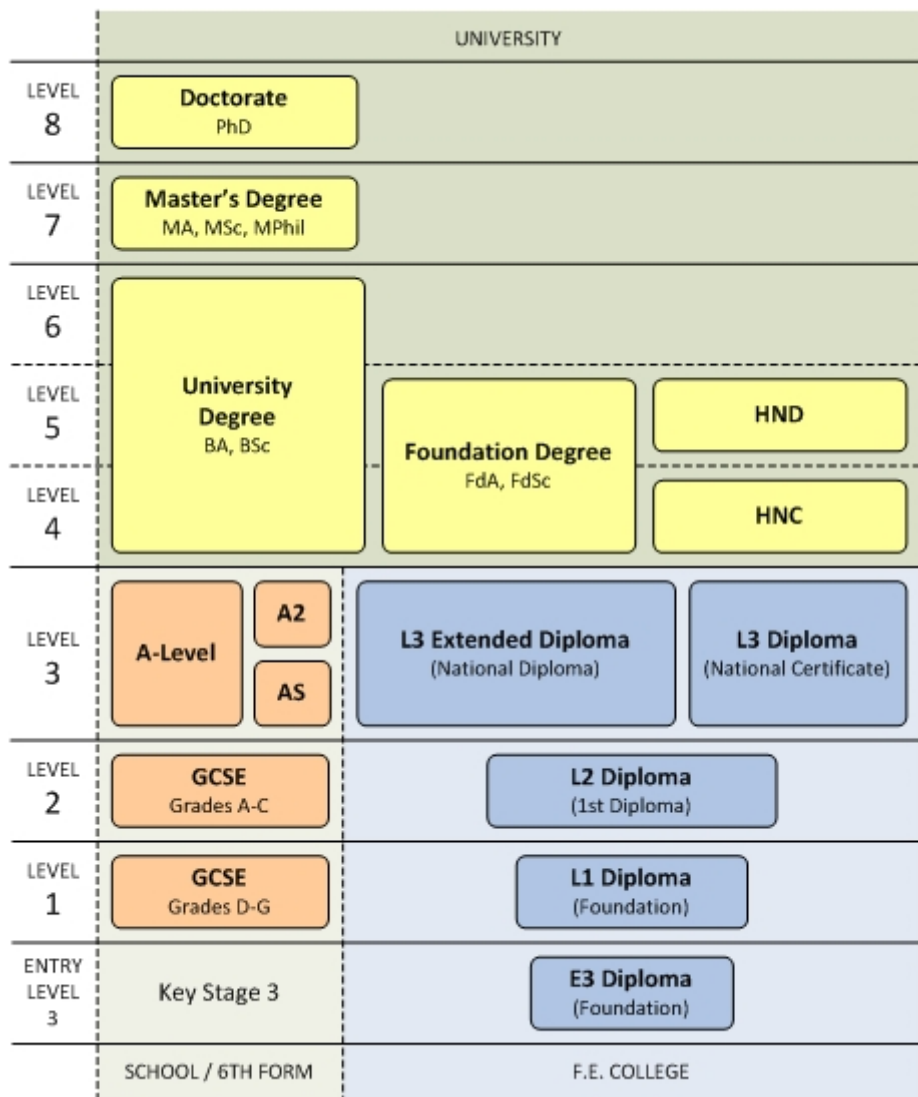


Figure 71 – QCF Levels and Framework

- [END] -