COAST TO CAPITAL ECONOMIC PROFILE
2017

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Executive Summary

This report provides a detailed picture of the Coast to Capital area's economy, outlining the key economic trends, strengths, and issues in the area. It has been produced to be an evidence based which informs and supports the new Strategic Economic Plan which will provide strategic direction and leadership for the region.

Productivity

The report finds that the Coast to Capital area is one of the larger and more prosperous Local Enterprise Partnerships (LEPs), however growth has been slow and gross value added (GVA) per head has fallen below the national average as part of a long-term trend, indicating falling productivity relative to the national level. At a local level there is a wide divergence between the highest and lowest performing economies, highlighting issues in local economic development.

Employment

There are record employment levels both in the Coast to Capital area and nationally and there may still be room for further growth. This has been driven by increases in employment for young people, females, and ethnic minority groups, which have all seen significant improvements in labour market participation in recent years. In particular the ethnic minority employment rate has increased so quickly it has started closing the gap to white ethnic groups, which is not happening at a national, or even South East, level, making it a Coast to Capital success story.

The employment rate has also been driven by people creating their own jobs. Growth in self-employment has matched national trends, however self-employment has always been higher in the Coast to Capital area and continues to be so. Whilst there is evidence that most self-employed people are happy being self-employed there are questions about the quality of these jobs as growth has been driven by increased part-time self-employment and lower wages.

The rising employment rates have been accompanied by falling unemployment rates. Unemployment currently stands at the second lowest it has been since 2004 and is significantly below the national average. It is likely this is the 'natural rate' of unemployment and will not fall any lower. This low unemployment rate has led to more people returning to the labour market and becoming economically active.

The Coast to Capital area has a low economic inactivity rate compared to nationally and it has fallen over the last year, whereas it has remained the same nationally. The low inactivity rates extend to the youth population, with more young people combining work with their studies than is the case nationally. There is a higher level of early retirees in the area, which presents an opportunity to benefit the economy, utilising their skills by returning to the work place, setting up their own businesses, or mentoring and investing in other businesses.

Despite the questions about the quality of jobs in the recent employment growth, employment is increasingly shifting to higher skilled occupations, both in the Coast to Capital area and nationally. Since 2004 those in employment who are in managerial and professional occupations have risen to over half of total employment, shifting from middle and lower skilled occupations. At lower skilled occupation levels there is a rise in the level of caring and leisure occupations, which aligns with the national trend.

Jobs

Employment statistics cover those who are residents and not necessarily working in the Coast to Capital area, whereas jobs statistics count all the jobs in the area. The number of jobs in the Coast to Capital area has grown, however until recently it has been driven by part time roles which has reduced the share of full time jobs, which have not recovered to previous levels. This growth has not been as strong in some key Coast to Capital sectors as compared with the South East and in the case of Construction there is a clear regional issue in the sector as jobs have not recovered to 2009 levels.

Wages

However, the growth in employment and jobs has not been matched by growth in wages, which has been slow and not kept pace with inflation. Between 2007 and 2015 the UK was the only advanced economy to experience economic growth but wage contraction. More people are in work but in lower paid jobs and since 2005 cumulative growth in jobs has been largely in self-employment and part time work. This low wage economy potentially makes hiring people cheaper at the expense of investment in capital, contributing to subdued productivity growth.

In the Coast to Capital area there is a clear gap between resident wages, those who live in the area but do not necessarily work in the area, and workplace wages, those who work in the area. Those that are residents earn higher wages than those that work in the area, these residents are commuting out of the area to find higher wages that local businesses cannot offer. This has implications on the affordability for those that live and work in the area and for infrastructure capacity in the area.

Demographics

Further pressures on infrastructure will come from a growing population. Like much of the world the Coast to Capital population is growing and growing older, this will have profound effects on many aspects of the economy. In particular the workforce will have to work longer and will require adaption from both workers, in terms of lifelong learning and keeping skills relevant, and employers, making work more flexible, providing more training, and making use of the skills and experience of an older workforce.

Skills

The strength of the local workforce can be seen in its skills level. The Coast to Capital area has always had a higher skilled population compared to the South East and nationally, but it has also always had pockets of lower skills in coastal areas and around Crawley. In the last ten years there has been a significant rise in the level of the population with high skilled qualifications, in line with national trends. This gives the area a competitive edge in terms of its workforce, productivity, and the attractiveness for business to locate here. However, our proximity to London also attracts the highly skilled population out of the area, as seen in the wage data and commuter patterns.

Inclusive Growth

Inclusive growth is increasing in prominence in national debates and may influence economic policy in the near term. Whilst regular statistics and evidence around this are not widely available at a local level some models are being developed. The Coast to Capital area performs reasonably well on inclusive growth, however evidence suggests the high housing costs in the area are a significant cause for concern. There are no Local Authority areas with median house prices below the national affordability ratio and private rental costs represent a significant percentage of monthly wages, in some places it accounts for over half of monthly wages.

Businesses

The report finds there is a large and diverse business community in the Coast to Capital area which is growing, with record numbers of business start-ups in the area. However, there are a higher levels of micro businesses in the area and lower levels of small, medium, and large businesses compared to nationally. This resonates with the evidence that businesses in the Coast to Capital area are less likely to scale-up at the same rate as the rest of the county, reducing the capacity for productivity, exporting, and employment growth that larger businesses provide.

Brexit

The report finally considers the potential impact of two emerging challenges in the national and global economy, Brexit and Technological disruption. Brexit will have far reaching, if currently unknown, impacts throughout the economy, from trade, skills and labour supply, business growth, and more. As an economy with high levels of knowledge intensive businesses, the Coast to Capital area will be one of the most impacted by Brexit, but also has some of the most resilient areas in the country. To face this businesses will require resilience and flexibility to respond to new challenges and exploit opportunities that arise.

Technological Disruption

Technological disruption is a transformation that is caused by emerging digital technologies and business models. These innovative new technologies and models can impact the value of existing products and services offered in the economy and create new products and services. Investment in new technologies can boost productivity and create new jobs, however it also has the potential to cause a large scale shift in the types of jobs workers do and the skills required to do them, as an estimated third of jobs are at risk from disruption from automation.

Contents

Productivity

The Coast to Capital area is one of the larger and more prosperous Local Enterprise Partnerships (LEPs), however growth has been slow and gross value added (GVA) per head has fallen below the national average as part of a long-term trend. At a local level there is a wide divergence between the highest and lowest performing economies, highlighting issues in local economic development.

The Cost to Capital economy was worth £49.7bn in 2015, making the area the 7th largest of the 38 LEPs. GVA grew by 2.2% year on year, which is an additional £1.1bn in the economy. This growth rate is slower than average, ranking 24th out of the 38 LEPs.

Despite being having a large economy the Coast to Capital area underperforms on productivity relative to its size, both overall and in terms of growth. GVA per head in 2015 was £24,941, the 13th most productive LEP on this measure. GVA per head grew 1.3% year on year, equivalent to £330, the 26th fastest growing LEP.

Indexing performance against the UK GVA per head level shows the Coast to Capital area on 98.4 (UK = 100), indicating we are below the average UK productivity level. This is part of a long-term trend of declining relative performance to the UK – in 1997 indexed GVA per head was 106.2 in the Coast to Capital area.

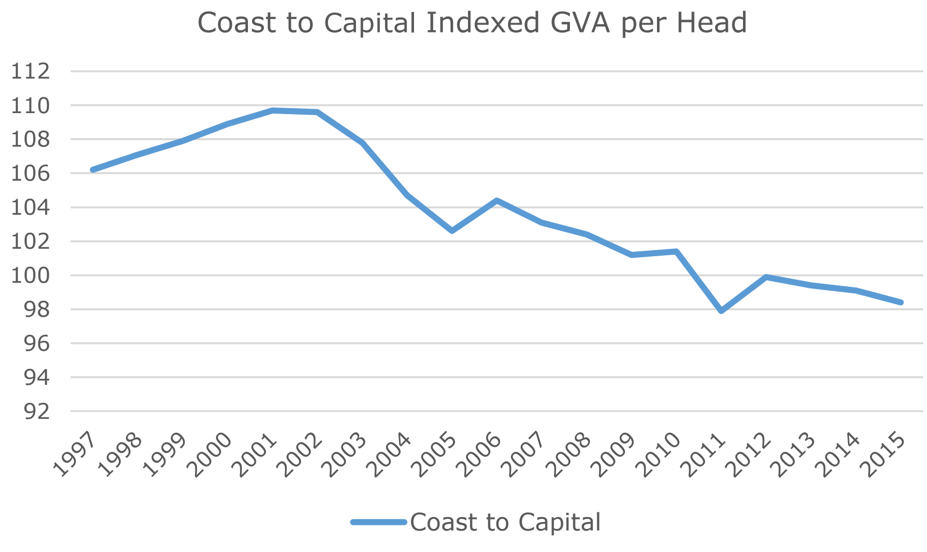


Figure 1 - UK=100

GVA in the local authorities ranges from £7.3bn in Croydon to £1.1bn in Adur, which largely reflects their relative sizes as seen in figure 2. However, at the Local Authority level the size of the authority is not an indicator of its prosperity as will be seen in figure 3 below.

Gross Value Added (in £m) - 2015

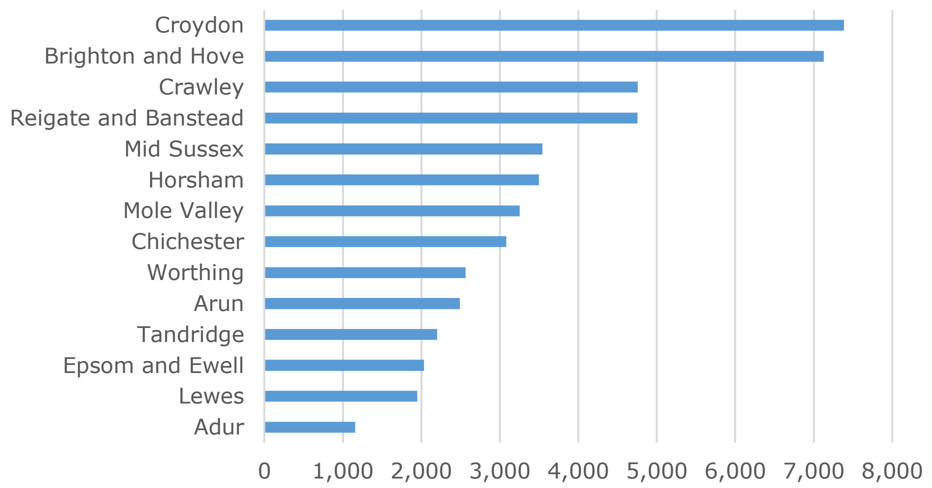


Figure 2

The difference in productivity compared to the relative sizes of a Local Authority can be seen in figure 4 where the two largest authorities, Croydon and Brighton and Hove, fall in the lower half of the scale. There is also a large disparity between the highest and lowest performing authority areas, GVA per head in the Local Authorities ranges from £42,924 in Crawley to £15,980 in Arun, which is a 2.7 times difference between the two.

GVA per Head Local Authorities - 2015

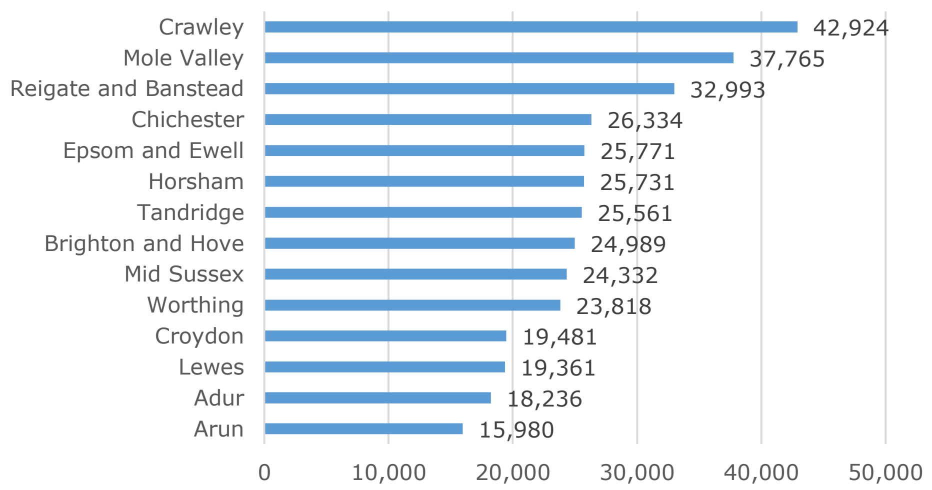


Figure 3

When ranked against the other 326 Local Authorities in England we see that whilst we have a majority of Local Authorities in the top 4 deciles there are areas that are ranked in the bottom deciles, highlighting the gap between local economies.

Local Authority	Decile
Crawley	1
Mole Valley	1
Reigate and Banstead	1
Chichester	2
Epsom and Ewell	3
Horsham	3
Tandridge	3
Brighton and Hove	3
Mid Sussex	3
Worthing	4
Croydon	6
Lewes	6
Adur	7
Arun	8

Table 1 – GVA per Head Deciles

Productivity should be seen in the context of the national issue, since 2007 growth has been flat and it has fallen behind the other G7 countries and well below pre-crisis trends[1]. The UK lags behind many of the G7 countries in terms of output, as figure 4 shows.

[1] ONS: Economic Output and Productivity – 2015: https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/bulletins/internationalcomparisonsofproductivityfinalestimates/2015

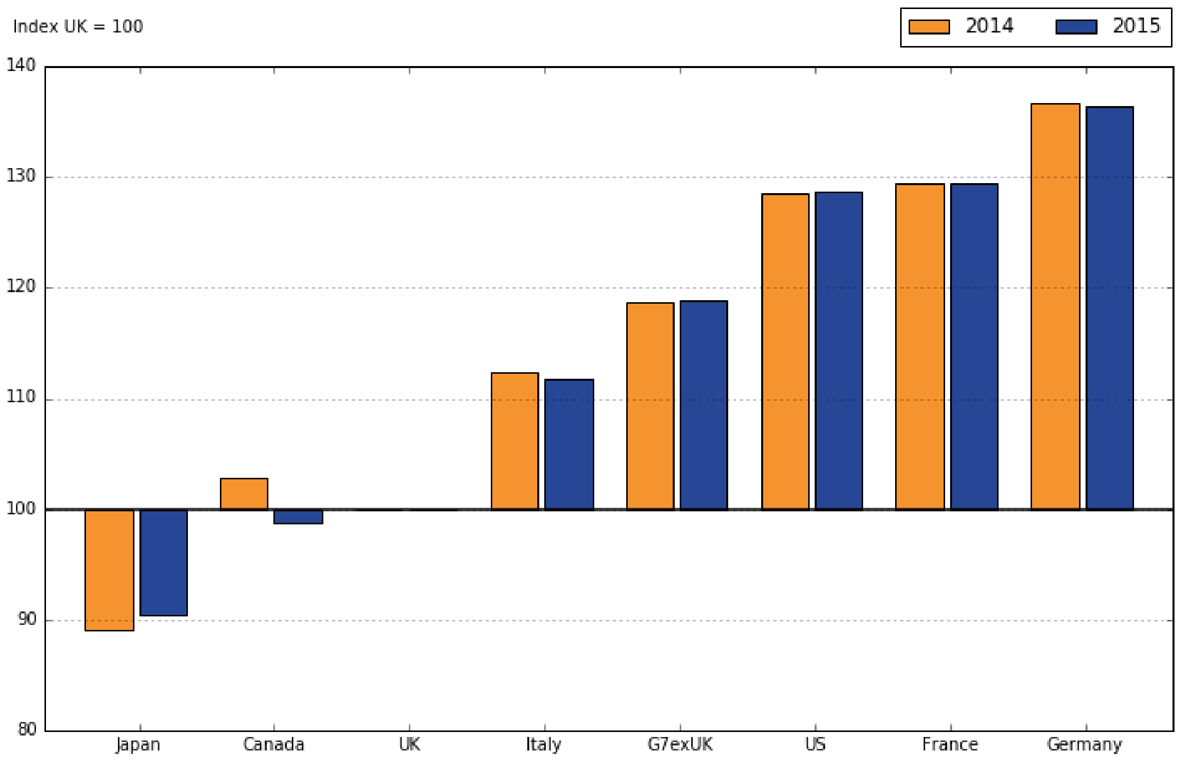

Index UK = 100
2014
2015
140
130
120
110
100
90
80
Japan
Canada
UK
Italy
G7exUK
US
France
Germany

Figure 4

Employment

There are record employment levels in the Coast to Capital area and nationally and Coast to Capital's strong growth has seen it overtake the wider South East and there may still be room for further growth. This is undoubtedly good news, however, there are worries about what has fuelled this employment growth, particularly the quality of the jobs, the rise of self-employment and the gig economy, the levels of wages being paid, and low levels of business investment in capital.

The rate of employment in the Coast to Capital area is 79.1% as of December 2016. The record for the employment rate has been broken in three of the last four quarters suggesting there is still room for growth. There are 979,000 residents in employment in the Coast to Capital area and largely in high level occupations. Although, this does not mean they work in the Coast to Capital area, many residents commute out of the area for higher paid jobs, particularly to London.

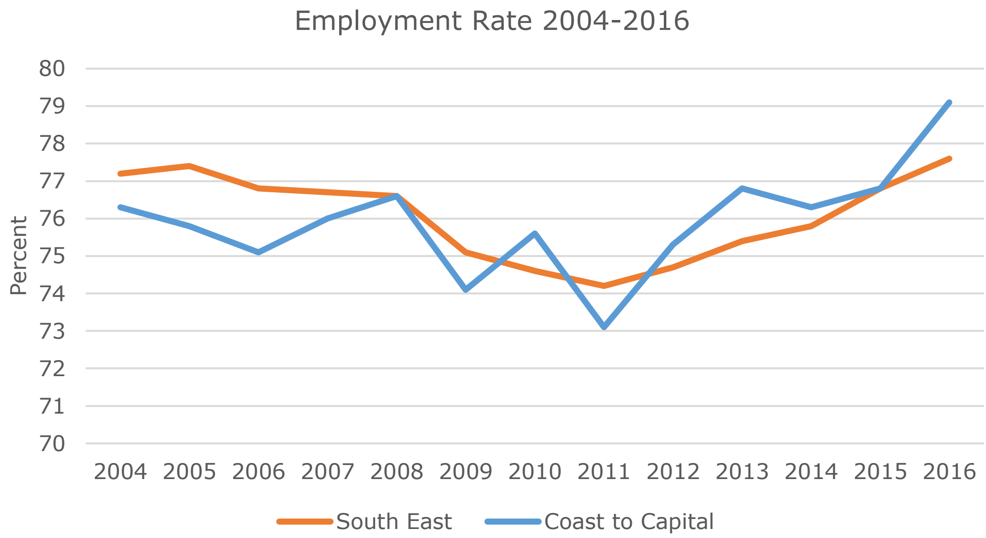


Figure 5

In the Local Authorities employment rates for December 2016 range from 85% in Epsom and Ewell to 74.7% in Brighton and Hove. Generally the trend for employment rates is upwards in each area, but with sizable variations year on year as can be seen in figure 6.

Areas with higher employment are largely in the north of the Coast to Capital area, with lower employment rates being along the coast, the main exception being Croydon, which has a lower than average employment rate. However, Croydon has consistently had an improving employment rate in the last 6 years, rising from 66% in December 2011 to 77.3% in December 2016.

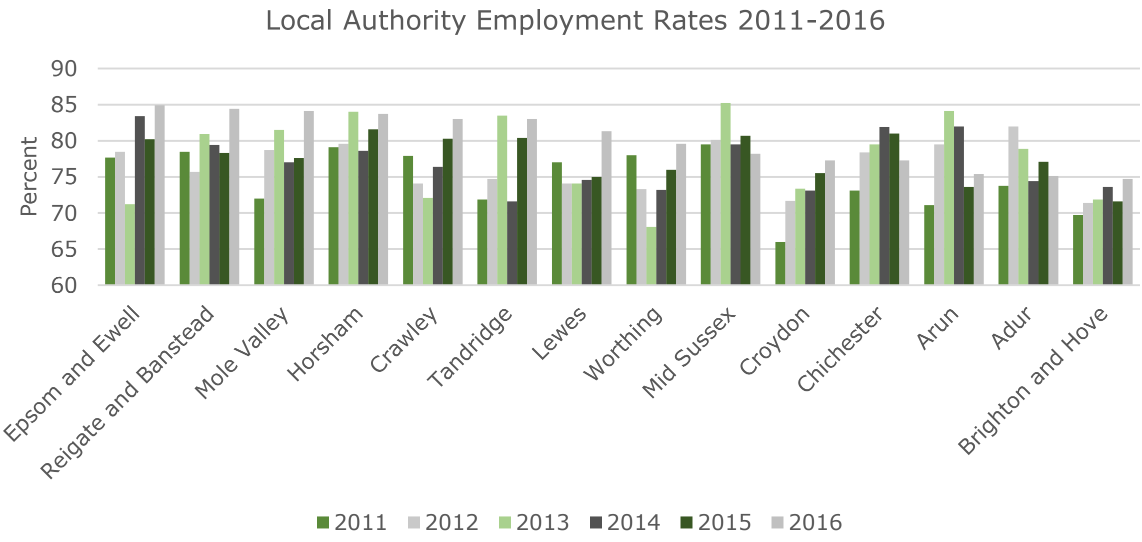


Figure 6

Unemployment

The rising employment rates have been accompanied by falling unemployment rates. Unemployment currently stands at 3.9%, around 39,400 people, in the Coast to Capital area, which is the second lowest it has been since 2004. This is the 13th lowest unemployment rate across the 38 LEPs. It is likely this is the 'natural rate' of unemployment and will not fall any lower.

Figure 7

The unemployment rate in the Local Authorities has followed the same trend as at the Coast to Capital level with some local variations, see figure 8. In Croydon the unemployment rate has dropped by almost half, moving below Brighton and Hove to have the second largest unemployment rate. Despite this both Croydon and Brighton and Hove still have unemployment rates above the national average.

In some areas unemployment has gone up slightly over the last year and has remained flat elsewhere, further suggesting unemployment rates have reached their 'natural' level. This is apparent when comparing 2016 with the previous low rates in 2004, as many areas have reached that level. That Brighton and Hove and Croydon have fallen below their previous low rates suggests they could still bring more people into the workforce.

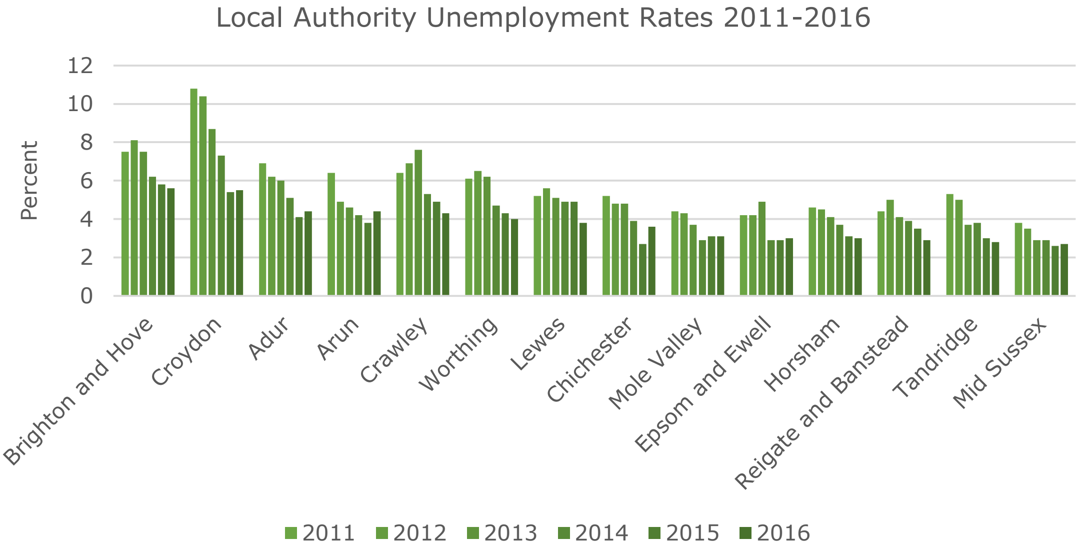


Figure 8

Youth Employment and Unemployment

Youth employment (16-24) in the Coast to Capital area is also at record levels and compares favourably with the South East and national average. It is lower than the 16-64 employment rate but this is largely due to many in the youth age group being in education. However, there is still a higher rate of youth unemployment that suggests there is unmet demand for jobs from the youth population and a missed opportunity to provide them with the skills, competencies, and experience required for the world of work at an early age.

Youth employment (16-24) in the Coast to Capital area stands at 63.1%, which is 16% lower than the 16-64 employment rate. This is higher than the 2004 rate, the previous high for youth employment. The gap between the youth employment and 16-64 employment rate has generally been the same across this period, although youth employment was more affected by the economic crisis.

The Coast to Capital area performs better than the South East and nationally on this measure and has recovered quicker since 2011. In the South East and nationally youth employment rates have not returned to previous highs and the gap between youth and 16-64 employment rates have widened.

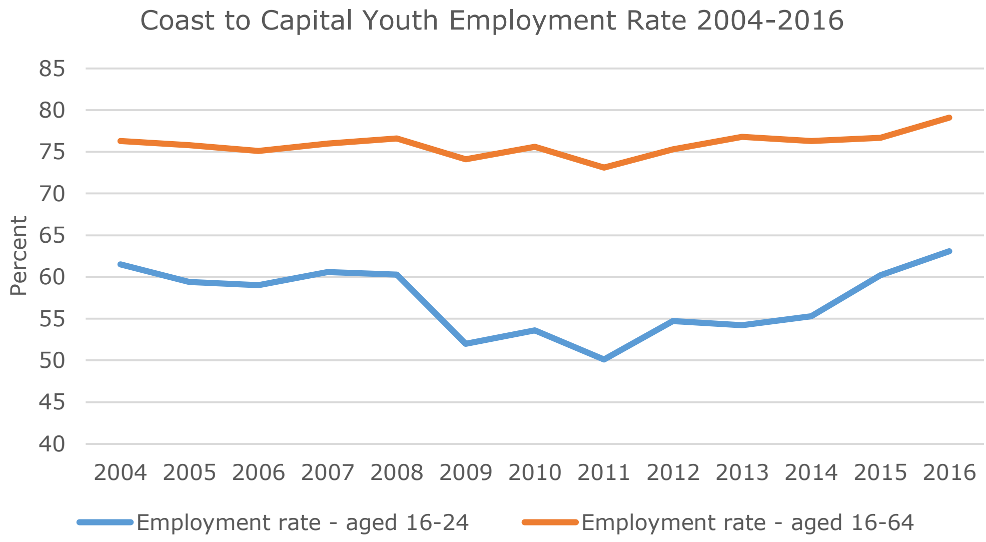


Figure 9

The youth unemployment rate has been the mirror opposite of the youth employment trend, see figure 10, returning to previous lows following large rises during the economic crisis. Currently youth unemployment stands at 10.7%, the gap between youth and 16-64 unemployment has increased slightly due to the strong performance of the 16-64 unemployment rate, but has decreased from its peak. However, despite making up around 17% of the 16-64 population, 16-64 year olds account for 38% of unemployment.

Currently the Coast to Capital area outperforms the youth unemployment rates in the South East and nationally as they have not returned to their previous lows and as such their gaps between youth and 16-64 unemployment are wider than 2004 and larger than in the Coast to Capital area, but they are still trending downwards.

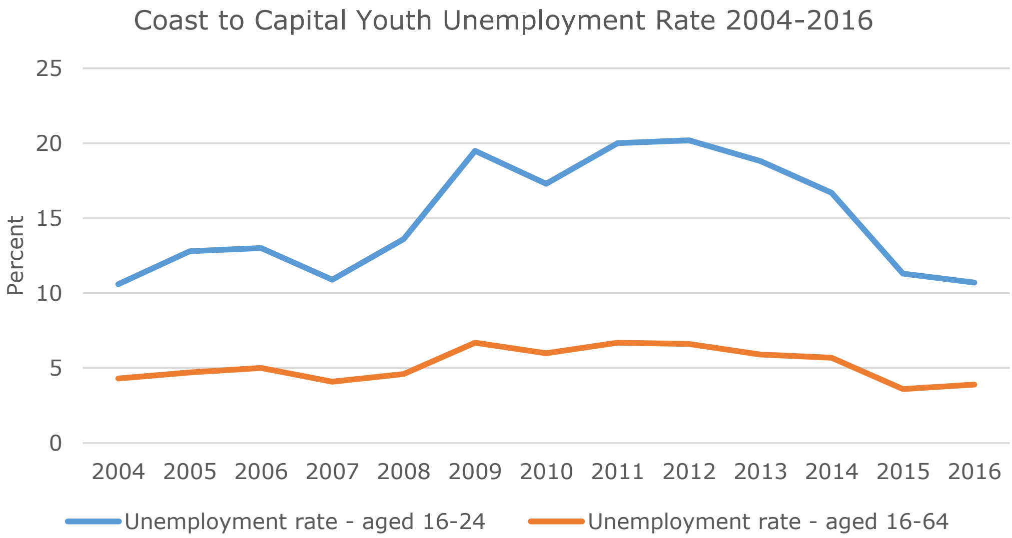


Figure 10

Male and Female Employment and Unemployment

Females are less likely to be in employment than Males, however the similar unemployment rates means this is due to Females being less economically active, most likely due to family care. With an increasingly flexible jobs market, as evidenced in the rise in self-employment and the gig economy, there is an opportunity to bring more Females into the labour market, increasing the labour force to support an ageing population.

Female employment rates are currently at 74.6%, compared to 83.6% for Males in the Coast to Capital area. On average the gap between Female and Male employment rates has fallen since 2004 and is in line with national and South East gaps. Notably the Coast to Capital area has higher Female employment rates than either the South East or nationally.

Coast to Capital Male and Female Employment Rates 2004-2016

Figure 11

Despite the difference in the employment rate the unemployment rate is fairly evenly matched. The trend has been for Female unemployment to be slightly higher, particularly in the post crisis period, but has recently fallen below the Male unemployment rate. The Coast to Capital area has lower Female unemployment than the South East and nationally.

The reason there is not a gap between Male and Female unemployment, as is the case with the employment rate, is that Female economic activity rates are around 10% lower than for Males. This gap in unemployment and economic activity rates is similar in the South East and national level as well and the Coast to Capital area has higher rates of Female economic activity.

Coast to Capital Male and Female Unemployment Rates 2004-2016

Figure 12

Ethnic Minority Employment and Unemployment

Ethnic minority employment rates are generally lower than white ethnic employment rates, both locally and nationally, however there has been strong growth in the last two years which has closed the gap between the two significantly, notably this has not happened in the South East or nationally making it a Coast to Capital phenomenon.

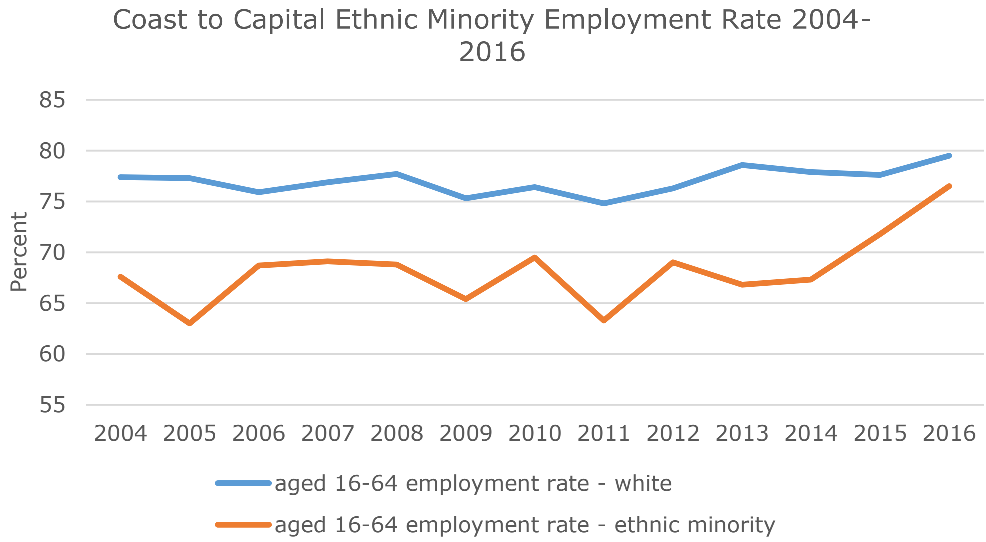


Figure 13

The ethnic minority employment rate stands at 76.5%, a record rate and only 3% lower than the white ethnic group employment rate, the smallest gap in the last 12 years. In the last two years the employment rate has increased by just under 10% and has driven over half of the employment gains from 2014 to 2016.

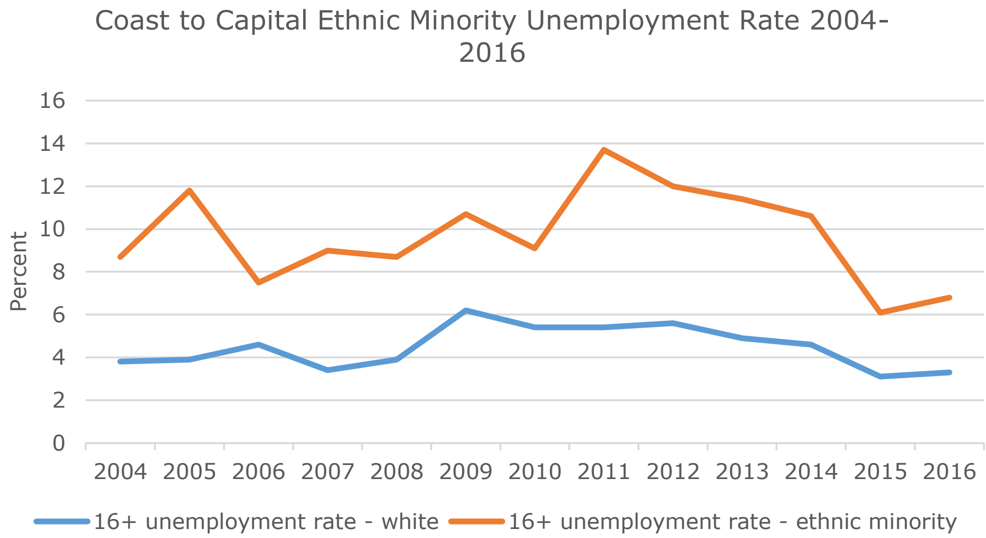


Figure 14

Ethnic minority unemployment rates are historically higher and were more affected by the economic crisis than white ethnic unemployment rates. However the gains in employment have meant that from 2014 to 2015 there was a sharp reduction in unemployment, but it remains double that of white ethnicity unemployment. The slight rise in ethnic minority unemployment in 2016 suggests previously economically inactive ethnic minorities are being encouraged into the labour market.

Self-Employment

Self-employment has always been higher in the Coast to Capital area and growth seen since 2004 fits with the growth trend seen in the South East and nationally. If the make-up of the self-employed is the same in the Coast to Capital area as it is nationally there is evidence to suggest it has been driven by increased part-time self-employment and lower wages, which raises questions about the quality of these jobs.

There are 167,900 people self-employed in the Coast to Capital area and the level of those in employment who are self-employed in the Coast to Capital area is 17.2%, compared to 15.6% in the wider South East. Since 2004 this has grown by 2.1% in the Coast to Capital area and by 2.3% in the South East. The Coast to Capital area has the 5th highest level of the 38 LEPs, behind the Cornwall, London, Thame Valley Berkshire, and South East LEPs.

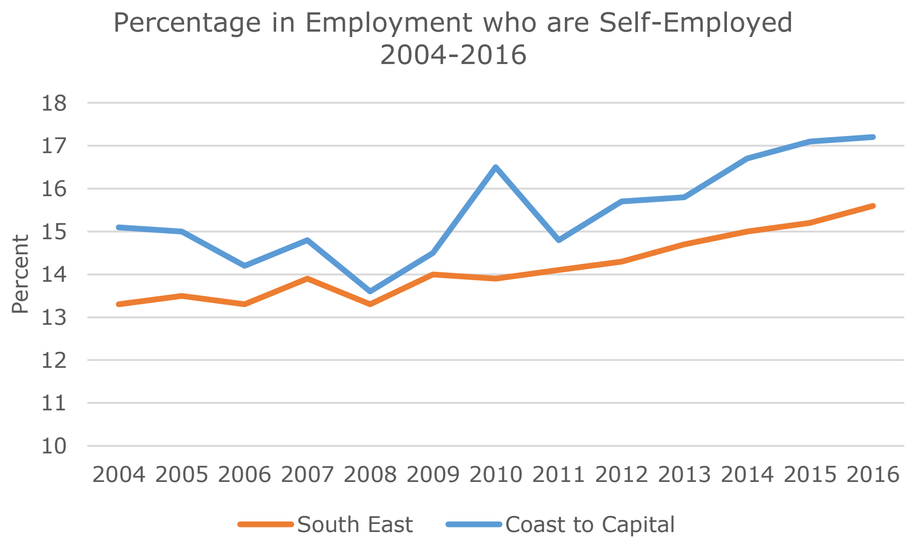
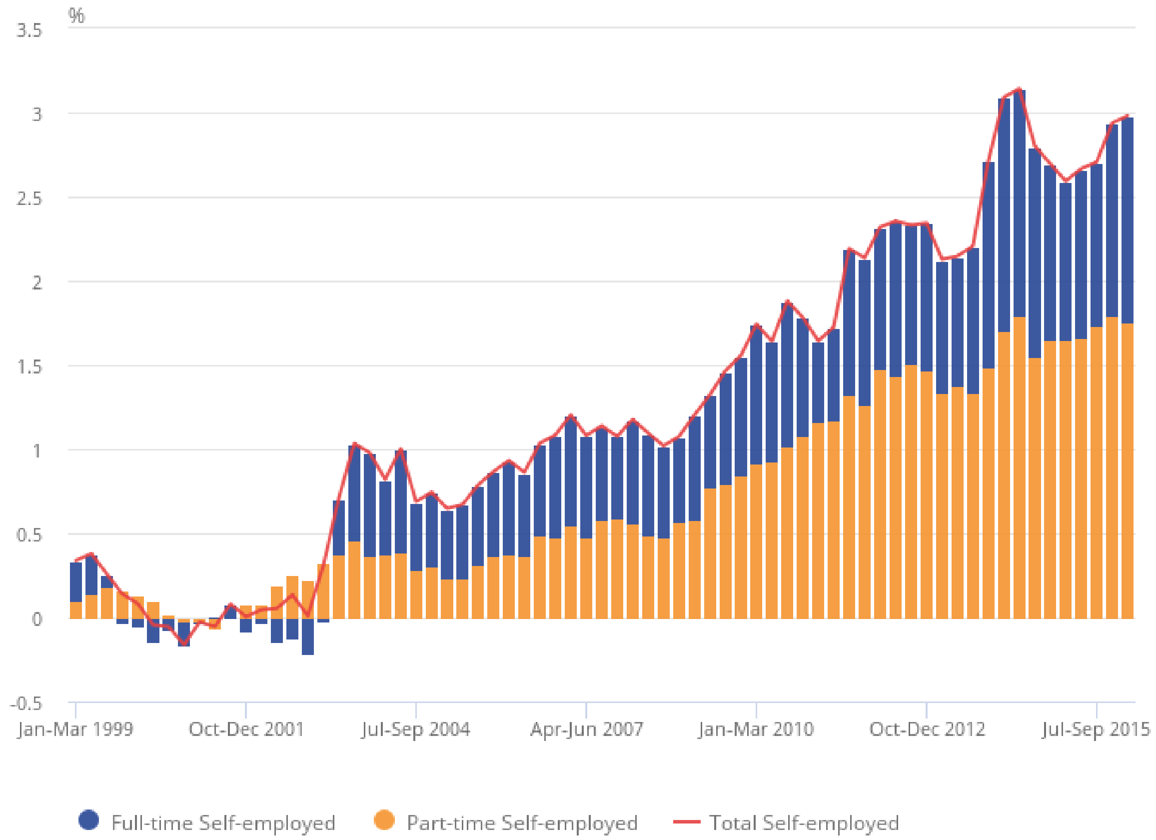


Figure 15

As can be seen in figure 16, at least at a national level, a large share of self-employment growth has been in part time self-employment, notably increasing after the 2008 credit crisis. This is potentially driven in part by the 'gig' economy and how some workers in these jobs are classified as employees or self-employed. This has knock on effects for productivity and wages, both of which are generally lower in self-employment and in part time work.

Change relative to 2001 average, Quarter 1 (Jan to Mar) 1999 to Quarter 1 2016



Source: Office for National Statistics, Labour Force Survey, cross sectional datasets, author's calculations

Figure 16 – Contributions to the change in self-employment - 2016

In figure 17, again nationally, we see that self-employment generally increases with age, however there is a large jump after the age 60 as people retire from their careers, but do not necessarily want to stop working. There has been an increase in self-employment across all age groups, but it has increased most in the 70+ age group, by just under 10%. It should not be lost that there are also more young people aged 20 to 30 who are in self-employment as the ease of becoming self-employed increases and they shift how they view their careers and how they work.

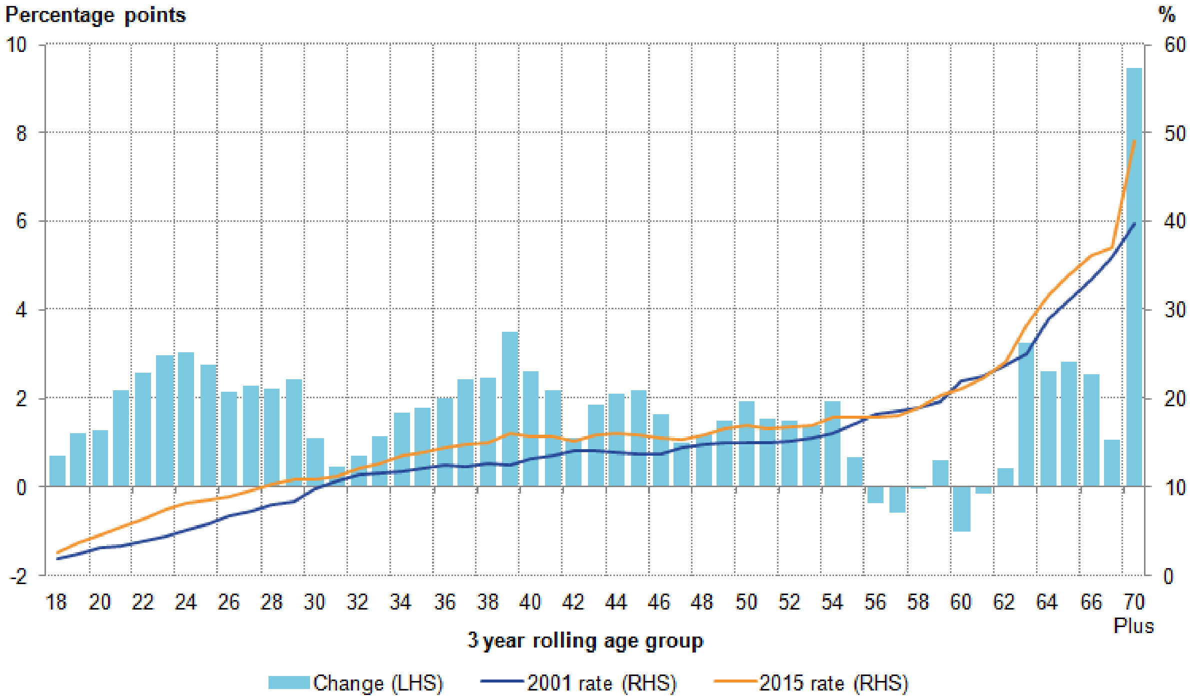


Figure 17

Despite anecdotal evidence that people are 'forced' into self-employment as a last resort this may only be true in some cases but not broadly. In a report by the ONS[2] they find that *"in general, self-employed workers are broadly content with their labour market status. Among older part-time self-employed workers in particular, there is little evidence of workers wanting a full-time position, of job search or of dissatisfaction with their self-employed status."* There is evidence that this satisfaction with self-employment comes at a cost however.

Work by the Resolution Foundation[3] suggests that median weekly wages for the self-employed, once controlled for inflation, have been on a downward trend since 2006/07 and have fallen below the median wage level of 1994/95, see figure 18. This holds true even after controlling for the structural changes set out below.

The report notes that structural changes to self-employment have caused this fall in wages, namely the increase in the overall number of self-employed is creating more competition and depressing the average wage. They also find a fall in the proportion of self-employed who have staff, which is down to 11% from 23% previously and that those working over 40 hours a week has fallen from 51% to 35%. The structural change suggests that self-employment has become more of

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[2] ONS: Employment and Employees - 2015:
https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/trendsinselfemploymentintheuk/2001to2015#main-points
[3]Resolution Foundation: Earnings of the Self-Employed - 2015:
http://www.resolutionfoundation.org/media/press-releases/typical-earnings-of-the-self-employed-lower-than-20-years-ago/

a lifestyle choice, with the flexibility being used to fit work in around other commitments, rather than as the first step to creating a larger business.

Median weekly earnings of the self-employed (CPI-adjusted, 2014-15 prices)

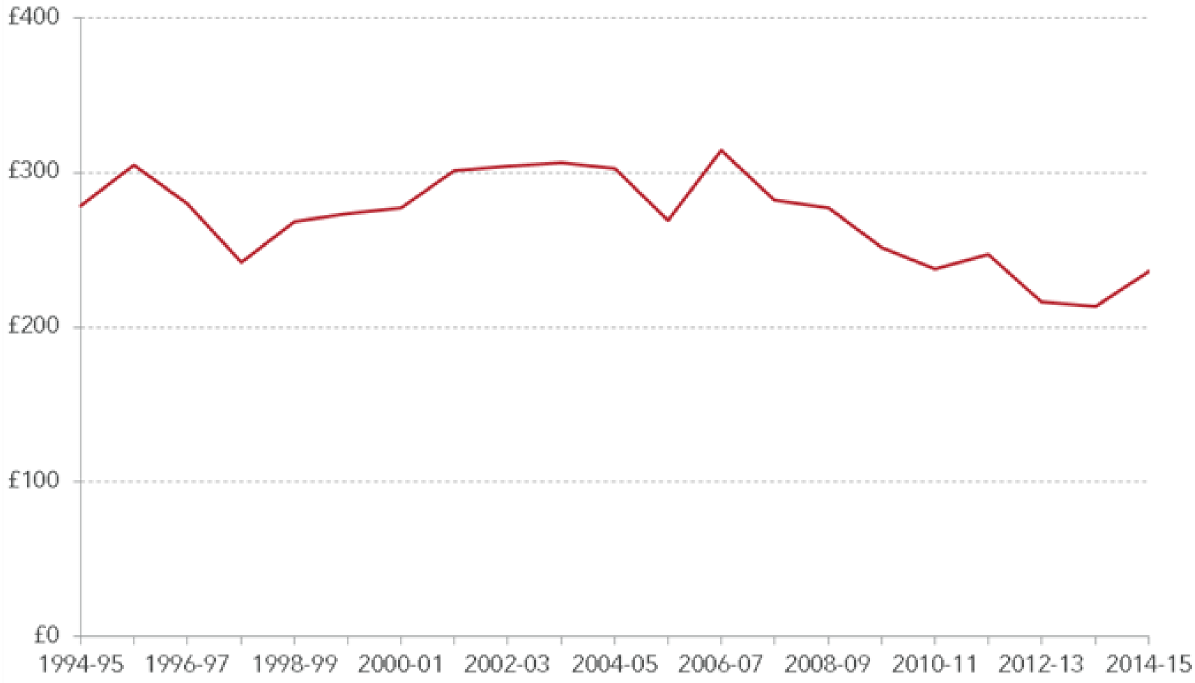

Figure 18

Employment by Occupation

As employment increases it is also increasingly shifting to higher skilled occupations, both in the Coast to Capital area and nationally. Since 2004 those in employment who are in managerial, professional or associate professional occupations have risen 5% to over 50% of total employment[4]. This has come at the expense of middle and lower skilled occupations equally, with both falling about 2.5%.

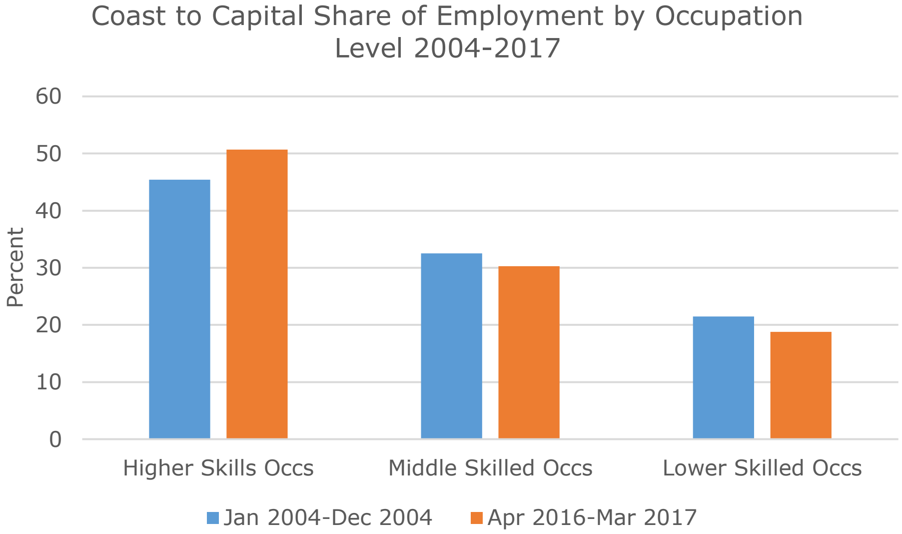

Figure 19

Breaking this down by more detailed occupations, figure 25, we can see strong growth in Professional occupations, increasing its share by 4%, and that in middle skilled occupations, despite an overall fall, there has been a rise in Caring, leisure, and service occupations. This rise is set to continue as demand for health care workers increases in an ageing society.

[4] It should be noted that this data is for residents, so does not completely reflect the jobs profile in Coast to Capital workplaces.

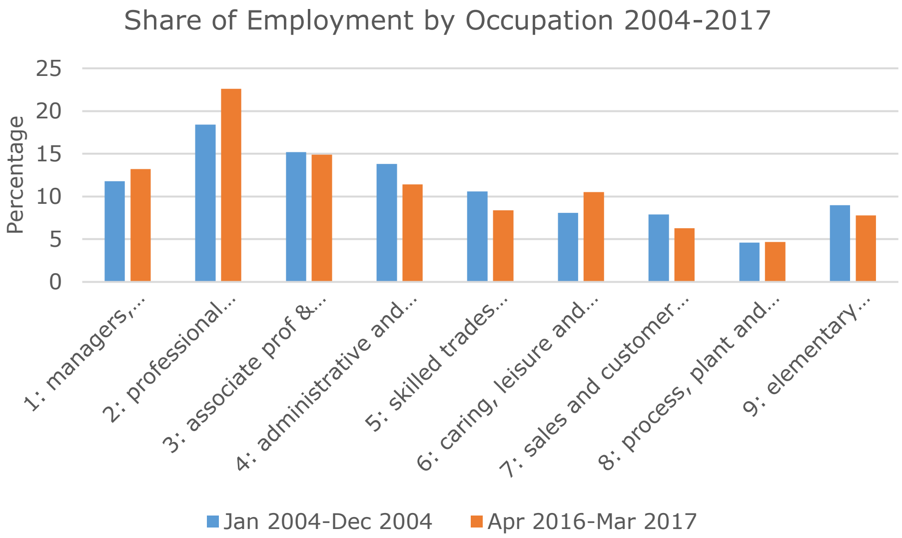

Figure 20

Across the Local Authorities the distribution on jobs in the three occupation levels are broadly similar to the Coast to Capital area distribution. There are some differences however, in Crawley, Adur, and Arun there are lower levels of top occupations and increased jobs in mid and lower level occupations. In particular in Crawley there are more mid-level occupations than higher level occupations, this is the only place this occurs in the Coast to Capital area.

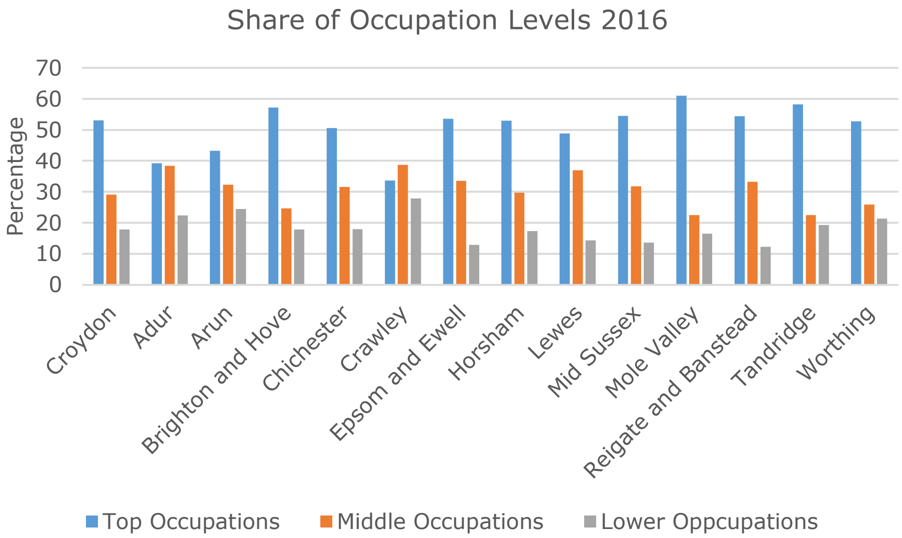

Figure 21

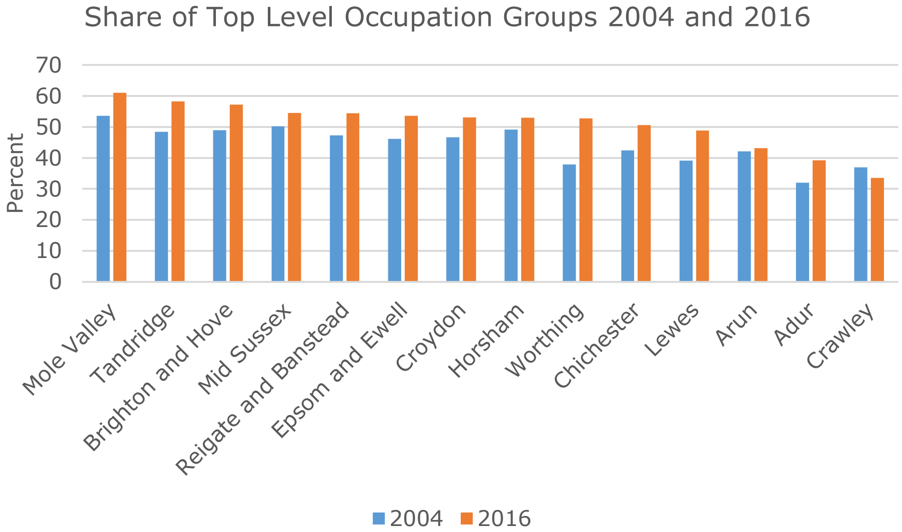

Figure 22

Across the area employment in top level jobs has increased between 2004 and 2016, most notably in Worthing where employment share grew by almost 15%. There was only one area where the level of top occupations fell, Crawley, where it fell by 3.4%. This has been driven by a fall of almost half of Managers, directors, and senior officials from 2004 to 2016, and by a rise in Admin occupations and Caring and leisure occupations.

Economic Inactivity

The Coast to Capital area is one of low economic inactivity compared to nationally and inactivity has fallen in the last year as employment has risen. It is also an area with lower youth inactivity in comparison to nationally, with more young people combining work with their studies. There is a higher level of early retirees in the area, which fits with the perception that the area is attractive to retirees, but also presents an opportunity to benefit the economy, utilising their skills by returning to the work place, setting up their own businesses, or mentoring and investing in other businesses.

There are 220,000 economically inactive people in the Coast to Capital area in 2016, 17.7% of the 16-64 population which is less than the 22.3% nationally or the 19% in the South East. This has fallen from 20% in the previous year, which is potentially a statistical anomaly considering the steady level of inactivity over the last ten years, however considering the increasing employment rate it may indicate more people being brought into the labour market on a permanent basis.

Table 3 breaks down the reasons for economic activity, as can be seen the Coast to Capital area has significantly lower levels of student inactivity, suggesting our students are more likely to be in, or looking for, work. The Coast to Capital area has higher levels of retirees, at least compared to nationally, which highlights the level of the population taking early retirement.

% of Economically Inactive	Coast to Capital	United Kingdom	South East
Student	20.6	26.3	25.1
Looking after family/home	24.9	24.7	25.8
Temporary sick	1.0	2.0	1.6
Long-term sick	22.4	22.6	18.3
Discouraged	N/A	0.4	0.2
Retired	15.2	13.2	14.9
Other	15.6	10.8	14.1

Table 2 – Economically Inactive by Reason 2016

As the Coast to Capital area has lower economic inactivity overall it stands that it will be lower across each age group as well. It is worth highlighting that the 16-19 age group inactivity rate is well below the national rate, which is linked to the low number of people inactive due to being a student.

% who are Economically Inactive	Coast to Capital	United Kingdom	South East
Aged 16-19	43.2	55.8	49.2
Aged 20-24	18.3	25.9	21.0
Aged 25-34	10.0	14.4	12.0
Aged 35-49	10.7	13.7	11.6
Aged 50-64	24.8	27.6	23.6

Table 3 – Economically Inactive by Age Group

Jobs

Jobs growth has been reasonably strong in the Coast to Capital area, however until recently it had been driven by part time roles and the share of full time jobs has not recovered to previous levels. This growth has not been as strong in some key Coast to Capital sectors as compared with the South East and in the case of Construction there is a clear regional issue in the sector.

There were 818,000 jobs in the Coast to Capital area in 2015, since 2009 this has increased by 53,000, 6.9%, which makes the Coast to Capital area the 12th fastest growing LEP for jobs. However, this growth rate is lower than the South East jobs growth over the same period, which was 8.4%. As can be seen in figure 23, until 2015 jobs growth in the Coast to Capital area had largely been in part time jobs, however in 2015 full time jobs growth in the area overtook part time jobs.

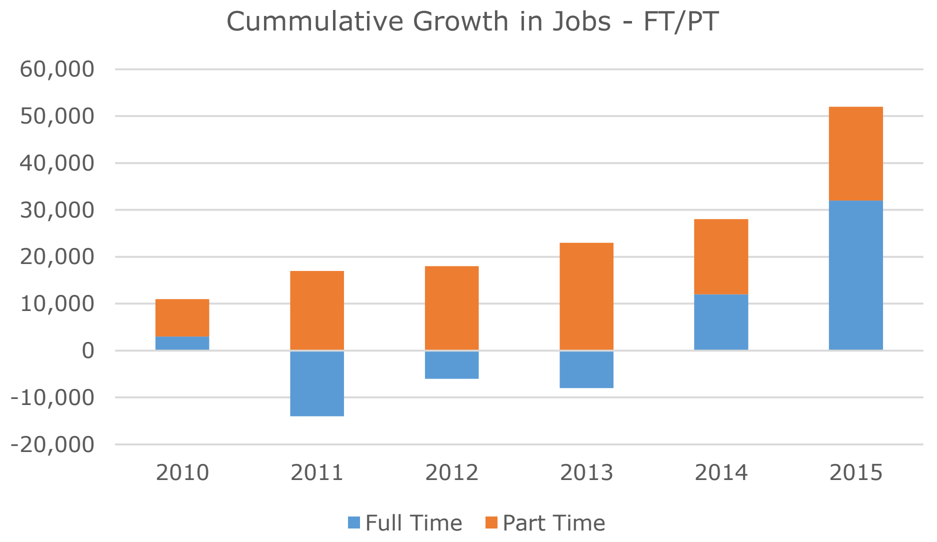

Figure 23

Despite this recent growth the share of full time jobs as a percentage of total jobs has not returned to 2009 levels, see figure 24. In the wider South East region the rate has exceeded the 2009 level and there is an increasing gap between the level of full time jobs between the Coast to Capital area and the South East. This does not compare favourably with other LEPs as the Coast to Capital area is ranked 27th out of the 38 LEPs for the share of full time jobs.

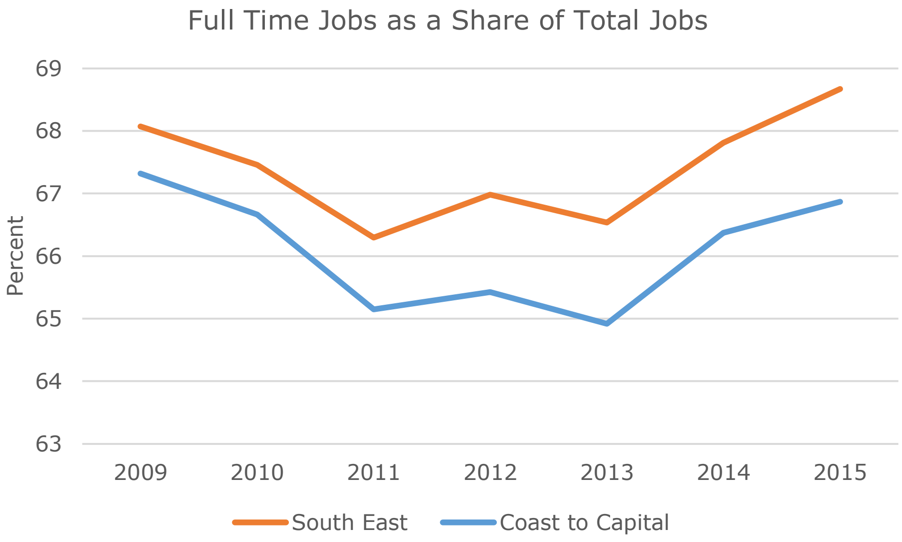

Figure 24

Looking at jobs by their share of total employment, figure 25, reveals the extent to which Health jobs make up our local employment. Almost 15% of jobs are in Health, significantly higher than the 11% in Retail, the second largest industry, and higher than Health jobs in the wider South East (12.6%). This share of Health jobs is likely to increase in an ageing society that requires higher levels of care.

There are few other areas where sectors in the Coast to Capital area also have notably higher shares of jobs than the South East, however the Financial and Insurance sector does. The South East has higher shares of Information and Communication sector jobs than the Coast to Capital area, which brings into question the local strength of the sector in the Coast to Capital area. The higher share of Manufacturing sector jobs in the South East, and to a lesser extent Construction, serves to illustrate the reliance on the service sector in the Coast to Capital area.

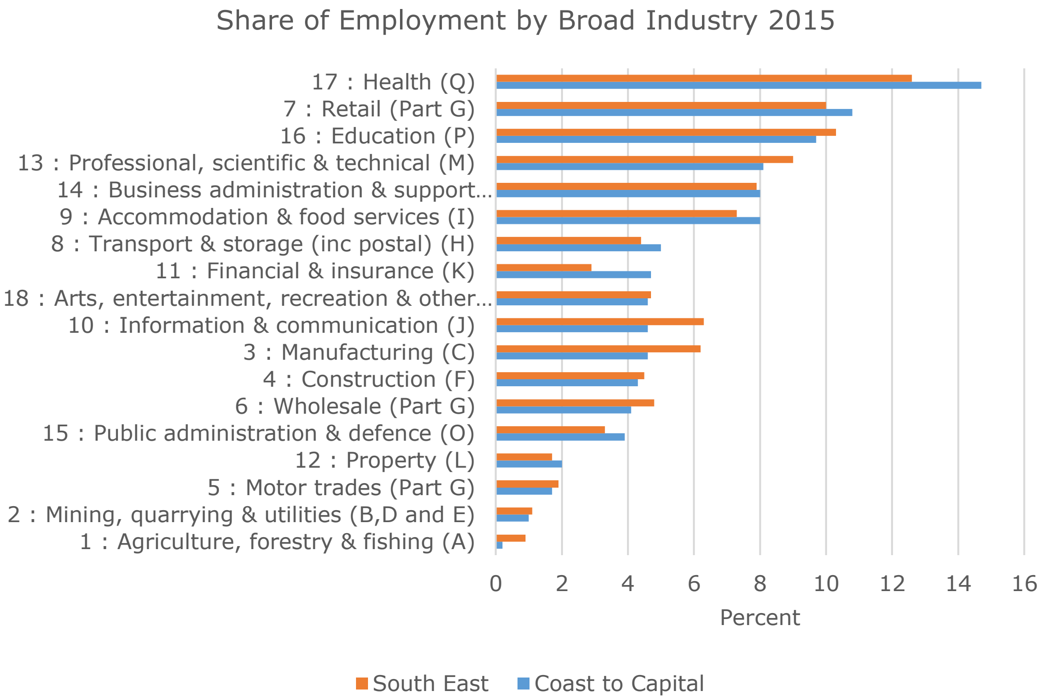

Figure 25

Looking at the growth in jobs in broad industry groups, figure 26, shows that the fastest growing industry from 2009 to 2015 was Agriculture, Forestry, and Fishing, which grew by 95%. In comparison the industry in the South East grew by 7.1%. It should be noted that despite this explosive growth the industry remains the smallest in the area and well below the share of employment seen in the South East.

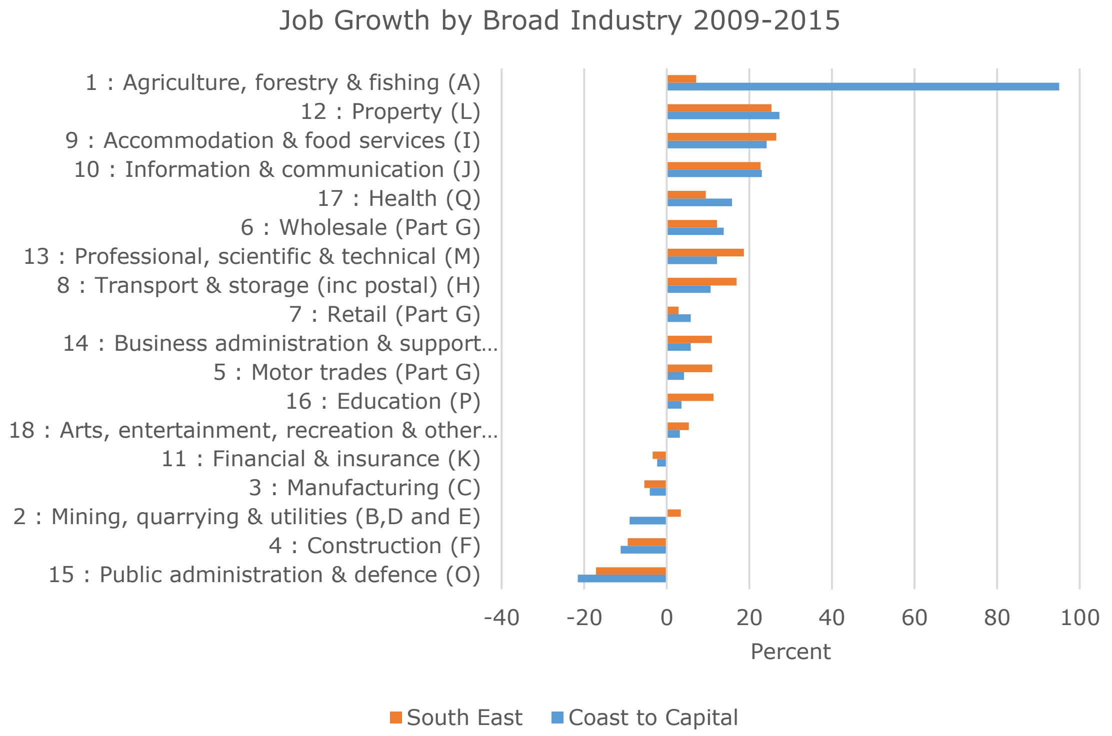

Figure 26

Growth in jobs is broadly in line with the growth trends in the wider South East, our main growth industries being Property, Accommodation and Food, and Information and Communication. The main difference in growth rates are stronger growth in the Health industry, which grew 15.8% compared to 9.5% in the South East. Growth in industries that are considered key to the Coast to Capital economy, such as Professional, Scientific, and Technical, Transport, Business Admin, and Education industries, was stronger in the wider South East.

There has been a slight fall in Financial and Insurance jobs, Manufacturing, which is part of a long term trend across the country, and a sizable fall in Public Admin, which reflects the cuts to central and local government. There has also been a sizable fall in the number of Construction jobs which could prove to be an issue for the area's capacity to build new homes and infrastructure.

In figure 27 the cumulative change in Construction jobs since 2009 is illustrated. The situation has improved since its lowest point in 2011-2012, but it is still some way off 2009 levels and is a clear issue in the South East as at the national level employment in the Construction industry by 2015 was down 1.9% on 2009 levels.

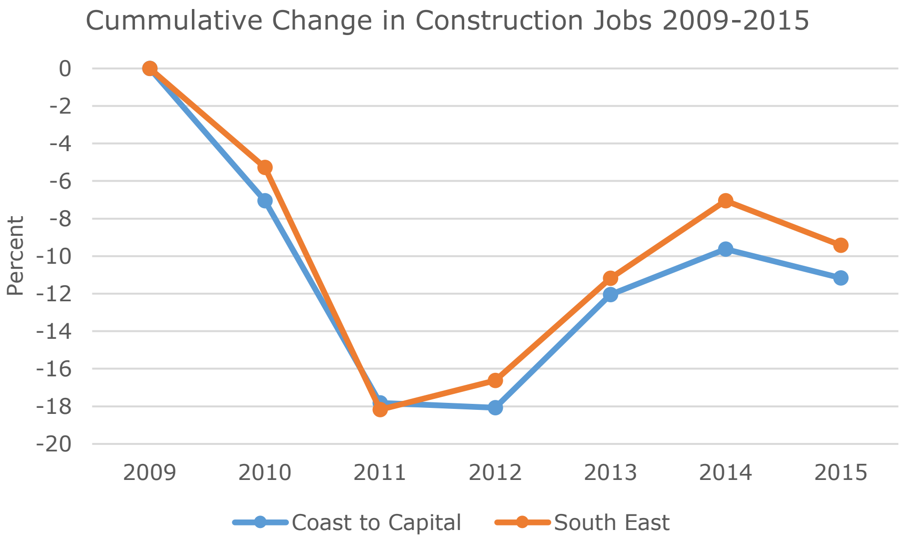

Figure 27

It is difficult to clearly convey the makeup of jobs across the broad industries in each Local Authority, however it is worth picking out a few outliers that highlight how each area has different strengths. A full breakdown of jobs by Local Authority can be found in the annex.

For example:

- In Crawley almost a quarter of jobs are in Transport and Storage, compared to 5% in the rest of the Coast to Capital area, and 15% are in Business admin and support services compared to 8% in the Coast to Capital area.
- In Worthing almost a quarter of jobs are in Health and care, compared to 15% in The Coast to Capital area.
- In Reigate and Banstead 13% of jobs are in Finance and insurance, compared to 4.7% in the Coast to Capital area.
- In Adur nearly 12% of jobs are in Manufacturing, compared to 4.6% in the Coast to Capital area.
- In Mole Valley 9.3% of jobs are in IT, compared to 4.6% in the Coast to Capital area.
- In Mid Sussex 9% of jobs are in Wholesale trade compared to 4% in the Coast to Capital area.

Wages

There is a wage issue nationally, wage growth has been slow and not kept pace with inflation. Between 2007 and 2015 the UK was the only advanced economy to experience economic growth but wages contraction[5]. More people are in work but in lower paid jobs, since 2005 cumulative growth in jobs has been largely in self-employment and part time work. This low wage economy makes hiring people cheaper at the expense of investment in capital, thus subduing productivity growth.

Recent data on real wage growth (taking into account inflation) shows that pay growth has been weak for some time and is currently shrinking due to the growth in inflation, see figure 28.

Figure 28

This is despite a falling unemployment and rising employment rate to record levels, which should suggest a tight labour market where employees are in a position to negotiate better salaries or companies have to raise salaries to attract

[5] Financial Times: How wages fell in the UK while the economy grew - https://www.ft.com/content/83e7e87e-fe64-11e6-96f8-3700c5664d30?mhq5j=e2

the workers they want. That this is not happening would suggest that there is still significant hidden slack in the labour market, e.g. that many people are under-employed in their current roles, those that are in part time work but want full time, or the self-employed are not fully utilised.

In the Coast to Capital area there is a clear gap between resident wages, those who live in the area but do not necessarily work in the area, and workplace wages, those who work in the area. Those that are residents clearly commute out of the area, likely to London, to find higher wages that local businesses cannot offer. This has implications for the affordability of the area for those that live and work in the area.

The total (including full and part time work) median weekly wage for residents in the Coast to Capital area was £469.40 in 2016, a little under £10 a week less than the wider South East. Growth in wages for residents has been weak, data for LEPs only goes back to 2014, but over this period wage growth for residents was 2.8% in nominal terms, ranking 35th out of the 37 LEPs[6], and compares poorly with the 5% growth rate in the South East over the same time.

This low growth in wages for residents means wages remain fairly uncompetitive compared to the wider South East and compared to other neighbouring LEPs. Despite the Coast to Capital area resident wages ranking 7th out of the 37 LEPs it is still some way off the top ranked LEPs of London (£536.60), Enterprise M3 (£528.40), and Thames Valley Berkshire (£524.40).

The total median weekly workplace wage for the Coast to Capital area was £436.60 in 2016. This is a little under £24 a week less than the South East median weekly wage. Wage growth has been stronger than for residents, however it is still weak compared to other LEPS. Since 2014 the workplace wage has risen by 3.8% in nominal terms, ranking 29th out of the 37 LEPs, and some way off the 5.8% growth in the South East.

Overall workplace wages rank 11th meaning they are less competitive than resident wages. For comparison the top ranked median weekly workplace wages was in London (£579.70), followed by Thames Valley Berkshire (£521.90), and Oxfordshire (£503.90).

There is a difference of £32.80 between the resident and workplace median weekly wage in the Coast to Capital area, suggesting that residents are commuting out to areas where larger wages are paid. The gap between the workplace wages in the Coast to Capital area and the wider South East and neighbouring LEPs suggests our businesses are not as competitive as in other LEPs and feeds into residents commuting out of the area.

More locally resident total median weekly earnings are varied and generally higher the closer to London a Local Authority is, the top five areas being in East Surrey

[6] Data is missing for South East Midlands LEP

or Croydon, whereas residential earnings below the Coast to Capital area median are largely in coastal areas. If residents are commuting out of the area for higher wages, it makes sense that those areas closest to London have higher wage rates.

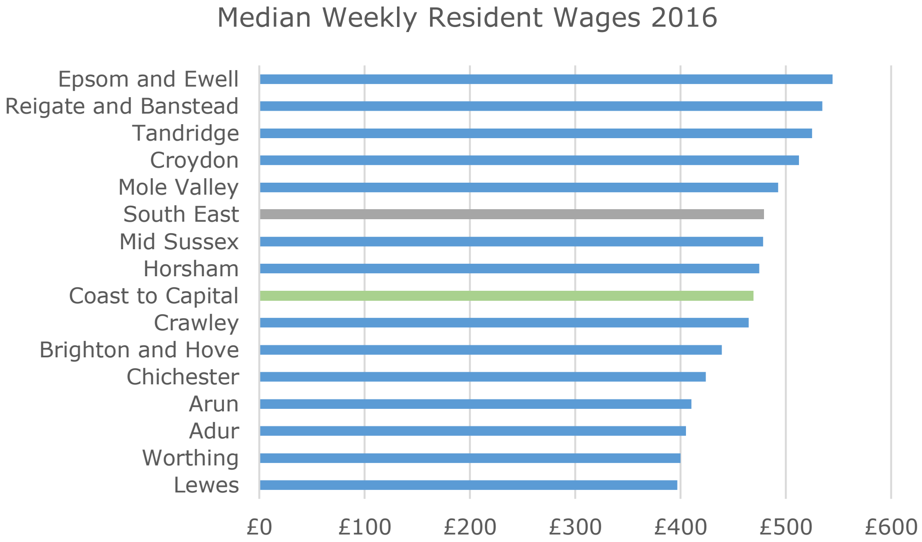

Figure 29

Since 2008 median weekly wage growth has risen by 12.4%, in nominal terms, in the South East region, however nine Local Authority areas have had growth rates below this and there are three areas where residential wages have fallen since 2008, they are Lewes, Horsham, and Epsom and Ewell.

In the workplace total median weekly wages the areas closest to London dominate the higher wage levels, as with resident wages, however the main difference this time being that Crawley has jumped to the top, highlighting the effect that Gatwick Airport and the large businesses it attracts. The coastal Local Authorities remain at the lower end of the wage scale.

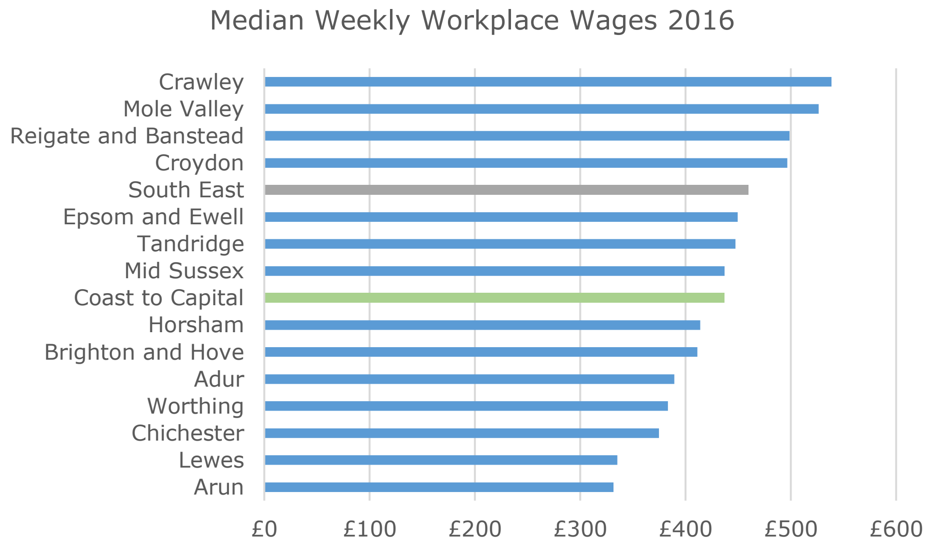

Figure 30

The South East has seen an average of 12.3% nominal growth in workplace wages, eight Local Authority areas have had workplace wage growth below that, which is only marginally better than for residents wages. Epsom and Ewell is the one area that had a falling workplace wages, and is the only area to see a fall in both workplace and resident wages.

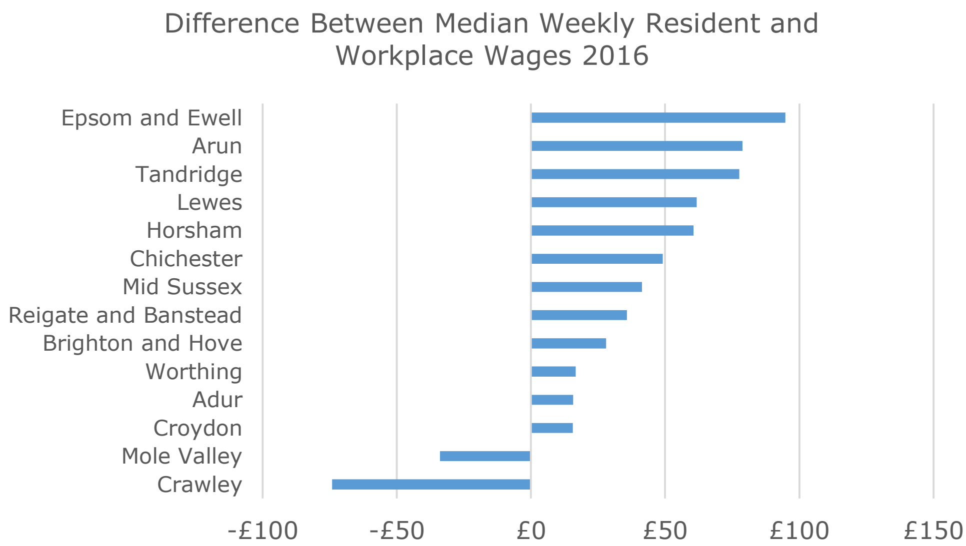

Figure 31

Looking at the divergence between resident and workplace wages shows that generally residents make more money than workers across the area and that they are commuting to find those higher wages. There are two areas where workers have higher wages than residents, Mole Valley and Crawley. This would suggest that they have businesses that are attractive to workers and pay good wages, but also that local people are not able to access the local labour market and are pushed out by in-commuters from elsewhere.

At the other end of the scale the higher wages of residents than workers would suggest a local economy that does not provide the quality of jobs that match the skills and experience of their residents which can command higher wages than are available locally. Some of this is due to the pull of London, particularly in East Surrey and Croydon, however this may not explain the higher resident wages in places such as Arun, Lewes, and Chichester.

Demographics

Like much of the world the Coast to Capital area is getting older and this will have profound effects on many aspects of the economy. The most relevant to the Coast to Capital area is the workforce, which will have to work longer and will require adaption from both workers, in terms of lifelong learning and keeping skills relevant, and employers, making work more flexible, providing more training, and making use of the skills and experience of an older workforce.

The Coast to Capital population is expected to grow by 22% from 2014 to 2039[7] across all age groups. The 16-64 working age population is expected to grow by 11%. Within this age group the 16-24 and 50-64 age groups are expected to grow fastest. This may be an issue for the economy as it is suggested that workers most productive years are in the 40-55 age bracket.

The key growth comes from the 65+ age group, which is expected to grow by 68% in this period. In part this is because it is starting from a smaller base number than other age groups. However it still represents a major shift in demographics. It will lead to a high dependency ratio, the number of people in work supporting those out of work, but it will also require a shift in how people work. Those over 65 will not all retire straight away, either through choice or because of a rise in the pension age. Companies will need to be able to make the most of the skills and experience of older workers and adapt their work to their needs.

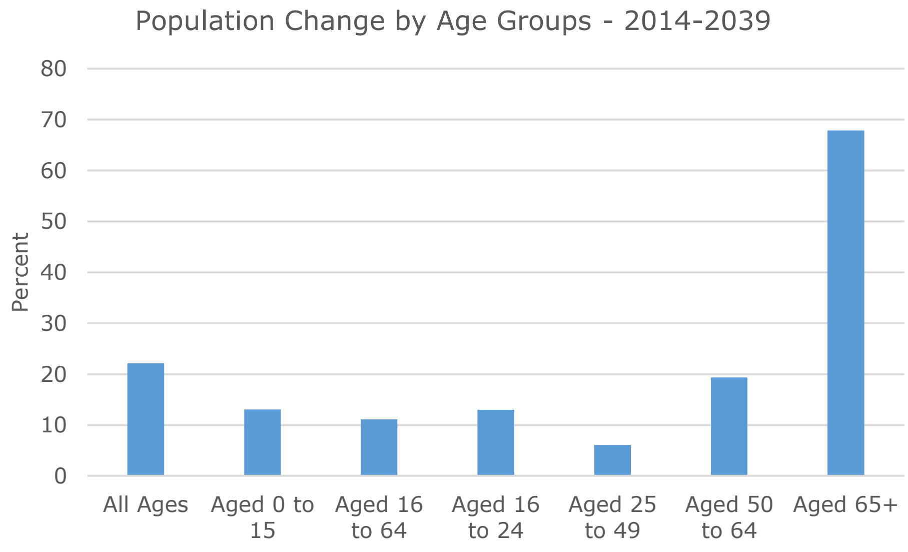

Figure 32

The vast increase in the 65+ may have been because of a lower starting base, however, comparing absolute changes in population numbers shows that the 65+ age group also has the highest absolute change. The 65+ age group accounts for

[7] ONS population projections - 2014

57% of the total population change in the Coast to Capital area from 2014 to 2039. It is not just the 65+ age group that is increasing the average age of the population, within the 16-64 population the change in population in absolute numbers also increases in each older age band.

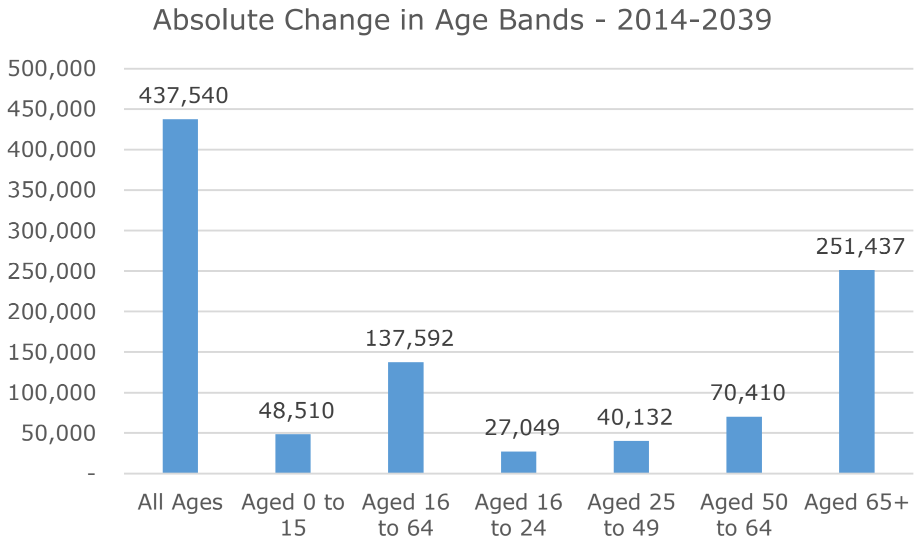

Figure 33

To further illustrate the ageing population figure 34 shows the shifts in population share. The main shift is in the 65+ group, who go from accounting for just under 20% of the population to just over 25%. This is largely at the expense of the 16-64 population, which drops from 62.5% to 56.9% of the population and in particular the 25-49 age group, which falls from 33.6% of the population to 29.1%.

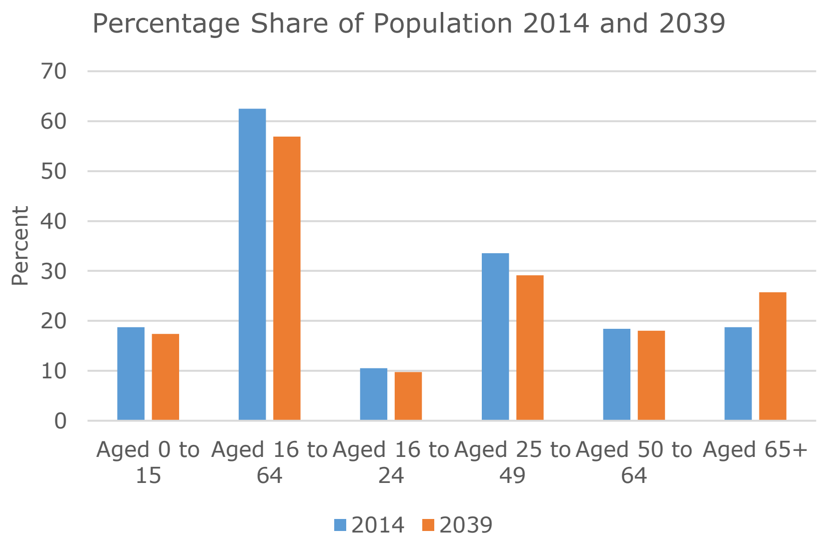

Figure 34

The Local Authorities follow the same population growth patterns as the Coast to Capital area, increasingly older with large growth in the 65+ age band. In some areas this is extreme, such as Horsham and Mole Valley where there is minimal growth in any age band other than the 65+.

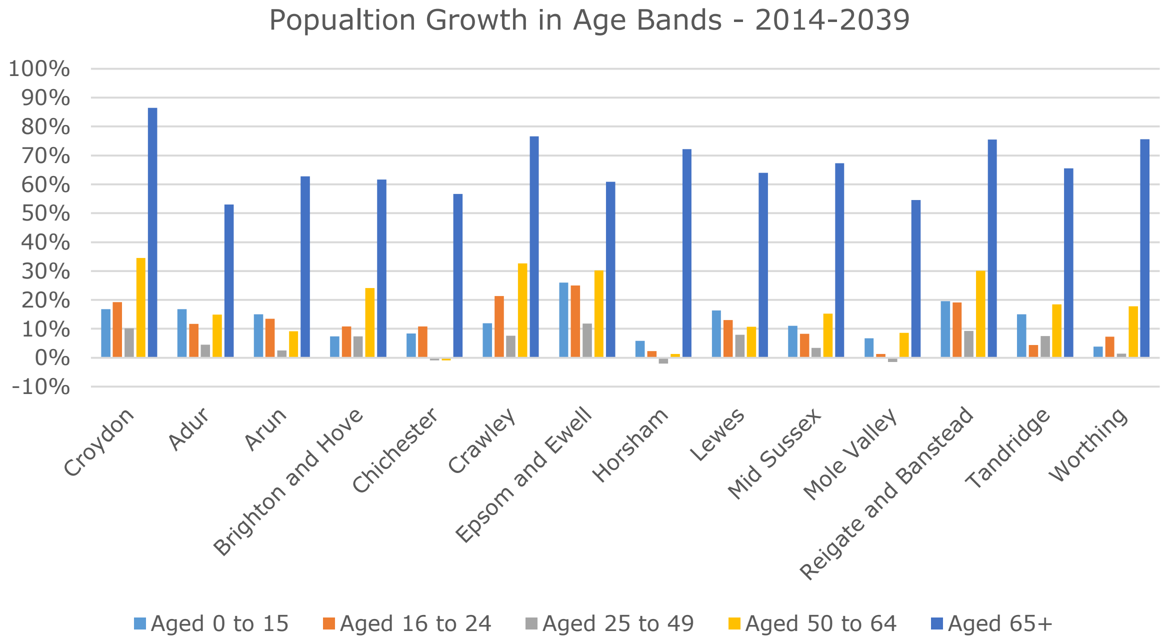

Figure 35

Whilst no area will avoid becoming older, some have stronger than average growth in the 0-15 and 16-24 age groups which will help offset some of this change and provide new workers to the labour market. These places include Croydon, Crawley, Epsom and Ewell, and Reigate and Banstead. Part of the challenge will be to keep these young people in the Coast to Capital area and not lose them to London considering the ageing workforce in other parts of the area.

Skills

The Coast to Capital area has always had a higher skilled population compared to the South East and nationally, but it has also always had pockets of lower skills in coastal areas. Figure 36 shows the rise of those with NVQ4+ qualifications rising from 31% to 44.6% in the Coast to Capital area, which is in line with national trends. This gives the area a competitive edge in terms of its workforce, their productivity, and the attractiveness for business locating here. However, our proximity to London attracts the highly skilled population as seen in the wage data and commuter patterns.

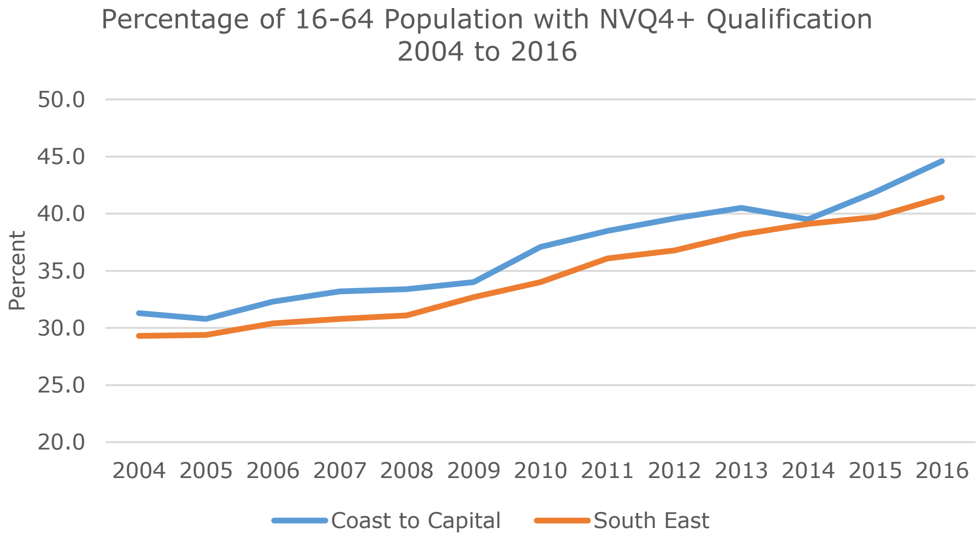

Figure 36

Whilst skills levels have increased across the Coast to Capital area in the last 12 years there are still lower levels of high level skills attainment in coastal areas and in Crawley, with Crawley only just above the UK average. In Crawley this is potentially cutting the local population out of the higher paying jobs available locally as many higher skilled workers commute into the area each day.

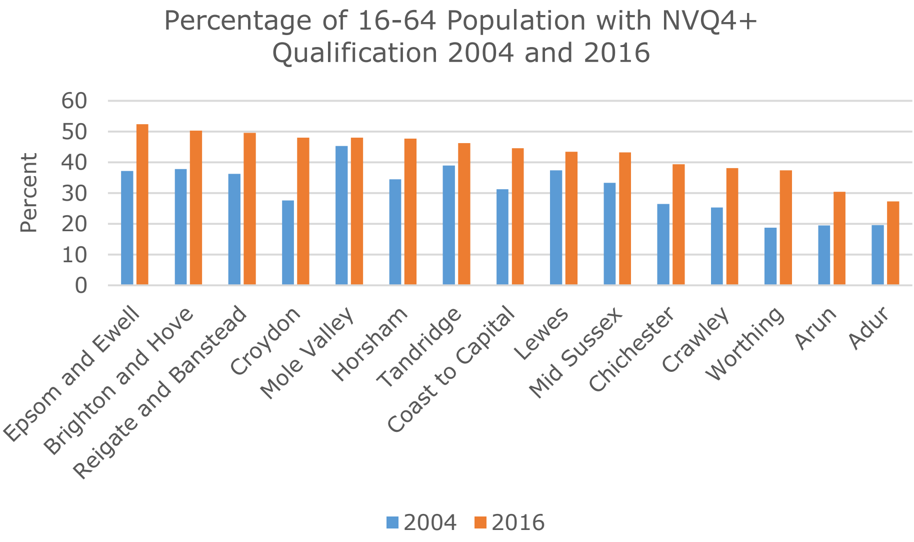

Figure 37

Further evidence of an increasingly skilled population in the Coast to Capital area can be found in the increasing levels of the population with NVQ3 qualifications and falling shares of the population with only NVQ2 or NVQ1 qualifications. Encouragingly the percentage of the population with no qualifications has fallen by more than half to 4.5%. However, these increasing skills levels is happening at different speeds at a local level.

Growth in NVQ4+ qualifications is happening slower than the Coast to Capital area average in Crawley, Adur, and Arun, meaning these areas are falling further behind in terms of high level skills. In these same places NVQ2 qualifications are rising but NVQ3 qualifications are falling, potentially highlighting a lack of provision at that level, but also reflecting the skills required for available jobs in those areas. There also needs to be consideration about what jobs are available for highly skilled workers as many commute out of the area to find higher paying work.

Inclusive Growth

Inclusive growth is increasing in prominence in national debates and it is likely to influence economic policy in the near term. However, whilst regular statistics and evidence is not widely available at a local level some models are being developed. The Coast to Capital area performs reasonably well on inclusive growth, however evidence suggests the high housing costs in the area are a cause for concern.

The Inclusive Growth Analysis Unit at Manchester University produced an Inclusive Growth Monitor for the Joseph Rowntree Foundation. It measures a number of variable to come up with a standardised score out of 9 for the themes of Economic Prosperity and Economic Inclusion, see figure 38.

Theme	Dimension	Broad indicator
Economic Inclusion *(Score 0 Min – 9 Max)*	Income *(Score 0 Min to 3 Max)*	Out of work benefits
		In-work tax credits
		Low earnings
	Living Costs *(Score 0 Min to 3 Max)*	Housing affordability (ownership)
		Housing costs (rental)
		Fuel poverty
	Labour Market Exclusion *(Score 0 Min to 3 Max)*	Unemployment
		Economic inactivity
		Workless households
Prosperity *(Score 0 Min – 9 Max)*	Output Growth *(Score 0 Min to 3 Max)*	Output
		Private sector businesses
		Wages/earnings
	Employment *(Score 0 Min to 3 Max)*	Workplace jobs
		People in employment
		Employment in High-tech Sectors (Knowledge Intensive Services & Hi-tech Manufacturing)
	Human Capital *(Score 0 Min to 3 Max)*	Higher level occupations
		Intermediate and higher level skills
		Educational attainment

Figure 38 – Building Blacks of the IG Monitor

In 2015 the Coast to Capital area scored 5.22 for Economic Prosperity and 5.94 for Economic Inclusion and both have grown since 2010, when the data starts. Figure 39 is a chart showing the Coast to Capital area's ranking compared to the other LEPs on the two themes.

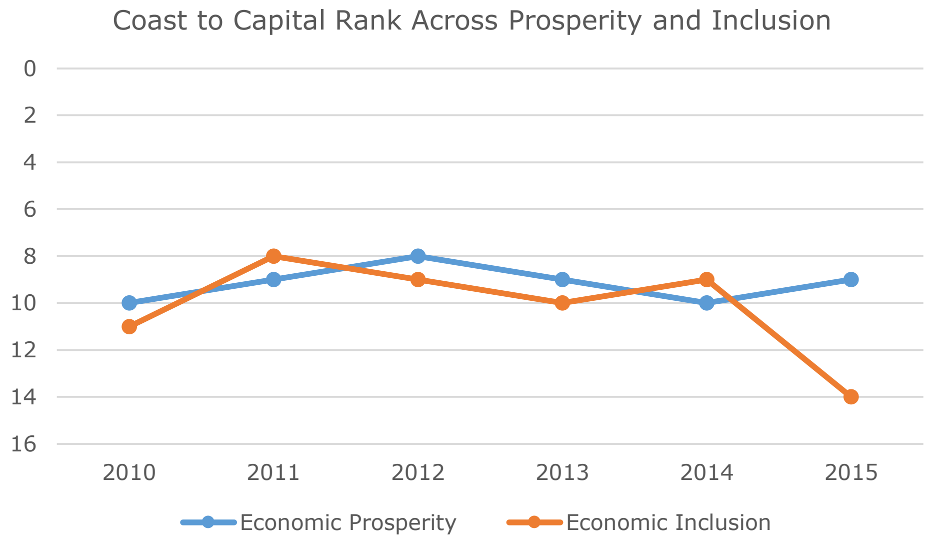

Figure 39

Figure 40 shows the ranking of the Coast to Capital area in each constituent part of the Inclusive Growth Monitor. It is clear that there are issues in housing and rental affordability and to a lesser extent a lack of jobs density in the area, which is likely a by-product of the size of the LEP and the significant rural area in comparison to others.

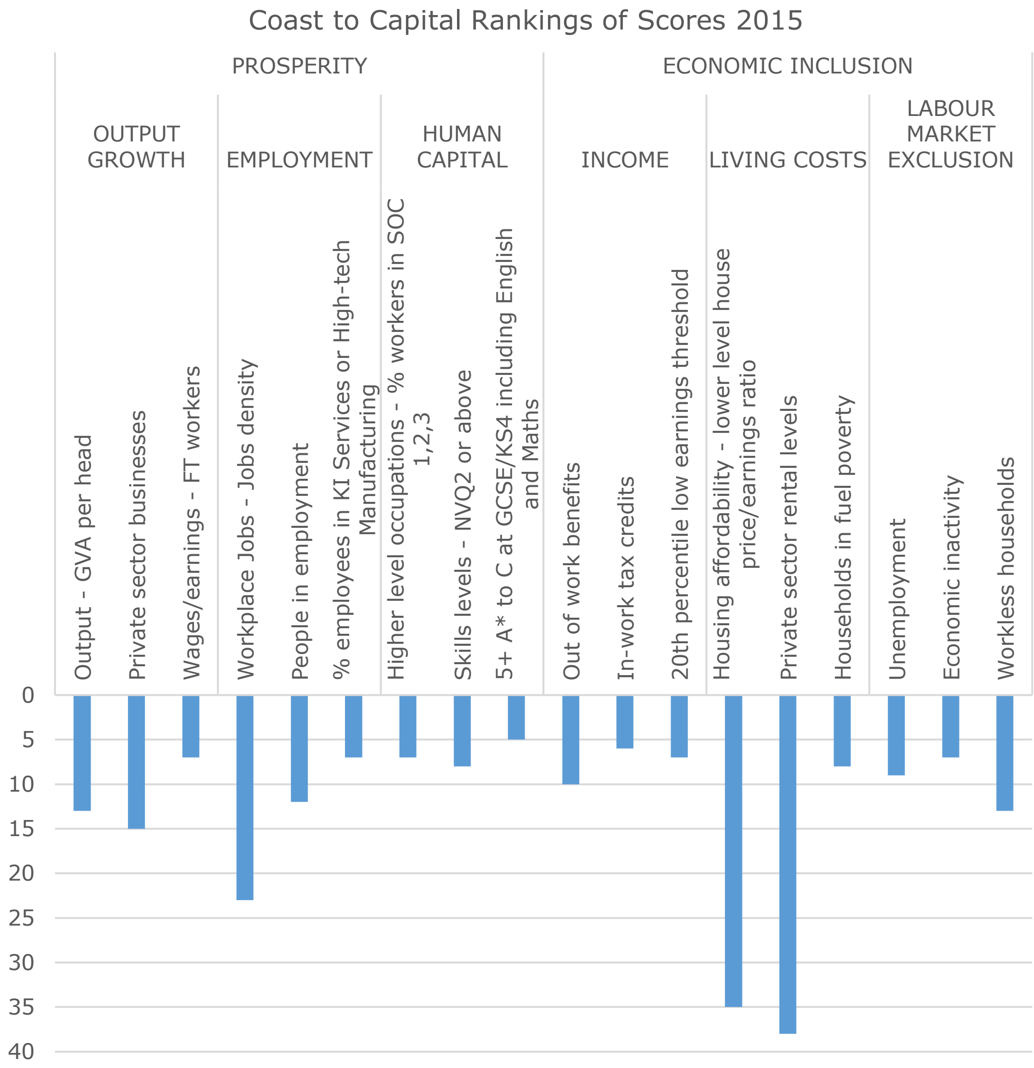

Figure 40

In another report the Joseph Rowntree Foundation highlights that 55% of people in poverty nationally are actually in work[8]. Poverty is defined as household income being less than 60% of median income, after housing costs. They note that housing plays a large part in this as it is the single largest cost most households face, particularly the private rented sector, which they call one of the major drivers of poverty.

Of those households in the bottom fifth of the income distribution they find that 38% spend a third of their income on housing costs, compared to 8% in the middle fifth of the income distribution. This rises to 70% in the private rented sector, compared to just under 30% for those in the middle fifth of the income distribution. In social rented housing, just under 50% of the lower income

[8] https://www.jrf.org.uk/press/work-poverty-hits-record-high-housing-crisis-fuels-insecurity

households pay over a third of their income on rent, compared to around 5% in the middle fifth.

They also note that the South East has higher than average levels of housing benefit payments, the average payment per week being £105 compared to £96 nationally, and higher levels of working family claimants, 38% compared to 31%.

Considering the cost of housing and rent affordability in the Coast to Capital area it would not be hard to imagine the figures in the previous three paragraphs being similar or higher in Coast to Capital and that housing costs are a major driver of poverty in the area.

Cost of Housing

The cost of housing is a significant issue for the Coast to Capital area, there are no Local Authority areas with median house prices below the national affordability ratio and private rental costs represent a significant percentage of monthly wages.

The median house price to median salary ratio is 7.7 in England, the lowest ratio in the Coast to Capital area is 8.9 in Crawley and as high as 14.1 in Mole Valley, almost twice as expensive as nationally. The distribution of the ratios in 2016 largely reflects the growth in house prices in each area since 2002. Mole valley experienced the largest growth in the ratio, 6.4 since 2002, however in Arun where it grew the least it still grew by 2.8.

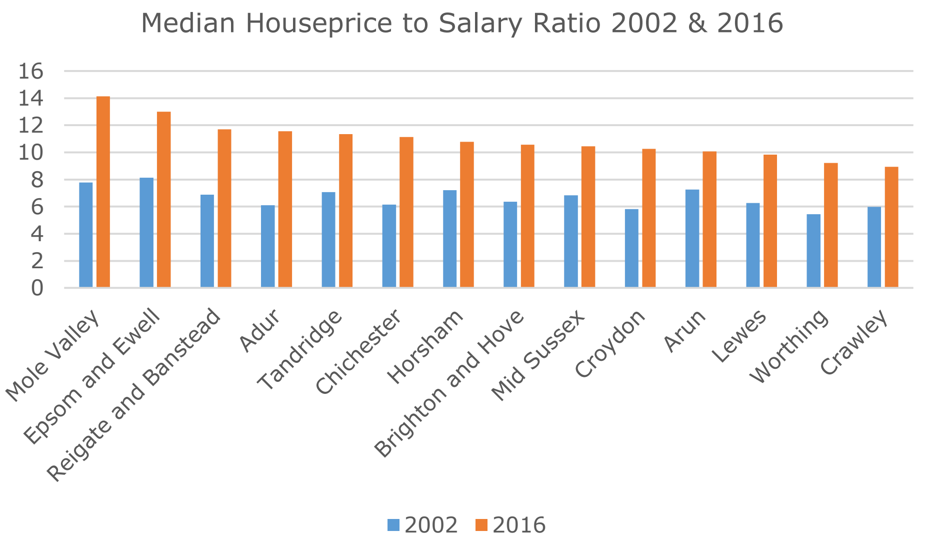

Figure 41

Housing becomes more unaffordable in the area once resident and workplace wages are split. As shown previously workplace wages are generally lower than resident wages, suggesting employers in the Coast to Capital area pay less than in surrounding areas and that residents can commute out of the area to find those higher wages. As figure 42 shows lower workplace wages means house price ratios increase in almost all areas, reaching as high as 16.2 in Epsom and Ewell. Crawley is the only area where local workers are more able to afford a house, highlighting the higher wages in Crawley's workplaces.

Median Houseprice to Salary Ratio 2016 - Commuters & Local Workforce

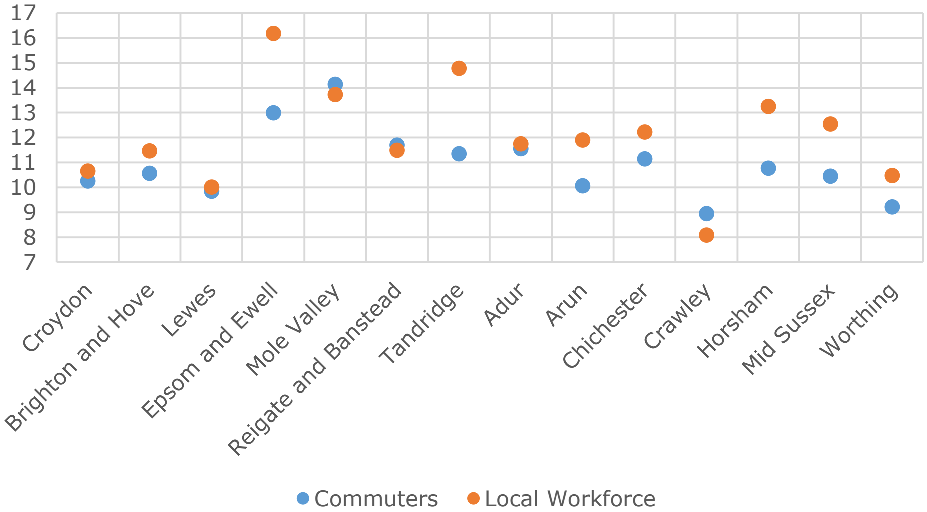

Figure 42

Private rent costs also represent a significant housing cost in the Coast to Capital area, ranging from 37% of wages in Worthing to 53% in Mole Valley. Rent costs are generally higher than nationally with five Local Authority areas rent amounting to over 50% of wages, putting them in the top decile of rent costs. Six more authority areas are in the second top decile, with Mid Sussex in the third decile and Worthing in the fourth, highlighting the significant cost of housing in the area.

Median Monthly Private Sector Rent as a % of Median Gross Monthly Salary 2015

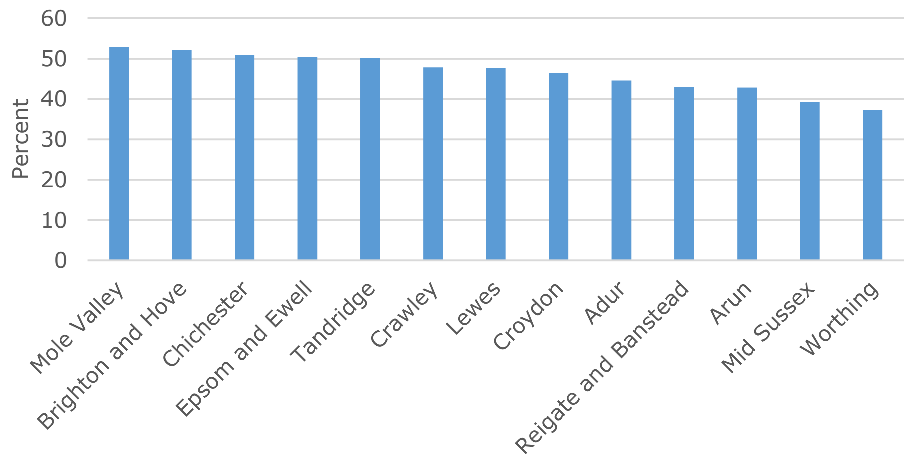

Figure 43

Businesses

There is a large and diverse business community in the Coast to Capital area which is growing, with record numbers of business start-ups in the area. However, there are a higher levels of micro businesses in the area and lower levels of small, medium, and large businesses compared to nationally. This reinforces evidence that businesses in the Coast to Capital area are less likely to scale-up at the same rate as the rest of the county, reducing the capacity for productivity, exporting, and employment growth that larger businesses provide.

There are 87,300 businesses in the Coast to Capital area, this is a rise of 15,000 since 2010, although part of this rise is due to a change in ONS methodology in counting businesses[9]. The Coast to Capital area has slightly lower levels of goods based businesses, just over 20% compared to 21% in the South East and 23% nationally, highlighting the service led nature of the local economy. The broad industry share of businesses in the Coast to Capital area and the South East can be seen in figure 44 below, there are no significant differences between the two areas and in both areas Professional, scientific, and technical businesses account for a substantial amount of businesses.

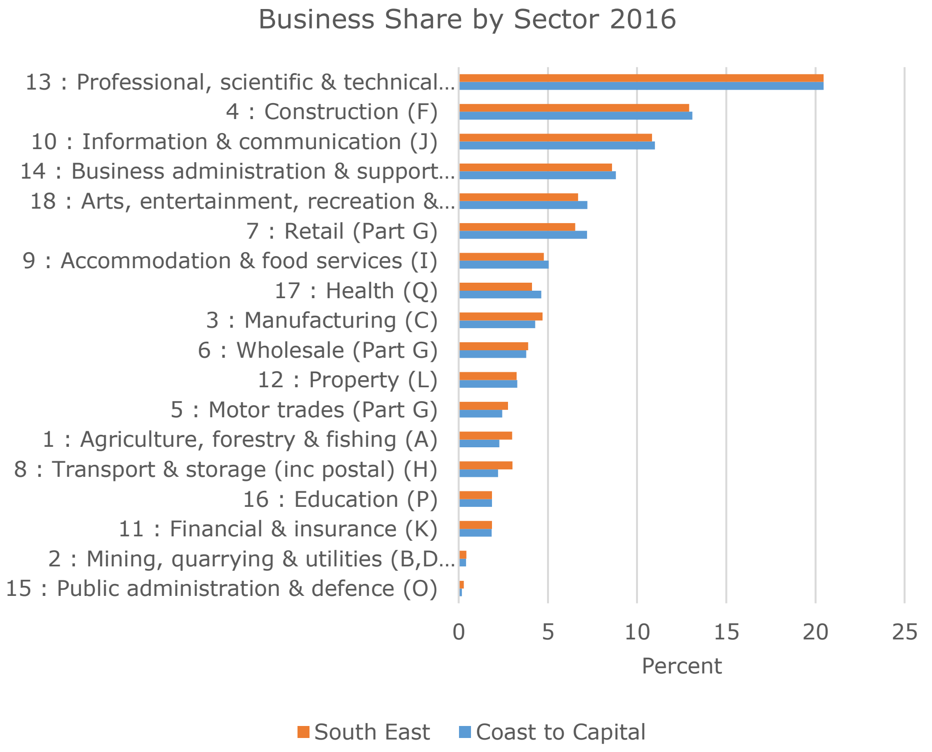

Figure 44

[9] In 2015 the ONS changed their business count methodology to include those businesses which are solely PAYE-businesses, rather than VAT and PAYE registered as previously.

Breaking down the growth in businesses, figure 45, shows which broad sectors have been most dynamic over the last six years, whilst remembering that some of this growth is from methodological changes. Whilst the two fastest growing sectors are some way ahead of other sectors, they are the two smallest sectors in the Coast to Capital area, see figure 44. The strong growth in Information and communication, Health, Professional, scientific, and technical, and Business administration, is more substantial considering the size of these sectors overall.

However, whilst this data shows us which sectors businesses are entering it does not show us how these businesses are growing in terms of turnover or employees, thus we cannot identify scale-up businesses or begin to address barriers to growth. More data needs to be made available from government to begin to achieve this.

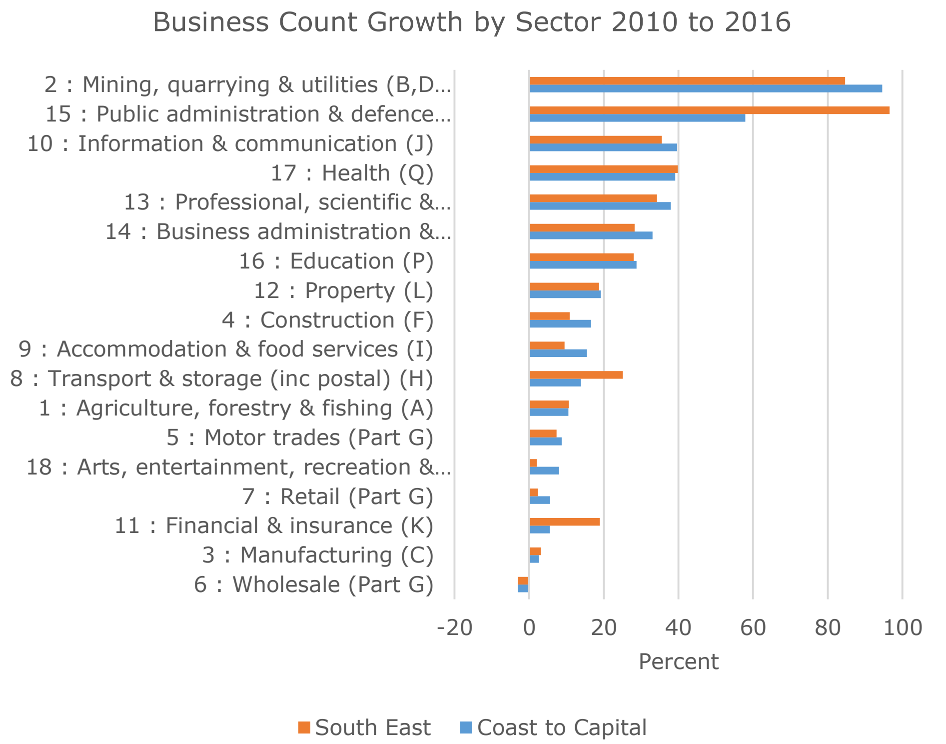

Figure 45

Businesses in the Coast to Capital area are generally smaller, in terms of employees, than those of the surrounding South East and nationally, which indicates a lack of business growth. Since 2010 the share of micro businesses has grown in all three geographies at the expense of small businesses which reflects the large number of start-ups seen since 2010 and the recovery from the recession. A lower share of small, medium, and large businesses suggests slow business growth and may be constraining the capacity to boost productivity and trade, and to offer quality jobs.

Share of Businesses by Size	Micro	Small	Medium	Large
Coast to Capital	90.6	7.8	1.3	0.3
South East	89.8	8.3	1.5	0.4
United Kingdom	89.2	8.9	1.6	0.4

Table 4

Within the Coast to Capital area the main area of divergence is Crawley, where micro businesses account for 85% of all businesses and large businesses make up 0.9%, which is the 4th largest Local Authority for large business share. This highlights the importance of Gatwick Airport to the local economy.

Business Start-ups

Since 2010 the number of business start-ups in the Coast to Capital area has grown by 50% to the highest levels since 2004, which is part of a more general recovery in business start-up numbers across the country and could be linked to the increase in self-employment. Figure 46 shows the increase in start-ups per 100 established businesses to compare new business rates in the Coast to Capital area and the South East. The higher numbers of start-ups per 100 businesses in the Coast to Capital area compared to the South East in part explains why there are more micro businesses in the Coast to Capital area and why they have been increasing faster than the South East.

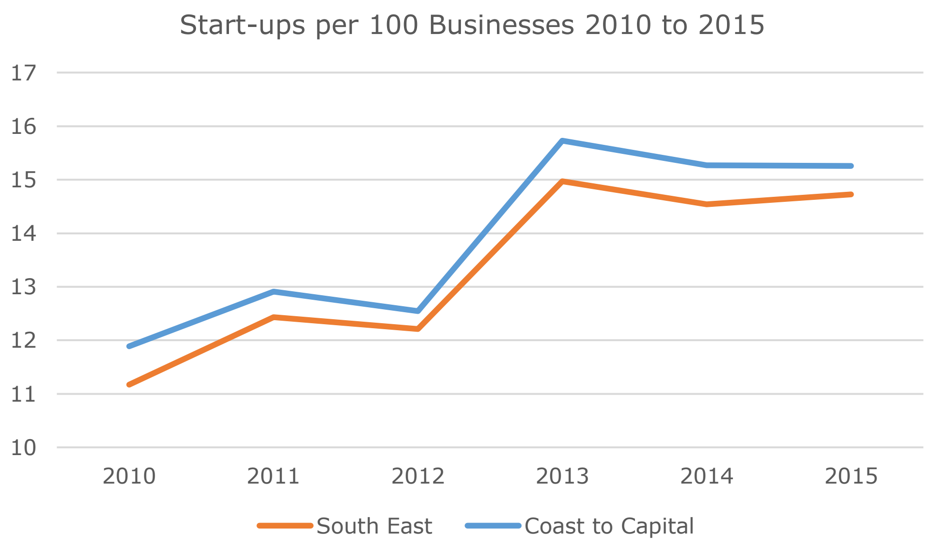

Figure 46

In figure 47 it can be seen that high business start-up rates are in the more urban centres of the Coast to Capital area and they have also had higher growth in start-up rates since 2010, which taken together is an example of the benefits of clustering for economic dynamism. Generally lower levels of start-up activity are in rural areas and Local Authorities that are larger and have more spread out urban centres.

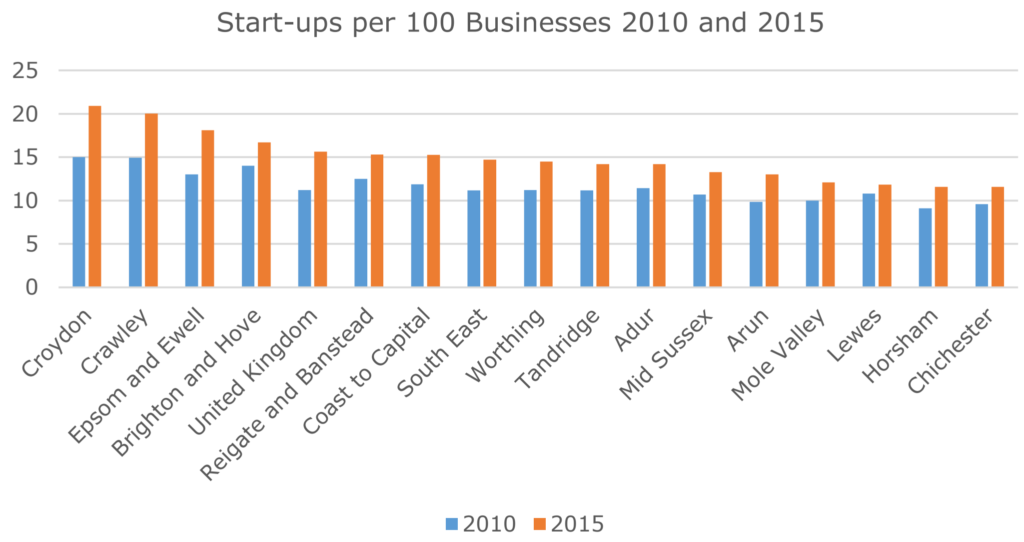

Figure 47

The number of start-ups in a given area is no indication of quality however. There is research[10] that shows the Coast to Capital area as having low rates of business scale up. Compared to the other LEPs the Coast to Capital area is ranked 25th for the rate of businesses scaling from £0 to £1m turnover in the last three years and 32nd for the rate of businesses scaling from £1-2m to £3m+ in the last three years. This level of scaling up is consistent across the three annual reports produced by the Enterprise Research Centre.

Further data is required to understand business growth at a local level, to see any local patterns in business scale-ups, which industries they are in, and at what stage they require intervention. Government can do more to make this data available to support business growth.

[10] Enterprise Research Centre – UK Local Growth Dashboard 2017

Brexit

Brexit will have far reaching impacts throughout the economy, from trade, skills and labour supply, business growth, and beyond. As an economy with high levels of knowledge intensive businesses, the Coast to Capital area will be one of the most impacted by Brexit. To face this businesses will require resilience and flexibility to respond to new challenges and exploit opportunities that arise.

Research by Centre for Cities[11] highlights the need for resilient economies post-Brexit. They find that '*Cities with large shares of employment in private-sector knowledge intensive services (KIBS), predominantly in the South, are predicted to be hit hardest*.' The report looks at the impact of both a hard and a soft Brexit, a hard Brexit being leaving the EU without a deal and defaulting to WTO rules, and a soft Brexit being a free trade agreement such as being part of the European Free Trade Association (EFTA).

Their analysis finds that Worthing would be the second most impacted city in the UK in both hard and soft Brexit scenarios, potentially losing 1.5% to 2.8% of GVA. Brighton and Hove is ranked 13th out of 62 cities for impact of a hard Brexit potentially losing 2.5% of GVA and losing 1.2% under a soft Brexit scenario.

The report highlights Crawley as being the most resilient city in the country, both in soft and hard Brexit scenarios, suggesting that the city would lose 0.7% to 1.1% of GVA. The reason for Crawley's resilience is due to the location of Gatwick Airport and the fact that the transport industry is expected to be one of the most resilient sectors. Coast to Capital analysis of this data suggests that in a hard Brexit scenario these three cities would lose a combined £300m GVA based on 2015 data.

Further research by the Centre for Economic Performance[12] suggests that Mole Valley will be the 5th most impacted Local Authority area by a hard Brexit scenario[13], with a further 3 areas in the top decile for GVA impact. Table 5 sets out the impact on GVA for each Local Authority area under a hard Brexit scenario and the decile they are in compared to all Local Authorities nationally. As can be seen Local Authorities in the Coast to Capital area are some of the most affected in the country. Based on calculations by Coast to Capital the potential combined impact of a hard Brexit would be a decline of 2.3% to GVA, which would be equivalent to £1.2 billion in 2015.

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[11] Centre for Cities: Brexit, trade and the economic impacts on UK Cities - http://www.centreforcities.org/reader/brexit-trade-economic-impacts-uk-cities/summary-of-findings/
[12] Centre for Economic Performance: The Local Economic Effects of Brexit - 2017
[13] Out of the 380 Local Authorities in the UK

Local Authority	Hard Brexit Impact	Decile of Impact
Mole Valley	3.0%	1
Worthing	2.8%	1
Reigate and Banstead	2.8%	1
Epsom and Ewell	2.6%	1
Brighton and Hove	2.5%	2
Croydon	2.5%	2
Mid Sussex	2.3%	3
Tandridge	2.2%	4
Horsham	2.2%	4
Adur	2.1%	5
Lewes	2.1%	5
Arun	2.0%	6
Chichester	1.9%	7
Crawley	1.1%	9

Table 5

As previously noted many of the hardest hit areas have higher levels of knowledge intensive businesses, however the report suggests that knowledge intensive local economies will be more flexible and be able to adapt quicker than local economies with lower levels of knowledge intensive businesses.

Brexit will have far reaching impacts throughout the economy and this report only looks at a small part of this, focusing on the likely impact resulting from reduced international trade. The report does not look at the long term impact of Brexit or the potential speed of recover either, highlighting the short term impact instead. It is an important first step in scoping out the potential economic impact of Brexit.

Technological Disruption

Technological disruption is a transformational process caused by emerging digital technologies and business models. These innovative new technologies and models can impact the value of existing products and services offered in the economy and create new products and services. Investment in new technologies can boost productivity and create new jobs, however it also has the potential to cause a large scale shift in the types of jobs workers do and the skills required to do them.

Automation through robotics and AI has the potential to boost productivity by removing routine tasks from workers roles, allowing them to focus on higher value activities. This will effect businesses and employment across all sectors and skill levels, analysis by PwC[14] suggests up to 30% of jobs are at risk of automation. In the Coast to Capital area this would be up to 240,000 jobs at risk based on 2015 jobs levels. Certain sectors are more at risk than others as table 6 shows. The sectors with the largest volume of jobs at risk are Wholesale and retail trade, Admin and support services, and Transportation and storage, potentially creating a large pool of middle-skilled workers requiring new jobs.

Sector	% of Jobs at Risk
Water supply; sewerage, waste management	63%
Transportation and storage	56%
Manufacturing	46%
Wholesale and retail trade	44%
Administrative and support service activities	37%
Financial and insurance activities	32%
Public administration and defence	32%
Electricity, gas, steam and air conditioning supply	32%
Real estate activities	28%
Information and communication	27%
Professional, scientific and technical activities	26%
Accommodation and food service activities	26%
Construction	24%
Mining and quarrying	23%
Arts, entertainment and recreation	22%
Agriculture, forestry and fishing	19%
Other service activities	19%
Human health and social work activities	17%
Education	9%

Table 6 – PwC estimated impact on sector jobs by automation

[14] PwC UK Economic Outlook – 2017: http://pwc.blogs.com/press_room/2017/03/up-to-30-of-existing-uk-jobs-could-be-impacted-by-automation-by-early-2030s-but-this-should-be-offse.html

This analysis takes into account the potential for new jobs and sectors to emerge from automation, thus some of these ‘lost’ jobs will be replaced by new ones. It is likely that these new jobs will be higher skilled as replacement jobs from technological disruption have historically been skilled biased. This will require increased education for people coming through the education system now and retraining and up-skilling for those currently in the workforce. There is also likely to be a shift in jobs towards those sectors that face lower levels of automation, such as Education, Health and Care, and Arts and recreation.

Annex

Percentage share of jobs in Local Authorities - 2015

Industry	Croydon	Adur	Arun	Brighton and Hove	Chichester	Crawley	Epsom and	Horsham	Lewes	Mid Sussex	Mole Valley	Reigate and Banstea	Tandridge	Worthing	Coast to Capital
1 : Agriculture, forestry & fishing	0.1	0.3	0.2	0.0	0.6	0.0	0.1	0.6	0.4	0.3	0.5	0.4	0.4	0.1	0.2
2 : Mining, quarrying & utilities	0.6	1.5	0.6	0.5	0.3	1.3	1.5	1.2	1.3	0.8	1.0	1.0	0.8	2.3	1.0
3 : Manufacturing	1.9	11.8	7.7	2.0	8.2	5.4	0.6	7.5	5.9	5.8	5.8	2.7	3.3	6.6	4.6
4 : Construction	4.4	5.5	4.8	2.8	3.7	2.4	5.6	5.5	5.2	4.6	5.2	5.8	8.7	2.9	4.3
5 : Motor trades	1.9	2.5	2.1	1.1	1.7	1.9	2.1	2.4	1.5	1.7	1.6	1.8	1.4	1.3	1.7
6 : Wholesale	3.3	5.6	3.6	2.2	4.1	3.9	3.7	7.2	3.3	9.0	3.6	5.1	3.5	2.6	4.1
7 : Retail	13.9	13.2	14.7	10.5	10.7	9.2	9.5	11.5	10.1	10.3	7.9	7.1	8.7	12.9	10.8
8 : Transport & storage (inc postal)	4.0	2.9	3.2	2.6	1.8	24.3	2.6	2.1	3.2	2.6	1.4	3.2	3.6	2.5	5.0
9 : Accommodation & food services	6.2	6.1	12.8	10.8	10.2	8.5	5.9	6.6	7.8	7.3	6.4	5.7	8.3	5.3	8.0
10 : Information & communication	4.4	5.8	2.2	5.8	3.0	4.0	3.8	5.9	3.3	4.1	9.3	4.8	3.9	3.3	4.6
11 : Financial & insurance	3.7	2.8	1.5	6.0	2.5	3.7	3.5	3.1	0.8	6.0	5.0	12.9	2.1	4.7	4.7
12 : Property	2.4	1.1	1.8	1.9	3.3	0.5	1.6	2.6	2.4	2.2	2.3	1.8	1.9	2.4	2.0
13 : Professional, scientific & technical	9.1	6.7	4.6	6.8	6.2	5.6	13.7	9.4	6.6	8.3	15.3	9.3	10.0	5.4	8.1
14 : Business administration & support services	7.7	7.1	7.1	7.4	7.9	15.2	7.2	7.8	4.5	4.7	8.6	7.1	8.8	7.0	8.0
15 : Public administration & defence	7.6	3.1	3.2	3.8	6.1	2.4	1.3	1.6	7.4	1.4	1.7	3.7	1.6	4.6	3.9
16 : Education	10.5	9.0	8.4	12.5	10.1	5.3	12.4	9.2	10.7	10.9	8.2	7.8	12.4	7.4	9.7
17 : Health	14.1	10.7	16.8	17.4	13.7	4.5	19.4	9.5	20.9	15.2	12.0	16.8	14.7	24.8	14.7
18 : Arts, entertainment, recreation & other services	4.2	4.1	4.9	5.8	5.8	1.9	5.5	6.2	4.7	4.8	4.3	3.0	6.0	4.0	4.6

Sector Specialisation

Using the EU Cluster Observatory framework for identifying clusters[15] we find the Coast to Capital area has no three star clusters. The framework is a set of three criteria, a sector gets a star for each criteria met.

The framework is as follows:

- **Size** – a regions sector has to be in the top 10% of employment share for the countries total sector employment.
- **Specialisation** – the Location Quotient[16] for a sector needs to be over 2.0.
- **Focus** – the sector needs to be in the top 10% of industries for employment share in the local region.

Applying this framework to the three digit SIC code employment data finds that the Coast to Capital area has two star clusters in:

- 266 : Manufacture of irradiation, electromedical and electrotherapeutic equipment – in this sector the Coast to Capital area has 37% of national (England) employment.
- 511 : Passenger air transport – just under 15% of national employment.
- 651 : Insurance – 12% of national employment.
- 233 : Manufacture of clay building materials
- 021 : Silviculture and other forestry activities
- 722 : Research and experimental development on social sciences and humanities
- 791 : Travel agency and tour operator activities
- 491 : Passenger rail transport, interurban

These are a varied set of sectors, highlighting our assets in Gatwick, the rural area, and a busy rail network. It also highlights our reliance on a few key employers in Insurance (RSA, More Than, Esure) and the Manufacture of electro medical equipment (Elekta, Varian).

A basic location quotient analysis at the three digit SIC industry level shows 100 industries where the Coast to Capital area has relative specialisation compared to nationally (England). This ranges from a very minor specialisation in Retail sale of cultural and recreational goods (1.004) to a significant specialisation in the Manufacture of irradiation, electromedical and electrotherapeutic equipment (11.197).

Given the broad nature of the specialisations above and the broader diversity of the Coast to Capital area's economy and geography a more place specific analysis of clusters and specialisation may be more appropriate. Many of the benefits of clustering are based on proximity, hence why many digital businesses gravitate

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15 http://www.clusterobservatory.eu/common/galleries/downloads/Strong_Clusters_in_Innovative_Regions_Report.pdf

16 The share of local employment divided by the share of national employment in a sector. A result of >1.0 suggests there is a local specialisation in that industry relative to nationally.

to Brighton as an obvious example. The fact that the digital industry did not appear on the list above also shows that the size of the Coast to Capital area may be hiding specialisations in local places.