Coastal West Sussex: economic impact of the recession and sectoral strengths for the upturn

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Introduction

This paper summarises the current and recent economic performance of coastal West Sussex, making comparisons with the county and region as a whole where appropriate. Data at ward level is used where possible, in order to highlight the performance of the coastal strip particularly, but in some cases data limitations mean that the full districts bordering the coast are used (that is, Adur, Arun, Chichester and Worthing).

The paper covers the following topics:

1. Profile of the West Sussex coastal economy
2. GVA and employment trends – recent and projected
3. Recent trends in business stock and employment
4. Business start-up
5. Redundancies
6. Unemployment trends during the recession
7. Key industrial sectors and their growth potential

1. Profile of the West Sussex coastal economy

Employment rate

- The employment rate in Coastal West Sussex was 77.7% during June 2009, which is lower than that for the South East (78.1%) and West Sussex as a whole (79.5%). The employment rate has fallen since June 2008 in all three areas.
- Within West Sussex, Adur had the highest employment rate (85.8%) and Worthing the lowest (73.4%).

	South East	West Sussex county	Coastal West Sussex average	Adur	Arun	Chichester	Worthing
Jul 2008-Jun 2009	78.1	79.5	77.7	85.8	76.5	78.8	73.4
Jul 2007-Jun 2008	78.6	80.6	79.6	83.6	82.2	79.0	74.1
Jul 2006-Jun 2007	78.5	80.7	79.4	84.1	78.2	75.7	82.1

Source: Annual Population Survey, NOMIS

Unemployment rate

- The unemployment rate in Coastal West Sussex was 4.9% during June 2009, which is slightly higher than that for West Sussex as a whole (4.6%). However, both areas have a lower unemployment rate that that for the South East (5.1%). The unemployment rate has risen in all three areas since June 2007.
- Within Coastal West Sussex, Adur had the highest unemployment rate (6.2%) and Chichester had the lowest (2.8%).

	South East	West Sussex county	Coastal West Sussex	Adur	Arun	Chichester	Worthing

			average				
Jul 2008-Jun 2009	5.1	4.6	4.9	6.2	6.0	2.8	4.7
Jul 2007-Jun 2008	4.4	3.6	4.2	4.7	3.3	3.1	6.5
Jul 2006-Jun 2007	4.3	3.0	2.8	5.1	2.7	3.8	N/A

Source: Annual Population Survey, NOMIS

GVA per head

GVA per head during 2008 was slightly lower in West Sussex (£20,382) than in the South East as a whole (£21,248), but in both areas there was an increase between 2007 and 2008.

GVA per head	South East	West Sussex
2008	21,248	20,382
2007	20,152	19,301

Source: ONS

% of working age population with NVQ2+

- The percentage of the working age population in Coastal West Sussex qualified to NVQ2 and above was 65% during December 2008, which is lower than that for the South East (68.9%) and West Sussex as a whole (67.8%).
- The proportion of the population qualified to this level has fallen since December 2007 in both Coastal West Sussex (down from 69.5%) and in West Sussex as a whole (70%).
- This is in contrast to the South East, where the proportion qualified to NVQ2+ has risen slightly, from 68.2% in December 2007 to 68.9% in December 2008.

	South East	West Sussex county	Coastal West Sussex average	Adur	Arun	Chichester	Worthing
Jan 2008-Dec 2008	68.9	67.8	65.0	69.6	62.3	63.2	67.6
Jan 2007-Dec 2007	68.2	70.0	69.5	64.7	69.4	70.4	71.8

Source: Annual Population Survey, NOMIS

Median full-time weekly earnings – residence based

- Average full time weekly earnings in Coastal West Sussex during 2009 were £460 This was lower than for West Sussex (£500) and for the South East as a whole (£540).
- There was wide variation within Coastal West Sussex during 2009. Residents of Chichester earned £510 per week on average, which was higher that the West Sussex and Coastal West Sussex averages. This is in contrast to residents in Adur, who earned £400 on average per week.

- The South East and Coastal West Sussex areas saw an increase in average earnings between 2008 and 2009 (from £520 to £540 in the South East and from £450 to £460 in Coastal West Sussex). Earnings in the wider West Sussex area were almost static during the same period, at just under £500 in both 2008 and 2009.

Date	**South East**	**West Sussex**	**Coastal West Sussex average**	**Adur**	**Arun**	**Chichester**	**Worthing**
2009	536.6	498.3	458.6	404.2	436.9	514.0	479.3
2008	524.8	498.9	454.7	416.8	453.0	463.9	485.2
2007	502.3	477.2	424.8	402.5	389.7	465.3	441.5

Source: Annual Survey of Hours and Earnings, NOMIS

2. GVA and employment trends

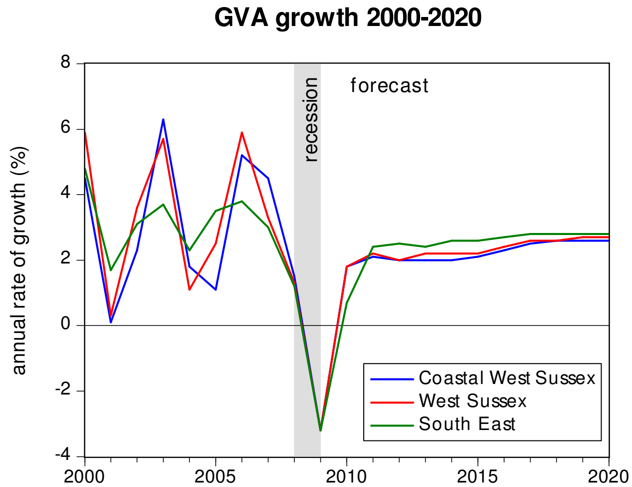
Immediately before the recession, GVA and employment in coastal West Sussex were growing at a faster rate than in the South East as a whole, but following the recession rates of growth in coastal West Sussex are forecast to be lower than the regional average.

- Between 2006 and 2008, GVA in coastal West Sussex grew relatively strongly, at a rate above the South East average. GVA growth averaged 2% per year between 2006 and 2008 in coastal West Sussex, compared to 1.4% in the South East.

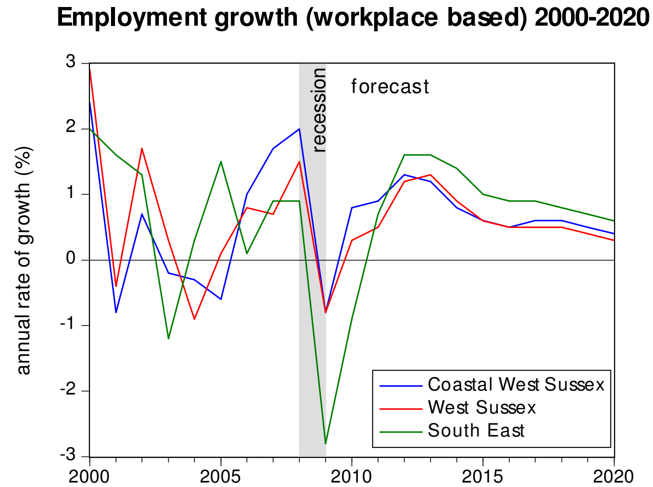
- However, from 2010 onwards, when the South East economy is forecast to return to growth, rates of GVA growth in coastal West Sussex are projected to be below the South East average (see chart on LHS, below).

- A similar picture is evident for employment, with coastal West Sussex seeing noticeably stronger employment growth than the South East between 2006 and 2008. During this period employment grew by an average of 1.3% per year in coastal West Sussex, compared to just 0.6% per year in the South East.

- However, from 2011, when employment is expected to return to growth in the South East, the rate of increase in coastal West Sussex is projected to be below the regional average (see chart on RHS, below).



Source: Experian Business Strategies, Autumn 2009



Source: Experian Business Strategies, Autumn 2009

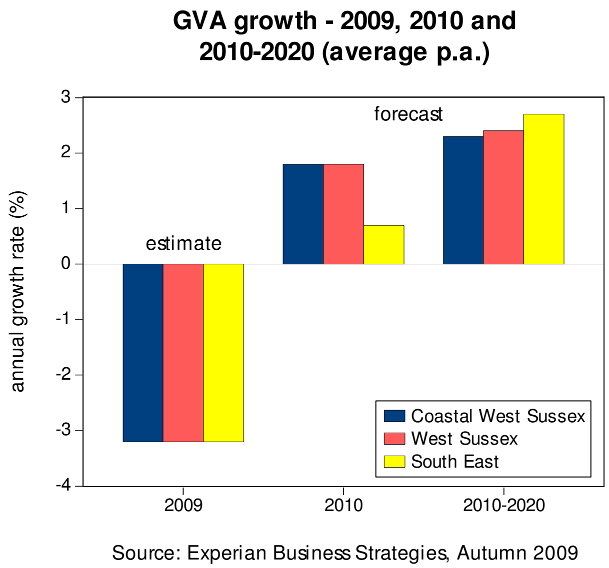
GVA and employment in coastal West Sussex are expected to have been less affected by the recession than in the South East. However, the recovery is projected to be less strong in coastal West Sussex.

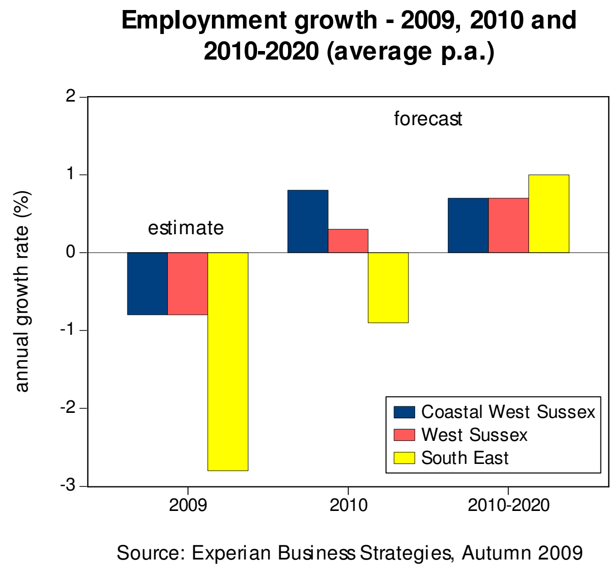
- Experian's most recent forecasts suggest that the rate of contraction in GVA in coastal West Sussex in 2009 was no faster than in the South East as a whole (-3.2%).

- It is projected that once the economy returns to growth in 2010, the rate of growth in coastal West Sussex (and the wider county as a whole) will be significantly higher than in the South East, at 1.8% compared to 0.7%. However, over the medium term (2010-2020) GVA is projected to grow more strongly at regional level than in coastal West Sussex. The average annual rate of growth in GVA is projected to be 2.3% in coastal West Sussex, compared to 2.7% in the South East. (See chart on LHS, below).

- The decline in employment in 2009 is expected to have been significantly more muted in coastal West Sussex than in the South East – dropping by -0.8% compared to -2.8% in the South East. In 2010, employment in the South East is projected to continue declining, while in coastal West Sussex it is forecast to return to reasonably strong growth of 0.8%.

- However, over the medium term (2010-2020) employment in the South East is projected to recover more strongly than in coastal West Sussex and the wider county. While employment in the South East is forecast to grow by 1% per year on average over this period, employment growth in coastal West Sussex is expected to average 0.7% per year. (See chart on RHS, below).





The differing performance of coastal West Sussex and the South East can be explained in large part by the industrial mix.

- The slower rate of decline in GVA and employment in coastal West Sussex during the recession could be explained by the greater concentration of public services and the smaller contribution of financial and business services to the local economy, relative to the South East. Public services were generally cushioned from the recession, with relatively few job losses in 2009, while there were significant redundancies in financial and business services in some parts of the region.

- Growth in both GVA and employment in coastal West Sussex is projected to be more muted than in the South East following the recession. This could be because of the greater concentration of public sector employment in coastal West Sussex (31% of employees in coastal West Sussex work in the public sector compared to 25% in the South East). The anticipated cuts in public spending are likely to lead to significant job losses in the public sector, which will leave areas which are more reliant on employment in this sector more exposed.

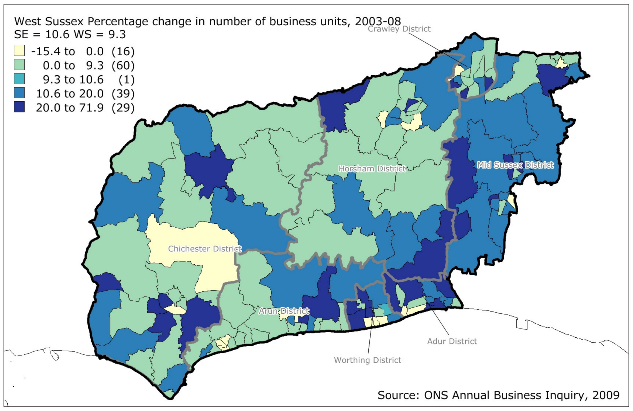
3. Recent trends in business stock and employment

In contrast to large parts of West Sussex, the coastal strip has tended to see slow growth, and most recently, decline in businesses and employment.

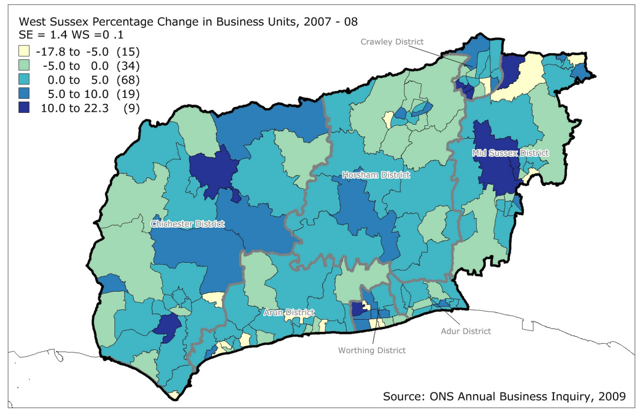
- Along the West Sussex coastal strip, the general trend over the five years to 2008 was for slow growth or even decline in the number of business units. By contrast, large parts of Mid Sussex and Horsham saw relatively strong growth in business units (above the South East average). See map on LHS, below.

- In the more recent period, 2007-2008, which captures the early impact of the recession, a significant number of wards in coastal West Sussex saw a decline in business stock. The coastal parts of Adur tended to perform better on this measure than other parts of the coastal strip. (See map on RHS, below).

Percentage change in number of business units, 2003-08



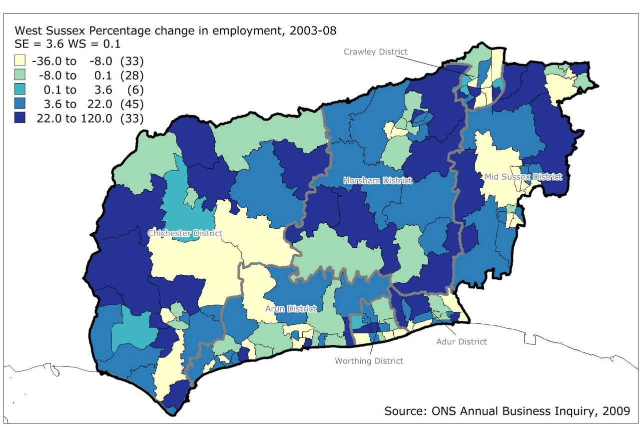
Percentage change in number of business units, 2007-08



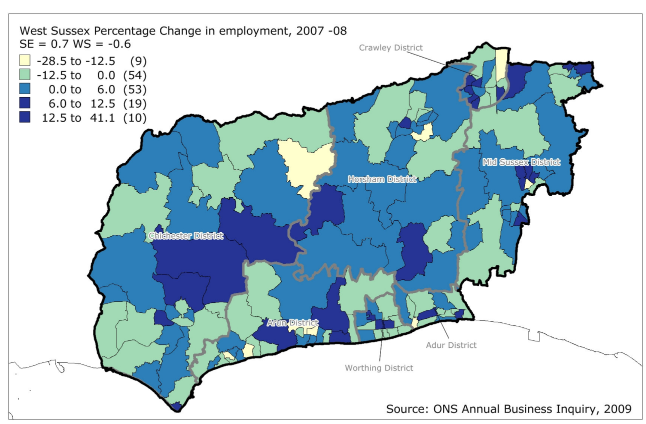
- In the five years up to 2008, the majority of wards along the coastal strip of West Sussex experienced a decline in employment, in contrast to large parts of the north of the county, where employment grew particularly strongly. This is likely to be due to the fact that lower value, lower growth industries tend to be concentrated along the coast. (See map on LHS, below).

- Most recently, from 2007-08, fewer wards along the coastal strip saw a decline in employment, despite the recession starting in the second quarter of 2008. This may be because public sector employment (of which there is a relatively significant concentration along the West Sussex coast) was cushioned from job losses during the recession. (See map on RHS, below).

Percentage change in employment, 2003-08



Percentage change in employment, 2007-08



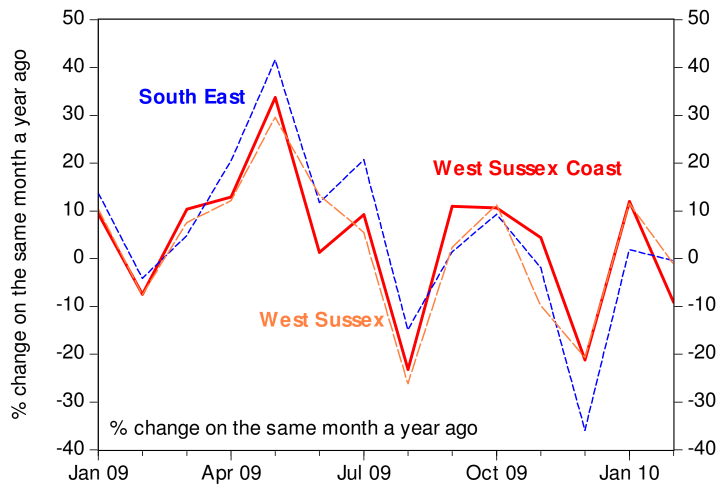
4. Business start-up

The impact of the recession on business start-ups is uncertain, but there is some evidence for a growth in 'necessity' start-ups resulting from redundancy.

- It is difficult to say whether the recession had an impact on the number of new business starts in West Sussex. The latest data from major UK banking groups suggests that there has been an increase in the opening of first business accounts in the South East.[1] The number of new openings of a first current account from a small business banking product range in 2009 was 69,500 – an increase of 3.4% on the previous year.

- In West Sussex the number of business 'starts' on this definition was 6,200 in 2009, which represents a decline of 2.7% compared to 2008. In the coastal districts of West Sussex, the number of starts also declined (by -1.6%), though at a much slower rate than in West Sussex as a whole.

Growth in the opening of new business accounts, 2009-2010



Source: BankSearch 2010

- The chart above shows the percentage change in the number of business starts compared to the same month a year ago. The chart suggests that starts tended to increase in the first half of 2009 but tended to decline in the second half of the

[1] BankSearch collects data from the main suppliers of business banking services: Barclays, Co-operative Bank, HSBC, Lloyds Banking Group, Royal Bank of Scotland Group and Santander. A 'Start-up' reflects the opening of a first current account from a small business banking product range. They represent businesses new to banking or those previously operated through a personal account. The data exclude businesses operating through personal accounts, those without banking relationships or those banking with other institutions. A small business is defined as having, or expected to have, annual debit turnover (ie outward payments from their accounts) of up to £1m per annum. Clubs, charities, societies and other 'non-profit institutions serving households' are included.

year. This trend can be seen in the South East, West Sussex, and also in the coastal districts of West Sussex.

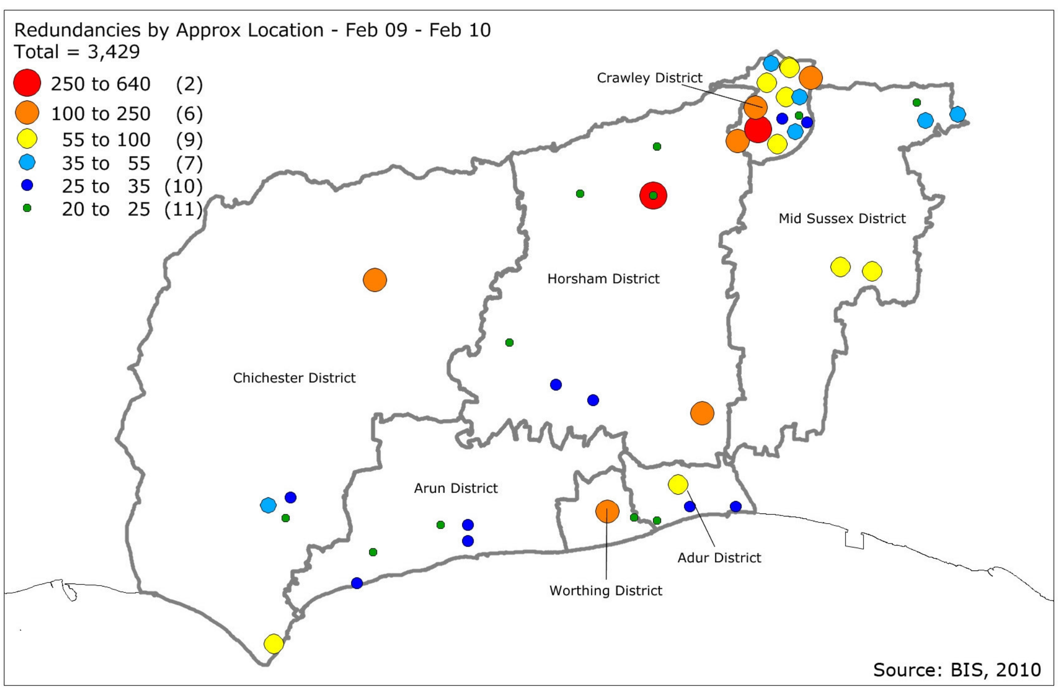
- This could mean that at the height of the recession, when a large number of people were being made redundant (and could not find a job), more people decided to start a business (so-called 'necessity' entrepreneurs). However, as the recession progressed, and the pace of redundancy notifications slowed down somewhat, fewer people chose to or were forced of necessity to engage in entrepreneurial activities.

5. Redundancies

There have been relatively few large redundancies in West Sussex during the recession, particularly along the coastal strip.

- Because of the greater concentration of smaller firms in West Sussex, particularly along the coast, there have been relatively few large redundancy notifications here in the past 12 months. Firms are required to notify BIS only if they are intending to make more than 20 employees redundant. A total of 3,900 redundancies were notified to BIS by firms based in West Sussex between February 2009 and February 2010.

Redundancy notifications by size and location



- As the map above shows, the majority of large redundancy notifications in West Sussex in the year to February were concentrated in Crawley (a total of 1,400). This was largely due to significant redundancies in the transport and manufacturing sectors, which employ a large proportion of the workforce in the area.

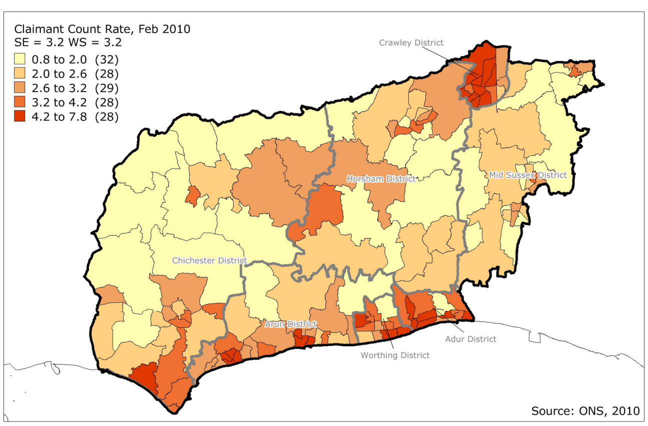
6. Unemployment trends during the recession

Coastal wards in West Sussex tend to have the highest unemployment rate, and saw the fastest increase in the unemployment rate during the recession.

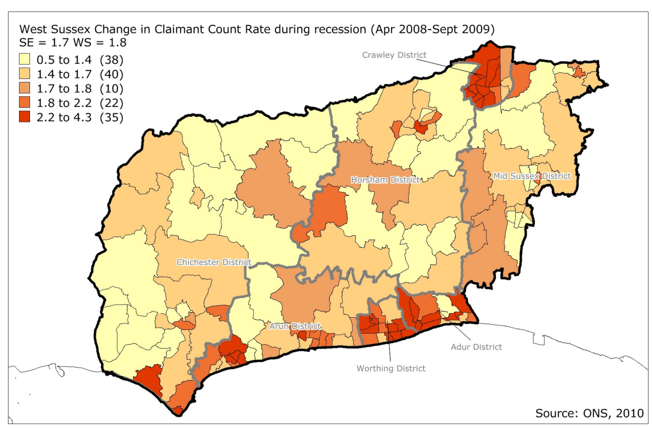
- Across the South East, places with the highest unemployment rate tend to be coastal areas and cities – the latter because of their greater concentration of lower skilled residents who tend to be more vulnerable to job losses. In the case of coastal areas, unemployment rates tend to be higher because of the strong presence of seasonal industries such as tourism and hospitality, which require fewer staff in the winter months. There also tends to be a greater concentration of lower value added industries in coastal areas (such as low value manufacturing, distribution and retail) where the turnover of staff can be higher than in other sectors.

- Recent claimant count figures (February 2010) bear this out. As the map below left shows, areas along the coastal strip of West Sussex tend to have higher unemployment rates than inland parts of the county. In some coastal wards up to 8% of working age residents are claiming Jobseekers Allowance. The exception to this pattern is Crawley, where the unemployment rate averages more than 4% - likely to be a reflection of the relatively large number of redundancies in this area in recent months (as identified in Section 5).

Claimant count unemployment rate, February 2010



Change in claimant count unemployment rate during recession (April 2008-Sept 2009)



- When looking at the change in the unemployment rate over the course of the recession (April 2008 to September 2009) a very similar pattern is evident (see map on RHS, above). Both coastal areas and Crawley saw the fastest increases in the unemployment rate in this period, whereas for large parts of 'inland' West

Sussex the unemployment rate increased by less than 1.5 percentage points in this 18 month period.

7. Key industrial sectors and their growth potential

The sectoral mix of employment in coastal West Sussex is more heavily skewed towards lower value industries – primary, manufacturing, the public sector and hospitality – than is average across the South East.

- The table below indicates how the share of employment in different sectors in districts of coastal West Sussex compares to the South East as a whole. A figure of 1 indicates that the proportion of total employment in a particular sector is the same in the West Sussex district as in the South East. A figure above 1 indicates that a greater proportion of employees work in a particular sector in the West Sussex district compared to the South East. A figure below 1 means that there is a smaller concentration of employment in that particular sector in the West Sussex district compared to the South East.

Concentration of employment by sector relative to South East average, 2008

Sector	Adur	Arun	Chichester	Worthing	West Sussex
Agriculture, forestry, fishing	0.2	2.8	4.1	0.2	0.2
Mining and quarrying	9.0	0.0	1.0	0.0	1.0
Manufacturing	1.6	1.3	1.1	0.9	1.2
Electricity and gas	0.0	0.0	0.0	3.7	1.3
Water, sewerage and waste mngt	0.5	1.0	0.3	0.3	0.5
Construction	1.5	1.0	1.0	0.5	0.9
Retail	1.2	1.1	0.9	0.9	1.0
Transportation and storage	0.5	0.7	0.5	0.5	1.8
Accommodation and food service	0.8	1.2	1.2	0.8	1.0
Information and communication	0.7	0.4	0.5	0.7	0.7
Finance and insurance	0.5	0.4	0.8	2.2	1.2
Real estate	0.6	0.9	1.6	0.8	1.1
Professional, scientific & technical	1.1	0.5	0.9	0.8	0.8
Admin and support services	0.7	0.9	0.6	0.6	0.9
Public administration and defence	0.8	0.9	1.3	1.4	0.9
Education	1.1	0.9	1.0	0.8	0.9
Health and social work	1.1	1.5	1.2	2.0	1.1
Arts, entertainment & recreation	0.4	1.4	1.3	0.8	0.9
Other services	1.0	0.9	1.0	0.9	0.9

Source: ONS Annual Business Inquiry, 2008

NOTE: this table uses Location Quotients (LQs), which show the concentration of employment in a particular sector in a given area relative to the South East average in this case. A value greater than 1 indicates a greater concentration of employment in that particular sector in West Sussex compared to the South East.

- The coastal districts of West Sussex tend to have a greater concentration of employment in lower value industries – primary (agriculture and mining), manufacturing, retail and hospitality, and the public sector – compared to the South East average. These industries tend to be less knowledge intensive, less productive and less high growth, so their contribution to GVA is more limited.

- The share of employment in business and professional services, such as information and communication and finance and insurance, is significantly smaller in coastal West Sussex than in the region as a whole.

SEEDA's priority sectors account for at least a quarter of total employment in coastal West Sussex. However, Worthing is the only coastal district in West Sussex where the share of employment in SEEDA's priority sectors is greater than the regional average.

- SEEDA's priority sectors account for between one quarter and two fifths of employment in the districts of coastal West Sussex. Arun has the smallest share of employment in these key sectors and Worthing the largest. In the South East as a whole, the priority sectors account for 35% of total employment.

- Each district of coastal West Sussex has a greater share of employment than the South East average in at least one priority sector (as indicated in the table below by a location quotient – LQ – greater than 1). In both Adur and Arun, the share of employment in the advanced engineering and marine sector is noticeably greater than in the South East, while Chichester and particularly Worthing both have a greater concentration of employment in pharmaceuticals, life sciences and healthcare relative to the regional average. Worthing also has a larger share of financial and professional services employment.

Employment in SEEDA's priority sectors, relative to South East average, 2007

	Adur		Arun		Chichester		Worthing	
PRIORITY SECTOR	% of employ-ment	LQ (SE)	% of employ-ment	LQ (SE)	% of employ-ment	LQ (SE)	% of employ-ment	LQ (SE)
Advanced Engineering & Marine	7.6	1.9	5.3	1.3	3.2	0.8	2.7	0.7
ICT, Software & Digital Media	5.5	0.7	2.8	0.4	5.4	0.7	6.0	0.8
Pharmaceuticals, Life Sciences & Heathcare	9.5	1.0	8.8	1.0	12.4	1.4	18.2	2.0
Environment & Cleantech	1.2	0.9	1.2	0.9	0.7	0.5	1.4	1.0
Aerospace & Defence	0.2	0.2	0.0	0.0	0.4	0.2	0.0	0.0
Financial & Professional Services	9.3	0.7	8.3	0.7	9.7	0.8	16.0	1.3
PRIORITY SECTOR TOTAL	**33.3**	**0.9**	**26.4**	**0.7**	**31.7**	**0.9**	**44.3**	**1.2**

Source: ONS Annual Business Inquiry 2007

- SEEDA's priority sectors were selected in part because of their high growth potential and significant contribution to regional GVA. The fact that the share of employment in these sectors in coastal West Sussex is comparable to, and in some cases exceeds, the South East average, suggests significant potential for growth along the coast if these key sectors continue to be supported.

- However, the figures used above are based on employees working in coastal West Sussex and do not capture the sectors in which residents are employed. For economic growth to be sustainable in West Sussex it will be important to ensure that local residents have the skills required to work in these high-growth industries, rather than relying on in-commuters to meet employment demand. Moreover, we cannot tell from these figures what proportion of employment in the priority sectors is concentrated in the more geographically specific coastal strip (the coastal wards). It is highly likely that many of the fastest growing firms in these sectors are located elsewhere in the coastal districts, away from the coastal strip specifically.