

Cornwall and Isles of Scilly LEP: Strategy and Business Plan

Evidence Base Papers: 1 – Headline
Economic Indicators

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SQW

1: Introduction

- 1.1 This report provides a headline analysis of the economy of the Cornwall and Isles of Scilly LEP area. It forms part of a detailed evidence base that has informed the development and drafting of the Strategy and Business Plan for the Cornwall and Isles of Scilly Local Enterprise Partnership (LEP).

Headline economic indicators

- 1.2 In order to provide this headline analysis, the report draws on a number secondary data sources including the Annual Population Survey (APS), the Inter-Departmental Business Register (IDBR), the Business Register and Employment Survey (BRES), the Annual Survey of Hours and Earnings (ASHE) and data provided by the Department for Education, the Department of Communities and Local Government and the Office for National Statistics.
- 1.3 The data were collected in November 2011 and were the latest available data at that point in time. Therefore more recent data may now be available.
- 1.4 The data were collected for Cornwall and the Isles of Scilly (the LEP area) as well as six comparators:
- England
 - South West region
 - Devon
 - Cumbria
 - Norfolk
 - East Sussex.
- 1.5 Due to the availability of data, not all indicators can be populated for all areas – for instance some data are only available for Cornwall while others are available for both Cornwall and the Isles of Scilly. Where data are available for both areas, it is possible to derive a LEP area-wide figure.

Other assessments of headline indicators

- 1.6 There already exist a number of commentaries on headline economic data of relevance to the LEP area. These include, *inter alia*:
- *Cornwall's Economy at a Glance*, published by Cornwall Council in December 2011
 - *Cornwall Local Profile*, published by South West Observatory in January 2012

- *Economic Evidence Review (Appendix 1 to the Green Paper)*, published by Cornwall Council in September 2009.

1.7 The data sourced through this exercise have been cross-referenced with these other sources and are broadly consistent with them. This analysis however offers the additional insights gleaned through some consideration of comparators that are, in some senses, similar local economies.

Structure of this report

1.8 This report contains two further chapters. The first provides a headline profile of the economy in Cornwall and the Isles of Scilly, this analysis is framed around two perspectives:

- the current economic performance of the Cornwall and Isles of Scilly LEP area
- the overall competitiveness of the Cornwall and Isles of Scilly LEP area

1.9 The second chapter provides a table summarising the relevant data for the LEP area (split out for Cornwall and the Isles of Scilly) and the six comparators.

2: The economy of the Cornwall and Isles of Scilly LEP in profile

- 2.1 Overall, Cornwall and Isles of Scilly has a **resident population** of just over half a million people (537,400), the vast majority of whom live in Cornwall (the resident population of the Isles of Scilly in 2009 was 2,100 people). Overall, some 329,600 residents are of **working age** and about 225,000 (of the Cornish residents) are either **employed or self-employed**. The LEP area is home to over 20,000 **registered businesses** which account for about 192,000 **employee jobs**.

Current economic performance of the Cornwall and Isles of Scilly LEP area

Employment and employment rates

- 2.2 In Cornwall, some 55% of the working age population is employed. This is lower than the national and regional averages of 61% and 63% respectively. It is also lower than the comparator areas of Devon (61%), Cumbria (62%), Norfolk (62%) and East Sussex (59%).
- 2.3 However, at 14%, the self-employment rate is higher – considerably higher than the national rate of 9% and higher than all of the comparator areas bar East Sussex (15%).
- 2.4 This translates in to an overall employment rate of 70% which is one percentage point below the national average, but four points lower than the regional average and five points lower than the neighbouring authority of Devon. It is also lower than the other three comparator authority areas.

Unemployment rates, and NEETs

- 2.5 Using the ILO definition, the rate of unemployment in Cornwall is currently 7.2%. While this is marginally below the national average (7.4%), it is higher than both the regional average (5.8%) and all four comparator authorities – Devon (5.4%), Cumbria (5.7%), Norfolk (6.5%) and East Sussex (6.1%).
- 2.6 Currently, some 5.5% of 18 year olds are classified as NEET (Not in Education Employment or Training) compared to 5.3% in the South West as a whole, 6.2% in Devon, 4.9% in Cumbria, 5.2% in Norfolk and 6.6% in East Sussex.

Earnings

- 2.7 One of the most distinctive features of the area's economy relates to earnings. Both workplace earnings and resident earnings are low. Currently:

- median gross weekly workplace earnings are £404, some £100 below the national average and £56 below the regional average; they are lower than all four local area comparators, although the gap with Devon is smallest
- median gross weekly resident earnings are slightly higher at £417 but this is still notably below the national (£503) and regional (£467) averages; they are also lower than all four local area comparators.

Composite measures

- 2.8 Two composite measures provide some important insights into Cornwall’s current economic performance:
- on the overall Index of Multiple Deprivation, Cornwall and the Isles of Scilly is identified as the 100th most deprived area (amongst 149 upper tier authorities (county (*sic.*) areas) in England, on the “rank of extent”): on this metric, it is less deprived than Devon, but more deprived than other comparators
 - on the Competitiveness Index (produced by Robert Huggins and Associates), Cornwall ranks as the 314th most competitive local authority area (district/unitary) among 379 nationally (UK).

Overall competitiveness of the Cornwall and Isles of Scilly LEP area

- 2.9 The Competitiveness Index places Cornwall firmly within the lower quartile of local authority areas on a composite measure, and this observation – arguably – needs some unpacking.
- 2.10 The overall value of a local economy is best measured in terms of Gross Value Added (GVA); this boils down to the sum of wages plus profits generated locally. A benchmark which is often used as a measure of overall prosperity is “GVA per head” or “GVA per capita”. The recent performance of Cornwall in relation to GVA may be summarised as follows:
- in 2009 – and measured at current basic prices – Cornwall’s GVA was about £7 billion – about 7% of the regional total. This makes Cornwall a similar sized economy to Cumbria (£8 billion) and East Sussex (£7 billion) but notably smaller than the economy of neighbouring Devon (£12 billion)
 - in terms of economic output, measures of GVA per capita in Cornwall are significantly below those for the South West and England: just over £13k compared to £18.1k and £20.4k. They are also below the various comparator authorities: in 2009, GVA per capita in Cumbria was £16.0k, in East Sussex it was £13.5k, and in the neighbouring authority of Devon, it was £16.2k.
- 2.11 In seeking to understand these headline observations it is helpful to refer to the “drivers of productivity” set out by HM Treasury (skills, innovation, competition, investment and

entrepreneurship¹). Not all of these drivers are easily measurable at small spatial scales, but the evidence available suggests that:

- The **skills** profile of Cornish residents is below both regional and national averages. Looking at higher level skills, Cornwall has a lower proportion of the working age population with NVQ 4 +, or equivalent, qualification: 25% compared to 30% in the South West and England. It is also behind the comparator authorities of Devon (30%), Cumbria (27%) and East Sussex (29%), but it is just above Norfolk (24%).

In terms of the proportion of the working age population with ‘low’ (NVQ 2, or equivalent, and below) or ‘no’ qualifications, Cornwall again fares worse than national, regional and other local comparators (bar Norfolk). In Cornwall, 40% of the working age population has low or no qualifications compared to 33% in the South West region and 38% nationally.

- In general terms, measures of **innovation** are limited, particularly at local levels. One proxy that is often used relates to the incidence of knowledge-based activity. Two different measures of the ‘knowledge economy’ can be used: the proportion of employees and the proportion of business units associated with the knowledge economy. Looking first at employees, 43% of the LEP area’s employees are in the knowledge economy compared to 51% in the South West as a whole. This is broadly similar to the proportion in the comparator areas of Devon (46%) and Cumbria (43%), but below the proportions in Norfolk (49%) and East Sussex (52%). The proportion of business units in the knowledge economy in the LEP area is 20%. This is again notably below the South West (31%) and East Sussex (35%) but similar to Devon and Cumbria (both 23%)
- In terms of local **competition**, a proxy (although imperfect) measure relates to business density (defined as the stock of businesses per head of population). Generally speaking, the argument is made that the higher the business density, the higher the degree of local competition. In the LEP area the business stock per 1,000 working age population is 60. This is similar to the national (59) and regional (61) averages as well as the comparator authorities of Cumbria (63) and Norfolk (56). It is however below the figures for Devon (67) and East Sussex (71)
- A final indicator that is typically considered to be important in explaining the productivity performance of local economies relates to levels and rates of **entrepreneurship**. This is difficult to measure: micro enterprises can function quite effectively for some time before reaching the VAT/PAYE thresholds, and there is a “fuzzy line” between self-employment and new business formation (and this is a significant factor in the LEP area as self-employment levels are high). Nevertheless, data showing business births per 1,000 working age population do provide some instructive insight. These show a

¹ There is however insufficient local data to comment sensibly on patterns of business investment and variations within it.

business birth rate of 4.6 per 1,000 working age population in the LEP area which is below both the national (6.1) and regional (5.4) averages. It is also below the comparator authorities of East Sussex (6.5) and Devon (5.0) but above Cumbria (4.3) and Norfolk (4.4).

Conclusions

- 2.12 A review of headline economic indicators is just that – it is not a comprehensive baseline assessment and the observations derived from it must be seen in that context. Overall, however, we can observe that Cornwall and the Isles of Scilly performs quite poorly on most key economic metrics, certainly when compared to the national averages.
- 2.13 However, national averages are “complicated”. The data are heavily influenced by the character and performance of the greater London economy and that is so different from Cornwall and the Isles of Scilly that direct comparisons are in danger of being meaningless. It is for that reason that we have extracted data for comparator areas which are, in some sense, more similar – either because of proximity (e.g. Devon) or because of a combination of rurality and peripherality vis-à-vis major urban centres (e.g. Cumbria). The assessment of Cornwall and the Isles of Scilly in relation to the comparators is therefore arguably more useful.
- 2.14 Across most of the indicators we have examined, the performance of Cornwall and the Isles of Scilly is generally some way adrift of the comparators. On the headline indicators of economic output/value – GVA per capita and weekly pay – Cornwall and the Isles of Scilly performs less well than all comparators and this picture appears to be compounded by relatively low activity and employment rates, and a relatively poor performance on metrics linked to skills. Unemployment rates are also higher than in the comparator areas although – importantly – both Cornwall and the Isles of Scilly and the four comparators have both lower rates of unemployment and a lower level of out-of-work benefits than the national average. A lack of jobs, *per se*, therefore appears to be less of an issue than the quality of those jobs and the overall activity rate. For the LEP Economic Strategy and Business Plan, these observations are important.

3: The economy of the Cornwall and Isles of Scilly LEP – headline data

Table 3-1: Headline economic indicators for Cornwall and the Isles of Scilly LEP and its comparators

Indicator	Year (latest)	Source	LEP Area	Cornwall	Isles of Scilly	Devon	Cumbria	Norfolk	East Sussex	South West	England
Resident population (people)	2001	Census	501,286	499,150	2,136	704,493	487,606	796,732	492,324	4,928,434	49,138,831
Working age population (WAP) (people)	2001	Census	359,694	358,105	1,589	503,207	354,186	575,456	340,017	3,534,458	35,532,091
Workplace population (people)	2001	Census	202,606	201,307	1,299	306,589	216,681	346,992	179,774	2,256,820	22,376,119
Employed residents (people)	2001	Census	214,265	212,992	1,273	314,267	219,908	359,000	211,243	2,286,108	22,441,498
Self-employed residents (people)	2001	Census	44,259	43,814	445	63,389	34,946	54,390	40,734	356,431	2,954,988
Residents working at or mainly from home (people)	2001	Census	42,466	42,100	366	62,353	34,397	55,769	38,092	366,058	3,046,761
% of resident workers working in area	2001	Census	91%	91%	95%	88%	95%	91%	77%	95%	99%
% of workplace jobs undertaken by residents of the area	2001	Census	96%	96%	94%	90%	97%	94%	91%	97%	99.7%
Commuting balance (in-commuting minus out-commuting) (people)	2001	Census	-10130	-10158	28	-6,008	519	-10139	-30844	-18819	-
Resident population (people)	2009	ONS	537,400	535,300	2,100	749,900	494,400	862,300	515,500	5,273,700	52,234,000
Resident population of working age (WAP)	2009	ONS	61	61	57	61	63	62	59	63	65
Total employees (people)	2009	BRES	191,691	190,611	1,081	301,459	209,309	318,332	163,449	2,257,246	22,620,178
Employed residents 3 year average (%)	2007/08-2009/10	APS - ONS	-	54.7 %	-	61.4 %	62.1 %	62.2 %	58.6 %	63.2 %	61.4 %
Self-employed residents 3 year average (%)	2007/08-2009/10	APS - ONS	-	14.4	-	12.9	11.1	9.6	14.7	10.6	9.2
GVA £M	2009	ONS	7,001	-	-	12,167	7,927	13,393	6,924	95,123	1,061,973

Indicator	Year (latest)	Source	LEP Area	Cornwall	Isles of Scilly	Devon	Cumbria	Norfolk	East Sussex	South West	England
GVA per capita (£)	2009	ONS	13,129	-	-	16,279	16,012	15,695	13,521	18,184	20,498
Median gross weekly pay full-time employees - workplace based 3 year average (£)	2007/08-2009/10	ASHE - ONS	-	403.9	-	419.9	457.0	451.5	447.8	459.6	502.2
Median gross weekly pay full-time employees - residence based 3 year average (£)	2007/08-2009/10	ASHE - ONS	-	416.8	-	431.5	462.5	452.8	489.8	467.2	503.2
Economic activity rate (% of WAP) 3 year average	2007/08-2009/10	APS - ONS	-	75 %	-	79.1 %	78.1 %	77.3 %	78.6 %	78.8 %	76.6 %
Employment rate (% of WAP) 3 year average	2007/08-2009/10	APS - ONS	-	69.6	-	74.9	73.6	72.3	73.8	74.3	71
ILO Unemployment rate (modelled) 3 year average	2007/08-2009/10	APS - ONS	-	7.2	-	5.4	5.7	6.5	6.1	5.8	7.4
Overall IMD rank of extent (IMD2010 county summaries)	2010 (2008 data)	CLG	100	-	-	126	84	99	87	-	-
% of WAP on out of work benefits	2010	DWP	-	14 %	2.7 %	11.1 %	13.6 %	13.1 %	13.7 %	12 %	14.5 %
% of WAP with NVQ 4+ 3 year average	2007/08-2009/10	APS - ONS	-	25.4 %	-	30 %	26.8 %	23.6 %	28.7 %	29.5 %	29.7 %
% of WAP below NVQ 2 3 year average	2007/08-2009/10	APS - ONS	-	27.4 %	-	23.5 %	26.8 %	29.8 %	24.4 %	23.8 %	25.9 %
% of WAP no qualifications 3 year average	2007/08-2009/10	APS - ONS	-	12.4	-	8.6	10.5	13.4	9.1	9.0	12.2
Not in education, employment or training (NEET) aged 18	2009/10	DfE	-	5.5%	-	6.2%	4.9%	5.2%	6.6%	5.3%	-
GCSE attainment with English and Maths, Grade A* to C	2009/10	DfE	64.25	48.5	80.0	51.6	49.3	49.6	50.4	51.6	50.4
Enterprise births per 1,000 WAP	2009	IDBR - ONS	4.6	4.6	5.0	5.0	4.3	4.4	6.5	5.4	6.1
5-year business survival rate	2009	IDBR - ONS	49.1	49.1	43.8	48.4	50.7	48	41.4	48.1	44.1

Indicator	Year (latest)	Source	LEP Area	Cornwall	Isles of Scilly	Devon	Cumbria	Norfolk	East Sussex	South West	England
Business stock (enterprises) per 1,000 WAP	2009	IDBR - ONS	59.9	59.8	155.0	66.7	62.7	56.2	71.3	61.2	59.1
House price: earnings ratio	2009	Land Registry	-	8.65	-	8.64	5.15	6.95	8.12	7.63	6.28
Overall rank in Huggins Competitiveness Index	2010	Robert Huggins		314 (on LA rank)						(6 on reg. ranking)	
% of employees in knowledge economy	2009	BRES	43 %	43 %	30 %	46 %	43 %	49 %	52 %	51 %	-
% of businesses (local units) in knowledge economy	2009	IDBR-ONS	20.4 %	20.4 %	15.8 %	23 %	23 %	27 %	34.5 %	31 %	21 %

Source: SQW based on various secondary data sources