Community Foundation

Northumberland's

Vital Issues 2017

Local economy

1 Local economy

1.1 Overview

The Northumberland economy has great potential. Existing and new industries have great potential for development, building on the county's considerable advantages in areas such as quality of life and housing affordability. However there are considerable challenges to be overcome notably securing inward investment; improving transport and IT infrastructure; raising local entrepreneurialism and skill levels and ensuring that all local residents are able to participate in building local prosperity. Of course the fortunes of the county are closely tied to those of its near neighbours, to which many of its residents commute each day. Securing the county's future success will thus be key to the drive for regional prosperity and growth.

1.2 Productivity

The usual measure of business productivity is the Gross Value Added, which is the measure of the value of goods and services produced in an area, industry or sector of an economy.

Table 25 - Regional gross value added (income approach) at current basic prices, 2015[i]

Area	Gross Value Added (£m)	GVA per head (£)	Growth in GVA on year (%)	Growth in GVA per head on year (%)	Share of national GVA
Northumberland	5,029	15,951	1.7	1.9	.3%
North East	49,677	18,927	3.0	2.8	3.1%
England	1,433,164	26,159	3.0	2.1	88.7%
Great Britain	1,616,212	25,549	2.9	2.1	100.0%

Table 25 gives the GVA figures for Northumberland for 2015. It shows that the NE region contributed £49,677m to the UK economy in 2015, which was 3.1% of the national total. However, Northumberland was responsible for only 9.7% of this (0.3% out of 3.1%), and this is likely to diminish if the slow growth of the past year continues. This points to the challenge of creating higher value jobs, and developing the skilled workforce needed to fill them.

1.3 Employment by sector

The sector they are in, and hours worked can have a big influence on the terms and conditions an employee receives. Table 26 shows the split of public / private and full-time / part-time workers in Northumberland.

Table 26 - Employees by public / private sector[ii]

	Full time employees			Part time employees			Total employees		
	Public	Private	All	Public	Private	All	Public	Private	All
Northumberland	12%	51%	63%	7%	27%	34%	19%	81%	100%
UK	11%	58%	69%	7%	24%	31%	18%	82%	100%

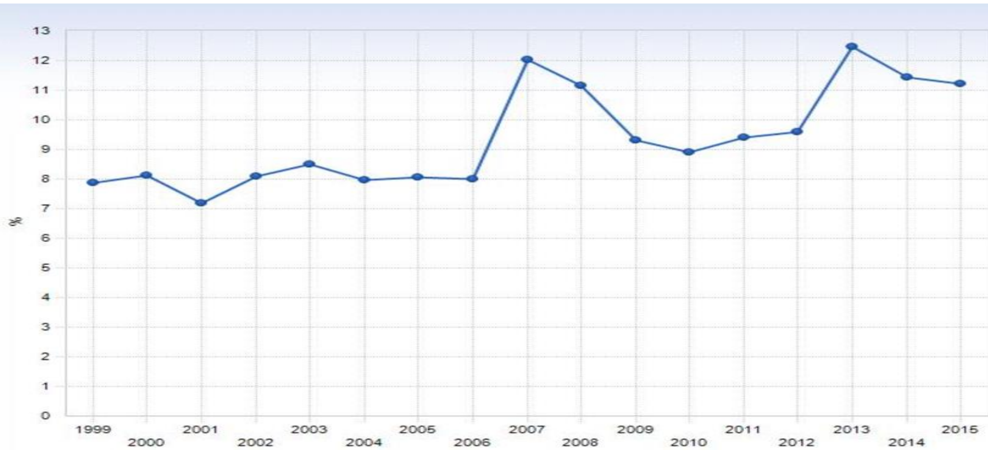
More people work in the public sector in the NE region than the UK average, and Northumberland is no exception. If further austerity measures lead to the loss of these relatively good quality jobs, the impact is likely to be significant for the local economy.

Much has been said about the need for the county to develop an economy that is less dependent on the public sector. In most parts of the UK, the proportion of people working in the public sector fell between 2010 and 2015, but in Northumberland the fall has been relatively slow. This could mean that the continuing austerity cuts have a disproportionately high impact on the Northumberland economy in the future, as unemployment may increase, further curbing local spending power.

Table 27 – change in size of public sector employment[iii]

	% employees 2015	Change since 2010
Northumberland	31.3	-1.6
NE	33	-2.4
GB	26.8	-3.3

Is the private sector growing to take up the slack? The chart below[iv] shows the rate of businesses registering for VAT per 100,000 of the population each year, which is an indicator of the level of entrepreneurship and of the health of the business population. It suggests that it is perhaps too early for optimism on this issue.



Injecting entrepreneurial dynamism into the economy, particularly within its small and medium size enterprises, has been identified as a key priority for Northumberland. The Federation of Small Businesses has highlighted the need to stimulate a more diverse business range, encouraging more start-up enterprises. Social enterprise is an area where considerable progress has been made in the county, and is likely to be a key component in developing a local entrepreneurial culture.

1.4 Industries

Table 28 shows the balance between the different industries that make up the Northumberland economy.

Table 28: % of all enterprises within industry[v]

	GB	Northumberland	% Difference from GB
Agriculture, forestry and fishing	5.2	17.2	+11
Public administration and defence	.3	.8	-.5
Hotels and restaurants	5.8	8.5	+2.7
Motor trade	2.9	3	+.1
Retail	7.5	7.8	+.3
Production	5.7	5.8	+.1
Arts, entertainment and recreation	6.6	6.7	+.1
Construction	11	11.7	+.7
Transport and storage	3.7	3.1	-.6
Health	4.5	3.8	-.7
Business administration and support	8.3	6.7	-1.6
Education	1.6	1.3	-.3
Property	3.6	2.9	-.7
Professional, scientific and technical	18.3	13.8	-4.5
Wholesale	4	2.9	-1.1
Digital economy	8.6	4,2	-4.4
Finance and insurance	2.1	1	-1.1
Information and communications	8.3	3.8	-4.5

From this it can be seen that there is a challenge in terms of developing a more balanced local economy. Developing those higher-value, knowledge driven businesses at the bottom of the table is clearly important.

Potential roles for philanthropy

- Individual skill development is one of the keys to Northumberland's future prosperity. Encouraging young people to take an interest in business development, and subjects relevant to the knowledge economy, is vital. Philanthropy is already adding value to the work of partners in the public and private sectors on this.

- As the Northumberland economy changes some communities and individuals may be badly affected by the loss of public sector jobs. Philanthropy can support the people affected by supporting interventions that help people into new forms of employment or self-employment. Supporting social enterprise may be a particular focus for philanthropic intervention.

[i] **NOMIS (2016)** *Regional Gross Value Added 2015*, ONS, downloaded from: https://www.nomisweb.co.uk/query/construct/submit.asp?forward=yes&menuopt=201&subcomp= 26/6/17 17:23

[ii] **Office for National Statistics (2016)** *Business Register and Employment Survey, 2015*, downloaded from: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/businessregisterandemploymentsurveybresprovisionalresults/2014revisedand2015provisional 18/5/17 14:40

[iii] **Office for National Statistics (2016)** *Business Register and Employment Survey*, generated from: http://gt-placeanalytics.org/placeanalytics 15/6/17 12:33

[iv] **GTA Analytics (2017)** http://gt-placeanalytics.com . The data is from ONS.
[v] **ONS (2016)** https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation