# Tyne & Wear's
## **Vital Issues** 2017

# Local economy

# Local economy

## 1.1 Overview

The North East LEP Independent Economic Review (2013) represented a concerted effort to bring together a range of stakeholders to assess the state of the North East economy, providing a basis on which the North East Local Economic Partnership (NELEP) has developed "More and Better Jobs. A Strategic Economic Plan for the North East" (March 2014). The review identified major challenges in reconfiguring the North East economy. Key tasks identified in the plan were growing high value and innovative private sector businesses as an engine for job creation, and increasing local employment by addressing a skills deficit within the workforce.

There are several questions that this strategy raises for those with an interest in community philanthropy and civil society organisations:

- What can the Third Sector do to ensure that all communities in Tyne & Wear are able to contribute to, and benefit from, private sector growth and cope with the consequences of a shrinking public sector?
- How can philanthropy contribute to help promote a spirit of innovation and entrepreneurialism and to improve the skills base of the Tyne & Wear workforce, and so help raise productivity?
- What is the wider role of the community and voluntary sector in underpinning the offer that Tyne & Wear is able to make to inward investors not just in relation to business but in relation to the quality of life on offer in the sub-region?

## 1.2 Productivity

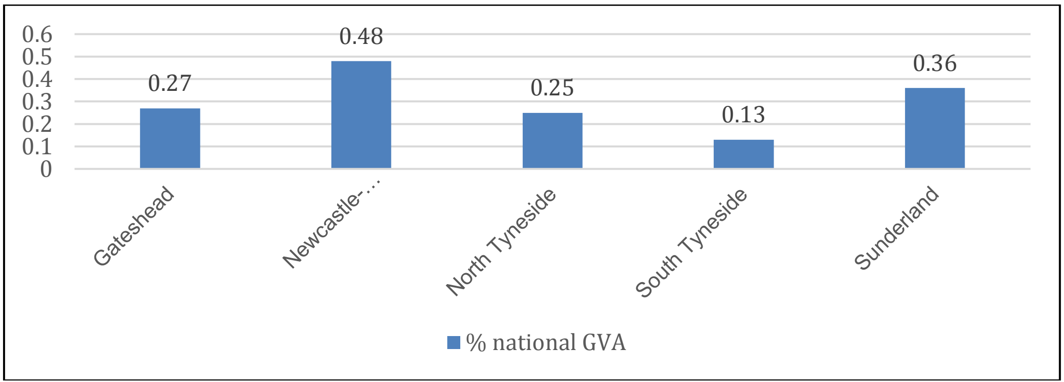
The usual measure of business productivity is the Gross Value Added, which is the measure of the value of goods and services produced in an area, industry or sector of an economy. The figures for Tyne & Wear are:

**Table 41 - 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 |
|---|---|---|---|---|---|
| Tyne & Wear | 23,969 | 21,147 | 3.8 | 3.6 | 1.47 |
| North East | 49,677 | 18,927 | 3 | 2.8 | 3.07 |
| England | 1,433,164 | 26,159 | 3 | 2.1 | 100 |

From this it can be seen that the Tyne & Wear economy is characterised by low productivity. This is likely due to a combination of a lack of high value jobs and the skilled workers needed to take them up.

Drilling down to local authority level, the position of Newcastle as the engine of the regional economy is very apparent:




### 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 Tyne & Wear.

**Table 42 - Employees by public / private sector[ii]**

| | Full time employees | | | Part time employees | | | Total employees | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Public** | **Private** | **All** | **Public** | **Private** | **All** | **Public** | **Private** | **All** |
| Tyne & Wear | 16% | 56% | 72% | 7% | 23% | 30% | 22% | 78% | 100% |
| UK | 11% | 58% | 69% | 7% | 24% | 31% | 18% | 82% | 100% |

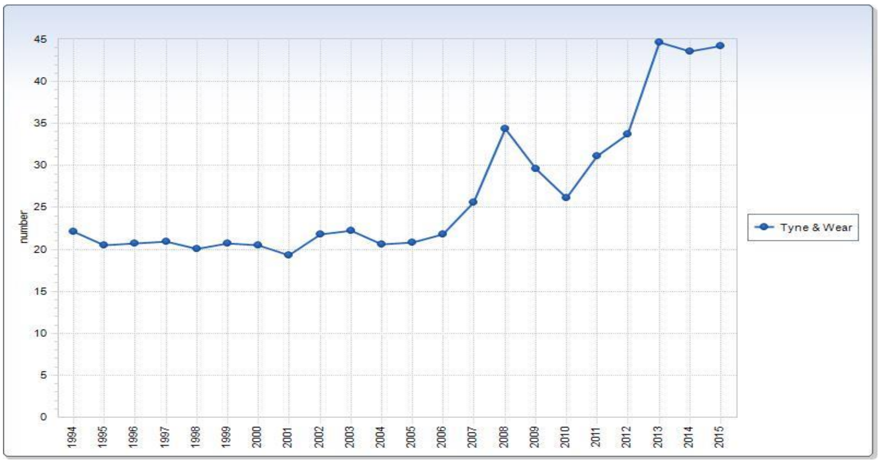
More people work in the public sector in the NE region than the UK average, and this is also the case in Tyne & Wear. Much has been said about the need for the sub-region to develop an economy that is less dependent on the public sector. In most parts of the UK, the proportion of people working in the public sector fell between 2010 and 2015, but in Tyne & Wear there has been a large variation between local authorities: in South Tyneside and Sunderland it fell markedly, whilst elsewhere the fall was below the national average and in North Tyneside it even underwent a small increase.

**Table 43 – change in size of public sector employment[iii]**

| | % employees 2015 | Change since 2010 |
|---|---|---|
| Gateshead | 25.81 | -0.35 |
| Newcastle | 37.96 | -0.43 |
| North Tyneside | 27.62 | 1.78 |
| South Tyneside | 32.01 | -10.43 |
| Sunderland | 30.71 | -10.13 |
| Tyne & Wear | 31.95 | -3.39 |
| Great Britain | 26.81 | -8.63 |

If further austerity measures lead to significant losses of these relatively good quality jobs in more areas of the sub-region, the impact on the local economy could be significant.

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




### 1.4 Industries

The table below shows the balance between the different industries that make up the Tyne & Wear economy.

**Table 44: % of all enterprises within industry**

| | GB | Tyne & Wear | % Difference from GB |
|---|---|---|---|
| Agriculture, forestry and fishing | 5.2 | .9 | -4.3 |
| Public administration and defence | .3 | .1 | +.2 |
| Hotels and restaurants | 5.8 | 9.3 | +3.5 |
| Motor trade | 2.9 | 3.3 | +.4 |
| Retail | 7.5 | 10 | +2.5 |
| Production | 5.7 | 7 | +.1.3 |
| Arts, entertainment and recreation | 6.6 | 7.7 | +1.1 |
| Construction | 11.7 | 12.1 | +.4 |
| Transport and storage | 3.7 | 3 | -.7 |
| Health | 4.4 | 5.3 | +.9 |
| Business administration and support | 8.3 | 7.6 | -.7 |
| Education | 1.7 | 1.9 | +.2 |
| Property | 3.6 | 3.5 | -.1 |
| Professional, scientific and technical | 18.2 | 17 | -1.2 |
| Wholesale | 4 | 3.6 | -.4 |
| Digital economy | 8.6 | 6.2 | -2.4 |
| Finance and insurance | 2.1 | 1.7 | -.4 |
| Information and communications | 8.3 | 6 | -2.3 |

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.

### 1.5 Enterprise and self-employment

Injecting entrepreneurial dynamism into the economy, and promoting self-employment is a priority for Tyne & Wear. Small businesses can be the life blood of local communities, as anyone who as seen the impact of boarded up shops can attest. More than ¾ of 11-18 year olds say they would like to start their own business, and nationally 400,000 over 50's plan to do the same. Self-employment has risen in Tyne & Wear from a low base. The only problem is that it has also risen across the country, and by more. It is possible that Tyne & Wear will fall further behind.

For many in Tyne & Wear the prospect of self-employment is a daunting one, especially given communities' traditional dependence on large employers. The social enterprise movement – focused on businesses with a social or environmental mission - is one route into self-employment that could help foster the area's latent entrepreneurial spirit.

**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 Tyne & Wear 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.

- Part of the task of developing the Tyne & Wear economy will be to attract inward investment. A vibrant community and cultural sector is part of the offer that will make the sub-region an attractive proposition for skilled workers and companies from outside the region.

---

[i] **NOMIS (2016)** *Regional Gross Value Added 2015*, ONS, downloaded from: https://www.nomisweb.co.uk/

[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.