

July 2018

Lancaster District Inclusive Growth
Report

HALL
AITKEN

Content

Background & objectives	4
Background	4
Principles of Inclusive Growth	4
Economic Context	5
Population and migration	5
All benefit from economic growth	5
Access to Fair Work	17
A positive health impact	19
A partnership approach	19
Asset-based approaches	20
A shared understanding	21
Identifying key groups in the population	22
Active groups in the economy	23
Economically inactive groups	27
Emerging issues	30

Inclusive growth is economic growth that is distributed fairly across society and creates opportunities for all.
OECD

Background & objectives

Background

Lancaster City Council is committed to developing a strategic plan that supports and develops inclusive economic growth. As part of the evidence gathering process to develop this plan the Council commissioned Hall Aitken to carry out some baseline research on inclusive growth. The objectives of this were to:

- Identify the key principles of inclusive economic growth;
- Review data and existing research to establish a baseline for the District;
- Consult a range of stakeholders to gather insights; and
- Identify the key enablers and barriers to inclusive economic growth and current and emerging issues.

Principles of Inclusive Growth

To make sure that the Economic Growth Strategy for Lancaster District is inclusive, we need to be clear what we mean by inclusive growth and be able to identify where action or change might be needed to ensure everyone can participate in or benefit from economic development. We have set out a series of draft principles for inclusive growth, based on the Regional Studies Association and OECD guidance on inclusive growth, these are:

All benefit from economic growth: income and wellbeing are improving for all groups in society; particularly those currently more disadvantaged.

Access to fair work: all working age people have access to quality jobs, where they are paid fairly and have opportunities to learn and progress.

A positive health impact: economic growth is helping to narrow inequalities in healthy life expectancy.

A partnership approach: business, civil society and political leaders, are working together formally and informally, to drive system change.

Asset-based approaches: we recognise, and build on, the strengths of the District's economy and community.

A shared understanding: everyone is aware of the opportunity to contribute to the local economy and that their contribution matters.

Economic Context

Economic growth relies on people developing goods and services using their skills and knowledge to add competitive advantage to raw materials. The availability of people with the appropriate skills and attitude is a key basic starting point for developing the local economy.

Population and migration

Current economic plans project an increase in population up to the year 2034 based on 2014 based population projections. Net in-migration is the driver of population growth in Lancaster District and has been for some time. Between 2011 and 2015 the average net annual in-migration in Lancaster District was 981. And the ONS projections suggest net international migration of 18,400 between 2017 and 2031. With a projected net internal migration figure of -10,000, the international component takes on much greater significance. In short, without this international migration the population would be declining.

However, the current projections were produced before the Brexit vote and it is worth noting that the ONS attach a clear caveat to these figures:

Long-term subnational population projections are an indication of the future trends in population by age and sex over the next 25 years. They are trend-based projections, which means assumptions for future levels of births, deaths and migration are based on observed levels mainly over the previous 5 years. They show what the population will be if recent trends continue.

The latest migration data for England suggests that net international migration in the Year to 2017 has dropped by 106,000; from 336,000 to 230,000 – a fall of 32%.

The reliance on international migration for population growth coupled with projections based on pre-Brexit trends would make decisions based on the 2014 figures unreliable.

However, even based on these optimistic projections, by the year 2034, the proportion of the population over retirement age will have increased from 23% to 26%. The issue of labour supply is the fundamental factor in securing continued growth.

All benefit from economic growth

A growing economy provides jobs, income and wealth. But for economic growth to be inclusive, it means that it should not come at the expense of any group in society. This would mean that those in the lowest earning and economically inactive groups should also see comparable improvements

to their income and quality of life; not just the highest earners. Economic growth has several key components:

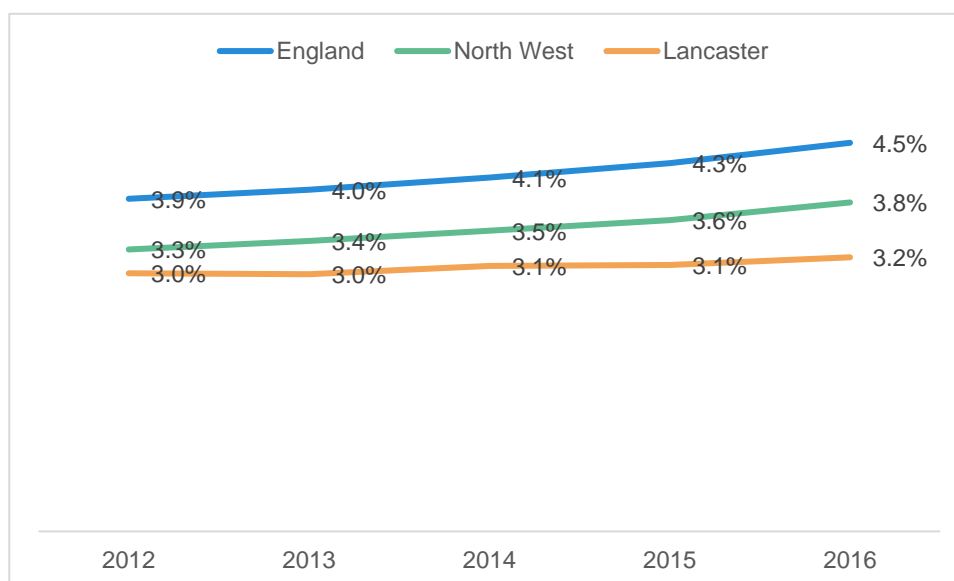
- Business Start-ups
- Business growth and expansion
- Inward investment
- Improved productivity
- Increased knowledge and skills

Below, we look at what this research has identified around the type and scale of economic growth based on these factors, and how this impacts on the workforce.

Business start-ups

Business start-ups provide an important source of economic growth, generating income, knowledge and employment. According to the latest ONS Business Demography statistics, Lancaster had 4,520 active businesses in 2016 an increase from 4,405 in 2010. However, if we compare the 'stock' of businesses with Preston, which has a very similar population, Preston had 5,655 businesses in 2016. So, while Lancaster's stock of businesses represents 3.2% of the population, in Preston this figure is 3.9%. Figure 1 shows how the stock of businesses compares with the North West and England overall, as a proportion of total population. This shows that Lancaster has a lower business base than the comparator areas. And, while Lancaster has increased its stock of businesses slightly since 2012, the rate of growth is much slower than in the North West and England, leading to a widening gap in the stock of businesses.

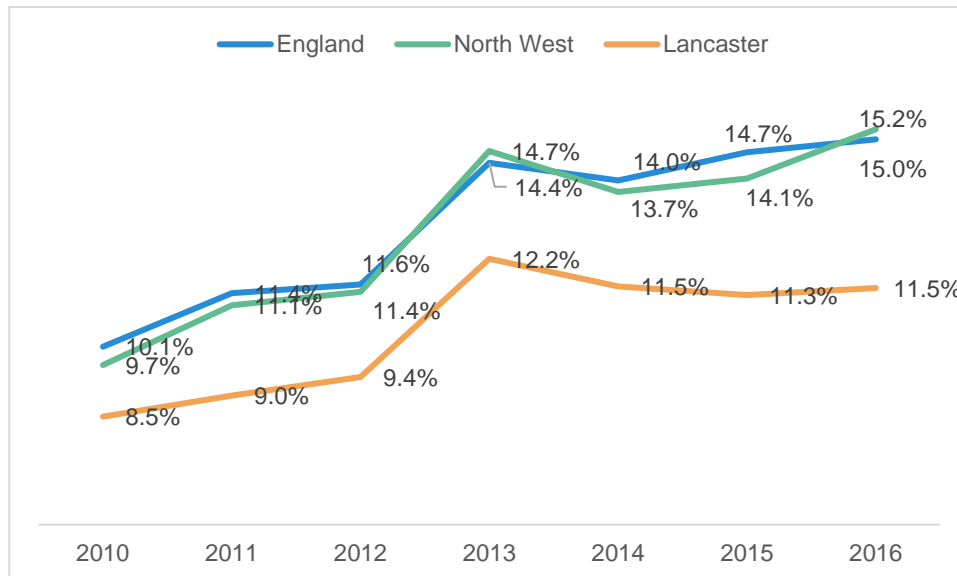
Figure 1 Stock of active businesses as a % of population (2012 to 2016)



Source: ONS Business births, deaths and survival rates, 2017

Another key indicator of economic growth is the birth rate for new enterprises. Figure 2 shows the number of business formations as a percentage of the stock of businesses. It shows that at 11.5% Lancaster has a lower business birth rate than both the North West and England as a whole. While the rate of new business formation in Lancaster tracked that of the wider region from 2010 to 2013, it has declined and then flatlined since then.

Figure 2 Business births as a % of business stock (2010 to 2016)



Source: ONS Business births, deaths and survival rates, 2017

EU funding for the LEP Growth Fund has been welcomed, but one stakeholder felt there is less across the board support for small businesses since the demise of Business Link. Support is targeted towards a small number of 'high growth' businesses at the expense of more general support. Currently the majority of businesses are not getting support. ERDF eligibility means that some businesses miss out.

And, while it is easier now to start up a business because of the internet reducing the level of overheads, getting finance can be harder. Local Authority funding is being cut and banks are much less likely to lend than pre-recession. Criteria are getting harder and lending restrictions have increased, making it harder for businesses to manage cashflow.

Business growth and expansion

Information from key stakeholders identifies several important growth sectors for the Lancaster economy over recent years, including:

- Digital sector;
- The Port of Heysham;

- University-related growth;
- Tourism and hospitality; and
- Energy sector.

The Digital Sector has been an important growth sector over recent years in Lancaster with a number of highly-skilled start-up businesses developing here. Nationally GVA in this sector is double the average, so it can add value to the local economy. There are several linked aspects to the local digital economy based around people using the internet and digital technology to grow the economy. Digital Lancaster identify four factors that are important to developing this sector locally:

1. Support: funding for growth and venture capital
2. Skills: there is a need for both graduates and people without higher level qualifications who can be trained to enter the sector
3. Infrastructure: high quality internet connectivity is essential to support this sector
4. Buildings: there is a need for more purpose-built innovation centres that provide the flexible space for start-ups and spin-offs.

There is evidence that some growing technology companies have left Lancaster because of the lack of suitable premises, and also to take advantage of wider skills pools in the bigger cities (Manchester and Liverpool). However, Lancaster has got excellent transport connections and offers a good standard of life which can be used to attract lifestyle orientated businesses.

The Port of Heysham has been the focus of significant development and expansion, with new infrastructure to support expansion. This includes freight transport and logistics as well as servicing for offshore energy developments. The Port employs 80 people directly and supports hundreds of other jobs through its activity. The new Bay Link road was estimated to support a growth of 250 jobs in port and logistics activity with an indirect impact on wider employment growth.

Lancaster University is a key provider of highly skilled employment opportunities. The Health Innovation Campus is one major initiative that could be a major contributor to the local economy that will also support skills retention. This is funded through ERDF and the LEP Growth Deal. It has targeted 300 SME outcomes. Of these, 250 are management and organisational development and 50 are digital outcomes. The campus will provide a test-bed environment for moving products along the feasibility pipeline. The campus will focus on supporting and promoting longer healthy life expectancy. It will develop in three phases:

1. The first phase opening in 2019/20: will rehouse existing staff and house some business incubation space

2. Relocating all the cold pathology labs from Preston to Barrow on the campus, and providing opportunities for developing material science research programmes linked to this.

It is hoped that businesses will collocate on the campus bringing mutual benefits through creating more skilled employment opportunities. According to the University:

‘The HIC will also be a catalyst for wealth creation, making a major contribution to the local and national economy, by attracting major investment, supporting job creation and the growth of businesses locally and improving the health of populations in the region.’

The Energy sector has been important locally for some time due to the Nuclear Power Plant at Heysham, but also due to offshore gas in Morecambe Bay, and offshore renewable developments such as the Dong Energy Walney windfarm.

However our consultations identified some issues which may be limiting business growth and forcing growing businesses out of the District. One business stakeholder reported that companies find a lack of space to grow in Lancaster, and that a lack of foresight and investment means that planning for new industrial provision has lagged behind opportunities.

Inward investment

While there are no official figures available for inward investment, there is a lot of evidence of current and recent investment activity across Lancaster District, much of which is linked to the growth sectors outlined above. Key recent and planned investments include:

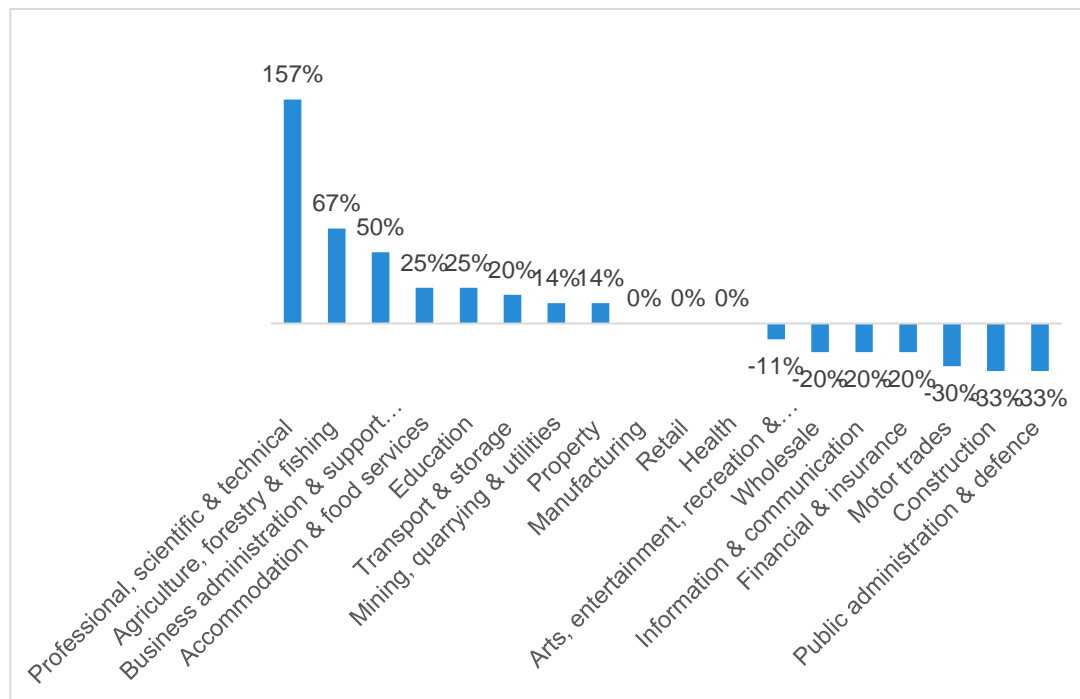
- A new link-span bridge was constructed at Heysham Port, to increase throughput as part of a £10m investment by Peel Ports.
- The new £140m Bay link road which bypasses congestion in Lancaster, which is estimated will generate £4.40 for the local economy for every £1 invested.
- Lancaster University’s Health Innovation Campus has been funded through the Lancashire Enterprise Partnership’s Growth Deal Fund with a £17M grant, an £8.6 M grant from ERDF and £15.4M from Lancaster University.
- Plans have been unveiled for a £60M Eden North project in Morecambe, developed by the Eden Project which would attract investment from the Local Authorities and UK Government.

Employment

Looking at recent changes in the employment pattern by industry, the biggest change came about between 2012 and 2014, when the number of jobs grew by around 6,000. Figure 3 below shows the percentage change in employment across the different broad sectors since 2009. The biggest proportional increase has been in the Professional, Scientific and Technical sector, where employment has more than doubled. This sector is likely to include employment in some digital

sector industries as well as spin-offs from the University. This sector has increased its share of employment from 3.4% to 7.8%. The Business administration and support sector has also grown significantly from 5.8% of employment to 7.8% of employment. There have also been modest increases in Accommodation and Food, Education, Transport and Storage and in Mining, Quarrying and Utilities (which includes energy).

Figure 3 Change in employment by sector (2009 to 2016)

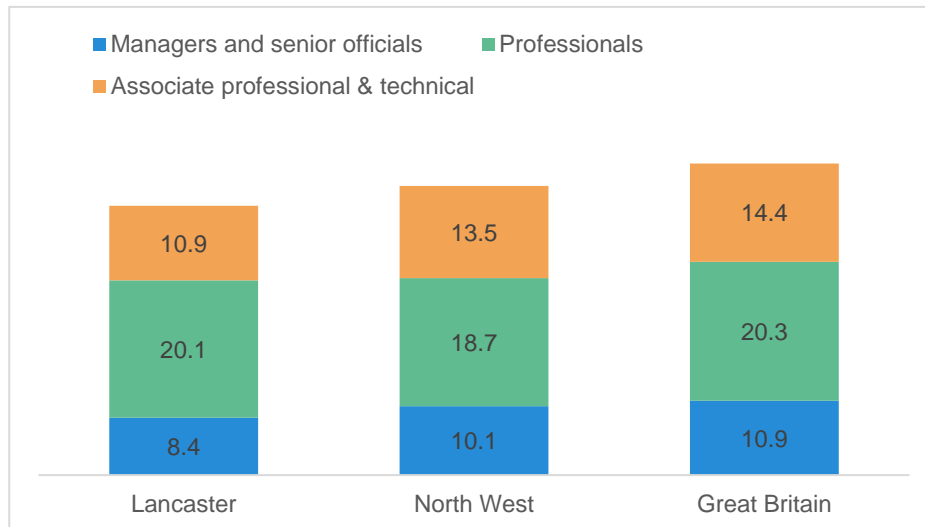


Source: NOMIS: Business Register and Employment Survey

At the opposite end of the scale, there have been declines in Public Administration jobs; which have gone from 4.3% to 2.6%; and in Construction, which has declined from 5.8% to 3.4% of local employment. This highlights the traditional mobility of construction sector employment, which tends to follow growth opportunities. Despite widely reported infrastructure investments, this would not appear to have generated sustained employment growth in the local construction sector.

If we look at the Occupational classification of jobs for 2017, it is notable that the proportion of jobs that are most highly qualified in Lancaster is below that of the North West and Great Britain. Figure 4 shows that only 8.4% of jobs are managers and senior officials compared with more than 10% in the wider comparator areas. However, Lancaster has a higher proportion of professionals than the North West, with the figure of 20.1% similar to the GB figure of 20.4%.

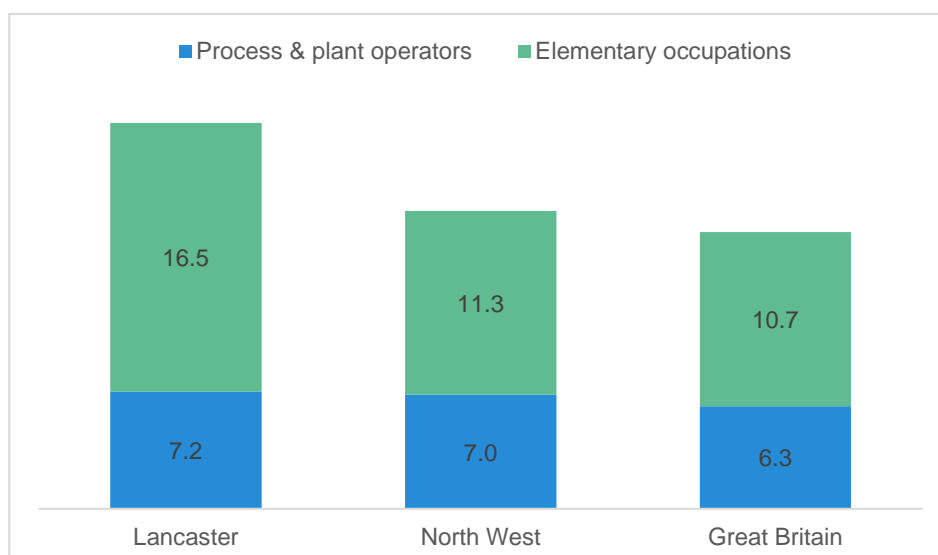
Figure 4 Proportion of jobs in Occupational Classifications 1 to 3 (January 17 to December 17)



Source: NOMIS Annual Population Survey

If we look at the less skilled end of the labour market, it appears that Lancaster's economy relies more on Elementary occupations than those of the North West or Great Britain more generally. In 2026/17 the proportion of jobs that were process, plant and machine operatives or elementary occupations stood at 23.7% of the total; higher than the North West figures (18.3%) and Great Britain (17%).

Figure 5 proportion of jobs in SIC 8 and 9 (April 16 to March 17)



Source: NOMIS Annual Population Survey

Employment in the caring, leisure and other services category has also increased from 9.6% of jobs in 2007 to 12.9% in 2017. Lancaster has a higher proportion of employment in this sector than the wider North West region or the country as a whole. Stakeholders identify a tight labour market with low unemployment and emerging labour shortages. This means there is a demand for skills and labour in many sectors including both skilled and unskilled workers, examples include:

- Lorry drivers,
- Security Guards
- Hospitality staff

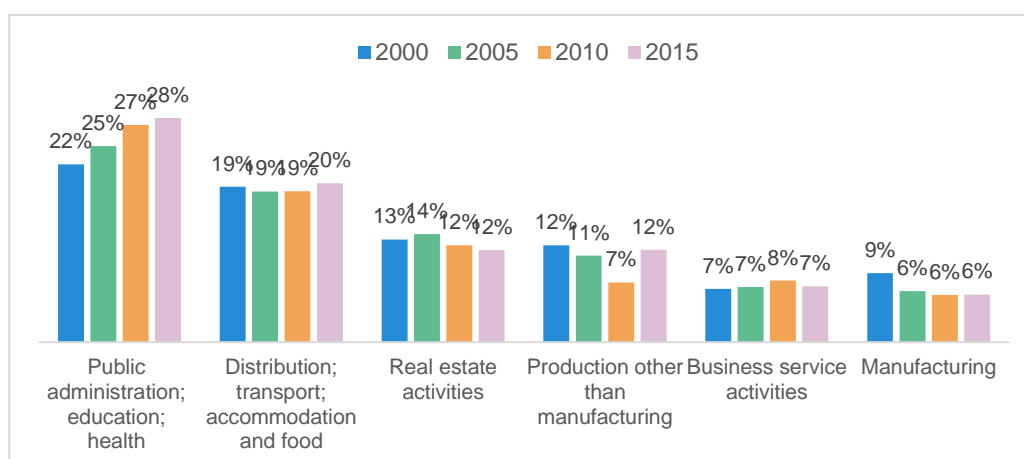
In-migration has solved the workforce problems in the past, but has arguably suppressed wages. Skills and labour gaps in the hospitality sector are likely to be a growing issue as this sector has traditionally relied on Eastern European workforce.

There is evidence of zero-hours contracts in the workforce, but no evidence that this is being forced on people. It is happening as a business response to the tighter labour market and uncertainty over economic growth.

Improved productivity

Gross Value Added (GVA) provides the most effective proxy for productivity. The overall GVA for Lancaster District in 2015 was just under £2.7 Billion, with each FTE job generating £47,996, slightly below the national figure of £50,333. Looking at the Gross Value Added generated by each broad sector (Figure 6), the biggest and the fastest growing sector is Public Administration, Education and Health; having increased its share of GVA from 22% in 2000 to 28% in 2015. Among other sectors, there has been a small increase in the share of GVA generated by the Distribution, Transport, Accommodation and Food sector, which accounted for one fifth of GVA in 2015.

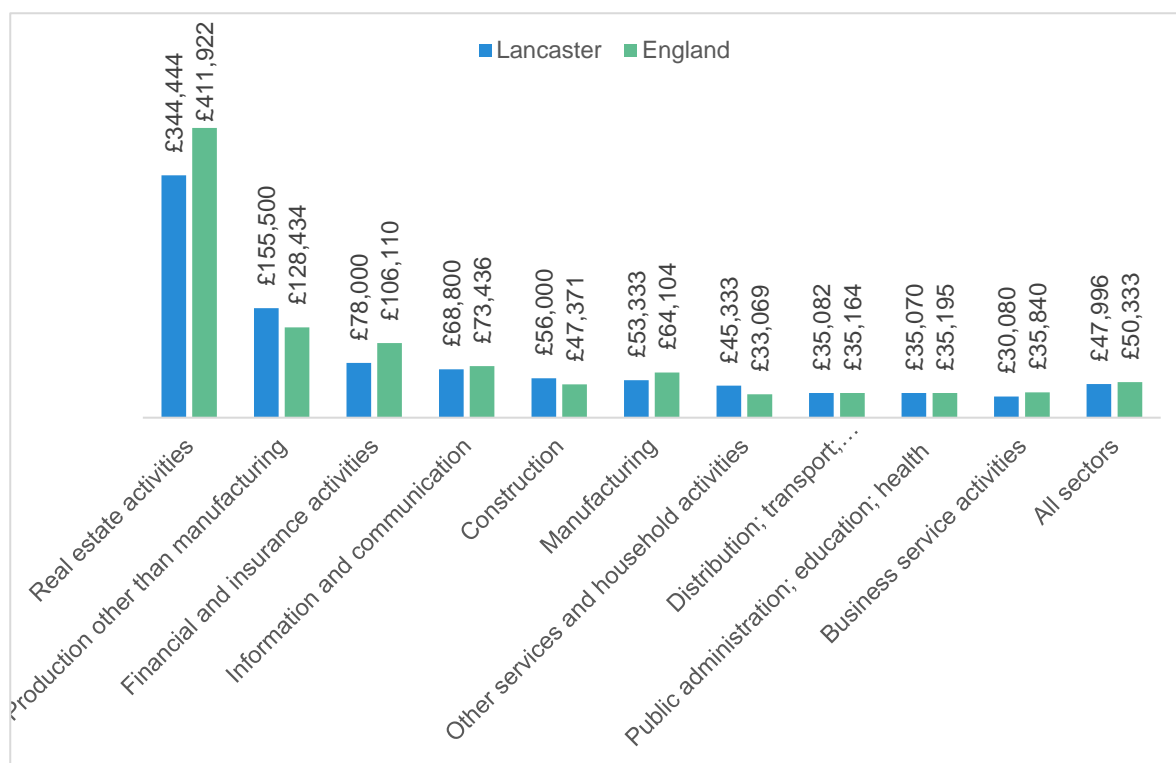
Figure 6 Share of GVA by sector (2000 to 2015)



Source: ONS, Regional Gross Value Added, 2017

However, when considering productivity, it is more useful to look at the level of GVA generated for each job, as some sectors might generate a lot of jobs without adding significant value. The highest level of GVA per job is generated in the Real Estate sector, with each job generating an average £344,444. However, productivity figures for the real estate sector are often artificially high because they include rent income from owner occupiers (a return on capital rather than labour). This is followed by the Production sector, which includes nuclear power and other electricity generation. This sector in Lancaster generates £155,500 per job, higher than the £128,434 equivalent figure for England. Construction is the other sector where Lancaster outperforms the national figure on GVA per job (£56,000 against £47,371). It is perhaps notable that the two most significant sectors both show a relatively low productivity per job figure. Public Administration, Education and Health and Distribution, Transport, Accommodation and Food both generate around £35k per job; a situation very similar to the national position.

Figure 7 GVA per job by SIC sector: Lancaster and England (2015)



Source: ONS, Regional Gross Value Added, 2017

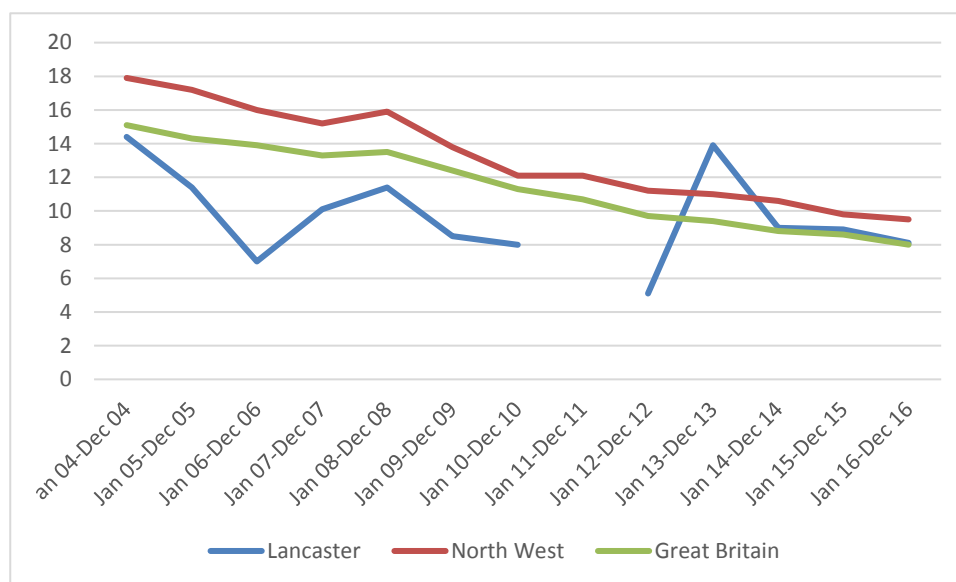
Increased knowledge and skills

Improving skills and developing knowledge, alongside exploiting technology are the most effective ways of improving productivity. A more skilled workforce leads to greater productivity and higher earnings. Traditionally, Lancaster has had a lower proportion of workers without qualifications than

the wider region and nationally. However, it would appear that there has been an in-flow of unskilled workers between 2012 and 2013 which has changed this dynamic. As Figure 8 shows, the number of workers without qualifications increased significantly in the year to December 2013 and since then has remained in line with the GB level. It is unclear what has initiated this inflow of unqualified workers, however it coincides with a large net inflow of international migrants between 2013 and 2014, when there was a net increase of more than 1,200. This represented an increase of 0.9% of the population, more than twice the rate for England and Wales and more than four times the rate for the North West.

This increase in lower skilled workers in Lancaster also coincides with the rapid rise of the so-called 'gig economy'. This includes a wide range of people who are notionally self-employed, but working in insecure jobs that bring in earnings around or below the minimum wage level. For example, delivery company Hermes doubled its turnover between 2011/12 and 2013/14.

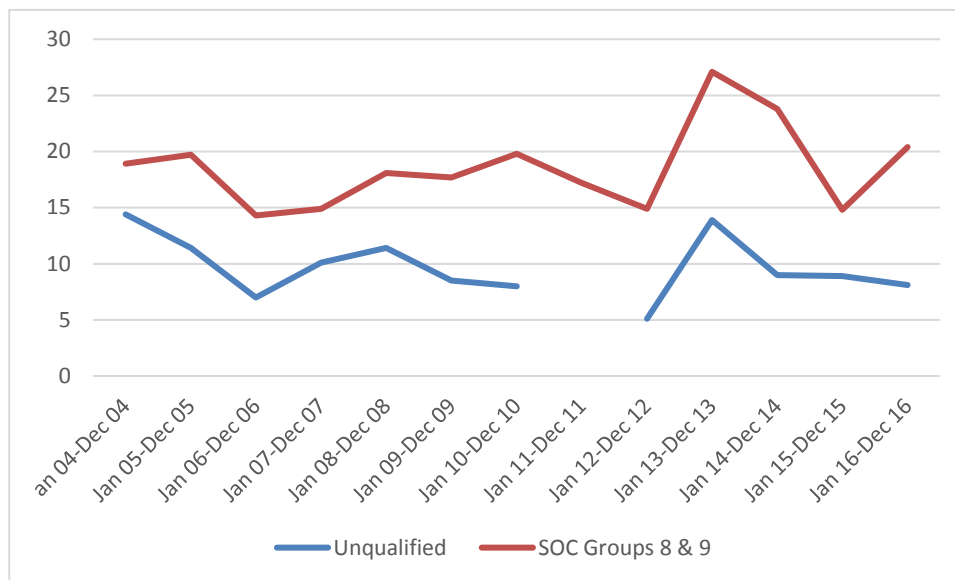
Figure 8 people without qualifications as % of 16 to 64 population



Source: NOMIS Annual Population Survey

If we look at the numbers of unqualified people in the workforce alongside those working in the lower skilled SOC Groups 8 and 9 (plant and machine operatives and elementary occupations) as shown in Figure 9 it appears there is a close parallel between these two groups.

Figure 9 People without qualifications and lower skilled jobs (2004 to 2016)



Source: NOMIS Annual Population Survey

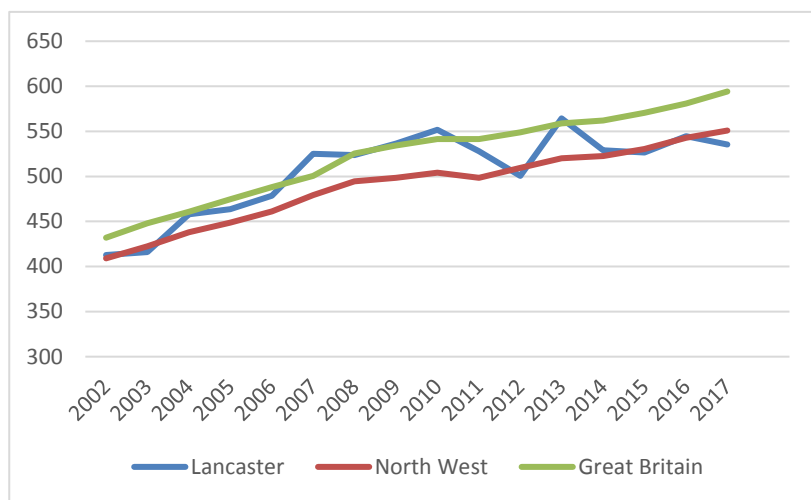
Stakeholders report that there is an emerging need for action around hospitality skills as this is an important growth sector locally.

Stakeholders also identify a lack of investment in skilled trades training locally. One suggests this is because of the policy focus towards higher education and the relatively easy access to skilled workers from the EU. Apprenticeships are no longer linked to career progression opportunities. There is a lack of funding and a lack of encouragement to go down the skilled trade route.

Earnings

If what we know about the 'gig economy' is correct we might expect to see a downward pressure on earnings due to this increase in lower-skilled and casualised employment. Figure 10 shows the average full-time earnings figures from the Annual Survey of Hours and Earnings. It shows that while earnings in Lancaster were generally higher than for the North West region, they declined sharply in 2012 and, aside from a blip in 2013, have remained well below the national level and at or below the North West figure since then.

Figure 10 Average full time weekly earnings



Source: NOMIS, Annual Survey of Hours and Earnings

Income equality

One indicator of inclusive growth is a narrowing of income inequality. We looked at earnings data for the lowest earning 10% against the second highest earning decile (80%) as there was insufficient data available for the highest earning decile. The hourly full-time earnings for both of these groups have grown at a similar rate since 2000. The chart in Figure 11 shows the earnings figures indexed at 2000 levels, and indicates that the gap has narrowed as the lowest earning 10% have increased their earnings at a slightly higher rate since 2015. This may be linked to the introduction of the National Living Wage in April 2016.

Figure 11 Hourly median earnings for full-time workers (10% and 80% deciles)



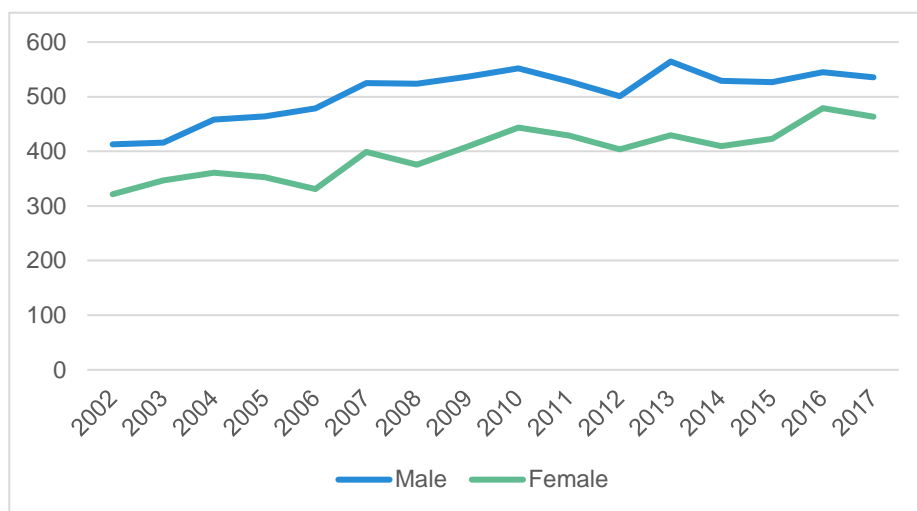
Source: NOMIS: Annual Survey of Hours and Earnings

Indexed at 2000 (100)

Gender inequality

Inclusive growth should mean that inequalities in the earnings of men and women start to reduce. As Figure 12 shows, there has been a narrowing of the earnings gap between males and females over the past few years. However, this is mainly due to male full-time earnings flatlining since 2013 while fulltime earnings for women have increased steadily. The gap between male and female pay stood at 13% in 2017, equivalent to £72. This is half of what it was in 2008.

Figure 12 Full-time weekly earnings by gender (2002-17)



Source: Annual Survey of Hours and Earnings

Access to Fair Work

High levels of economic inactivity are a brake on economic growth as well as being detrimental to those individuals being left behind. Access to fair work means that every member of society should feel able to contribute meaningfully to the economy. Indeed, an inclusive economy would be actively engaging inactive groups and supporting ways of overcoming current and future barriers to becoming active. It would also mean that those in work have reasonable levels of security, access to training and basic employment rights. Some indicators of this principle are:

- Levels of long-term unemployment
- Economic inactivity and barriers to work
- Access to training and skills
- Security of employment

Unemployment

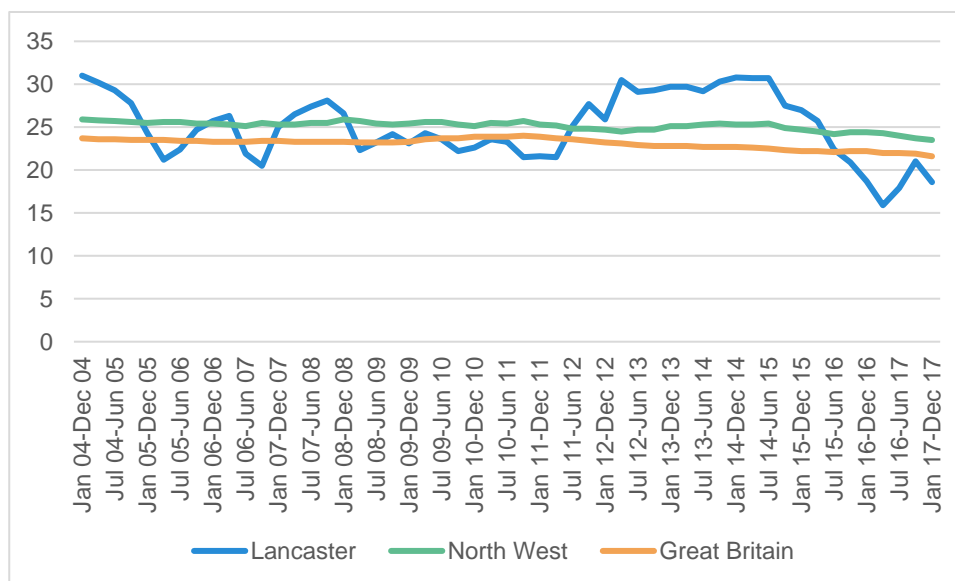
In the 12 months to September 2017, the unemployment rate was 4.4%; with only a slight difference among males (4.5%) and females (4.3%).

While overall unemployment is low, stakeholders report that it is focused on 'chronic' long-term unemployed who tend to be concentrated in certain areas: for example: Skerton, Morecambe West End, and Rylands. The less skilled are missing out, as higher entry levels are put on more and more jobs (e.g. Whitbread Costa demand a degree for basic jobs now).

Economic inactivity

The overall inactivity rate among the 16 to 64 population in Lancaster in 2017 was 18.6%; equivalent to 16,900 people. This rate is lower than the equivalent figures for the North West (23.5%) and Great Britain (21.6%). As Figure 13 shows, there has been a dramatic drop in the proportion of the working age population who are inactive since the summer of 2015 when the figure stood at 31%.

Figure 13 Economic inactivity rate (as % of 16 to 64 population)



Source: NOMIS Annual Population Survey

However around nine out of ten of the economically inactive population did not want a job; a higher proportion than in the wider region (78%) or Great Britain (77.1%). Taken together, the low rate of economically active people who want to work, and the low unemployment rate mean the labour market is very tight. While potentially an issue for employers, it should mean that people who want to work can find employment.

Students make up a higher proportion of the economically inactive population in Lancaster compared with the North West and wider Great Britain. Lancaster University attracts a high proportion of overseas postgraduate students; many of whom do not want to work or are unable to work because of visa restrictions.

A positive health impact

There is well-documented evidence base linking inequality with ill-health. It is clear in looking at the ward-based data for Lancaster that there is a strong correlation between health-related benefits claims and wider indicators of disadvantage. And several stakeholders identify issues of stress and poor mental health among disadvantaged groups in the labour market, such as migrant workers.

A partnership approach

Lancaster City Council is committed to improving their joint working alongside other public agencies such as CCGs, Higher Education Institutions, the Voluntary sector and the private sector. Its Corporate Strategy (2016 to 2010) states part of its core purpose as to:

‘bring communities and agencies together to work in partnership to address the major issues affecting the district ‘

Lancaster CVS has highlighted a much closer partnership working with both the Local Authorities and the NHS. There are further opportunities for them to develop training alongside the Universities and private sector organisations such as the Chamber of Commerce. And they believe that a more joined up approach will help to unlock more funding and investment opportunities to the benefit of all organisations

Lancaster University has promoted a shift in emphasis more towards engagement as part of its broader strategy. There are three aspects to engagement:

- Generating value – links to economic development
- Shaping agendas – influencing what is happening locally
- Enhancing place – helping to promote socio-economic and cultural development

Lancaster University has recently appointed a senior member of staff responsible for engagement. Tangibly they recognise that they will need to identify what this ‘engagement’ will look like.

Asset-based approaches

Asset-based approaches aim to build on existing strengths within communities, rather than looking for gaps or weaknesses. It is a positive approach that recognises that there are strengths to build on even in the most disadvantaged communities.

This research identified numerous positive community-led initiatives which aim to harness the resources, skills and knowledge of communities to engage positively with the local economy.

For example The Exchange Community Interest Company in Morecambe is an arts and craft based enterprise that aims to support and develop local creative talent and nurture sustainable enterprises. It was born out of an idea for something different for people to have a real lifetime experience and learn new craft and art skills. The Exchange recently ran the Studio Collective, which involved pop-up artists' studios in Morecambe Arndale with 14 artists working out of a vacant shop unit. They are currently in the process of expanding into new premises and hope to use the new premises to expand this initiative. Co-founder Jo Bambrough said¹:

“There’s a number of people doing creative things and raising the bar in the West End... we are trying to provide an infrastructure for that to thrive, through premises and resources and training.... We have got the potential to move things forward in an interesting way... we are hoping to invest in people’s sustainable enterprise ideas... if people have a credible idea for us to invest in, we are really keen to find people that might want to occupy some of the space we have.”

The Exchange is also planning to open a tool library at the cafe in the near future, giving people the chance to hire household tools and also learn basic DIY skills.

Another example of how asset-based approaches can build on the strengths of people is The Growing Club CIC. This was a support network developed to help women to work collaboratively to address the lack of mainstream business support that was available. The Growing Club is an alternative model business growth club for women sole traders, female owners of micro-business and female founders of not-for-profit organisations². Co-founder Jane Binnion said:

“We wanted to see what would happen if a group of female business owners came together for a year to support and challenge each other to grow sustainable healthy businesses.”

The Growing Club provides business coaching and support for 12 months to help female entrepreneurs to develop and grow their business ideas.

¹ Lancaster Guardian (2018) Expansion Plans for Morecambe Creative Hub

² JaneBinnion.com

A shared understanding

This principle requires that all citizens are aware of how the strategy will affect them. This chimes with another of the core objectives of the Corporate Strategy, which is to:

‘maintain a sustainable and cohesive community by ensuring we understand the needs of our communities and provide equality of access to our services and employment opportunities’

It will require not just publicity, but active outreach to make sure that the most excluded groups have the opportunity to participate and engage in the economy.

Identifying key groups in the population

This section looks at some of the key groups in Lancaster to identify the scale, characteristics and issues they may face in engaging with the economy. Figure 14 summarises some of these groups and their estimated scale.

Figure 14 Groups in population (16+)*

	Estimated number	Characteristics/ locations/ concentrations
Business owners, and entrepreneurs (with more than 4 employees)	1,115	Higher proportions in Accommodation & Food services, Health, Education and Wholesale and Retail
Lifestyle orientated self-employed/ micro businesses	3,465 (and up to 7,500 including those below VAT threshold)	Estimated based on information on business units with 0 to 4 employees
Self-employed skilled tradespeople	1,650	This group makes up roughly a quarter of all self-employed
Casual self-employed (gig economy)	2,500 to 3,000	Some evidence of under-employment among self-employed men who've moved from unemployment
Employees (managers and professionals)	21,100	A higher proportion of professional in Lancaster
Low-skilled/ unskilled workers	15,200	Based on process, plant and machine operatives and elementary occupations ³
Recent and prospective graduates/ post-graduates	4,800	Figures are estimates based on numbers graduating from Lancaster University and the University of Cumbria.

³ ONS Labour Force Survey NOMIS

Young people NEET (16 and 17)	211	Rate is 6.5%, double the Lancashire figure of 3.1% and England 2.7%. Skerton East is the 10 th highest rated ward in the County ⁴
Unemployed	3,700	Low rate overall, but concentrations in areas such as West End, Skerton and Ryeland.
Volunteers	10,000 to 12,000	An estimated 25% of the adult population formally volunteer once a month or more.
Students	15,000	Nearly four in ten of those who are economically inactive are students – much higher than NW and GB
Economically inactive with caring responsibilities	4,200	Number of people on Carer benefits has increased. Highest carer benefit claims in Heysham central, Morecambe, Skerton West and Overton.
Long-term sick/ disabled	4,300	Broadly in line with GB rate
Younger retired (under 65)	4,400	Slightly higher than regional and GB figures.

*Note there will be overlaps between many of these groups and there will be in-flows and out-flows between them

Active groups in the economy

Figure 15 below summarises some of the issues among those who are currently active in the economy.

Figure 15 Economically active groups

Group	Training/ skills	Barriers	Services/ networks	Health & wellbeing
Business owners and entrepreneurs	Limited time to access training and lack of	Lack of High Speed Internet connectivity and suitable bespoke	Some networks exist for this group. E.g.	Often work long hours which can

⁴ Lancashire County Council (2017) (<http://www.lancashire.gov.uk/media/903498/neet-2016-17-new-format-final.pdf>)

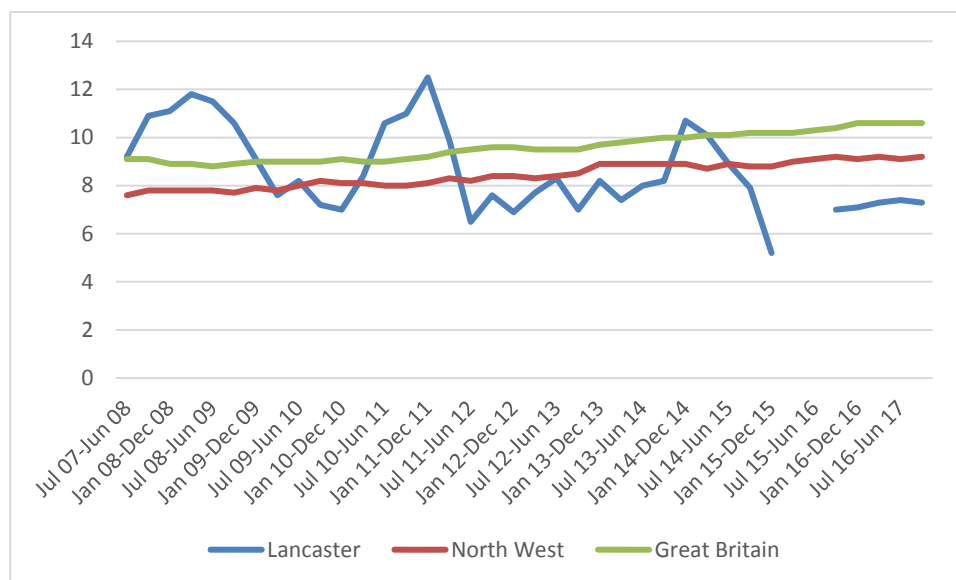
	flexibility in provision	office/ business space.	Chamber of Commerce	impact on health.
Lifestyle micro-business owners	Cost and time can be a barrier to accessing training.	Lack of start-up units, retail and light industrial units.	Social media is important, need to strengthen peer to peer networks.	Issues of isolation and loneliness for those working independently.
Professionals/ managers	This group are generally well-served by Training and CPD	Gender pay gap is an issue for many senior managers and professionals.	Good professional networks generally exist.	Stress and lack of Work-life balance is an issue that can affect health.
Self-employed skilled trades people	Limited access to high quality apprenticeships	Smaller trades businesses find it difficult to bid for larger public contracts.	Networks are limited and ad hoc.	Unhealthy lifestyles are more evident in this sector.
Casual self-employed	Lack of formal training/ progression opportunities	Inability to predict income or plan can cause wider disadvantage.	Lack of access to unions limits benefits of collective action.	Poor conditions, lack of sick-pay and pensions.
Younger school-leavers	Lack of apprenticeship opportunities	Limited opportunities for in-work progression.	Housing prices and lack of services for YP compared with larger cities	Risk of low paid employment and in-work poverty can impact on health.

Self-employed

There are an estimated 6,600 self-employed people (aged 16 to 64) across the District, with a slightly higher rate among women. Self-employment in Lancaster is much more seasonal and fluctuates quite significantly as Figure 16 shows. There is no clear or consistent pattern to the fluctuation; with peaks occurring at different time periods. This suggests that there are several different influences on levels of self-employment, including push factors such as economic downturn and redundancies from large employers, and pull factors such as specific opportunities like seasonal tourism and production demand. Unlike the North West and the wider country,

Lancaster has not seen an upward trend in self-employment rates. Notwithstanding these fluctuations, the self-employment rate is largely the same as it was at the start of the decade. The rate is also lagging behind the regional and national pattern.

Figure 16 Self-employment rate (16 to 64) Lancaster, North West and Great Britain



Source: NOMIS Annual Population Survey

Nationally, growing self-employment is linked with economic recovery, and much of the growth has been through part-time self-employment. There is evidence nationally that some younger, self-employed males are under-employed, and would prefer to be in employment or working longer hours. This accords with similar findings from research into the so-called 'gig economy'.

Small business owners

Research commissioned by Lancaster City Council⁵ in 2017 looked at the needs of sole traders and those running micro-businesses. This research reiterated the move towards more flexible forms of working identified elsewhere in two areas:

- There are a significant number of people leaving traditional institutional professions, such as the NHS, to go freelance and start their own business,
- There is a trend to sub-contract to other self-employed professionals rather than take on employees. This helps to keep overheads down and allows for flexibility when taking on and delivering work.

⁵ Michael Hallam (2017) Local Business Trends in the Lancaster District 2017

This is backed up by UK-wide research from IPSE, which identified the health sector as the fastest growing area where 'freelancers' operate. There has been a 194% increase in the number of freelancers in this sector since 2008⁶.

This report also highlighted the problems of isolation for sole traders and smaller business owners. More effective networking and cooperation between micro-businesses would help address this and help to make the sector more productive.

Casual / gig economy workers

There is some evidence since 2012/13 of much more flexible working patterns and modes of working in Lancaster with more temporary, freelance and sub-contracted jobs. This is part of a wider phenomenon known as the 'gig economy'. Across the UK, the number of zero hours contracts has increased threefold from 250,000 in 2012 to 750,000 in 2015⁷. Based on GB wide figures, we estimate that there are between 2,500 and 3,000 people working in these types of job in Lancaster District.

Research by the McKinsey group into this part of the labour market has identified four categories of these independent workers:

- 30% are free agents, who actively choose independent work and derive their primary income from this;
- 40% are casual earners, who use independent work for supplemental income by choice;
- 14% are 'reluctants' who make their primary living from independent work, but would prefer traditional jobs; and
- 16% are the 'financially strapped', who do supplemental independent work out of necessity.

Clearly having some degree of flexibility makes it easier for certain groups (particularly women) to enter the labour market. However, the lack of choice for some in the sector may lead to an erosion of working conditions and pay.

Voluntary and community sector

The VCS sector is significant in Lancaster District, with 832 organisations registered as members of the Lancaster CVS. These organisations cover a wide range of sectors from those focusing on young people, BME organisations and those working with older people. They range in scale from organisations with no employees and only a few volunteers, through to larger charities and social enterprises.

Tightening of public sector budgets has had a significant impact on the sector in recent years, both negative and positive. While some organisations have ceased operating due to lack of funding, there has generally been an improvement in overall partnership working between the sector and

⁶ The Association of Independent Professionals and the Self Employed (2017) Exploring the rise of self-employment in the modern economy

⁷ www.economicshelp.org

the public agencies. This has included joint initiatives, pooling resources and sharing of knowledge. The Local Authority's Community Plan has led to closer working with the NHS and more early intervention in some areas.

There are continuing skills needs within the Voluntary sector, particularly around monitoring, measuring impact, bid-writing and business planning.

However, the loss of many experienced and valued voluntary sector services has removed the safety net for many disadvantaged groups. School and nursery clubs is one area where services have been lost across the District which impact on lower income families.

Graduates

Around 3,000 undergraduates and 1,600 post-graduates leave Lancaster University each year. Because Lancaster is a top 10 University it attracts students from a wide and increasingly international market. Some 50% of postgraduate students are from overseas. Many students will therefore not have strong connections with the Lancaster area and will seek jobs further afield. Stakeholders report that only around 8% of graduates remain in the local area. Many are attracted to larger cities where there are more jobs with higher salaries and a more diverse social scene. Universities are rated on the salary levels that their graduates attain, which potentially undermines other objectives of strengthening links with the local economy, as graduates may be encouraged to compete in national/ international jobs markets to maximise their salaries. There are also tight visa restrictions on overseas students which limits their ability to work locally.

There are employment opportunities within the Universities, both for academic and non-academic staff. However postgraduate jobs are increasingly fixed term due to funding constraints, which might make it more difficult for graduates to establish themselves within the local community.

Economically inactive groups

For groups currently inactive in the economy, it will be important to identify and address barriers that prevent them from engaging in the economy.

Working age benefits

It is important to identify who is not currently benefiting from economic growth in the District so that we can explore barriers and issues around economic activity. Overall the proportion of the working age population who are claiming some form of working age benefit has dropped from 13.2% to 9.6% between November 2012 and November 2016.

However, there are significant geographical disparities in the claimant rates, with the Skerton West ward having a rate of 17.9%; nearly twice the district average. This contrasts with a rate of just 1.8% in the largely rural ward of Ellel. Other wards with rates above the District average are shown

in Figure 17 below, and include all wards in Morecambe and Heysham, Skerton East, Overton and Bulk.

Figure 17 Working Age Benefit Claimants by Ward – highest rates (2012 and 2016)

Ward	2012		2016	
	number	rate	number	rate
Skerton West	950	23	740	17.9
Poulton	1170	22.8	855	16.6
Harbour	1080	24	740	16.4
Heysham North	920	24.5	615	16.4
Westgate	925	23.2	640	16.1
Heysham Central	535	20	400	14.9
Skerton East	835	18.3	675	14.8
Overton	235	15.2	190	12.3
Heysham South	660	15.2	530	12.2
Bulk	750	13.2	565	10
Bare	265	12.7	205	9.9
Lancaster District	12150	13.2	8885	9.6

While the overall number of claimants has gone down, the number and proportion of people claiming benefit as Carers has increased since 2012; increasing from 1,090 to 1,430. Although only 1.5% of the working age population are in this category; this increases to 3.2% in Heysham Central.

Young People NEET

The overall figure for 16 and 17-year olds Not in Education, Employment or Training (NEET) is 6.5%, down slightly from 2015/16 but well above the County and national rates. Several wards have high rates of young people NEET, notably Skerton East (7.4%), Poulton (7.1%), Marsh (6.4%), Heysham North (5.7%), Harbour (5.1%) and Bare (4.6%). In contrast there are six rural wards in the District that have 0% NEET figures: Halton-with-Aughton; Kellet; Lower Lune Valley; Silverdale; University & Scotforth Rural; Upper Lune Valley.

Although the numbers are small, those not positively engaged in the labour market at this age are likely to be costly in the longer-term, having greater likelihood of offending, substance misuse and long-term worklessness.

Students

Students form a larger proportion of the economically inactive population in Lancaster, because of the significance of the local Higher Education Institutions. The high proportion of students in this group contributes to the low proportion of economically inactive people who do not want to work. Many students do not want to work or are unable to work because of visa restrictions.

Minority groups

While BME groups are not as visible in Lancaster as in other areas, there is anecdotal evidence from stakeholders that services targeted at these groups have declined. Where previously there was targeted support available, there is now no strategy to engage with minority groups. These groups, including refugees and migrants face issues such as employment discrimination and poor mental health.

Emerging issues

This section sets out some of the key issues emerging from this research that will require to be considered in taking forward the Inclusive Economic Growth Strategy.

Economic uncertainty

Brexit uncertainty is a key issue impacting on business confidence, with many businesses waiting on future clarity around trade and labour market issues. Several stakeholders identify that businesses are standing still to some extent. Businesses are unclear as to the direct impacts such as tariffs, and indirect ones such as impact on demand and staffing and skills. Most businesses are affected to some extent because they are part of the supply chain. Businesses are holding off on decisions around investment and recruitment; or are outsourcing recruitment to avoid over-committing. Economic uncertainty is one of the drivers of increasing flexibility within the labour market, including outsourcing, freelance work and zero hours contracts.

Tight labour supply

The decreasing number of international migrants, low unemployment and outflow of graduates and younger people are leading to a tight labour market and emerging labour and skills shortages. The evidence suggests that these are most likely to be felt in the lower skilled sectors of the economy, such as hospitality, transport and logistics, where there has been a high demand for workers over recent years. This will mean greater competition for workers which may impact upon wage rates and costs for businesses. However, on the positive side it may enable workers to demand improved conditions and more rights.

The gig economy

The rapid growth of flexible working and self-employment through the 'gig economy' creates new issues for those looking to support inclusive economic growth in the District.

'The majority of gig economy workers were receiving no formal training and limited informal or on-the-job training. There was also limited opportunity for career progression.'⁸

⁸ Broughton, Gloster, Marvell, Green, Langley and Martin (2018) Individual's experiences in the gig economy, HM Government

This type of non-standard employment can lead to increased stress, lower morale, poorer conditions and diminishing productivity. And it has been argued that:

‘Non-unionised part-time workers get smaller pay increases. Arguably flexible labour markets have created a bigger gap between those ‘insiders’ with secure job contracts, and those ‘outsiders’ without job contracts.’⁹

Growing flexibility in the labour market could go against the core objectives of Inclusive Economic Growth by reducing wellbeing, lowering productivity and growing inequalities. While it is important from an inclusion perspective to enable flexible engagement in the labour market (particularly for women), there need to be safeguards for the estimated 30% of these workers who may not be engaging in this type of work by choice.

Business support

Lancaster’s stock of businesses and business birth rate are lagging behind other similar areas. Stakeholders have identified a lack of general business support available for small businesses and non-high growth start-ups. Others have identified a lack of suitable, modern and bespoke units for smaller and medium sized businesses looking to grow. Confusion as to where to access business support has also been identified.

Local services

Economic uncertainty, changes to funding and the increasing use of online services have had a continuing impact on local services in communities. The retail and voluntary sectors have been hit and there are fewer local services available in many more disadvantaged communities.

The decline in the retail and service sectors and emerging skills shortages might lead to more opportunities for social enterprises which provide services alongside supporting local people to address barriers to entering the labour market. This can also help to address gaps in services within some of the more disadvantaged communities. There are several examples of approaches elsewhere which have not yet been implemented in Lancaster.

Quality of life

Overall quality of life has been widely identified as an important push and pull factor for workers. Younger people are drawn away to larger cities; partly due to the jobs market; but also because of the more vibrant social opportunities and access to more affordable housing. However, Lancaster

⁹ www.economicshelp.org

is also viewed as an attractive environment for people wanting to relocate, with a wide range of arts and cultural opportunities, good quality housing and access to the countryside.

Lancaster City Council

Lancaster Inclusive Growth Report



Produced by Denis Donoghue

4th Floor
45 Hope Street
Glasgow
G2 6AE

T: +44 141 204 3183
E: info@hallaitken.co.uk
W: www.hallaitken.co.uk

Other offices:

Suite 306, Citibase,
40 Princess Street
Manchester
M1 6DE

2-7 Clerkenwell Green
London
EC1R 0DE

HALL
AITKEN