

ISLE OF WIGHT LOCAL ECONOMIC ASSESSMENT

Isle of Wight Council

December 2010



**ISLE OF WIGHT
LOCAL ECONOMIC
ASSESSMENT**

Isle of Wight Council

December 2010



TABLE OF CONTENTS

1.	Introduction	6
2.	Executive Summary	7
3.	The Island's Economy	14
4.	Links to the Mainland Economy	27
5.	The Island's People	37
6.	Child Poverty & Well-being	47
7.	The Island's Labour Market	50
8.	The Island's Businesses	67
9.	The Island's Property	82
10.	Local Economies on the Island	94
11.	Future options	116

LIST OF APPENDICES

Appendix I: Supplementary data tables

LIST OF FIGURES

Plan 1: The Isle of Wight	7
Figure 3.1: GVA Growth, 2000-2010	15
Figure 3.2: Employment Growth, 2000-2010	15
Figure 3.3: Growth and share of output, 2000-2010	16
Figure 3.4: Sector share of employment on the Isle of Wight, 2000 and 2010	17
Figure 3.5 Employment growth 2000-2010 (000's and percentage change)	18
Figure 3.6: The Recession - employment growth 2008-2010 (000's and percentage change)	19
Figure 3.7: shift share analysis of Isle of Wight against UK, 2000-2008	20
Figure 3.8. Average GVA per worker (employee and self employees), 2010.	20
Figure 3.9: GVA per worker, 2007	21
Figure 3.10: Isle of Wight location quotients vs PUSH, South East and UK, 2010	22
Figure 3.11: Annual GVA Growth (%) 2010-2020	24
Figure 3.12: Annual Employment Growth (%) 2010-2020	25
Figure 3.13: Recovery - employment growth 2010-2013 (000's and percentage change).	26
Figure 4.1: Volume of cross Solent traffic (2008)	27
Figure 4.2. Out Commuting – Totals (2001)	29
Figure 4.3: In Commuting – Totals (2001)	30
Figure 4.4: Where companies advertised for staff (July 2010 - Percent)	30
Figure 4.5: Change in share of sales (October 2009 – July 2010)	31
Figure 4.6: Level of firms making 100% of sales on the Island by sector	31
Figure 4.7: Share of sales by sector	32
Figure 4.8: Location of suppliers	32
Figure 4.9: Share of suppliers by sector	32
Figure 4.10: Consumer Expenditure growth forecast (2008-2014)	34
Figure 4.11: Personal Disposable Income Forecast (2008-2014)	35
Figure 4.12: new affordable housing targets, 2007-2012	36
Figure 5.1: Age structure of the Isle of Wight, 2008	38
Figure 5.2: Gender by age on the Isle of Wight, 2008 (thousands)	38
Figure 5.3: Percentage growth of population by age group, 2003-2008.	39
Figure 5.4: Net internal migration and population change on the Isle of Wight, 2003-2008	39
Figure 5.5: Isle of Wight net migration, 2003-2008 – actual numbers	40
Figure 5.6: Recession and migration patterns, 2008-2009 (% change)	41
Figure 5.7: Population by broad ethnic group, 2007	41
Figure 5.8: skills levels of working age population, 2008	42
Figure 5.9: Percentage change in the proportion of people at or above NVQ levels, 2003-2008.	43
Figure 5.10: Pupil attainment at A-level, 2008/9	43
Figure 5.11: GCSE performance of pupils, 2008/9	44
Figure 5.12: percentage of pupils achieving 5+ A*-C grades including English and Maths	44
Figure 5.13: Life expectancy at birth by gender, 2008	45
Figure 5.14: Crime rates per 1000 population, 2008/9, (2005/8)	45
Figure 5.15: Annual growth rate of population, 2010-2022	46
Figure 6.1: Percentage of children living in low-income households, 2007	47

Figure 6.2: percentage of children living in out-of-work households	48
Figure 6.3: Isle of Wight performance on Child Wellbeing Index 2009	48
Figure 6.4: Gap in educational achievement between pupils eligible for free school meals and their peers, 2004/5 and 2008/9	49
Figure 7.1: Labour market performance in the South East, April 2010	51
Figure 7.2: labour market performance in the South East, April 2007	52
Figure 7.3: percentage of employment in broad occupations, 2009	52
Figure 7.4: percentage change in occupational structure, 2002-2009	53
Figure 7.5: Self-employment as percentage of working-age population, 2010	53
Figure 7.6 Economic activity rates, 2005-2009	54
Figure 7.7: employment rate by age band, 2007	55
Figure 7.8: Seasonality of claimant unemployment	56
Figure 7.9: JSA claimants as percentage of working age population, 2007-2010	57
Figure 7.10: JSA claimant unemployment forecast	57
Figure 7.11: ILO unemployment rate, 2005-2009	58
Figure 7.12: duration claiming JSA as of April 2007 and April 2010	59
Figure 7.13: 18-24s JSA claimants as percentage of all claimants May 2007-2010	59
Figure 7.14: Status of 16-18 year olds, Jan 09 -Jan 10	60
Figure 7.15: percentage of 16-18s NEET 2008-2010	61
Figure 7.16: NEET joiners by source as percentage of 16-18 cohort, April 2009-Jan 2010	61
Figure 7.17: out-of-work benefit claimants, November 2009	62
Figure 7.18: percentage of age group claiming IB	63
Figure 7.19: Proportion of firms that attempted to recruit by sector (July 2010 - Percent)	63
Figure 7.20: Average number of vacancies by firm by sector (July 2010)	64
Figure 7.21: Difficulties in recruiting staff (July 2010 - percent)	64
Figure 7.22: Difficulties in recruiting staff by sector	65
Figure 7.23: Recruitment issues (number of respondents)	66
Figure: 8.1 Size of Businesses by number of employees (percentage of total business – 2008)	67
Figure: 8.2 Island Businesses - size and sector 2008 (percentage of total business)	68
Figure: 8.3 Private Sector island businesses - size and sector 2008 (actual number-excluding public sector)	69
Figure 8.4: Business growth 1998-2008 (annual percentage change)	69
Figure 8.5: Business growth (number of workplaces on the Isle of Wight 1998-2008)	70
Figure 8.6: Stocks at end of year – (2000-2007)	70
Figure 8.7: Registrations and de-registrations per 10,000 (2001-2007)	71
What does this chart tell us?	71
Figure 8.8: Survival rates of new businesses in 2003	71
Figure 8.9: UK business three year survival rates by sector (2005 base)	72
Figure 8.10. Individual Voluntary Agreements number and rate (2000-2008)	73
Figure 8.11. Bankruptcy Orders number and rate (2000-2008)	73
Figure 8.12: Recent trends (last 3 months)	74
Figure 8.13: Trend data (October 2009 – July 2010).	74
Figure 8.14: Recent trends (last 3 months) by sector	75
Figure 8.15: Trend data - employment (last three months) by sector. 2009-2010.	75
Figure 8.16: Trend data - orders and sales (last three months) by sector 2009-2010.	75
Figure 8.17: Trend data - cashflow (last three months) by sector 2009-2010.	76
Figure 8.18: Trend data: prices (last three months) by sector 2009-2010.	76
Figure 8.19: Confidence in the next 12 months, compared to three months ago	77

Figure 8.20: Changes in confidence	77
Figure 8.21: Expectations (next three months)	78
Figure 8.22: Changes in expectations	78
Figure 8.23: Expectations (next three months) by sector	79
Figure 8.24: Main constraints on business growth	79
Figure 8.25: Main constraints on business growth by sector	80
Figure 8.26: Major areas of expenditure over next 12 months	81
Figure 8.27: Major areas of expenditure over next 12 months by sector	81
Figure 9.1: Percentage of Households by Tenure (2001)	83
Figure 9.4: Accommodation Type – 2001.	84
Figure 9.5: Pensioner households by Tenure – 2001 (%)	84
Figure 9.6: Net additions to dwelling stock: 2004-2009	85
Figure 9.7: Average House Prices – 1995-2010	86
Figure 9.8: Average House Prices – the recession	86
Figure 9.9 2009 House Prices (Mean)	87
Figure 9.10: Housing Affordability 2009	87
Figure 9.11: Weekly Rents: Social Housing (2005)	88
Figure 9.12: Commercial Premises (Number 2000-2008)	88
Figure 9.13: Commercial Floorspace (Thousands of Square Metres 2000-2008).	89
Figure 9.14: Vacancy Rates- Commercial Premises	89
Figure 9.15: Rateable Value per m2	90
Figure 9.16: Likelihood of relocating off the Island in the next 3 years by sector (%)	90
Figure 9.17: Length of time in current premises by sector	91
Figure 9.18: Satisfaction with premises by sector	92
Figure 9.19: Choice and quality of premises by sector	92
Figure 9.20: Considering relocating to different premises on the Island	93
Figure 9.21: Considering relocating to different premises on the Island	93
Figure 9.22: Likely size of new premises by sector	93
Figure 10.1: Population in 2001 and 2008	94
Figure 10.2: Population growth by broad age group, 2001-2008 (percentage change)	95
Figure 10.3: Population Structure by age (%), 2008	95
Figure 10.4: Number of employees, 2003-2008	96
Figure 10.5: Net Commuting (2001)	97
Figure 10.6: On Island Commuting Patterns (2001)	98
Figure 10.7: Percentage of sector employees located in each area, 2008	100
Figure 10.8: Recent trends (last 3 months)	101
Figure 10.9: Confidence in the next 12 months, compared to three months ago	101
Figure 10.10: Expectations (next three months)	102
Figure 10.11: Main constraints on business growth	102
Figure 10.12: Major areas of expenditure over next 12 months	103
Figure 10.13: Share of sales	103
Figure 10.14: Vacancies by occupation type (July 2010)	104
Figure 10.15: Type of staff companies attempted to recruit (July 2010 - Percent)	104
Figure 10.16: Difficulties in recruiting staff (July 2010 - percent)	104
Figure 10.17: Where companies advertised for staff (July 2010 - Percent)	105
Figure 10.18: Sub-local percentage of children in households claiming Child Tax Credits, 2008	105
Figure 10.19: Breakdown of percentage of children living in out-of-work households on the Isle of Wight, 2008	106
Figure 10.20: Local labour market characteristics, Isle of Wight April 2010	107
Figure 10.21: Local claimant count rates, June 2008-2010 (%)	108

Figure 10.22: IB and SDA claimants as percentage of working age population, 2008-2009	108
Figure 10.23: Home ownership– Island wide (2001) Percentage.	109
Figure 10.24: The rental sector – Island wide (2001)	109
Figure 10.25: Accommodation Type – 2001.	110
Figure 10.26: Length of time in current premises	111
Figure 10.27: Considering relocating to different premises on the Island	111
Figure 10.28: Likelihood of relocating off the Island in the next 3 years	111
Figure 10.29: Likely size of new premises	112
Figure 10.30: Satisfaction with premises	112
Figure 10.31: Choice and quality of premises	112
Figure 11.1 Baseline Scenario (low growth), 2006-2026 Employment	118
Figure 11.2 Medium growth scenario, 2006-2026 Employment	121
Figure 11.3 High growth scenario, 2006-2026 Employment	122
Figure 11.4: Employment Land Forecasts using a labour supply approach	123
 <u>Appendices</u>	
Figure A1: Out commuting occupation profile	1
Figure A2: Out commuting sector profile	1
Figure A3: In Commuting occupation profile	2
Figure A4: In Commuting sector profile	2
Figure A5: Number of Workplaces by geography and Sector 2008.	3
Figure A6: Change in number of workplaces 2003-2008 (Actual Numbers)	4
Figure A7: Employees by Geography and Sector 2008.	4
Figure A8: Change in employees by Geography and Sector 2003-2008.	5
Figure A9: Location quotients by sector (compared to Island average)	6

1. Introduction

1.1 Context and Scope

In April 2010 Local Authorities were required to complete a Local Economic Assessment (LEA) of their area. The aim was to provide a comprehensive picture of the local economy, pulling together a wide range of data and evidence to tell a story of place. This guidance was revoked in July 2010, allowing local authorities greater scope to use the duty as they see fit. On this basis, the Island LEA will provide the Council and its partners with a robust analysis of local economic conditions that will be used to inform economic policies and interventions.

1.2 Report Structure

Following this introduction:

- Chapter two provides an executive summary including a statistical summary;
- Chapter three contains an overview of the island's economy within a wider context;
- Chapter four describes the Island economic links with the mainland;
- Chapter five examines the Island's population characteristics and communities;
- Chapter six explores levels of child poverty on the island;
- Chapter seven examines the Island's labour market, including skills and qualifications;
- Chapter eight assesses the Island's business base;
- Chapter nine looks at property;
- Chapter ten draws together the key messages for the Island Local economies, particularly the three Area Action Plans (AAPs), Medina, Ryde and the Bay; and
- Chapter eleven explores future options for the Island.

Key messages are summarised overleaf and at the start of each chapter.

1.3 Further Information

For further details, please contact either:

Name: Mark Morrin	Name: David Tyrer
Position: Project Director	Position: Project Manager
Tel: 07802 676245	Tel: 07969 460813
mark.morrin@consultinginplace.com	david.tyrer@consultinginplace.com

2. Executive Summary

Plan 1: The Isle of Wight



Source: NOMIS Crown Copyright.

2.1 Summary of key messages

With the public sector expected to materially shrink in the mid term, the ability of the private sector to generate employment and output growth is key to the Island's sustained economic recovery. Leading into the recession the Island was performing well, driven by strong employment growth in business services and solid growth in personal services, and construction. The Island's public services had also grown whilst employment in hotels stagnated. Manufacturing firms continued to shed jobs, but the sector stood up reasonably well. In terms of economic output, the Island fared better in the recession than elsewhere and its longer term output growth is anticipated to be broadly in line with the mainland. But employment growth is anticipated to be weaker, with no net growth expected until well into 2011. Distribution and retail, transport and communications, and business services are expected to drive employment growth thereafter.

The Island experiences a net loss of about 2,500 employees each day, principally to Portsmouth and Southampton. Transport links to and from the island are generally good. Whilst 20% of Island firms have some sales outside of the UK, Island businesses are generally inward looking. About a third of the business base relies entirely on the Island for their sales, much more for the recruitment of staff. In contrast, business supply chains reflect greater willingness to procure goods and services from further afield.

The island has an older population structure than elsewhere, with average growth driven by significant in-migration of people aged 45-54, many for early retirement. It

has a growing population of people aged 65+ and 15 -24 but a decrease in those aged between these groups. The skills profile of Islanders has improved. A Level attainment is reasonably good; GCSE attainment has been disappointing, but is now improving strongly. There have been strong improvements in the education attainment of children in receipt of free school meals. Despite this, more of the island's children live in low income, or out of work households than regionally/sub-regionally and a lower proportion of children from low income households on the Island progress to higher education.

The island economy is highly seasonal and this influences almost all business sectors quite significantly as well as business recruitment patterns. Firms have been increasingly wary of their cash flow situation as their prices are being squeezed, leading to a deterioration in cashflow (based on data relating to May to July 2010). Generally they do not expect to employ again before the winter. This is reflected in a lack of job vacancies on the island, in the face of some evidence of recovery in the region. Economic activity rates have been in steady decline since 2007, alongside a steady increase in International Labour Organisation (ILO) unemployment – not reflected in the Job seekers allowance (JSA) unemployment measure. Through the recession this has increased to above 4% and is expected to return to pre-recession levels by 2017. Into the recession, the Island had experienced strong growth in professional occupations alongside stronger growth in personal service occupations. Incapacity benefit claimant rates are higher than elsewhere, but this is driven by younger not older people.

There are few large private sector employers. Although business survival rates are reasonable, there is a generally low business start up rate. A low volume of people are seeking to grow their business and nearly half do not anticipate major areas of expenditure in the next twelve months. Island businesses have continued to recover from the recession, but trading conditions have become more difficult to July 2010, as public sector cuts begin to bite and consumer confidence is dented. Despite this Island businesses are generally tied to it and most are long established. Access they have to local services are perceived to be good, transport links a source of frustration.

Quality and choice of commercial premises are both considered to be lacking, the former is the bigger issue, particularly for construction and transport and communications firms. The Island remains attractive to residential developers and there has been strong housing growth. Local housing affordability is an issue, supporting a reasonably large private rental sector. House prices held up initially through the recession – but have now slipped and appear to be sliding once more. Second home ownership is four times the national rate.

In terms of the Island's local communities, the Medina Valley is at the heart of the Island, economically as well as geographically. Its labour market is relatively healthy compared with the rest of the island. If the Island is successful in building a larger presence in the marine and renewables sectors then this is likely to be associated with new developments in the valley. Over the next 20 years, Newport is likely to see population and employment across a broad range of sectors, although in the short term it may be vulnerable. Many Newport jobs are however taken by residents from the rest of the Island, so that the social impact of employment cuts is likely to be dispersed.

Cowes is famous for its leisure offer but it is also an important gateway. There is a reasonably strong independent retail offer here, but also some scope for improvement. There is a significant presence of small office accommodation above shops but with high vacancy rates, reflecting some poor quality premises. Alongside careful management of existing employment sites and the development of new sites, Cowes also needs to continue to serve as a gateway retaining its character and scale as well as a maintaining its role as a destination for excursion and short-stay visitors.

Ryde is the Island's largest urban area and another important gateway and place of employment. The town has high levels of tourism and retail employment and also relatively high levels of employment in financial services. Businesses in Ryde are generally less inward looking than elsewhere on the Island. The skills base may also be higher than Island average. However there are concerns about its dynamism. Employment was static before the recession, which then hit the town badly. Ryde also suffers from a slightly lower level of vacancies than the island as a whole, suggesting that businesses are not experiencing enough demand to fully serve the labour market, leading to problems with longer term unemployment. Whilst Ryde has the potential to become a significant tourist destination, this would need to involve significant investment in place-making as well as careful identification of a target market. It can also grow its general employment offer, and is one of the few places on the Island where significant employment land can realistically be provided over the longer term.

With its high reliance on traditional tourism, the Bay's economy is particularly susceptible to seasonal cycles and local employment opportunities are consequently more volatile. It has an older population than either the Medina Valley or Cowes – close to thirty per cent of the population is retired, with only around 55 per cent of working age. As a result the Bay has relatively low levels of social housing. There are, however, high levels of Incapacity Benefit claimants, and the Bay generally has a low skilled workforce. The future prosperity of the Bay area is likely to depend on the extent to which the Island can significantly reposition its tourism offer, or attract younger residents, or both.

Reflecting the rural nature of much of the island, farming, forestry and other land based industries are consequently of great importance, although other sectors too contribute significantly to rural employment, including retail, hospitality, construction, public administration, health and education. In addition these sectors are often entwined with one another, with for example a number of farms also offering accommodation for visitors, and high rates of double-jobbing. Rural areas also have high concentrations of older people: over a third of the population of rural Wight is retired, and only 52 per cent are of working age. Here, the clear imperative is to protect and enhance the natural heritage of the Island, whilst looking for opportunities to raise life chances for local people and strengthen local communities. Rural areas are also likely to benefit particularly from the refurbishment of the Island's roads under the PFI contract.

2.2 Statistical Summary

2.2.1 The Island's Economy

Between 2000 and 2008 the Island's annual average output growth (GVA) was between 2.5% and 3%. Island output fell by 3% in 2009, the UK and South East fell by 5%. Output for 2010 is forecast to be 4% faster than the Partnership for Urban South Hampshire (PUSH) at 3% and UK at 2%. Transport and communications (53% growth since 2000) and Business Services (74%) were the fastest growing sectors. Island manufacturing output fell by some 4% to 2008, when in the UK and South East it fell by 10%. Construction grew strongly 23% (10% UK and South East). Between 2000 and 2008, Island employment growth was volatile year on year but strong (8%). Figures for PUSH and the South East were 2%, the UK 5%.

In 2009 Island employment growth fell more (over 3%) than the UK (2.2%), the South East and PUSH figures were both under 3%. The Island lost some 1,200 net jobs during between 2008-2010.

In 2010, health is the largest Island employment sector (16% of employment), Distribution employs 14%, Hotel and catering 11%. Business services employ 10%, up from 6% in 2000.

Prior to the recession, the Island performed slightly better than would have been expected given its industrial structure, by some 1,700 jobs. Island output is expected to grow by 4% in 2010, 2% in 2011, and 2.5% in 2012. At the same time 1% employment growth is expected in 2010, -0.25% in 2011 and 0.5% in 2012. Business services in expected to grow by 13% to 2013, transport and communications 7%, distribution 5%. Public administration is expected to fall by 9%, manufacturing by 3%.

GVA per Island employee is £29,000 and there has been little growth in this figure since 2004 (£37,000 - UK, £39,000 – South East). On the Island, GVA per worker is highest in financial services (c. £50,000), and manufacturing (c. £38,000). It is lowest in Hotels (c. £15,000) and Agriculture (c. £10,000).

2.2.2 Economic Linkages

The island is served by six ferry/hovercraft routes. Some 3.9 million passenger journeys are made each year between it and the mainland – some 3.1 million vehicle movements. The Island loses some 2,400 people (net) per day who work on the mainland. Some 800 people commute to Portsmouth, 550 Southampton, 400 to London. Some 150 Island employees commute to the Island from Bournemouth, 100 from Poole, 90 from Southampton, 80 from Portsmouth. But 95% of Island resident employees also work there (54,025).

In July 2010, 75% of Island firms only advertise for staff on the island (down from 81% in October 2010), 23% advertise on the mainland and Island. Construction firms (86%) and retail/hospitality (84%) were most likely to look for staff solely on the Island, manufacturing (58%) the least likely. Some 30% of Island firms rely on the Island for 100% of their sales. The figure is highest within the construction sector (5%) rely on the Island for all sales. 80% of firms had zero international imports and

15% said all their suppliers were located on the island. By value, manufacturing firms have the least proportion of Island suppliers (10%); Construction firms the most (35%).

2.2.3 The Island's People

The 2008 Island population was 141,000. Average Island resident population growth since 2000 has been 0.7% (PUSH and South East was 0.6%, the UK (0.5%). Death's per 1,000 (12) outweigh Births (9). Per 1,000 people, the birth rate amongst under 44's is low (28); so too is the over 65's death rate (53). Male life expectancy is 79 and 83 years for women (higher than national rates 78 males – 82 females). Some 25% of Island residents are over 65 years of age, over 50% are 45 years old or older. Inward migration accounted for 9,000 new people between 2003 and 2008; 4,000 of these were over 45, and a further 1,000 over 65, but 2,600 were 14 or under. Some 96% of Islanders are white (PUSH 94%; South East 92%, UK 88%). 10% of the island population have no qualifications (PUSH – 9%, South East 9%, UK 13%). 24% are qualified to NVQ Level 4+ (PUSH 30%, South East 32%, and UK 29%). Data from 2003 to 2008 indicates the situation is improving with a 12% reduction in those with no qualifications and an 8% increase in those qualified to NVQ Level 3+. Those with NVQ Level 4+ increased by 6% (PUSH 12%, South East 7%, UK 9%).

The island population is expected to grow at 0.7% per year between 2010 – 2016, slightly higher than the South East (0.6%) and the UK (0.5%).

2.2.4 Child Poverty and Well-being

22% of the Island's children live in low income households, in line with the UK (PUSH 16%, South East 15%). 22% live in out of work households, (PUSH 18%, South East 17%, England 23%). The Island performed well in the environment score in the child well-being index (35th out of 254 local authorities), but poorly on the housing and education scores (319th and 280th respectively). The gap in educational attainment between children in receipt of free school meals at Key Stage 2 was 26.5 points in 2004/05; 12.8 points in 2008/09. At Key stage 4 the equivalent was 28.5 in 2004/05 23.8 in 2008/09. 17% of young people on the island from low income families progress onto higher education (England 19%).

2.2.5 The Island's Labour Market

In April 2010 the Island had as JSA unemployment rate of 4.25%, in line with the UK average, and some 4.5 job centre vacancies for 1,000 working age population (the South East figures were 3% and 7.5, respectively). This compares to April 2007, where the Island's figures were 2.3% unemployment, 7.5 vacancies per 1,000 working age population. 13% of Island jobs are in managerial/senior positions (PUSH 16%, South East 17%, UK 15%). In addition, 13% of Island jobs are in elementary occupations (PUSH 11%, South East 10%, and UK 11%). Between 2002 and 2009, personal service occupations grew by 37% (South East 14%). Professional occupations grew by 21% (South East 13%). Managerial/senior occupations fell by 9% (in the South East they grew by 8%). Skilled trade occupations fell by 12% (South East 9%). Island self employment is 13%, (PUSH and UK 10%, South East 12%).

In 2005 the Island's economic activity rate was 80%, (South East and PUSH 82%, UK 78%). In 2009, the economic activity rate had fallen to 76% (PUSH and South East 82%, UK 78%). Employment rates amongst 16-24 year olds on the island is 65%, in line with PUSH (South East 60%, UK 59%). The rate amongst 25-49 year olds is 82%, in line with PUSH and the South East (the UK rate is 81%). Amongst the 50+ to retirement age rates are 67%, (PUSH 75%, South East 77%, UK 70%).

Claimant (JSA) unemployment increases by up to 1% in the winter months and decreases by up to 1% in the summer months. In May 2010 Island claimant unemployment was 3.7%, in line with Great Britain (PUSH and South East rates were 2.7%). JSA unemployment is expected to stay at around 4% until 2013. At the same time ILO unemployment rates were 4% in 2005 in line with PUSH and the South East. By 2009 these were 8% (UK 7.5%, South East and PUSH 5.5%). In April 2010, 36% of Island JSA claimants had been claiming for over 6 months (PUSH 30%, South East 33%, UK 35%). In 2010 the rate of unemployed aged between 18 and 24 was 27% (PUSH 26.5%, South East 25.5, UK 27.5%). In 2010, some 7% of 16-18 year olds were not in education employment and training (NEET). This compares to PUSH (6.5%), England (6.25%) and South East (5.5%). In November 2009, some 6% of the working age population were claiming Incapacity benefit in lien with the UK rate (PUSH and South East 4%).

In July 2010, 71% of Island firms had not attempted to recruit any new employees in the last three months. Whilst 20% had attempted to recruit part time employees, 17% had attempted to recruit full time staff. Manufacturing firms had on average 3 skilled trade vacancies per firm. Recruitment difficulties were experienced by 29% of firms in recruiting the staff they needed, this was highest in the manufacturing sector (42%).

2.2.6 The Island's Businesses

69% of Island businesses employ four or fewer people (PUSH 72%, South East 74%, UK 71%). 1% employ over 100, in line with PUSH, the South East and GB. Growth in the number of Island businesses has fluctuated. In 1999 the business base grew by 2.7% (PUSH, 5.7%, the South East 5%, Great Britain 3.2%). In 2008 the figures were -0.9 on the Island, 0.5% PUSH, 1.4% South East and 1.7% Great Britain. In 2007 the business registration rate per 10,000 people on the Island was 25 (PUSH 32, South East 39, and the UK 34). The deregistration rate per 10,000 people was 19 (PUSH 25, South East 27, the UK 24).

A survey is carried out with a representative sample of Island business every three months. The latest results (July 2010) are reported in the form of 'balances'. A balance is the percentage of respondents saying that a variable has increased minus the percentage saying it has decreased. Overall, employment was up +7 (20% attributing this to seasonal reasons); orders or sales up +24 (35% attributing this to seasonal reasons); cashflow down -3; prices at which good/services are sold up +13. Since the previous survey (carried out in April) prices have fallen (where the result was +20); so too has employment (+10 in April) and cashflow (+1 in April). Since April, orders and sales continue to recover (+21).

Confidence amongst individual business owners in their prospects for the next twelve months has improved (+10), confidence in the Island as a place to do

business has fallen (-6). Business expectations for the next three months are employment growth (0), orders and seals (+25), cashflow (+22) and prices at which goods or services are sold (+12). These are all down from April's results. 35% of owners are not seeking to grow the business and 48% expect no areas of major expenditure in their business over the next twelve months.

2.2.7 The Island's Property

There are 57,500 households on the Island. Home ownership is high at 77% and 42% own their property outright (i.e. not with a mortgage). Some 4% of the island household spaces are second homes – four times the regional and national rate. More pensioner households (81%) own their property outright than elsewhere (75% South East, 69% in England). Between 2004 and 2009 some 780 homes per year have been built on the island. The average figure for PUSH was 525.

In 2009, the average price of a detached house on the island was £300,000, £50,000 less than the national average, (the South East average was £451,000). The average flat costs some £150,000, (South East £175,000, England £200,000). The average semi detached home costs some £200,000, in line with the England average (South East £250,000). Overall the average home is 7.1 times the average salary (PUSH 7.8, South East 7.0, England and Wales 5.8). The average net weekly social housing rent is some £70, compared to £71 regionally, and £61 nationally.

There were 3,997 commercial properties on the Island in 2008. Of these 1,797 were retail premises, 534 were offices, 811 were factories and 526 were warehouses. There was 996,000 square metres of commercial floorspace on the Island in 2008. Of this, 276,000 was retail floorspace, 94,000 office floorspace, 378,000 was factory floorspace and 149,000 warehousing. Vacancy rates are generally lower than regionally or nationally. In 2004/5 vacancy rates stood at 6%, (South East and England 9%). Some 89% of companies surveyed are unlikely to relocate away from the Island in the next three years. 42% of businesses have been in their current premises over 10 years. Firms are most satisfied with their access to local services (84%), least satisfied with the value for money they get from their premises (72%). 9% of companies were considering a relocation to other premises on the Island, of these some 61% said they expected these to be larger than the current premises they occupied.

We draw out key local messages in chapter 10 as well as set out various potential growth scenarios, we refer the reader to these summaries for local information.

3. The Island's Economy

The Island's Economy – Key Messages

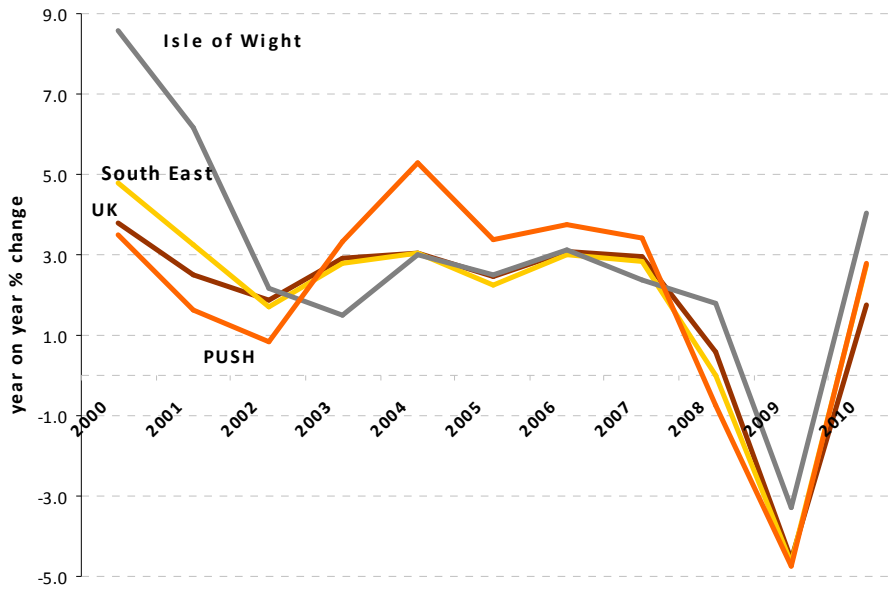
- With the public sector expected to materially shrink in the mid term, the ability of the private sector to generate employment and output growth is key to a sustained economic recovery.
- Leading into the recession the Island was performing well, driven by strong employment growth in business services as well as solid growth in personal services and construction. These sectors all outpaced national growth. The public sector also grew, but employment in hotels stagnated. Manufacturing firms continued to shed jobs, but the sector stood up reasonably well, buoyed by the presence of some key firms.
- The Island fared better in the recession than elsewhere – losing around 2% of output. The short term recovery and longer term output growth is anticipated to be broadly in line with elsewhere.
- About 1,200 jobs were lost through the recession, but no single sector suffered worse than elsewhere. The jobs market is not expected to grow again until well into 2011. Unemployment is anticipated to remain around 4% of the working age population until 2013 whereupon it starts to decrease at a reasonable rate.
- Whilst employment growth is expected to be weak in the short term, the distribution and retail, transport and communications, and business service sectors are expected to drive employment growth by 2013.

3.1 Recent Economic Trends

3.1.1 The economy overall

Economic output or gross value added (GVA) on the Island grew at a broadly similar rate to the region between 2000 and 2008. GVA growth was generally around 2.5-3% on the Isle of Wight, the South East and the UK. The growth rate for the Partnership for Urban South Hampshire (PUSH) area was slightly more volatile. The Island's recession was shallower than the mainland, where output fell by around 3 per cent, whereas PUSH, the South East and UK all experienced output declines of just under 5%. Short-term recovery on the Isle of Wight also looks promising. Oxford Economics expects output to grow by around 4 per cent on the Island in 2010; outstripping PUSH, the South East and UK (figure 3.1).

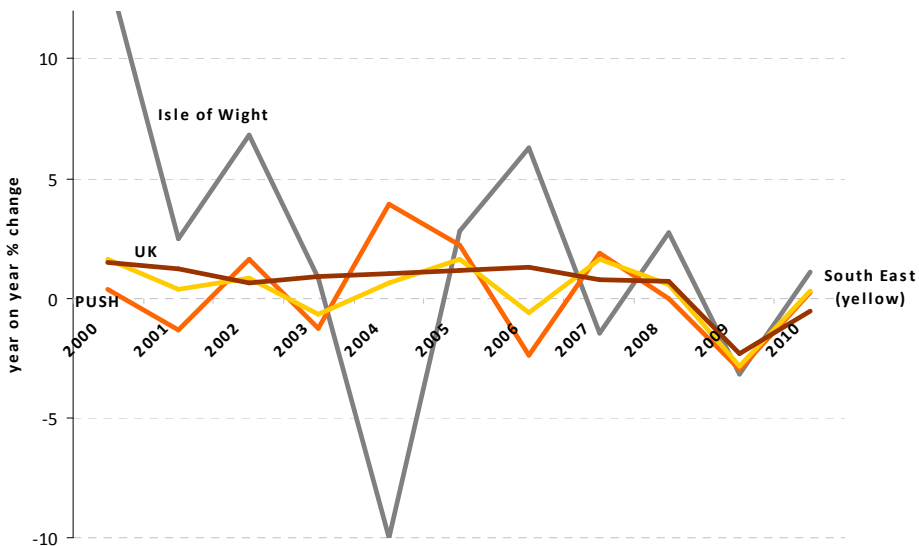
Figure 3.1: GVA Growth, 2000-2010



Source: Oxford Economics, 2010

Employment growth on the Island between 2000 and 2010 was strong, although year on year rates fluctuated – partly a reflection of the size of the Island’s economy. Overall, employment rose by 8% on the Island in this period. This compares with 2% in PUSH and the South East and 5 per cent in the UK. Whilst GVA stood up reasonably, employment on the Island fell by just over 3 per cent in 2009, compared with 2.2% in the UK. The South East and PUSH experienced falls of just under 3% (figure 3.2).

Figure 3.2: Employment Growth, 2000-2010



Source: Oxford Economics, 2010

3.1.2 GVA Growth by Sector

In sectoral terms, the fastest growing sectors on the Island economy over the last decade have been business services and transport and communications, along with personal and financial services and distribution (which includes retail). Construction output also grew strongly between 2000 and 2010, seeing an increase of 23% despite the downturn at the end of the decade.

In contrast, manufacturing output, a major sector of the island economy, declined (by some 4% between 2000 and 2010). Agricultural output declined by 10% over the same period. The hotels sector (which includes restaurants) produced the same output in 2010 as it did in 2000, and thus saw its share of overall output decline.

Figure 3.3: Growth and share of output, 2000-2010

	Output £m		Share of output		% growth, 2000-2010			
	2000	2010	2000	2010	IOW	PUSH	SE	UK
	2003 prices							
Agriculture	21	19	1	1.1	-10	-10.9	-14.6	-6.9
Extraction	1	3	0	0.2	157	-42.1	-11.7	-39.5
Manufacturing	231	221	16	12.4	-4	1.5	-10.2	-9.7
Electricity, gas & water supply	6	16	0	0.9	155	-13.2	10.0	-6.3
Construction	86	106	6	5.9	23	-4.3	10.2	9.7
Distribution	181	230	13	12.9	27	23.9	21.0	24.9
Hotels	83	83	6	4.7	0	-6.7	3.9	18.7
Transport & communications	59	114	4	6.4	93	52.8	19.5	17.4
Financial services	31	34	2	1.9	10	24.8	25.8	49.2
Business services	96	210	7	11.8	119	74.2	43.0	45.2
Public admin & defence	90	120	6	6.7	34	-11.4	7.3	14.7
Education	116	128	8	7.2	10	-8.2	10.3	5.3
Health	182	215	13	12.0	18	56.7	41.5	37.1
Other personal services	81	112	6	6.3	38	0.5	9.8	-0.1
Total	1,420	1,784	100	100	26	20.2	18.0	17.6

Source: Oxford Economics, 2010

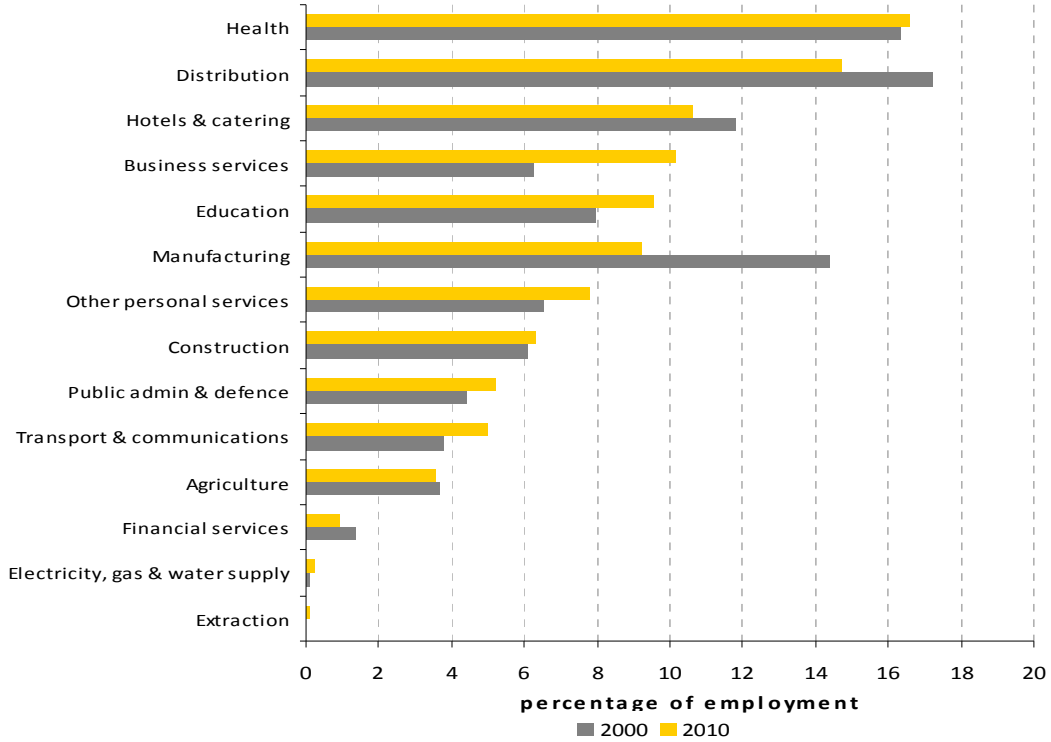
3.1.3 Employment Change by Sector

Turning to employment, figure 3.4 shows employment by sector in 2000 and again in 2010. Distribution is another major employment sector, employing some 15 % of the workforce in 2010¹. The biggest industrial change on the Island has been the decline of manufacturing. This accounted for some 14% of employment in 2000, 9% in 2010. The public sectors are important – some 16% are employed in the health sector the largest sector by share of employment in 2010, a further 9% in Education and around 7% in public administration/defence.

¹ These figures include self employees.

The data reflects strong growth in business and personal services (these now employ nearly 20% of the workforce). More modest proportionate growth has occurred in a number of other sectors, transport and communications and construction for example (figure 3.4).

Figure 3.4: Sector share of employment on the Isle of Wight, 2000 and 2010



Source: Oxford Economics

Figures 3.5 and 3.6 show absolute and proportionate employment growth, by sector². We show two periods; first, 2000-2010 to reflect the current position as the economy emerges from the recession. Second, 2008-2010 to show the net impact of the recession on Island employment.

There were a number of major changes on the island between 2000 and 2010. One of these was the continued decline of employment within the manufacturing sector. It accounted for some 14% of employment in 2000, but the following decade saw employment decline by almost a third (in line with, albeit slightly lower than, the mainland). In 2010, the share of employment that manufacturing accounts for had fallen to 9 per cent. But at the same time, strong growth was seen in business and personal services. The former almost doubled in size in this period.

Employment in construction on the Island comfortably outperformed the mainland; 11% growth on the Isle of Wight compared with 1% in the South East, 2% for the UK and a decline of 11% for PUSH. Hotels remained static, financial services shed a small number of jobs, distribution nearly 1,000. With the exception of health, the public-dominated sectors grew quickly.

² Throughout this LEA, we compare data for the Island, with the Partnership for Urban South Hampshire (PUSH) area (where we have used the data for each constituent local authority unless stated), the South East and the UK/England.

Figure 3.5 Employment growth 2000-2010 (000's and percentage change)

	Employment		Share of employment (%)		% growth, 2000-2010			
	2000	2010	2000	2010	IOW	PUSH	SE	UK
Agriculture	2,063	2,154	4	4	4	8	2	3
Extraction	20	56	0	0	175	-37	-10	-21
Manufacturing	8,111	5,612	14	9	-31	-33	-35	-35
Electricity, gas & water supply	65	137	0	0	110	-22	-4	-14
Construction	3,445	3,821	6	6	11	-11	1	2
Distribution	9,714	8,941	17	15	-8	-8	-10	-4
Hotels	6,674	6,441	12	11	-3	-8	3	4
Transport & communications	2,128	3,025	4	5	42	16	-7	6
Financial services	773	562	1	1	-27	-14	-15	-2
Business services	3,525	6,167	6	10	75	43	18	28
Public admin & defence	2,468	3,167	4	5	28	-19	0	11
Education	4,487	5,816	8	10	30	4	25	23
Health	9,196	10,086	16	17	10	40	28	29
Other personal services	3,689	4,725	7	8	28	-5	4	6
Total	56,440	60,736	100	100	8	2	2	5

Source: Oxford Economics

Figure 3.6 shows the impact of the recession on employment, showing data between 2008 and 2010. The island lost some 1,200 net jobs or 2% of the workforce. This was a similar reduction as elsewhere and overall, similar patterns are evident. The public sectors grew whilst construction and manufacturing contracted particularly quickly (around 10% in each case).

Figure 3.6: The Recession - employment growth 2008-2010 (000's and percentage change)

	IOW	%	PUSH	%	SE	%	UK	%
Agriculture	0.0	-1	-0.2	-3	-1.8	-3	-10.9	-2
Extraction	0.0	-1	0.0	-4	-0.1	-2	-4.4	-7
Manufacturing	-0.7	-11	-7.0	-10	-36.2	-10	-366.0	-12
Electricity, gas & water supply	0.0	4	0.0	-1	0.0	0.1	-5.2	-4
Construction	-0.4	-10	-5.1	-10	-32.2	-10	-197.9	-9
Distribution	-0.1	-2	-3.0	-3	-21.3	-3	-157.2	-3
Hotels	-0.2	-3	-1.1	-3	-5.5	-2	-40.9	-2
Transport & communications	0.0	1	-1.0	-3	-7.3	-3	-29.6	-2
Financial services	0.0	-4	-0.8	-4	-5.0	-4	-54.7	-5
Business services	-0.2	-4	-4.7	-3	-33.3	-4	-209.7	-4
Public admin & defence	0.0	-1	-0.1	-0	-0.2	-0	0.3	0
Education	0.2	3	1.5	3	12.7	3.4	76.4	3
Health	0.4	5	4.9	6	28.2	5.8	173.2	5
Other personal services	-0.1	-2	-1.2	-3	-7.0	-2	-17.1	-1
Total	-1.2	-2	-18.9	-3	-109.8	-2	-843.7	-3

Source: Oxford Economics

3.2 Explaining Past Performance: Island versus National factors?

It is important to consider whether, in each sector, the Island has done better or worse than the national average for that sector. This provides a guide as to whether the Island's performance overall has been better or worse than you would expect, given its industrial structure.

3.2.1 Shift-share analysis

Figure 3.7 analyses this by showing a shift-share analysis of the Island's employment growth between 2000 and 2008 - against UK performance. This analysis calculates national employment growth rate for each industry between 2000 and 2008, and applies these growth rates to the Isle of Wight's sectors. This indicates how much employment would have grown had local performance mirrored national rates in the same period. The 'local factors' column shows the difference between these levels and the growth that actually occurred³ i.e. local factors affecting business performance.

Overall, the Island performed slightly better than would have been expected, reflecting local factors affecting business performance. Within this there was encouraging sector growth in business services, growing fast from a low base. The manufacturing sector lost jobs, but performed better than would have been expected, given the industrial structure. Transport and communications, personal services and public administration, performed well.

Distribution (including retail), health, financial services and hotels all underperformed.

³ i.e. some 440 fewer manufacturing jobs were lost on the island, than would have been expected, given national patterns.

Figure 3.7: Shift share analysis of Isle of Wight against UK, 2000-2008

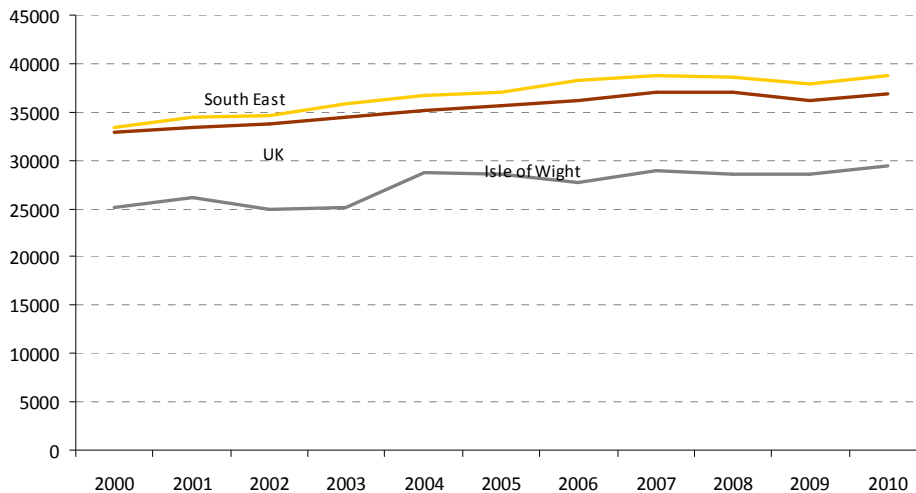
	Total change in employment, 2000-2008 (number of jobs)	Of which due to national factors	Of which due to local factors
Agriculture	+46	111	-64
Extraction	+52	-1	54
Manufacturing	-1,745	-2,181	436
Electricity, gas & water supply	+80	-7	86
Construction	+755	562	193
Distribution	-178	328	-507
Hotels	+49	681	-633
Transport & communications	+825	146	679
Financial services	-124	21	-146
Business services	+2,456	1,034	1,421
Public admin & defence	+651	226	425
Education	+1,035	744	291
Health	+464	1,962	-1,498
Other personal services	+1,324	373	951
Total	+5,689	4,000	1,689

Source: Oxford Economics and Consulting Inplace

3.2.2 Productivity Comparisons

Figure 3.8 shows average GVA per worker. Productivity is considerably lower on the Island than the South East and the UK; in 2010 output per employee was around £29,000 on the Island, whilst it was around £37,000 for the UK and £39,000 in the South East.

Figure 3.8. Average GVA per worker (employee and self employees), 2010.



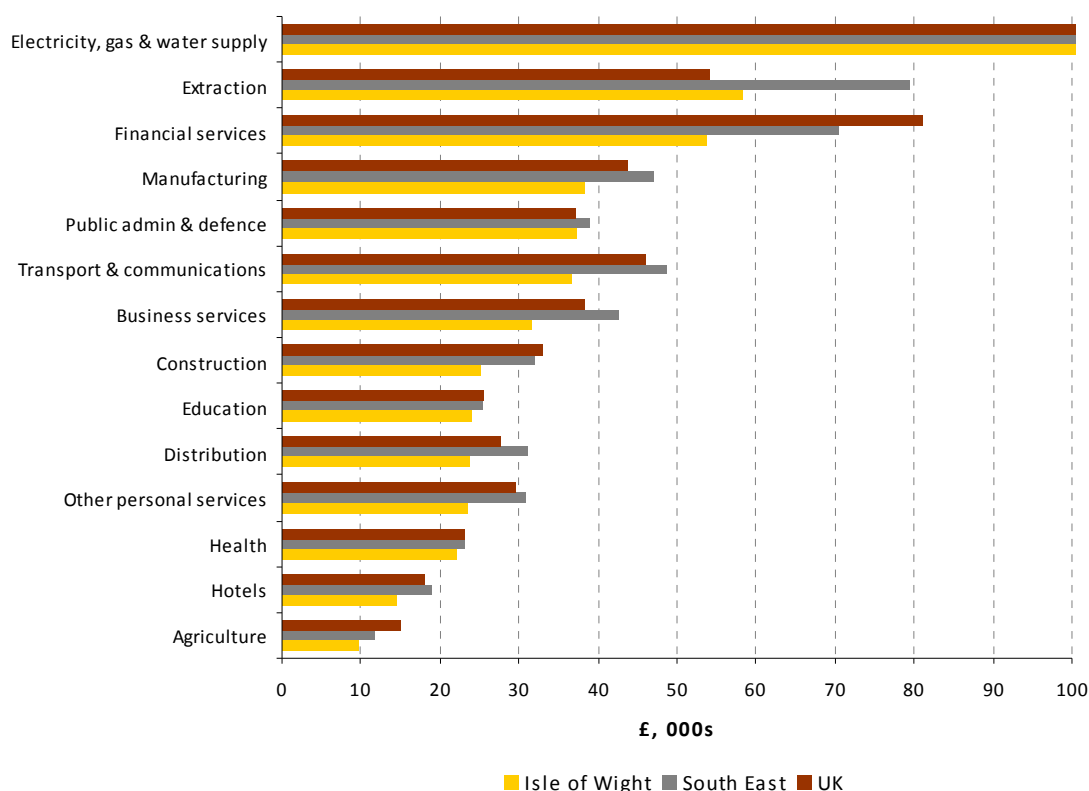
Source: Oxford Economics, Summer 2010.

The Island’s industrial structure contributes to its low average levels of productivity. The Island has comparatively high levels of employment in the low-productivity

industries such as agriculture, health and hotels, whilst having lower levels of employment in the typically high-productivity sectors such as financial and business services.

However, even within sectors the Island tends to have lower output per worker by sector than elsewhere. In productivity terms, the Island lags behind the South East and the UK in every sector, with the exception of extraction and public admin & defence – see figure 3.9 (the bars for electricity, gas and water have been truncated to provide greater detail for the other sectors)⁴. There are particularly large differences between the island and the mainland in financial services, transport and communications and business services.

Figure 3.9: GVA per worker, 2007



Source: Oxford Economics – 2007 data used to avoid influence of recession

3.2.3 Impact of the differences: Island’s Economic Structure compared with elsewhere

The trends of the last decade have in some cases reinforced and in some cases offset the Island’s historic legacy in terms of industrial structure. As a result the Island is relatively rich in some sectors and less strong in others. To illustrate this, figure 3.10 and 3.11 below shows location quotients of employment in each sector. These compare the industrial structure on the Isle of Wight, and in PUSH and the South East with the UK⁵.

Agriculture stands out for the Isle of Wight, where employment is twice as concentrated as it is in the UK. In turn, agriculture is more concentrated in the UK

⁴ These figures, for the Isle of Wight, South East and UK are £127,000, £163,000 and £146,000 and respectively

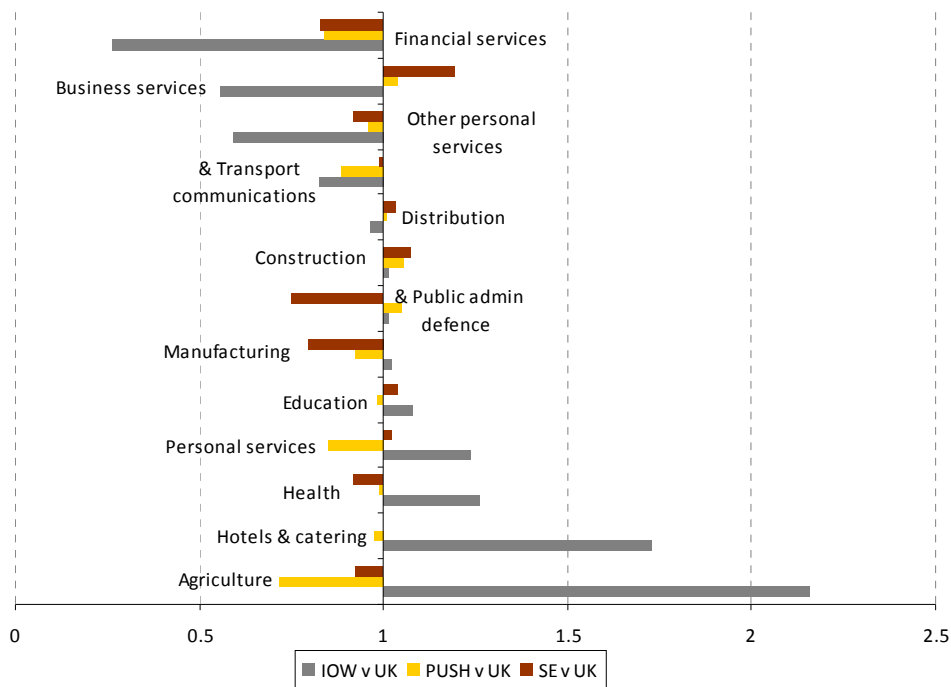
⁵ In each case, a location quotient of more than one indicates a greater share of the Isle of Wight/PUSH/South East workforce is employed in that sector than it is on average for the UK

than it is in the South East or PUSH. The importance of visitor economy is also evident, with hotels and catering have a location quotient of around 1.7. Distribution (which includes retail) is marginally lower than it is in the UK. Although this is a result of the inherently constrained market on the island (the transport and communications sector is also quite small, despite the various passenger ferry services).

Health and ‘personal services’ both have location quotients of around 1.3 against the UK, reflecting both natural demographic characteristics and migration patterns. The latter is also likely to reflect the challenges of critical mass in the delivery of health services on the Island.

Despite relatively strong growth before the recession, the share of employment in business services is around half that of the UK; in financial service it is even less. Again the importance of the Island’s manufacturing sector is clear.

Figure 3.10: Isle of Wight location quotients vs PUSH, South East and UK, 2010



Source: Oxford Economics and Consulting Inplace

3.3 Looking Ahead – Global & National and Regional Drivers

3.3.1 Global prospects

The current outlook for a number of major national economies is currently uncertain and doubts remain about the fiscal positions of some European economies. Further worries are that exports currently look vulnerable to the fiscal squeezes being placed on the Eurozone economies, the possibility of a double-dip in the United States, and anxieties concerning overheating in China and some other emerging economies. And the strength of London’s financial and business services sectors depends heavily on the banks avoiding another collapse in asset values. Recent worries over Greek debt, and possible contagion, remind us how uncertain this is.

Despite these concerns, current GDP growth forecasts⁶ in the euro area predict growth, albeit relatively weak (below 2% to 2012%). This growth will depend on private, rather than public, investment and consumer spending.

Outside Europe, despite ongoing cyclical and possibly structural problems, the US is expected to recover steadily, growing by around 3% annually to 2012. BRIC⁷ economies are expected to continue growing rapidly, between 5% and 8%.

3.3.2 National Prospects

Throughout 2009 and the first half of 2010 the UK's economic performance has clearly been very weak. Some 4.6% of output was lost in 2009. However, labour market flexibility has meant that employers have been able to cut pension contributions, freeze wages, reduce hours and recruit part-time workers, with the result that private sector employment has held up better than in past recessions and unemployment has been less problematic than many feared. In addition, the previous government enacted a number of measures designed to limit the damage of the economic downturn, at least temporarily.

Current forecasts suggest a gradual recovery, with 2011 growth of only 2.2% (slow, considering the size of the recession). Growth has however been better than expected so far in 2010, with ONS figures suggesting the economy has grown by over 2% in the first three quarters. In the short term, forecasters expect exports to drive the recovery, because of the weak exchange rate and stronger growth rates expected outside of the UK. Expectations for growth in consumer spending, a major contributor to domestic output, are currently weak as real household incomes are expected to contract. Despite this, longer term, the growth prospects for the UK economy is reasonable, peaking at 3.2% GVA growth in 2014.

With the recent introduction of strong austerity policies in the Government's emergency budget of on the 22nd June 2010, and the Comprehensive Spending Review on 20th October, the focus of concern nationally has now shifted towards the public sector and likely job losses – the government estimates that some 490,000 public sector jobs will be lost. But the knock-on effects of public sector cuts on the private sector, through supply chains and indirect linkages, will also be a significant issue, locally as well as nationally. Indeed a key question is perhaps how much underlying strength there is in the private sector itself. Whilst output growth looks reasonable, claimant unemployment is expected to remain high, above pre-recession levels for some time.

3.3.3 Regional Prospects

Although one of the UK's most successful and affluent regions, employment growth in the South East has been sluggish over the past decade; with its sectors growing slower than nationally. Despite this unemployment has remained low during this time, and a strong skills profile aided a relatively robust labour market through the recession despite a 4.7 per cent decline in output. The South East is clearly influenced by London, which also saw relatively slow employment growth – but strong GVA growth. In London and the wider South East, a relatively strong output

⁶ World Bank. Global Economic Outlook.

⁷ Brazil, India, China and Russia.

and labour market recovery is forecast. With manufacturing in long term decline, this recovery is anticipated to be driven by financial and business services.

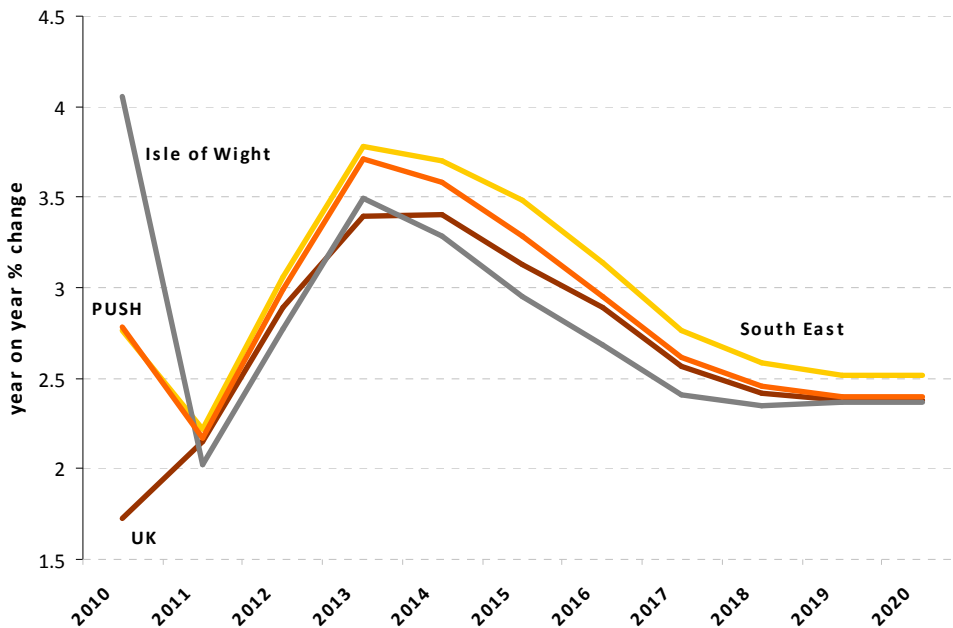
3.4 Economic Prospects – the Island Itself

3.4.1 Central Forecasts

Having experienced a relatively shallow recession, the Island experienced a quicker return to growth that the mainland. The relatively few - compared with other local authorities – trade links with the rest of the UK that the Island possesses, which helped to insulate it from the recession, could potentially dampen growth as the Island is likely to experience a smaller share of the rising demand that most other areas in the UK will experience when consumer spending and business investment returns to pre recession levels.

Figure 3.11 shows annual growth in GVA to 2020. It shows strong output growth in 2010, and whilst the Island was protected from the worst of the recession the volatility of past data makes us suspicious of the 2010 figure. Thereafter the Island’s output growth dips below the region in 2011, reflecting expected cuts to the public sectors and the associated impact on private sectors. To 2013, output growth is broadly in line with elsewhere.

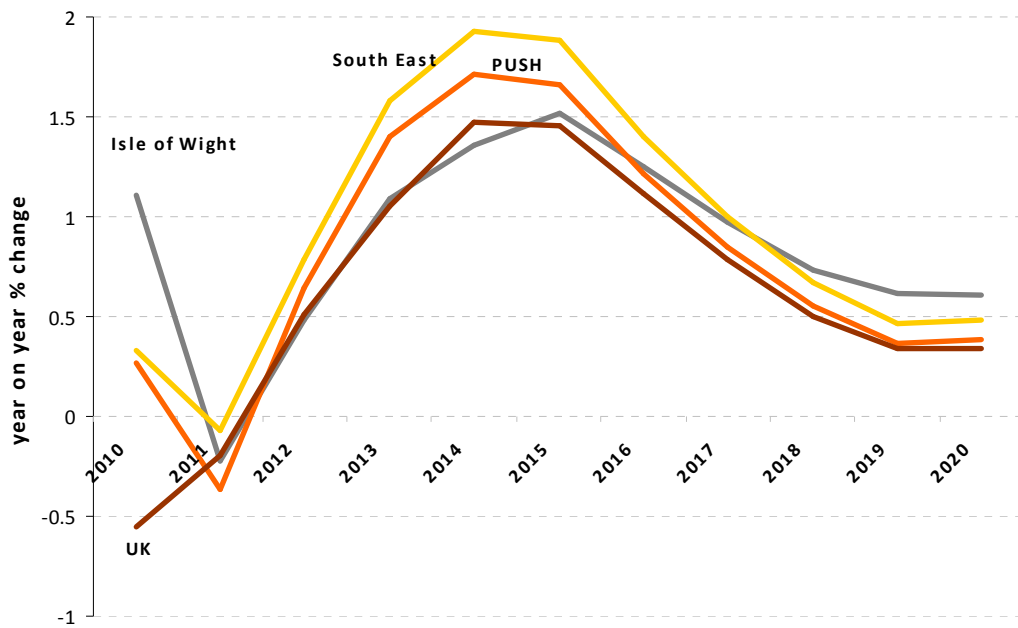
Figure 3.11: Annual GVA Growth (%) 2010-2020



Source: Oxford Economics (Summer 2010 Forecast)

In terms of employment growth, figure 3.12 points to a similar picture, with employment levels being maintained in 2010 - falling in 2011 , albeit to the lesser extent that in the PUSH area. Thereafter employment growth is in line with national levels, but slightly below the region and PUSH.

Figure 3.12: Annual Employment Growth (%) 2010-2020



Source: Oxford Economics (Summer 2010 Forecast)

3.4.2 Forecasts for Island Employment by Sector

Looking forward, figure 3.14 shows forecast employment growth between 2010 and 2013 – the ‘recovery’ period. The Island’s employment growth looks sluggish to 2013, reflecting contractions in the public sectors and in manufacturing. Whilst the scale of forecast job losses is actually reasonably small in these sectors, the cumulative impact is quite large. Despite this, growth in business services is expected to be quite buoyant, greater than elsewhere. Transport and communications and distribution also recover well.

Figure 3.13: Recovery - employment growth 2010-2013 (000's and percentage change).

	Employment		Share of employment		% growth, 2010-2013			
	2010	2013	2010	2013	IOW	PUSH	SE	UK
Agriculture	2,154	2,015	4	3	-6	-5	-6	-7
Extraction	56	51	0	0	-9	-10	-9	-7
Manufacturing	5,612	5,420	10	9	-3	-3	-2	-4
Electricity, gas & water supply	137	130	0	0	-5	-4	-4	-4
Construction	3,821	3,880	7	6	2	2	2	1
Distribution	8,941	9,423	16	16	5	3	3	2
Hotels	6,441	6,576	11	11	2	2	3	2
Transport & communications	3,025	3,235	5	5	7	3	3	2
Financial services	562	563	1	1	0	3	3	2
Business services	6,167	6,986	11	12	13	10	11	10
Public admin & defence	3,167	2,894	6	5	-9	-9	-9	-9
Education	5,816	5,665	10	9	-3	-3	-3	-3
Health	10,086	9,867	18	16	-2	-1	-1	-2
Other personal services	4,725	4,827	8	8	2	1	2	2
Total	60,736	61,559	108	101	1	2	2	1

Source: Oxford Economics

4. Links to the Mainland Economy

Key Messages –

- The Island has good passenger and freight access across the Solent, although the quality and ease of inter-modal links are mixed. It is unclear whether capacity will increase, despite seasonal capacity issues.
- The Island experiences a net loss of about 2,500 employees each day through commuting. Principle destinations are Portsmouth and Southampton, but there are also links to London. Many of these commuters hold senior professional positions, but a reasonable proportion travel to work in low skilled jobs.
- Whilst 20% of Island firms have some sales outside of the UK, Island businesses are generally inward looking. About a third of the business base (and two thirds of construction firms) rely entirely on the Island for their sales. This has not changed through the recession. But the supply chains of Island businesses indicate a greater willingness to procure goods and services away from the Island – suggesting some supply chain gaps. Most businesses only look for staff on the Island, but recent evidence suggests firms are now looking more widely.
- The Island’s retail catchment is clearly self-contained. Leakage of convenience retail spending is negligible. The large development at Southampton and more recently Portsmouth ensure a high proportion of Islanders comparison retail spending is retained in the sub-region.

4.1 Transport Links

Transport links to the Island are good. It is within a two hour journey time of London, and around an hour to Southampton Airport. The Island clearly has a functional economic geography which is almost unique in the UK. Ensuring the Island has sufficient capacity for ferry operators at the main ports as well as loading/unloading infrastructure are important longer term issues, which are discussed in chapter eleven.

The Island itself is served by six ferry routes, through three operators. In total, as of 2008 some 3.9 million passenger journeys are made each year, along with 3.1 million movements of Car Equivalent Units (CEUs)⁸ of vehicles (figure 4.1). Passenger vehicles slightly outnumber freight and coach trips.

Figure 4.1: Volume of cross Solent traffic (2008)

Type	Number
Passenger vehicles	1.7 million CEU
Freight and coach	1.4 million CEU
Foot passengers	3.9 million passengers

Source: Red Funnel and Isle of Wight Council data 2008

⁸ Unit of measurement showing the car carrying capacity of a vessel.

In terms of connections, Southampton and West Cowes are served by a 'fast cat' (25 minutes crossing time) and a car ferry (60 minutes). The car ferry is located adjacent to the main ferry terminal, and road access to it is reasonably good. For foot passengers access is through a free bus link from Southampton central Station and the ferry terminal (10 minutes). On the Island there are no train links at East or West Cowes – foot passengers must transfer to bus or taxi serves for onward travel.

In the north east of the Island, a car ferry connects Fishbourne and Portsmouth (40 minutes). There are reasonable onward strategic transport links from the ferry terminal, although it is located some 2km from the larger cross-channel ferry terminal.

A fast cat and hovercraft link Ryde with Portsmouth (20 and 10 minutes respectively). The fast cat allows direct rail-boat-rail connections between the Island Line and South West Trains respectively, the result of previous ownership of the operating company by British Rail. Despite this, a survey of fast cat users carried out by the operator in 2006 indicated the majority of passengers were travelling to Portsmouth – only a low proportion were travelling a significant distance. The hovercraft services requires a bus transfer to adjoin mainland train services and timetables between the two modes are not aligned.

For foot passengers, on average a scheduled crossing leaves the Isle of Wight every eight minutes from one of these routes, with services more frequent in the summer months. For those with a vehicle the average crossing is 18 minutes (24 in winter months). Whilst around half of the total foot passengers originate from the Island itself, vehicle traffic is predominantly from the mainland. Most are tourism related- resulting in seasonal demand and capacity constraints. There are no scheduled air services to or from the Island.

In the north west of the Island, a car ferry connects Lymington to Yarmouth (c.30/40 minutes). Foot passengers on this service can access a local train, requiring a change at Brockenhurst to mainline rail services. This is less heavily used than other routes. There are a small number of additional seasonal or special event ferry services which operate intermittently, predominately from Lymington.

A number of barriers exist to any new entrant looking to operate additional services; namely port capacity, cost of entry and demand for additional services. On this basis it is unlikely that the number and nature of crossings to the Island from the mainland will change in the short or medium term. In a study by the OFT, ticket pricing is considered fair for an unsubsidised service, although this is consistently the highest case of complaint amongst passengers.⁹

4.2 Commuting

Clearly the Island is physically self contained. Reflecting this, nearly 95% of Island resident employees also work on the Island. The Island experiences a small net loss of employees each day, some 2,400 people. For out commuters, the principle destinations are Portsmouth and Southampton. London accounts for some 400; likely to be senior staff that live on the island for lifestyle reasons or split their time between London and the Island. The Bournemouth/Poole Conurbation and New

⁹ OFT. Isle of Wight Ferry Services. Market Study Findings. June 2009

Forest also account for a small number of out-commuters – around 45- each day (Figure 4.2).

Figure 4.2. Out Commuting – Totals (2001)

	Isle of Wight Residents	Cumulative %
Total employees resident on the Island:	54,025	100
Working in:		
Isle of Wight	50,469	93.4
Portsmouth	801	94.9
Southampton	553	95.9
London (all Boroughs)	428	96.7
Bournemouth	194	97.1
Poole	114	97.3
New Forest	115	97.5

Source: Census 2001

Of those who leave the Island to work each day, proportionately, the Island loses more staff working for larger firms and in higher managerial positions, and working in professional and lower managerial occupations than in lower skilled occupations (see appendix 1 for further details). Partly this is circular – these are the people that can most afford to do so. Additionally, a number of jobs in transport and communications for instance may be based in the wider Solent but serve the island directly. Despite this, commuting patterns can be distributed into three bands:

- Primary activities, manufacturing and wholesale, where out-commuting is generally low as a proportion of the workforce in that sector;
- Private sector business services – where out-commuting is higher;
- Public sector out commuting is generally low (except for public administration/defence and social security). This is partly a reflection of the higher skilled/managerial patterns described above. In addition, the naval base in Portsmouth may account for a proportion of these employees.

Of those commuting to the Island each day, figure 4.3 shows the numbers are very small, predominantly from the Bournemouth/Poole conurbation. There is very limited in commuting from Portsmouth and Southampton. Again the most common occupation is in lower managerial and professional occupations. Overall, lower skilled in commuters are more likely to reside in Bournemouth/Pool, higher skilled in Portsmouth and Southampton. The sectors that import the most labour are, manufacturing (as well as some land based industries) and real estate and associated business activities.

Figure 4.3: In Commuting – Totals (2001)

	Isle of Wight Employees	Cumulative %
Total residents employed on the Island:	51,625	100
Living in:		
Isle of Wight	50,469	97.8
Bournemouth	143	98.0
Poole	112	98.3
Southampton	93	98.4
Portsmouth	78	98.6
New Forest	41	98.7

Source: Census 2001

4.3 Recruitment

Three quarters of Island companies look or advertise for staff only on the Island. These patterns have remained relatively constant until July – where the proportion of firms looking on the island and mainland has increased by around 10%, with a corresponding decrease in those advertising for staff only on the island (figure 4.4).

Figure 4.4: Where companies advertised for staff (July 2010 - Percent)

	October 2010	January 2010	April 2010	July 2010
Only on the Island	81	74	82	75
On the Island and mainland	17	22	15	23
Mainland only	2	4	3	2
Total	100	100	100	100

Source: Inplace Business Surveys

Sectorally, construction firms and those in retail and hospitality were the most likely to be looking for staff solely on the Island (86% and 84% respectively). Manufacturing firms were the least likely (58%). The only sectors where any firms were advertising solely on the mainland were manufacturing (5%) and banking, finance and insurance (7%).

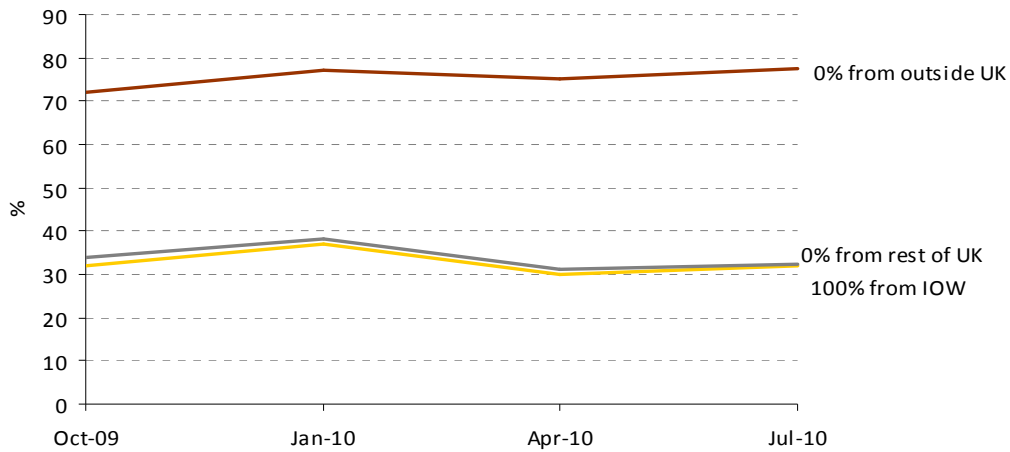
4.4 Exporting to the Mainland and Internationally

Although the majority of firms have none, just over 20% of Island firms have at least some sales outside the UK. Over a third rely exclusively on the Island for their sales.

A representative survey of the Island’s business is carried out on the Island every three months. Questions are included on the location of markets and on supply chains. Overall about a third of Island businesses generate all of their sales from the island itself. This proportion has remained reasonably stable over the past nine months (with an overall figure between 30-37% (figure 4.5).

The proportion of companies making all of their sales on the Island has stayed fairly constant over the last 9 months, as have the proportions of companies making no sales outside the UK.

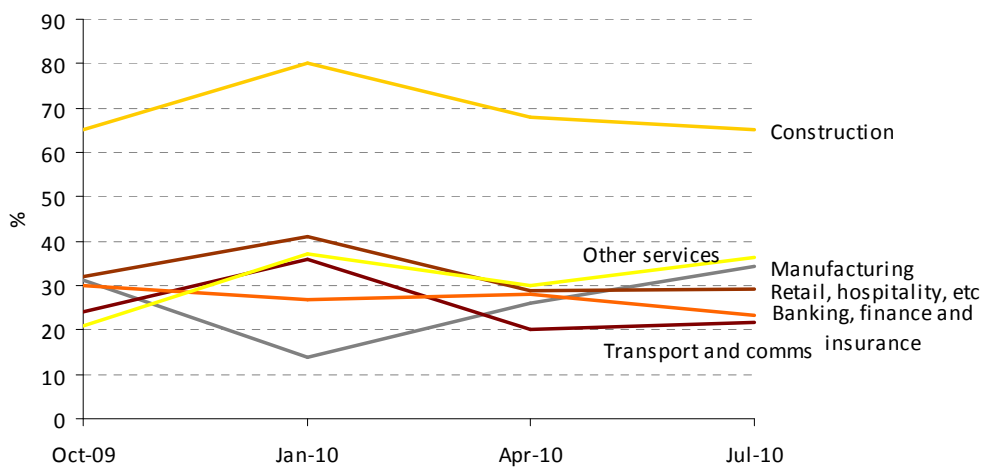
Figure 4.5: Change in share of sales (October 2009 – July 2010)



Source: Inplace; Business Surveys (Since October 2009 to July 2010).

There is less survey evidence of a clear relationship between size of the firm and the degree to which companies rely on the Island as their sole market. There is clearer evidence of differences by sector. As of July 2010, a little over one third of manufacturing firms generate all of their sales from the Island itself (figures 4.6 and 4.7). The equivalent proportion for Construction firms is 65%. Retail and hospitality firms are the least reliant on internal markets, likely to be international visitors.

Figure 4.6: Level of firms making 100% of sales on the Island by sector



Source: Inplace; Business Surveys (Since October 2009 to July 2010).

Figure 4.7: Share of sales by sector

	100% From IOW	0% from rest of UK	0% from outside UK
Manufacturing	34.4	35.5	77.4
Construction	65.1	65.1	95.3
Retail, hospitality, etc	29.3	27.9	73.1
Transport and comms	21.6	27	75.7
Banking, finance and insurance	23.2	24.2	77.8
Other services	36.5	39.7	84.1

Source: Inplace Survey, July 2010

Furthermore, some 20% of Island firms have links to parent companies (on or off Island). In general, the larger the firm, the more likely it is to be part of a group.

4.4.1 Buying from the Mainland and Internationally

In terms of the location of supply chains of Island businesses (by value), just over one in seven of companies said that all of the suppliers are located on the Island. There is very limited international importing. Four in five respondents said that none of their suppliers were located outside of the UK (figure 4.8).

Figure 4.8: Location of suppliers

Location of business supply chain (%)	
100% from IOW	15.4
0% from rest of UK	17.8
0% from outside UK	80.3

Source: Inplace Survey, July 2010

Sectorally, figure 4.9 shows construction firms were the most likely to have all of their suppliers located on the Island, followed by those in transport and communications. However, firms in transport and communications were the most likely to have some of their suppliers located outside of the UK, this is likely to be reflection of big ticket items such as boat refits or purchases.

Figure 4.9: Share of suppliers by sector

	100% from IOW	0% from rest of UK	0% from outside UK
Manufacturing	10.8	10.8	79.6
Construction	34.9	37.2	95.3
Retail, hospitality, etc	14.1	15.2	80.2
Transport and comms	21.6	27	70.3
Banking, finance and insurance	15.2	20.2	73.7
Other services	11.1	17.5	87.3

Source: Inplace Survey, July 2010

4.4.2 Retail Catchment

The main retail centres are Newport, Ryde and East Cowes. In recent years, large new retail and leisure developments in Southampton (West Quay: 100 stores) and Portsmouth (Gun Wharf: 95 stores, cinema, bowling alley, bars/ restaurants and a hotel) have meant that these respective centres' offers have markedly improved. The Island benefits from strong tourist related retail expenditure. Whilst some comparison spending is lost to the larger nearby centres, overall a high degree of retail expenditure is retained within the island.

A retail capacity study update, undertaken in March 2008¹⁰ assumed that there was an annual inflow (predominantly from tourists), of some £30 million of convenience (day-to-day) expenditure¹¹. The study assumed a high degree of retail expenditure was retained in the Island economy. Specifically, no convenience expenditure from Island residents was spent off Island, and only a small allowance of total resident expenditure on comparison goods (clothes, for example).

Although conditions have changed markedly since the study was published, it did not recommend the Council plan for additional convenience floorspace in the next five years. In terms of comparison floorspace, the study recommended that there would be need for additional floorspace, if the then (2008) expenditure forecasts materialised. Since that time, consumer expenditure forecasts are much more modest – with slow growth forecast for the mid term. This forecast is almost certainly now over optimistic with the forecast growth unlikely to materialise.

It is not likely that additional major investment in either Southampton, Portsmouth or on the Island will come forward, above the investment already made in the two major developments noted above, that would suggest a substantive change in the retail expenditure patterns set out above. Overall, whilst we would argue that the assumptions in the retail study probably underestimates the amount of comparison spending which takes place off the Island, leakage of Islanders retail spending appears relatively modest. In addition, the large developments and wider offer in Southampton and Portsmouth effectively forms a buffer, retaining retail expenditure in the sub-region.

4.4.3 Forecasts of Consumer Spending

More recent data from Oxford Economics (summer 2010) forecasts consumer expenditure and personal disposable income to 2014 (figures 4.10 and 4.11).

¹⁰ Drivers Jonas, 2008

¹¹ Based on 2006 data

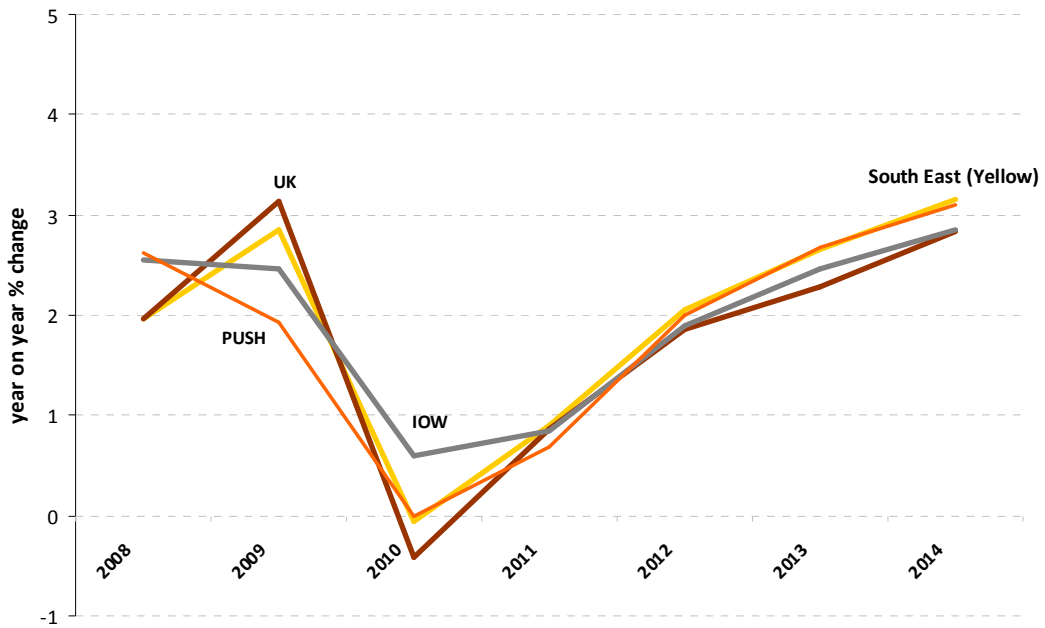
Figure 4.10: Consumer Expenditure growth forecast (2008-2014)



Source: Oxford Economics, Summer 2010

Figure 4.10 shows consumer expenditure from 2008, forecast up to 2014. Consumer expenditure on the Island fell slightly more than the UK and the South East in 2009. This is likely to be because of the higher fall in employment on the Island experienced during the recession, which would have both reduced aggregate income on the Island and dented consumer confidence. A stronger recovery in 2010 in consumer expenditure is expected on the Island than the mainland, again a likely result of the bounce back in employment of around 1% that is forecast. By 2011 growth in consumer expenditure on the Island is expected to fall back in line with the UK; slightly below growth in the South East.

Figure 4.11: Personal Disposable Income Forecast (2008-2014)



Source: Oxford Economics, Summer 2010

Figure 4.11 shows annual growth in personal disposable income between 2008 and 2014. Growth for the UK and South East was higher in 2009 than it was in 2008, whilst the rate fell for PUSH and the Isle of Wight – but growth still remained above 2%. Reduced interest rates meant that mortgage payments – which are one of the components deducted from gross income to get disposable income – fell during 2009. Redundancy payments for those workers made unemployed during 2009 are another reason why disposable income held up despite the decreases in employment. In 2010 growth on the Isle of Wight is expected to be positive, whilst being slightly negative in the South East and UK – a result of the bounce back in employment and production predicted on the Island. In the medium term, disposable income growth is expected to match the UK’s rate; lagging slightly behind the South East and PUSH.

4.4.4 Housing

The nature and scale of the Island immigration patterns clearly has an impact on housing stock and the nature of the housing market. The evidence base underpinning the 2007-2012 Isle of Wight housing strategy noted that the Isle of Wight is a separate functional and relatively self-contained housing market. The proportion of second or holiday homes, although above average, is relatively limited. The Council’s housing strategy¹² indicates that there is limited immigration from within the Hampshire coastal sub region, but evidence of longer distance migration flow to the Island from London.

In order to fully satisfy affordable housing demand in qualitative terms more houses would have to be built than is physical feasible and economically viable. In this

¹² Isle of Wight Housing Strategy 2007-2012. Page18.

content, the following table sets out the targets for new development between 2007 and 2012 for all tenures (figure 4.12).

Figure 4.12: new affordable housing targets, 2007-2012

	2007/8	2008/9	2009/10	2011/12	2012/13
Social rented	86	95	130	130	130
Intermediate rented	0	10	10	15	15
Discounted sale	0	0	10	10	10
Shared ownership	64	58	30	25	25
Low cost market housing	0	0	0	25	25
Total	150	163	180	205	205

Source: Isle of Wight Council Housing Strategy 2007-2012.

4.4.5 Other service catchments

In other service catchments the Island meets most of its needs and where it doesn't it is able to access mainland specialist services. In terms of health provision, the Island population is not sufficiently large for some acute services to be delivered on the Island. A minority of these are delivered in Southampton and Portsmouth.

5. The Island's People

The Island's People –

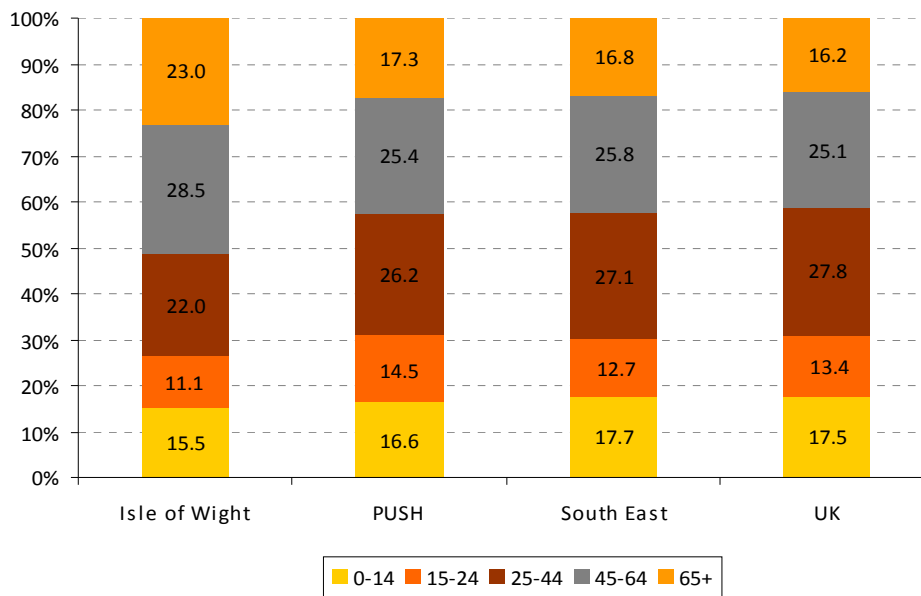
- The Island has an older population structure than the UK. Its population growth has been average, but driven by significant in-migration of people aged 45-54, many for early retirement. It has a growing population of people aged 65+ and aged 15 -24 but a decrease in those aged between these groups.
- Through the recession immigration fell off significantly and a slightly lower level of population growth is expected in the mid term.
- The skills profile of the island has improved in recent years. But the island loses young people who leave to study and do not return in significant number once qualified.
- A Level attainment is reasonably good, GCSE attainment has been disappointing, but recent evidence suggests a strong improvement.
- The Island is ethnically homogenous compared to the UK.
- Crime is generally low.

5.1 Characteristics by age and gender

The Isle of Wight's resident population has grown at an average rate of 0.7% since 2000, marginally higher than in PUSH area and the South East (both 0.6%), and the UK (0.5%). In 2008 population was an estimated 141,000. Inward migration has driven this growth; the Island's death rate has been consistently higher than the birth rate. In 2009 there were around 9 births per 1,000 population on the Island, and 12 deaths. The corresponding figures for the South East were the reverse - 12 births and 9 deaths which is comparable to the UK. Furthermore, the birth rate per 1,000 aged 15-44 is low; 28 on the Island, 31 in the South East. The Island's over 65's death rate (53 per 1,000), is marginally lower than across the region (54 per 1,000).

The Isle of Wight has a significantly older population than the neighbouring PUSH area, the region or the UK. National demographic trends show an ageing population, so this pattern appears highly likely to be sustained. Almost a quarter of the Island's population is over 65; more than half are over 45. The corresponding figures for the South East are 17 % and 43 %. In addition, the 15-24 and 25-44 age groups are noticeably smaller (figure 5.1).

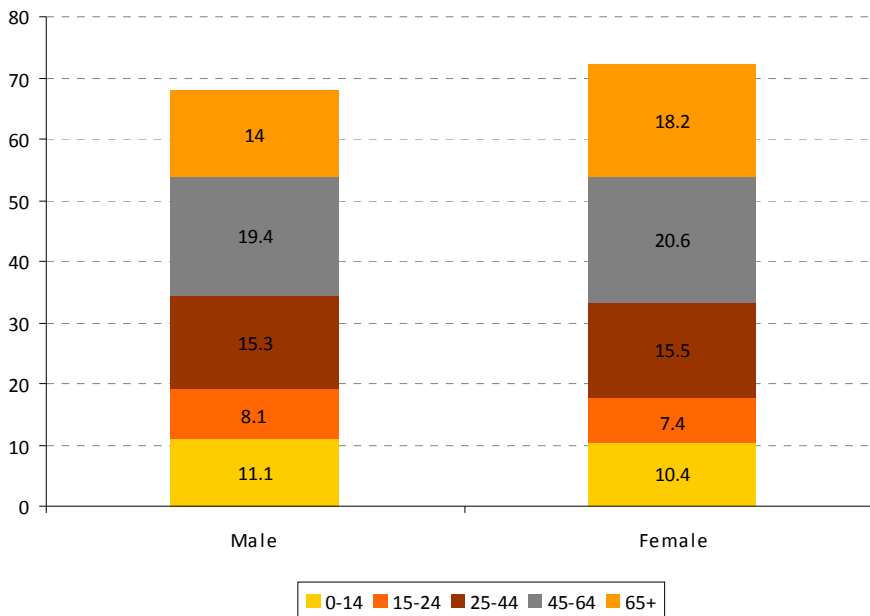
Figure 5.1: Age structure of the Isle of Wight, 2008



Source: ONS mid-year population estimates

In 2008 there were around 72,100 women on the Island, and 68,000 men. The additional 4,000 women over 65, reflects longer female life expectancy. When this is accounted for, the gender split is even (figure 5.2).

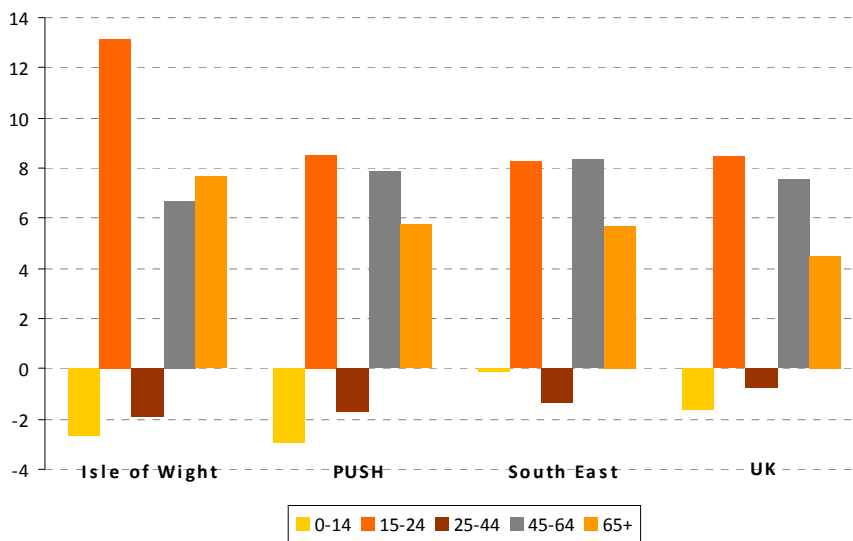
Figure 5.2: Gender by age on the Isle of Wight, 2008 (thousands)



Source: ONS mid-year population estimates

Figure 5.3 charts demographic changes between 2003 and 2008. The overall pattern on the Island differs from elsewhere in three respects. First, the small 15-24 age group grew a little more quickly. Second, growth in 45-64 a little slower than elsewhere; and third, the over 65's grew between 2% and 3% faster.

Figure 5.3: Percentage growth of population by age group, 2003-2008.

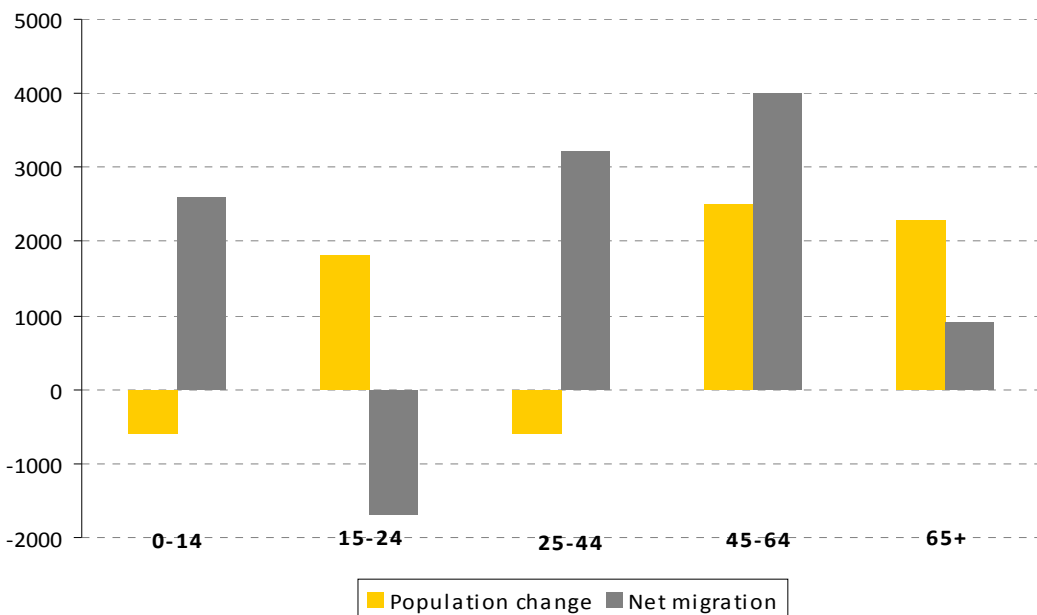


Source: ONS mid-year population estimates

5.2 Migration

As we have already noted, migration plays a key role in the Island’s demographic trends. Figure 5.4 below illustrates this for the period from 2003 to 2008. Net migration is represented by the grey bars, whilst total population change is shown in yellow. Between 2003 and 2008, the Island’s population increased by some 9,000 as a consequence of net inward migration.

Figure 5.4: Net internal migration and population change on the Isle of Wight, 2003-2008



Source: Internal migration statistics, ONS 2003-2008

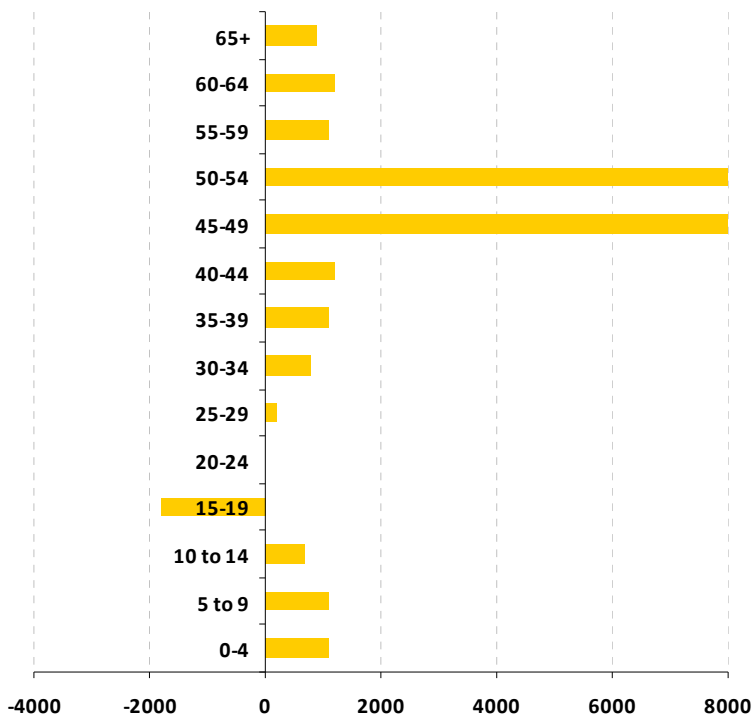
Looking at migration trends by age, the 45-64 and the over 65s are the only age groups where natural population growth reinforce net inward migration. In the latter, there has been a significant influx of some 4,000 new residents, likely be predominantly early retirees. At the same time just over 3,000 25-44 year olds

migrated to the island along with some 2,600 0-14 year olds, likely to be their children. Despite this influx the overall trend showed a net loss of people in both age groups.

Figure 5.5 looks at 2003-2008 migration patterns in more detail. The Island loses young people from the 15-24 group, a result of school leavers and students leaving the Island to live and work on the mainland or participate in further study. The strong influx of people in their late forties and early fifties are likely to be driven by early retirees. These make up a substantial proportion of the overall net immigration (some 16,000 people). The corresponding positive net migration of the three age groups up to 14 years of age reflects the inflow of families noted above.

In the 20-24 age groups there is limited net change in populations although, this age group has high levels of migration activity, with roughly equal inflows and outflows of some 4,000 people.

Figure 5.5: Isle of Wight net migration, 2003-2008 – actual numbers



Source: Internal migration statistics, ONS 2003-2008

Between 2003 and 2008 the patterns described above were broadly consistent. But the recession has altered the trend. Data showed a 64 % fall in net migration between 2008 and 2009 (figure 5.6). Slightly fewer people were leaving the Island but many fewer are migrating to it. There is little change in migration amongst the under-30s, but there appears to be a relatively uniform decrease in inward migration of those over 30. The relatively small change in the 0-14 age group suggests that families with children are continuing to move to the Island, and that the fall is mainly accounted for by those without children staying on the mainland. Latest (2010) estimates¹³ suggest that net migration fell to 1,000 in 2009.

¹³ From Oxford Economics.

Figure 5.6: Recession and migration patterns, 2008-2009 (% change)

	Inflow	Outflow	Net
All ages	-20	-5	-64
0-4	0	0	-50
5-9	-33	-50	0
10-14	0	0	-100
15-19	-33	0	0
20-24	-12	17	-100
25-29	25	-20	0
30-34	-25	-33	0
35-39	-25	0	0
40-44	-25	0	-50
45-49	0	0	0
50-54	-33	0	0
55-59	-33	-50	0
60-64	-25	-50	0
65+	-33	-25	-50

Source: Internal migration statistics, ONS 2003-2008. Consulting Inplace.

5.3 Ethnicity

The Island's population is less ethnically diverse than the comparison areas, with 96% of the population classed as White. The comparative figures for the South East are 92%; for England 88%. All other ethnic groups comprise about 1% of the total population in each case.

Figure 5.7: Population by broad ethnic group, 2007

% of population	White	Mixed	Asian/Asian British	Black/Black British	Chinese/Other
Isle of Wight	96.3	0.9	1.3	0.9	0.6
PUSH	94.0	1.2	2.3	1.0	1.4
South East	92.0	1.5	3.5	1.6	1.4
England	88.2	1.7	5.7	2.8	1.5

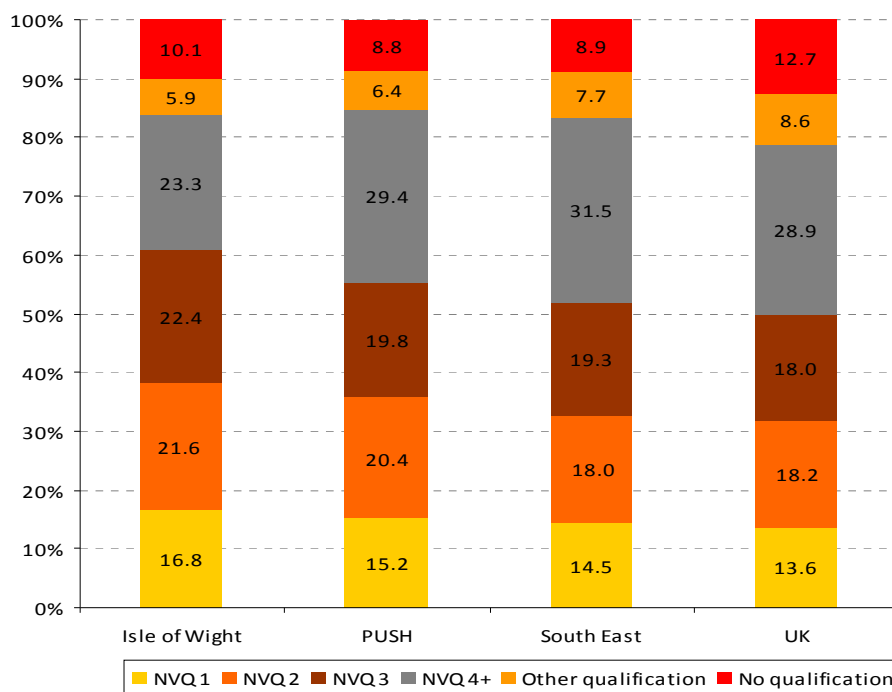
Source: Resident population by ethnic group, Neighbourhood Statistics 2007

5.4 Qualifications and education

Qualifications are an indicator of the average skill levels in the workforce, which has a major impact on an area's economic performance. Figure 5.8 shows the profile of the working age population in 2008. Under a quarter of the Island's working age population were qualified to NVQ level 4 or above, compared to 29% in the PUSH area and 32% in the South East. There is also a greater proportion with no qualifications on the Island than PUSH and the South East, but less than the national average. The lack of graduates could be linked to the net loss of around 1,700 people aged 15-24 between 2003 and 2008. The Island's occupational profile shows that there were fewer managerial or senior jobs on the Island, relative to the size of the labour force, than either the South East or the UK. Since 2002 the island

performance in this area has been mixed. Managerial jobs fell off by some 10%, but professional employment increased by over 20%. This is explored further in chapter seven.

Figure 5.8: skills levels of working age population, 2008

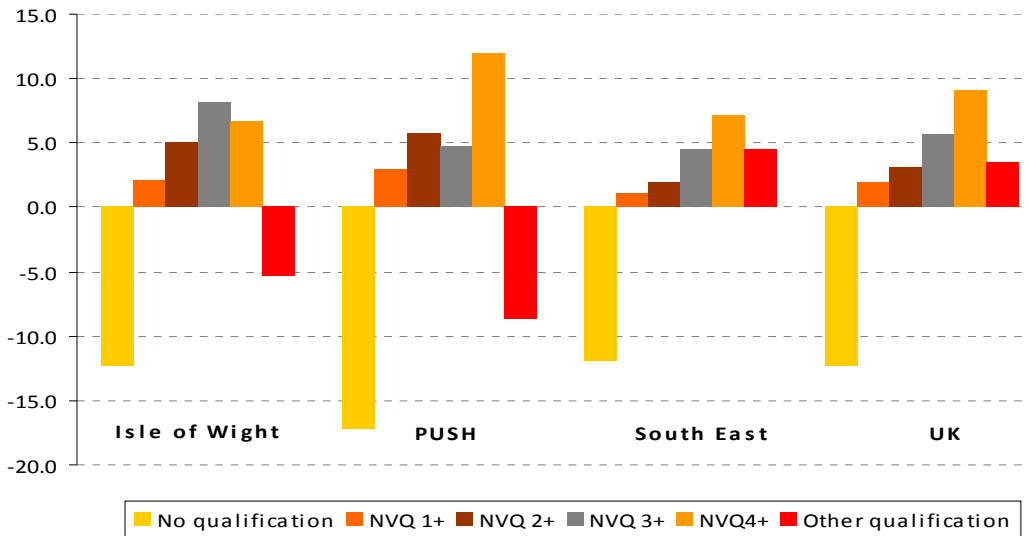


Source: APS, ONS Nomis

Figure 5.9 shows the change in qualifications of the working age population between 2003 and 2008. The chart shows percentage change of the proportion that held the qualification level or above. Overall qualification levels have improved. The proportion with no qualifications fell nationally by 12%; a similar rate to the Island, although PUSH performed better, with a reduction of 17%. Partly this will be influenced by the difference in age structure and migration patterns noted above.

The Island performed well in those possessing NVQ level 3 and above. But when it came to increasing the proportion of people holding a graduate level qualification or above, the Island was outperformed by PUSH, the South East and the UK.

Figure 5.9: Percentage change in the proportion of people at or above NVQ levels, 2003-2008.

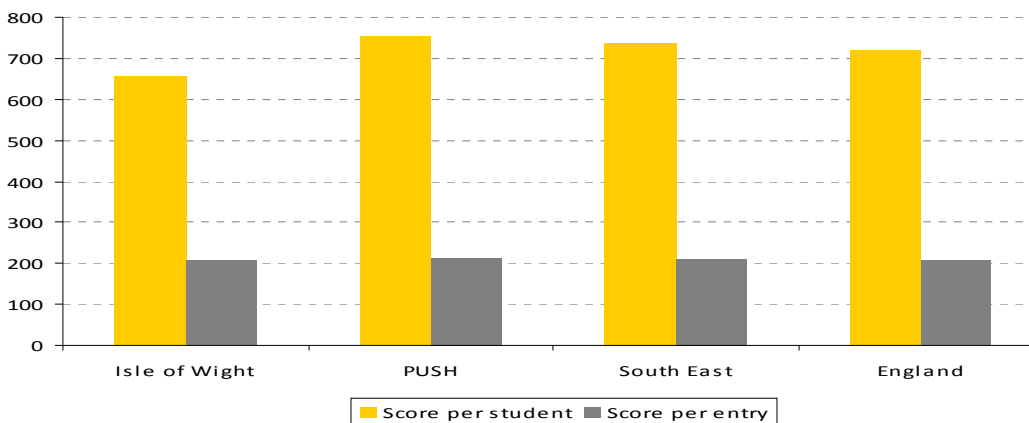


Source: APS, ONS Nomis

Figure 5.10 shows average Qualifications and curriculum development agency (QCDA) level 3 points scores¹⁴. It contains points achieved per pupil and per entry in the academic year 2008/9. In terms of score per student, the Isle of Wight lags behind PUSH, the South East and the UK with an average of 654, compared with 751 for PUSH and 738 in the South East.

There is little variation based on scores per entry, with pupils living on the Isle of Wight scoring 207, compared with 212 in PUSH and 210 in the South East. Thus much of the shortfall in the Island’s A-level scores per pupil is a result of pupils taking fewer subjects at A-level, rather than lower scores in the subjects that are taken. This could be a result of lower aspirations, with students taking fewer subjects because they are not aiming to get in to the top universities. It could also reflect provision.

Figure 5.10: Pupil attainment at A-level, 2008/9¹⁵



Source: GCE A/AS level examination results, Neighbourhood Statistics 2008/9.

¹⁴ A grade ‘A’ GCE A level scores 270 points, a grade ‘B’ scores 240 points, a grade ‘C’ is worth 210 points, a grade ‘D’ is worth 180 points and a grade ‘E’ scores 150 points.

¹⁵ The figures for PUSH have been calculated as an average of the individual local authority districts in PUSH

Figure 5.11 below shows GCSE performance of pupils on the Isle of Wight in the academic year 2008/9, compared with results in the South East and UK. The South East and UK are similar on all three measures, albeit with the UK lagging slightly, but attainment on the Isle of Wight is significantly lower. Around 58 % of pupils on the Island achieve five or more A*-C grades, compared with 70 % regionally and nationally. The gap is smaller when the grade range is extended to A*-G, since there will be less variation in the broader performance measure. Average points score per pupil is also lower on the Island.

Figure 5.11: GCSE performance of pupils, 2008/9

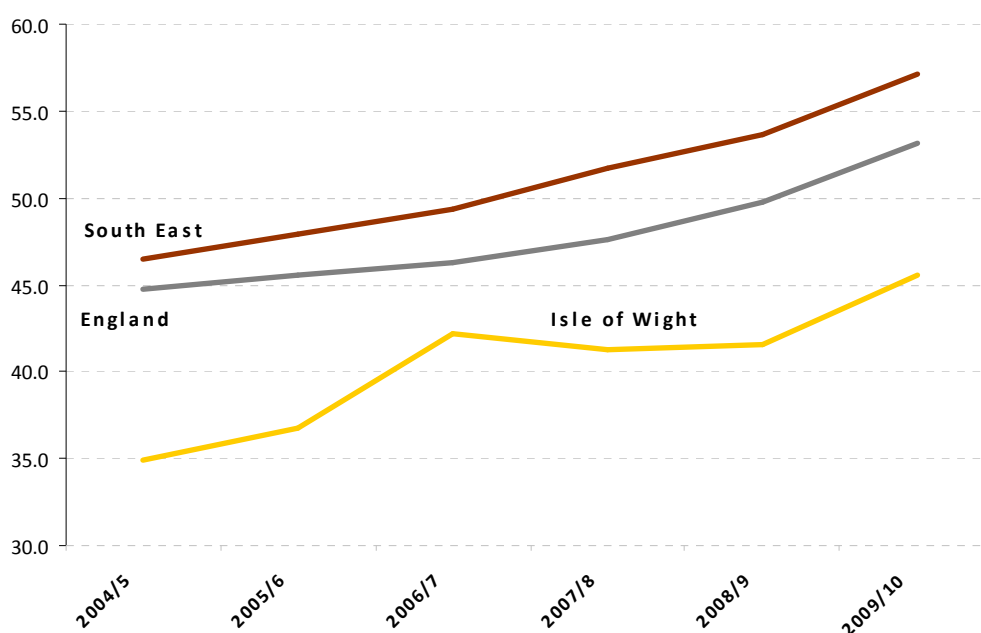
	% achieving 5+ A*-C	% achieving 5+ A*-G	average score per pupil
Isle of Wight	57.8	92.6	300
South East	70.2	94.1	323
England	69.8	93.5	318

Source: Neighbourhood Statistics 2008/9

Since 2002/3, the number of pupils achieving more than five A*- C grades increased by around 31 %, compared with 27 % in the South East and 32 % in England.

Figure 5.12 provides additional information and shows the percentage of school children achieving 5 A*-C grades at GCSE, including English and Maths. The Isle of Wight lags behind England and the South East, and the gap had been growing between 2006/7 and 2008/9 when there was a small decrease in GCSE performance on the Island. In 2009/10 however, the performance increased with 45 per cent of the GCSE cohort achieved 5 A*-C including English and Maths, compared to 54 per cent in England and 57 per cent in the South East.

Figure 5.12: percentage of pupils achieving 5+ A*-C grades including English and Maths



Source: Department for Education and Directorate for Children and Young people IOW Council

5.4.1 Health

Figure 5.13 below gives life expectancy figures. Life expectancy is calculated on a three year rolling average; the data below relates to 2006 to 2008. There is little difference in life expectancy between the Isle of Wight and PUSH, which are also very close to the South East average. The Isle of Wight has marginally higher life expectancy than the national average. Although it has higher death rates, this reflects its larger older population. The Island has slightly lower death rates for the over 65's – reflecting the high quality of the Island's environment and the relative affluence of many of its residents.

Figure 5.13: Life expectancy at birth by gender, 2008

	Male	Female
Isle of Wight	78.8	82.9
PUSH	79.3	83.0
South East	79.2	83.0
England	77.9	82.0

Source: Department of Health

5.5 Crime

Figure 5.14 below shows specific crime rates, based on reported crime, per 1000 population in 2008/9. For comparison 2005/6 data is shown in brackets. In 2008/9 the Island had lower levels of burglary, robbery and vehicle crime than the South East or UK, but a higher incidence of sexual offences and violent crime, relative to the size of its population. The prevalence of all types of reported crime was lower in 2008/9 than 2005/6 on the Island, with the biggest decreases in burglary, robbery and vehicle crime.

Figure 5.14: Crime rates per 1000 population, 2008/9, (2005/8)

	Burglary	Robbery	Sexual Offences	Vehicle crime	Violent crime
Isle of Wight	4.5 (6.0)	0.0 (1.3)	1.8 (1.8)	4.3 (5.2)	24.2 (24.5)
South East	8.7 (7.5)	1.3 (0.2)	0.6 (0.4)	7.1 (8.3)	5.7 (5.3)
England	12.5 (13.8)	1.1 (5.2)	0.9 (1.1)	10.0 (13.5)	14.9 (18.8)

Source: DCLG Floor Targets Initiative

5.6 Population Forecasts

Looking forward, the Island is expected to grow at an average annual rate of 0.7% between 2010 and 2016, at a similar rate to the South East and slightly higher than the UK (figure 5.15). Growth is forecast to be slower between 2017 and 2022, at around 0.6%, but still faster than the UK rate. Economic forecasts suggest a lower level of in-migration than has been experienced prior to the recession, should be expected for the short and mid term¹⁶.

¹⁶ Oxford Economics (Summer 2010 forecast)

Figure 5.15: Annual growth rate of population, 2010-2022

	2010-2016	2017-2022
Isle of Wight	0.7%	0.6%
South East	0.6%	0.6%
UK	0.5%	0.4%

Source: Oxford Economics (April 2010)

6. Child Poverty & Well-being

Child Poverty – Key messages

- About 20% of the Island’s children live in low income households, in line with national averages but higher than regional/sub-regional levels.
- Whilst the quality of the Island environment is considered to materially benefit the Island’s children, it falls down on other factors, notably housing stock.
- A higher proportion of the Island’s children live in out of work households, compared to sub-regional or regional rates – but less than nationally. Of these, the proportion living in lone parent households is broadly in line with sub-regional rates, but those in homes where neither parent works is higher - in line with national rates.
- There have been strong improvements in the education attainment of children in receipt of free school meals.
- A lower proportion of children from low income households on the Island progress to higher education

6.1 Measures of child Poverty

Definitions of child poverty vary. Today, they are typically based on household income (often termed income poverty), but other factors that contribute to children’s current and future quality of life are also sometimes included. This section therefore starts by looking at income based measures, before going on to consider wider factors which are affecting the incidence of child poverty on the Isle of Wight.

The Isle of Wight has similar levels of child poverty to England, but child poverty is more prevalent on the Island than it is in the rest of the South East. Figure 6.1 shows the percentage of under 16’s living in low income households (earning less than 60 per cent of the median national income) in 2007. Some 22% of children on the Isle of Wight live in low income households. The same is true for only 15% of children region-wide and around 17 per cent of children in the PUSH area.

Figure 6.1: Percentage of children living in low-income households, 2007



Source: Index of Multiple Deprivation

Figure 6.2 shows the percentage of children living in out-of-work households. This measure is important to consider as living in an out-of-work household can lead to an intergenerational culture of worklessness, whereby children’s employment

aspirations and expectations are lowered as a result of their parents being unemployed (although note that a household can be classed as out-of-work even if one parent is working full-time – see footnote 17). Some 22 per cent of children live in out-of-work households on the Isle of Wight – considerably higher than the South East but lower than the England average; a similar story to figure 6.1.

Figure 6.2: percentage of children living in out-of-work households¹⁷¹⁸

	Percentage of children (under 16s)
Isle of Wight	21.8
PUSH	18.3
South East	16.6
England	23.2

Source: HMRC, Child Tax Credits

6.2 Broader indicators of child Wellbeing

A range of factors can influence children’s wellbeing. It is important to use indicators in addition to those based purely on income-related benefits. Figure 6.3 below shows how the Isle of Wight performed on the Child Wellbeing Index 2009¹⁹ which indicate how well children fare in seven different domains.

Relative to other English local authorities, the Isle of Wight performs best in the environment score. This score is the 35th highest of all English local authorities. The island also scores well on crime, with a rank of 70 out of 354, but does not score inside the top 200 local authorities on any other child wellbeing indicator. The island scores particularly badly on housing – which looks at overcrowding and quality– ranking 319th out of 354 local authorities.

Figure 6.3: Isle of Wight performance on Child Wellbeing Index 2009

	Isle of Wight Rank (/354)
CWI average score	234
Material well-being average score	246
Health and disability average score	239
Education average score	280
Crime average score	70
Housing average score	319
Environment average score	35
Children in need average score	257

Source: Child Wellbeing Index, DCLG

Figure 6.4 shows the gap in educational achievement at key stages 2 and 4 between pupils who are eligible for free school meals and those that aren’t. The percentage point difference in those achieving at least a level 4 in English and Maths for Key Stage 2, and the percentage point difference in those achieving at least 5A*-C grades

¹⁷ A household is classed as out-of-work if both adults, or the single adult, does not work for at least 16 hours a week.

¹⁸ The household must be claiming Child Tax Credit to be included in this data

¹⁹ Information on how the measures were constructed is available from <http://www.communities.gov.uk/publications/communities/childwellbeing2009>

at key stage 4. The educational attainment of children receiving free school meals in key stages two and three has improved strongly since 2004/5. Although the data fluctuates somewhat, it suggests the Island has performed better than regionally or nationally.²⁰

In 2004/5 the gap between the two groups of pupils on the island was less than the South East but slightly higher than England. In 2008/9, however, the island had closed the gap at both key stages, with the gap at key stage 2 halving over the four years.

Figure 6.4: Gap in educational achievement between pupils eligible for free school meals and their peers, 2004/5 and 2008/9

	Key stage 2		Key stage 4	
	2004/5	2008/9	2004/5	2008/9
Isle of Wight	26.5	12.8	28.5	23.8
South East	29.8	29.1	33.8	32.3
England	25.5	22.3	26.3	27.8

Source: LSC attainment gap.

Data from 2008 show that around 17 per cent of young people from low income households on the Isle of Wight progress on to higher education, slightly lower than the England average of 19 per cent. The lack of higher education provision on the island may be preventing people from low income background from entering higher education as the cost of either renting accommodation near a university or commuting to the mainland to study may be prohibitively high, especially for prospective students from poor backgrounds. Despite this, the gap is small so it is not clear if this is a greater problem on the Island than it is elsewhere.

²⁰ The data for key stage two is slightly puzzling, as although the gap had fallen to 20 per cent in 2006/7, it rose to 25 per cent in 2007/8; making the size of the reduction in the following year seem rather unlikely (this data is not sampled, however, so if the figure is an error then it would be due to a miscalculation).

7. The Island's Labour Market

The Island's Labour Market – Key Messages

- The Island economy is highly seasonal and this influences almost all sectors quite significantly, as well as business recruitment patterns. Claimant unemployment rises by around 1% in the winter, falling a similar amount in the summer.
- The wider South East looks to be recovering reasonably from the recession, with job vacancies increasing and unemployment coming down. This has not yet materialised on the Island.
- Economic activity rates have been in steady decline since 2007, alongside a steady increase in ILO unemployment. At the same time JSA unemployment was in decline. Through the recession this has increased to above 4% and is expected to return to pre-recession levels by 2017.
- The Island has a generally lower skilled occupation profile than the rest of the region. It has more people employed in elementary and personal service occupations, less in professional and managerial jobs.
- Despite this, the Island had seen strong growth in professional occupations alongside stronger growth in personal service occupations leading into the recession.
- Incapacity benefit claimant rates are higher than elsewhere, but this is driven by younger people.

7.1 Overview

Going into the recession, economic activity rates were in decline and the Island experienced a corresponding increase in ILO unemployment. At the same time claimant unemployment was below that of the UK, but above sub-regional and regional rates, both before the recession and into 2010. Alongside this, the Island has generally low levels of new employment vacancies which has not yet picked up after the recession, to the same degree they have across the South East. It has higher rates of incapacity benefit claimant rate, but within younger, rather than older age groups.

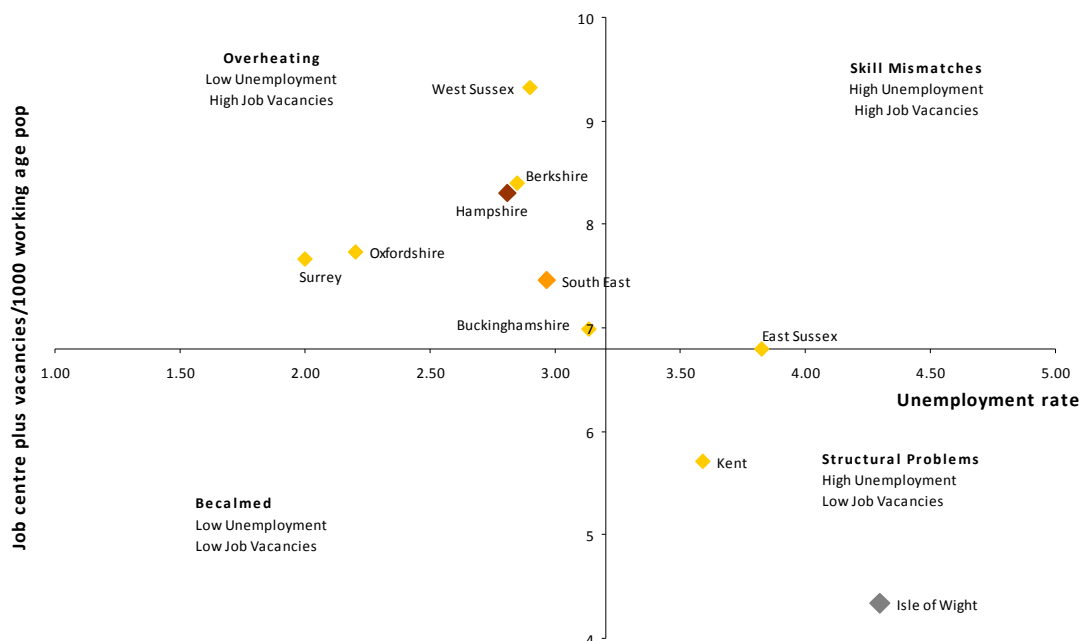
The occupation profile of the Island's labour force contains fewer managerial and professional occupations, more elementary and personal service occupations. Since 2002, it saw reasonable growth in professional occupations, strong growth in personal service occupations. Self employment rates are marginally higher on the Island than elsewhere.

7.2 Characteristics

The Island has relatively high levels of claimant unemployment but low levels of job vacancies, i.e. large numbers of people looking for work and few jobs for them. Whilst this suggests structural problems with the economy, i.e. proportionally more employment in sectors that are declining, less in sectors which are growing strongly. It also reflects wider issues, such as skills gaps in the workforce, or other constraints on business growth. These may include for example supply of employment land,

access to finance, or levels of disposable income and thus local demand for goods and services. Figure 7.1 provides a quadrant diagram illustrating the characteristics. It contrasts claimant unemployment and job centre vacancies in 2010²¹ across the South East.

Figure 7.1: Labour market performance in the South East, April 2010

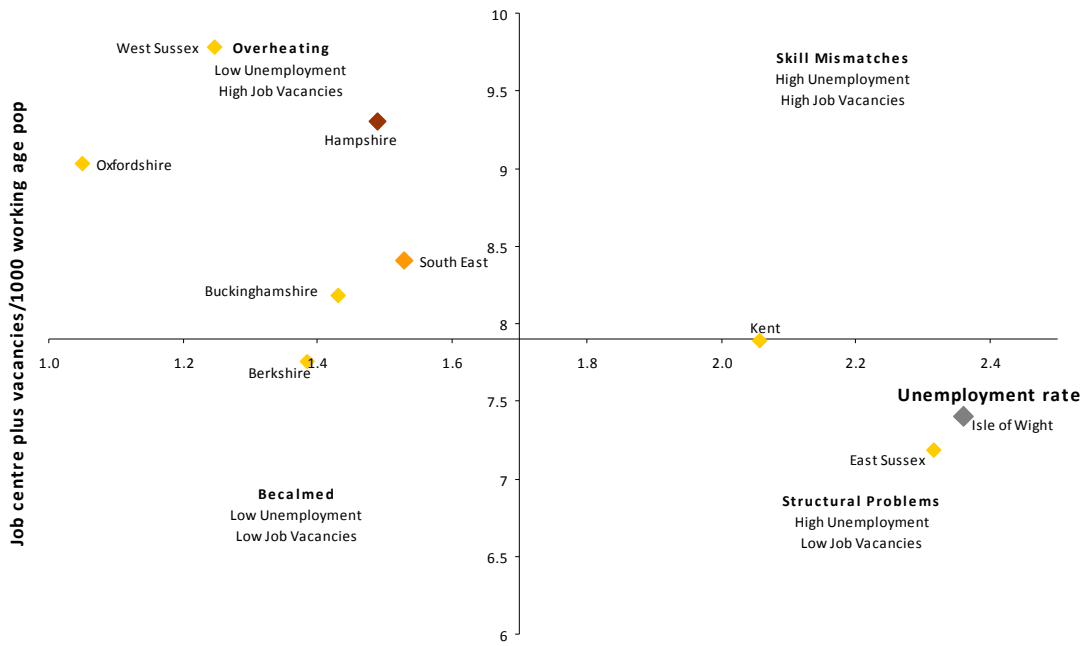


Source: ONS nomis and Consulting Inplace

The above data relates to April 2010, where unemployment rates across the region are above their long run trends and vacancies are fewer as firms seek to contain costs. Relative to the South East, there was considerable slack in the Island’s labour market. For comparison, figure 7.2 shows the same data but for April 2007. Then, the Island had a claimant rate of around 2.4 % and 7 vacancies per 1,000 working age population, (compared to 4.3% and 4 in 2010). Although unemployment is higher, its relative position is the same. Vacancies were low, but broadly in line with the rest of the region – above that of East Sussex. Vacancies in 2010 have not recovered at the same rate as elsewhere; suggesting a slower recovery. Island businesses are still cautious as they emerge from the recession. We discuss the Island’s businesses in chapter eight.

²¹ We have chosen April as a month which is relatively uninfluenced by the seasonal nature of the labour market.

Figure 7.2: labour market performance in the South East, April 2007



Source: ONS nomis and Consulting Inplace

7.3 Occupation structure

The Isle of Wight has fewer of managerial or senior occupations than the South East or the UK, and also fewer workers in professional occupations (figure 7.3). A greater proportion of the Island’s workforce is employed in elementary, personal service and skilled trade occupations compared to the South East or the UK.

Figure 7.3: percentage of employment in broad occupations, 2009

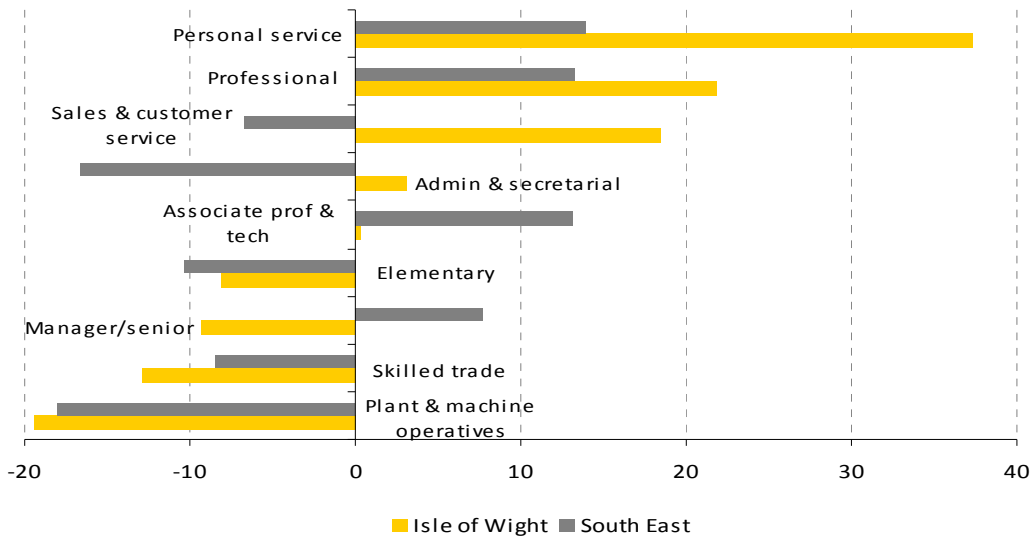


Source: APS, ONS nomis

Figure 7.4 shows the percentage change in occupational structure (2002 – 2009). Figures for the UK are not available in 2002, and neither do they cover all of the PUSH local authorities, so only data for the Isle of Wight and the South East is

presented. Although the Island outstripped the South East in professional occupation growth, the proportion of employment in managerial or senior occupations fell. The Isle of Wight experienced high growth in the proportion of sales and customer sales and personal service occupations, offsetting declines in elementary and plant and machine operative occupations on a similar scale to the South East. This is in line with the decline of manufacturing but strong growth of personal service sectors on the Island.

Figure 7.4: percentage change in occupational structure, 2002-2009

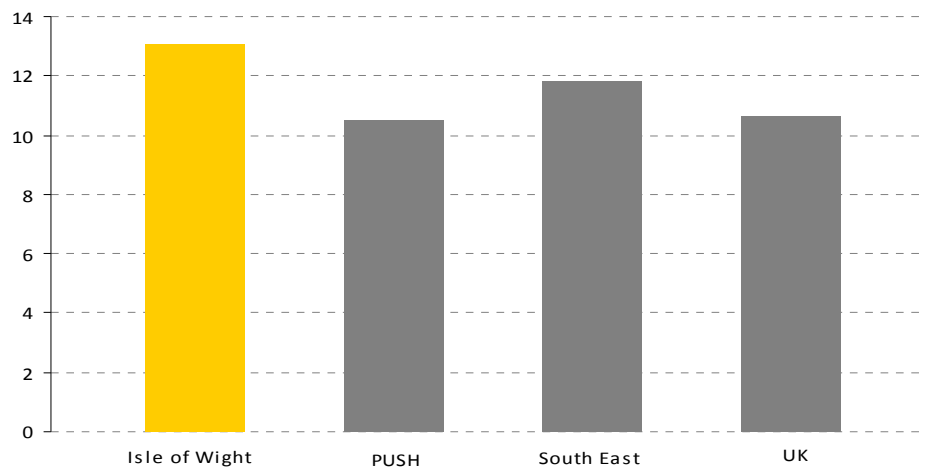


Source: APS, ONS nomis

7.4 Self Employment

Self-employment is slightly higher on the Isle of Wight than the comparison areas as shown in figure 7.5. Around 13 % of the working age population are self employed on the Island, compared with 12 % in the South East and some 10 % in PUSH and the UK.

Figure 7.5: Self-employment as percentage of working-age population, 2010



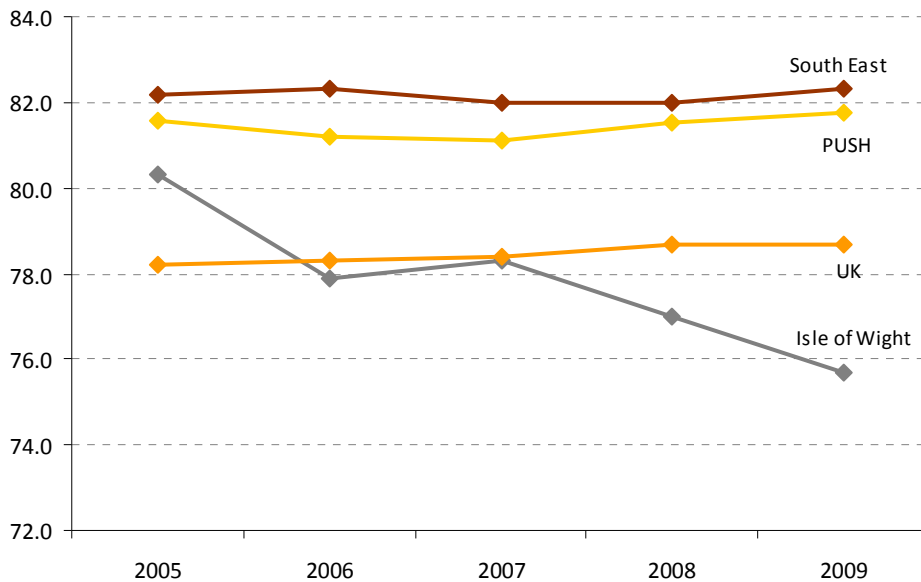
Source: Oxford Economics

7.5 Labour Market Participation

Figure 7.6 shows economic activity rates since 2005, i.e. the proportion of the working age population in or seeking work. The 2005 activity rate of the Isle of Wight was 80%²², marginally lower than the South East average (82%) but higher than the UK (78%). Data for the Island indicates that, in 2006, the economic activity rate²³ dipped below the UK and fell again in 2008 and 2009 as people left the labour market during the recession. Elsewhere economic activity rates held up.

This is likely to be due to the declining labour market opportunities: there were 42 % fewer Job Centre plus vacancies in April 2010 than April 2007 (see figures 7.1 and 7.2). A number of factors could be behind this rise. The lower average skill levels on the Island might have increased the likelihood that a worker made redundant chooses to leave the labour market. The interest of business owners in increasing the size of their business may also be another factor, as well as levels of demand.

Figure 7.6 Economic activity rates, 2005-2009



Source: APS, nomis

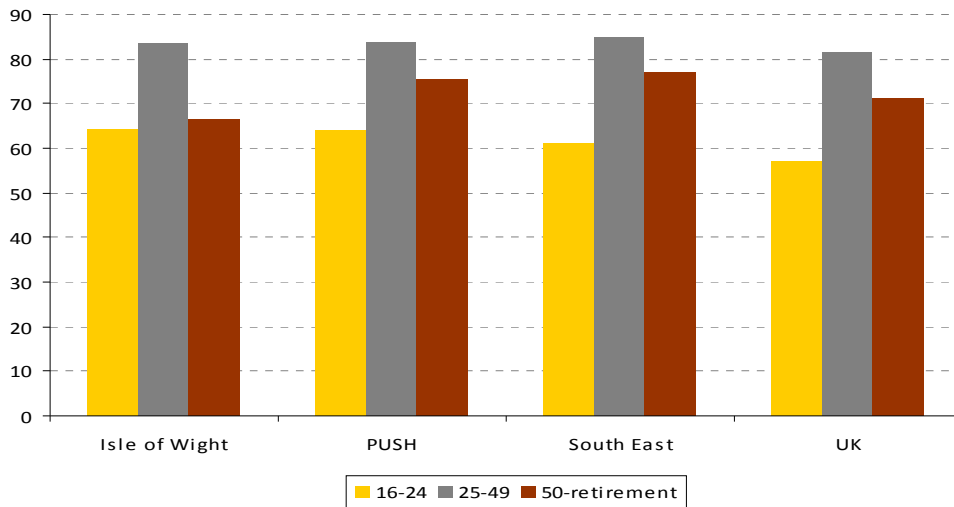
Turning to employment rates²⁴ figure 7.7 shows differences by age. Employment rates of the under 25-39 age group are generally in line with elsewhere, whilst rates among 16-24 year olds are marginally higher. Employment rate for those aged between 50 and retirement on the Island is 67%; much lower than PUSH, the South East and the UK.

²² Data is from the Annual population survey – and hence subject to lower levels of reliability in smaller areas.

²³ A person is economically active if they are either employed or unemployed in a particular period (e.g. during the week of the annual population survey). The ONS uses the ILO definition of unemployment when calculating economic activity, which states that a person is unemployed if they are out of work and have sought work in the four weeks leading up to being surveyed.

²⁴ The percentage of total in employment against all people in that age group.

Figure 7.7: employment rate by age band, 2007



Source: APS, nomis

7.6 Barriers to employment

The various barriers to employment that could be causing higher worklessness rates can broadly be split into three categories: demand for employees, supply of employees and institutional factors. There are relatively few Job Centre vacancies relative to claimant unemployment, suggesting that the level of demand is a factor in the relatively high worklessness rate on the Island. Supply side barriers refer to characteristics of the working age population that make it harder to find employment. Here, skills levels are perhaps the most important explanation of variation in worklessness levels. Health and age are also explanatory factors.

Unemployment rates are higher among lower skilled workers, and the Isle of Wight's working age population has, on average lower levels of formal qualifications, particularly graduate-level qualifications, than the South East. The Isle of Wight has an older population than the South East and employment rates for those aged between 50 and retirement is lower than for those aged 24-49. Attitudinal and aspirational factors also play a central role. Employment aspirations are likely to be lower for those that live in an area with higher unemployment and a lack of employment opportunities.

Spatial immobility is another potential barrier. Poor transport links can restrict the area in which an individual can find employment. Whilst the Island has generally good transport links, the cost and time associated with taking up employment on the mainland will reduce the employment opportunities to some residents.

7.7 Inactivity and Worklessness

The workless population is composed of four main groups:

- Job Seekers Allowance (JSA) claimant unemployment;
- Incapacity Benefit (IB) or Severe Disablement Allowance (SDA) claimants
- Income Support for Lone Parents (ISLP) claimants;

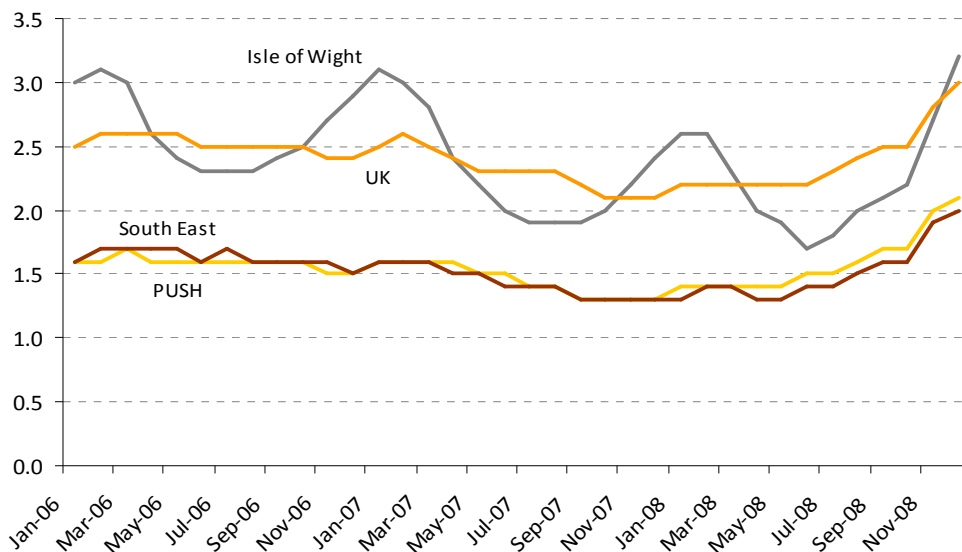
- Those available for work, but not claiming unemployment or incapacity benefits. The international labour organisation (ILO) measure of unemployment captures all those out of work and actively seeking employment, but not necessarily claiming JSA. This measure of unemployment can be up to 100% higher than claimant unemployment.

In addition, a proportion of the economically inactive (i.e. not in employment or actively looking for employment) population of working age would be available for work but do not feel (rightly or wrongly) that it is worthwhile seeking employment due to a lack of opportunities. Data is available from the Annual Population Survey (APS) that estimates the number of people who are inactive but do want a job, although there is a relatively low response rate to this question and hence greater margin for inaccuracy.

7.7.1 Claimant Count Unemployment

Figure 7.8 below highlights the seasonality of unemployment, and shows monthly claimant data between January 2006 and December 2008. Unemployment generally rises between September and February, falling in the rest of the year. Unsurprisingly, it is elementary occupations – which require the least training and have lower search costs – that exhibit the most seasonality. Most seasonal employment is within the visitor economy, some in retail and in market gardening/agriculture. The degree of seasonality has remained constant over the last two years.

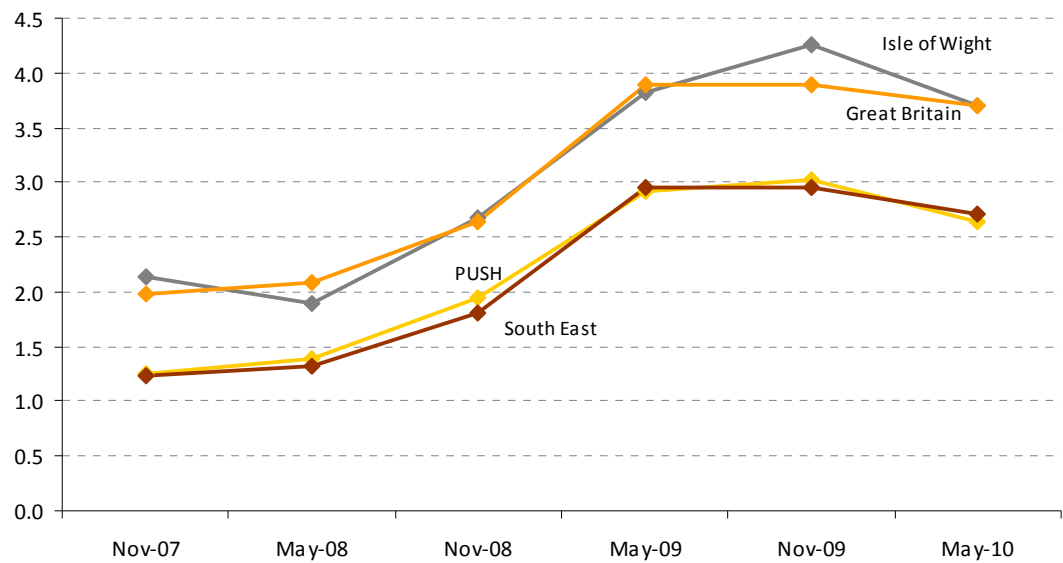
Figure 7.8: Seasonality of claimant unemployment



Source: JSA claimant count, nomis

Going into the recession unemployment on the Island was falling with claimant unemployment below national rates, although above that of the region/PUSH (figure 7.9).

Figure 7.9: JSA claimants as percentage of working age population, 2007-2010

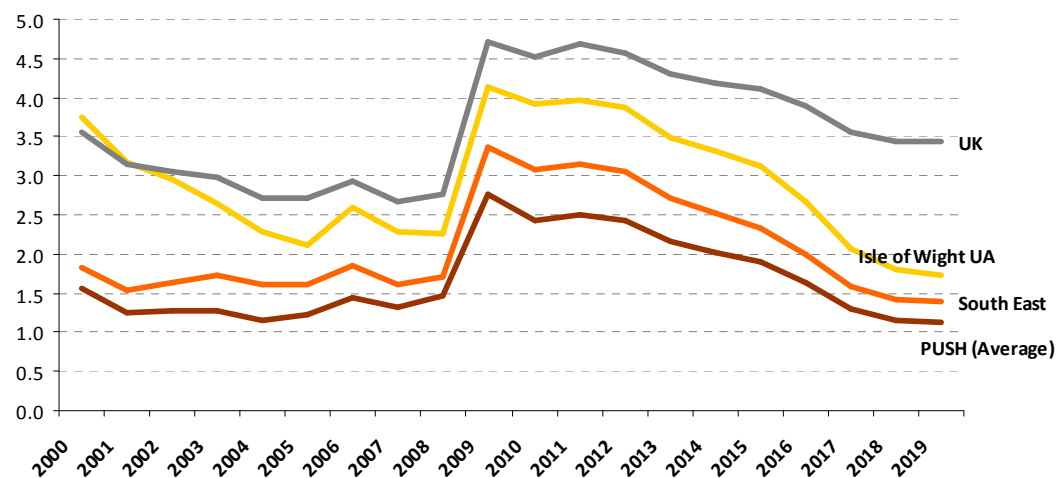


Source: JSA claimant count, nomis

Through the recession, Island claimant unemployment increased at a faster rate than the region and sub region, but in line with the UK. It stood at just over 4% into 2010. Looking forward (figure 7.10) local unemployment rates are anticipated to remain below the national average in the mid term and recover faster than the UK. The recovery in the South East and particularly PUSH is anticipated to be stronger.

The structural problems in the labour market shown above will hold back the recovery, with unemployment remaining at around 4% into 2013. Many of those made unemployed during the recession may have to retrain and enter a different industry. The structure of the Island’s economy may also reduce its ability to recover quickly. This will be influenced by the relatively small business and financial services sector and the seasonal nature of the economy.

Figure 7.10: JSA claimant unemployment forecast

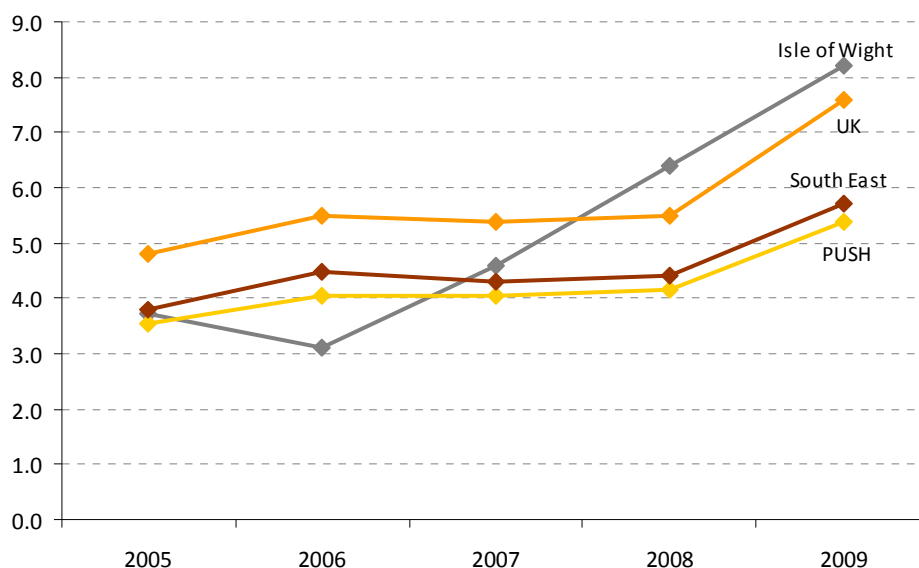


Source: Oxford Economics (Summer 2010 forecast)

7.7.2 ILO Unemployment

Figure 7.11 shows ILO unemployment rates between 2005 and 2009. The Island's unemployment rate dipped below the South East and PUSH region in 2006 before three consecutive yearly increases, starting before the recession, to take unemployment to 8 % in 2009. This is above the UK average but above the South East and PUSH where unemployment was 6 and 5 % respectively. This is striking and is likely to partly reflect in migration patterns the seasonality of the economy and the low vacancy rates noted above.

Figure 7.11: ILO unemployment rate, 2005-2009



Source: APS, nomis

7.7.3 Duration of Unemployment

Figure 7.12 below shows the percentage of total unemployment benefit claimants claiming job seekers allowance for more than six and twelve months, in 2007 and the same data for 2010.

A greater proportion of the Isle of Wight's claimants had been on JSA for more over 6 months than PUSH, the South East and the UK in April 2007. At 16 %, the percentage that had been claiming for over 12 months was less than the UK (17 %), but more than PUSH (12 %) and the South East (15 %). The Island fared relatively well during the recession, however. In April 2010 the percentage of claimants that had been on JSA for 6 months was 36%, unchanged from three years ago. At the same time the South East had risen to 36, the UK to 38.

Moreover, the percentage who had been claiming for over 12 months was actually lower in April 2010 on the Isle of Wight than it was in April 2007. This was because, although there were a greater number of long term claimants in April 2010, the number had not risen as much as the number of total claimants.

Figure 7.12: duration claiming JSA as of April 2007 and April 2010

	% claiming over 6 months		% claiming over 12 months	
	April 07	April 10	April 07	April10
Isle of Wight	36.3	36.3	16.1	13.6
PUSH	30.0	34.8	11.7	13.9
South East	32.7	36.4	15.3	15.5
UK	35.2	38.7	16.9	16.8

Source: JSA claimant data, nomis

7.7.4 Youth unemployment

Figure 7.13 below shows the proportion of JSA claimants that were aged 18-24, in May of each year between 2007 and 2010. The Isle of Wight has generally had a higher proportion of JSA claimants aged 18-24 than the comparison areas; the only exception being in May 2010 when it was overtaken by the UK. Younger people in the South East have consistently made up a significantly lower proportion of JSA claimants than the UK, but neither the PUSH area nor the Isle of Wight have followed this trend. The proportion of JSA claimants that were aged 18-24 rose from 31% to 33% between 2007 and 2008, whilst the South East and UK each saw increases of less than 1%. All areas saw large decreases in the share of youth unemployment, as the number of 18-24s on JSA fell faster than the total number of claimants.

Figure 7.13: 18-24s JSA claimants as percentage of all claimants May 2007-2010



Source: JSA claimant count, nomis

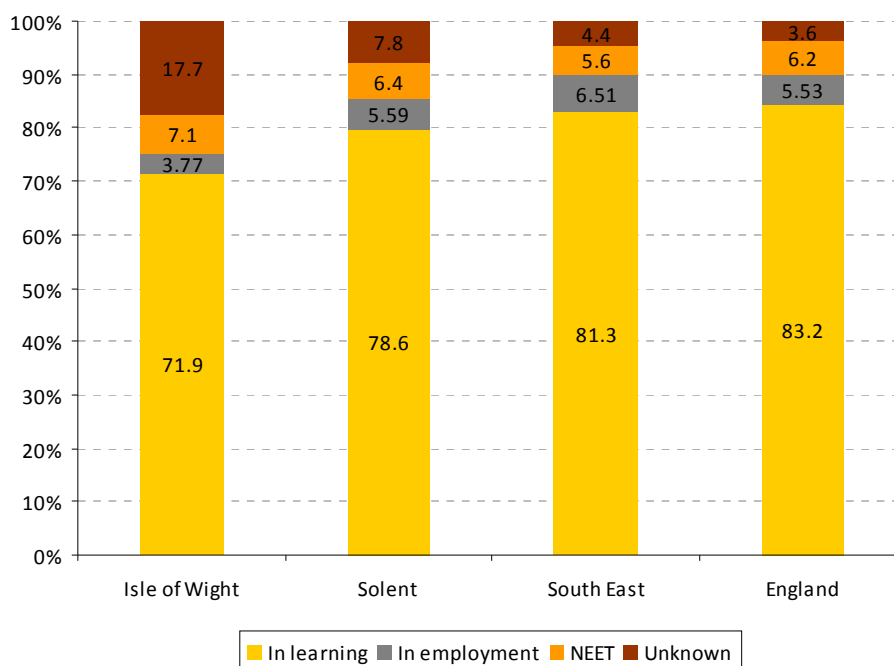
7.8 Not in Education Employment or Training (NEET)

Figure 7.14 below shows the status of 16-18 year olds between January 2009 and January 2010²⁵. The Island has a much greater proportion of 16-18s whose status is unknown than the South East or England average – however, the connexions caseload data states that they estimate around 15% are expected to be in education or employment. This leaves some 3%, in line with national levels.

In 2009 there were around 4,100 16-18 year olds on the Isle of Wight. Of these, 7 % are NEET; marginally higher than the Solent and South East (6 %). The significantly lower share of those aged 16-18 in learning shown below on the Island is largely down to the high proportion of unknowns. If the majority of those whose status is unknown are either in education or employment, the difference largely disappears.

Relatively few young people on the Island are in employment without training (4%) compared to 7% in the South East. Higher NEET figures could therefore be driven, not by a higher education dropout rate, but by a higher unemployment rate among those who do drop out – the high proportion of workers in the labour force with few or no qualifications could be crowding young people out of work.

Figure 7.14: Status of 16-18 year olds, Jan 09 -Jan 10²⁶



Source: Connexions Caseload Information System (CCIS)

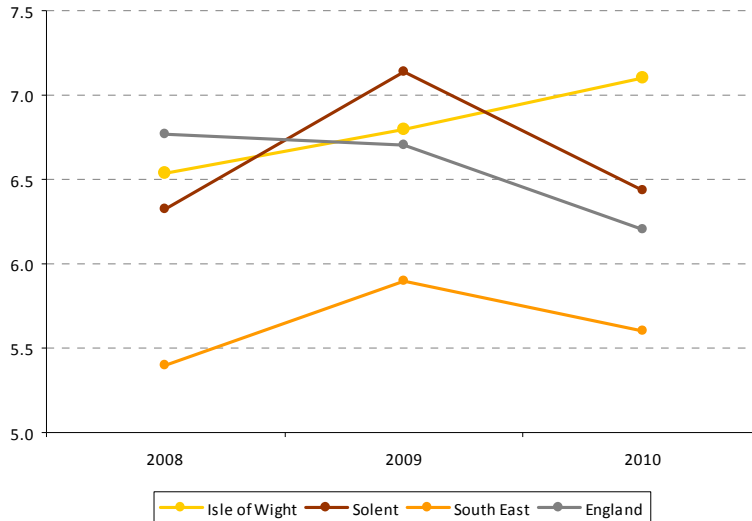
Figure 7.15 overleaf shows the percentage of 16-18 year olds that were NEET between 2008 and 2010. The percentage of NEETs on the Island remained relatively stable – at around 7%. The NEET trend in the Solent and the South East meanwhile form an inverted ‘v’, with numbers peaking in 2009 before falling in 2010. Throughout the period shown, the percentage of NEETs on the Island and in the

²⁵ ‘In learning’ includes those that are in employment with training; ‘in employment’ covers only those that are in employment without formal training.

²⁶ Solent (i.e. Hampshire County plus Southampton and Portsmouth) has been used rather than PUSH because the data did not allow Hampshire to be split

Solent was higher than the regional average. Although the Isle of Wight had a lower proportion of NEETs in 2008 than England as a whole, in January 2010 the Island's NEETs exceeded the national average – but only marginally.

Figure 7.15: percentage of 16-18s NEET 2008-2010



Source: Connexions Caseload Information System (CCIS)

Figure 7.16 below shows the number of NEET joiners between April 2009 and January 2010 as a percentage of the 16-18 cohort in each area. It shows that 12 % of 16-18 year olds on the Isle of Wight joined the NEET group during that time period, compared with 11% in the South East and 13% in England. A smaller proportion joined from education on the Island, with more coming off a Government Supported Training scheme (GST). A similar proportion of NEET joiners on the Island joined from employment or had their NEET status re-established. This furthers the point made above, that education dropout is not contributing to the higher rate of NEETs on the Island, rather that those that do drop out of education are less likely to get a job or undertake further training.

Figure 7.16: NEET joiners by source as percentage of 16-18 cohort, April 2009-Jan 2010

Source of NEETs as % of 16-18 cohort	Total	from education	from GST	from employment	currency re-established	Other
Isle of Wight	12.3	2.5	2.6	1.4	5.1	0.7
Solent	9.5	6.1	1.3	1.1	5.2	0.9
South East	11.4	3.3	1.6	1.6	4.4	0.9
England	13.4	4	1.7	1.7	4.9	1.1

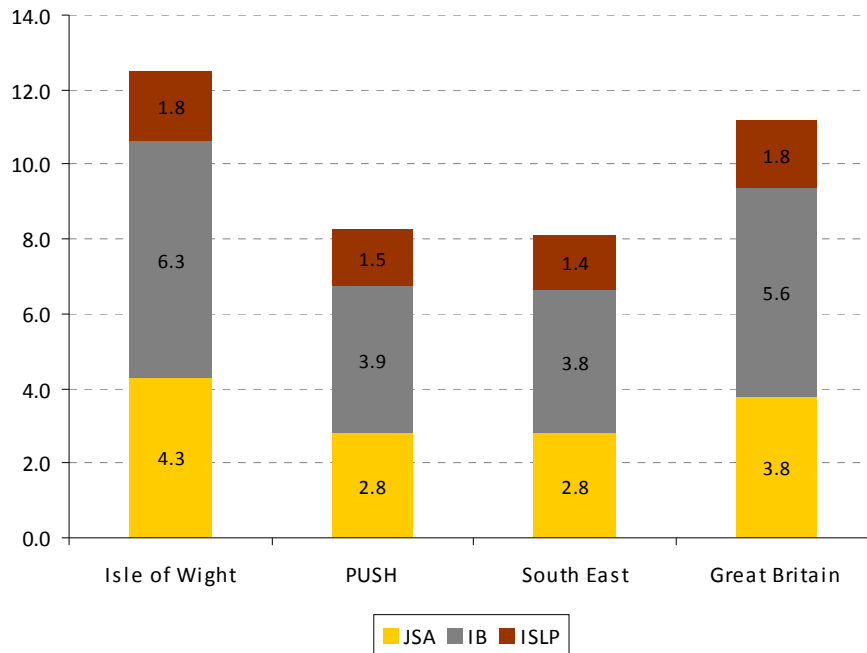
Source: Connexions Caseload Information System (CCIS)

7.9 Welfare Benefit claimants

Figure 7.17 shows benefit claimants as a percentage of the working age population and relates to November 2009. The Isle of Wight has a higher percentage of claimants in each category than the South East and Great Britain (with the exception of Income Support for Lone Parents (ISLP)). Incapacity benefit claimants make up 6

% of the working age population of the Isle of Wight, compared with 4% in the South East and in line with Great Britain (6%). Although some of this difference may be a result of a higher incidence of incapacity, it is also likely to reflect higher barriers to work for those on incapacity benefits on the Island, when compared with the South East.

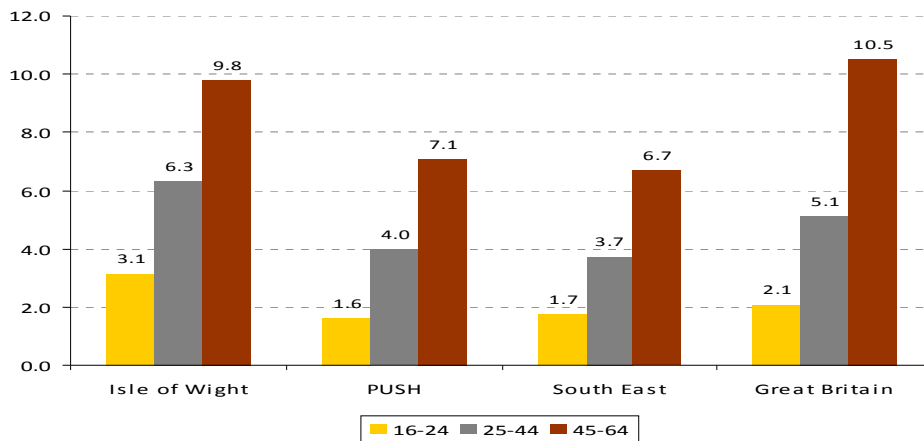
Figure 7.17: out-of-work benefit claimants, November 2009



Source: DWP Benefit Claimants, nomis

Between November 2008 and 2009, the number of IB claimants fell across the board country. In 2008, 8% of the working age population of the Isle of Wight were claiming IB. The figures for PUSH and the South East standing at around 5 % and Great Britain 7%. Figure 7.18 shows incapacity benefit claimants by age – the proportions shown are the number in each age group claiming incapacity benefit. Overall, fewer Island residents aged over 45 claim IB than the national average, but a higher proportion than regionally. This suggests that the island immigrants could comprise above average numbers of those claiming incapacity benefit. Moreover, a higher proportion of claimants are 25-44 year olds (6%) are claiming incapacity benefit and the same applies to 16-24's.

Figure 7.18: percentage of age group claiming IB



Source: DWP Benefit Claimants, nomis

7.10 Recruitment

Over seven out of ten companies had not attempted to recruit any staff in the last three months. Of those that did, slightly more (19%) had taken on part time, rather than full time staff (17%). Banking finance and insurance firms were the most likely to have recruited full time staff, but the proportions by sector were fairly even. There were much larger differences in those seeking staff on a part time basis. Construction and manufacturing firms were generally not recruiting for part time staff, retail, hospitality, transport and communications and other services firms were more likely.

Since October 2009, the proportion of firms who are seeking to recruit has increased slightly, with a similar number of firms seeking full and part time staff.

Figure 7.19: Proportion of firms that attempted to recruit by sector (July 2010 - Percent)

	Overall	Manufacturing	Construction	Retail, hospitality, etc	Transport and comms	Banking, finance and insurance	Other services
Part time	18.8	7.5	4.7	27.2	21.6	10.1	19.0
Full time	17.2	17.2	16.3	16.3	13.5	21.2	17.5
Neither	71.4	79.6	83.7	65.7	70.3	72.7	74.6

Source: Inplace Survey, July 2010

Furthermore, almost two thirds of companies tried to recruit permanent staff, with less than half trying to recruit temporary or contract staff. Since the first business survey in October 2009, the proportion of firms attempting to recruit temporary or contract staff has risen, by some 10%. Companies in retail and hospitality were the most likely to say that they had attempted to recruit temporary or contract staff; those in construction were the most likely to say that they had attempted to recruit permanent staff. The proportion of firms attempting to recruit temporary or contract staff has fluctuated since October 2009, however in retail and hospital there has been a steady increase.

Figure 7.20 show the occupations that the vacancies in Island businesses are in. Overall there are more vacancies for sales and customer services positions, with an

average of 1.5 positions across all companies. This was followed by elementary occupations. Manufacturers were the most likely to be seeing skilled trade staff, with an average of more than 3 positions per manufacturing firm.

Figure 7.20: Average number of vacancies by firm by sector (July 2010)

	Manu- facturing	Const- ruction	Retail, hospitality, etc	Transport and comms	Banking, finance and insurance	Other services
Managers	0.32	0.00	0.14	0.09	0.15	0.00
Professional occupations	0.16	0.14	0.12	0.18	0.48	0.06
Associate professional and technical occupations	0.26	0.14	0.08	0.27	0.11	0.00
Administrative and secretarial occupations	0.32	0.57	0.16	0.00	0.41	0.25
Skilled trade occupations	3.21	0.29	0.27	0.00	0.22	0.38
Personal service occupations	0.00	0.00	0.16	0.00	0.15	0.13
Sales and customer service occupations	0.00	0.43	2.22	0.55	0.67	1.56
Process, plant and machinery operatives	0.11	0.43	0.09	0.09	0.04	0.13
Elementary occupations	0.89	0.71	0.60	0.09	0.37	4.25

Source: Inplace Survey

Over a quarter of respondents said that they had experienced difficulties in recruiting staff. Almost six in ten of these companies said that these difficulties were resolved (figure 7.21).

Figure 7.21: Difficulties in recruiting staff (July 2010 - percent)

	Oct 09	Jan 10	April 10	July 10
Difficulties experienced	23%	22%	20%	29%
Difficulties resolved	63%	68%	74%	59%

Source: Inplace Survey, July 2010

The proportion of firms experiencing difficulties in recruiting staff had been decreasing until the latest survey, when there was an increase of almost 10 percentage points. At the same time the proportion of firms resolving these difficulties had been increasing, but this too changed in the latest survey, with a decrease of 15 percentage points.

Manufacturing firms were the most likely to say that they had experienced difficulties in recruiting staff (42%) but for most (38%) of these were eventually resolved (figure 7.28). Other service sector firms were also the least likely to say that that they had resolved their difficulties, followed by manufacturers.

Figure 7.22: Difficulties in recruiting staff by sector

	Manufacturing	Construction	Retail, hospitality, etc	Transport and comms	Banking, finance and insurance	Other services
Difficulties experienced	42.1	28.6	26.8	36.4	25.9	25.0
Difficulties resolved	37.5	50.0	65.4	100.0	57.1	25.0

Source: Inplace Survey

Figure 7.23 summarises a small number of responses for firms that have encountered difficulties with recruitment. Skilled trade occupations were the group that most firms said they had difficulty recruiting for, with seven firms having difficulties. This was followed by sales and service occupations. The most frequently selected reason for companies having difficulties in recruiting staff was that not enough people were interested in doing the type of job they were offering. The skills that were perceived to be lacking were specialist technical skills as well as more general oral, interpersonal and numeracy skills.

Figure 7.23: Recruitment issues (number of respondents)

Hard to fill occupations	Total	Reason	Total	Skills lacking in applicants	Total
Skilled trade occupations	7	Not enough people interested in doing this type of job	6	No particular skills difficulties	3
Sales and customer service occupations	4	Other	5	Technical and practical skills	4
Managers	3	Low number of applicants with the required attitude, motivation or personality	4	Oral communication skills	3
Professional occupations	3	Lack of work experience the company demands	4	Customer handling skills	3
Associate professional and technical occupations	3	Low number of applicants with the required skills	4	Numeracy skills	3
Elementary occupations	3	Low number of applicants generally	4	Management skills	2
None of the above	1	Lack of qualifications the company demands	3	Written communication skills	2
Administrative and secretarial occupations	0	Poor terms and conditions (e.g. pay) offered for post	2	IT professional skills	1
Personal service occupations	0	Too much competition from other employers	1	Team working skills	1
Process, plant and machinery operatives	0	Job entails shift work/unsociable hours	1	General IT user skills	1
		Seasonal work	1	Foreign language skills	1
		Remote location/poor public transport	1	Problem solving skills	1
		No particular reason	1	Literacy skills	1
		Poor career progression/lack of prospects	0	Other (specify)	1
		Don't know	0	Office and admin skills	0
				Don't know	0

Source: Inplace Survey, July 2010

8. The Island's Businesses

Key Messages

- The scope and scale of seasonal drivers of demand is significant. Particularly in retail, hotels and hospitality, services and transport firms.
- Firms have been increasingly wary of their cashflow situation as their prices are being squeezed, leading to a deterioration in cashflow in the last three months. As the season winds down this will be a case for concern.
- There are few firms outside the public sector that employ more than four people. Most of these are related to the visitor economy, are retail multiples or are manufacturing firms.
- Into the recession, whilst there was strong employment growth, there was sluggish growth in the number of new firms. Although business survival rates are reasonable, there is a generally low business start up rate.
- A low volume of people are seeking to grow their business and nearly half do not anticipate major areas of expenditure in the next twelve months.
- Island businesses continue to recover from the recession, but trading conditions have become more difficult in the last three months, as public sector cuts begin to bite and consumer confidence is dented. Nevertheless confidence is still increasing, but at a slower rate.
- Individual business owners remain confident, but anticipate a worsening local trading environment.
- In July, firms generally did not expect to recruit again over the summer.

8.1 Size

The Island appears to have a smaller proportion of micro businesses (one to four employees) and a marginally higher proportion of small businesses (up to 24 employees). It has a similar proportion of larger employers as elsewhere, (figure 8.1).

Figure: 8.1 Size of Businesses by number of employees (percentage of total business – 2008)

Industry	1-4	5-10	11-24	25-49	50-99	100-199
Isle of Wight	69	16	9	4	2	1
PUSH	72	14	8	4	2	1
South East	74	13	7	3	2	1
Great Britain	71	14	8	4	2	1

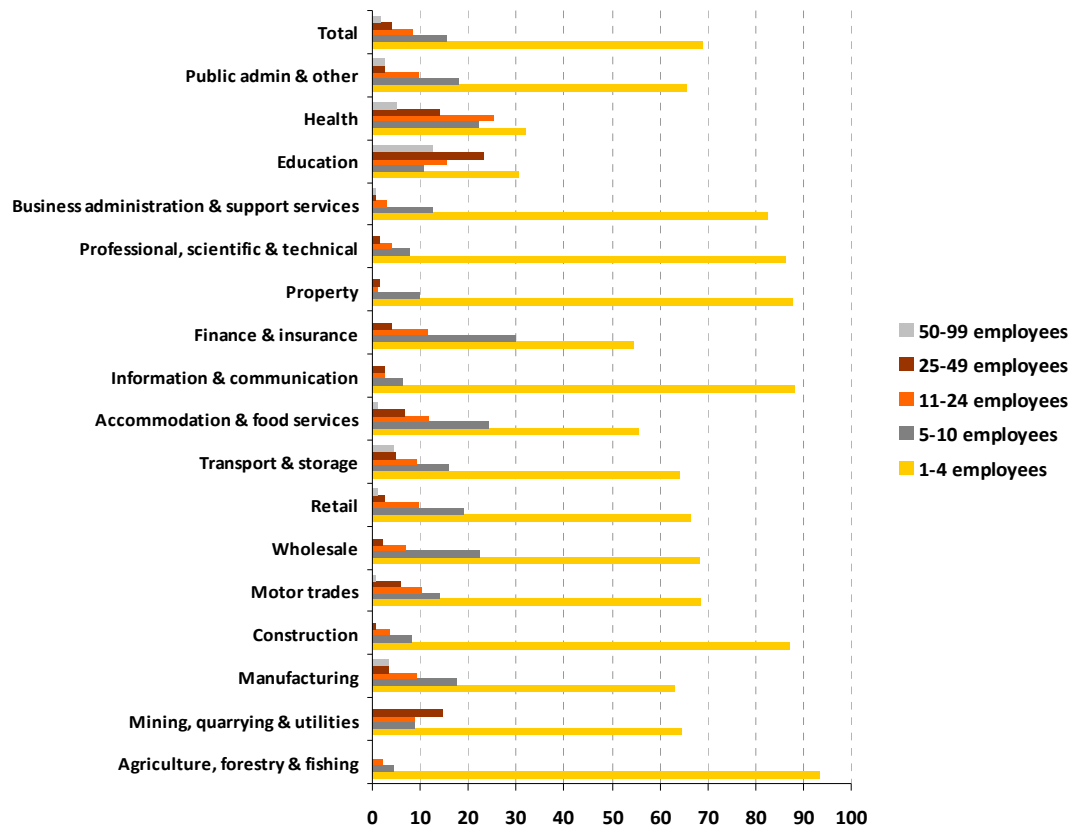
Source: ABI, nomis

This is examined sectorally (by percentage figure 8.2 and by number figure 8.3). We have included public sector organisations in the former, to illustrate their role in comparison to the Island private sector business base.

In terms of the private sector, there is a large construction sector, dominated by a large number of small firms. In addition, the importance of the visitor economy is

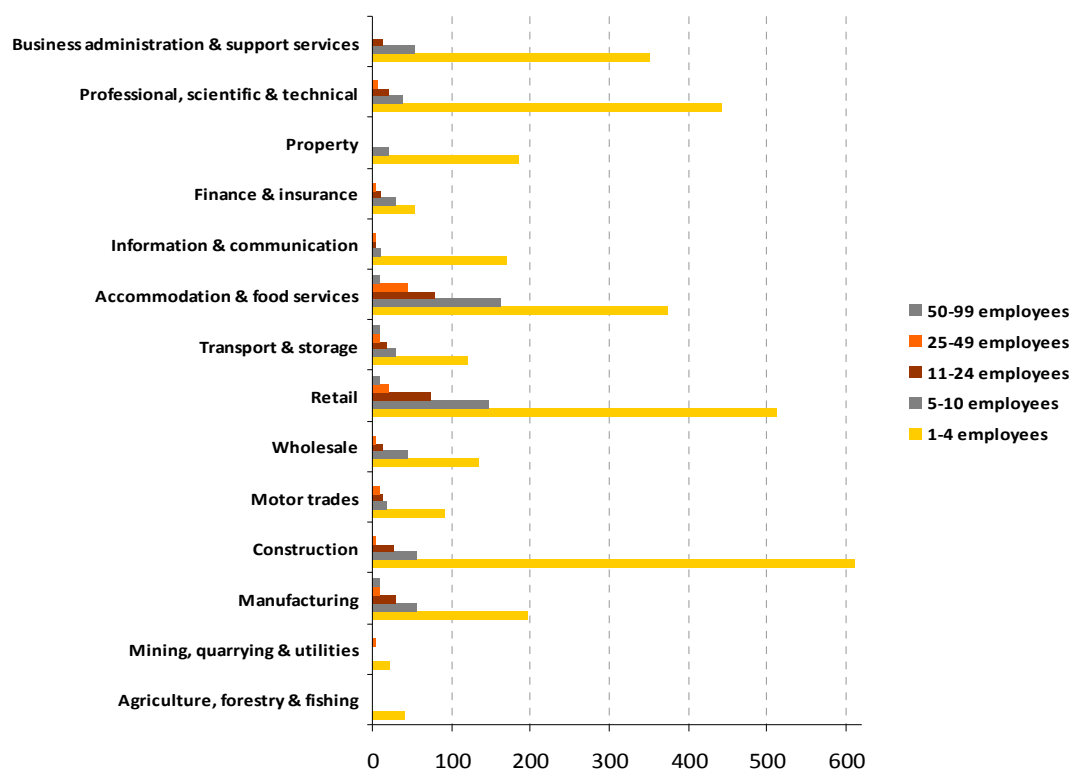
again clear; accommodation and food services has the highest proportion of larger employers, likely to be local outlets of national chains. The island’s retail, transport and storage, manufacturing and motor trades sectors appear to have a reasonable mix of small and medium sized employers. So too does finance and insurance (although the sector is very small).

Figure: 8.2 Island Businesses - size and sector 2008 (percentage of total business)



Source: ABI,nomis

Figure: 8.3 Private Sector island businesses - size and sector 2008 (actual number-excluding public sector)



Source: ABI,nomis

8.2 Growth

Growth in the number of businesses since 1999 has fluctuated, reflecting the relatively small business base. Overall across the whole period, average growth has been in line with the South East, marginally below PUSH but above the national average (figure 8.4).

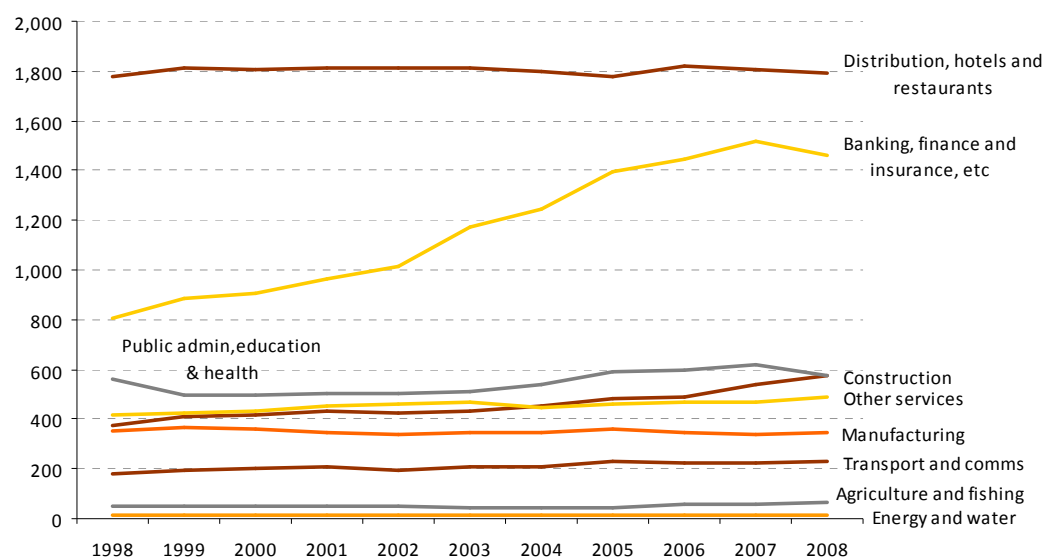
Figure 8.4: Business growth 1998-2008 (annual percentage change)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Great Britain	3.2	1.5	0.5	0.4	1.4	1.1	3.5	2.1	1.9	1.7
South East	5.0	2.3	1.0	0.8	1.1	1.1	3.5	1.9	2.2	1.4
PUSH	5.7	2.4	0.3	0.8	0.9	1.8	4.5	2.3	1.7	0.5
Isle of Wight	2.7	0.6	2.2	0.7	4.1	1.6	5.0	1.9	2.5	-0.9

Source: ABI,nomis.

Figure 8.5 shows changes in the number of workplaces, by sector, since the late 1990's. The number of workplaces appears relatively flat, in all sectors, with the exception of banking finance and insurance, which has increased from some 800 to around 1,500 at its peak in 2007. By far the largest number are in distribution (and retail, hotels and restaurants), but the Island has a similar number in 2008 as it did in 1998 at around 1,800. The number of construction firms has grown slowly – as has the public sector. So whilst employment growth as been reasonably strong – the only substantive expansion in the number of workplaces has been in banking, finance and insurance firms.

Figure 8.5: Business growth (number of workplaces on the Isle of Wight 1998-2008)



Source: ABI, nomis

During a similar period, figure 8.6 shows a steady increase in the overall business base – with growth of around 12% between 2000 and 2007, slightly below that of the PUSH sub region, the South East and UK.

Figure 8.6: Stocks at end of year – (2000-2007)

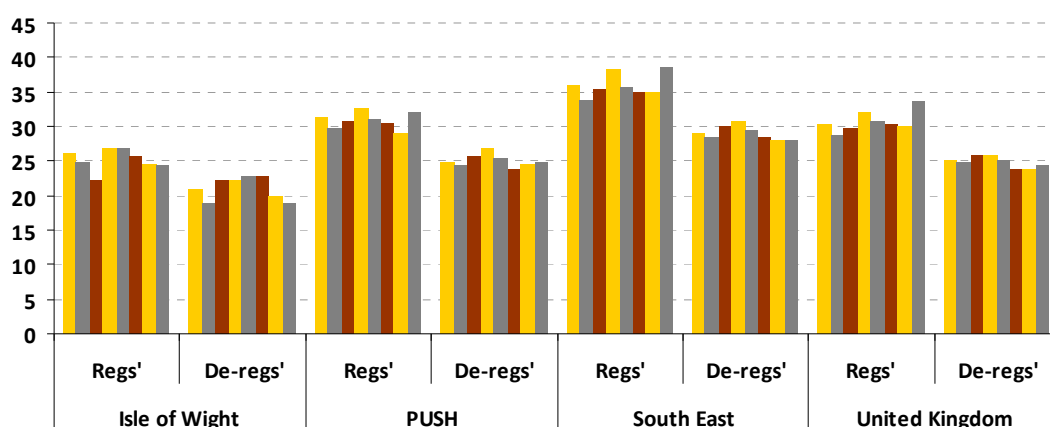
Date	Isle of Wight	%	PUSH	%	South East	%	United Kingdom	%
2000	3,680	2	39,410	2	279,960	2	1,779,640	2
2001	3,755	2	40,125	2	284,345	2	1,801,345	2
2002	3,760	0	40,830	2	288,715	2	1,823,510	2
2003	3,825	2	41,585	2	294,880	2	1,861,590	2
2004	3,880	1	42,335	2	299,960	2	1,895,900	2
2005	3,965	2	43,240	2	305,405	2	1,935,450	2
2006	4,030	2	43,845	1	311,060	2	1,973,220	2
2007	4,105	2	44,840	2	319,860	3	2,031,145	3
Change	425	12	5,430	14	39,900	14	251,505	14

Source: VAT registrations/deregistration, nomis.

In 2007, the Isle of Wight had some 24 new business VAT registrations per 10,000 population (figure 8.7). Whilst this measure may miss some very small new firms, it shows the Island's rates have been consistently below that of PUSH and the South East in particular – but also below the UK.

The size of start ups and failures on the Island is no different from elsewhere; around 90% comprise less than 4 employees. In addition, the Islands start up rate has been in decline since 2004 – a pattern not seen elsewhere.

Figure 8.7: Registrations and de-registrations per 10,000 (2001-2007)



Source: VAT registrations/deregistration, nomis.

Despite this, business de-registration (closures) rate is also low – both relative to start-ups and comparison geographies. The Island’s business survival rates are reasonable (figure 8.8). Using data from 2003, where most is available, it shows survival rates from one to five years broadly better than the national average, and in line with regional and PUSH figures.

Figure 8.8: Survival rates of new businesses in 2003

	United Kingdom	South East	PUSH	Isle of Wight
Births	266,995	41,855	6,285	600
1 Year Survival (number)	247,285	39,045	5,830	555
%	93	93	92	93
2 Year Survival (number)	208,310	33,515	5,020	475
%	78	80	80	79
3 Year Survival (number)	169,875	27,755	4,170	390
%	64	67	67	65
4 Year Survival (number)	144,860	23,740	3,570	340
%	54	57	57	57
5 Year Survival (number)	124,455	20,570	3,065	295
%	47	49	49	49

Source: Business Demography 2008, ONS.

There are three principle causes of business failure. First, demand side factors – new and small business are influenced heavily by local variations in growth and market demand. Second, supply side factors - the number of entrepreneurs who form new businesses, influenced by personal wealth and asset availability, the local industrial structure and qualifications all play a part. Third, policy factors – the extent and quality of business support for example. Consulting Inplace has developed an economic model, based on survival rates of newly formed enterprises in 2005²⁷. This highlights a number of factors influencing business survival rates, outlined below:

²⁷ Our variables follow a study by Keeble and Walker (1994) and Reynolds et al (2007).

- The local unemployment rate is negatively correlated to the survival rate (lower unemployment, higher business survival);
- Urban areas usually have lower business survival rates;
- Population growth is a measure of market opportunities and demand, strong population growth is linked to higher rates of business survival;
- Local sector balance – firms in different sectors have , on average, differing survival rates (see figure 8.9 below);
- Qualification levels are important in determining survival rates.

ONS Business Demography shows the national three year survival rate of a range of sectors. Based on 2005 (latest) data; public services, construction and business services have above average survival rates. Conversely hotels, post & telecoms, wholesale, transport, finance and retail have below average survival rates. Figure 8.9 shows the proportion of employees on the Island in each sector, compared to UK rates. Overall it indicates the Island has a mixture of higher representation of employment in sectors with high survival; rates (in this case public sectors), but also higher representation in hotels and catering which has the lowest survival rates.

Figure 8.9: UK business three year survival rates by sector (2005 base)

	Survival Rate	Proportion of employees in this sector on the Island versus UK proportion*
Health	75.6	Higher
Education	73.8	Higher
Construction	66.9	Lower
Property & business services*	66.1	Lower
Production	65.5	Higher
Motor trades	65.3	Average
Other services	65.2	Average
National Average	64.7	N/A
Retail	63.5	Higher
Finance	63.4	Lower
Transport	63.3	Lower
Wholesale	62.7	Lower
Post & telecommunications	59.8	Lower
Hotels & catering	55.1	Higher

Source: Business Demography, 2008 (Excl 7415) and ABI,nomis *NOTE: the data used is based on Oxford Economics 2020 data – the sectors do not align exactly, we have made judgements where appropriate. Data referred to is 2010.

Figures 8.10 and 11 show that the rate of Individual Voluntary Agreements (IVAs) and bankruptcies, respectively. IVAs are agreements between an insolvent debtor and creditors that avoids bankruptcy. The data is shown bi-yearly between 2000 and 2008. The Isle of Wight’s rate was below that of PUSH, the South East and UK between this period for IVAs, but higher for bankruptcies. All areas experienced a large increase in the number of IVAs between 2004 and 2006 – likely to be a result of the large increase in consumer debt that took place during that time. The reverse is true for bankruptcy orders. These have been above average since 2000.

Figure 8.10. Individual Voluntary Agreements number and rate (2000-2008)

		Isle of Wight	PUSH	South East	England
2000	New Cases	9	833	154	6,312
	Rate per 10,000 popn	0.9	1.3	2	1.7
2002	New Cases	4	685	118	5,228
	Rate per 10,000 popn	0.4	1.1	1	1.4
2004	New Cases	14	1,717	288	9,316
	Rate per 10,000 popn	1.3	2.7	3	2.4
2006	New Cases	88	7,454	1,260	40,625
	Rate per 10,000 popn	7.9	11.6	12	10.2
2008	New Cases	95	6,046	1,080	36,474
	Rate per 10,000 popn	8.4	9.2	10	9

Source: Insolvency Service.

Figure 8.11. Bankruptcy Orders number and rate (2000-2008)

		Isle of Wight	PUSH	South East	England
2000	New Cases	85	450	2,723	17,504
	Rate per 10,000 popn	8.2	4	4.4	4.6
2002	New Cases	87	544	3,148	20,861
	Rate per 10,000 popn	8.2	5	5	5.4
	Rate per 10,000 popn	10.2	6	6.6	6.4
2004	New Cases	110	965	5,554	32,183
	Rate per 10,000 popn	10.1	9	8.8	8.2
2006	New Cases	194	1,783	9,622	57,493
	Rate per 10,000 popn	17.4	16	14.9	14.5
2008	New Cases	213	1,769	9,327	61,888
	Rate per 10,000 popn	18.7	16	14.2	15.3

Source: Insolvency Service.

8.3 Island Business Trends

Overall, in the last three months orders and sales won by businesses on the Island were up, particularly in Ryde. Over a third of respondents attribute this to seasonal reasons. Employment levels were also up over the last three months, and a lower proportion, around 20% of firms attributed this to seasonal reasons. Prices of goods and services were also up - recovering strongly. Cashflow improved but remains at a much lower level.

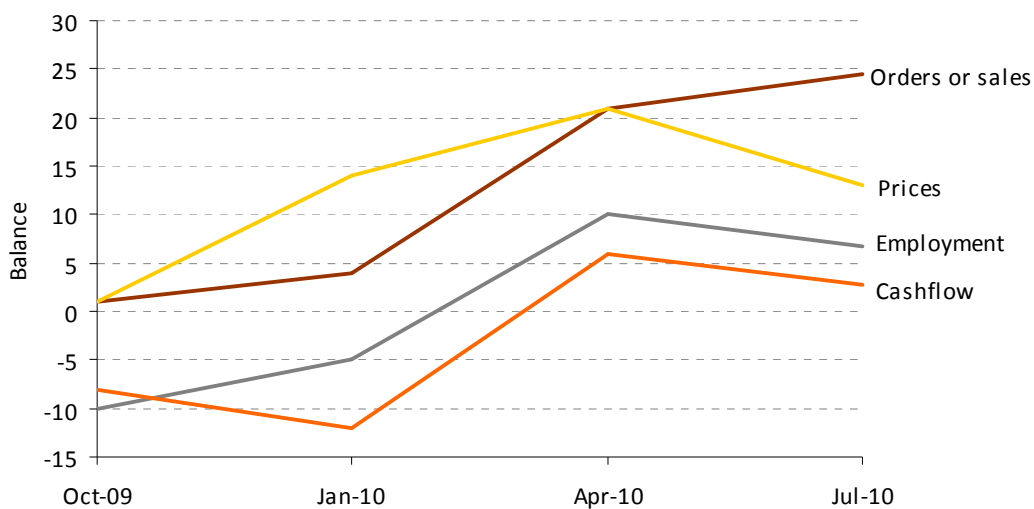
Figure 8.12: Recent trends (last 3 months)

Overall	
Employment	+7
Seasonal reasons	18%
Order or sales	+24
Seasonal reasons	35%
Cashflow	+3
Prices	+13

Source: Inplace Survey, July 2010

Figure 8.13 combines a number of trends indicators since the first quarterly business survey in October 2009. Each of the four sets of survey results shown below presents business views on the **last three months** performance. The results are form of balances (i.e. the percentage of firms reporting rises, less the percentage reporting declines). Overall, orders and sales have been steadily improving, although seasonal factors are driving the continued growth between the April and July results. Since April, the steady improvement has fallen off somewhat, particularly the prices at which firms are able to sell their goods/services. Employment growth looks to have stagnated, whilst cash flow has deteriorated, albeit marginally.

Figure 8.13: Trend data (October 2009 – July 2010).



Source: Inplace Survey, July 2010

Sectorally, employment growth has been slow in the manufacturing sector, stronger in the visitor related and business serves sectors. Seasonal demand has driven improvements across the transport, visitor economy and service sectors in particular. In April, the Island’s construction firms reported continuing reductions in their workforce, the last sector to do so. But in the last three months construction firms reported small increases in employment, supported by a small increase in seasonal demand. The situation is still delicate however, with the same firms reporting deteriorating prices and cashflow.

Orders and sales have construed to grow. But in some cases this is heavily attributed to seasonal increases in demand, particularly in the retail and hospitality, service and transport and communications sectors.

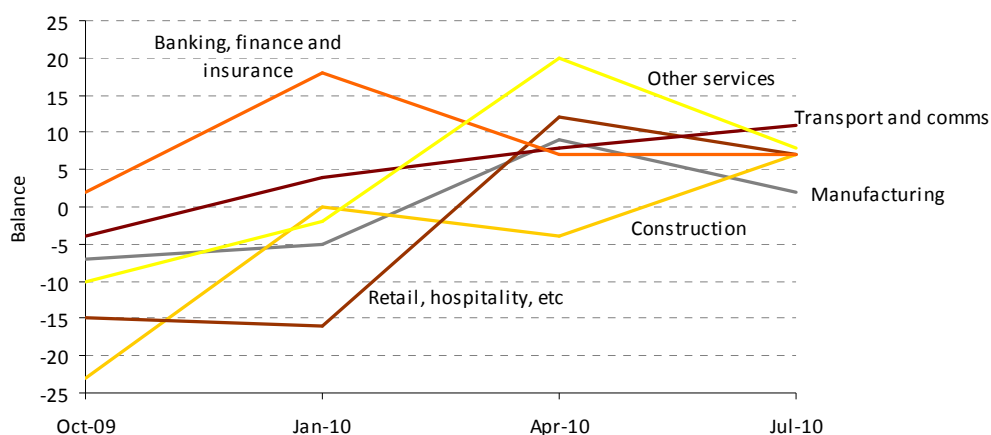
Figure 8.14: Recent trends (last 3 months) by sector

	Manufacturing	Construction	Retail, hospitality, etc	Transport and comms	Banking, finance and insurance	Other services
Employment	+2	+7	+7	+11	+7	+8
Seasonal reasons	5%	9%	27%	14%	6%	21%
Order or sales	+23	+16	+22	+46	+29	+22
Seasonal reasons	27%	19%	42%	46%	22%	40%
Cashflow	-6	-2	+3	+8	+8	+8
Prices	+18	-9	+14	+24	+5	+21

Source: Inplace Survey, July 2010

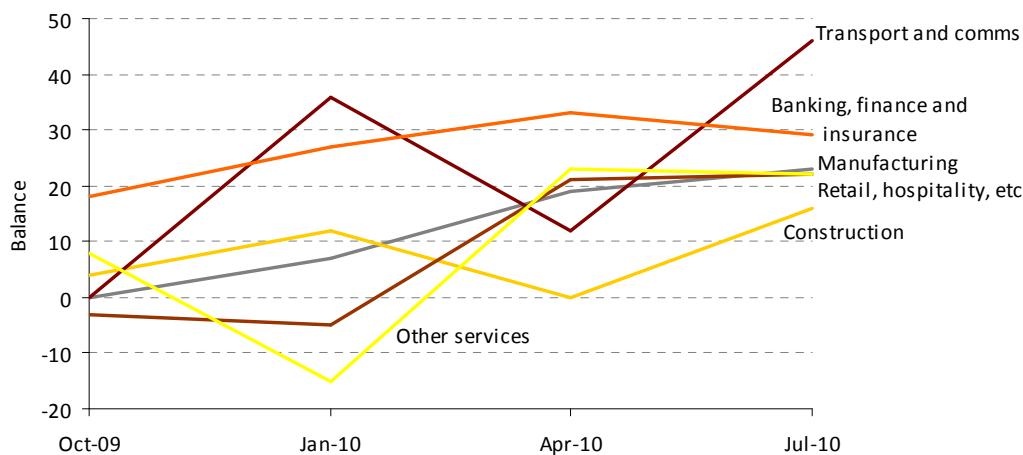
Below, we show changes in the above criteria since the first survey wave in October 2009 (figure 8.15-8.18). Trends are discussed after the last figure.

Figure 8.15: Trend data - employment (last three months) by sector. 2009-2010.



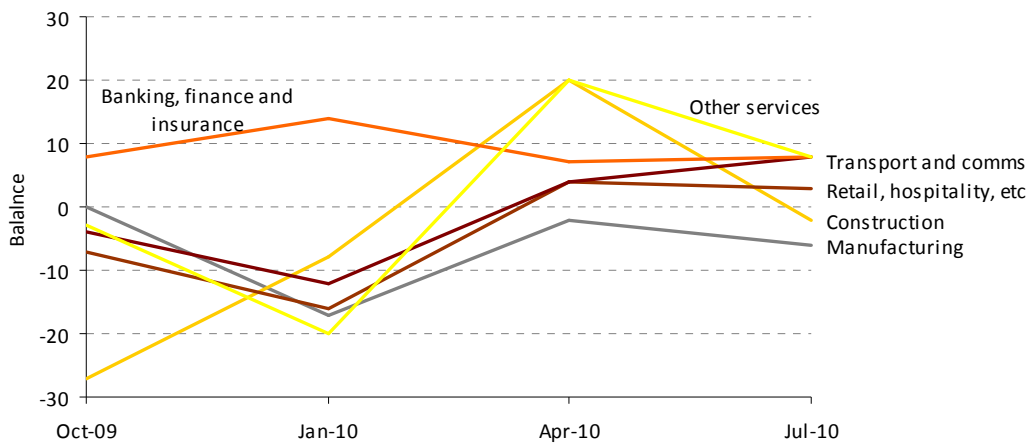
Source: Inplace Survey, July 2010

Figure 8.16: Trend data - orders and sales (last three months) by sector 2009-2010.



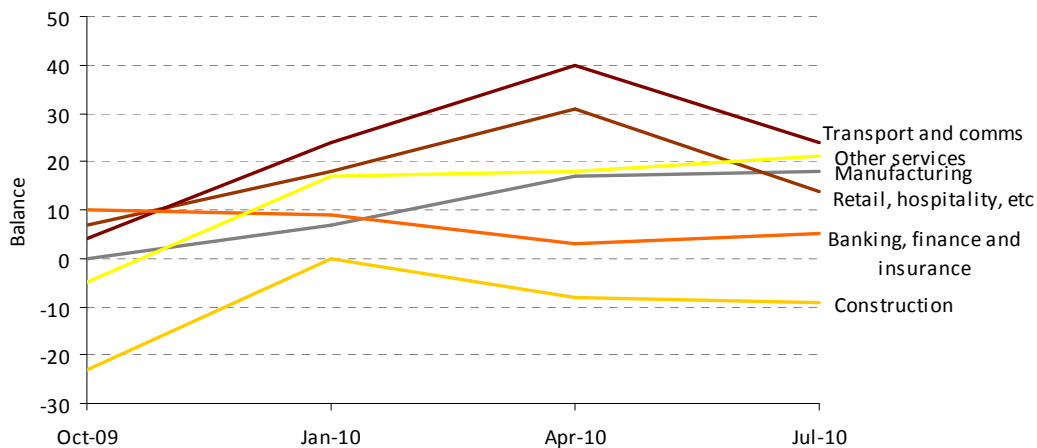
Source: Inplace Survey, July 2010

Figure 8.17: Trend data - cashflow (last three months) by sector 2009-2010.



Source: Inplace Survey, July 2010

Figure 8.18: Trend data: prices (last three months) by sector 2009-2010.



Source: Inplace Survey, July 2010

In terms of employment, firms generally increased employee numbers in the three months to April 2010, as island businesses recovered from the recession. Growth was also driven by seasonal demand – the highest rises were in the visitor related and other service sectors. Since April, firms were generally less likely to recruit, again partly because they have already filled any vacancies they require for the summer season.

Changes in orders and sales over the past three months have been mixed. Retail and hotels/other services are in their peak season. So too are transport and communication firms. Construction firms have reported improvements, beyond these sectors, the last three months have been relatively flat. In terms of cashflow – a key determinant of business survival – the trend results have been fairly consistent across sectors. Cashflow appears to be a particular problem for manufacturing firms, whilst construction firms and other service firms have reported quite sharp decreases in their cashflow positions in the last three months.

In the last three months, construction firms have experienced decreasing prices – a consistent problem. For firms in other sectors, prices have been relatively flat. Prices

for transport and communication firms and those in retail and hospitality have been generally increasing.

8.4 Business Prospects

Overall business owners' confidence in their own prospects for the next twelve months is steadily increasing. Despite this, firms were markedly less optimistic about the general business environment on the Island than they were three months ago.

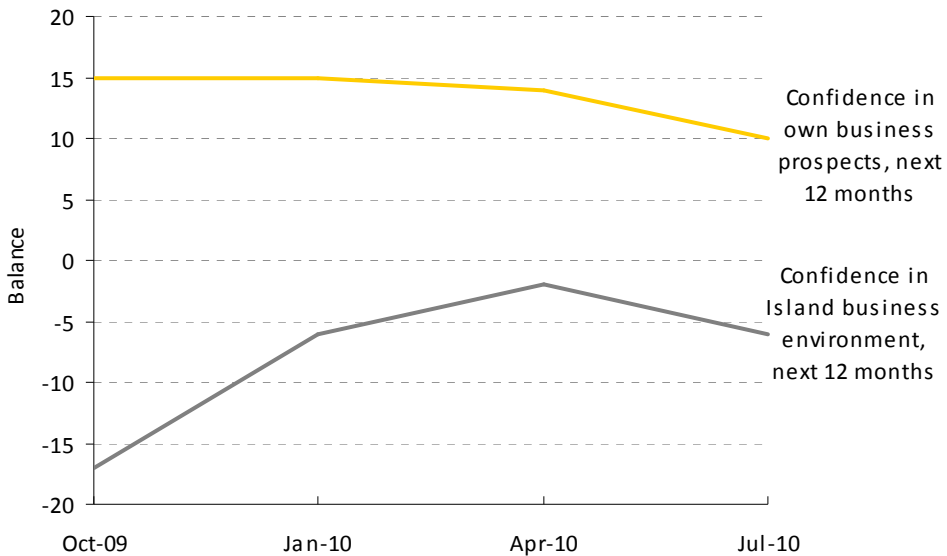
Figure 8.19: Confidence in the next 12 months, compared to three months ago

Overall	
Confidence in own business prospects, next 12 months	+10
Confidence in Island business environment, next 12 months	-6

Source: Inplace Survey, July 2010

Trend results across the three previous surveys indicate that firms have been reasonably bullish about their own prospects, but the latest evidence shows this is now weakening. In contrast, their view of the islands prospects has been consistently weak. This measure had been improving quite strongly up to April 2010, whereupon the latest set of data indicates renewed pessimism (figure 8.20).

Figure 8.20: Changes in confidence



Source: Inplace Survey, July 2010

Sectorally, firms in construction, manufacturing and retail/hospitality indicated improving level of confidence over the next twelve months, albeit modest. Firms in the other services sector reported the only decrease by sector. Firms in the transport and communications, and banking finance and insurance sector were the most bullish.

Figures 8.21 onwards provide data on Island businesses short term outlook, to October 2010. Overall, employment growth look very weak – partly the result of the season drawing down. Expectations for improving orders and sales over the next three month is widespread and encouraging, but with seasonal factors accounting for substantial proportions of this growth. Cashflow positions are expected to improve and the prices at which goods /services are sold are expected to increase.

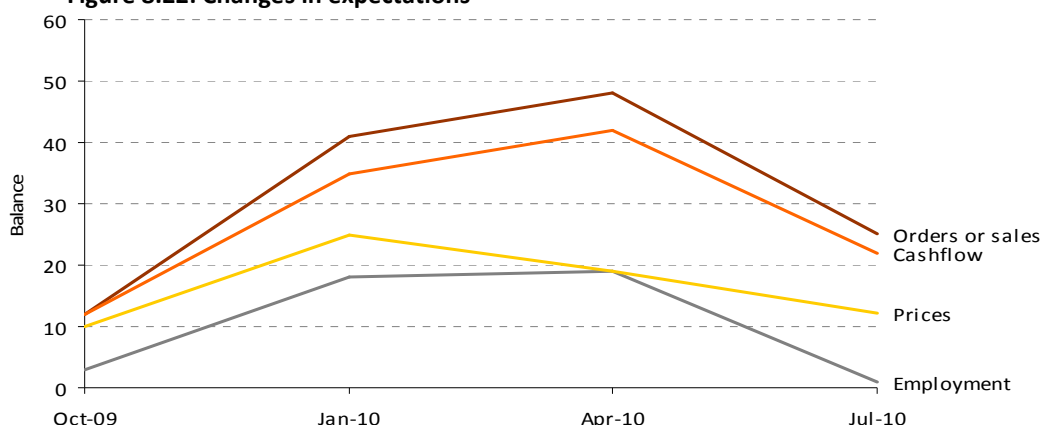
Figure 8.21: Expectations (next three months)

	Overall	Area		
		Medina	The Bay	Ryde
Employment	+1	0	-3	+7
Seasonal reasons	20%	16%	28%	15%
Order or sales	+25	+28	+12	+35
Seasonal reasons	43%	37%	52%	40%
Cashflow	+22	+21	+13	+32
Prices	+12	+13	+7	+17

Source: Inplace Survey, July 2010

Trends since last October are below (figure 8.22). Overall the results suggest the same pattern seen in other indicators. Trading conditions are improving – but remain difficult. Firms have lower expectations than three months ago.

Figure 8.22: Changes in expectations



Source: Inplace Survey, July 2010

Figure 8.23 provides some additional detail. All sectors expect an increase in employment levels, but the numbers of employees are anticipated to drop off sharply in retail and hospitality (a third of which are the consequence of the summer season winding down). All expect an increase in orders and sales, with transport and communications firms expecting the largest increase (and are generally confident about the next three months); half of these firms attribute this to seasonal reasons.

Figure 8.23. Expectations (next three months) by sector

	Manufacturing	Construction	Retail, hospitality, etc	Transport and comms	Banking, finance and insurance	Other services
Employment	+8	+5	-8	+19	+11	+2
Seasonal reasons	8%	9%	31%	8%	7%	21%
Order or sales	+23	+28	+23	+43	+27	+21
Seasonal reasons	28%	23%	52%	49%	29%	51%
Cashflow	+23	+19	+22	+32	+21	+19
Prices	+18	+5	+14	+3	+8	+13

Source: Inplace Survey, July 2010

8.4.1 Barriers to growth

Over a third of firms on the island are not seeking to grow their business. This proportion is broadly consistent across sectors, (except construction firms, the least likely to be seeking to grow). This figure was marginally higher amongst firms in Ryde (who were generally the most confident about their own prospects) but this proportion is broadly consistent across the island. Of those seeking to grow, the main constraints were uncertain demand, increasing competition and cashflow. Cost of premises was cited by around 6%.

Figure 8.24: Main constraints on business growth

	Overall
Not seeking to grow the business	35.1
Other	20.2
Uncertainty over demand	17.5
Increasing competition	14.9
Cashflow	12.5
Availability of bank finance	10.5
Cost of finance	8.7
Availability of other finance	7.3
Cost of premises	6.1
Cost of skilled labour	5.5
Shortage skilled labour	5.3
Shortage of premises	3.9
Lack of information about market opportunities	3.6

Source: Inplace Survey, July 2010

Looking at changes in constraints on growth since October 2009, the proportion not seeking to grow the business has remained relatively constant, but increasing in the latest survey as firms anticipate challenging trading conditions. There has been a corresponding decrease in other issues (uncertain demand, cashflow etc) cited as likely to constrain growth. Sectorally (figure 8.25) shows construction firms were the

most likely to say that they were not seeking to grow their business, followed by those in retail and hospitality. Firms in banking, finance and insurance were the most likely to cite uncertainty over demand as a constraint, with transport and communications companies the most likely to state increasing competition.

Figure 8.25: Main constraints on business growth by sector

	Manu- facturing	Cons- truction	Retail, hospitality, etc	Transport and comms	Banking, finance and insurance	Other services
Not seeking to grow the business	28.0	44.2	37.1	29.7	33.3	36.5
Other	22.6	27.9	21.2	13.5	21.2	9.5
Uncertainty over demand	17.2	9.3	18.4	18.9	19.2	15.9
Increasing competition	11.8	11.6	14.5	24.3	15.2	17.5
Cash flow	17.2	7.0	12.7	5.4	7.1	20.6
Availability of bank finance	15.1	7.0	9.2	10.8	12.1	9.5
Cost of finance	9.7	9.3	8.5	8.1	9.1	7.9
Availability of other finance	7.5	2.3	6.4	5.4	9.1	12.7
Cost of premises	6.5	0.0	7.1	0.0	5.1	11.1
Cost of skilled labour	6.5	7.0	6.4	2.7	4.0	3.2
Shortage skilled labour	6.5	2.3	4.6	8.1	7.1	4.8
Shortage of premises	9.7	0.0	2.8	8.1	2.0	3.2
Lack of information about market opportunities	2.2	2.3	2.8	10.8	4.0	4.8

Source: Inplace Survey, July 2010

8.4.2 Investment plans

Almost half of companies said that they had no major spending plans, and this was consistent across the Island. Marketing was the main area of anticipated investment,

Figure 8.26: Major areas of expenditure over next 12 months

Overall	
No major expenditure	48.2
Marketing	16.5
Other	16.0
Capital equipment including IT	15.5
Product, process or business innovation	9.7
Training/retraining	9.1
New additional premises	7.8

Source: Inplace Survey, July 2010

Construction firms were the most likely to say that they had no plans for major spending (figure 8.27). Firms in banking, finance and insurance were the most likely to say they had plans for spending on marketing.

Figure 8.27: Major areas of expenditure over next 12 months by sector

	Manufacturing	Construction	Retail, hospitality, etc	Transport and comms	Banking, finance and insurance	Other services
No major expenditure	48.4	67.4	48.4	48.6	43.4	41.3
Marketing	9.7	4.7	17.3	5.4	28.3	19.0
Other	9.7	7.0	15.9	24.3	17.2	25.4
Capital equipment including IT	11.8	7.0	15.5	21.6	19.2	17.5
Product, process or business innovation	11.8	7.0	10.6	10.8	6.1	9.5
Training/retraining	11.8	7.0	8.5	2.7	9.1	12.7
New additional premises	14.0	7.0	7.8	2.7	5.1	6.3

Source: Inplace Survey, July 2010

9. The Island's Property

The Island's Property – Key Messages

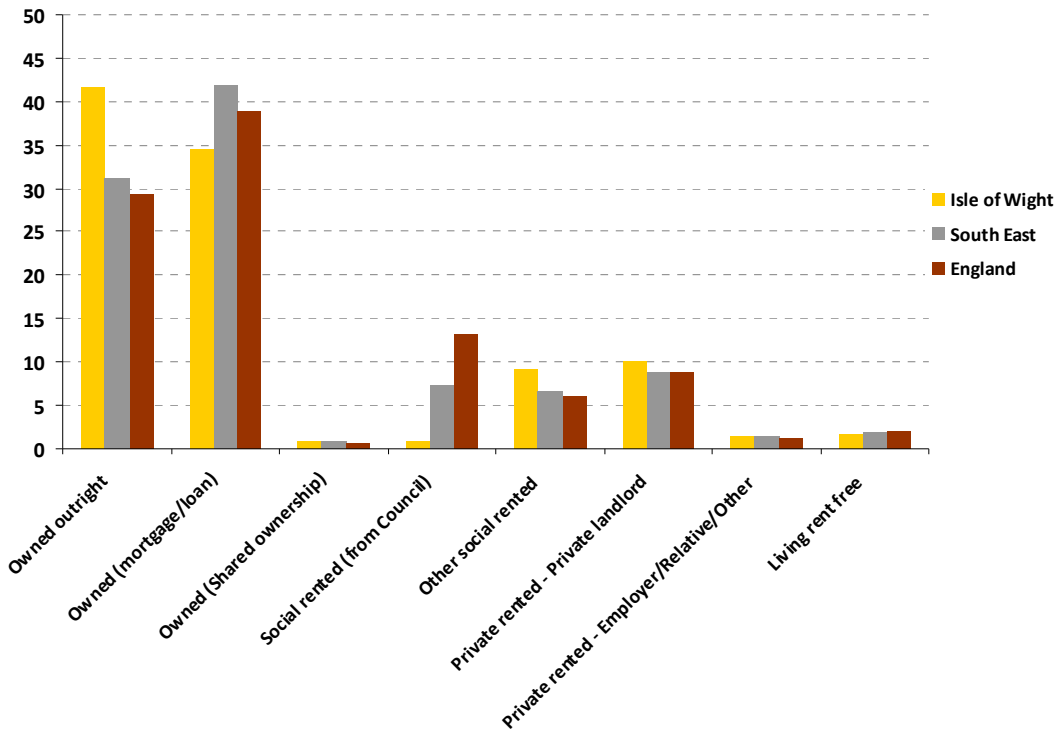
- For the size of the island and considering the environmental designations limiting new development, there has been very strong housing growth in the past five years. Similar numbers of new homes were completed on the Island on average each year as in Portsmouth.
- A combination of outstanding natural environment and low housing costs drive a substantial part of the Island's in-migration, it also inflates local housing costs in what is a low wage economy. With the average Island home seven times the average salary, local housing affordability is an issue, supporting a reasonably large private rental sector.
- House prices held up initially through the recession – but have now slipped below the national average. As of April 2010, prices appear to be sliding once more.
- Second home ownership is four times the national rate. There are particular concentrations in Freshwater and Totland and Ventnor. Most of the housing stock is detached and semi detached houses. There are generally few flats.
- Isle of Wight businesses are generally tied to the Island; most have traded here for over a decade. They particularly enjoy the good access they have to local services but are frustrated by transport links for suppliers/movements of goods and services. Value for money of premises is the aspect firms are least satisfied with, particularly manufacturing and construction firms.
- Vacancy rates in commercial property are generally low; the quantum of it has generally been increasing over the last few years. A minority, some 10% are seeking to move and the balance want larger premises.
- Quality and choice of commercial premises are both considered to be lacking, the former is the bigger issue, particularly for construction and transport and communications firms.

9.1 Housing

9.1.1 Tenure and accommodation type

In 2001 there were some 57,500 households on the Isle of Wight. Home ownership was high, accounting for some 44,300 (77%) of the housing stock. Outright ownership, rather than through holding a mortgage was more common on the Island than on the mainland, reflecting the demographic profile of the Island and the inward migration pattern (figure 9.1).

Figure 9.1: Percentage of Households by Tenure (2001)



Source: 2001 Census

A higher proportion of the Island’s accommodation comprises of houses rather than flats and more of these are detached/semi-detached. Purpose built flats/maisonettes are slightly less common than elsewhere, comprising around 10% of the stock. Converted or shared houses are more common (around 6%). In terms of affordable housing, the vast majority of the Island’s stock is owned by a Registered Social; Landlord (RSL). These comprise about 10% of the total stock nearly 5,800 units. The private rented sector was marginally larger than regional or nationally, comprising some 6,500 units.²⁸ This is explored geographically in section 10 – local economies.

Of the 61,600 household spaces on the Island, some 2,360 (4%) are second or holiday homes.²⁹ This compares to around 1% regionally and across England. Whilst some of these are defined as caravans or mobile/temporary structures, the proportions the housing stock which are second/holiday homes are above regional and national figures (figure 9.4).

²⁸ Data from CLG on dwellings is not available for the Island.

²⁹ (i.e. individual households – who may share some facilities in one dwelling)

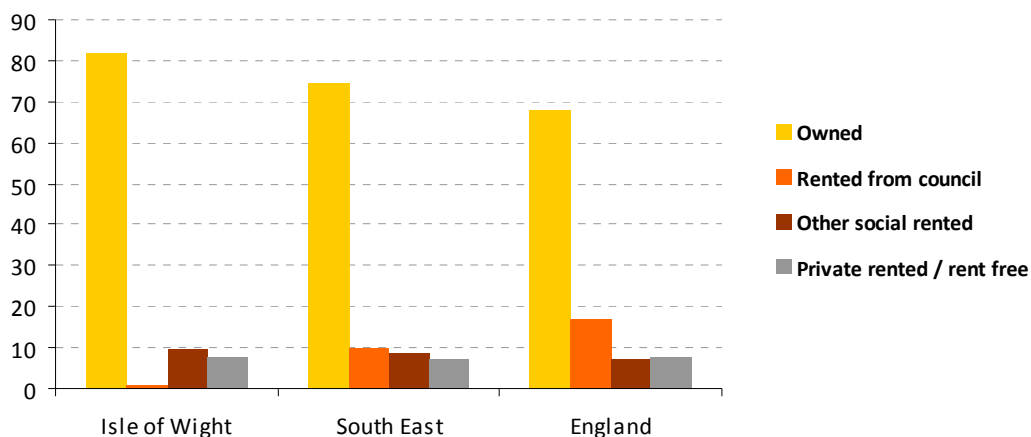
Figure 9.4: Accommodation Type – 2001.

	Isle of Wight	%	South East	%	England	%
All household spaces: With residents	57,519		3,287,489		20,451,427	
All household spaces: With no residents	4,090		114,331		811,398	
Vacant	1,733	3.0	91,301	2.8	676,196	3.3
Second residence / holiday accommodation	2,357	4.1	23,030	0.7	135,202	0.7
Detached	22,320	36.2	996,140	29.3	4,786,456	22.5
Semi-detached	17,910	29.1	967,850	28.5	6,713,183	31.6
Terraced (including end terrace)	9,218	15.0	786,473	23.1	5,494,033	25.8
Purpose Built block of flats or tenement	6,394	10.4	442,992	13.0	2,967,790	14.0
Part of a converted or shared house (including bed-sits)	4,192	6.8	144,880	4.3	968,266	4.6
In commercial building	1,188	1.9	39,854	1.2	244,179	1.2
Caravan or other mobile or temporary structure	387	0.6	23,631	0.7	88,918	0.4

Source: 2001 Census *from detached downwards % are based on total household spaces with residents.

Looking specifically at older residents, figure 9.5 provides data on the tenure of pensioner households. Home ownership is significantly higher on the island than nationally and some 7% higher than across the South East. A small proportion, around 10%, lived in social rented accommodation – smaller than elsewhere.

Figure 9.5: Pensioner households by Tenure – 2001 (%)



Source: Census 2001.

There is limited public data on stock condition. Data from the 2001 census indicates a larger proportion of the islands housing stock (15%) were not fitted with central heating compared to regional (6%) and national averages (9%). This may reflect the rural nature of some of the Island’s housing stock as well as its age.

The Island has experienced strong housing growth in the past five years (figure 9.6). Nearly 4,000 new homes were developed between 2004-2009, an annual average of 776, a similar level of growth as in Portsmouth and higher than all PUSH authorities

except Southampton. 2005-06 saw the largest increase – outstripping housing growth everywhere but Southampton.

There has been continued demand for residential units on the Island from buyers and developers.

Figure 9.6: Net additions to dwelling stock: 2004-2009

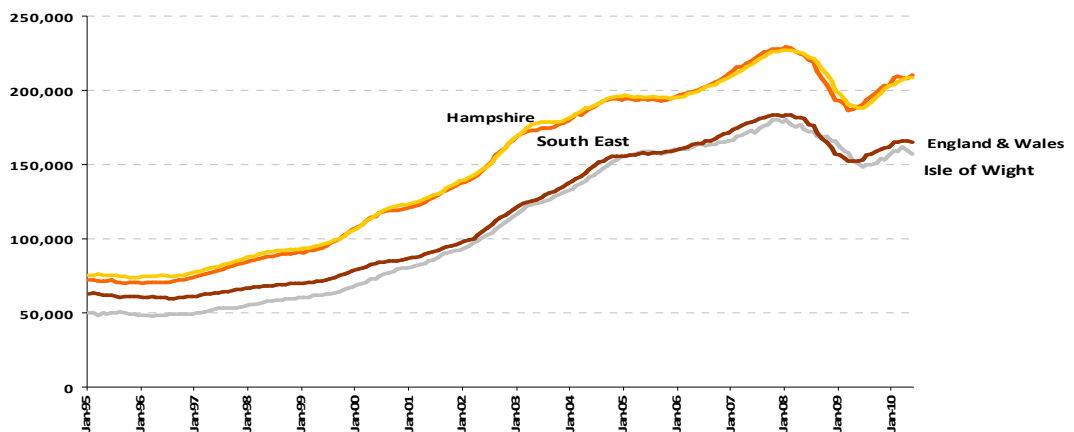
	Year					Total 2004-09	Annual Average
	2004-05	2005-06	2006-07	2007-08	2008-09		
Local authority							
South East	32,050	33,280	34,560	35,410	32,320	167,620	33,524
Isle of Wight	310	769	1,622	576	605	3,882	776
PUSH (Average)	556	492	540	513	525	2,626	525
East Hampshire	478	362	280	546	580	2,246	449
Eastleigh	906	541	742	417	516	3,122	624
Fareham	291	305	581	548	320	2,045	409
Gosport	430	500	686	277	201	2,094	419
Havant	206	277	236	390	252	1,361	272
New Forest	496	403	299	435	529	2,162	432
Portsmouth	737	634	526	712	1,309	3,918	784
Southampton	1,008	1,030	1,268	900	1,034	5,240	1048
Test Valley	315	374	290	339	148	1,466	293
Winchester	694	490	496	562	359	2,601	520

Source: CLG

9.1.2 Prices and affordability

Average house prices on the Island have consistently been below regional/sub-regional trends – following national trends. In the mid-nineties house prices on the Island lagged the national average by several thousand pounds and it was not until 2001-2002 that the Island caught up. Thereafter, the chart suggests that Island prices are almost identical to England and Wales and demonstrate a similar growth trend to Hampshire and the South East but with a weaker decline and weaker recovery (figure 9.7).

Figure 9.7: Average House Prices – 1995-2010

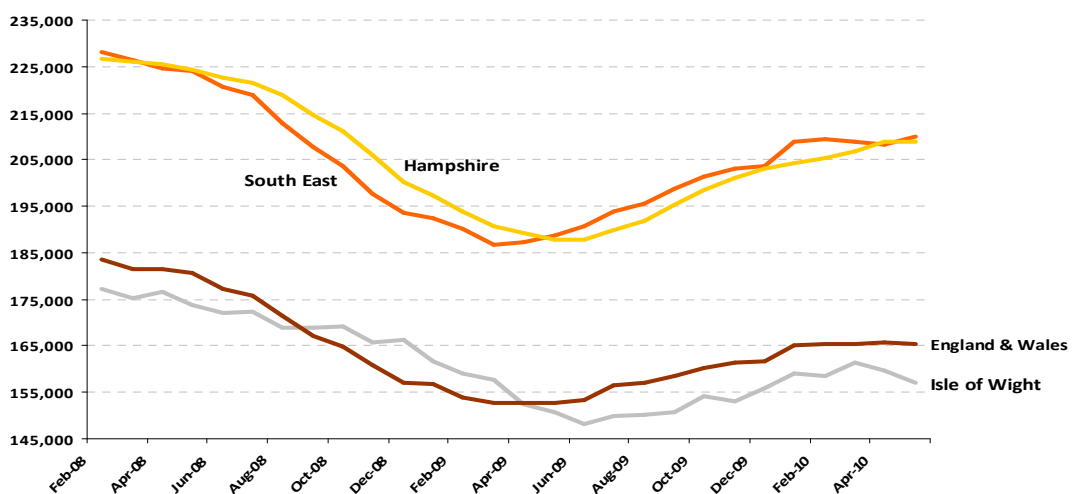


Source: Land Registry * NOTE: Data for individual PUSH Authorities (or parts of) were not available- hence Hampshire has been used as a proxy.

Through the recession (figure 9.8), prices fell particularly sharply and quickly in the South East, from an average of some £227,000 in February 2008, to £186,000 in February 2009. Thereafter prices began to recover reasonably strongly before levelling since December 2009, still well below pre-recession levels.

The housing market on the island performed similarly to national, rather than regional trends. House prices were slightly below the national average going into the recession, the rate of decline as conditions slowed through 2008 less than that experienced nationally. The bottom of the market was around summer 2009 – in line with Hampshire. The recovery in prices has been slow and unsteady since then. Worryingly, in 2010 as house price growth slows, Island prices appear to be declining once again.

Figure 9.8: Average House Prices – the recession

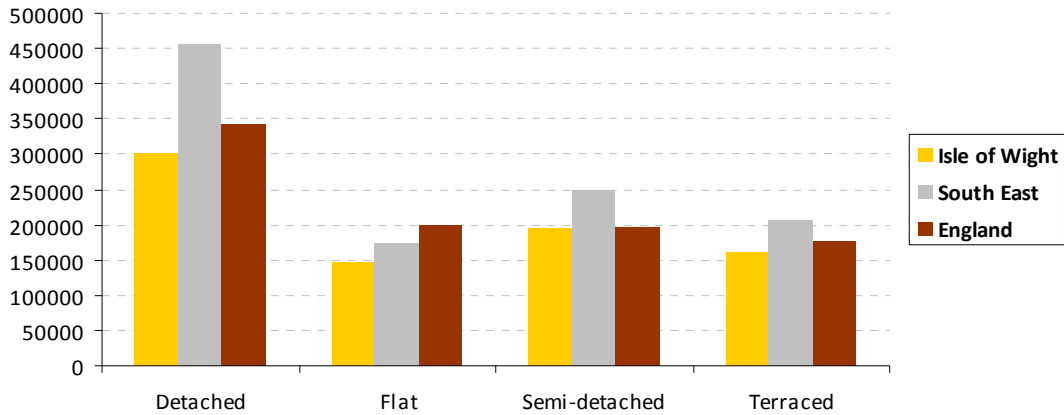


Source: Land Registry.

Data on prices by accommodation type in figure 9.9, for all housing types, prices on the Island were below regional or national average prices. The average detached house on the Island in 2009 costs £300,000, nearly £50,000 less than the national

average and well below the South East. Semi detached and terraced properties are broadly in line with national averages.

Figure 9.9 2009 House Prices (Mean)



Source: CLG

Despite the relatively low cost of Island housing, average Island wages are significantly lower than national or regional levels. The average house cost just over 7 times the average annual salary, higher than nationally and in line with the very buoyant regional market (figure 9.10). The situation appears particularly acute for the PUSH area at nearly eight times the average salary.

Figure 9.10: Housing Affordability 2009

	Annual Gross Wages	Average House Price	Ratio
England and Wales	26,848	156,434	5.8
Isle of Wight	21,562	153,645	7.1
South East	27,581	194,334	7.0
PUSH Average*	25,074	193,885	7.8

Source: Land Registry/ASHE 2009. *Using the house price for Hampshire for all LA's in the absence of local house price data.

On this basis, social and affordable housing is particularly important. CLG publish statistics on RSL and Local Authority social housing rents (the latter is a negligible proportion of the stock in this case). Overall, social housing costs are only marginally lower than regional rents, and below national rents.

The average net weekly social housing rent for all dwelling types is some £70, compared to £71 regionally, and £61 nationally. Bed-sit accommodation is marginally more expensive at £51 per week, than regionally and nationally (£49 and £46 respectively). Costs for larger homes follow a similar pattern (figure 9.11). Historical data going back to 2002 indicates this has been the case for some years.

Figure 9.11: Weekly Rents: Social Housing (2005)

	Isle of Wight	South East	England
All Dwellings: RSL Net Rent	70.28	71.35	61.46
Bedsits: RSL Net Rent	50.82	49.31	46.25
One Bedroom: RSL Net Rent	57.82	59.67	53.7
Two Bedrooms: RSL Net Rent	69.54	70.39	61.13
Three Bedrooms: RSL Net Rent	78.39	78.71	65.83
Four or More Bedrooms: RSL Net Rent	85.91	88.03	79.12

Source: CLG, March 2005.

9.2 Commercial Premises

9.2.1 Trends and Characteristics

There has been a steady increase since at least 2000 in the number of commercial premises on the Island, with just under 4,000 in 2008. Detailed comparisons are difficult because the categorisations used in this dataset changed in 2006, but overall the number of retail premises appears to have decreased – probably reflecting consolidation in the retail sector, a trend common across the UK. Offices have been steadily increasing. Again the sudden change between 2004 and 2006 makes us suspicious comparing data across this period. Assuming there have been changes in data categorisation, the number of factories appears surprisingly stable – between 750 and 810. The number of warehouses also appears reasonably stable (figure 9.12).

Figure 9.12: Commercial Premises (Number 2000-2008)

	2000	2002	2004	2006	2008
All Bulk Classes³⁰	3,802	3,801	3,845	3,998	3,997
Retail Premises	1990	1954	1907	1805	1797
A1 (shops) Retail Use Class	1484	1452	1424	n/a	n/a
A2 (financial and professional) Retail Use Class	156	156	149	n/a	n/a
A3 (food and drink) Retail Use Class	257	257	244	n/a	n/a
AX (other) Retail Use Class	93	89	90	n/a	n/a
Offices	571	598	657	529	534
Commercial Offices	349	369	417	439	448
'Other' Offices³¹	222	229	240	90	86
Factories	742	745	781	814	811
Warehouses	499	504	500	520	526
Other Bulk Premises	n/a	n/a	n/a	330	329

Source: CLG

³⁰ The 'bulk class' group of hereditaments consists of retail properties, offices, factories, warehouses and a small miscellaneous group defined as 'other bulk premises' which consists mainly of halls, social clubs and garden centres.

³¹ The 'other' office class comprises mainly local government offices, some surgeries and clinics, and police stations.

Figure 9.13 indicates that the Island has experienced only a modest increase in the amount of floorspace between 2000 and 2008 – despite the strong employment growth – peaking at about 1,000,000 m² across the Island in 2006.

Office floorspace has grown strongly, whereas factory floorspace appears to have remained stable – increasing into 2006, although the last two years’ data suggests a small decrease. Warehousing shows steady growth – but has stabilised since 2006.

Figure 9.13: Commercial Floorspace (Thousands of Square Metres 2000-2008).

	2000	2002	2004	2006	2008
All Bulk Classes	909	959	983	1001	996
Retail Premises	298	301	307	272	276
A1 (shops) Retail Use Class	231	234	242	n/a	n/a
A2 (financial and professional) Retail Use Class	17	17	17	n/a	n/a
A3 (food and drink) Retail Use Class	23	24	23	n/a	n/a
AX (other) Retail Use Class	26	26	25	n/a	n/a
Offices	107	112	121	94	94
Commercial Offices	57	60	64	69	71
'Other' Offices	50	52	58	25	24
Factories	378	410	421	390	378
Warehouses	126	136	135	146	149
Other Bulk Premises	n/a	n/a	n/a	99	98

Source: CLG

Overall, vacancy levels were marginally lower than regionally or nationally standing at around 6-7% of the stock between 2000 and 2005 (figure 9.14).

Figure 9.14: Vacancy Rates- Commercial Premises

	Isle of Wight	South East	England
2004 to 2005	6	9	9
2003 to 2004	7	9	9
2002 to 2003	7	8	8
2001 to 2002	7	7	8
2000 to 2001	7	6	7
1999 to 2000	4	6	7
1998 to 1999	4	7	7

Source: CLG.

Figure 9.15 provides data on the value per square metre of different use classes. Overall the most valuable use class is retail floorspace, at about £85 per square metre in 2008. Again, despite the 2004-2006 change, these prices appear quite stable. Overall, office values remained stable at around £35 before jumping to around £60 in 2006- 2008. At between £18 and £25 factory floorspace is of the lowest value. Warehousing is marginally more valuable and also appears quite stable.

Figure 9:15: Rateable Value per m2

	2000	2002	2004	2006	2008
All Bulk Classes	34	33	34	46	46
Retail Premises	56	57	59	84	84
A1 (shops) Retail Use Class	59	60	62	n/a	n/a
A2 (financial and professional) Retail Use Class	69	69	70	n/a	n/a
A3 (food and drink) Retail Use Class	46	50	50	n/a	n/a
AX (other) Retail Use Class	30	30	33	n/a	n/a
Offices	36	36	36	58	57
Commercial Offices	41	43	42	55	52
'Other' Offices	30	29	29	68	72
Factories	20	18	18	27	25
Warehouses	23	23	23	35	34
Other Bulk Premises	n/a	n/a	n/a	25	24

Source: CLG.

Overall, in quite buoyant economic conditions, growth in the value of the Island's commercial floorspace appears to have been disappointing.

9.2.2 Relocation Intentions

This section presents the views of Island businesses about their property and intentions. The data was taken from the survey of businesses undertaken in July 2010. The majority (about 90%) of firms felt it was unlikely that they would be relocating off the Island in the next three years (figure 9.16). Positively, companies in the banking, finance and insurance sector, those forecast to drive the islands future growth, were the most likely to say that it was unlikely that they would be relocating off the Island in the next three years. Those in retail and hospitality were the most likely to move, although in general the numbers are quite low.

Figure 9.16: Likelihood of relocating off the Island in the next 3 years by sector (%)

	Manufacturing	Construction	Retail, hospitality, etc	Transport and comms	Banking, finance and insurance	Other services	Total
Likely	4	5	6	5	1.0	0.0	4
Unlikely	90	91	85	90	96	92	89
Don't know	5	5	9	5	3	8	7
Total	100	100	100	100	100	100	100

Source: Inplace Survey, July 2010

9.2.3 Views on current premises

A high proportion of Island firms (some 40%) have been in their current premises for over a decade. Firms in other services and construction were the most likely to have been in their current premises for more than 10 years, around half of firms in each case. Equally, those in construction the most likely to have been in their premises for

less than a year – possibly a reflection of downsizing through the recession or expanding as they recover, although the latter seems less likely. There appears to be a reasonably large proportion of new or relocating service sector and manufacturing firms (figure 9.17).

Figure 9.17: Length of time in current premises by sector

	Manufacturing	Construction	Retail, hospitality, etc	Transport and comms	Banking, finance and insurance	Other services	Total
Less than one year	5.4	14.0	5.7	8.1	10.1	7.9	7.3
Between one and three years	20.4	9.3	18.0	16.2	19.2	17.5	17.8
Between three and five years	17.2	14.0	15.5	8.1	12.1	11.1	14.2
Between five and ten years	21.5	14.0	17.3	24.3	24.2	14.3	18.9
More than 10 years	35.5	48.8	43.5	43.2	34.3	49.2	41.7
Total	100	100	100	100	100	100	100

Source: Inplace Survey, July 2010

Figure 9.18 profiles firms’ satisfaction with various elements of their current premises. They were generally satisfied. Access to local services is the biggest advantage. Age and condition is another element were firms are general satisfied. Firms appear neither particularly satisfied nor dissatisfied over the size of their premises. However, transport links are considered rather more of a problem for many firms. Overall firms are least satisfied with the value for money of their premises. By sector, transport and communications firms are less satisfied with their premises, followed by those in construction. Firms in transport and communications were least satisfied with transport links for supplies/movement of goods and access to ferries.³² Manufacturing and constructions firms consider that they receive the poorest value for money; banking, finance and insurance firms the best.

³² From a total sample size of 37 transport and communication sector firms.

Figure 9.18: Satisfaction with premises by sector

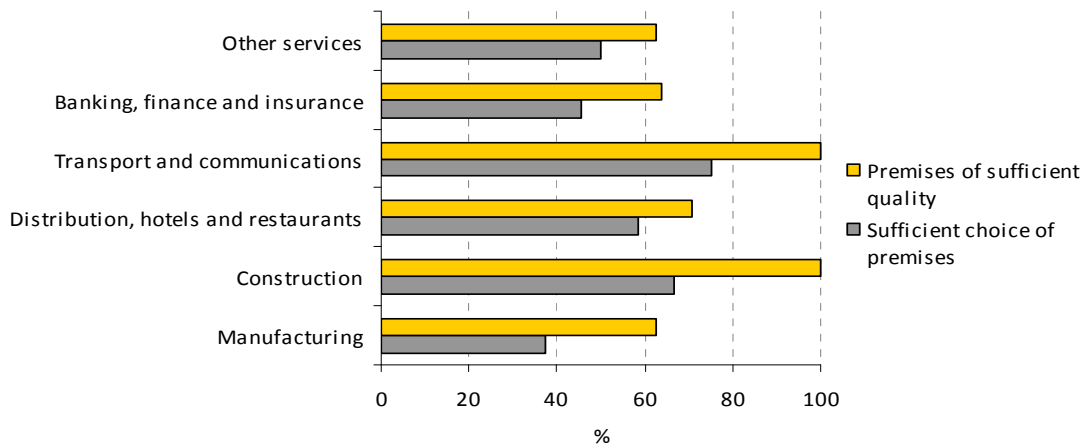
	Overall	Manufacturing	Construction	Retail, hospitality, etc	Transport and comms	Banking, finance and insurance	Other services
Age and condition	79.6	74.2	74.4	83.7	70.3	81.8	74.6
Size for your needs	76.4	74.2	69.8	78.1	64.9	79.8	77.8
Transport links for staff	77.2	79.6	67.4	82.0	64.9	74.7	69.8
Transport links for supplies/movement of goods	74.9	72.0	69.8	78.4	56.8	72.7	81.0
Access to local services	84	80.6	76.7	86.9	70.3	83.8	88.9
Access to ferries	79.3	75.3	67.4	82.3	59.5	86.9	79.4
Value for money	72.2	65.6	62.8	74.2	64.9	79.8	71.4
None of the above	8.1	9.7	18.6	3.9	24.3	10.1	4.8

Source: Inplace Survey, July 2010

9.2.4 Quality and Choice

Of those who are seeking to move, a lack of sufficient choice of premises is a larger issue than a lack of premises of sufficient quality. Two thirds of firms have or expect to find premises of sufficient quality, whilst around half expect or have found a sufficient choice. For manufacturing firms around 40% expected of experience issues with choice – but the bigger issue is quality. But the situation is of greatest concern to transport and communication and construction firms (figure 9.19).

Figure 9.19: Choice and quality of premises by sector



Source: Inplace Survey, July 2010

9.2.5 On-Island Relocations

Fewer than one in ten respondents said that they were considering a move to different premises on the Island. The majority of those firms considering a move felt it was likely that the new premises would be bigger (figure 9.20).

Figure 9.20: Considering relocating to different premises on the Island

Considering relocating?	%	Will your premises be?	%
Yes	9	Bigger	61
No	90	Smaller	12
Don't know	2	Little/no different	27
Total	100	Total	100

Source: Inplace Survey, July 2010 Note: numbers rounded.

Firms in manufacturing were the most likely to say that they were considering moving to different premises on the Island (figure 9.21)³³, and the majority wanted larger premises (figure 9.22). A small number of construction firms were considering expanding, and all of those said that the new premises were likely to be bigger. In other services and transport and communications the majority of likely movers also wanted larger premises. Companies in banking, finance and insurance were the most likely to say that the new premises would probably be smaller.

Figure 9.21: Considering relocating to different premises on the Island

	Manufacturing	Construction	Retail, hospitality, etc	Transport and comms	Banking, finance and insurance	Other services
Yes	15.1	7.0	7.4	10.8	8.1	11.1
No	82.8	93.0	91.5	89.2	88.9	87.3
Don't know	2.2	0.0	1.1	0.0	3.0	1.6
Total	100	100	100	100	100	100

Source: Inplace Survey, July 2010

Figure 9.22: Likely size of new premises by sector

	Manufacturing	Construction	Retail, hospitality, etc	Transport and comms	Banking, finance and insurance	Other services
Bigger	62.5	100.0	54.2	75.0	63.6	50.0
Smaller	12.5	0.0	12.5	0.0	18.2	12.5
Little/no different	25.0	0.0	33.3	25.0	18.2	37.5
Total	100	100	100	100	100	100

Source: Inplace Survey, July 2010

³³ Please note: these are based on small sample size quotas and cannot be considered representative of the Island as a whole.

10. Local Economies on the Island

10.1 Local populations

As well as being part of a larger economy, and an economy in its own right, the Isle of Wight is also a collection of smaller economies and communities. The future development of the Island therefore needs to be considered at all three levels, including consideration of the three main urban areas, all of which will in coming years benefit from Area Action Plans (AAPs), as well as the rural areas which make up the large majority of the Island.

Medina, which includes the towns of Cowes and Newport, had a population of just under 50,000 in 2008, representing over a third of the Island's inhabitants (figure 10.1). Since 2001, Medina's population grew strongly, by 7%. The Bay also experienced growth above the island average of 6 per cent, with the population in Ryde growing at a similar rate to the island. In contrast, Ventnor lost a small number of people, partly reflecting its older age structure, while Freshwater and Totland grew only slowly, as did the population in rural parts of the Island.

Figure 10.1: Population in 2001 and 2008

Area/year	2001	2008	Percentage growth
Bay	25,186	26,705	6.0
Medina	46,572	49,644	6.6
Cowes	14,763	15,918	7.8
Newport	16,243	17,781	8.3
Ryde	27,687	28,918	4.4
Freshwater & Totland	8,471	8,748	3.3
Ventnor	6,239	6,186	-0.8
Other rural areas	19,899	20,034	0.7
Isle of Wight	134,054	140,235	4.6

Source: ONS mid year population estimates, 2001 and 2008

Underlying these variations are differences in the growth of different age groups across the Island. Only Newport and Cowes experienced a rise in the number of 0-15s between 2001 and 2008: all other areas experienced a decline in this age group. The numbers in Ventnor fell by 17% (but growth in the 16-29 age group suggests this is a reflection of a slightly above average number of late teens) and by 10% in rural parts of the island.

The number of 16-29s increased in all areas, but growth was particularly high in Bay and Newport where numbers increased by 22% and 27% respectively.

Of the 30-44 year olds, only Cowes sees a substantive increase, whilst other parts of the island see decreases of some 10%. Bay has seen growth in this age group of 10%, the highest of any area. Ryde has seen above average growth, half that of Bay at 5%. Newport and Cowes have also seen above average growth.

Finally there is a steady growth in retirees across the Island, with slightly faster growth in Rural Wight and Newport (figure 10.2).

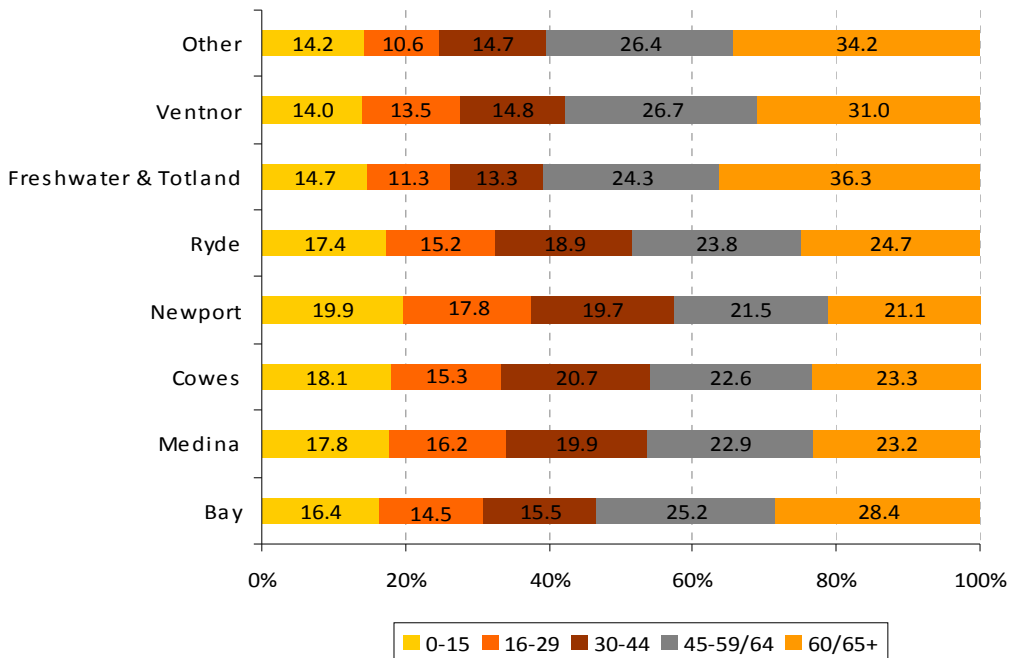
Figure 10.2: Population growth by broad age group, 2001-2008 (percentage change)

Area/age group	0-15	16-29	30-44	45-59/64	60/65+
Bay	-4.1	21.5	-8.5	10.0	11.8
Medina	0.0	16.7	0.5	4.4	13.7
Cowes	4.5	14.2	6.0	4.6	11.6
Newport	2.3	22.5	1.2	6.0	13.3
Ryde	-2.3	11.0	-2.4	5.2	11.0
Freshwater & Totland	-6.9	11.9	-8.0	1.6	11.8
Ventnor	-16.8	15.1	-10.3	0.2	6.2
Other	-9.6	6.6	-10.9	-2.8	13.6
Isle of Wight	-3.6	14.9	-4.1	4.0	12.2

Source: ONS mid year population estimates, 2001 and 2008

The resulting age structure of each area is shown in figure 10.3. As of 2008, Newport has a relatively young population, and one that is evenly distributed across the five age groups. Ryde is also home to a greater proportion of young people, whilst having fewer retirees. Ventnor, Freshwater & Totland and rural parts of the island have significantly older populations. In these areas around a third of the population is older than the upper working age band, and only a little over 10 per cent of inhabitants are aged between 16 and 29.

Figure 10.3: Population Structure by age (%), 2008



Source: ONS mid year population estimates, 2001 and 2008

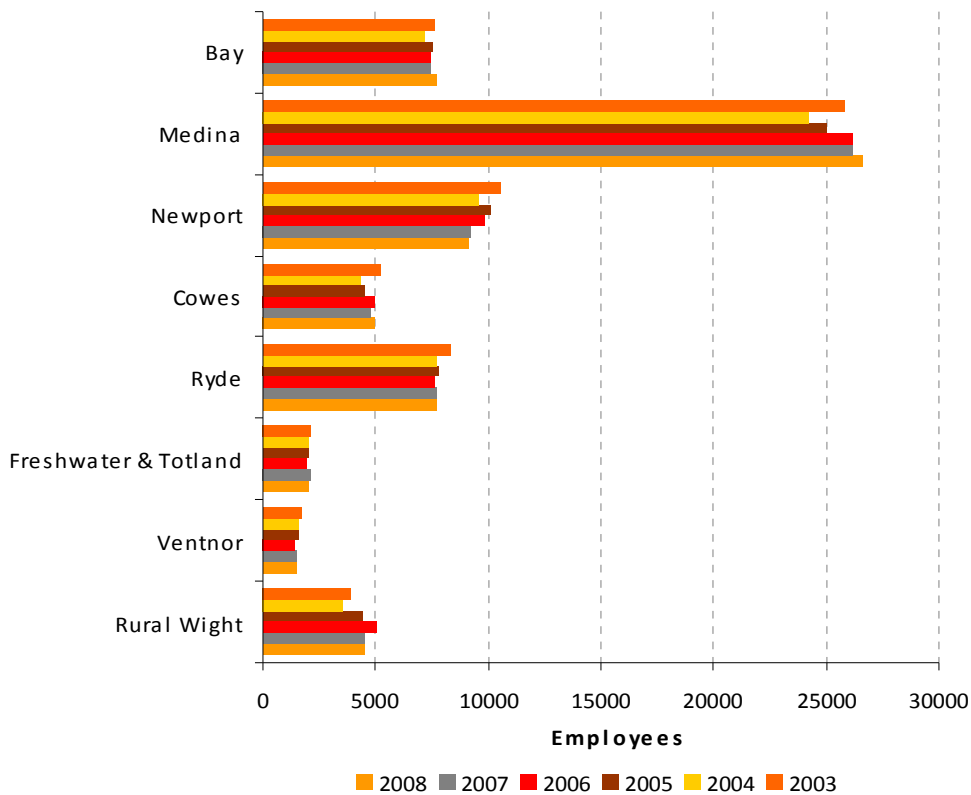
10.2 Local Employment

Within the Island itself, around half of all Island jobs are located in the three main centres. Medina is the largest employment location on the Island; with around 25,000 employees (data on self employment is not available at very local levels.) Some 11,700 (23%) work in jobs in Newport, (this includes those employed in Parkhurst and Albion prisons, which together are large employers) some 5,400 in East and West Cowes (11%) and some 8,000 (15%) in Ryde. Some 7,000 employees are located within the Bay (14%). Together, the rural parts of the Island employed a similar number – some 7,000 workers³⁴.

Figure 10.4 shows employee growth across the Island between 2003 and 2008.³⁵ Total employment on the Isle of Wight only increased slightly in the period, although ONS data shows strong employment growth in 2002 which was maintained in 2003 before falling in 2004.³⁶ In both Medina and rural areas the number of employees dropped sharply between 2003 and 2004, before strong growth in 2005 and 2006 - stagnating thereafter to 2008.

Despite little change in population numbers the number of employees working in rural areas increased by 1,000 between 2003 and 2008, more than in any other area. In Medina there were around 500 more employees in 2008 than there were five years before. There was little change in Bay, whilst the number of employees in the remaining three areas decreased.

Figure 10.4: Number of employees, 2003-2008



Source: ABI, ONS nomis

³⁴ Source, ABI, 2008 data.

³⁵ The first year when detailed local data was available.

³⁶ Unfortunately, sub-local authority employment data is not available before 2003.

10.3 Commuting within the Island

Below and overleaf we have shown commuting figures for the three Area Action Plan (AAP) areas, and additional towns where there are planning frameworks and specific regeneration policies in place or under consideration³⁷. Whilst this uses 2001 data, we have no reason to think the fundamental patterns have changed. These AAP's extend beyond the built up areas of the towns, 'Medina' includes Newport, Cowes and the Medina Valley for instance; 'The Bay' includes Shanklin and Sandown. We have also included data for the remainder of the island which, we have loosely called 'Rural Wight'. Overall, Medina is the main economic driver of the Island, attracting in to the area some 6,000 employees over and above its resident employment base each day. All other parts of the Island, to differing extents, export labour each day into Medina (figure 10.5).

Figure 10.5: Net Commuting (2001)

Net	
Bay	-1,718
Medina	6,039
Ryde	-1,642
Freshwater	-460
Ventnor	-539
Rural Wight	-1,680

Source: 2001 Census

Figure 10.6 expands upon this information to show daily commuting patterns across the Island. Again the importance of Newport, Cowes and the Medina Valley is clear. Medina has a very high self containment rate (proportion of employees who both live and work there) at 85%. It also imports labour, as noted above, predominantly from Ryde (some 3,000 employees, but also from rural Wight, Shanklin and Sandown).

In the Bay, the majority of resident work locally, although roughly equal numbers travel to work in Medina, Ryde, and rural Wight. In the smaller towns, Freshwater and Ventnor for example, most of the employment is local whilst Rural Wight has the lowest self containment. Its resident employees travel predominantly to Shanklin and Sandown – but also Cowes/Newport and Ryde.

³⁷ Define each [xxxxx]

Figure 10.6: On Island Commuting Patterns (2001)

	Work						Total Resident Employees	
	Bay	Medina	Ryde	Freshwater & Totland	Ventnor	Rural Wight		
Live	Bay 5,743 (59%)	2,398	823	54	192	512	9,722	
	Medina	644 16,310 (85%)	1,155	232	94	709	19,144	
	Ryde	743	3,036 5,628 (57%)	72	48	371	9,898	
	Freshwater & Totland	60	724	78	1,729 (62%)	6	193	2,790
	Ventnor	266	530	123	12	1,155 (52%)	130	2,216
	Rural Wight	548	2185	449	231	182	2,948 (45%)	6,543
Total Employees in Location	8,004	25,183	8,256	2,330	1,677	4,863	50,313 (100%)	

Source: 2001 Census

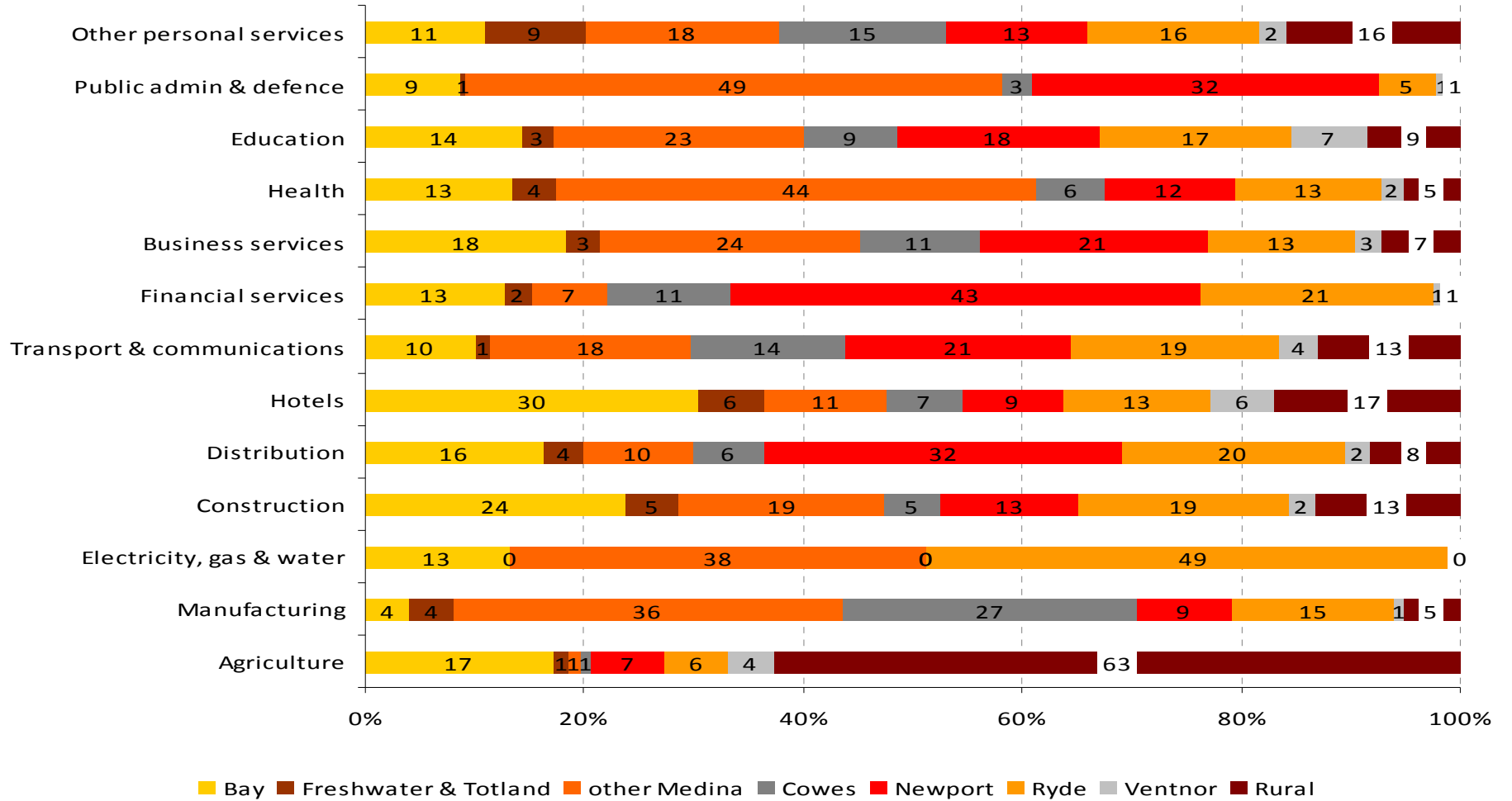
10.4 Local employment by sector

Figure 10.7 shows the distribution of employment by sector across the Isle of Wight in 2008. Location quotients are also provided in Appendix II. Taking each area in turn:

- **Bay:** 30% of the Island’s employment in hotels and restaurants is located here along with a quarter of the Island construction employment. Business services, distribution (including retail) and the agriculture sector are also important.
- **Freshwater and Totland:** accounts for some 10% of personal services employment reflecting the age profile noted above, and 6% of hotels;
- **‘Other Medina’ (i.e. Medina Valley):** is a major employment area, nearly 40% of the Island’s manufacturing employees, and a similar proportion of utilities employment is located here. Around half public administration (reflecting the two prisons); and health employment (reflecting St Mary’s Hospital), and around a quarter of education employment is located here.
- **Cowes:** Manufacturing generates a third of all employment (focussed on East Cowes). Transport and communications (14%) and business/financial services (22%) are important.
- **Newport:** accounts for nearly half of financial services employment, about a quarter of business services; and about a third of distribution/retail and public administration.
- **Ryde:** employment by sector is reasonably diverse. Ryde accounts for around 20% of Island employment in construction, transport and communications, financial services, education and personal services. Half of utilities employment is located here.

- **Ventnor:** accounted for 6% of hotel and restaurant employment and 7% of education
- **Rural:** focus for the majority of agriculture (63%) but also some visitor related employment (17%) and personal services (16%).

Figure 10.7: Percentage of sector employees located in each area, 2008



Source: ABI, nomis.

10.5 Local prosperity: business conditions

In the last three months businesses in Ryde led the increase in orders and sales won by businesses on the Island. Employment levels were also up over the last three months as were prices of goods and services were also up - recovering strongly.

Figure 10.8: Recent trends (last 3 months)

	Overall	Area		
		Medina	The Bay	Ryde
Employment	+7	+8	+6	+5
Seasonal reasons	18%	16%	25%	12%
Order or sales	+24	+15	+24	+36
Seasonal reasons	35%	29%	46%	31%
Cashflow	+3	-3	+3	+9
Prices	+13	+12	+13	+14

Source: Inplace Survey, July 2010

Businesses' confidence in their own prospects for the next twelve months is steadily increasing, with companies in Ryde marginally more confident, perhaps because these firms generally have a lower reliance on the Island for their sales (see below). Confidence in the Bay and in Medina is more muted.

The fall-off in optimism about the general business environment on the Island was particularly true in Medina. Again the view in Ryde was better – but even there businesses do not foresee an improvement on the last twelve months, which have clearly been challenging.

Figure 10.9: Confidence in the next 12 months, compared to three months ago

	Overall	Area		
		Medina	The Bay	Ryde
Confidence in own business prospects, next 12 months	+10	+6	+7	+18
Confidence in Island business environment, next 12 months	-6	-10	-8	0

Source: Inplace Survey, July 2010

Looking forward employers expect employment growth to be very weak, partly the result of the season drawing down. Again, firms in Ryde are more bullish than those in Medina. Firms in The Bay area expect no net employment growth and might shed some (probably seasonal) staff.

Expectations for improving orders and sales over the next three month is widespread and encouraging, but with seasonal factors accounting for substantial proportions of this growth. Cashflow positions are expected to improve and the prices at which goods /services are sold are expected to increase. Again Ryde's firms are more confident.

Figure 10.10: Expectations (next three months)

	Overall	Area		
		Medina	The Bay	Ryde
Employment	+1	0	-3	+7
Seasonal reasons	20%	16%	28%	15%
Order or sales	+25	+28	+12	+35
Seasonal reasons	43%	37%	52%	40%
Cashflow	+22	+21	+13	+32
Prices	+12	+13	+7	+17

Source: Inplace Survey, July 2010

Perhaps because of the importance of small tourism businesses, the proportion of firms on the Island who are not seeking to grow their business is marginally higher amongst firms in Ryde (who were generally the most confident about their own prospects) but is otherwise broadly consistent across the island. Of those seeking to grow, the main constraints were uncertain demand, increasing competition and cashflow. Cost of premises was cited by around 6% of firms – marginally less in Ryde (4%), where firms saw shortages of premises (5%) as a greater problem. Firms in the Bay considered the availability of skilled labour (7%) as a greater issue.

Figure 10.11: Main constraints on business growth

	Overall	Area		
		Medina	The Bay	Ryde
Not seeking to grow the business	35.1	34.4	34.1	37.1
Other	20.2	19.4	24.4	16.7
Uncertainty over demand	17.5	20.7	18.0	12.9
Increasing competition	14.9	14.5	15.1	15.1
Cashflow	12.5	12.8	12.2	12.4
Availability of bank finance	10.5	10.6	9.8	11.3
Cost of finance	8.7	9.7	6.8	9.7
Availability of other finance	7.3	7.9	8.8	4.8
Cost of premises	6.1	6.6	6.8	4.8
Cost of skilled labour	5.5	4.0	5.9	7.0
Shortage skilled labour	5.3	4.4	7.3	4.3
Shortage of premises	3.9	3.1	3.9	4.8
Lack of information about market opportunities	3.6	3.5	3.4	3.8

Source: Inplace Survey, July 2010

Almost half of companies said that they had no major spending plans, and this was consistent across the Island. Marketing was the main area of anticipated investment, marginally higher amongst firms in Medina.

Figure 10.12: Major areas of expenditure over next 12 months

	Overall	Area		
		Medina	The Bay	Ryde
No major expenditure	48.2	46.7	49.3	48.9
Marketing	16.5	19.4	15.1	14.5
Other	16.0	14.1	18.0	16.1
Capital equipment including IT	15.5	17.2	10.7	18.8
Product, process or business innovation	9.7	11.5	8.8	8.6
Training/retraining	9.1	8.4	7.3	11.8
New additional premises	7.8	7.9	7.3	8.1

Source: Inplace Survey, July 2010

Links to the mainland economy vary across the Island. Our survey results suggest that in both Medina Valley and the Bay around 35% of firms are totally reliant on the Island for their sales, whereas Ryde has slightly lower reliance on the Island, probably a reflection of its relative proximity to Portsmouth, and the importance of tourism to the town. Ryde also appears to have greater mainland links than the Bay. Around 20% of firms in each Area Action Plan (AAP) have some sales outside of the UK – again likely to be a reflection of the visitor economy.

Figure 10.13: Share of sales

	Overall	Area		
		Medina	The Bay	Ryde
100% from IOW	31.9	34.4	34.6	25.8
0% from rest of UK	32.2	34.4	34.6	26.9
0% from outside UK	77.3	78.4	74.6	79.0

Source: Inplace Survey, July 2010

Table 10.14 shows the number of vacancies by occupation and how this differs across the Island. There is a strong requirement for sales and customer service staff, driven by the requirements of firms in Medina. Companies in The Bay have vacancies for these and elementary occupations.

Figure 10.14: Vacancies by occupation type (July 2010)

	Overall	Area		
		Medina	The Bay	Ryde
Managers	0.14	0.17	0.09	0.16
Professional occupations	0.18	0.23	0.11	0.20
Associate professional and technical occupations	0.11	0.18	0.04	0.11
Administrative and secretarial occupations	0.23	0.22	0.27	0.21
Skilled trade occupations	0.57	0.32	0.71	0.71
Personal service occupations	0.12	0.05	0.09	0.25
Sales and customer service occupations	1.51	2.06	1.46	0.91
Process, plant and machinery operatives	0.10	0.12	0.05	0.13
Elementary occupations	0.90	0.38	1.96	0.43

Source: Inplace Survey, July 2010.

Companies in the Bay were more likely to be recruiting temporary staff than permanent staff, whereas those in Ryde were much more likely to be recruiting permanent staff (figure 10.15).

Figure 10.15: Type of staff companies attempted to recruit (July 2010 - Percent)

	Total	Medina	The Bay	Ryde
Temporary or contract	45.2	41.5	60.7	33.9
Permanent	65.0	69.2	48.2	76.8

Source: Inplace Survey, July 2010

The proportion of respondents who said that they had experienced difficulties in recruiting staff was highest in Ryde. Almost six in ten of these companies said that these difficulties were resolved (figure 10.16).

Figure 10.16: Difficulties in recruiting staff (July 2010 - percent)

	Overall	Area		
		Medina	The Bay	Ryde
Difficulties experienced	28.8	23.1	26.8	37.5
Difficulties resolved	58.8	80.0	60.0	42.9

Source: Inplace Survey, July 2010

The most frequently selected reason for having difficulties in recruiting staff was that not enough people were interested in doing the type of job they were offering; half of these responses were from businesses in Ryde. Perhaps as a result, while the proportion of companies who only look or advertise for staff on the Island was highest in the Bay, it was lowest in Ryde (figure 10.17).

Figure 10.17: Where companies advertised for staff (July 2010 - Percent)

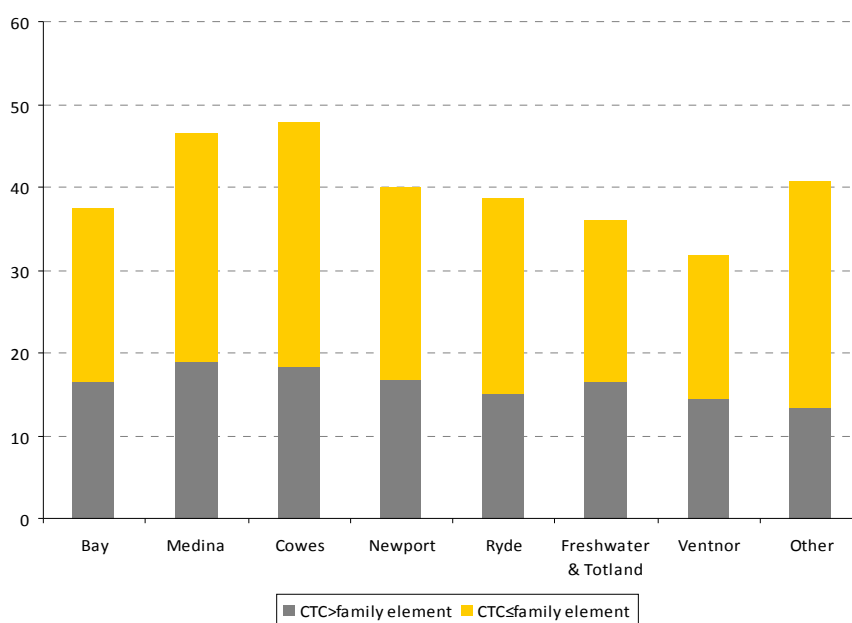
	Overall	Area		
		Medina	The Bay	Ryde
Only on the Island	75.1	73.8	82.1	69.6
On the Island and mainland	23.2	23.1	17.9	28.6
Mainland only	1.7	3.1	0	1.8
Total	100	100	100	100

Source: Inplace Survey, July 2010

10.6 Local prosperity: variations in child poverty

In both Medina and Cowes over 45 per cent of children live in households that claim Child Tax Credits, with around 19 per cent claiming above the family element.³⁸ Some 40 per cent of children in rural parts of the Island also live in households that claim CTC, although only around 14 per cent claim above the family element. Bay, Ryde and Freshwater & Totland have similar percentages to one another, while the percentage in Ventnor is somewhat lower (31%).

Figure 10.18: Sub-local percentage of children in households claiming Child Tax Credits, 2008

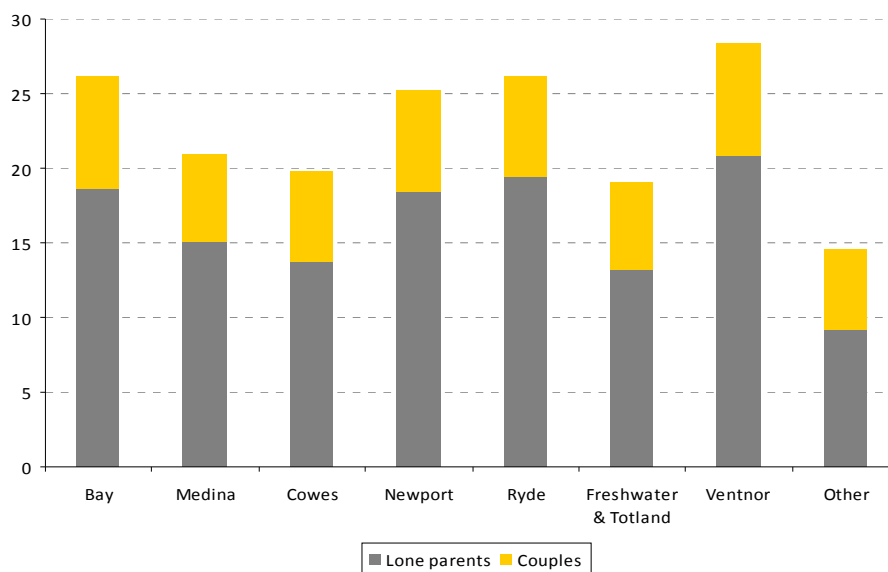


Source: HMRC, Child Tax Credits

Despite this, Ventnor has the highest concentration of children living in out-of-work households, driven largely by lone parents. Around 28 per cent of children in the area live in a household where no parent is in work, with Bay and Ryde both having a figure of around 26 per cent.

³⁸ CTC can be claimed for children that are aged up to 16, or up to 19 if parents are in full time work, but using children aged 0-15 as the denominator should not add any significant bias

Figure 10.19: Breakdown of percentage of children living in out-of-work households on the Isle of Wight, 2008

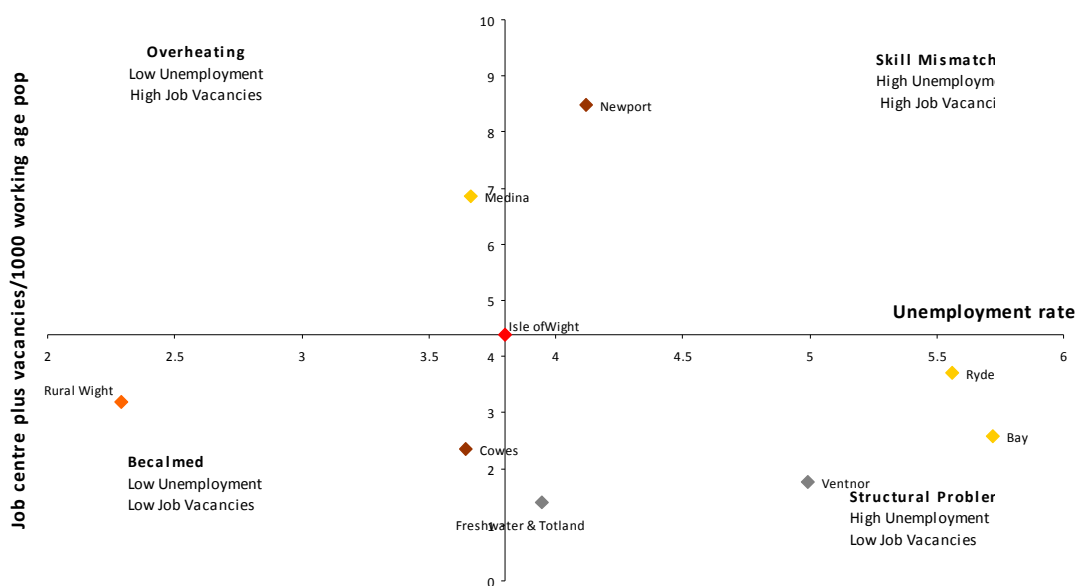


Source: HMRC, Child Tax Credits

10.7 Local labour market conditions

Figure 10.20 provides a quadrant diagram illustrating labour market characteristics. The axis is centred on the Island average unemployment and vacancy rates. The simultaneous occurrence of high unemployment and vacancies in Newport suggests skill mismatches, with claimant unemployed residents considered unsuitable or lacking in the required skills or expertise to fill the available roles. The Medina Valley, of which Newport is part, experiences a large net inward commute of employees each day from the rest of the Island. Other areas such as Bay, Ventnor and Ryde have high unemployment and low vacancies, as well as a net out commute of labour each day, suggesting that there needs to be some structural change in the types of industries located in these areas in order to generate sufficient aggregate demand for the labour market. Unemployment in these towns is twice the island average and significantly above regional levels.

Figure 10.20: Local labour market characteristics, Isle of Wight April 2010

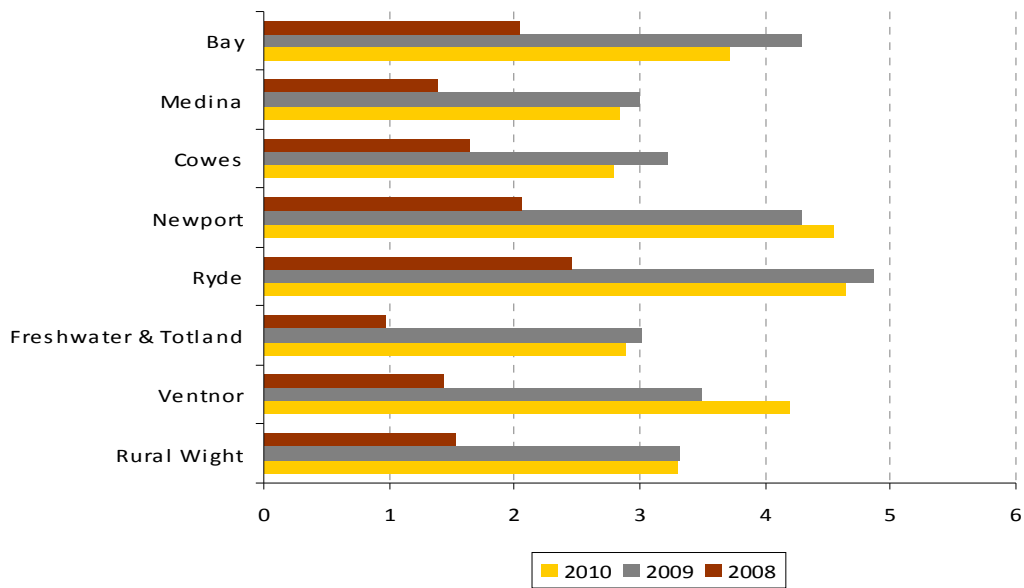


Source: ONS nomis

Cowes and Freshwater & Totland both have average unemployment rates but limited vacancies, indicating a lack of dynamism in the local business base. Cowes forms part of the Medina labour market, which is the only area exhibiting some underlying strength. Rural parts of the island had low unemployment but low vacancies.

Figure 10.21 shows claimant unemployment rates in June of each year between 2008 and 2010. Unemployment has not returned to pre recession levels, with 2010 claimant unemployment running at 4.5% in both Ryde and Newport, the highest across the Island. With the exception of Newport and Ventnor, unemployment fell in all areas between June 2009 and 2010. Ventnor saw a rise of around 0.7 per cent whilst the rise in Newport was contained to 0.2 per cent. Bay saw the strongest recovery, with the unemployment rate falling by 0.6 per cent. Although more rural parts of the island generally have lower unemployment, the proportionate rise between 2008 and 2009 was greatest in these areas. The number of claimants tripled in Freshwater and Totland and more than doubled in Ventnor.

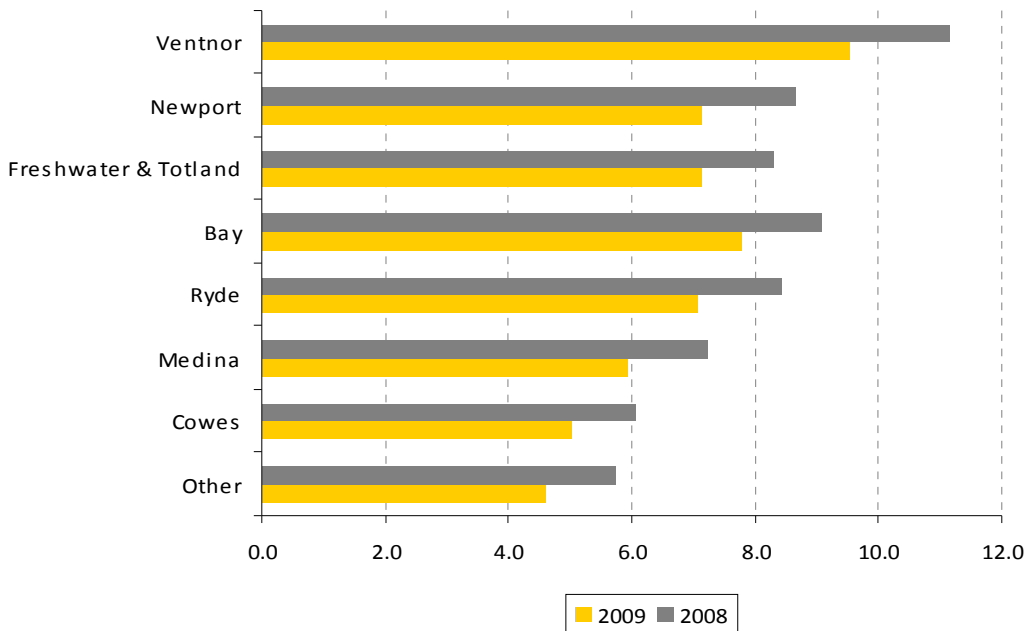
Figure 10.21: Local claimant count rates, June 2008-2010 (%)



Source: JSA claimant count, nomis

Figure 10.22 shows the prevalence of Incapacity Benefit claimants across the Island. Between 2008 and 2009, the trend is of decreasing rates of IB claimants. Ventnor has the highest incidence of IB claimants, around 10% of the working age population, down from 11% the previous year, whilst Bay has the second highest incidence. Newport, Ryde and Freshwater and Totland all have similar rates (7%), whilst Cowes has the lowest (5%).

Figure 10.22: IB and SDA claimants as percentage of working age population, 2008-2009

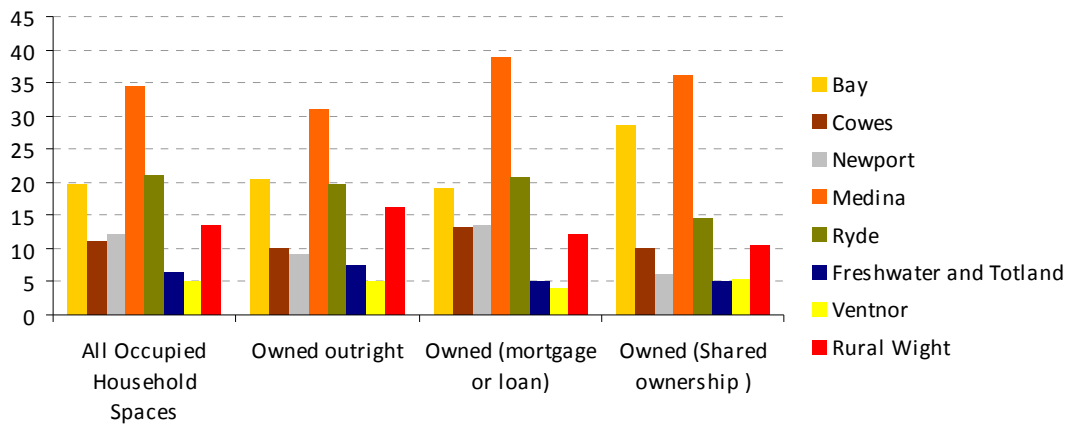


Source: DWP benefits, ONS nomis

10.8 Local prosperity: home ownership

Based on 2001 Census data, the largest concentration of housing is in the Medina AAP (i.e. Cowes, Newport and the Medina Valley). Both Bay and Ryde contain around 20% of the Island’s households. Figures 10.23 and 10.24 provide data on the owner occupied and rented housing stock respectively in each area. Overall, in 2001 a higher proportion of the islands owner occupied housing stock was in Ryde and the Bay – and most of this was owned outright. There were particularly concentrations of high shared ownership households in Medina (36%) and in the Bay (28%).

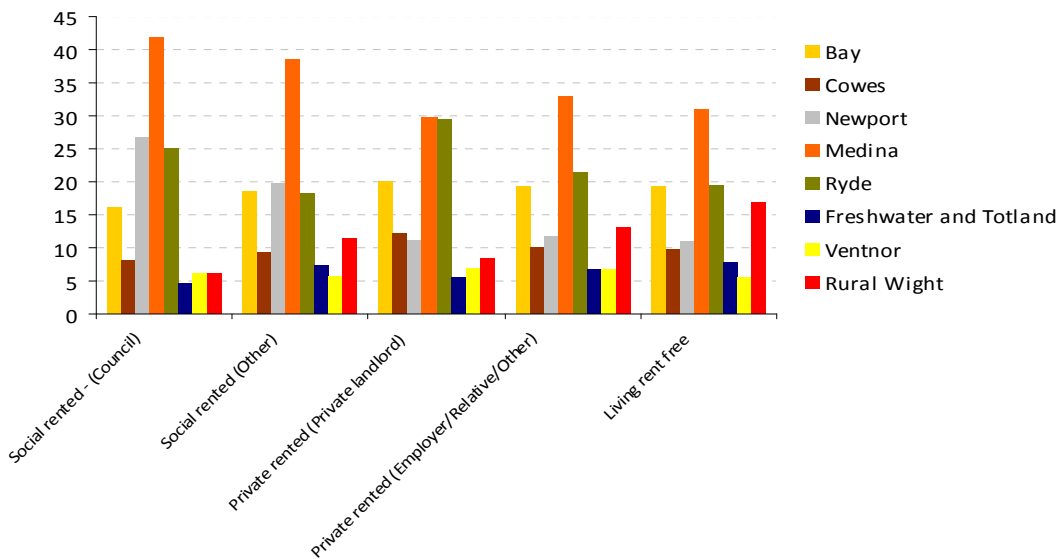
Figure 10.23: Home ownership– Island wide (2001) Percentage.



Source: 2001 Census

The focus of the Island’s social rented housing was in Medina (with the majority in Newport), and Ryde. Around a third of the Island’s social housing stock was in the Bay. The Island had a marginally larger private rented sector than elsewhere, and about a third of the stock was located in the Medina area. There is a large sector in Ryde, about 30% of the stock is in the town. A further 20% is located in the Bay.

Figure 10.24: The rental sector – Island wide (2001)



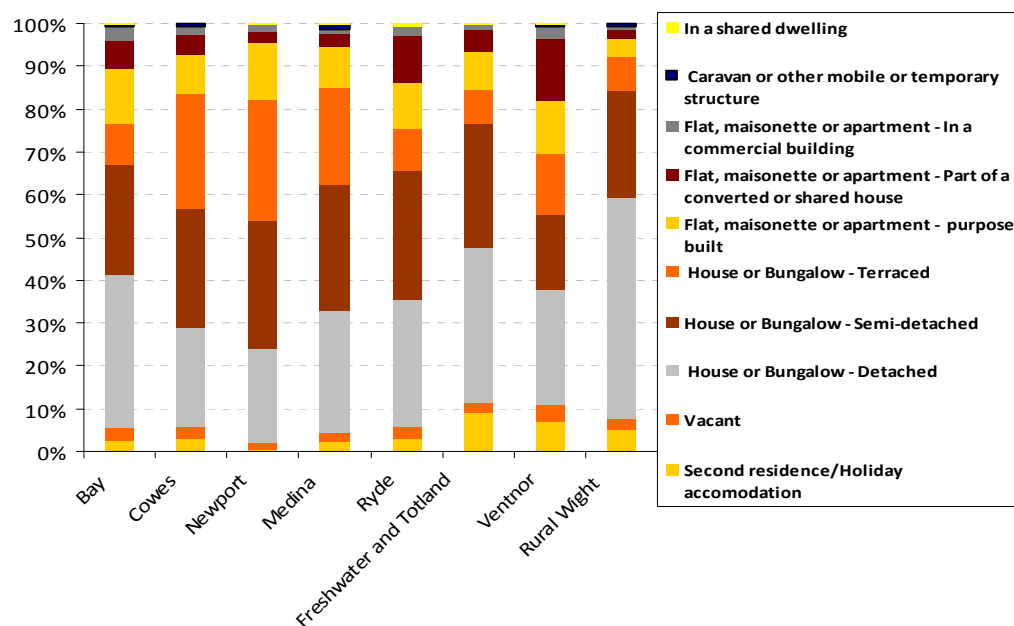
Source: 2001 Census

The largest number of second or holiday homes were in Freshwater and Totland, at around 10% of the stock. Ventnor and rural parts of the island also contain above average concentrations of holiday homes, some 8% and 6% of the stock in those areas respectively. In addition to rural parts of the island, there were larger proportions of detached homes in Freshwater and Totland (41%) and the Bay (38%). The smallest concentrations were in Newport and Cowes, where there are more semi-detached and terraced homes. Of the latter, the housing stock in Cowes and Newport contain similar proportions of terraced homes.

Purpose built flats comprise larger proportions of the stock in Ventnor (14%) and similar proportions in Newport and Bay. Flats that have been converted or form part of a shared house are much more common in Ventnor (16%) and Ryde (11%) than elsewhere.

There were few vacant homes on the Island and these were not concentrated in any location, although there are marginally more in Ventnor than elsewhere (figure 10.25).

Figure 10.25: Accommodation Type – 2001.



Source: 2001 Census.

10.9 Drivers of local performance: the quality of business premises

The majority of firms in all parts of the Island have been trading from their present premises for many years. However our survey information suggests that there are higher proportions of ‘younger’ island firms in Ryde – some 45% have been trading for five years or less. Conversely more established firms are in the Medina AAP area (figure 10.26).

Figure 10.26: Length of time in current premises

	Overall	Area		
		Medina	The Bay	Ryde
Less than one year	7.3	7.0	7.8	7.0
Between one and three years	17.8	12.8	18.0	23.7
Between three and five years	14.2	15.9	13.2	13.4
Between five and ten years	18.9	21.6	20.5	14.0
More than 10 years	41.7	42.7	40.5	41.9
Total	100	100	100	100

Source: Inplace Survey, July 2010

Most businesses across the different parts of the Island seem happy with their existing premises, and fewer than one in ten survey respondents said that they were considering a move to different premises on the Island. The figure was marginally higher in Ryde, but fairly consistent across the three areas surveyed (figure 10.27). The majority of firms considering a move felt it was likely that the new premises would be bigger. Again, this was particularly true in Ryde.

Figure 10.27: Considering relocating to different premises on the Island

	Overall	Area		
		Medina	The Bay	Ryde
Yes	9.2	8.4	9.3	10.2
No	89.3	89.4	89.3	89.2
Don't know	1.5	2.2	1.5	0.5
Total	100	100	100	100

Source: Inplace Survey, July 2010

While very few firms are considering relocating away from the Island, the figures are highest in the Bay area. This could be influenced by firms' weak expectations for employment growth related to greater reliance on seasonal staff as the season winds down.

Figure 10.28: Likelihood of relocating off the Island in the next 3 years

	Overall	Area		
		Medina	The Bay	Ryde
Likely	4.4	3.5	5.9	3.8
Unlikely	89.0	88.5	85.9	93.0
Don't know	6.6	7.9	8.3	3.2
Total	100	100	100	100

Source: Inplace Survey, July 2010

Of these, the majority of firms are seeking larger premises than those they currently occupy. The results are reasonably consistent across the Island but driven marginally by those in Ryde. Firms in the bay are more likely to be seeking premises of similar size, suggesting the issue is quality/value for money or age, or indeed a different location on the Island.

Figure 10.29: Likely size of new premises

	Overall	Area		
		Medina	The Bay	Ryde
Bigger	60.6	62.5	54.5	65.0
Smaller	12.1	12.5	9.1	15.0
Little/no different	27.3	25.0	36.4	20.0
Total	100	100	100	100

Source: Inplace Survey, July 2010

Figure 10.30 looks at the reasons for firms’ satisfaction with their current premises. Access to local services is the biggest advantage quoted everywhere, but especially so in Medina. And yet transport links are considered rather more of a problem – and particularly in Ryde. It therefore seems that firms like the fact that some of the services they need they can get locally, but have more concern over the ability to transport materials and produce. And value for money is the factor that firms are least likely to cite – especially in Ryde.

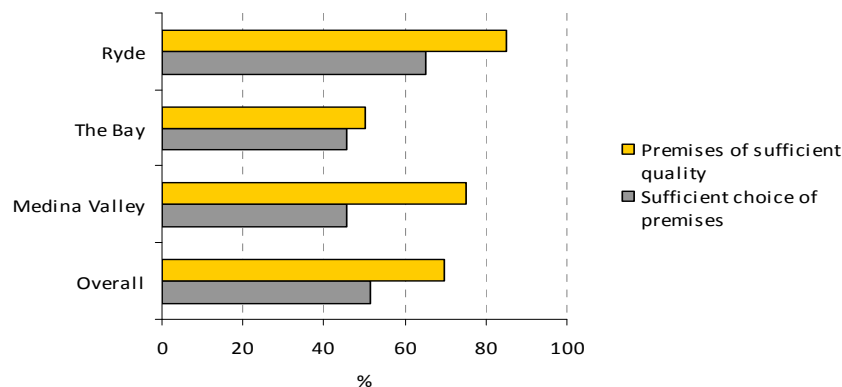
Figure 10.30: Satisfaction with premises

	Overall	Area		
		Medina	The Bay	Ryde
Access to local services	84	85	82	84.9
Age and condition	79.6	78	82	79
Access to ferries	79.3	81.5	73.7	82.8
Transport links for staff	77.2	76.7	74.6	80.6
Size for your needs	76.4	78.9	75.6	74.2
Transport links for supplies/ movement of goods	74.9	73.1	74.6	77.4
Value for money	72.2	74.9	71.2	69.9
None of the above	8.1	6.2	8.8	9.7

Source: Inplace Survey, July 2010

Of those that were seeking to move, the choice of premises to move into is perceived as a larger issue than quality of them. Two thirds of firms have or expect to find premises of sufficient quality, whilst around half expect or have found a sufficient choice. Firms in Ryde were generally more positive on both criteria. For firms in Medina, the issue is quality over choice. For firms in the Bay, it’s both.

Figure 10.31: Choice and quality of premises



Source: Inplace Survey, July 2010

10.10 Conclusions & interpretation: Medina Valley

The preceding analysis suggests various conclusions. First and most obvious is the fact that the Medina Valley is at the heart of the Island, economically as well as geographically. It comprises the towns of Newport and Cowes, along with the river valley that connects the two and which accommodates most of the larger manufacturing operations on the Island.

Our analysis suggest that the Medina Valley has a relatively healthy labour market compared with the rest of the Island, with significantly more vacancies and a claimant unemployment rate just below the Island average. Unemployment is also generally shorter-term in Medina than elsewhere. Youth unemployment is higher in Medina, but not out of line, given its age structure which is younger than in the rest of the Island.

Home ownership in Medina is roughly in line with the average rate for the island. Mortgage financing is generally more prevalent, reflecting the relatively young population. There is also a high proportion of social housing in Medina, with 40 per cent of the Island's council-leased social housing.

At the top of the Medina Valley, Newport is the Island's traditional county town and centre of administrative activity, as well as an important retail centre for the Island as a whole and the location of the St Cross business park, and public sector facilities including the hospital and the prison. It is also the site of the Isle of Wight Festival.

Over the next 20 years Newport is likely to see population growth, not least through the Pan housing development on the outskirts of town. It is also likely to see longer term growth in employment across a broad range of sectors, although in the short term it may be vulnerable to cuts in public spending, and to the recession more generally. Indeed there is already spare office capacity in the town, including empty space at the St Cross park. Many Newport jobs are however taken by residents from the rest of the Island, so that the social impact of employment cuts is likely to be dispersed.

The river provides the central spine of the Medina Valley. It provides very important natural habitats, alongside significant employment sites and possible development opportunities. For some employers marine access is important, but for others road access is of more significance. Key assets include wharfs, which will be particularly important when the PFI roadway contract takes effect, as well as sites for a range of possible developments. If the Island is successful in building a larger presence in the marine and renewables sectors then this is particularly likely to be associated with new developments in the valley.

Cowes, at the mouth of the river, is famous for its leisure offer – primarily yachting – but it is also an important gateway onto and off the Island. There is a reasonably strong independent retail offer, but also some scope for improvement. There is a significant presence of small office accommodation above shops but with high vacancy rates, reflecting the usually poor quality of the premises. The town also has a significant residential population, with associated schools and other services, but is in addition host to several manufacturing operations, and has land allocated for

further possible developments. Indeed the Medina Valley as a whole provides 70% of all manufacturing employment on the Island.

10.11 Conclusions & interpretation: Ryde

Ryde is the Island's largest urban area and another important gateway and place of employment. The town has high levels of tourism and retail employment and also relatively high levels of employment in financial services – with around a fifth of the town's employment in the sector. Businesses in Ryde are generally less inward looking than elsewhere on the Island: around a quarter of firms generate all their sales on the island compared to 31 per cent elsewhere. Ryde's business base is also more open to buying inputs from the mainland: only 12 per cent of businesses locate all their supply chain on the Island. The skills base may also be higher than Island average: advertised vacancies are generally for higher skilled people than for the Island overall, with higher levels of manager and professional occupations and fewer elementary occupation vacancies.

However there are concerns about the dynamism of Ryde. Employment was static before the recession: there was a slight decrease between 2003 and 2004, and then virtually no change up to 2008 and Ryde has high levels of JSA claimants. The recession seems to have hit the town badly: the JSA rate shot up from around 2.4 per cent in June 2008 to just under 5 per cent a year later. Ryde also suffers from a slightly lower level of vacancies than the island as a whole, suggesting that businesses are not experiencing enough demand to fully serve the labour market. This leads to higher long-term unemployment: some 13 per cent of claimants have been unemployed for over 12 months and 38 per cent have been unemployed for over 38 per cent.

10.12 Conclusions & interpretation: the Bay

With its high reliance on traditional tourism the Bay is particularly susceptible to seasonal cycles, with unemployment falling during the summer and peaking in the winter months. Claimant unemployment is also longer-term than elsewhere on the Island, with 36 per cent of claimants having been unemployed for over 6 months as of June 2010. Youth unemployment conversely is less of a problem in the Bay than elsewhere: only 25 per cent of claimants are aged between 18 and 24.

The Bay area has an older population than either the Medina Valley or Cowes – close to thirty per cent of the population is retired, with only around 55 per cent of working age. As a result the Bay has relatively low levels of social housing. There are, however, high levels of Incapacity Benefit claimants, and the Bay generally has a low skilled workforce, with five times more elementary occupation vacancies per firm than in the Medina Valley or Ryde. There are also lower levels of vacancies in the Bay area than elsewhere.

On the positive side, although the claimant count more than doubled during the early period of the recession, there followed a strong recovery in the labour market with the claimant rate falling by around one per cent between June 2009 and 2010 – the fastest recovery on the Island. What this points to is a high reliance on employment opportunities which display high levels of volatility.

10.13 Conclusions & interpretation: the Rural Economy

The large majority of the Island is rural in nature and indeed the majority is designated as an area of outstanding natural beauty (AONB). Farming, forestry and other land based industries are consequently of great importance, although other sectors too contribute significantly to rural employment, including retail, hospitality, construction, public administration, health and education. In addition these sectors are often entwined with one another, with for example a number of farms also offering accommodation for visitors, and high rates of double-jobbing.

Rural areas also have high concentrations of older people: over a third of the population of rural Wight is retired, and only 52 per cent are of working age. Population statistics suggest that families have been migrating away from rural areas: between 2001 and 2008 the number of 0–15 year olds and the number of 30–44 year olds decreased by around 10 per cent. Homeownership is similar to the rest of the island; there is little renting from private or social landlords in rural areas, but renting from employers or relatives or living rent-free is more common.

Rural unemployment doubled between 2008 and 2009. Although the JSA rate was lower than in the three main urban areas before the recession, at around 1.5 per cent, in June 2009 it exceeded Medina and only decreased very slightly in the year to June 2010. Youth unemployment is however relatively low in rural areas: only around 27 per cent of claimants are aged between 18 and 24. Rural areas also have lower levels of invalidity benefit claimants on average than in urban areas, although that may partly reflect differences in tenancy arrangements.

11. Future options

11.1 Future options for the Island's main local communities

Looking forward, the future of **Cowes** is likely to involve strengthening all aspects of its current offer while preserving its essential character. In west Cowes the waterfront and surrounding streets have a very distinctive small scale and mixed use feel, presenting Cowes to visitors as a busy place of work as well as a place of leisure. Investing in this, through enhancing the public realm and possibly also providing new waterside residential, retail, hotel, leisure and employment opportunities, would strengthen the economic sustainability of the town. In east Cowes regeneration is already underway, though there is still much to be done. On both sides of the river the careful management of existing employment sites – some of them of great historical significance – and the development of new sites such as the Technology Park on the edge of east Cowes, will be essential to the future of the town. Associated with that, Cowes also needs to continue to serve as a gateway with the kind of character and scale that the Island will need going forward, as well as a destination for excursion and short-stay visitors.

Ryde has the potential to become a significant tourist destination, based on its heritage of Victorian buildings and public realm, its appealing topography, wide beaches and easy access from London and elsewhere. However, this would need to involve significant investment in place-making and probably a small but catalytic master-planning exercise, as well as careful identification of a target market.

Ryde also has the potential to grow its general employment offer, and is one of the few places on the Island where significant employment land can realistically be provided over the longer term. Such land, on the outskirts of the town, would help to redress the heavy concentration of employment opportunities in the Medina Valley and also provide facilities for Island businesses needing larger and/or newer premises than they currently operate from.

Increasing employment in Ryde through these two routes would be especially valuable since the town has a disproportionate share of Island social deprivation.

The future prosperity of the **Bay** area is likely to depend on the extent to which the Island can significantly reposition its tourism offer, or attract younger residents, or both. Together with nearby Ventnor, and drawing upon the attractions of neighbouring rural Wight, the Bay area has the potential to reduce its dependency on seasonality and price-competition. However such a shift will not be easy in the face of strong competition from other locations in the UK.

The clear imperative for **rural Wight** is to protect and enhance the natural heritage of the Island. The challenge is to do this while looking for opportunities to raise life chances for local people and strengthen local communities. This can arise in many ways, including improved woodland management, the generation of renewable energy, the sensitive development of rural tourism, new or expanded agro-businesses, village-based small business hubs, and in particular investment in super-fast broadband. The last of these, if it can be achieved, promises huge opportunities for remote businesses, but also for the provision of public services. Rural areas are also likely to benefit particularly from the refurbishment of the Island's roads under

the PFI contract, and the opportunities that PFI offers for associated infrastructure improvements. Public transport provision will nevertheless continue to be important to many communities and individuals.

11.2 Will that happen? A low growth (tourism led?) scenario

Although the Isle of Wight has not been as badly affected by the recession as much of the UK, recovery will clearly take time. This could make it more difficult to bring about the changes outlined above.

One cause for concern is that much of the Island's employment is in sectors that serve the local population such as health, retail, education and construction. Demand for these services therefore depends largely on incomes on the Island, which will not increase without employment growth or a shift to higher-value production. Future growth prospects indeed lie with sectors such as advanced manufacturing and business services, as well as with tourism (providing the current offer can be adapted to meet the needs of twenty first century markets). So a strong performance in these is required.

Our baseline low-growth scenario is that described in our Employment Land Review 2010 and hence is based on the forecast for the Island economy provided by Oxford Economics in February 2010. At that time Oxford estimated that employment on the Island fell from 61,600 in 2008 to 60,600 last year, and would continue declining to 60,300 in 2012.³⁹ Employment then starts rising, and climbs gradually to 64,100 in 2022, the last year of their forecasting period. Beyond 2022 we extrapolated the Oxford forecasts out to 2026, by applying average annual growth rates between 2012 and 2022, to generate an estimate of 65,700 in 2026.

A key feature of this scenario is that Industrial (mainly manufacturing) employment has fallen in the last year. Since there is long term downwards pressure on such employment at the regional and national levels, Oxford predict that this local pattern will continue over the longer term. The total slips from 7,900 in 2008 to 7,300 last year and some 7,100 this year, and then continues to decline gently to just 5,900 in 2022.⁴⁰ Our extrapolation then implies a figure of 5,600 in 2026.

Warehouse employment does rather better, however. Oxford estimate that it fell from 2,700 in 2006 to 2,500 last year and is now starting to climb, gradually. They project 3,100 in 2022. We have extrapolated this to 3,300 in 2026.⁴¹

Office employment follows a similar pattern but from a higher base. According to Oxford Economics it was 9,500 in 2008 and reached a trough of 9,200 last year, but is now climbing very slowly. Growth is however expecting to quicken, generating employment of 10,400 in 2022. We have extrapolated this to 10,800 in 2026.

³⁹ Up to date local information on employment does not exist. Oxford's methodology is to use the most up to date regional/national information by sector, and then map this down to the local level, based partly on local sectoral structure, partly on the historic relationships between the locality and the region, and partly on more up to date information about unemployment locally.

⁴⁰ We have defined industrial to be all of manufacturing plus 35% of construction, reflecting the fact that much of construction involves prefabrication and therefore uses industrial premises. Clearly, altering that percentage would alter the results of the calculation.

⁴¹ We define warehouse as all wholesale employment, 26% of transport employment and 79% of communications employment. Again, different assumptions here would affect the results.

Figure 11.1 Baseline Scenario (low growth), 2006-2026 Employment

	2006	2009	2016	2022	2026
Industrial	6,965	7,297	6,495	5,932	5,602
Warehouse	2,747	2,537	2,854	3,105	3,310
Office	9,401	9,237	9,936	10,370	10,837
Other	41,781	41,494	42,775	44,656	45,977
Total	60,848	60,564	62,060	64,062	65,726

'Other' includes retail, schools, health etc

Source: Consulting Inplace, Oxford Economics & ONS

This growth in office employment is clearly consistent with some of the regeneration of the Island's towns discussed above. It will involve gradually 'mopping up' the existing empty office stock in edge-of-town locations, and then gradually developing new high quality office accommodation to replace current poor quality accommodation, within the context of broader town renewal.

In addition, the 'low growth' scenario includes significant growth in an employment category described as 'other' but which includes three main elements: tourism, retail and public sector. At present, prospects for the third of these look uncertain at best. If the work is taken up by the private or 'paid' voluntary sector then there is no net loss; if not then any substitutes for those jobs will need to come from elsewhere and probably therefore retail and tourism. These two are in fact very closely connected: significant gains in retail spending above the trend will need to be in large part visitor generated, as part of a larger store of tourism-induced rebalancing of the economy.

It is therefore vital that the Island has a tourism strategy, able to protect and indeed grow the economy in the face of a squeeze on public sector employment. Elements of that strategy might include:

- **Creating an investment fund:** Setting up an investment fund to provide help to kick-start business improvements, possibly using TIF money, Regional Growth Fund etc.
- **Caring for natural assets:** Maintaining the existing commitment to beach quality and the protection and enhancement of rural areas, including the forests
- **Identity building and place making:** Developing a unique identity for each of the tourist areas on the Island, as indicated above, leveraging in private sector investment in significant place-making in Ryde, Ventnor, elsewhere
- **Support for existing businesses:** Working with existing businesses to encourage them to invest in skills and to gradually raise the quality of their offer, and helping others such as farms to enter the tourism sector
- **Support for new businesses:** But also supporting businesses offering very high quality services, including country retreats, and those in the active leisure/sports sector, to establish on the Island or to increase/improve their offer
- **Targeted marketing:** Identifying and marketing to higher income segments, and businesses, who are likely to value our core assets
- **Event visitor marketing:** Also seeking to provide suitable targeted marketing through appropriate channels to festival visitors, Cowes week participants and others participating in events

- **Eco-Island:** Continuing to work across multiple strands to make Eco-Island a reality, particularly through the provision of low carbon vehicles for visitors, programmes to reduce the carbon footprint of all businesses offering accommodation, hospitality, entertainment and visitor experiences, and an Island food strategy embracing the visitor/hospitality sector
- **VisitEngland:** Working with VisitEngland, whose new strategic framework promises an increased focus on destinations that are already recognised brands – such as the Isle of Wight
- **Solent LEP:** Working collaboratively with the proposed Solent LEP e.g. to promote both our own attractions and those on the mainland such as Portsmouth’s historic dockyards.

11.3 Medium growth scenario, requiring broader strengthening of the economy

It is therefore possible that the outlook going forward will be more positive than the Oxford Economics projections imply. For example it is unlikely that they will have taken explicit account of the recent job gains at GKN Aerospace, and they are unlikely to have factored in the possible impact of the off-shore wind farms and other developments in the renewables sector on Island employment opportunities.

We have therefore sought to capture this in a second scenario which we have labelled ‘Medium growth’, and which includes not just the tourism-lift assumed in the low growth scenario but significant success in generating new jobs in other key sectors.

As part of that the Island is set to benefit from £364 million of PFI-funded expenditure on its road network and it is unlikely that this is implicitly included in the Oxford Economics forecast, since it is a distinct break with the past. PFI will generate significant employment opportunities, with the majority of the activity taking place on the Island itself, and some of it generating demand for industrial, warehouse and office space. Construction will commence in April 2013; the start of a ‘core investment’ period which will last until approximately 2020. After this the contract will move over to a maintenance contract for the next 18 years to 2038.

The aspiration for PFI is to support the island maximise local supply chain linkages, skills development and local employment opportunities both at the construction and longer term maintenance stages. If this is successful it will involve employment opportunities, including construction, maintenance, road and landscaping design, bridges and walkways, ICT systems, lighting, intelligent transport management and signage. Local contractors will be competing for this work and the local supply chain opportunities are likely to be significant. And even if they are not successful, and much of the work does in fact go to companies owned off-Island, much of the work will nevertheless still occur on the Island, thereby creating employment land needs.

For the purpose of this analysis we have made broad estimates of the scale of employment that might be expected. Dividing the £364 million figure by the gross average cost of construction labour in the South East region in 2009 produces 4,135 person years of employment.⁴² Since the construction work will be spread over a period of 25 years, the implication is that in the region of 165 job opportunities will

⁴² The median annual wage in the South East Construction industry in 2009 was £26,363. Source: annual survey of hours and earnings.

exist per year. Since the majority of expenditure, activity and hence employment will come forward in the first seven years, this is a conservative estimate.

But PFI is hopefully just part of the story. The purpose of the Isle of Wight Council's economic development strategy is to improve the performance of the Island, relative to historic trends, and hence to generate a better outcome than in the Oxford Economics baseline forecast.

Until recently the Island's approach towards attracting inward investment has been low-cost and reactive to specific company enquiries. The same is true for support for Island businesses and new starts. Outsiders' awareness of what the Island has to offer is low, and many Island businesses' awareness of national and international opportunities are similarly limited. To address this, the Island's inward investor strategy and company support measures are now becoming much more proactive. A prime focus will be to create business awareness of the Island amongst UK companies in the renewable energy sector, in marine and advanced engineering and composites – growing manufacturing sectors where the Island has genuine competitive advantages thanks to the Eco-Island concept. Intensive support will then be provided to companies, of the kind that is available elsewhere but which has historically not been available on the Island.

This focus implies that the Island may, over the forecast period, perform better than the South East as a whole as a centre of manufacturing employment, and better than in the past. Thus the general UK-wide expectation of inexorable decline in manufacturing employment may be less relevant to the Island than to many other local economies.

In addition, many of the jobs that we are seeking to attract or generate within the renewables, marine and related sectors will not necessarily be in industrial occupations, but in related service activities. This may include R&D (already an important activity on the Island), design and engineering consultancy, other business services linked to the renewables, marine and related sectors such as environmental appraisal, accountancy, legal services, marketing, PR, information and communication management, as well as project management and general management. It also includes the possibility of attracting Higher Education Institute (HEI) research facilities to the Isle of Wight, building on the Island's track record as a favoured location for post-doctoral field work of various sorts.

By definition we cannot use previous Island experience to provide evidence for what the scale of any improvement in performance is likely to be. Instead we have sought to use evaluation evidence from inward investment activities undertaken by agencies elsewhere – notably SWRDA, the RDA whose economy has characteristics that most clearly resemble those of the Isle of Wight, although of course on a much larger scale.

Over a five year period SWRDA's foreign direct investment activities involved annual expenditure of between £675,000 and £800,000 and included funding overseas offices and various marketing, investor visit and aftercare support activities. The evidence of the evaluation suggests that we should expect a relatively low rate of return in terms of numbers of enquires that are 'converted' into actual investments

on the ground. But when an investment is achieved, these can often generate quite large economic impacts in each case.

Moreover, the evidence suggests that inward investment support programmes are most effective when they play to strengths – focusing on particular sectors or indeed locational assets. As we note above, this is exactly the strategy that we will be following on the Island. This suggests that a greater proportion of investment success may involve industrial employment than has been the case elsewhere. Alongside this however, we expect additional growth (over and above the Oxford forecast) to occur in office based employment. This will reflect work with universities and start ups, including possible new facilities for small firms, wider business support coordination and networking.

On that basis we have assumed an additional two inward investments per year – generating between them 60 new jobs per year across industrial and office uses, of which 35 are industrial and 25 office based. We have assumed that these ratios remain constant and are followed by 10% organic employment growth in each of the new investments.

If such trends were to continue the result would be that by 2026, industrial employment on the Isle of Wight would be 1,400 higher than it would otherwise have been and office employment 1,100 higher than it would otherwise have been. Warehouse employment would be 165 higher, on the basis that these numbers (in contrast to the other two) do not accumulate.

Figure 11.2 Medium growth scenario, 2006-2026 Employment

	2006	2009	2016	2022	2026
Industrial	6,965	7,297	6,827	6,790	7,021
Warehouse	2,747	2,537	3,019	3,270	3,475
Office	9,401	9,237	10,173	10,983	11,921
Other	41,781	41,494	42,775	44,656	45,977
Total	60,848	60,564	62,794	65,699	68,307

'Other' includes retail, schools, health etc

Source: Consulting Inplace, Oxford Economics & ONS

11.4 High growth scenario – probably higher than is plausible

The recently abandoned South East Plan (SEP) set out a much more ambitious view, with a target of 7,000 extra jobs on the Island between 2006 and 2016, over and above what would have happened anyway. This target was developed and agreed before 2006 on the expectation that by now significant progress would have been achieved; in the light of the recession and cuts in public spending, it now looks very challenging. And indeed the plan itself has now been effectively abandoned. Nevertheless it provides a useful 'thought experiment' about what much more rapid growth might look like.

As an illustration, this scenario could be achieved by the appearance of 50 and 100 additional jobs a year in industrial and office employment respectively, and also 150 extra jobs in other employment such as retail, schools and health, and all of that employment then growing organically by another 40% a year to 2016. This would generate the necessary 7,000 additional jobs by 2016.

There must, however, be question marks over the plausibility of employment growth on that scale, and especially so if the economy were to continue to grow beyond 2016 at the rates needed to generate 7,000 extra jobs by 2016 itself. As we explain in below, continuation of the same trends would imply 2026 employment numbers that would be unobtainable, in terms of where the supply of people to fill the jobs would need to come from. Even on the basis of a slowdown after 2016, with no new additional jobs (because the Island is ‘full’) and diminishing organic growth in the new businesses previously attracted, the changes that would be needed in terms of reduced unemployment, increased labour market participation, increased inward commuting or increased inward migration would require that some or all of these magnitudes would need to move far beyond what seems realistically likely.

Figure 11.3 suggests that the consequences of the Island economy growing fast enough to meet the former South East Plan target of an extra 7,000 jobs by 2016 would be that by 2026, total island employment would be of the order of 81,000. In the table a large part of that comes through manufacturing; we could have undertaken an alternative scenario in which the growth was instead mainly in retail and tourism (for example), but the overall numbers would not be affected by that.

Figure 11.3 High growth scenario, 2006-2026 Employment

	2006	2009	2016	2022	2026
Industrial	6,965	7,297	8,064	8,946	8,848
Warehouse	2,747	2,537	3,019	3,270	3,475
Office	9,401	9,237	12,321	14,952	15,773
Other	41,781	41,494	46,353	51,529	53,380
Total	60,848	60,564	69,757	78,697	81,476

‘Other’ includes retail, schools, health etc

Source: Consulting Inplace using Oxford Economics & ONS

11.5 The labour supply constraint on the Island’s growth

Growth on the scale envisaged in the abandoned south east plan would be difficult to achieve without risking many of the natural ecological assets that make the island so special. However, there is almost certainly an economic constraint that makes such concerns irrelevant. Our assessment is that the high growth scenario is not plausible, given what it would require in terms of reductions in unemployment, increases in labour market participation, increased inward commuting or increased inward migration.

As Figure 11.4 shows, relatively minor adjustments in the labour market are required for there to be a sufficient supply of labour to accommodate the medium growth scenario. A total of just over 2,200 extra workers are required (ie 67,900 compared to 65,700) which can be achieved by (for example) a decrease in the unemployment rate from 4.2 per cent to 3.4 per cent, together with a small decrease in the inactivity rate from 22.2 per cent to 21.7 per cent and small increases in net migration and net commuting.

However, as the final column shows, the changes required to provide enough labour to meet the high growth scenario seem unattainable, with an increase of 14,600 workers needed compared with the baseline figure for 2026. The sort of changes required for this to happen would be a decrease in the unemployment rate to 1.2

per cent, **and** a decrease in the inactivity rate to 14.4 per cent **as well as** a move to positive net commuting **and** an annual 200 migrants more per year between 2009 and 2026. Together these go well beyond the boundaries of historical experience.

Figure 11.4: Employment Land Forecasts using a labour supply approach

	2026				
	2006	2009	Baseline (Low Growth)	Medium Growth	High Growth
Working age population	77,698	77,879	83,050	83,050	86,450
Employment: jobs	60,938	60,604	65,686	67,912	80,318
Employment: residents	58,199	56,231	61,171	62,868	73,674
Inactive	17,452	18,470	18,437	18,001	11,776
Inactivity rate	22.4%	23.7%	22.2%	21.7%	13.6%
Unemployment level	2,047	3,178	3,498	2,796	1,000
Unemployment rate	2.6%	4.1%	4.2%	3.4%	1.2%
Commuters (in minus out)	-2,100	-951	-973	-500	1,100
Net migration 2009-2026			18,385	19,000	21,785
Net annual migration	1,139	1,007	1,081	1,118	1,281

Source: Consulting Inplace using Oxford Economics & ONS

The key point here is that it is difficult to envisage very large numbers of additional people being drawn into the Island's labour force by anything other than large increases in wage rates – but if wage rates were to rise sharply, then the increase in employment opportunities would not come about. The scenario is not therefore internally consistent.

11.6 The need to make the labour market work better

Finally, while we judge that the two more moderate scenarios are not constrained by aggregate labour supply, they could still be constrained by 'pinch points' in the labour market if potential employees with the necessary skills are not available. In particular, the medium growth scenario implicitly assumes an up-skilling in the skills of at least some of the labour force, either via new entrants or via investment in the skills of existing workers, and even the lower growth scenario probably requires significance skills in the workforce of the tourism sector. Plans to put such up-skilling in place are, however, being developed, and successful delivery of enhanced skills on the Island should prevent this potential constraint from biting.

11.7 The need for appropriate land and physical assets

Achievement of these different scenarios would also be potentially constrained if the Island lacked the necessary land for employment and other key physical assets. As already noted there is currently an excess supply of edge-of-town good quality office accommodation on the Island, but this reflects the impact of the recent recession rather than necessarily being a long term condition. Meanwhile the quality of the office stock in the towns is generally not high, particularly for property with easy access to the ferries. This is potentially important if the Island is to attract more high value business services companies, and perhaps R&D and innovation facilities,

for all of whom good travel access to London and elsewhere (including via Southampton airport) will generally be important.

The Island will also need more employment land for industrial use, both to provide opportunities for existing businesses to upgrade, and for inward investors. As we indicated, the majority of Island firms have no immediate plans to relocate, but nevertheless both turnover and long term expansion will need to be accommodated. Our assumption is that some land currently being used for industrial purposes will in time no longer meet employers' needs and new property will need to become available.

Although superficially there appears to be a number of employment sites able to accommodate large (by Island standards) industrial operations, environmental or ecological considerations mean that in many cases the land may not realistically be available. This is particularly so with regard to sites with marine access, because of the importance of protecting wildlife and habitats along the river. It is therefore important to ensure that other sites are available on a long term basis to cope with expanding employment, particularly in the Medina Valley but also in or adjacent to Ryde.

A particular issue may exist with regard to wharf access onto the Island. The continuing existence of a serviceable wharf is of strategic importance in terms of the Island's ability to handle bulk materials, both coming onto and also leaving the Island. This is likely to be particularly true when work begins on implementing the PFI contract. The issue is related to the need to ensure that the capacity of the ferry terminals and surrounding assets meets the needs for the growth of the Island economy.

APPENDIX I

Supplementary Data Tables

Figure A1: Out commuting occupation profile

Area of workplace	Total : All people	Large employers and higher managerial occupations	Higher professional occupations	Lower managerial and professional occupations	Intermediate occupations	Small employers and own account workers	Lower supervisory and technical occupations	Semi-routine occupations	Routine occupations	Full-time student
Total	54,138	1,494	2,579	12,757	5,780	7,664	6,185	9,577	6,524	1,578
Isle of Wight	50,468	1,193	2,113	11,439	5,287	7,546	5,846	9,276	6,264	1,504
Portsmouth	797	74	101	300	109	10	73	63	55	12
Southampton	563	21	82	226	88	14	42	45	32	13
Bournemouth	191	3	17	57	27	8	18	28	21	12
Poole	120	3	13	26	21	3	16	24	14	0
New Forest	116	3	12	29	9	6	25	11	18	3

Source: Census 2001

Figure A2: Out commuting sector profile

Area of workplace	All people - Total	Agriculture, hunting, forestry and fishing	Mining and quarrying, manufacturing, and electricity, gas and water supply	Construction	Wholesale and retail trade, repairs	Hotels and restaurants	Transport, storage and communications	Financial intermediation	Real estate, renting and business activities	Public administration and defence, social security	Education	Health and social work	Other
Total	54,025	1,295	7,041	4,082	9,114	5,282	3,091	1,018	4,732	3,272	4,387	7,299	3,412
Isle of Wight	50,469	1,280	6,558	3,882	8,775	5,183	2,592	755	4,218	2,872	4,113	7,019	3,222
Portsmouth	801	0	85	16	59	8	159	48	78	153	105	67	23
Southampton	553	3	71	23	60	5	90	69	81	27	42	44	38
Bournemouth	194	0	18	4	26	19	14	24	22	6	15	34	12
Poole	114	0	22	7	12	3	13	13	9	6	11	15	3

New Forest	115	0	25	20	7	3	22	4	11	6	7	7	3
-------------------	-----	---	----	----	---	---	----	---	----	---	---	---	---

Source: Census 2001

Figure A3: In Commuting occupation profile

Area of residence	All people - Total	Large employers and higher managerial occupations	Higher professional occupations	Lower managerial and professional occupations	Intermediate occupations	Small employers and own account workers	Lower supervisory and technical occupations	Semi-routine occupations	Routine occupations	Full-time student
Total	51,617	1,317	2,215	11,787	5,387	7,598	5,947	9,388	6,340	1,638
Isle of Wight	50,468	1,193	2,113	11,439	5,287	7,546	5,846	9,276	6,264	1,504
Bournemouth	148	7	6	38	20	8	14	32	14	9
Poole	111	0	4	28	11	6	18	24	13	7
Southampton	99	9	14	42	6	0	5	8	3	12
Portsmouth	77	5	13	24	3	12	3	3	0	14
New Forest	51	7	11	20	3	0	7	3	0	0

Source: Census 2001

Figure A4: In Commuting sector profile

Area of residence	Total	Agriculture, hunting, forestry and fishing	Mining and quarrying, manufacturing, and electricity, gas and water supply	Construction	Wholesale and retail trade, repairs	Hotels and restaurants	Transport, storage and communications	Financial intermediation	Real estate, renting and business activities	Public administration and defence, social security	Education	Health and social work	Other
Total	51,625	1,292	6,796	3,975	8,908	5,303	2,669	767	4,333	2,923	4,191	7,122	3,346
Isle of Wight	50,469	1,280	6,558	3,882	8,775	5,183	2,592	755	4,218	2,872	4,113	7,019	3,222
Bournemouth	143	3	23	7	23	12	5	3	17	3	19	22	6

Poole	112	3	16	3	19	9	6	0	12	9	10	8	17
Southampton	93	0	38	5	3	3	7	0	13	9	6	3	6
Portsmouth	78	0	10	3	4	4	5	0	13	7	8	12	12
New Forest	41	0	18	0	6	0	0	0	8	0	3	3	3

Source: Census 2001

Figure A5: Number of Workplaces by geography and Sector 2008.

	2008	Primary Industries and Utilities (SIC A,B,C,E)	Manufacturing (SIC D)	Construction (SIC F)	Distribution, hotels and restaurants (SIC G,H)	Transport and communications (SIC I)	Banking, finance and insurance, etc (SIC J,K)	Public administration, education & health (SIC L,M,N)	Other services (SIC O,P,Q)	Total
Bay		17	50	129	436	43	235	96	82	1,088
Cowes		3	65	46	153	47	184	51	63	612
Newport		6	30	64	312	28	238	116	78	872
(Medina)		15	165	192	641	99	607	263	188	2,170
Ryde		8	53	120	300	34	270	110	83	978
Freshwater and Totland		4	18	24	85	3	80	32	29	275
Ventnor		5	11	19	109	9	63	26	24	266
Rural Wight		22	40	83	188	32	171	40	65	641
Total		71	337	567	1759	220	1426	567	471	5,418

Source: ABI, Nomis *removed as potentially disclosive.

Figure A6: Change in number of workplaces 2003-2008 (Actual Numbers)

	Primary Industries and Utilities	Manufacturing (SIC D)	Construction (SIC F)	Distribution, hotels and restaurants (SIC G,H)	Transport and communications (SIC I)	Banking, finance and insurance, etc (SIC J,K)	Public administration, education & health (SIC L,M,N)	Other services (SIC O,P,Q)	Total
Bay	8	9	34	-13	-2	42	20	14	112
Cowes	-1	-2	16	-21	12	37	0	0	41
Newport	3	-7	6	-12	0	2	-7	3	-12
(Medina)	0	4	40	-21	12	98	22	1	156
Ryde	4	-4	32	5	4	55	15	3	114
Freshwater and Totland	0	2	-1	-6	-3	27	-1	0	18
Ventnor	-2	-2	8	12	-2	11	2	1	28
Rural Wight	2	-19	21	-30	0	19	0	-16	-23
Total	12	9	-41	189	-98	-18	298	48	399

Source: ABI, Nomis

Figure A7: Employees by Geography and Sector 2008.

	2008	Primary Industries and Utilities (SIC A,B,C,E)	Manufacturing (SIC D)	Construction (SIC F)	Distribution, hotels and restaurants (SIC G,H)	Transport and communications (SIC I)	Banking, finance and insurance, etc (SIC J,K)	Public administration, education & health (SIC L,M,N)	Other services (SIC O,P,Q)	Total
Bay		58	224	467	3,269	231	965	2,130	371	7,715
Cowes		6	1,456	99	971	324	597	1,052	508	5,013
Newport		16	485	246	3,349	469	1,274	2,894	437	9,170
(Medina)		75	3,893	717	5,890	1,212	3,068	10,230	1,541	26,626

Ryde	77	811	377	2,568	434	777	2,192	528	7,764
Freshwater and Totland	7	206	96	680	31	175	503	308	2,006
Ventnor	10	47	48	561	83	130	583	82	1,544
Rural Wight	193	236	260	1,750	300	356	898	536	4,529
total	420	5417	1965	14718	2291	5471	16536	3366	50,184

Source: ABI, Nomis

Figure A8: Change in employees by Geography and Sector 2003-2008.

	Primary Industries and Utilities (SIC A,B,C,E)	Manufacturing (SIC D)	Construction (SIC F)	Distribution, hotels and restaurants (SIC G,H)	Transport and communications (SIC I)	Banking, finance and insurance, etc (SIC J,K)	Public administration, education & health (SIC L,M,N)	Other services (SIC O,P,Q)	Total
Bay	-217	92	-222	55	-7	23	411	-39	96
Cowes	-2	242	-65	-195	175	-182	-216	22	-221
Newport (Medina)	-21	22	-263	-834	97	-399	146	-153	-1,405
Ryde	-26	968	-403	-621	447	-566	869	109	777
Freshwater and Totland	10	-8	-167	-374	59	-429	228	27	-654
Ventnor	-12	71	-79	-31	-4	-29	-49	14	-119
Rural Wight	-3	-29	-41	-8	17	-82	64	-16	-98
total	-18	-91	-126	167	208	-113	295	236	558
total	-266	1,003	-1,038	-812	720	-1,196	1,818	331	560

Source: ABI, Nomis

Figure A9: Location quotients by sector (compared to Island average)

	Bay	Freshwater & Totland	Medina	Cowes	Newport	Ryde	Ventnor	Rural
Agriculture	1.12	0.32	0.17	0.08	0.37	0.38	1.37	4.61
Manufacturing	0.27	0.96	1.34	2.67	0.48	0.96	0.28	0.56
Electricity, gas & water	0.86	0.00	0.72	0.00	0.00	3.16	0.00	0.11
Construction	1.55	1.22	0.69	0.50	0.68	1.25	0.80	1.16
Distribution	1.06	0.90	0.93	0.65	1.78	1.32	0.78	0.72
Hotels	1.98	1.52	0.52	0.68	0.51	0.87	1.88	1.67
Transport & communications	0.66	0.34	1.00	1.42	1.12	1.22	1.17	0.93
Financial services	0.83	0.62	1.15	1.12	2.36	1.38	0.38	0.20
Business services	1.19	0.82	1.05	1.09	1.14	0.86	0.82	0.70
Health	0.87	1.00	1.17	0.62	0.65	0.86	0.71	0.80
Education	0.93	0.74	0.94	0.87	1.01	1.13	2.23	0.73
Public admin & defence	0.57	0.13	1.57	0.28	1.73	0.34	0.44	1.99
Other personal services	0.71	2.29	0.86	1.51	0.71	1.02	0.79	1.53

Source: ABI, Nomis

- Communities
- Economies
- Skills
- Enterprise