

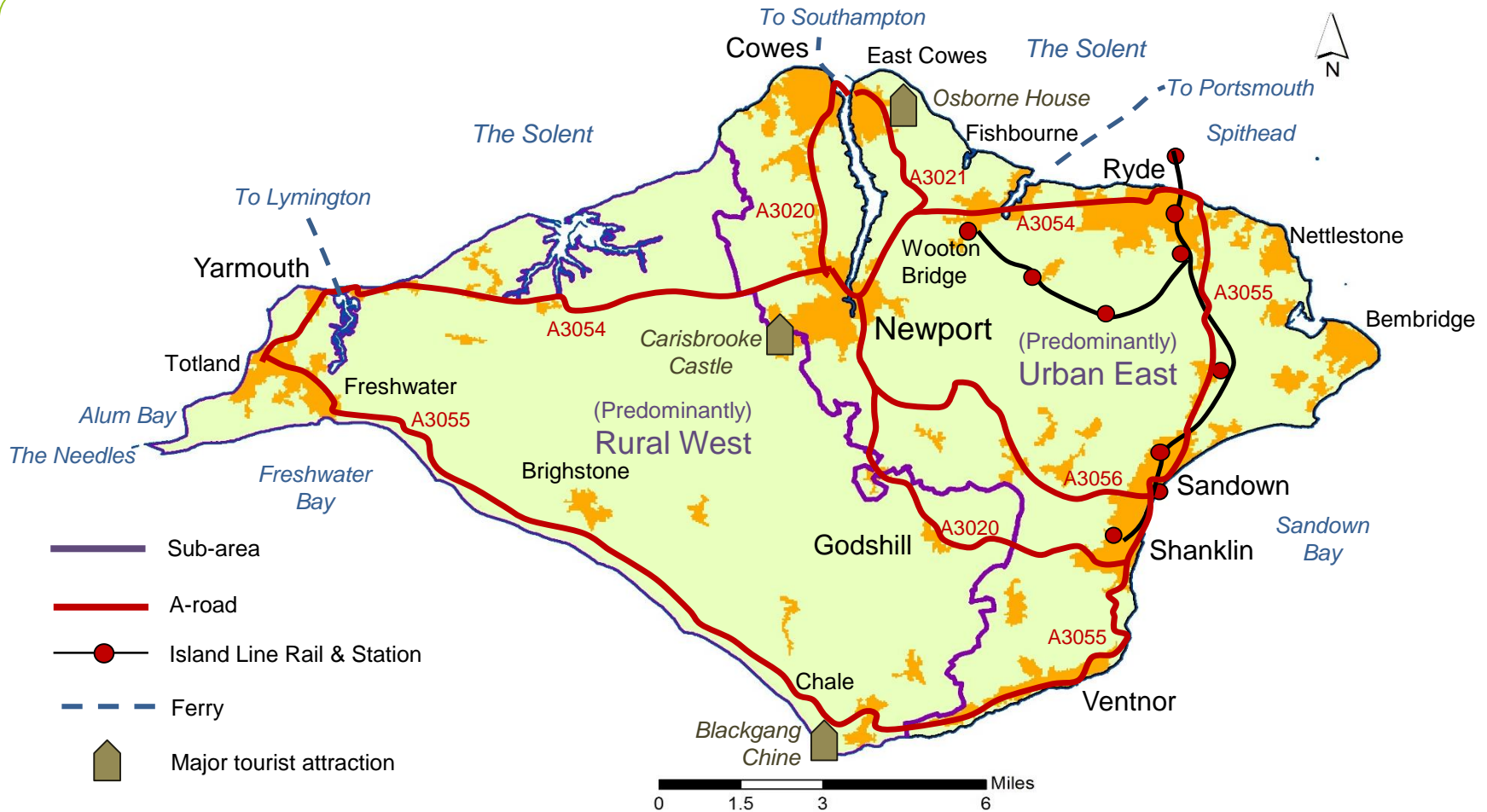
An Isle of opportunities

Invest in
Isle of Wight



Isle of Wight Economic Profile 2019

The Isle of Wight



Separated from the mainland of England by the Solent, the Isle of Wight is home to approximately 141,000 residents. The Island covers 147 square miles with most residents living in the predominantly urban east and home to the Island's main employment centres of Newport, Cowes, Ryde and the resort towns of Sandown and Shanklin. Cowes and Fishbourne connect the Island to the ports of Southampton and Portsmouth – with ferries operating as the primary mode of transport to the mainland. The predominantly rural west has smaller towns and villages nestled in stunning scenery, while Yarmouth is one

of the Island's gateways connecting the port to Lymington. The Island's attractive landscape and natural environment supports a large tourism industry that is valuable to the Island's economy. Cowes Week and the Isle of Wight Festival, amongst many events, give the Isle of Wight international recognition, while Osborne House, Carisbrooke Castle and Blackgang Chine are major tourist destinations. Quality of life on the Island is high making it a good place to live and an attractive place for businesses to invest.

The Labour Market

- **Geography matters for economic development and growth.** The distribution of economic activity on the Isle of Wight has been influenced by its geography, demographics, proximity to a large city and historical development associated with a handful of industrial sectors.
- **Historically low economic activity rates but the Island sees the fastest increase in activity among the comparator areas.** In 2019 some 77% of the Isle of Wight residents of working age are economically active, this is relatively low compared to its comparator areas (Portsmouth, Southampton, the Solent, LEP, Hampshire, the South East and the UK). Economic activity has increased by 1,600 additional people with much of the increase driven by rising activity among women. In relative terms the Isle of Wight has seen the fastest increase in activity among the comparator areas. The increase in economic activity rate was nearly four times the Solent average and 2.5 times the national average.
- **Strong growth in employment, especially among women.** Employment among the Island's residents increased by 4,800 since 2010 with most of the increase in employment accounted for by rising employment among women. Over the past two years employment growth in the predominantly Rural West was strong, but broadly flat in predominantly Urban East. The employment rate on the Island stands at 73.6%, slightly higher than in the two cities but below the national average and other comparator areas. However, between 2010 and 2019 the employment rate on the island increased faster than in its comparator areas.
- **The composition of employment matters for economic development and growth.** Employment is an important contributor to economic development and growth on the Isle of Wight. The number of people in employment and changes in employment levels over time matters but equally the composition of employment - full or part-time, employee or self-employed – remains highly important.
- **Concentration of self-employment and strong growth since 2010.** Close to one in five of all residents of working age are self-employed and this is much higher than in the Island's comparator areas. Self-employment in the Rural West is over 27% or almost double the national average. The Island has seen the sharpest increase in self-employment among comparator areas since 2010. The growth of tourism and care-related activities are factors that have contributed to the strong growth in self-employment on the Island.
- **Falling share of employees in the labour market.** Employees make up approximately 80% of all residents in employment, which is lower than the national average and below comparator areas. The number of employees has increased by 2,500 since 2010 but the Island has seen the sharpest decrease in the proportion of employees in its labour market among comparator areas. The decrease in the share has been in part driven by the strong growth in self-employment, fewer large businesses and falling number of employees in the public sector.

- **Significant proportion of people in employment work part-time but the Island has seen strong growth in full-time employment.** The Isle of Wight has a large seasonal labour force which implies that it has a relatively large proportion of people working part-time (30.5%). In the Rural West 40% of people in employment are part-timers. Since 2010, the Island has seen the sharpest decrease in part-time work and the sharpest increase in full-time work among comparator areas. The growth in full-time employment has boosted the number of hours worked which in turn has boosted the growth in economic output.
- **The Island has seen a sharp decrease in the headline measure of unemployment.** On the nearest official measure of unemployment there are 2,300 unemployed residents of working age on the Island, or 2,600 fewer than in 2010. The unemployment rate on the headline (survey based) measure stands at 3.7%, below the national average, Portsmouth and Southampton. Since 2010 the Island has seen the sharpest decrease in the unemployment rate among comparator areas.
- **Job density has increased but it remains comparably low.** Job density on the Island is still comparably low despite having increased to 0.77 jobs per resident of working age. In theory there are not enough jobs on the island. However, there is always some frictional unemployment in any economy and economic inactivity rates tend to be around 20% of the people of working age. Given its demographic outlook the Island will increasingly rely on economically inactive residents as an important source of labour for its economy.

Skills & Occupations

- **The Island has a large skills gap with comparator areas at the top of the skills distribution.** About 30% of residents of working age have a degree or higher qualification. The proportion of highly skilled residents on the Island has increased in line with the national average but the gap with other areas has widened.
- **Historically high concentration of intermediate skills is found on the Island.** As a result of its industrial structure the Island has a high concentration of residents with intermediate skills (about 23%), the highest among comparator areas and above average share of people with trade apprenticeships. The growth in the proportion of residents with intermediate skills on the Island has been twice as fast as the national average and fastest across comparator areas.
- **Concentration of people with low or no qualifications but the improvement on the Island has been faster than in comparator areas.** There is a high concentration of residents with low or no qualifications (about one in five residents of working age). This is mostly explained by the Island's demographic and occupational structure. The Isle of Wight has made significant progress in reducing the proportion of low skilled or residents with no formal skills. The improvement on the Island has been faster than in comparator areas. The proportion with no qualification has halved to 5.9% between 2010 and 2019.

- **Skills distribution is a factor that affects inward investment and sectoral distribution.** A relatively low proportion of people with a degree or higher qualification could be a barrier to inward investment and future growth of higher value services, such as information & communication and professional services on the Island.
- **Occupational structure is the mirror image of the Island's demographics and industrial structure.** Occupational structure unsurprisingly reflect the skills distribution of both residents of working age and the Island's industrial structure.
- **Growth in higher skilled occupations was sluggish compared to comparator areas but faster than the UK average.** The proportion of higher skilled occupations is low but there is a high concentration of medium-skilled occupations. The growth in highly skilled occupations was faster than the UK average but below other comparator areas. One in five residents are found in low skilled occupations and the Island has, alongside Southampton, seen growth in low skilled occupations since 2010.

The Isle of Wight's businesses

- **Large number of enterprises but medium and large businesses are underrepresented on the Island.** There are some 4,730 enterprises on the Island with 5,660 business units. Enterprise and business densities on the Island stand at 59 enterprises and 71 businesses respectively, above the cities and Solent average but below Hampshire, South East and the national average. A relatively large number of businesses alongside low job density suggests that most businesses are micro. Medium and large businesses are underrepresented with small businesses being overrepresented on the Island.
- **Sluggish business growth but the Island sees growth in high productivity services.** The Island had just 70 additional businesses in 2018 compared to 2010, and in relative terms business growth was the slowest among comparator areas. Faster growth has been held back by the sluggish growth in several large sectors. More importantly, the composition of the Island's business base is changing with the rise of higher value (higher productivity) services.
- **The Island sees growth in the number of SMEs but there are fewer large businesses.** The number of large businesses has decreased, business growth among micro businesses was sluggish but growth among small and medium sized businesses was better.
- **Relatively low business formation rates are a barrier to faster business and economic growth on the Island.** Business formation (business birth) rate on the Island is comparatively low, just 5.9 enterprises per 1,000 population but the three and five-year survival rates are relatively high. Therefore, the low start-up rates and relatively high business failures in the first year are the factors that tend to contribute to sluggish business growth on the Island.

- **Business in high-productivity service sectors are underrepresented on the Island.** Wholesale & retail is the largest business sector on the Island followed by accommodation & food and construction. Professional, scientific & technical accounts for about one in 10 businesses but these tend to be small and micro businesses. A number of high productivity services are underrepresented on the Island. The ICT sector represents just 4% of all businesses but it has seen relatively strong growth since 2010; over 40% or 65 additional businesses. Professional, scientific & technical was another high productivity sector that increased by about 14% or 70 additional businesses. Faster business growth was primarily held back by the falling number of businesses in wholesale & retail, construction, business administration and transport & storage.
- **There is a large employment base but concentrated in a number of 'traditional' sectors.** In 2017 there were an estimated 50,000 employees on the Island. Employment is concentrated around health & social work, wholesale & retail, tourism related services and education. In relative terms the concentration of employment in accommodation & food is 1.9 times the national average, arts, entertainment & recreation and primary (mostly agriculture) & utilities is around 1.5 times the national average with health & social work at 1.36 times the national average. At the other end, finance & insurance and professional, scientific & technical stand at about a third of the national average with employment concentration in ICT and business administration at between 0.42% and 0.55% of the national average.
- **The Island sees little change in employee numbers, but sectoral composition of employment has improved.** The official data suggests there was little change in the number of employees working on the Island since 2010, but the composition of employment has changed. Employment increased in business administration, ICT, other services, accommodation & food and real estate. Despite the strong growth in the number of businesses in professional services the number of employees in this sector decreased, probably as a result of the decline in the number of large businesses. In several sectors employee growth was flat. The number of employees in public administration, education and manufacturing decreased since 2010.
- **High concentrated marine & maritime sector sees strong growth in employment since 2010.** Marine & maritime business are about 3.8 times as concentrated on the Island as in the UK. Employment is also about 3 times as concentrated as in the UK. Business growth in this sector was broadly flat since 2010 but employment growth was robust, after Southampton the fastest among comparator areas.
- **Tourism & visitor economy is another sector of strategic importance to the Isle of Wight economy.** Tourism & visitor economy is another important economic sector that is overrepresented relative to the national average (close to double the national average). Business and employment growth were the slowest among comparator areas, but employment growth was still relatively strong at 1.9% p.a.

- **Relatively strong performance is observed in the Island's land-based sector.** The land-based sector is characterised by a relatively high employment concentration. Business growth was comparable to the national average and employment growth was relatively strong since 2010.
- **Business growth in the broad knowledge-intensive sector was sluggish but employment growth was one of the fastest among comparator areas.** Knowledge intensive sectors are underrepresented on the Island in terms of both businesses and employment. Business growth was the slowest among comparator areas but at 2.2% p.a. growth was much faster than business growth in the overall business population. Employment growth averaged 1.9%, faster than in Southampton, Solent LEP, Hampshire or the South East economy.

The Isle of Wight Economy

- **A medium-sized economy that accounts for about 10% of the total GVA in Solent.** The Isle of Wight generated some £2.8bn of economic activity (GVA) in 2017, and this amounts to almost one in every 10 pounds of the total GVA of the Solent economy. On this measure the Island has a medium-sized economy in Solent and the wider Hampshire area. Health & social work and manufacturing are the largest industrial sectors followed by construction and accommodation and food. Higher value services are underrepresented in terms of their contribution to GVA.
- **Economic growth on the Island was on average faster than in most comparable areas over the long-term.** The Isle of Wight economy was almost 2.1 times larger in 2017 than in 1998. Adjusted for inflation the economy was 1.43 times larger than in 1998. Growth in real inflation adjusted GVA averaged 2.7% p.a. between 1998 and 2008, comparable to Hampshire and faster than the South East average, Solent or the two cities.
- **Growth has slowed down, but the Island performs relatively well.** Economic growth since the recession has slowed to 1.7% p.a. but the growth rate on the Island was still on average faster than in Solent and the two cities.
- **Relatively strong growth in the economy was driven by the strong growth in manufacturing and several high productivity services.** Within manufacturing growth was robust in machinery & transport and manufacture of electronic, optical and electrical products. GVA growth in professional, scientific & technical services was robust and on average faster than before the recession.
- **ICT was a strong performing sector.** Real growth in ICT was slower than before the recession but nevertheless about three times as fast as the growth in the economy as a whole. Growth in tourism related activities was also robust over this period. Economic activity on the Island has continued to shift from public admin & education, wholesale and transport activities to higher value manufacturing and higher value services.

- **Productivity growth makes a strong contribution to economic growth on the Island.** Productivity growth is the main driver of competitiveness, economic growth and economic prosperity over the long term. The strong growth in labour productivity was the main factor that has contributed to relatively strong growth in economic output.
- **Relative productivity performance of the Island's economy has weakened since the recession.** Between 2004 and 2010 the Island saw the sharpest increase in the headline measure of labour productivity among comparator areas. Since 2010 the Island's productivity performance was somewhat disappointing but the Isle of Wight still performed better than most comparator areas. It looks as if productivity growth on the Island has stalled over the past two years.
- **The Island has closed its gap in labour productivity with the national average.** Thanks to its relatively strong productivity growth the Island has closed its productivity gap with the national average. In 2016 the Isle of Wight was more productive on the headline measure of labour productivity than the two cities.
- **The Island has a large wage gap with the national average.** Productivity growth is essential for raising wages and spending on the Island. Median salary of the Isle of Wight residents working full-time was £25,500 in 2018 or 13.9% below the national average.
- **The wage gap has narrowed with the two cities and the South East average.** The Island has a large wage gap with comparator areas, but the wage gap has narrowed with Portsmouth, Southampton and the South East average. The persistently large gap in average earnings with the national average is a feature of the Island's industrial structure, the composition of its labour market and its skills distribution.
- **Economic prosperity on the Island has improved and the gap with the national average has narrowed over the long-term.** GVA per head on the Island stood at £27,100 in 2017 or about 26.5% below the national average. The Island's GVA per head gap with the benchmark areas has narrowed over the past two decades thanks to the strong growth in both GVA and labour market participation and its demographic trends.
- **Household incomes are higher than in the two cities, but the Island has seen sluggish growth in household incomes since the recession.** GVA per head is an imperfect measure of economic prosperity at local level. Gross Disposable Household Incomes (GDHI) is arguably a better measure. On this measure the Island has a 13% gap with the national average but GDHI on the Island is higher than in the two cities. The growth in household incomes before the recession was comparable to the UK average and faster than in the comparator areas. However, since the recession the growth on the Island was the slowest among comparator areas.

- **Economic growth on the Island appears to be on a more economically sustainable path.** The latest data suggests that over the long-term economic growth on the Isle of Wight appears to be more sustainable. The labour market participation rates and employment rates have increased, economic structure has shifted towards higher value private services, there has been a strong growth in both productivity and economic prosperity. In a number of areas the growth appears to be more inclusive.

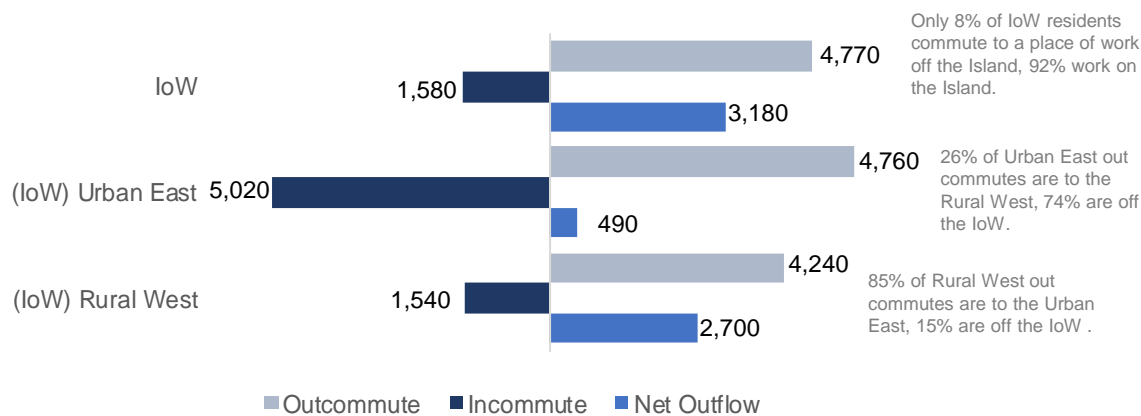
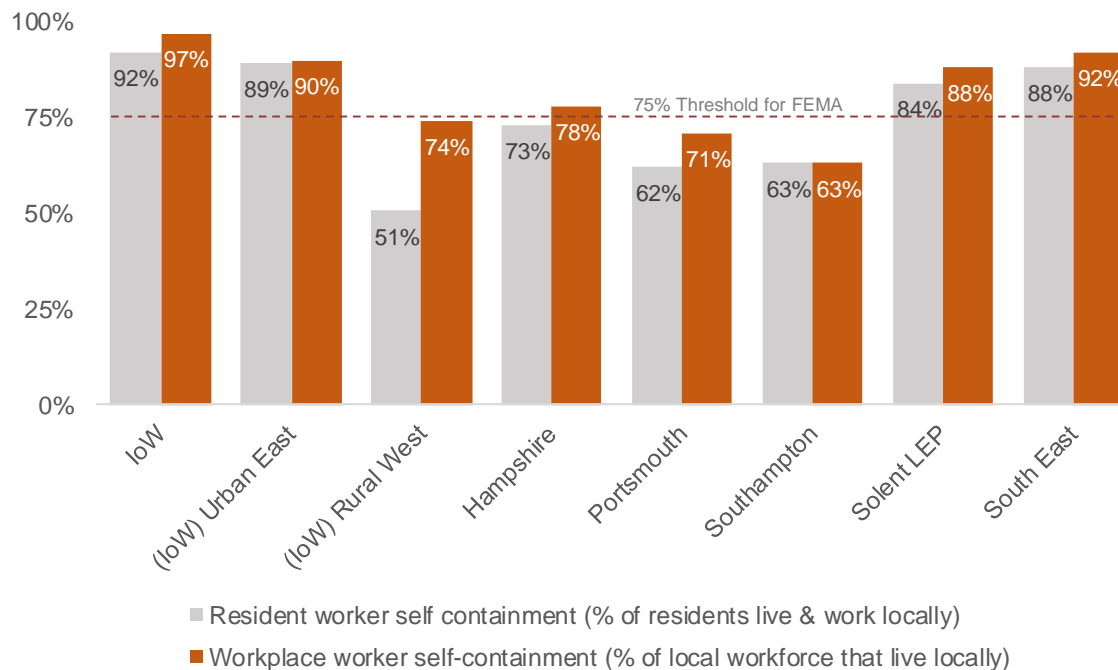
Inclusive and Sustainable Growth

- **The Isle of Wight has above average rates of economic inactivity, but the Island has seen a significant decrease in inactivity since 2010.** There are an estimated 17,600 (22.9%) economically inactive Isle of Wight residents, a decrease of 5,700 since 2010. The Island has a relatively large number of out-of-work claimants, although lower than 2013, mostly due to improving employment.

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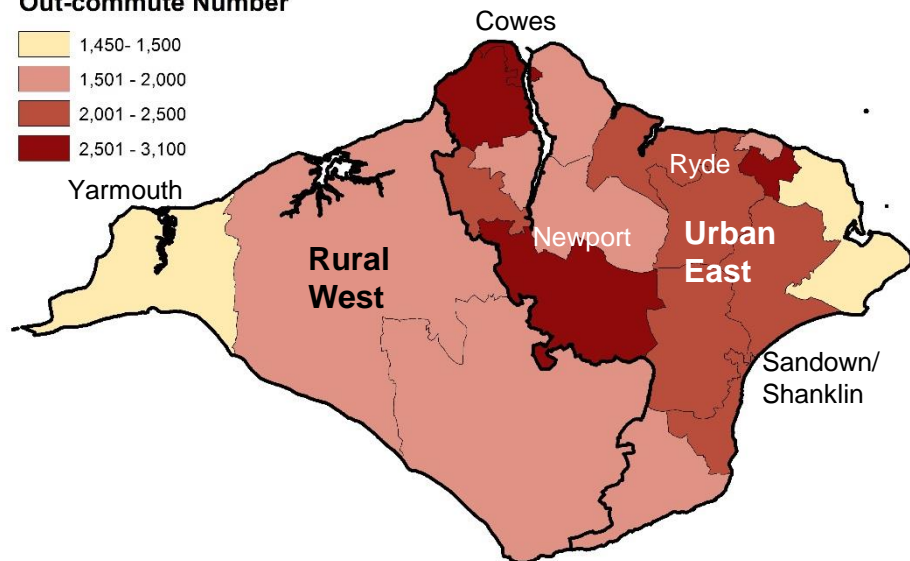
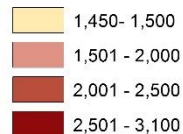
Commuting patterns: a highly self-contained labour market, especially in the predominantly Urban East



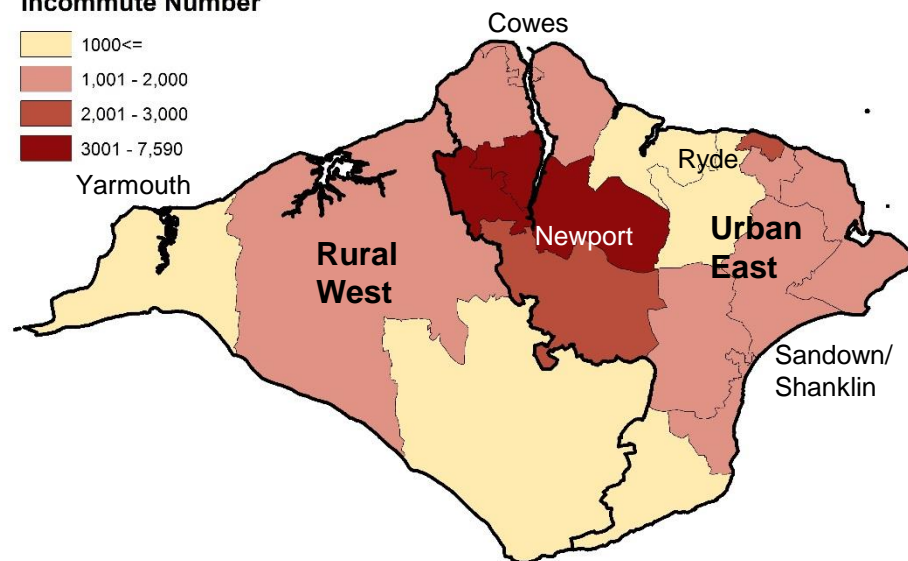
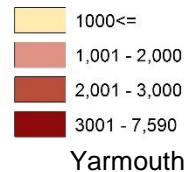
- As an island economy without direct access to the mainland by means of bridge or tunnel the Isle of Wight has high levels of resident and workplace self-containment (the two being almost mutually exclusive).
- Although characterised by a highly localised workforce the Isle of Wight also had a relatively low job density (0.72 jobs per resident aged 16-64) in 2011 that may also explain the out flow of over 4,700 residents against a more modest in flow of almost 1,600 residents. Job density has since increased to 0.77 in 2017 but this still means there are theoretically not enough jobs for all working age residents on the Isle of Wight (see p8).
- The Urban East also has high self-containment, whereas the Rural West has comparatively low resident self-containment due to high out-commuter flows to the predominantly Urban East, where most employment opportunities are located. This is evident in the Maps (page 4) and the workplace population concentrations around Newport. The county town is also the only employment centre to see significant net in-flows of workers.
- With frequent ferry routes to the two cities the most popular work destinations on the mainland were Portsmouth and Southampton, followed mostly by destinations to one of the other Solent LEP local authorities.
- Research suggests that 5.5% of Isle of Wight residents in employment rely on ferries for daily commuting to the mainland¹. The research also found crossings by coaches as well as commercial vehicles was down with fewer working age residents travelling from the Island to work. Other studies highlight the constraints the labour market and trade flows caused by the Isle of Wight's physical separation from the mainland².

Commuting patterns: workplace population concentrated in Urban East and Newport in particular

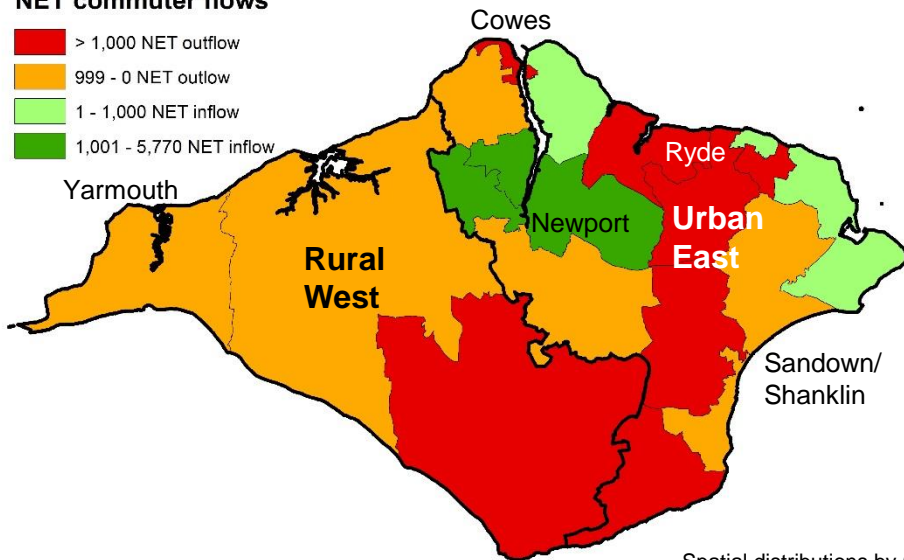
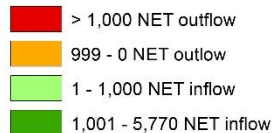
Out-commute Number



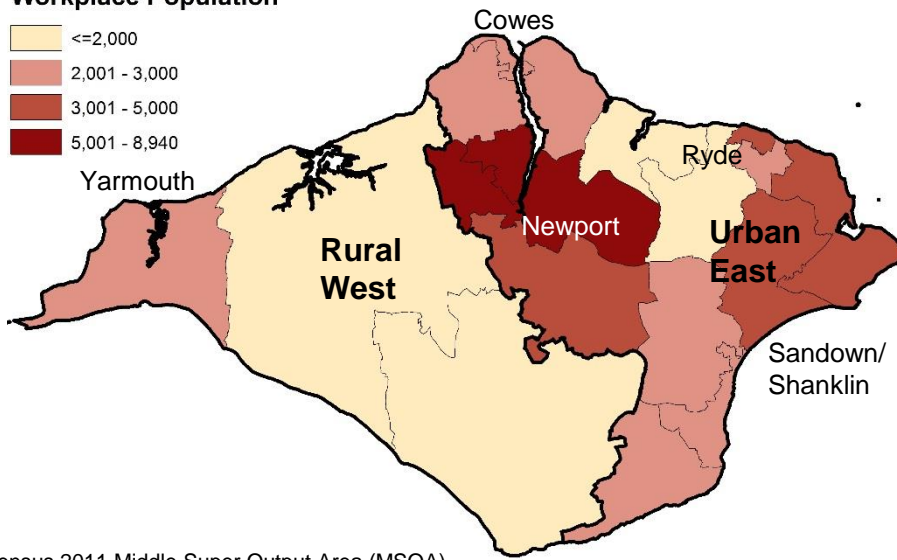
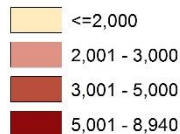
Incommute Number



NET commuter flows



Workplace Population

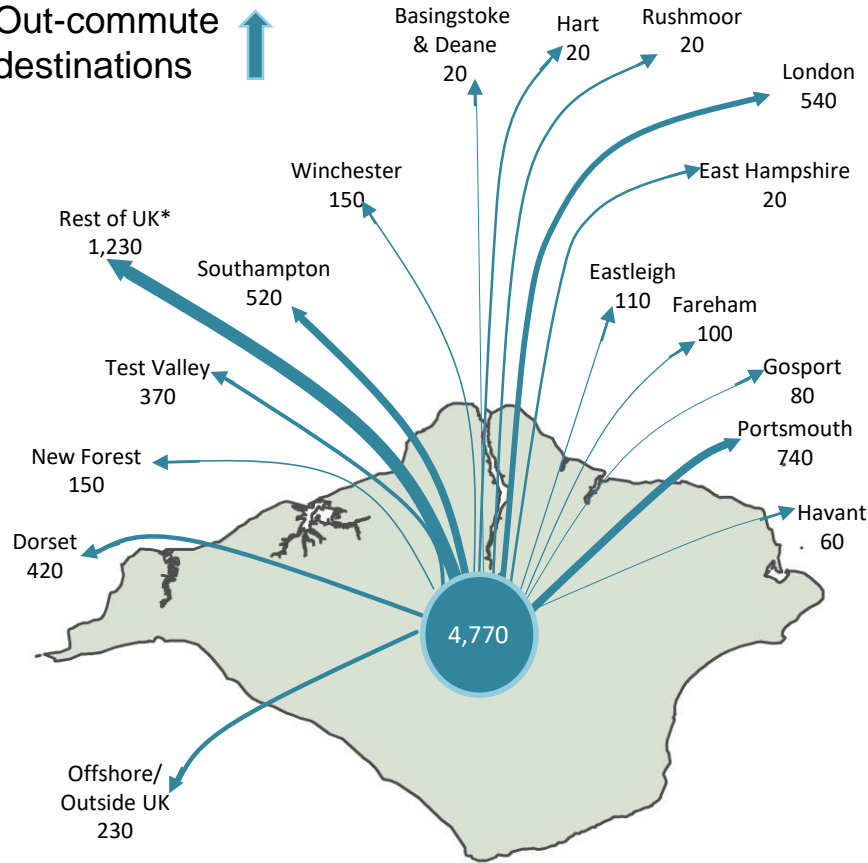


Spatial distributions by Census 2011 Middle Super Output Area (MSOA)

Source: ONS Census 2011. *Excludes flows between the Isle of Wight and Wales due to postcode coding errors with Newport (Wales) and Newport (IoW). Note some other destinations and origins close to Wales are included e.g. Gloucestershire, and commuter flows to and from the Rest of the UK are indicative.

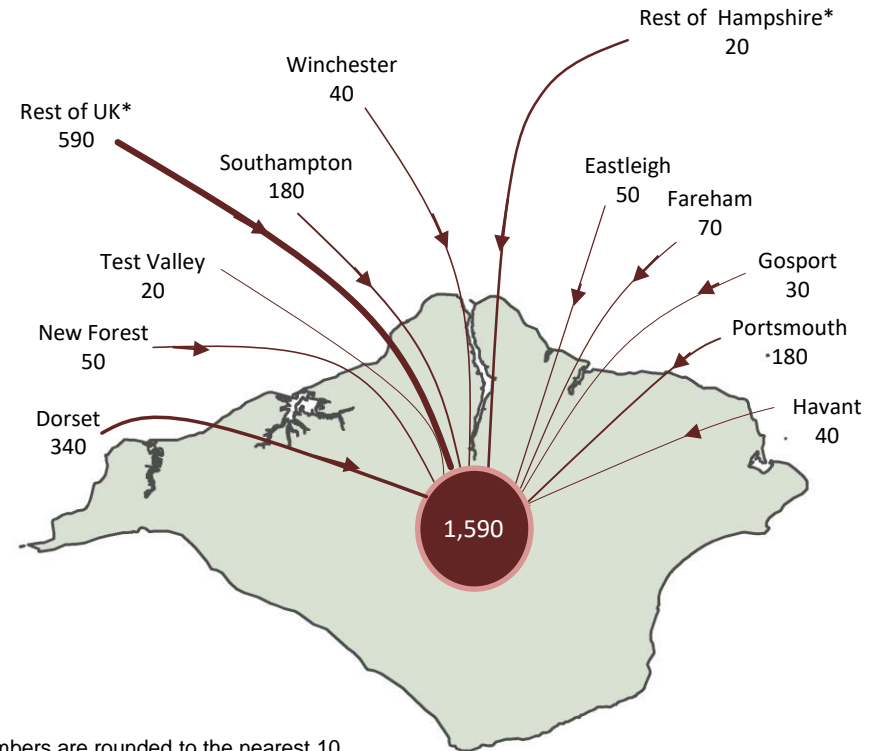
Commuting patterns: most off-island commuter flows are with Hampshire and two cities

Out-commute destinations



Numbers are rounded to the nearest 10.

In-commute origins



Numbers are rounded to the nearest 10.

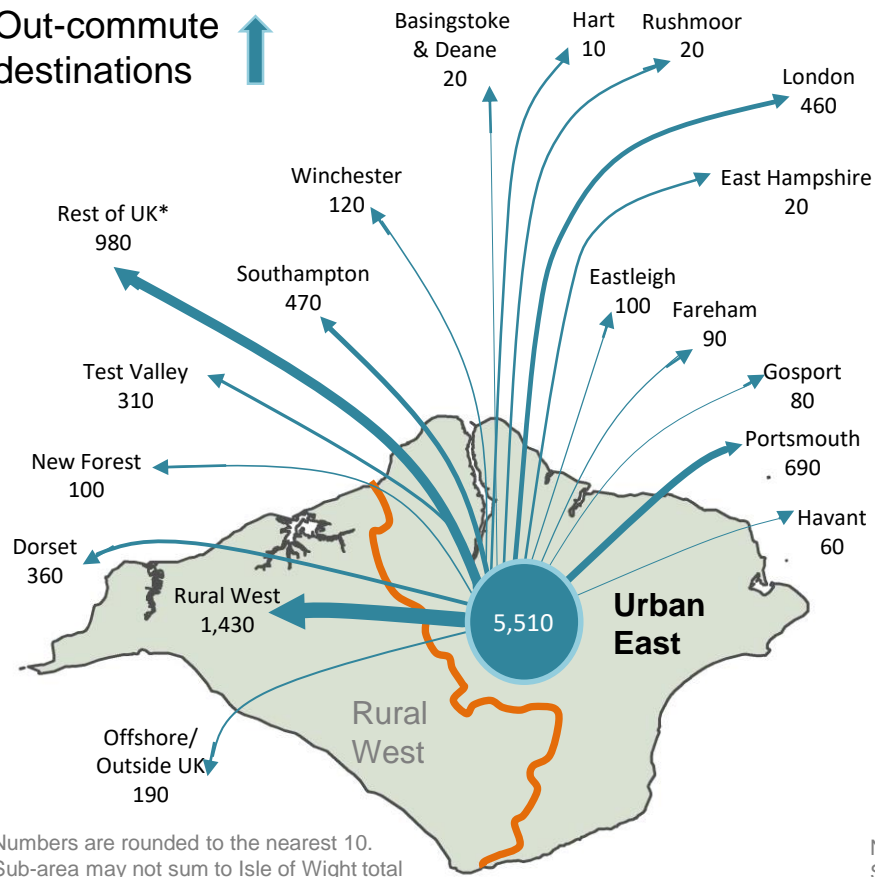
As Portsmouth and Southampton are terminus for ferry borne car and passenger traffic off the Island, they are also the two primary destinations for off-Island commuting. Approaching 1,300 residents commuted to a place of work in the two cities. When combined, the south Hampshire districts account for just over 1,000 commuters. Over 500 residents commuted to London, half to either Westminster or to the City, and a further 400 to Dorset. The data suggests a further 1,230 to the rest of the UK although there doubts on destinations closer to Wales due to known coding issues with Newport (Wales) and Newport (Isle of Wight).

Commuter flows are one-sided with relatively few in-commuter flows from the mainland. Nonetheless the two cities are a primary source of workers from the mainland commuting to a destination on the Island. Similar numbers (circa 300) in-commute from south Hampshire districts and from Dorset. The data suggest a further 500 from the rest of the UK although there doubts on origins closer to Wales due to known coding issues with Newport (Wales) and Newport (Isle of Wight).

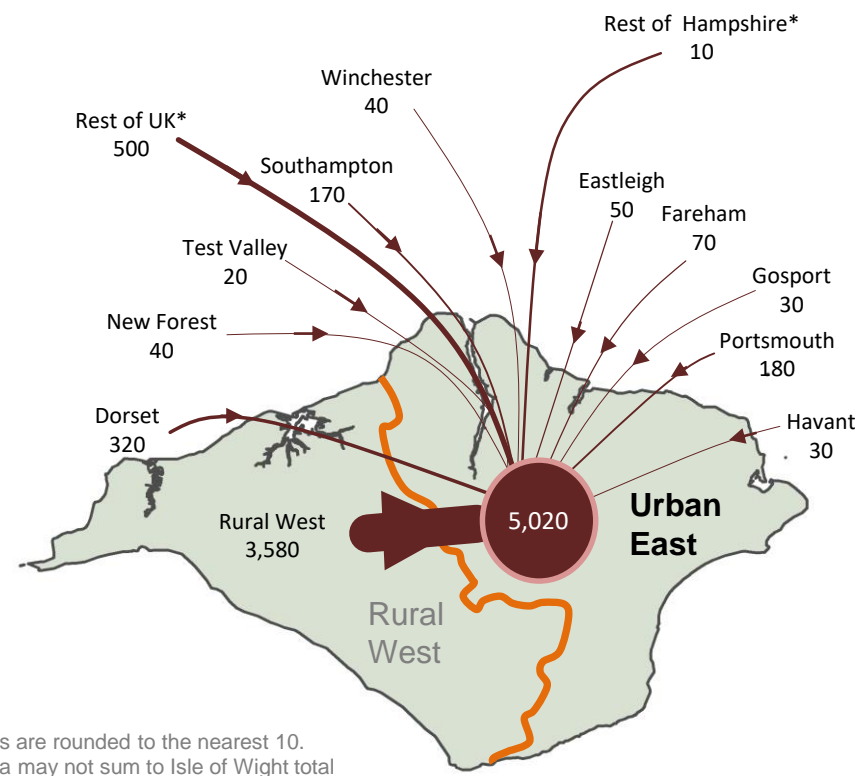
Source: ONS Census 2011. *Excludes flows between the Isle of Wight and Wales due to postcode coding errors with Newport (Wales) and Newport (IoW). Note some other destinations and origins close to Wales are included e.g. Gloucestershire, and commuter flows to and from the Rest of the UK are indicative.

Commuting patterns: heaviest commuter flows for Urban East is with the Rural West, followed by Solent locations

Out-commute destinations



In-commute origins



The urban east accounts for approximately 86% of all off Island commuting the distribution of destinations is similar to the overall out-commuter flow. Therefore the two cities, south Hampshire, London and Dorset are the primary destinations.


However, the largest destination is to the rural west with 1,430 residents commuting to a place of work that reflects more job opportunities and most likely cheaper commutes.

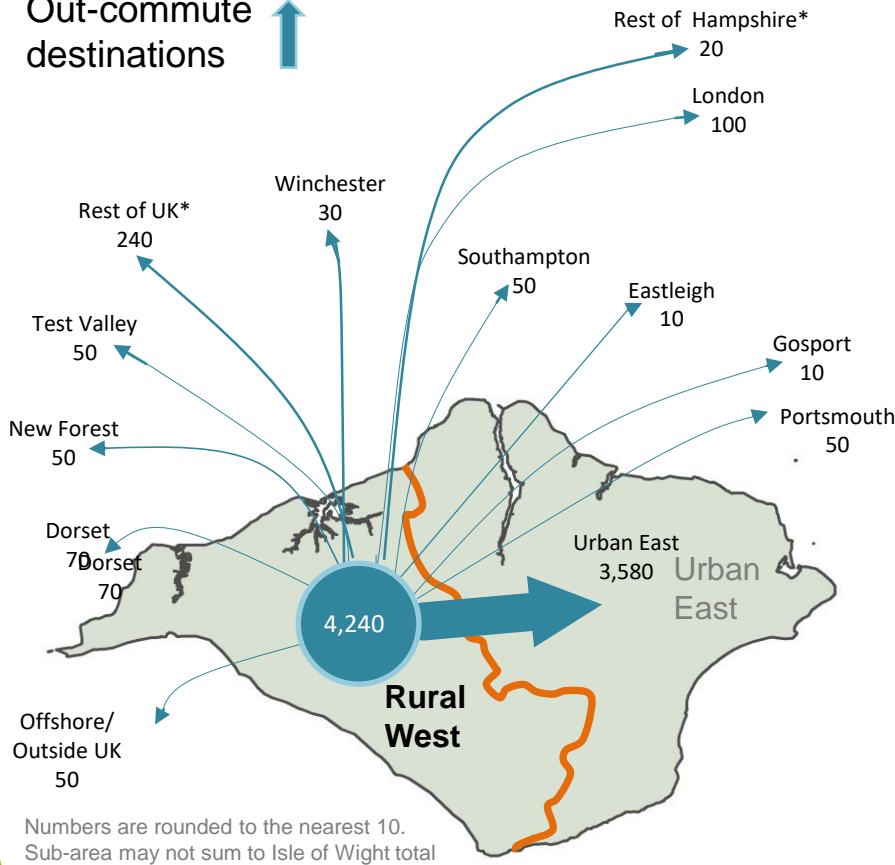
As with the Island total, commuter flows are one-sided with relatively few flows from the mainland and from destinations i.e. from south Hampshire districts and from Dorset. The urban east accounts for approximately 93% of all mainland commuting to the Island.


However, the largest origin of in-commuters is from the rural west with over 3,500 residents commuting to a place of work that reflects more job opportunities and most likely cheaper commutes. This large influx from the rural west will impact road infrastructure and peak time congestions

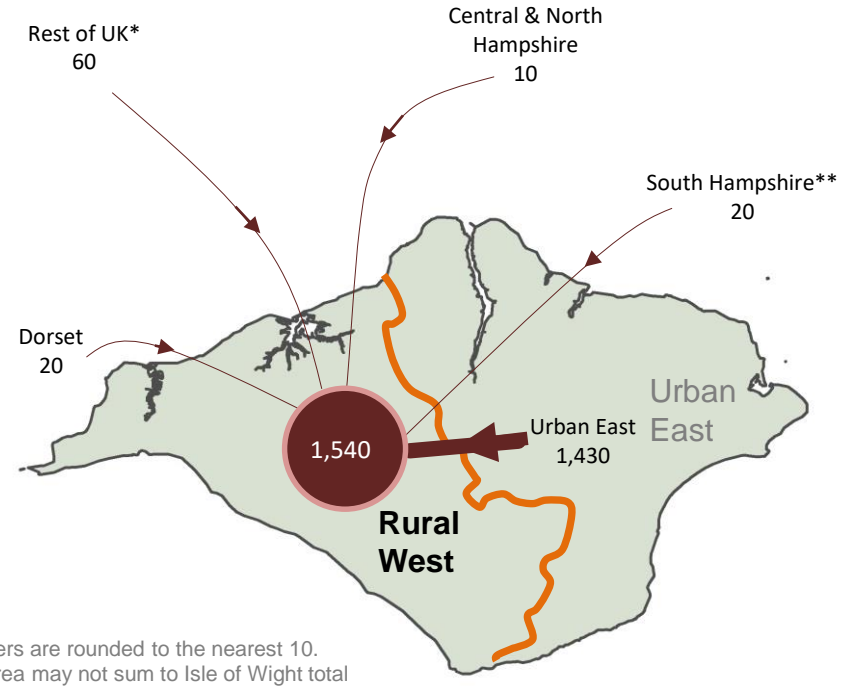
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Commuting patterns: Rural West commuter flows mostly with the Urban East

Out-commute destinations 



In-commute origins 



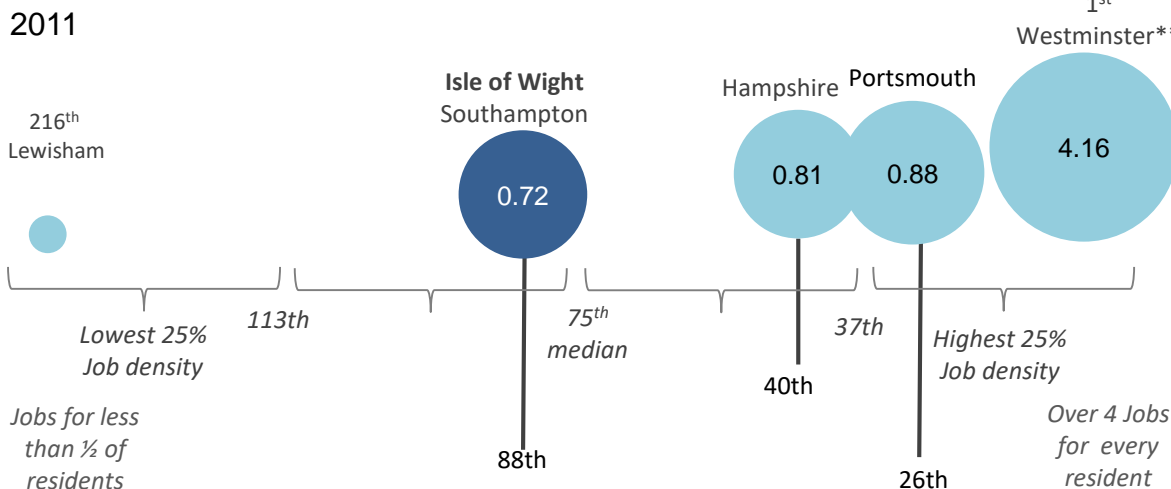
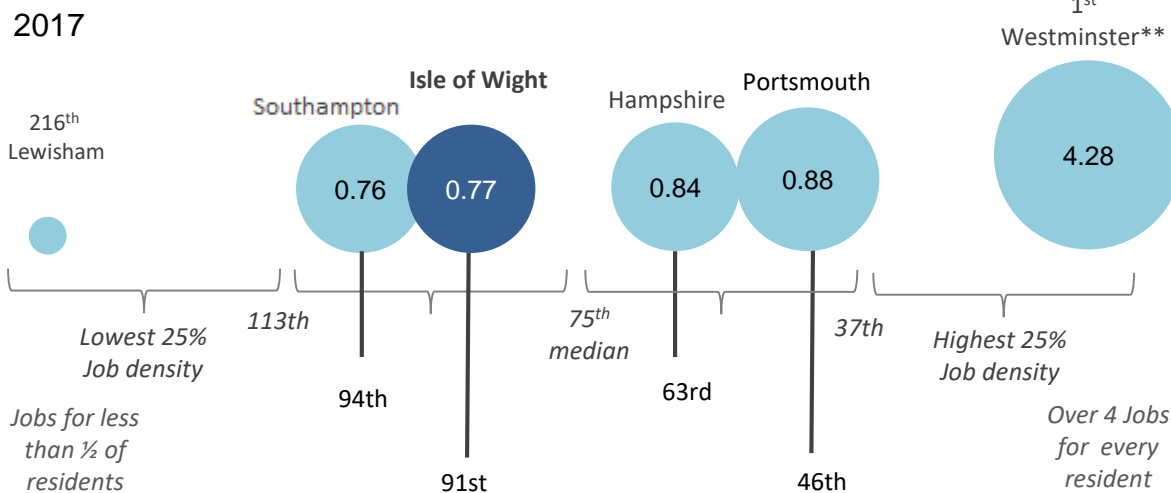
With fewer major employment centres the predominantly rural west has a net out-flow of commuters in all areas (page 4), mostly to the urban east. Approximately 85% of all out-commutes from the rural west are to the urban east.

Off Island the primary destination for Isle of Wight workers was London (100). This data is likely to represent higher earners that can afford the commute.

With few major employment centres there is little commuting from the mainland to the rural west. Approximately 93% of all in-commuting to the rural west comes from the urban east.

With no rail connections the disparity in flows is likely to see heavy west-to-east road traffic flows along the A3054 and A3055 in the morning and vice versa in the evening, or along the smaller B-roads (e.g. B3323, B3399, B3401)

Job Density Ranks (English Upper Tier Authorities)



- Job Density of an area is the number of jobs per head, of the resident population aged 16 to 64. A value of 1.00 mean there is technically a job for every working age resident. Job Density is often used as a historic indicator of labour demand.
- In 2016, Portsmouth had a job density of 0.86, or there was a job for 86 out of every 100 residents.

• Job density on the Island is still comparably low despite having increased to 0.77 jobs per resident of working age. In theory there are not enough jobs on the Island for the population. However, there is always some frictional unemployment in any economy and economic inactivity rates tend to be around 20% of the people of working age. Given its demographic outlook the Island will increasingly rely on economically inactive residents as an important source of labour for its economy.

• The Isle of Wight has moved ahead of Southampton in job density and rank position since 2011. The Isle of Wight has improved from 0.72 to 0.77 an increase of 0.05. This is above Southampton (0.4), Hampshire (0.3) and Portsmouth (0.0).

• However, the Isle of Wight, and indeed all other upper tier Hampshire authorities, have slipped down the rankings which means other upper tier authorities improved by larger margins.

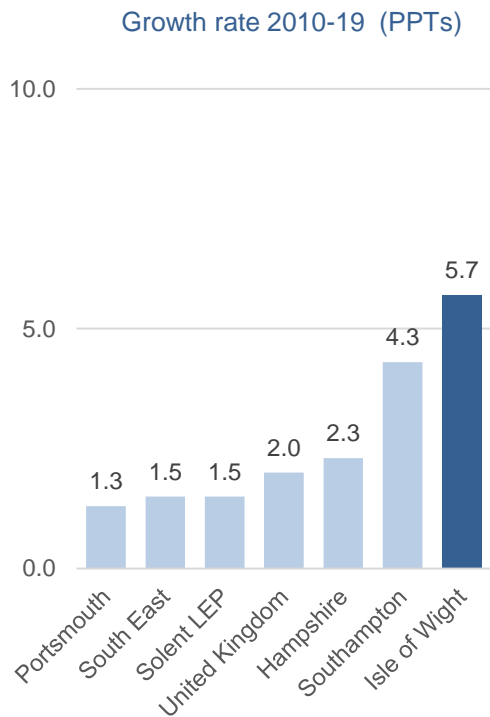
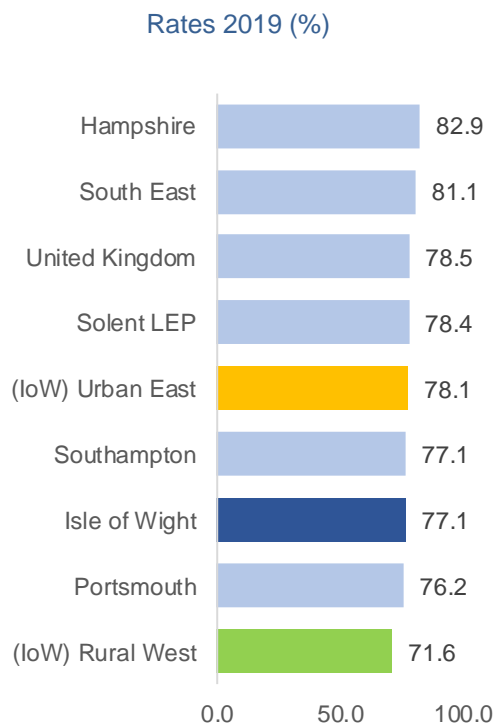
• Unsurprisingly, Westminster and the City of London have the highest job density, but these two authorities are outliers skewed by significant in-flows of labour and relatively low resident populations. For opposite reasons, the London Borough of Lewisham (largely residential) has the smallest job density

Economic Activity: comparatively low economic activity, but robust post-recession growth

Economic Activity Levels

	Economic Activity 2019	Change 2010-2019	Change 2017-2019*
Isle of Wight	59,000	+1,600	+300
Predominantly Urban East	50,200	n.a.	-1,000
Predominantly Rural West	8,900	n.a.	+1,400

Economic Activity Rates



- At 77.1% of people of working age economic activity among the Isle of Wight residents is comparatively low against benchmark areas.
- The Island's demographics, self-containment of the labour market and physical dislocation of the Isle of Wight act 'as barriers' to higher labour market participation among its residents. This factor also affects migration of skilled labour to the Island.¹
- Nonetheless, the number of economically active residents on the Island has improved since 2010 and also in relative terms against the benchmark areas.
- The Island had 59,000 economically active residents in 2019, an increase of 1,600 since 2010 - an increase that was driven by rising activity rates among women. The proportion of economically active residents increased by 5.7% percentage points, nearly four times the rate of growth across the Solent LEP and 2.5 times the national growth rate.
- The gap in economic activity between males and females has narrowed since 2010 as more females have entered the labour market. There were 4,000 more economically active males than females in 2010 but this has narrowed to only 1,800 more males in 2019. The predominantly Urban East, has a higher economic activity rate compared to the predominantly Rural West.
- Further increasing economic activity rates on the Island will become more pressing in the future to support economic growth and perhaps reduce demand for local services.
- The Isle of Wight has one of the highest over 65 populations in the UK and much of new demand for local services will come from aging population. The Isle of Wight's elderly population is projected to grow faster than the working age population².

Source: ONS (2019) ~ sub-area. 'n.a.' not available in 2010.*Annual changes more volatile so should be read with caution., Due to rounding sub-areas will not necessarily sum to the IoW total.

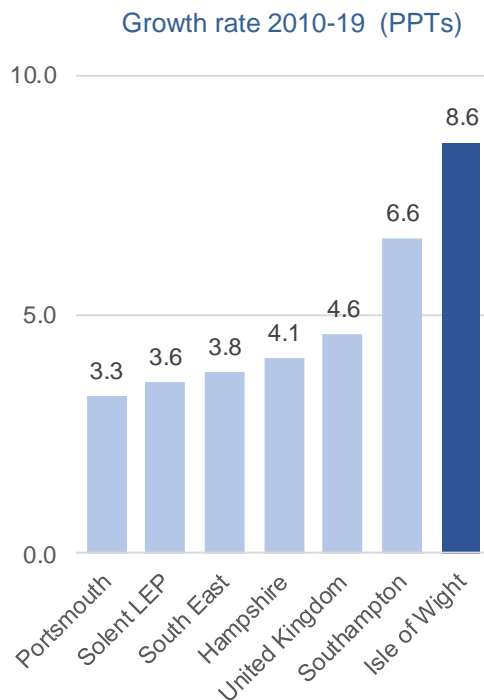
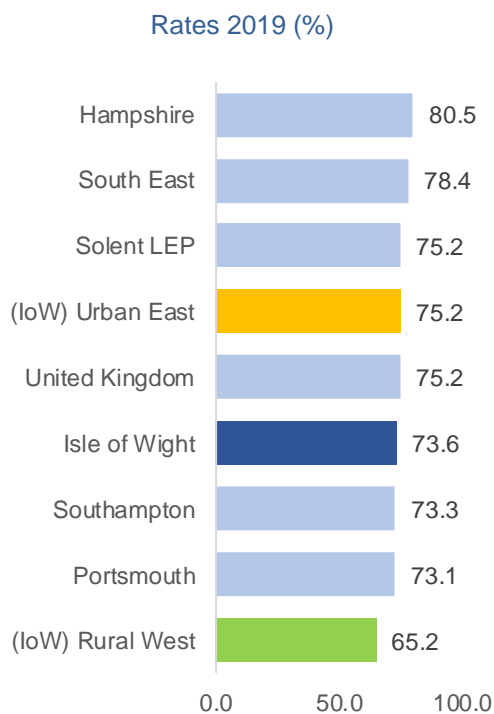
² IoW Council Joint Strategic Needs Assessment (2019) ¹. University of Portsmouth. Impact of physical separation from the UK mainland on Isle of Wight public service delivery. 2016.

Resident Employment: comparatively low employment rates but strong growth since 2010, particularly among females

Employment Levels

	Employment 2019	Change 2010-2019	Change 2017-2019*
Isle of Wight	56,400	+4,800	+1,100
Predominantly Urban East	48,300	n.a.	No change
Predominantly Rural West	8,100	n.a.	+1,100

Employment Rates

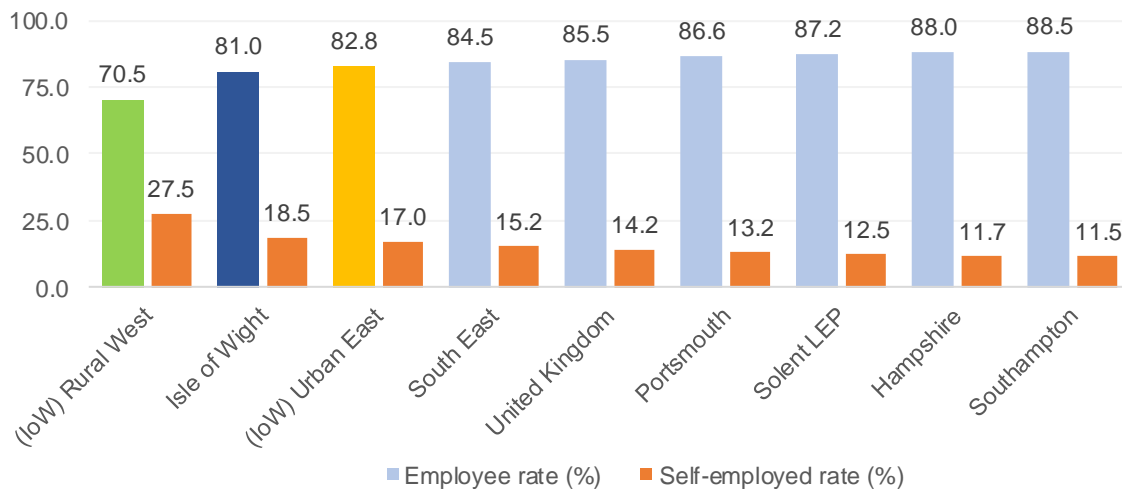


- In its simplest form, economic growth is driven by two factors; how many people are in work and how productive these people are. Over the short to medium term employment growth is a major driver of economic growth.
- In 2019 the Isle of Wight had 56,400 working age residents (16-64yrs) in employment, an increase of 4,800 since 2010. The strong growth in both employment and productivity explains relatively strong growth in economic output (Gross Value Added, GVA) and economic prosperity as measured by GVA per head (see Section 4).
- Employment growth has been stronger for females with 3,100 additional females in employment since 2010 compared to 1,700 males. One of the primary reasons for this, at least more recently, are changes to the State Pension Age (SPA) that has seen fewer women retiring between the ages of 60 and 65 years, more women in younger age groups participating in the labour market and rising job demand for care and related activities.
- At the local level, the latest data points to a relatively strong growth in predominantly Rural West (+1,100 people in employment) since 2017 but flat growth in predominantly Urban West.
- At 73.6% the employment rate on the Island remains below the Solent LEP, Hampshire, South East and the UK averages but above the rates found in the two cities.
- However, in 2019 the employment rate on the Island was some 8.6 percentage points higher than in 2010. On this measure of economic performance the Island has out-paced all benchmark areas.
- Key to improving local employment opportunities will be investment in regeneration and quality office space on the Island, although the Island's geography does present additional challenges for inward investment compared to Solent.

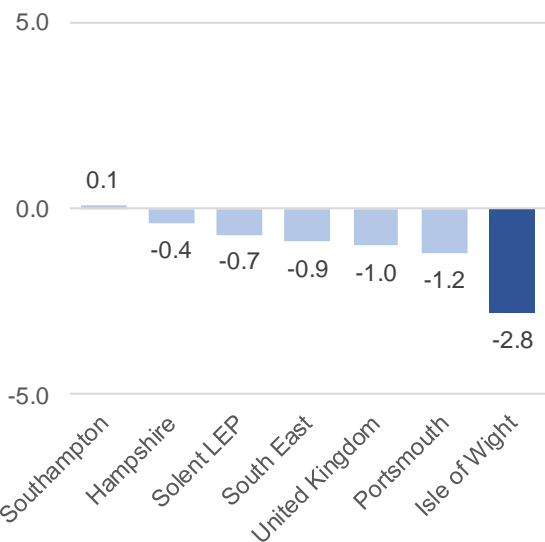
Source: ONS (2019).* sub-area APS 'n.a.' not available in 2010. *Annual changes more volatile so should be read with caution, especially sub-areas. Due to rounding, the sub-areas will not necessarily sum to the loW total.

Resident Employment: strong growth in self-employment but proportionately fewer employees

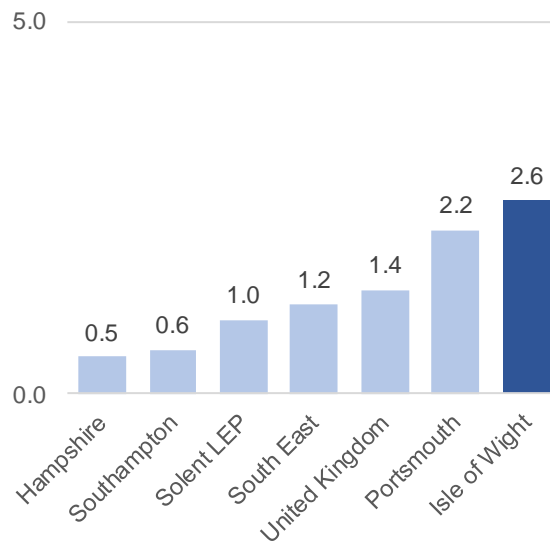
16-64 yrs Employees/Self-employed % share
2019 (ranked by highest employees)



16-64 yrs employees level growth (%)
(ranked by 2010-19 growth rates)



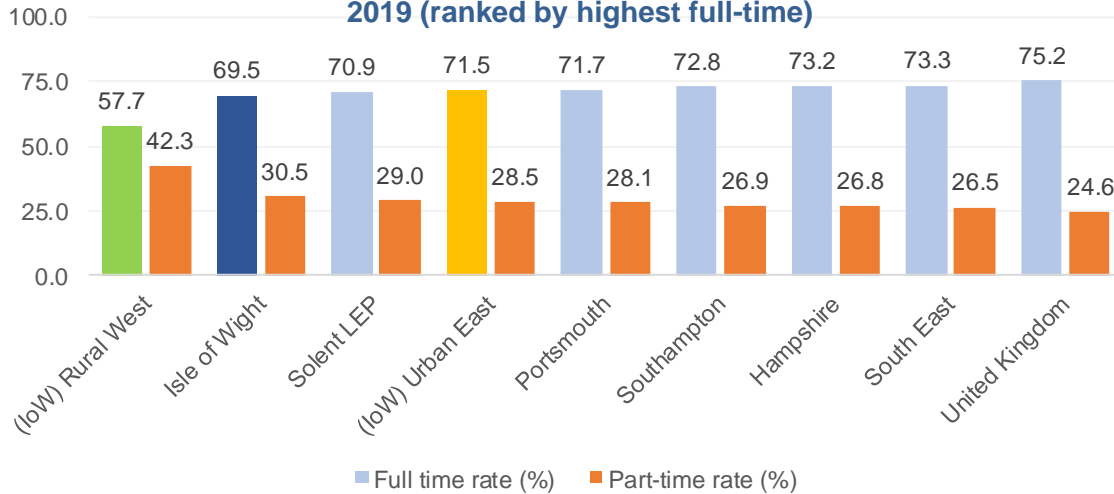
16-64 yrs self-employed level growth rates (%)
(ranked by 2010-2019 growth rates)



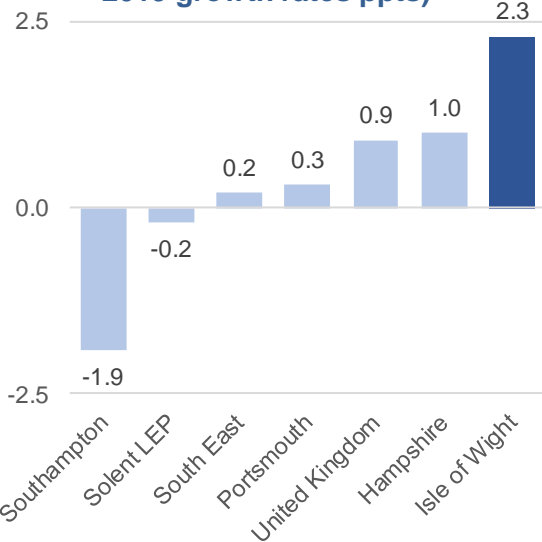
- The self-contained nature of the local labour market and its demographics imply that the Isle of Wight, has a higher proportion of self-employed residents than benchmark areas.
- Close to one in five (18.5%) of all Isle of Wight residents in employment are self-employed and this is much higher than in its comparator areas. In Rural West some 27.5% of residents are self-employed. The self-employment rate in this sub-area is almost double the national average.
- The Island has seen the sharpest increase in the number of self-employed residents in employment among comparator areas since 2010. The growth in tourism and care related activities are factors that have contributed to the strong growth in self-employment on the Island.
- Employees are those who are in employment and paid a wage by an employer. Employees account for most people in employment and growth in employee numbers is of paramount importance for the health of the labour market and the economy.
- At 81%, employees account for close to four in every five Island residents in employment, and on this measure of the labour market the Island lags the national average and its comparator areas in Solent and Hampshire.
- The Island's geography, demographics, industrial structure and a much smaller proportion of large businesses (just 0.2% compared to 0.4% across the Solent LEP and 0.6% in Southampton) explain the relatively low share of employees.
- In 2019 the Island had 45,700 employees or 2,500 more than in 2010. However, as a share of employment employee rates in 2019 are 2.8 percentage points (ppts) lower than in 2010, the sharpest decrease among comparator areas.

Resident Employment: high part-time employment but strong growth in full-time employment

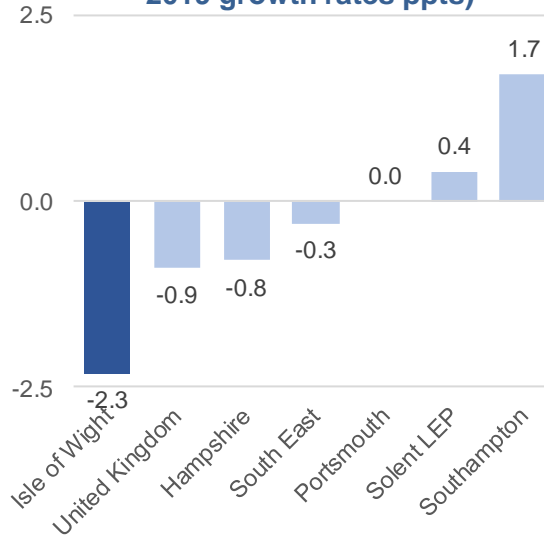
**16-64 yrs Full-time/Part-time % share
2019 (ranked by highest full-time)**



Change in 16-64 yrs Full-time employment (ranked by 2010-2019 growth rates ppts)



Change in 16-64 yrs Part-time employment (ranked by 2010-2019 growth rates ppts)



- The Isle of Wight has a large seasonal labour force, particularly in the tourist sector, and this partially explains the higher than average proportion of residents working part-time.
- High incidence of part-time work can be associated with higher entrepreneurial activity or with a lack of full-time opportunities. It is likely that both of these factors are present on the Island.
- Close to a third (30.5%) of the Island's residents in employment work part-time, comparable to the Solent average but much higher than the UK average. In Rural West over 40% of people in employment are part-timers.
- The Isle of Wight has about 17,200 residents in part-time employment or just 300 more than in 2010. Since 2010 the proportion of the Island residents that work part-time has decreased by 2.3% percentage points, faster than in comparison areas.
- Individuals in part-time employment who are looking for more hours or full-time employment is one measure of underemployment, although at the sub-regional level that data it is not available.
- Around 70% of the Isle of Wight residents in employment work full time and on this measure of the strength of the labour market the Island lags the UK average and its comparator areas.
- In absolute terms, the Isle of Wight has an estimated 39,200 residents in full-time employment, up by 4,500 on 2010 (mostly driven by women).
- The proportion of the Isle of Wight residents working full-time has increased by 2.3% since 2010 or more than twice as fast as in Hampshire and much faster than in other comparator areas in Solent. Higher full-time employment has affected the number of hours worked on the Island which in turn has boosted the growth in economic output.

Source: ONS (2018) Sub-area APS is not reliable enough for reliable time series. PPTs percentage point

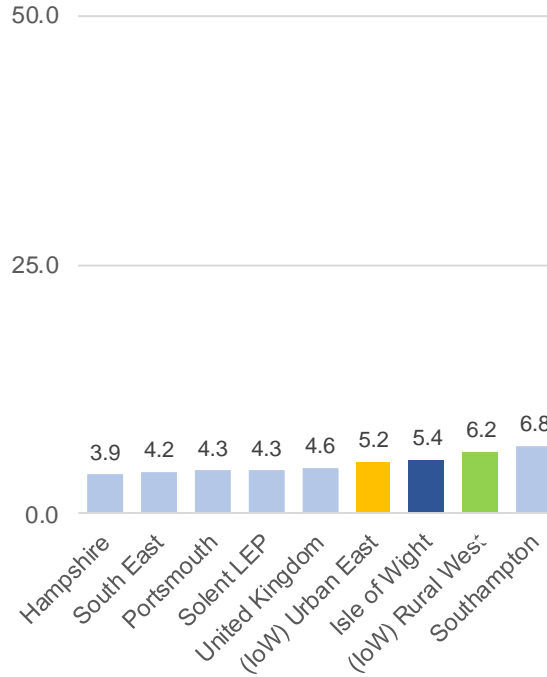
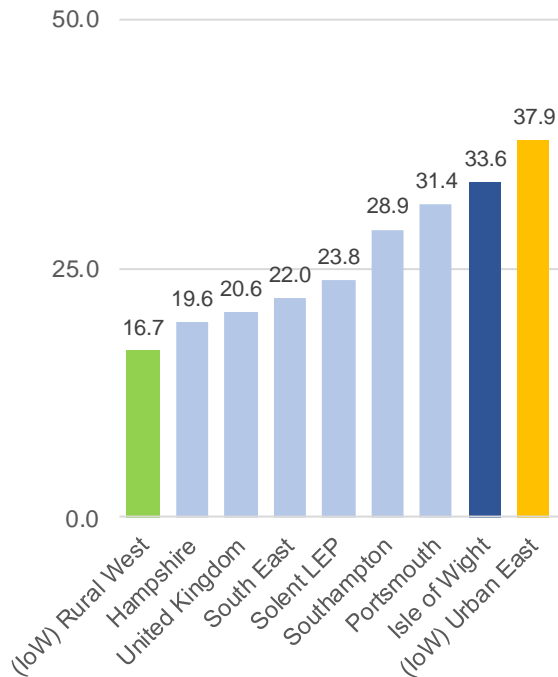
Isle of Wight under employment Levels

	Proxy estimate of under employment 2019	=	Economically Inactive 'Want a job' (16-64yrs) 2019	+	Non-permanent Employment (16yrs+) 2019	+	Modelled Unemployment (16+64yrs) 2019
Isle of Wight	11,900		5,900		3,200		2,300

% Under employment

16-64yrs % of Economically Inactive 'Want a Job' 2019

% of 16yrs+ in Non-permanent employment 2019

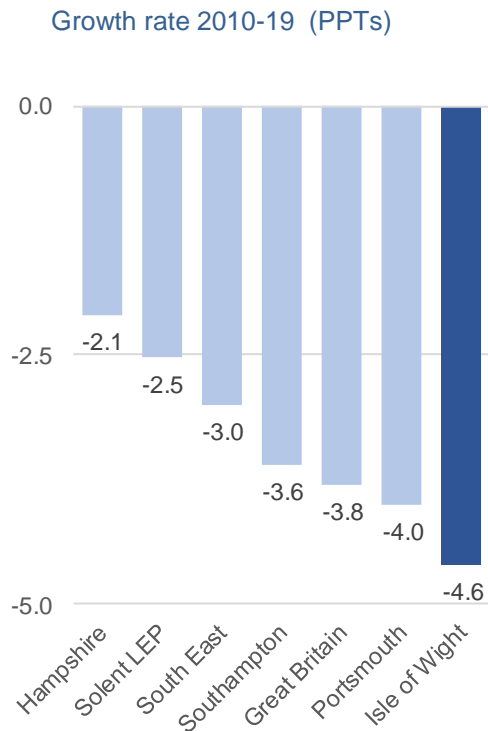
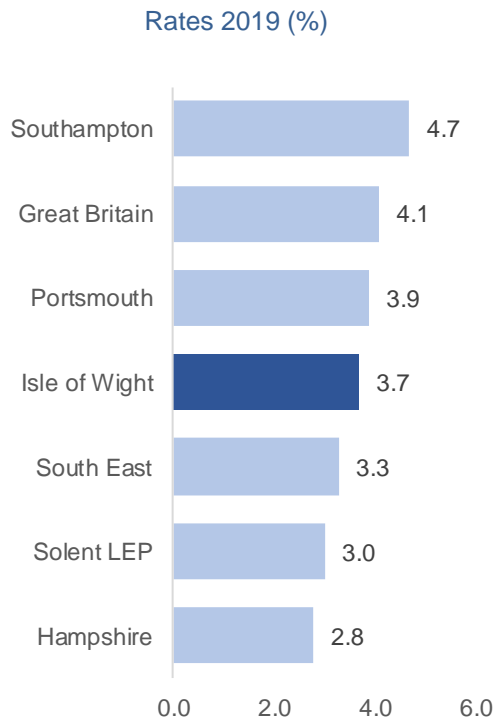


- The Isle of Wight has a potentially high level of underemployment, which can be a drag on the economy through fewer hours worked and lower wages. Underemployed workers are typically found in lower-paid occupations. A high incidence of underemployment can act as a barrier to faster growth in wages and ultimately GVA.
- Since the end of recession national data suggests an increase in the number of workers whose hours are constrained and who are consequently unable to work the hours they would like to work. Over 900,000 part-time workers in the UK could not gain full-time work, while 387,000 temporary employees could not find permanent employment. National and regional data that measures employees who want both more hours and work is not available at the sub-regional level. However, as a broad proxy, economically inactive residents who expressly want a job can be used as one metric. One might argue the case for all economically inactive (17,600 on the Island), but that includes those that who are not actively seeking employment. In addition, non-permanent employment and modelled unemployment can be added. Although the total is taken for the proxy estimate not all non-permanent workers may want extra work and the flexibility of employment may suit some individuals.
- Based on the proxy measure, the Isle of Wight has potentially 11,900 underemployed residents. The Island has low job-density (0.77) and that points to a sluggish demand and insufficient employment opportunities – see section 1.1.
- One in three economically inactive Isle of Wight residents wanted a job in 2019 - much higher than the national average. This is seemingly more concentrated in urban areas as shown by predominantly Urban East, but less so in more rural areas.

Unemployment Levels

	Unemployment 2019	Change 2010-2019
Isle of Wight	2,300	-2,600

Unemployment Rates



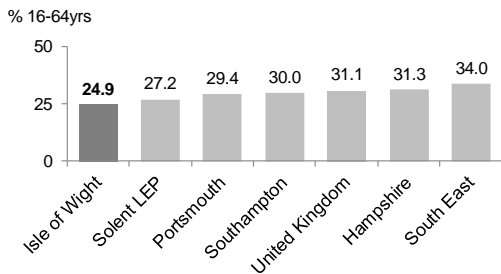
- Employment in the UK has reached the highest level on record, unemployment stands at record low and the number of vacancies in the UK has steadily increased since 2012. With 1.3 million unemployed and 827,000 vacancies the labour market does by modern definitions look like it could be approaching full employment*.
- This is less likely the case for the Isle of Wight, although without reliable local vacancies data it is hard to assess the strength of current demand for labour.
- The Isle of Wight has lower headline (survey-based) unemployment rate than the national average and the two cities but the rate on the Island is nonetheless above Solent. Using the headline (survey-based) definition of unemployment, the Island has 2,300 residents available and looking for work in 2019. This is 2,600 fewer unemployed residents than in 2010 and reflects the wider economic recovery since the 2008/9 recession.
- In 2019 the unemployment rate on the Isle of Wight stands at 3.7% or 4.6 percentage points lower than in 2010. Over this period the Island has seen the sharpest decrease in the headline measure of unemployment across all comparator areas. The Isle of Wight has therefore seen a significant reduction in headline unemployment since 2010. The alternative narrower claimant count measure is of little use as a measure of unemployment, it is better suited as one of the measures of economic disadvantage. It is important to remember that the unemployment rate is based on the number of economically active residents which is relatively low on the Island. Unemployment is a widely used economic and labour market indicator, but the employment rate is a better indicator of the health of the local labour market.

Source: ONS (2019). Sub-area unemployment are not modelled by ONS – see Alternative Claimant Count in Economic Disadvantage Section 1.3. *The modern definition of full-employment is where the number of people in short-term (frictional) unemployment is equivalent to the stock of registered job vacancies.

High Level Skills: large skills gap with comparator areas at the top of the skills distribution

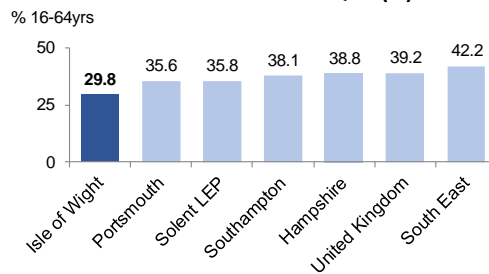
High Skills 2010*

Level 4+ or NVQ 4+ (%)



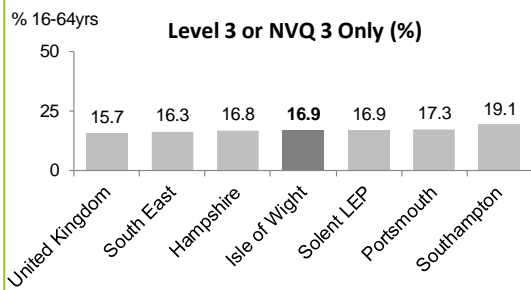
High Skills 2018

Level 4+ or NVQ 4+ (%)



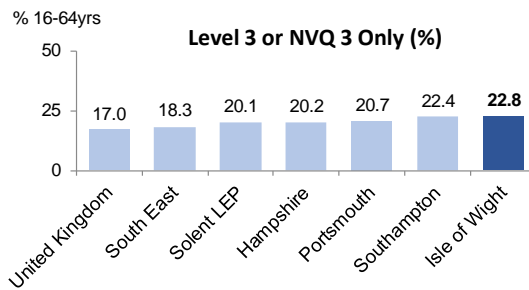
Intermediate Skills 2010

Level 3 or NVQ 3 Only (%)



Intermediate Skills 2018

Level 3 or NVQ 3 Only (%)



Trade Apprenticeships (%)



Trade Apprenticeships (%)



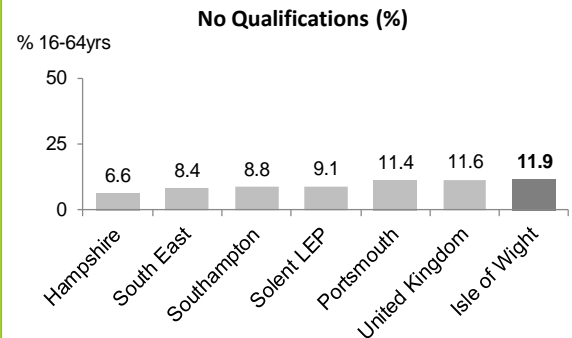
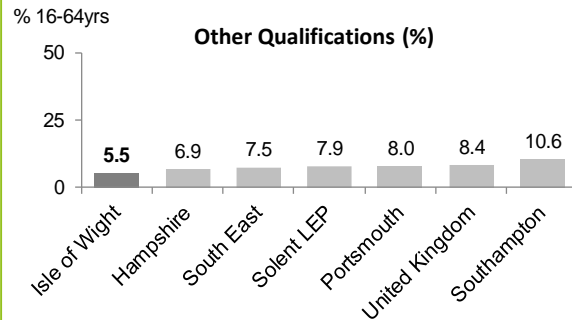
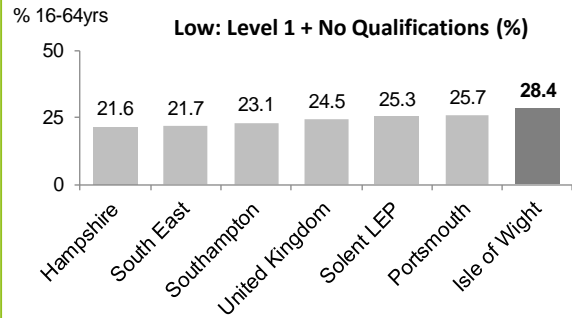
- Skilled workers will generally be more productive in carrying out a particular task than less-skilled workers and as such skills are one of the most important drivers of productivity growth.
- Less than one third (29.8%) of Isle of Wight residents of working age were educated to a degree or higher qualification in 2018. This was the lowest proportion across comparable areas.
- The proportion of residents on the Isle of Wight with advanced skills (Level 4+) increased by about five percentage points since 2010, which is in line with the national average but this growth has been significantly slower than other comparison areas.
- The Island has more than one in five (22.8%) residents of working age with an intermediate (NVQ3) level qualifications, the highest among comparator areas. The Island's industrial structure and perhaps a lack of a university on the Island may help to explain for the large concentration of intermediate skills.
- The proportion of residents with an intermediate Level 3 qualification increased by nearly six percentage points since 2010, the fastest growth across comparator areas and almost twice as fast as the South East.
- Around 3.7% of the Isle of Wight residents have undergone an apprenticeship, which is higher than most of comparator areas and only slightly below Hampshire (3.8%). The Isle of Wight College offers residents apprenticeship opportunities.
- The proportion of trade apprenticeships among 16-64 year olds on the Isle of Wight decreased from 5% in 2010 to 3.7% in 2018. The decrease was faster than in the comparator areas.
- A relatively low proportion of people with degree or higher qualifications could be a barrier to future inward investment and growth of higher value services such as ICT and professional services.

Source: ONS (2019). Glossary: **Level 3:** A levels or NVQ3 and **Level 4+:** Certificate of Education, Diplomas/Degrees, Postgraduate qualifications such as Doctorates and Masters (NVQ4+).

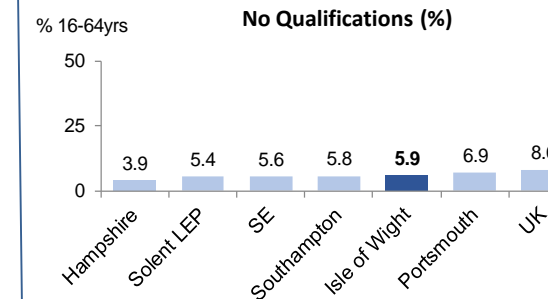
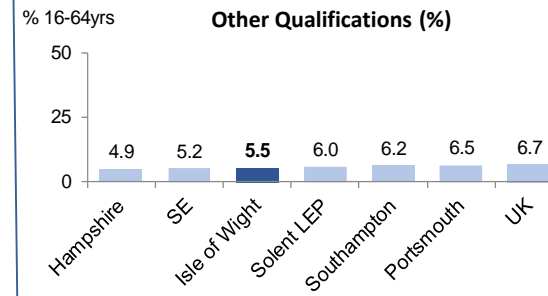
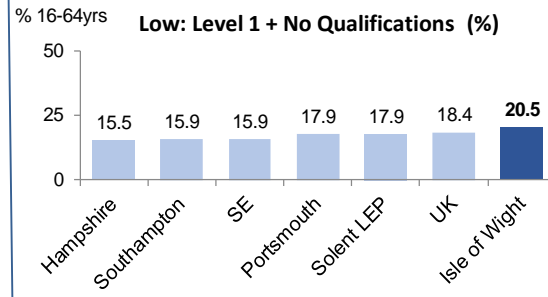
Notes: * APS data can be volatile on a year to year basis and longer term differences to 2010 are more indicative of actual trends rather than annual variations subject to sampling sizes.

Low Skills: concentration of low skilled/people with no qualifications but sharpest decrease among comparator areas

Low Skills 2010*

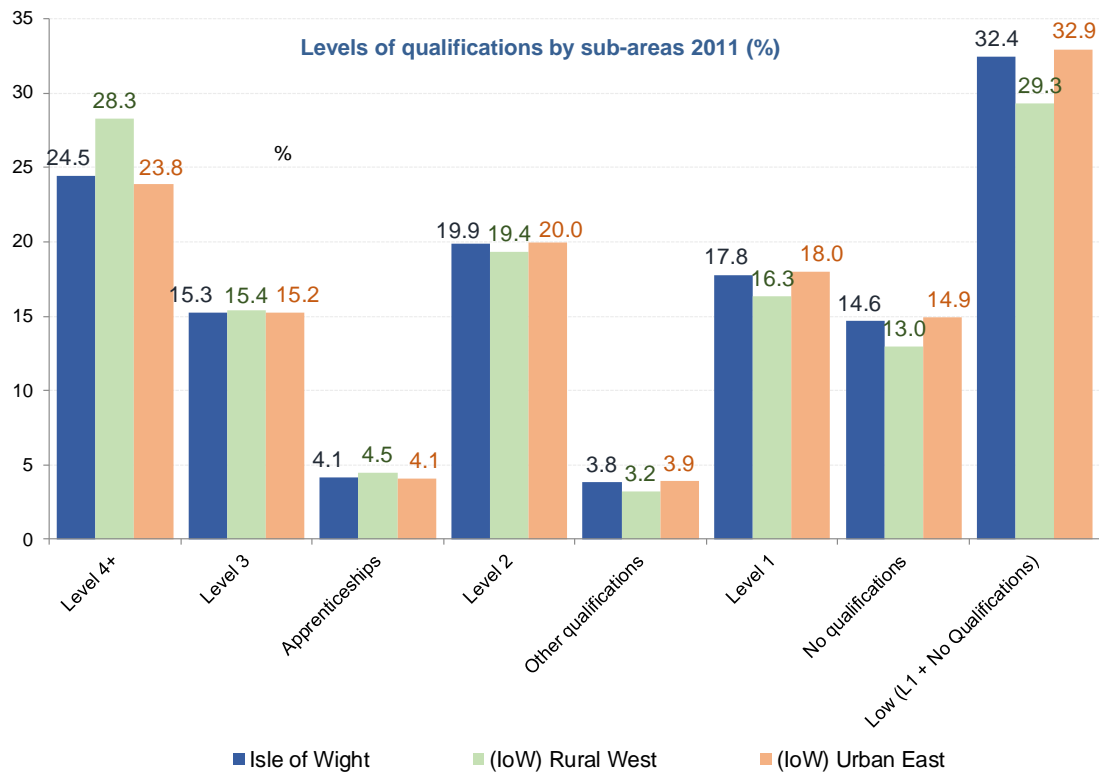


Low Skills 2018



- At the other end of the skills distribution the Isle of Wight has a high proportion of residents of working age with low skills or no skills. This again broadly follows the local industrial and occupational structure but it also reflects its demographics – a higher proportion of older people of working age with lower formal qualifications and skills.
- Close to one in five Isle of Wight residents of working age are either low skilled (Level 1) or have no formal qualification. This is higher than in all comparison areas.
- However, the Island has made significant progress in reducing the proportion of residents with a low skill set and no qualifications. The proportion has decreased by 7.9 percentage points since 2010, the sharpest decrease among comparison areas.
- Almost 6% of working age residents on the Isle of Wight have no formal qualifications – this is lower than the national average and Portsmouth but higher than the remaining comparison areas.
- The Isle of Wight has made strong progress in this area. The proportion of the residents of working age with no qualifications has halved since 2010. The decrease on the Isle of Wight was twice as fast as the South East, Hampshire and Southampton.
- In September 2017, the Isle Wight College, in partnership with the University of Portsmouth and the University of Chichester, invested in the Centre of Excellence for Composites, Advanced, Manufacturing and Marine (CECamm). Centres such as this will support the growth of the Island's advanced manufacturing sector and improve the proportion of residents with Level 4 qualifications. As CECamm offers enrolments with partner universities on the mainland there is a potential retention risk of residents leaving the Island.

Skills by sub-area: concentrations of highly skills in Rural West and intermediate skills in Urban East



Levels of qualifications* by sub-areas 2018** (%)

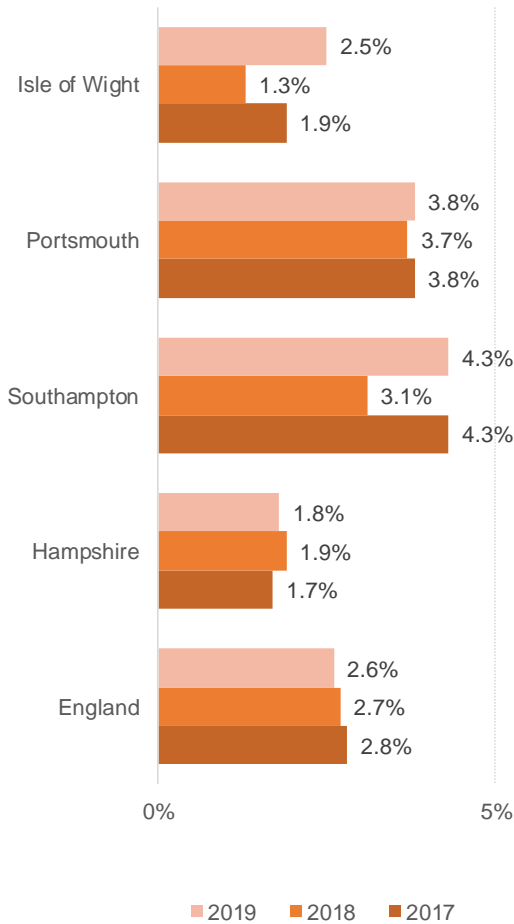
IoW sub-areas	% with Level 4+	% with Level 3	% with Level 2	% with Level 1	no qualifications	Low (L1 + No Qualifications)
Rural West	36.7	16.5	16.4	14.2	7.0	21.2
Urban East	28.6	23.8	17.9	14.7	5.8	20.5

*Trade Apprenticeships and Other qualifications were not available for one or more sub-area due to reliability

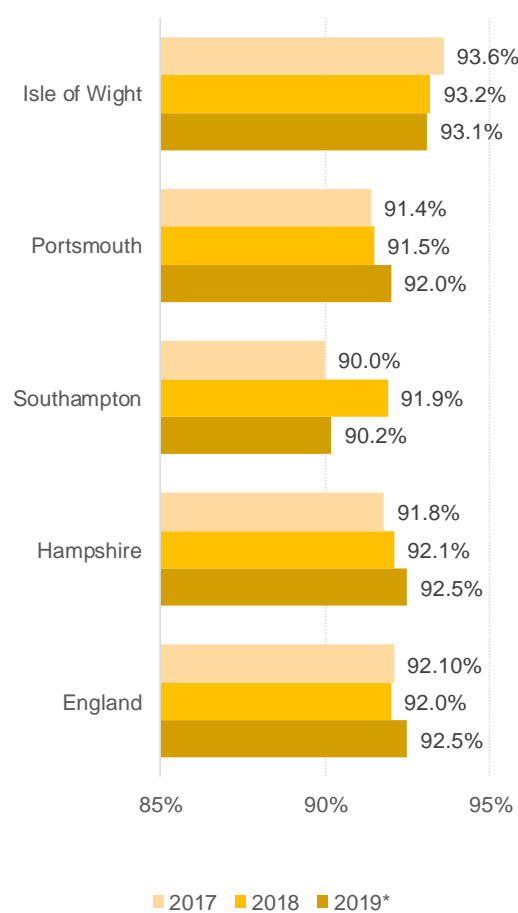
- In the absence of timely data at the sub-area level, the 2011 Census, whilst clearly dated, provides a source of sub-area skills and occupation estimates.
- The Census data has been aggregated by age to align it to working age. Annual Population Survey (APS) data from ONS has also been used where possible to give a more timely picture.
- Any difference in the skills distribution in 2011 between the two Isle of Wight sub-areas are more evident at Level 4+ (residents with a degree or higher qualification) and the low skilled (residents with NVQ Level 1 only or equivalent either or no formal qualification).
- According to the Census (2011) the predominately Rural West sub-area has a notably higher proportion of working age residents with a Level 4+ qualification than the predominantly Urban East sub-area (28.3% and 23.8% respectively). On the other hand, the Rural West sub-area has a lower proportion of residents with low skills than Urban West sub-area (29.3% and 32.9% respectively) .
- The more recent APS data for 2018 suggests the difference in the skills distribution between the two sub-areas has widened at the top since 2011 but narrowed at the bottom of the skills distribution.
- Between 2011 and 2018, the proportion of residents with a Level 4+ qualification increased faster in Rural West than Urban East. This is unsurprising since the more highly skilled tend to commute into major employment centres. The proportion of residents of with low or no skills decreased at a faster rate in Urban East s than in Rural West between 2001 and 2018.

NEETs: relatively low proportion of young people not in employment, education or training

NEETs (%)
2017-2019*



16-17 year olds participating
in education and training (%)
2017-2019*

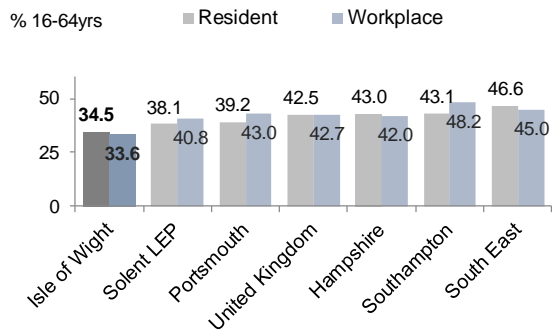


- Although school performance on the Isle of Wight is not as strong as the national average, the percentage of young people Not in Education, Employment or Training (NEET) is lower on the Isle of Wight than the national average.
- Evidence has shown that time spent as a NEET can have detrimental effects on health and also increase the likelihood of unemployment, low wages or low quality of work later on in life.
- The NEET rate is a percentage of Years 12-13 cohort. The rate is typically higher in September and reduces throughout the academic year as an individual's educational, employment or training circumstances become known.
- Provisional data for 2019 indicates that the Isle of Wight has one of the lowest NEET rates (2.5%) across all benchmark areas. NEET rates were close to half the rate for Southampton (4.3%), and below Portsmouth (3.8%) and national average (2.6%). However, the NEET rate on the Isle of Wight is higher than the Hampshire average (1.8%).
- The Isle of Wight NEET rate was higher in 2019 than in both 2017 and 2018.
- On the other hand, the Isle of Wight (93.1%) had the highest participation rate of young people (16-17 year olds) in education and training (i.e. full-time education and apprenticeships) against comparator areas in 2019. This estimate excludes the number of young people in work and those who have an unknown activity.
- Nationally, the September Guarantee entitles all 16 and 17 year olds to an offer of a suitable place in education or training and was introduced to reduce the number of NEETs. The proportion of 16-17 year olds who were given an offer of education under September Guarantee is 96.5% on Isle of Wight compared to 94.5% in 2019.

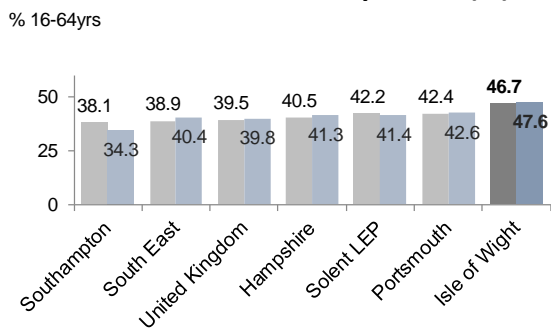
Occupations: concentration of medium-skilled occupations on the Island

2010

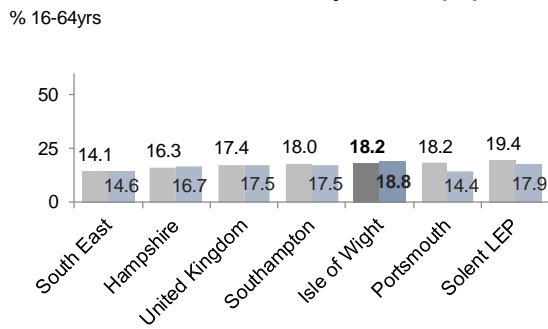
Higher Skilled Occupations (%)



Medium Skilled Occupations (%)



Lower Skilled Occupations (%)

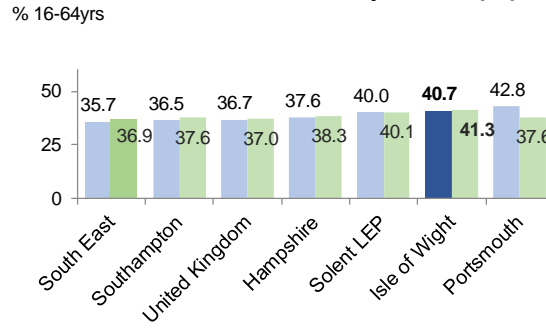


2018

Higher Skilled Occupations (%)



Medium Skilled Occupations (%)



Lower Skilled Occupations (%)

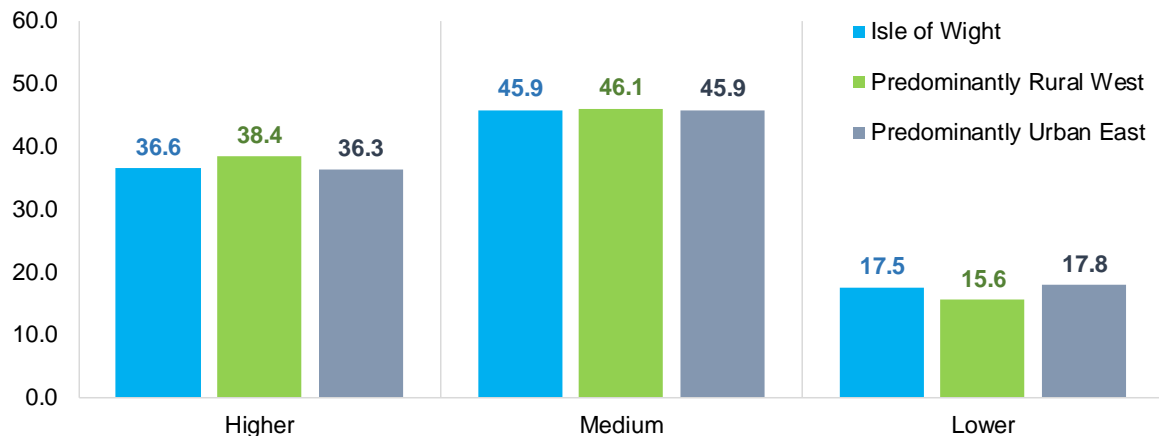


- The nine major occupational classifications (SOC10) have been grouped as three major broad skills based groups; higher, medium and lower (see Glossary). Occupations are shown by resident and workplace status; the latter comprising both residents and in-commuters that work on the Isle of Wight.
- More than a third (38.2%) of Isle of Wight residents of working age were employed in one of the top three occupational categories in 2018. Nevertheless the Island has the lowest proportion of residents in higher skilled occupations across the comparator areas.
- Between 2010 and 2018 the proportion of residents with higher skilled occupations increased on the Isle of Wight by 3.7 percentage points, slightly faster than the national average (+3.6ppts) but slower than the South East (+4.2ppts), Solent LEP (+4.4ppts) and Hampshire (+5.1ppts). On the other hand, with one in five residents of working age population in low skilled occupations the Isle of Wight has the largest proportion of residents in lower skilled occupations among all comparator areas.
- The Isle of Wight has seen the proportion of its residents employed in lower skilled occupations increase by 2.6 percentage points since 2010. In most comparison areas the proportion of residents employed in lower skilled occupations has decreased over the same period.
- The increase on the Island reflects its demography and the growth of care and some lower value added services.
- Comparing 2018 resident and workplace occupational distributions show similar trends across all areas, especially on Isle of Wight since it is a closed economy and in-commuting is very small due to physical barriers.

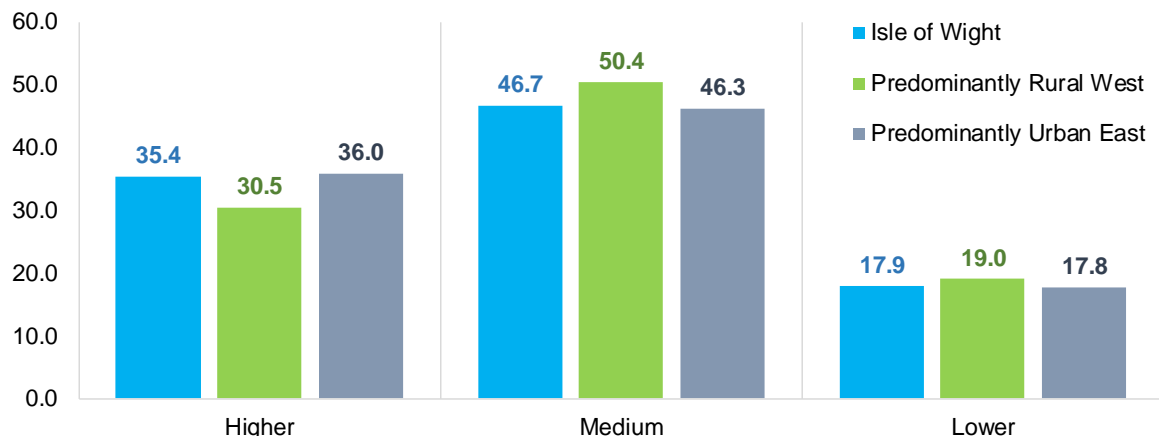
Source: ONS (2019). **Higher skilled occupations:** Managers, directors & senior officials; Professional occupations; Associate professional & technical occupations. **Medium skilled occupations:** Administrative and secretarial occupations; Skilled trades occupations; Caring, leisure & other service occupations; Sales & customer service occupations. **Lower skilled occupations:** Process, plant & machine operatives; Elementary occupations.

Occupations by sub-area: Rural West has higher occupations among residents but Urban East among workplaces

Occupational structure of resident population 2011 (%)



Occupational structure of workplace population 2011 (%)



Glossary:

- **Higher skilled occupations** are integrated by the top three occupations: 'Managers, directors & senior officials'; 'Professional occupations' and 'Associate professional & technical occupations'.
- **Medium skilled occupations** are integrated by: 'Administrative and secretarial occupations'; 'Skilled trades occupations'; 'Caring, leisure & other service occupations' and 'Sales & customer service occupations'.
- **Lower skilled occupations** are integrated by the bottom two occupations: 'Process, plant & machine operatives' and 'Elementary occupations'.

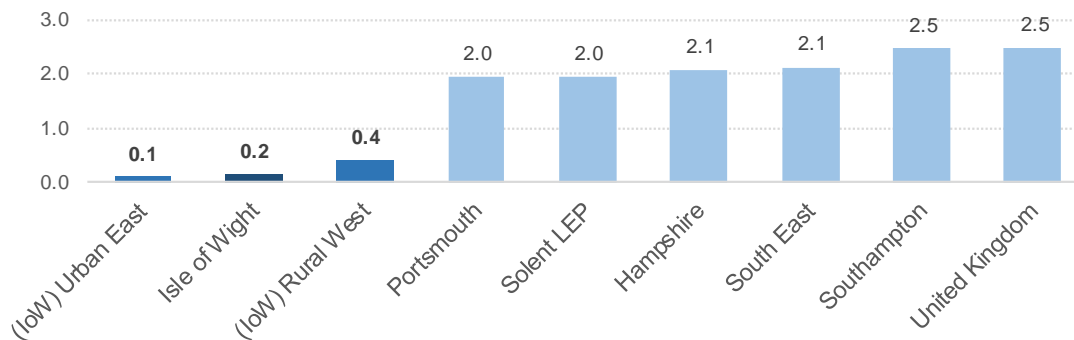
- Occupational estimates for the two sub-areas are based on the 2011 Census data for the 16-64 age group and hence broadly comparable to APS data, albeit one year later than the 2010 baseline.
- By resident there is little difference between the Isle of Wight proportions and the two sub-areas for medium occupations. However for higher occupations the predominantly Rural West has a larger proportion of residents (38.4%) than the predominantly Urban East (36.3%); while the opposite is true for lower occupations with the Rural West having a smaller proportion of residents (15.6%) than the Urban East (17.8%).
- The workplace distribution is more varied reflecting those commuting into the main urban centres. The Urban East has similar proportions of resident and workplace workers than resident workers across all three occupational levels
- However, there is greater discrepancy between resident workers and workplace workers in the predominantly Rural West, where there is a larger proportion of residents (38.4%) in higher skilled occupations than in the workplace population (30.5%). This would suggest around 7.9% of Rural West residents in higher skilled occupations commute outside of the sub-area and even the Isle of Wight for higher salaries or better job opportunities.
- The opposite occurs for Rural West residents with medium and lower skilled occupations. Here the proportions are lower than the workplace population, indicating the sub-area attracts more workers in medium and lower skilled occupations from within and outside the sub-area.

Business Density and Growth: high business density but sluggish business growth

Latest Businesses, Business Density and Change since 2010

	Businesses 2018	Business Density*	Business Change 2010-2018
Isle of Wight	5,660	71	+70 or 1.3%
<i>Rural West</i>	930	85*	+30 or 3.3%
<i>Urban East</i>	4,730	72*	+40 or 0.9%
Portsmouth	7,525	52	+1,080 or 16.8%
Southampton	8,705	50	+1,545 or 21.6%
Solent LEP	50,990	66	+7,320 or 16.8%
Hampshire	70,210	85	+10,645 or 17.9%
South East	467,160	83	+72,655 or 18.4%
United Kingdom	3.13 million	75	559,035 or 21.7%

Business growth 2010-2018 (average % per annum)

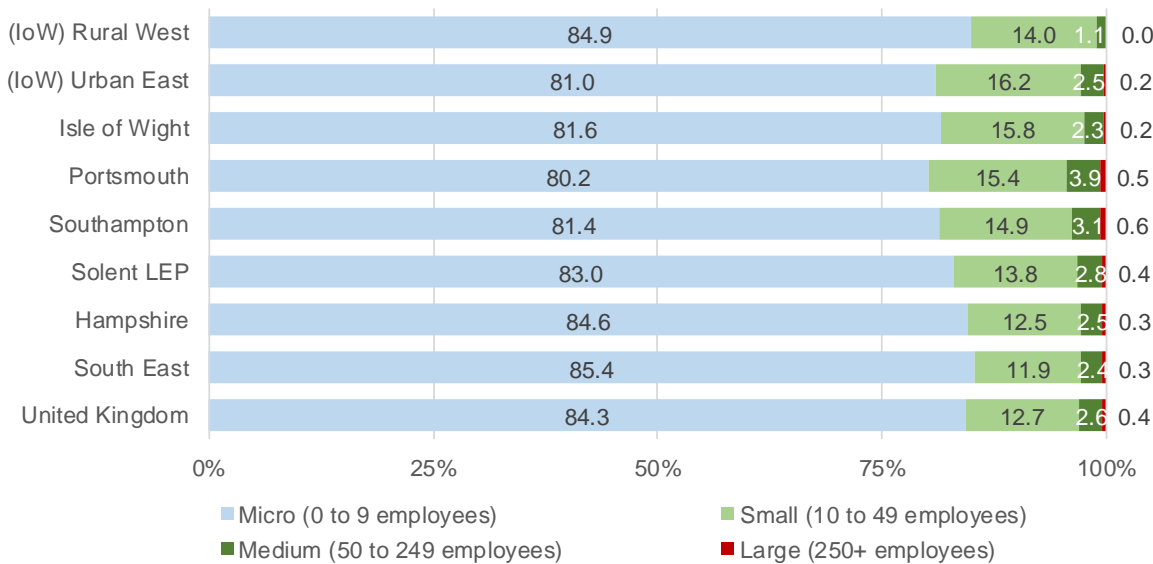


- Enterprise is recognised as one of the five drivers of productivity and economic competitiveness. The estimates of businesses used in this section refer to local business units - individual businesses (e.g. sub-branches, workshops) that belong to an enterprise.
- The Isle of Wight had 5,660 businesses (local business units) in 2018. This represents over one in every 10 businesses in the Solent LEP area.
- At sub-area level, the predominantly Urban East accounts for 4,730 businesses or around 83.6% of all businesses on the Island. The Rural West accounts for 16.4% or 930 businesses.
- The Isle of Wight has 71 businesses per 1,000 people of working age. Business density on the Island is higher than in the two cities or Solent LEP but it falls below Hampshire, the South East or the UK average. The predominantly Rural West sub-area has a higher business density than Urban East.
- Relatively high business density alongside low jobs density suggests that a large proportion of businesses on the Island are micro and small businesses that on average employ few people.
- In 2018 the Isle of Wight had 70 additional businesses compared to 2010. Over this period the number of businesses on the Island increased by just 1.3% (0.2% p.a.), well below growth rates found in the comparator areas. Over this period the number of businesses in the UK increased by over a fifth.
- Faster growth in business stock on the Island was held back by the Urban East but business growth in Rural West was also subdued.
- The Island's geography was the most likely cause of sluggish business growth but it is possible that other factors, such as the availability and/or quality of business space have affected business growth.

Source: ONS (2018). Notes: The numbers are based on local units that are greater than reporting units (enterprises) and as such are not directly comparable to Business Demography estimates. * Business density in sub-areas are proxies based in populations from APS data.

Business Distribution by Size: relatively few large businesses are found on the Island and their numbers are falling

Business Distribution by Size (%) 2018



Isle of Wight and Sub-Areas Business Distribution by Size (%) 2018*

Area	Micro (0 to 9)	Small (10 to 49)	Medium (50 to 249)	Large (250+)
Isle of Wight	4,620 or 81.6%	895 or 15.8%	130 or 2.3%	10 or 0.2%
(IoW) Urban East	3,830 or 81.0%	765 or 16.2%	120 or 2.5%	10 or 0.2%
(IoW) Rural West	790 or 84.9%	130 or 14.0%	10 or 1.1%	0 or 0.0%

Isle of Wight and Sub-Areas Business Distribution by Size (%) 2010*

Area	Micro (0 to 9)	Small (10 to 49)	Medium (50 to 249)	Large (250+)
Isle of Wight	4,610 or 82.5%	850 or 15.2%	120 or 2.1%	15 or 0.3%
(IoW) Urban East	3,825 or 81.6%	745 or 15.9%	105 or 2.2%	15 or 0.3%
(IoW) Rural West	790 or 87.8%	100 or 11.1%	10 or 1.1%	0 or 0.0%

- Small and Medium-sized Enterprises (SME's) account for the lion's share of all businesses on the Isle of Wight and on this measure the Isle of Wight is similar to the comparator areas.
- SME businesses (businesses that employ between zero (single proprietors and 249 people) account for 99.8% of all businesses on the Isle of Wight. This is slightly higher than the national average and the comparator areas.
- There are just 10 large businesses (businesses that employ at least 250 people) on the Island. Large businesses account for just 0.2% of all businesses and as such are underrepresented on the Island. Proportionally this is half the UK average (0.4%) and a third of Southampton (0.6%). The proportion of large businesses on the Isle of Wight has decreased from 0.3% in 2010 to 0.2% in 2018.
- The fall in the number of large businesses is a factor that helps to explain the sluggish growth in employee jobs on the Island.
- Medium-sized businesses (businesses that employ between 50 and 249 employees) are equally underrepresented on the Island. They account for 2.3% of all businesses on the Island compared to 2.6% in the UK or 2.8% in Solent. The number of medium-sized businesses increased from about 120 in 2010 to about 130 in 2018 with much of the growth occurring in the Urban East subarea.
- Small businesses are the bedrock of the Island's business base. There are some 895 small businesses on the Island or 45 more than in 2010. They account for 15.8% of all businesses on the Island. Proportionally this is more than in comparator areas. The share of micro businesses has been falling but they account for 81.6% of all businesses.

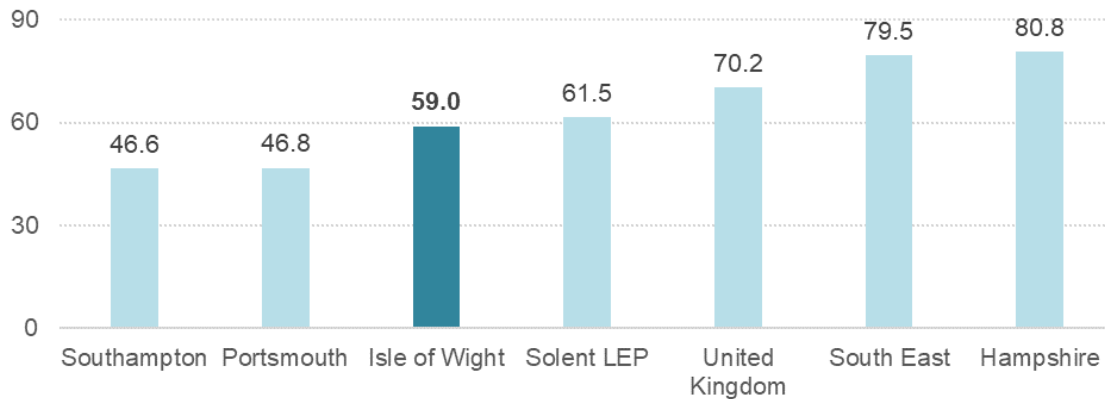
Source: ONS (2018) Notes: The numbers are based on local units that are greater than reporting units (enterprises) and as such are not directly comparable to Business Demography estimates that also lag one year behind the UK Business Count and has a different methodology. * Total figures might differ due to rounding.

Business Demography: relatively low business formation rates

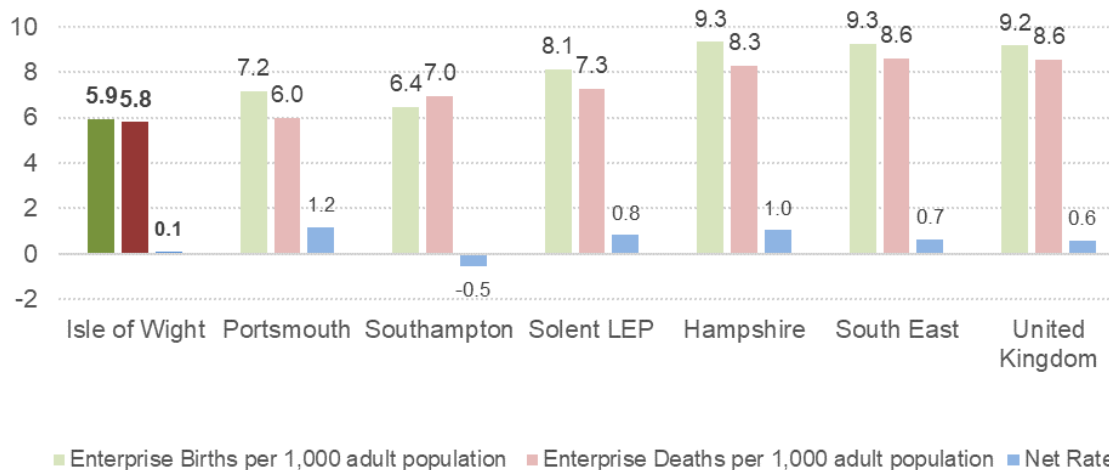
Isle of Wight business demographics - 2017

Active: 4,730 Births: 475 Deaths: 465 Net Growth: +10

Active businesses per 1,000 adult population* 2017



Business births, deaths and net per 1,000 adult population* 2017

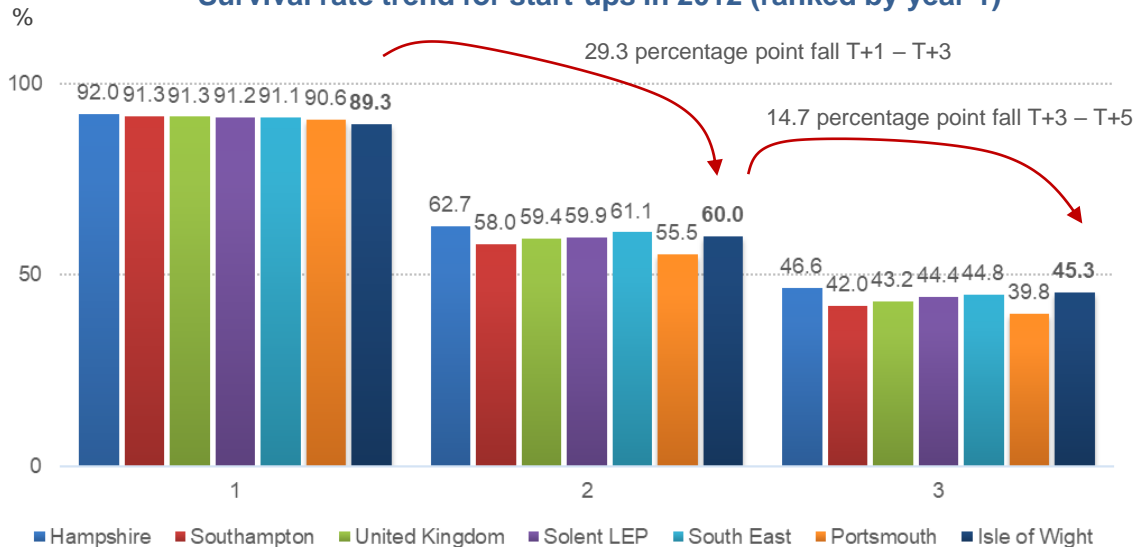


- Data on business demography (business births, business deaths and survival rates) is a useful indicator of the health of the local business population. Given that the business demography estimates are based on enterprise data (excludes multiple local business units) the total number of businesses are not directly comparable to the more widely used local business unit estimates.
- A newly born business often stimulate innovation and facilitate the adoption of new technologies. Business start-ups therefore do not just provide employment opportunities but may increase the competitiveness of the economy which in turn can boost productivity growth and economic performance.
- There were some 4,730 active businesses on the Isle of Wight in 2017.* In relative terms, business density per adult population (per 1,000 people of working age) on the Isle of Wight was 59 businesses, which is greater than Southampton and Portsmouth (46.6 and 46.8 respectively), but below the national average (70.2) and the remaining comparison areas.
- In 2017 business start-up (business birth) rates on the Island stood at 10% and business closure (business death) rates at 9.8%. The Isle of Wight had a small net business growth of 10 additional businesses in 2017.
- In relative terms, business birth rates per 1,000 adults on the Island was 5.9 businesses and the business death rate was 5.8 businesses. Both of these are the lowest among the comparator areas.
- The net rate (the difference between business births and deaths) was small and the lowest in all but one comparison area (Southampton). The small net rate accounts for the sluggish growth in the number of businesses on the Isle of Wight.

Source: ONS (2018) Notes: * Business Demography numbers will not equal the Business Counts because of different reporting unit, collection period and the time lag. For the number of businesses the UK Business Counts data is the preferred source. Business demography is designed to measure start-ups, closures and survival rates. Enterprise m3 LEP figures are based on whole district definitions.

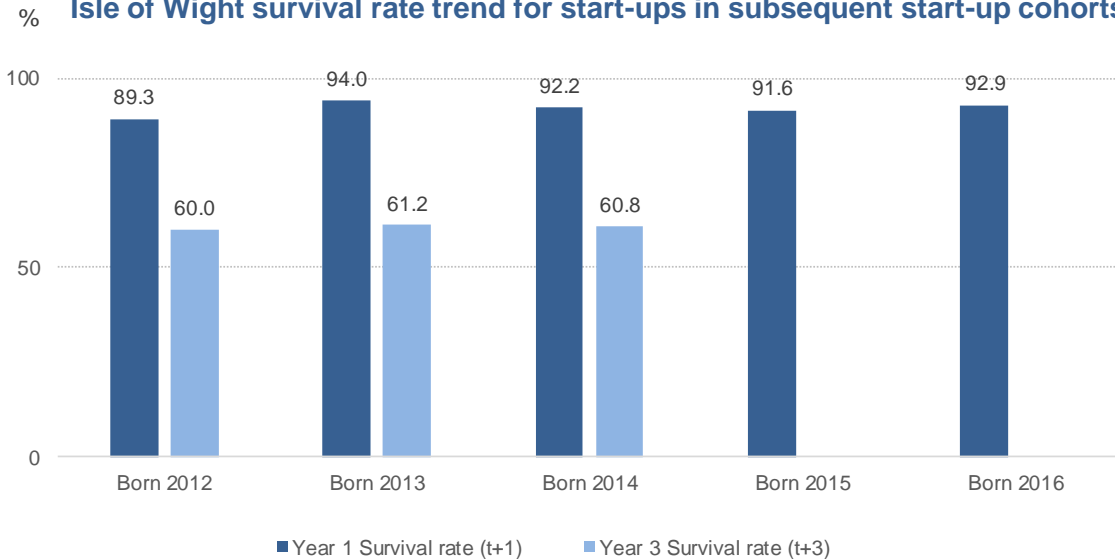
Business Survival: low one year survival rates but high three and five year survival rates

Survival rate trend for start-ups in 2012 (ranked by year 1)



- While business birth rates provide useful information on dynamism of the economy, the ability to survive and grow for up to five years after creation matters more to the economy. Most economically prosperous economies across the UK tend to have above average business survival rates.
- At early stages, following business formation (births), some 89.3% of the Isle of Wight start-ups in 2012 survived for at least one year. This was the lowest survival rate across comparison areas.
- Nevertheless, business survival rates on the Island are generally higher than most of the benchmark areas for both three- and five-year business survival rates.
- Some 60% of all newly born businesses on the Isle of Wight survive for at least three years and 45.3% of all newly born business survive for at least five years. Three- and five-year survival rates on the Island compare favourably with most of comparator areas.
- Three-year survival rates on the Island were higher than in the two cities and Solent but slightly below Hampshire and the South East (62.7% and 61.1% respectively).
- Five-year survival rates in the Isle of Wight are after Hampshire (46.6%) the highest among comparison areas
- Three-year survival rates in the Borough are above 60% in the three years for which data is available. Moreover there is slight upward improvement between year 2012 (60%) and year 2014 (60.8%).
- The above findings have an important policy implication. Growth in the overall number of businesses on the Island is constrained by the low business start-up (business birth) rate and the low survival rate in the first year. Both of these are the lowest among comparison areas.

Isle of Wight survival rate trend for start-ups in subsequent start-up cohorts

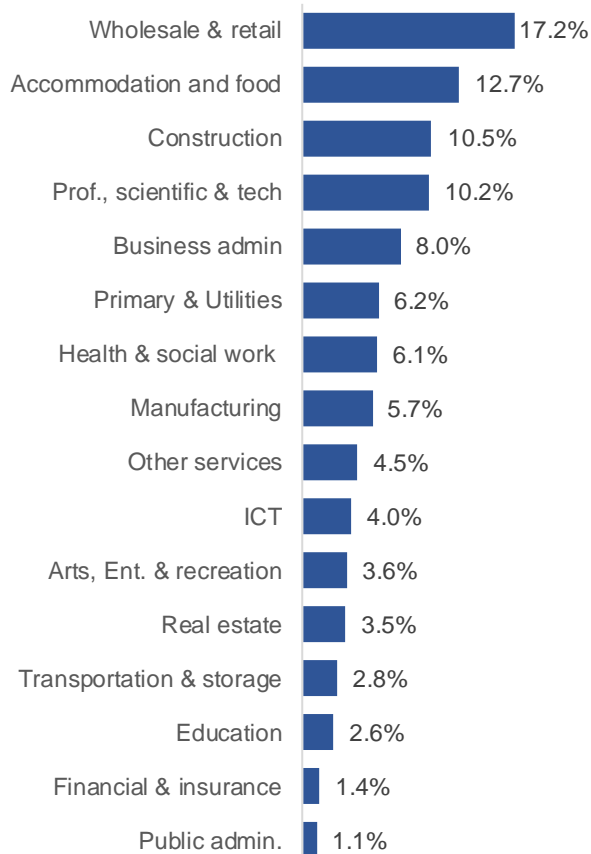


Businesses by Sector: concentrations of lower value added activities but relatively strong growth in higher value services

Total number of business in broad industries 2018

5,660 businesses

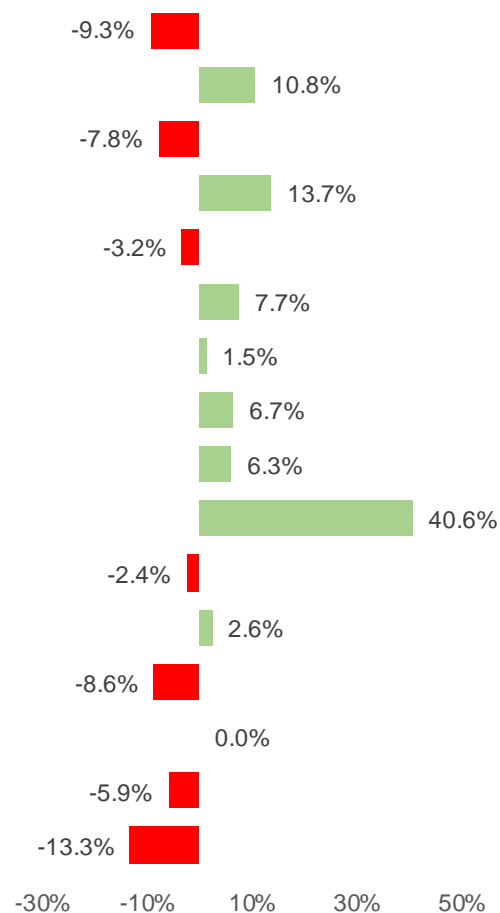
Businesses (%)
2018



Change (%) 2010-2018

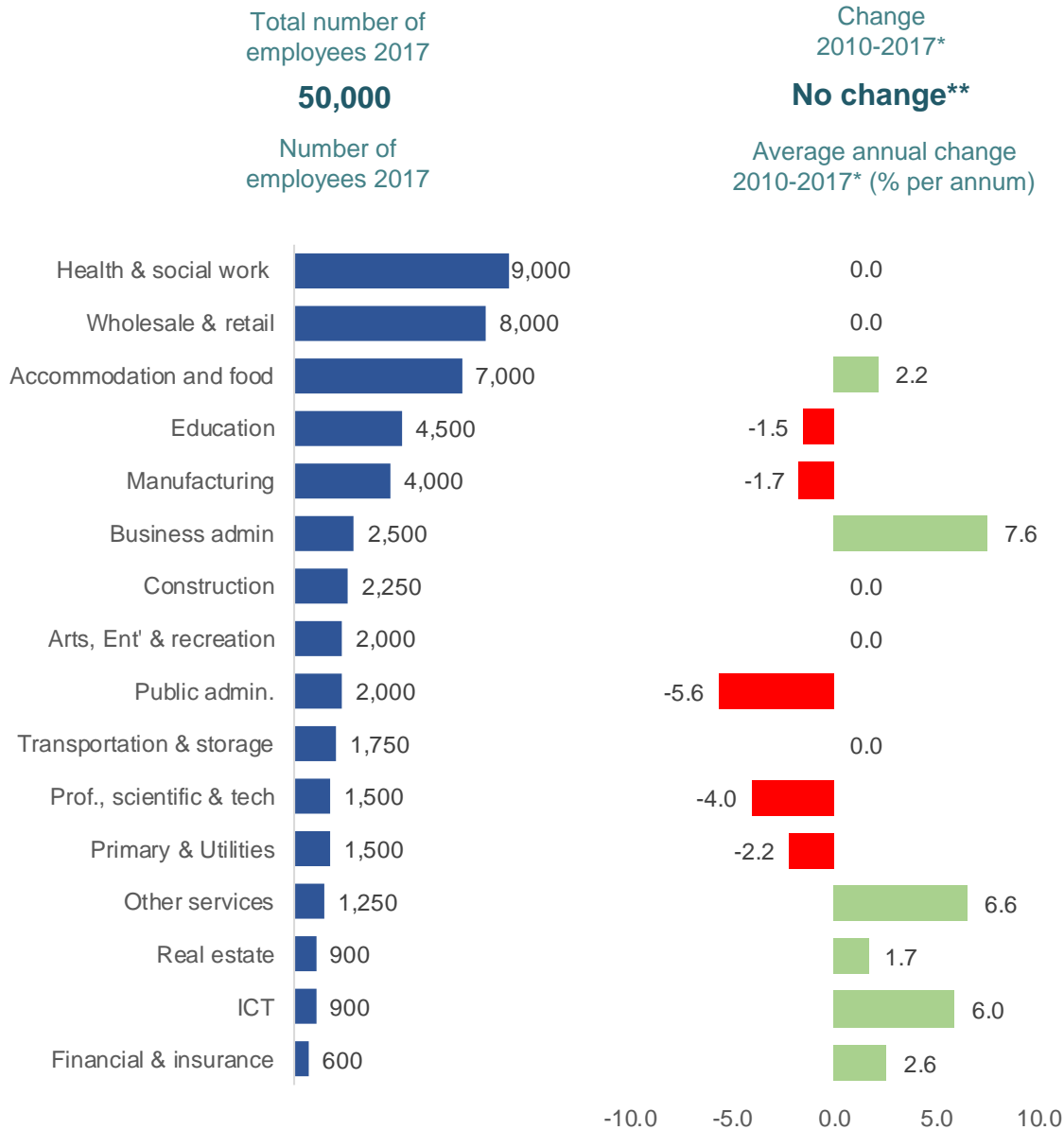
+70 businesses

Change (%)
2010-2018



- Approximately 1,000 wholesale & retail businesses (or 17.2% of all businesses) trade on the Isle of Wight. This is the largest broad sector on the Isle of Wight in terms of businesses and the second largest in terms of employment.
- With more than 700 businesses, accommodation & food broad sector accounts for 12.7% of all businesses on the Isle of Wight. This was the second largest sector in terms of businesses and the third largest in terms of employment.
- Around one out of every five businesses on the Island are either found in the construction sector or professional, scientific & technical sector (595 and 580 local units respectively). On the other hand these sectors have a relative few employees which suggests that construction and professional, scientific & technical businesses on the Island tend to be small.
- In 2018 the Island had 70 additional businesses compared to 2010. The major contributors to the growth in business stock on the Island are several higher value services and tourism related activities (Information, communication & technology, ICT, professional, scientific & technical and accommodation & food broad).
- The ICT is a small sector (just 4% of all businesses) but it had a relative strong business growth with 65 additional businesses. Business stock in this sector increased by 40% since 2010. Professionally, scientifically & technical and accommodation & food sectors also had a relative strong growth with 70 additional business in each sector. Cumulative growth over this period was 13.7% and 10.8% respectively.
- Faster business growth since 2010 was held back by falling number of businesses in several sectors, mainly in wholesale & retail, construction, business administration and transport & storage.

Employment by Sector: sluggish growth in largest sectors but relatively strong growth in private services

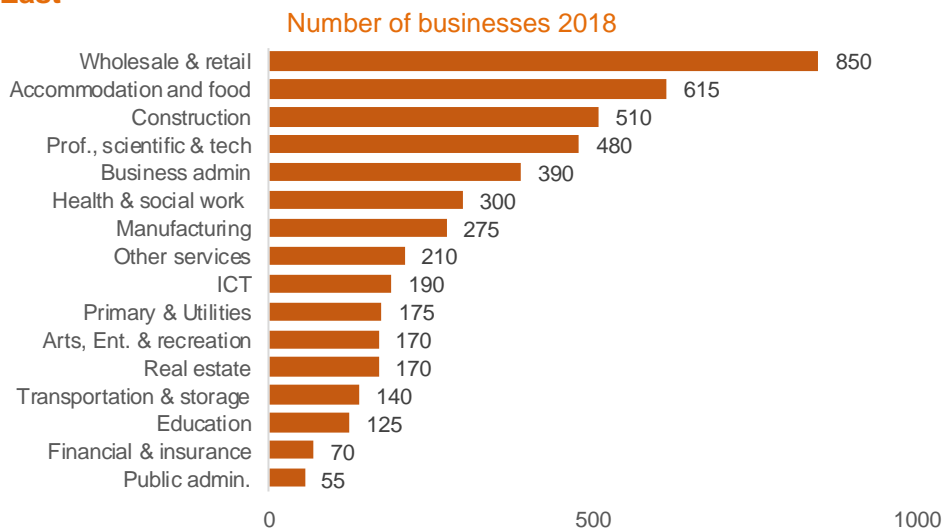


- The workplace data provides an estimate of employment on the Island irrespective of the place of residence.
- The workplace employee data has time lag behind resident data, and also excludes most self-employed individuals and individuals working for the armed forces. It is therefore a conservative estimate of employment on the Island.
- In 2017 there were an estimated 50,000 employees on the Isle of Wight. The official data suggests no overall change since 2010 or on 2016 – this does not reflect more recent changes to employees or the self-employed.
- Almost half (48%) of all employees work in the three largest broad sectors: health & social work; wholesale & retail; accommodation & food. Education and manufacturing also each employ over 5,000 workers. However, high value-added sectors such as professional, scientific & technical, ICT and finance employ few people (6% of the total).
- The accommodation & food and business admin & support sectors saw the largest employment gains with each seeing 1,000 additional workers since 2010. ICT also saw strong growth, albeit from a smaller employee base. In relative terms business administration, other services and ICT saw the fastest growth in employment since 2010. Public admin saw the largest decrease since 2010 with an estimated 1,000 fewer workers.
- The high value added professional, scientific & technical and manufacturing sectors have each seen 500 fewer employees since 2010 but employment increased slightly in finance & insurance since 2010. This sector had 2.6% more employees on the Island in 2017 than in 2010.

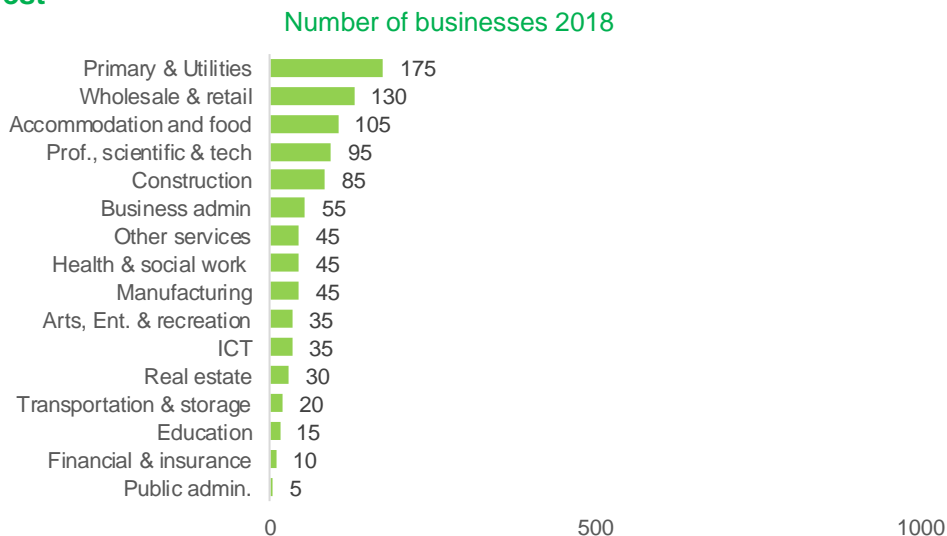
Source: ONS (2018) *Estimated as 2010 data does not include PAYE data and not directly comparable. ** Rounding may hide some small change.

Businesses by Sub-Area and Sector: most businesses found in Urban East but Rural West sees stronger growth

Predominantly Urban East Total number of businesses 2018 **4,730** Change 2010-2018 **+40**

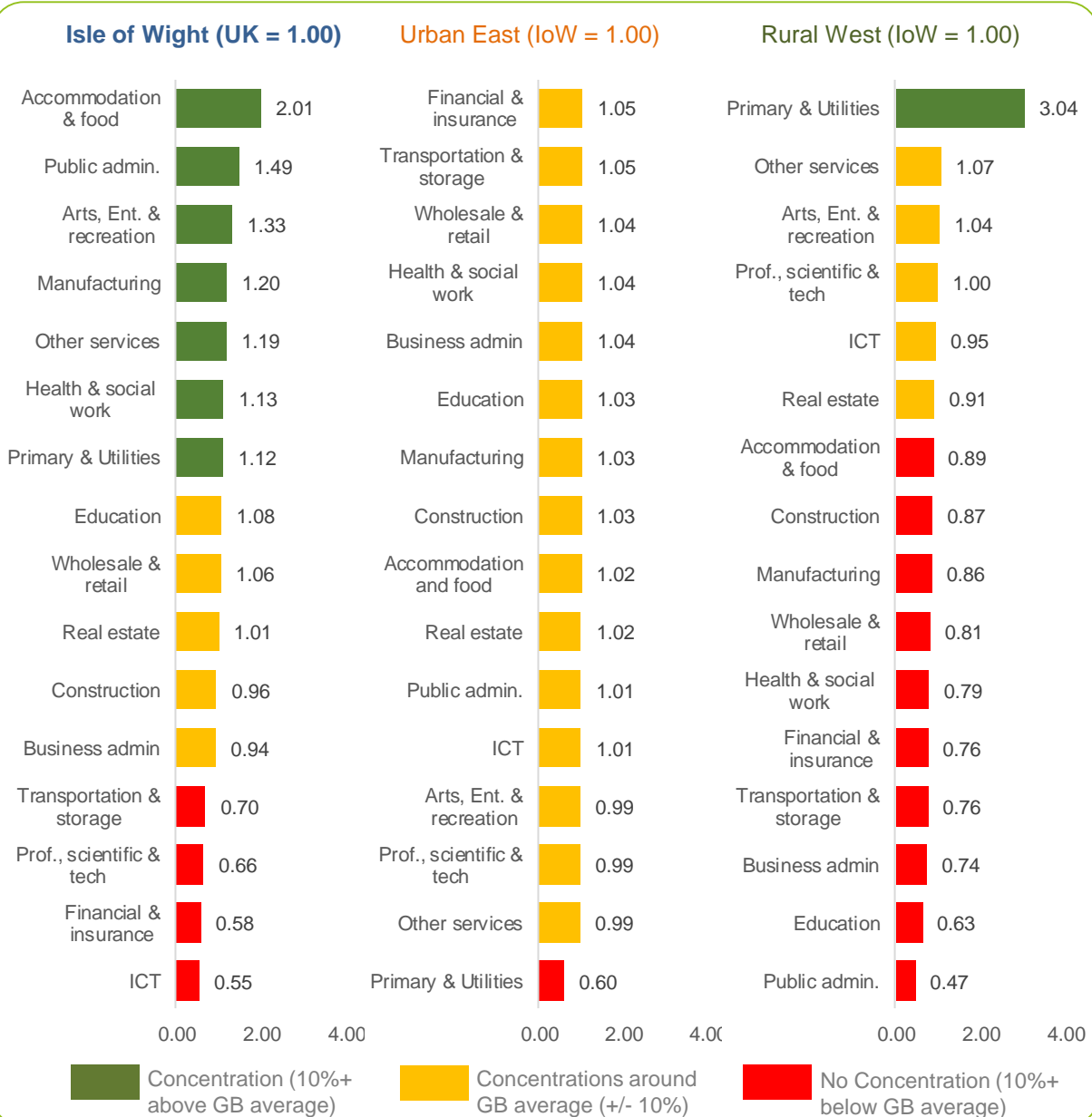


Predominantly Rural West Total number of businesses 2018 **930** Change 2010-2018 **+30**



- More than four out of five businesses on the Isle of Wight are located in the predominantly Urban East, while the predominantly Rural West accounts for 16.4% of all businesses on the Island.
- The largest broad sector in the Urban East is wholesale & retail, whilst in the Rural West sub-it is primary & utilities (mostly agriculture and land-based sector), both sectors accounted for around 18% of all businesses within their respective sub-area. Wholesale & retail with 14% of all businesses in the Rural West is the second largest sector in the sub-area.
- Moreover, about one third of all businesses in each sub-area are found in accommodation & food, professional, scientific & technical or construction.
- ICT businesses grew by 65 additional business units between 2010 and 2018. More than 90% of this growth was found in predominantly Urban East. Business stock in this sector expanded by nearly 5% per annum since 2010, the fastest business growth seen in this sub-area.
- Professional, scientific & technical and accommodation & food have also seen growth in Urban East with about 60 additional businesses in each broad sector (average annual growth of 1.7% and 1.2% respectively).
- Urban East sub-area saw a decrease in the number of wholesale & retail businesses by nearly 100 fewer businesses since 2010.
- Business growth in predominantly Rural West was driven by the increases in the broad primary & utilities sector (mostly agriculture and land-based activities), accommodation & food and health & social work.
- Further business growth in the Rural West was held back mainly by a decrease in the number of businesses in the construction sector which decreased by 20 fewer local units since 2010.

Business Concentration by Sector & Sub-area: relative concentrations of tourism, health & care and manufacturing



- Using the national business share as the benchmark the first graphic from left to right identifies sectors with business concentrations above the national average, within broad alignment, and those below the national average. The following two graphics replicate this exercise but having the Isle of Wight average as benchmark for the sub-areas.
- Business concentration of accommodation & food businesses on the Island is double the national average. Public administration is about 1.5 times as concentrated on the Island as in the UK as a whole.
- The degree of business concentration in manufacturing on the Isle of Wight is 1.2 times the UK average, this concentration was above the South East averages and comparable to Solent LEP.
- On the other hand, several higher value services are relatively underrepresented on the Isle of Wight.
- Business concentration of ICT businesses stands at about 50% of the UK average while the concentration of professional, scientific & technical stands at about a third below the national average.
- Several other sectors (arts, entertainment & recreation, other services and health & social work) that are closely related to tourism related activities or demographics are overrepresented on the Island.
- At the sub-area level, business concentration of mostly agriculture and land-based businesses in Rural West is three times the Isle of Wight average.
- The concentration of professional, scientific & technical and ICT businesses in rural areas is comparable to urban areas on the Island.

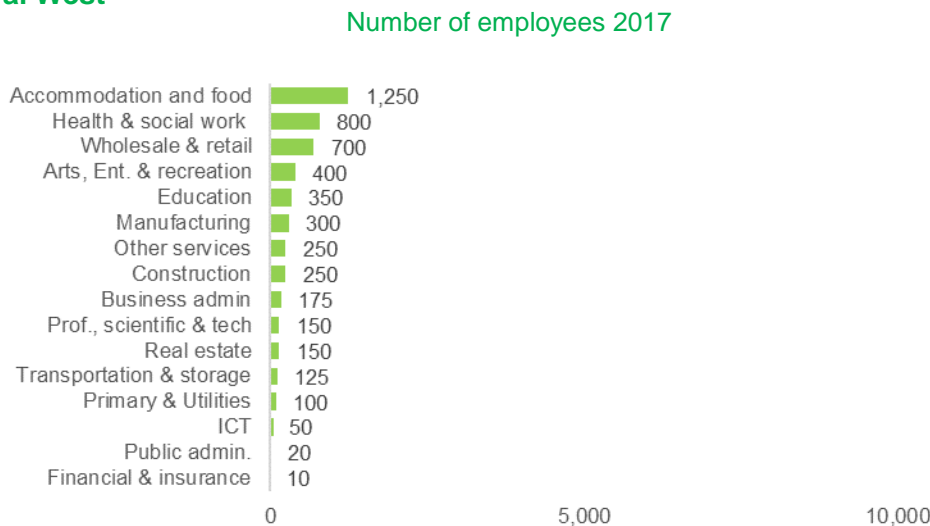
Source: ONS (2018). Notes: Sector business concentrations (within circles) relative to the national average for Isle of Wight borough and relative to the Isle of Wight average for sub-areas, where 1.0 is equal to national concentration and values above this suggest a local business concentration e.g. 1.63 mean 63% more concentration and 4.36 is over 4 times the national concentration.

Employment by Sub-Area & Sector: lower value services account for most jobs

Predominantly Urban East Total number of employees 2017 **44,000** Change 2010-2017* **zero**

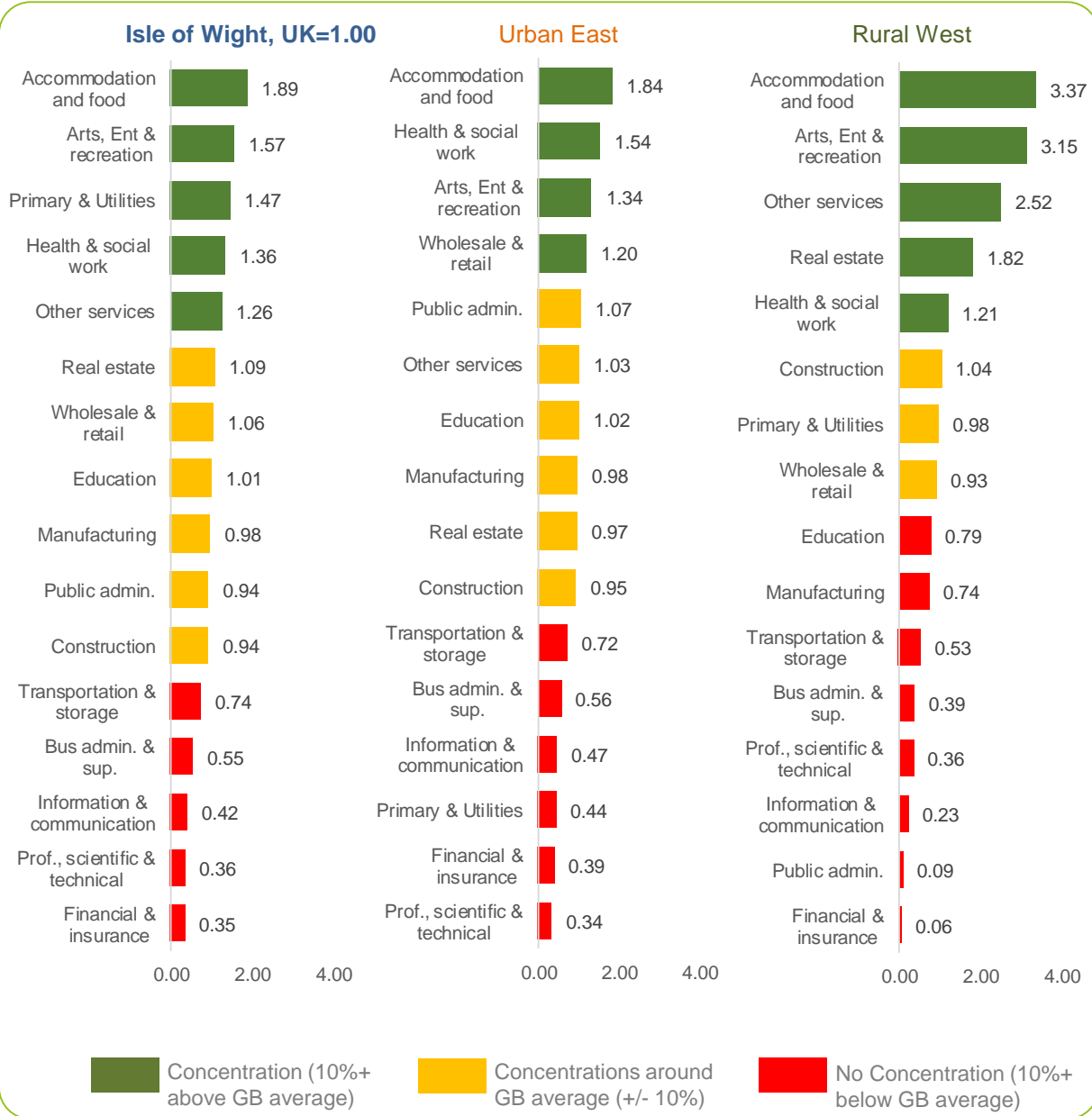


Predominantly Rural West Total number of employees 2017 **5,000** Change 2010-2017* **+500**



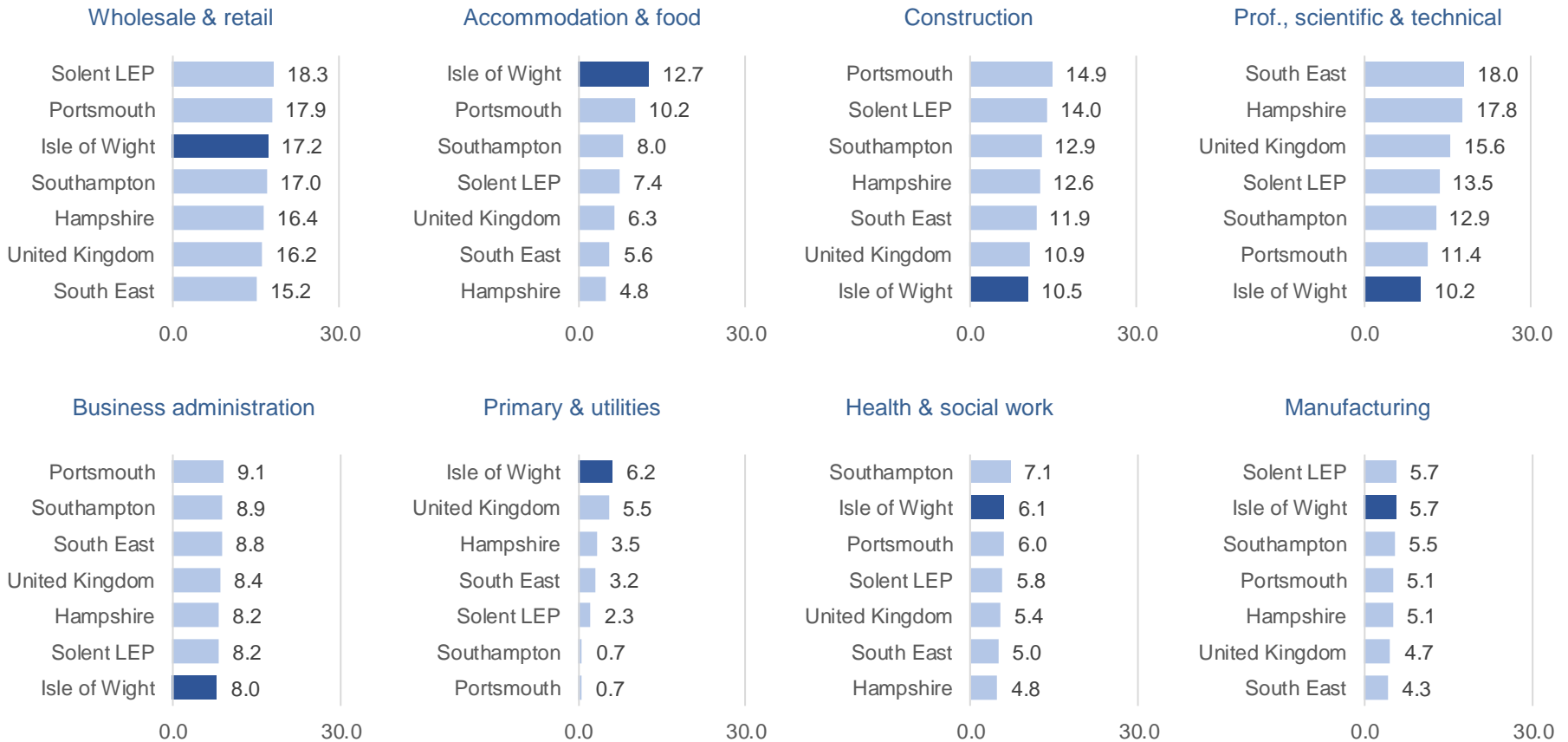
- The workplace employee data can be disaggregated down to the two broad sub-areas covering the predominantly Urban East and the predominantly Rural West, although estimates are less robust and taken as indicative.
- The predominantly Urban East accounts for 88% of workplace employment, mostly in and around Newport but also the coastal towns of Cowes, Ryde, Sandown/Shanklin and Ventnor¹.
- In 2017 there were an estimated 44,000 employees in the predominantly Urban East, with no apparent increases since 2010 nor on 2016.
- Just over half (52%) of all workplace employment is represented by three broad sector employers: health & social work; wholesale & retail; and, accommodation and food, which is unsurprisingly the same as the overall Isle of Wight. The data is not robust enough for accurate time series analysis, although based on the whole Isle of Wight trend it is likely accommodation & food will have grown in the urban area since 2010.
- The predominantly Rural West accounts for 12% of workplace employment (5,000 employees), and with 500 additional employees in 2017 compared to 2010 the rural area saw employee growth. With no single large employment centres the rural area has a number of smaller towns and villages such as Chale, Freshwater, Totland & Yarmouth.
- The top three sectors are the same as the Island as a whole and urban area but accommodation & food is the largest single employee in rural areas. This is then followed by health & social work and wholesale & retail. Combined the three sectors make up 42% of employees.
- The data is not robust enough for accurate time series analysis, although based on the whole Isle of Wight trend it is likely that accommodation & food will also have grown in the rural area.

Workplace Employment: high concentrations in tourism related sectors but low in knowledge intensive services



- The Isle of Wight has a high concentration of employment in sectors strongly associated with tourism, but the Island is underrepresented in high value services. Business clusters can be more informative of clustering than employee concentrations that could be skewed by a few larger firms. Nonetheless, there are benefits in spatial clustering of firms and their employees; not least the existence of a pooled market for specialized workers and the flow of business-related knowledge among firms that results in technological spill overs.
- Using the national employee share as the benchmark the graphics identify sectors with employee concentrations above the national average, those within a broad alignment and those below the national average (areas for potential concern if they are very productive sectors).
- On the Isle of Wight, there are five sectors with employee concentrations above the national average, notably accommodation & food which is 89% above then national average. This sector is also concentrated in the Urban East and especially in the Rural West. Health & social work also has a high local concentration.
- The Isle of Wight has a few smaller sectors with higher concentrations, but these will be partially skewed by the low employee numbers. These are in: arts, entertainment & recreation; primary & utilities; and other services.
- There are no concentrations, indeed there is significant under representation, in core high values added knowledge intensive type service activities: ICT; professional, scientific & technical; and, financial & insurance. This is also the case for the two broad rural and urban sub-areas.

2018 Business share by sector – Largest sectors in Isle of Wight (%)

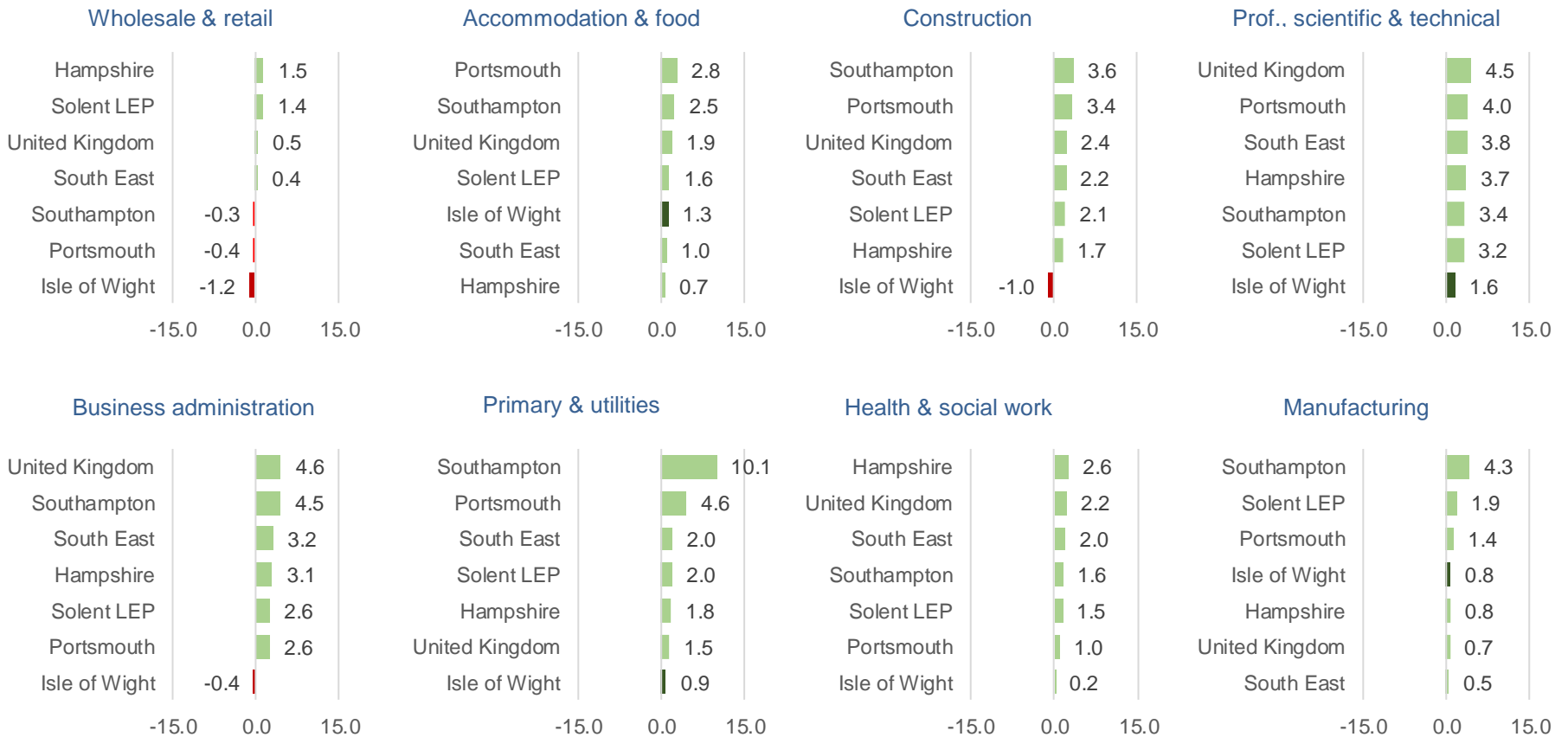


- By business share, the eight largest broad industrial sectors in Isle of Wight accounts for more than three in four businesses (76.6%). As shown in the employee share analysis, most of these sectors are not the most productive sectors, the exceptions being professional, scientific & technical and manufacturing.
- The Isle of Wight has the highest relative business proportion across the benchmark areas in accommodation & food, primary & utilities and manufacturing.

- The Isle of Wight, alongside Solent LEP, has the highest business proportion in manufacturing against comparison areas. Accommodation & food on the Isle of Wight is around twice as large as in the UK, while primary & utilities has a business proportion much higher than in most comparison areas. Health & social work is another sector ranked relatively high against comparator areas. On the other hand, the Island shows the lowest business proportion across comparator areas in construction, prof., scientific. & technical and business administration.

Businesses by Sector: sluggish business growth in largest industrial sectors

Business growth by sector – Largest sectors in Isle of Wight – Average annual growth since 2010 (%)

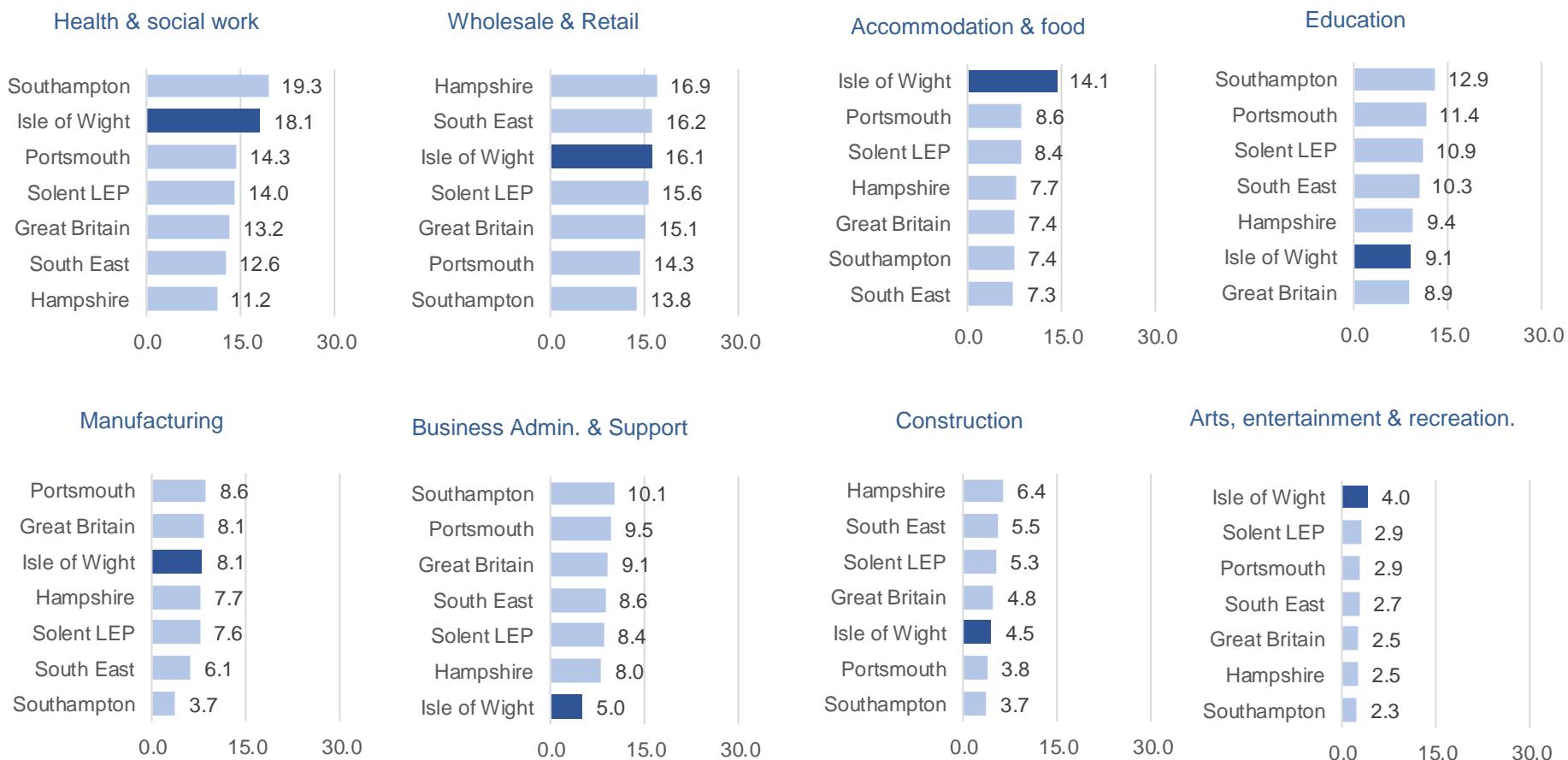


• Between 2010 and 2018, the eighth largest sectors on Isle of Wight that account for three quarters of all business are estimated to have contributed to around 1/3 of all business growth in the area, while the eight smallest sectors have accounted for two thirds of all business growth. This is due to a relative sharp decrease in the wholesale & retail and construction sectors which are within the largest sectors on the Island. ICT was by far the best performer in terms of business growth since 2010 (65 additional businesses).

• Amongst all 16 broad industrial sectors, the Isle of Wight had the slowest relative business growth against benchmark areas in ten sectors. This explains for a relatively sluggish growth in the total number of businesses on the Island.

• Within the eight largest sectors on the Isle of Wight, manufacturing (a high value-added sector) and accommodation & food, had an average annual business growth faster than South East average although slower than the two cities (Southampton & Portsmouth).

2017 Employee share by sector – Largest sectors in Isle of Wight (%)

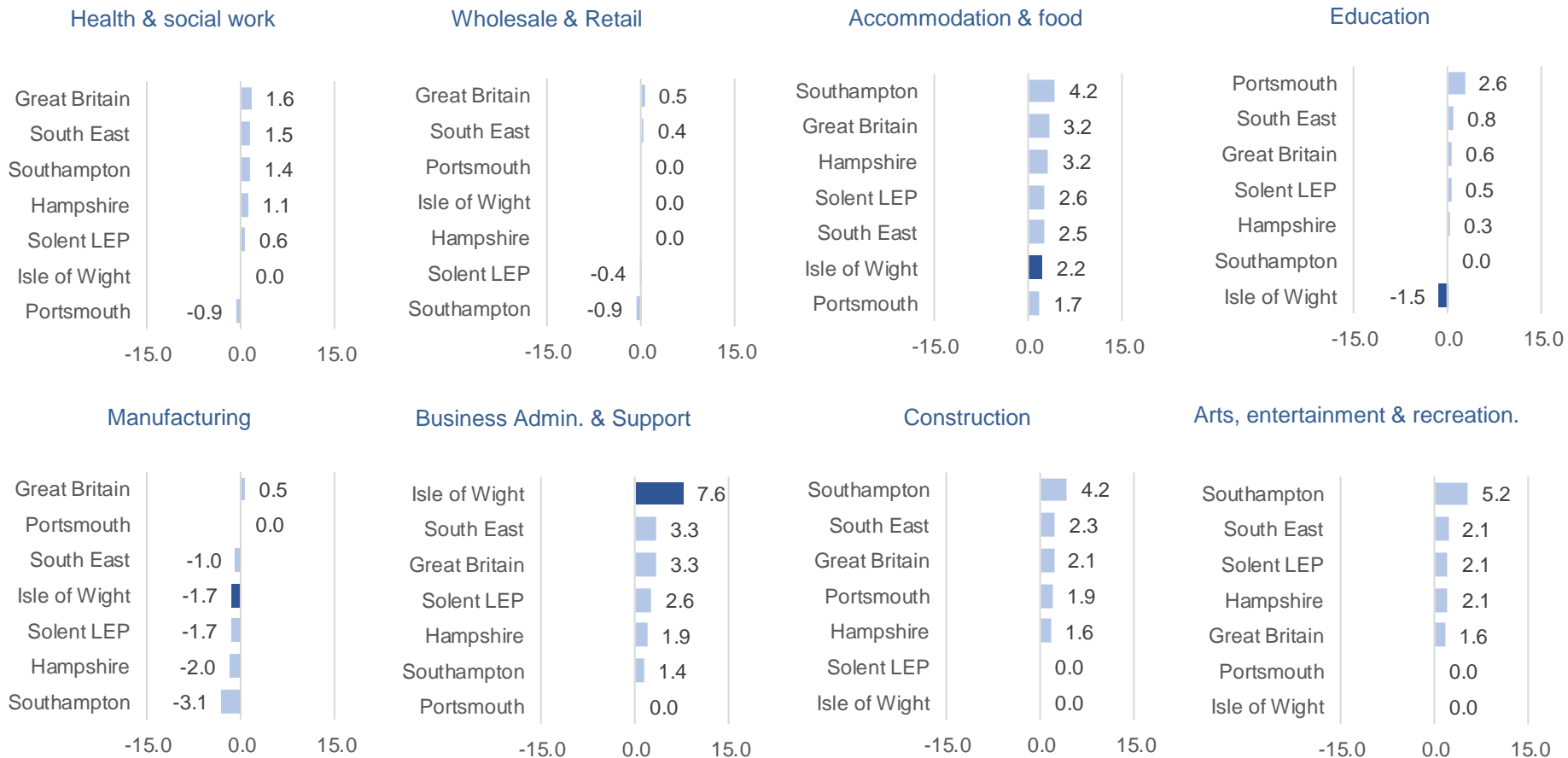


• By employee share the eight largest Isle of Wight sectors are estimated to account for 79% of all employees. Apart from manufacturing the other larger sectors on the Island are generally not seen as high productivity. The Island has the largest relative sector shares in accommodation & food and arts, entertainment & recreation which simply reflect the island's status as a prime tourist destination.

- Health & social work accounts for a significant share of employment on the Island. This mirrors rising demand for care from an increasingly aging population – not least as a desirable retirement destination.
- Manufacturing has a historically strong presence on the Island, and as a share of all workers is still higher than the Solent LEP and South East. Perhaps the lack of a university campus contributes to the Isle of Wight having a lower share for education, although it is broadly in line with the national average.

Employment by Sector: business administration and accommodation & food account for most growth

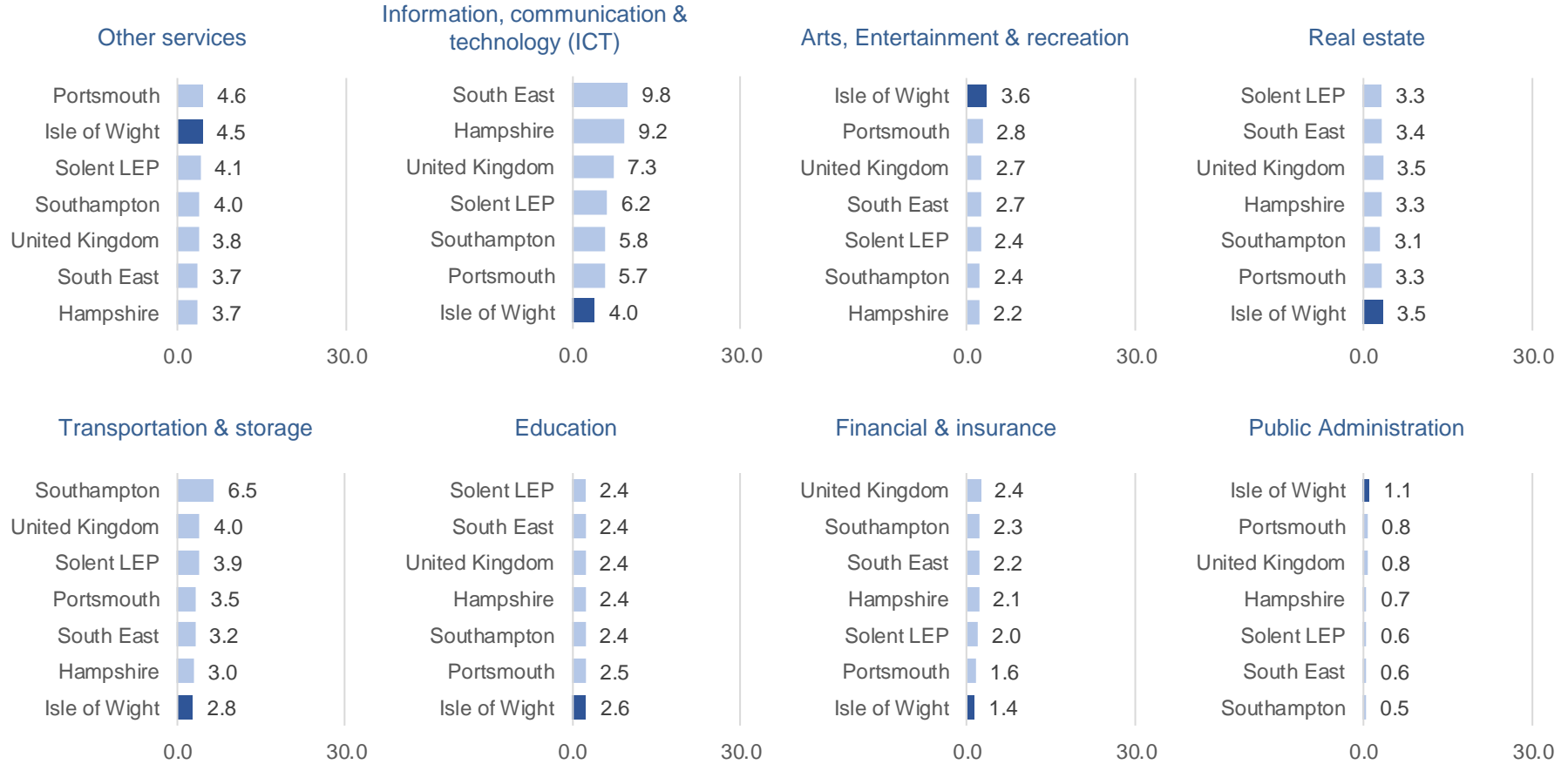
Employee growth by sector – Largest sectors in Isle of Wight – Average annual growth since 2010 (%)



- By employee share the growth rates between the eight largest Isle of Wight sectors is mixed. Only two sectors (accommodation & food and business admin & support) saw any employee growth between 2010-2019 and both account for 70% of all employee growth.
- Employment survey (BRES) is designed to provide a snapshot in time and does not necessarily provide robust time series data. Therefore, any changes must be interpreted with a degree of caution and common sense.

- Half of the eight largest sectors saw little to no growth over the same period, while most of the benchmark areas saw some growth in these sectors. The Island was the only area to see a fall in education employment since 2010 with an average annual decrease of 1.5% per annum. Manufacturing employment is down since 2010 (-1.7% per annum) but in line with the Solent LEP average and slower than Hampshire or Southampton.

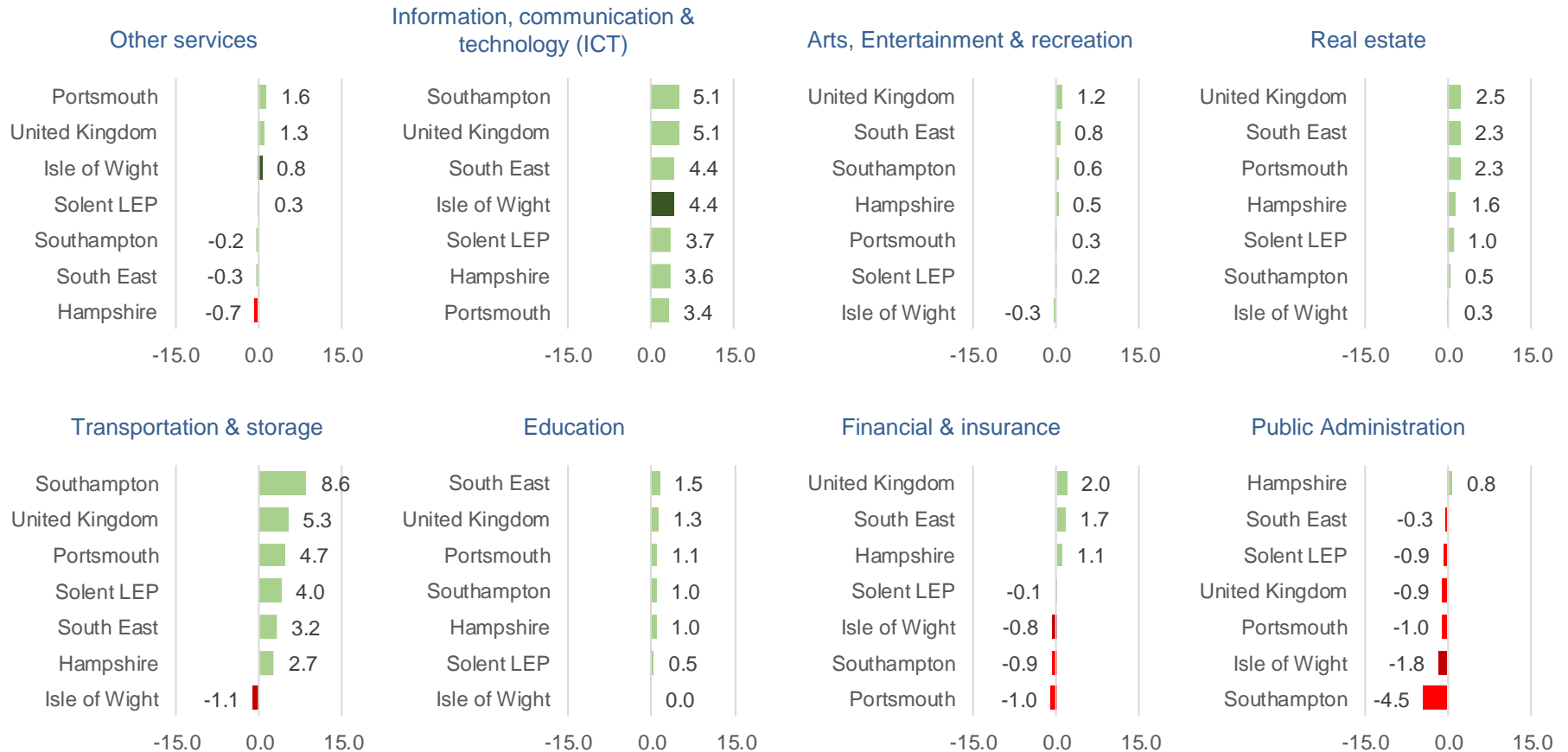
2018 Business share by sector – Smallest sectors in Isle of Wight (%)



- Nearly a quarter of business (23.6%) of all businesses on the Isle of Wight are found in the eight smallest broad industrial sectors.
- The Isle of Wight has the highest relative sector shares in arts, entertainment & recreation and public administration and the lowest relative sector shares in ICT, real estate, transportation & storage, education and financial & insurance sectors. The ICT business share in the Isle of Wight is much lower than in most comparison areas.

- Higher value services have been a major driver of economic growth in several local economies in the South East. The Island's share is low but the Island has seen a steady growth in the number of ICT business since 2010.
- The Public admin share on the Island is relatively high and is nearly twice as high as the Solent LEP. However, the Isle of Wight has seen a decrease in the number of public administration businesses since 2010.

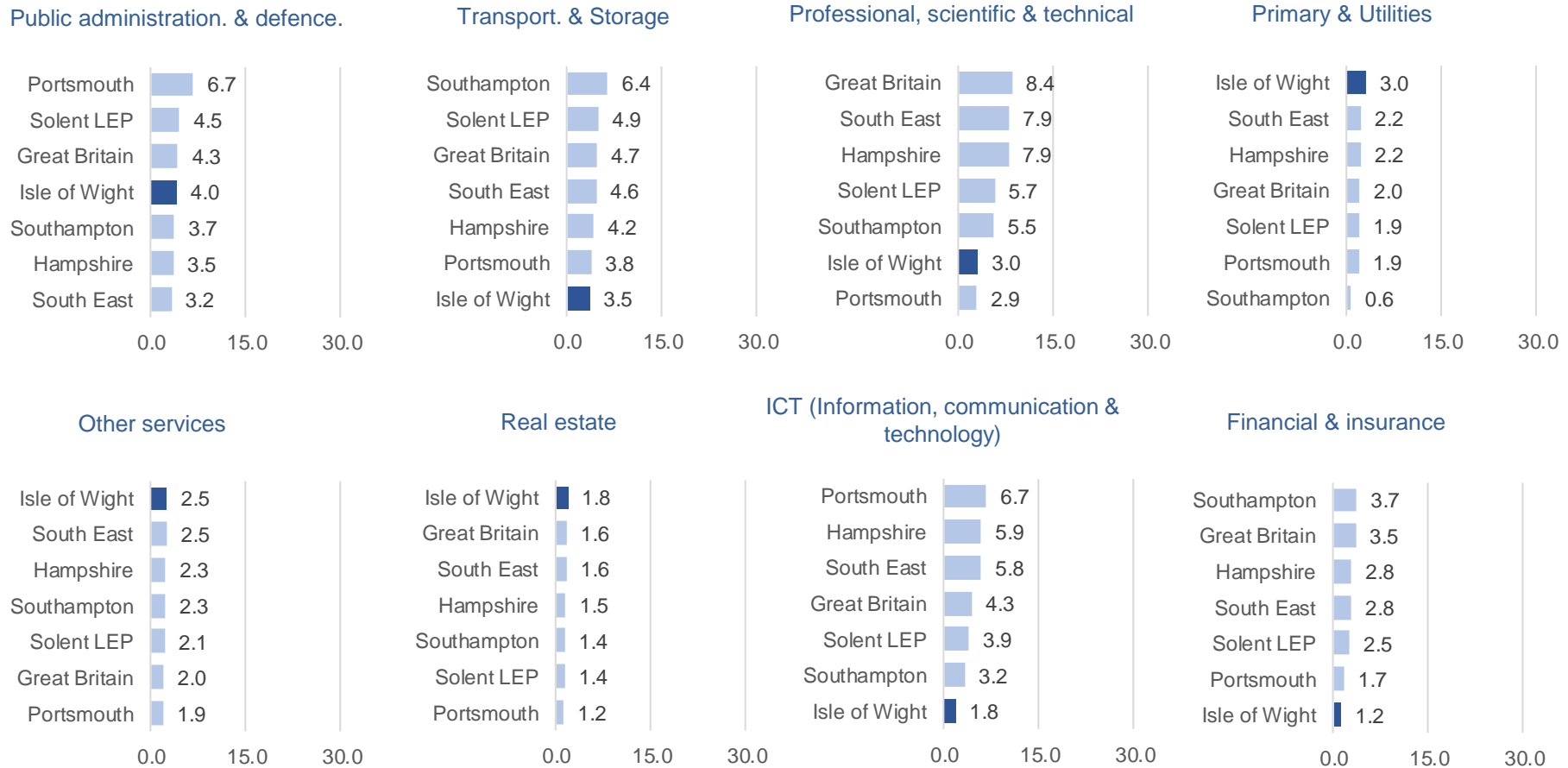
Business share by sector – Smallest sectors in Isle of Wight - Average annual growth since 2010 (%)



- Approximately two out of three additional businesses on Isle of Wight came from the eight smallest sectors since 2010.
- ICT was the main driver of business growth within the eight smallest sectors in the Isle of Wight. Average annual growth in this sector was faster than in Portsmouth, Solent or the Hampshire County Council Area, but growth lagged Southampton and the national average.

- In contrast with the comparison areas, the Isle of Wight saw the number of transport & storage businesses decrease since 2010. Likewise, arts, entertainment & recreation business count decreased on the Island whilst it increased in the rest of the comparator areas.
- In contrast with the UK average but in line with Solent LEP and the two cities, the Isle of Wight saw a decrease in the number of financial & insurance business since 2010.

2017 Employee share by sector – Smallest sectors in Isle of Wight (%)

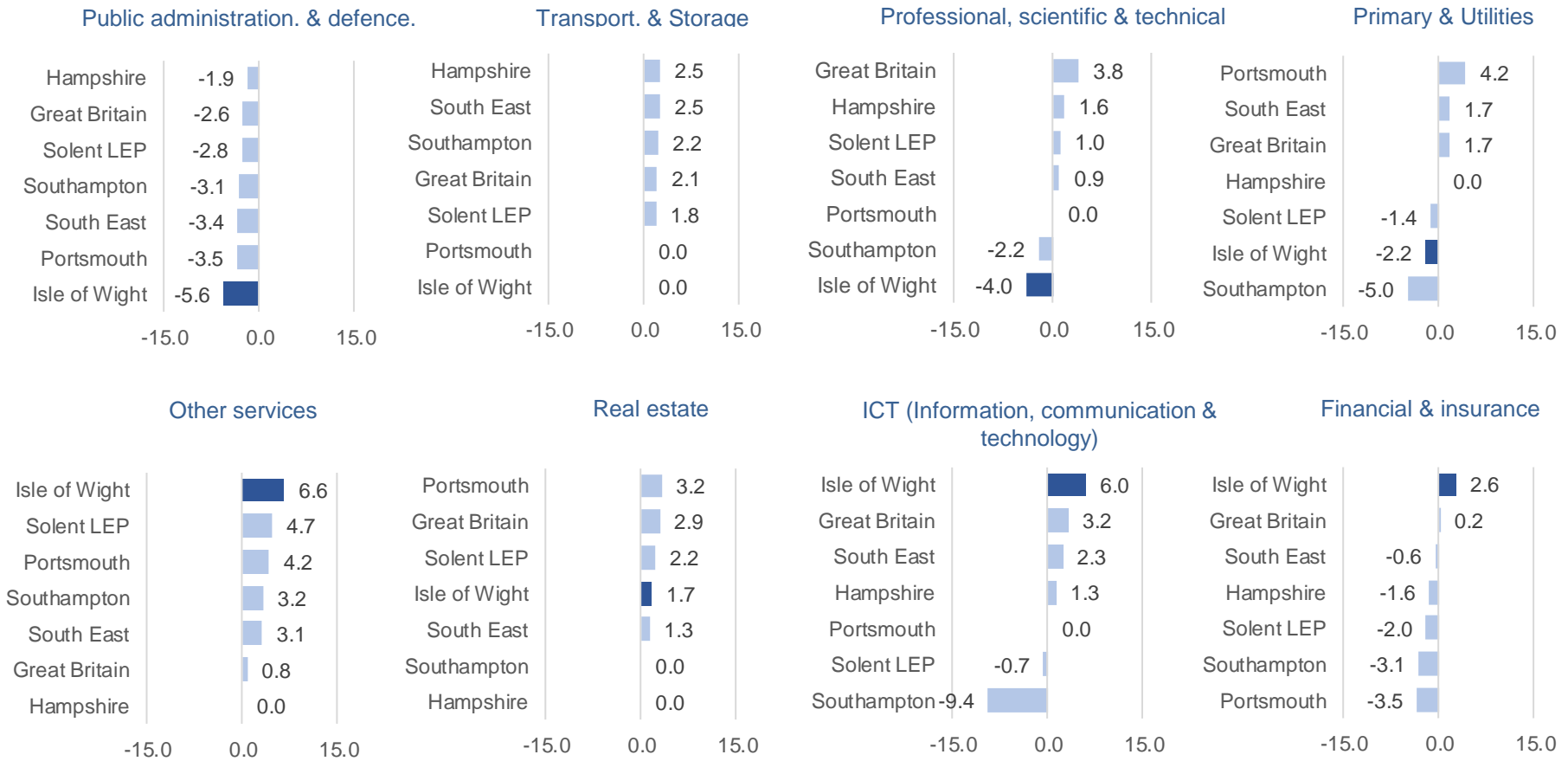


• By employee share the eight smallest sectors in the Isle of Wight are estimated to account for 21% of all employees. More of the most productive sectors in terms of high value-added are in these relatively smaller sectors. The Isle of Wight has the largest relative sector shares in primary & utilities (e.g. land based, energy provision), other services (e.g. membership organisations, hairdressers, repair of household items) and in real estate.

• However, professional, scientific & technical, ICT and financial & insurance all have a low relative share. With an increasing emphasis on knowledge intensive activities, as highlighted in the Government's Industrial Strategy, the Isle of Wight is at a comparative disadvantage. Lack of higher education institutions does not allow for knowledge spill overs and high-tech business agglomeration – this is examined in more detail in section 5.

Employment by sector: strong growth in ICT offset by a decline in professional, scientific & technical employment

Employee share by sector – Smallest sectors in Isle of Wight - Average annual growth since 2010 (%)



• By employee share the growth rates between the eight smallest sector employees is equally mixed. The Isle of Wight has seen the highest growth rates in other services, ICT and financial & insurance since 2015. This is encouraging but is from a small base. Growing ICT will be key to realising the Isle of Wight Digital Island Strategy¹ - see Section 5 (Knowledge Intensive).

• Transport & storage saw no change in employment while three sectors saw negative growth. Public admin & defence at 5.6% per annum was the largest and will reflect post 2010 cuts to local government. Professional, scientific & technical may tie in with fewer high skilled job opportunities on the Isle of Wight.

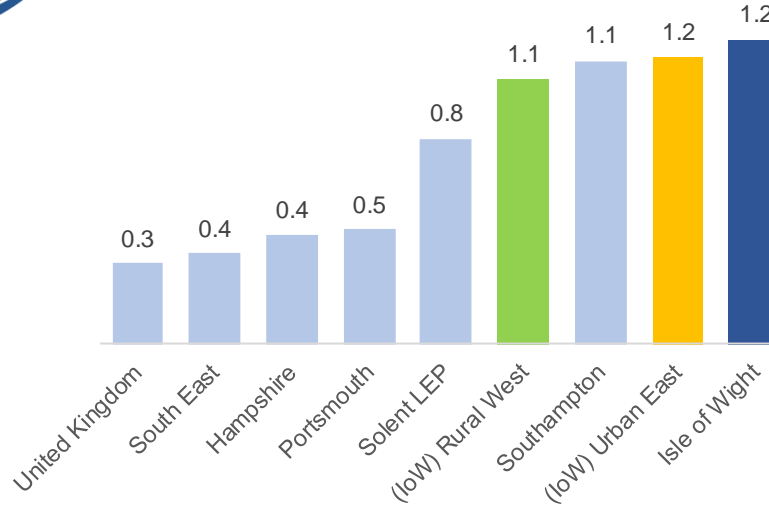
Source: ONS (2019) Public Admin. & Defence excludes Armed Forces Personnel, so the actual share will be larger. ¹ Isle of Wight Council (2019) Digital Island, Isle of Wight Digital Island Strategy.



70

Local Business Units
Isle of Wight (2018)
Urban East: 55*
Rural West: 10

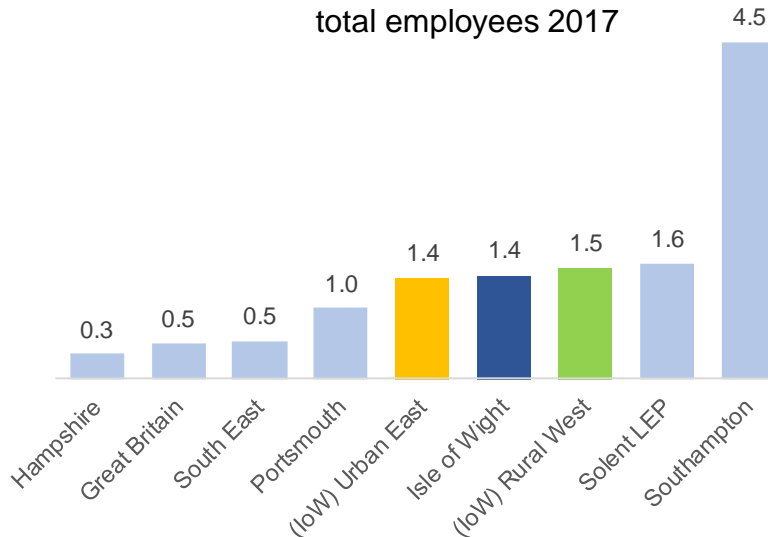
Marine & Maritime Business % Share of all businesses 2018



700

Employees
Isle of Wight (2017)
Urban East: 600
Rural West: 200

Marine & Maritime Employees % Share of total employees 2017



- The Isle of Wight marine & maritime sector is relatively large according to official data and with some employment growth. The Island has several marinas, notably in Cowes which also hosts the prestigious Cowes Week regatta. The main public ferries are accessed on the mainland from Lymington, Southampton and Portsmouth via the Wightlink, Red Funnel and Hovertravel services. Both Cowes Week and the ferry services are closely interlinked to tourism and visitor economy, with some ferry services reduced during the out of season Winter period. Tourist visitors to the Island are estimated to account for roughly half of all ferry passenger journeys¹.
- As of 2019, official data has 70 marine & maritime businesses on the Isle of Wight, while a more recent commercial database suggests a figure of 75. This is a narrow definition and will not include companies in the wider supply chain or in any associated research and development activities unless their primary SIC code matches the marine & maritime definition. Marine businesses are mostly located in the predominantly Urban East, where more marinas are located. As a percentage share of all businesses, the marine & maritime sector is small at 1.2%, although higher in relative terms against all benchmark areas.
- The Island has approximately 700 employees working in the sector in 2017 – although there may be more who are self-employed. According to a commercial database, and where employee figures are given, there are less than 10 SMEs, with most likely to be micro-businesses with fewer than 10 employees. The sector accounts for 1.4% of all employees on the Island, marginally lower than the Solent average. Nonetheless, the Isle of Wight is above the national and South East region averages.



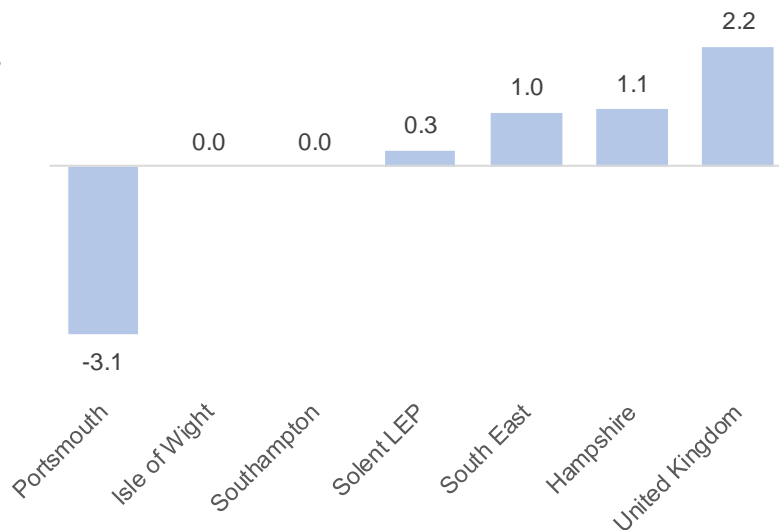
Isle of Wight Businesses

Absolute Change

2010-2018

0

Average Annual Growth 2010-18 (% per annum)



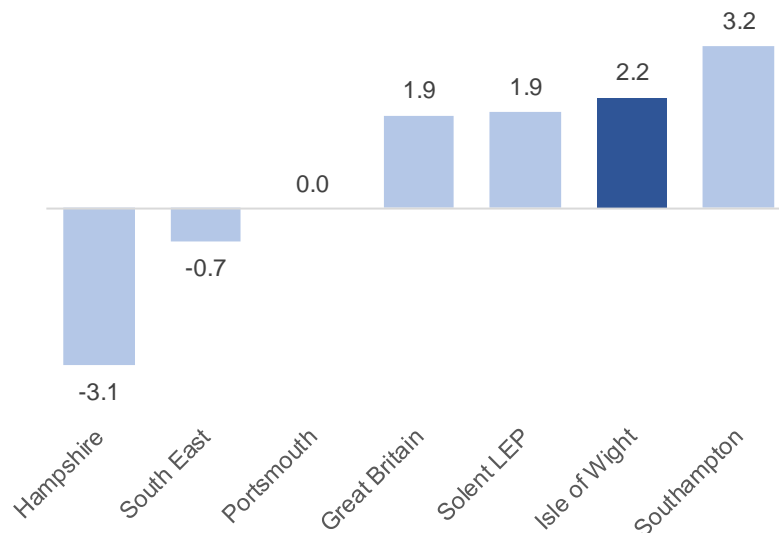
Isle of Wight Employees

Absolute Change

2010-2017

+100

Average Annual Growth 2010-17 (% per annum)



- There is a time lag between business and employee data and data rounding, which mean growth rates need to be interpreted with care. Allowing for this the Isle of Wight saw no change in businesses between 2010-18 but some growth in employees between 2010-17. However, official data are rounded to the nearest five for businesses and some caution is needed when working with small numbers. A more recent commercial database identified around 75 businesses* which is close to the official estimate. There may be more as local businesses may be registered at another location in the UK under the HQ location outside the UK, usually established to minimise tax liabilities and maximise profits.

- Average annual business growth was zero which is better than the negative growth in Portsmouth but much slower than the national average. Cowes is the island's maritime business hub for the sector which is also evident from the density map (p45).

- While there is little evidence of business growth the ONS official data suggests marine & maritime employment has increased on the Isle of Wight since 2010. Although there is a time lag between business and employee data, the figures would suggest employee growth may have taken place within existing businesses.

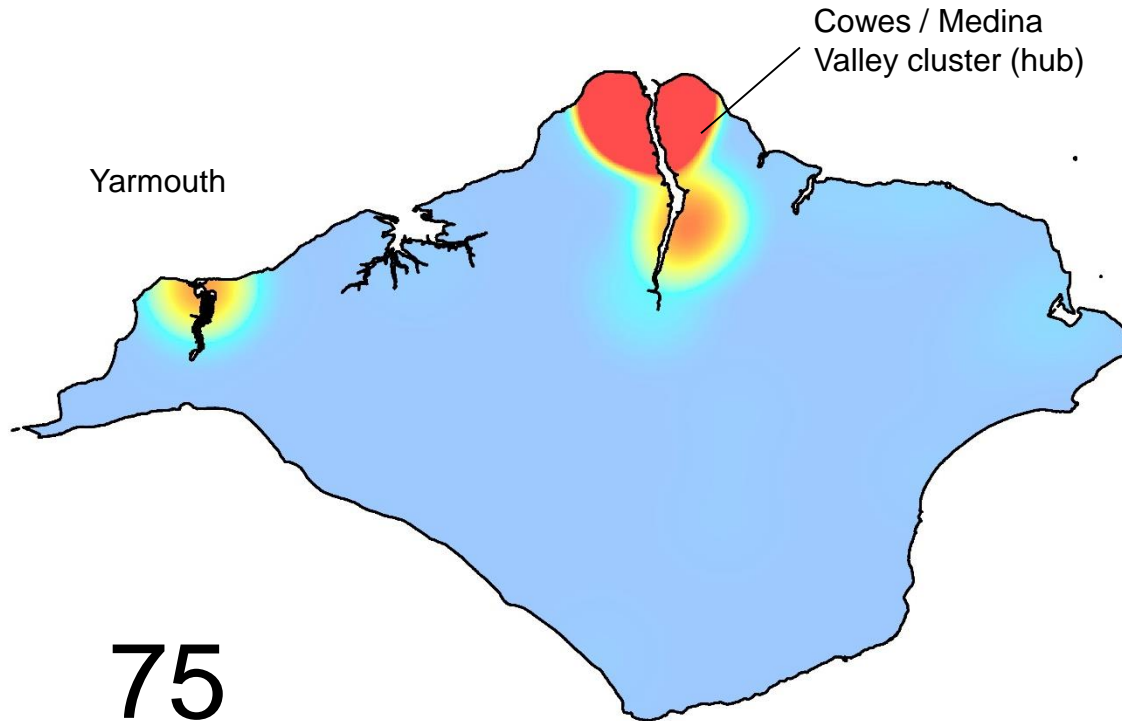
- However, recent data shows that 88% of businesses in the sector are now predicting positive growth for the next six months and over 34% are reporting increased investment¹. Elsewhere, Southampton saw robust average annual growth since 2010, as did the Solent LEP area.

Marine & Maritime: high concentrations relative to national average, focused around Cowes marine and maritime hub

Sector concentration where 1.00 is equal to the national average



Source: ONS 2019



75

Number of companies identified for density mapping

Source: BvD 2019

- Based on official data the marine & maritime business concentration on the Isle of Wight is over nearly four times greater than the national average and close to three times greater on employee concentrations (2.96).
- Using commercial data, a density map based on postcode proximity and employee weighting, unsurprisingly shows red heat zones (business concentrations) around the Cowes marine & maritime hub and extending down the Medina Valley. There is also a less intense heat cluster around Yarmouth.
- In early 2019 the Government published its marine strategy paper¹, highlighting inter alia long-term trends influencing the future direction of the sector. Those more pertinent to the Isle of Wight revolve around challenges for workforce both in terms of skillset and fulfilling vital roles in the wider logistics supply chain.
- There will be greater demand for highly specialised elements and where science, technology, engineering, and mathematics (STEM) skills will become more prevalent. The Isle of Wight is currently underrepresented in employees in those high-tech sectors. Equally, the sector will not be immune to new disruptive technologies likely to emerge and change the maritime sector. Climate change will also impact on the resilience of the sector while trade and marine leisure needs to protect the marine ecosystem and environment, and as set out by UK Government commitments to zero emission on shipping in its waters. This is also set out in the recent Clean Maritime Plan² and other various other strategic reports on emissions and clean energy (e.g. Port Air Quality Strategies).

Source: ONS 2019, BvD 2019. Density maps based on business postcodes and weighted by workers. The presence of larger businesses will have a greater impact on density than smaller firms. ¹ DfT (2019) Marine 2050, Navigating the Future. ² DfT (2019) Clean Maritime Plan.

Tourism & Visitor Economy: large sector with relatively high concentrations of business and employment



780

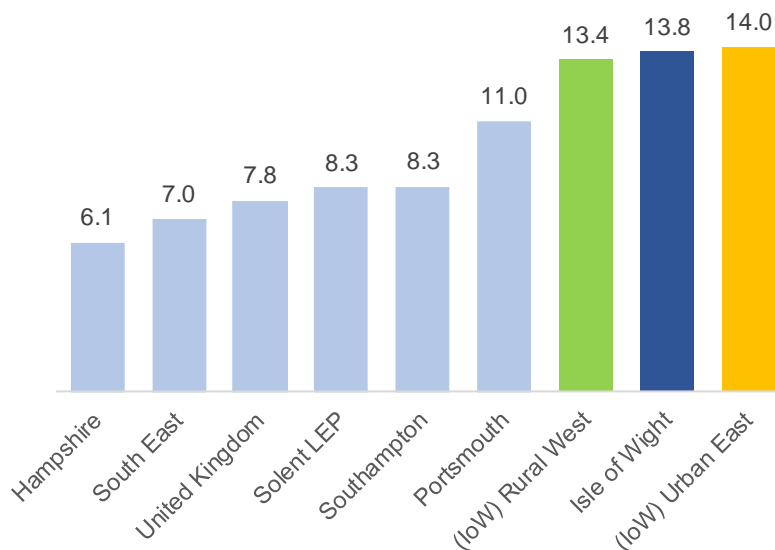
Local Business Units
Isle of Wight (2018)
Urban East: 660*
Rural West: 125



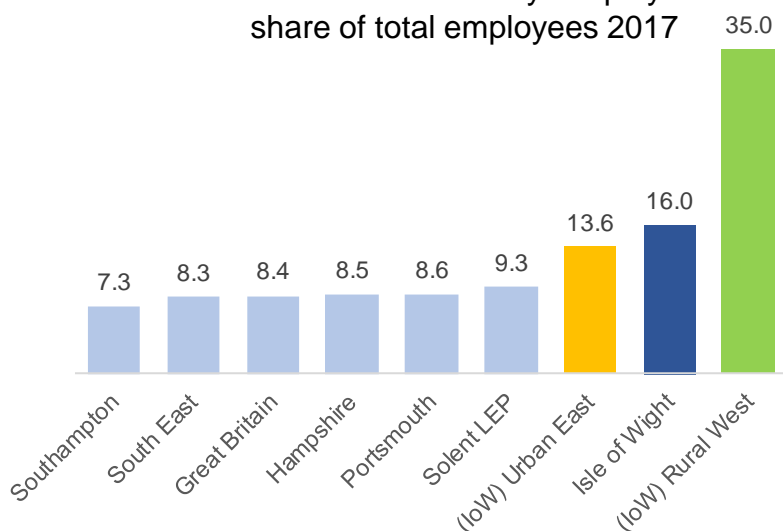
8,000

Employees
Isle of Wight (2017)
Urban East: 6,000
Rural West: 1,750

Tourist & Visitor Economy business % share of all businesses 2018



Tourist & Visitor Economy employees % share of total employees 2017



- The Isle of Wight tourism & visitor economy is one of the larger sectors on the Island in terms of businesses and employment, capitalising as it does on the Island's coastline, countryside and heritage. The Isle of Wight drew in 2.34 million visitors in the 12 months to March 2019, spending just over £300 million¹.
- The Isle of Wight had 780 businesses in this broad sector in 2018. However, a more recent commercial business database only pulled out 670 – although the differences may be down to different industrial coding.
- Nonetheless, businesses are mostly located in the predominantly Urban East where the main resorts and tourist attractions are based. Over one in every seven Isle of Wight businesses (13.8%) are in the tourist and visitor economy.
- The share of tourism & visitor economy businesses on the Island is the highest in relative terms across all benchmark areas; almost three percentage points above the next highest in Portsmouth, and close to two times the South East regional average.
- The sector employs an estimated 8,000 people on the Isle of Wight, about one in every six employees and well above all comparison areas. Employment in the sector is likely to see seasonal peaks during the main tourist season.
- As most businesses in the sector are based in the Urban East employment is also mostly based there. The proportion is also very high for the predominantly Rural West albeit from a smaller employee base.

Sector concentration where 1.00 is equal to the national average

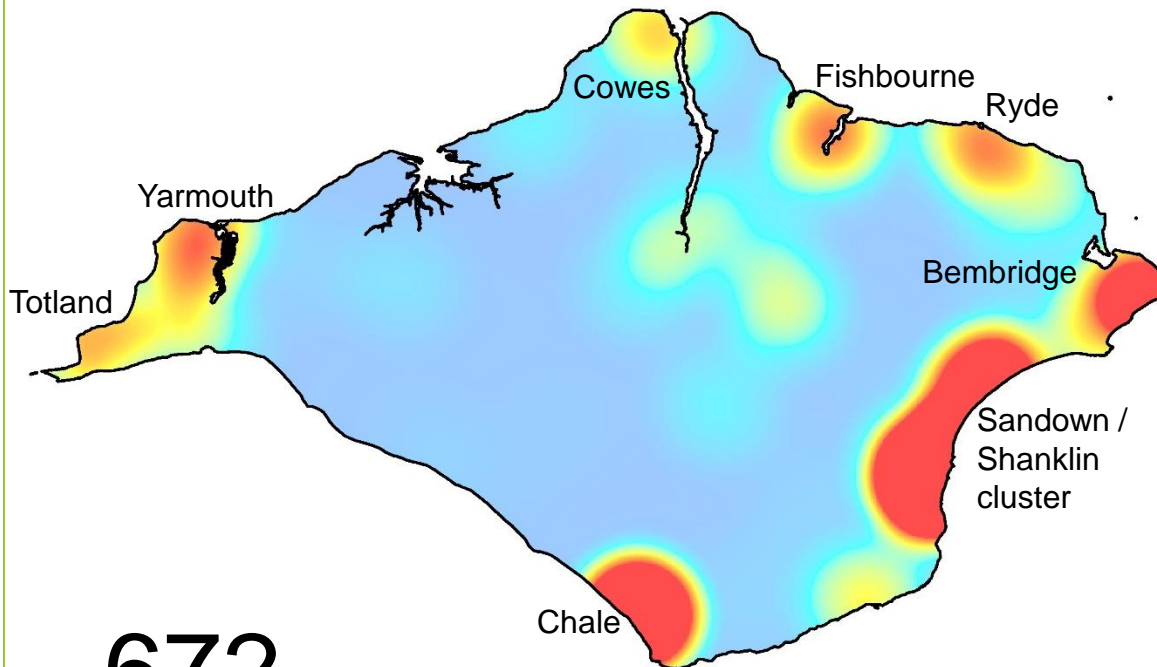


1.77
Businesses



1.90
Employees

Source: ONS 2019



672

Number of companies identified for density mapping

Source: BvD 2019

- The Isle of Wight has a high business and employee concentrations in the Tourism & Visitor sector. Based on official data the tourist & visitor business concentration is over 77% more concentrated locally than in the UK and 90% more on employees.
- Using commercial business data, a density map based on postcode proximity and employee weighting, unsurprisingly shows numerous business concentrations (red heat zones) but clusters are found in the main resort towns of Sandown and Shanklin.
- From an earlier Tourism Development Plan¹ three primary challenges in the development of tourism were identified on the island: meeting customer needs (which will always be relevant); building confidence; and, ensuring sustainability (even more relevant in 2019 with the environmental and ecology concerns).
- Nationally, the hospitality element of the tourism & visitor economy is forecast to create 66,000 new jobs over the next five years and create up to 200,000 apprenticeships¹.
- Workforce skills is a widely reported concern on the Isle of Wight and upskilling the domestic workforce will become important in light of Brexit, specifically business concerns over retaining EU staff and maintaining access to future workers.
- Nationally, EU nationals made up around 10% of the overall tourism workforce in 2016, although this is believed to be an underestimate². The percentage is likely to be higher in major tourist centres such as London.
- Assuming 10% is a reasonable estimate across the country this would equate to approximately 800 EU workers in on the Island. One of the reasons for the high number of EU workers in the sector is lack of skills in the domestic workforce.



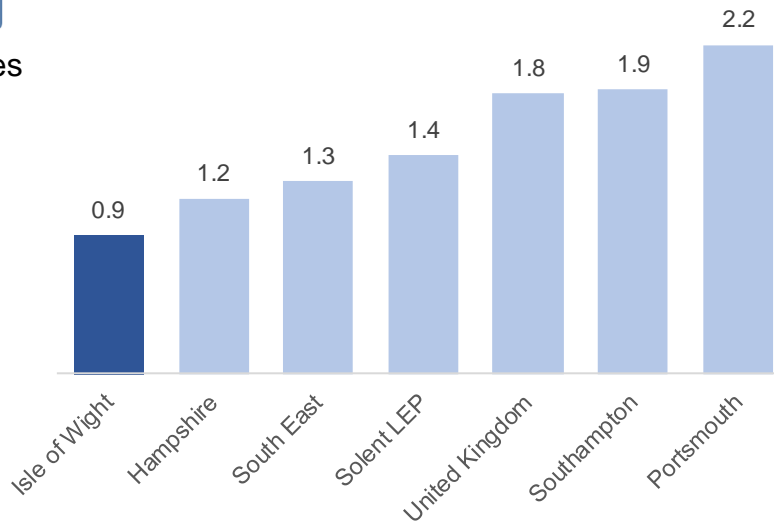
Isle of Wight Businesses

Absolute Change

2010-2018

+55

Average Annual Growth 2010-18 (% per annum)



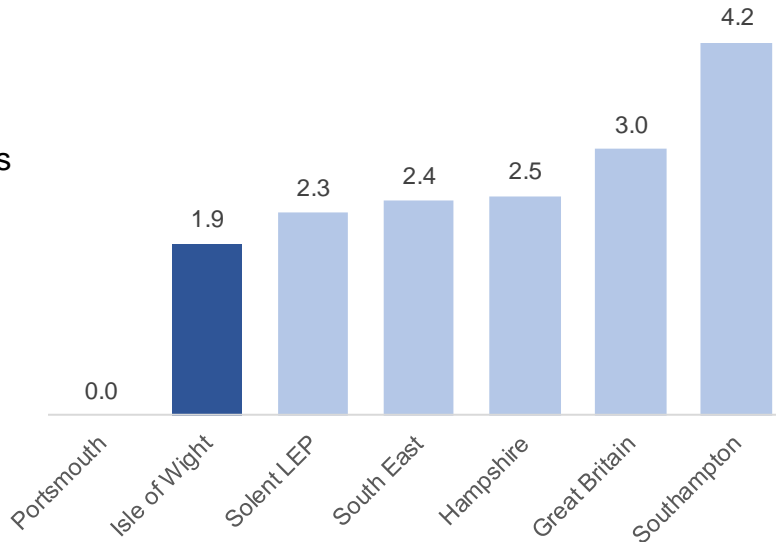
Isle of Wight Employees

Absolute Change

2010-2017

+1,000

Average Annual Growth 2010-17 (% per annum)



- In absolute terms there was an additional 55 businesses in the Tourism & Visitor economy between 2010-2018, giving an average annual growth rate of 0.9% per annum. This is the lowest rate of growth against the benchmark areas. With a strong concentration of businesses, the lower growth rate relative to other areas may reflect a crowded market with fewer opportunities to expand at a faster rate.
- Official data from ONS suggests reasonable change in employment levels with an estimated 1,000 extra workers in the sector since 2010. However, employee growth at 1.9% per annum since 2010 is below most benchmark areas and over half the growth rate for Southampton.
- Tourism is a booming industry in England in terms of job opportunities and economic growth.
- As discussed in the commuting section (see p3) access to the Island is not so easy as in other South Coast destinations such as Brighton, Portsmouth or Southampton supported by major and often more direct rail and road links.
- A recent report¹ found a lack of knowledge of UK geography and transport networks can discourage travel outside of London and to other major destinations, and where more high-profile branding may help. Employment in the sector is likely to see seasonal peaks during the main tourist season. Not least the annual Isle of Wight Music Festival held since 2002 and attracting circa 80,000 revellers.
- The Isle of Wight has several of heritage sites of which four are operated by English Heritage (Carisbrooke Castle, Osborne House, St Catherine's Oratory and Yarmouth Castle).

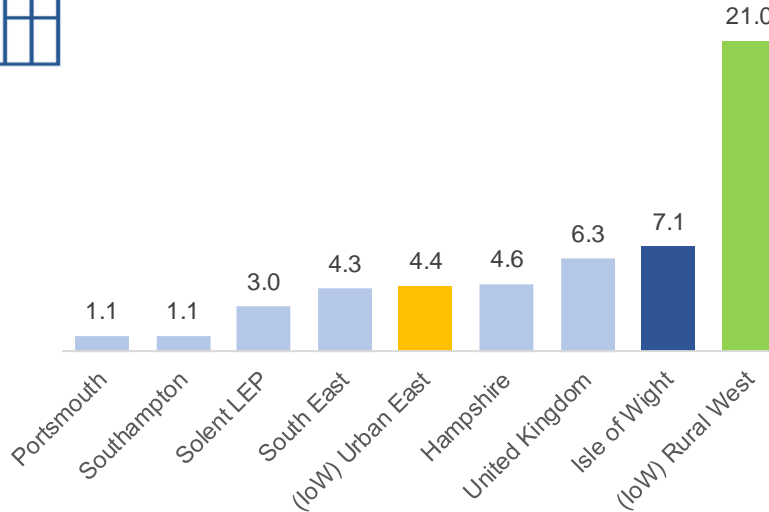
Land-based sector: medium-sized sector with relatively high concentrations of business and employment



400

Local Business Units
Isle of Wight (2018)
Urban East: 210*
Rural West: 195

Land Based business % share of all businesses 2018



Land Based employees % share of total employees 2017

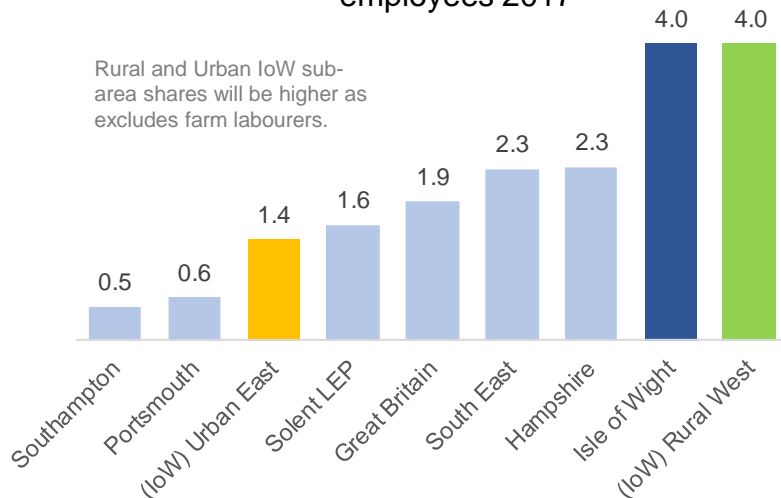


2,000

Employees
Isle of Wight (2017)
Urban East: 600
Rural West: 200

(Sub-area excludes SIC 0100 farm labourers so will estimate far fewer employees than IoW total)

Rural and Urban IoW sub-area shares will be higher as excludes farm labourers.



- The land-based sector is one of the medium sized sectors on the Island. Covering an area of 380 square kilometres, almost 50 per cent of the Island falls within the Isle of Wight Area of Outstanding Natural Beauty¹. Most of the arable land is on the southern coastland plain, while dairy is found on the northern pastures.
- Beyond traditional agriculture the land-based definition is more wide ranging, capturing related activities such as the wholesale of land production, veterinary and landscape gardening. Many of these businesses operate out of urban areas. The sub-areas are loosely defined and the predominantly Urban East may have agricultural land on the urban fringes.
- The Isle of Wight had 400 businesses in this broad sector in 2018 (of which close to 300 (75%) are in agriculture) while a more recent commercial business database suggests 270, possibly down to coding differences or sampling issue in the main national survey. The businesses are almost evenly split between the rural and urban sub-area. Almost one in 14 businesses (7.1%) on the Island are land-based and this is the highest in relative terms across all comparison areas, and over two times the Solent LEP average – the Isle of Wight accounts for 25% of land-based businesses in the Solent LEP area.
- The sector employs an estimated 2,000 workers, of which 1,250 (62%) are in agriculture. By sub-area the official data does not include farm labourers nor do figures necessarily pick up seasonal peaks during harvesting. The sector may also be impacted more by Brexit, especially for farms through EU subsidies and any UK replacement schemes² or likewise subject to potentially high tariffs on certain produce.

Land-based sector: relatively high employment concentrations are found on the Island



Sector concentration where 1.00 is equal to the national average

1.12

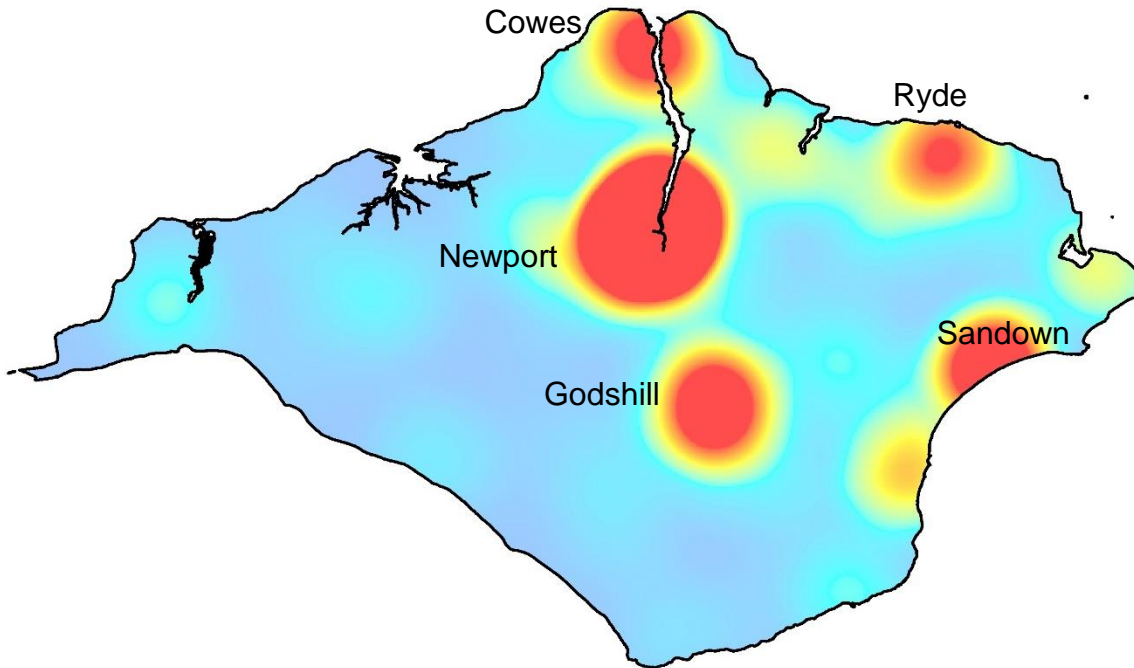
Businesses



2.14

Employees

Source: ONS 2019



266

Number of companies identified for density mapping

Source: BvD 2019

- Official data from ONS suggests that the land-based business concentration on the Isle of Wight is over 12% above the national average and more than double for employee concentration.
- Using commercial business data, a density map based on postcode proximity and employee weighting, unsurprisingly shows business concentrations (red heat zones) around a few urban centres, notably Newport. Apart from agricultural activities (farms), most businesses are based in urban locations, even if some or all activity occurs in a rural setting.
- Agricultural activities within the land-based sector are exposed to Brexit, whether in a positive way through new market opportunities or potentially negative outcomes with changes in subsidies, export tariffs or restricted access to seasonal labour.
- With regards to seasonal labour most seasonal workers currently come from EU countries¹. Likewise, for horticulture where in 2017 99% of agency-sourced seasonal labour were EU nationals. Under arrangements announced in 2018 EU citizens can continue to work on farms and in food businesses until the end of 2020, regardless of whether the UK leaves the EU with a deal or not – although there is still some uncertainty around access in a no-deal scenario.
- After 2020 this is less clear with no deal but EU citizens arriving after that date, who want to stay for more than three months, would need to register for European Temporary Leave to Remain to continue working in the UK.²
- To replace EU subsidies the UK Government has proposed a new Environmental Land Management (ELM) system underpinning agriculture policy in England³.

Land-based sector: relatively strong growth in employment with business growth comparable to national average



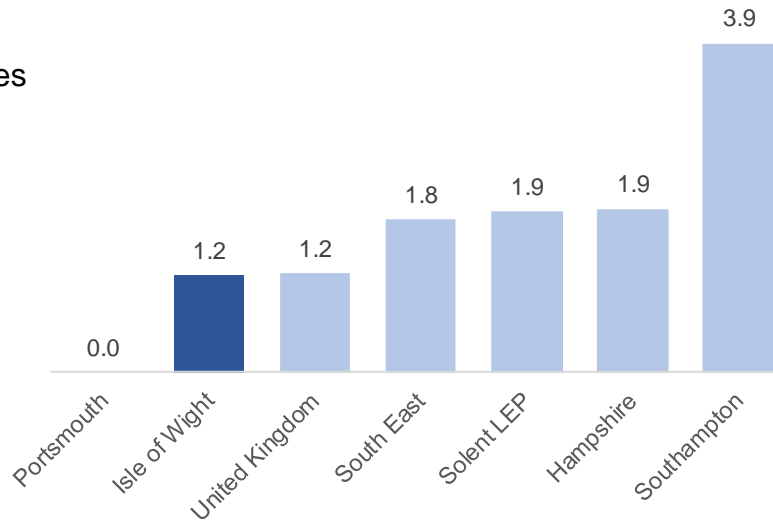
Isle of Wight Businesses

Absolute Change

2010-2018

+35

Average Annual Growth 2010-18 (% per annum)



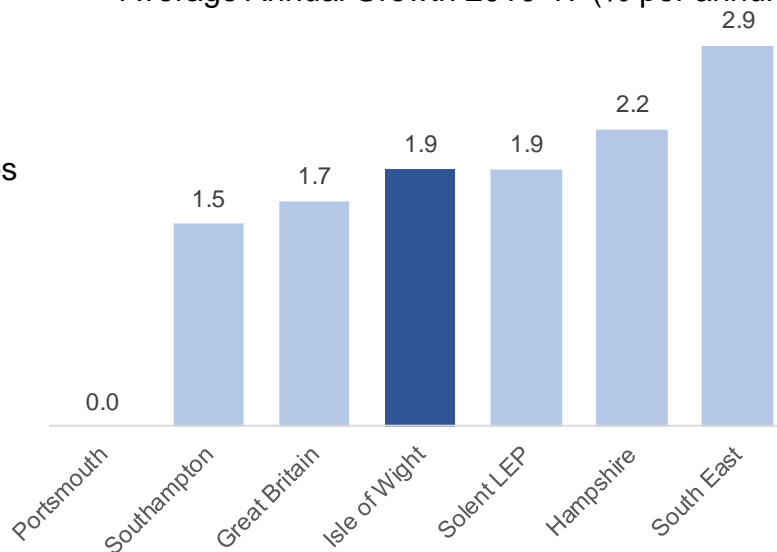
Isle of Wight Employees

Absolute Change

2010-2017

+250

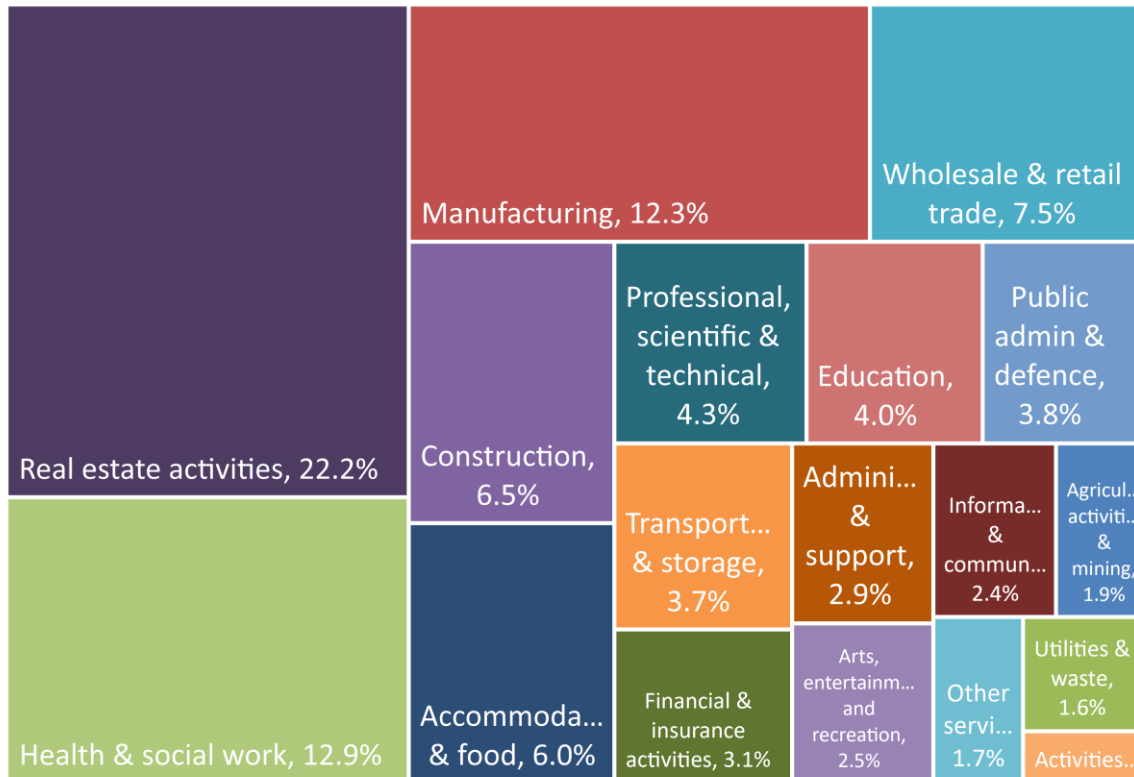
Average Annual Growth 2010-17 (% per annum)



- The Isle of Wight has potentially seen comparatively little growth in businesses numbers and some middling employee growth since 2010.
- Based on the data the IoW has seen 35 additional businesses associated with land-based activities between 2010 and 2018. However, in relative terms this gives an average annual growth rate of 1.2% per annum since 2010, the second lowest. Growth in Southampton was mostly down to landscape services (80%), as it is across most benchmark areas rather than in traditional land-based agricultural activities. However, for the Isle of Wight 60% of growth was in crop & animal production, hunting and related service activities, with landscape services accounting for 30%.
- According to a commercial database only eight records show businesses with 10 or more employees (including the Medina Foodservices, Wildheart Trust and Isle of Wight Zoo). However, most company records show no employee numbers which may suggest micro-businesses with fewer than 10 workers. The traditional farm-based businesses generally fall under this category.
- ONS data suggests an estimated 250 extra workers in the sector since 2010. Employee growth is a modest 1.9% per annum since 2010, but below Hampshire and the Solent LEP and national average.
- However, it is difficult to know the size of the agriculture labour market and the role of migrants within this because there are no official data sources designed capture this. The sector relies on a combination of seasonal and permanent workers, many of whom come from EU countries. ONS data suggests up to 14% of the agricultural workers in England are seasonal¹. As the BRES data is unlikely to capture this group the number employed on the Isle of Wight is likely to be higher.

Total output (GVA) by broad industrial sector (£ million 2017)

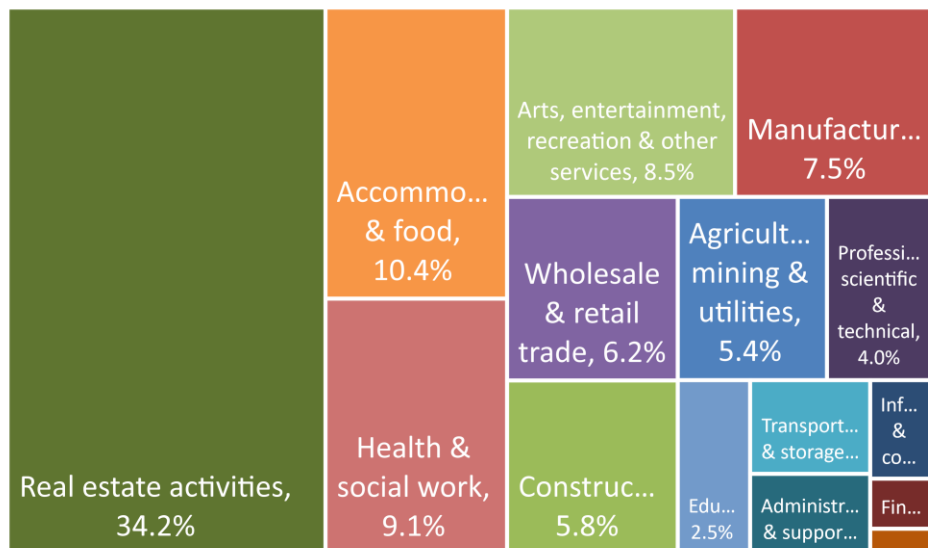
£2.8bn in 2017



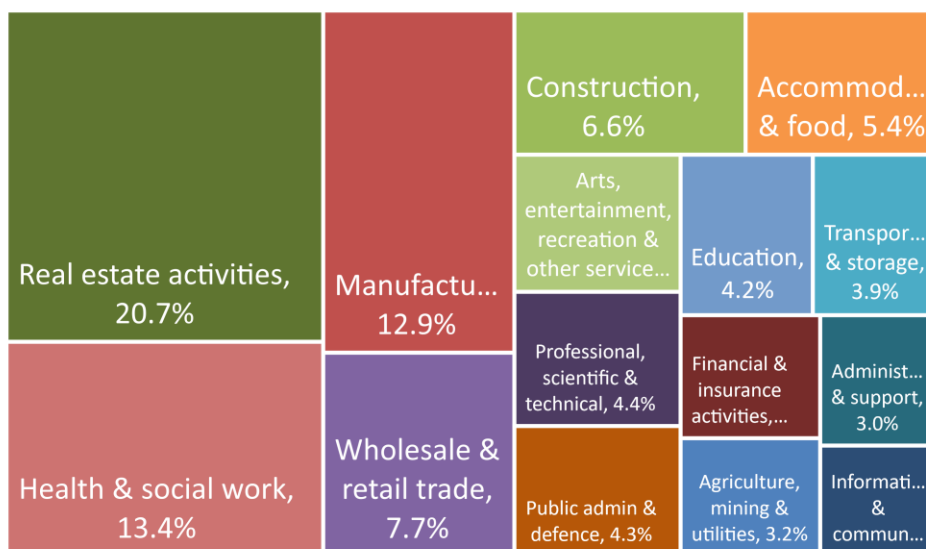
Official estimates of GVA by sector are available for the standard industrial sectors. GVA estimates for the new emerging sectors are not available.

- The distribution of economic activity on the Isle of Wight has been influenced by its geography, demographics, proximity to a large city and historical links to certain sectors.
- On some indicators of economic performance such as commuting patterns, the Isle of Wight economy resembles a closed economy but the Island has a proud history of trade with the UK and global markets.
- Physical separation of the island from the rest of Hampshire and the UK implies that local businesses face additional cost of conducting business on the island. This cost is not just reflected in higher transportation costs but also in a smaller local market. The smaller market implies that there are limited opportunities for optimal economies of scale which tend to drive down the business costs.
- The Isle of Wight generated some £2.8bn of economic output (GVA) in 2017. On this measure the island has a medium-sized economy in Solent and the wider Hampshire.
- Total economic output of the Isle of Wight is smaller than in Southampton and Portsmouth (£6.9bn and £5.7bn respectively) but comparable to Havant's or Fareham's.
- In 2017 the Island's economy contributed almost one in every £10 of the total GVA of Solent.
- The real estate activities is the largest sector in terms of GVA (22%) but this is mostly made up of 'owner occupiers imputed rents' and not activities associated with real estate businesses. Therefore, although large this sector is not significant for the economy.
- Health & social work and manufacturing are the largest economic sectors with each contributing more than one in every eight pounds of economic output to the Isle of Wight economy.

Predominantly Rural West – approximate GVA £323 million in 2017



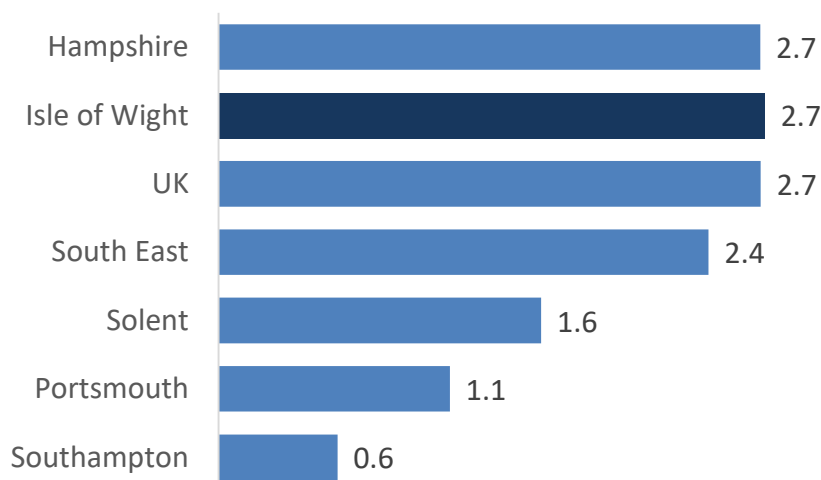
Predominantly Urban East – approximate GVA £2,482 million in 2017



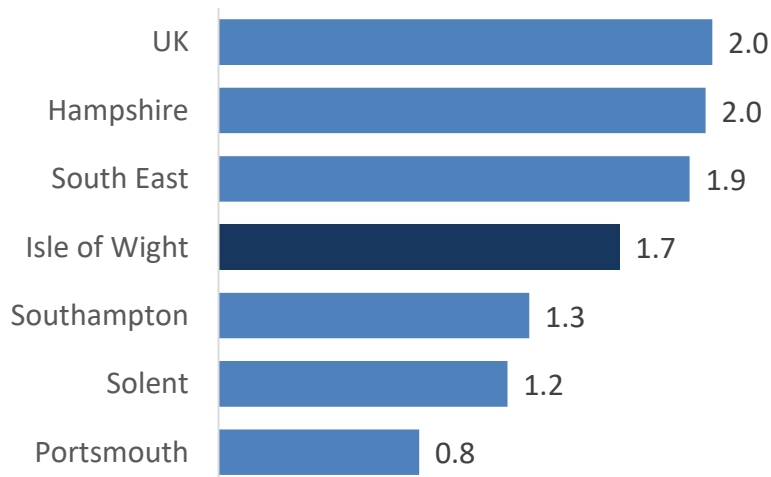
- These sectors have emerged as a result of either demographic factors (health & social work) or historical factors (manufacturing). There are strong maritime connections on the Isle of Wight but that connection tends to be hidden in the aggregate GVA data.
- High-productivity service sectors tend to be the main drivers of economic growth but these sectors (professional, scientific & technical, information & communication, finance & insurance) are underrepresented in the economy. Professional, scientific & technical accounts for around 4.3% and information & communication for around 2.4% of the Island's GVA. The proportion of high value-added services in those economically more successful economies in Hampshire tends to be at least double the average of the Isle of Wight.
- A proxy estimate of economic growth for the two sub-areas on the Isle of Wight suggests that close to one in every eight pounds of economic output is generated in the predominantly Rural West sub-area. Relatively low share of the Rural West in the total GVA of the Island is not surprising since over 50% of the Island is designated as an Area of Outstanding Natural Beauty (AONB)* which has affected the distribution of economic activity.
- Predominantly Urban East was responsible for over £2.48bn of economic output on Island in 2017.
- Agriculture and tourism related activities such as accommodation & food and arts, entertainment, recreation & other services are more concentrated in the Rural West than Urban East.
- Urban East has a high concentration of private and public services and manufacturing GVA.
- Since the GVA estimates for the sub-areas assume the same levels of sectoral productivity between the areas we would recommend that an element of caution is applied in interpreting the statistics.

Economic Growth: the Island sees the fastest economic growth in Solent over the past two decades

Real (inflation adjusted) economic growth*: 1998-2008, % p.a.



Real (inflation adjusted) economic growth*: 2009-2017, % p.a.



Economic growth is based on GVA data. Experimental estimates of constant (inflation adjusted) prices instead of current (nominal) prices

Source: ONS (2018)

- Preliminary estimates of nominal (inflation unadjusted) economic growth from the Office for National Statistics (ONS) suggest that the Isle of Wight economy expanded by 3.7% in 2017 compared to 1.4% in the previous year. In real (inflation adjusted) terms the economy expanded by 2.6% in 2017 following a small contraction (-0.5%) in the previous year.
- Given that the annual growth estimates are volatile and subject to significant future revisions a degree of caution is needed in using annual data to assess the health of the local economy.
- In terms of GVA growth the Isle of Wight's economy has performed strongly since the 2008/9 recession and over the previous decade according to the latest estimates of real growth from ONS.
- Real economic growth in the decade before the last recession in the Isle of Wight averaged 2.7% p.a. and on this measure the Island's growth performance was better than in the Solent LEP, the two cities or the South East average.
- Real economic growth on the Island on average slowed to 1.7% p.a. between 2009 and 2017. Nevertheless, the Island's economy still outperformed the two cities and Solent.
- In nominal terms the Isle of Wight's economy was almost 2.1 times larger in 2017 than in 1998. Adjusted for inflation the economy was 1.43 times larger than in 1998. On this measure of economic performance the Isle of Wight's economy outperformed South Hampshire as a whole, Portsmouth and Southampton.
- Relatively strong GVA growth over the past two decades has been accompanied by growth in several higher value added sectors and in particular in those where the Island benefits from the presence of a number of medium and large national and international businesses.

Sectoral share of total economic output* Isle of Wight

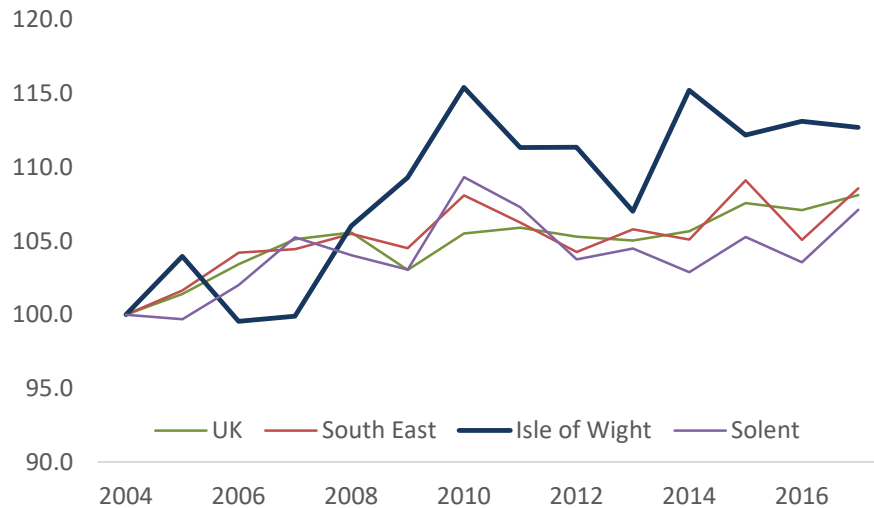
	1998	2008	2017
Agricultural activities & mining	1.0%	1.0%	1.9%
Manufacturing	8.8%	11.7%	12.3%
Utilities & waste	1.6%	1.8%	1.6%
Construction	6.5%	6.5%	6.5%
Wholesale & retail trade	8.0%	9.2%	7.5%
Transportation & storage	5.7%	7.6%	3.7%
Accommodation & food	4.9%	5.7%	6.0%
Information & communication	0.8%	2.0%	2.4%
Financial & insurance activities	2.7%	2.4%	3.1%
Real estate activities	25.1%	23.4%	22.2%
Professional, scientific & technical	4.0%	4.0%	4.3%
Administrative & support	1.4%	1.8%	2.9%
Public admin & defence	12.1%	8.8%	3.8%
Education	5.6%	5.5%	4.0%
Health & social work	7.3%	9.1%	12.9%
Arts, entertainment and recreation	2.1%	2.5%	2.5%
Other services	1.1%	1.6%	1.7%
Activities of households	0.9%	0.9%	0.7%

*red = falling share in the local economy (GVA) since the recession and over the past two decades

*green = rising share in the local economy (GVA) since the recession and over the past two decades.

- Real growth in manufacturing output on the Island slowed from 5.5% p.a. between 1998 and 2008 to 2.2% p.a. since the recession. However, GVA growth in this sector was still faster than in the economy as a whole. More importantly the Island saw the strong growth in higher value manufacturing.
- GVA growth in lower value manufacturing activities continues to contract but machinery & transport equipment expanded by 11.9% p.a. since the recession, faster than in the pre-recession decade (7.2% p.a.). Manufacturing of electronic, optical and electrical products expanded by 4.8% p.a. since 2009, faster than in the pre-recession decade.
- Growth in tourism related activities was robust over this period. For example, GVA in accommodation & food expanded by 3.5% p.a. before the recession and 4.4% since 2009. Although a much smaller sector, arts, entertainment and recreation also saw the strong growth in GVA.
- Over this period the Island saw a relatively strong growth in several higher value added service activities that have been the main drivers of economic growth in several economically successful economies in Hampshire and the South East.
- GVA growth in professional, scientific & technical activities and finance & insurance averaged around 4% p.a. since the recession, faster than in the pre-recession decade. Real growth in ICT averaged 5.1% p.a., much slower than before the recession but still about three times as fast as the growth in the economy as a whole.
- Over the past decade economic activity on the Island has therefore continued to shift from public admin & education, wholesale and transport activities to higher value manufacturing and higher value service activities.

Real productivity (GVA per hour worked), growth relative to 2004 (indices 2004 = 100*)



Real productivity (GVA per hour worked), Indices 2004 = 100* (selected years)

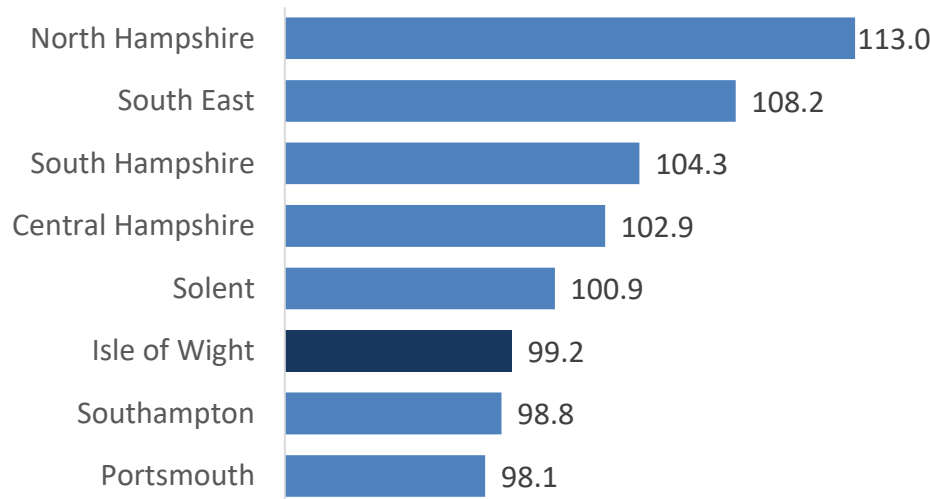
	2004	2008	2009	2010	2014	2016	2017
Portsmouth	100.0	109.2	113.2	109.0	108.0	107.0	106.6
Southampton	100.0	112.1	105.5	114.2	100.5	101.0	105.7
Isle of Wight	100.0	106.0	109.3	115.4	115.2	113.1	112.7
South Hampshire	100.0	95.8	101.6	104.7	97.8	100.2	106.3
Central Hampshire	100.0	103.0	102.6	111.3	105.5	112.2	121.2
North Hampshire	100.0	114.0	128.1	122.8	115.2	119.2	117.9

*real (unsmoothed) GVA per hour worked indices rebased from 2016=100 to 2004=100

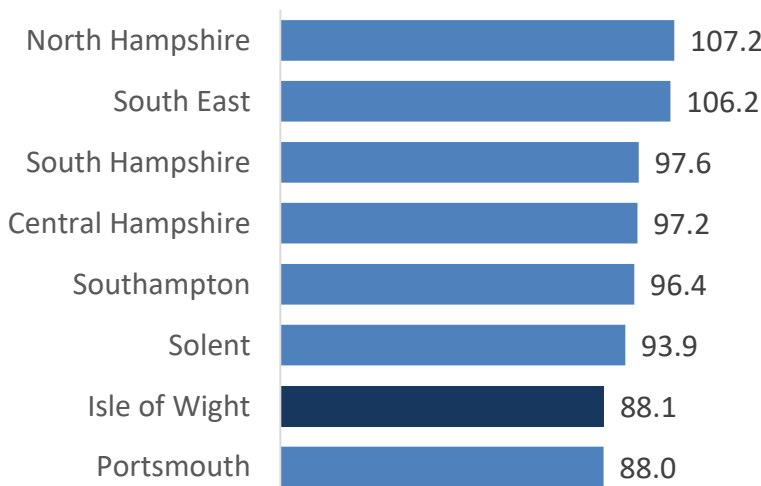
- Economic growth in its simplest form is driven by two factors – the number of people in employment and their productivity. Productivity growth is critical to boosting economic competitiveness and increasing economic growth in the long-run. It is also essential for raising wages and spending on the Island.
- Productivity growth is perhaps more important to the Isle of Wight economy than many other economies given the nature of its economy and its demographics. Ageing population and the closed nature of its economy imply that there is a limit to the increase in economic output that can be achieved by increasing employment.
- Relatively strong productivity growth is the main factor that helps to explain relatively strong growth in the Isle of Wight's economy (GVA).
- Labour productivity on the headline productivity measure (GVA per hour worked) in the Isle of Wight was 15.4% higher in 2010 than in 2004 (the earliest year for which we have local data).
- Over this period the growth in real (inflation adjusted) productivity on the Island was faster than in the Solent, the South East and the UK as a whole. The increase in labour productivity on the Island was also faster than in any of the Hampshire's economic sub-areas.
- Since 2010 the Island's productivity performance was somewhat disappointing but the Isle of Wight still performed better than most of its comparator areas.
- Over the past two years the Isle of Wight's productivity growth was subdued. Real GVA and productivity contracted in 2016. The preliminary estimates for 2017 suggest that economic growth (GVA growth) was robust but there was a small contraction in productivity growth, driven by the strong growth in the number of hours worked.

Productivity: relatively strong growth has helped the Island to narrow the productivity gap with most comparator areas

Productivity (GVA per hour worked), 2016* UK=100



Productivity (GVA per filled job), 2016* UK=100

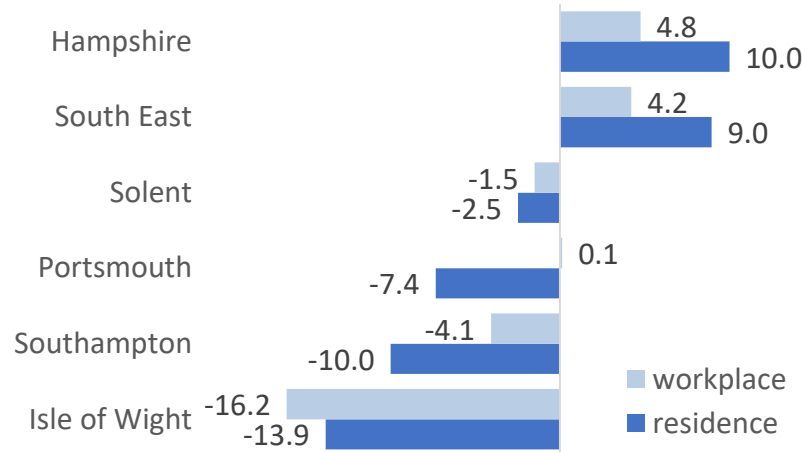


Nominal unsmoothed estimates relative to UK average. The 2017 estimates are provisional and subject to large revision in December 2019 and February 2020.

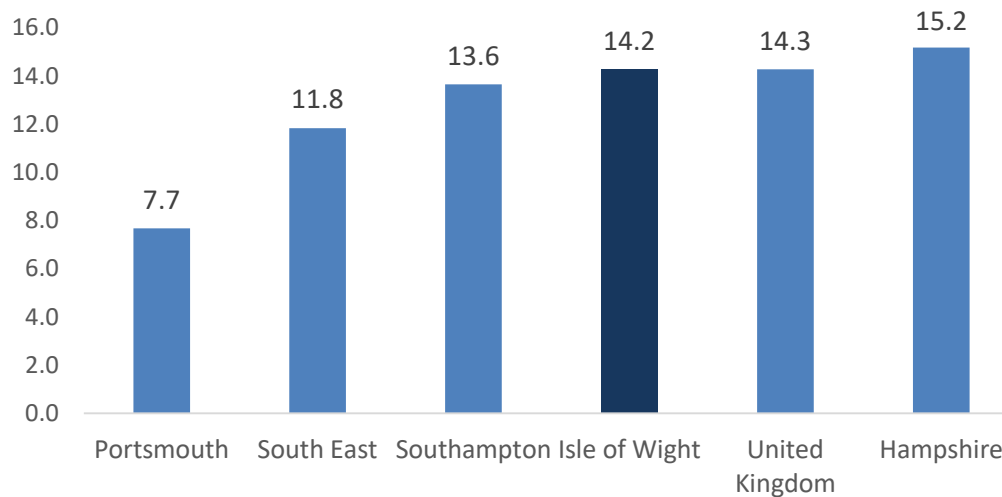
Source: ONS (2018)

- In 2007 the Isle of Wight had a large productivity gap on the headline measure with both the UK average, the Solent average and the two cities in Solent. GVA per hour worked on the Island was around 11% below the national average and around 13% below the Solent average.
- However, thanks to its relatively strong productivity growth, by 2014 the Island has closed its productivity gap with the national average, Solent and Portsmouth. By 2014 GVA per hour worked on the Island was above Southampton.
- In 2016 GVA per hour worked on the Island stood at £32.6. Its productivity levels were slightly below the UK average (just 0.8% below the national average) and 1.7% below the Solent average but the Isle of Wight had a higher productivity than Portsmouth and Southampton. The relative productivity levels on the Island have slipped below Southampton in 2017 but that data is preliminary and subject to revisions later this year.
- The alternative measure of productivity is based on the number of filled jobs used to generate economic output (GVA). The Isle of Wight's gap with the national average stood at around 21.5% in 2007 before being narrowed to about 9.5% by 2014.
- However, the gap has now widened to around 12% below the national average. On this measure productivity levels on the Island stood at £46,700 per filled job in 2016 and £48,200 in 2017. The Island's productivity per job is comparable to Portsmouth but below other comparator areas.
- Since the per job estimate does not take into consideration the local labour market structures and different working patterns such as part-time employment, the per hour estimates are a more comprehensive indicator. Productivity performance on the Island has been relatively strong but it remains the Achille's heel of the economic recovery.

2018 Median residence & workplace earnings relative to UK average, %



Median residence earnings in 2018 relative to 2010*, %

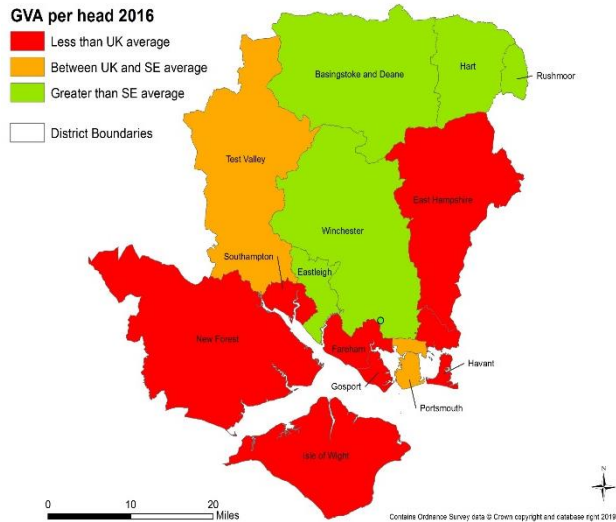


*Solent LEP data is not available for 2010

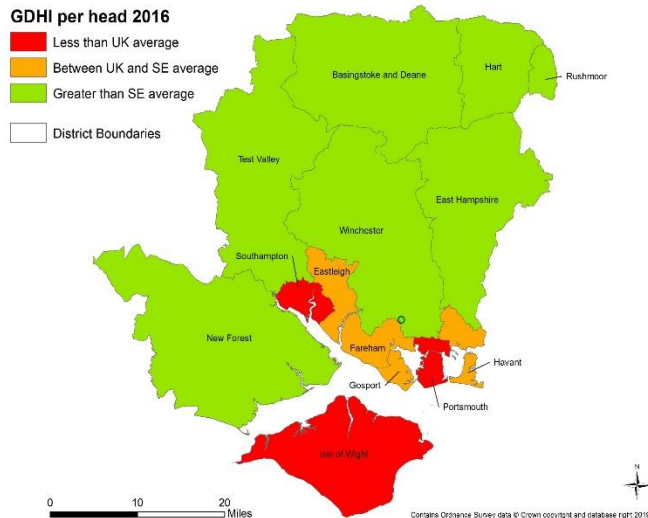
- Median salary of the Isle of Wight residents working full-time was £25,500 in 2018 or 13.9% below the national average and 11.7% below the Solent average. The Island has a large wage gap with the comparator areas.
- Average annual wages among the full-time residents of the Isle of Wight were 14.2% (almost £3,200) higher in 2018 than in 2010. Nominal growth in wages on the Island was comparable to the national average and faster than in Portsmouth, Southampton or the South East average.
- The Isle of Wight gap in residence earnings with the UK average has remained broadly unchanged between 2010 and 2018 but the Island has narrowed the wage gap with the South East, Portsmouth and Southampton.
- Median earnings of people that work on the island are about £700 lower than among the Island's residents. The Isle of Wight's gap in the workplace-based earnings with the national average stands at around 16%. The Island's gap in workplace earnings with the comparator areas is slightly wider than is the case with the residence-based earnings.
- Growth in wages among people that work on the Island between 2010 and 2018 was similar to the South East average and much faster than in Portsmouth or Southampton. However, a slower wage growth than in the UK as a whole has widened the gap in the workplace earnings from about 14% in 2010 to about 16% in 2018.
- The closed nature of its labour market imply that the Island has the smallest gap between the earnings of people that work on the island and its residents among the comparator areas.
- The persistently large gap in average earnings with the national average and comparator areas is a feature of the Isle of Wight's skills distribution and its industrial structure.

Economic Prosperity: relatively low levels of economic prosperity mostly explained by low wages and demographic factors 68

GVA per head relative to UK average



Gross Disposable Household incomes per head relative to UK average



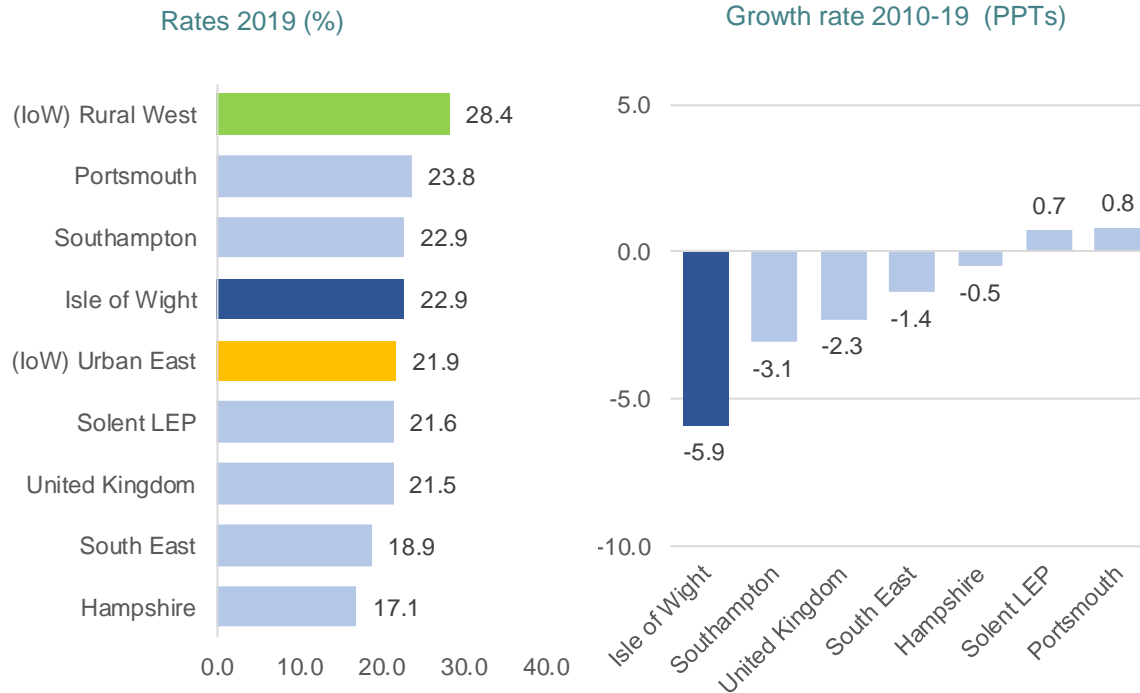
- GVA per head is the most widely used measure of economic prosperity in the UK but given the large disparities in population growth and labour market participation rates its use at a sub-regional level needs to be treated with a degree of caution.
- In 2017 GVA per head on the Island stood at around £27,100 compared to £26,400 in 2016. The Island has a 26.5% gap with the national average.
- Nominal (inflation unadjusted) GVA per head in the Isle of Wight increased by 0.3% in 2017 from 0.1% in 2016. Growth in 2017 was slower than in Southampton, comparable to Portsmouth and South Hampshire and faster than in the South East.
- Before the 2008/9 recession growth in nominal GVA per head on the Island averaged 4.4% p.a., faster than in the comparator areas. The Island saw a slowdown in GVA per head growth to 3.2% p.a. since the recession but the growth rate was on average faster than in its benchmark areas.
- Since some benefits associated with GVA, such as profits, leak out of the area, gross household disposable household income (GDHI) is an alternative and arguably better measure of economic prosperity at local level.
- Average GDHI in Isle of Wight stood at about £16,910 in 2017. On this measure of economic prosperity the Island has a 13% gap with the national average but its GDHI is around 9% higher than in Southampton and 11% higher than in Portsmouth.
- Before the 2008/9 recession growth in household income on the Island was similar to the UK average and faster than in comparator areas but since the recession the growth has slowed down to 1.1% p.a., the slowest among the comparator areas.
- The Island has experienced the widening of its negative gap with the UK average and narrowing of its positive gap with the two cities.

Economic Disadvantage: economic inactivity above national average but falling at fastest pace

Economic Inactivity Levels

	Economic Inactivity 2019	Change 2010-2018	Change 2018-2019*
Isle of Wight	17,600	-5,700	No change
Predominantly Urban East	14,000	n.a.	-1,000
Predominantly Rural West	3,500	n.a.	+900

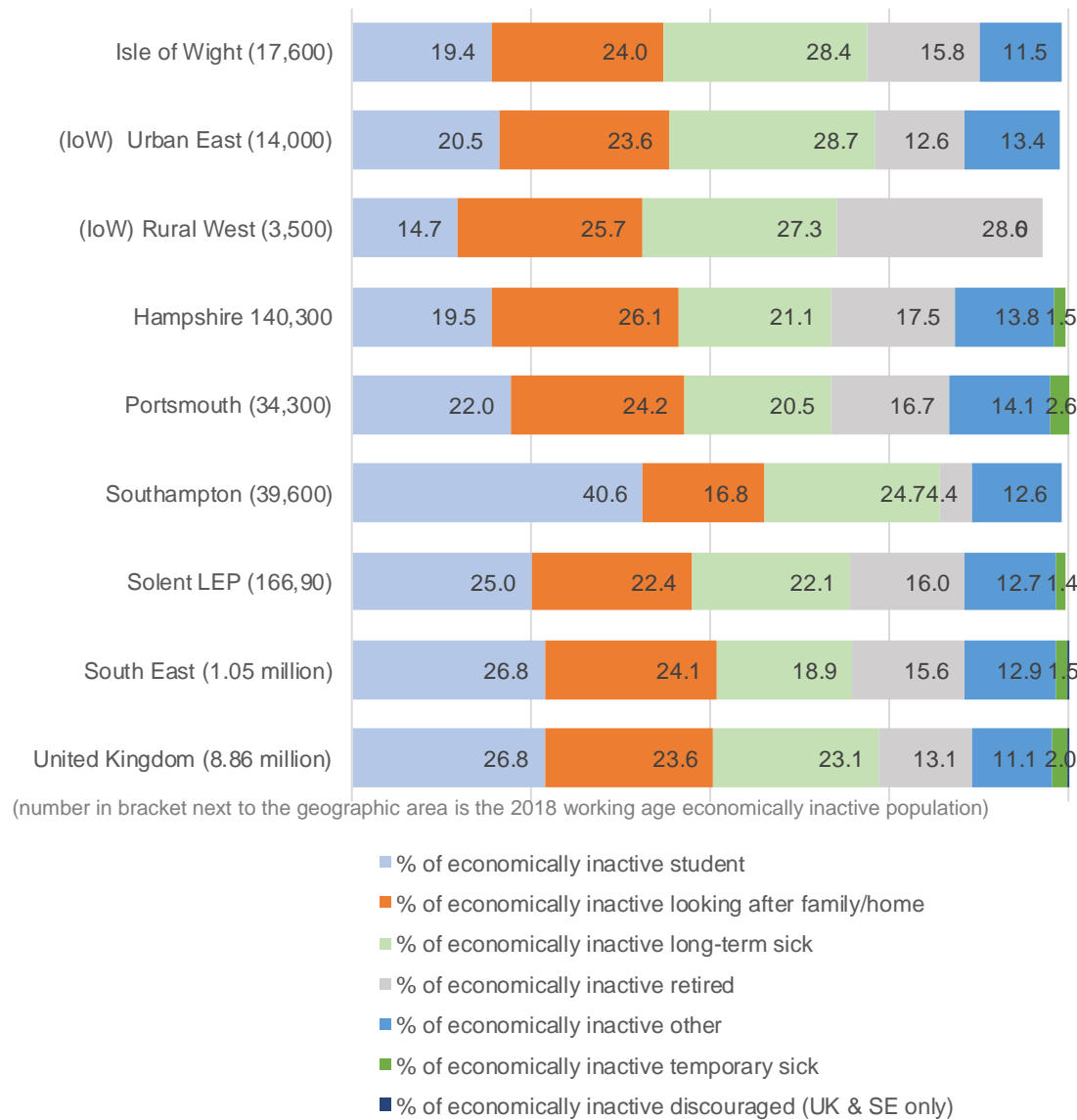
Economic Inactivity Rates



- Economically inactive are people not in employment who have not been seeking work within the last 4 weeks and/or are unable to start work within the next 2 weeks.
- Nationally, the economic inactivity rate has been falling over the long term, although inactivity tends to increase during recessions, and this is partly down to a gradual fall in the economic inactivity rate among women. More recently this is reflecting ongoing changes to the State Pension Age with fewer women retiring between the ages of 60 and 65 years. Furthermore, women in younger age groups have been participating more in the labour market.
- Certain groups are at risk of being economically disadvantaged, with lower employment and higher unemployment and inactivity. These are: disabled people; lone parents; ethnic minorities; people aged 50 and over; lowest qualified, and those living in the most deprived local areas (see page 77 and 78).
- The Isle of Wight has above average rates of economic inactivity but the Island has seen a significant decrease in inactivity since 2010.
- There are an estimated 17,600 economically inactive Isle of Wight residents, a decrease of 5,700 since 2010 and the post-recession recovery. With the larger resident population, the predominantly Urban East has the larger share of inactive residents compared to the predominantly Rural West.
- At 22.9% the Isle of Wight is (with Portsmouth) above the national (21.5%) and Solent averages (2.15%) but below Southampton (23.8%). The Rural West (28.4%) has the highest economic inactivity, but this is mostly down to relatively more retirees.
- With a 5.9 percentage points decrease in the inactivity rate the Island performed better than its comparator areas since 2010.

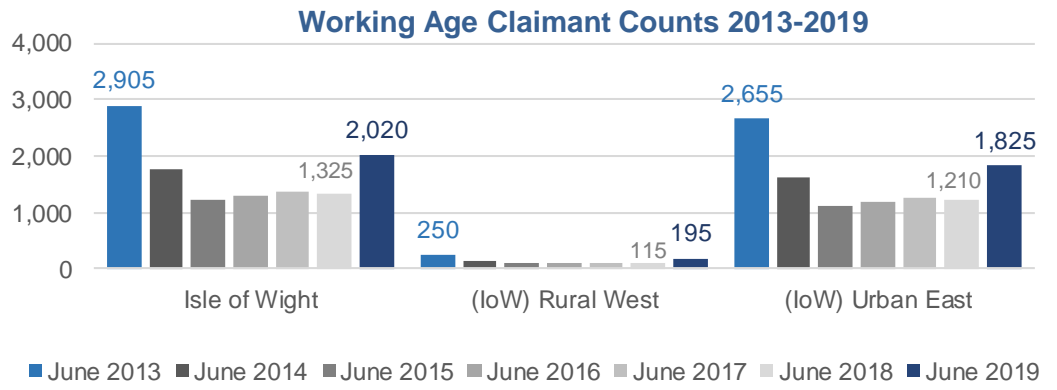
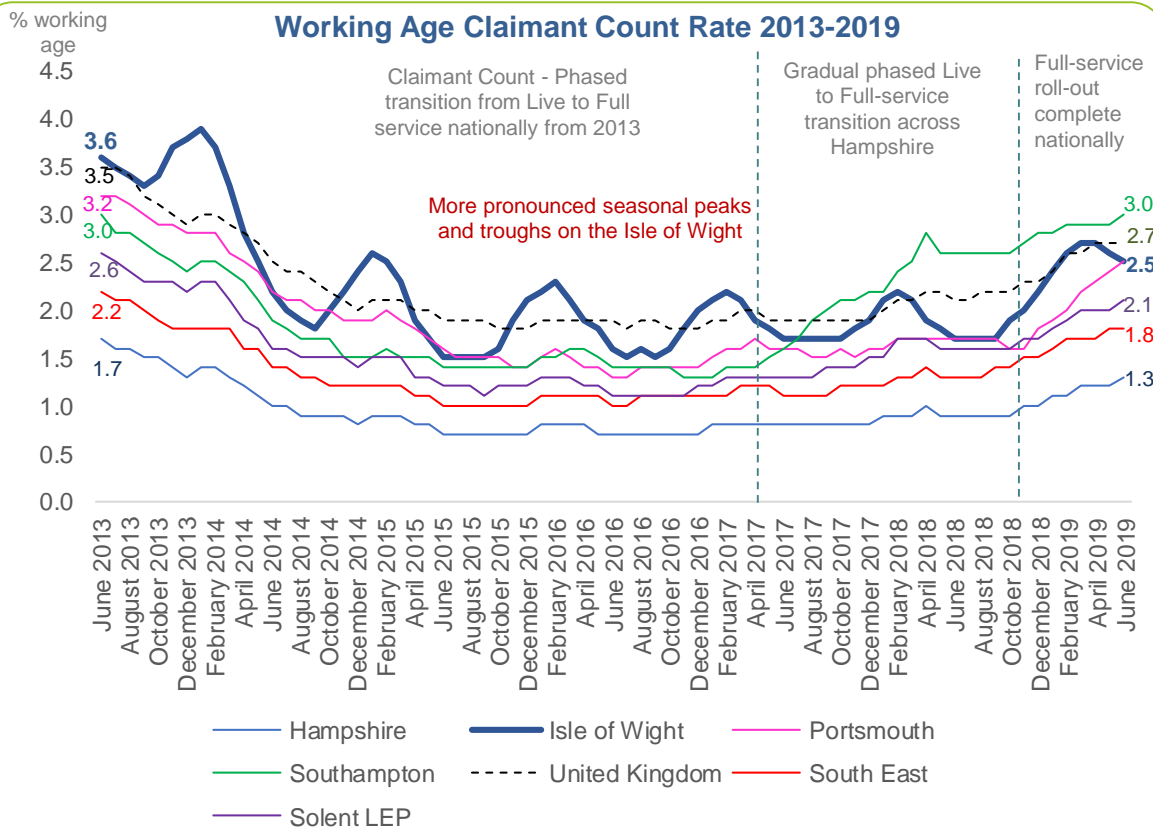
Economic Disadvantage: long-term sickness most likely the reason for inactivity, followed by looking after family/home

Economically Inactive (2019) – Reasons for being inactive (%)



- At the sub-regional level, data underpinning reasons for economic inactivity is both patchy and less reliable from year to year. Findings based on this data should be interpreted as indicative rather than a precise measure and because of this the reasons given are not expressly quantified. The broad direction of travel is more important than the actual statistics.
- Of the seven available reasons given, the 2018 data only provides six for the Isle of Wight and Urban East but only four for Rural West. The main reason in 2018 for being economically inactive was long term sickness. Over one in four (28.4%) of working age inactive residents gave this response.
- Next in size was looking after the home/family with close to one in four (24%) inactive people. One in five are students, while a further 11.5% gave 'other reason' which is not further disaggregated.
- By sub-area the Rural West has a much larger proportion of economically inactive retirees and a smaller student population compared to the Isle of Wight average and Urban East.
- Allowing for confidence intervals the data suggests the Isle of Wight has proportionately more long-term sick making up the inactive population compared to the other comparison areas, notably the South East average. Elsewhere, the Island has a proportionately smaller economically inactive student population compared to most comparison areas but aligned with Hampshire.
- Time series comparisons are not straightforward as some reasons for inactivity in 2010 or 2019 were not robust enough to be published. However, the evidence suggests a reduction in economically inactive retirees was high which may relate to changes to SPA* but also to ONS data collection that found a continued decline in the number of people who define themselves as retired before the age of 65. Retiring early is also be affected as final salary pension schemes become rarer.

Economic Disadvantage: unemployed claimants above Solent average but characterised by seasonal variations

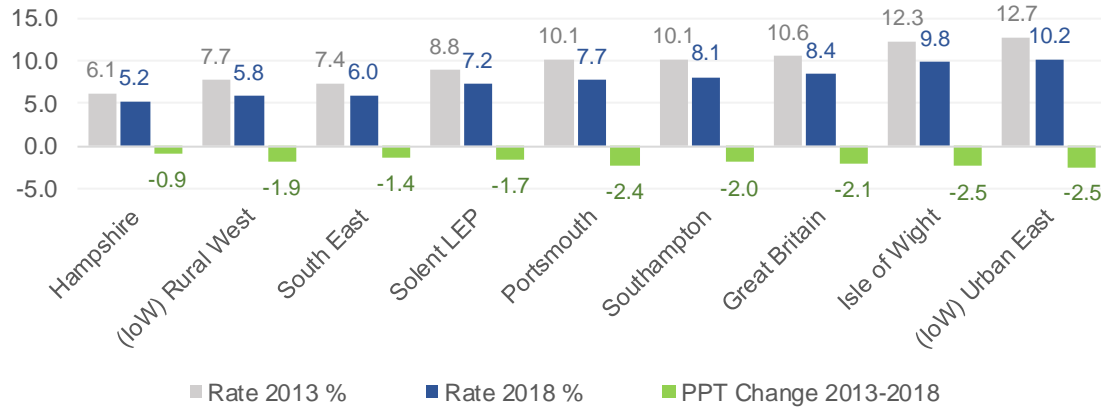


- The monthly ONS Claimant Counts, whilst a narrower measure of unemployment, provides the most current and available sub-regional measures of unemployment; but it has seen anomalies brought about by changes to welfare provision and delivery.
- The phased roll-out of Universal Credit (UC) began nationally in 2013 and time series begins from this point forward. From 2017 until end of 2018 Jobcentre Plus offices (JCP) transitioned from Live to Full service to align DWP systems to Universal Credit. This widened the scope of those eligible to claim under UC and saw a system driven uplift in claimants independent of labour market conditions.
- Most JCPs in Hampshire did not transition until late 2018 and the Isle of Wight in June and October 2018. It can take six months for system changes to work through. Therefore, most of the trend increase on the Isle of Wight is likely to be system driven rather driven by local labour market conditions, although the Island has notable seasonal peaks and troughs. The next phase of UC (transferring legacy benefits across) should have less impact.
- The Claimant Count rate for the Isle of Wight has been consistently higher in Q1 than the national average but lower in the peak tourist season, although since 2018 the peaks have been much closer to the UK. The rate on the Island is generally higher than in all other comparison areas. Nevertheless, the Isle of Wight claimant count rate is just over one-point lower since 2013.
- The number of claimants fell sharply between 2013 and 2015 before stabilising. However, the increase in 2019 will mostly be down to the transition to full-service and should begin to stabilise from 2019 onwards. The rate in Urban East is 2.6% (down from 3.8% in 2013), and 1.5% in Rural West (down from 1.8% in 2013). The gap between the urban and rural has narrowed from 2% to 1.2%.

Source: ONS (2019). Rates for local authorities from 2017 onwards are calculated using the mid-2018 resident population aged 16-64. Sub-areas based on 2017 and 2013 MSOA MYE.

Economic Disadvantage: relatively large number of working age out-of-work claimants

**Total Main Out-of-Work Benefit Working Age Rates
Nov 2013 -Nov 2018 and Percentage Point (PPT) Growth**



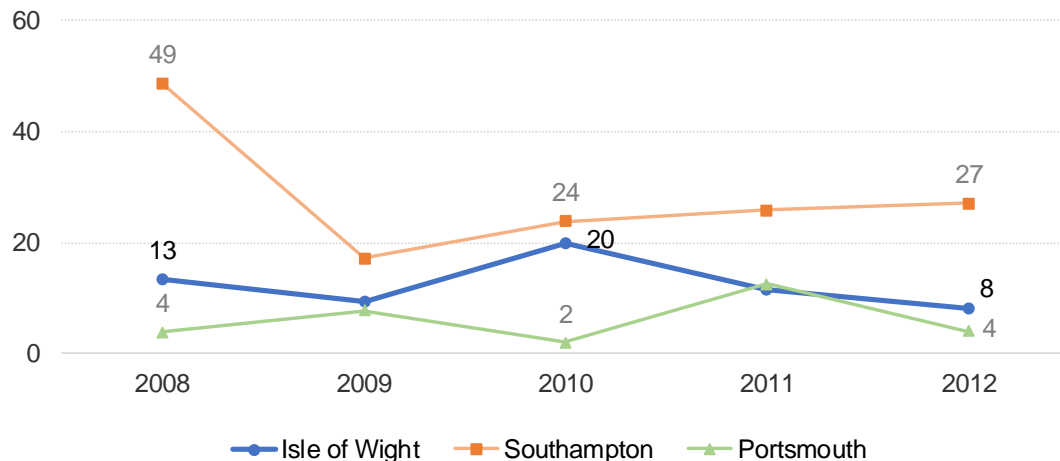
Main Out-of-Work Benefit Counts 2013 & 2018

	INCAP	Income Support	JSA	Pension Credit	UC Out-of-work	UC Out-of-work & INCAP or UC/JSA	Total
Isle of Wight Nov 2018	5,485	560	722	237	850	14	7,869
Isle of Wight Nov 2013	5,410	839	3,012	672	~	~	9,936
Isle of Wight change 2013-2018	75	-279	-2,290	-435	Not applicable	14	-2,067
(loW) Urban East Nov 2018	4,924	522	672	197	746	6	7,084
(loW) Urban East Nov 2013	4,783	783	2,745	579	~	~	8,886
(loW) Urban East change 2013-2018	141	-261	-2,073	-382	Not applicable	6	-1,802
(loW) Rural West Nov 2018	555	34	51	30	102	0	778
(loW) Rural West Nov 2013	619	73	254	97	0	0	1,051
(loW) Rural West change 2013-2018	-64	-39	-203	-67	Not applicable	0	-273

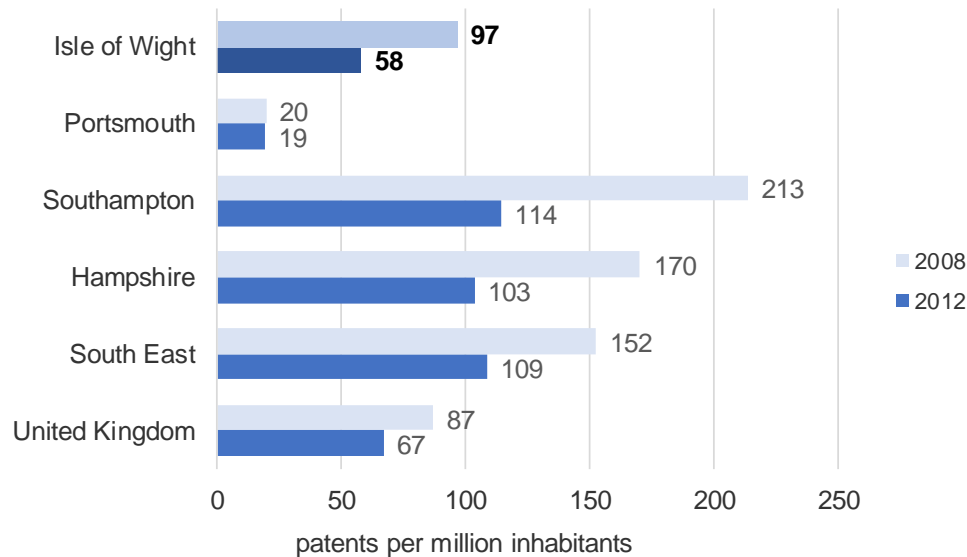
- Claimant count does not include other income based out-of-work benefits and to give a wider picture of economic disadvantage the Department for Work and Pensions (DWP) out-of-work benefit data can be used.
- The DWP publish quarterly snap-shots of combined benefit client groups based on a hierarchical allocation to avoid double counting of multiple benefit claimants. These main out-of-work benefits are not all benefits. The majority of claimants on out-of-work benefits will be economically inactive, and a recipient for one of the income-based benefits – although the combined out-of-work benefit does include claimant counts and those on the unemployed element of Universal Credit (UC).
- In November 2018 9.8% of the working age population on the Isle of Wight were claiming a main Out-of-Work benefit, above the national average (8.4%) and above the Solent (7.2%). Keeping with the Claimant Count trend (which feeds into this data) the Urban East (10.2%) has a much higher Out-of-Work rate than Rural West (5.8%).
- As unemployment and economic inactivity was higher in 2013 compared to 2018 so too were the Out-of-Work benefits higher in 2013. Although the Island has a higher rate than both the Solent LEP and national, the change in rates between 2013-2018 has been greater for the Isle of Wight – especially the Urban East.
- In November 2018, the Isle of Wight had approximately 7,900 working age residents on Out-of-Work benefits, of which the majority are INCAP (benefit combination shorthand for ESA/IB/SDA/IS) who are not actively seeking work. This figure is up on 2013 by 75. The overall figure is down by over 2,000, with JSA the primary factor. The UC Out-of-work element was not captured locally until the recent expansion of UC.

Source: DWP (2019). Statistical disclosure control has been applied to this table to avoid the release of confidential data. Totals may not sum due to the disclosure control applied. Rates calculated by Hampshire County Council using working age MYE and SAPE

Patent applications from Isle of Wight to EPO 2008-2012



Patents per million inhabitants 2008 & 2012



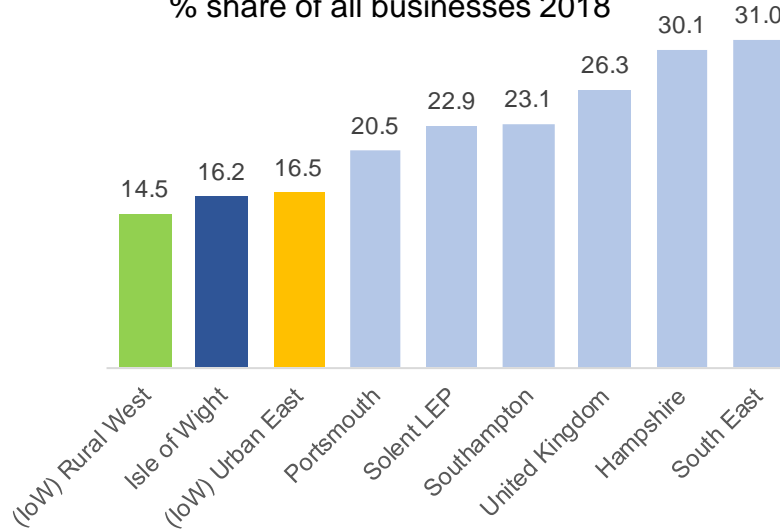
- Innovation alongside skills is arguably the most important drivers of productivity, competitiveness and economic growth. Much of the rise in living standards over the long term is due to innovation.
- Patent count is the most widely used proxy measure of innovation activity. The idea of the patent system is to grant the original inventor a property right to safeguard future income that may arise from patent activity.
- The total number of patent applications to the European Patent Office (EPO) in Isle of Wight was 8 patents in 2012 (most recent data available), higher than in Portsmouth (4) but much lower than in Southampton (27).
- In 2012 Isle of Wight had nearly 40% fewer patent applications than in 2008. The decrease in patent applications in Isle of Wight was larger than the decrease seen in most comparator areas apart from Southampton (down 44%).
- In relative terms, Isle of Wight had 58 patents per million inhabitants in 2012, this was lower than most comparator areas and nearly half of Southampton patents per million inhabitants (109). Nevertheless, the Island had a greater number of patents per million inhabitants than Portsmouth.
- In 2012, Isle of Wight had approximately 40% fewer patents per head of population than in 2008, this decrease was comparable with the decrease seen in Hampshire (down 39.8%) and smaller than in Southampton (down 46.5%), but larger than Portsmouth, South East and the UK averages (down 2.0%, 28.8% and 23.0% respectively).
- Falling expenditure on Research and Development (R&D) probably accounts for the fall in the number of patents across the area.
- The Isle of Wight's performance in this area is reasonably strong considering that the Island does not have a major research university.



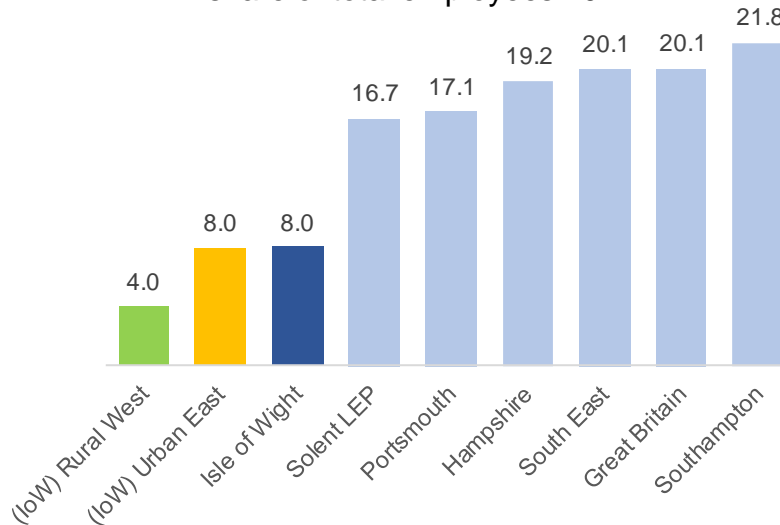
915

Local Business Units
Isle of Wight (2018)
Urban East: 780
Rural West: 135

Businesses in knowledge Intensive sectors
% share of all businesses 2018



Employees in knowledge intensive sectors %
share of total employees 2017



4,000

Employees
Isle of Wight (2017)
Urban East: 3,500*
Rural West: 200

- Knowledge is increasingly seen as the key to making more effective use of the traditional factors of production such as labour and physical capital. This sector is a major contributor to output (GVA) and requires for high skilled workers.
- Isle of Wight has more than 900 businesses in knowledge intensive sectors employing 4,000 workers. About one in six businesses (16.2%) in Isle of Wight are found in knowledge intensive sectors with 8.0% of all employees found in knowledge intensive sectors.
- The share of businesses and employees in knowledge intensive sectors on the Island of Wight are low compared to its comparator areas.
- The share of businesses that are found in knowledge intensive sectors on the Isle of Wight was approximately half of the proportion found in the South East as a whole (31.0%).
- The share of the employees that are employed in knowledge intensive sectors on the Island stands at just 8%, about 50% of the Solent average and well below comparator areas.
- Within the Isle of Wight, businesses and employees in knowledge intensive sectors are overrepresented in predominantly Urban East sub-area and underrepresented in predominantly Rural West sub-area. More than 80% of businesses in knowledge intensive sectors and more than 80% of employees in knowledge intensive sectors on the Island are found in the Urban East sub-area.
- The proportion of businesses in knowledge intensive sectors in Rural West (14.5%) is not far behind Urban East but the share of employees in knowledge intensive sectors in Rural West stands at just 4% or about a half of the Urban East subarea.
- The difference is mostly explained by a higher concentration of large and medium businesses in the urban areas.

Sector concentration where 1.00 is equal to the national average

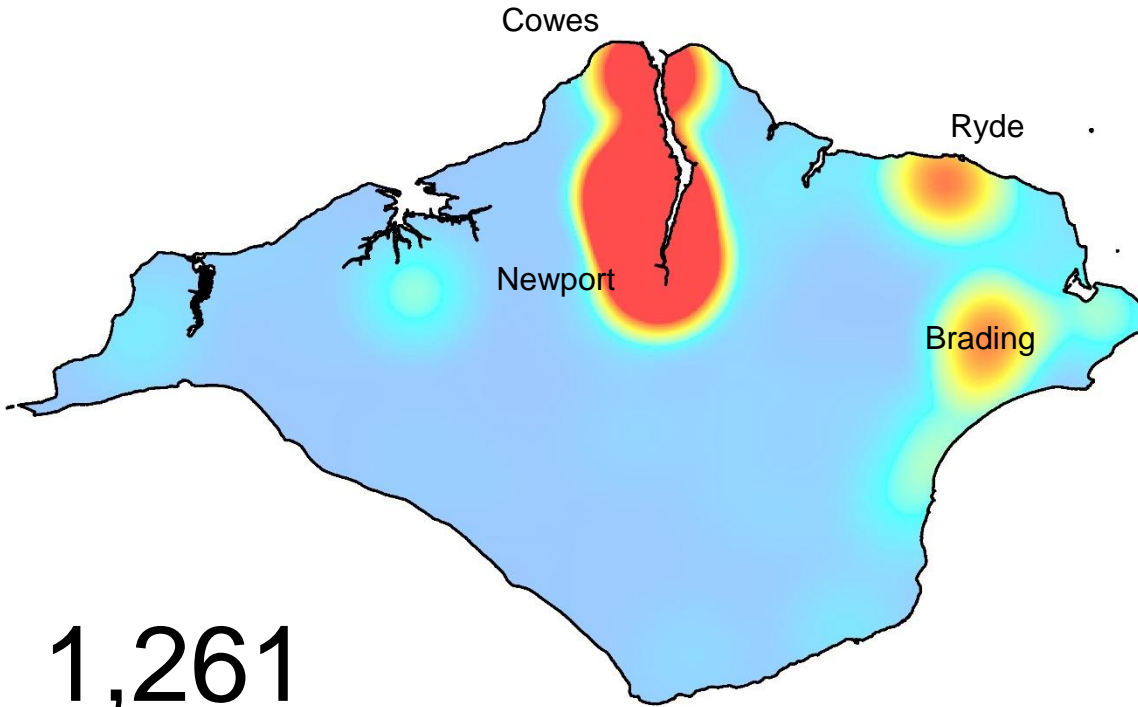
Source: ONS 2019



0.61
Businesses



0.40
Employees



1,261
Number of companies identified for density mapping

Source: BvD 2019

- According to official data, businesses and employees that are found in the knowledge intensive sectors in Isle of Wight are well underrepresented in comparison to the national average.
- Business and employee concentration in the knowledge intensive sectors on the Isle of Wight stands at about 0.61 and 0.40 of the national average respectively. These concentrations were the lowest across the Isle of Wight benchmark areas.
- Solent in general has a low concentration of both businesses and employees in the knowledge intensive sectors. Business concentration in Hampshire and the South East is above the national average.
- A business density map based on commercial data which uses postcode proximity and employee weighting indicates a high concentration of business (red heat zone) in the knowledge intensive sectors around Newport and extending up to Cowes. There is also a smaller concentration around Ryde and Brading. This is in line with high knowledge intensive business and employee shares seen in predominantly Urban East sub-area.
- The Digital Island Strategy recognizes skills and knowledge deficits amongst businesses and employees within the Isle of Wight.¹ The objective is to improve core digital skills across the workforce to enhance productivity in all other sectors.
- Enhancing efficiency in a handful of sectors such as tourism, agriculture, health & social care and public sectors is of strategic importance to the Island.



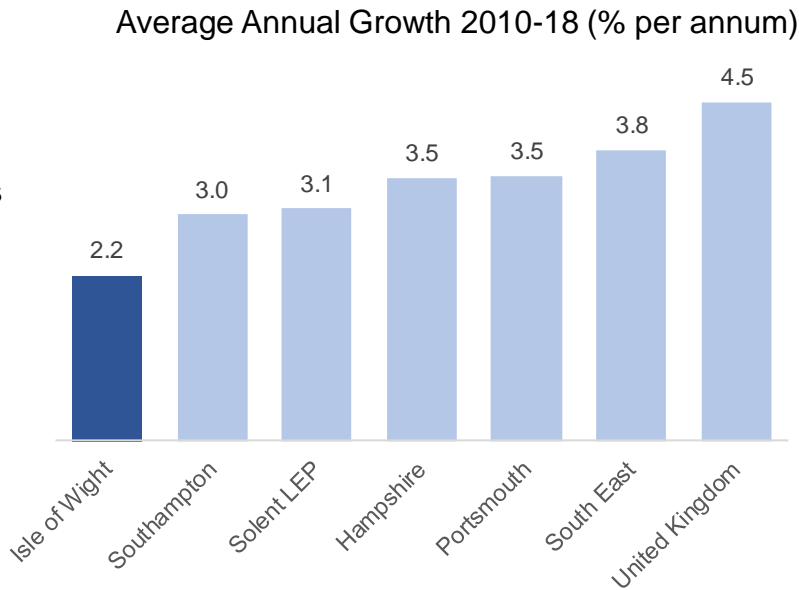
Isle of Wight Businesses

Absolute Change

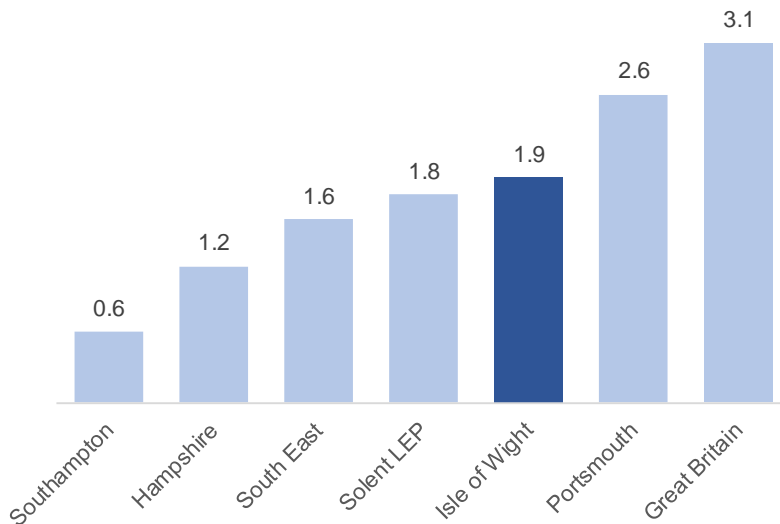
2010-2018

+145

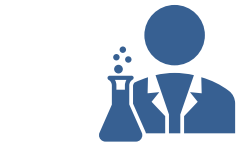
Urban East: **+140**
Rural West: **+5**



Average Annual Growth 2010-17 (% per annum)



- The Isle of Wight saw 145 additional businesses in knowledge intensive sectors since 2010. Almost all of the increase in the number of businesses occurred in Urban East.
- The number of businesses in these sectors on the Island grew by 2.2% per annum which was faster than for the overall business population on the Isle of Wight but the slowest among the Isle of Wight's comparator areas. Business growth in knowledge intensive sectors in the UK was twice as fast as in the Isle of Wight.
- The Island had some 500 additional employees in knowledge intensive sectors in 2017 compared to 2010. Employment growth within the Isle of Wight was driven by the Urban East subarea.
- Employee growth averaged 1.9% p.a. since 2010, after Portsmouth the fastest growth in Solent and the South East but still slower than the national average (3.1%).
- The relative growth was robust, but the Isle of Wight is starting from a low base where even a small increase in the absolute number could lead to a strong growth in percentage terms.
- Employee growth is found in several sectors and sub-sectors and but information & communication technologies (ICT) was the main driver of growth. Employee growth in this broad sectors in the Isle of Wight was 6% p.a. since 2010, twice as fast as the national average and the fastest across all comparator areas.
- To enhance the competitiveness of the economy and sustain the rates of economic growth the Island will need to both retain the existing businesses that are found in the knowledge intensive sectors and attract new businesses. This will need to be accompanied by investment in both skills and infrastructure, and in particular quality office space and digital infrastructure.



Isle of Wight Employees

Absolute Change

2010-2017

+500

Urban East: **+500**
Rural West: **-100***

About this evidence base

The evidence base (Economic Profile) focusses on the Isle of Wight economy and its two sub-areas. It covers a number of important policy areas in some detail grouped under six broad themes: the labour market in the Isle of Wight; skills & occupation; the Isle of Wight businesses; the Isle of Wight economy; inclusive and sustainable growth; innovation and knowledge-based sectors.

In addition to the standard industrial sectors there is a focus on business and employment in several strategically important sectors: marine & maritime, tourism & visitor economy, land-based sector and on the knowledge-based sectors.

For more information contact Jim Fawcett, Jim.Fawcett@IOW.gov.uk

Data sources & further information

Most data comes from the UK Office for National Statistics – Regional Accounts, Annual Population Survey (APS), Business Register and Employment Survey (BRES), Claimant Counts, UK Business Counts, Mid-year Population Estimates and 2011 Census. Additional business data comes from Bureau Van Dijk (BVD).

The sub-area estimates of economic output (GVA) are proxy estimates and as such need to be treated with a degree of caution.

For more information contact the Economic & Business Intelligence Service, ebis@hants.gov.uk

