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Economic Assessment Refresh

Summary of Findings – March 2021

Data, Intelligence & Insight Team

Index of key topics covered:

Background

Background to the assessment

- Extended the JSNA model to economic development
    - Ensure decisions and strategic intent are based on the best available evidence
    - Use of appropriate analytical methods and statistics to turn data into intelligence
        - Benchmarking – ONS Statistical Neighbours
        - Trend analysis – pre and post recession periods
        - Deep dive analysis – demographics / industry / geography
    - ONS – primary data source; time lag limitations, therefore often represents period before COVID-19. However, we have attempted to analyse the impact of COVID-19 on different aspects of the Southampton economy wherever possible
    - Baseline assessment based on available data

Economic Geography

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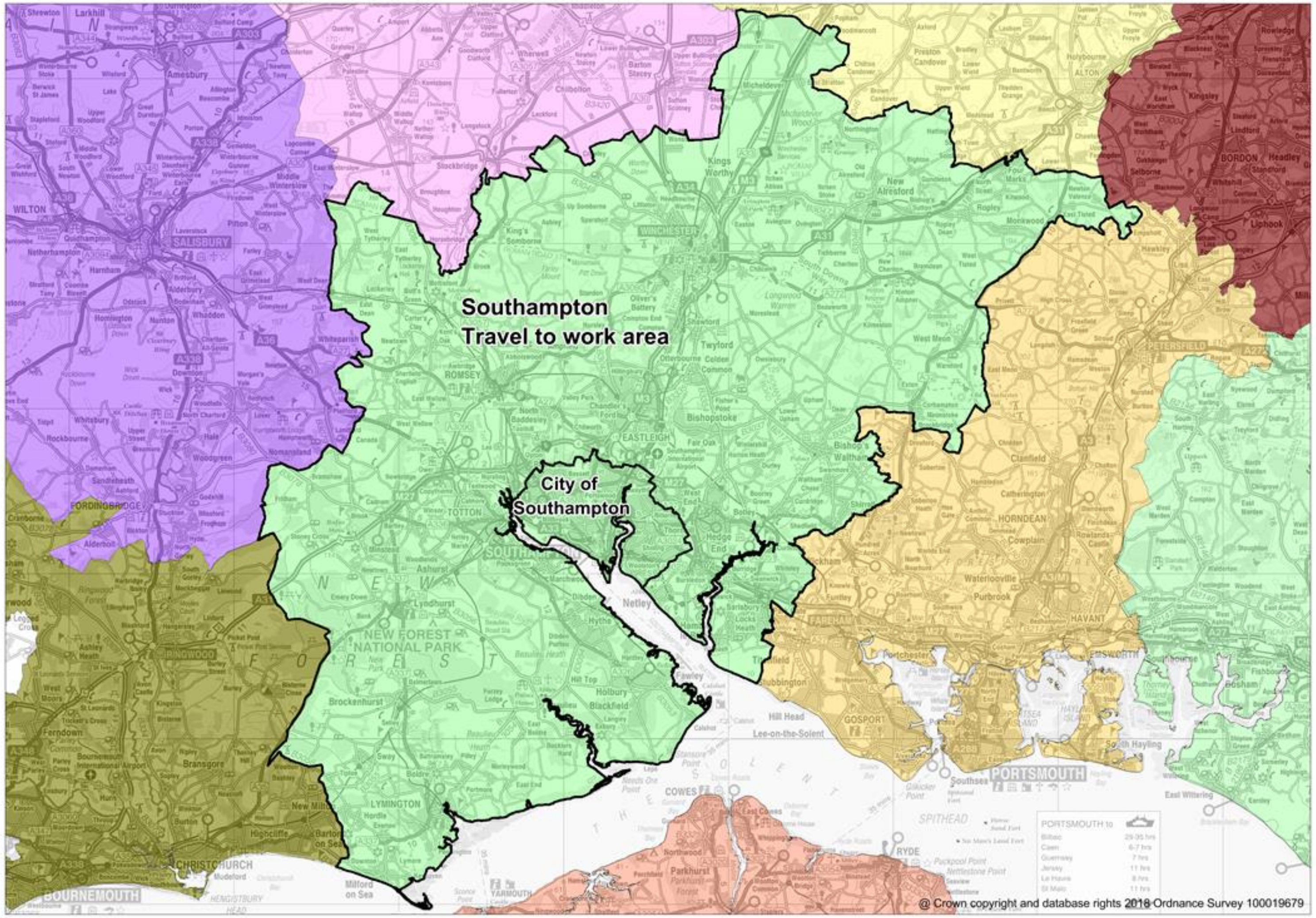
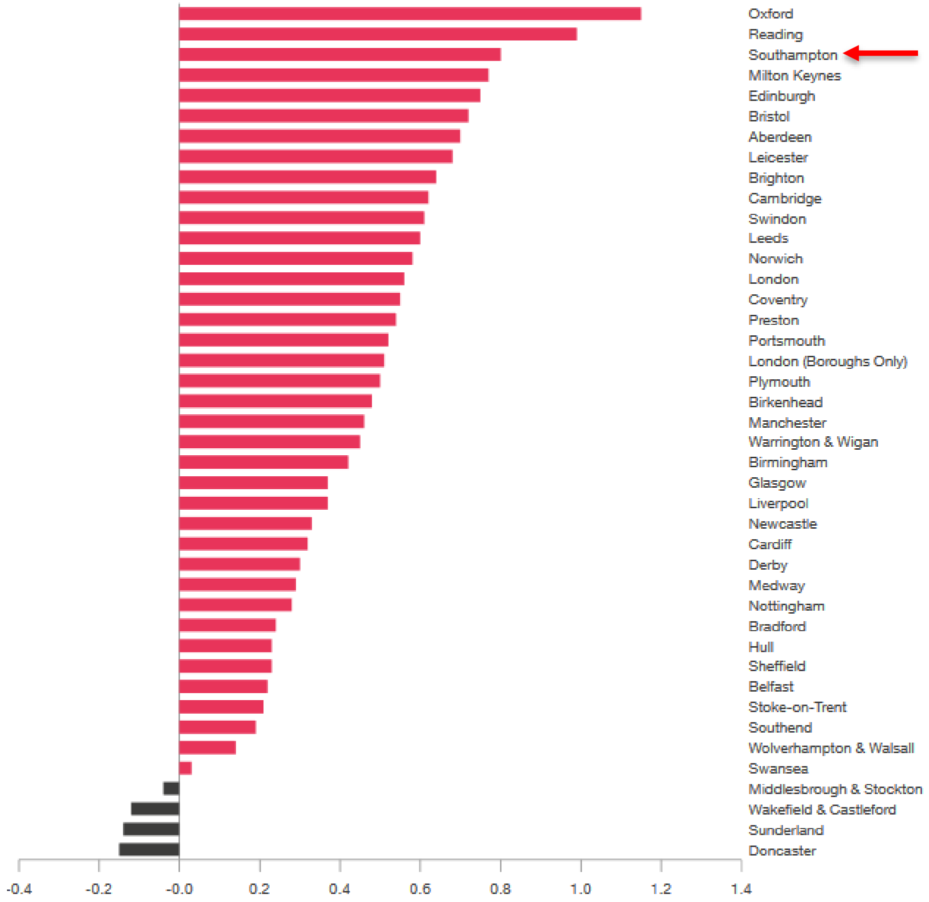


PWC Good Growth for Cities

Figure 12: Good Growth for Cities Index (2017-19)



- There are a number of reports on the local economy, but most focus on the Hampshire Economic Area or the Southampton Travel to Work Area (TTWA)
- Although the findings of these reports provide an indication of the direction of travel and the economic impact of coronavirus, they are not specific to Southampton;
- Therefore there continues to be a need for specific intelligence on the Southampton (LA boundary) economy, which is the focus of this presentation

Southampton is **3rd** in the **latest Good Growth Cities Index**

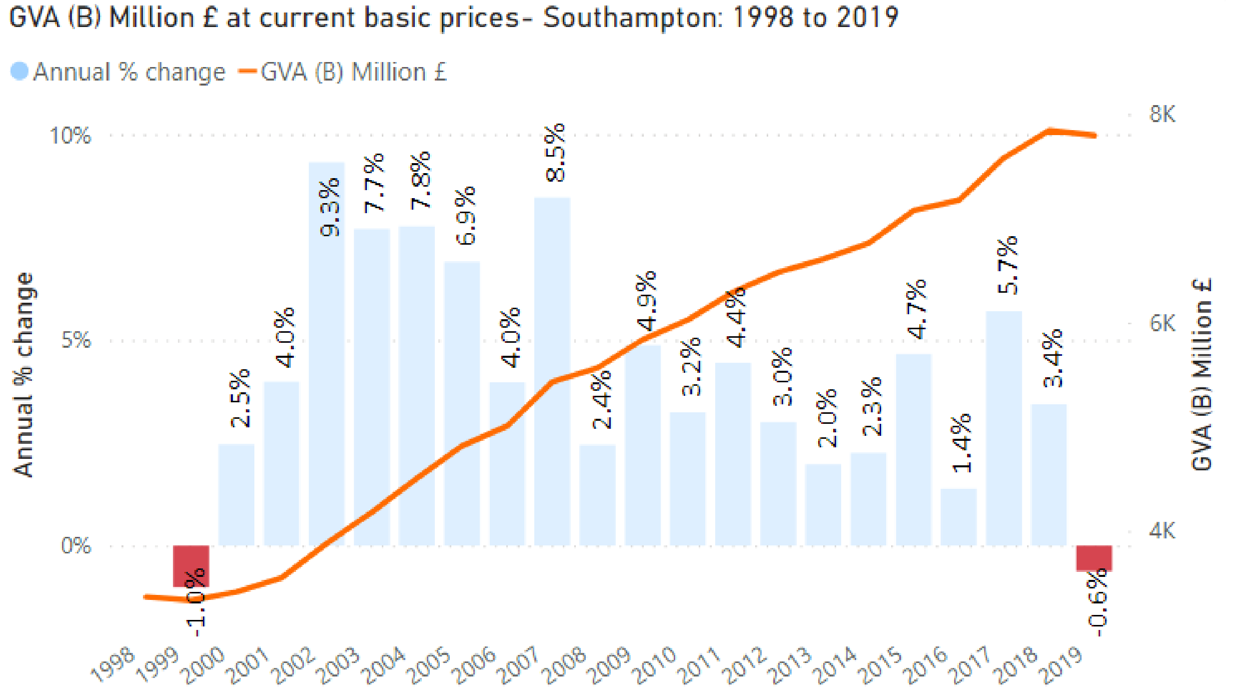
Source: [PwC good growth for cities report]

Productivity and Growth

Southampton's Economy in 2019

7.8 billion

- **Gross Value Added (GVA)** is a **key** economic indicator
- **Represents 2.7%** of **South East** economy
- **Southampton's economy** experienced a **-0.6% decline** in the **latest year (2019)**, whereas the England and the South East economy increased in size
- Despite the decline in the last year, data suggests that **up to 2019**, **economic growth** in **Southampton** was relatively **healthy**; however, the **economic landscape** has **changed considerably** in the last **12 months** due to **COVID** which is not reflected in these figures



Change since 2018:

-0.6% Southampton

3.7% England

4.0% South East

Impact of COVID

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- PwC estimate **-9.9% GVA growth** rate in **2020** for the **Southampton TTWA**, this compares to a **UK** growth rate of **-11%**
- **Southampton TTWA's GVA** is estimated to **grow** by **4.2%** in **2021**, **slightly lower** than the UK average of **4.8%**
- Areas with **strongest GVA growth rates** for **2021** are those that have been **hardest hit** in **2020**. Southampton (TTWA) was among one of the **least affected areas in 2020**
- **Impacts will vary by sector**. For example, **transport and storage** is one of Southampton's biggest sectors. This sector contains the **cruise industry**, which **contracted by -22.9%** in **2020** and is predicted to only grow by **4.1% in 2021** (based on a quick recovery scenario)

Figure 3: 2020 annual GVA growth rate (%) and Good Growth for Cities Index score

Plymouth was excluded from the analysis due to data limitations.

Source: PwC Analysis

It is important to note that these estimates are based on the Southampton TTWA economy. The impacts for city economy could be very different

Source: [PwC good growth for cities report]

Impact of COVID on GVA in Southampton

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Based on UK GVA estimates of a quick and slow recovery scenario by PwC – Southampton's economy could change by…

2019
(baseline)

7.8 billion

-11%

2020

6.9 billion

+4.8%
OR
+2.2%

2021

Quick recovery
7.3 billion

Slow recovery
7.1 billion

Using 2019 data as a baseline… Southampton's economy **COULD shrink** by **-£500 million** under a '**quick recovery**' scenario and **-£700 million** under a '**slow recovery**' scenario by **2021**

- Under a **quick recovery** scenario PwC estimate that across the **UK**, **GVA shrunk** by **-11%** in **2020** – but is predicted to **grow** by **4.8%** in **2021**
- The **quick recovery** scenario assumes a **fast roll out of the vaccine**, which would front-load the majority of recovery in those hardest hit sectors e.g. hospitality and transport. It also assumes a **loosening of social distancing restrictions** in the first few months of 2021 allowing consumers to return to shops, pubs and restaurants
- Under a **slow recovery** scenario PwC estimate that across the **UK**, **GVA shrunk** by -**11%** in **2020** – but is predicted to **grow** by **2.2%** in **2021**
- A **slow recovery** scenario assumes recovery is hampered by the **extension of social distancing restrictions** due to a slower vaccine roll out, as well as **businesses being slow to adapt** to the end of the transition period

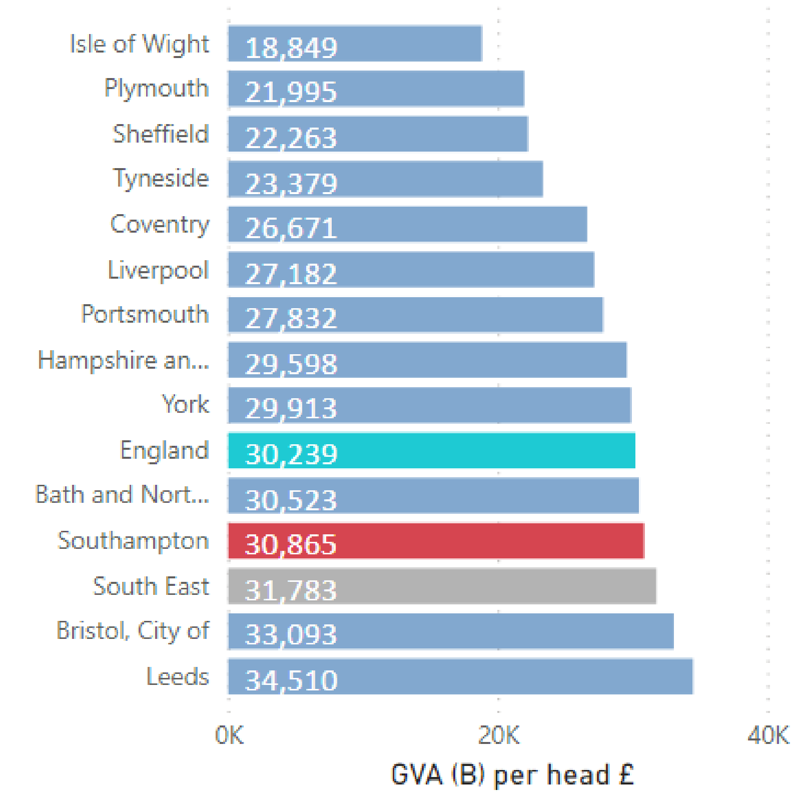
Sources: Office for National Statistics – GVA and PwC UK Economic Outlook (January 2021)

Productivity and Growth – GVA (B) per head

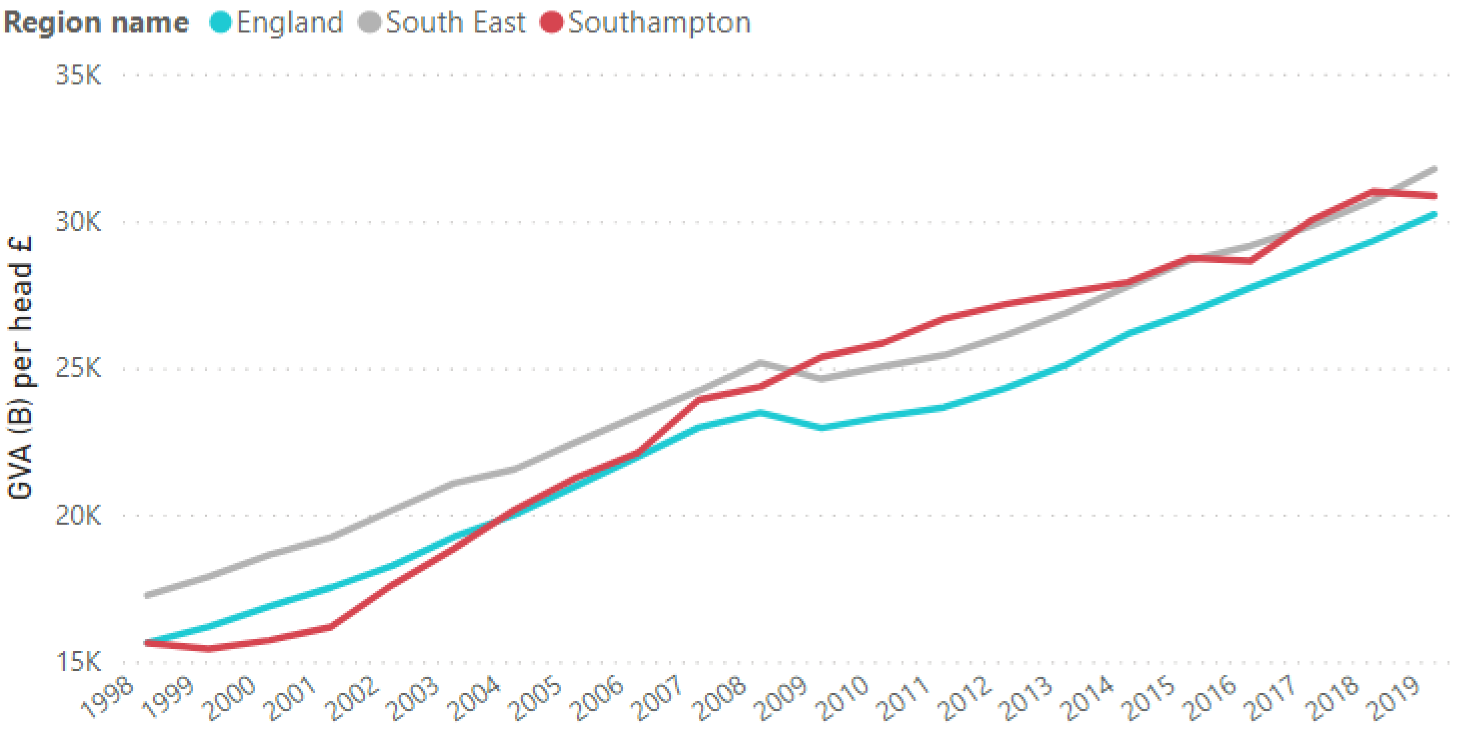
- GVA(B) per head in **Southampton** is **higher** than **England**, but lower than the **South East**
- Southampton experienced a decline in GVA(B) per head in the latest year, whilst England and the South East experienced an increase

Change since 2018:

GVA (B) per head of population at current prices - Southampton and ONS comparators: 2019



GVA (B) per head of population at current prices- England, South East, Southampton: 1998 to 2019



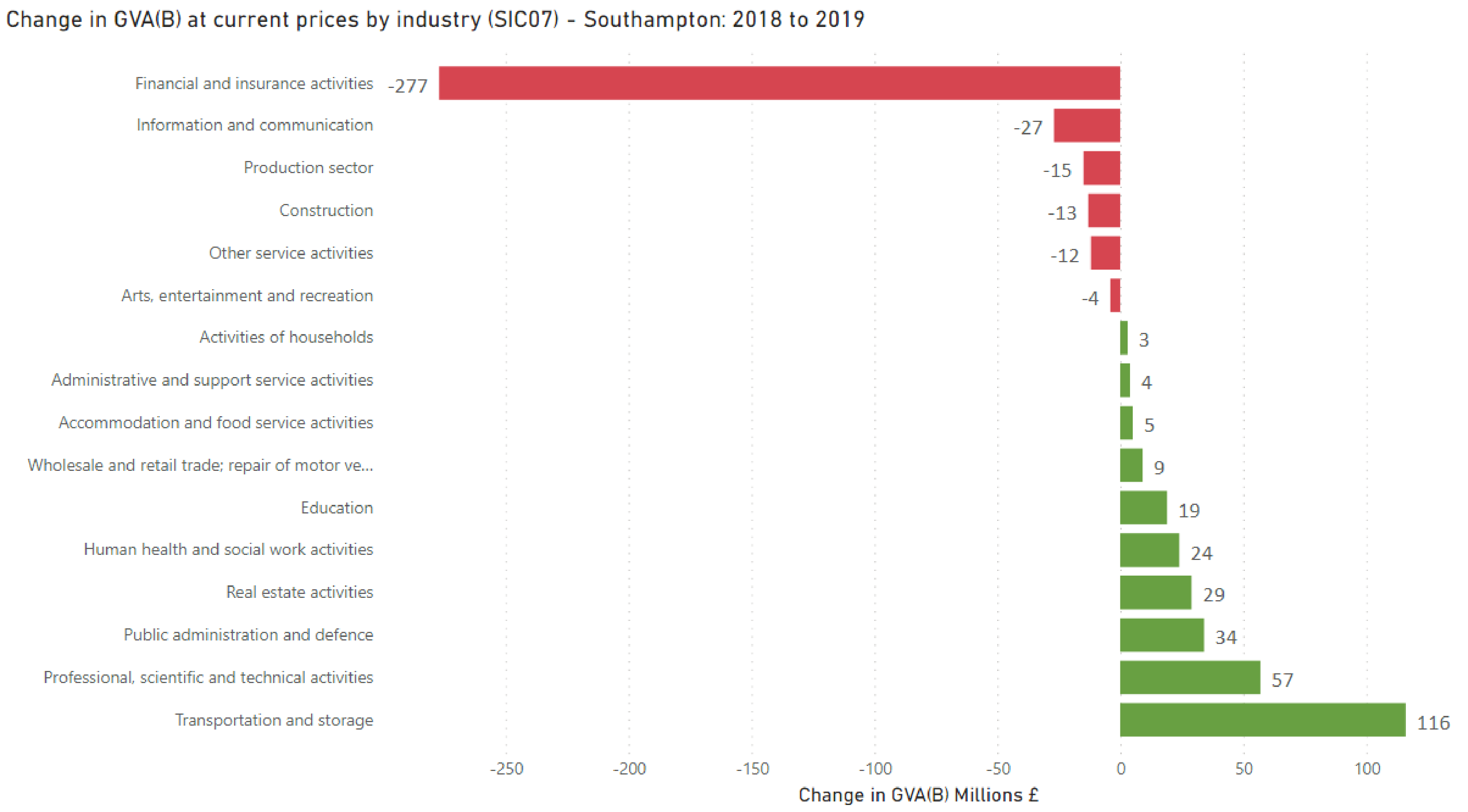
Source: Office for National Statistics – GVA

Productivity and Growth – GVA (B) by Industry

Source: Office for National Statistics – GVA

- The chart to the left compares the share (%) of GVA that each industry in Southampton and England accounts for
- **25%** of **Southampton's** GVA comes from the **transport and storage** industry, a **significantly** higher proportion compared to England (4%)
- '**Public sector**' industries (public administration & defence, education and health sector) account for **23%** of the **Southampton economy;** compared to 18% nationally
- Combined, the **industries highlighted** account for **almost half** of **Southampton's economy**
- Compared to England, Southampton has a **lower** % share of **production industries** and **real estate activities**

Productivity and Growth – GVA (B) by Industry



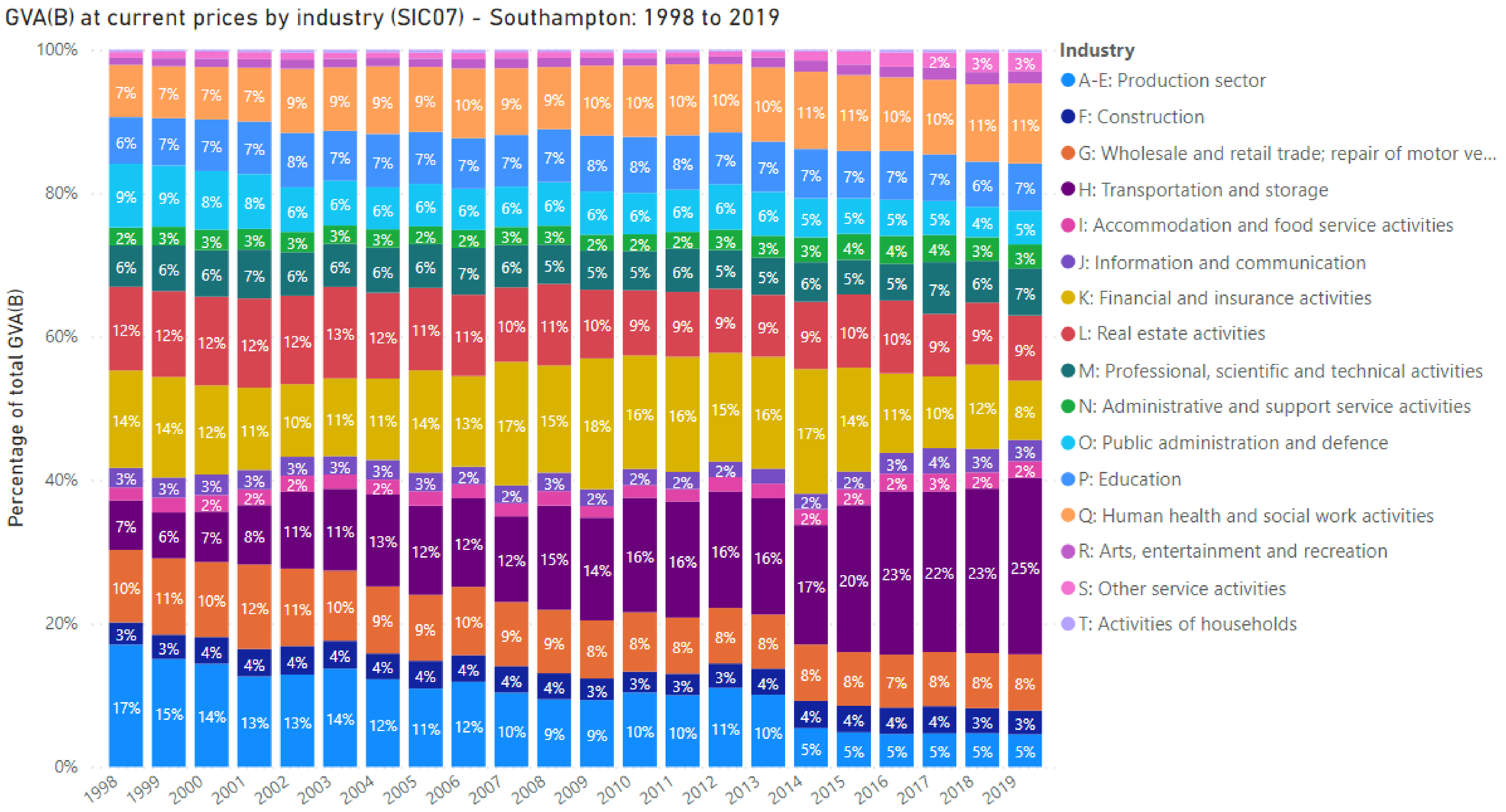
- **Financial and insurance activities (-£277 million), information** and **communication (-£27 million)** saw the **largest declines** in **GVA** between 2018 and 2019

- Largest growth was in the **transportation** and **storage** sector **(+£116 million)**

- **Professional, scientific and technical** sector grew by **+£57 million**

Source: Office for National Statistics – GVA

Productivity and Growth – GVA (B) by Industry



- The chart to the left shows the percentage share of total GVA(B) by industry over time in Southampton
- **Transportation and storage** is the industry that has seen the largest growth in the city, from a percentage share of **7%** of total GVA(B) in 1998 to **25%** in 2019
- **Production sector** (agriculture, mining, electricity, gas, water & waste and manufacturing) experienced the **greatest decline** in the city, from **17%** of total GVA(B) in 1998 to **5%** in 2019

Source: Office for National Statistics – GVA

COVID-19 recovery by industry

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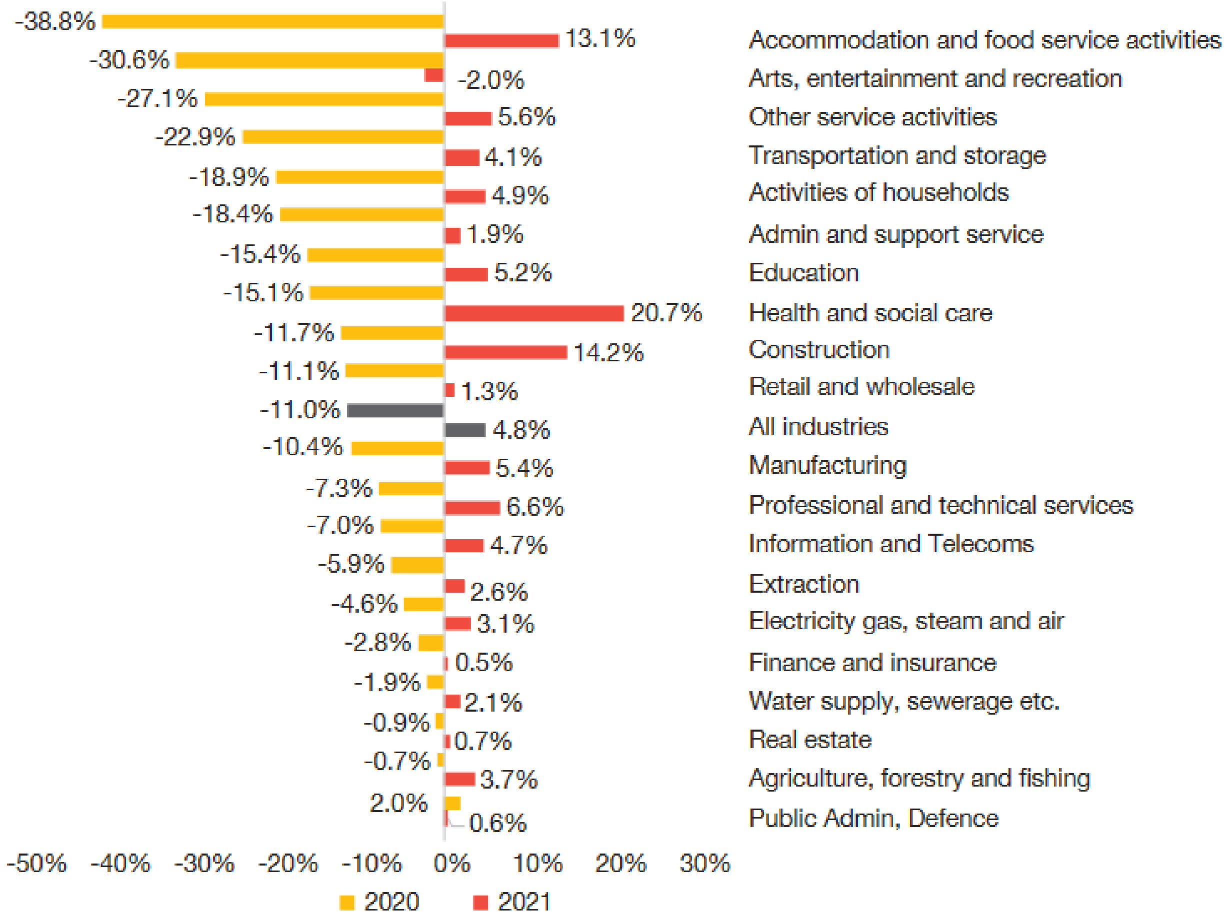
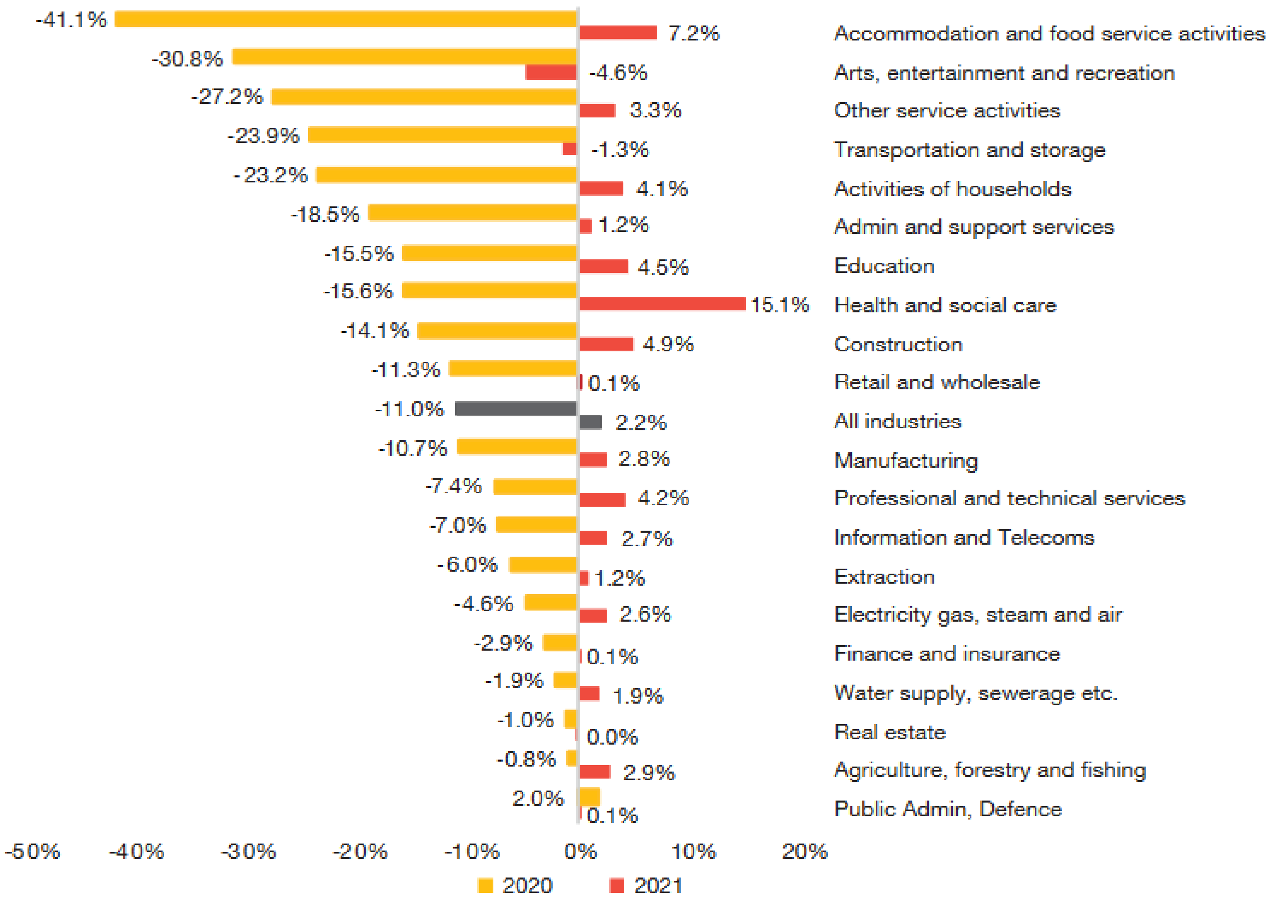
Quick recovery scenario



Source: PwC analysis

Slow recovery scenario



Source: PwC analysis

- Charts above show projected % change in GVA by industry sector for the UK based on PWC quick and slow recovery scenarios
- We can apply these estimates to the sectoral mix of industries in Southampton to estimate impact and recovery by sector (see next slide)

Source: PwC UK Economic Outlook (January 2021)

Impact of COVID on GVA by Industry in Southampton

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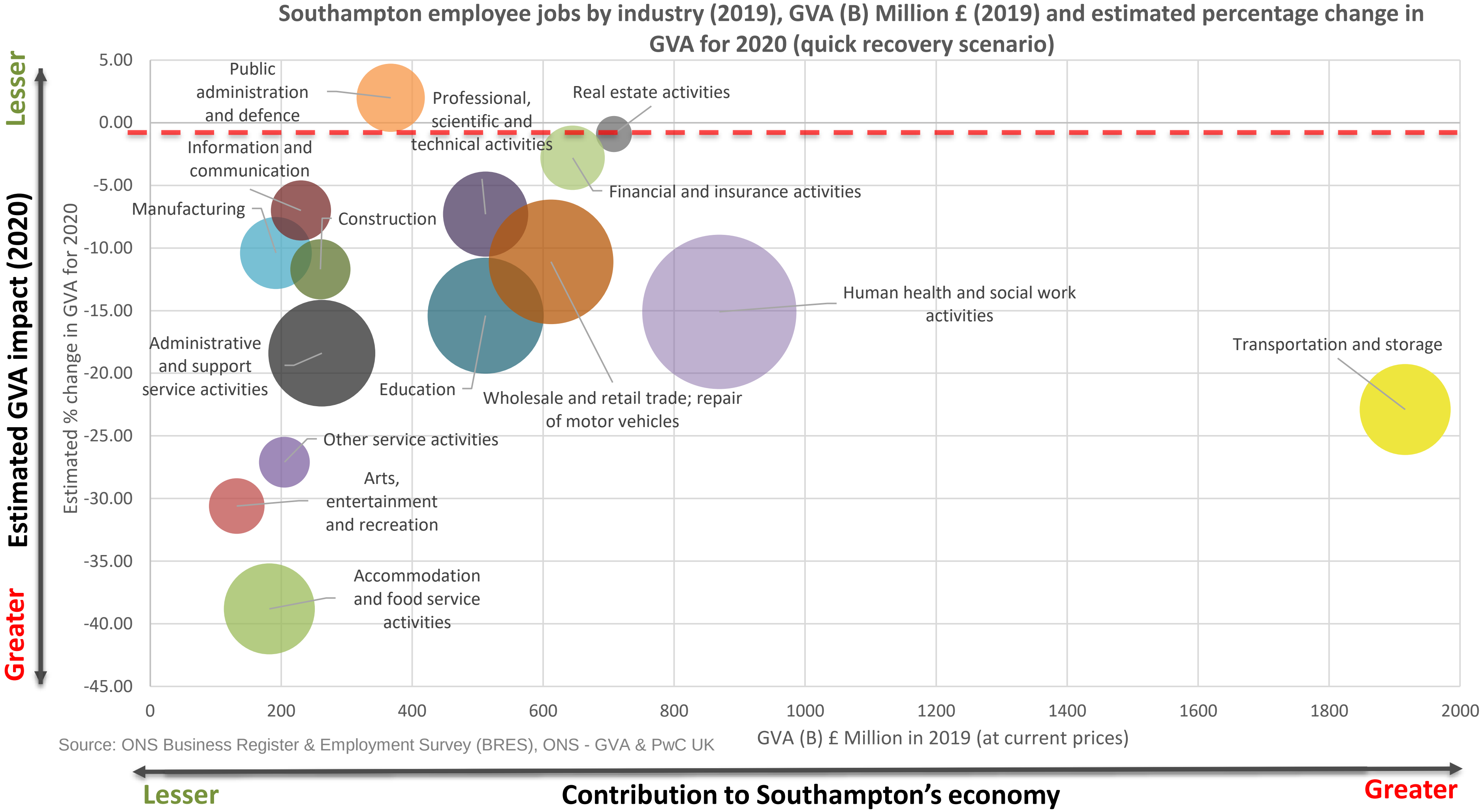
The bubble chart shows the **PwC % estimated reduction in GVA for 2020** (quick recovery scenario) against **actual GVA (B) in 2019**. In addition, the size of the bubbles shows the **number of jobs** in each industry. This helps us to better understand potential impacts and areas of risk for the city



Interpretation:

- The further right the bubble, the greater the GVA(B) it contributes to the local economy
- The size of the bubble illustrates the number of employee jobs in that industry
- Therefore, the bottom right of the chart represents sectors posing the greatest risk to Southampton's economy from a productivity perspective e.g. Transport and storage
- However, large bubbles towards the bottom of the chart must also be considered as they pose the greatest risk to Southampton's economy from an employment perspective e.g. accommodation & food services, administrative and support services, retail and education

However, this only shows impact for 2020 – some industries are expected to bounce back in 2021. Estimates of GVA recovery by industry for Southampton are available on the next slide

Sources: ONS – Business Register and Employment Survey, ONS - GVA and PwC UK Economic Outlook (January 2021)

Estimated Recovery of GVA by Industry in Southampton

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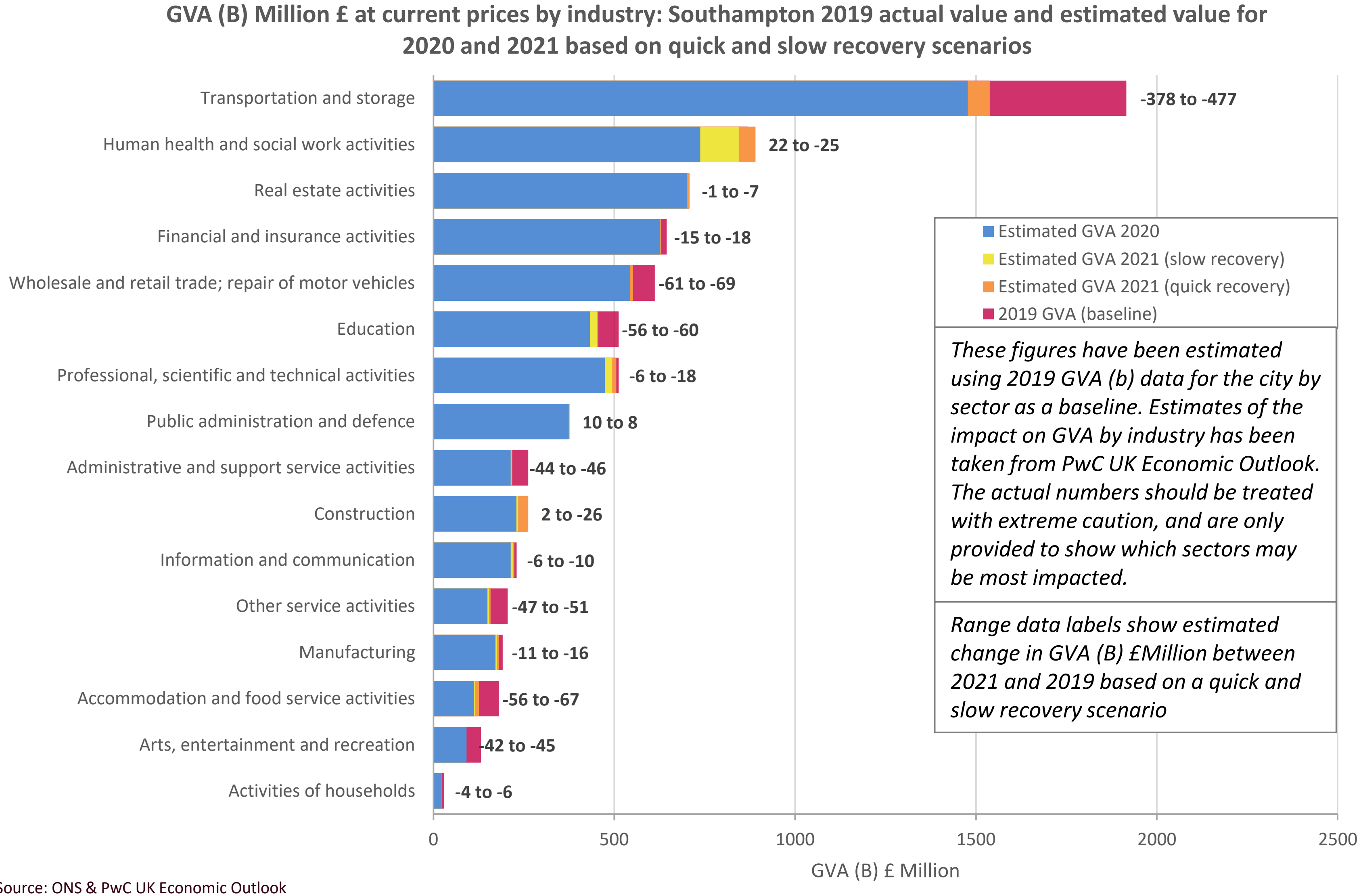

Source: ONS & PwC UK Economic Outlook

- The chart to the left shows actual GVA for 2019, estimated GVA for 2020 and estimated GVA for 2021 based on a ‘quick’ and ‘slow’ recovery scenario
- Based on both quick and slow recovery scenario estimates, very few industries are expected to return to 2019 levels by 2021 (those with red showing)
- The only industry estimated to grow by 2021 under both scenarios is the public sector
- Health and social care COULD grow by 2021 based on quick recovery scenario
- Transportation and storage likely to be hardest hit in Southampton (under both scenarios)
- Retail, education, administration & support, accommodation and food services & arts, entertainment and recreation also hit hard under both scenarios

Sources: ONS - GVA and [PwC UK Economic Outlook (January 2021)]

Business and Enterprise

Business Growth and Density

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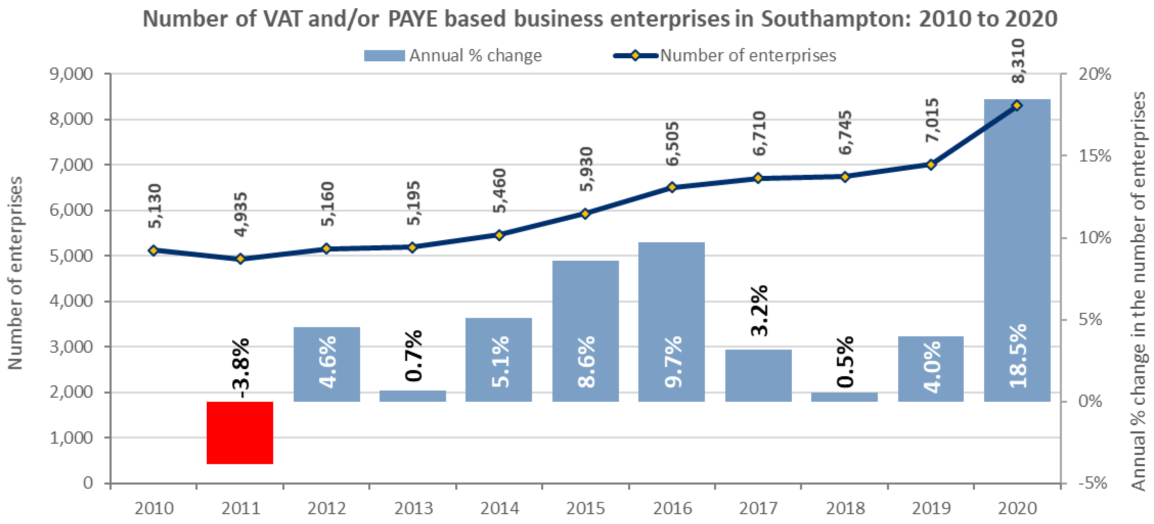
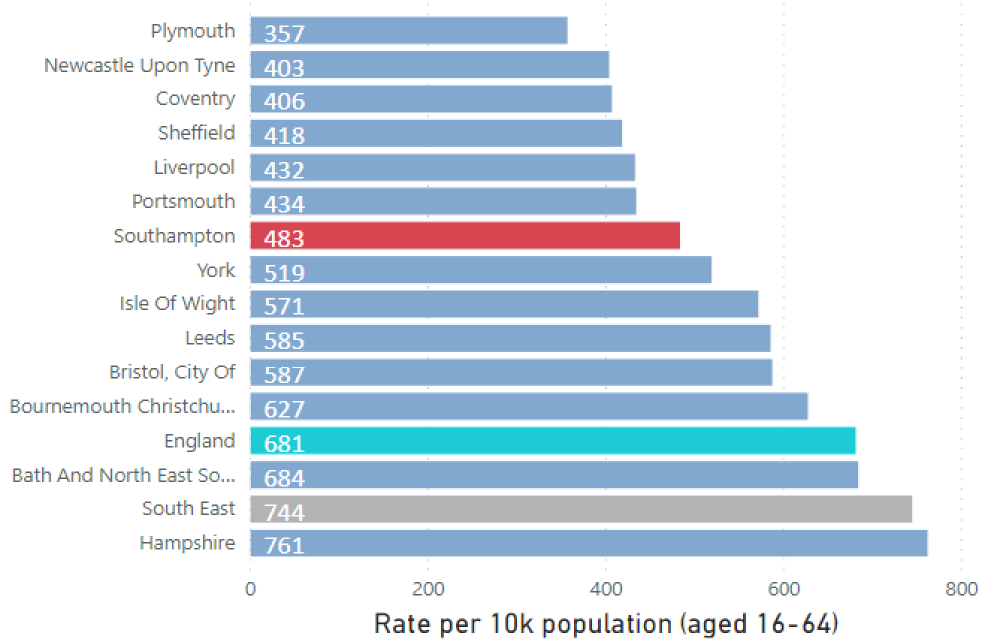


Rate of business enterprises per 10k working age population - Southampton and ONS comparators: 2020



- **Southampton** experienced a **18.5% (1,295**) increase in the number of business enterprises over the last year. This compares with a **0.8% increase** across the **South East** and a **1.3% increase** across **England**
- **Almost all** of the **increase** in the **total number** of enterprises over the last year in Southampton is **driven by growth** of **micro enterprises** (less than 10 employees) (**+1,290** enterprises) within the **retail sector** (**+1,135** enterprises)
- Change over the last year in Southampton is **likely** to reflect the **impact of multiple business registrations** to a single postcode in Southampton during 2019. **570 (29%)** of the **1,960** births in **Southampton** were at **postcodes** with **multiple registrations**. More information on this issue has been published by the ONS
- **Despite** the increase over the last year, **Southampton** still has a **significantly lower rate** of business enterprises **compared** to **England** and **the South East**
- Most recent data is a snapshot taken from the Inter-Departmental Business Register (IDBR) on the 13th March 2020; therefore, is unlikely affected by coronavirus, as the first lockdown was implemented on the 23rd March 2020

Change since 2011:

27.5% South East

34.3% England

68.4% Southampton

Source: Office for National Statistics - UK business: activity, size and location

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Annual percentage change in the number of micro and small enterprises

Region name	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2010-2020 cumulative change	2010-2020 annual rate of change
Micro Enterprises (0 to 9) employees												
England	-0.8	3.3	0.6	4.8	9.1	5.1	5.2	-0.2	2.0	1.4	34.4	3.4
South East	-0.5	2.9	0.2	3.8	7.3	4.3	3.2	0.1	2.8	0.9	27.7	2.8
Southampton	-3.5	5.1	-0.4	5.6	9.1	11.5	3.0	1.3	4.5	20.5	70.4	7.0
Small Enterprises (10 to 49) employees												
England	-2.5	5.4	4.9	4.1	4.6	-0.1	1.8	0.6	0.5	0.2	20.8	2.1
South East	-2.6	4.1	4.9	3.7	4.6	-0.6	0.6	0.6	0.3	-0.1	16.2	1.6
Southampton	-4.5	-1.9	9.6	1.8	7.8	-3.2	2.5	-5.6	0.0	3.4	9.0	0.9

- Growth **dominated** by **micro enterprises** (0 to 9 employees), particularly over the last year in Southampton **(+20.5%)**
- Historically, growth of **small enterprises** (10 to 49 employees) in Southampton was lower than average, which suggested that either **micro enterprises** are not growing or surviving
- 2010-2020 cumulative rate and annual rate of change for **small enterprises** in Southampton still remains below average
- However, in 2020 Southampton experienced a **3.4%** increase in **small enterprises**, with negligible changes across England and the South East
- Some of the increases seen, particularly for micro enterprises likely to reflect the **impact of multiple business registrations** to a single postcode in **Southampton** during **2019**; **570** (**29%**) of the **1,960** births in Southampton were at postcodes with multiple registrations; more information on this issue has been published by the ONS

Source: Office for National Statistics - UK business: activity, size and location

Enterprises by industry

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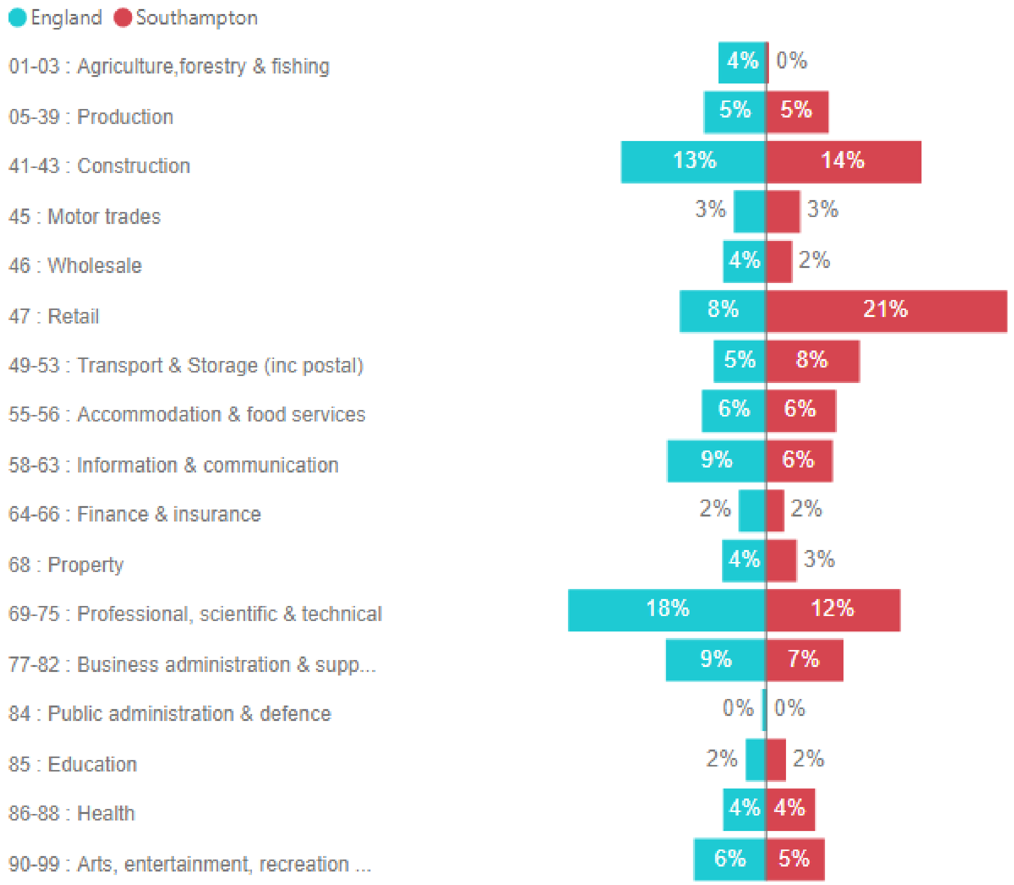
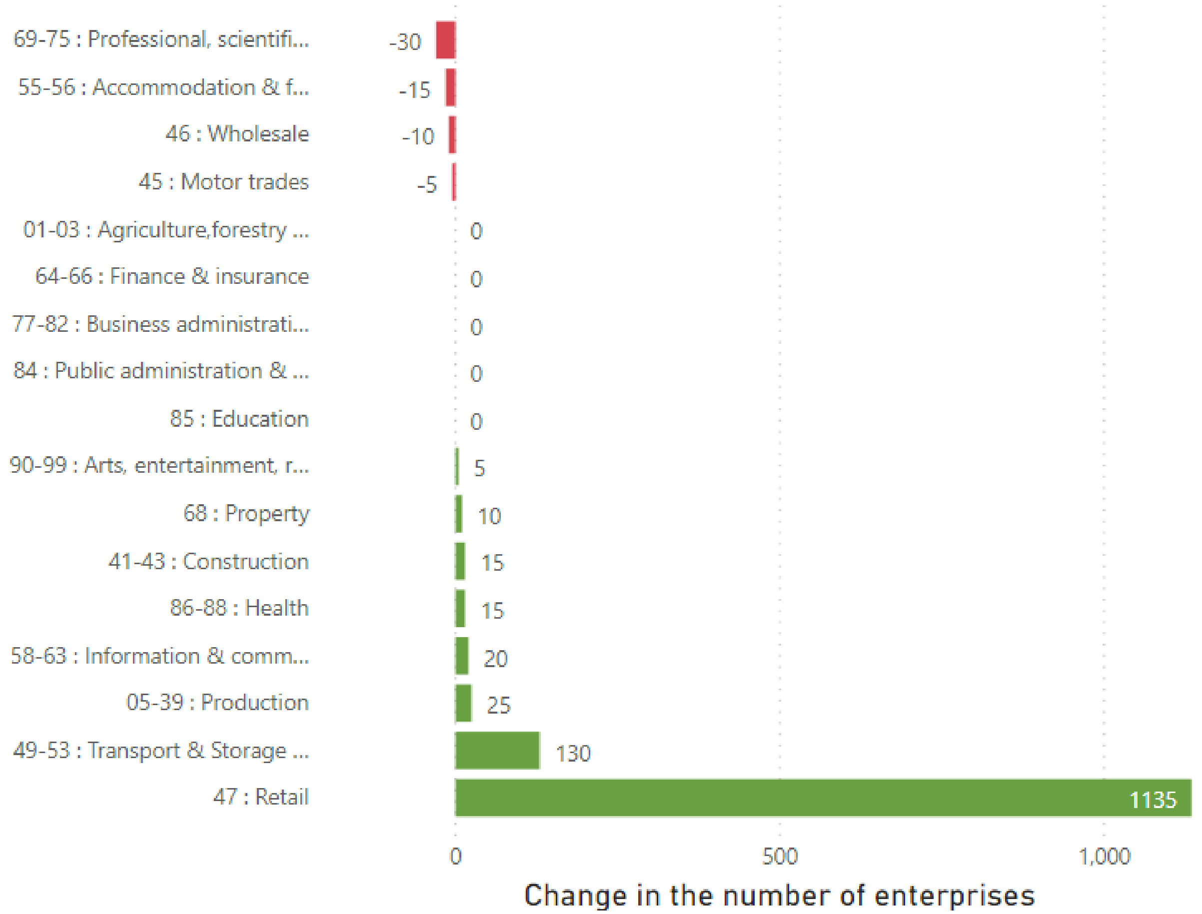
Percentage share of enterprises by industrial group (SIC07) - Southampton and England: 2020



Change in the number of enterprises by industrial group (SIC07) - Southampton: 2019 to 2020



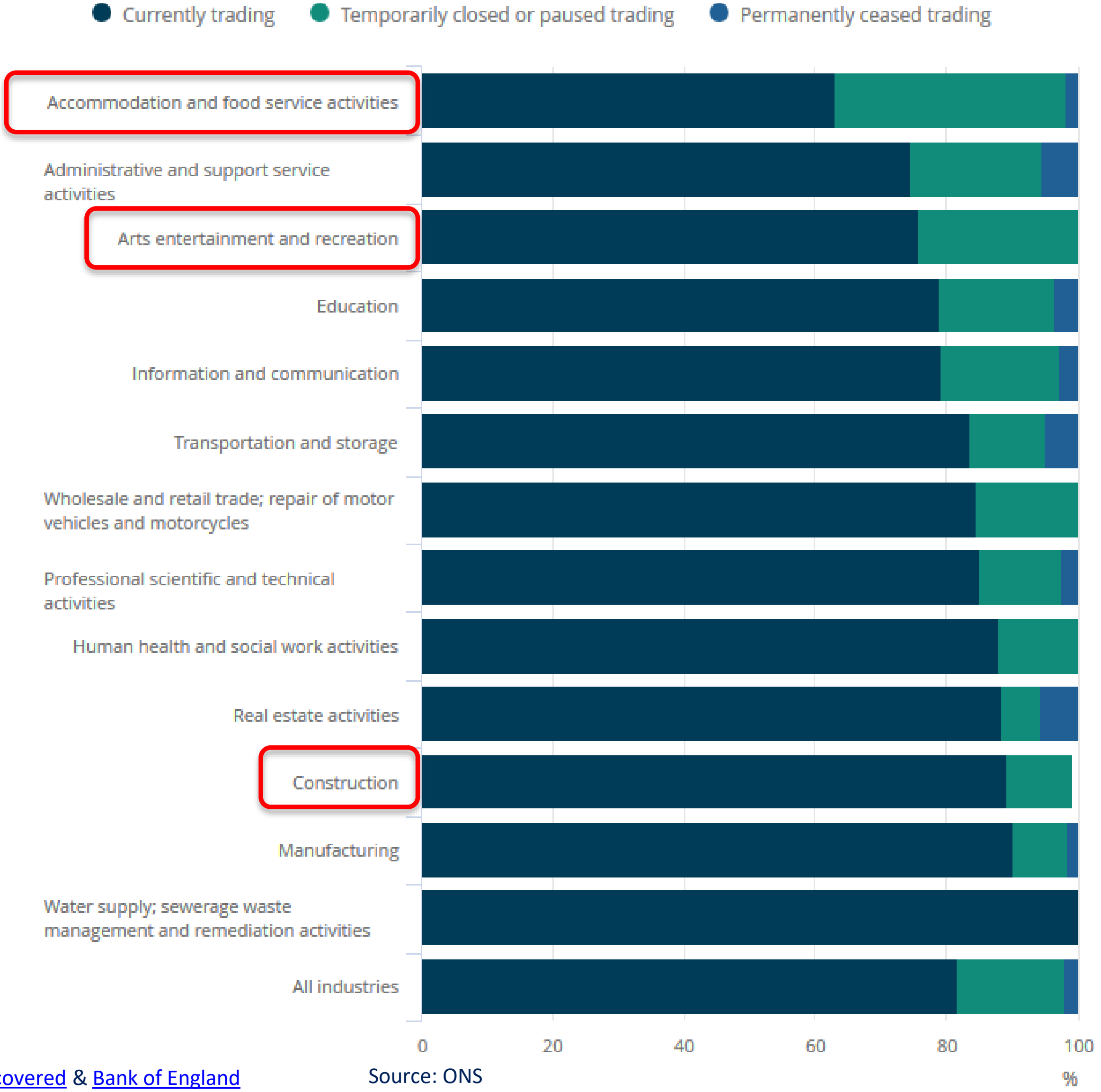
- **Retail** accounts for **1** in **5** (21%) enterprises in Southampton during 2020, compared to **8% nationally**
- **Growth in enterprises over the last year dominated by retail**, with the number of retail enterprises more than **doubling over the last year** from **640** in 2019 to **1,775** in 2020
- However, growth in retail **likely** to reflect **impact of multiple business registrations** to a single postcode in Southampton during 2019; **570 (29%)** of the **1,960** births in **Southampton** were at **postcodes** with **multiple registrations**

Source: Office for National Statistics - UK business: activity, size and location

Impact of COVID

- Research by ONS and Bank of England suggests;
- **Smaller firms** were **more likely** than **bigger ones** to have had to **temporarily close** or **pause trading**, but that it's **not necessarily** the **same across all industries**
- The Business Impact of Coronavirus (COVID-19) Survey (Wave 17) found **17.2% of micro businesses** (fewer than 10 workers) were **pausing trade** or **temporarily closed** as of late October 2020 compared with **6.1%** of firms with **250 or more workers**;
- **Micro businesses** accounted for **91% of total enterprises** in **Southampton** during 2020 which shows the potential impact.
- Bank of England found that **smaller companies** are **more likely** than **larger companies** to **operate** in sectors that have been **most affected by the shock**, such as **accommodation and food, arts and recreation**, and **construction**;
  - **A quarter (25%)** of enterprises in **Southampton** (2020) are **within the most affected sectors** according to the Bank of England
- Chart to the right illustrates impact of trading status by industry. **63.2%** of **accommodation and food** service businesses were trading between 19th October and 1st November 2020, **lower** than **all industries (81.6%)**

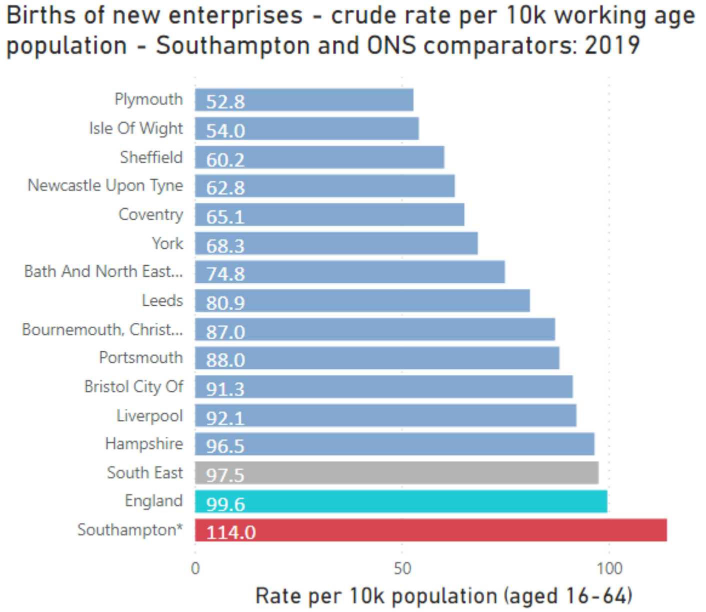
Percentage of businesses, current trading status, broken down by industry, weighted, UK, 19 October to 1 November 2020

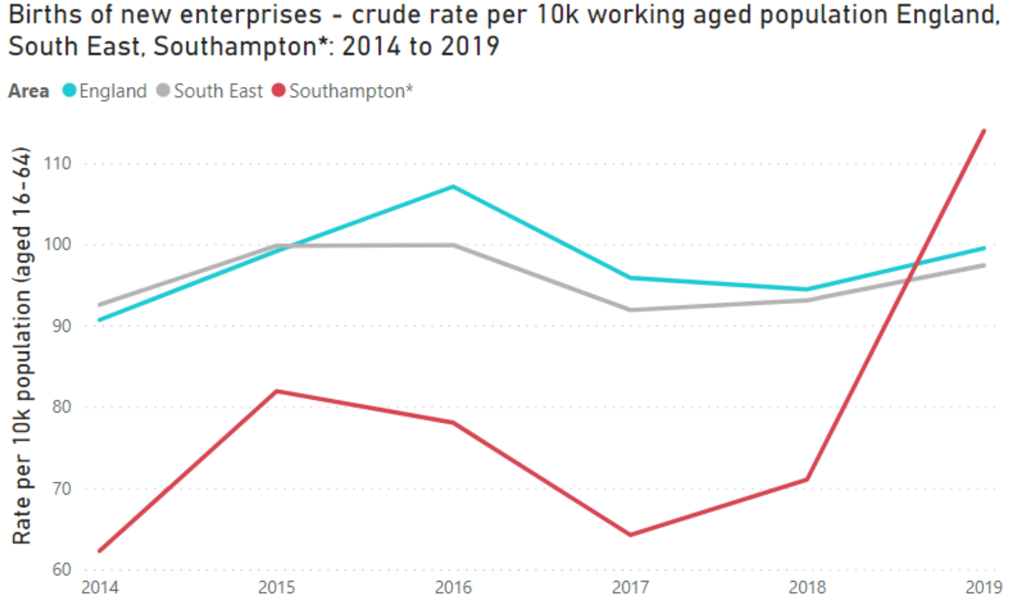


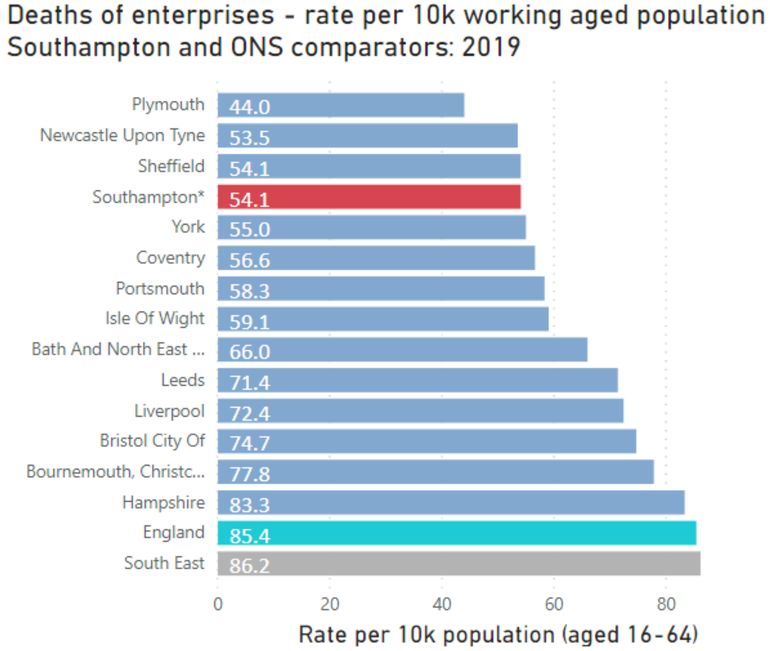
Source: ONS

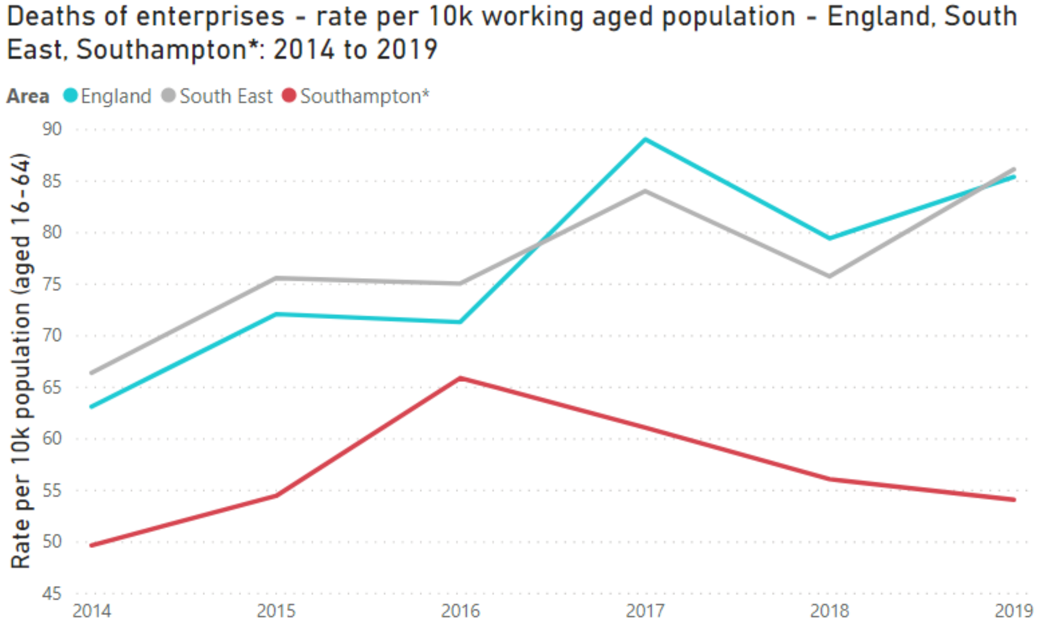
Sources: ONS Business insights and impacts on the UK & ONS – the impact of the coronavirus so far: the industries that struggled or recovered & Bank of England

Business Start-ups & Deaths







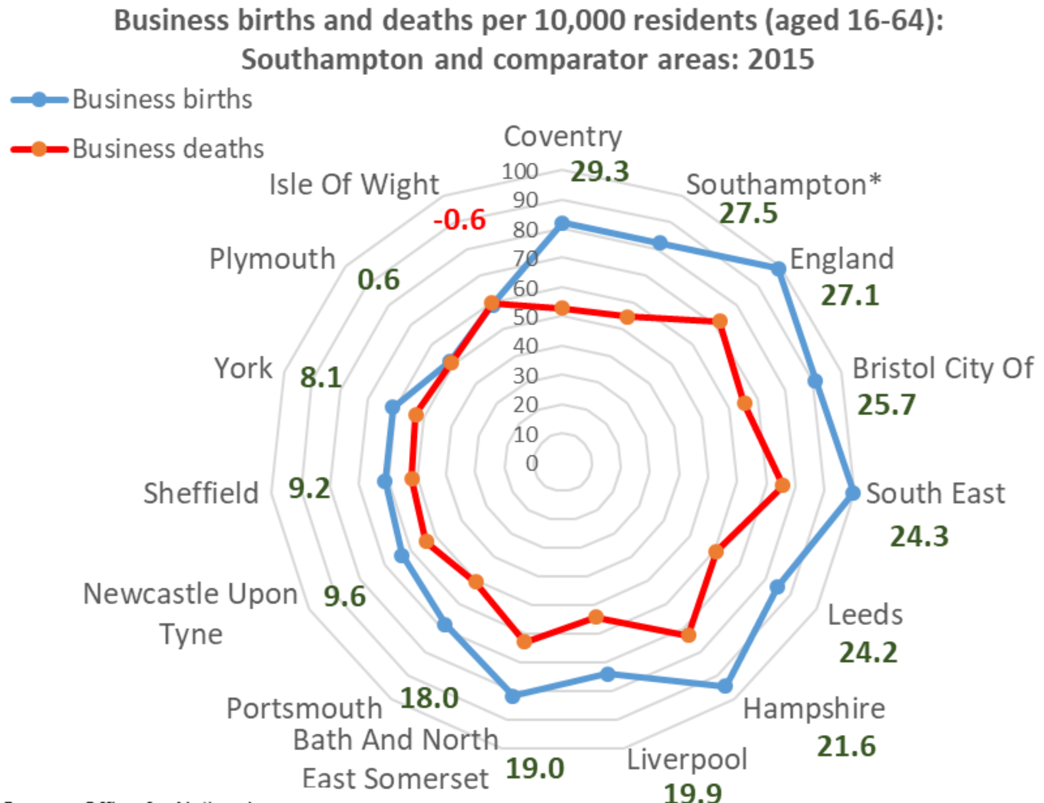


- There were **1,960** business start ups (births) in Southampton during **2019**, an increase of 59.3% (730) compared to the previous year
- **HOWEVER**, some of this increase is due to multiple business registrations at the same postcode in Southampton;
- **570 (29%)** of the **1,960** births in **Southampton** were at **postcodes** with **multiple registrations.** More information on this issue has been published by the ONS
- With multiple registrations removed – **1,390** births in Southampton in 2019 **(+160)** an increase of **13% compared** to the **previous year** & **birth rate** of **80.1** per 10k population (aged 16-64) in 2019; **significantly lower** than the England and South East average
- **930** business **deaths** in 2019, a year on year decline of **-4.1%** **(-40)**
- Death rate for Southampton significantly lower than England average
- Southampton has seen a consistent decline in business deaths since 2016

Source: Office for National Statistics – Business Demography

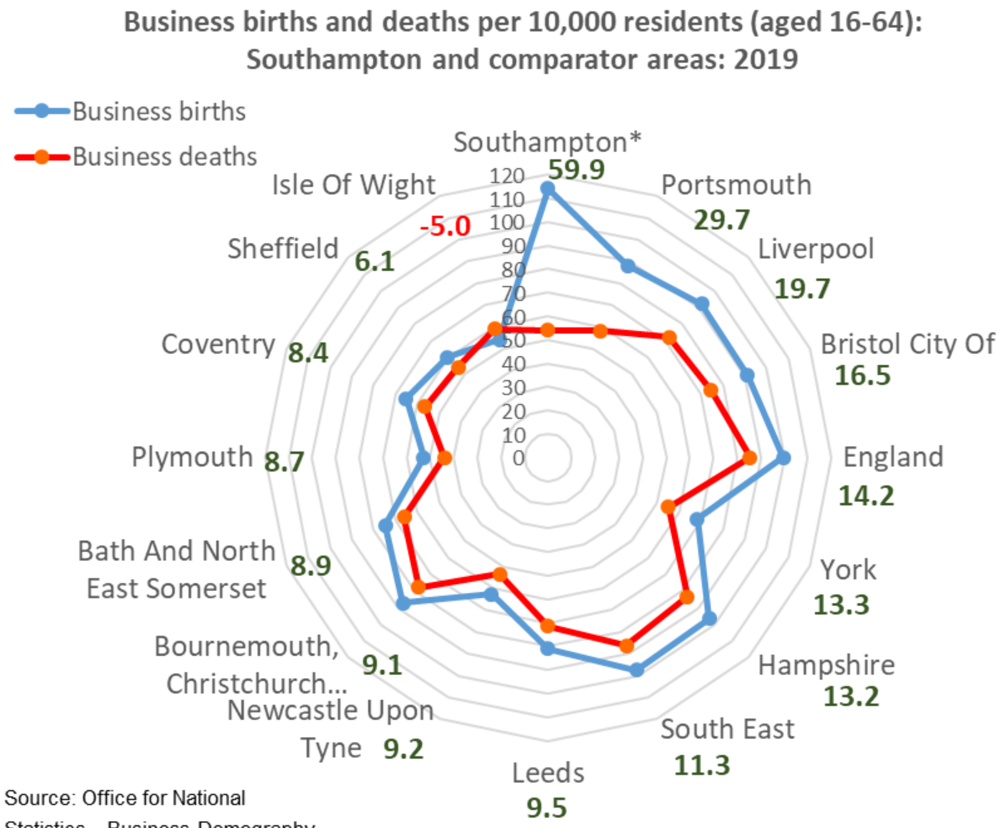
Business Start-ups & Deaths

2015



Source: Office for National Statistics - Business Demography

2019



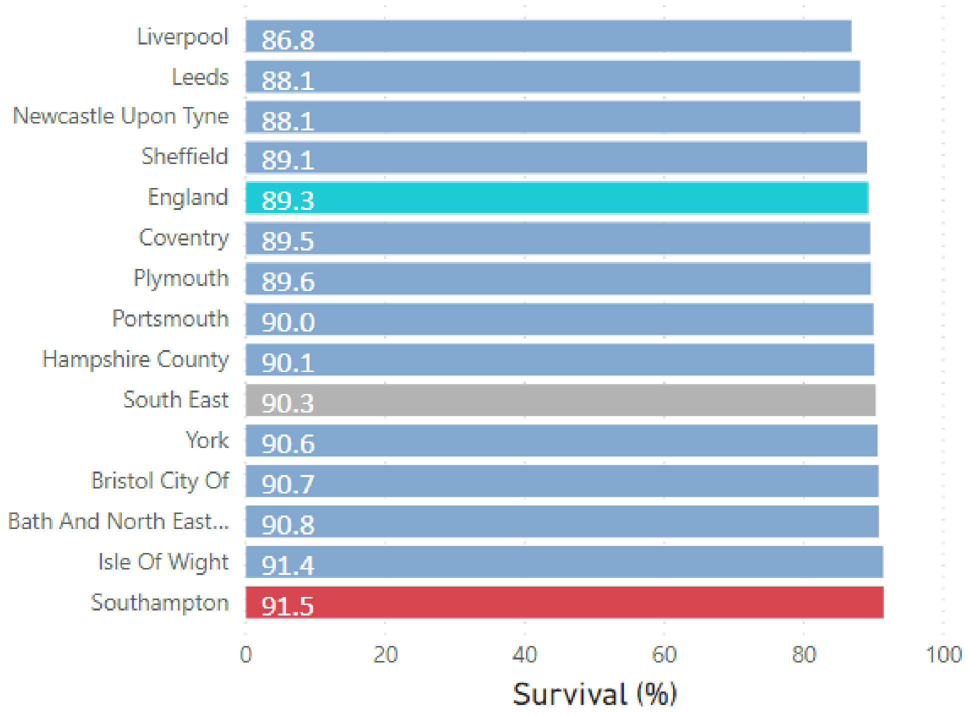
Source: Office for National Statistics - Business Demography

- Birth rate in 2019 for Southampton is impacted by multiple registrations
- After adjusting for multiple registrations, Southampton still has a net growth of 26 businesses per 10k population, second highest among comparators and the highest the Southampton growth rate has been since 2015 (27.5 per 10k)

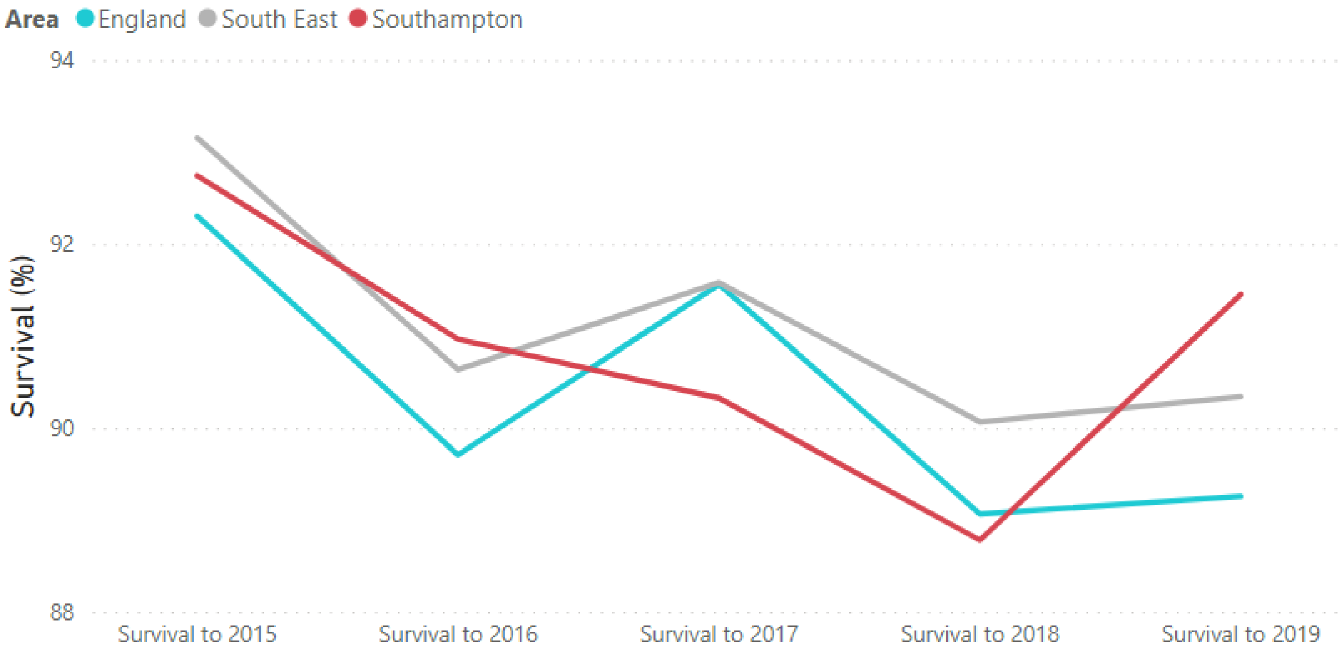
Source: Office for National Statistics – Business Demography

Business Survival in the 1st year

1-year survival (%) of enterprises formed in 2018: Southampton and ONS comparators



1-year survival (%) of enterprises formed between 2014 and 2018: England, South East, Southampton

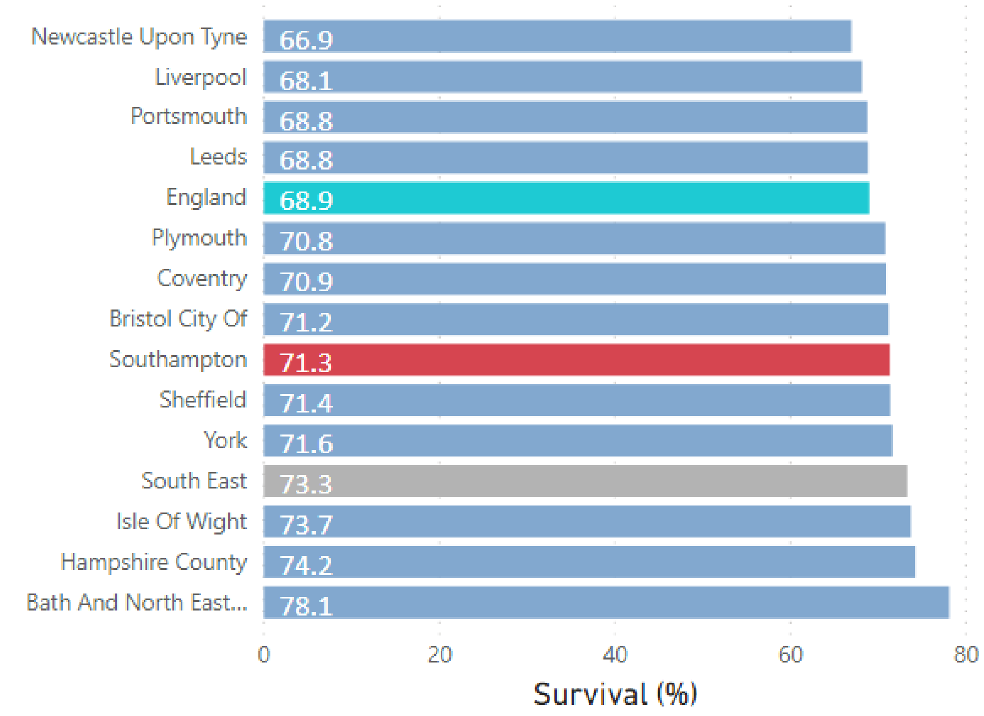


- Southampton highest among comparators for 1 year survival of enterprises
- 1 year survival in Southampton increased from **88.8%** in 2018 to **91.5%** in 2019
- Suggests that an increasing proportion of businesses in Southampton are surviving past their first year
- At present, survival rates will not be impacted by multiple registrations in Southampton during 2019, but may be in subsequent publications

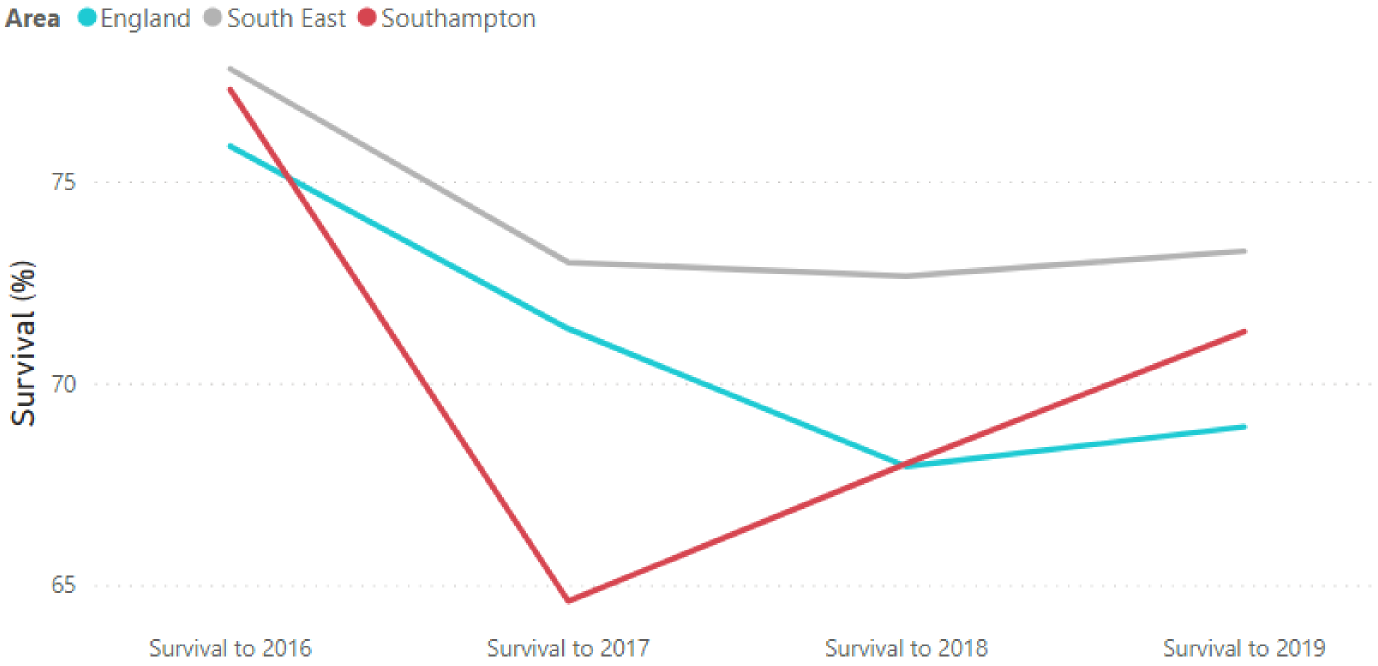
Source: Office for National Statistics – Business Demography

Business Survival – first 2 years

2-year survival (%) of enterprises formed in 2017: Southampton and ONS comparators



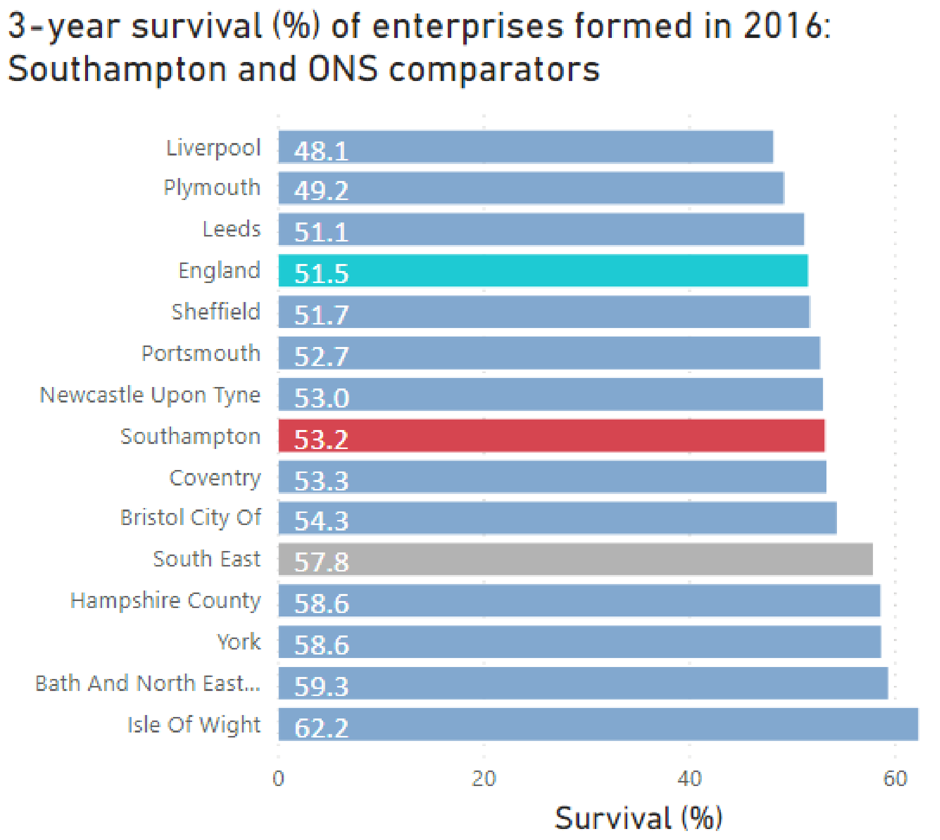
2-year survival (%) of enterprises formed between 2014 and 2017: England, South East, Southampton

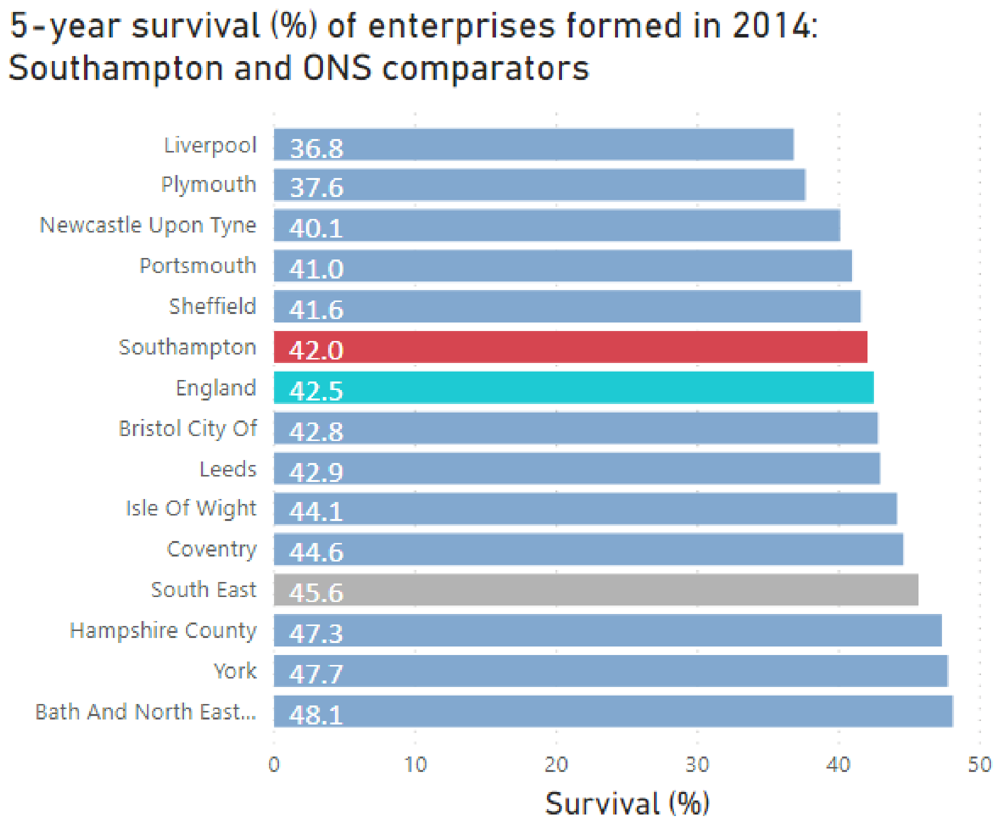


- **71.3%** of businesses formed in Southampton during 2017 **survived at least 2 years** (survived to 2019)
- 2 year survival saw a sharp decline from 2016 to 2017;
- However, there has been an increase in 2 year survival of businesses in recent years, with the Southampton survival rate now above the England average

Source: Office for National Statistics – Business Demography

Business Survival – longer term



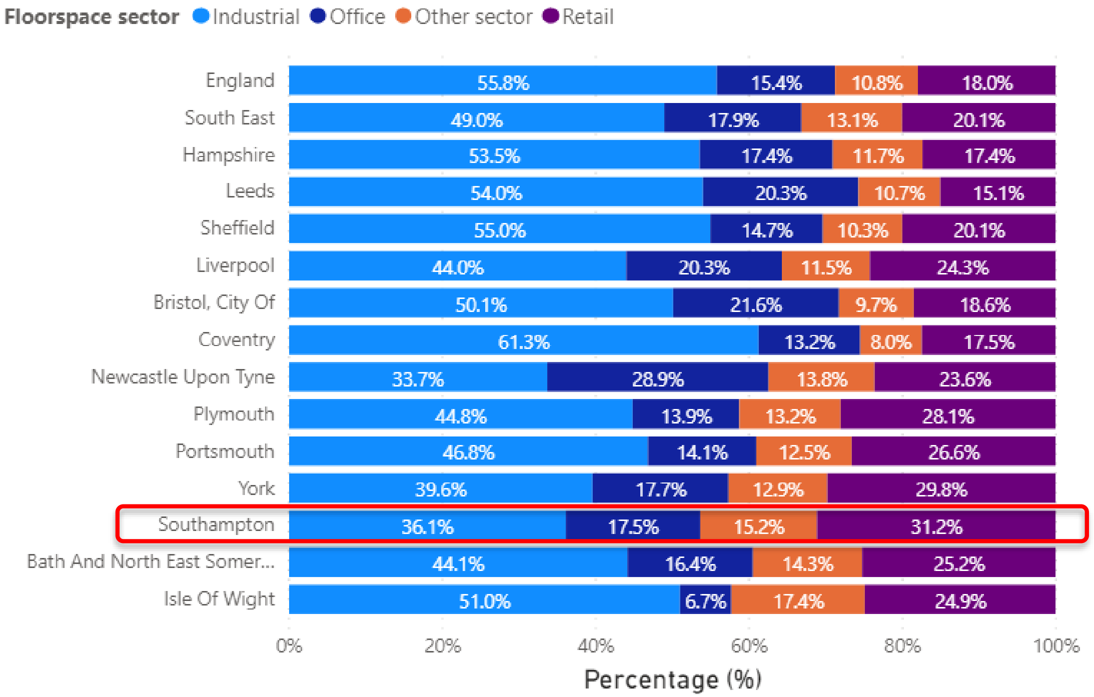


- Business survival over 3 years in Southampton is **53.2%**, higher than the national average;
- However 5 year survival is lower than the national average, with **42%** of businesses in Southampton surviving 5 years
- Brexit and economic impact of COVID could bring additional uncertainty to business survival, particularly businesses operating in sectors hardest hit by the pandemic

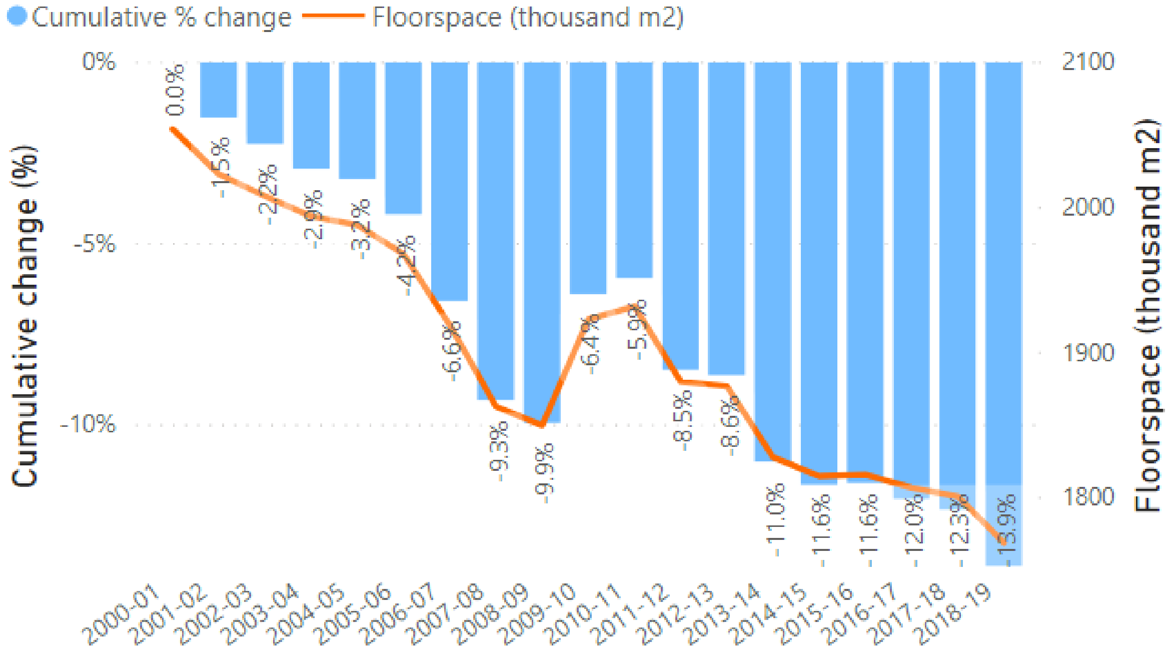
Source: Office for National Statistics – Business Demography

Business Floorspace

Percentage of business floorspace by sector - Southampton and ONS comparators: 2018-19



Change in Total floorspace - Southampton trend: 2000-01 to 2018-19



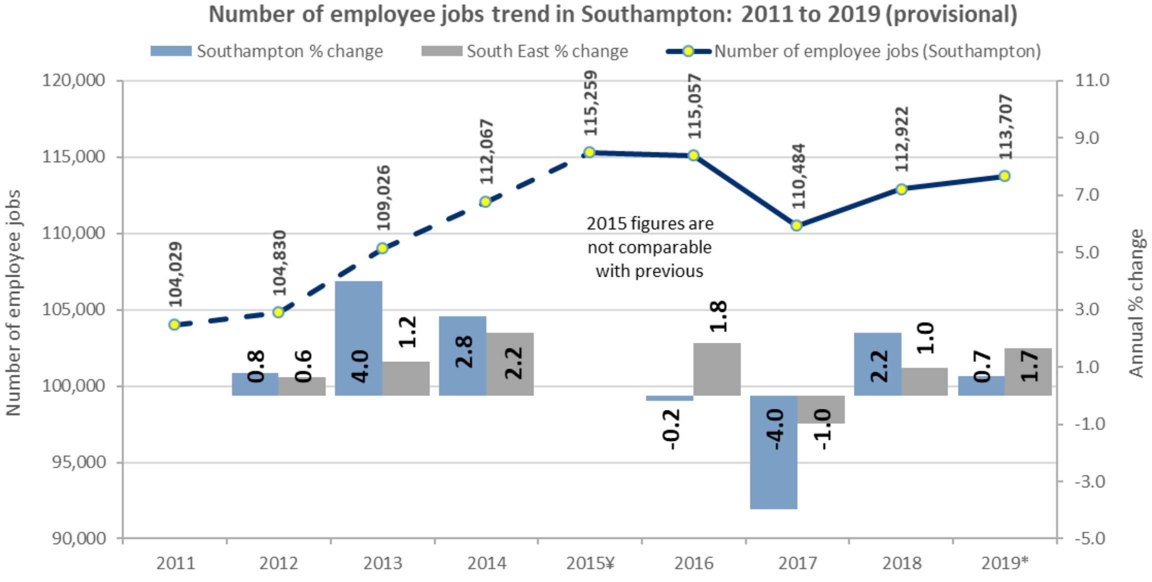
- 1,769 m2 of available business floorspace in Southampton (2018-19)
- Since 2000-01, **Southampton** has seen a **reduction** in total floorspace by **-13.9%,** compared to **increases** of **2.7%** across **England** and **6.4%** in the **South East**
- **Office (-26.9%)** and **industrial (-25.1%)** floorspace reduced the most in Southampton since 2000-01
- The **majority** of **floorspace** is still classed as **industrial (36.1%),** although this is much **lower** than the **England** average **(55.8%)** and the second lowest amongst comparator cities
- **31.2%** of floorspace in Southampton is classified as **retail**, the **largest amongst comparator cities**

Source: Valuation Office Agency – Business Floorspace

Employee Jobs

Employee Jobs

- There were **113,707** employee jobs in Southampton in 2019, which is an increase of **0.7% (785)** compared to the previous year
- Despite the increase over the last year – the number of employee jobs in Southampton **remains lower than in 2015**, with a net loss of **-1,552 (-1.3%)** jobs; with England and the South East experiencing an increase in jobs during the same period
- Employee jobs can be broken down into more detail; by sector of employment (public and private) and employment status (all employees, full-time and part-time)
- Whilst Southampton experienced an overall increase of **0.7%** in the number of employee jobs in the last year, **changes vary** depending on **employment status** and **sector**;
  - The number of **full time** employees increased by **3,065 (4.3%)**, the third highest increase among ONS comparators, with the greatest percentage increase in the **public sector (1,189, 7.4%)**
  - The number of part-time employees declined by **-2,280 (-5.6%)** over the last year, with the greatest declines seen in the public sector **(-1,820, -20%)**
- Could suggest a shift to more stable employment, particularly over the latest year and more so for the public sector. However, this only reflects the situation pre-covid



Source: ONS Business Register & Employment Survey (BRES)
* Most recent data is provisional ¥ figures from 2015 include PAYE only and VAT registered and are not directly comparable with previous years

Data prior to 2015 is not comparable with recent years. Between 2011 and 2014 there was a net increase of 8,038 jobs (+7.7%)

Change since 2015:

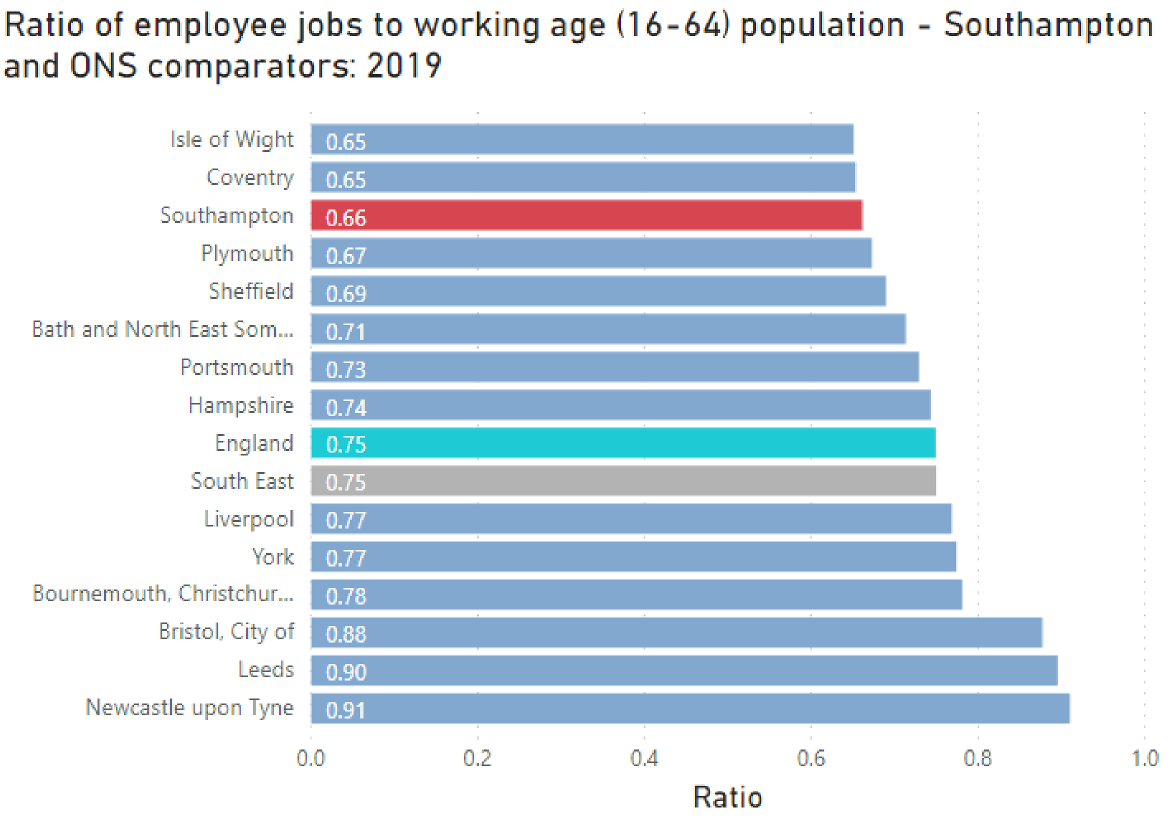
-1.3% Southampton

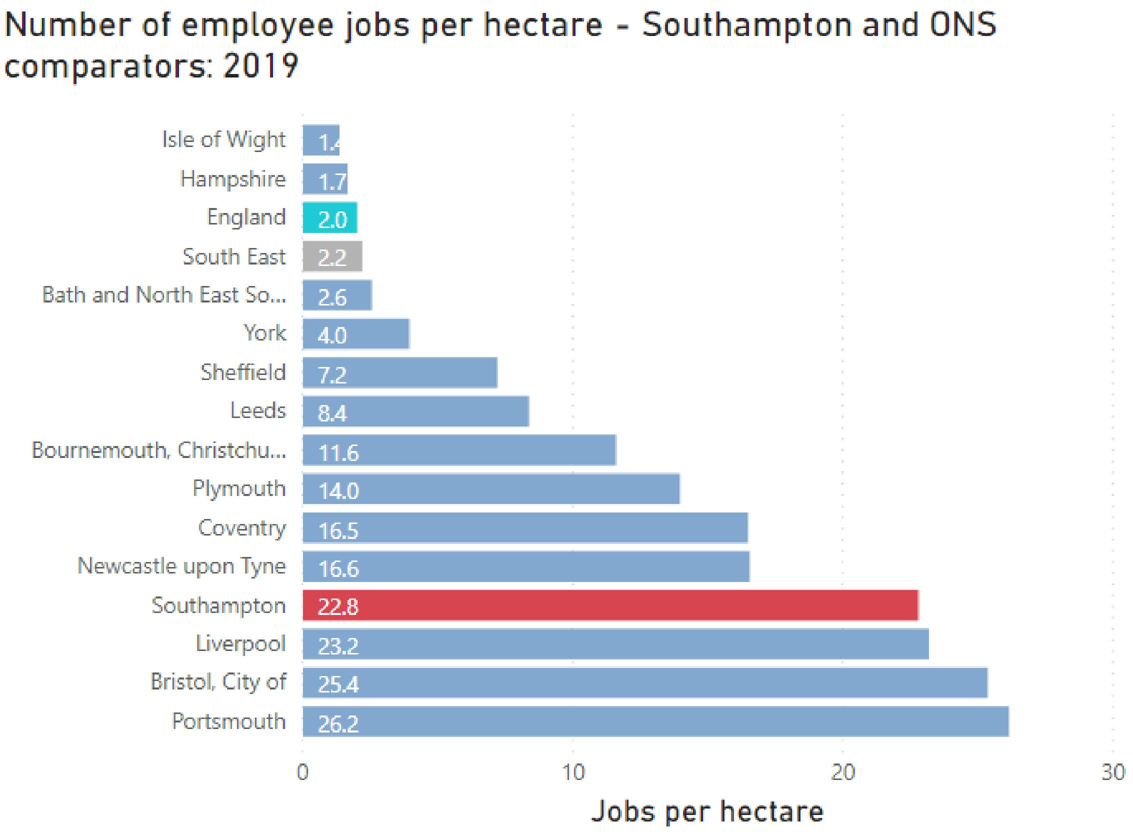
3.5% South East

5.0% England

Source: Office for National Statistics – Business Register and Employment Survey – data for most recent year is provisional

Employee Job Density





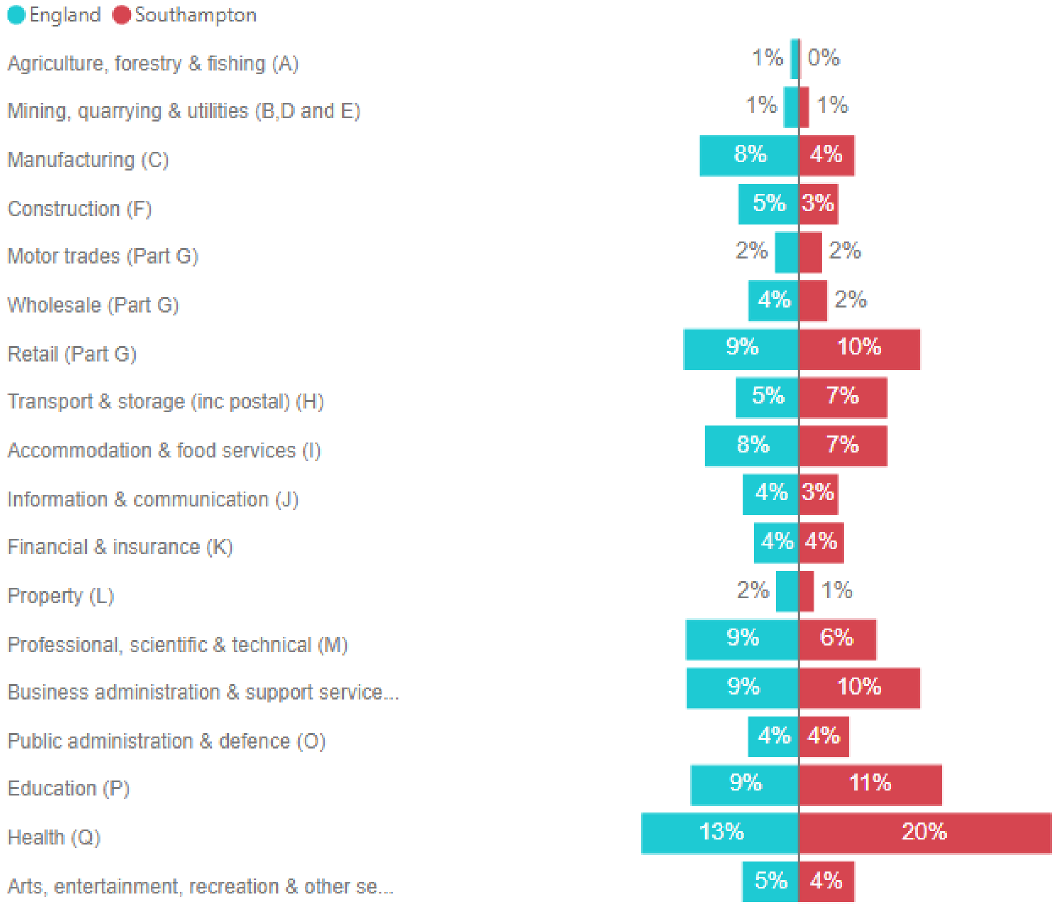
- The ratio of jobs to working age population in Southampton is 0.66; third lowest among comparator areas
- However, Southampton has a job density of 22.8 jobs per hectare, the fourth highest among comparators

Source: Office for National Statistics – Business Register and Employment Survey – data for most recent year is provisional

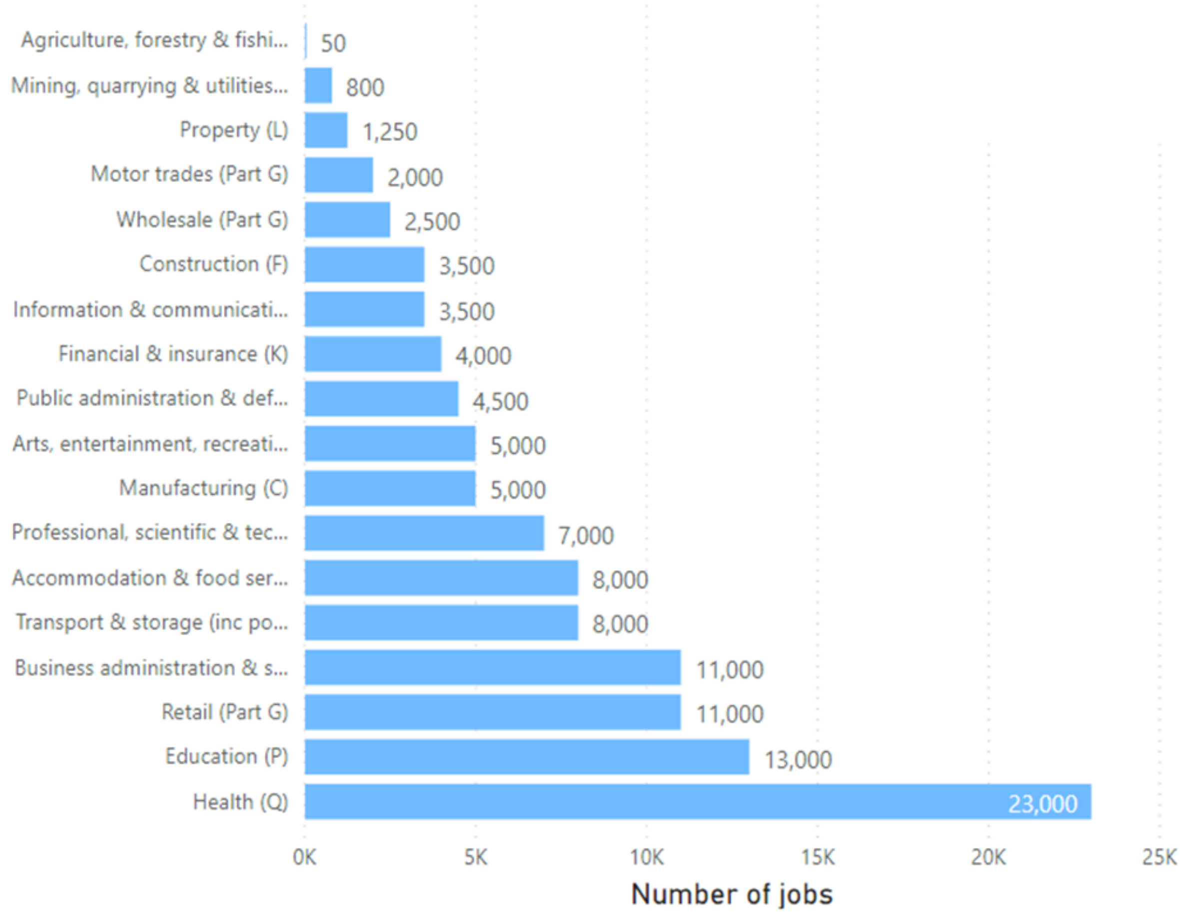
Employee Jobs by Industry

southampton dataobservatory

Percentage share of jobs by industrial group (SIC07) - (Employees) Southampton and England: 2019



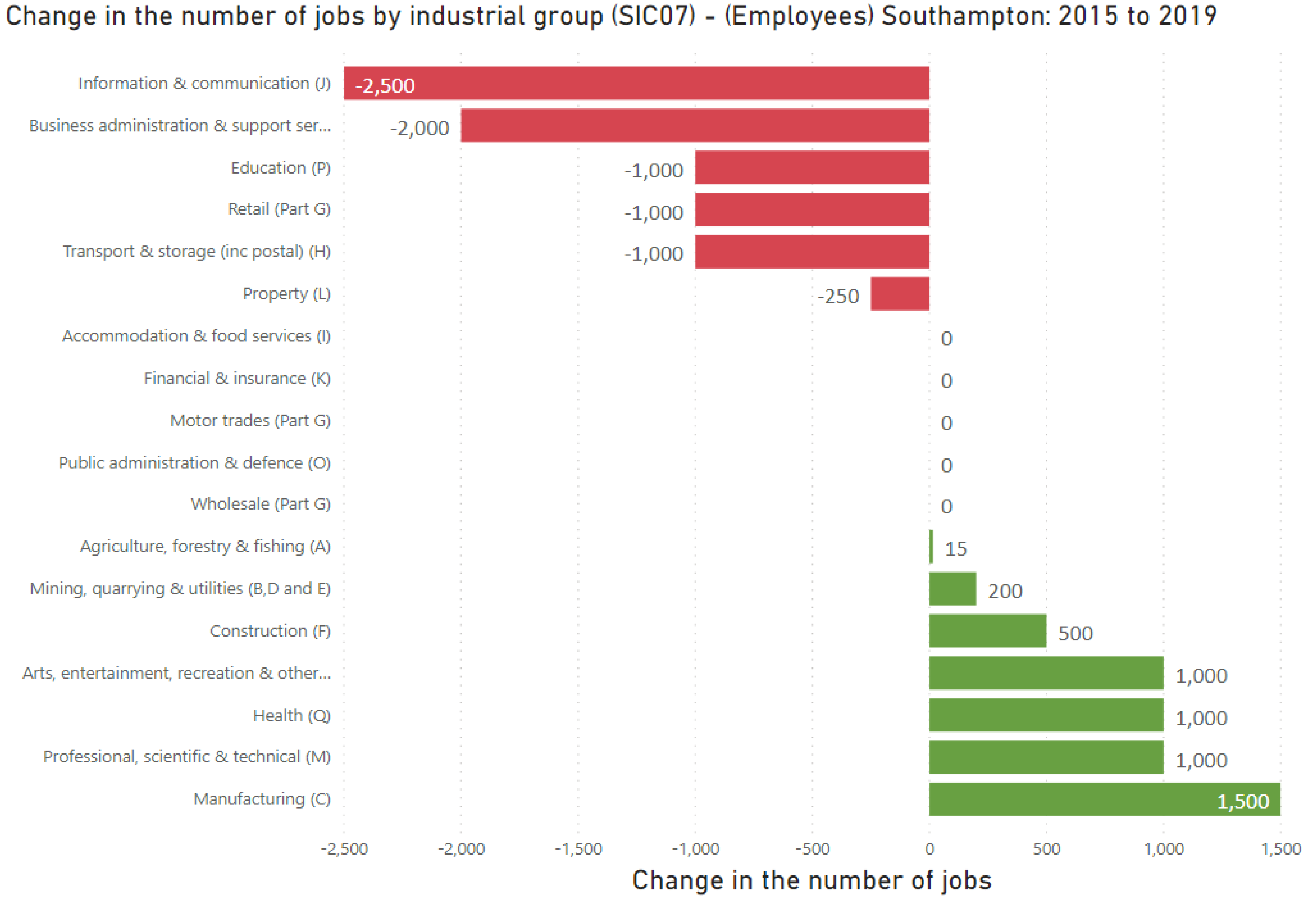
Number of jobs by industrial group (SIC07) - (Employees) Southampton: 2019



- **Health, retail, education** and **business administration** & **support services** are the industries that are the **largest employers** in Southampton – combined these industries account for **over half** of the jobs in Southampton
- **1** in **5** (20% - 23,000) jobs in Southampton are within the **health sector**, a significantly higher proportion compared to England (13%)

Source: Office for National Statistics – Business Register and Employment Survey – data for most recent year is provisional

Change in Employee Jobs by Industry



Job losses:

- *Information and communication* – related to *publication of newspapers* industry in Redbridge. Maybe linked to job losses at NewsQuest, but likely these are regional job losses, rather than all in Southampton
- *Business Admin and support* – losses primarily in Bargate (city centre), related to temp agency activities and cleaning of buildings
- *Education* – losses experienced across numerous parts of the city, with greatest losses experienced in Bargate and Bevois wards
- *Retail* – losses in city centre
- *Transportation and Storage* – losses in city centre

Job creation:

- *Manufacturing* – driven by increases in Bargate, Bevois and Swaythling wards
- *Professional, scientific and technical* – Driven by increases in Millbrook and Bargate wards
- *Health* – Driven by increases in Shirley
- *Arts, entertainment, recreation and other services* – All in Bevois, could be linked to Southampton football club

Source: Office for National Statistics – Business Register and Employment Survey – data for most recent year is provisional

Employee Jobs by Industry 2019

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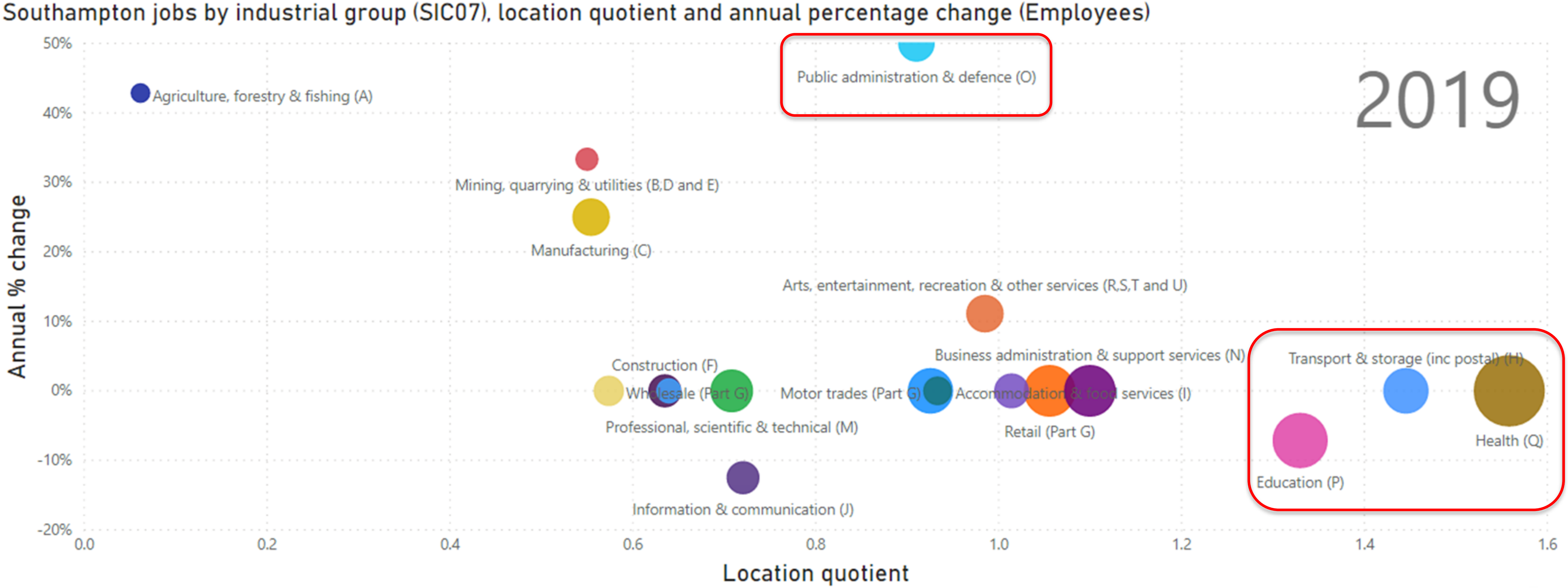


- The chart above shows the number of jobs by industry (bubble size), location quotient (bottom axis) and annual percentage change (left axis). Location quotient is a local measure of the concentration of industries, a value greater than 1 indicates that the local area has a higher share of employee jobs in a particular industry than its share of national employee jobs
- Health continues to be the largest employer in Southampton (23,000 jobs), with a location quotient above 1; indicating a higher share of jobs in the city when compared nationally
- Transportation and storage (8,000 jobs) and education (13,000 jobs) also have a higher share of jobs in Southampton

Source: Office for National Statistics – Business Register and Employment Survey – data for most recent year is provisional

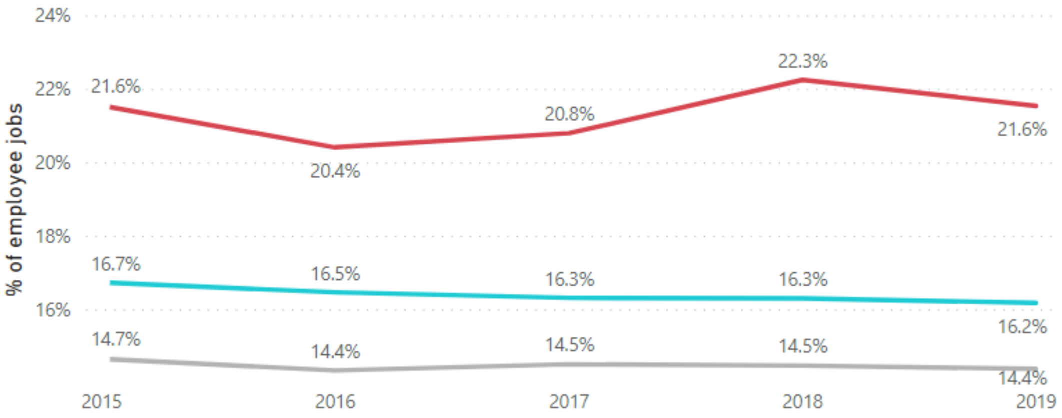
Public vs Private sector

Annual percentage change in the number of public and private sector employees

Region name	2012	2013	2014	2015¥	2016	2017	2018	2019	2011 to 2014 change	2015 to 2019 change
Public sector employees										
England	-5.8	-1.5	-4.6	N/A	0.1	0.5	0.4	0.6	-11.5	1.5
South East	-8.3	1.3	-5.3	N/A	-0.4	0.2	0.7	1.0	-12.0	1.6
Hampshire	-13.4	1.7	-6.1	N/A	-0.1	1.9	-2.4	-0.3	-17.3	-0.9
Isle of Wight	-16.9	7.3	-6.1	N/A	-2.7	-3.1	1.7	-5.8	-16.3	-9.7
Portsmouth	-7.1	-3.8	6.3	N/A	6.0	0.1	3.1	0.0	-5.0	9.5
Southampton	-2.4	8.4	-7.5	N/A	-5.4	-2.2	9.4	-2.5	-2.2	-1.4

Region name	2012	2013	2014	2015¥	2016	2017	2018	2019	2011 to 2014 change	2015 to 2019 change
Private sector employees										
England	2.5	2.0	4.9	N/A	2.1	1.6	0.5	1.5	9.6	5.7
South East	2.6	1.2	3.6	N/A	2.2	-1.2	1.0	1.8	7.5	3.8
Hampshire	2.7	1.8	2.5	N/A	0.4	-0.4	1.7	1.6	7.1	3.2
Isle of Wight	1.9	-0.1	0.8	N/A	-2.4	1.7	1.4	3.6	2.6	4.2
Portsmouth	8.1	-3.0	-2.7	N/A	3.2	-0.3	0.5	-0.6	2.0	2.8
Southampton	1.8	2.7	6.1	N/A	1.3	-4.4	0.3	1.6	10.8	-1.3

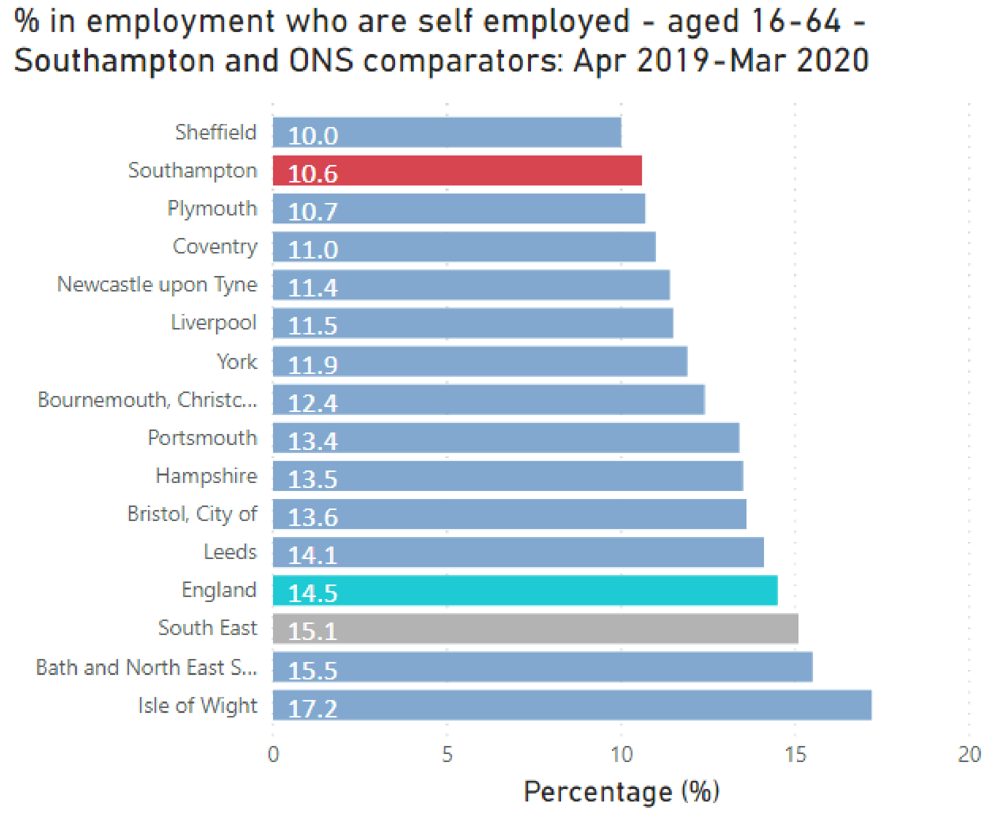
Proportion of employee jobs in the Public sector (Employees) - Southampton, England, South East: 2015 to 2019

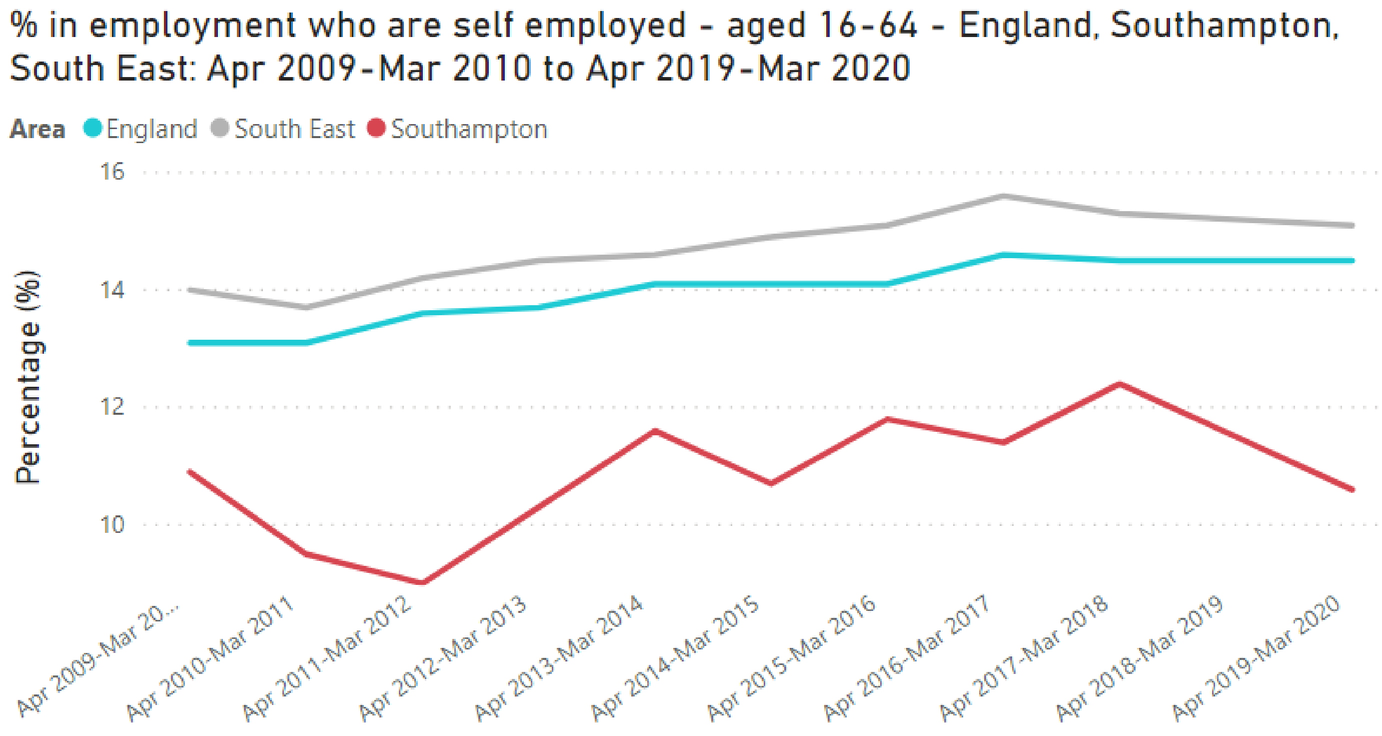


- In the post recession period (2011-2014), private sector jobs increased by 10.8% driving the recovery, whilst public sector jobs reduced by -2.2% with austerity cuts (although not as severe as elsewhere)
- Between 2015 and 2019 **public sector** jobs reduced by **-1.4%**; however, this **change** is **driven** by a **reduction** in **part time** jobs in the public sector **(-18.9%)**, with a **8.5%** increase in full-time jobs during the same period
- Private sector jobs reduced by **-1.3%** between 2015 and 2019, with the number of both full-time **(-0.8%)** and part-time **(-2.2%)** jobs declining in the private sector
- Southampton (**21.6%** in 2019) has higher proportion of jobs in the public sector compared to England **(16.2%)** and the South East **(14.4%)**
- Dominance of public sector jobs in the city impacts on risk profile; previously dominance of the public sector may have been a higher risk in terms of job losses because of austerity. However, over the last year this has likely changed; dominance of the public sector in the city may have protected Southampton jobs from some of the impacts of COVID as the public sector is currently one of the least affected sectors

Source: Office for National Statistics – Business Register and Employment Survey – data for most recent year is provisional

Self-employed

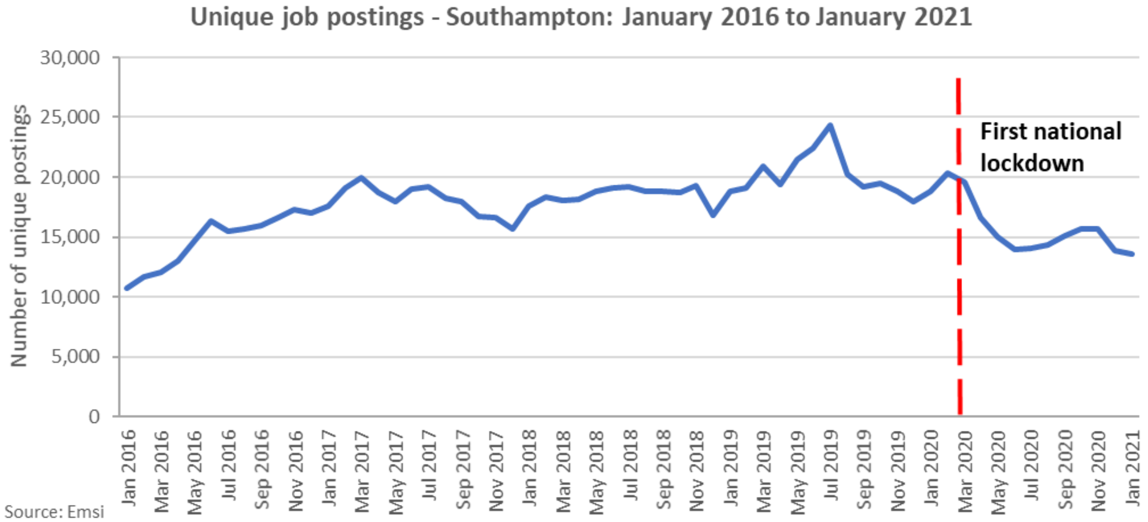




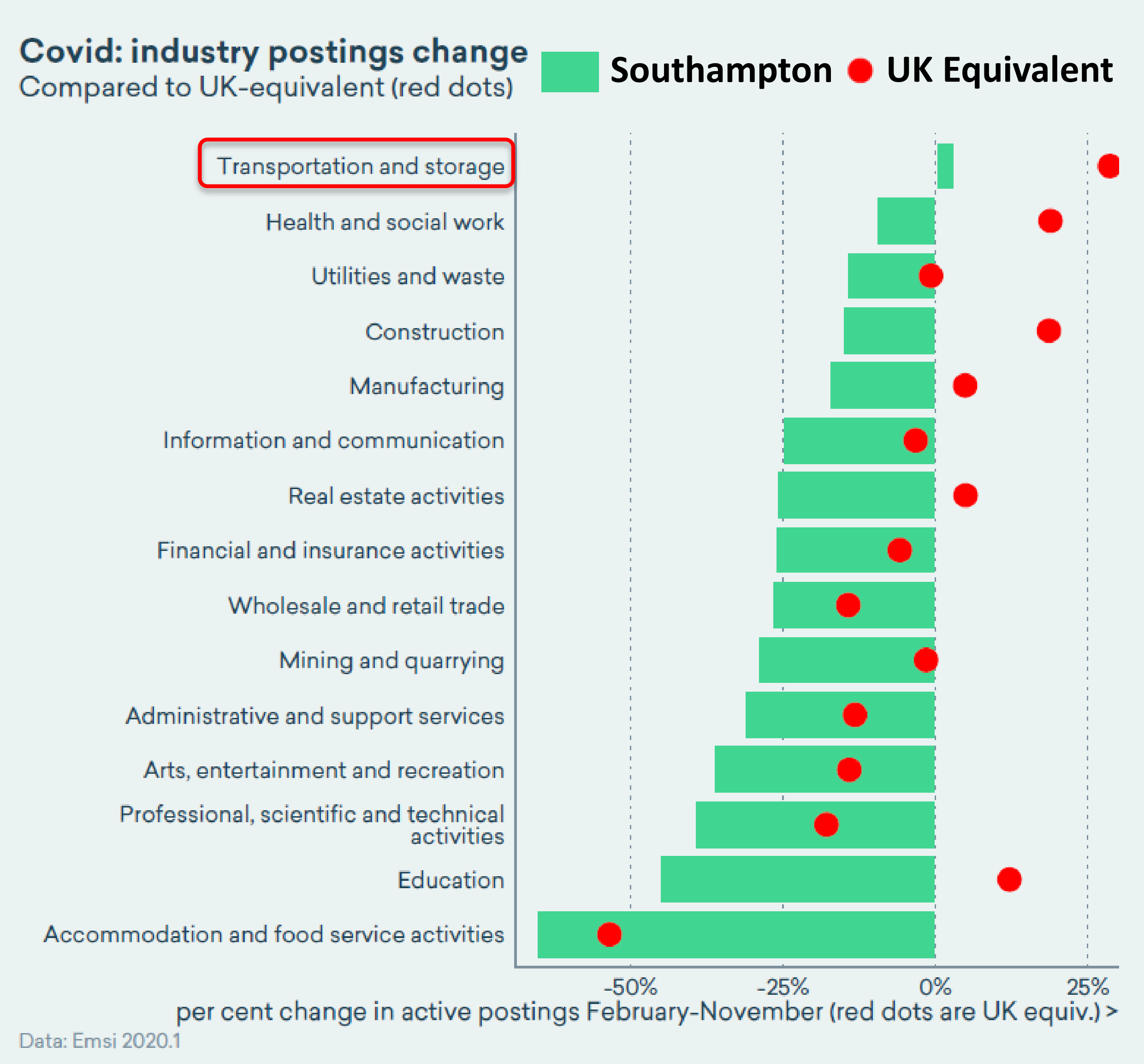
- **10.6%** of those who are in **employment** in Southampton are **self-employed**; lower than the England and South East averages of **14.5%** and **15.1%** respectively
- Southampton has experienced a decline in the proportion of those who are self-employed over the last 2 years

Source: Office for National Statistics – Annual Population Survey

Impact of COVID – Job Postings



- The **number of unique job postings** in **Southampton** reduced from **18,812** in **January 2020** to **13,605** in **January 2021**; a reduction of **-5,207 (-27.7%)**
- Suggests **number of job opportunities** in Southampton has **declined**, likely as a result of the pandemic
- Chart to the right shows **changes** in **postings** by **industry** between February and November 2020;
- **Transportation and storage** is the **only industry** in Southampton to experience an **increase in hiring activity**, albeit, below UK levels
- All **other industries** experienced a **decline** in **hiring activity**
- **All industries under-performing** in **Southampton** compared to **national trends**



Source: Emsi

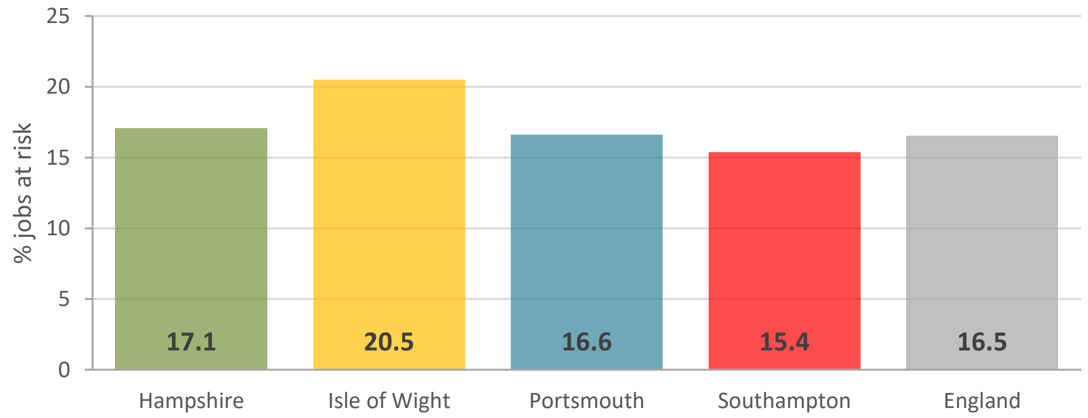
Impact of COVID – Employee Jobs

We can apply national furlough data by industry to Southampton's job profile to better understand the number of employee jobs potentially at risk. Based on national furlough data from January 2021:

- **17,544** jobs **potentially at risk** in **Southampton**, with the greatest number in **accommodation and food services**
- **15.4%** of jobs at risk in the city, which is **slightly lower** than **comparator** local authorities and the **national average (16.5%)**

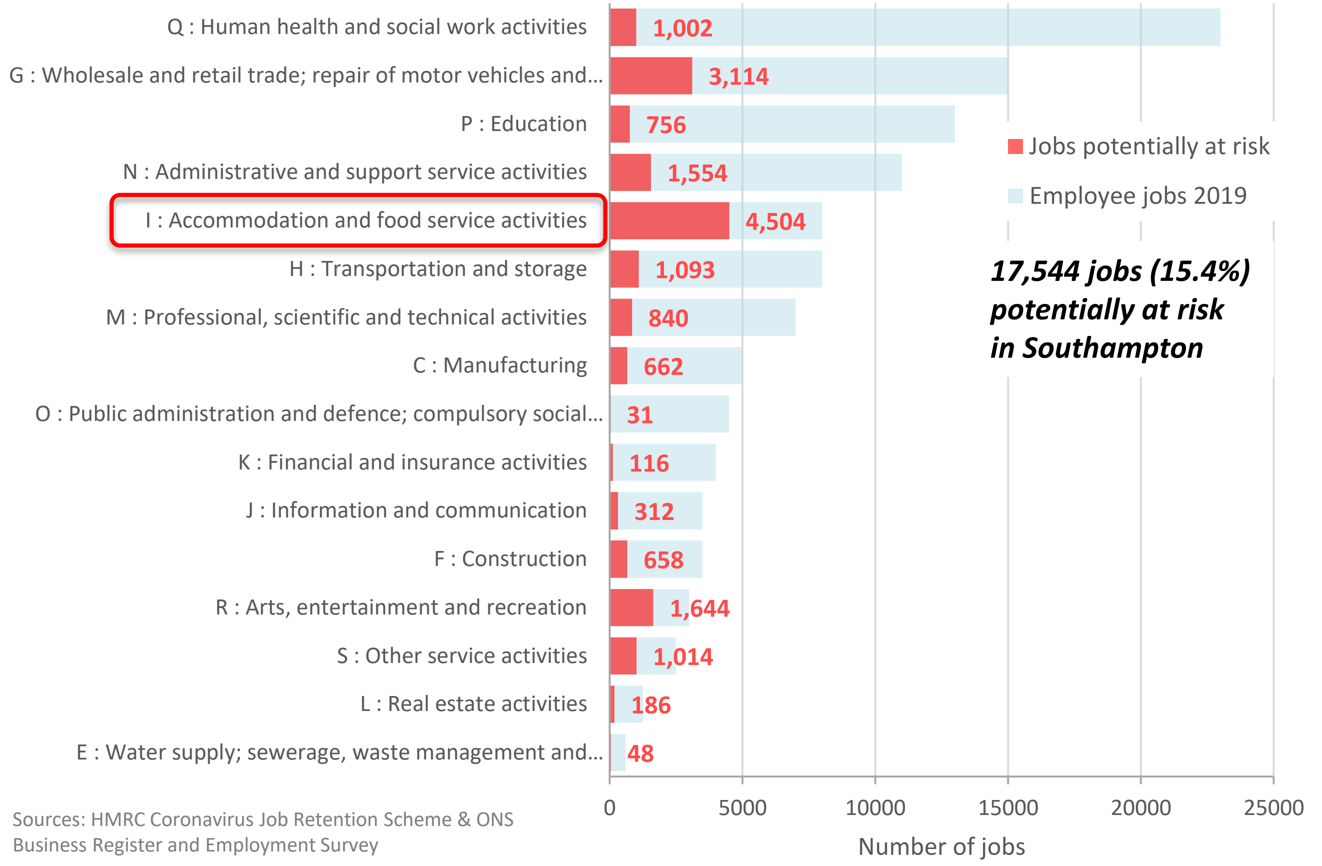
**Please note this is an estimate based on sectoral mix in each area and the chart below should be used for comparative purposes only*

Proportion of employee jobs potentially at risk (based on industry estimates) due to COVID-19 by Local Authority



Sources: HMRC Coronavirus Job Retention Scheme & ONS Business Register and Employment Survey

Estimated number of employee jobs at risk in Southampton due to COVID-19 by industry



Sources: HMRC Coronavirus Job Retention Scheme & ONS Business Register and Employment Survey

These figures have been estimated based on national estimates of the proportion of employments furloughed by industry up to 31st January 2021 (provisional) – the data used includes claims submitted to HMRC by 15 February 2021. These figures have been applied to the local industrial profile to estimate the number and proportion of jobs at risk due to COVID-19.

Chart data has not been included where the number of employee jobs in Southampton is less than 100 due to confidence in estimates. Industries where number of jobs are less than 100: A - Agriculture, forestry and fishing, B - Mining and quarrying, D - Electricity, gas, steam and air conditioning supply – however, these industries are included in the overall total.

Sources: HMRC – Coronavirus Job Retention Scheme & Office for National Statistics – Business Register and Employment Survey. (data for most recent period is provisional)

Labour Market

Economic Activity

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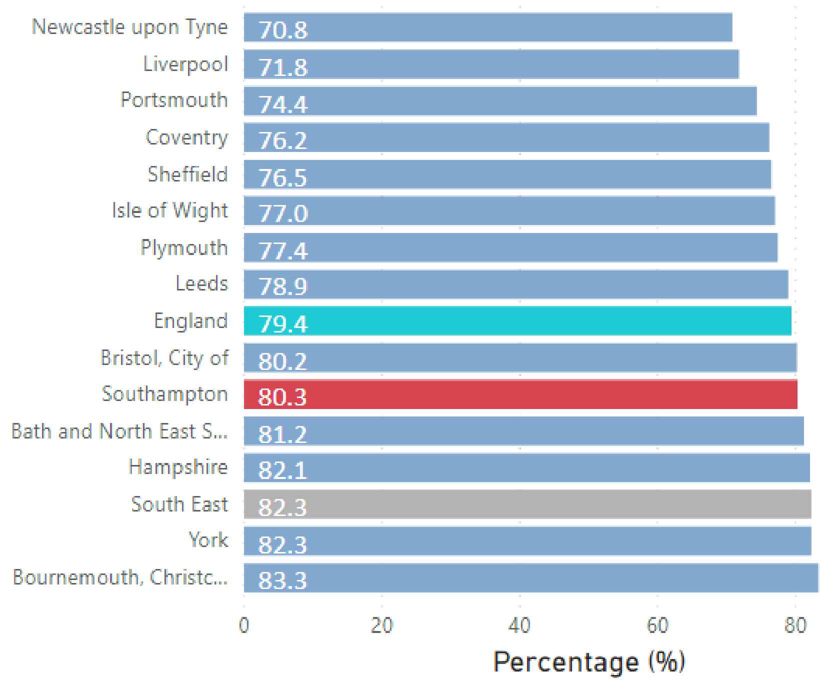
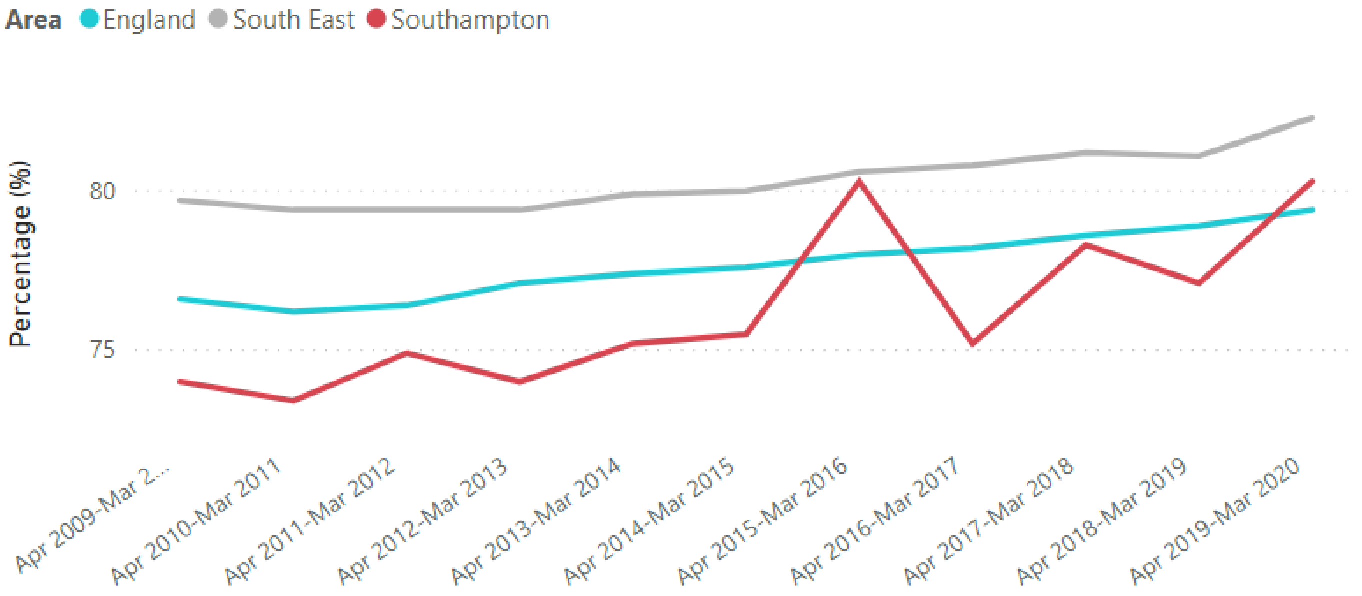
Economic activity rate - aged 16-64 - Southampton and ONS comparators: Apr 2019-Mar 2020



Economic activity rate - aged 16-64 - Southampton, South East, England: Apr 2009-Mar 2010 to Apr 2019-Mar 2020

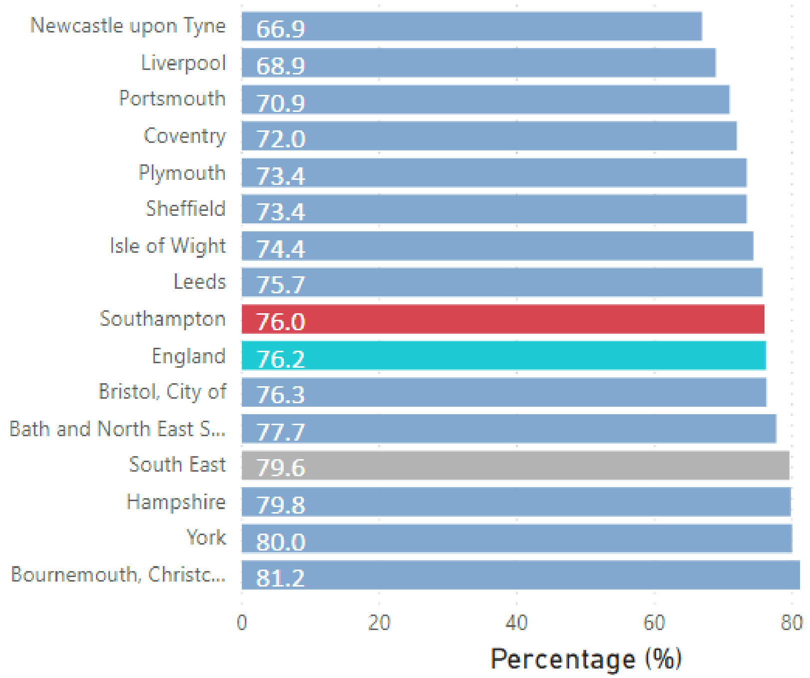


- During the most recent period, **80.3%** of the working age population in **Southampton** were **economically active**; higher than the England average (**79.4%**), but lower than the South East (**82.3%**)
- The number of people **economically active** in **Southampton** increased **by 4%** (+5,400) in the last year, compared to a **1.7%** increase across England and the South East
- The large student population impacts economic activity/inactivity rates; **45.9%** in **Southampton** reported the **main reason** for **inactivity** as being a **student** in 2019/20; **significantly higher** than the **England** average of **26.9%**

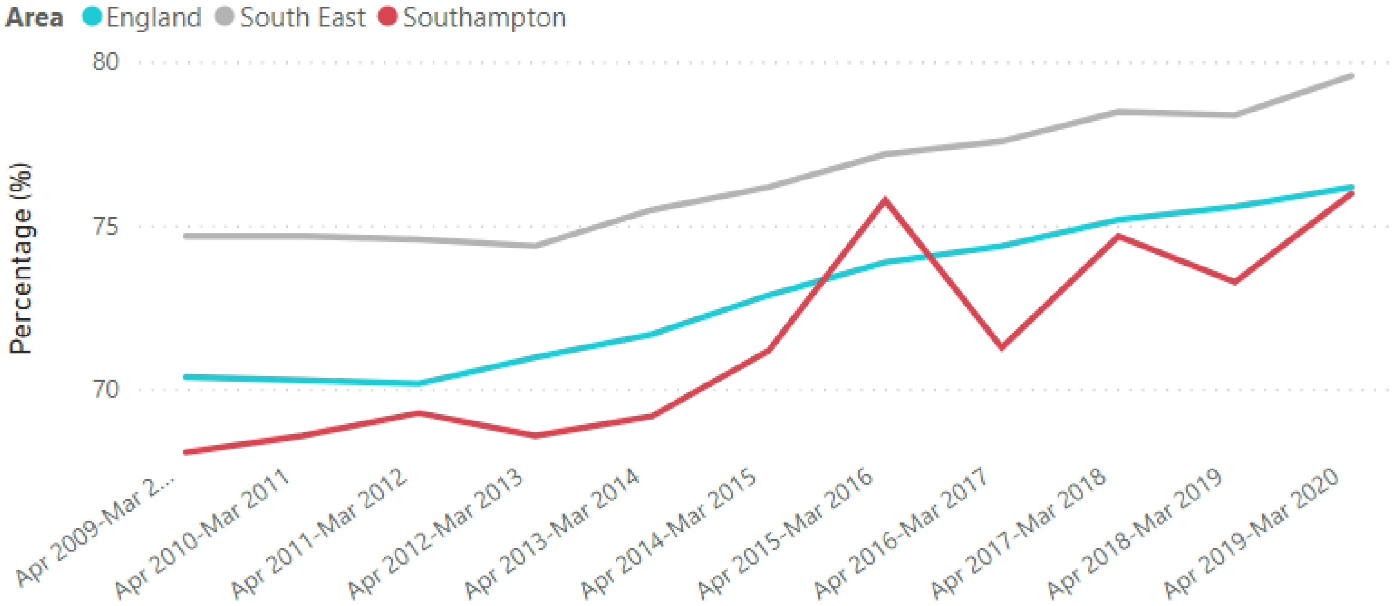
Source: Office for National Statistics – Annual Population Survey

Employment

Employment rate - aged 16-64 - Southampton and ONS comparators: Apr 2019-Mar 2020



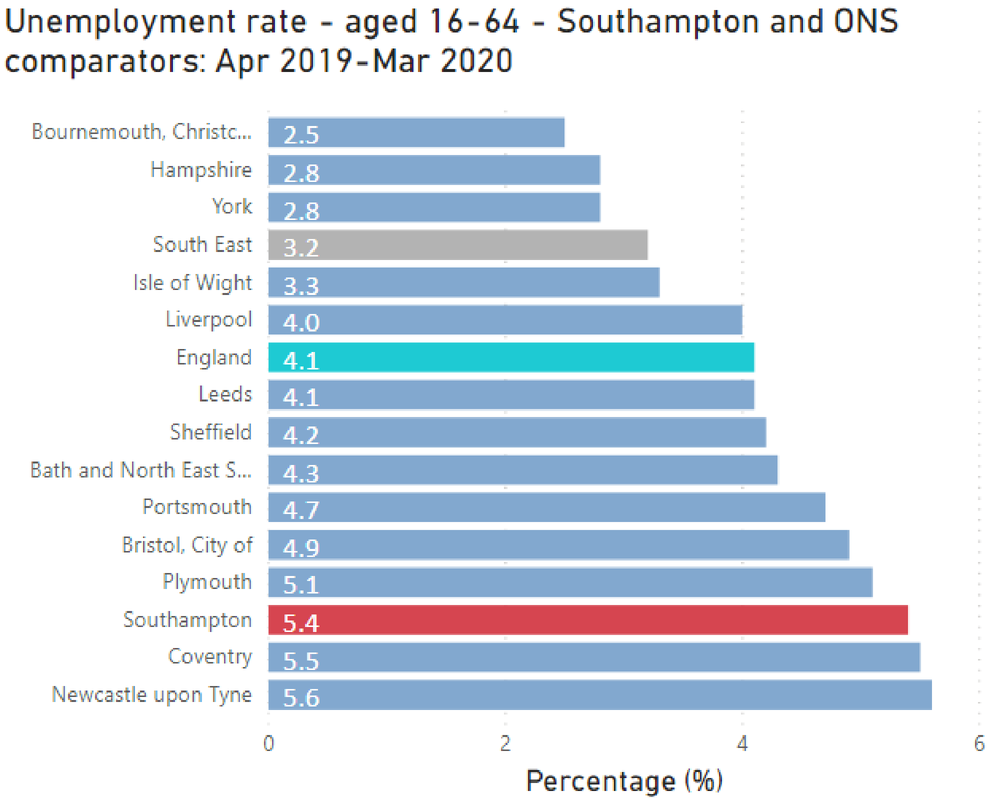
Employment rate - aged 16-64 - Southampton, South East, England: Apr 2009-Mar 2010 to Apr 2019-Mar 2020

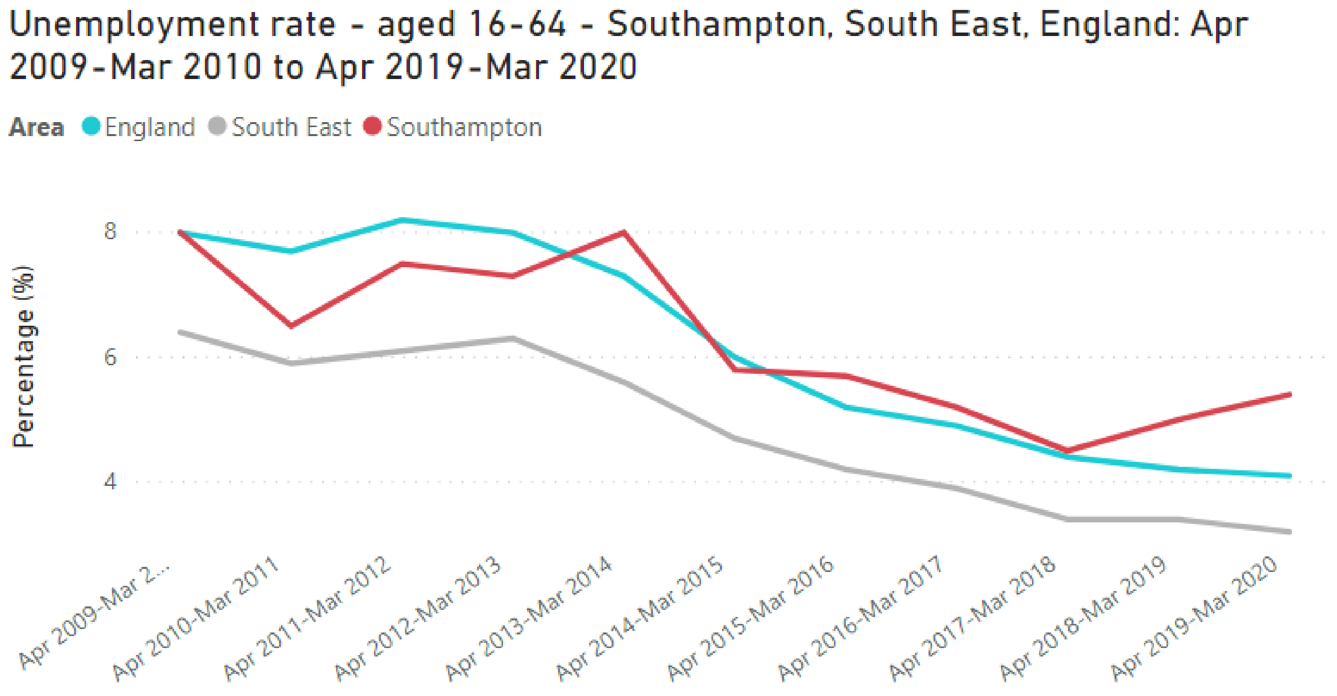


- The **recession impacted employment rates** in the city, falling to a low of **68.1%** in 2009/10
- **Post recession** saw **a recovery in employment**, both locally and nationally
- The employment rate in Southampton in 2019/20 was **76%**; slightly below the South East (**79.6%**) and England average (**76.2%**), although this is the highest it has been post recession
- Important to note that this data will likely be unaffected by the COVID pandemic, as the data runs to March 2020, with the first lockdown implemented late March

Source: Office for National Statistics – Annual Population Survey

Unemployment



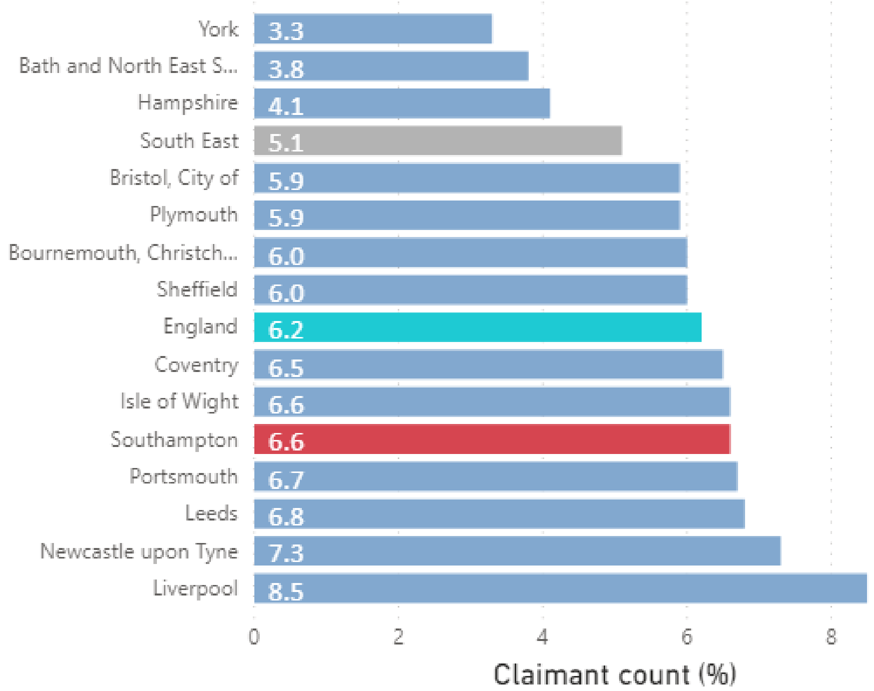


- **7,500** people **unemployed** in Southampton; **5.4%** of the working aged population (2019/20)
- Southampton has the **3rd highest** rate of unemployment among comparators
- Unemployment **increased** slightly in Southampton over the last year from **5%** in 2018/19 to **5.4%** in 2019/20
- However, these figures **do not reflect impact** of **COVID** on employment in the city;
- Likely in 2020/21 that we will see unemployment rise and employment fall, as we are already seeing an increase in adults claiming out of work benefits in the city…

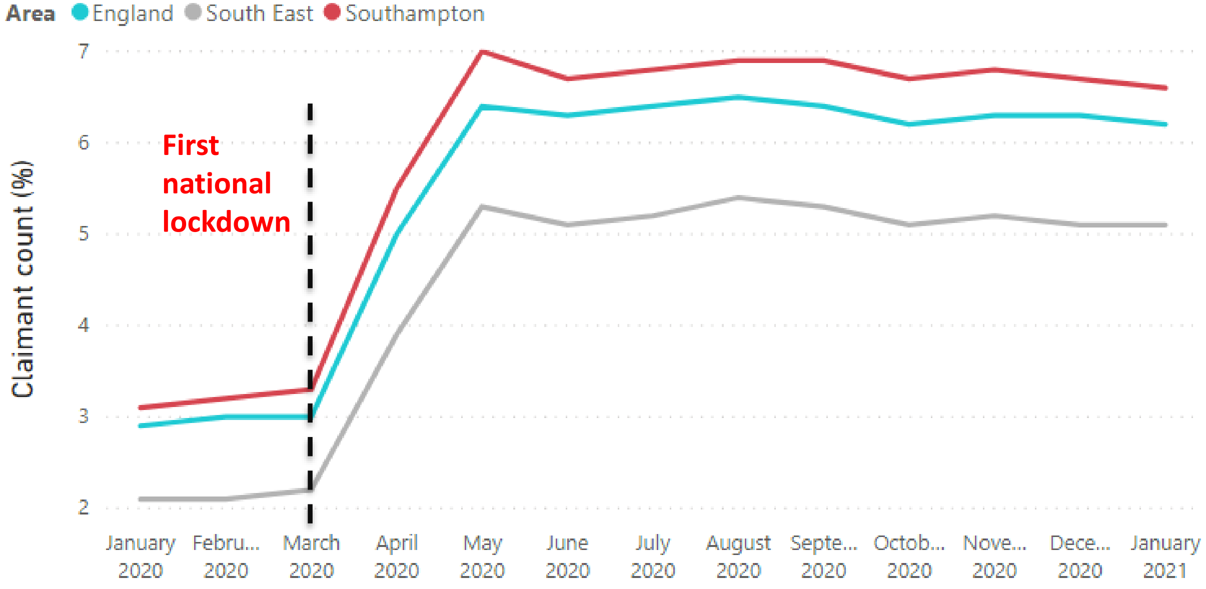
Source: Office for National Statistics – Annual Population Survey

Impact of COVID on Unemployment – Claimant Count

Claimants as a proportion of residents aged 16-64 (Total) - Southampton and ONS comparators: January-2021

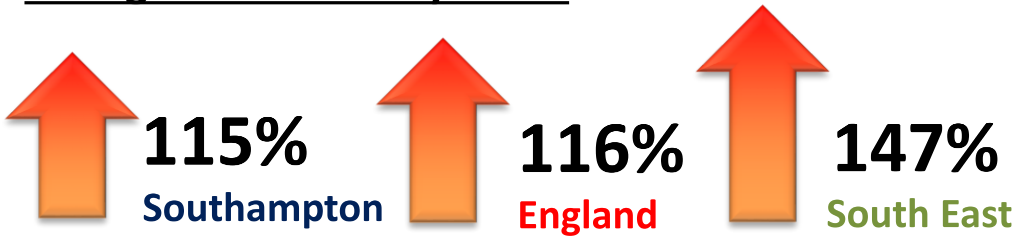


Claimants as a proportion of residents aged 16-64 (Total) - England, South East, Southampton: January-2020 to January-2021



- Locally and nationally the number of adults claiming out of work benefits has more than doubled since January 2020 as a result of the COVID-19 pandemic
- 6.6% (11,410) of the working aged population in Southampton was claiming out of work benefits in January 2021; an increase of 6,115 (115%) since January 2020

Change since January 2020:

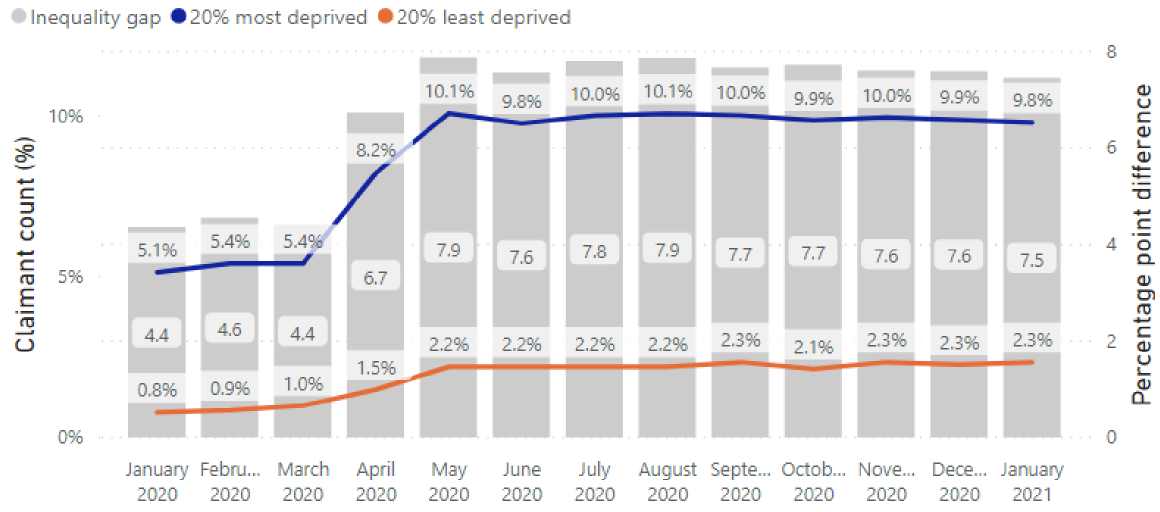


Source: Department for Work and Pensions

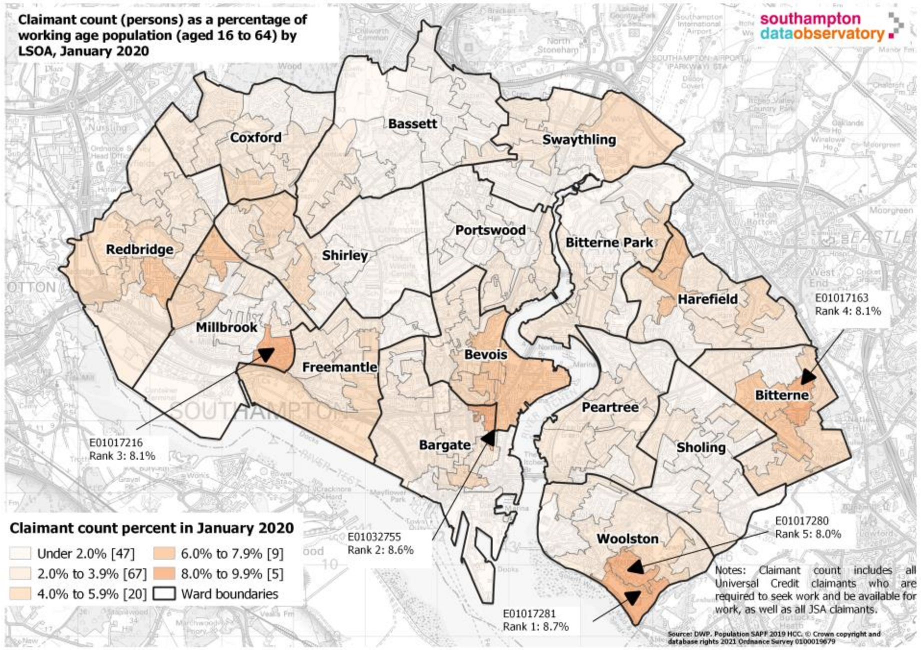
Impact of COVID on Unemployment – Claimant Count

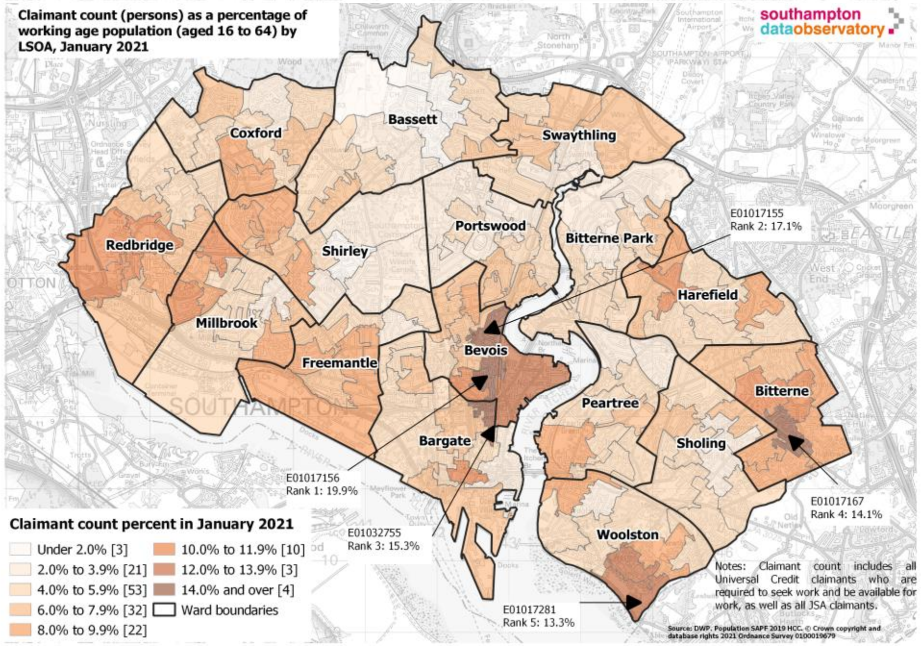
- **Maps** to the **right** show the **claimant count (%)** by Southampton neighbourhood for **January 2020** (top) and **January 2021** (bottom)
- There have been increases across Southampton; particularly neighbourhoods in **Bitterne**, **Woolston**, **Bevois** and **Redbridge** wards, which is where some of the **most deprived neighbourhoods** in the city are located
- The chart below shows the **inequality gap** in the claimant count between the **most** and **least deprived neighbourhoods** over time, which has **increased** from **a percentage point gap** of **4.4** in **March 2020** to a **gap** of **7.5** in **January 2021**
- This not only shows that the **impact of coronavirus** on **unemployment** is **not evenly distributed** across the city, but the **inequality gap** in the proportion of adults claiming out of work benefits between the **most and least deprived neighbourhoods** has **increased**

Change in the claimant count for the most and least deprived national deprivation quintiles in Southampton: January-2020 to January-2021



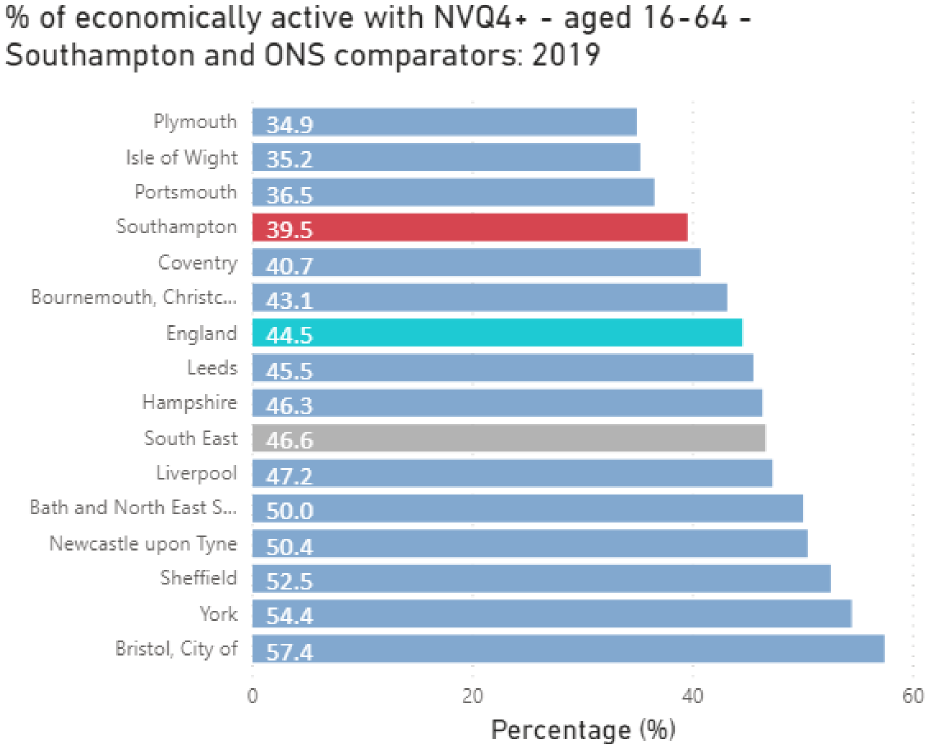
Source: Department for Work and Pensions

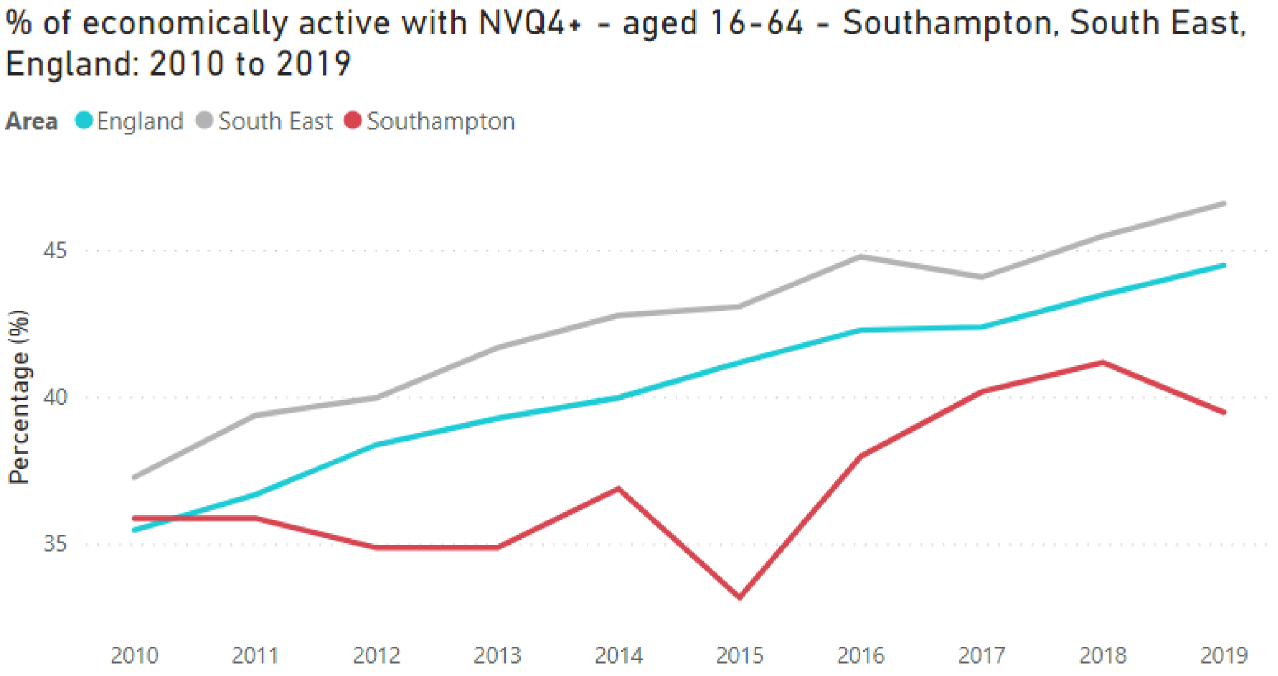




Skills and Qualifications

Skills and Qualifications – High End

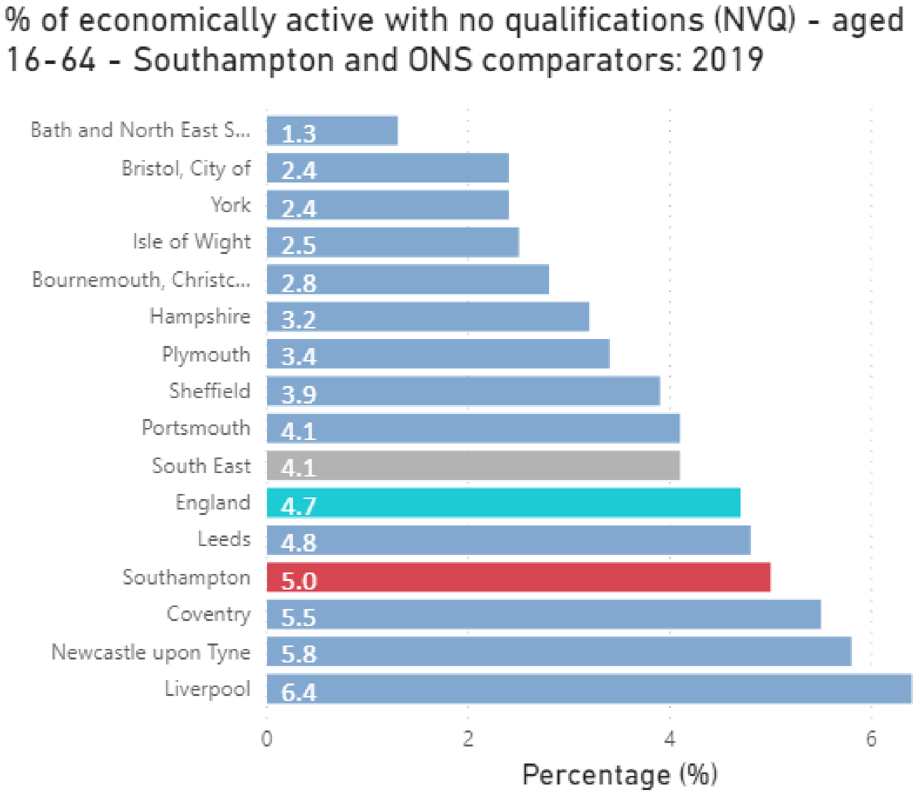


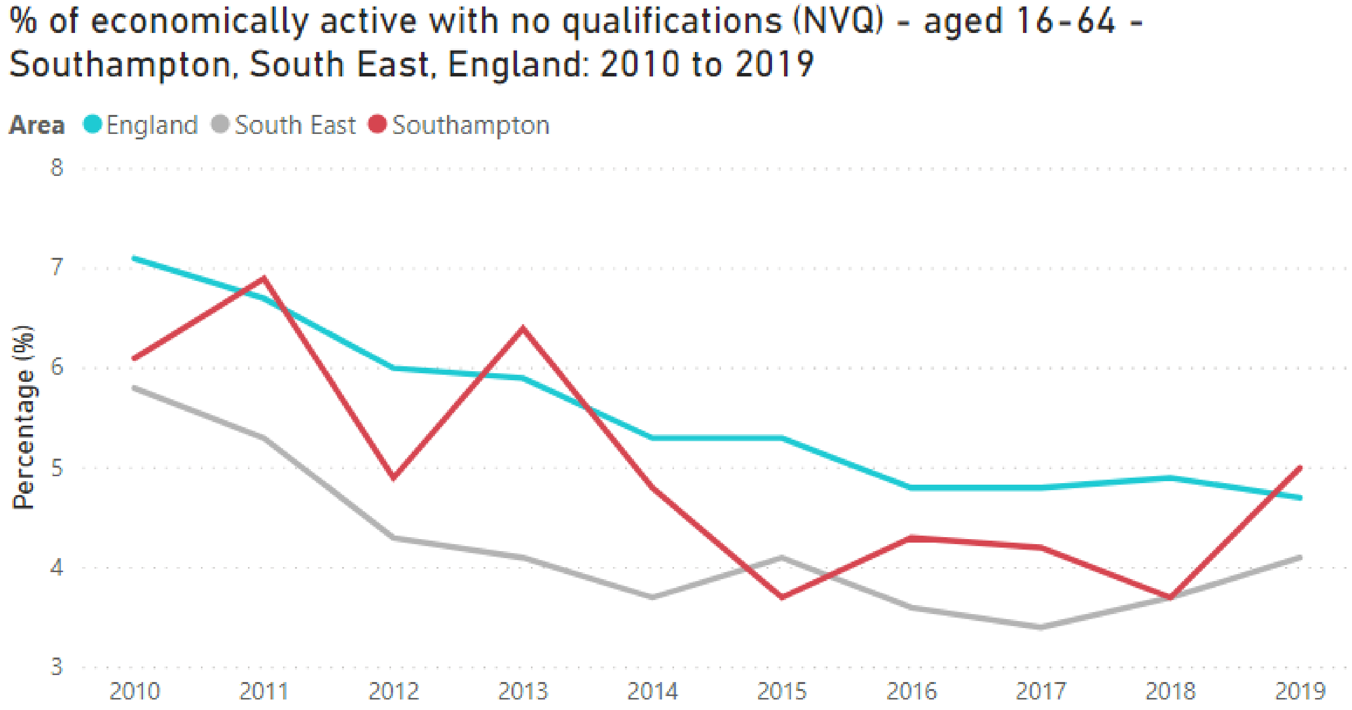


- The Annual Population Survey (APS) records the qualifications of working age residents classified into a number of NVQ and equivalent levels
- NVQ Level 4 + (degree level) qualifications often taken as a prerequisite for participation in the high value-added knowledge economy
- **39.5%** of the economically active resident population in Southampton were qualified to **NVQ4+** (degree level) in 2019; **lower** than the **England** (**44.5%**) and **South East** average (**46.6%**)
- NVQ4+ qualifications in **Southampton** have **declined over the last year** from **41.2%** in 2018 to **39.5%** in 2019; **increasing** the **gap** between **Southampton** and **England** as well as the **South East**. Over the last year both England and the South East experienced an increase in NVQ4+ qualifications
- Still a little surprising that Southampton is below average given that the city has two universities, and a ready supply of graduates which raises questions on graduate retention
- However, above average proportion qualified up to NVQ Level 3 (**23.8%** compared to **16.9%** nationally). Likely to be because of large student population which require these gateway qualifications

Source: Office for National Statistics – Annual Population Survey

Skills and Qualifications – Low End

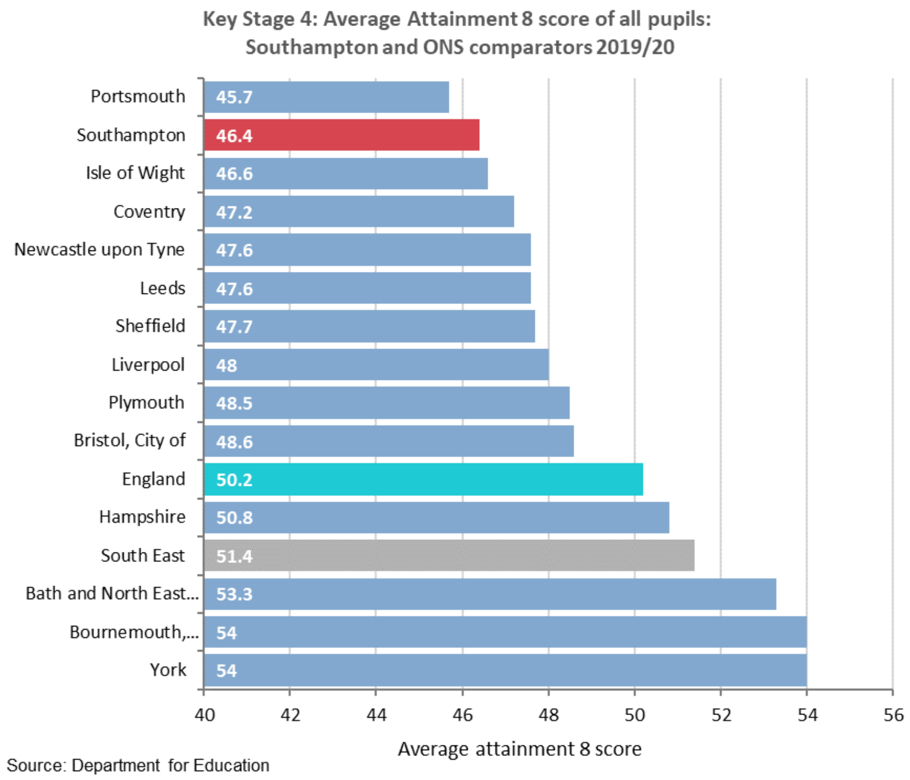


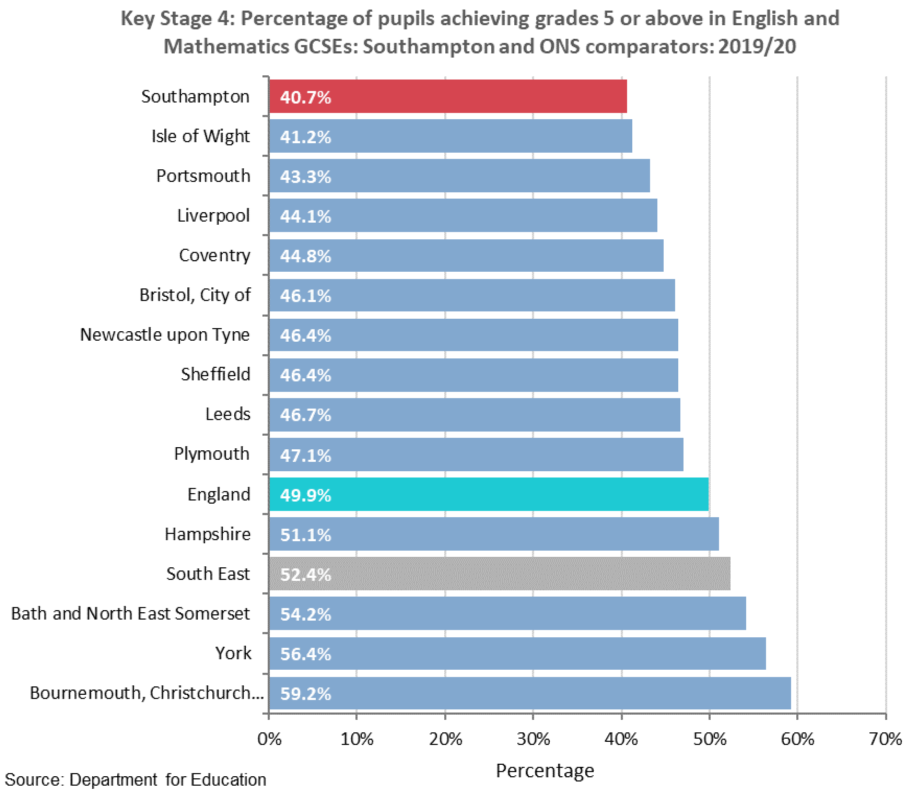


- At the other end of the spectrum **15%** of Southampton's economically active resident population have **no qualifications** or **NVQ1** only (1 GCSE or equivalent)
- The proportion of economically active residents in Southampton that have no qualifications and NVQ1 only have **increased over the last** year from **13.2%** in 2018 to **15%** in 2019;
  - The proportion with no qualifications increased from **3.7%** in 2018 to **5%** in 2019
  - NVQ1 only increased from **9.4%** in 2018 to **10%** in 2019
- At the same time Southampton is experiencing a decline in NVQ4+ qualifications of economically active residents, it is also experiencing an increase in the proportion with low or no qualifications. However, this only one data point and needs to be monitored to see if the pattern experienced over the last year continues

Source: Office for National Statistics – Annual Population Survey

Skills and Qualifications – School Attainment





Due to the COVID-19 pandemic, the summer exam series was cancelled in 2020. Pupils scheduled to sit GCSE and A/AS level exams in 2020 were awarded either a centre assessment grade or their calculated grade using a model developed by Ofqual - whichever was the higher of the two

- Southampton had the **second lowest** pupil attainment 8 score among comparators in 2019/20, with an average score of **46.4**
- Only **40.7%** of pupils in Southampton achieved a **grade 5 or above** in **English** and **Maths**; this is the **lowest** among comparators and below the national average of **49.9%**
- Raising school attainment is important to improve life chances of young people in the city, particularly with regards to finding skilled employment on leaving school
- Especially important for children from the most deprived areas of the city, where school attainment is poor and unemployment and benefit claimant rates high

Source: Department for Education (pupils in state funded schools)

Higher Education

University	Category	2011/12 No.	2011/12 % change	2012/13 No.	2012/13 % change	2013/14 No.	2013/14 % change	2014/15 No.	2014/15 % change	2015/16 No.	2015/16 % change	2016/17 No.	2016/17 % change	2017/18 No.	2017/18 % change	2018/19 No.	2018/19 % change	2019/20 No.	2019/20 % change
University of Southampton	Postgraduate	7,325	-	7,060	-3.6%	7,840	11.0%	7,645	-2.5%	7,390	-3.3%	7,650	3.5%	7,620	-0.4%	6,925	-9.1%	7,960	14.9%
	Undergraduate	16,805	-	16,055	-4.5%	16,195	0.9%	16,150	-0.3%	17,485	8.3%	17,530	0.3%	17,000	-3.0%	15,790	-7.1%	14,705	-6.9%
	Total	24,135	-	23,115	-4.2%	24,040	4.0%	23,795	-1.0%	24,875	4.5%	25,180	1.2%	24,620	-2.2%	22,715	-7.7%	22,665	-0.2%
Southampton Solent University	Postgraduate	665	-	575	-13.5%	440	-23.5%	355	-19.3%	405	14.1%	515	27.2%	560	8.7%	650	16.1%	745	14.6%
	Undergraduate	11,865	-	11,515	-2.9%	11,285	-2.0%	10,950	-3.0%	10,885	-0.6%	10,550	-3.1%	10,015	-5.1%	9,260	-7.5%	9,765	5.5%
	Total	12,530	-	12,090	-3.5%	11,725	-3.0%	11,305	-3.6%	11,285	-0.2%	11,065	-1.9%	10,575	-4.4%	9,910	-6.3%	10,510	6.1%
Southampton Total	Postgraduate	7,990	-	7,635	-4.4%	8,280	8.4%	8,000	-3.4%	7,795	-2.6%	8,165	4.7%	8,180	0.2%	7,575	-7.4%	8,705	14.9%
	Undergraduate	28,670	-	27,570	-3.8%	27,480	-0.3%	27,100	-1.4%	28,370	4.7%	28,080	-1.0%	27,015	-3.8%	25,050	-7.3%	24,470	-2.3%
	Total	36,665	-	35,205	-4.0%	35,765	1.6%	35,100	-1.9%	36,160	3.0%	36,245	0.2%	35,195	-2.9%	32,625	-7.3%	33,175	1.7%

- In 2019/20 there were **33,175** higher education students in Southampton, with **68%** of these studying at the University of Southampton
- There was a **1.7%** increase in the number of higher education students in the city over the last year. However, the overall number of students in the most recent year remains **-9.5%** lower than in 2011/12
- Overall, Southampton has seen an increase in the number of **postgraduate** students **+14.9%** over the last year, whilst the number of **undergraduate** students declined by **-2.3%**; however, this varies by university
- The two universities in Southampton are valuable assets in terms of employment, improving workforce skills and supporting knowledge based industries in the city
- City must look to make the most of these institutions and look to improve graduate retention

Source: Higher Education Statistics Agency

Workforce Skills

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Area	Establishments with any vacancies	Have a skills shortage vacancy	% of vacancies which are due to skills shortage	% of establishments with any staff not fully proficient	% of establishments training staff over the last 12 months	Number trained as % of total staff
England	17%	6%	25%	13%	61%	60%
South East	18%	6%	24%	14%	62%	62%
Southampton	17%	5%	20%	19%	66%	70%
Hampshire	21%	7%	29%	14%	63%	60%
Portsmouth	19%	3%	14%	13%	64%	59%

- Department for Education Employment and Skills Survey (2019) examined the experiences of over 70,000 employers in England
- In Southampton, **5%** of all employers have at **least one skills shortage vacancy**
- **20% of vacancies** in Southampton were due to a **skills shortage**; compared to **25%** nationally
- **19%** of establishments in Southampton had **staff proficiency issues**; higher than **13%** across England
- Southampton has the **highest** proportion of establishments **providing training** in the last 12 months, with **66%** providing training, compared to **61% across England**;
- **70%** of staff trained in **Southampton** (60% across England)
- Higher levels of training in Southampton could be due to a greater proportion of establishments with staff not being fully proficient or because Southampton employers have a good training offer

Source: Department for Education – Employer Skills Survey 2019

Earnings and Economic Flows

Earnings – Benchmarking

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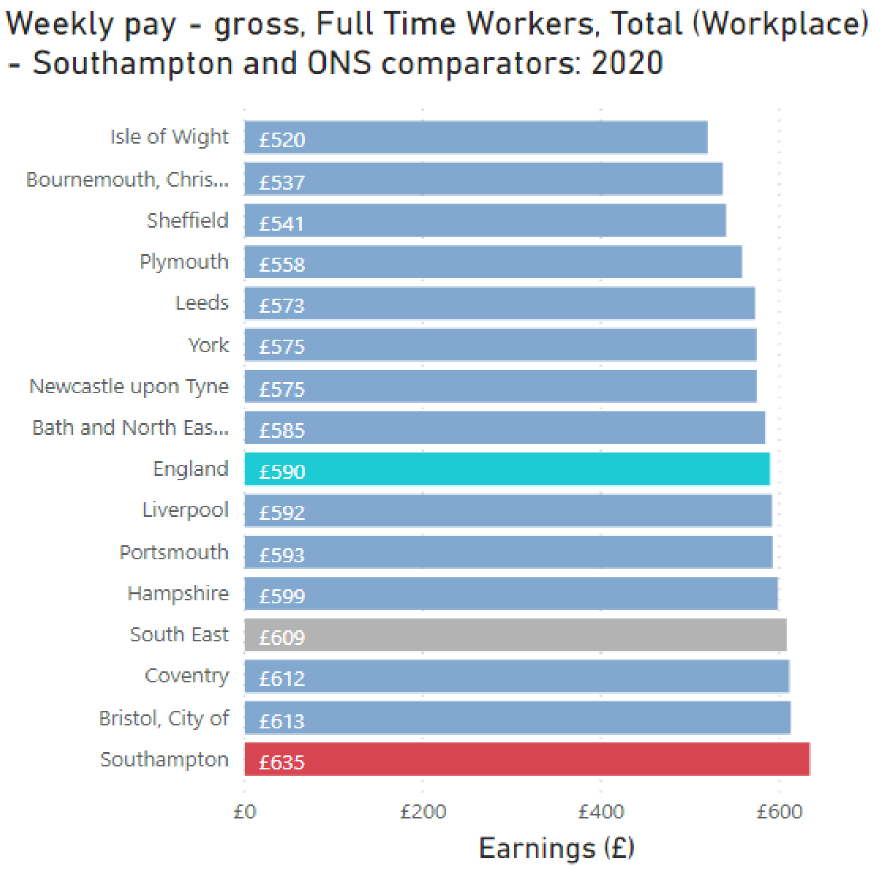
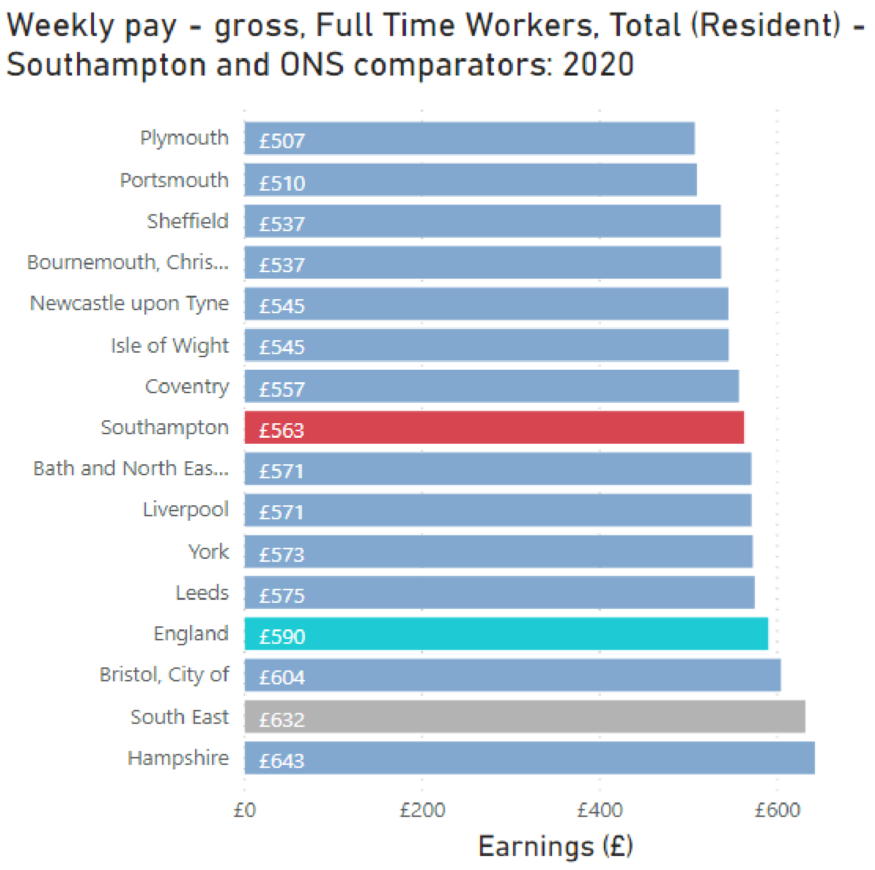
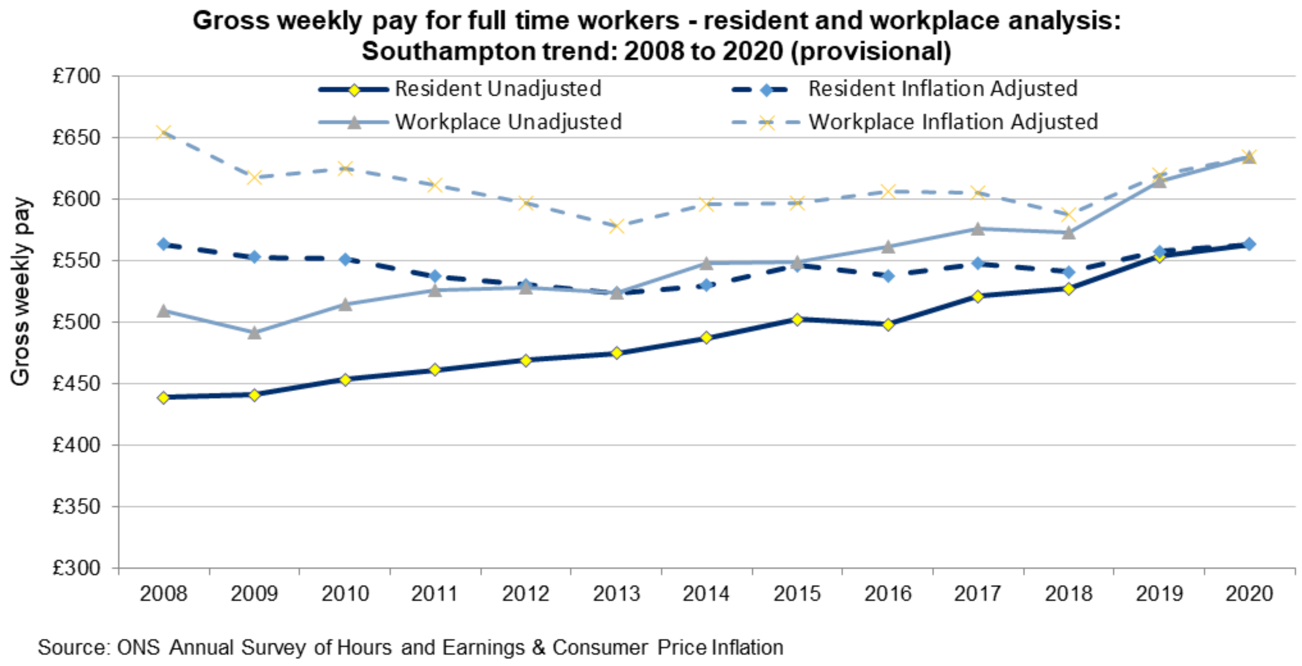




- Weekly pay for full time workers who **WORK** in Southampton was **£635** in 2020; highest among comparators
- However, pay for those **RESIDENT** in Southampton is **£563**; lower than the England and South East average
- Similar patterns are also seen for part time workers, with weekly earnings higher for those who **WORK** (**£266**) in the city, compared to those who are **RESIDENT** (**£202**)

Source: Office for National Statistics – Annual Survey of Hours and Earnings – data for the most recent year is provisional

Earnings – Trends

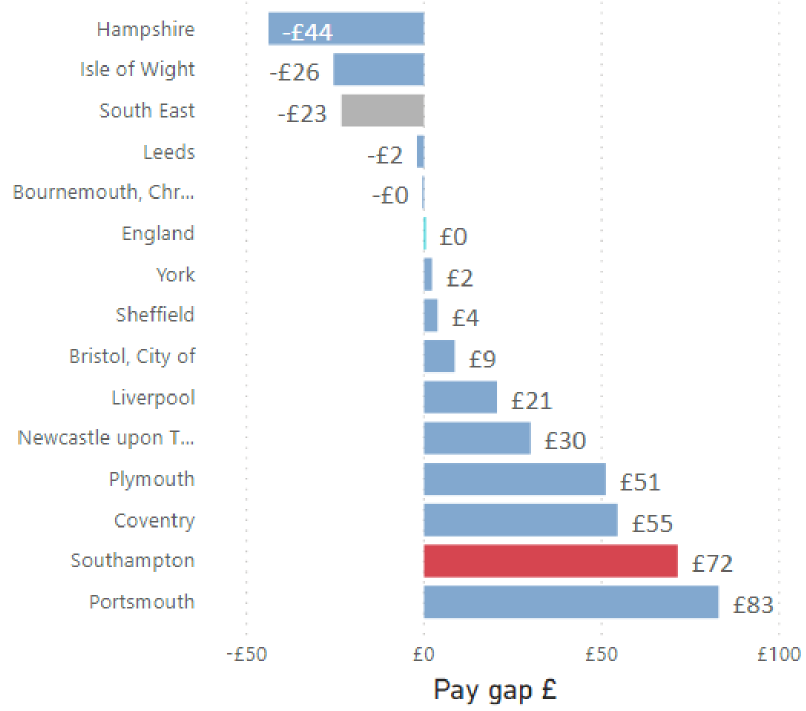


- Both resident and workplace earnings for full time workers in Southampton has experienced an overall increase post recession (unadjusted)
- After adjusting for inflation, pay declined in 'real' terms between 2008 and 2013. However, since 2013, weekly pay has generally increased in 'real' terms for both residents and workers in Southampton
- Adjusted for inflation, both resident (0.9%) and workplace (2.3%) earnings increased over the last year

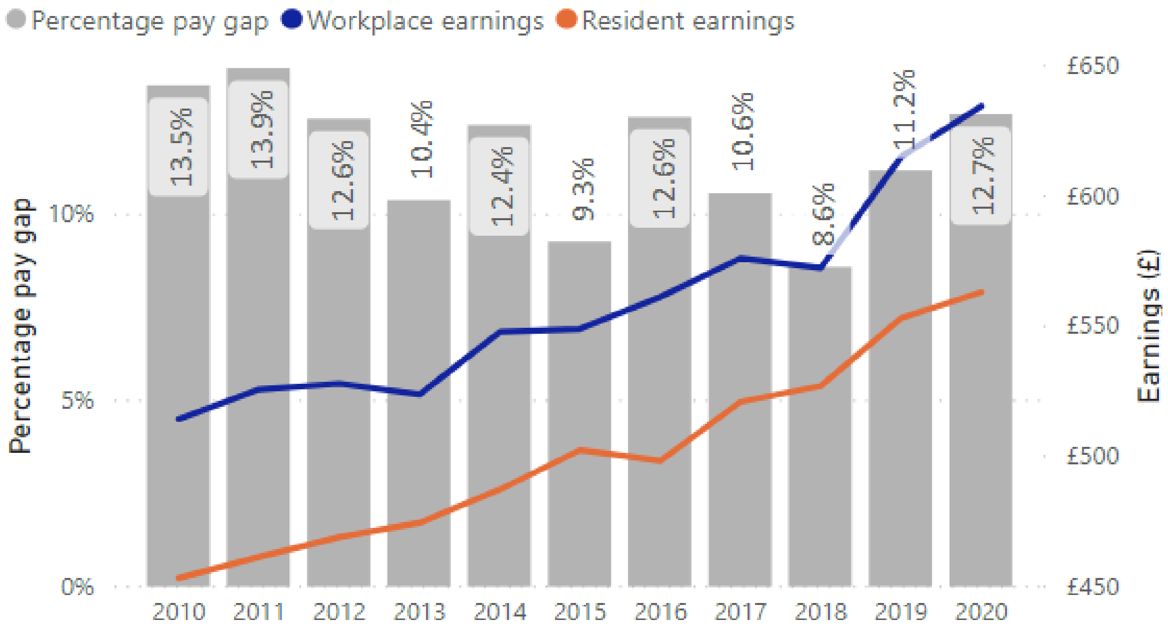
Source: Office for National Statistics – Annual Survey of Hours and Earnings – data for the most recent year is provisional

Inequalities – Workplace vs Resident

Workplace to Resident pay gap, Weekly pay - gross, Full Time Workers, (Total) - Southampton and ONS comparators: 2020



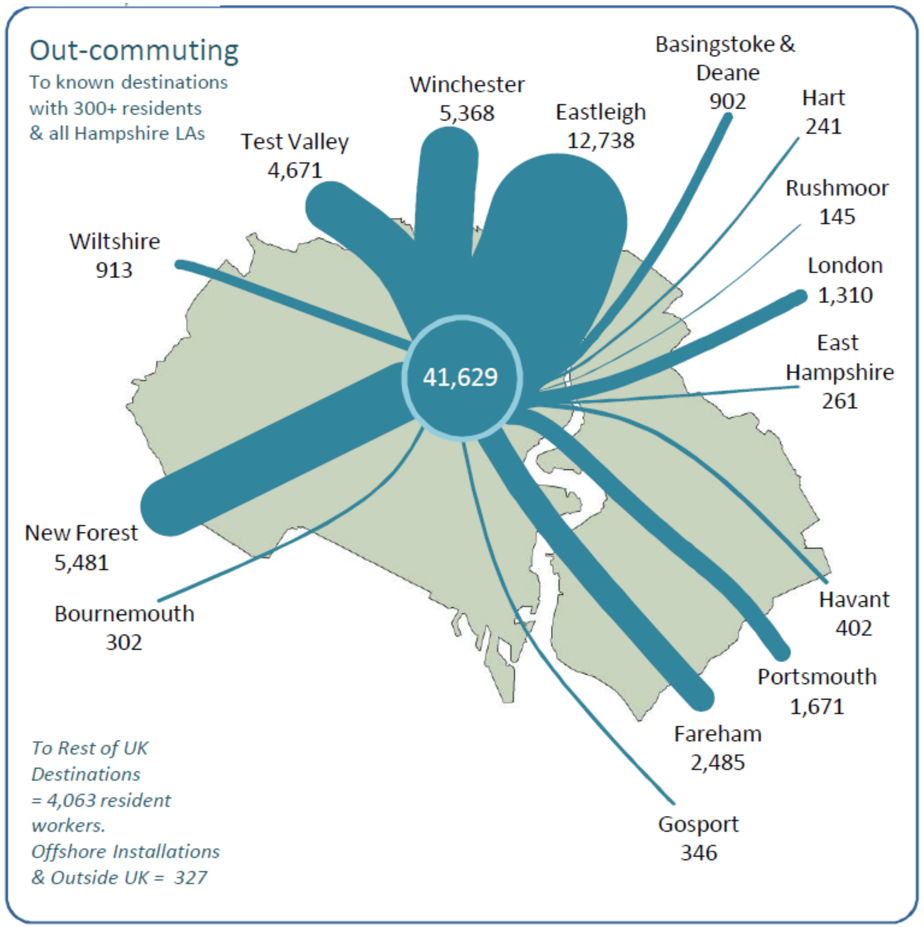
Workplace to Resident pay gap, Weekly pay - gross, Full Time Workers - (Total) Southampton: 2010 to 2020

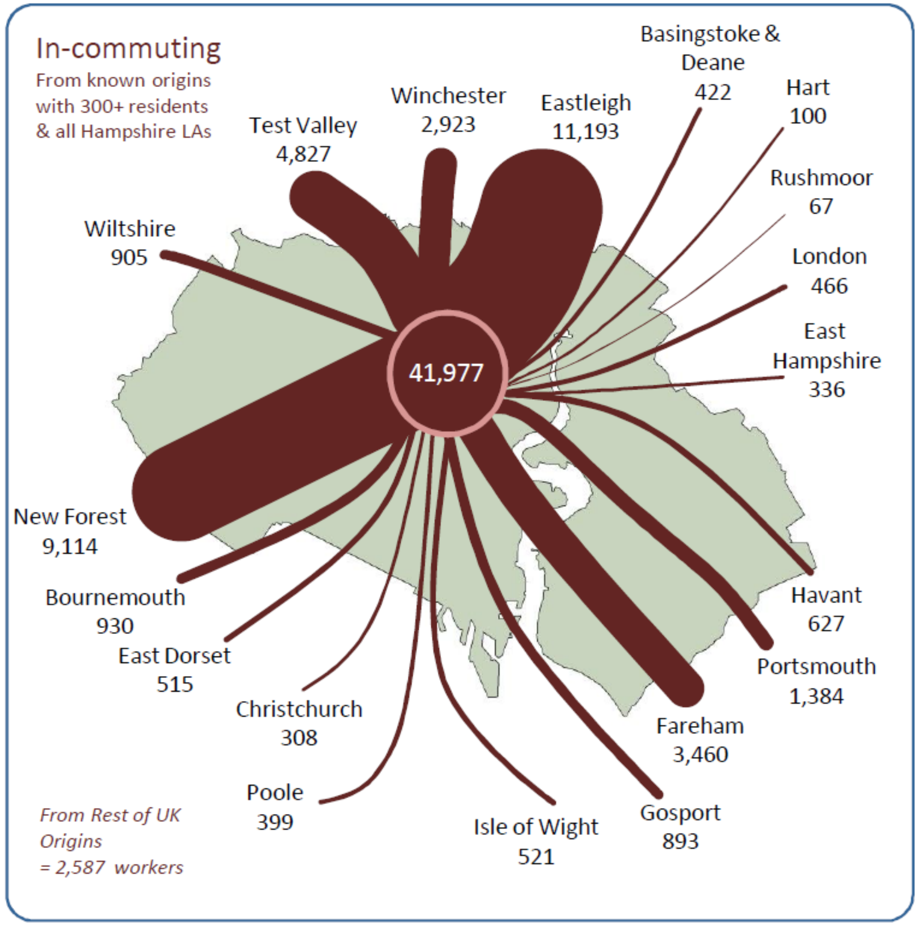


- **WORKPLACE** earnings are **£72 (12.7%)** more per week than **RESIDENT** earnings for full time workers in Southampton
- **No evidence** to suggest that the **inequality gap** between workplace and resident earnings is **narrowing**
- **Southampton** has the **second largest inequality gap** between workplace and resident earnings **among comparators**
- High workplace earnings suggests lots of good skilled employment opportunities in the city. However, resident earnings are lower which suggests those commuting into the city are taking the high skilled jobs, which residents are not benefitting from

Source: Office for National Statistics – Annual Survey of Hours and Earnings – data for the most recent year is provisional

Earnings Inequalities – Economic Flows

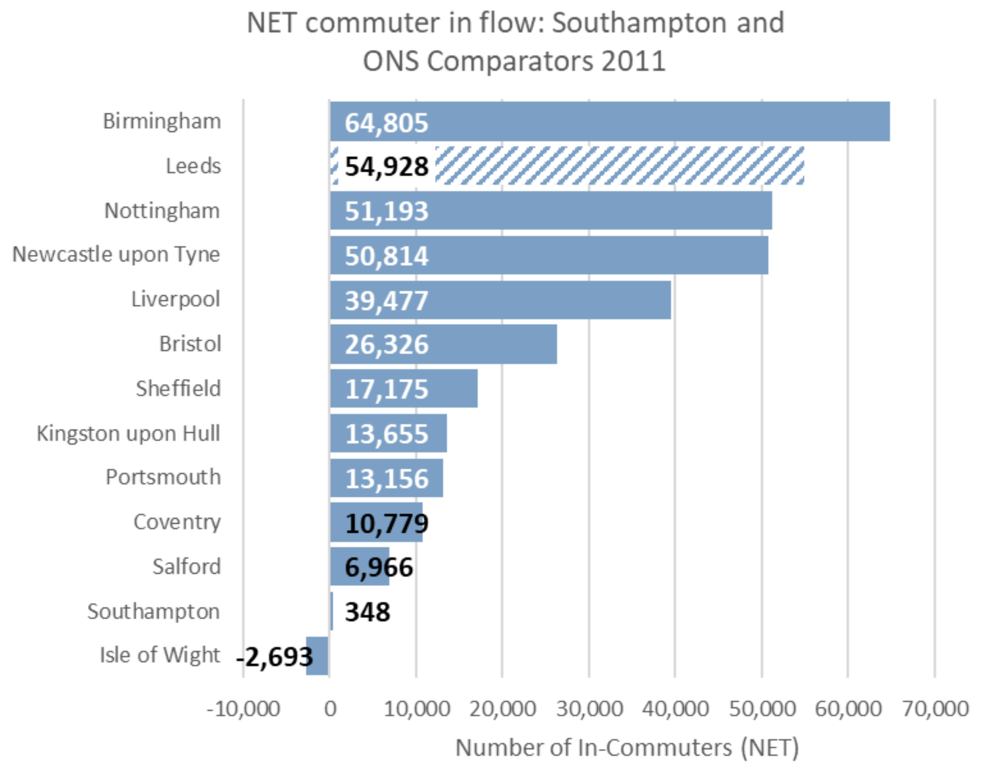




- Earnings inequalities data leads us to look at economic flows i.e. commuting
- Almost 42,000 commute into the city, and a similar number commute out
- Clear relationship between Southampton and Eastleigh - economic flows in both directions
- Significant numbers also commute into the city from the New Forest, Test Valley and Winchester

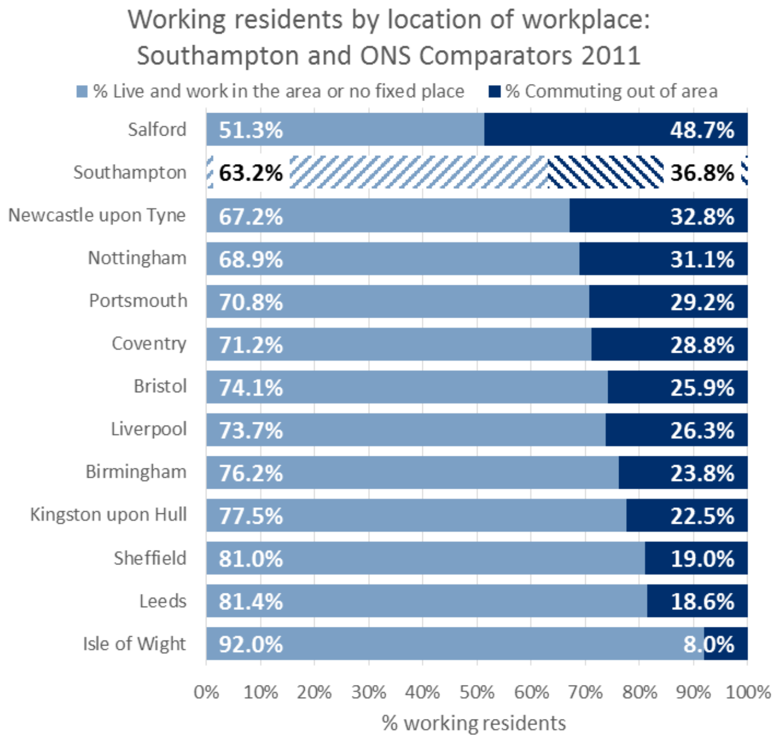
Source: Office for National Statistics – 2011 Census

Earnings Inequalities – Economic Flows



Source: 2011 Census, Table WU01UK, ONS Crown Copyright

- In-Commuting accounts for 37% of the city's *workforce* - similar to comparators
- However, almost 37% of Southampton working *residents* commute outside of the city for work – 2nd highest amongst comparators
- Southampton is a NET importer of workers, but it is only marginal at 348, which is the lowest amongst all comparator cities

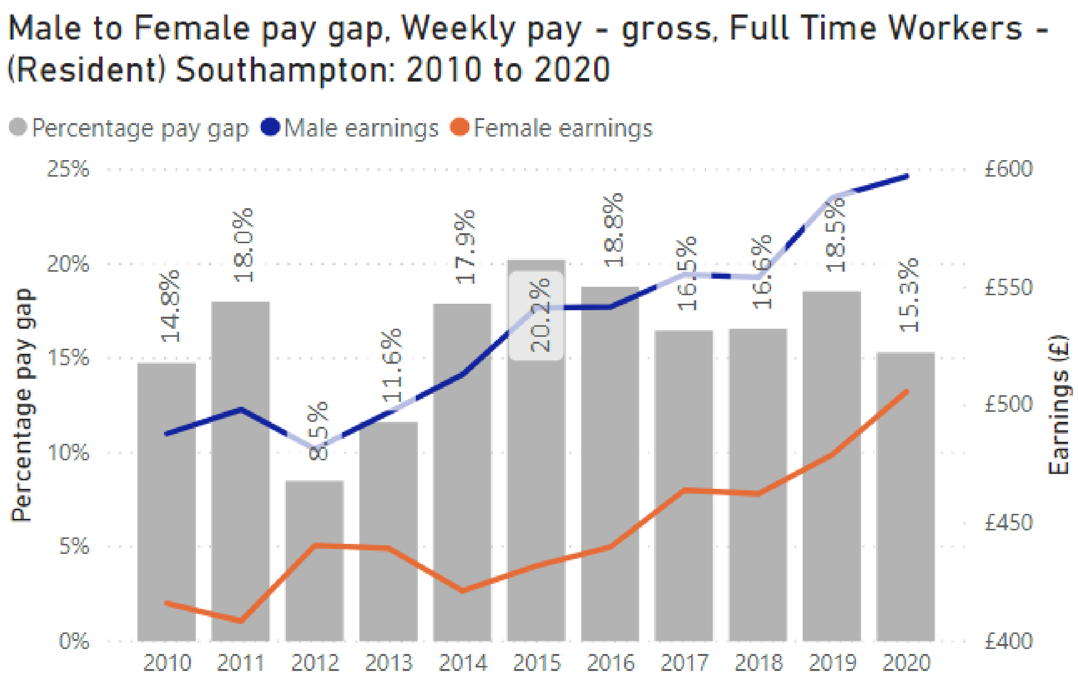


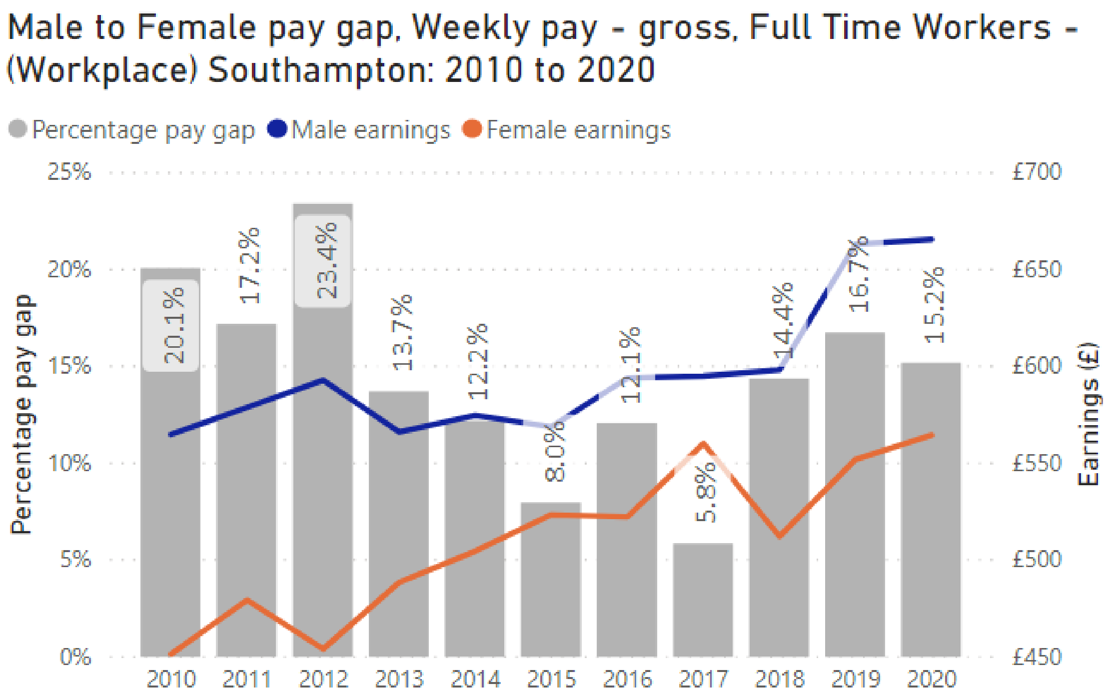
Source: 2011 Census, Table WU01UK, ONS Crown Copyright

- Given the difference between resident and workplace earnings, it is possible that some lower skilled residents are being displaced into lower paid employment outside of the city by skilled workers commuting into the city.
- Some caution is needed with this commuting data as it is based on 2011 Census and may not reflect current trends

Source: Office for National Statistics – 2011 Census

Inequalities – Male vs Female





- There is also a pay gap between male and female pay in Southampton, with this gap also experienced nationally
- In 2020, the full time resident weekly gender pay gap was 15.3% (£91) in Southampton, this compares to a gap of £83 (13.2%) nationally
- The full time workplace gender weekly pay gap in Southampton was similar at 15.2% (£101) in 2020
- No evidence that gap is narrowing – for both workplace and resident

Source: Office for National Statistics – Annual Survey of Hours and Earnings – data for the most recent year is provisional

Summary of Findings

Summary of findings

- Despite a slight decline over the latest year (2019), overall economic growth pre pandemic was healthy; however the economic landscape has changed considerably due to COVID
- Based on UK GVA estimates of a quick and slow recovery scenario by PwC, Southampton's economy could shrink between -£500 to -£700 million by 2021
- Very few industries are expected to return to 2019 levels by 2021 based on quick and slow recovery scenario estimates by PwC
- Industries likely hardest hit in Southampton in terms of GVA are; transportation and storage, wholesale and retail, education, accommodation and food services and arts entertainment & recreation
- Southampton experienced a 18.5% increase in the number of businesses in the last year; however, this is impacted by multiple business registrations to a single postcode in 2019. Almost all of the increase in the number of enterprises in the last year was driven by growth of micro enterprises in the retail sector. It is worth highlighting that data on businesses reflects the pre-covid situation
- Research by ONS and Bank of England suggests smaller firms are more likely than larger companies to operate in sectors that have been most affected by the shock, such as accommodation and food, arts and recreation and construction. A quarter (25%) of enterprises in Southampton are within the most affected sectors outlined above
- There has been a 0.7% increase in the number of employee jobs over the last year in Southampton; however, this varies depending on employment status, with an increase seen in full-time employment, but a decline in part-time employment, for both public and private sector. This could suggest a shift to more stable employment up to 2019. However, this only reflects the pre-covid situation

Summary of findings

- The number of unique job postings in Southampton reduced by -5,207 (-27.7%), between January 2020 and January 2021, suggesting the number of job opportunities in the city has declined, likely as a result of the pandemic
- Based on national furlough data by sector from January 2021 there are potentially 17,544 (15.4%) jobs at risk in the city, with the greatest number in accommodation and food services (4,504)
- Employment rate increased over the last year (up to March 2020), however, this doesn’t reflect the impact of COVID
- The number of adults in Southampton claiming out of work benefits more than doubled between January 2020 (5,295 claimants) and January 2021 (11,410);
- However, impact of coronavirus on unemployment is not evenly distributed across the city, with the inequality gap in the proportion of adults claiming out of work benefits between the most and least deprived neighbourhoods increasing
- Proportion of residents qualified to NVQ4+ declined in the last year and still remains lower than average, which continues to raise questions on graduate retention. During the same period there was an increase in low end skills (no qualifications or NVQ1 only)
- Pay increased over the last year in real terms for both those who are *resident* and *work* in the city;
- However, there continues to be an inequality gap in terms of pay between those who *work* and are *resident* in the city (£72 per week for full time workers)
- Around 42,000 people commute into the city for work and a similar number commute out; clear relationship with Eastleigh, New Forest and Winchester