

2.6 Local economy

2.6.1 Markets and sectors

This section looks at some of Newcastle’s economic strengths together with some of the risks facing the local economy.



Note: “Gross Value Added” (GVA) is the standard measure of regional economies. The main components used in the calculation of GVA are wage levels and business profits. Tyneside is the lowest geographical level at which GVA figures are available.

Figure 2.6-1 shows that over time, GVA for the North East as a whole is lower than the England average, however Tyneside is higher than the North East average. This low rate of GVA in part reflects low employment rates, relatively low skills, and comparatively few higher-paid jobs. It therefore follows that GVA will improve if there is an increase in the number and quality of jobs, improved skill levels and more people in work – more and better jobs.

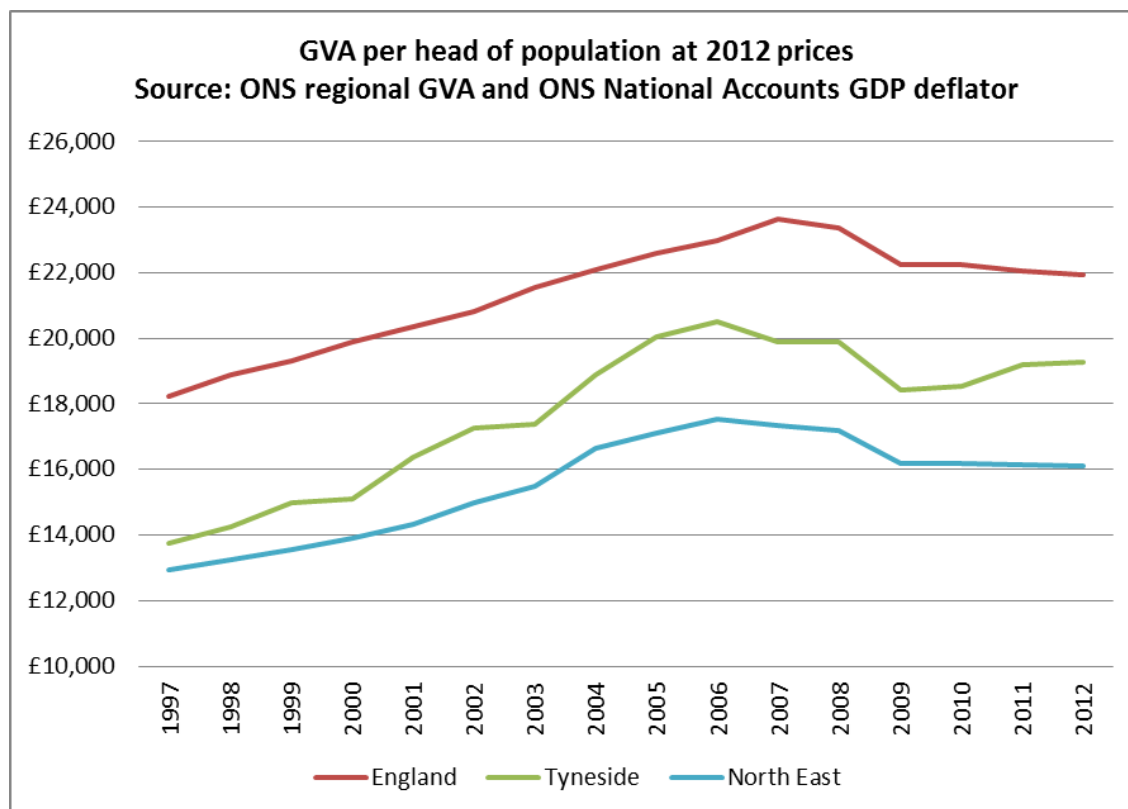


Figure 2.6-1: Gross Value Added (GVA) per head of population at 2012 prices. Source: ONS regional GVA and ONS National Accounts GDP deflator.

In 2012, Newcastle had 179,000 jobs (Business Register and Employment Survey 2012). Figure 2.6-2 shows that like other cities that operate as an urban core, Newcastle has a high job density (the number of jobs per resident aged 16-64).

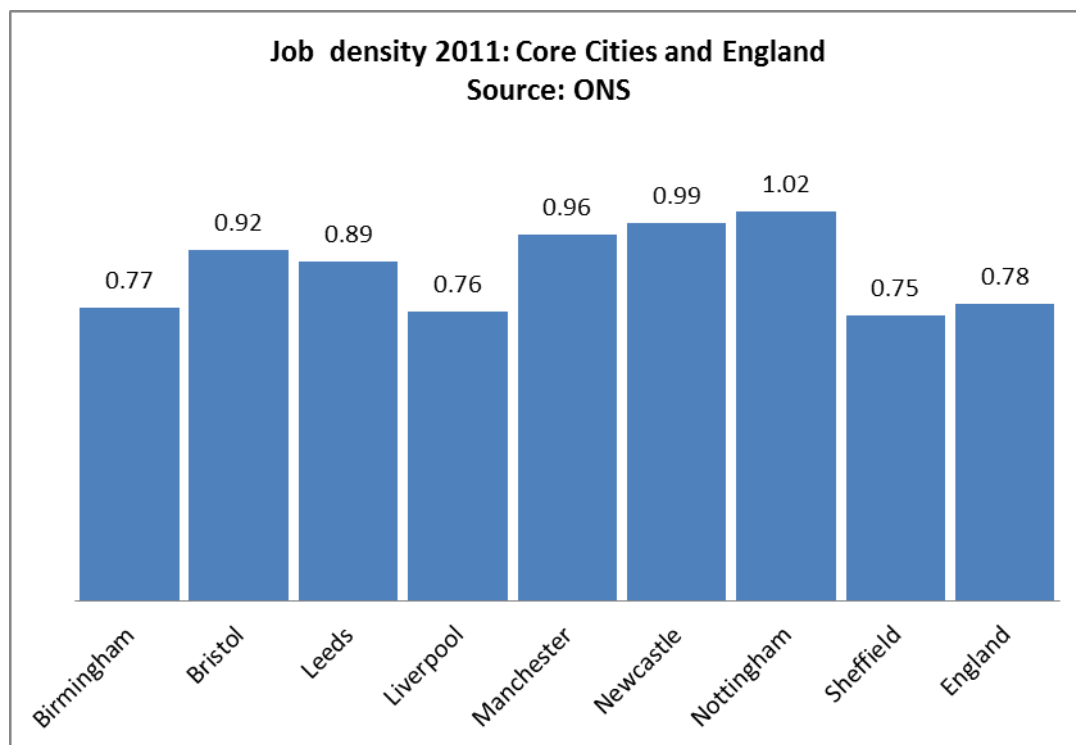


Figure 2.6-2: Job Density for core cities and England. Source: Office National Statistics 2011.

Figure 2.6-3 presents the job density for the North East area and shows that Newcastle has the highest job density. Newcastle’s high job density illustrates the city’s important role in the local economy and reflects large commuter in flows. ONS estimate that 57% of people who work in Newcastle live outside of the city (Annual Population Survey 2011).

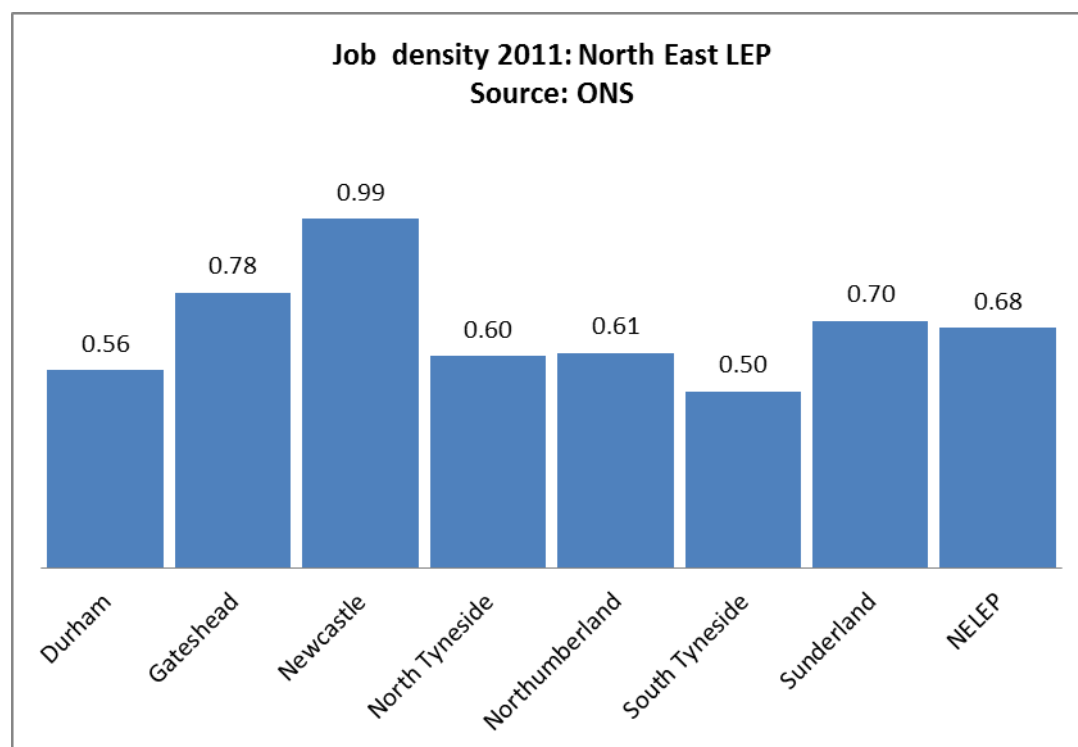


Figure 2.6-3: Job density within North East Local Economic Partnership. Source: Office for National Statistics 2011.

Table 2.6-1 presents the jobs per 100 residents (aged 16-64) by sector. It shows that Newcastle has a particularly high concentration of employment in service sectors and comparatively few manufacturing jobs. The service sectors and successful higher education institutions are particular strengths. Weaknesses include a relatively small number of private sector businesses and higher public sector employment in a period of ongoing spending cuts.

Table 2.6-1: Jobs by sector – employment jobs per 100 residents aged 16 to 64. Source: Business Register and Employment Survey (2012) and ONS mid-year population estimates (2012)

Broad Industrial Group	Newcastle	NELEP	England
Agriculture, forestry & fishing	0.0	0.0	1.0
Mining, quarrying & utilities	0.1	0.9	0.8
Manufacturing	4.4	6.9	5.9
Construction	2.3	3.1	3.2
Motor trades	1.0	0.9	1.3
Wholesale	1.0	1.2	2.9
Retail	8.8	6.7	7.2
Transport & storage	3.2	2.1	3.2
Accommodation & food services	7.2	4.4	4.8
Information & communication	3.8	1.7	2.8
Financial & insurance	3.2	1.4	2.7
Property	2.0	1.1	1.3
Professional, scientific & technical	6.8	2.7	5.6
Business administration & support services	7.7	4.5	5.9
Public administration & defence	9.2	5.0	3.2
Education	10.5	6.1	6.5
Health	15.6	9.5	9.0
Arts, entertainment, recreation & other services	5.4	2.9	3.1

The North East has comparatively low concentrations of VAT/PAYE registered businesses per 10,000 population (Figure 2.6-4). This is particularly true of smaller registered businesses with 0-4 employees, which make up the majority of businesses in the UK. However, Newcastle has the second highest registered businesses per 10,000 population in the region (Figure 2.6-5).

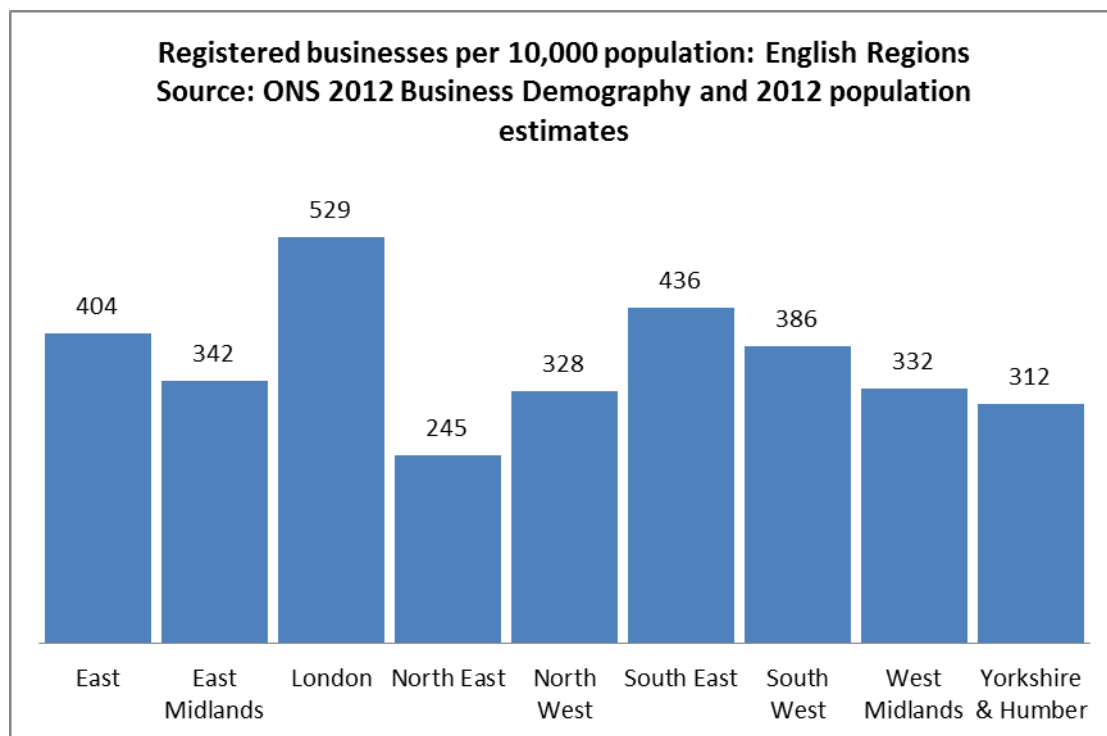


Figure 2.6-4: Registered businesses per 10,000 population in English Regions. Source. Office National Statistics 2012 Business Demography and 2012 population estimates.

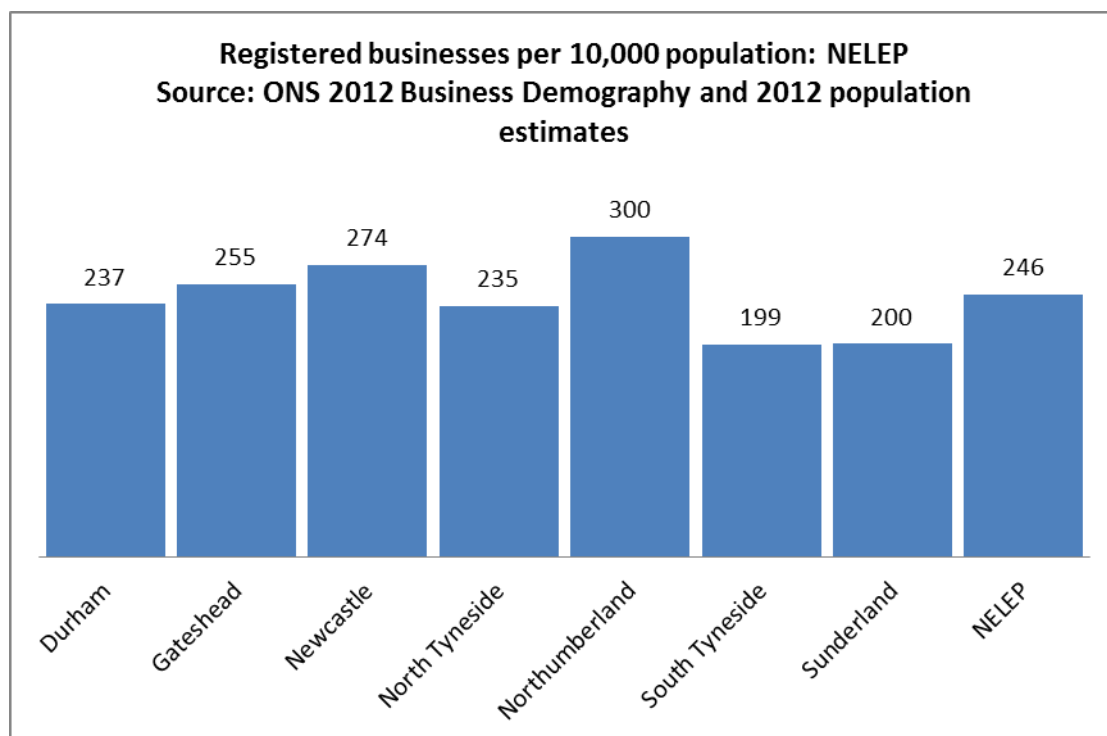


Figure 2.6-5: Registered businesses per 10,000 population in North East. Source. Office National Statistics 2012 Business Demography and 2012 population estimates.

Figure 2.6-6 presents the registered business per 10,000 population for the core cities. Newcastle is one of a cluster of cities with lower rates.

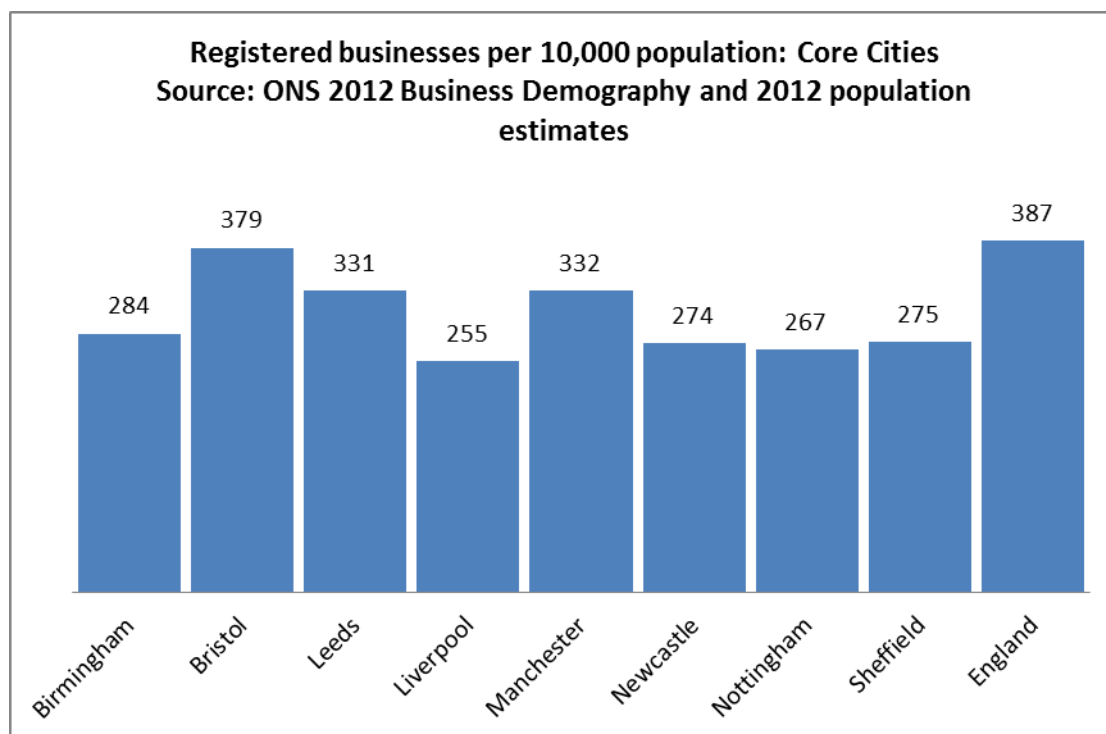


Figure 2.6-6: Registered businesses per 10,000 population in Core Cities. Source. Office National Statistics 2012 Business Demography and 2012 population estimates.

The number of self-employed people in Newcastle has increased in recent years, as it has across the UK as a whole. However, self-employment is a broad category and an increase in the number of people describing themselves as self-employed does not necessarily indicate an increase in “job creating” entrepreneurial activity. Some analysts argue that many self-employed people would prefer to be in employment¹ and figures from HMRC show that median pay of self-employed people is lower than that of employees².

Newcastle and the surrounding areas have a higher proportion of public sector jobs than the national average, although it is important not to overstate the scale of the difference with the rest of the UK or the increase in recent years.

- The proportion of all people in employment in the local and regional economy who are employed in the public sector had changed very little over the decade leading to the 2008 downturn³.
- Newcastle has a particularly high concentration of public sector jobs because of its role as regional capital – for example, Newcastle hosts institutions that perform important national and regional functions, including a large NHS Trust, and the Central Government site at Benton Park View.
- Official statistics suggest that Newcastle and the North East have “too few” jobs in the private sector rather than “too many” in the public sector⁴.

Newcastle’s voluntary and community organisations (excluding housing associations, private schools, three national charities based in Newcastle) have an income of at least £150m (calculation based on income of 555 NCVS members at May 2013), and grant making trusts and assets of over £500 million (Northern Rock Foundation Future Trends; Mapping North East Third Sector 2010). The income of the majority of Newcastle’s community organisations is

under £10,000. 5% have no income at all. (Third Sector in Newcastle 2009, NCVS & NCC). Newcastle VCOs have a paid workforce around 6,500 people in 5000 posts (NCVS, 2011); many of whom are women.⁵

2.6.2 Innovation, Research and Development

In 2011, research and development (R&D) expenditure in the North East Region was £513 million (or 1.2% of GVA – one of the lowest proportions in the UK). 45% of this was within higher education.

Figure 2.6-7 presents the regional R&D expenditure as a proportion of GVA by broad sector for different regions. R&D investment within higher education tends to be more evenly balanced across the regions. However there are differences in private sector investment with the North East having a lower level. There are also differences in R&D expenditure within government with the North East seeing very little (effectively zero) R&D expenditure within government.

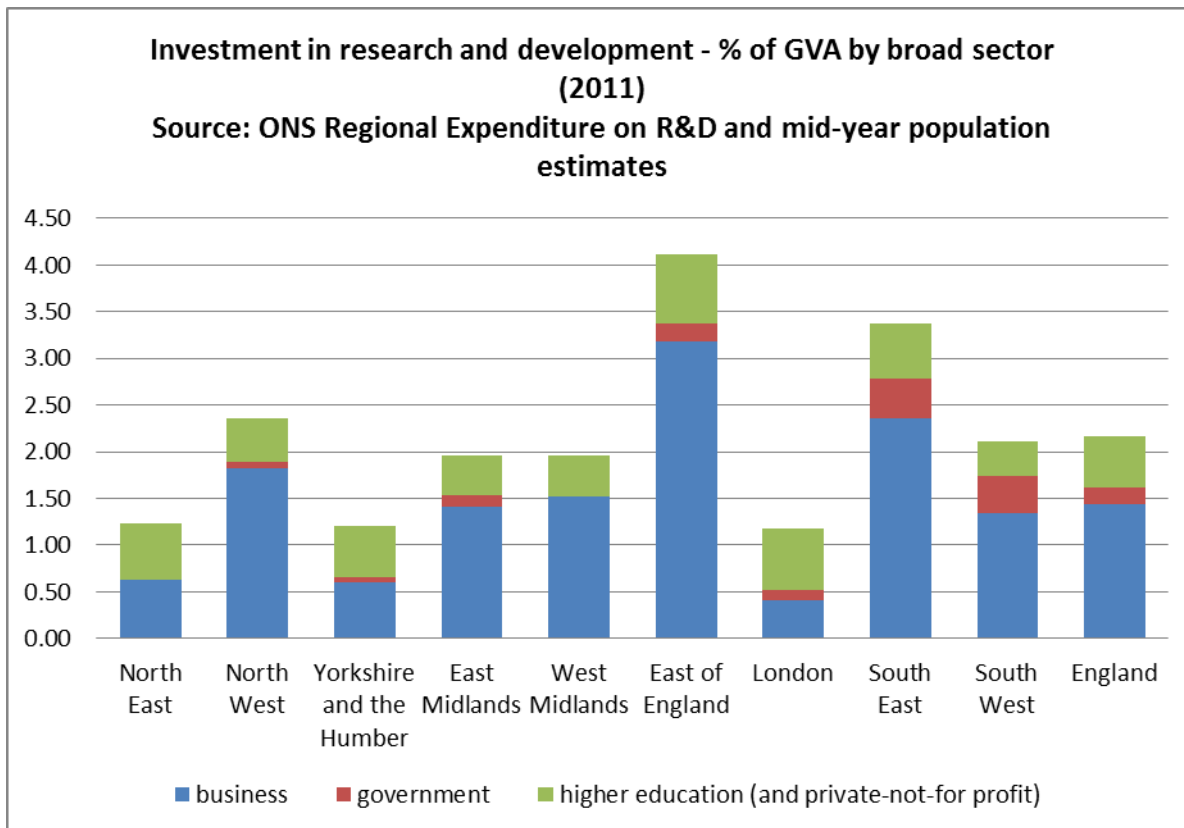


Figure 2.6-7: Investment in research and development as a percentage of GVA. Source: ONS regional expenditure on R&D and mid-year population estimates (2011)

2.6.3 Incomes

Why this matters?

“Relative poverty means being poorer than most people in society....., it denies people access to decent housing, education, transport and other factors vital to full participation in life. Being excluded from the life of society and treated as less than equal leads to worse health and greater risk of premature death. The stresses of living in poverty are particularly harmful during pregnancy, to babies, children and older people”⁶



NOTE: ONS produces regional statistics on “Gross Disposable Household Income” (GDHI). GDHI is the amount of money available for spending or saving after income distribution measures such as taxes and social security benefits. The lowest local geographical level at which the estimates are available is Tyneside, covering all four metropolitan boroughs.

GDHI for Tyneside is 81% of the UK average GDHI, which is similar to other large urban areas (Figure 2.6-8). Low income is consistent with the economic challenges discussed elsewhere in Know Your City, such as high unemployment rates and a shortage of highly paid jobs.

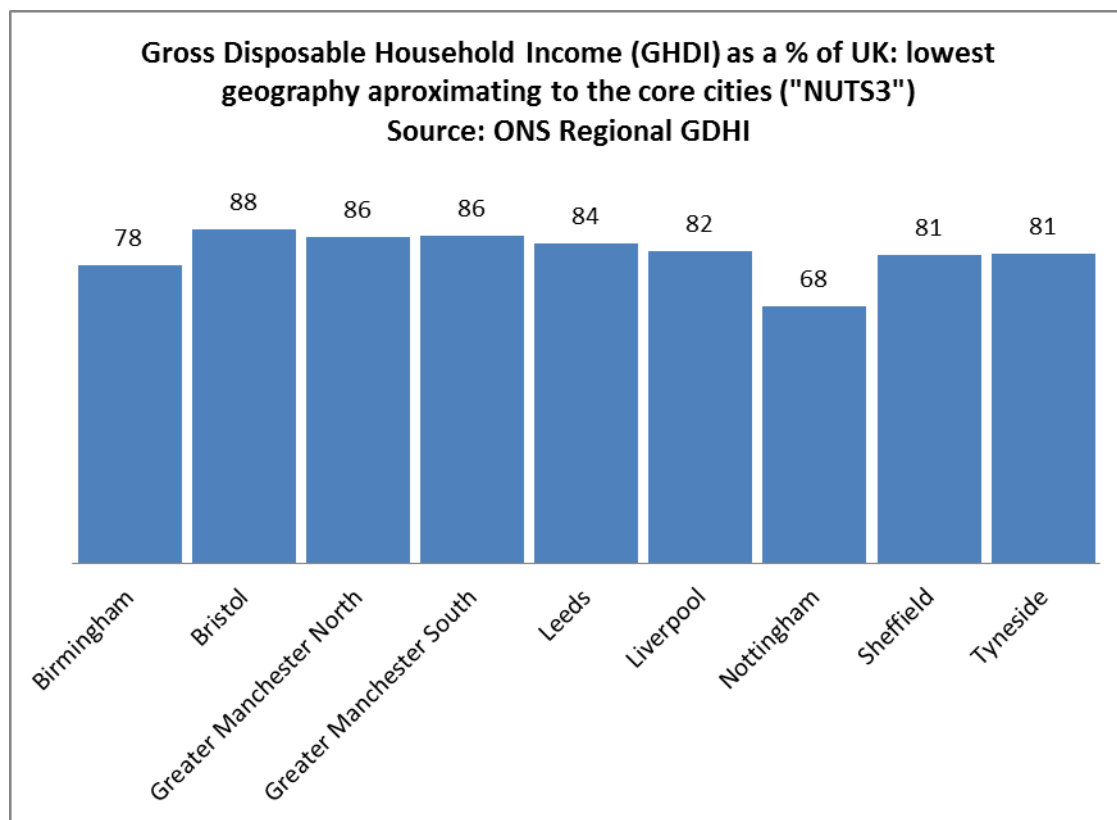


Figure 2.6-8: Gross Disposable Household Income as a percentage of UK average. Source: ONS Regional GDHI (2012)

The median wage of Newcastle residents in full time employment (£465) is lower than the national median (£505 England or £498 UK)⁷. Newcastle residents earn less than the typical wage for a job in the city – this is consistent with large commuter in-flows and typical of an area that functions as the administrative and economic centre for a wider area. In short, people are more likely to commute into Newcastle for the better jobs.

Taken as a whole, earnings in the North East are both the lowest and the most equal in the UK – the region has the lowest median earnings of any UK region and the smallest gap between the top 20% and bottom 20% of earners. This is in large part because of a comparative lack of very high paying jobs.

Newcastle is different to the regional position – earnings in Newcastle are amongst the most unequal of any metropolitan area outside of London and the most polarised of all of the core cities (Figure 2.6-9). The bottom 20% of earners in Newcastle do particularly badly compared with the bottom 20% of earners in the UK as a whole whereas Newcastle’s top 20% are the highest earners among the cores cities (Figure 2.6-10). This implies that policy interventions to reduce earnings inequality should consider Newcastle’s place in the wider economy as well as focus on improving not only the number but also the value of jobs in the local economy, together with residents’ ability to take advantage of opportunities.

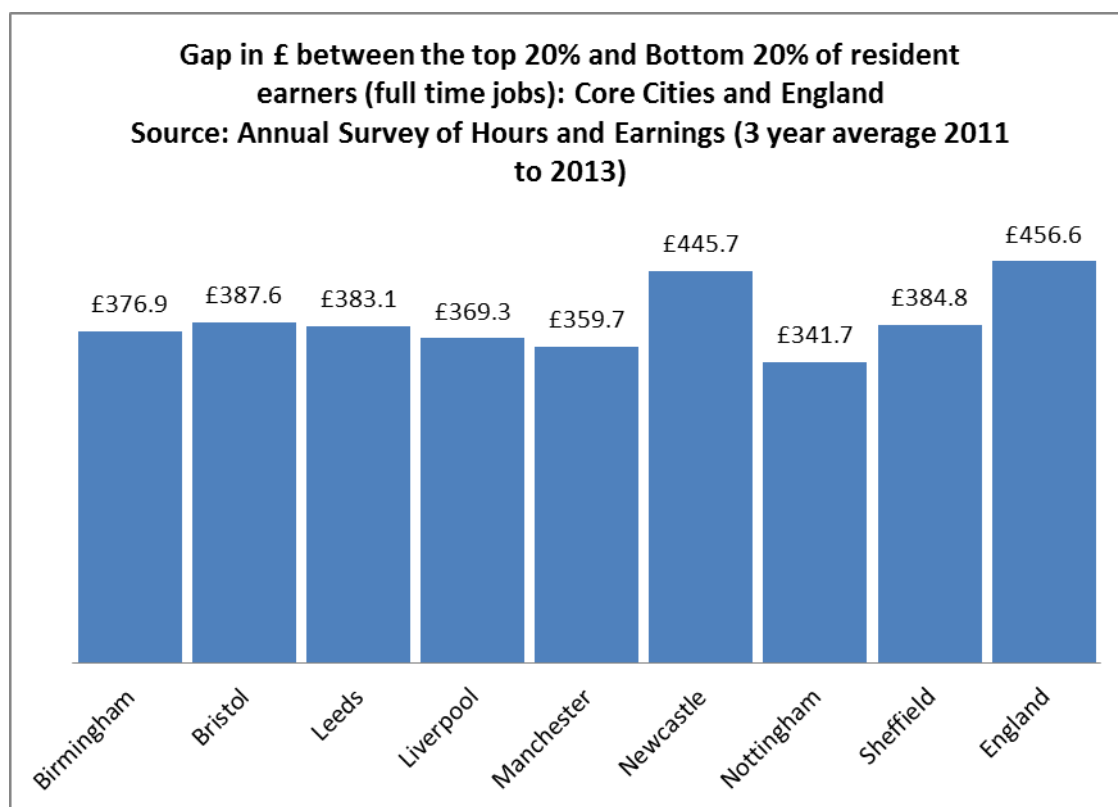


Figure 2.6-9: Gap in £ between the top 20% and bottom 20% of resident earners for core cities and England. Source: Annual Survey of hours and earnings 2011-2013.

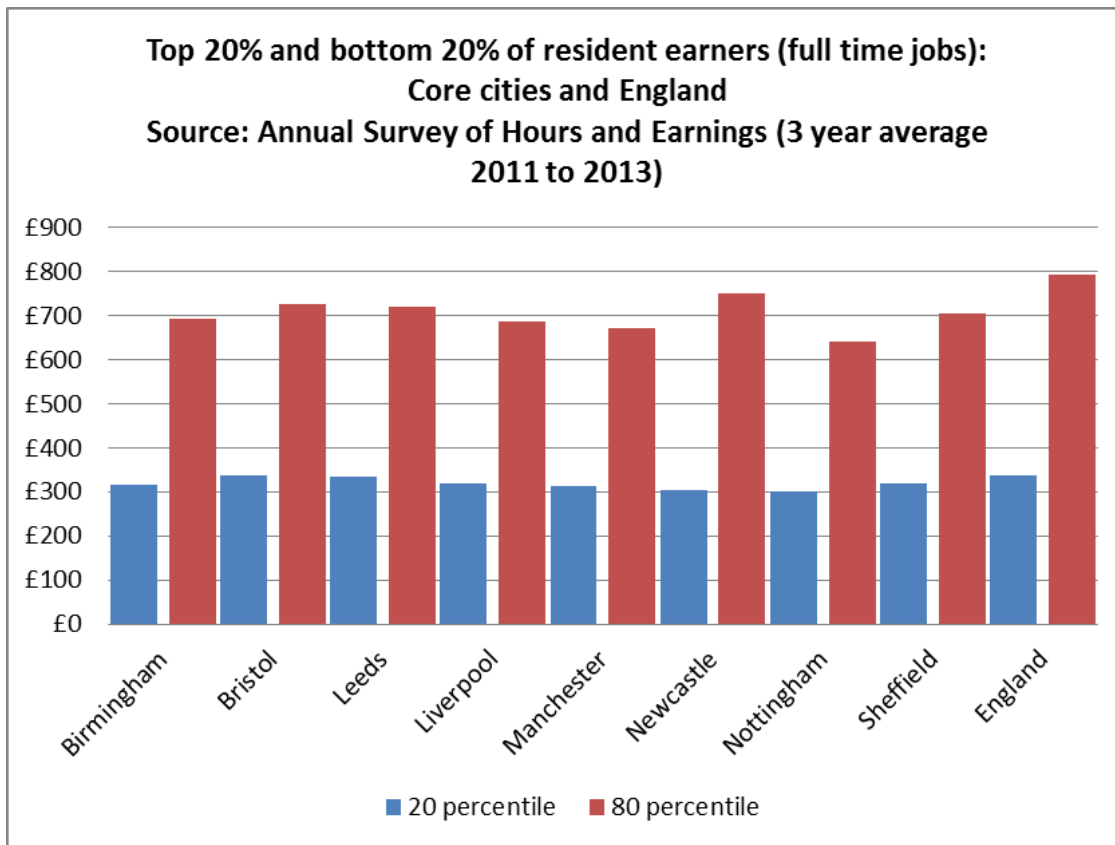


Figure 2.6-10: Earnings in £ of the top and bottom 20% of resident earners for core cities and England. Source: Annual Survey of Hours and Earnings 2011-2013.



Note: Benefits are also a source of income for some people in the city. Amongst the 16-64 age group, the majority of claimants get the “key out of work benefits” (Job Seekers Allowance, Employment Support Allowance and Incapacity Benefits, lone parents claiming Income Support). Other benefits in reported figures include Carers Allowance and Disability Allowance.

However they exclude Child Benefit, State Pension, or Tax Credits, which are paid by HM Revenue and Customs. Note however that the social security system is going through a process of continuous reform and individual benefits are likely to be changed or replaced over time.

Amongst the 16-64 population, the number and proportion of people in Newcastle claiming benefits steadily declined in the years leading up to the 2008 recession but then returned to previous levels (Figure 2.6-11).

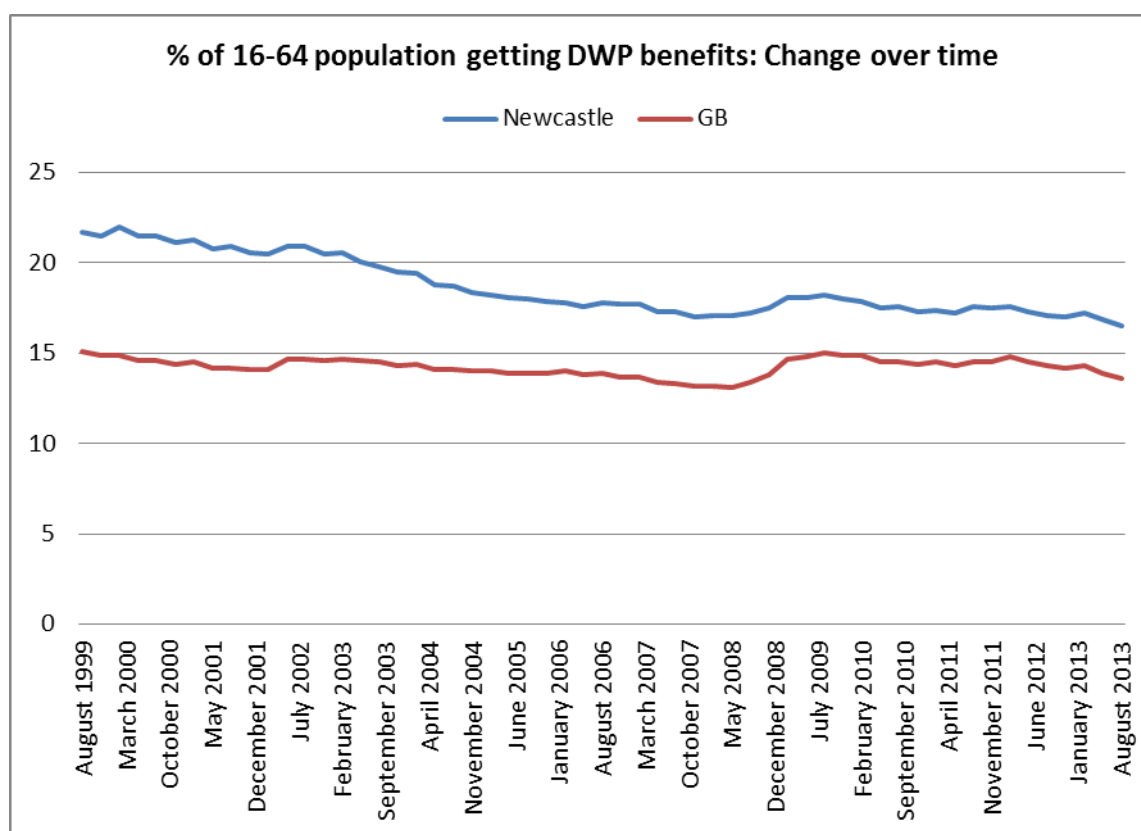


Figure 2.6-11: Percentage of 16-64 population getting DWP benefits August 1999 – August 2013. Source: Department for Work and Pensions.

Currently, Newcastle has a higher than Great Britain average of people who receive Department for Work and Pensions (DWP) benefits as do all the core cities (Figure 2.6-12).

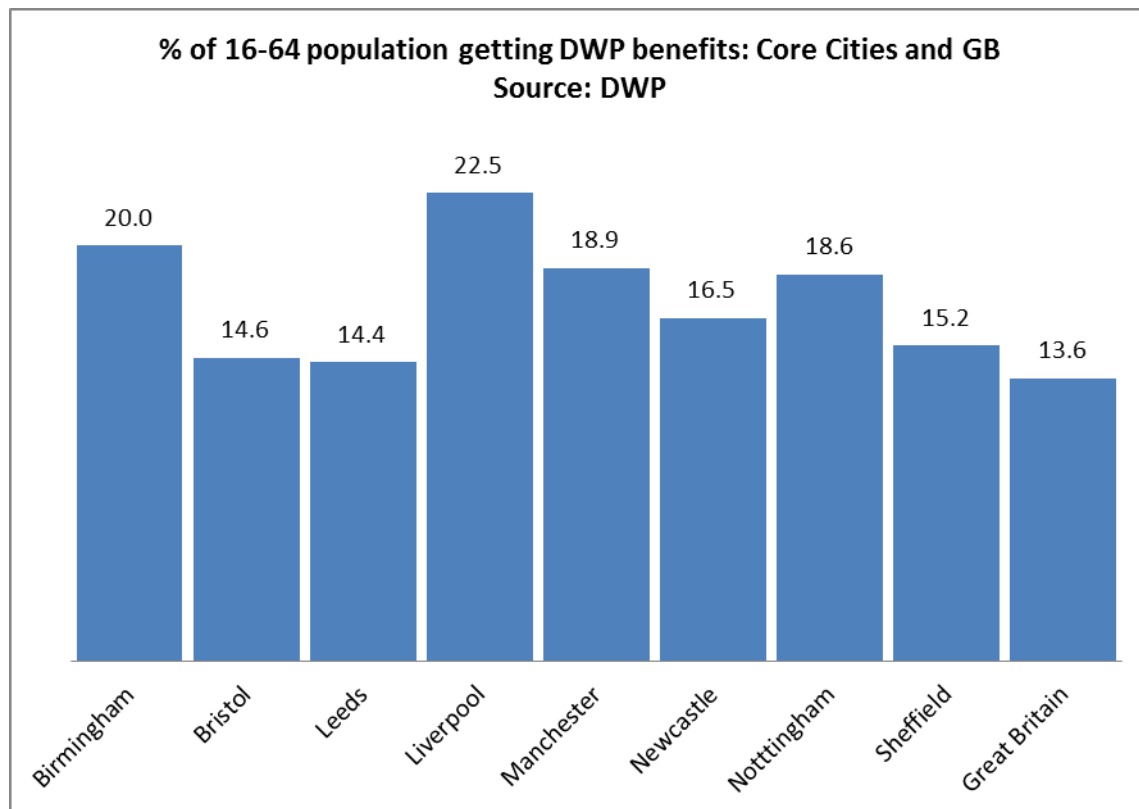


Figure 2.6-12: Percentage of 16-64 population getting DWP benefits in core cities and Great Britain. Source: Department of work and pensions (August 2013)

15.6% of Newcastle's population get a state pension. This is similar to the position of other care cities and lower than the North East as a whole (Figure 2.6-13)

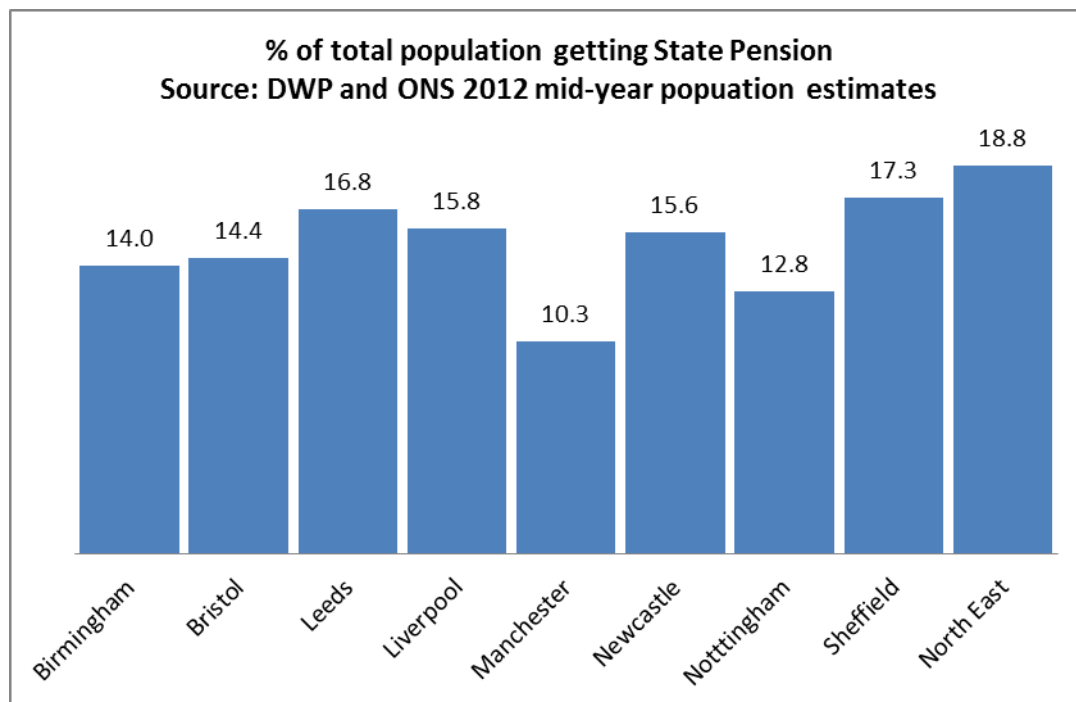


Figure 2.6-13: Percentage of total population getting state pension. Source: Department for Work and Pensions (August 2013) and ONS 2012 mid-year population estimates.

Of those that get a state pension in Newcastle, 36.6% also get pension credit (Figure 2.6-14).

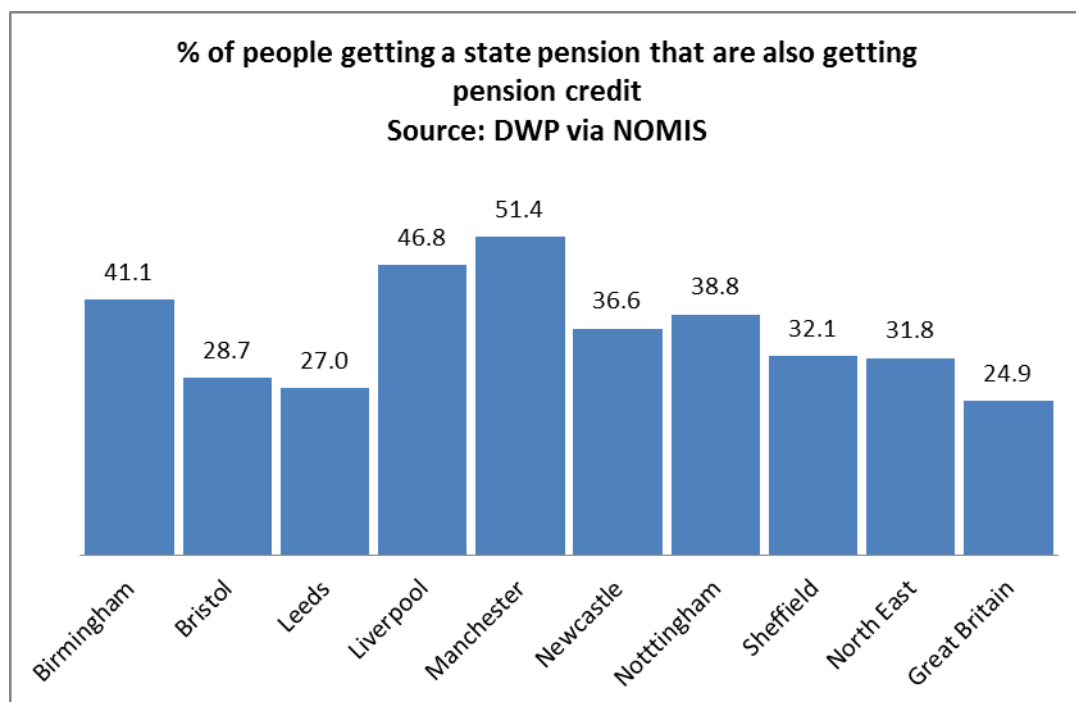


Figure 2.6-14: Percentage of total population getting state benefit. Source: Department for Work and Pensions (August 2013).

2.6.4 Sufficiency of incomes

The Residents Survey provides insights into the degree to which people have difficulties paying their rent or mortgage. On average, 15.2% say they have difficulties paying their rent or mortgage. Figure 2.6-15 to Figure 2.6-18 illustrate how that varies by ward, age, respondent type and household type.

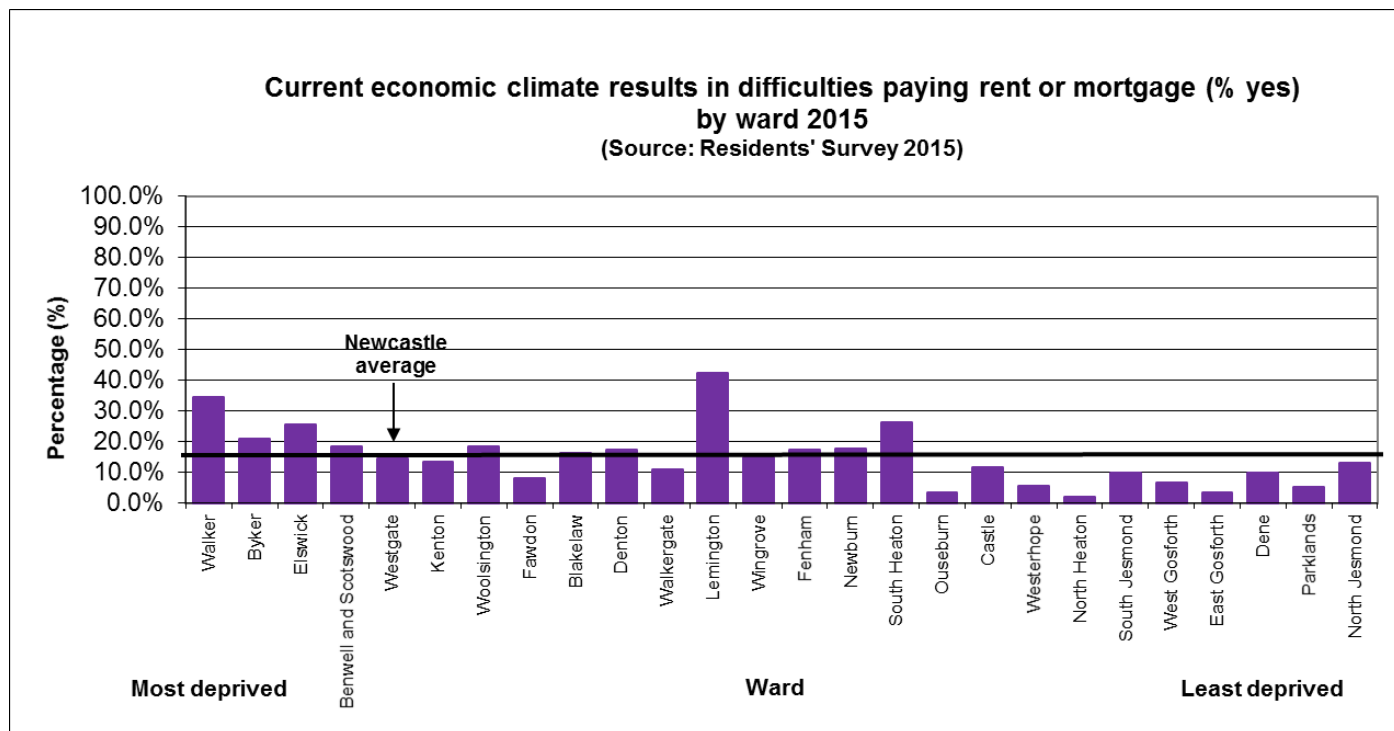


Figure 2.6-15: Current economic climate results in difficulties paying rent or mortgage by ward 2015

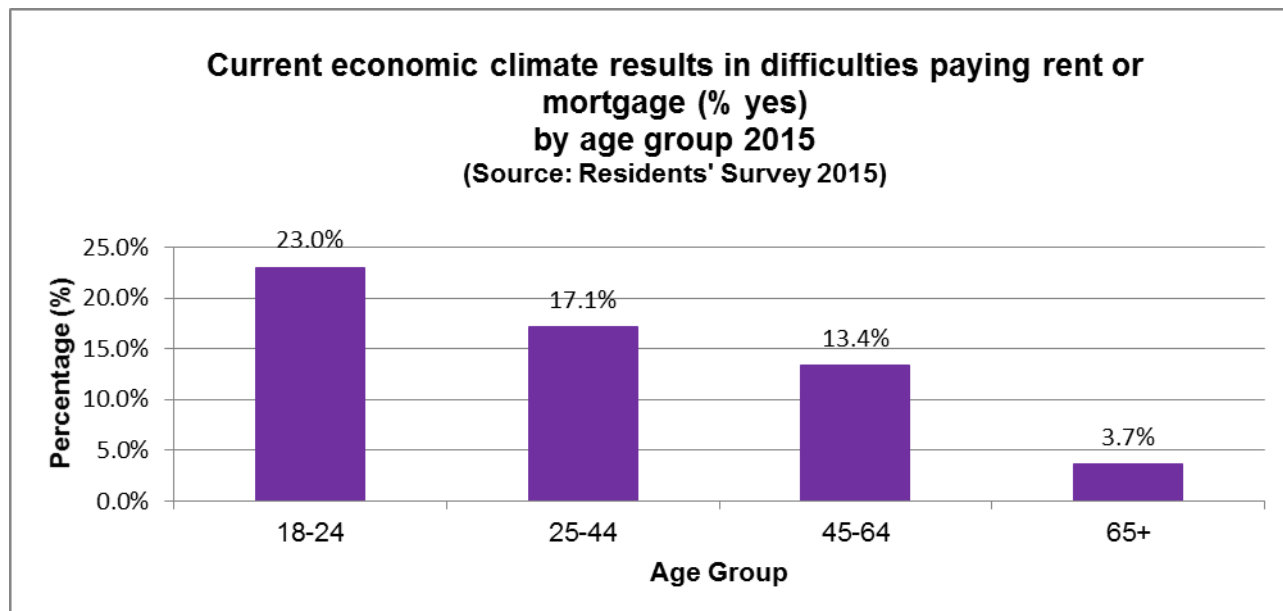


Figure 2.6-16: Current economic climate results in difficulties paying rent or mortgage by age group 2015

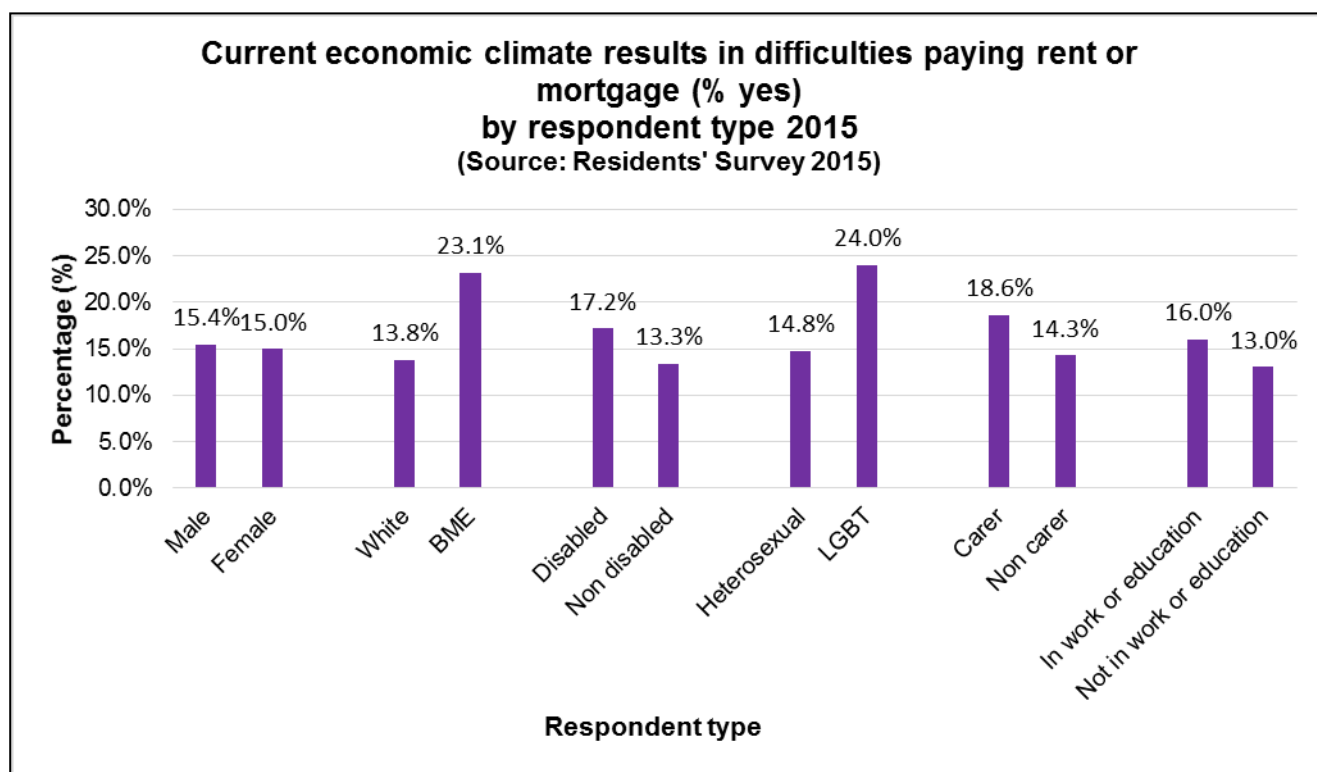


Figure 2.6-17: Current economic climate results in difficulties paying rent or mortgage by respondent type 2015

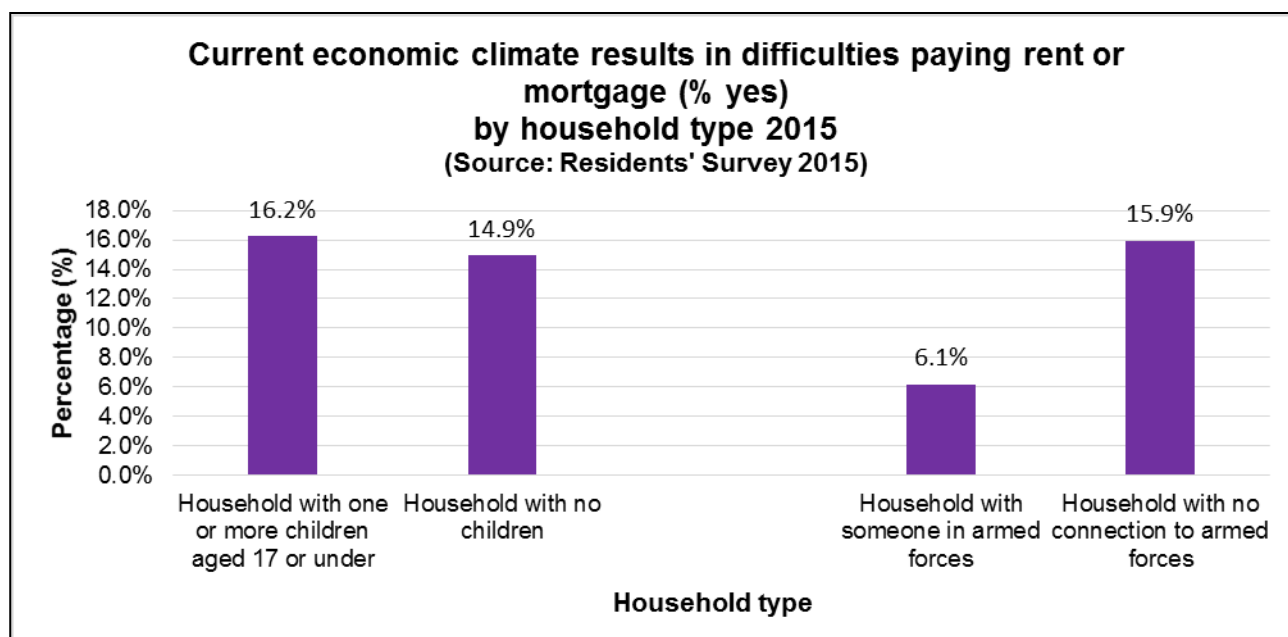


Figure 2.6-18: Current economic climate results in difficulties paying rent or mortgage by household type 2015

The Residents Survey data can also give us an indication of the trend over time. Figure 2.6-19 shows the city-wide trend, whilst Figure 2.6-20 shows the difference at ward level. There is no discernible pattern in the wards that have increased or decreased.

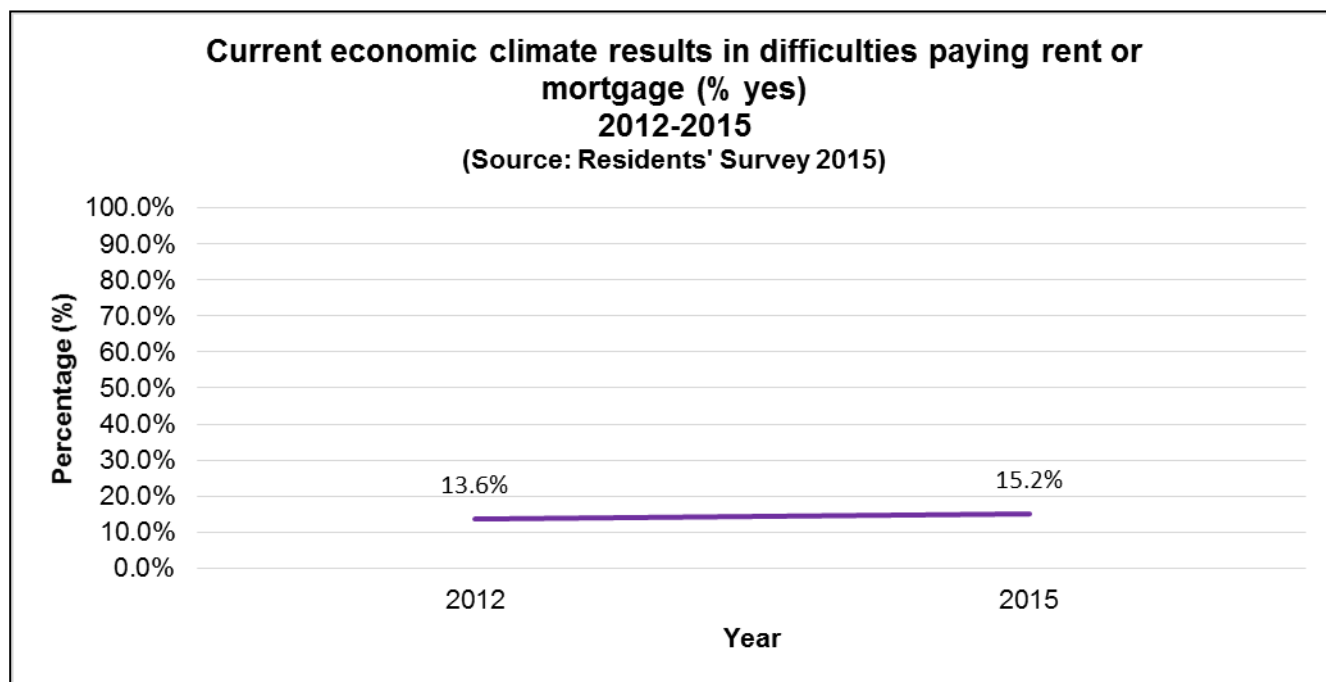


Figure 2.6-19: Current economic climate results in difficulties paying rent or mortgage citywide trend

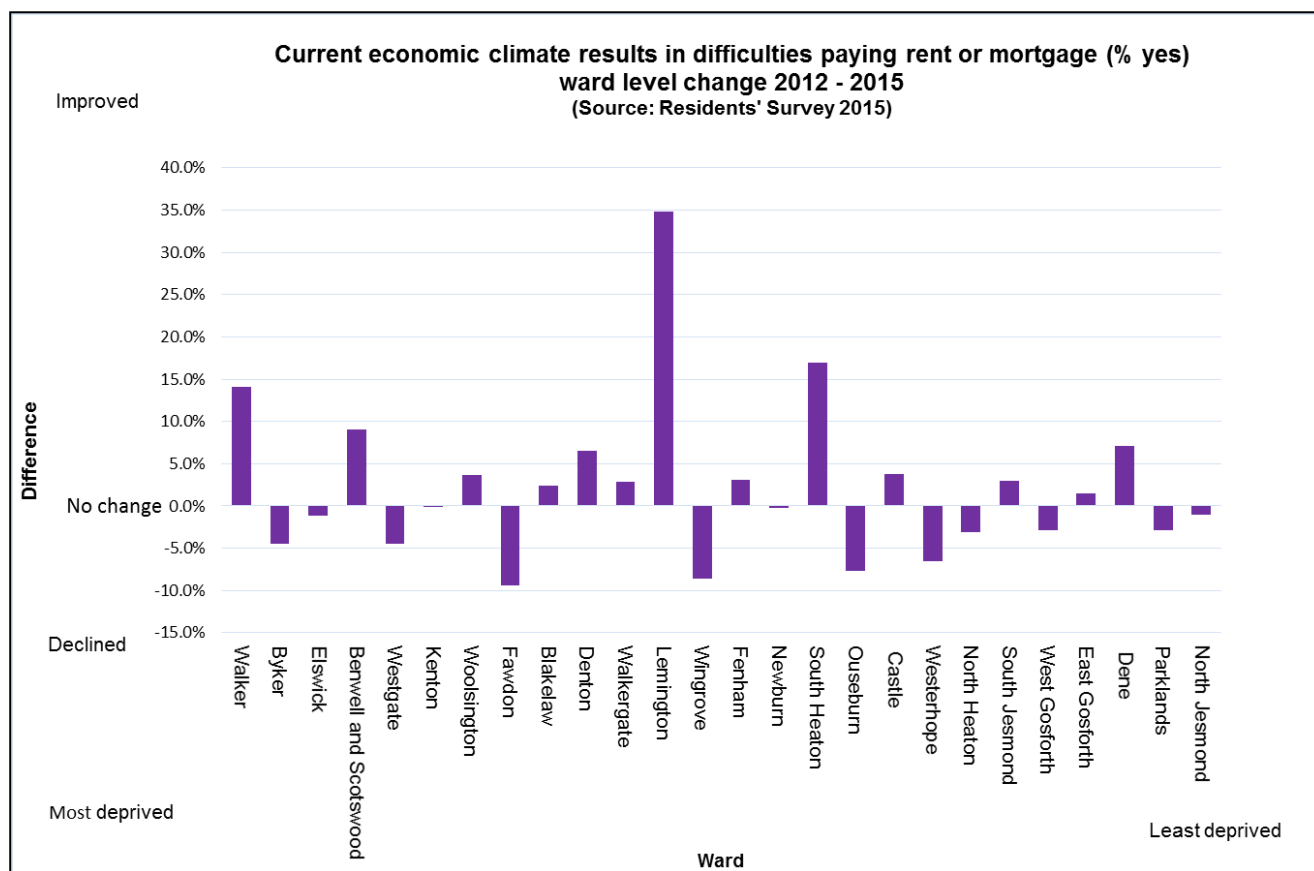


Figure 2.6-20: Current economic climate results in difficulties paying rent or mortgage ward level change

The Residents Survey provides insights into the degree to which people have difficulties paying fuel/energy bills or water¹. On average, 20.3% say they have difficulties paying fuel/energy bills or water. Figure 2.6-21 to Figure 2.6-24 illustrate how that varies by ward, age, respondent type and household type.

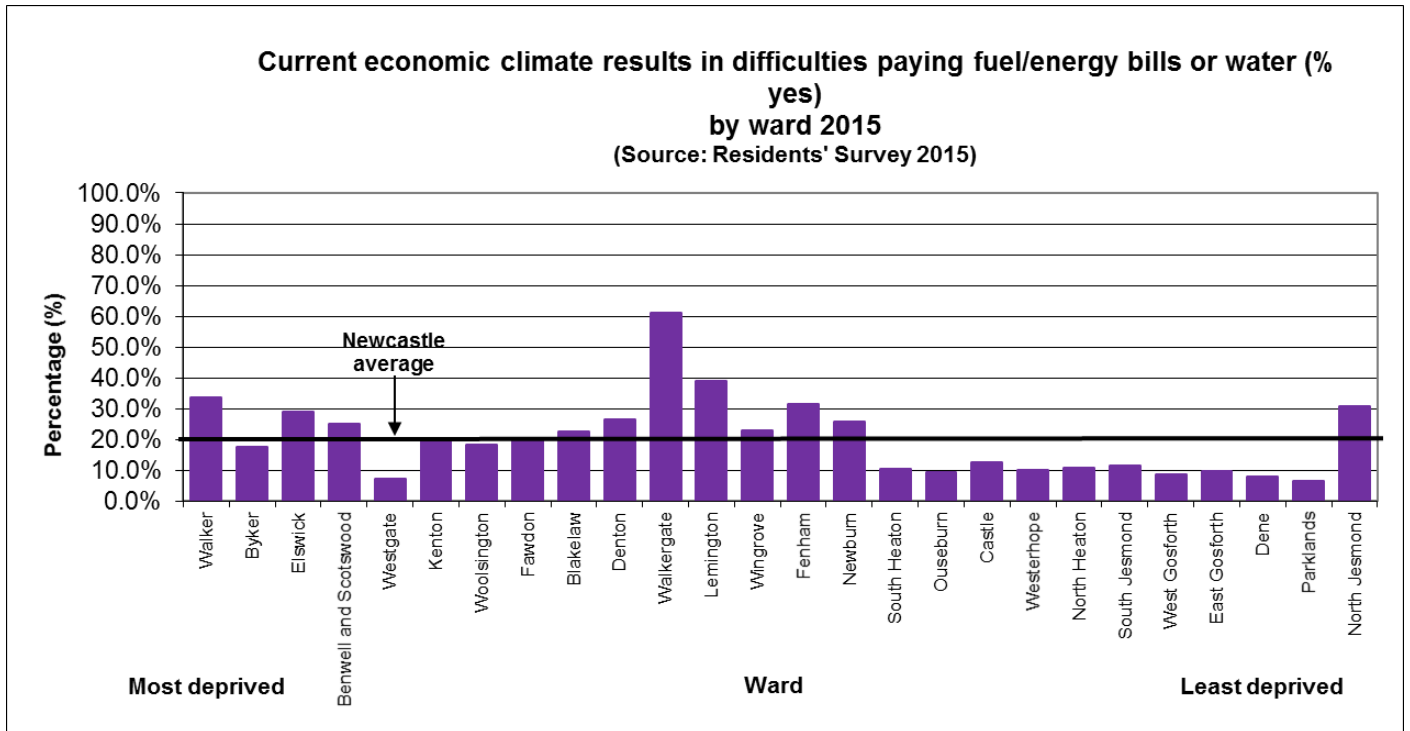


Figure 2.6-21: Current economic climate results in difficulties paying fuel/energy bills or water by ward 2015

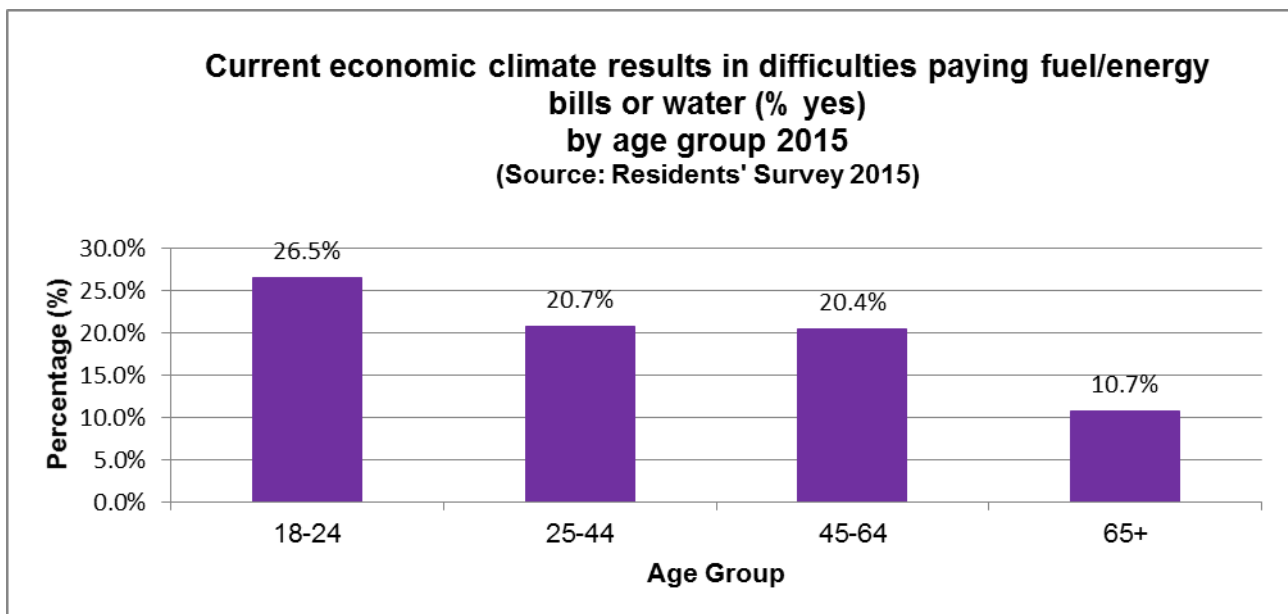


Figure 2.6-22: Current economic climate results in difficulties paying fuel/energy bills or water by age group 2015

¹ You may also be interested in the fuel poverty measure which is incorporated into the Know Your City's Built Environment section.

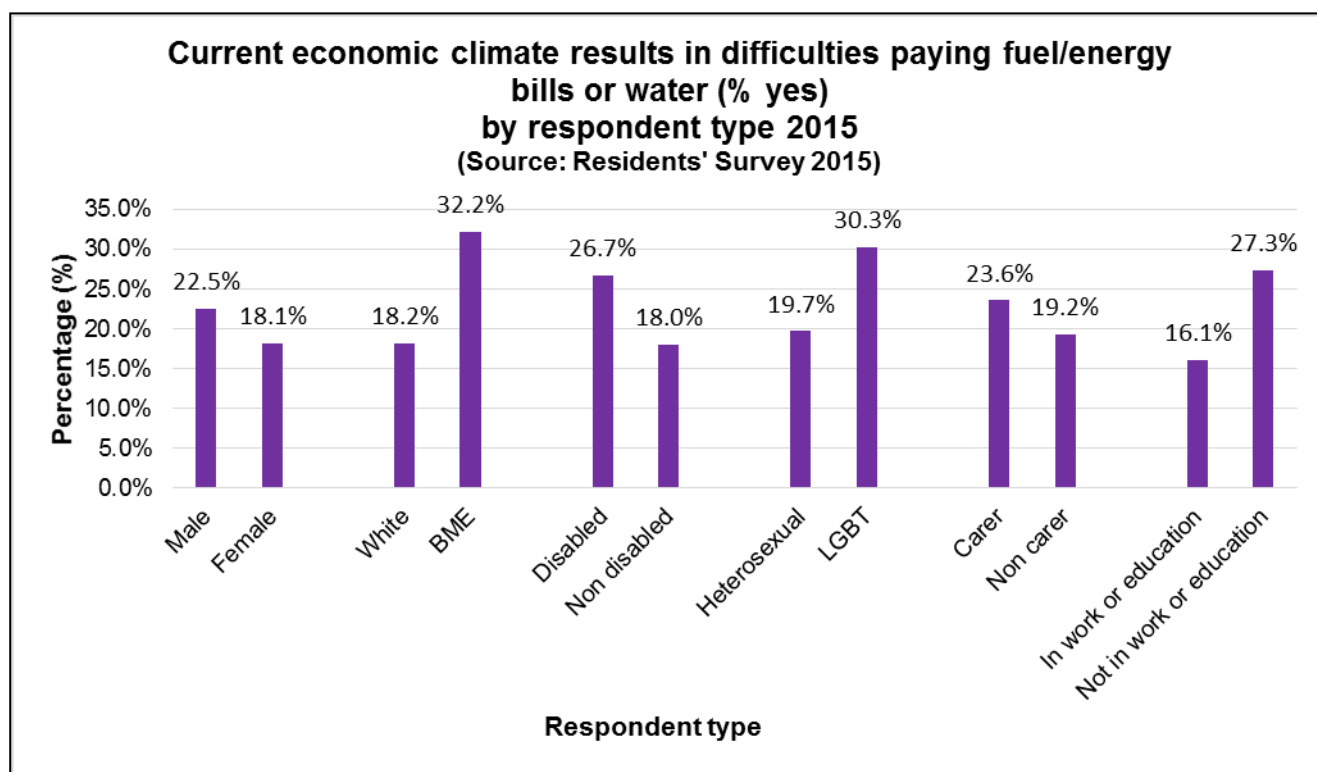


Figure 2.6-23: Current economic climate results in difficulties paying fuel/energy bills or water by respondent type 2015

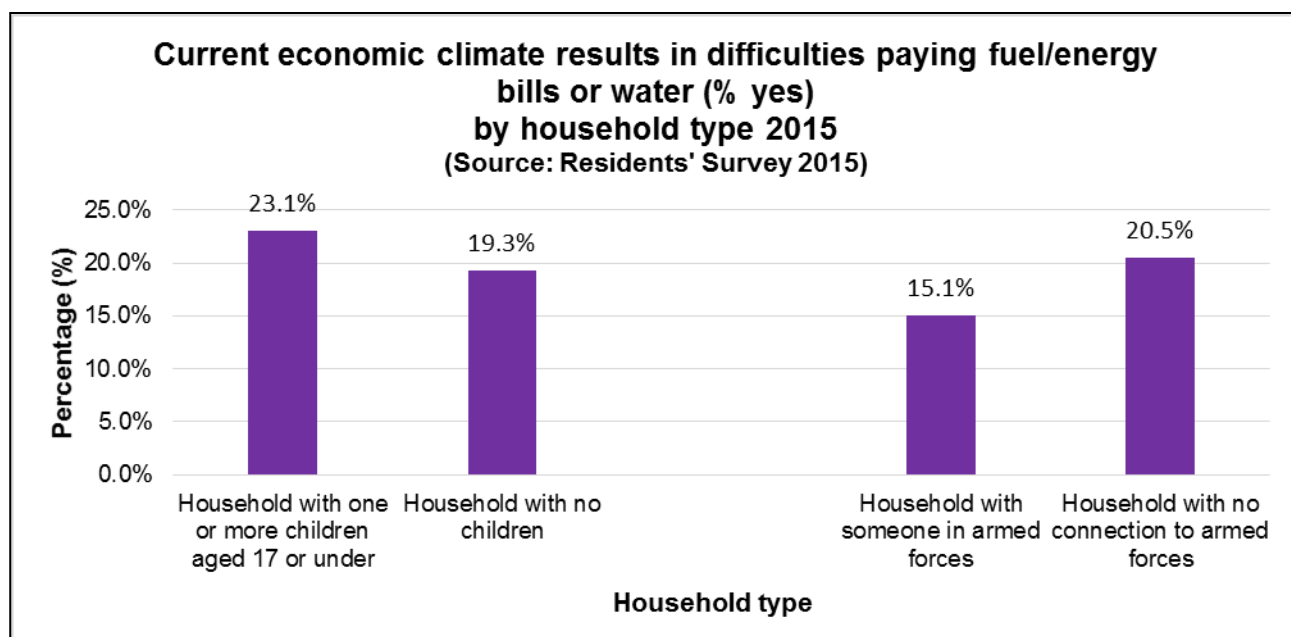


Figure 2.6-24: Current economic climate results in difficulties paying fuel/energy bills or water by household type 2015

The Residents Survey data can also give us an indication of the trend over time. Figure 2.6-25 shows the city-wide trend, whilst Figure 2.6-26 shows the difference at ward level. There is no discernible pattern in the wards that have increased or decreased.

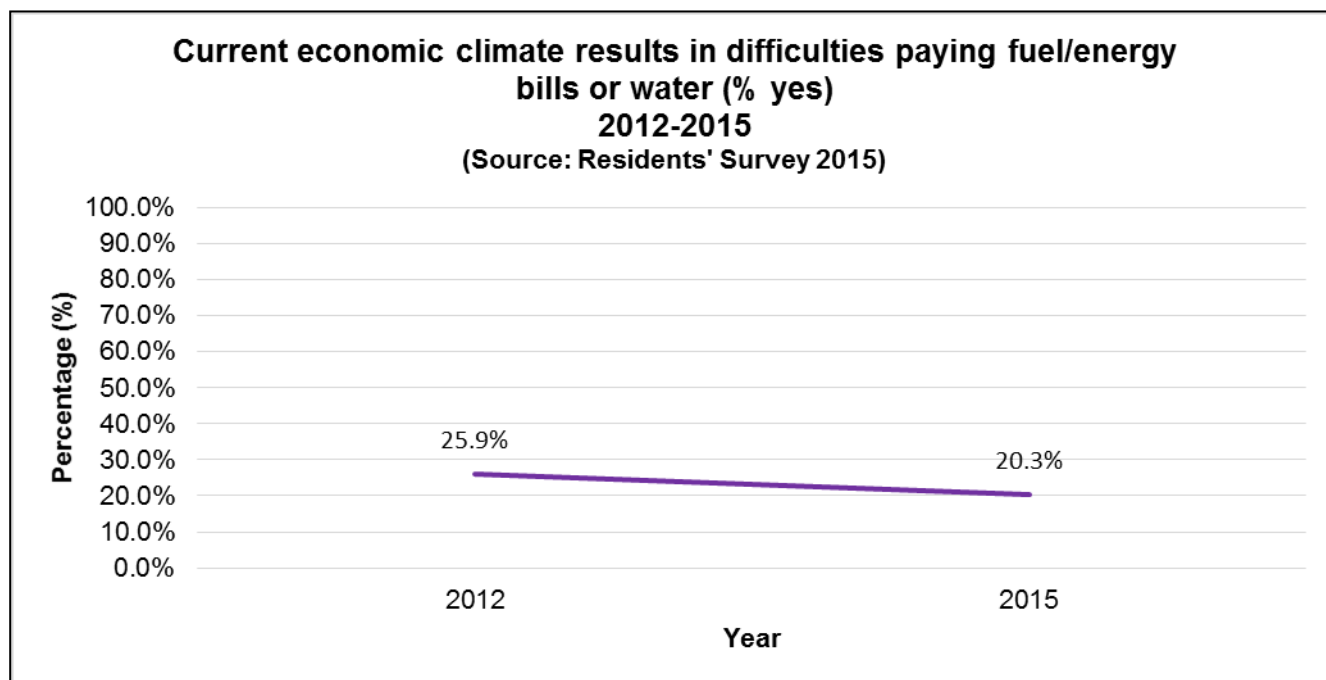


Figure 2.6-25: Current economic climate results in difficulties paying fuel/energy bills or water citywide trend

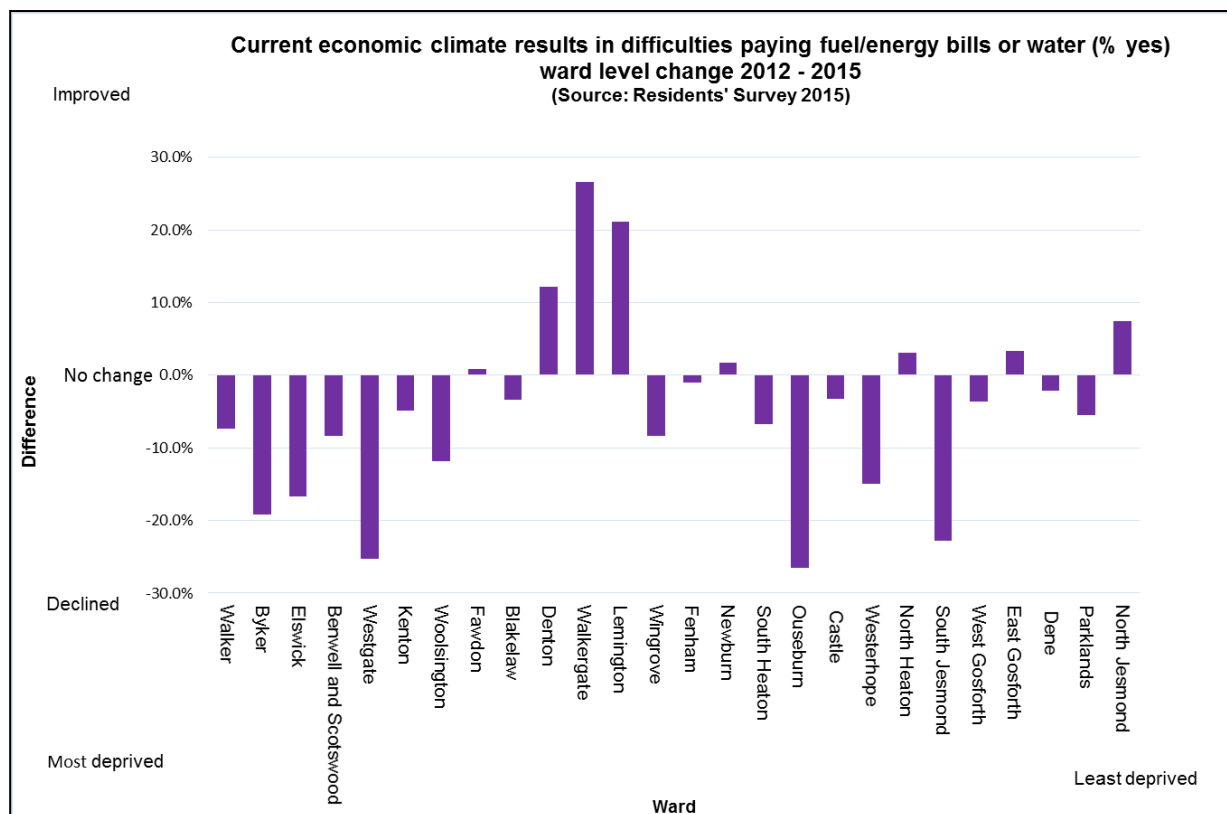


Figure 2.6-26: Current economic climate results in difficulties paying fuel/energy bills or water ward level change

The Residents Survey provides insights into the degree to which people have difficulties paying for childcare and education. On average, 5.7% say they have difficulties paying for childcare and education. Figure 2.6-27 to Figure 2.6-30 illustrate how that varies by ward, age, respondent type and household type.

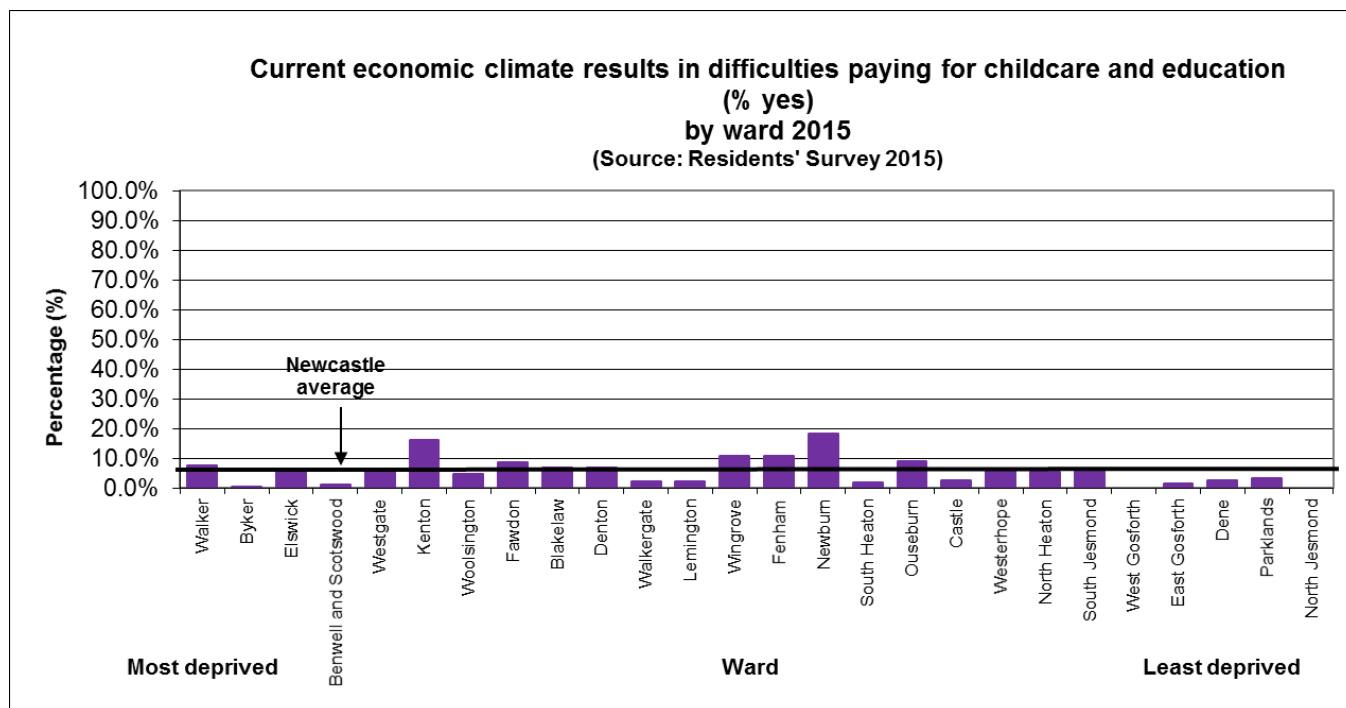


Figure 2.6-27: Current economic climate results in difficulties paying for childcare and education by ward 2015

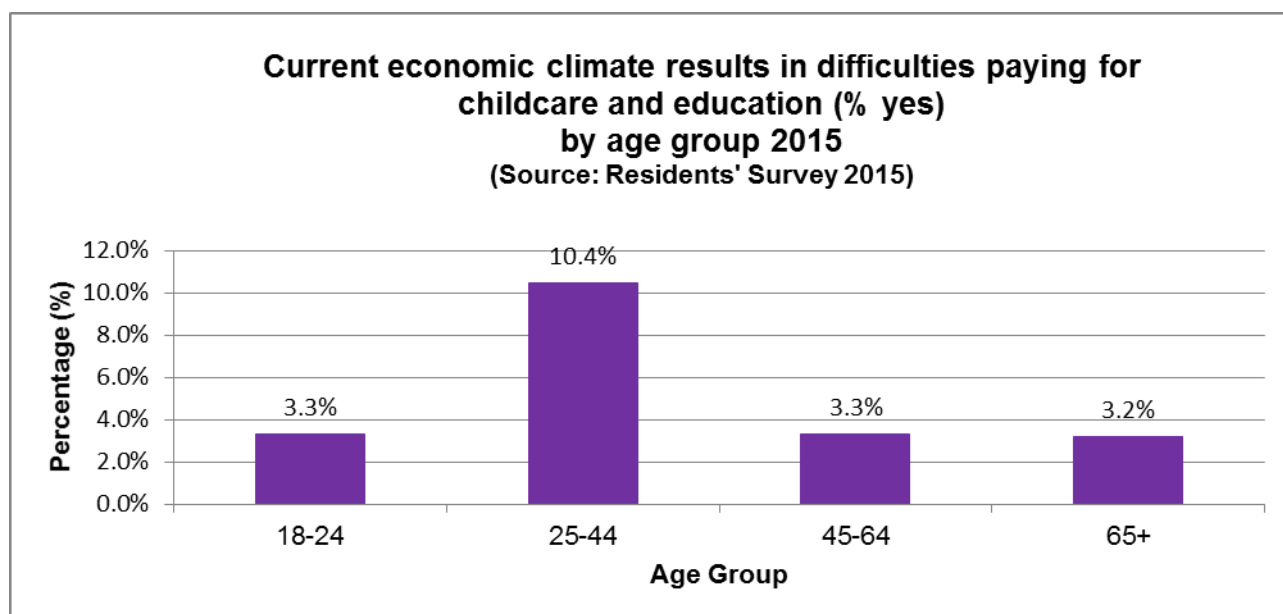


Figure 2.6-28: Current economic climate results in difficulties paying for childcare and education by age group 2015

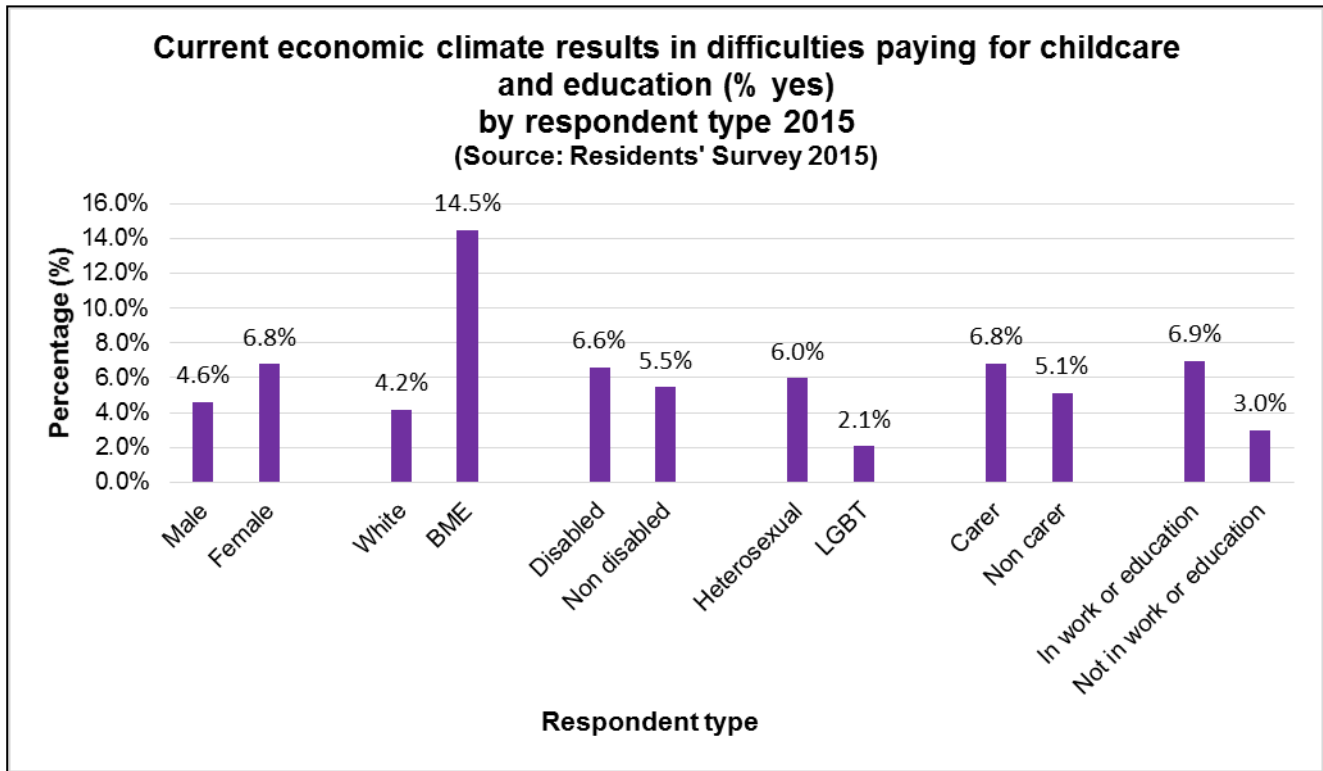


Figure 2.6-29: Current economic climate results in difficulties paying for childcare and education by respondent type 2015

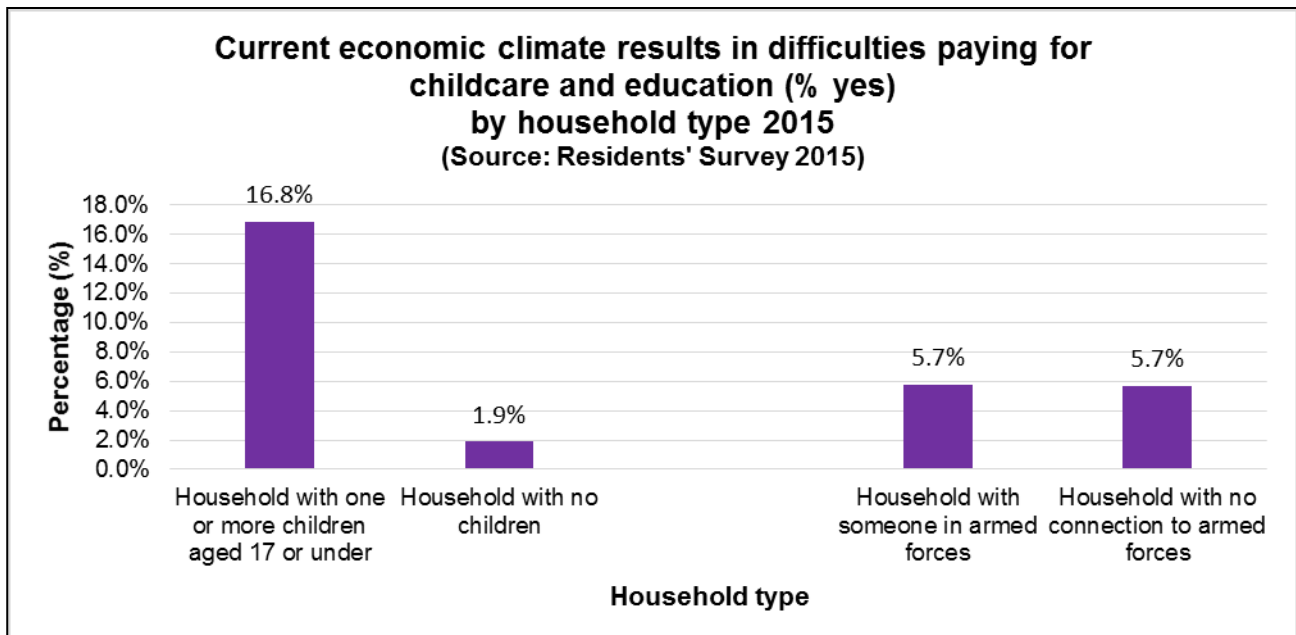


Figure 2.6-30: Current economic climate results in difficulties paying for childcare and education by household type 2015

The Residents Survey data can also give us an indication of the trend over time. Figure 2.6-31 shows the city-wide trend, whilst Figure 2.6-32 shows the difference at ward level. There is no discernible pattern in the wards that have increased or decreased.

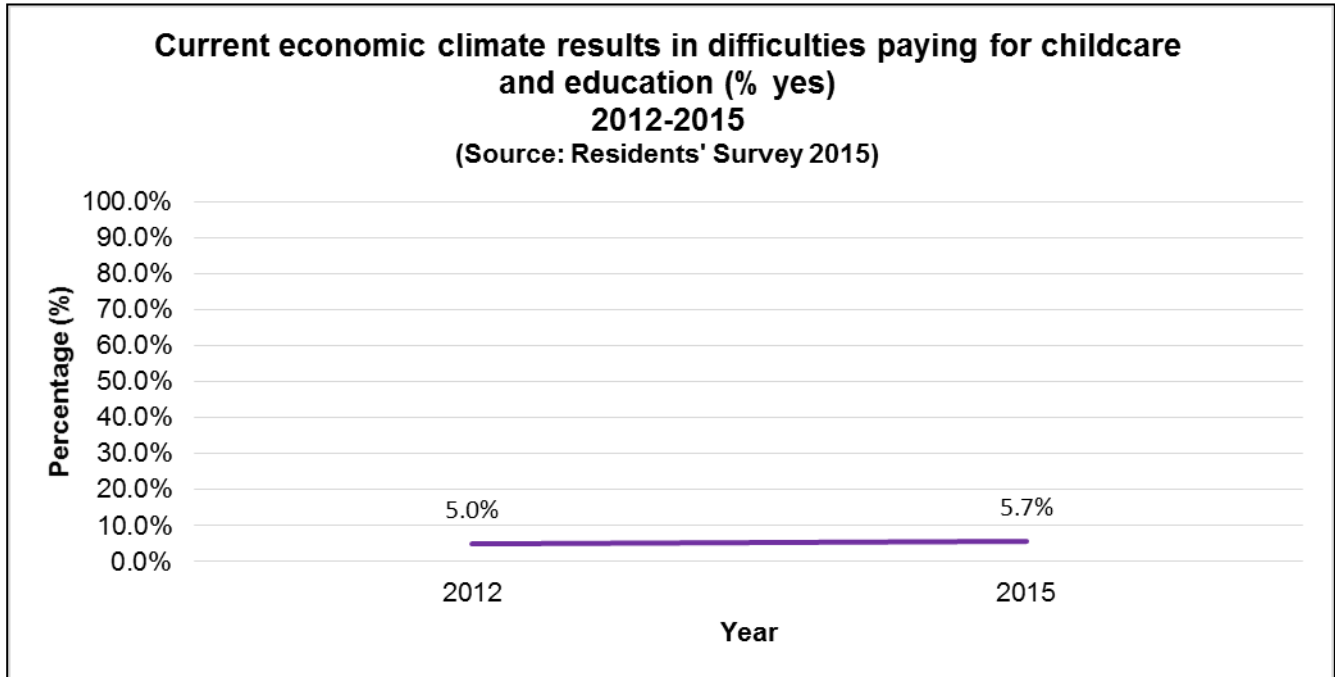


Figure 2.6-31: Current economic climate results in difficulties paying for childcare and education citywide trend

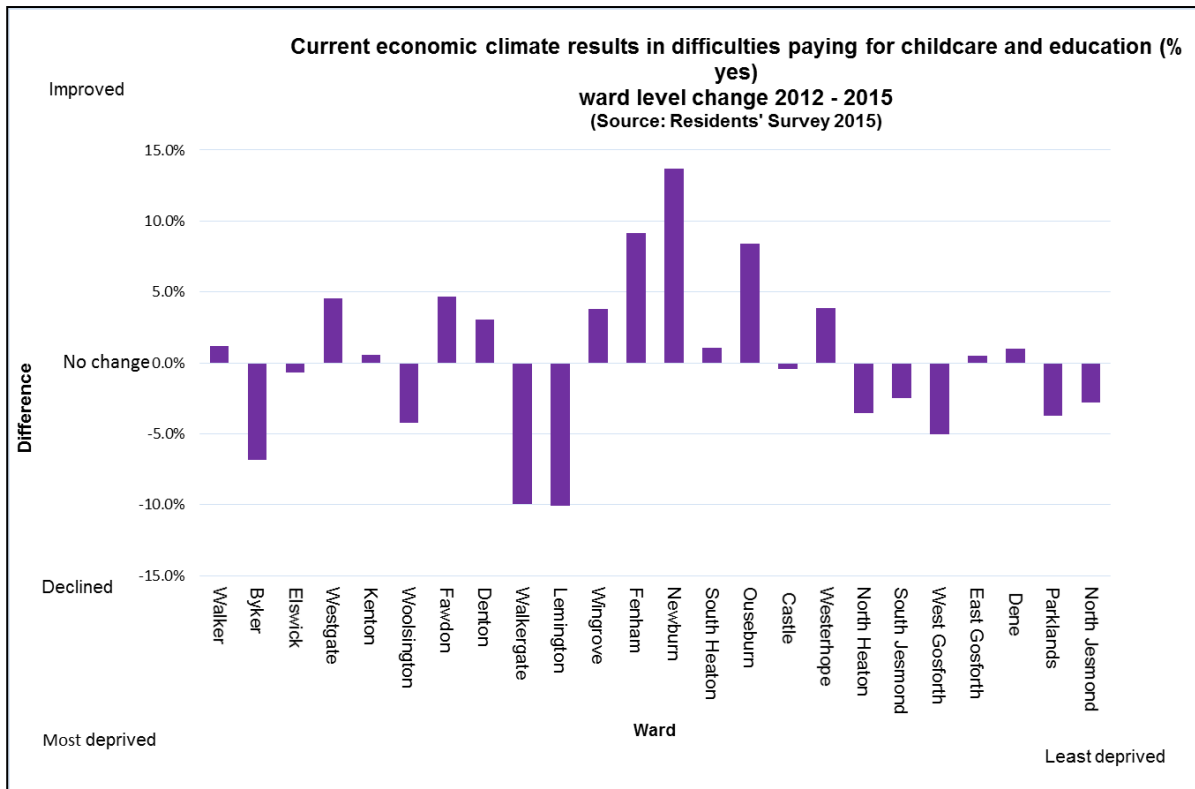


Figure 2.6-32: Current economic climate results in difficulties paying for childcare and education ward level change

The Residents Survey provides insights into the degree to which people have difficulties affording to buy food. On average, 15% say they have difficulties affording to buy food. Figure 2.6-33 to Figure 2.6-36 illustrate how that varies by ward, age, respondent type and household type.

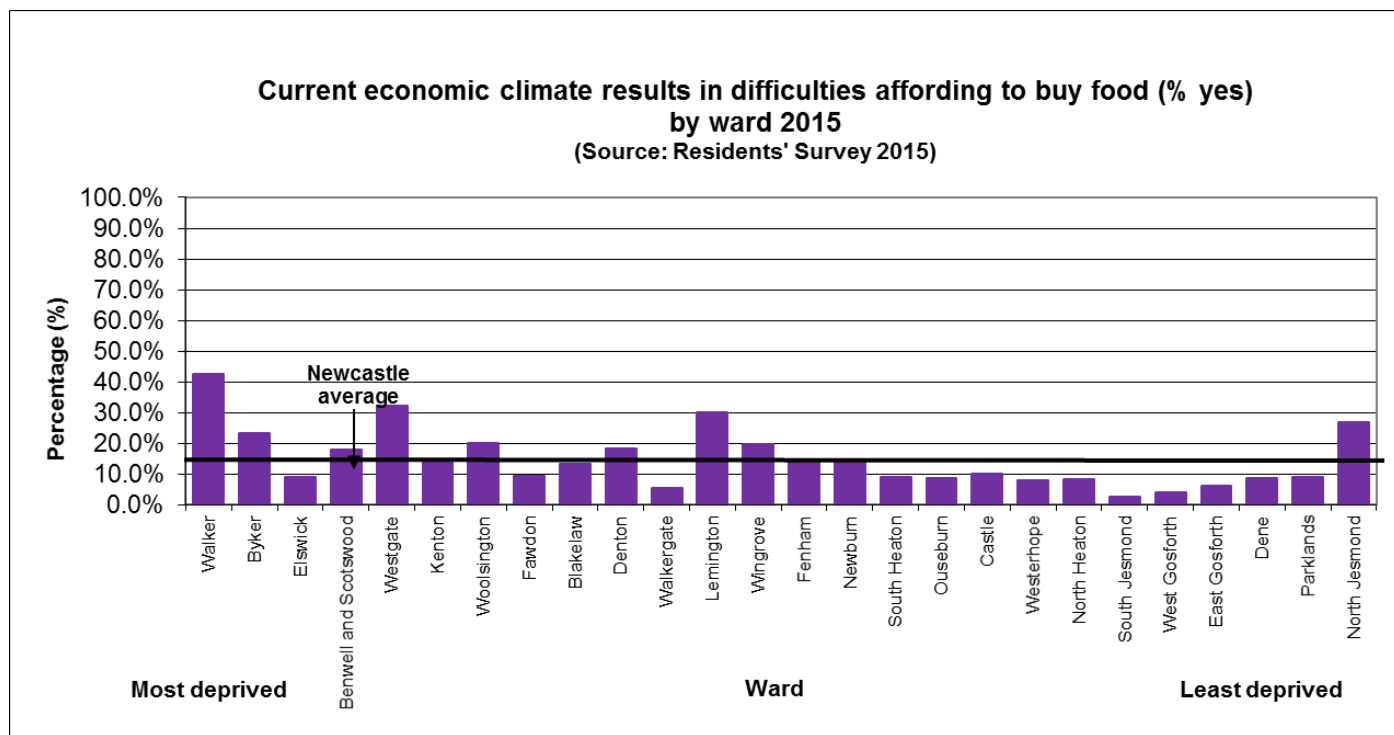


Figure 2.6-33: Current economic climate results in difficulties affording to buy food by ward 2015

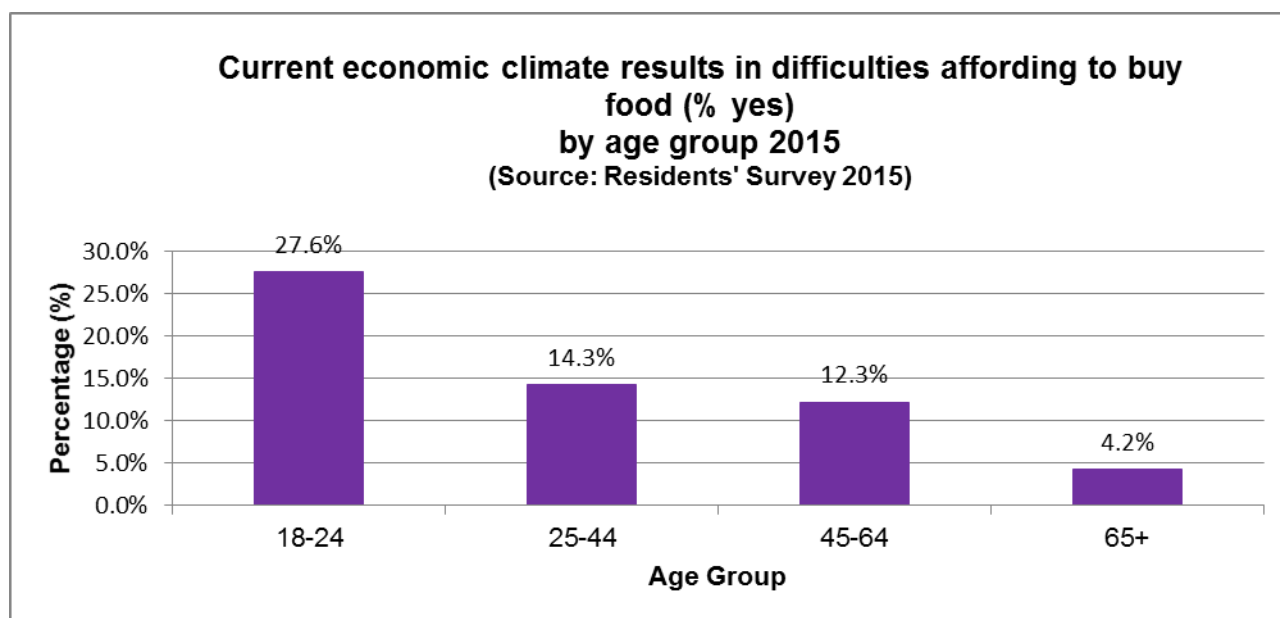


Figure 2.6-34: Current economic climate results in difficulties affording to buy food by age group 2015

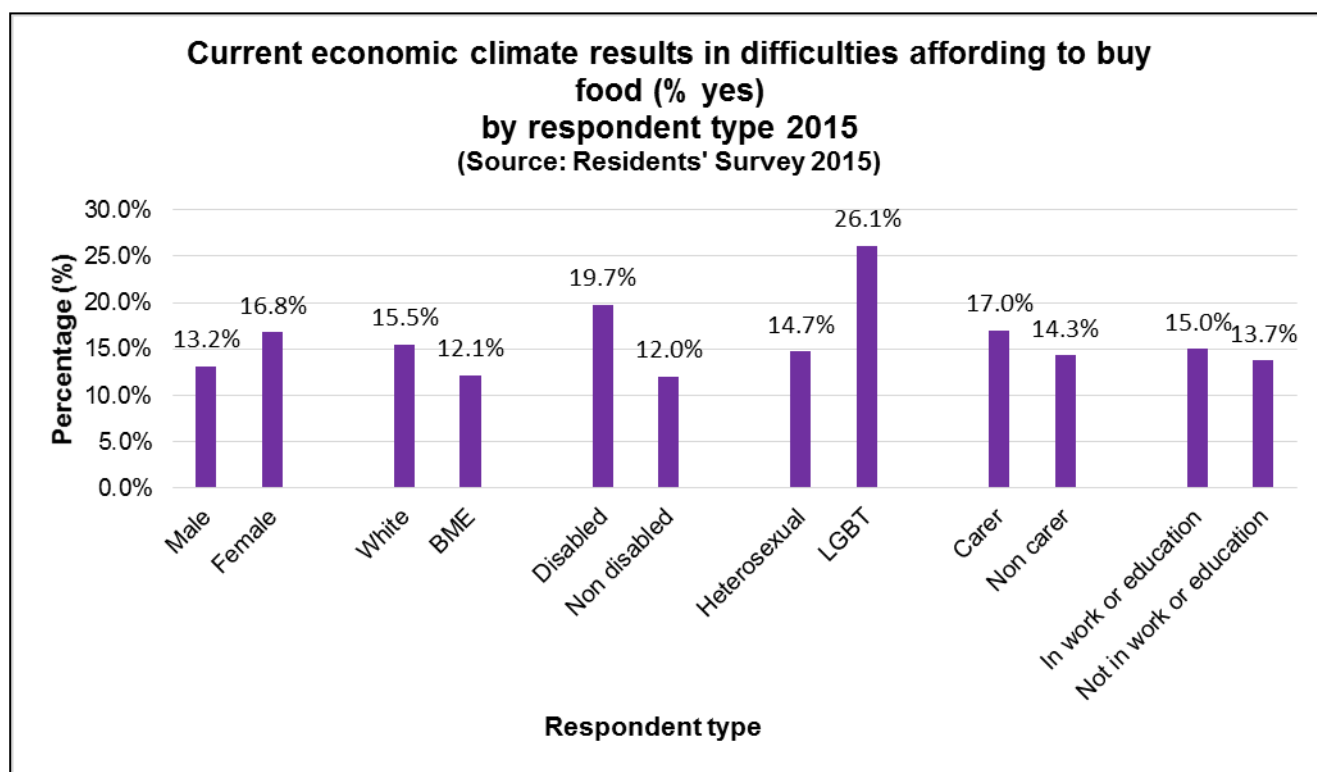


Figure 2.6-35: Current economic climate results in difficulties affording to buy food by respondent type 2015

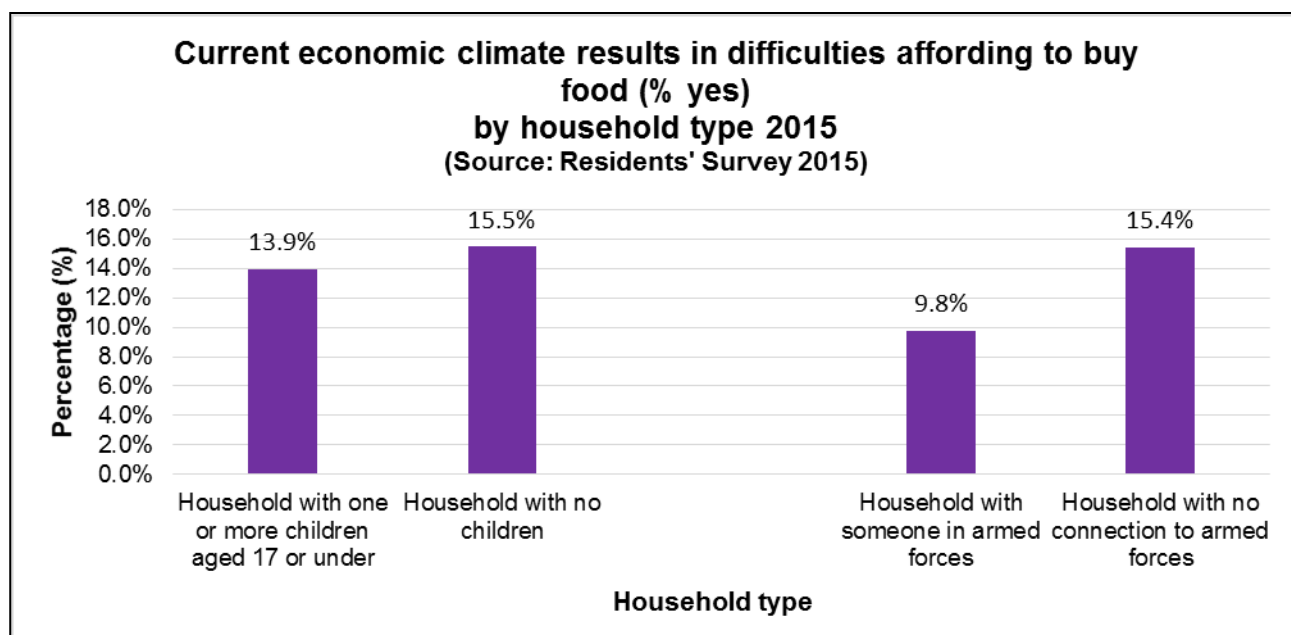


Figure 2.6-36: Current economic climate results in difficulties affording to buy food by household type 2015

The Residents Survey data can also give us an indication of the trend over time. Figure 2.6-37 shows the city-wide trend, whilst Figure 2.6-38 shows the difference at ward level. There is no discernible pattern in the wards that have increased or decreased.

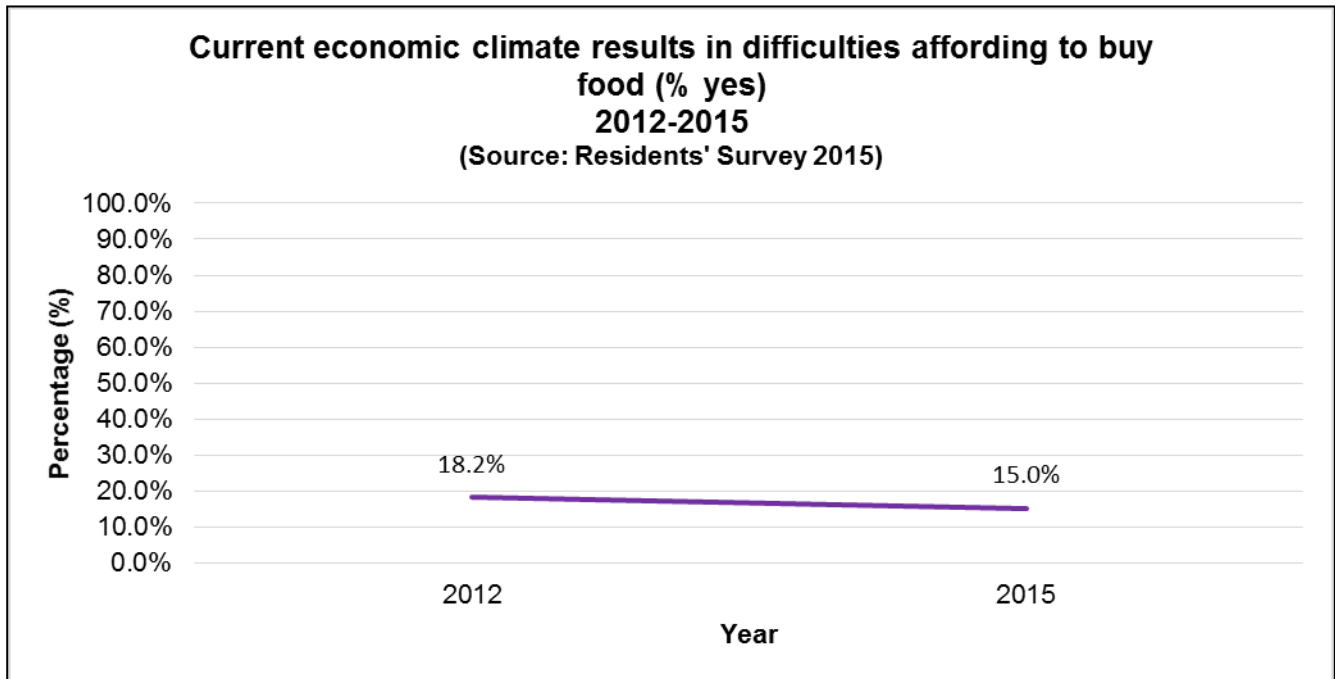


Figure 2.6-37: Current economic climate results in difficulties affording to buy food citywide trend

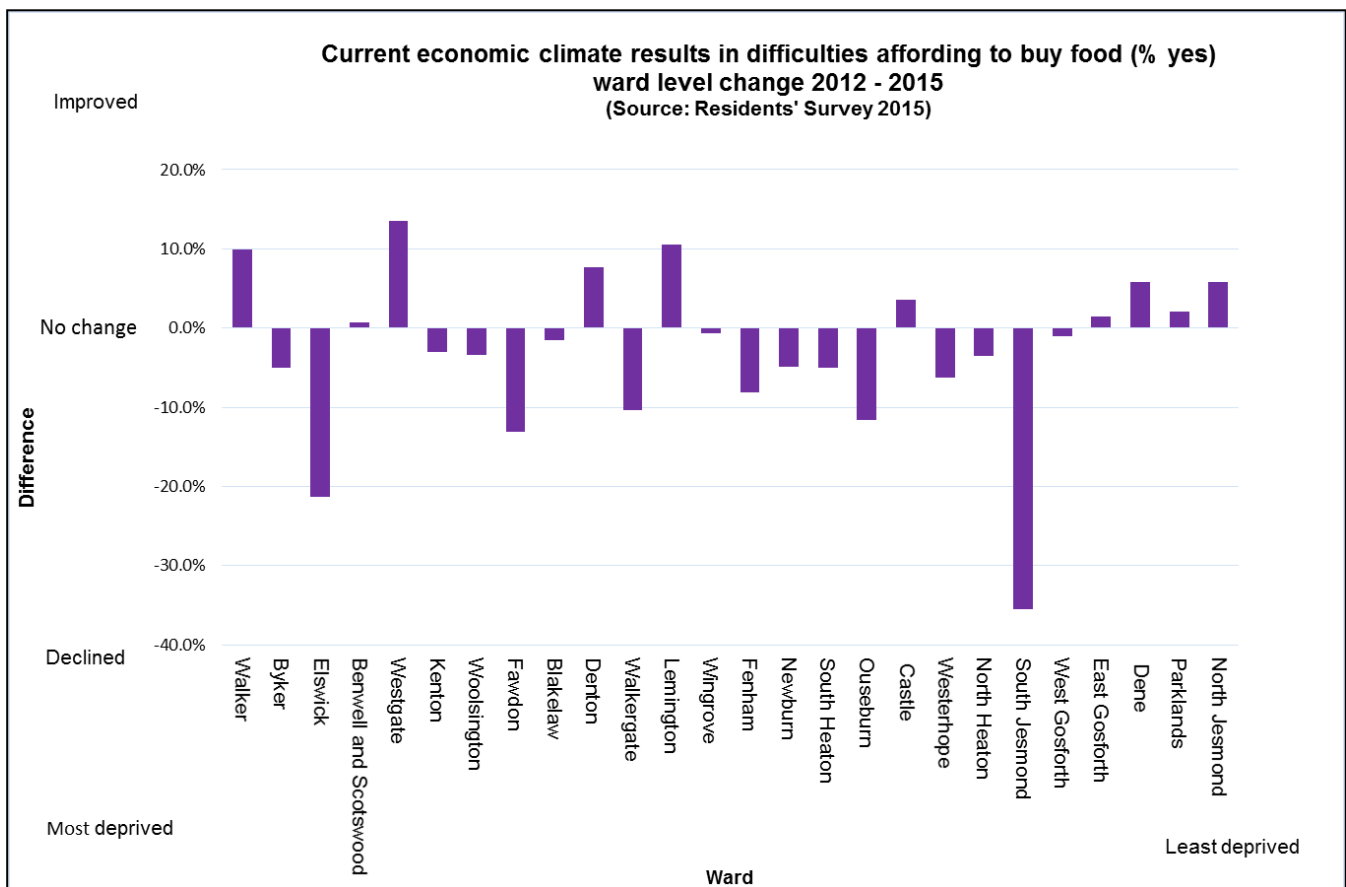


Figure 2.6-38: Current economic climate results in difficulties affording to buy food ward level change

References and Sources

- ¹ See for example – The State of Living Standards 2014, The Resolution Foundation. OECD Fact book 2011-12. The Rise in self-employment: Chartered Institute of Personnel and Development (2012)
- ² HM Revenue and Customs – personal incomes statistics.
- ³ ONS – public private sector employment statistics
- ⁴ ONS – Sub-regional analysis of public and private sector employment (2011)
- ⁵ Newcastle Council for Voluntary Service (2013) “Key facts about the voluntary and community sector in Newcastle 2013”, NCVS
- ⁶ Wilkinson, R. and Marmot, M (editors) (2003) “Social determinants of health: the solid facts”. 2nd edition, World Health Organisation.
- ⁷ Annual Survey of Hours and Earnings: 3 year average 2011-2013