

Economic Audit of South Lanarkshire 2009

The Central Research Unit has been given the remit of reviewing and scanning the environment that the council operates within. As part of this process, the unit has developed a series of Policy Briefings on issues relating to the council and the social, economic and policy environment in which it operates.

These are not intended for information purposes only but to provide background on a topic of relevance to the council with a focus on analysing and, where relevant, identifying emerging issues. It is also expected to form part of the evidence base for the South Lanarkshire community planning based Single Outcome Agreement.

Their aim is to: -

- Promote consideration of issues arising out of analysis of key statistics and trends
- Reflect on the issues and direction of emerging UK Government and Scottish Government policies
- Deepen the council's understanding and knowledge of issues.

This report draws together the most recent comprehensive information on the South Lanarkshire economy from both official and Council sources. It aims to help policy and programme makers increase their understanding of the South Lanarkshire economy and its characteristics and challenges. It covers a range of economic and labour market statistics – including summaries of both Employment forecasts and labour supply forecasts for South Lanarkshire – to provide an audit of the economic situation in South Lanarkshire. It looks at enterprise activity, the labour market, forecasts and deprivation.

For further information on any of the elements of this report contact:-

Alex Morton	Tel : 01698 453829 Email : alex.morton@southlanarkshire.gov.uk
Allan Lambie	Tel : 01698 453843 Email : allan.lambie@southlanarkshire.gov.uk
Helen Rae	Tel : 01698 453812 Email : helen.rae@southlanarkshire.gov.uk
Neil Reid	Tel : 01698 453746 Email : neil.reid@southlanarkshire.gov.uk
Andrea Sinclair	Tel : 01698 454940 Email : andrea.sinclair@southlanarkshire.gov.uk

Overview – Executive summary

Figures indicate that in the middle of 2008 the South Lanarkshire economy began to be affected by the recession, but the majority of the statistics contained in this report relate to the period of growth that South Lanarkshire experienced up to this period. This therefore means that the audit shows a more pre-recession outlook.

Wealth generation

In nominal terms Gross Valued Added - basically the value of all goods & services created in South Lanarkshire – has continued to rise, reaching £4.842mn in 2006. Over the 1995-2000 period, wealth generation grew faster here than anywhere else in Scotland, but since 2000 it has slipped to having the 11th highest growth rate. Finance & Business services and Construction have become more important over this period as the engine of growth for the economy, and this could be a source of weakness in the present recession. Overall productivity continues to be below the Scottish average and while the gap has been narrowing since 2003, it remains over a tenth lower.

Household Disposable Income has been growing in nominal terms and on a per head basis has always been above the Scottish average. South Lanarkshire remains significantly dependent on income from main income sources and is increasingly paying more in taxes, etc, than it receives in benefits, etc.

Deprivation

Around 1 in 8 people in South Lanarkshire (around 41,500) live in the most deprived areas of Scotland – with Rutherglen / Cambuslang and Hamilton being the most affected areas. There were 13 areas in South Lanarkshire in the most severely multiply deprived areas in Scotland (just under 9,500 people).

South Lanarkshire had the 5th highest number of Employment deprived people in Scotland (26,270) and the 4th largest number of Income deprived people (42,200). South Lanarkshire also had 66 areas in the worst 15% of areas in Scotland in terms of Education & Skills deprivation and 62 in the worst 15% of areas for Employment deprivation.

Enterprise

The company sector dominates employment and turnover in South Lanarkshire. Other forms of enterprise - sole proprietors, partnerships – have experienced declines in numbers, turnover and employment. The Companies sector appears to be performing “better” here than in Scotland as a whole while the Sole Trader sector has been experiencing a “poorer” performance. The number of Sole Traders has fallen here by over a tenth and the number of Partnerships by over a fifth since 2000.

Registered business numbers show the local business stock is dominated by Services geared to meeting “local” needs and demands, with an over-representation of Retailing & Distribution and Construction businesses relative to Scotland as a whole. The latest figures, for 2007, show a step change upwards in VAT registering businesses, and at a greater rate than in Scotland.

While the business start up rate in South Lanarkshire is at its highest level ever recorded it is still lower than the Scottish average. If it had the same rate, there would be 1,190 more businesses in South Lanarkshire than is the case. The number of VAT de-registrations was the 2nd lowest since 1998.

In terms of business survival rates, the proportion of businesses surviving for one year has been rising and it at its highest level ever – and is above the Scottish average. Just over half of businesses started in 2004 were still trading in 2007 – the lowest proportion recorded – though the survival rate, for the first time, was not lower than the Scottish average. A clear downward trend in three year survival rates is apparent in Hotels & Catering and the Retailing & Wholesaling sectors.

In 2005 private sector productivity in South Lanarkshire fell for the first time ever, but it returned to continued growth in 2006. It has always been below the Scottish average. Net capital spending per worker in 2006 was just over half the Scottish average and this gap has been widening.

Foreign owned companies dominate the tradable economy - in investment, output and employment terms. Their share of investment and gross value added was six times and five times respectively their share of workplaces in South Lanarkshire, and in employment terms their share was nearly four times their share of workplaces.

Large enterprises (employing 250 or more) account for significantly more of investment, employment and output than their share of workplaces. Small companies (employing less than 25) have, however, been showing greater increases in employment growth, investment and output than larger businesses.

The level of Business Research & Development was the lowest recorded and on a per employee basis is below the Scottish average for the first time.

In recent years businesses here have benefited from assistance by the Scottish Government to companies to create or safeguard jobs. The most recent figures however are the lowest ever in terms of both the number of jobs, the amount of grant offered and the capital spending proposed by the companies involved. Of the jobs being supported, however, more were new jobs rather than jobs being safeguarded.

Agriculture has seen a move away from full time family working to more casual and seasonal workers and more full time and part time hired hands.

Compared to Scotland as a whole, job related training activity is higher in South Lanarkshire. Women were more likely than Men to be given job related training.

With nearly a third of South Lanarkshire adults not undertaking any form of Adult learning, adult learning rates are lower than the Scottish average. More of South Lanarkshire's residents have no formal qualifications than in Scotland as a whole. A local survey found that 44% were not interested in learning but of those undertaking it 70% said it would lead to a qualification.

There has been a slight fall in the numbers in Higher & Further education but it still remains at over 30,000. Women are increasingly dominating tertiary education. The proportion from Minority Ethnic Communities or who are Disabled has been rising.

Labour market supply

The proportion of residents who are in or seeking work has continued to grow – but also to age. The peak age group for being active or in employment in the labour market in South Lanarkshire is 35-49 and their proportion has been rising each year since 2004-05 to the highest ever. However, the proportion of those aged 16-19 - which had been rising - fell in 2007-08 to its lowest level ever.

The forecasts indicate that the greatest growth will be in the Female labour supply – accounting for over two-thirds of the rise until 2018, and the supply of young people is expected to fall.

Labour participation rates for young people are above those in Scotland or Britain and the gap has been widening. The rates for older people are lower, but the gap here has been narrowing. In recent years participation rates have been declining but this trend ended in 2004-05. If South Lanarkshire becomes more like the UK in terms of participation in the labour market then this would see major decreases in the number of young people but significantly more older people available for work.

The latest figures show the first fall in the number of migrant workers registered in South Lanarkshire since 2003-04 – and the fall has been significantly higher than in Scotland. Nearly two-thirds came from the New EU Member States, with the largest number coming from Poland – 40% of the total - though Poles are less dominant here than in Scotland as a whole. The migrant worker numbers represent 0.6% of the working age population of South Lanarkshire – the 8th lowest rate in Scotland. Over a third of migrants were aged 18-24, with a further 43% being aged 25 to 34.

The employment rate was at its highest level ever in 2007-08 and has been above the Scottish average for the past 3 years. Whilst the employment rates have been rising, the rates for those aged 16-19 and 50 or over have been falling compared to rising rates for the other age groups.

The number of More Choices, More Chances young people – those not in Employment, Education or Training – is at its lowest level recorded. The largest proportion are those claiming benefit, with more claiming multiple benefits with incapacity / disability issues, but the proportion who were school leavers has been increasing. For South Lanarkshire the MCMC rate has always been below the Scottish average with the gap between the South Lanarkshire and Scottish rates being the widest ever.

A local survey has found that people here are more pessimistic about setting up a business – especially women. The proportion believing there were good business opportunities was only 10%, the lowest recorded, and this was before the full impact of the recession became apparent. The proportion stating that fear of failure would prevent them from setting up a business was the highest ever. However, the proportion stating that they believed they had the knowledge and skills required to start a business was also at its highest figure ever.

Claimant unemployment had fallen each year since 1995 but in 2009 the figure rose for the first time – and the claimant unemployment rate was just below the Scottish average. Claimant numbers have risen by nearly three-quarters compared to an increase of less than half in Scotland as a whole. Men continue to dominate the claimant count, but Female numbers have been rising.

South Lanarkshire claimants tend to be relatively younger than in Scotland and the proportion aged 16-19 has been rising. The highest unemployment rates are in the 16-19 and 20-24 age groups. All rates rose significantly in 2009, especially for the 20-24 age group.

Compared to Scotland, people have tended to be claiming benefit for less time here – nearly four-fifths have been unemployed for less than six months. The recent figures show rises in the numbers unemployed for shorter periods of time as efforts continue to be focused on reducing numbers unemployed and claiming benefit for longer periods.

The claimant unemployed in South Lanarkshire were less likely to cease to claim through Finding work than in Scotland as a whole. The figure has been falling steadily from 43% in 2005 to 26% in 2009. The largest proportion is those ceasing to claim through failing to sign on or attend an interview, accounting for 45% in 2009. In South Lanarkshire, the proportion transferring to Incapacity Benefit is greater than in Scotland as a whole.

The proportion ceasing to claim through Finding Work increases with age whilst those ceasing to claim through Failure to Attend decreases with age. Women claimants are more likely than men to cease to claim through Finding Work.

Using a wider definition of unemployment than just those claiming Job Seekers Allowance, the unemployment rate was 4.5% - the 2nd lowest ever recorded but the first rise since 2001-02. On this definition the rate here has been below both the Scottish and UK rates for the last two years.

The inactive working age population was 35,900 – the lowest figure since 2001-02 – and the numbers have been falling since 2005-06. In percentage terms, at 18.7%, the inactivity rate is the lowest since 1999-2000. The inactivity rate has been below the Scottish average since 2005-06.

Overall, it is estimated that around 16,900 people in South Lanarkshire are workless – just under 9% of the population. This equals the smallest number and rate since the figures began in 1999-2000 and the rate has been below the Scottish average for the past 3 years.

Around half of working age residents in work both lived and worked in South Lanarkshire in 2007 – this proportion had been rising in recent years but the latest figures show a significant fall. The proportion who both live and work in South Lanarkshire declines by age and women are more likely than men to both live and work in South Lanarkshire. In general, the higher the occupation or job held, the less likely the person was to both live and work in South Lanarkshire

Nearly four-fifths of workers took less than 30 minutes to get to work. The proportion taking less than 10 minutes to get to work has been falling but the proportion taking 30 to 60 minutes as been rising. Around 70% got to work by a vehicle – which actually shows the first decline since 2003. Women were more likely to walk to their work.

Labour market demand

The latest figures show slightly more jobs were held by Men than Women in South Lanarkshire – with Women predominating in part time work and in particular Service sector industries, whereas Men dominate full time and self employment and are more widely spread across industrial sectors – though dominating in sectors like Construction, Mining and Manufacturing. Since 2000, the number of jobs in South Lanarkshire has grown faster than in Scotland or Britain.

Business services is now the largest employing sector in South Lanarkshire, accounting for just under a fifth of all jobs for the first time – though South Lanarkshire remains more dependent on Manufacturing and Construction than Scotland as a whole.

Notified vacancies in 2009 fell to their lowest level recorded since 2005. Business services & Health & Social Work dominated notified vacancies. Elementary skilled administration jobs and Technician, security, etc., jobs accounted for the largest share of notified vacancies. Vacancies fell by 57%, nearly twice the rate of decline experienced in Scotland as a whole.

Of the claimant unemployed, the largest numbers had previously worked in Elementary skilled occupations, or as Drivers, machine operators, etc., or in Selling occupations. Most were seeking work in the occupational areas that they had previously worked in. The older unemployed have tended to have held more Managerial & Professional jobs. The long term unemployed have tended to have previously worked in Elementary skilled jobs.

Over the 2009-19 period it is forecast that the number of jobs in South Lanarkshire will increase but by less than in Scotland as a whole. Over the next 5 years, employment is forecast to fall – for the first time in 20 years - and the growth that occurs after this will be only a tenth of that experienced over the 10 years from 1999.

Although overall employment will increase by 1,600, it is estimated that there will be another 52,400 job opportunities becoming available over this period – the vast majority created through retirements. This creates net job opportunities in all occupations except Elementary skilled jobs. Only 6% of all these opportunities will require no qualifications, with over a third requiring Degrees or Professional qualifications.

The greatest occupational demands are forecast to be for Managerial, Professional and Technician / Associate Professional jobs, with falling demand for Administrative & Secretarial and Elementary skilled occupations. Employment opportunities for Men are expected to fall over the next 10 years compared to an increase in Female employment. The growth is entirely in full time jobs, with part time and self employment expected to fall. Manufacturing employment is forecast to continue to fall with employment growth being dominated by Financial and Business services, Construction and Health and Education

Weekly and hourly earnings in South Lanarkshire are above the Scottish averages. Overall, Male earnings are higher than Female earnings, but the gap is at its lowest since 2005 – though Women working part time earn more than Men working part time. Those resident and working in South Lanarkshire earn less than those resident but working elsewhere. This may reflect differences in the occupations and industries between out-commuters and the jobs in South Lanarkshire. It is estimated that around 20% of employees earn less than the so-called Living Wage.

Working age benefit claimants

There were 32,700 working age people claiming benefits in South Lanarkshire – with 59% claiming Sickness or Disability related benefits. Working age claimants in South Lanarkshire were more likely than in Scotland as a whole to be claiming Sickness & Disability benefits and Caring Allowances and less likely to be claiming Job Seekers Allowance or being Lone Parents in receipt of benefits.

Around 17% of working age people in South Lanarkshire were claiming benefits – above the Scottish average but the lowest rate ever recorded. The proportion of working age Women claiming benefits in South Lanarkshire was above the Male rate and this gap has been widening.

In terms of age, 12% were aged under 25, 16% aged 25-34, and 25% aged 45-54. Female claimants tend to be older than Male claimants and claimants tend to be older here than in Scotland as a whole.

Women were more likely to be Lone Parent claimants or claiming Bereavement benefits and Men more likely to be Job Seeker's Allowance claimants or Sickness benefit claimants. The proportion of South Lanarkshire working age claimants in receipt of Sickness / Disability benefits rises with age from the 25-34 age group while Job Seeker's Allowance claimants fall with age from the same age group upwards.

Over time the make up of those of working age claiming benefit has changed, with increased proportions claiming Sickness / Incapacity Benefits and Lone Parent and Carer Benefits and Men more likely to be claiming Sickness / Incapacity Benefit, Job Seeker's Allowance and Disability benefits.

Overall benefit claimant numbers have fallen more significantly since 2000 in South Lanarkshire than in Scotland (down 18% as opposed to a 15% fall). The largest falls have been in those claiming Job Seekers Allowance and Lone parent benefits. There has been a rise in those claiming Carer related benefits and, more recently, in those claiming Other income related benefits.

For every age group, except for the under 25s, Sickness / Incapacity Benefit is the largest benefit category. For the under 25s Job Seekers Allowance is the main benefit claimed. The younger age groups are more likely to be claiming Job Seekers Allowance, Lone Parent, Disabled and income related benefits. The older age groups are more likely to be claiming Sickness / Incapacity Benefits and Carer benefits.

In terms of the length of time they have been claiming benefits, over half have been claiming for 5 years or more and a further 18% for between 2 and 5 years. In general, people have been claiming benefit for longer here than in Scotland as a whole. The figure varies by benefit claimed – 64% of those claiming Sickness/ Incapacity Benefit have been claiming it for at least 5 years, as have 45% of those claiming Carer benefits and 41% of Lone Parent claimants, but only 1.5% of those claiming Job Seekers Allowance.