York and North Yorkshire
Strategic Economic Assessment

Introduction and Overview

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York and North Yorkshire Partnership Unit

YORKSHIRE FORWARD

EKOS CONSULTING

Introduction and Overview

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Introduction and Overview

Introduction

This is the Strategic Economic Assessment (SEA) for York and North Yorkshire. The SEA is an economic audit of the sub region. It draws upon statistics, evaluation and other research evidence to provide a detailed picture of the economic position in the sub region. The SEA looks at the sub regional economy in the regional, national and global context, exploring recent trends and the potential impact of forecast future change. It also provides a summary of investment being made in the sub region, identifying gaps and opportunities.

The role of the SEA is to provide the evidence base to inform the process of Sub Regional Investment Planning. The SEA will also provide partners with the information and analysis they require to inform their own investment decisions. In order to do this, key economic messages are highlighted throughout the document, and the implications for the achievement of the Regional Economic Strategy objectives are outlined.

The SEA has incorporated the key available data resources, both official statistics and locally generated data. In addition, the Regional Econometric Model has been used to provide an indication of likely future trends in the sub region.

Policy Context

This section provides a brief review of the over-arching strategies affecting York and North Yorkshire. The chapters on each RES objective contain a more detailed review of relevant policies at the international, national, regional and local level.

European Policy

At the European level, economic policy is driven by the agreement reached at the Lisbon Summit in 2000 to prioritise activities which will increase the competitiveness of the European economy. The **Lisbon agenda** seeks to enable the EU to become a competitive and dynamic knowledge-based economy, in order to harness the benefits of globalisation and create more and better jobs for its citizens. The Lisbon agenda emphasises the importance of sustainable economic development, with the transition to a successful knowledge economy to be achieved without increasing environmental pressures, and with greater social cohesion.

The sub region will also be profoundly affected by the changes in the European Common Agricultural Policy which are now beginning to take effect. The reform of the CAP removes (in general terms) the linkage between farm production and subsidy payments. The impact of this change is still to be felt, with the full impact of the change unlikely to be known before 2013. However, it is likely that the changes will contribute to further re-structuring in the agriculture sector with knock-on effects for other rural industries.

UK Economic Policy

The central economic objectives of the UK government are to achieve high and stable rates of economic growth and employment. National government economic policy has focussed on the twin challenges of **productivity** and **inclusion**. Productivity growth is key to achieving a long term improvement in economic performance. Rates of productivity in the UK have historically been lower than in many other leading economic nations. Government policy seeks to close the productivity gap by increasing productivity at a faster rate than our competitors. The focus of activity is on[1]:

- **improving competition** to increase business efficiency and choice for consumers;
- **promoting enterprise,** to ensure that UK firms are well-placed to respond to opportunities in a rapidly changing global market;
- **supporting science and innovation**, as global restructuring means developed economies must focus on knowledge-based and high value-added sectors to remain competitive;
- **raising UK skills** to create a more flexible and productive workforce, which is able to respond to rising skills levels in emerging markets; and
- **encouraging investment** to increase the stock of physical capital.

In order to increase **inclusion**, the government has focussed on providing employment opportunity for all, ensuring that all those who want to work are provided with the appropriate support to help them develop the skills they need. In the global economy, a flexible labour market is needed to enable the UK to respond to economic change including changing patterns of trade and investment. Government policy seeks to[2]:

- **deliver employment opportunity to all,** so that those who want to work are supported to move into work as quickly as possible;
- **extend employment opportunity** to those groups and regions which have faced the greatest barriers to work;
- **enhance skills and mobility,** to ensure that everyone can fulfil their potential in the labour market and that business has access to the skilled workforce needed to compete in the global economy; and
- **make work pay,** through the National Minimum Wage and a reformed benefits system which improves incentives for individuals to participate in the labour market.

UK Regional Policy

An important aspect of the Government's work to raise productivity is through regional policy. The government's objective (as defined by a Public Service Agreement) is to:

[1] Budget Report 2006, HM Treasury
[2] Budget Report 2006, HM Treasury

> *"make sustainable improvements in the economic performance of all English regions by 2008 and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006"*

The three northern regions are responding to this challenge through the Northern Way agenda, which seeks to increase the north's contribution to UK plc through increases in productivity and participation. The Northern Way seeks to establish the north as

> *"an area of exceptional opportunity, combining a world-class economy with superb quality of life"*[3]

The Northern Way strategy seeks to close the £30bn output gap between the north and the rest of the UK by:

- increasing impact through pan-regional working;
- delivering existing national programmes more effectively across the north;
- providing the evidence for investment and policies to meet the north's requirements.

Eight city regions have been identified as the drivers of the northern economy, two of which incorporate parts of the North Yorkshire sub region; the Leeds City Region which includes York, Selby and the southern parts of Craven and Harrogate, and the Tees Valley City Region, which includes the northern part of Hambleton and Richmondshire districts.

Regional Strategic Framework

The York and North Yorkshire sub regional economy operates within a regional strategic framework. Advancing Together[4], the regional strategy adopted by the Yorkshire and Humber Regional Assembly provides the overall context for regional development covering economic, environmental, social and development issues, as well as setting the highest standards of governance in all sectors.

The Regional Sustainable Development Framework, Building the Benefits[5], seeks to ensure that sustainable development is an integral part of policy-making within the region, and its aims will influence the actions which are prioritised in the North Yorkshire sub region through the Sub Regional Investment Planning activity. Sustainable development will ensure that residents of York and North Yorkshire, both now and in the future, continue to benefit from the high quality of life, excellent natural and environmental assets and social cohesion which is seen in the sub region.

The Yorkshire and the Humber Rural Framework[6] identifies the region's rural priorities and sets out how they will be addressed. The Framework seeks to achieve "sustainable rural areas" within the region, incorporating competitive rural areas with enhanced access to services, strengthened rural communities and an enhanced, valued and functional environment. The York and North Yorkshire sub region will be particularly affected by the proposals for modernising rural delivery contained in the Framework, given the relative scale of its rural areas.

In addition to these strategies, the Regional Economic Strategy and Regional Spatial Strategy will have a particular influence on economic activity in the sub region.

Regional Economic Strategy

The Regional Economic Strategy (RES) for Yorkshire and Humber provides a blueprint for the improvement of the region's economy and achieve the regional vision of *being "a great place to live, work and do business, that fully benefits from a prosperous and sustainable economy*"[7]. The RES has three aims which must be delivered if the vision is to be achieved:

a) Enhancing and realising the potential of all Yorkshire and Humber's people to achieve a healthy learning region and social inclusion;
b) Growing existing and new businesses to achieve high and stable levels of economic growth and jobs; and
c) Utilising the full potential of Yorkshire and Humber's physical and cultural assets, maximising resource efficiency and conserving and enhancing its environment to achieve an integrated, sustainable economy.

The RES sets out six objectives through which these aims will be achieved: more business; competitive business; skilled people; connecting people to good jobs; transport, infrastructure and environment; and stronger cities, towns and rural communities. Underlying the RES objectives are three cross-cutting themes: sustainable development; diversity and leadership and ambition, which will influence activity across the region.

The RES provides the framework through which the region will work to achieve its economic aims, and is used to structure this analysis of economic performance in York and North Yorkshire.

Regional Spatial Strategy

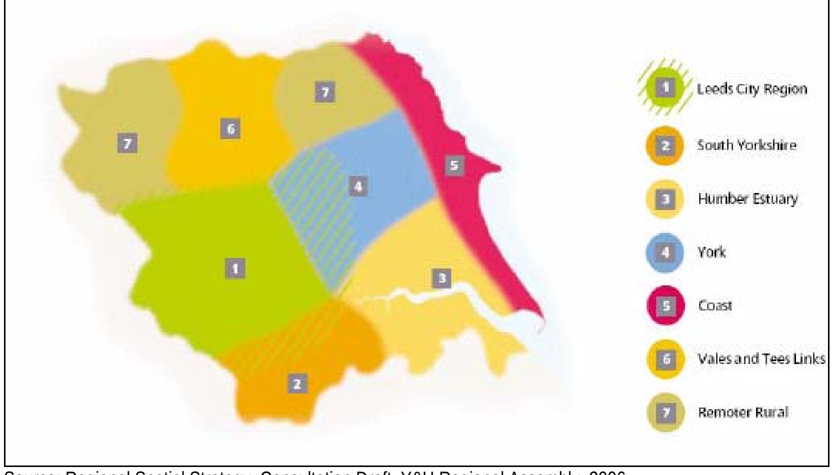
The Regional Spatial Strategy sets out the scale, priorities and broad locations for change and development in the region over the period to 2021. The strategy will influence development across the region and has a number of important consequences for the York and North Yorkshire sub region.

- In the Leeds City Region (including Skipton, Harrogate, York and Selby), the focus is on supporting the City Region as a key driver of the regional economy, and ensuring the benefits are spread throughout the wider region;
- In the York sub-area (including the City of York, Selby District and the southern parts of Hambleton and Ryedale, plus parts of Harrogate and the East Riding), the aim is to support the growth of the sub area whilst protecting the historic and natural environment;

[3] Moving Forward: The Northern Way, 2004
[4] Advancing Together: The Vision and Strategic Framework for Yorkshire and Humber, Y&H Regional Assembly
[5] Building the Benefits, the Yorkshire and Humber Regional Sustainable Development Framework Update 2003-2005, Y&H Regional Assembly, 2003
[6] Yorkshire and the Humber Rural Framework, Government Office for Yorkshire and Humber, 2006
[7] Regional Economic Strategy for Yorkshire and Humber, 2006-2015, Yorkshire Forward, 2006

- In the Vales and Tees Links area, the priority is to support the provision of housing and economic opportunities for local communities, focussed on the regeneration of local towns;
- On the Coast, the aim is to protect and enhance environmental quality and character, whilst strengthening and diversifying the economic base. Most development will be focussed on Scarborough;
- In the remoter rural areas, the priority is to enhance the outstanding natural environment whilst supporting the diversification of the local economy from one based on agriculture to one dependent on small scale local businesses.

York and North Yorkshire Sub Areas – Regional Spatial Strategy



Source: Regional Spatial Strategy, Consultation Draft, Y&H Regional Assembly, 2006

The Regional Spatial Strategy will also guide investment in housing and transport in the region for the next fifteen years. The Strategy proposes that until 2011, around 17% of house building in the region should occur across the eight local authorities in the York and North Yorkshire sub region, slightly higher than the current share of population, falling slightly in the years to 2021. The Regional Transport Strategy highlights the need to promote alternatives to the car and improve access to services in rural areas through improved transport and innovative service delivery mechanisms.

Sub Regional Strategies

In addition, a number of sub regional strategies influence the economic performance of the sub region, including those developed by key stakeholders including the Learning and Skills Council, Business Link and local authorities. The Sub Regional Investment Plan, which will determine the priorities for investment in York and North Yorkshire, will be developed in the context of these strategies and the existing investment which they determine.

Macro Economic Context

The global economy is experiencing rapid change, with barriers to international economic activity being reduced through increased communication flows and lower transport costs. Technological advances and changing patterns of production are leading to major shifts in trading patterns and an increase in the number of goods and services which are traded globally[8]. The emergence of rapidly industrialising countries such as India, China, Russia, Brazil and Mexico and their entry into world trading markets, provides both opportunities and challenges for areas such as York and North Yorkshire, especially as many of the emerging economies are no longer competing solely on cost.

As a result of these changes, the global economy has undergone a period of rapid expansion, with growth rates forecast to exceed 4% for a fourth consecutive year, according to the International Monetary Fund. The US economy continues to grow quickly despite recent increases in interest rates, and faster growth is also expected in Japan and Europe[9]. The UK economy has benefited from a period of extended macro-economic stability, enabling it to experience steady economic growth in which high rates of employment have been accompanied by low levels of inflation. This has allowed businesses and individuals to plan effectively for the long term, encouraging investment which will raise productivity levels.

Forecasts for the UK economy suggest this period of stability will continue, with steady growth expected in the next five years. In the region, the economy is under-going a period of transition from reliance on traditional industries to one which is more diverse. In the York and North Yorkshire sub region, this is reflected in the change in the agricultural sector and the role it plays in the sub region. The Regional Economic Strategy highlights a number of long term trends which will continue to impact on the region and affect its economic growth[10]. These include:

- demographic issues such as the ageing population (a particular issue in the sub region) and levels of in- and out-migration;
- technological change including nano- and bio-technologies and the continued development and use of Information and Communication Technologies;
- the increased focus on sustainable development, alongside concerns about global climate change and energy security; and
- continued changes in trading patterns and the effects of competitive pressures.

Summary

The York and North Yorkshire economy is closely linked into developments at the global, national and local scale. Interdependencies exist both within and outwith the region. The region has a significant number of medium sized and large employers, many of whom face international not just national competition. The policy and macro-economic context will exert a significant influence over

[8] Budget Report 2006, HM Treasury
[9] Monthly Economic Monitor, Experian, Yorkshire Futures, April 2006
[10] Regional Economic Strategy for Yorkshire and Humber, 2006-2015, Yorkshire Forward, 2006

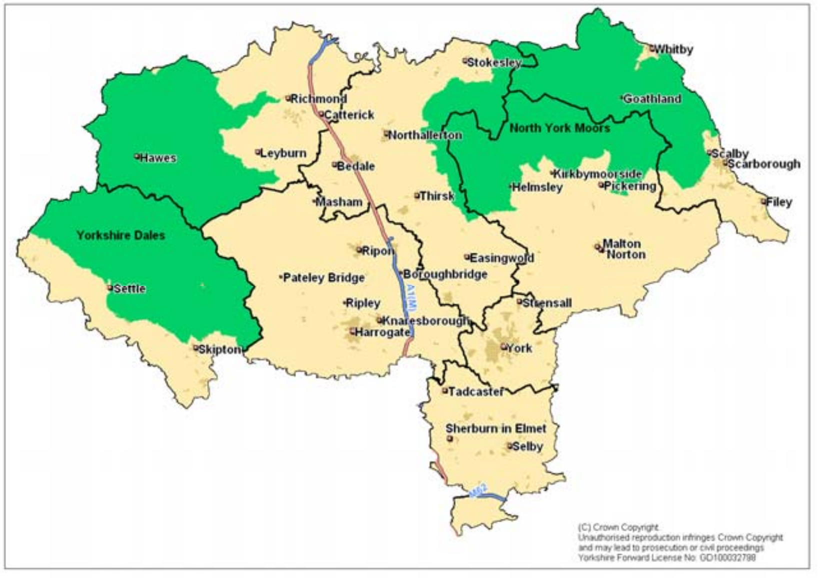
the choices and investments made in the York and North Yorkshire sub region. Addressing the challenges highlighted is fundamental to the sustainable economic growth of the sub region, and the Strategic Economic Assessment provides an opportunity to review the current position in the light of these influences.

An Overview of the Economic and Demographic Context in York and North Yorkshire

The York and North Yorkshire sub region, comprising the County of North Yorkshire and the City of York, is one of the four Yorkshire and Humber sub regions. The sub region is made up of the City of York unitary authority and North Yorkshire County made up of the seven districts: Craven; Hambleton; Harrogate; Richmondshire; Ryedale; Scarborough; and Selby.

The sub region is mainly rural in nature, and is the largest County in England with an area of over 8,000 sq km. It stretches from the east coast to within ten miles of the Irish Sea and includes two National Parks – the North York Moors and the Yorkshire Dales – three Areas of Outstanding Natural Beauty, the City of York and many attractive market towns.

York and North Yorkshire

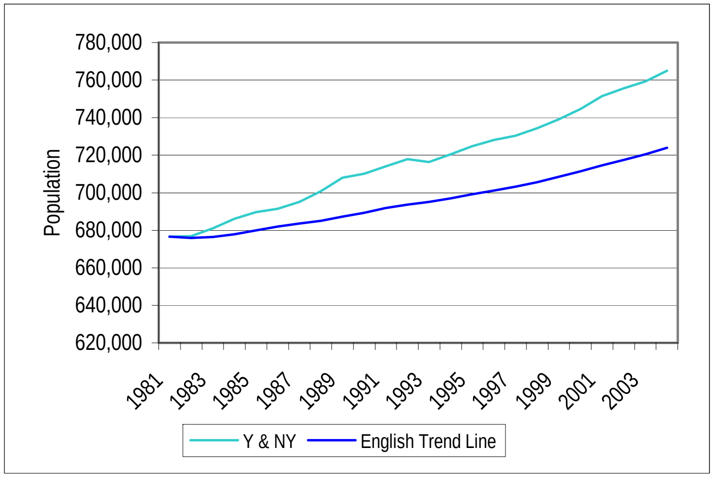


Source: Yorkshire Forward

Demographic Change

The sub region is home to just over three quarters of a million people (764,900), 15.2% of the regional total. Population density is very low at just 92 people per square kilometre, compared to a regional average of 325. The population of the sub region has increased by 88,300 over the past twenty-five years, an increase of 13.1%. This is a substantial increase and almost double the England increase of 7% over the same time period. Population is analysed in depth in RES 4.

Long Term Population Growth: Much Faster Than Nationally For A Long Period



Source: Mid Year Population Estimates, 2004, ONS

At the district level, Selby has seen the fastest rate of growth over the period (23.9%), although a number of others recorded substantial increases. In Scarborough the population increased by just 4.7% (4,800, the lowest of the North Yorkshire districts) indicative of a number of underlying issues, which are considered in detail in later chapters.

Population Change by District, 1981-2004

	1981	1984	1994	2004	% Change
Selby	62,300	64,400	73,200	77,200	23.9
Ryedale	43,700	44,000	48,400	51,700	18.3
Richmondshire	43,500	44,700	43,100	50,700	16.6
Hambleton	75,100	76,300	81,800	85,100	13.3
Craven	47,900	47,900	51,100	54,100	12.9
Harrogate	136,600	137,000	142,500	154,000	12.7
York	165,400	168,600	172,700	184,900	11.8
Scarborough	102,300	103,300	107,600	107,100	4.7

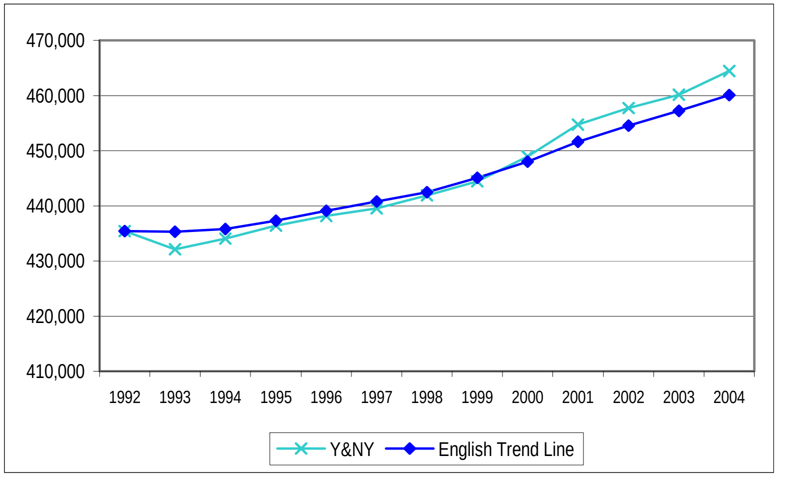
Source: Mid Year Population Estimates, 2004, ONS

Labour Force

One effect of the population growth recorded has been to significantly increase the potential labour force. Since 1992, the population of working age has risen by 6.7%, one percentage point faster than the England average. This equates to some 29,000 additional residents of working age. The rise in the working age population has been faster than in the other three Yorkshire and Humber sub regions. Within the York and North Yorkshire authorities:

- York has seen the fastest rise both in relative and absolute terms, with an increase of over 12,000 people.
- The working age population in Scarborough fell by some 500 over the period, the only district where this was the case.

Working Age Population: Faster Growth Than Nationally In The Past Five Years



Source: ONS Claimant Count Denominators, 2004

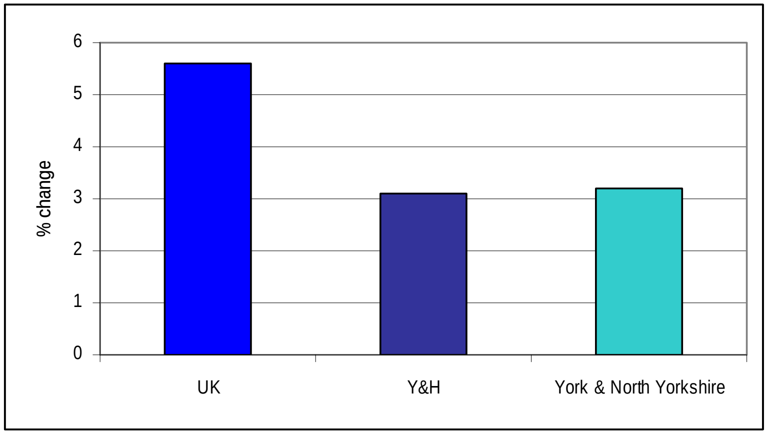
The faster than average rise in the working age population is indicative of the trend for in-migrants to be individuals of working age, rather than retirement age. This trend has increased over the long term as commuting distances have increased and road and rail connections have improved.

Although the working age population has increased through in-migration, a consequence of high house prices is that it is likely than only older and better paid people have been and will be able to move to parts of the sub region. A side effect of this, and already evident in the statistics, is an ageing workforce.

Whilst the sub region has benefited from faster than average labour force growth in recent years, this is forecast to change over the next ten year period. Whilst still marginally faster than in the region as a whole, the population of working age will grow substantially more slowly than will be the case nationally.

There are a number of factors which explain this change in dynamics. The most significant is the role of international economic migration in increasing the working age population in England over the next ten years. The Office of National Statistics have indicated that this group will be the key component of working age population change, and the majority of in migrants will gravitate towards major cities and conurbations.

Forecast Change in Working Age Population: 2004-2016: Will Be Much Lower Than Nationally



Source: Yorkshire Forward Econometric Model / Experian, 2006

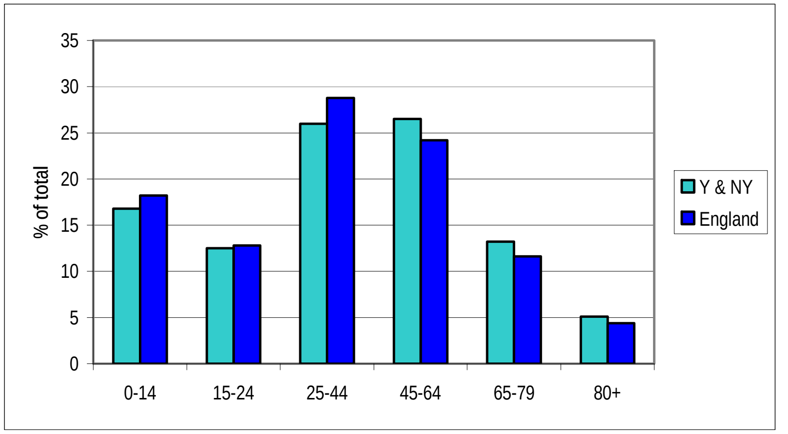
Population Breakdown by Age, Gender and Ethnicity

The York and North Yorkshire sub region has an older age profile than England as a whole:

- 29.3% of the population is aged under 25, compared to 31% nationally;
- 25-44 year olds make up just 26% of the population of York and North Yorkshire, compared to 28.8% in England.
- The proportion of the population nearing retirement age is also higher than elsewhere (100,000 aged 55-64).
- The population aged over 65 is also proportionately bigger in York and North Yorkshire (18.3%) than in England as a whole (16%).

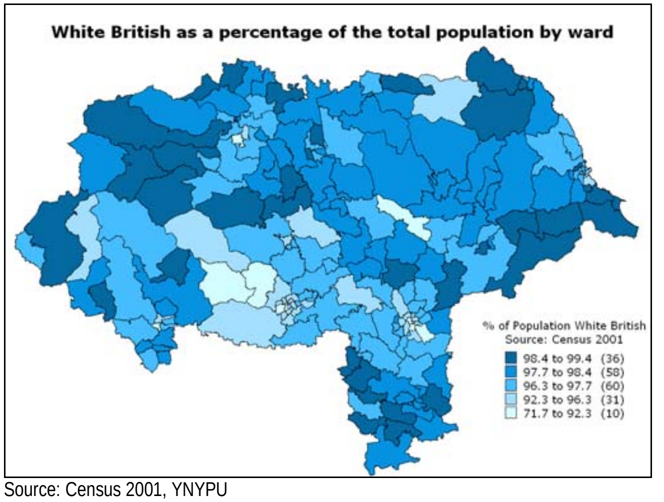
The gender profile of the population is very similar to the England average, with 48.8% male and 51.2% female. There are longer term implications of the age structure of the population in the sub region. Given the already high proportion of people aged over 65, and the much higher proportion in the next cohort (aged 45-64), it is likely that higher health and care costs will be incurred over the next ten and twenty years.

Total Population by Age: A Much Older Population



Source: ONS Mid Year Population Estimates, 2004

At the time of the 2001 census, 3.6% of the sub region's population were from the Black, Asian and Minority Ethnic (BAME) communities, much lower than the regional average of 8.3%.



Source: Census 2001, YNYPU

- Ryedale, Selby, Hambleton and Scarborough all had populations which were at least 99% white. Higher numbers of BAME residents are found in York and Richmondshire, which has a higher proportion of Asian residents than any other district.

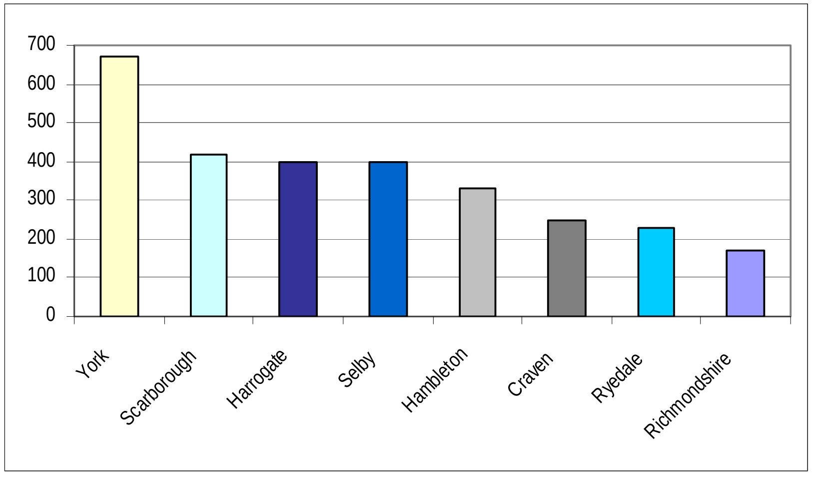
- Unlike the other sub regions, a very significant proportion of the BAME population have income levels in the top quartile[11]. This is likely to be due to the high house prices, i.e. only those on high incomes are able to afford to move to many parts of the sub region.

Household Growth

Household growth is expected to continue in the sub region, reflecting its attractiveness as a place to live. The Regional Spatial Strategy sets out an annual allocation of new homes for each local authority.

- York and North Yorkshire will account for a slightly higher proportion of new homes, compared to its share of the regional population in the years to 2011.
- York will account for the largest share of the sub region's new house building, with Scarborough and Harrogate also seeing over 400 new homes per annum being developed.
- Development on brownfield land will range from 70% of the total in Craven and Harrogate to 40% in Ryedale

Annual Number of New Homes by District, 2004-2011



Source: Regional Spatial Strategy

Economic Activity, Employment and Unemployment

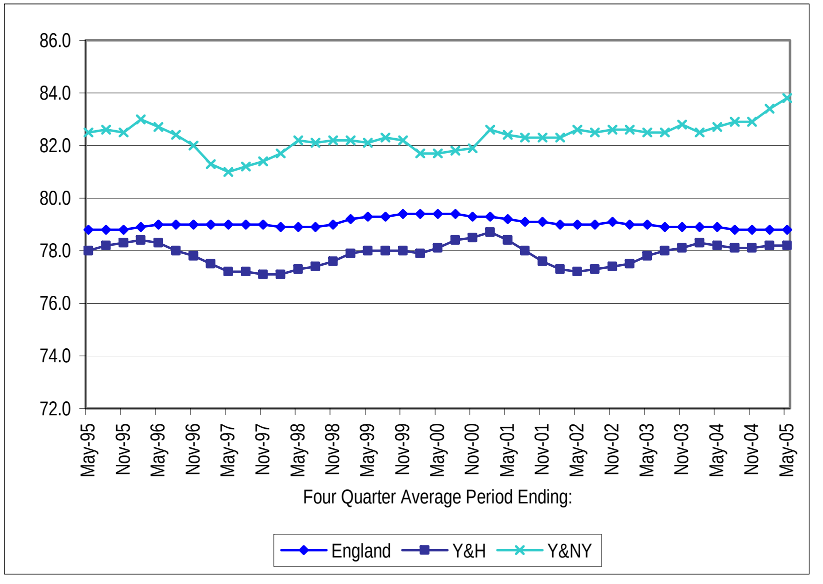
Economic Activity

Economic activity, that is the proportion of the working age population either in work, self-employed or actively looking for work, is very high in the sub region and has increased slightly over the past ten years.

This reflects a number of factors including employment growth, the availability of a range of employment including full and part time employment, and the sub region's ability to attract well qualified incomers. As a consequence:

- Just under 84% of the working age population are economically active, compared to 78% in the region as a whole and just under 79% in England.
- Every local authority area in the sub region has an activity rate of over 80% i.e. above the region average.
- Harrogate with nearly 90% of the working age population economically active is exceptional.

Percentage of Working Age Population Economically Active: Much Higher Than Elsewhere



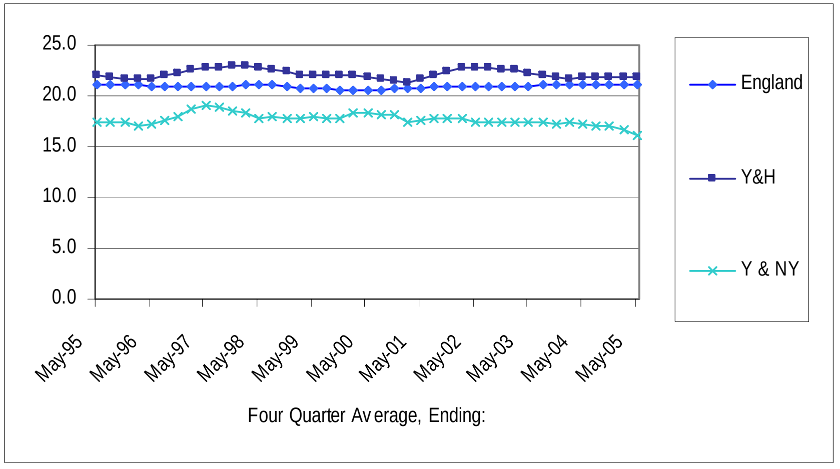
Source: Labour Force Survey, Nomis, 1995-2005

[11] Source: Claritis Acxiom UK Ltd, 2006.

Economic Inactivity

Conversely, economic inactivity in the sub region is lower than in Yorkshire and Humber and England. Economic inactivity has fallen over the past five years with only just over 16% of the working age population now economically inactive. This is a very low figure, and is indicative of a number of factors, including the absence of high levels of multiple deprivation in the majority of districts.

Percentage of Working Age Population Economically Inactive: Lower than Elsewhere



Source: Labour Force Survey, Nomis, 1995-2005

Employment Rates

The number of the York and North Yorkshire sub region's residents in employment has risen by 33,000 since 1994, an increase of 9.9%. This is a slightly higher increase than in England (9.6%) and substantially higher than in Yorkshire and Humber as a whole (7.4%), but is lower than the increase seen in South Yorkshire. Selby has seen the greatest local increase of 20%, which equates to an additional 7,000 residents in employment since 1994.

This high level of employment reflects the very high employment rate in the sub region, with over four fifths of the working age population in employment in May 2005. This is some six percentage points higher than the England average, and nearly seven percentage points higher than the regional average. The high employment rate suggests an economy at or very near full employment. Three districts – Craven, Hambleton and Harrogate – have employment rates of over 85%. The employment rate amongst the Black, Asian and Minority Ethnic population in the sub region is higher than in any other part of the region, at 63.3%, just three-quarters of the overall level[12].

Employment Rates (of working age people)

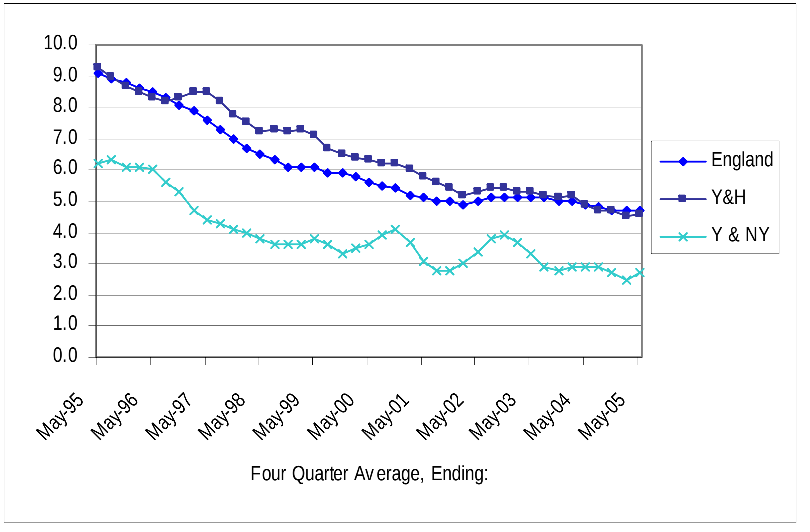
	York & North Yorkshire	England
May 1995	77.4	71.6
May 2000	78.8	75.0
May 2005	81.5	75.1

Source: Labour Force Survey, 2005, NOMIS

Unemployment

Unemployment in the sub region is lower than in the region and England. The number of unemployed people has fallen substantially since 1995, although at a slightly lower rate than in the region as a whole, reflecting York and North Yorkshire's stronger starting position. The sub regional economy is at virtually full employment.

Unemployment: Now Very Low After Ten Years Of Decrease



Source: Labour Force Survey, 2005, Nomis

[12] RES Companion Document, 2006, Yorkshire Forward, p5

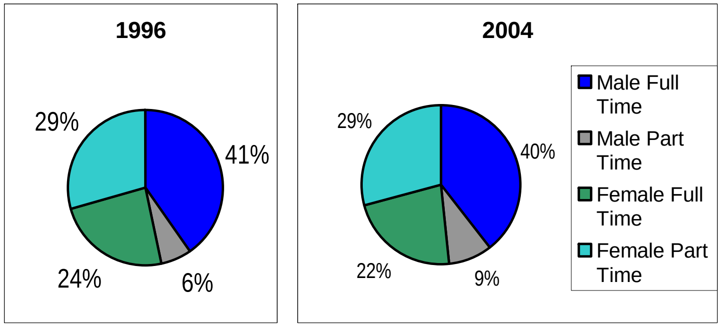
The Structure of Employment

Just over 60% of all employment in the sub region is full time, considerably lower than both the England and Yorkshire and Humber averages (68.1% and 66.8% respectively). Amongst the local authorities, Scarborough has the lowest proportion of full time employment (55.5%) with Selby having the highest (69.9%).

Over half of all jobs in the York and North Yorkshire sub region are held by women. Whilst there has been an increase in the employment of women in the last decade in terms of numbers, women as a proportion of employees has declined, and this includes a reduction in the proportion of women in full time employment. This is in contrast to the increasing proportion of women in employment nationally.

Full time female workers account for 22% of total employees in York and North Yorkshire and part time female workers for 29% of the total. In this respect, the sub region is similar to the region as a whole, but differs from England where female full time employment is now greater than female part time employment. Scarborough has the highest proportion of female employment, with just 44% of jobs held by men.

Employment, by Full-Time, Part-Time, and Gender, 1996 and 2004

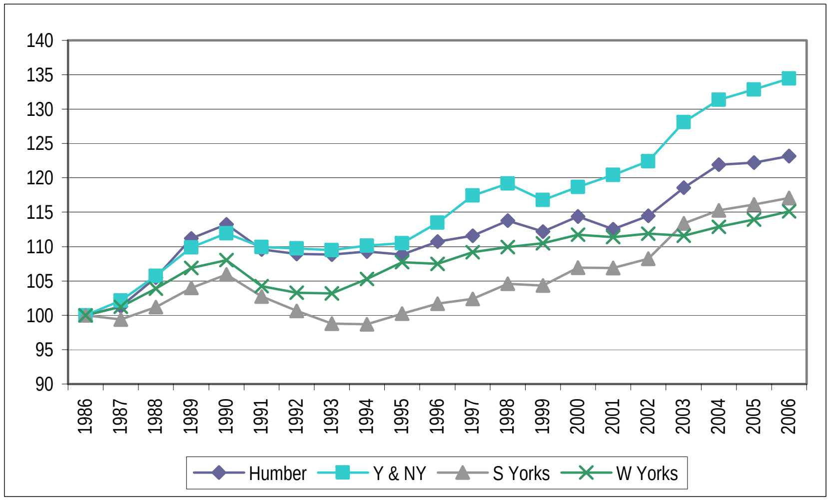


Source: Annual Business Inquiry / Rescaled Annual Employment Survey, 1996, 2004

In the twenty years from 1986 until 2006, York and North Yorkshire recorded a 35% increase in employment, the highest of any of the Yorkshire and the Humber sub regions. Two of the other sub regions had a growth rate of less than half of this figure, while the second placed sub region, West Yorkshire, was ten percentage points behind York and North Yorkshire.

York and North Yorkshire has enjoyed sustained period of employment growth, and avoided any periods of employment reduction. In the twenty year period, the employment growth has been remarkable.

Employment Change in the Y&H Sub regions, 1986-2006, 1986=100



Source: Yorkshire Forward Econometric Model / Experian, 2006

The table below highlights the scale of the employment change and its location. In only eight years, both Harrogate and York recorded a substantial change in their employment base, almost 27,000 jobs in total. Many of the other Districts recorded increases, although there was a slow down in growth in the 2000-2004 period.

Employment Change

	1996	2004
York	84,146	100,467
Harrogate	53,178	64,214
Selby	19,127	26,722
Craven	20,616	24,455
Ryedale	18,873	21,472
Richmondshire	11,666	14,093
Scarborough	37,722	39,244
Hambleton	32,757	36,926
Y & NY	278,086	327,594

Source: Annual Business Inquiry / Rescaled Annual Employment Survey, 1996, 2004

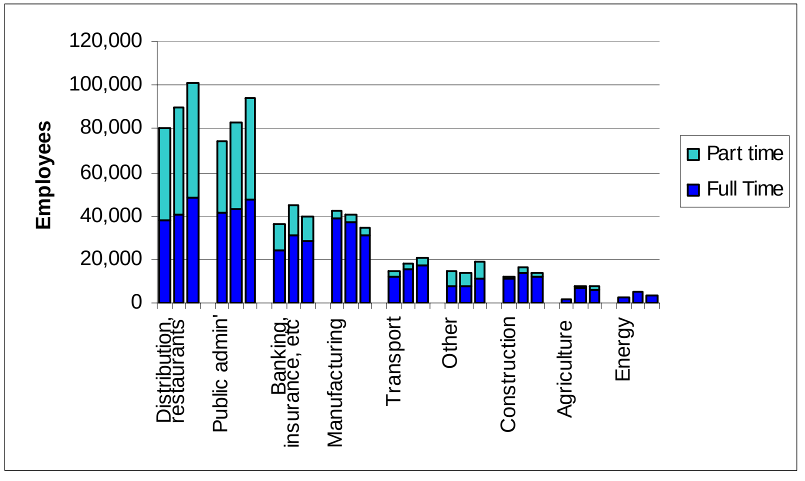
Employment by Industry and Occupation

Employment in the sub region has increased by almost 50,000 since the mid 1990s. The major changes are:

- Employment in distribution, hotels and catering increased markedly, with both full and part time increasing.
- Employment increased markedly in the public sector, and the majority of the increase was a result of increased part time employment
- While full time employment is a feature of all of the broad individual sectors, part time employment is focussed on groups where women make up a large proportion of the workforce and pay rates are low – distribution, hotels and catering and public administration.
- There was significant employment growth in transport and other business activity, while the performance in business, finance and insurance was more mixed and the sub region has a very low proportion of its employment base in this fast growing sector.
- As elsewhere in the region, manufacturing employment declined, with a further significant reduction in full time employment.

There are a number of implications from the employment growth, and these need to be borne in mind in interpreting the results – the sub region is dependent on public sector employment for a large part of service sector growth, and the representation of business/commercial services is very low, even with some recent growth; the manufacturing sector continues to decline; the structure of the employment base leads to a lower wage and lower skilled economy.

Employment Structure of York and North Yorkshire by broad industrial group (Full-time and Part-time), 1996, 2000, 2004



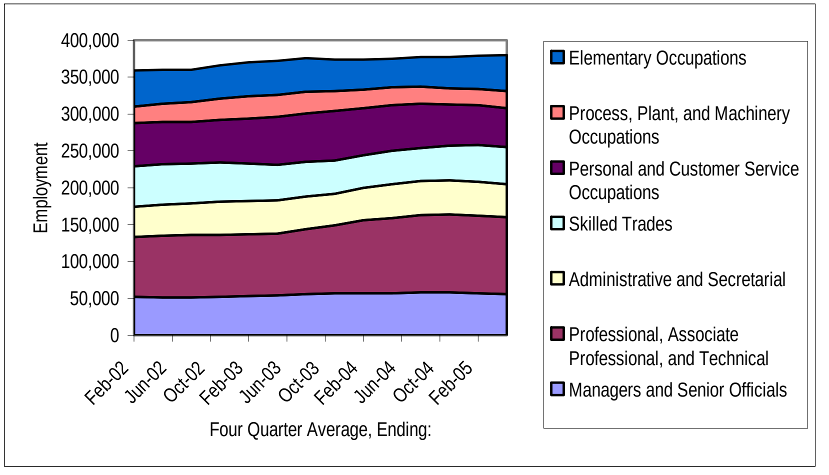
S

ource: Annual Business Inquiry / Rescaled Annual Employment Survey, 1996, 2000, 2004

The occupational structure of employment in the sub region has also changed over time.

- The fastest growth has been in the professional, associate professional and technical occupations, which now account for 27% of all employment in York and North Yorkshire, an increase of 23,000 since 2002. This is slightly higher than the England proportion of 26.5% of all employment.
- Administrative and secretarial and managerial occupations have also increased significantly, whilst in England as a whole the number in administrative and secretarial occupations has fallen.
- The numbers employed in skilled trades and personal and customer service occupations have fallen by around 10% over the same period, which contrasts with England where employment in the skilled trades has fallen slightly and employment in personal and customer service occupations has increased by 8%.

Employment by Occupation



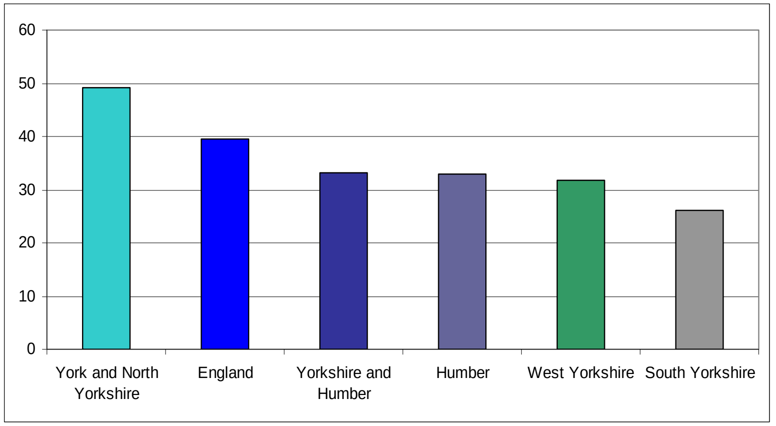
Source: Labour Force Survey, 2005, Nomis

Business Structure

The York and North Yorkshire sub region has a significant stock of businesses, with just under 30,000 registered for VAT in 2004. The number of VAT registered businesses per 1,000 adult population is significantly higher than in the region and in England as a whole. However, there has been a slight closing of the gap over the past ten years.

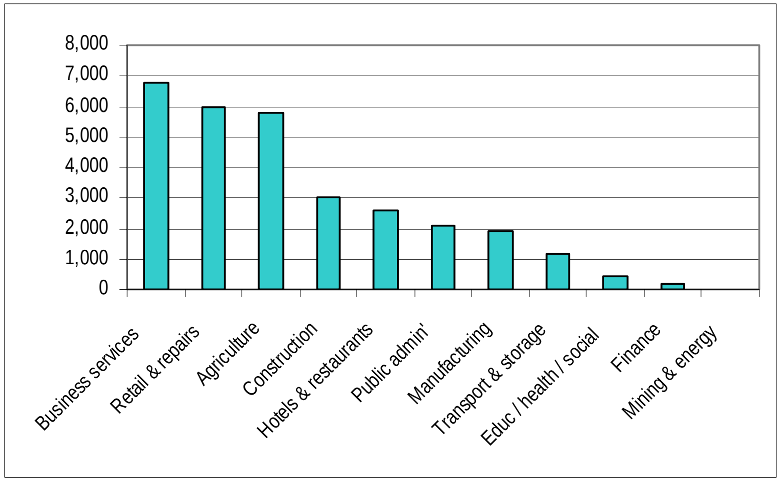
The business base in the sub region is dominated by three sectors – business services; retail and repairs and agriculture. Whilst these account for over 60% of the businesses in the sub region, the number of agricultural and retail businesses has fallen over the past ten years. In employment terms, agriculture now accounts for a small proportion of the total, despite the continuing high number of businesses.

Enterprise in the Sub Region – Numbers of VAT Registered Businesses per 1,000 Adults



Source: VAT Registrations, 2004, Small Business Service & Labour Force Survey, 2004, Nomis

VAT Registered Businesses by Sector, York and North Yorkshire 2004



Source: VAT Data, 2004, Small Business Service

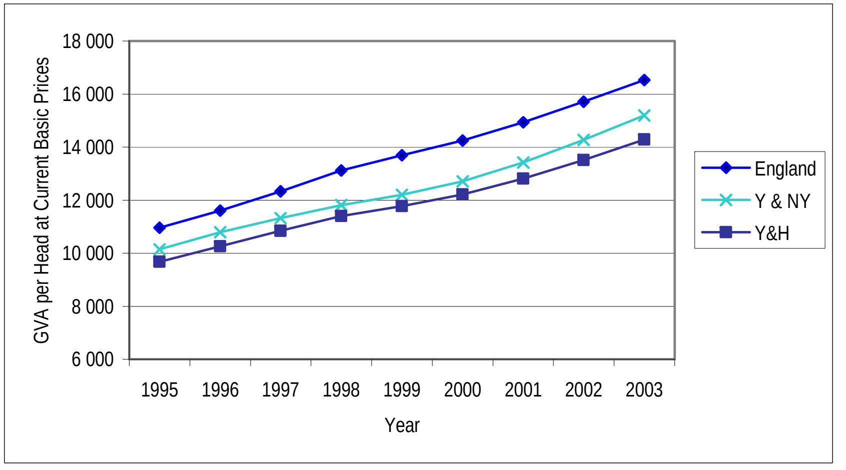
Economic Prosperity

Gross Value Added

Gross Value Added (GVA) per head provides a measure of the economic prosperity of the sub region. In 2003, GVA per head in the sub region was £15,185 per annum, the second highest in the region after West Yorkshire (the regional figure was £14,284).

- Although considerably higher than the regional average, this was only 92% of English GVA per head of £16,521.
- Since 1995, GVA per head has increased faster than in the region as a whole, but has not kept pace with the national increase, leading to a widening of the gap with England.
- GVA is forecast to continue to grow in the sub region, although at a slower rate than in the UK as a whole.

Trends in Gross Value Added per Head, 1995-2003

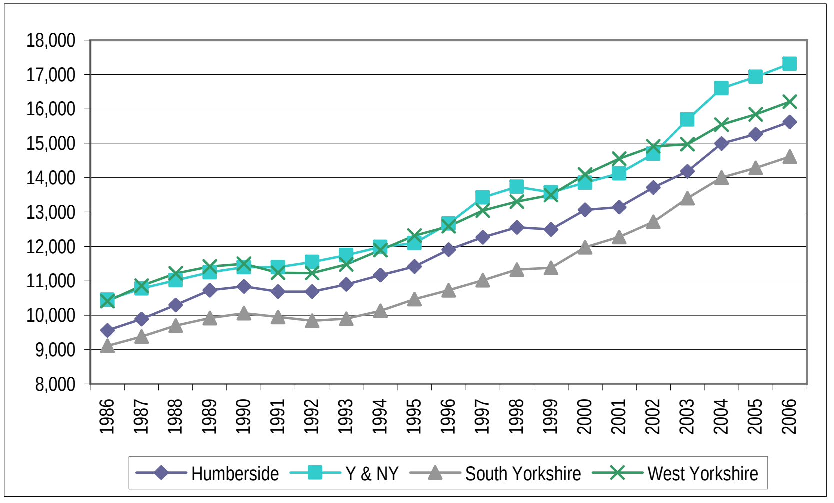


Source: GVA at NUTS 1, 2 and 3, Office for National Statistics, 2005

GVA per head in York and North Yorkshire is affected by the business structure. It continues to rely heavily on tourism in many districts, and has a low representation in the business and finance sectors. The combined effect is to lower GVA per head relative to England, given the high economic activity rate.

Although the sub region has a lower GVA than nationally, it has the highest GVA per head of any the four Yorkshire and Humber sub regions, although West Yorkshire had a very similar level until 2002, since when a significant gap has emerged. The sub region has a significantly higher GVA per head than both South Yorkshire and the Humber, and the gap with both of these has widened over the twenty years under review.

Growth in GVA per head, by sub region, 1986-2006



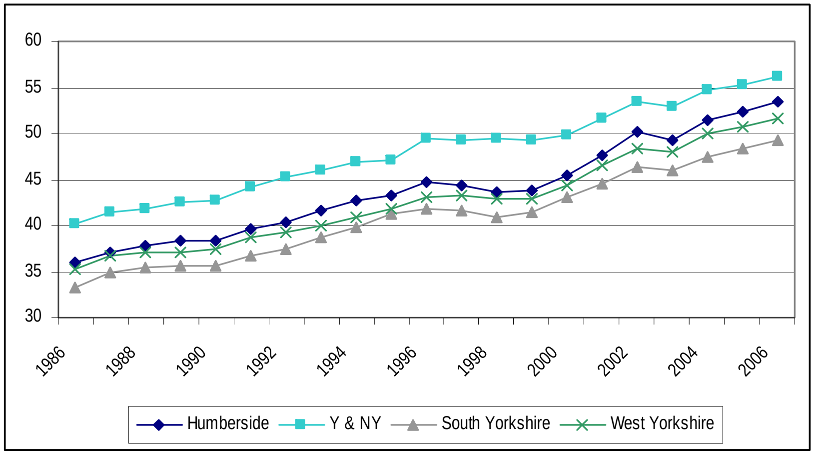
Source: Yorkshire Forward Econometric Model / Experian, 2006

Productivity

GVA per employee provides an indication of the productivity of the sub region's employment base. This indicator removes the effect of the non-working population from the figures, and also removes those who live in the sub region but work elsewhere (e.g. commuters into Leeds) from the denominator. Areas which have a greater level of out-commuting than in-commuting tend to have higher levels of GVA per employee than GVA per head. The chart below shows trends in GVA per full time equivalent employee (FTE) over the past twenty years in the four Yorkshire and Humber sub regions.

Throughout the twenty year period, GVA per employee has been higher in York and North Yorkshire than in any other sub region, although the gap has narrowed recently.

GVA per Full Time Equivalent Employee, 1986-2006



Source: Yorkshire Forward Econometric Model / Experian, 2006

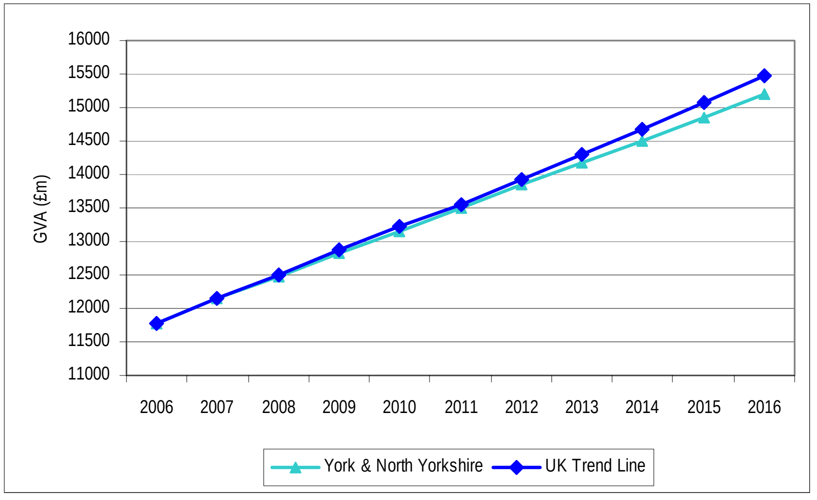
- GVA per FTE employee in York and North Yorkshire rose from £40,100 in 1986 to £56,184 in 2006, an increase of 40%.
- The other sub regions all saw GVA per FTE employee rise more quickly over the same period – by 48% in South Yorkshire and Humberside (from £33,000 to £49,000 and from £36,000 to £53,000 respectively) and by 46% in West Yorkshire (from £35,000 to £52,000).
- The regional figure rose from £35,560 to £52,093 over the same twenty year period.

Economic Forecasts[13]

The forecast data suggests that over the next ten years, not only will York and North Yorkshire not close the gap with the national GVA per head figure, the gap will actually widen. There are a number of factors which explain why this could be the case. These include:

- the under-representation of sectors with a high GVA, where employment and / or output is increasing such as banking, finance and insurance;
- the continued decline of some manufacturing and primary production sectors; and
- more rapid growth and increasing productivity elsewhere in the UK, notably in economically resurgent major cities.

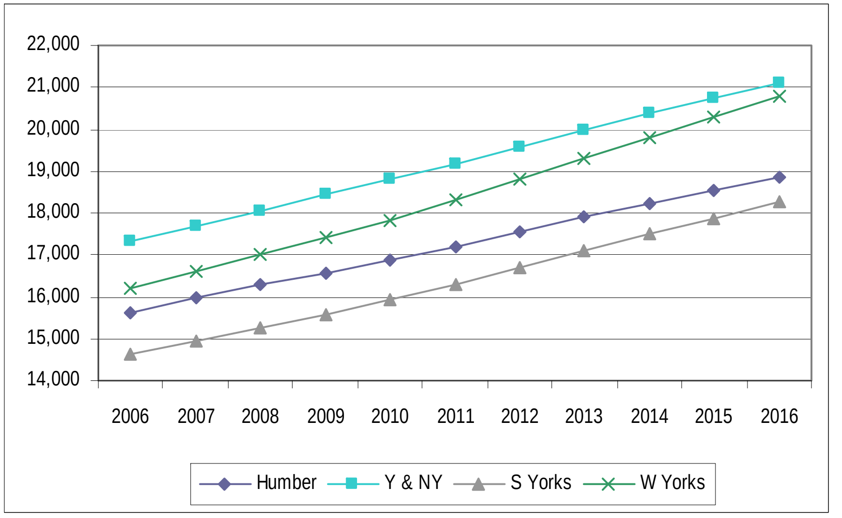
Predicted Growth in Gross Value Added per Head, 2006-2016



Source: RES Companion Document, 2006

The economic forecasts also suggests that the GVA per head 'lead' which York and North Yorkshire holds over West Yorkshire will narrow over the next ten years. This is the result of a stronger economic performance by West Yorkshire. Of equal interest, the gap with South Yorkshire will also narrow.

Forecast Growth in GVA per head, by sub region, 2006-2016

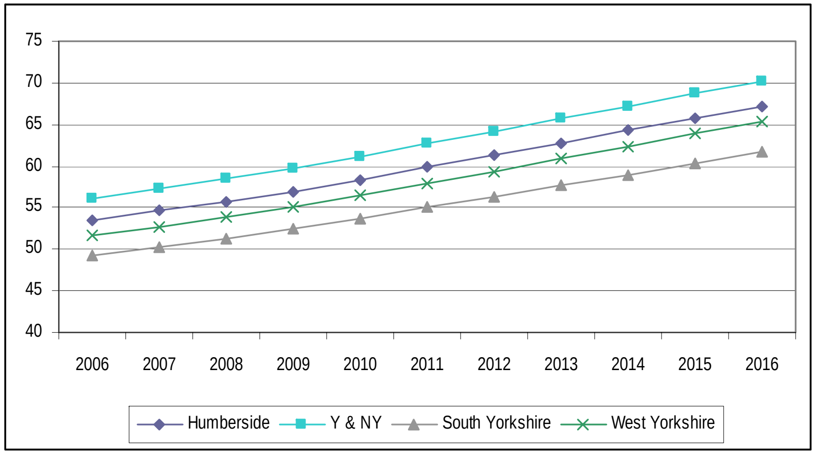


Source: Yorkshire Forward Econometric Model / Experian, 2006

The forecasts for GVA per FTE employee over the next ten years suggest that all four Yorkshire sub regions will grow at almost the same rate, with an average increase of around 25%. The forecast change for York and North Yorkshire is marginally less than the other sub regions, but the area is still expected to have higher GVA per FTE employee than any of the other sub regions in 2016, at over £70,000 per annum.

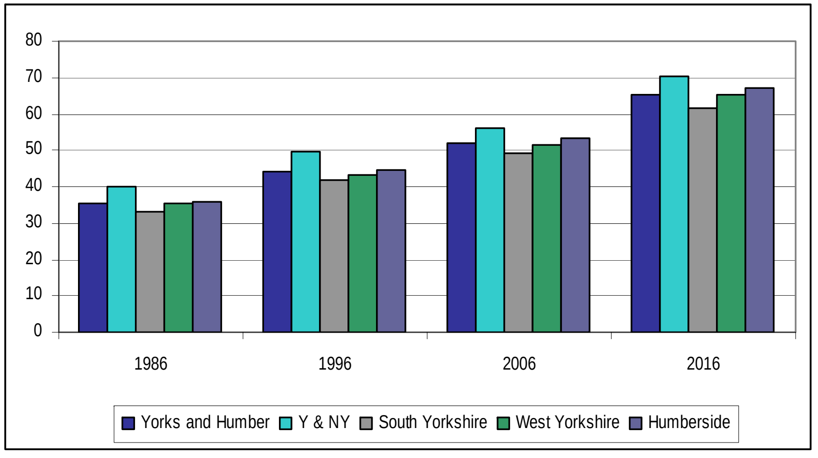
[13] The forecast data present a 'policy off' scenario. They do not take into account the current and proposed major developments designed to accelerate economic growth.

Forecast Growth in GVA per FTE employee, by sub region, 2006-2016



Source: Yorkshire Forward Econometric Model / Experian, 2006

Estimated GVA per FTE employee, by sub region, 1986-2016



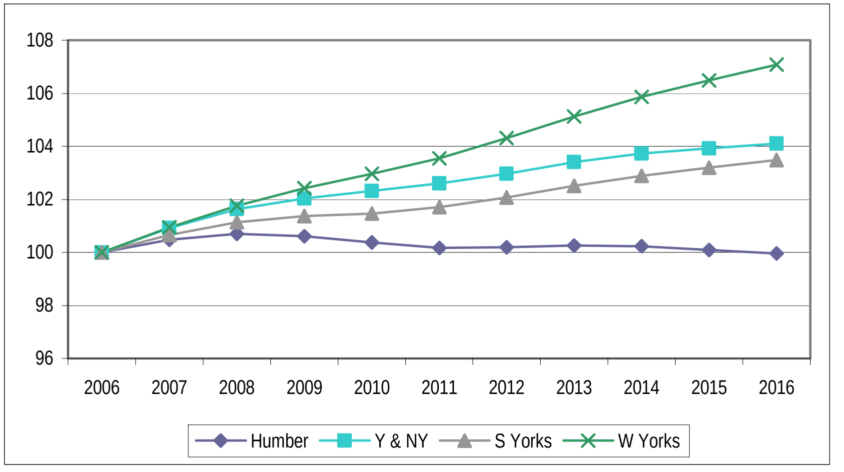
Source: Yorkshire Forward Econometric Model / Experian, 2006

Employment Forecasts

The employment forecasts indicate that the next ten years will see a significant shift in where employment is generated across the four Yorkshire and Humber sub regions. For some time York and North Yorkshire has been the leading sub region in terms of the creation of additional employment, taking account of its employment base. The forecast data suggests that over the next ten years it will be West Yorkshire which will achieve the highest percentage change in employment over the period to 2016 (7.1%), with York and North Yorkshire in second place, with an increase of 4.1%.

It is also worth noting that South Yorkshire (3.5% growth) will close the performance gap with York and North Yorkshire, and in absolute numbers terms, both West and South Yorkshire will record larger employment increases (79,000 and 22,000 respectively) than York and North Yorkshire (18,000).

Projected Employment Change 2006-2016, 2006=100



Source: Yorkshire Forward Econometric Model / Experian, 2006

Although the overall employment increase is forecast to be modest, there will be substantial change within the employment base, with a further reduction in manufacturing employment and an increase in retail, hotels and catering and public sector employment, notably education.

Summary and Conclusion

York and North Yorkshire has enjoyed sustained economic growth over a long period, as has the UK generally. Over the next ten to fifteen years, the competitive pressures will increase as other major economies seek to increase their competitiveness in the light of increased pressure from China and India.

York and North Yorkshire has experienced:

- Strong population and workforce growth;
- A marked increase in employment, both full and part time;
- A high level of business start ups and the number of active businesses is considerable;
- Very low unemployment and low levels of multiple deprivation.

This very positive review needs careful interpretation, as below the headlines, there are a number of issues which will have consequences over the coming years. These are:

- A significant part of the increase in employment was from the public sector, and this may not be sustainable in the long run;
- A further major source of growth was from distribution, hotels and restaurants, and while welcome, this does not help to address the issue of low earnings;
- Full time jobs account for a smaller proportion of the total than in the region or England as a whole, and the largest percentage change has been in male part time employment (although in absolute terms, the numbers are still relatively small);
- The growth and representation of banking, finance and insurance remains poor, and this sector is one of the key national drivers of economic growth
- There are considerable differences in performance across the sub region, with York, one of the national Science Cities, seeing faster economic growth than many other parts of the sub region.

The forecast data suggests that while York and North Yorkshire will continue to be successful, the sub region will experience lower levels of performance when compared to the national performance and for some indicators the regional performance.

In particular, the forecast rates of economic growth will lead to a widening of the gap between the sub region and the national position, and the other sub regions, with strong urban centres, may close the gap more quickly. In summary, the forecast suggests that York and North Yorkshire's time as the top performing sub region in Yorkshire and the Humber may be coming to an end.