Powys County Council

Powys Employment Needs Assessment

Technical Report 1

Socio-Economic Context

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Technical Report 1

Socio-Economic Context

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1 INTRODUCTION

1.1 Purpose

This is the first in a series of Technical Reports underpinning the Powys Economic Needs Assessment. This report set out an assessment of the current and historic socio economic conditions in Powys, Technical Report 2 sets out a review of the current employment property and sites supply and market context in Powys, and Technical Report 3 looks forward, to make an assessment of future potential employment property and land requirements in Powys over the 15 year LDP period 2011-26.

The assessment contained in this report brings together analysis already contained in a number of supporting documents, including the Powys Joint Needs Assessment[1] and Regional Economic & Labour Market Profile, Mid Wales, June 2011[2]. However, where new data has been made available it has been presented.

The focus of the analysis has been to underpin the wider aims of the Powys Economic Needs Assessment which has at its core, the need to provide evidence on which the Powys Local Development Plan will be prepared, and in particular, the consideration of employment land and property requirements within the LDP.

1.2 Geographic Designations

For the purposes of this study Powys refers to the county of Powys excluding the area designated as part of the Brecon Beacons National Park (BBNP). Where possible, data has been adjusted to discount the influences of the BBNP. However, in many instances this is not possible, or where it is, there are substantial challenges.

In order to set the performance of Powys in context a number of benchmark areas have been used, depending on the data set. The benchmarks include:

- Welsh Rural Neighbours which includes Carmarthenshire, Ceredigion and Gwynedd
- English Rural Neighbours which includes Shropshire and Herefordshire
- Near neighbour counties of Ceredigion and Gwynedd
- Wales
- UK

In line with the analysis within other Technical Reports, four sub-areas within Powys are referred to. As there is limited data below county level, these sub areas are referred to in relatively few instances. The four areas are:

- Machynlleth
- Severn Valley and North
- Central

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[1] One Powys Needs Assessment v0.1 (19.07.11) available at http://www.powys.gov.uk/uploads/media/Appendix_3_-_Needs_Assessment_v0_1_en_05.pdf (last accessed 22 May 2012)

[2] Statistics for Wales, Statistical Bulletin SB 61/2011. Regional Economic & Labour Market Profile – Mid Wales – June 2011 (30 June 2011) available at http://wales.gov.uk/topics/statistics/headlines/economy2011/110630/?lang=en (last accessed 22 May 2011)

- Ystradgynlais

Appendix 1 contains the statistical definitions used for these areas within quantitative analysis. However, in general terms these areas should be thought of as broad sub-areas for the purposes of description and understanding of some spatial implications, rather than fixed zones with clear boundaries.

2 SOCIO DEMOGRAPHICS

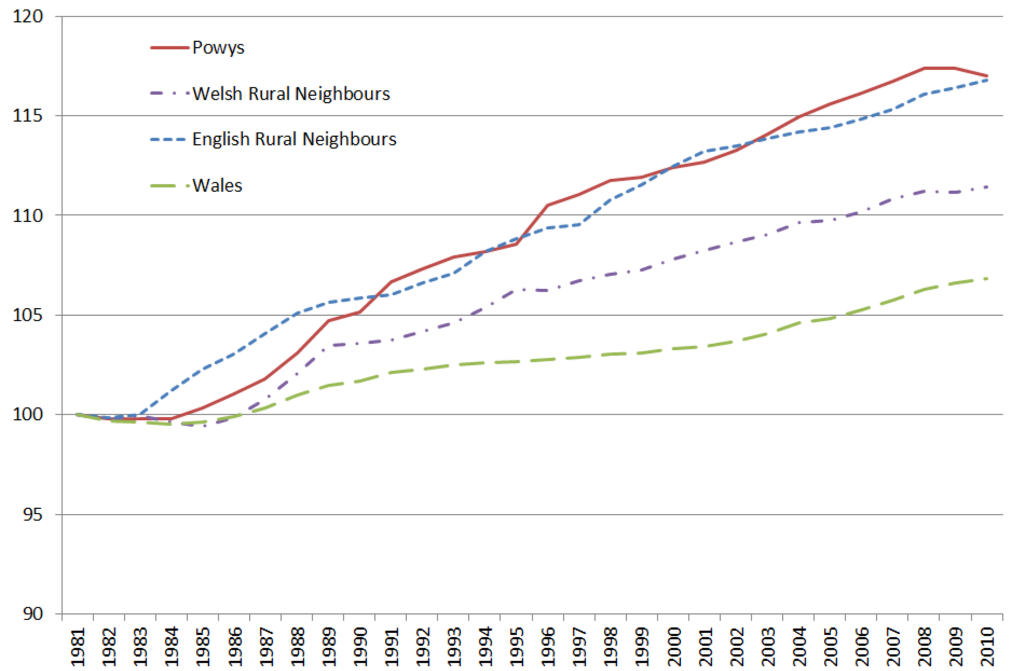
2.1 Population Trends

The total population of Powys in 2010 was estimated at 131,300 (ONS Mid Year Population Estimate). Since 1981 the population of Powys has increased by 19,100 persons. In percentage terms, this 17% increase is far greater than Wales (6.8%) or GB (10.3%).

However, more recently (since 2000), population growth has been a little behind the GB average, although remains higher than Wales. Since 2008 official data show the population to have remained flat and actually declined slightly. This is counter to the Wales and GB level pattern. However, this statistic is subject to further investigation.

Over the last ten years total population change has been of a similar nature to neighbouring rural areas in both England[3] and Wales[4].

Figure 1: Long Term Population Change (Source: ONS Mid Year Estimates)



2.2 Population Structure

Of particular note is the change in age structure of the Powys population. Powys has a lower proportion (59.7%) of its population within the working age cohort than both Wales and GB. In fact, in Wales only Conwy has a lower proportion of its population of working age. Powys has a greater proportion of its population in every age group from 55 years and above when compared to both its Welsh and English neighbours as well as the Welsh average.

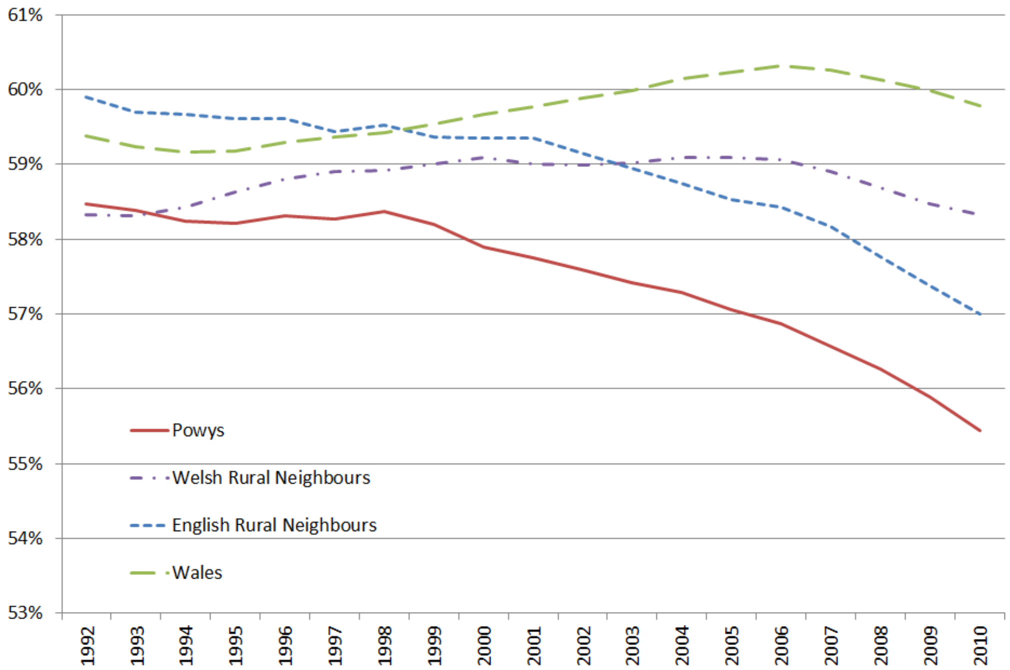
[3] Herefordshire and Shropshire

[4] Carmarthenshire, Ceredigion and Gwynedd

When looking at shifts in the population by age group there is clear evidence of growth among the middle and older age groups, with falls among many of the younger age groups (1-14 years and 25-39 years). Existing evidence points to the fact that many young people leave the county due to perceived lack of opportunity (a range of factors including a lack of higher education provision, employment and other factors are likely to contribute to this) with a reverse trend of in-migration among those in middle and older age. Again, these trends are similar in neighbouring rural areas in Wales and England. However, there is some difference with Welsh neighbours where three[5] Higher Education Institutions create different impacts in the 20-35 years age group. When considering the implications for working age population (16-59/64 years) Powys has had a declining proportion of its population in this age cohort, falling 1.1% points in the last ten years. This compares to almost 1% point increases in Wales and GB. The end result is a 5% point gap in the share of population of working age between Wales and GB. Figure 2 shows the change in the proportion of the population of working age over the period 1992-2010. It is clear that Powys has the lowest proportion, with a trend that is almost identical to its English Rural Neighbours, yet quite markedly different to its Welsh Rural Neighbours and the overall Welsh average.

Some of these shifts in population are evident across Wales and GB. Notably the ageing of the population, however, the patterns in Powys and its surrounding rural areas appear to generally exaggerate the national picture. This includes more significant growth in middle and older age cohorts, and greater levels of decline among younger age cohorts.

Figure 2: Proportion of Total Population of Working Age (Source: ONS Mid Year Estimates)



2.3 Deprivation

The 2011 Welsh Index of Multiple Deprivation is the most recent source of data on relative deprivation across Wales. Of the 80 Lower Super Output Areas that make up Powys only 1% fall within the most deprived 20% in Wales and 20% within the 50% most deprived in Wales. On this basis, Powys is not considered to suffer from severe levels of deprivation relative to

[5] Aberystwyth, Bangor and Trinity St Davids (with campuses in Carmarthen and Lampeter),

other areas of Wales. The one domain within the index that shows significant levels of deprivation is 'Access to Services' which reflects the rural nature of the county and the challenges this brings for service delivery.

The percentage of the population claiming key benefits[6] in Powys (10.7%) is also lower than Wales (15.7%) and GB averages (12.3%).   JSA claimants (2.4%) are lower than Wales (3.9%) and GB (3.7%) in line with the APS data on unemployment.

2.4 Summary

- Whilst the population grew rapidly through the 1980s and 1990s compared to Wales and GB the relative level of growth has slowed in the last 10 years[7].
- Powys has a relatively older age profile than Wales, but is largely in keeping with its rural neighbours. The principal exception being the presence of a number of Universities impacting upon the 20-35 years age groups in neighbouring parts of rural Wales, and to a lesser extent England.
- The population is showing very clear signs of ageing, with declines amongst many of the younger age groups and significant rises within older age groups.
- The working age population as a share of the total population is declining and is substantially lower than both Welsh and GB averages.
- The county does not exhibit wide spread deprivation and levels of benefits claimants are lower than benchmark averages. However, the rural nature of the county does lead to challenges in terms of service delivery.

[6] Job Seekers Allowance, Employment Support Allowance, Incapacity Benefit, Lone Parent and Carer Benefits, Other Income Related Benefits, Disabled Benefits and Bereavement Related Benefits.

[7] There is some dispute over the most recent data release which if revised my slightly alter this finding.

3 LABOUR MARKET TRENDS

3.1 Employment, Unemployment and Inactivity

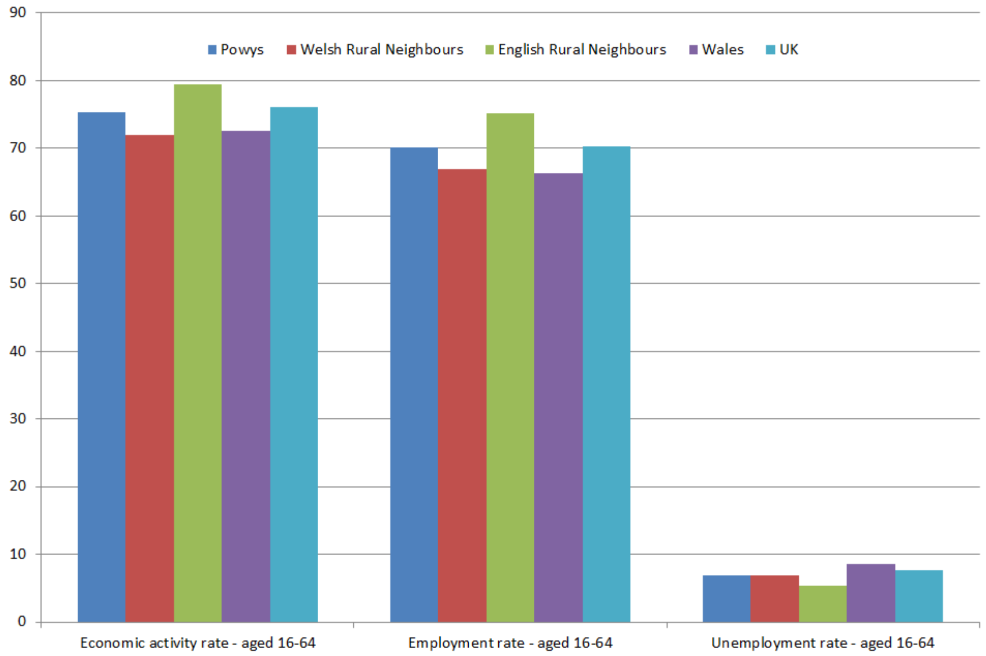
Employment rates in Powys have been higher than Wales and GB levels for much of the period since 2004. However, employment rates dipped below the GB average for the first time in 2009 but have since recovered to just above the GB average.

More significant than the relative performance is the dip in employment rates as a result of the economic downturn. From a peak of almost 76% in 2005/06 there has been a fall to around 70% and even below since 2009.

Unemployment, as measured by both claimant levels and the Annual Population Survey (using the ILO definition[8]) are lower than both Wales and GB. This is a trend that has been consistent over an extended period. However, both the rates and the absolute numbers of persons unemployed have risen in the last five years. ILO defined unemployment hovered at around 2,000 persons (3%) in Powys for several years pre-downturn. This has now risen to in excess of 3,000 persons (5%). This compares with 8.3% in Wales and 7.7% in GB.

Figure 3 illustrates Powys headline labour market performance compared with the benchmark areas.

Figure 3: Headline Labour Market Indicators 2011 (Source: Annual Population Survey, ONS)



Economic inactivity rates in Powys (25%) are lower than Wales (27%) but marginally higher than UK (24%). The recession has impacted on inactivity, with rates in Powys around two percentage points higher than 2007/08. This equates to an additional 2,300 persons recorded as economically inactive in the county.

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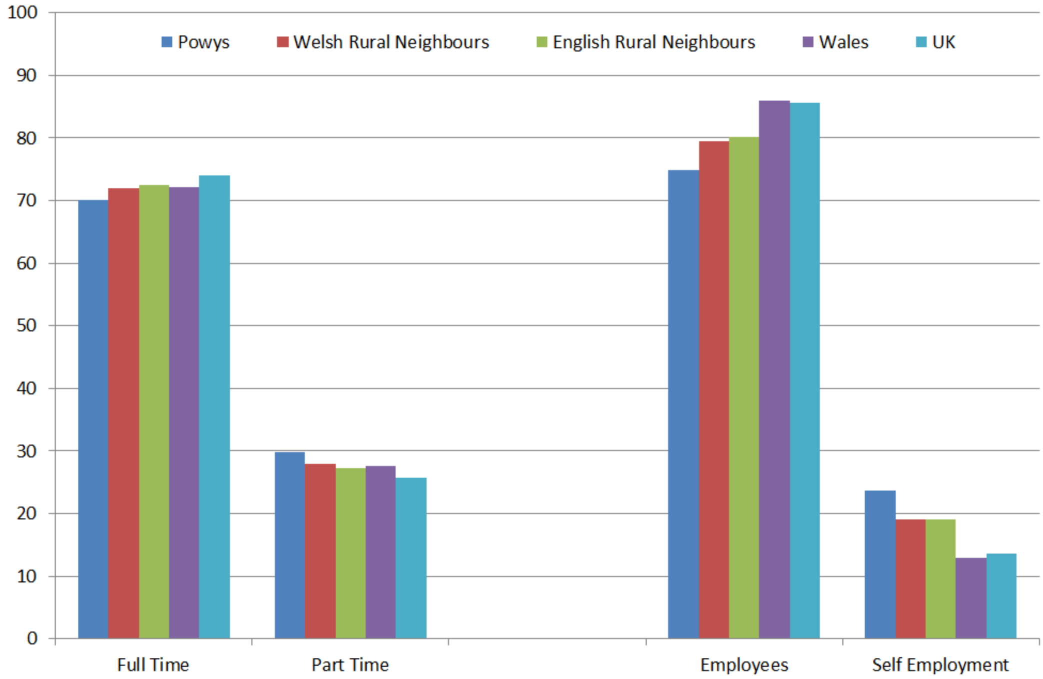
[8] ILO, International Labour Organisation. The ILO operates a broader definition of unemployment than purely measuring claimants. The official definition specifies that *"it relates to all persons not in employment who would have accepted a suitable job or started an enterprise during the reference period if the opportunity arose, and who had actively looked for ways to obtain a job or start an enterprise in the near past".*

The picture of higher employment rates and lower levels of unemployment and inactivity than Wales and GB is generally positive for Powys. However, there is a markedly different pattern underlying employment rates in Powys than the national benchmarks which shows something of the economic character of the area and its rural nature.

High employment rates are fuelled by very high levels of self-employment. The corollary of this is lower rates of employee employment than Welsh and GB benchmarks. Self-employment levels in Powys are generally around 24% in Powys, compared to 13% in Wales and 14% in UK. This is the highest rate of self employment of all the Unitary Authority areas in Wales. However, it is the rural areas that have higher rates with Powys' Welsh and English Rural Neighbours both averaging 19% self employment.

Figure 4: Selected Labour Market Indicators for the Population Aged 16-64 Years, 2011 (Source: Annual Population Survey, ONS)



Rates of self-employment have held up much better through the downturn than employee jobs, however, this is no indication of the ability of the self-employed to generate healthy incomes. Levels of resident employee employment have fallen back from a peak of 47,000 in 2006/07 to 44,700 in 2010.

The second factor which is of note is the high level of part time employment. Latest data shows almost 30% of employment being part time in Powys compared to 28% in Wales and 26% at the UK level.

High levels of self employment and part time employment reflect both the relative lack of employment opportunity in rural areas compared to more urban locations and the sectoral mix of employment, for example tourism and agriculture are relatively large sectors in rural mid Wales and these exhibit a high degree of self-employment and part time and seasonal employment.

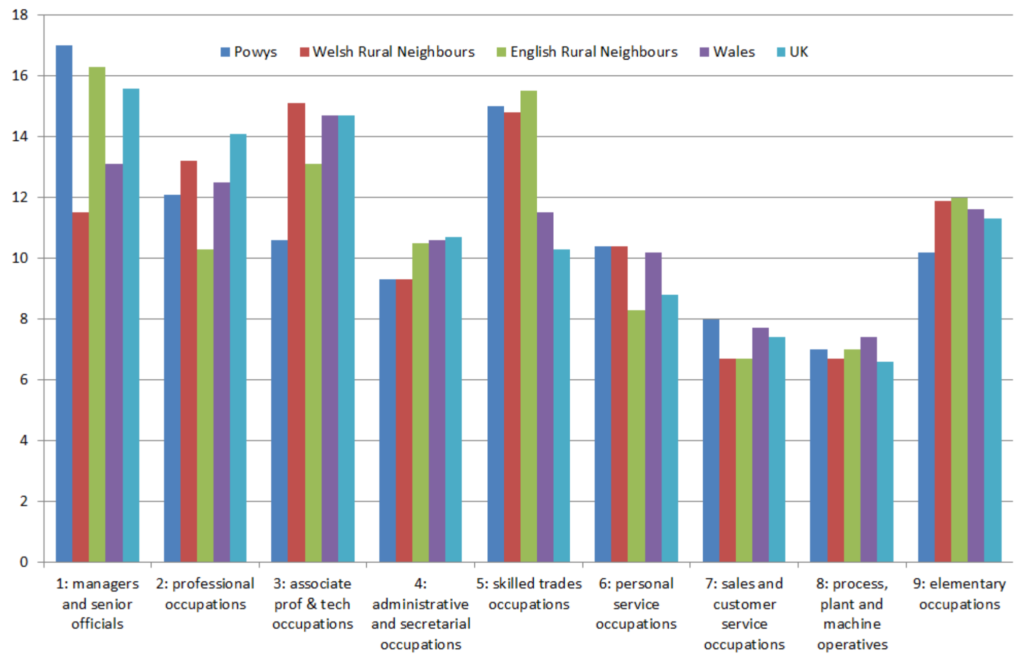
3.2 Skills and Occupations

Compared to Wales, Powys has a higher proportion of its resident working age population with higher level qualifications (NVQ4 and above) and lower proportions with no qualifications. The proportion of the population with low and intermediate level qualifications is broadly similar to

Wales. Compared to GB Powys has lower proportions of the population with higher level qualifications.

Data on the occupational mix is presented in figure 5. This shows quite substantial variation across the benchmark areas and no consistency across the rural geographies. The high levels of managers and senior officials in Powys reflect the high levels of self employment and small owner managed businesses. The small office based business services sector is reflected in the low proportions of administrative and secretarial occupations. The higher proportions of workers in personal service and sales and customer service occupations reflects the relatively large tourism and retail sectors. The high proportion of skilled trades workers across the three rural areas is likely to reflect both the agricultural sector and high levels of self employment.

Figure 5: Percentage of Employment by Occupation 2011 (Source: Annual Population Survey)



3.3 Earnings

Resident based pay for full time workers shows Powys residents earn, on average, less than both the Welsh and GB average. This data already strips out the effects of higher levels of part time working in Powys and is therefore likely to reflect both the sectoral/occupational mix of resident workers, and potentially, levels of productivity.Compared to other areas of rural mid Wales it is evident that Powys has average resident wage levels higher than Ceredigion and Gwynedd.

Workplace based earnings show a similar pattern. Powys workplace wage levels are very similar to Ceredigion and Blaenau Gwent in a group with the lowest median workplace earnings at less than £400 per week.

Higher resident based wages than workplace based wages suggests out commuting by residents for better paid work.

The table below sets out further details on income data based on HMRC data for tax purposes. This also gives some insight into earnings from self employment. These are well below the averages for employment based incomes. Employment incomes across the rural counties of Wales are very similar to one another, but well below Powys' English rural neighbours and the

Welsh average. Self Employment data shows a similar pattern, although Powys shows higher self employment incomes than its Welsh rural neighbours.

Figure 6: Incomes for Tax Year 2007-08 (Source: HMRC)

	Self Employment		Employment	
	Mean	**Median**	**Mean**	**Median**
Powys	£14,700	£9,460	£17,500	£14,500
Carmarthenshire	£14,300	£7,000	£17,100	£14,500
Ceredigion	£12,800	£8,570	£17,400	£14,200
Gwynedd	£13,600	£8,890	£17,600	£14,800
Shropshire	£19,900	£9,380	£21,200	£16,200
Herefordshire	£17,500	£9,610	£19,300	£15,000
Wales	£15,900	£9,420	£19,600	£16,100

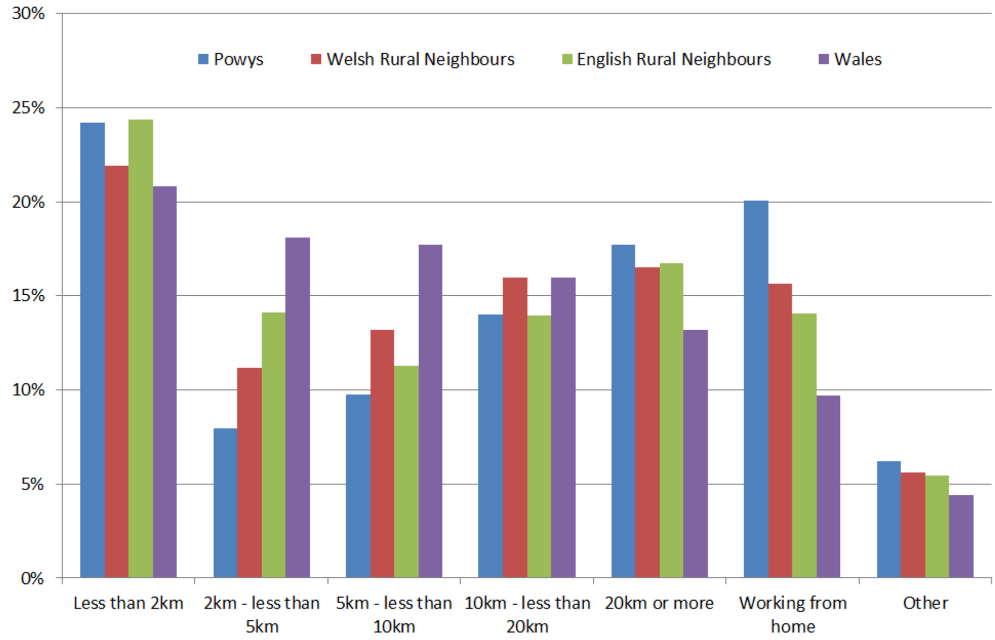
3.4 Travel to Work

Data for Apr 2010 – Mar 2011 from the Annual Population Survey gives an indication of the net commuting rate for Powys. This data indicates that 55,300 residents of Powys were in employment, whilst there were 50,200 employed within workplaces in Powys. This suggests some 5,100 employed residents out commute from the County each day, equivalent to a 10% net out commuting ratio.

Data from the 2001 Census provides more detailed travel to work data at ward level. Analysis of this data shows fairly localised patterns of travel to work. Outside of the larger settlements in Powys very high proportions of workers work in their own ward. Where there is commuting it tends to be centred around the larger settlements. Because of the distances involved there is relatively little commuting between the major settlements. In drawing up sub-areas to inform the wider Economic Needs Assessment it was evident that a number of zones began to emerge which are listed at section 1.2 of this report.

Figure 7 presents data from the 2001 Census on distance travelled to work. This shows firstly that a high proportion of the workforce works from home, which is in line with the high proportion of self employed as well as a high proportion of workers working within 2km of their home. There are then low proportions of workers working between 2km and 20km from home which reinforces the localised travel patterns. However, a higher proportion working more than 20km from home, which highlights the fact that if a worker does need to commute, because of the scale of Powys and the distances between settlements the journey is relatively long.

Figure 7: Distance Travelled to Work (Source: 2001 Census of Population, ONS)



3.5 Summary

- Data for Powys indicates a high employment rate and relatively low unemployment rate, however, both indicators have moved in an adverse direction as a result of the credit crunch, recession and sluggish recovery.
- Whilst the headline data shows a healthy position relative to other areas, this masks a more complex picture beneath the surface with high levels of self employment and part time working.
- A higher than average proportion of the population in Powys have higher level qualifications, however, this is not reflected in earnings data or the occupational mix.
- Travel to work data indicates two major trends:
  - Powys is a net exporter of labour i.e. more people out commute from Powys to work than commute into the county.
  - Within the county travel to work patterns are fairly localised and contained around the major settlements.

4 EMPLOYMENT

4.1 Total Employment Performance

Job density[9] (a measure of jobs relative to population) in Powys has broadly tracked the UK, and been above Welsh averages. In 2009 (latest data) the jobs density in Powys stood at 0.78 jobs for every person of working age. This compares to 0.71 in Wales and 0.78 in GB. The peak in Powys of 0.85 in 2003/04 was very high compared to UK average which has tended to hover around 0.8.

A consistent time series of employee job (workplace based) data only runs to 2008 which is when many of the effects of the economic downturn started to manifest. To this point employee job numbers had risen consistently year on year to 47,000. The rate of growth in employment at 1.5% per annum 1995 – 2008 was higher than Wales (1.3%) and UK (1.2%)

However, this was driven by part time employment growth. Full time employment grew by 0.4% per annum compared to Wales (0.8%) and UK (1.0%). Part time employment grew at 3.5% per annum compared to Wales 2.4% and 1.9%. In 1995 part time employment stood at around 30% of employee jobs in Powys, broadly in line with Wales and UK. By 2008 this had increased to 39% compared to 34% in Wales and 31% in UK.

A new data set for employment presents data for 2008 - 2010. This indicates a fall in employment from 46,900 in 2008 to 44,100 in 2009 and then a rebound to 47,400 in 2010. The original figures for a loss between 2008 and 2009 of 2,800 jobs, equivalent to a 6% fall was broadly consistent with data from the Annual Population Survey (although resident based) which showed a fall from around 47,000 at the pre-recession peak to 44,700 in the latest release for 2010. However, the 2010 figure appears to suggest the 2009 drop was a blip in the data. Due to the volatility that can be present in data for small areas it will not be until further data is released in subsequent years before we can fully understand the impact of the recession on employment in Powys.

4.2 Sectoral Employment Structure

Latest data on employment structure is available from the Business Register and Employment Survey for 2010. Figure 8 illustrates employment across 16 sectors in the economy. This excludes primary industries (including agriculture) as this source of data is not considered to be an accurate reflection of employment in this sector.

Relative to Wales, Powys is over represented in C: manufacturing, G: wholesale and retail, I: accommodation and food service activities, M: professional, scientific and technical activities[10], P:education, and R: arts, entertainment and recreation. Combined I and R and to a lesser extent G are the major components of the tourism and leisure sector which is recognised as important for Powys within policy documentation.

Powys is under-represented in J: information and communication, K: financial and insurance activities, N: administrative and support service activities and O:public administration and

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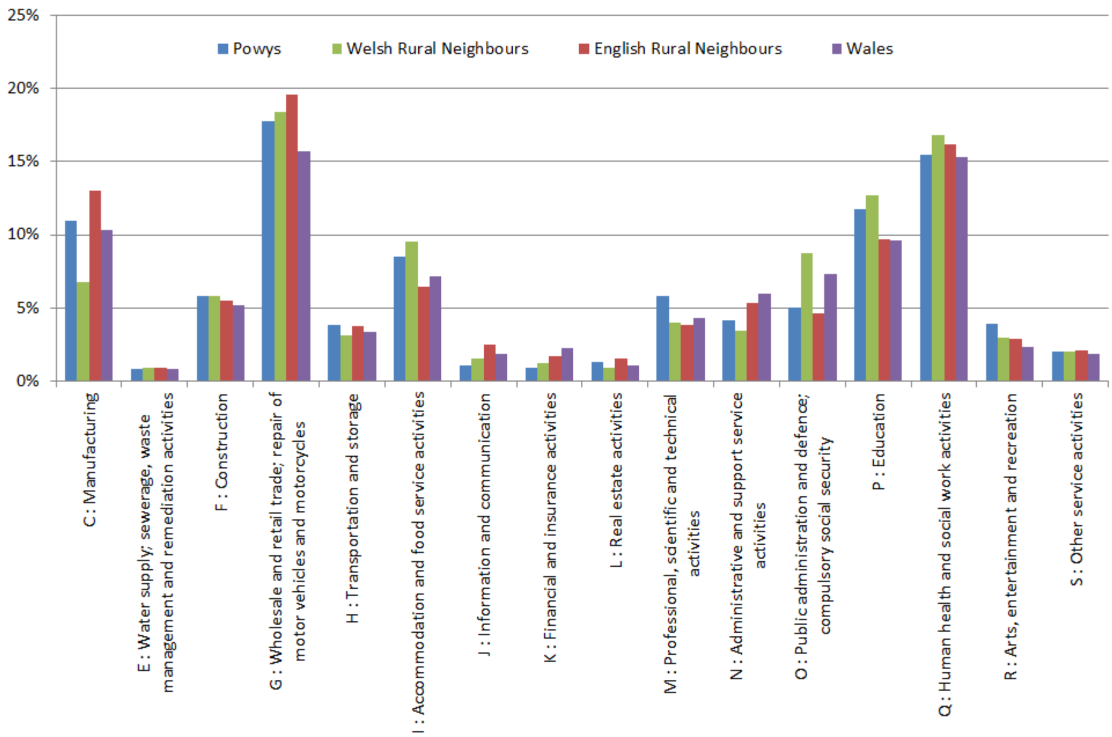
[9] This is potentially the best measure of total employment as it includes employee jobs, self-employment and those on government supported training schemes or within HM Forces.

[10] This is largely driven by the research and development sub-sector.

defence[11]. The majority of employment within these sectors could be termed ‘office based’ and the under-representation of these sectors is reflected in a relatively small commercial office market in Powys as demonstrated in Technical Report 2.

Figure 8: Employment by Sector 2010 (Source: Business Register and Employment Survey, ONS)



4.3 Sectoral Employment Change

Whilst the latest available data on employment is for 2010 this does not allow for consideration of changes over time due to the recent adoption of this survey and the change to the sectoral classification adopted. For this reason, whilst the current point in time data relates to 2010 for comparison between Powys and the benchmark areas the analysis of time series data presented in this section covers the period between 1998 and 2008.

Figure 9 shows the change in employment by sector over the period 1998-2008 for Powys and the benchmark areas. The most notable trend is the increase in employment within most service sectors and the decline in manufacturing based employment.

Compared to its Welsh Rural Neighbours Powys has not experienced the high levels of growth in Construction, Hotels and Restaurants and business services. The data for education shows a lower level of growth in Powys than its Welsh Rural Neighbours, however, this appears to be due to an anomaly within the data for primary education employment in Carmarthenshire, rather any other notable driver. However, in employment terms the levels of growth in Transport, Storage and Communication, Business Services, Education and Other Services are all in excess of 40%. In absolute terms Business Services, Education, Health and Other Services have all grown by more than 1,000 jobs over the period.

[11] There is a fairly sizeable defence presence within Powys, however, due to the transient nature of operational defence staff within the services this is not well reflected in the data.

Figure 9: Sectoral Employment Change 1998-2008 (Source: Annual Business Inquiry, ONS)

Looking in more detail the table below set out the sub-sectors experiencing the greatest employment gains and losses.

Figure 10: Sub Sectors with Greatest Employment Change 1998-2008 (Source: Annual Business Inquiry, ONS)

Gains		Losses	
Sector	**Employment Change 1998-2008**	**Sector**	**Employment Change 1998-2008**
80 : Education	1,700	55 : Hotels and restaurants	-1,200
85 : Health and social work	1,200	31 : Manufacture of electrical machinery and apparatus not elsewhere classified	-1,100
92 : Recreational, cultural and sporting activities	1,000	36 : Manufacture of furniture; manufacturing not elsewhere classified	-800
74 : Other business activities	800	20 : Manufacture of wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	-800
70 : Real estate activities	700	75 : Public administration and defence; compulsory social security	-500

The losses in the Hotels and Restaurants, and Public Administration sectors are not experienced to this extent by any of the benchmark areas. Considering more detailed sectoral data suggests that Powys saw greater declines, or lower levels of growth across many subsectors within the Hotels and Restaurants sector, but the most significant areas in terms of jobs were the restaurants and catering sub-sectors, and to a lesser extent bars. Within the Public Administration sector the pattern is far less clear with very different sub-sectoral employment patterns across the benchmark areas. The main sector that accounts for the variance with Wales and GB is “Regulation of the activities of agencies that provide health care, education, cultural services and other social services excluding social security”. This sector could cover a range of public sector administrative organisations including the local authority, WDA/Welsh Government, health authorities, and agencies such as Job Centre Plus and Connexions/Careers Service.

4.4 Employment by Use Class

The data in the preceding section relates to sectors as categorised by the Standard Industrial Classification. In order to understand the implications in terms of employment land and property these have been translated into Use Classes as per the Use Classes Order in Wales (May 2011).

Figure 11 sets out the spread of employment by Use Class across Powys and the benchmark areas in 2010. This clearly shows the predominance in all areas of employment outside the B Use Class. This highlights an issue for the planning system in appreciating that the majority of employment in an area lies outside those classifications which are officially designated for employment.

When comparing Powys to the benchmark areas it is clear that B1a (office) related employment is less important in Powys than the benchmark areas. B1b/c[12] and B2 (industrial) employment is more important in Powys than Wales as a whole, which reflects the relative size of the manufacturing sector. There is relatively little variation across B8 (warehouse) related employment, with a slightly higher level in the English Rural Neighbours which have some strong distribution locations, particularly in parts of Shropshire.

[12] B1b/c has been grouped with B2 as a single category for industrial type premises. This aligns with available data on existing floorspace available through Neighbourhood Statistics which is classified as offices, factories and warehouses. It also enables the construction of a more logical SIC/Use Class matrix.

Figure 11: Employment by Use Class 2010 (Source: HJA based on Business Register and Employment Survey, ONS)

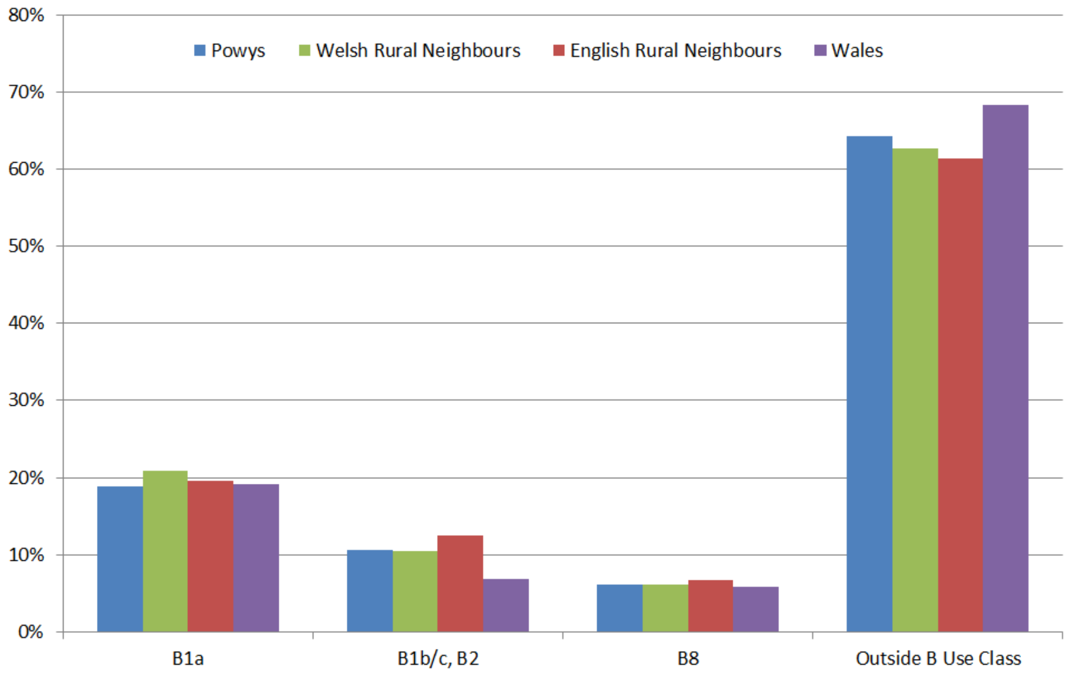
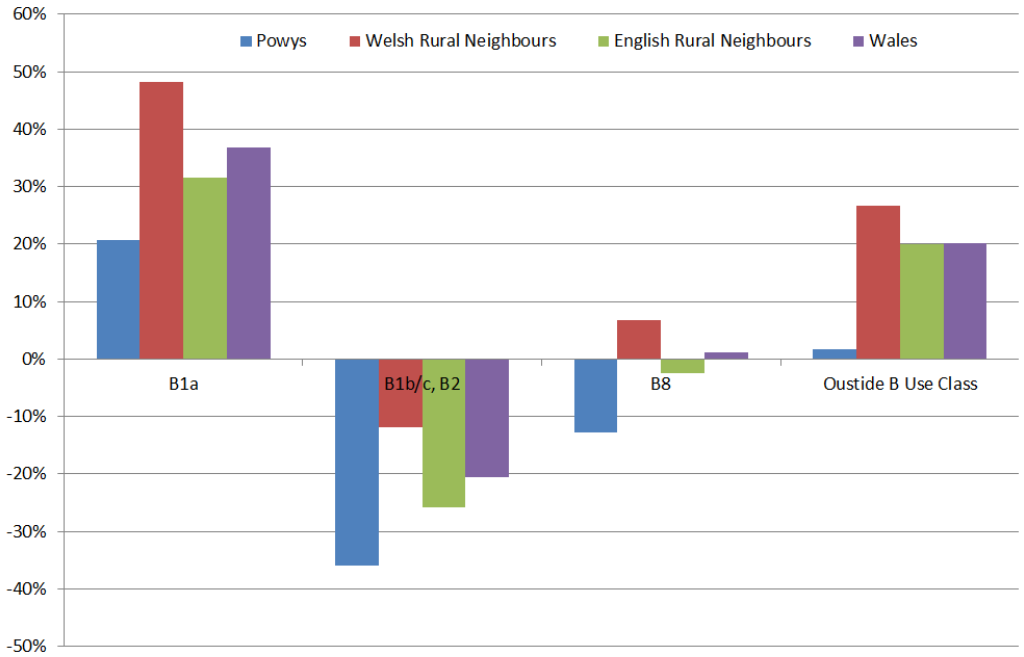


Figure 12 shows the change in employment by Use Class 1998-2008 across the same benchmark areas. This shows a general trend of rising employment in office related activities, although more muted in Powys, declines in industrial which are somewhat greater in Powys, and a mixed picture in warehousing, again with larger declines in Powys. Outside the B Use Class there has generally been significant growth, although to a much lesser extent in Powys.

Figure 12: Change in Employment by Use Class 1998-2008 (Source: HJA based on Annual Business Inquiry, ONS)



4.5 Employment by Sub Area

Four sub areas have been identified as part of this study and are outlined at section 1.2 of this report. Set out below is a summary of key employment trends across the four sub-areas. Please note that no data is available for these areas before 2003.

4.5.1 Total Employment

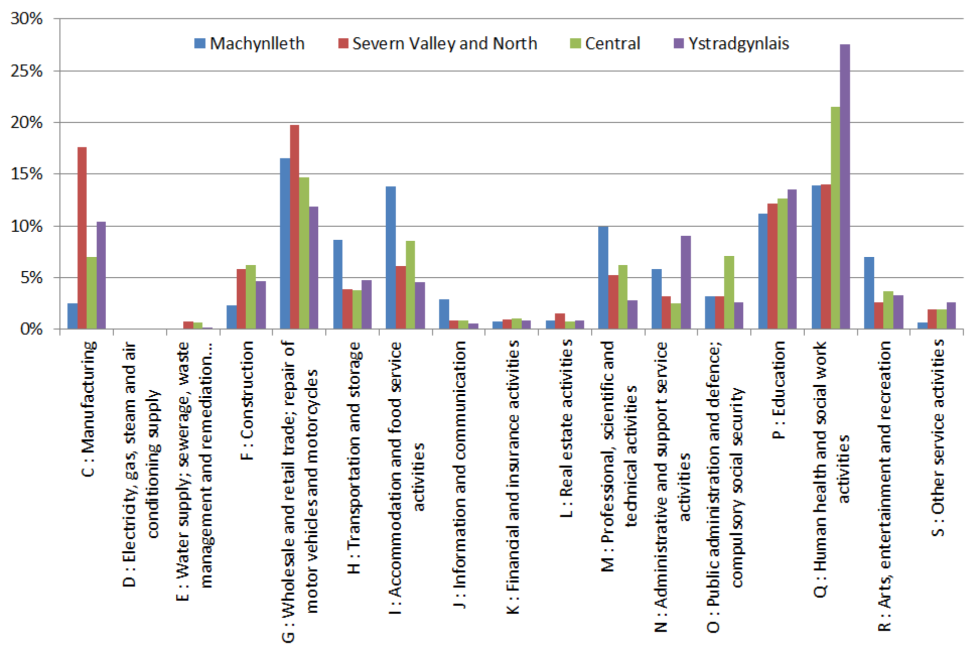
In terms of scale the four sub areas are very different. Both the Machynlleth and Ystradgynlais zones are small with 1,600 and 2,300 employees respectively according to the BRES 2010. The Severn Valley and North sub area is the largest with 20,000 employees and the Central zone has around 10,200.

4.5.2 Employment by Sector

Figure 13 shows employment by sector across the four sub areas. This shows some quite stark variations across the areas. Most notably:

- Large manufacturing and wholesale and retail sectors in Severn Valley and North zone.
- Large transport and storage, accommodation and food service, professional, scientific and technical activities, and arts, entertainment and recreation sectors in the Machynlleth zone
- Large public sectors (public administration, education and health) in the Central and Ystradgynlais zones. In particular this is driven by large health sectors.

Figure 13: Employment Structure Across Sub Areas 2010 (Source: Business Register and Employment Survey)



4.5.3 Employment Change

Over the period 2003-2008 the four areas experienced quite different employment performance. The Severn Valley and North and Central sub areas experienced the greatest levels of employment growth at around 8%. This compares with 3% for Ystradgynlais and less than 2% for Machynlleth.

Sectoral changes across the sub areas show a very mixed picture, because of the small scale of some zones the percentage fluctuations are substantial as a result of relatively small absolute changes and therefore a chart is not presented. Of note is the growth in employment within both the manufacturing and business services sectors in the Severn Valley and North zone, with declines in every other sub-area. Employment growth in the Central zone has been primarily fuelled by the public administration and health sectors.

4.5.4 Employment by Use Class

Figures 14 and 15 present data on employment by Use Class for the sub areas. Figure 14 shows the greater reliance on employment within the B Use Classes within the Severn Valley and North sub area. Whilst the relative size of the office sector is smaller, the large manufacturing sector is very important.

Figure 14: Employment by Use Class 2008 (Source: HJA based on Annual Business Inquiry, ONS)

	Machynlleth	Severn Valley & North	Central	Ystradgynlais
B1a Office	19%	16%	18%	20%
B1b/c, B2 Industrial	5%	18%	9%	13%
B8 Warehouse	6%	7%	5%	5%
Outside B Use Class	70%	58%	67%	62%

Figure 15 shows that growth in the Severn Valley and North sub area was spread across all four categories. Whilst the Central zone experienced a similar overall scale of employment growth in percentage terms, this was almost entirely outside the B Use Class.

Figure 15: Change in Employment by Use Class 2003 - 2008 (Source: HJA based on Annual Business Inquiry, ONS)

	Machynlleth	Severn Valley & North	Central	Ystradgynlais
B1a Office	0%	11%	0%	-11%
B1b/c, B2 Industrial	-5%	4%	-2%	-5%
B8 Warehouse	30%	7%	1%	13%
Outside B Use Class	1%	9%	12%	10%

4.6 Summary

- Data on jobs density shows a relatively healthy position compared to benchmark areas, in line with employment rate data.
- Whilst employment rose before the recession this was largely fuelled by increases in part time employment.
- The impact of the recession is uncertain and due to lags in data the full impacts will not be known for some years yet. However, early indications were of falls of around 2,500 – 3,000 jobs. The latest data for 2010 casts some doubt on this figure.

- Powys is over represented in a number of sectors, most notably manufacturing and tourism. Whilst the public sector is large, the county is no more reliant on public sector employment than the Wales economy as a whole and less so than its Welsh Rural Neighbours. Powys is under represented in a number of business service type sectors which is in line with the relatively weak commercial office market in the county.

- Pre recession employment growth was largely across the service sectors, most notably education, health, leisure and some business services. There were employment losses in the hotel and restaurants sector as well as the manufacturing sector.

- Considering employment by Use Class highlights the predominance of employment outside the B Use Classes. Employment growth has been concentrated in the B1a office and outside the B Use Class.

- Sub area analysis shows a mixed picture. Growth has been concentrated in the Severn Valley and North, and Central zones. However, the pattern of growth across these two areas has been quite different. In the Central zone growth was concentrated in public administration and health sectors, largely outside the B Use Class. In the Severn Valley and North zone there was growth across all the B Use Classes, including growth in employment within the manufacturing sector.

5 Business Base

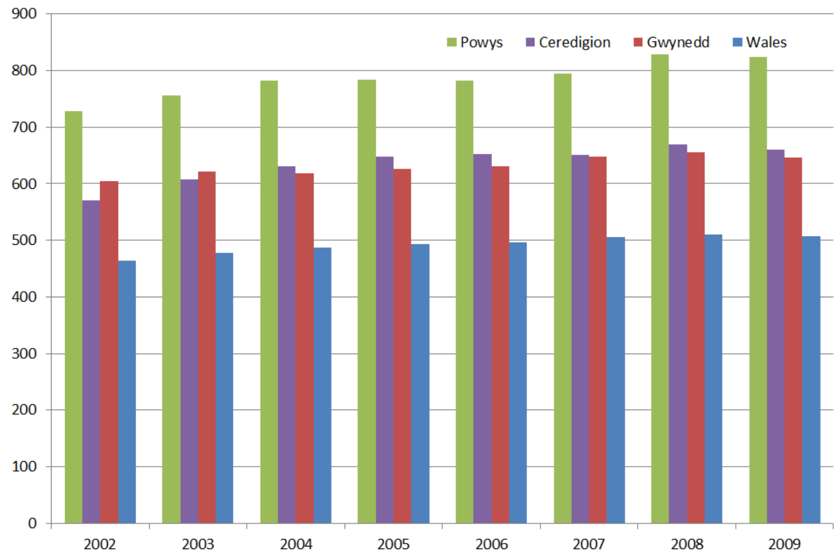
5.1 Business Population

There are different measures of the business population in an area. For statisticians the greatest challenge is measuring the number of very small enterprises. For Powys, which has very high level of self employment and a higher proportion of micro businesses, as a result of its rural nature, this challenge becomes even greater.

ONS Business Demography Statistics indicate that the number of active enterprises in Powys in 2009 (latest available data) stood at 6,070. Having hovered at around 5,800 for the period 2004-2006 the number of active enterprises rose in 2007 and 2008 before dropping back a little in 2009, this may be the start of the recession impact showing in the figures.

Relative to the population of Powys the business population is very high. Figure 16 shows the stock of active enterprises in Powys per 10,000 working age population. This chart shows the very high stock of enterprises compared to all the benchmark areas including Powys' Welsh rural neighbours Ceredigion and Gwynedd.

Figure 16: Active Enterprises per 10,000 Working Age Residents (Source: Calculated based on ONS Business Demography and Mid Year Population Estimates)



The Annual Business Inquiry is an alternative source of data. This records the number of workplaces in an area (one business may have multiple workplaces). This measure records a slightly higher figure for Powys, with around 6,700 businesses in 2008.

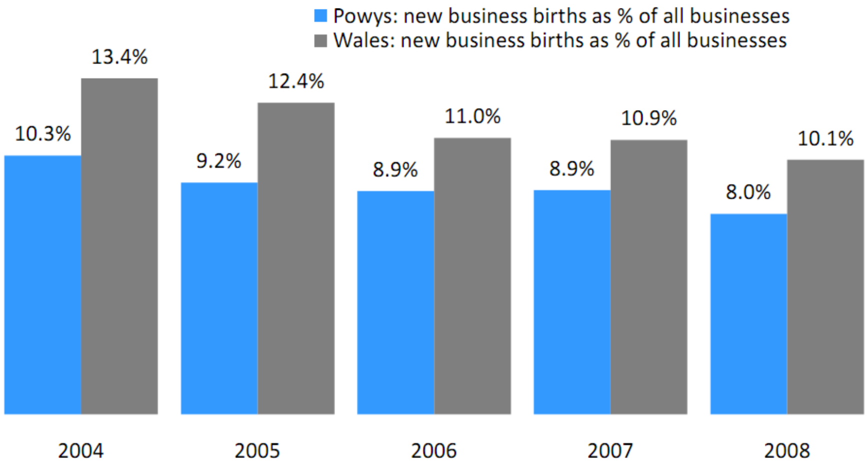
VAT registration data shows around 8,600 enterprises registered for VAT in 2008. However, this may include businesses which are not currently active.

Data on business structure from the ONS provides a further measure of the business base, which seeks to capture as many small businesses as possible. This indicates 14,745 businesses in Powys in 2011. This figure is much higher than the other measures. When considering the change in this indicator over time, since 2003 the number of businesses has fluctuated between around 14,750 and 15,350. However, the 2003 and 2011 figures are both at the lower end of this range, showing no growth across the entire period. This is a similar pattern to Ceredigion, but compares with 27% growth in Gwynedd and 20% growth across Wales as a whole over the same period.

5.2 Business Start Ups

VAT stocks have risen from 8,255 in 1994 to 8,600 in 2007. This growth of 4% is well below 11% growth in Wales and 26% growth in GB. Annual VAT registrations have fluctuated between 385 and 485 over the period 1994-2007. The chart below taken from the Powys Joint Needs Assessment[13] shows that the rate of new business starts relative to the overall business population has been lower in Powys than the Welsh average each year over the period 2004-2008. This is in line with the figures in the preceding paragraph which show low growth in the business population in Powys when compared to Wales.

Figure 17: Business Births as a Proportion of the Business Stock (Source: Powys Joint Needs Assessment based on ONS)



However, what the data presented above fails to capture is the already very high business base in Powys. Figure 18 below presents data for VAT registrations relative to the population in line with Figure 16. This shows Powys continues to have very high registration rates relative to its population. However, in all areas the trend is towards lower levels of VAT registration since 2003.

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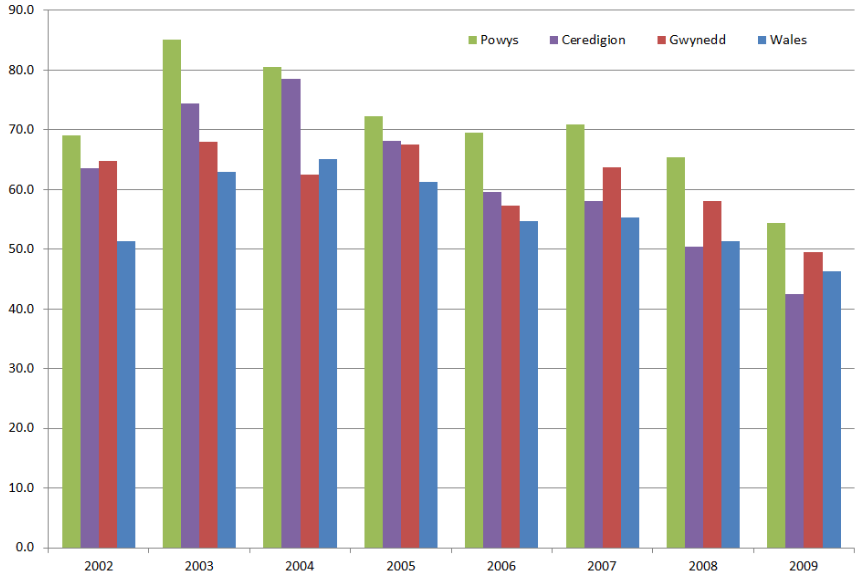
[13] One Powys Needs Assessment v0.1 (19.07.11) available at http://www.powys.gov.uk/uploads/media/Appendix_3_-_Needs_Assessment_v0_1_en_05.pdf (last accessed 22 May 2012)

Figure 18: Business Births per 10,000 Working Age Population (Source: Calculated based on ONS Business Demography and Mid Year Population Estimates)



5.3 Firm Survival

ONS data on firm survival, for businesses created from 2004 – 2008 shows that whilst the proportion of business surviving the first year (94.2%) is slightly below the Welsh average, beyond the first year, survival rates are well above the Welsh average. There are only three Unitary Authority areas in Wales with higher survival rates after 3 years and two authority areas with higher survival rates after 5 years.

Figure 19: Business Survival Rates (Source: ONS)

	1 year	2 year	3 year	4 year	5 year
Powys	94.2%	80.1%	68.4%	59.7%	51.3%
Wales	94.7%	79.9%	65.6%	54.8%	47.4%

5.4 Business Size

There are varying sources of statistics on business size. The most complete data includes all private sector enterprises, but measures the businesses by the total scale of employment in the entire UK. The table below summarises the results for Powys which shows 94.7% of enterprises are micro businesses. However, this is likely to overstate the number of large businesses in Powys as many of the 250+ enterprises recorded result from the total UK employment, not only employment in Powys[14].

[14] For example, a retailer that operates nationally may only have 10 employees within a store in Powys, but thousands of employees elsewhere in the UK. Within this dataset, it is recorded as an employer with 250+ employees.

Figure 20: Business Size 2011(Source: ONS)

	0-9	10-49	50-249	250+
Powys (Number)	13,960	465	140	180
Powys (Percent)	94.7%	3.1%	0.9%	1.2%
Wales	94.5%	3.8%	0.9%	0.8%

Data for 2008 from the Annual Business Inquiry provides an estimate of the number of businesses by size band, based only on workplaces in Powys, thus avoiding any over emphasis of large businesses. However, this measure is likely to undercount the number of very small businesses and self employed persons. This data indicates such a low number of large businesses, based on the number of employees, that the data cannot be disclosed. 97% of businesses employ less than 50 persons, with the vast majority of these employing 10 persons or less.

Figure 21: Business Size 2008 (Source: Annual Business Inquiry, ONS)

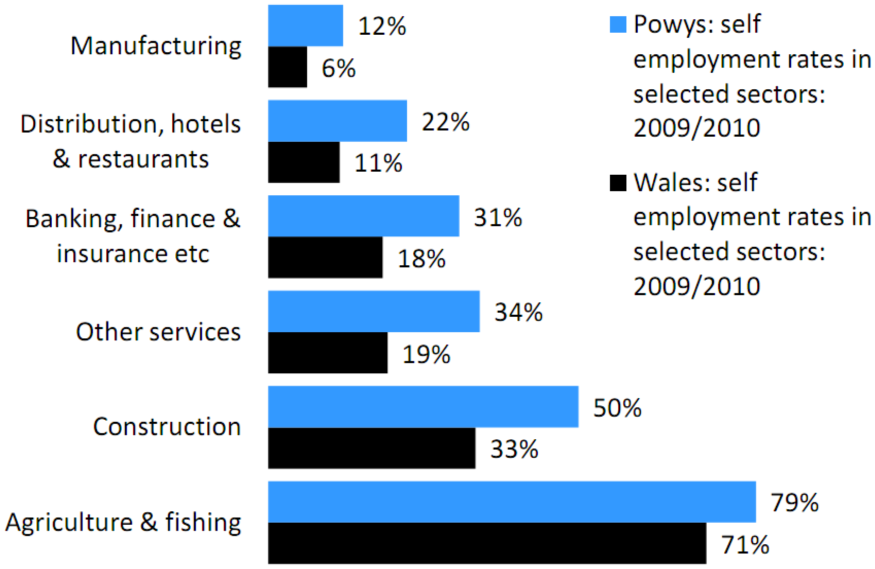
	1-10	11-49	50-199	200+
Powys (Number)	5,895	628	139	<25
Powys (Percent)	88%	9%	2%	<1%

When considering the data by industry sector, it can be seen that there are few large workplaces outside the public sector.

When coupled with the data showing very high rates of self employment it is clearly evident that Powys is dominated by very small enterprises. Details of self employment by sector are shown in the chart below, taken from the Economy chapter of the Powys Joint Needs Assessment[15]. This shows higher rates of self employment in nearly all the sectors which are significant in Powys. The two large sectors not shown in the chart below are the public sector (administration, defence, education and health) and business services.

[15] One Powys Needs Assessment v0.1 (19.07.11) available at http://www.powys.gov.uk/uploads/media/Appendix_3_-_Needs_Assessment_v0_1_en_05.pdf (last accessed 22 May 2012)

Figure 22: Self Employment by Sector 2009/10 (Source: ONS, Annual Population Survey, taken from Powys Joint Needs Assessment)



5.5 Summary

There is no definitive measure of the business base in Powys, however, relative to the working age population the number of businesses in Powys is very high compared to benchmark areas.

Levels of business start-up relative to the current business base are low and the business population has not grown at the same rate as comparator areas. However, relative to the population the business base start up rates are healthy.

For those businesses that do start, survival rates are above the Welsh average after the first year. Nevertheless, the data suggest growth of the businesses, in employment terms, is challenging, with the vast majority of businesses being classified as micro i.e. with less than 10 employees.

The Economy chapter of the Powys Joint Needs Assessment 2010-11 encapsulates the business position as follows:

"With its sparsely populated upland landscape, poor connectivity with the cities of England and Wales, Powys has no large employers outside the public sector. The majority of businesses are small and there are many one person enterprises."

6 CONCLUSION

Powys experienced rapid population growth through 80s and 90s relative to benchmark areas, however, in the last ten years the scale of population change has been more in line with the GB average. Within the population there are significant structural changes with an increasing older population, out migration of younger people (in pursuit of education and employment) and in migration of middle aged and older people (for quality of life). Overall the working age population is falling as a proportion of the total, however, increases to state pension age will have some impact in the future, particularly with the significant rise in female pension age over the LDP period.

Labour market data shows high job density and employment rates coupled with low unemployment, however, there is a higher rate of part time employment and very high levels of self employment as well as indications of low wages.

Employment data shows a mixed picture depending on the source used. Pre recession there is evidence of growing levels of employment in Powys, however this was substantially fuelled by part time employment. The growth was concentrated in the service sector, in line with trends across the general economy. However, Powys still has a relatively large manufacturing sector compared to the Welsh average. Whilst the reliance on the public sector is highlighted in other documents, and it does comprise 32%[16] of all employment in Powys, this is in line with the Welsh average and lower than Powys' Welsh rural neighbours.

Business data shows the dominance of micro and small businesses, particularly micro businesses in keeping with the data on very high levels of self employment. Rates of new firm formation have been falling relative to the working age population but still remain above benchmark areas.

Overall the rural nature of Powys, with a number of smaller settlements dispersed over a large geographic area means the County lacks the benefits of agglomeration and experiences large distances to markets (labour, suppliers and product) and this leads to restricted opportunities for businesses, workers and the wider population. This contributes to the out migration of the cohort in the younger working age group in particular looking for education, work and leisure/lifestyle opportunities. It also leads to fairly localised travel to work patterns.

Whilst the recession has undoubtedly taken effect the lags in data make it hard to quantify in detail. Prior to the release of the 2010 employment data there were a number of sources suggesting a fall in employment levels of around 2,500 – 3,000. However, the latest data throws some doubt on this. Whilst self employment levels have held up, there is no timely data on the success of many of these very small enterprises.

[16] Broad definition to include public administration and defence, education and health.

APPENDIX 1: GEOGRAPHICAL DESIGNATIONS

Four geographic sub areas are used within this document. As identified at section 1.3, the interpretation of these should be as broad zones with fairly fuzzy boundaries. However, for the purposes of informing the quantitative analysis a statistical definition was required. Set out below are the definitions adopted for the four zones, based on 2003 Wards.

Machynlleth Zone
00NNQZ : Glantwymyn
00NNRJ : Llanbrynmair
00NNSG : Machynlleth

Severn Valley and North Zone
00NNQH : Banwy
00NNQK : Berriew
00NNQL : Blaen Hafren
00NNQQ : Caersws
00NNQR : Churchstoke
00NNQW : Dolforwyn
00NNQY : Forden
00NNRB : Guilsfield
00NNRE : Kerry
00NNRK : Llandinam
00NNRP : Llandrinio
00NNRQ : Llandysilio
00NNRS : Llanfair Caereinion
00NNRT : Llanfihangel
00NNRU : Llanfyllin
00NNSA : Llanidloes
00NNSB : Llanrhaeadr-ym-Mochnant
00NNSC : Llanrhaeadr-ym-Mochnant/Llansilin
00NNSD : Llansantffraid
00NNSJ : Meifod
00NNSK : Montgomery
00NNSM : Newtown Central
00NNSN : Newtown East
00NNSP : Newtown Llanllwchaiarn North
00NNSQ : Newtown Llanllwchaiarn West
00NNSR : Newtown South
00NNSX : Rhiwcynon
00NNTE : Trewern
00NNTF : Welshpool Castle
00NNTG : Welshpool Gungrog
00NNTH : Welshpool Llanerchyddol

Central Zone
00NNQJ : Beguildy
00NNQM : Bronllys
00NNQN : Builth
00NNQU : Disserth and Trecoed
00NNQX : Felin-fach
00NNRA : Glasbury
00NNRF : Knighton
00NNRG : Llanafanfawr
00NNRH : Llanbadarn Fawr

00NNRL : Llandrindod East/Llandrindod West
00NNRM : Llandrindod North
00NNRN : Llandrindod South
00NNRR : Llanelwedd
00NNRY : Llangunllo
00NNSE : Llanwrtyd Wells
00NNSF : Llanyre
00NNSL : Nantmel
00NNST : Old Radnor
00NNSU : Presteigne
00NNSW : Rhayader
00NNTK : Yscir

Ystradgynlais Zone
00NNQG : Aber-craf
00NNQT : Cwm-twrch
00NNTJ : Ynyscedwyn
00NNTL : Ystradgynlais

APPENDIX 2: SIC - USE CLASS MATRIX

The proportion of employment in each category in this matrix is based upon the share of reported employment as recorded by the Annual Business Inquiry (ABI)/ Business Register and Employment Survey (BRES) in different activities. This approach was applied to each of the sub-sectors in turn and with analysis going down to 4 digit SIC codes where required.

We have included B1b/c activities (i.e. light industry) with B2 uses as this better relates to the Valuation Office data on commercial floorspace categories which are used elsewhere in this analysis

Sector	B1a	B2 (inc B1b/c)	B8	Non B
Agriculture	0%	10%	10%	80%
Extraction	0%	0%	0%	100%
Manufacturing	0%	90%	10%	0%
Utilities	5%	5%	15%	75%
Construction	5%	5%	10%	80%
Retail & Distribution	0%	0%	20%	80%
Hotels & Restaurants	0%	0%	0%	100%
Transport & Comms	5%	10%	20%	65%
Financial Services	60%	0%	0%	40%
Business Services	80%	0%	0%	20%
Public Admin & Defence	50%	0%	0%	50%
Education	10%	0%	0%	90%
Health	20%	0%	0%	80%
Other Personal Services	20%	0%	0%	80%