Devon’s Local Economic Assessment, 2015

Socio-economic baseline

March 2015 (finalised May 2015)

SQW

Contents

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1. Introduction

1.1 This document sets out a socio-economic baseline for Devon and its districts. It provides one component of the county's overall Local Economic Assessment (LEA). Its structure has been strongly influenced by scoping work on the LEA. This was completed in March 2014 by Serio/Ekosgen and set out clear proposals as to which indicator sets ought to be used.

1.2 Devon's first LEA was completed in 2012. Since then, the national economy has recovered somewhat; the implications of public spending austerity have started to bite; inflation has fallen; some key infrastructure has been delivered locally (notably broadband); Devon has been adversely affected by a series of extreme weather events (notably severe damage to the railway line at Dawlish in early 2014); and – more positively – Devon has benefited from some significant planned investments, particularly as substantive progress has been made vis-à-vis the East of Exeter development. The last 2-3 years have therefore seen some major events in Devon's economic life and the purpose of this document is to explore the extent to which they are impacting on the key socio-economic indicators.

1.3 This document relies substantially on a review of secondary data sourced from a range of ONS sources – notably the Annual Population Survey (APS), Annual Survey of Hours and Earnings (ASHE), Business Register and Employment Survey (BRES) and the Business Demography dataset. It also makes reference to data from the 2011 Census of Population. In general terms, considerable care is needed when using data from the survey-based ONS sources and consideration ought to be given to confidence intervals: small year-on-year changes may simply reflect survey "quirks" and bold inferences should not be drawn from them. Nevertheless, the statistical data – and changes within them – are valuable in prompting questions and reflections, the veracity of which will need to be tested by triangulating with other sources. The intention is that some of the key issues identified within this document will indeed be investigated further.

1.4 In order to put the data for Devon into a comparative context, reference is made to two comparator areas – Cumbria and Norfolk. Like Devon, both are predominantly rural; and both are some distance from major metropolitan areas and from London. Moreover both were used as comparators in the 2012 LEA. In addition, wherever appropriate and possible, the 2015 socio-economic assessment makes reference to the situation across the geography of Heart of the South West (HotSW); this is the LEP area of which Devon is a part and it is defined to include the areas administered by the upper tier authorities responsible for Devon, Somerset, Plymouth and Torbay.

1.5 The document that follows is divided into five main chapters:

- Chapter 2 is concerned with exploring Devon's spatial economy and it seeks to examine the nature of economic flows within and beyond the county
- Chapter 3 turns to examine business and enterprise within Devon
- Chapter 4 considers Devon's people and communities
- Chapter 5 provides broader reflections on sustainable economic growth

- finally, Chapter 6 draws the different strands together to reflect on the principal changes since the 2012 LEA was completed.

2. Devon's spatial economy

Introduction

2.1 This chapter provides an overview of the spatial context for the LEA. It considers:

- Devon's key settlements, geography and place based assets
- Devon's flows of workers
- Devon's residence- and workplace-based earnings

Devon's key settlements, geography and place based assets

2.2 Devon is England's fourth largest county. At the time of the last Census, its total population numbered 746,000 and data suggest that just over half of the population lived in rural areas. Devon is relatively sparsely populated. Its overall population density, at 113 residents per square kilometre, is significantly lower than the national average (413 residents per square kilometre). The economic implications of a sparsely populated and predominantly rural area are typically linked to a lack of critical mass and limited economic advantages associated with agglomeration. This in turn has consequences for economic performance.

2.3 However Devon is also varied. Exeter is a medium-sized city and it is the county's dominant urban area. There is also a network of smaller towns, particularly Barnstaple and Bideford in the north of the county, and Newton Abbot, Exmouth and Totnes in the south. Parts of Devon – notably the north and west of the county – are, on any measure, remote. From Exeter and Tiverton, however, connections to the rest of the UK are good. In practice, Devon's economic performance and prospects need to be understood on this spatial canvass (see Figure 2-1 and Figure 2-2).

Figure 2-1: Devon's spatial economy

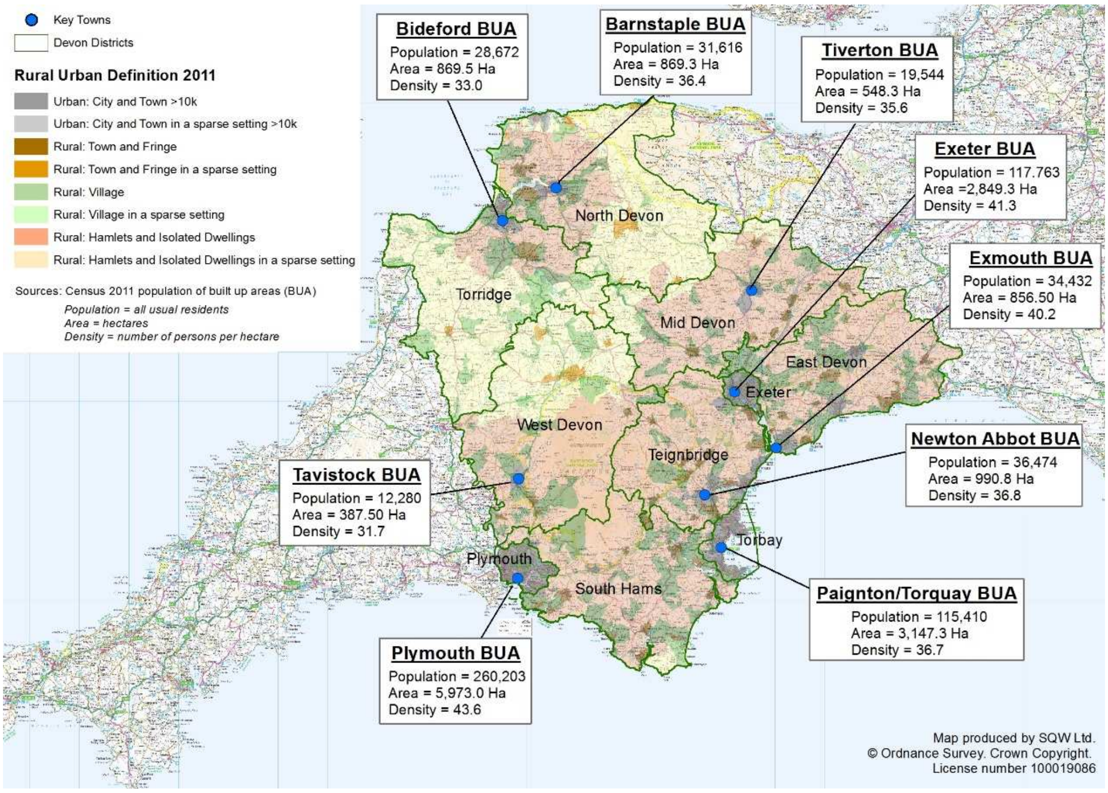
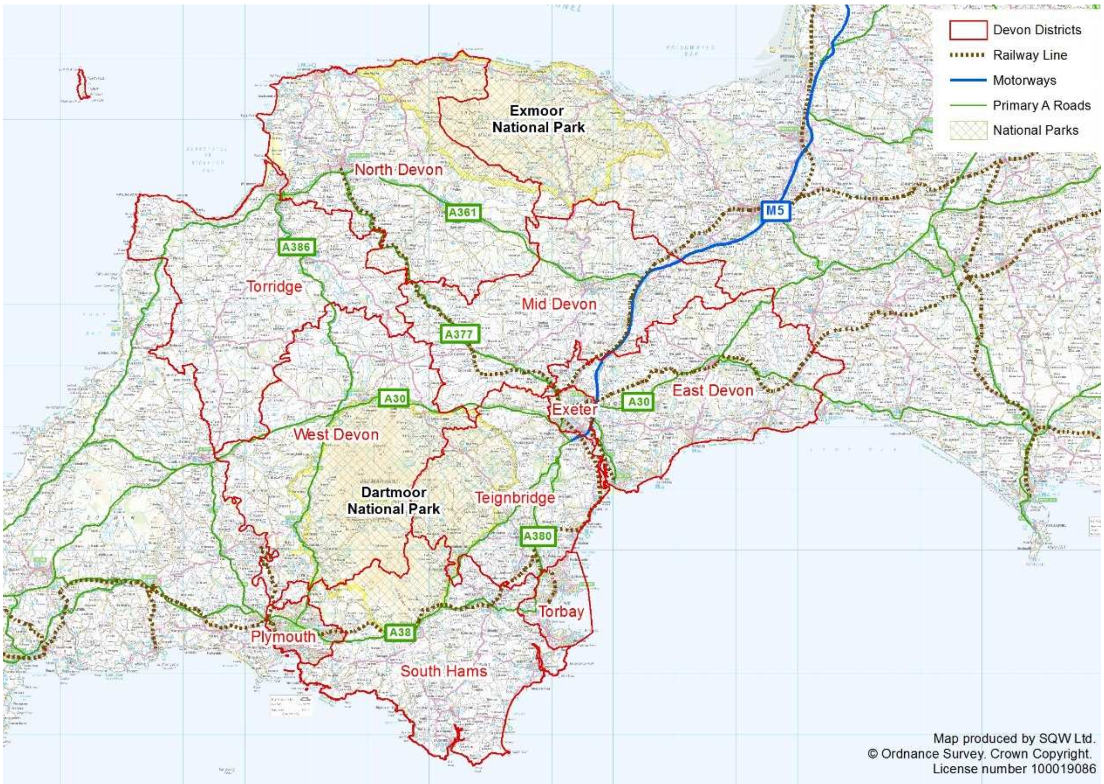


Figure 2-2: Devon's key infrastructure



2.4 As the backdrop to the data-driven analysis which follows, the paragraphs below outline briefly the principal characteristics of Devon's sub-regions, which we have defined as three groups of Local Authority Districts. We then comment briefly on Devon's two urban neighbours: Plymouth and Torbay.

I: Exeter and the Heart of Devon: Exeter, East Devon, Mid Devon and Teignbridge

2.5 Exeter is an historic and economically distinctive city. It is the largest urban area in Devon by some margin. At the time of the 2011 Census, the population of its Built Up Area (and Local Authority District) was 117,000. Exeter – and the three Local Authority Districts which abut it – are strongly inter-connected in functional economic terms; and the Exeter Travel to Work Area (TTWA) covers much of this geography. The total population of these four LADs is 452,000, some 60% of the Devon total.

2.6 Exeter's role as the functional economic hub appears to be growing. As we consider in detail later, commuting data suggest a growing net inflow to Exeter from the surrounding districts. Although the data are complicated, between 2001 and 2011, net in-commuting (i.e. in-commuters less out-commuters) increased from roughly 20,000 to 26,000. The following qualitative observations are important in this context:

- Exeter has a growing reputation for science and research, enhanced by the announcement of the Met Office's £97m supercomputer on the Exeter Science Park. Whilst formally in East Devon (see below), Exeter Science Park, in combination with the University, is putting Exeter on the map as a genuine hub of the knowledge-based economy.
- The University of Exeter is located to the north of the city. It is consistently ranked in the top 20 UK universities and was 154th in The Times Higher Education World University Rankings in 2014/15. The Streatham campus has recently seen £275m of investment aimed at improving students' experience through expansion of the Business School, extra facilities for Biosciences, the Forum (campus space transformation) and new student accommodation.
- Exeter is the hub for Devon's public sector, with Devon County Council, the Royal Devon and Exeter NHS Foundation Trust, and Devon and Cornwall Police all substantially represented within the city. The public sector accounts for nearly 26%[1] of employment in Exeter, higher than elsewhere across the county and in England as a whole.
- Exeter is the hub of Devon's transport network, particularly in relation to national and international connectivity. It is estimated that there are 400,000 rail journeys between Exeter and London Paddington every year. Further investment in the rail network is planned through the new South Western Rail franchise which will see new facilities, new rolling stock, and reduced journey times between Plymouth and London Paddington. Exeter's international airport, located in East Devon district, is strongly linked to the functionality of Exeter. It has seen continued investment in airport facilities and new domestic flight routes have been added to the roster in

[1] BRES 2013

recent years including additional flights to London. Passenger growth is strong, and rose 3.7% (to 766,500) in 2014[2].

2.7 Looking ahead, the planned physical growth of Exeter is largely outside the city council boundaries. Links between Exeter and both East Devon and Teignbridge are especially important in this context. The east of Exeter has seen continued – and substantial – investment in recent years, not least around the new settlement of Cranbrook. A strong commitment to economic development has been made through the Exeter and East Devon Growth Point, which is being advanced through a public/private partnership. The Growth Point development programme is expected to deliver 20,000 new homes and over 25,000 new jobs through investment at Exeter Science Park, Skypark, and an Intermodal Freight Terminal.

2.8 East Devon, Teignbridge and Mid Devon all have strong links to Exeter, but it would be wrong to consider them simply as "Greater Exeter". In all three districts, there are medium-sized towns of local importance – notably Tiverton, Exmouth and Newton Abbot – and a network of smaller market towns (such as Crediton, Cullumpton, Teignmouth, Seaton and Honiton). Moreover all three districts have substantial rural areas: the proportion of the population that is rural is just under 50% in Teignbridge, just over 50% in East Devon and about 75% in Mid Devon.

2.9 Within the area we are defining as "Exeter and the Heart of Devon", there are some outstanding environmental assets. Large parts of East Devon are within an Area of Outstanding Natural Beauty (AONB) and its coastline is part of the Jurassic Coast. Much of Teignbridge is within the Dartmoor National Park. In part reflecting the quality of these environmental assets, both districts have an important tourism and leisure sector; and both districts have been a popular destination for in-moving retirees.

2.10 As noted above, it is important to recognise that "Exeter and the Heart of Devon" is well connected in terms of the national transport infrastructure – certainly as compared to elsewhere in the county. The great western railway line from London Paddington (via Reading, Bristol and Taunton) to Tiverton (Mid Devon), Exeter and Newton Abbot (and on to Totnes and Plymouth) is hugely important. Moreover the main motorway and trunk road connections (M5, A38, A381) traverse these four districts.

II: South West Devon: South Hams and West Devon

2.11 Two of Devon's districts – South Hams and West Devon – share boundaries with Plymouth, and have an important functional relationship with it. There are differences between these two districts, but it is notable that the two district councils have a shared economy service and they have worked together to develop a joint economic development strategy, the overarching aim of which is to "*work with local businesses and strategic partners to facilitate a supportive economic environment for employment and productivity growth in South Hams and West Devon*"[3].

2.12 South Hams abuts the unitary areas of Plymouth (to the west) and Torbay (to the east). It is well connected by road and rail in the north along the A38 corridor and generally the quality

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[2] http://www.exeterexpressandecho.co.uk/Passenger-numbers-rise-second-year-running-Exeter/story-25895349-detail/story.html

[3] *Facilitating Economic Growth in South Hams and West Devon* – JOHT Resources Limited, May 2014 – see http://www.westdevon.gov.uk/CHttpHandler.ashx?id=10899&p=0

of its environmental assets is outstanding: in the north of the district is the Dartmoor National Park whilst the entire coastline is designated AONB. This combination – of good accessibility and very high environmental quality – has made it a very attractive place to live and the consequences have been: in-migration; a high incidence of second homes; and extremely high house prices. However a recent survey of businesses – conducted across South Hams, West Devon and Teignbridge – found that "*the most frequent issue [constraining business growth] was insufficient applicants for posts, particularly in the South Hams and particularly for the accommodation and food service sector"*[4]. Despite this there is anecdotal evidence to suggest that the high quality natural and built environment is attracting innovative businesses looking to locate in out of town locations.

2.13 South Hams is an overwhelmingly rural district: at the time of the last Census, just under 80% of its population was identified as living in rural areas (which, in these terms, made South Hams "Devon's most rural district"). Very unusually in this context – as we will consider in detail later – South Hams is characterised by net in-commuting (and increasingly so). In part, this is explained by boundary issues linked to the growth of Plymouth and the role of the new community at Sherford. But it also reflects the underperformance of Torbay in economic terms.

2.14 Although close to Plymouth, West Devon is much less well connected than South Hams. A substantial part of the district is within the Dartmoor National Park. Its principal towns (Okehampton, Princetown, Chagford and Tavistock) are to the north and west of Dartmoor and they are therefore relatively isolated from Devon's major economic centres. Employment opportunities are largely concentrated in these towns (and Okehampton and Tavistock are a particular focus for planning policy). Economic growth is therefore challenging. The recent business survey (referenced above) found that "*within Dartmoor, all of the accommodation and food service businesses who have tried to recruit staff reported that they received insufficient applicants*". Among the possible explanatory factors, it cited "*inadequate public transport, inaccessibility, lack of affordable housing, perception of poor career prospects and difficulties attracting employees away from the urban areas*". For areas like West Devon, this poses important challenges.

III: Northern Devon: North Devon and Torridge

2.15 Like South Hams and West Devon, the district councils responsible for North Devon and Torridge are increasingly working together. They are in the process of developing a joint Local Plan; and they recently produced a joint economic development strategy – called *"Northern Devon Economic Strategy – 2014-20".* The aim of this strategy is economic growth and job creation, and the vision is to create "*a diverse and resilient economy that can adapt to challenges and maximise opportunities, underpinned by an appropriately skilled workforce and effective infrastructure*". Across the two districts, eight sectors are identified as being especially important in terms of future economic growth. These reflect something of the area's demography; its extremely high quality environment; its rurality; and its location. The eight priority sectors are: advanced manufacturing; renewables/energy; marine industries;

[4] See DR Business Survey – South Hams, Teignbridge and West Devon, 2014 – Available at http://www.westdevon.gov.uk/CHttpHandler.ashx?id=12923&p=0

business services including creative/digital areas; tourism/leisure/hospitality; health and social care; agriculture; and food and drink.

2.16 Across Northern Devon, the principal urban areas are Barnstaple and Bideford, and increasingly, economic and spatial plans are considering the connections between these two key towns. Ilfracombe – on the coast of North Devon – is also an important settlement, albeit one with some major regeneration challenges and development constraints. In driving forward growth, the two district councils are committed to the concept of a growth point and the intention is that infrastructure investment should be increasingly focused in response to it.

Devon's urban neighbours: Plymouth and Torbay

2.17 In framing the spatial backdrop to the Devon Local Economic Assessment, there is a need to recognise the significance of Plymouth and Torbay. Both have unitary authorities, but in functional economic terms, there are important links to Devon, as alluded to above. In brief:

- **Plymouth** is a sizeable city: at the time of the Census, the population of its Built Up Area was 260,000 (and its LAD was about 256,000) and hence it is significantly larger than Exeter. It has recently refreshed its own economic strategy, and its evidence base pointed to a GVA per head index that has continued to fall and a productivity gap that is forecast to grow. Galvanised by these data, its refreshed economic strategy "*recognises the opportunity presented by Mayflower 2020 as a major milestone in the reinvention of Plymouth as Britain's Ocean City and as a catalyst for business growth in marine and related industries, the visitor economy, the culture of the city in its broadest sense, and raising the city's profile and reputation in global markets*". Plymouth's growth plans are important for Devon – perhaps most notably through the new community at Sherford.

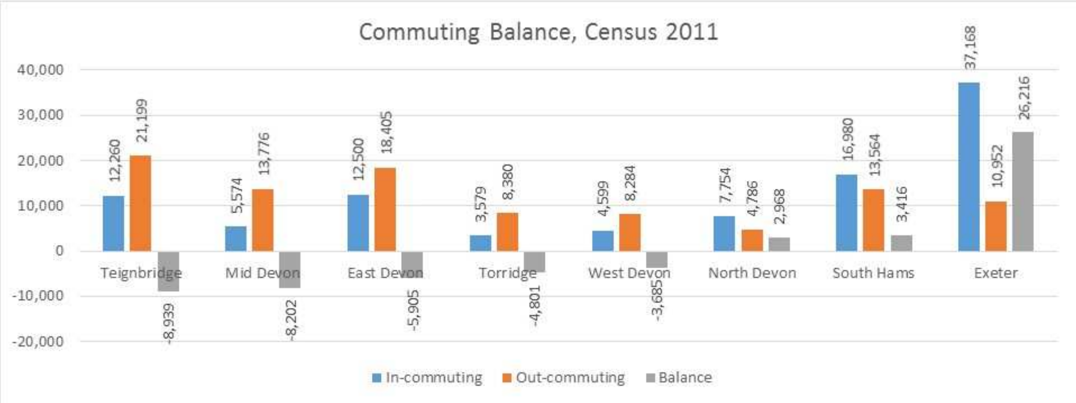
- **Torbay** is a large urban area encompassing Torquay, Brixham and Paignton. The population living in the area administered by the unitary authority is 130,000 while the contiguous Built Up Area of Paignton and Torbay is home to about 115,000 people. Torbay has seen persistent economic decline for some decades, as major employers have been lost (notably Nortel) and demand for traditional resort-based seaside tourism has waned. One factor that has long been identified as explaining the area's poor economic performance is its connectivity; however this is in the process of being improved through the South Devon Link Road (Kingskerswell Bypass). Torbay's economic strategy has an overarching objective to "*create more full time and sustainable employment by encouraging the growth of existing businesses and the creation of new businesses and social enterprises*". Within this, there is an intention to develop town centre masterplans, to reinvigorate tourism, to focus on marine, to encourage inward investment, to bring forward some major employment sites, and to support innovation and enterprise. More recently the HiTech Forum in Torbay has been making headway in attracting investors to the area in the manufacturing and photonics sectors. The Electronics Photonics Innovation Centre (EPIC) – an initiative put forward by Torbay Council and Torbay Development Agency – is looking to build on this and create critical mass.

Devon's economic flows

2.18 Data on the spatial pattern of commuting, or worker flows, derive from the 2011 Census. These data were released in summer 2014 and were not available at the time of the last LEA.

2.19 The graphic which follows shows the overall commuting balance – i.e. the number of in-commuters less the number of out-commuters – for every district in Devon. It indicates that in gross terms, over 37,000 people commute into Exeter to work; and that, by some margin, Exeter has the highest levels of net in-commuting. However there are two other districts in Devon – North Devon and South Hams – that also experience net in-commuting. Given the local significance of Barnstaple across North Devon and Torridge, the North Devon situation is explicable. However as noted above, the one that is surprising in some respects is South Hams. It abuts two major urban areas – Plymouth and Torbay – and yet sees net in-commuting.

Figure 2-3: Commuting balance



2.20 By comparing 2011 Census data with those from 2001, it is possible to gain insights into patterns of change.

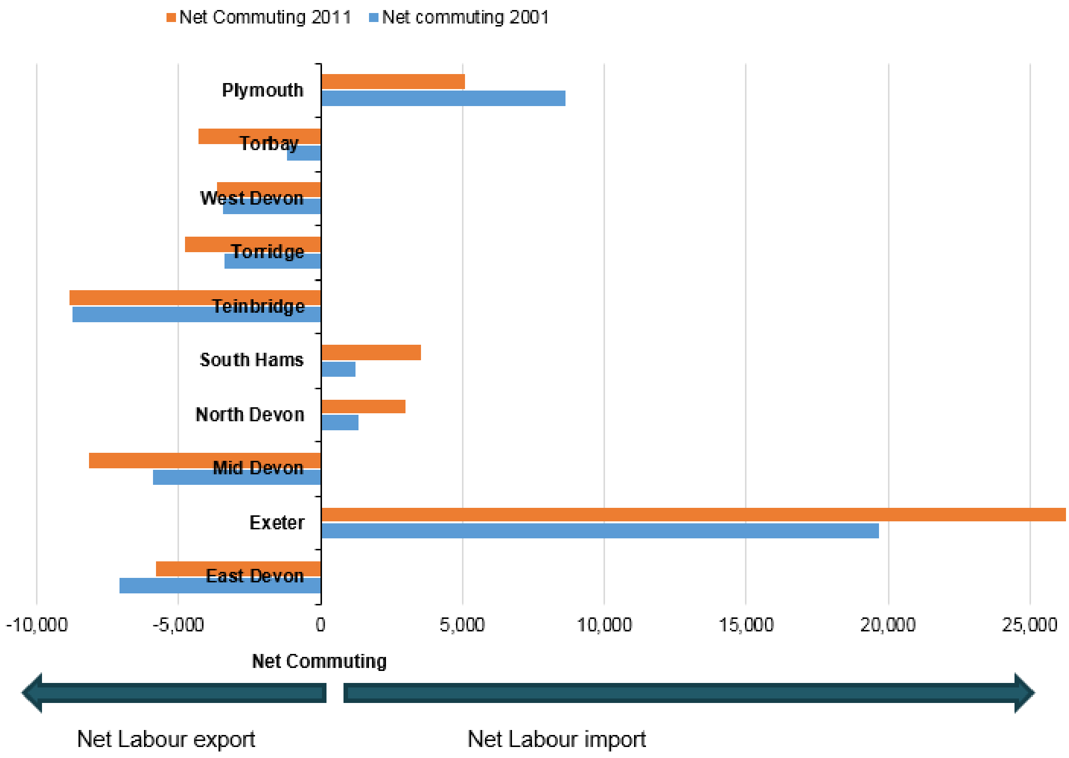
2.21 In terms of the spatial pattern of commuting, the proportion of Devon's working residents who work within the county (90%) did not change significantly between 2001 and 2011. For Devon as a whole, self-containment is therefore relatively high. At district level there were some interesting changes between 2001 and 2011 which are discussed below and depicted in Figure 2-4:

- Firstly, Exeter appears to be increasing in importance as a destination for in-commuters. In 2011, roughly 37,000 workers commuted to Exeter, up from 30,000 in 2001, a 41% increase. Conversely, the number of Exeter's working residents commuting outside the district was static at roughly 10,000. This is also reflected in Exeter's low level of workplace-based self-containment.

- Secondly, Devon's districts are becoming increasingly important in "servicing" the Torbay labour market. Commuting from Torbay to Teignbridge, Exeter and South Hams in particular increased substantially between 2001 and 2011. At the same time, commuting into Torbay fell marginally over the same period. This hints at the continued relative weakness of the Torbay economy.

- Homeworking has increased across Devon. While this partly reflects an improvement in digital capability and wider broadband rollout across the county, it is an important observation in terms of land use patterns and the public transport network. South Hams, Teignbridge and East Devon have the highest number of homeworkers across Devon, while Exeter, West Devon, and Torridge have fewer than the county average.

Figure 2-4: Net commuting in 2001 and 2011

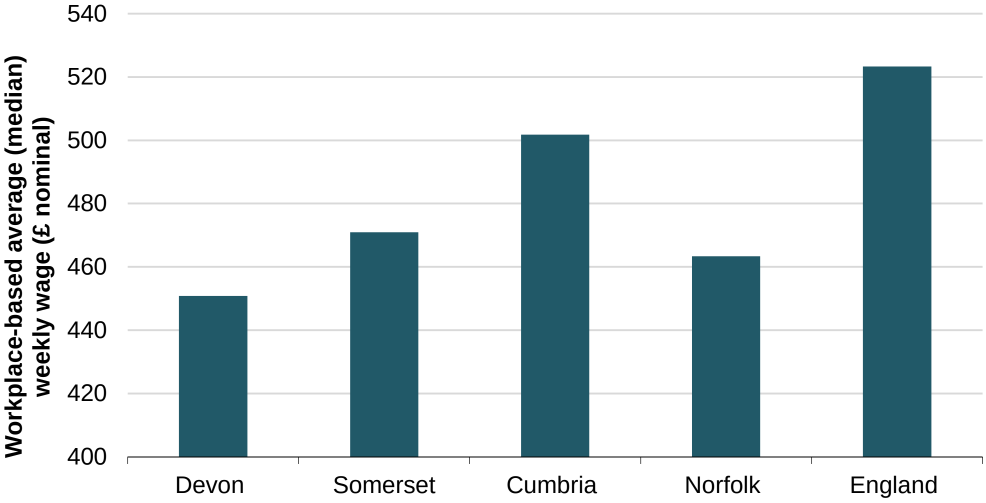


Source: ONS Census, 2001 and 2011

Devon's residence-based and workplace-based earnings

2.22 On a workplace basis, earnings in Devon as a whole are low compared to broadly comparable rural economies – notably Norfolk, Cumbria and neighbouring Somerset; they are considerably below the national average (see Table 2-1). This observation is important as it relates to the area's performance on measures of productivity (discussed in Chapter 4).

Table 2-1: Devon's average, workplace-based, weekly wage levels for full time employees – compared to elsewhere, 2014

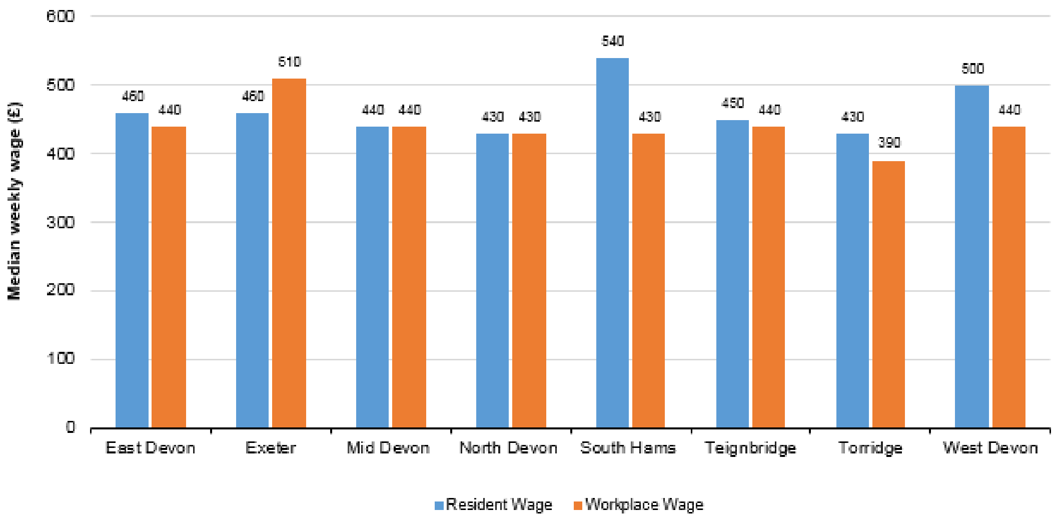


Source: SQW analysis of ONS ASHE, 2014

2.23 At district level, employers in Exeter pay the most for full time employees (£510), while workplace wages in Torridge are considerably below the rest of the county at £390. Generally workplace-based earnings outside Exeter are low across the board (see Figure 2-5 below). Looking at workplace-based wages over time suggests some structural changes; specifically, workplace-based pay rose by over 20% in North Devon and 40% in West Devon between 2008 and 2014, far more than the county-wide average. Whilst there is a need for some caution in the interpretation of these data – particularly given the confidence intervals linked to data from the Annual Survey of Hours and Earnings (ASHE) – they do raise some questions about changes which may be underway.

2.24 Workplace-based earnings are only part of the picture. In some districts – notably South Hams – residence-based earnings (£540) are considerably higher than workplace-based earnings (£430). This points to the impact of commuting. South Hams in particular is renowned for its outstanding natural environment and (in the north of the district) good connectivity to Plymouth and Exeter. Both are key workplace destinations for out-commuters from South Hams and – on a workplace-based measure – they pay the highest wages across Heart of the South West. It is however notable that the median residence-based earnings of the South Hams are higher than the workplace-based earnings of either Exeter or Plymouth. Looking beyond the South West, the incidence of South Hams commuting to London and the South East is relatively high compared to other districts across Devon. This may go some way to explaining the district's high residence-based earnings.

Figure 2-5: Average residence-based and workplace-based weekly wage levels across Devon's districts (2014)



Source: SQW analysis of ONS ASHE 2014

Conclusions

The following observations define Devon's spatial character in 2015:

- Devon is predominantly rural. Within this context however, it is very varied, with Exeter – a medium sized city which functionally extends beyond its district boundaries – and a network of smaller towns, particularly Barnstaple and Bideford in the north of the county and Newton Abbot, Exmouth and Totnes in the south.
- Transport connectivity varies across the county. Both Exeter and Tiverton have excellent transport links to both London and Bristol serviced by First Great Western, and cross-county services. Exeter airport is also experiencing passenger growth, with new flights recently added to London. However, the west and north of Devon are remote, serviced primarily by the local road network.
- Devon is relatively self-contained; 90% of residents commute within the county. Exeter's importance as an economic centre is growing, drawing in greater numbers of workers.
- Homeworking is increasing across Devon. This is an important observation not only in terms of general broadband capability, but also in terms of land use patterns and transport planning.
- Devon's workplace-based earnings are low relative to the national average. There is considerable variation across the County however, ranging from £510 per week in Exeter to £390 per week in Torridge.
- Residence-based wages are higher than workplace-based wages across many of Devon's districts; most notably in South Hams. It reflects patterns of commuting. The exception is Exeter, reflecting its local economic significance, where workers are generally paid more than residents.

3. Business and enterprise

3.1 This chapter explores the composition, character and economic contribution of Devon's 34,000 active businesses. It also considers the sectoral and spatial distribution of Devon's 376,000 jobs[5]. It covers four key areas:

- Overall economic performance
- Business demography
- Jobs in Devon
- Sector composition of Devon's employment

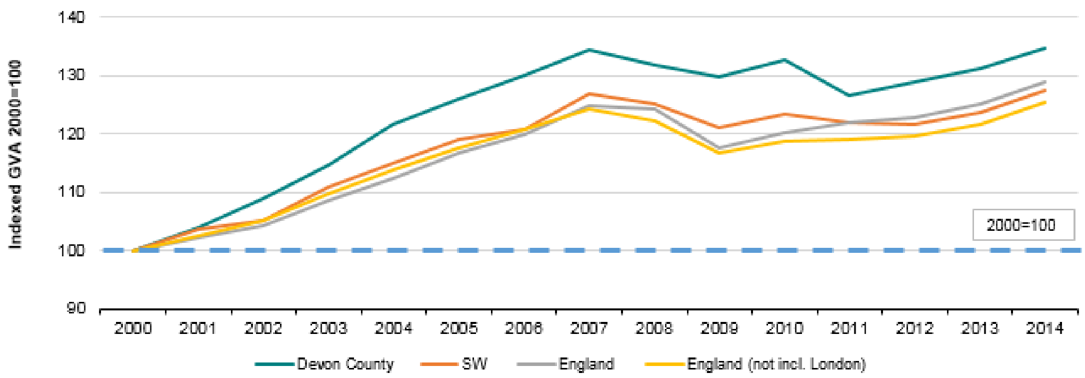
Gross Value Added & Productivity

3.2 In 2014, Devon's total Gross Value Added (GVA) was £13.5bn (2010 prices), according to modelled estimates by Cambridge Econometrics[6]. This accounted for approximately 13% of total GVA generated in the South West[7]; in 2000 it accounted for 12%. Over the last decade or so, Devon has therefore accounted for a growing share of the South West economy.

3.3 In terms of economic growth, data suggest that Devon has performed strongly since the early 2000s. Figure 3-1 shows Devon's GVA growth performance relative to the South West region, England, and "England less London". The distinction is important. It shows the growing importance of Devon's economy relative to the South West region. In terms of the annual rate of GVA growth (Compound Average Growth Rate) between 2000 and 2014, Devon performs well; at 2.2% per annum, it has outpaced growth achieved by the South West (1.75% per annum), the national economy (1.83%) and "England less London" (1.63%).

[5] This is the best estimate of the total number of jobs in Devon – taking into account employee jobs and self-employment jobs. The latest data are for 2012 and they are sourced from ONS's Jobs Density dataset
[6] Local economy forecasting model (2014 baseline)
[7] Note that "South West" refers to the (old) government office definition of a "region". It is a substantially bigger area than that defined as HotSW. The South West includes Cornwall, Dorset, Wiltshire, Bristol, etc.

Figure 3-1: GVA growth in Devon and its comparators 2000-2014, Index 2000=100

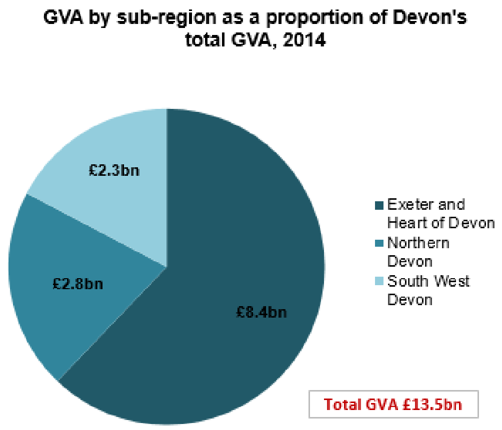


Area	2000 GVA (£bn)	2014 GVA (£bn)	Compound Average Annual Growth Rate
Devon County	**9,983**	**13,458**	2.16
South West Region	81,417	103,747	1.75
England	935,991	1,206,079	1.83
England (not incl. London)	703,606	882,246	1.63

Source: SQW Analysis of CE LEFM (2014 baseline)

3.4 At the sub-regional level, the contribution of Exeter and the Heart of Devon to total county level GVA is substantial, at 62%. However, its share of Devon's total GVA fell between 2000 and 2014 by some 3 percentage points. Conversely, Northern Devon's contribution to county GVA has risen over this period, reflecting the stronger relative growth shown in Figure 3-2.

Figure 3-2: GVA share by Devon's sub-regions between 2000 and 2014



Area	GVA share of Devon Total (2000)	GVA share of Devon Total (2014)
Exeter and Heart of Devon	65%	62%
Northern Devon	19%	21%
South West Devon	17%	17%
Total	**1.00**	**1.00**

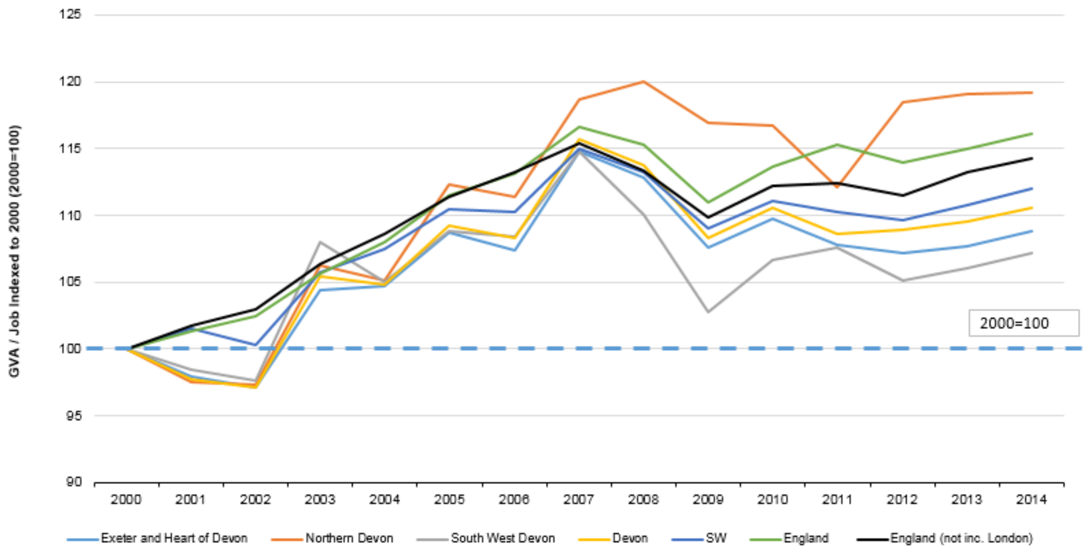
Source: SQW analysis of CE LEFM (2014 baseline) data; £ 2010

3.5 Total GVA per job – a basic measure of productivity - in Devon was £34,600 (2010 prices) in 2014. This was equivalent to 80% of the national figure (£43,300), although the latter was strongly influenced by London. To account for this, the "England less London" figure is worth considering. However at £39,200, this was still noticeably higher than that across Devon.

3.6 Over time, the "productivity gap" with England has widened: in 2000, productivity was 84% of the England average, while in 2014 it was 80%. A similar relationship is observed when comparing productivity in Devon with the "England-less-London" figure. It therefore appears Devon has become a relatively less productive place since 2000 compared to other parts of England. A detailed analysis of Devon's productivity has been carried out as a separate part of the LEA evidence base. The evidence points to Devon's sectoral make up, its high proportion of part time working, and its low proportion of working age population (see section 4) relative to the national economy as key determinants of Devon's 'productivity gap' with the rest of England.

3.7 The county level data mask some interesting dynamics at the local level, particularly in relation to Northern Devon, as shown in Figure 3-3. In 2000, GVA per job was the lowest among the three Devon sub-areas; but by 2014, it appeared to be the highest. In Northern Devon, GVA per job rose by 1.3% a year (CAGR) between 2000 and 2014, a faster rate than the county (0.72% per annum), South West (0.81% per annum) and national average (1.07% per annum). It is quite substantially therefore "bucking" the county trend. The narrative is also significant in absolute terms with GVA per job rising from £31,300 in 2000 (below the Devon average) to £36,000 in 2014 (above the county average). It lends further weight to the overall – and relative – strengthening of the Northern Devon economy.

Figure 3-3: Devon's productivity performance in context (Index, 2000=100)



Area	GVA /Job (2000)	GVA / Job (2014)	Compound average annual growth rate (%)
Exeter and Heart of Devon	31,734	34,529	0.60
Northern Devon	30,272	36,089	1.26
South West Devon	30,841	33,054	0.50
Devon	**31,300**	**34,600**	**0.72**
SW	33,300	37,300	0.81
England	37,300	43,300	1.07
England (not inc. London)	34,329	39,236	0.96

Source: Source: SQW analysis of CE LEFM (2014 baseline) data; £ 2010

Business demography

Business size and density

3.8 Of the 34,000 active enterprises in Devon, the vast majority are small. Nearly 90% employ less than ten people, a slightly higher proportion than for England as a whole, but in line with HotSW and Cumbria. This is shown in Table 3-1. The corollary is that Devon has fewer large businesses than the national average.

Table 3-1: Devon's business demography in context, 2014 (% of business stock)

Category	Devon	England	HotSW	Cumbria	Norfolk
Micro (0-9 employees)	89.0%	88.4%	88.7%	88.9%	87.5%
Small (10-49 employees)	9.4%	9.5%	9.7%	9.4%	10.5%
Medium (50-249 employees)	1.4%	1.7%	1.4%	1.4%	1.6%
Large (250+ employees)	0.2%	0.4%	0.3%	0.3%	0.3%

Source: ONS Business Demography data set IDBR 2014

3.9 Within this overall context, the district with the highest number of active businesses is East Devon (which, as noted in Chapter 2, is functionally linked to Exeter). Torridge and West Devon have the lowest number of businesses, and also some of the highest proportions of micro businesses across the county (over 90% of business stock).

3.10 Exeter, as Devon's economic hub has the highest incidence of medium and large businesses. It also has the lowest incidence of businesses per person of working age, which reflects the higher incidence of large firms located there. As a result, its economic characteristics and profile are quite different from the remainder of the County.

3.11 In terms of business density, South Hams and West Devon have the highest number of businesses per 1,000 of working age population (see Table 3-2). With the exception of Exeter, all the districts in Devon have a higher business density than England and HotSW, and than the comparator areas of Norfolk and Cumbria.

Table 3-2: Business density by district (2013)

Area	No. of businesses	Proportion of microenterprises (0-9 employees) as proportion of total business stock	Business density (business per 1,000 working age population)
East Devon	5,670	89.1%	76.2
Exeter	3,505	82.9%	42.1
Mid Devon	4,155	92.4%	88.6
North Devon	4,550	89.1%	82.3
South Hams	4,620	88.9%	94.5
Teignbridge	5,010	87.3%	67.7
Torridge	3,300	91.9%	86.6
West Devon	2,975	91.4%	93.8
Devon	**33,785**	**89.0%**	**74.7**
HotSW	64,145	88.7%	62.8
Cumbria	21,375	88.9%	69.9
Norfolk	28,915	87.5%	55.2
England	1,862,100	88.4%	54.2

Source: ONS Business demography, 2013

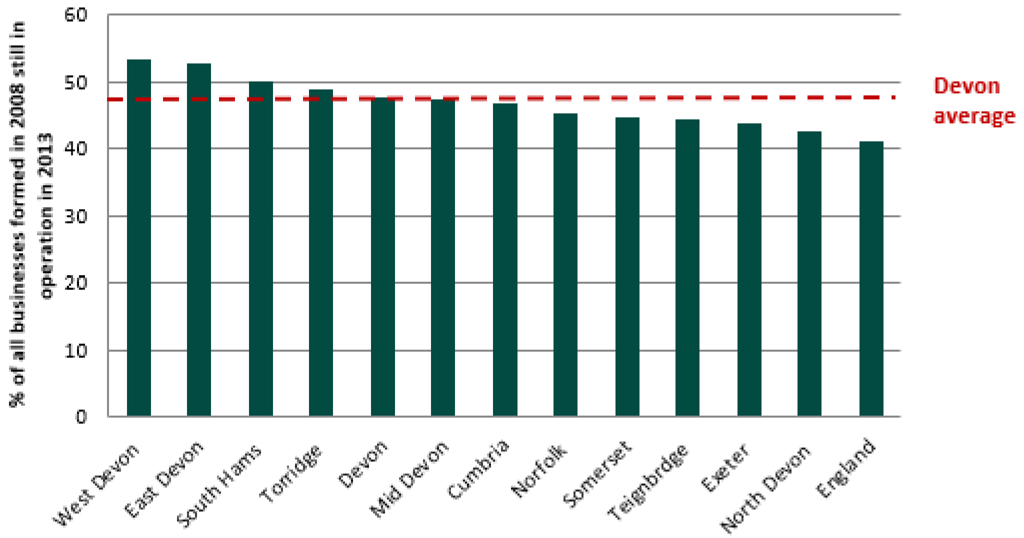
3.12 Data on business demography point to some important variations within Devon's rural districts. We observed that Torridge and West Devon have a particularly high incidence of micro businesses. However, particularly in Torridge, this does not translate into very high business densities. Conversely, the South Hams has the highest business density in the county, but the incidence of micro-enterprises is lower. It may be that these relationships have implications for local productivity performance.

Business birth, death and survival rates

3.13 The start-up rate, measured as the number of business births as a proportion of the active business stock in a given a year, is an indicator of the level of entrepreneurship within an area – an important driver of economic growth. In Devon, 11% of active businesses in 2013 were born in that year, compared to 15% for England as a whole. This reflects an historic trend which shows birth rates in Devon have consistently hovered just below the national average since the mid-2000s. At a district level, there is relatively little variation, although Exeter and East Devon marginally outperform the rest of the county. Conversely, the business death rate in Devon and its districts is broadly in line with national average at around 11%.

3.14 Broadly speaking, data suggest that Devon is a good place to start and grow a businesses. Despite a relatively low business start-up rate, the five year survival rate of businesses is higher than both the national average and that of comparator areas: Somerset, Cumbria and Norfolk (see Figure 3-4). Of all new businesses formed in Devon in 2008, 53% were still in existence in 2013 compared to roughly 41% nationally. On this metric, there is a substantial variation at the district level. In South Hams, East Devon and West Devon roughly 50% of new firms survive beyond four years. Conversely while Exeter and North Devon perform more in line with the national average (at 44% and 43% respectively).

Figure 3-4: Business five year survival rate (2013)



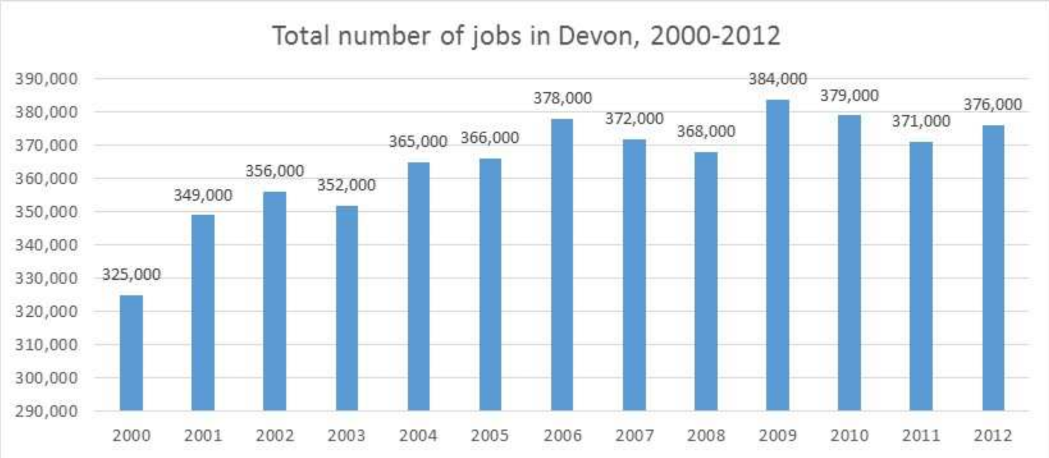
Source: ONS Business demography, 2013

Jobs in Devon

3.15 It is estimated that there are around 376,000 workplace jobs in Devon – taking into account employee jobs (as measured through BRES) and self-employment jobs (measured through APS). These data are sourced through ONS's Jobs density dataset and the latest available data relate to 2012.

3.16 From this source, we can construct a time series of jobs growth. The graphic below shows that the number of jobs in Devon has generally grown since 2000, although there has been year-on-year variation. Most striking is the fall in the jobs count between 2006 and 2008 (pre credit crunch) and then in the years after 2009 (post credit crunch). Nevertheless, overall, the number of jobs in the county grew by 51,000 between 2000 and 2012.

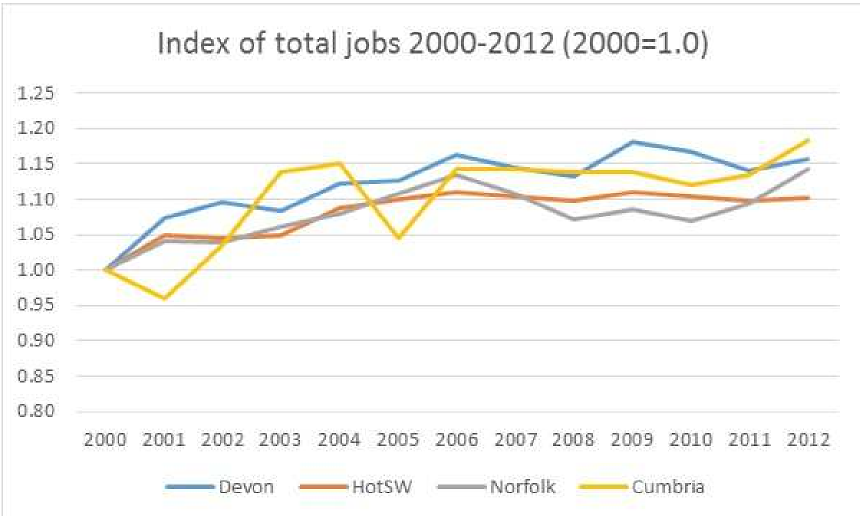
Figure 3-5: Total number of jobs in Devon



(Source: ONS Jobs Density dataset – based mainly on BRES and APS)

3.17 The uneven pattern of jobs growth in Devon is mirrored in the comparator areas. In the graphic below, jobs figures have been normalised against the figures for 2000 in Devon, and also for HotSW (including Devon), Cumbria and Norfolk. The data suggest that all areas have grown. Overall, the greatest growth has actually been seen in Cumbria. What is also striking is that Devon has grown more quickly than the wider HotSW area: over the 12 year period, HotSW saw jobs growth of 10% compared to 16% in Devon.

Figure 3-6: Index of total jobs



(Source: ONS Jobs Density dataset – based mainly on BRES and APS)

3.18 The table below presents estimates of total job numbers in 2000 and 2012 for Devon's districts as well as the various comparators. Although there is a need for some care – given two data points only – the pattern of growth appears to be striking. At least on these data, the total number of jobs was unchanged between 2000 and 2012 in West Devon; and Mid Devon also saw slow growth. Conversely, South Hams grew extremely quickly; and North Devon was the only other district which grew faster than the county-wide average. The table also shows relatively slow growth in both Plymouth and Torbay.

Table 3-3: Change in the total jobs count, 2000-2012

Area	Total Jobs - 2000	Total Jobs - 2012	% change
East Devon	48,000	56,000	14%
Exeter	78,000	89,000	12%
Mid Devon	29,000	31,000	6%
North Devon	42,000	50,000	16%
South Hams	35,000	48,000	27%
Teignbridge	48,000	56,000	14%
Torridge	22,000	25,000	12%
West Devon	22,000	22,000	0%
Devon	**325,000**	**376,000**	**14%**
HotSW	739,000	815,000	9%
Cumbria	363,000	415,000	13%
Norfolk	224,000	265,000	15%
(Torbay)	55,000	59,000	7%
(Plymouth)	120,000	130,000	8%

(Source: ONS Jobs Density dataset – based mainly on BRES and APS)

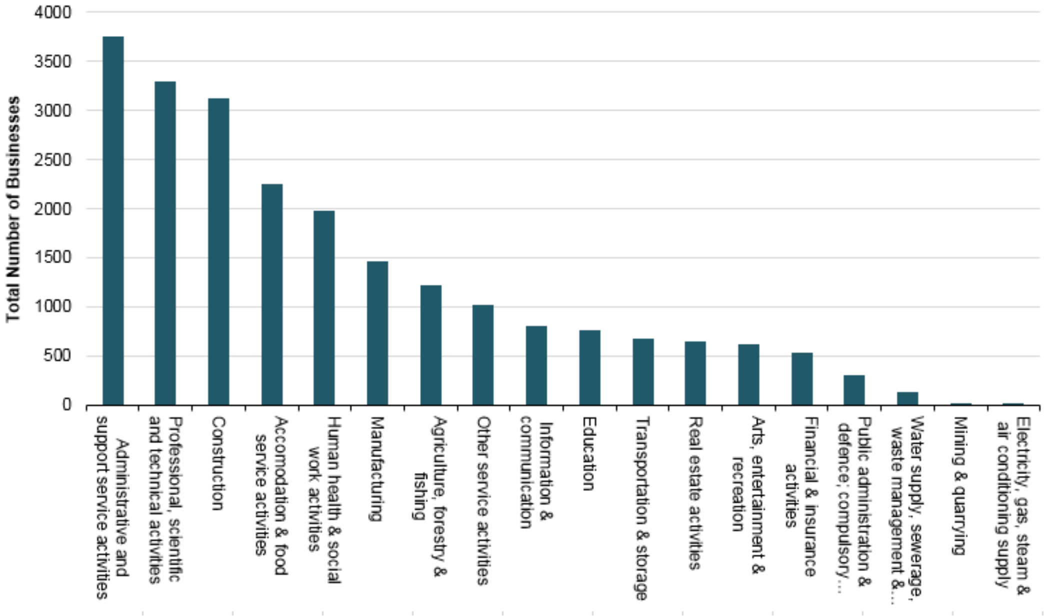
Key sectors

3.19 There are two key perspectives from which to view the sectoral distribution of Devon's economy. The first is to look at the number of businesses by sector, and the second – and more useful in economic significance terms – is to consider the sector distribution of employment.

Distribution of businesses by sector

3.20 The graphic which follows shows the sectoral distribution of enterprises in Devon. Devon's largest sector – measured simply in terms of the number of enterprises – is 'administration and support services' followed by 'professional, technical and scientific'. These sectors respectively account for 16% and 14% of all businesses in Devon.

Figure 3-7: Total number of businesses in Devon by sector, September 2014[8]



Source: SQW analysis of IDBR, Sept 2014 data

3.21 The difficulty with Figure 3-7, however, is that it provides no insight at all in terms of economic significance: an enterprise employing one person counts as one observation and the Met Office counts as a second, yet the latter is much more economically significant. Hence we also need to consider the sectoral distribution of jobs.

Sector distribution by employment

3.22 The latest available data (2013) on employment distribution by sector are derived from the ONS Business Register and Employment Survey (BRES). Even at the higher levels of granularity (2 digit SIC code), where sector distinctiveness is often lost in the aggregation of sectors, there are clear differences between Devon and the national economy in employment terms. Devon's largest sectors are the "health" and "retail", as shown in Table 3-4. Together they account for over 90,000 jobs (nearly 30% of Devon's total employment), and for a significantly higher proportion of Devon's total employment than the equivalent for England as a whole. Reflecting Devon's natural environment and scenic heritage, the "accommodation and food services" sector – often used as a proxy for the tourism sector – is also well represented in employment terms in Devon compared to the national average. "Business administration and support services" and "professional, scientific and technical" sectors are underrepresented in Devon. This is important, as these sectors typically command higher salaries and/or contribute materially to the competitiveness of the economy as a whole.

Table 3-4: Key employment sectors in Devon, 2013

Devon (2 digit SIC 07)	Total employment	Proportion of total employment in Devon (%)	Proportion of total employment in England (%)
Agriculture, forestry & fishing[9]	1,000	0.32	1.31

[8] NB the IDBR does not account for all registered agriculture holdings. The total number of agricultural firms is likely to be higher across Devon than depicted here.
[9] Note that agriculture, forestry and fishing is poorly captured in BRES

Devon (2 digit SIC 07)	Total employment	Proportion of total employment in Devon (%)	Proportion of total employment in England (%)
Mining, quarrying & utilities	5,000	1.58	1.08
Manufacturing	25,000	8.04	8.23
Construction	19,000	6.15	4.47
Motor trades	8,000	2.51	1.79
Wholesale	12,000	3.81	4.15
Retail	39,000	12.32	10.03
Transport & storage (inc postal)	12,000	3.76	4.48
Accommodation & food services	31,000	10.02	6.90
Information & communication	8,000	2.48	4.17
Financial & insurance	5,000	1.70	3.69
Property	7,000	2.13	1.93
Professional, scientific & technical	18,000	5.59	8.33
Business administration & support services	16,000	5.04	8.39
Public administration & defence	15,000	4.82	4.40
Education	29,000	9.23	9.24
Health	50,000	16.08	12.83
Arts, entertainment, recreation & other services	14,000	4.42	4.57
Total	**314,000**	**100**	**100**

Source: SQW analysis of ONS BRES (2013)

3.23 Diving deeper into the county statistics reveals some interesting insights into the economic distinctiveness of sectors in Devon compared to the national economy. In this context, location quotients show which employment sectors in Devon – relative to the average for England – are most distinctive. The highest location quotients at the county level are all for land-based activities, but collectively they account for less than 0.5% of total employment. The sectors which stand out relative to the national economy (i.e. high location quotients) and in overall employment terms are outlined in Table 3-5. They all have 20% more employment than is typically the case across England. In many ways these key sectors reflect some of Devon's key socioeconomic features:

- Devon's natural assets which make it an attractive tourist destination and which drive demand for accommodation, food and drink services.
- Devon's ageing resident population which drives demand for health care, and residential care in particular.

Table 3-5: Devon's "distinctive" and "significant" employment sectors

Sector (2 digit SIC 07)	Total employment 2013	Location Quotient (relative to England)
Human health activates	28,000	1.20
Residential care activities	12,000	1.54
Accommodation	10,000	2.28
Food and beverage services activities	22,000	1.24
Specialised construction services	11,000	1.35
Retail trade (excludes cars / motorbikes)	39,000	1.23

Source: SQW analysis of ONS BRES (2013)

3.24 The pattern of specialism at a district level is shown in Table 3-6. There is a need for some caution with these data as BRES is unreliable at granular spatial and sectoral levels, and many of the data are confidential. At the 2 digit SIC code, the accommodation and food sector stands out across many of Devon's more rural districts. Employment in the construction sector across the county is also notable. Again, the picture in Exeter is somewhat different from the rest of the county, as the local public sector hub. At the level of 4 digit SIC codes, what stands out is the high relative importance of land-based sectors such as mining and quarrying, forestry and fishing/aquaculture. In North Devon, manufacturing of pharmaceutical and electrical equipment are heavily over-represented compared to the national average.

Table 3-6: Distinctive sectors across Devon (2013)

Area	Sector (2 digit SIC code 07)	2013 Location Quotient (relative to England) 1.8 interpreted as 80% more employment than the average local economy
East Devon	Construction	1.83
	Accommodation and food services	1.78
	Motor Trades	1.50
Exeter	Mining, quarrying & utilities	2.80
	Public administration & defence	1.96
	Health	1.54
Mid Devon	Manufacturing	1.85
	Wholesale	1.46
	Construction	1.45
North Devon	Accommodation and food services	2.00
	Manufacturing	1.42
	Motor trades	1.42
South Hams	Accommodation and food services	2.00
	Construction	1.51
	Property	1.49

Area	Sector (2 digit SIC code 07)	2013 Location Quotient (relative to England) 1.8 interpreted as 80% more employment than the average local economy
Teignbridge	Construction	1.82
	Accommodation and food services	1.57
	Retail	1.46
Torridge	Property	High – but confidential data
	Construction	1.85
	Accommodation and food services	1.32
West Devon	Accommodation and food services	2.10
	Motor trades	High – but confidential data
	Construction	1.48

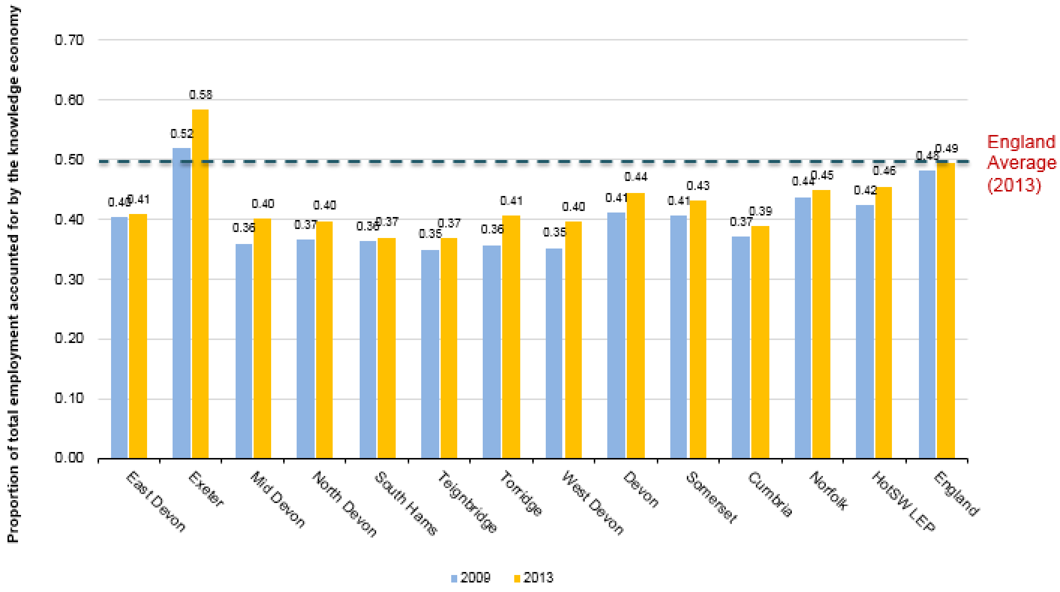
Source: ONS Business register and employment survey (BRES) 2013

3.25 Finally, important insights can be gleaned by considering employment in the "knowledge economy".[10] Overall, in 2013, 44% of Devon's jobs were in the knowledge economy; this was below the national average (49%). The incidence of knowledge economy employment was also below the average for most comparator areas (see Figure 3-8). However, evidence shows employment in this "sector" is rising in Devon, both in gross terms and as a proportion of Devon's total employment: it increased from 41% in 2009 to 44% four years later.

3.26 At the district level, 58% of jobs in Exeter are in the knowledge economy – the highest of all Devon's districts and nearly ten percentage points above the national average. Conversely, two districts, South Hams and Teignbridge, have a particularly low incidence of knowledge economy employment (37% of the total). Both the total number of people employed in the knowledge economy and the proportion of total employment are outlined in Figure 3-8 and Table 3-7 below.

[10] Defined using the approach developed by Eurostat

Figure 3-8: Proportion of total employment accounted for by the Knowledge Economy (as defined by Eurostat – See Annex A for full definition), 2013



Source: ONS BRES, 2013

Table 3-7: Employment in the knowledge economy

Employment in the Knowledge intensive sector	2009	2013	% change 09-13
East Devon	18,200	18,100	-0.42
Exeter	49,800	51,700	3.78
Mid Devon	9,200	9,500	3.40
North Devon	15,800	16,800	6.18
South Hams	13,300	13,100	-1.22
Teignbridge	16,100	16,600	2.61
Torridge	6,900	7,400	7.54
West Devon	6,400	6,500	1.87
Devon	**135,700**	**139,700**	**2.95**
Somerset	92,100	94,600	2.71
Cumbria	83,600	87,200	4.30
Norfolk	150,800	155,400	3.02
Heart of the South West LEP	304,500	314,900	3.42
England	11,578,500	12,106,800	4.56

Source: ONS BRES, 2009, 2013

Public / private sector employment

3.27 Thus far, we have looked at employment by sector, but given no attention to what "part" of the economy employment is generated from. In this context, analysing public and private sector employment can reveal key insights into whether the private or public sector is driving employment growth. As shown in Figure 3-9, Devon, has a lower proportion of public sector employment than the national average.

Figure 3-9: Devon's public sector dependency ratios in context, 2013

Source: SQW analysis of ONS BRES (2013)

3.28 While overall public sector dependency (in employment terms), appears to be low in Devon, at the district level Exeter has disproportionately high public sector employment. As home to the County Council, City Council and Exeter NHS Trust, this is unsurprising, but it also shows that Exeter is potentially more vulnerable to public sector funding cuts than other districts across Devon.

Conclusions

The following observations define Devon's economic character and performance in 2015:

- The economic growth narrative in Devon since 2000 has been relatively strong. It has outperformed the regional and national averages in terms of annual GVA growth over the period, reversing the relationship seen throughout the 1990s.
- Devon's productivity on a GVA per job basis is low compared with both England and "England less London". This is – in part – a reflection of high part time working, a low proportion of residents of working age, and high employment rates compared with the national average. Evidence suggests the "productivity gap" between Devon and the national average has grown since 2000.
- The total number of jobs in Devon has grown between 2000 and 2012 (51,000 in total); like many other places across England the number dropped considerably during the recession however.
- The largest – and most distinctive sectors (compared to the national economy) – in Devon are the health and retail sectors. Together they account for nearly 30% of Devon's total employment, and for a significantly higher proportion of Devon's total employment than the equivalent for England as a whole.

- Despite a large number of businesses in the professional, scientific and technical sectors, the proportion of total employment in knowledge intensive sectors is low across Devon, with the exception of Exeter which is above the national average.

- Data point to strong economic growth in Northern Devon (defined as North Devon & Torridge) over recent years. Productivity (on an output per job basis) has also improved since 2000 in this area.

4. People and communities

4.1 Devon's people and communities are the "engine room" of local economic growth. They say much about the place's long run supply capacity, and ability to grow and innovate. In this chapter we consider:

- Overall demography patterns
- Labour market performance
- Skills base, qualifications and education
- Deprivation and poverty

Devon's demography

4.2 Devon was home to 758,000 people in 2013.[11] Its population grew by 5.4% between 2004 and 2013, a slower rate than for England as a whole, as shown in Table 4-1. Within this overall context, however, there is significant variation across the county. Every district has grown, but the change between 2004 and 2013 has ranged from 10.0% in Exeter to 2.2% in South Hams. Noticeably, Exeter's population has grown substantially over this period, at almost double the rate of the county average, and it accounts for a greater – and growing – proportion (16.1%) of Devon's total population. Likewise, West Devon and Mid Devon have outstripped the County average in terms of population growth.

Table 4-1: Devon and its districts population growth

Area	2004	2013	2004 – 2013 % change
East Devon	128,400	134,900	5.06
Exeter	110,700	121,800	10.03
Mid Devon	72,600	78,700	8.40
North Devon	90,400	93,800	3.76
South Hams	82,100	83,900	2.19
Teignbridge	123,000	126,000	2.44
Torridge	61,500	65,100	5.85
West Devon	50,100	53,900	7.58
Devon	**718,800**	**758,100**	**5.47**
HotSW	1,605,500	1,687,400	5.10
Cumbria	494,900	498,100	0.65
Norfolk	815,700	870,100	6.67
England	50,194,600	53,865,800	7.31

Source: ONS Mid-year Population estimates 04-13

[11] Mid-Year Population estimates

4.3 The age structure of Devon's residents is also important:

- Between 2004 and 2013, the number of young people (aged 0-15) in Devon fell by 2%. A similar pattern was seen in Cumbria over this time period, but both Cumbria and Devon were in contrast to the national picture, where the number of young people grew by 4%. At a district level, the number of young people grew in Exeter (7.8%) and Mid Devon (3.5%), although it fell in South Hams (-6.9%) and Teignbridge (-6.8%).
- Between 2004 and 2013, the number of residents aged over 65 rose by 19.6% in Devon (compared to a growth of 16.7% nationally). This is high compared with national benchmarks, although Devon's growth in over 65s was in line with that of Cumbria, and lower than in Norfolk (which saw growth of 20.6%). The number of over 65s grew in all districts over this time period with notable increases seen in West Devon (33.3%), Mid Devon (26.5%) and Torridge (25.4%). Again, the picture in Exeter differs from that across Devon as a whole: the number of Exeter residents aged over 65 grew by 7.8%.
- Between 2004 and 2013, the number of residents aged over 85 increased by 32% in Devon. This pattern is in line with the national picture and is modest compared to the rate of growth in Norfolk (37%).

4.4 Bringing the narrative together, Devon's dependency ratio – the ratio of those aged <16 or >65 to those of working age – was 67.5% in 2013. This was higher than the national average (56%). It was also about four percentage points higher than a decade earlier (63.1% in 2004). Table 4-2 shows the dependency ratios, as well as the breakdown of the overall demographics for each of Devon's districts and the compactor areas.

4.5 At the district level, the scale of growth of the working age population has varied substantially. Exeter is an outlier with a substantially lower dependency ratio (46.3%) than elsewhere across the county (67.5% average). Conversely, South Hams and East Devon, two of Devon's rural districts and popular amongst retirees, have very high dependency ratios of 71.6% and 81.3% respectively.

Table 4-2: Devon's demographic

Area	Dependency Ratio	0-15 years old (%) of total population	16-64 years old (% of total population)	65+ year olds (% of total population)
East Devon	81.32	15.42	55.15	29.43
Exeter	46.34	15.85	68.39	15.85
Mid Devon	67.80	18.55	59.59	21.86
North Devon	69.62	17.16	58.96	23.88
South Hams	71.57	15.97	58.28	25.74
Teignbridge	70.27	16.27	58.73	25.00
Torridge	70.87	16.44	58.53	25.04
West Devon	70.35	16.14	58.81	25.23
Devon	**67.51**	**16.34**	**59.69**	**23.95**

Area	Dependency Ratio	0-15 years old (%) of total population	16-64 years old (% of total population)	65+ year olds (% of total population)
Somerset	67.09	17.64	59.86	22.52
HotSW	65.27	16.96	60.51	22.54
Cumbria	62.99	16.48	61.35	22.16
Norfolk	66.21	16.81	60.17	23.02
England	56.81	18.95	63.77	17.27

Source: ONS Annual Population Survey

Labour market performance

4.6 The previous subsection looked at Devon's overall demography. The implications of the narrative are evident in many of the indicators relating to economic activity and employment.

Economic activity and employment

4.7 Economic activity rates measure the proportion of the resident working aged[12] population in employment or seeking employment.[13] Both this and the employment rate[14] are basic measures of the overall health of the labour market. As Table 4-3 below shows, Devon has notably higher economic activity and employment rates than the national average. Both are higher than in comparator areas (Norfolk and Cumbria). Exeter was the best performing district on both measures 2010 and 2014; in some respects this is surprising (as a large student population linked to a major university can deflate economic activity and employment rates). While most districts, on the whole, perform well in comparison to national benchmarks (which themselves are high by historic standards), North Devon and Torridge appear some way adrift of the rest of Devon in terms of economic activity and employment rates. Both districts' average residence-based wage is low compared to the Devon average; these different observations may be correlated.

Table 4-3: Activity and employment rates (16-64) in 2010 and 2014

Area	Economic activity rate (%) 2010	Economic activity rate (%) 2014	Employment rate (%) 2010	Employment rate (%) 2014
East Devon	76.1	80.1	71.5	77.6
Exeter	83.2	84.4	80.5	82.0
Mid Devon	77.0	82.5	67.8	78.1
North Devon	78.9	75.2	74.9	72.5
South Hams	79.5	79.3	76.6	73.4
Teignbridge	77.1	79.3	71.0	74.8
Torridge	80.7	77.3	69.9	69.7

[12] There are many different definitions of "working age" – sometimes it is defined as >16; sometimes 16-64; and sometimes 16-74. Here we use the APS definition which is 16-64
[13] Using the Annual Population Survey economic activity definition
[14] Percentage of resident working aged population in employment

Area	Economic activity rate (%) 2010	Economic activity rate (%) 2014	Employment rate (%) 2010	Employment rate (%) 2014
West Devon	70.9	80.0	70.9	80.0
Devon	**78.3**	**80.0**	**73.4**	**76.3**
Somerset	78.4	80.1	72.5	76.2
HotSW	77.6	79.2	72.1	75.1
Cumbria	77.2	78.7	72.1	74.1
Norfolk	77.6	77.1	72	73.4
England	76.4	77.7	72.0	72.5

Source: ONS Annual Population Survey 2010 & 2014 Oct-Sept

Employment characteristics

4.8 There are a number of important observations which characterise Devon's resident labour force. These are in relation to self-employment, full time working and public sector employment and are shown in Table 4-4.

Table 4-4: Devon's resident employment characteristics 2014

Area	% of working age population self-employed	% of working age population working full time	% of working age population employed by the public sector
East Devon	17.0	68.1	28.8
Exeter	10.5	69.9	29.5
Mid Devon	17.5	77.6	32.3
North Devon	14.1	71	16.5
South Hams	16.6	67.6	17.7
Teignbridge	11.6	58	32.6
Torridge	11.2	70.1	20.3
West Devon	12.3	59.1	38
Devon	**13.7**	**67.6**	**27.4**
HotSW	12.3	69.6	23.5
Cumbria	10.4	70.7	19.8
Norfolk	10.7	74	21.8
England	9.2	74.4	22

Source: ONS Annual Population Survey 2014, Oct13 – Sep 14

4.9 Reflecting the abundance of micro and small businesses in Devon, a particularly high proportion of Devon's residents are self-employed compared to national benchmarks, and the comparator areas of Cumbria and Norfolk. At the district level, while all are higher than the national average, South Hams and East Devon have the highest prevalence of self-employment, nearly double the figure for England.

4.10 Compared to national benchmarks and comparator areas, a low proportion of Devon's residents work full time. This, could in part reflect the high level of self-employment. It does however have important implications for productivity measurement (see Chapter 3). Of all the districts, West Devon and Teignbridge stand out as having particularly low proportions of full time workers.

4.11 Consistent with the BRES-driven workplace-based evidence presented earlier, perhaps the most noticeable difference between resident employment in Devon and England as a whole is the proportion of total employment accounted for by the public sector. At 27.4% in 2014, it was higher than the national average (22%). It was also much higher than for the two rural county comparators: Cumbria (19.8%) and Norfolk (21.8%). Given that the incidence of older people in Devon is similar to that in Cumbria and lower than that in Norfolk, it would be a mistake to explain the size of the public sector simply in terms of Devon's demography.

Economic inactivity and unemployment

4.12 Given both the economic activity and employment rates are high in Devon, the corresponding inactivity rate and unemployment rates, are unsurprisingly low. In 2014, the ILO unemployment rate – the most accurate measure of unemployment – was 4.6% in Devon compared to 6.6% for England as a whole. Data at the district level must be interpreted with caution, but the best performing districts on this measure are East Devon (3.1%) and Exeter (2.9%). Conversely ILO unemployment rates in Teignbridge (9.9%) and West Devon (7.5%) – two of Devon's more rural districts – are higher than both county and national benchmarks.

4.13 Digging deeper into the data, youth unemployment (16-24) in Devon appears to be acute. This problem is not exclusive to Devon, as seen through national statistics. However, at 16.5%, it is high in Devon, especially given the low headline unemployment rate described above. This equates to 8,500 unemployed 16-24 years olds in Devon – a figure which, although stable in recent years, has never fully recovered since the onset of the recession in 2008. Youth unemployment at the district level is not reported here due to unreliable data.

4.14 Job Seekers Allowance (JSA) – another proxy measure of unemployment, more readily and accurately reported – in Devon was 0.9% (of the working age, resident population), in December 2014. The equivalent national figure was 1.9%, and it was 1.6% in both Cumbria and Norfolk. JSA unemployment has fallen substantially since the onset of the recession – both nationally and in Devon – reflecting both falling unemployment and the broader public commitment to reduce spending on benefits. At the district level, Teignbridge performs worst on this measure, and is more in line with the national figure.

Skills and qualifications

4.15 A skilled and well qualified workforce is a fundamental component for a competitive and prosperous economy. It provides a proxy for the quality of the available labour supply and is a key driver of economic growth. Across Devon, resident skill and qualification levels are broadly in line with the national average, although this masks real variation at the district level: 28% and 40% of working age residents in Torridge and East Devon respectively are qualified to or above degree level (or equivalent) (NVQ4+). The proportion of Exeter's residents qualified to this level is in line with the national average, which is surprising given its home to a top tier-University. It potentially hints at graduate retention issues. Data also show there have been some interesting changes to the skills base in North Devon. The proportion of its residents qualified to NVQ4+ increased from 17% in 2004 to 35% in 2013. It has therefore made significant progress in closing the gap between the county and national average.

Table 4-5: Relatively "well" and "poorly" qualified residents of working age, 2013

Area	Proportion of residents qualified to NVQ +4 (Degree equivalent)	Proportion of residents with no qualifications	Proportion of residents with Trade apprenticeships
East Devon	40.4	6.2	6.3
Exeter	35.9	4.1	4.4
Mid Devon	28.2	10.8	3.5
North Devon	34.8	5.6	6.4
South Hams	35.0	6.7	4.3
Teignbridge	31.7	12.4	4.6
Torridge	28.1	N/A	3.9
West Devon	39.7		8.6
Devon	**34.5**	**6.4**	**5.2**
Somerset	28.0	5.9	3.8
HotSW	31.0	6.5	4.8
Cumbria	30.2	8.3	6.4
Norfolk	29.9	9.0	5.0
England	35.0	9.1	3.3

Source: ONS Annual Population Survey 2013

4.16 At the low end of the skills spectrum, evidence suggests Devon performs better than the national average, with a lower proportion of residents with no qualifications. Again this masks variation at the district level. Some 12.4% of working age residents have no qualifications in Teignbridge compared to 4.1% in Exeter. Trade apprenticeships – important in terms of the national political agenda – make up an important part of the skills mix in Devon. Some 5.2% of the resident working age population have a trade apprenticeship in Devon, higher than the national (3.3%) and HotSW (4.8%) averages. At district level, both West Devon and North Devon stand out as having a higher proportion of residents with trade apprenticeships than the county average.

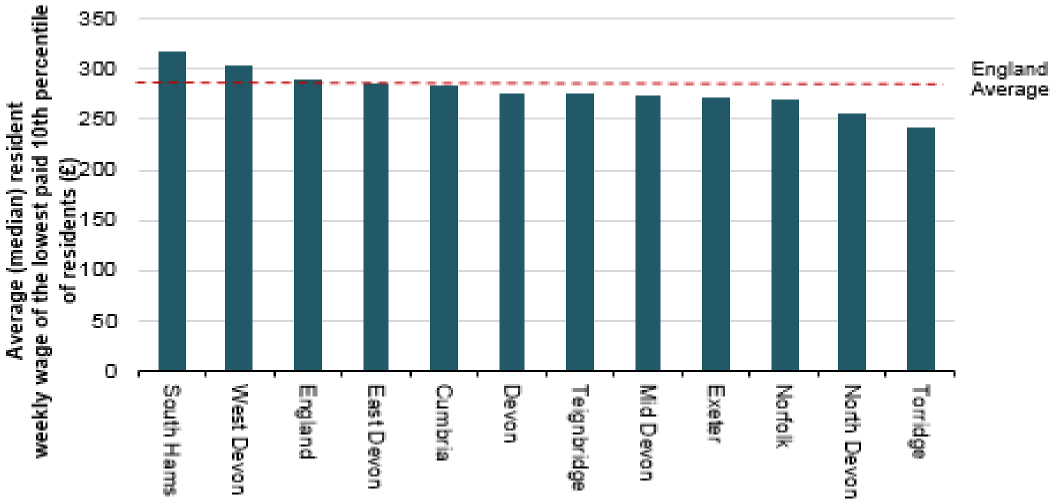
Deprivation and poverty

4.17 There is some correlation between labour market assets and demography and patterns of deprivation and poverty. While there are numerous proxies for deprivation and poverty, in reality, it is prevalent at very tightly defined spatial geographies – or in "pockets" – meaning it often "gets lost" in averages. It is therefore inherently difficult to capture in data terms.

4.18 In regards to "in work" poverty, the distribution of resident (full time employee) earnings can be used to compare average pay amongst the lowest paid 10th percentile of residents. In Devon, the average "worst paid" – taken here to mean the lowest paid 10th percentile – was

£280, below the national average of £290. Figure 4-1 demonstrates how Devon and its districts compare to national benchmarks and comparator areas in terms of the lowest paid residents.

Figure 4-1: Weekly earnings of the lowest paid full time employees (on a residence basis) across the county



Source: ONS Annual Survey of Hours and Earnings 2014

4.19 The data show that the lowest wage levels are found in Torridge, North Devon and Exeter. Conversely South Hams, which performs well on all residence-based wage measures (as seen in chapter 2) pulls up the county average. Low pay may correlate with in work poverty, although this is a complex measure and in practice, some account ought also to be taken of the costs of living. House prices are a key factor in this context.

4.20 The relationship between the salary of the lowest paid and average house prices can reveal where the cost of living really bites. In this context, data show that Devon is more unaffordable than all comparator areas and the national average for those on low earnings. The final column in Table 4-6 is interpreted as the multiple of the annual average residence-based wage (among full time employees) required to afford the average home across areas. This shows average house prices in Devon in 2013 were over 16 times the average annual salary of the 10th lowest paid percentile. On this basis, at a district level, South Hams, East Devon and Torridge stand out as being the most unaffordable places to live. The former is driven by high house prices, while the latter is driven by low earnings. Conversely Exeter and other urban areas such as Torbay and Plymouth are relatively more affordable.

Table 4-6: Affordability

Area	2013 median weekly wage £ (FT employees on a residence based measure)	Median average annual wage of the 10th lowest paid percentile of FT employees (on a residence-basis) £	Average house price (April – June 2013)	Salary multiple (affordability)
East Devon	290	15,070	249,225	16.5
Exeter	270	14,190	207,177	14.6
Mid Devon	280	14,320	224,673	15.7

Area	2013 median weekly wage £ (FT employees on a residence based measure)	Median average annual wage of the 10th lowest paid percentile of FT employees (on a residence-basis) £	Average house price (April – June 2013)	Salary multiple (affordability)
North Devon	260	13,430	218,933	16.3
South Hams	300	15,640	298,632	19.1
Teignbridge	280	14,500	220,543	15.2
Torridge	240	12,520	205,444	16.4
West Devon	260	13,640	218,466	16.0
Devon	**270**	**14,150**	**232,166**	**16.4**
Somerset	280	14,800	205,141	13.9
Cumbria	290	14,950	160,971	10.8
Norfolk	270	14,180	185,109	13.1
England	290	14,980	219,332	14.6

Source: ONS ASHE (2013); BBC UK House price tracker (April to June 2013)

Conclusions

The following observations define Devon's people, communities and Labour market performance in 2015:

- Devon has an ageing population; this is not a 'new story' but it is core to Devon's demographic make-up
- The corollary of this however is a shrinking population of young people. This has important implications for the balance between non-working people and the working age population.
- Across the piece, there are high employment and economic activity rates and low rates of unemployment. However this is also related to high levels of self-employment and part time working. At the district level, this varies substantially; there have however been significant improvements in North Devon.
- The qualifications levels of residents in Devon are generally reasonably high, and in line with England average. In this context, substantial improvements have been seen in North Devon in recent years.
- Devon is a relatively unaffordable place to live. The disparity between annual average wage and house prices across the county is higher than comparator regions such as Norfolk and Cumbria, and the national average.

5. Sustainable economic growth

5.1 This chapter considers the overall sustainability of economic growth in Devon. Sustainability is an all-encompassing concept, and can range from genuine environmental impact to general supply side capacity issues such as transport and broadband. All are important in the Devon:

- CO2 Emissions
- Housing and employment land
- Transport infrastructure
- Digital infrastructure

CO2 Emissions

5.2 One of the most pressing issues for all local areas is emissions of greenhouse gases (measured in terms of carbon dioxide equivalent emissions (C02e). Nationally the UK is signed up to obligations to reduce emissions under the Climate Change Act 2008 by 2050, and every local economy has a part to play. Data at the local level however are "patchy", relying heavily on the DECC local authority analysis.

5.3 The data series from the DECC points to trends in C02 emissions over recent years. Total emissions in Devon were 5,334.3 tonnes in 2012, and have actually fallen since 2005 from 6,146.8. Much of this change is driven by a reduction in industry and commercial emissions. Despite the fall, emissions in Devon are higher than in Somerset and Cumbria, but lower than in Norfolk.

Transport Infrastructure

5.4 The winter storms of 2013-14 underlined the vulnerability of Devon's infrastructure, and by extension, its economy to flooding. The coastal railway between Exeter and Plymouth (via Dawlish) generated national headlines and subsequent pledges in relation to infrastructure re-construction.

5.5 The strategic road network is defined in the 2011 Local Transport Plan as comprising: M5 from Birmingham and Bristol to Junction 31 at Exeter, A38 between M5 Junction 31 (Exeter) and Plymouth; A30 / A303 between M5 junction 29 and A303 to London; A380 between Torquay and the A38 a Kennford; A361 between Bideford / Barnstable and the M5 Junction 27; and A30 from M5 junction 31 to Cornwall. The strategic rail links are those to London Paddington / Waterloo, Bristol and Plymouth. Public consultation identified four priorities for the plan:

- Make best use of the existing transport network and improve connections with London and other major cities
- Lobby for improved rail services
- Support growth with a reliable and efficient transport network.

5.6 Since this Plan was completed, some headway has been made on these four priorities, including through the re-franchising of the First Great Western line. This will see improved journey times to the capital from Exeter, enhanced services through new rolling stock, and better station access. In addition, the peninsula rail task force – a partnership between local councils, universities, business representatives and Travel Watch South West – was set up to improve rail resilience and connectivity in and to the South West. It was also designed to make more coordinated and better cases for rail infrastructure investment. Priority investments for the taskforce include enhancing the resilience of the existing coastal route at Dawlish; lengthening loops on the Waterloo line between Exeter, Yeovil and Castle Cary; an additional line between Exeter and Newton Abbot; and a northern route via Okehampton.

5.7 In the context of further budget reductions required by the Government, Devon County Council are having to make savings of £1.7m from the annual public transport budget. The county has currently made a suite of proposals to reduce service provision on bus routes across the county where there is limited commercial interest. (https://new.devon.gov.uk/publictransportbudget/services/)

Broadband

5.8 Broadband coverage across Devon is a local priority. *Connecting Devon and Somerset* – a private / public partnership - was set up to deliver the next generation of broadband infrastructure to areas where the market has failed to invest. Its aim is to bring superfast broadband (defined as 24 Mbps) to 90% of premises in the area covered by the programme: Somerset, Devon, North Somerset, Torbay, Plymouth, Bath and North East Somerset. Despite Devon's rurality, progress is being made in narrowing the digital divide between urban and rural localities. Evidence from Ofcom shows the proportion of premises in Devon with access to superfast broadband (defined as a minimum speed of 30 Mbps) is rising: in 2013 it was 37%, increasing to 45% in 2014. By way of comparison, coverage in Plymouth was 94% of premises in 2014.

6. What has changed since the LEA in 2012 – and some conclusions

Looking back on LEA 2012

6.1 The first LEA was substantially completed in 2012. Since then, the national economy has recovered somewhat; the implications of public spending austerity have started to bite; some key infrastructure has been delivered locally (notably broadband); Devon has been adversely affected by a series of extreme weather events (notably severe damage to the railway line at Dawlish in early 2014); and – more positively – Devon has benefited from some significant planned investments, particularly as substantive progress has been made vis-à-vis the East of Exeter development. The last 2-3 years have therefore seen some major events in Devon's economic life but to what extent are these "biting" in terms of the underlying socio-economic data?

6.2 In order to try and answer this, it is useful to refer back to the headline findings from the 2012 LEA.

Table 6-1: Understanding how Devon has changed since the 2012 LEA

Headline observation from the 2012 LEA	Situation reported in the 2015 LEA
Devon's spatial economy	
Devon is relatively self-contained. 90% of residents have workplaces within the county in 2008.	A similar figure was found in 2011.
Commuting to Torbay from Devon fell between 2001 and 2008.	A similar narrative found in 2011; Devon's districts are becoming increasingly important as a work destination for Torbay's residents.
Workplace-based earnings were low in Devon as a whole (£420 nominal prices) relative to the national average and comparators Norfolk and Cumbria.	Workplace-based earnings remain low in Devon and below the national average.
South Hams' residence-based earnings were significantly higher than workplace-based figures.	Similar relationships between residence-based and workplace-based earnings found in 2014. Commuting to Exeter also increased substantially between 2001 and 2011, pointing to its growing economic significance.
Business and Enterprise	
Just under 10% of businesses in Devon employed more than 10 members of staff.	This figure rose to 11% in 2014. Overall this is a small change.
Sectoral distribution of employment showed the construction and accommodation and food services sectors to be disproportionately important in Devon compared to the national average in 2012.	Both sectors still account for a greater share of employment in Devon than the national average. The human health, residential care, and retail sectors also accounted for a greater share of jobs in Devon than the national average in 2014. Generally the Devon economy remains underrepresented in higher value sectors.
GVA in 2010 was £11bn (2005 Prices) and accounted for 13% of total GVA for the South West region [Using the 2014 LEFM baseline GVA in 2010 was £13.1bn (2010 prices)].	GVA was £13.5bn (2010 Prices) in 2014 and accounted for a similar proportion of total GVA generated by the South West region. Estimates of Devon's GVA have therefore increased marginally since 2010.
Average annual GVA growth between 1990 and 2010 in Devon was below the national and South West averages.	Average annual GVA growth between 2000 and 2014 in Devon has outpaced both the national and South West averages.

Headline observation from the 2012 LEA	Situation reported in the 2015 LEA
Devon's headline productivity was below the national average, and had grown at a slower rate between 1990 and 2010.	Largely unchanged, although the productivity gap with the rest of England increased between 2000 and 2014.
Productivity in North Devon was below the county average at approximately £30,000 per job.	In 2014, productivity in Northern Devon (defined here as districts North Devon and Torridge) was above the county average at £36,000 per job.
People and Communities	
The number of young people fell marginally between 1995 and 2010 in Devon, while the number of over 65 year olds increased between 1990 and 2010.	A similar narrative is found in 2013. Between 2004 and 2013 the number of young people fell by 2.2% (greater than the fall between 1995 and 2010), while the number of old people increased by 20% (slightly lower than the increase between 1990 and 2010).
The economic activity rate and employment rate (of those aged 16-64) in Devon was 78.4% and 73.9% respectively between 2008 and 2011 (measured as a three year average).	In 2014 the economic activity rate (of those aged 16-64) was 80% and 76% respectively. It shows a strengthening of the labour market in Devon.
30% of Devon's residents aged 16-64 were qualified to NVQ level 4 or equivalent between 2008 and 2010 (3 year average). Only 23.5% had no qualifications of NVQ level 1. 23% of residents in North Devon were qualified to NVQ 4 level or equivalent.	35% of Devon's residents aged 16-64 were qualified to NVQ4 or equivalent in 2013 showing an improvement on 2008-2010 levels. The proportion of residents qualified to NVQ4 or equivalent in North Devon was in line with the Devon average in 2013, representing a really quite significant increase from 2008-2010 levels.

Source: SQW

Conclusions

6.3 In headline terms, the growth narrative – in terms of GVA – is marginally stronger in Devon than it was in 2012. This is partly a reflection of the time period used in the two analyses: the 1990s coincided with a period of meagre growth in Devon, while the 2000s were generally stronger relative to the national average. The overall picture looks somewhat stronger than it did in 2012 however.

6.4 Similarly, Devon's labour market is in a stronger shape than it was three years ago. This is broadly in line with the national economy, with high employment rates throughout the economic recovery period. Both economic activity and employment rates amongst the working age population in Devon have improved; unemployment on both measures has also fallen. The skill level of residents – proxied by qualifications attained -has improved across the piece in Devon since 2012. This is important in the context of labour capacity, earnings and productivity.

6.5 Devon's productivity narrative appears much the same as it was in 2012: the "productivity gap" with the national average is increasing. This is unsurprising given the time frames involved for fundamental changes in labour market structure, and sectoral composition, to take place. In terms of the labour market, part time employment is still high, while the working age population (as a proportion of the total) is still low.

6.6 The overall business demographic is largely unchanged between the 2012 and 2015 LEAs, albeit with a very marginal drop in the number of micro-enterprises. The sectoral distribution of employment is also similar; the retail, human health, residential care, construction and accommodation and food services sectors remain Devon's most important sectors in employment terms.

6.7 At the district level, the significant change in terms of the overall socio-economic narrative is North Devon. Traditionally a district which has performed poorly compared to the county average on a raft of socio-economic indicators, it now appears to be changing quickly in economic terms. On metrics of economic growth and productivity it appears currently to be outperforming the county (and indeed national) average. Commuting data show it is becoming a more important economic centre, with an increasing extent of net inward commuting. The skills levels of residents has seen improvements over recent years bringing it in line with the county average, while economic activity and employment rates are now higher than the county average.

Annex A: Eurostat Knowledge sector definition

A.1 Eurostat define the Knowledge-based economy as the following UK two-digit Standard Industrial Classification codes:

50 : Water transport

51 : Air transport

58 : Publishing activities

59 : Motion picture, video and television programme production, sound recording and music publishing activities

60 : Programming and broadcasting activities

61 : Telecommunications

62 : Computer programming, consultancy and related activities

63 : Information service activities

64 : Financial service activities, except insurance and pension funding

65 : Insurance, reinsurance and pension funding, except compulsory social security

66 : Activities auxiliary to financial services and insurance activities

69 : Legal and accounting activities

70 : Activities of head offices; management consultancy activities

71 : Architectural and engineering activities; technical testing and analysis

72 : Scientific research and development

73 : Advertising and market research

74 : Other professional, scientific and technical activities

75 : Veterinary activities

78 : Employment activities

80 : Security and investigation activities

84 : Public administration and defence; compulsory social security

85 : Education

86 : Human health activities

87 : Residential care activities

88 : Social work activities without accommodation

90 : Creative, arts and entertainment activities

91 : Libraries, archives, museums and other cultural activities

92 : Gambling and betting activities

93 : Sports activities and amusement and recreation activities