The Isle of Wight economy

Isle of Wight Council
Isle of Wight Economic Partnership

October 2005

The Isle of Wight Economy

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Introduction

Experian's Business Strategies Division has produced this report for the Isle of Wight Council and the Isle of Wight Economic Partnership. It provides an analysis of the current structure of the Island economy, its recent growth performance and our expectations for development over the next ten years. Comparisons with the South East and UK economies provide the wider context within which the Island economy operates.

This report has four chapters. Chapter 1 provides an overview of the current structure of the Isle of Wight, focusing on the structure of the resident population, the industrial profile of economic activity and labour market characteristics. Chapter 2 discusses the recent performance of the Island's economy and compares this with the South East and the UK. Chapter 3 presents our forecasts to 2015 for the Isle of Wight, the South East and the UK. The report concludes with an overview of the Sandown Bay area. This report draws on statistical estimates and forecasts produced by Experian in Summer 2005.

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Executive summary

The Isle of Wight shares many characteristics with the wider South East region, such as a growing population, strong economic growth performance and a reliance on the service sector. But beneath headline statistics are a number of characteristics that place the Island apart from the rest of the South East:

- a large retired population
- retailing and the public sector, in particular health, dominate service sector activity on the Island, more so than across the rest of the South East
- prosperity on the Island, based on measures such as wages, productivity, educational attainment, GVA per head and unemployment, is below the regional average.

Recent data suggests the Isle of Wight economy has performed well relative to the South East and UK. GVA growth averaged 4.5 per cent a year between 1999 and 2004 compared with 2.9 per cent a year in the South East and 2.5 per cent for the UK. Sectors such as construction, business services and retail provided a significant boost to the Island economy.

Employment growth in the past half decade has also been impressive on the Isle of Wight, achieving growth well in excess of the South East and UK average. The non-manufacturing sector provided the bulk of job creation with, again, construction, business services and retailing performing particularly well.

A consequence of recent growth patterns is a change in the industrial composition of the Island's economy. Business services and retailing have increased the share of the economy, while hotels & catering now accounts for a smaller proportion of the economy than it did in the late 1990's.

In the short term we expect GVA growth on the Island to moderate, due to a general slowdown across many of the Island's largest sectors. Likewise, employment growth on the Island is projected to slow, as the impetus from the non-manufacturing sector fades.

But over the longer term, a favourable demographic outlook is likely to support relatively strong employment and GVA growth is set to remain above the UK average. Job creation is likely to be confined to the service sector on the Island with moderate job losses in the manufacturing sector, although the outlook for manufacturing is stronger than in many other parts of the South East.

Table 1
Average annual growth (%)

	GVA		Employment (FTE)	
	1999-2004	2005-2015	1999-2004	2005-2015
Isle of Wight	4.5	2.8	2.3	0.8
South East	2.9	2.9	1.0	0.7
UK	2.5	2.6	0.8	0.4

Source: Experian.

1 Size and structure of the Isle of Wight economy

The Isle of Wight is part of the South East region of England. Whilst the Island is in many ways unique, it does shares some characteristics with the wider South East region. Similarities include:-

- **A rapidly growing economy**. Over the last five years GVA and employment growth on the Island and across the South East region exceeded the national average.[1]
- **A dominant service sector**. The service sector accounts for 72 per cent of the Island economy, and provides for more than 3 in every 4 jobs. Manufacturing accounts for just 13 per cent of jobs on the Island.
- **A rapidly growing population**. Population growth across the South East region, including the Isle of Wight, has exceeded the national average over the past five years.

But there are some characteristics and issues that are particular to the island, including:-

- **Lower than average prosperity.** The South East region is among the most prosperous in the UK and Europe. But the Island has below average GVA per head, low wages, low educational attainment and above average unemployment.
- **Retailing and the public sector, especially health, not financial & business services[2], dominates the service sector.** The mix of service industries on the Island is very different to the rest of the South East. Retailing and hotels & catering combined account 22 per cent of all jobs on the Island, compared with just 14 per cent for the South East. By contrast, financial & business services, a key growth sector for the UK, is relatively underrepresented on the Island.
- **A large retired population.** A quarter of people living on the Island are of pensionable age. This compares to less than a fifth for the South East as a whole.

These and other factors have influenced the performance of the Island economy over the past decade, and will continue to affect growth in the future. We explore these issues for the Island in this section, focusing in particular on the profile of those living on the Isle of Wight, the structure of the economy, and the characteristics of the labour market. In terms of scale, the Isle of Wight accounts for about 1 per cent of the South East economy.

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[1] GVA is the sum of sectoral output plus Ownership of Dwellings, the Adjustment for Financial Services and a statistical adjustment.

[2] Financial & business services includes banking & insurance, business services and other financial & business services

Table 1.1
Scale of the economy

	GVA (billion, constant 2001 prices)		Employment (FTE thousands)	
	1994	2004	1994	2004
Isle of Wight	0.94	1.4	38.1	49.0
South East	96.6	137.4	2988.5	3526.5
UK	717.0	940.9	22611.1	25147.7

Source: Experian.

1.1 POPULATION

In 2004, 138,000 lived on the Isle of Wight, equivalent to 1.7 per cent of the South East total. Approximately 57 per cent of the Island's population were of working age, below the South East average of 61 per cent.[3] In contrast, the Isle of Wight had a higher proportion of its population at retirement age (26 per cent compared with 19 per cent in the region).

Over the last decade the Isle of Wight has experienced robust population growth. Average annual growth of 0.8 per cent on the Island exceeded that of the South East and was more than twice as fast as that recorded for the UK as a whole. The Island also enjoyed rapid growth in the working-age population over this period, which has resulted in its share of the total population rising from 55 per cent in 1994 to 57 per cent in 2004 (see table 1.1).

Table 1.2
Population

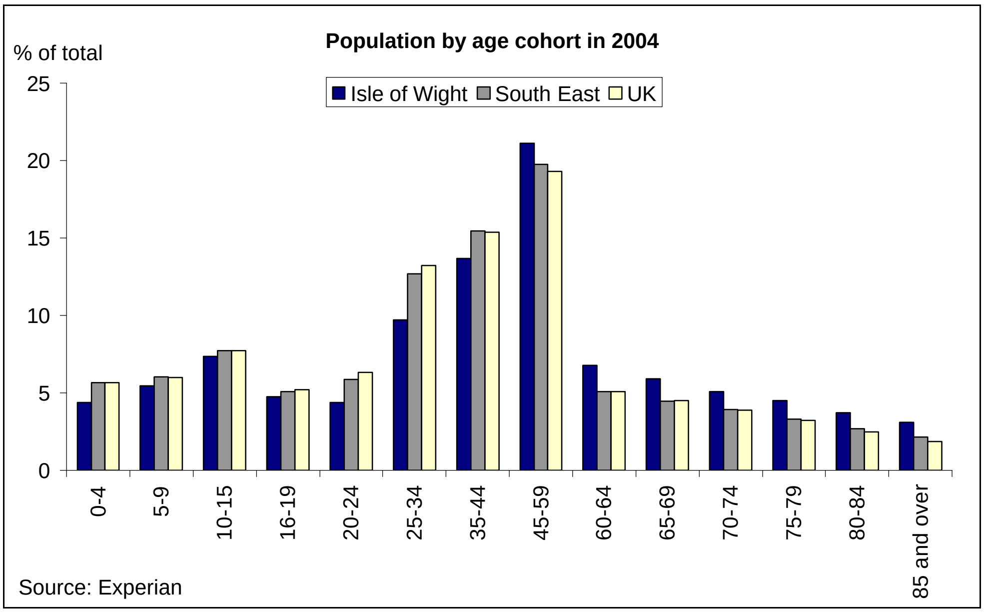
	Total population in 2004	Working age as a proportion of total population in 2004 (%)	Average annual growth (total) 1994-2004 (%)	Average annual growth (working age) 1994-2004 (%)
Isle of Wight	137,662	57.1	0.8	1.1
South East	8,132,541	61.4	0.5	0.6
UK	59,819,683	61.9	0.3	0.5

Source: Experian.

A consequence of this rapid growth in the working age population has been for the proportion of people living on the Island who are of retirement age fall marginally, from 26.3 per cent of the total in 1994 to 25.7 per cent in 2004 (though the absolute number did increase). In the South East, the proportion of those of pensionable age rose from 18.8 per cent in 1994 to 19.1 per cent in 2004, while in the UK the increase was from 18.3 per cent to 18.6 per cent. Nonetheless, the demographic profile of the Isle of Wight remains heavily skewed towards the older age groups compared with either the regional and national averages, see figure 1.1. This illustrates that every age cohort above 45 years accounts for a greater proportion of population on the Island than in the South East or UK.

[3] The working-age population includes all men between the ages of 16 and 64, and women aged between 16 and 59.

Figure 1.1



1.2 ECONOMY

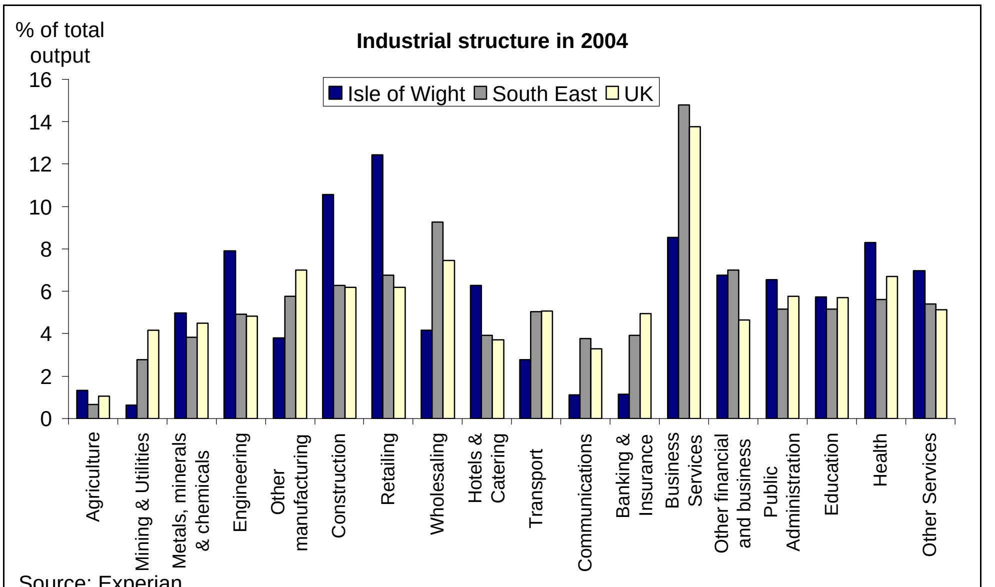
GVA on the Island stood at £1.4 billion[4] in 2004 and accounted for 1 per cent of the South East economy. GVA totalled £137 billion in the South East and £941 billion in the UK. The industrial structure is an important influence on an area's growth potential and economic success. Regional and local economies tend to suffer if slow-growing or contracting industries account for a significant share of activity. The opposite is also true – those areas that have a high proportion of activity in the faster-growing industries tend to benefit.

In many ways, the industrial structure of the Isle of Wight economy mirrors that of the South East and the UK as a whole. For example, the service sector dominates by a considerable margin, with manufacturing accounting for just 17 per cent of the economy. But beneath these headline figures are some greater differences. Figure 1.2 shows the share of total output accounted for by each industry on the Island, compared with the South East and UK. Notable observations include:-

- The relatively high concentration of retail, hotels & catering and health on the Island. These sectors combine to account for 27 per cent of total output on the Island, compared with just 16 per cent in the South East and 17 per cent in the UK.
- In contrast, business services and transport & communications account for just 12 per cent of output on the Island, compared with almost a quarter in the South East.
- The construction sector and engineering account for a greater proportion of output on the Isle of Wight than they do in either the South East or the UK.

[4] constant 2001 prices

Figure 1.2



Source: Experian

These observations are reflected in our location quotient analysis of industries on the Island. Location quotients identify whether industries are over or under represented on the Island compared with the national average. The location quotient for each industry on the Island is calculated by comparing the importance of an industry on the Island (defined as its share of total output) with its importance for the UK as a whole. A location quotient greater than 1 implies the industry is of greater importance to the Isle of Wight economy than it is for the UK. A value less than 1 shows the opposite. Table 1.2 shows the location quotients for each industry.

Table 1.3
Location quotient in 2004
(ranked by descending order for the Isle of Wight LQ)

	Isle of Wight		South East	
	Location quotient	% of total output	Location quotient	% of total output
Retailing	2.0	12.4	1.1	6.8
Chemicals	1.9	3.7	1.3	2.6
Transport Equipment	1.9	3.5	0.6	1.2
Other Manufacturing	1.7	1.2	0.5	0.4
Construction	1.7	10.6	1.0	6.3
Hotels & Catering	1.7	6.3	1.1	3.9
Machinery & Equipment	1.5	1.9	0.9	1.2
Electrical & Optical Equipment	1.5	2.5	1.5	2.5
Other Financial & Business Services	1.5	6.8	1.5	7.0
Wood & Wood Products	1.4	0.4	1.0	0.3
Other Services	1.4	7.0	1.1	5.4
Agriculture, Forestry & Fishing	1.3	1.3	0.6	0.7
Health	1.2	8.3	0.8	5.6
Public Administration and Defence	1.1	6.5	0.9	5.1
Education	1.0	5.7	0.9	5.2
Other Mining	0.9	0.2	0.6	0.1
Minerals	0.8	0.5	0.5	0.3
Paper, Printing & Publishing	0.6	1.3	1.3	2.8
Wholesaling	0.6	4.2	1.2	9.3
Business Services	0.6	8.5	1.1	14.8
Metals	0.5	0.8	0.5	0.8
Transport	0.5	2.8	1.0	5.1
Rubber & Plastics	0.4	0.4	0.9	0.7
Communications	0.3	1.1	1.1	3.8
Gas, Electricity & Water	0.2	0.4	1.4	2.6
Food, Drink & Tobacco	0.2	0.5	0.6	1.5
Banking & Insurance	0.2	1.1	0.8	3.9
Textiles & Clothing	0.1	0.1	0.3	0.1
Oil & Gas Extraction	0.0	0.0	0.0	0.0
Fuel Refining	0.0	0.0	0.6	0.2

Source: Experian.

The main points to note are detailed below:-

- Retailing is well represented on the Isle of Wight, accounting for over 12 per cent of total output on the Island, compared with 7 per cent in the South East as a whole.
- The chemicals sector is also well represented on the Island, reflecting the high incidence of composites engineering businesses, with much of the Isle of Wight's output from the sector attributable to SP Systems.
- Parts of the engineering sector, namely transport equipment, are relatively heavily concentrated on the Island, reflecting the high incidence of globally owned companies such as BAE Systems, Vestas Blades and GKN Aerospace.
- Construction is relatively more important on the Island than the UK as a whole. The Isle of Wight is recognised as a regeneration priority area, which may help the sector to retain jobs in the future.
- Hotels & catering is considerably more important to the local economy than nationally. This reflects the significance of tourism to the Isle of Wight.
- Other services, which includes activities of membership organisations and recreational, cultural and sporting activities, is also well represented. This again reflects the influence of tourism on the Island and the high number of voluntary and community orientated organisations.
- Health accounts for a large proportion of the Island's economy and its importance is highlighted in the location quotients. This reflects the demographic profile.
- The majority of other private service sectors are under-represented on the Island. This is particularly true for banking & insurance and business services, both of which account for a relatively small proportion of the economy.
- Other financial & business services provides an exception to this, with a location quotient of 1.5 on the Isle of Wight. This sector includes activities such as real estate, renting of machinery and research & development.

1.3 LABOUR MARKET

1.3.1 Employment

1.3.1.1 Characteristics of employment

Approximately 61,000 people were employed on the Island in 2004, which equates to 49,000 on a full-time equivalent (FTE) basis.[5] In the South East there were over 3.5 million fte workers in 2004 and over 25.1 million in the UK as a whole. Of those in employment on the Island, the vast majority (81 per cent) were employees, with 19 per cent being self-employed. The levels of male and female employment were relatively even, accounting for 53 per cent and 47 per cent of all those in employment respectively. The number of full-time employees was considerably higher than the number of part-time employees, accounting for 60 per cent and 40 per cent of employees respectively. That said, part time employment accounts for a greater proportion of jobs on the Island than in either the South East or UK. The Isle of Wight also has a higher share of female employees, consistent with a high incidence of part-time work, itself reflecting the large retail, health and tourism sectors. It also has a higher proportion of self-employed workers, which is reflective of the small business sector and the size of the construction industry.

[5] FTE employment puts full-time and part-time employment on a full-time basis, where: FTE jobs = full-time jobs + 0.4 * part-time jobs. It includes both employees and the self-employed. FTE is a workplace based measuring the number of people who work in an area irrespective of where they live.

Table 1.4
Structure of (workplace-based) employment in 2004

	Isle of Wight		South East		UK	
	Level ('000)	Share (%)	Level ('000)	Share (%)	Level ('000)	Share (%)
Employees in employment	48.9		3,599.2		26,279.5	
Male full time	17.7	36.2	1,517.0	42.1	11,285.5	42.9
Male part time	4.4	9.1	294.0	8.2	2,073.9	7.9
Female full time	11.9	24.2	899.7	25.0	6,683.1	25.4
Female part time	14.9	30.5	888.4	24.7	6,237.0	23.7
Full time	29.6	60.4	2,416.7	67.1	17,968.6	68.4
Part time	19.4	39.6	1,182.4	32.9	8,310.9	31.6
Male	22.1	45.3	1,811.0	50.3	13,359.3	50.8
Female	26.8	54.7	1,788.2	49.7	12,920.2	49.2
Self-employment	11.7		636.5		3,854.8	
Male	10.1	86.5	454.8	71.5	2,809.7	72.9
Female	1.6	13.5	181.7	28.5	1,045.1	27.1
Total employment	60.6		4,235.6		30,134.3	
Male	32.2	53.2	2,265.8	53.5	16,169.0	53.7
Female	28.4	46.8	1,969.8	46.5	13,965.2	46.3
Full time equivalent	49.0		3,526.2		25,147.7	
Male	29.6	60.4	2,089.4	59.3	14,924.7	59.3
Female	19.4	39.6	1,436.8	40.7	10,223.0	40.7

Source: Experian.

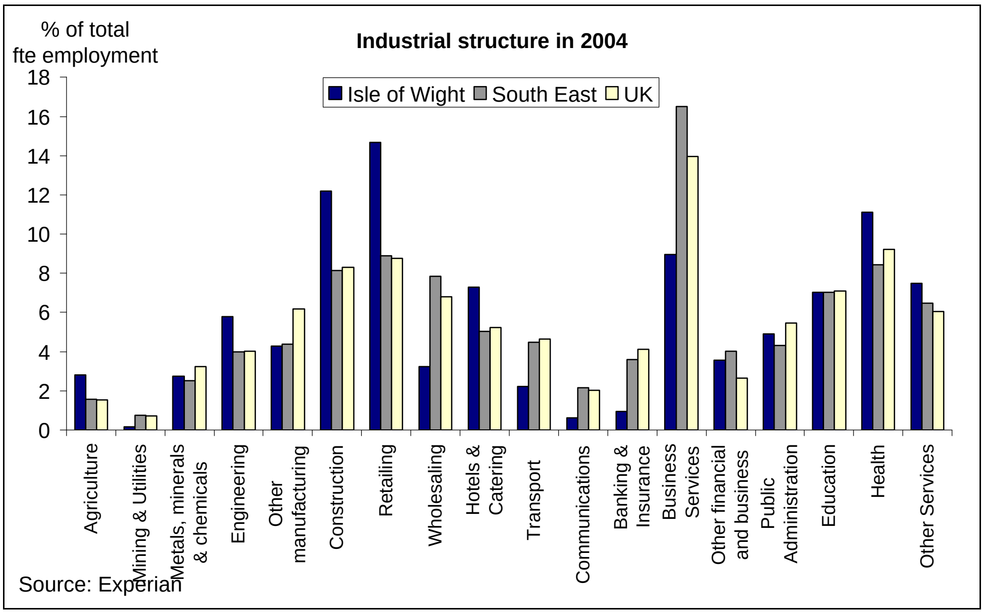
1.3.1.2 Industrial profile of employment

The industrial composition of employment on the Isle of Wight is similar to the South East in terms of a large proportion of jobs being concentrated in the service sector, while the manufacturing sector supports just over 13 per cent of all jobs. But as with output, differences are more in evidence at the sectoral level:

- The private service sector on the Isle of Wight is underweight in terms of total jobs compared with the regional average. Just 41 per cent of jobs on the Island are concentrated within private services, compared with 52.5 per cent in the South East.
- That said, the Island is more reliant on retailing than the region as a whole. The labour-intensive nature of this sector means that in employment terms its importance to the Island is greater than for output. Indeed, employment in retailing, accounts for 15 per cent of jobs on the Island compared with 9 per cent in the South East.

- The public sector is also well represented on the Island, supporting 31 per cent of jobs, compared with 26 per cent in the region as a whole[6]. This is a consequence of the large health sector.
- In contrast, the financial & business services sector accounts for just 13 per cent of total employment on the Island compared with 26 per cent in the South East. Transport & communications is also relatively under-represented on the Island (accounting for 3 per cent of jobs on the Isle of Wight, compared with 7 per cent in the region).
- Construction supports 12 per cent of total jobs on the Island, compared with 8.1 per cent in the South East.

Figure 1.3



1.3.1.3 Occupational profile of employment

The occupational structure of the economy is linked closely to the industrial structure. Therefore differences in the occupational mixes of the Isle of Wight and the South East can be explained by the relative industrial structures of the areas. On the Isle of Wight, the three largest occupations in terms of total employment are corporate managers, sales occupations and elementary administration & service occupations (this group includes porters, kitchen & catering assistants, waiters, waitresses, bar staff, elementary cleaning occupations, elementary security occupations and shelf fillers). These three occupations account for 30 per cent of all jobs on the Island (see table 1.4). Corporate managers and elementary administration & service occupations are also the largest employers in the South East, along with administrative occupations. Both elementary administration & service occupations and sales occupations account for a relatively high share of employment on the Isle of Wight compared with the South East, reflecting the size of the retail, health and hotels & catering sectors.[7]

[6] The public sector includes public administration & defence, education, health and other services
[7] See appendix B for occupation definitions.

Table 1.5
Occupation profile in 2004 (% of total headcount employment)

	Isle of Wight	South East	UK
Corporate Managers	12.0	13.8	11.3
Managers and Proprietors in Agriculture and Services	4.4	3.9	3.8
Science and Technology Professionals	3.6	4.6	3.1
Health Professionals	1.3	1.0	1.0
Teaching and Research Professionals	4.2	4.3	4.1
Business and Public Service Professionals	2.5	3.3	3.3
Science and Technology Associate Professionals	1.7	2.0	1.7
Health and Social Welfare Associate Professionals	3.5	2.7	3.2
Protective Service Occupations	1.2	1.0	1.0
Culture, Media and Sports Occupations	2.0	2.3	2.1
Business and Public Service Associate Professionals	4.7	6.7	5.2
Administrative Occupations	7.6	9.4	9.9
Secretarial and Related Occupations	3.7	4.0	4.0
Skilled Agricultural Trades	1.8	1.2	1.2
Skilled Metal and Electrical Trades	3.6	3.5	4.5
Skilled Construction and Building Trades	5.5	3.7	3.5
Textiles, Printing and Other Skilled Trades	2.1	1.7	2.3
Caring Personal Service Occupations	5.9	5.0	5.2
Leisure and Other Personal Service Occupations	2.5	2.4	2.0
Sales Occupations	10.1	7.1	7.0
Customer Service Occupations	0.6	0.9	1.0
Process, Plant and Machine Operatives	2.4	2.2	3.8
Transport and Mobile Machine Drivers and Operatives	2.2	3.2	4.1
Elementary Trades, Plant and Storage Related Occs	2.6	2.5	3.1
Elementary Administration and Service Occupations	8.2	7.7	8.8

Source: Experian.

Other occupations relatively heavily represented on the Isle of Wight include skilled construction & building trades (bricklayers, plumbers, carpenters, plasterers and painters and decorators) and health & social welfare associate professionals (nurses, dispensing opticians, medical and dental technicians, physiotherapists, occupational therapists, youth and community workers and housing and welfare officers). These reflect the relatively large construction and health sectors respectively.

In contrast, some occupations lack presence on the Isle of Wight compared with the regional average, including corporate managers, business & public service associate professionals (legal professionals, accounts, consultants, architects, social workers, brokers, buyers and purchasing officers and estate agents) and administrative occupations. This is a consequence of the under-representation of the private service sector.

In 2003, establishments with less than 50 staff constituted over 97 per cent of all establishments and employed around two thirds of all employees on the Island. These figures are relatively high compared with the South East, signifying the importance of small businesses to the Isle of Wight economy. However, large firms do contribute a large proportion of employment, but more so in the South East. This reflects the fact that there are less headquarter or large scale businesses operating on the Island and also, some industries are dominated by small firms such as retailing and construction, which are both well represented on the Island.

1.3.2 Economic activity

1.3.2.1 Labour force and participation

The labour force comprises those in employment (including the self-employed) and those actively seeking work, regardless of whether or not they are claiming unemployment benefit. The Isle of Wight's labour force stood at 64,000 in 2004. The participation rate was 81 per cent, marginally below that in the South East (84 per cent), but in line with the Great Britain average.[8]

The economically inactive are working age people who are neither in employment or satisfy the criteria for ILO unemployed (see below for definition). Data from the 2001 Census showed that economic inactivity was more prevalent on the Island than in the South East as a whole. However, survey evidence since the Census has suggested the number of people on the Island with a job has grown at a healthy pace, a consequence of which is a marked fall in the inactivity rate. Nonetheless rates remain above the regional average.

1.3.2.2 Unemployment and employment rates

There are two commonly used measures of unemployment. The first, claimant count unemployment, reports the count of claimants of Jobseeker's Allowance. Although accurate and quickly available, the claimant count figure is subject to frequent amendments in line with redefinitions of the terms 'unemployment' and 'inactivity'. As such, when analysing changes in unemployment over a long time period, an alternative measure is often preferable.

The ILO (International Labour Organisation) measure of unemployment is a count of jobless people who want to work, are available to work, and are actively seeking employment. The ILO measure is used internationally, so comparisons between countries can be made, and it also allows for consistent comparisons over time. The difference between the ILO and claimant measure can be considerable. The claimant count measure is the lower measure because some unemployed people are not entitled to claim benefits, or choose not to do so.

In September 2005, approximately 1,500 people were claiming Jobseeker's Allowance on the Island, equal to 1.9 per cent of the working age population.[9] In the South East as a whole, the rate was 1.4 per cent, while in the UK it stood at 2.4 per cent. In 2004, ILO unemployment reached a low of 5.2 per cent on the Island, and has been on a downward trend, since peaking at 11 per cent in 1995.[10] But the ILO unemployment rate on the Isle of Wight has been consistently higher than the regional and national averages since the early 1990s. Indeed, ILO unemployment in the South East and Great Britain stood at 3.7 per cent and 4.7 per cent respectively in 2004. The seasonal trend on the Island is quite marked and annual snap-shots can mask the trend of increasing unemployment in the winter months, as illustrated by the claimant count unemployment rate in the following chart.

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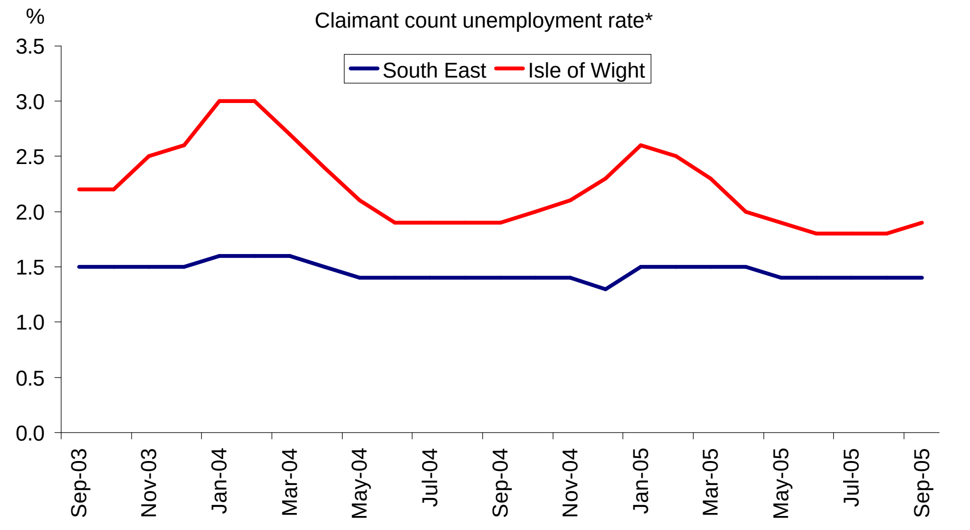
[8] Participation rate is residence based employment plus (ILO) unemployment as a share of the working age population

[9] Source: National Statistics, not seasonally adjusted data

[10] ILO unemployment rate is calculated as the number of ILO unemployed persons as a share of labour force

Figure 1.4



Source: National Statistics

* number of clamaints as a proportion of resident working age population

The employment rate is the proportion of the working age population who are in employment. The employment rate is a useful indicator because:

- A low employment rate means that there is a high level of unused potential labour stock. Employing these resources could help to increase growth potential.
- It is important for as many individuals as possible to be involved in the world of work and to contribute to, as well as participate in, active society and enjoy the benefits of progress and prosperity.
- Higher employment means a greater contribution to public finances.

Employment rates can be measured in two ways: by calculating the proportion of jobs in an area (i.e. workplace-based employment) to the working-age population, or by taking the proportion of working age people living in an area who have a job (i.e. number of residents in employment). Commuting patterns can skew these measures. For example, those regions that are net gainers of commuters have artificially high employment rates on the first measure, while those areas whose residents choose to work in neighbouring regions have artificially low employment rates.

We estimate approximately 60,700 Isle of Wight residents had a job in 2004, and that there were approximately 60,600 jobs located on the Island (both on a headcount measure). This implies a balance of commuting flows on the Island. At the time of the Census 2001, the net out-commuting figure on the Island stood at around 2,500, and this suggests the increase in employment since 2001 on the Island has reduced the extent of out-commuting. This means the residence-based measure and workplace based measure of the employment rate for the Isle of Wight are similar. The relevant employment rates are presented in table 1.5, alongside the ILO unemployment rate and participation rate.

Table 1.6
Level of activity in 2004

	Isle of Wight	South East	Great Britain
ILO unemployment rate	5.2	3.7	4.7
Employment rate (residence based measure)	77.3	81.2	77.0
Employment rate (workplace based measure)	77.1	84.8	81.5
Participation rate	80.7	84.3	80.8

Source: Experian.

1.4 PRODUCTIVITY AND EARNINGS

In 2004, productivity[11] on the Isle of Wight stood at £28,900 per worker. The respective figures for the South East and the UK were £39,000 and £37,400. Productivity is dependent on an organisations' innovation and investment, and staffs' skills and experience. Productivity also varies markedly between industries – regions that have a dependency on industries that tend to be highly productive are likely to enjoy higher rates of overall productivity. Activities associated with hi tech manufacturing tend to have higher levels of productivity than those in the service sector, although some private services also have high levels of productivity. For example, chemicals, communications and parts of financial & business services enjoy high productivity levels, while retailing, hotels & catering, the public sector and construction tend to be less productive. These typically low-productive sectors tend to be well represented on the Isle of Wight.

[11] Productivity is defined as output per FTE worker and is measured in constant 2001 prices.

Table 1.7
Level of productivity in 2004* (£000)

	Isle of Wight	South East	UK
Agriculture, Forestry & Fishing	12.1	15.3	24.9
Oil & Gas Extraction	11.7	17.6	657.3
Other Mining	81.2	102.9	67.2
Gas, Electricity & Water	110.4	143.9	139.2
Fuel Refining	60.4	76.0	105.8
Chemicals	77.2	99.8	83.6
Minerals	27.4	34.1	44.8
Metals	18.5	24.1	33.2
Machinery & Equipment	33.0	44.1	41.5
Electrical & Optical Equipment	35.1	45.4	41.6
Transport Equipment	35.8	45.0	48.1
Food, Drink & Tobacco	58.7	76.3	51.8
Textiles & Clothing	16.1	20.1	27.8
Wood & Wood Products	34.9	43.2	31.0
Paper, Printing & Publishing	45.8	58.5	47.0
Rubber & Plastics	30.7	39.0	35.2
Other Manufacturing	11.8	17.0	30.4
Construction	22.0	28.0	27.1
Retailing	21.5	27.7	25.7
Wholesaling	32.7	43.0	39.9
Hotels & Catering	21.9	28.4	25.8
Transport	31.8	41.1	39.6
Communications	47.2	64.1	58.9
Banking & Insurance	30.5	39.8	43.6
Business Services	24.2	32.6	35.8
Other Financial & Business Services	48.2	63.3	63.8
Public Administration and Defence	34.0	43.4	38.4
Education	20.7	26.8	29.2
Health	19.0	24.2	26.5
Other Services	23.7	30.5	31.0
Total	28.9	39.0	37.4

* Productivity is defined as output per FTE worker, measured in constant 2001 prices.
Source: Experian.

Of the ten largest industries on the Isle of Wight, many are typically less productive than the economy average of £28,900.

Table 1.8
Level of productivity in 2004 for the ten largest sectors on the Isle of Wight according to employment* (£000)

	Share of total employment	Level of productivity
Retailing	14.7	21.5
Construction	12.2	22.0
Health	11.1	19.0
Business Services	9.0	24.2
Other Services	7.5	23.7
Hotels & Catering	7.3	21.9
Education	7.0	20.7
Public Administration and Defence	4.9	34.0
Other Financial and Business Services	3.6	48.2
Wholesaling	3.2	32.7
Manufacturing	16.7	33.2
Total (Isle of Wight economy average)	-	28.9

* Productivity is defined as output per FTE worker, measured in constant 2001 prices.
Source: Experian.

Areas with low productivity tend to have lower than average wage levels and this trend is evident on the Island. The Annual Survey of Hours and Earnings (ASHE) shows average full time earnings on the Island are among the lowest in the South East. The average weekly pay for the Isle of Wight was £406 in 2004, 19 per cent lower than the UK average in 2004 and 24 per cent lower than the South East. Furthermore, these figures may overestimate the average wage level on the Island. This is because seasonal jobs, which are proportionately more important on the Island than in the region, are often associated with lower than average pay and these are unlikely to be fully reflected in the ASHE data.

Table 1.9
Average gross weekly pay (£)
full-time employee jobs

	Level in 2004
Isle of Wight	406.5
South East	535.5
UK	504.9

Source: Annual Survey of Hours and Earnings, Office for National Statistics.

1.5 SKILLS AND EDUCATIONAL ATTAINMENT

Low wages and productivity may also reflect low levels of skills and qualifications on the Island. Achievement levels on the Island fall short of the national average, although these are improving on the Isle of Wight. In 2004, 44 per cent of students gained 5 or more GCSE grades A*-C, compared with 54 per cent in England. The GCE and VCE average point score per student on the Island was also significantly below the England average.

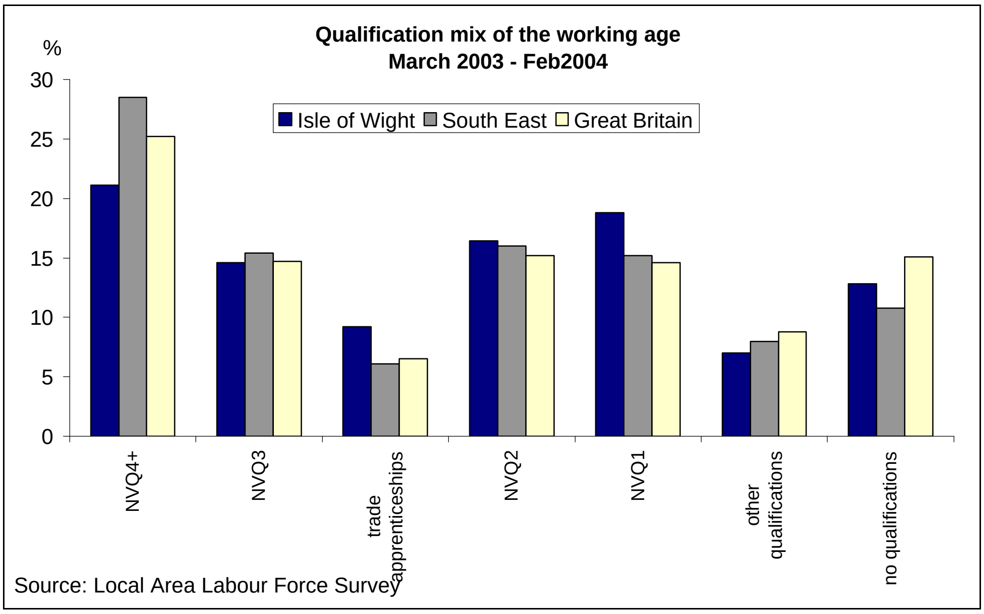
Table 1.10
School attainment levels in 2004*

	Results for students aged 15 at start of the school year			GCE and VCE results	
	Level 2 (5 or more grades A*-C)	Level 1 (5 or more grades A*-G)	Average total point score per 15 year old	Average point score per student	Average point score per examination entry
Isle of Wight LEA Average	44.0	85.3	298.5	222.8	73.4
England Average	53.7	88.8	340.4	269.2	78.7

*Provisional.
Source: Department for Education and Skills.

The qualification mix of the working-age population on the Island is similar to the South East in terms of the proportion of people qualified to NVQ level 3 and NVQ level 2. In addition, only around one in 10 people have no qualifications, similar to the 8 per cent in the South East. The biggest difference lies at the top end of the scale – in the South East, 28.5 per cent of the working-age population have NVQ level 4+ qualifications, compared with 21 per cent on the Isle of Wight. In contrast, a higher proportion of Islanders have trade apprenticeships or are qualified to NVQ level 1.

Figure 1.5



A challenge for the Isle of Wight is to engage people into learning. In a recent study, only 32 per cent of residents were participating in learning,[12] compared with 42 per cent in the Hampshire and Isle of Wight LSC area.[13] The proportion of the Isle of Wight residents involved in learning or studying in March 2004 stood at 10 per cent, compared with 16 per cent in the Hampshire and Isle of Wight LSC area. Furthermore, just a tenth of residents on the Isle of Wight view learning as important or a valuable use of time, compared with a third in the Hampshire and Isle of Wight LSC area as a whole.

The lack of participation and the perceived value in learning among the Isle of Wight residents is a particular problem given shortages and hard-to-fill vacancies that were reported in the National Employer Skills Survey (NESS) 2003. According to the NESS, the vacancy rate on the Island was similar to the Hampshire and Isle of Wight LSC average, but the proportion of hard-to-fill vacancies was slightly higher, particularly in sectors such as hotels & restaurants, real estate, renting & business services and wholesale & retail. The reasons stated were not enough people interested in doing the job or a low number of applicants with the required attitude or required skills.

1.6 DEPRIVATION

The Isle of Wight scores poorly relative to the South East on two measures of prosperity. In the Index of Multiple Deprivation 2004, the Island ranks, with the exception of Southampton, as the most deprived county in the South East. But the South East is one of the most prosperous regions in the UK, and compared with the rest of the UK, the Isle of Wight ranked mid-table in terms of deprivation (placed 85th out of 149 counties, where 149 is the least deprived and 1 is the most deprived).[14]

GVA per head, a widely cited measure of prosperity, is also low on the Island. In 2004, the level of (workplace) GVA relative to resident population on the Isle of Wight stood at £10,300, just 60 per cent of the South East average (£16,900) and well short of the figure of £15,700 for the UK as a whole.[15] Two factors explain this low figure. The first is a relatively low productivity level on the Island, which means each worker generates less GVA than their counterparts in the South East. Secondly, the number of people on the Island with a job as a proportion of total population is below the South East average (44 per cent in 2004 compared with 50 per cent respectively).

[12] The learner group consists of residents who are currently full-time or part-time students, or have been a full-time or part-time student in the past three years, or have been involved in learning and studying in the past three years.
13 Source: 2003 Skills Report, March 2004. Wirthlin Europe.
[14] Based on the rank of average score.
[15] GVA per head is measured as GVA in 2001 prices over the total population.

2 Recent performance of the Isle of Wight economy

2.1 ECONOMIC GROWTH

2.1.1 Employment

FTE employment on the Island increased by an average of 2.3 per cent per year between 1999 and 2004, equal to an additional 6,200 (FTE) jobs over that period. This expansion exceeded that achieved by the South East or the UK, where employment grew by 1 per cent and 0.8 per cent respectively. As a result of rising employment, ILO unemployment has fallen on the Island, from 9.4 per cent in 1999 to 5.2 per cent in 2004.

Employment growth on the Island has been restricted to a small number of industries:

- **Construction**. Double-digit average annual growth in the sector resulted in 2,800 extra construction jobs on the Island between 1999 and 2004.
- **Business services**. This has been the fastest growing sector on the Island in recent years, creating 2,500 additional (FTE) jobs.
- **Other (mainly public) services**. Although the rate of job growth in this sector has been less than that for business services or construction, it managed to keep pace with overall employment growth on the Island and created 1,900 jobs over the 1999 to 2004 period. Education and other services provided the bulk of new jobs, while health and public administration have made modest increases.
- **Retailing**. This sector supports almost 15 per cent of employment on the Island and has generated over 1,900 new jobs in the past half decade. Strong incomes and consumer spending have boosted employment in the sector, supporting expansion in the likes of Matalan, B&Q and Sainsbury's and the two new retail parks at Towngate and Coppins Bridge.

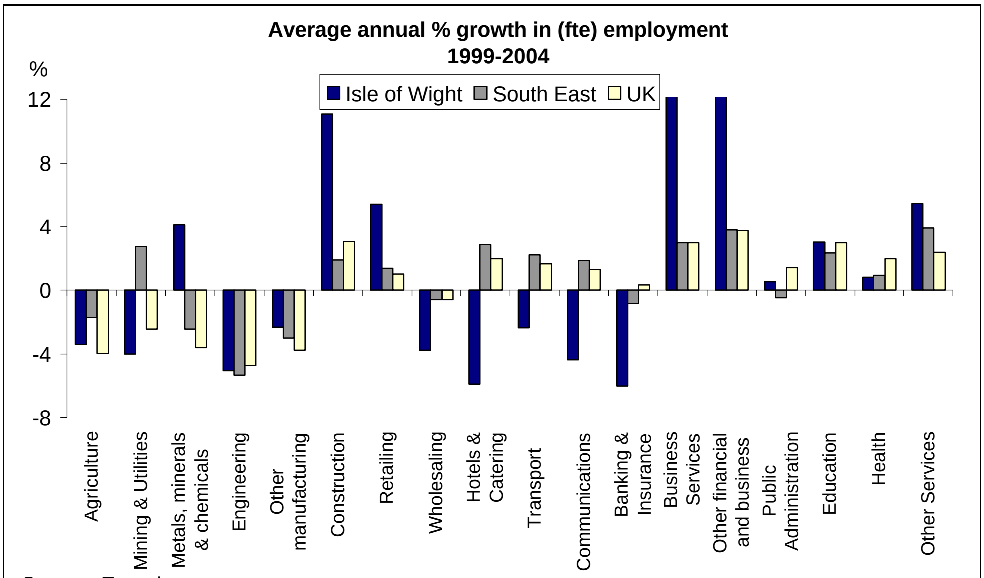
Elsewhere employment has been disappointing. Jobs losses have been most significant in:

- **Hotels & catering**. Employment in this sector fell by approximately 1,600 (FTE) jobs on the Isle of Wight between 1999 and 2004.
- **Engineering**. Engineering employment on the Island contracted by 1,000 , between 1999 and 2004, in line with the regional and national trends. Two large local companies GKN and BAe Systems have downsized considerably (by approximately 50 per cent) in recent years. However, the inward investment and job creation by Vestas Blades has bolstered job in engineering on the Island and is likely to continue to do so in the coming decade.
- **Transport & communications**. Employment in this sector fell by approximately 300 (FTE) jobs on the Island since 1999, with transport accounting for the majority of the losses.
- **Other manufacturing**. This sector has also shed 300 (FTE) jobs between 1999 and 2004. However, within the broad sector there were divergent trends – paper, printing &

publishing made cutbacks, while rubber & plastics and wood & wood products created jobs.

These trends largely match those recorded across the South East. The only main difference was that job losses in the South East were mainly confined to manufacturing and agriculture, while job losses on the Island were also recorded in some service sector activities, mainly hotels & catering and banking & insurance.

Figure 2.1



Source: Experian

These industry growth trends are reflected in the performance of occupations:

- Service-based occupations have tended to fare better than their manufacturing counterparts. That said, not all service sector occupations have prospered on the Isle of Wight. In particular, employment in customer service occupations and health & social welfare associate professionals has been relatively weak.
- Sales occupations, corporate managers and skilled construction & building trades have recorded the largest absolute gains in employment on the Island. The UK and the South East have also recorded large gains in sales occupations and corporate managers, but have not experienced the rapid growth in skilled construction & building trades that has occurred on the Island.
- Employment in textiles, printing & other skilled trades, skilled agricultural trades and process, plant & machine operatives has contracted on the Isle of Wight.

Table 2.1
Average annual % employment growth in occupations*
1999-2004

	Isle of Wight	South East	UK
Corporate Managers	4.6	2.0	1.2
Managers and Proprietors in Agriculture and Services	-0.8	2.2	1.3
Science and Technology Professionals	5.6	3.4	2.3
Health Professionals	7.5	6.3	5.1
Teaching and Research Professionals	3.5	2.0	2.8
Business and Public Service Professionals	5.9	1.9	2.0
Science and Technology Associate Professionals	2.7	0.1	-1.1
Health and Social Welfare Associate Professionals	-0.3	-0.4	1.0
Protective Service Occupations	-0.3	-1.3	1.7
Culture, Media and Sports Occupations	6.1	3.5	1.6
Business and Public Service Associate Professionals	3.2	2.1	1.0
Administrative Occupations	3.7	1.8	1.4
Secretarial and Related Occupations	3.4	0.5	1.9
Skilled Agricultural Trades	-3.5	-1.4	-1.8
Skilled Metal and Electrical Trades	0.0	-3.3	-1.0
Skilled Construction and Building Trades	9.7	1.3	0.7
Textiles, Printing and Other Skilled Trades	-5.8	-3.1	-1.9
Caring Personal Service Occupations	1.6	1.1	3.4
Leisure and Other Personal Service Occupations	3.1	1.6	1.9
Sales Occupations	6.6	2.3	2.2
Customer Service Occupations	-1.5	-2.5	1.4
Process, Plant and Machine Operatives	-2.4	-5.0	-4.5
Transport and Mobile Machine Drivers and Operatives	-1.5	-0.8	1.0
Elementary Trades, Plant and Storage Related Occs	2.1	1.7	-0.1
Elementary Administration and Service Occupations	0.0	2.2	1.3

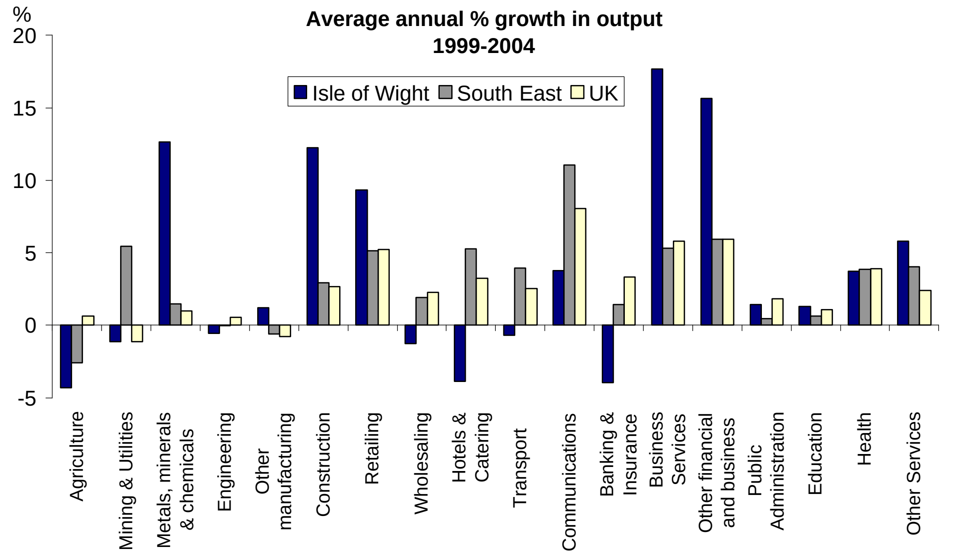
* Based on headcount employment.
Source: Experian.

2.1.2 Output

Output growth can be achieved by an increase in employment, an increase in productivity, or a combination of the two. Productivity growth on the Island was moderately faster than that of the South East between 1999 and 2004. The pace of productivity growth among the sectors varied, although almost all industries have recorded an improvement on the Island. Therefore even though some industries have shed jobs over the last five years, they may have recorded growing output due to productivity gains. An example of this is transport & communications where employment levels have fallen on the Island but output has increased.

Between 1999 and 2004 the Island's GVA grew by an average of 4.5 per cent a year compared with 2.9 per cent for the South East and 2.5 per cent for the UK.

Figure 2.2



Source: Experian

The strength of output growth on the Island was underpinned by buoyant performance in a number of the Island's key sectors, see figure 2.2. Trends include:-

- **Construction**. Average annual growth in the construction sector on the Island was well ahead of the regional and national average.
- **Retailing**. This relatively large sector on the Island performed particularly well in the past half decade, with growth averaging over 9 per cent a year, compared with 5 per cent a year in the region as a whole. This sector now has divergent trends with hotels & catering on the Island and may reflect that retailing is now more geared to the resident population than the tourism market.
- **Business services**. This sector on the Isle of Wight has also outperformed the growth rate of the South East, albeit from a relatively low base. The business services sector is partly fuelled by business-to-business demand and therefore benefits from the strength in other parts of the economy.
- **Metals, minerals & chemicals**. Over the past half decade this sector has witnessed double-digit output growth on the Island, well ahead of the national and regional averages. This is owing to particularly strong growth in the chemicals sector - this sector is mostly accounted for by the composites industries on the Island, and in particular SP Systems.

But other sectors failed to achieve growth at the pace of the economy as a whole. These include:-

- **Hotels & catering**. The sector has suffered a downturn in the past half decade, partly owing to the flat visitor numbers over the period, as shown in table 2.2.
- **Engineering**. The global slump in investment has hit the engineering sector across many parts of the UK and the downturn has been more exaggerated on the Isle of Wight than the South East as a whole.
- **Other (mainly public) services**[16]. This is one of the largest sectors on the Island, but growth was fairly muted, failing to match overall GVA growth between 1999 and 2004. Within the sector, activity in public administration & defence and education was sluggish, compared with relatively strong performances from the health and other services sector.
- **Transport & communications**. Growth in the sector as a whole has been sluggish, particularly compared with regional standards. Between 1999 and 2004, transport suffered a modest decline, while communications expanded, albeit at rates below the regional and national average.

Table 2.2
Summary of tourism trends

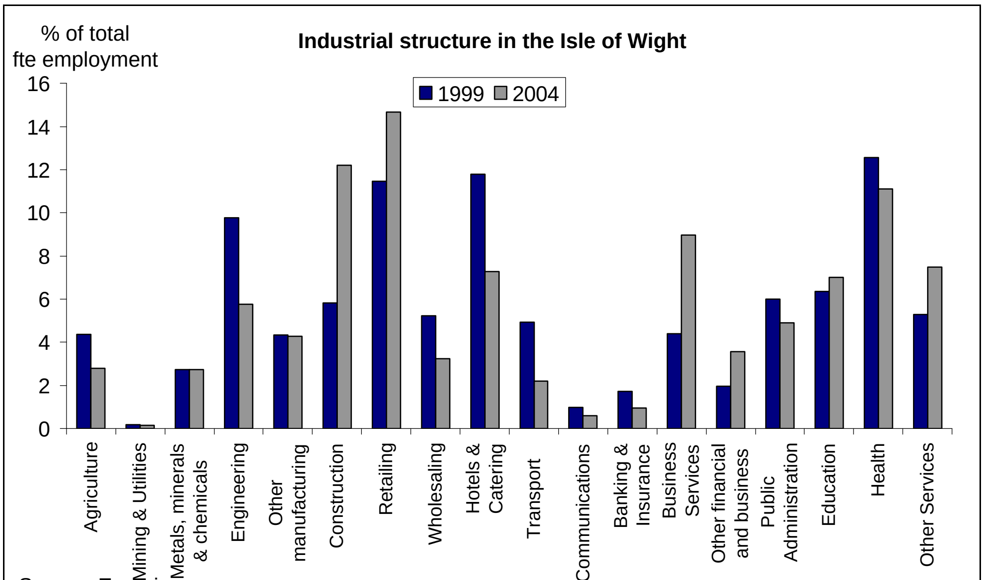
	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004
Estimated annual number of total visitors	2,653	2,525	2,536	2,567	2,628
Day visitors (% of domestic visitors)	46	46	45	45	44
Staying visitors (% of domestic visitors)	54	54	55	55	56

Source: Isle of Wight Tourism Activity Monitor.

The industrial composition of employment and output growth since the late 1990's had led to a shift in the industrial structure of the economy. Business services, retailing and construction now account for a greater share of the Isle of Wight economy than in 1999. In contrast, the proportion of employment accounted for by engineering has halved on the Isle of Wight. Hotels & catering and transport & communications also now account for a smaller proportion of the Island's economy.

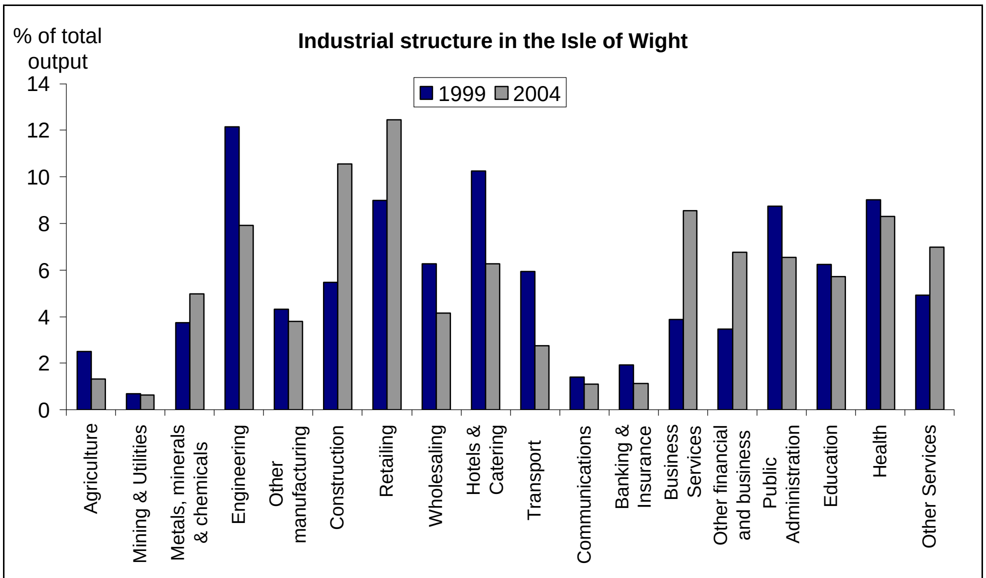
[16] Other (mainly public) services includes public administration & defence, education, health and other services

Figure 2.3



Source: Experian

Figure 2.4



Source: Experian

Despite an above average growth in productivity, growth in average earnings failed to keep pace with the South East or UK average. According to the Annual Survey of Hours and Earnings, average gross weekly pay (full-time employee jobs) grew by 3.8 per cent a year between 1999 and 2004 on the Island, compared with 4.4 per cent in the South East and 4.3 per cent in the UK.

3 Prospects for growth for the Isle of Wight economy

3.1 INTERNATIONAL BACKGROUND

Global economic conditions remain buoyant, although the most recent indicators suggest that global growth peaked in 2004 at over 5.0 per cent. Strong growth in the US and China drove this expansion. Asian economies have benefited from the buoyant conditions in these local markets, and many have received an additional boost by their peg to the weaker US dollar. In contrast, however, both the eurozone and the Japanese economies, which make up 25 per cent of the world economy, continue to underperform significantly.

Going forward, growth is expected to ease back from last year's peak, as the impact of higher oil prices and tighter policy environments in both the US and China kick in. The US is still expected to achieve above-trend growth over the next couple of years before reverting to its trend rate of just above 3.0 per cent. Growth in China will remain rapid, despite policy tightening, with the economy projected to expand at rates of 8-9 per cent in the coming years. Asian economies should remain buoyant on the back of a solid US economy and should reap some benefits from China's continued growth and accession to the World Trade Organization.

In contrast to the global economic growth in 2004, eurozone growth has been weak and the recent upturn has been muted. This performance is typical of the performance of the eurozone over the past few years and is due to consumers failing to pick up the growth baton from the export sector, as an improvement in both the labour market and consumer demand failed to materialise in the last economic cycle. The eurozone export sector rode on the back of the global economic upturn in 2003 and 2004, and provided crucial support for these economies. The eurozone economy is expected to remain weak during the rest of 2005, before a slight recovery in 2006 and 2007.

A noticeable feature of the past few years is that the UK and the Scandinavian economies have outperformed their core eurozone neighbours. In contrast to the eurozone, solid economic growth in the UK has been stimulated by domestic demand, with a revival in consumer demand and buoyant government spending and investment, while export performance has been far more subdued. UK growth for this year is expected to moderate, due to economic uncertainty since the beginning of this year, but is still strong in the broad European context. The marked deceleration predicted for domestic demand underpins the forecast. Scandinavian economies in general have outperformed the eurozone (perhaps with the exception of Denmark) and are expect to continue to do so in the future.

The new member states of the European Union also continue to perform robustly. Growth rates have been on average 2-3 per cent above the eurozone average and the positive growth spread is likely to remain over the medium term. Many of the new members have managed to achieve a high degree of economic dynamism through significantly loosened monetary policy during the last global economic downturn, which bolstered domestic demand. In addition, many of the economies continue to benefit from strong inflows of foreign direct investment. Labour markets remain weak, as a significant degree of restructuring continues.

Over the longer term, the economic dynamics of the European economies are constrained by several factors:

- A restrictive policy environment.
- Structural rigidities in product and labour markets.
- Burdensome social welfare systems.
- Adverse demographics.

These problems are particularly acute in the eurozone economy. Despite further gains in competitiveness through increased productivity growth and further adoption of the 'new economy', the eurozone economy is still expected to grow by less than 2.0 per cent over the next 10 years. The UK economy is better placed than many of its eurozone neighbours, as it has undergone a far larger degree of structural reform. New member states will see growth rates ease back from 4-5 per cent towards the 3-4 per cent range over the next 10 years (see appendix c for growth rates for each country).

The so-called demographic time bomb is perhaps the most serious long-term problem facing Europe. The rapidly aging population will exert increasing pressure on pension systems and leave economies with smaller working-age populations. The period 2010-2015 will witness the beginning of this worsening trend and, consequently, employment growth is constrained significantly as the numbers retiring from the labour force outgrow the numbers entering. Unemployment rates, of course, fall, but participation rates rise in order to push additional workers into the labour force.

3.2 OUTLOOK FOR THE ISLE OF WIGHT, SOUTH EAST AND UK

We have already acknowledged in chapter one that the industrial structure is an important influence on economic growth in local economies. This is particularly true in the short term, and whilst the industrial mix of the Isle of Wight economy will also influence the long term growth potential, so to will other structural factors such as demographic change. We have divided our analysis of the growth prospects on the Island in the short and long term, beginning with our forecast for the next few years.

3.2.1 Short term outlook

For the past half-decade the Isle of Wight has recorded GVA growth ahead of the regional average. The pace of growth on the Island is forecast to moderate in 2005, but remain marginally ahead of the South East average. We expect a further moderation in 2006 and 2007 and whilst we think it is unlikely that the Isle of Wight will continue to outperform the South East, we do expect growth broadly in line with the national average in both these years.

Table 3.1
Annual growth in GVA (%)

	2005	2006	2007
Isle of Wight	3.4	3.0	2.6
South East	3.3	3.2	3.1

Source: Experian.

The slowdown in growth on the Island is largely explained by a moderation in growth across many sectors. Key trends in the forecast include:

- In the next couple of years, we forecast a moderation in **non-manufacturing** output growth.
- Within the non-manufacturing sector, the **construction** industry is unlikely to provide the impetus in the coming few years as it did more recently and **business services, retailing**, **health** and **other services** are expecting a moderation in growth.
- However, not all parts of the non-manufacturing sector are forecast to slowdown. Indeed, **hotels & catering** and **transport & communications** are expected to register an improvement in output growth in the short term.
- We expect an improvement in output growth in **manufacturing**, particularly within engineering, is expected in the short term, compared with the previous half decade.

Table 3.2
Annual % output growth on the Isle of Wight

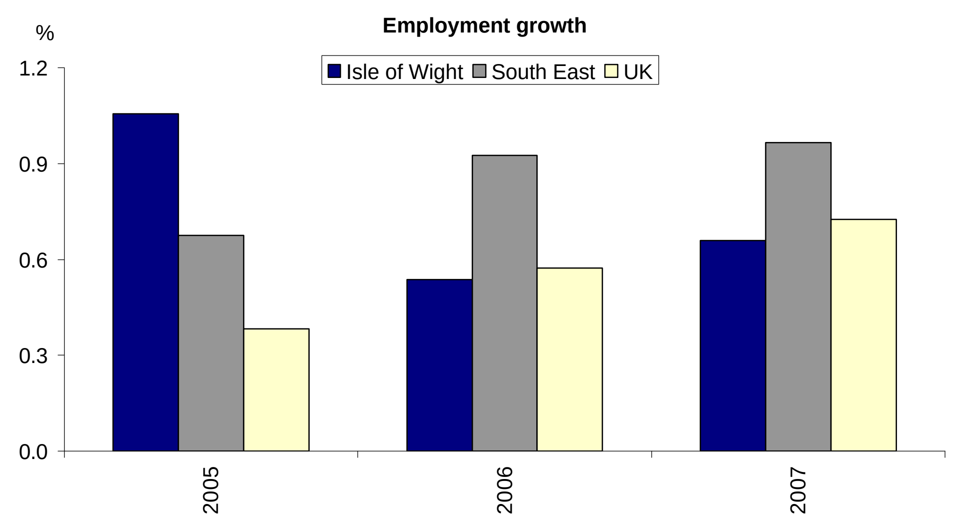
	2004	2005	2006	2007
Agriculture	5.8	-0.5	0.7	0.3
Mining & utilities	8.0	-7.1	-4.6	-7.4
Metals, minerals & chemicals	16.2	1.6	4.4	2.8
Engineering	4.6	4.8	3.8	3.2
Other manufacturing	12.6	2.1	1.4	0.2
Construction	9.5	3.1	-0.4	-0.1
Retailing	11.4	4.8	4.0	3.8
Wholesaling	-19.2	2.1	3.1	2.5
Hotels & Catering	-5.1	0.9	2.4	2.9
Transport	1.0	3.8	3.3	1.7
Communications	3.3	6.1	10.2	10.6
Banking & Insurance	-1.4	1.2	0.9	0.3
Business Services	29.2	5.8	5.3	4.9
Other Financial and Business Services	23.8	4.9	4.3	4.1
Public Administration and Defence	-0.9	2.4	-0.4	-0.7
Education	-0.2	4.0	4.1	2.6
Health	4.2	2.2	3.4	3.9
Other Services	8.9	5.7	4.9	4.4
Manufacturing	9.6	3.2	3.4	2.4
Non-Manufacturing	6.5	3.6	3.0	2.8

Source: Experian.

In terms of employment, we expect growth to moderate this year from its peak in 2004, as the boost from the construction and financial & business service sectors diminishes. But overall growth is set to remain ahead of the South East and UK average. We expect a further slowdown in employment growth on the Isle of Wight in 2006, while growth in the South East and the UK as a whole is likely to gather pace. Losses in the manufacturing sector and cutbacks in construction will partly offset gains in the service sector. By 2007, we expect job growth on the

Island to improve marginally, but continue to lag the regional average. The ILO unemployment rate is expected to edge up to around 6 per cent.

Figure 3.1



Source: Experian

3.2.2 Long-term outlook

3.2.2.1 Output

Economic growth is expected to slow slightly on the Island over the coming decade compared with recent trends. We expect GVA growth to average 2.8 per cent a year between 2005 and 2015, falling marginally short of the South East (2.9 per cent a year) but ahead of the UK (2.6 per cent).

Service-based sectors on the Island are forecast to continue to lead economic activity, following national and regional trends (see table 3.3). Nonetheless, this expansion is likely to be weaker than in the previous decade. A number of factors cause the slowing in service sector growth, including more modest consumer spending, weaker housing market activity and less dramatic growth in the demand for new technology. Nonetheless, average growth rates in all these industries remain respectable relative to most other sectors and to GVA growth as a whole. Financial & business services, together with transport and retailing, are set to lead output growth in the long term on the Island.

Growth in hotels & catering over the coming decade on the Island is expected register an improvement compared with the previous half-decade, but fail to keep pace with GVA growth. Growth in other (mainly public) services is also expected to be in line with growth for the Island economy as a whole, and outpace that forecast for the South East and the UK. Within the public sector, other services and health are expected to perform well, while growth in public administration is likely to be weak.

Growth in manufacturing is likely to fall short of the average for GVA over the coming decade on the Island. Within manufacturing we expect a mixed performance - engineering, which has exerted a downward pressure on growth on the Isle of Wight in recent years, is expected to recover and record healthy growth over the next decade and we expect growth in metals, minerals & chemicals to come close to GVA forecast for the Island. However, we forecast sluggish growth in other manufacturing. Elsewhere, construction activity is forecast to remain relatively strong on the Island, with regeneration projects, such as Cowes Waterfront, and major public sector building projects supporting activity.

Table 3.3
Average annual % output growth
2005-2015

	Isle of Wight	South East	UK
Agriculture	0.0	-1.2	-0.2
Mining & utilities	-4.7	2.0	-0.3
Metals, minerals & chemicals	2.6	2.0	1.3
Engineering	3.2	1.7	2.2
Other manufacturing	0.4	0.6	0.6
Construction	3.2	1.3	2.2
Retailing	4.5	3.6	3.8
Wholesaling	0.3	2.6	2.5
Hotels & Catering	1.3	4.0	2.5
Transport	1.5	2.6	2.9
Communications	8.5	8.6	8.0
Banking & Insurance	-0.7	2.8	3.9
Business Services	6.8	5.7	5.7
Other Financial and Business Services	5.7	4.2	3.7
Public Administration and Defence	-0.3	-0.1	-0.4
Education	2.8	2.4	1.9
Health	3.6	3.2	3.8
Other Services	4.8	4.6	3.8
Manufacturing	2.5	1.4	1.3
Non-Manufacturing	3.0	3.4	3.0
GVA	2.8	2.9	2.6

Source: Experian.

3.2.2.2 Employment

Job growth on the Isle of Wight is set to average 0.8 per cent a year between 2005 and 2015, broadly in line with that forecast for the South East, and outpacing the UK average of 0.4 per cent a year. Job creation is likely to be confined to the service sector, with a weak outlook for much of the manufacturing sector. That said, the pace of job shedding within manufacturing is likely to be slower on the Island compared with the South East and UK, as the engineering sector is set to maintain current employment levels on the Island compared with losses expected in the region and national economies.

Within the non-manufacturing sector on the Island we expect the following trends to emerge:

- Above average growth in **construction**. On the Isle of Wight, the Cowes Waterfront initiative, a plan to regenerate the town, is set to provide employment opportunities, particularly in the initial phases.
- Above average growth in **health and education**. On the Isle of Wight, the growing and aging population will fuel employment growth in parts of the public sector.
- Employment growth in **retailing** on the Island is likely to be ahead of the South East average in the coming decade.
- Strong employment growth in **communications** on the Isle of Wight, but contracting employment in **transport**.
- Growth in **hotels & catering** and **business services** on the Island, but at rates below the regional average.
- Contracting employment within **public administration & defence** on the Island, reflecting wider national and regional trends.

Table 3.4
Average annual % (FTE) employment growth
2005-2015

	Isle of Wight	South East	UK
Agriculture	-1.1	-2.2	-1.7
Mining & utilities	-6.7	-2.8	-3.0
Metals, minerals & chemicals	-1.0	-1.6	-1.3
Engineering	0.0	-1.8	-1.4
Other manufacturing	-0.6	-1.0	-1.8
Construction	1.4	-0.3	0.3
Retailing	0.6	0.3	0.2
Wholesaling	-0.3	-0.3	-0.5
Hotels & Catering	0.3	2.1	0.4
Transport	-0.7	0.3	0.3
Communications	2.2	2.1	1.6
Banking & Insurance	-3.5	-0.4	0.1
Business Services	1.2	2.1	1.8
Other Financial and Business Services	1.3	1.5	0.5
Public Administration and Defence	-0.5	-0.5	-0.9
Education	1.7	1.2	0.9
Health	1.1	0.7	1.3
Other Services	2.5	2.6	2.1
Manufacturing	-0.4	-1.4	-1.5
Non-Manufacturing	0.9	0.9	0.7
Total	0.8	0.7	0.4

Source: Experian.

The outlook for occupations reflects these industry forecasts.

- Service sector based occupations are likely to account for the majority of job gains, including sales, caring personal service, administrative occupations and elementary administration & service occupations (see appendix d for full details).
- Job losses in the typically manufacturing based occupations, such as process, plant & machine operatives and skilled metal & electrical trades.

Relative to wider regional and UK trends, skilled construction & building trades on the Island are likely to do well, compared with losses expected in the South East and the UK. However, occupations that tend to offer the highest pay and demand high qualifications, such as corporate managers, science and technology professionals and business and public service professionals, are unlikely to expand as fast on the Island as in the South East or the UK. The lack of job opportunities in some of the higher value-added/higher-paid sectors may influence the incidence of out-migration.

The employment and GVA outlook on the Island implies productivity growth will average 2 per cent a year over the next decade, compared with 2.2 per cent for the South East and the UK, resulting in the current gap widening further.

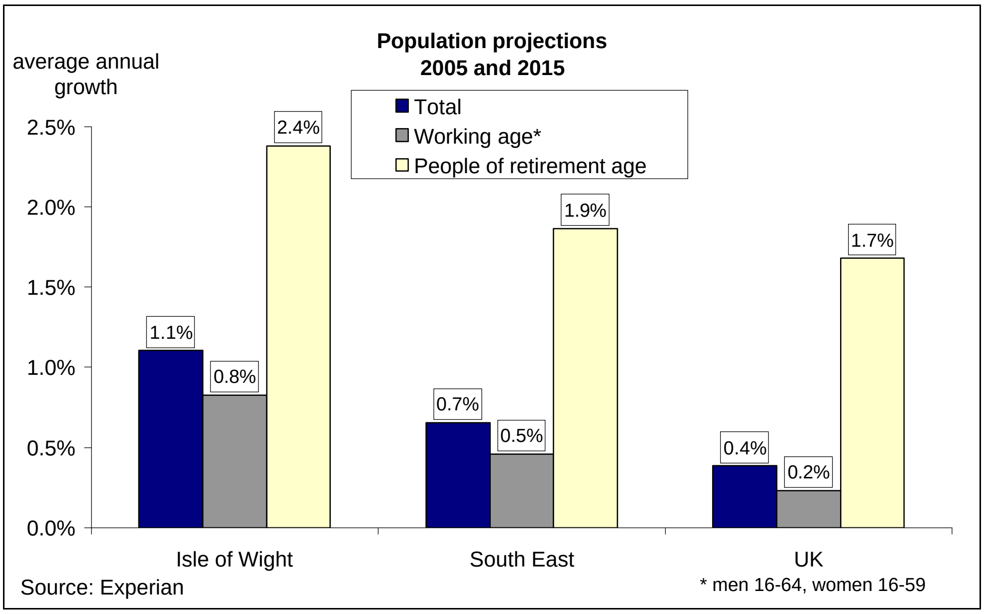
3.2.2.3 Demographics

Demographic change influences long-term growth in two ways:

- Demand for services – a growing population means demand for services will increase and vice versa.
- Workforce - growing working age population facilitates a growing workforce, which supports future employment growth.

The population of the Isle of Wight is likely to expand further in the coming decade. We expect a faster pace of growth than that recorded in the last 10 years and the Island is set to post growth ahead of the regional and national average by quite some margin. The number of people of working age living on the Isle of Wight is expected to rise markedly supporting the strong employment outlook on the Island. We also expect the incidence of people who are of retirement age to increase, both in absolute terms and as a share of total population. Although this reflects wider regional and national trends, by 2015 we estimate that almost 30 per cent of the population on the Isle of Wight will be of pensionable age, compared with around 21 per cent in the South East and the UK.

Figure 3.2


Population projections
2005 and 2015
average annual growth
Total
Working age*
People of retirement age
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
1.1%
0.8%
2.4%
0.7%
0.5%
1.9%
0.4%
0.2%
1.7%
Isle of Wight
South East
UK
Source: Experian
* men 16-64, women 16-59

4 Spotlight on Sandown Bay

The Sandown Bay area includes the wards Sandown, Shanklin North, Shanklin South and Lake[17].

In 2004, we estimate that 7,600 people were employed in the Sandown Bay area, equal to 5,900 on a full-time equivalent basis. Women hold over 57 per cent of jobs, and part-time employees account for approximately 45 per cent of all employees (above the Isle of Wight average of 40 per cent).

The service sector dominates the Sandown Bay economy, as it does for the Isle of Wight as a whole. Four sectors are particularly large – retailing, hotels & catering, construction and health, which combined account for 54 per cent of total output and represent 62 per cent of all jobs.

Table 4.1
Industrial structure in 2004
(% of total)

	Output		Employment	
	Sandown Bay area	Isle of Wight	Sandown Bay area	Isle of Wight
Agriculture	0.3	1.3	0.1	2.8
Mining & Utilities	0.0	0.6	0.0	0.2
Metals, minerals & chemicals	0.4	5.0	0.6	2.7
Engineering	1.8	7.9	2.4	5.8
Other manufacturing	0.8	3.8	1.3	4.3
Construction	15.6	10.6	14.0	12.2
Retailing	18.1	12.4	15.9	14.7
Wholesaling	4.2	4.2	5.6	3.2
Hotels & Catering	18.6	6.3	16.6	7.3
Transport	1.9	2.8	2.4	2.2
Communications	0.7	1.1	1.4	0.6
Banking & Insurance	1.0	1.1	1.2	1.0
Business Services	6.3	8.5	6.2	9.0
Other Financial and Business Services	4.2	6.8	8.2	3.6
Public Administration and Defence	3.5	6.5	4.8	4.9
Education	7.6	5.7	6.5	7.0
Health	9.3	8.3	7.2	11.1
Other Services	5.7	7.0	5.5	7.5

Source: Experian.

Over the past five years, we estimate that employment in the Sandown Bay area grew by an average of 0.7 per cent a year between 1999 and 2004, but this fell short of that witnessed on the Island as a whole.

[17] Wards are based on the 1991 frozen ward definition.

- **Service sector** employment fell modestly. However, there was a mixed picture within the sector, with falling employment in hotels & catering partly offset by gains in business services.
- **Manufacturing** also recorded job losses.
- The **construction** sector performed relatively well.

In terms of output growth, the Sandown Bay area mirrored some of the Isle of Wight trends in the past half decade, such as fast growth in construction and business services. However, sluggish growth among other sectors, such as hotels & catering and transport & communications resulted in overall output growth in the Sandown Bay area lagging the Island average.

Table 4.2
Average annual growth (%)

	GVA		Employment (FTE)	
	1999-2004	2005-2015	1999-2004	2005-2015
Sandown Bay area	2.9	2.4	0.7	0.3
Isle of Wight	4.5	2.8	2.3	0.8
South East	2.9	2.9	1.0	0.7
UK	2.5	2.6	0.8	0.4

Source: Experian.

In the short term, we expect employment growth in the Sandown Bay area to moderate from the recent highs. This is likely to continue in the long term, with total (FTE) employment expected to grow on average by 0.3 per cent a year in the coming decade, below the Isle of Wight average (0.8 per cent a year). The service sector is expected to contribute most to employment gains in the Sandown Bay area, with emphasis on other financial & business services, education and health. Retailing and hotels & catering, which support over a third of all jobs in the local economy, are expected to post modest job losses over the coming decade (see table 4.3).

In terms GVA, we expect growth to average 2.4 per cent a year between 2005 and 2015, lagging the Isle of Wight as a whole. Business services, communications, health and education are expected to post the strongest rates of growth, while hotels & catering, other services and public administration are expected to record output growth below the whole economy average. Growth in construction is unlikely to reach the highs experienced in recent years.

Table 4.3
Economic forecasts for Sandown Bay
(annual average growth 2005-2015)

	Employment (FTE)	Output
Agriculture	1.5	2.6
Mining & Utilities	-3.1	8.6
Metals, minerals & chemicals	0.2	3.3
Engineering	0.4	2.1
Other manufacturing	-2.6	-0.7
Construction	0.2	2.0
Retailing	-0.2	2.7
Wholesaling	0.9	3.4
Hotels & Catering	-0.2	1.3
Transport	0.1	2.2
Communications	2.2	8.2
Banking & Insurance	-3.1	-0.2
Business Services	0.4	3.5
Other Financial and Business services	1.7	4.1
Public Administration and Defence	0.8	1.2
Education	1.6	2.7
Health	0.6	2.7
Other Services	-0.8	0.7
Total	0.3	2.4

Source: Experian.

Appendix A

Industry classification

Ten broad sectors	30 categories
Agriculture, Forestry & Fishing	Agriculture, Forestry & Fishing
Mining & utilities	Oil & Gas Extraction
	Other Mining
	Gas, Electricity & Water
	Fuel Refining
Metals, minerals & chemicals	Chemicals
	Minerals
	Metals
Engineering	Machinery & Equipment
	Electrical & Optical Equipment
	Transport Equipment
Other manufacturing	Food, Drink & Tobacco
	Textiles & Clothing
	Wood & Wood Products
	Paper, Printing & Publishing
	Rubber & Plastics
	Other Manufacturing
Construction	Construction
Distribution, hotels & catering	Retailing
	Wholesaling
	Hotels & Catering
Transport & communications	Transport
	Communications
Financial & business services	Banking & Insurance
	Business Services
	Other Financial & Business Services
Other (mainly public) services	Public Administration and Defence
	Education
	Health
	Other Services

Appendix B

Occupation classification

25 Broad Groups	Constituent Occupations
Corporate Managers	Corporate Managers and Senior Officials Production Managers Functional Managers Quality and Customer Care Managers Financial Institution and Office Managers Managers in Distribution Storage and Retail Protective Service Officers Health And Social Service Managers
Managers and Proprietors in Agriculture and Services	Managers in Farming, Horticulture, Forestry and Leisure Services and Fishing Managers and Proprietors in Hospitality and Leisure Services Managers and Proprietors in other Service Industries
Science and Technology Professionals	Science Professionals Engineering Professionals Information and Communication Technology Professionals
Health Professionals	Health Professionals
Teaching and Research Professionals	Teaching Professionals Research Professionals
Business and Public Service Professionals	Legal Professionals Business and Statistical Professions Architects, Town Planners, Surveyors Public Service Professionals Librarians and Related Professions
Science and Technology Associate Professionals	Science and Engineering Technicians Draughtspersons and Building Inspectors IT Services Delivery Occupations
Health and Social Welfare Associate Professionals	Health Associate Professionals Therapists Social Welfare Associate Professionals
Protective Service Occupations	Protective Service Occupations
Culture, Media and Sports Occupations	Artistic and Literary Occupations Design Associate Professionals Media Associate Professionals Sports and Fitness Occupations
Business and Public Service Associate Professionals	Transport Associate Professionals Legal Associate Professionals Business and Financial Associate Professionals Sales and Related Associate Professionals Conservation Associate Professionals Public Service and Other Associate Professionals
Administrative Occupations	Administrative/Clerical Occupations Government and Related Organisations Administrative/Clerical Occupations: Finance Administrative/Clerical Occupations: Records Administrative/Clerical Occupations: Communications Administrative/Clerical Occupations: General
Secretarial and Related Occupations	Secretaries and Related Occupations

Skilled Agricultural Trades	Agricultural Trades
Skilled Metal and Electrical Trades	Metal Forming, Welding and Related Trades
	Metal Machining, Fitting and Instrument Making Trades
	Vehicle Trades
	Electrical Trades
Skilled Construction and Building Trades	Construction Trades
	Building Trades
Textiles, Printing and Other Skilled Trades	Textiles and Garments Trades
	Printing Trades
	Food Preparation Trades
	Skilled Trades Not Elsewhere Classified
Caring Personal Service Occupations	Healthcare and related Personal Services
	Childcare and Related Personal Services
	Animal Care Services
Leisure and Other Personal Service Occupations	Leisure and Travel Service Occupations
	Hairdressers and related occupations
	Housekeeping Occupations
	Personal Services Occupations Not Elsewhere Classified
Sales and Customer Service Occupations	Sales Assistant and Retail Cashiers
	Sales Related Occupations
Customer Service Occupations	Customer Service Occupations
Process, Plant and Machine Operatives	Process Operatives
	Plant and Machine Operatives
	Assemblers and Routine Operatives
	Construction Operatives
Transport and Mobile Machine Drivers and Operatives	Transport Drivers and Operatives
	Mobile Machine Drivers and Operatives
Elementary Trades, Plant and Storage Related Occupations	Elementary Occupations: Agricultural Trades Related
	Elementary Occupations: Construction and related Trades
	Elementary Occupations: Process and Plant Related
	Elementary Occupations: Goods Handling and Storage Related
Elementary Administration and Service Occupations	Elementary Occupations: Clerical Related
	Elementary Occupations: Personal Services Related
	Elementary Occupations: Cleansing Services
	Elementary Occupations: Security and Safety Services
	Elementary Occupations: Sales Related

Appendix C

Growth outlook for European Countries

Economic forecasts
(average annual growth between 2005 and 2015)

annual % change	GDP	FTE employment	Total population	Working-age population
Austria	1.9	0.2	0.3	0.1
Belgium	2.0	0.3	0.2	0.1
Germany	1.6	0.0	0.0	-0.2
Denmark	2.2	0.4	0.2	-0.1
France	2.1	0.4	0.4	0.2
Finland	2.6	0.6	0.2	-0.2
Greece	2.8	0.6	0.3	0.0
Ireland	4.1	1.0	1.1	0.9
Italy	1.7	0.3	0.1	-0.3
Luxembourg	3.6	1.6	0.9	0.9
Netherlands	1.9	0.1	0.3	0.1
Portugal	2.0	0.3	0.1	-0.2
Spain	2.7	1.0	0.7	0.4
Sweden	2.5	0.4	0.4	0.1
UK	2.5	0.4	0.4	0.2
Norway	2.6	0.6	0.5	0.5
EU15	2.1	0.4	0.3	0.0
Eurozone	2.0	0.4	0.3	0.0
Bulgaria	4.2	0.9	-0.8	-1.0
Czech Republic	3.8	0.3	-0.2	-0.5
Hungary	3.7	0.4	-0.3	-0.4
Poland	4.0	0.7	-0.2	-0.1
Romania	4.6	0.4	-0.3	-0.3
Slovakia	4.5	0.5	-0.1	0.0
Slovenia	3.8	0.3	0.1	-0.1
Latvia	5.3	0.5	-0.6	-0.7
Lithuania	4.6	0.2	-0.5	-0.3
Estonia	5.3	-0.1	-0.5	-0.7

Source: Experian.

Appendix D

Growth outlook for occupations

Average annual % employment growth in occupations*
2005-2015

	Isle of Wight	South East	UK
Corporate Managers	0.5	0.6	0.4
Managers and Proprietors in Agriculture and Services	0.3	1.1	0.3
Science and Technology Professionals	1.2	1.9	1.6
Health Professionals	1.7	1.4	1.8
Teaching and Research Professionals	0.9	0.4	0.2
Business and Public Service Professionals	0.7	1.3	1.0
Science and Technology Associate Professionals	-0.6	-0.3	-0.4
Health and Social Welfare Associate Professionals	1.2	1.0	1.4
Protective Service Occupations	-0.6	-0.5	-0.9
Culture, Media and Sports Occupations	1.8	2.0	1.5
Business and Public Service Associate Professionals	0.8	1.0	0.9
Administrative Occupations	0.9	0.8	0.6
Secretarial and Related Occupations	0.4	0.5	0.7
Skilled Agricultural Trades	-0.4	-0.5	-0.7
Skilled Metal and Electrical Trades	0.1	-0.7	-0.4
Skilled Construction and Building Trades	0.5	-0.9	-0.5
Textiles, Printing and Other Skilled Trades	1.0	1.3	0.0
Caring Personal Service Occupations	1.8	1.4	1.7
Leisure and Other Personal Service Occupations	2.1	2.2	1.4
Sales Occupations	1.2	0.8	0.6
Customer Service Occupations	0.9	0.7	0.8
Process, Plant and Machine Operatives	0.0	-1.1	-1.4
Transport and Mobile Machine Drivers and Operatives	1.0	0.7	0.1
Elementary Trades, Plant and Storage Related Occs	0.4	-0.3	-0.2
Elementary Administration and Service Occupations	0.7	1.4	0.7

* Based on headcount employment.
Source: Experian.