SOUTH TYNESIDE COUNCIL

ECONOMIC ASSESSMENT

FINAL REPORT

December 2021

HATCH

Contents

Page Number

1

Introduction and context

Purpose of report

South Tyneside Council (STC) has commissioned Hatch Urban Solutions and Winning Moves to undertake an independent economic assessment for South Tyneside. The aim of the study is to provide a comprehensive and robust evidence base on South Tyneside's recent performance and future growth prospects, and analyse its strengths, weaknesses, opportunities and threats. The evidence will help South Tyneside Council to shape the priorities of its Economic Growth service and provide a baseline against which to measure the borough's economic recovery.

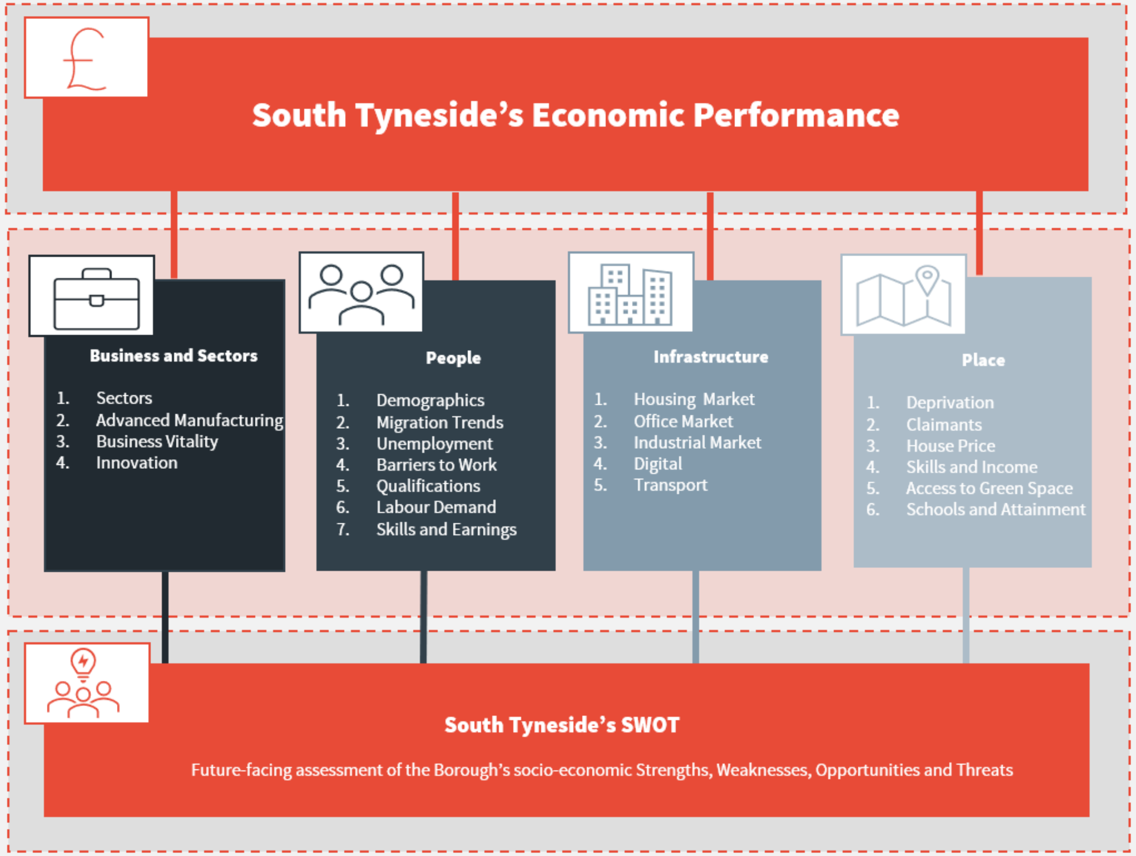
This report provides the key findings from the different research strands, which have included:

+ A comprehensive analysis of socio-economic datasets to analyse recent trends and the key factors explaining this.
+ A business survey of 400 local businesses asking them for their views on the strengths and weaknesses of South Tyneside, barriers to growth and support needs
+ More in depth interviews with a range of stakeholders including business and sector representatives, neighbouring local authorities and commercial agents.

The evidence base starts by analysing long and short term trends in economic performance, before looking more closely at the key factors which have influenced these trends, including:

+ Business and sectors
+ People, including labour market trends and the demand for and supply of skills
+ Infrastructure, including digital infrastructure, housing and sites and premises.
+ Place, in which we analyse differences within South Tyneside and the key strengths and weaknesses of different areas.

Evidence base structure



Business **Survey**

The business survey was conducted online and over the telephone during November and December 2021. 400 businesses South Tyneside were interviewed in total, with topics including:

- Recent trends and future expectations for turnover and employment
- Future growth plans and key barriers to growth
- Support requirements and where they go to access support

Table 1.1 shows the sector profile of businesses who responded to the survey, and how these have been grouped for the purpose of reporting differences by sector. This aggregation was necessary to increase sample sizes so that we have greater confidence that differences between sectors are statistically significant. However this does impose constraints on the level of sector detail that we are able to infer from the survey results.

The size distribution of survey respondents was as follows:

- Micro (0 to 9 employees): 290 (73%)
- Small (10 to 49 employees): 84 (21%)
- Medium (50 to 249 employees): 15 (4%)
- Large (250+ employees): 6 (2%)
- Unknown: 4 (1%)

Full results from the survey can be found in the appendix.

Table 1.1: Sector profile of responses to the business survey

Sector category for analysis	Sector	Number of responses
Raw materials	Agriculture, Forestry, Fishing and Mining	8
	Utilities and Remediation Activities	1
Manufacturing and construction	Manufacturing	41
	Construction	21
Retail and hospitality	Wholesale And Retail Trade	87
	Transportation And Storage	4
	Accommodation And Food Service Activities	44
Professional services	Information And Communication	5
	Finance and insurance	18
	Real Estate Activities	5
	Professional, Scientific and Technical Activities	24
Public and other services	Administrative and Support Service Activities	3
	Education	7
	Human Health and Social Work Activities	19
	Arts, Entertainment and Recreation	31
	Part of community and voluntary sector	28
	Other Service Activities	52

Local Policy **Context**

The table below describes the key priorities identified in a range of existing policy and strategic documents for South Tyneside. This was our starting point for understanding the key issues facing South Tyneside which we have sought to test through independent analysis. Key themes in these documents are boosting productivity through investments in transport, skills and digital infrastructure, supporting growth in high value sectors such as advanced manufacturing, renewable energy and digital technology, and ensuring that this growth is inclusive and environmentally sustainable. Strategy documents also draw out South Tyneside's key place and cultural assets, including the natural environment (particularly the coastline and beaches) as well as its diverse offer of libraries, museums and visitor attractions.

Document	Key themes and priorities
South Tyneside Economic Recovery Plan	• Aims to boost productivity, catalyse growth in low carbon industries and promote inclusive growth • Identifies sector strengths which could drive growth in South Tyneside in future, including advanced manufacturing, renewable energy and digital technology • Outlines the actions needed to deliver on priorities which include transport improvements to capitalise on opportunities at IAMP, investments in sites and premises and improvements to the local skills system to provide the skills needed by industries of the future.
Economic inclusion and skills action plan (draft)	• Prioritises improvements in careers information, boosting aspirations and employability of young people and encouraging collaboration between employers and training providers to upskill residents. • Identifies an immediate need for workers in the health and care sector, short term skill needs in advanced manufacturing and medium term needs in the renewable energy sector • Key challenges include high levels of economic inactivity and unemployment particularly among young people, low skills among residents and a lower proportion of people working in higher skilled roles.
South Tyneside Cultural Strategy (draft)	• This recognises the important role culture plays in the lives of residents and outlines how the council will improve its cultural offer. It identifies five key themes where culture can contribute to different agendas including People, communities and programming; Communication and strategic planning; Skills, education and employment; Regeneration and economic development; Health and wellbeing • South Tyneside's wide range of cultural activities and natural assets are identified as a key strength. In particular, the libraries, history, heritage and museums contribute to the cultural offer and provide benefits for tourism, skills and wellbeing, while the seafront, coastline and beaches improve quality of life.
Digital Infrastructure Strategy	• Outlines how the borough will improve digital connectivity to drive economic growth, boost productivity, upskill and reduce inequalities • The plan sets out three key priorities including expanded coverage of fibre and mobile networks, and creating a connected borough where smart solutions can be piloted • Digital exclusion is identified as a major challenge for South Tyneside with 53% of population excluded (which is not just related to infrastructure barriers)
Climate Change Strategy	• Five-year action plan, which covers 11 key themes to bring about carbon neutrality for the Council.

Economic **Geography**

Between two large economic centres

Before analysing the recent performance in South Tyneside, it is important to understand the wider context, and key relationships with neighbouring areas, which have an important bearing on growth in the borough.

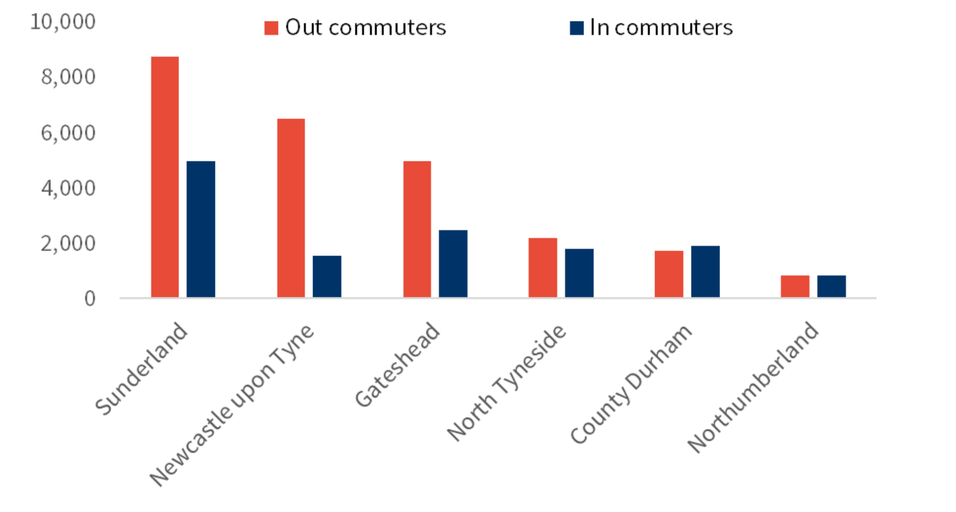
South Tyneside is located within the North East LEP area which is recognized as a functional economic area containing two main economic centres, Newcastle and Sunderland. Newcastle is the largest economic centre in the city region and the main driver of growth. It is also the main office market and the key location for high skilled services such as professional services, HQs and ICT. Other Tyne and Wear districts are more reliant on manufacturing for wealth creation, with different sub-sectors operating in different parts of the city region eg automotive manufacturing in Washington and pharmaceuticals in Durham.

South Tyneside sits between the two major centres; as such there is a very high level of out-commuting from the borough. According to the Annual Population Survey there were 62,000 employed residents in 2020/21 but only 31,000 people working in South Tyneside workplaces, which implies a net outflow of 31,000 commuters each day. This also explains why South Tyneside has one of the lowest jobs densities in the country (0.52 jobs for every working age resident). The 2011 Census shows the main destinations of commuters were Sunderland and Newcastle (8,700 and 6,500 commuters respectively).

South Tyneside also shares strong migration links with other Tyne and Wear districts; over 60% of moves in/out of the borough are within the North East LEP area. South Tyneside is a net-importer of migrants with the largest flows being from Sunderland, Gateshead and Newcastle. These flows are particularly high for people aged 30 to 44, which suggests South Tyneside is seen as an attractive location for people more advanced in their careers, who may want to start or raise a family.

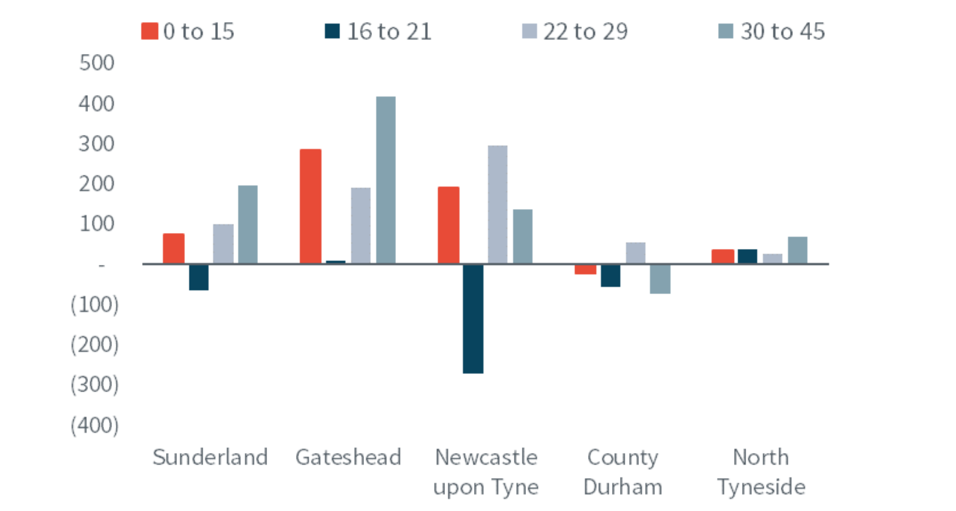
Wherever data permits, the analysis in this report benchmarks South Tyneside's performance against the North East LEP area and England minus London (this is because London is unique in England and skews the national average).

Figure 1.1: Origins and destinations of commuting flows to and from South Tyneside, 2011



Source: 2011 Census

Figure 1.2: Net migration flows with other districts by age group, 2014-2019



Source: 2011 Census

2

Economic performance

Economic **performance**

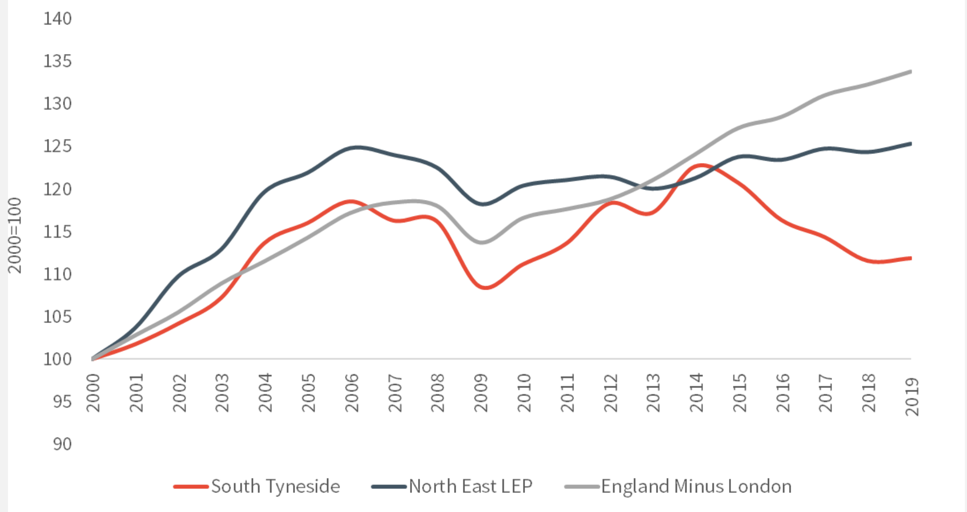
Economic growth has lagged behind the national and regional average

South Tyneside's economy, as measured by Gross Value Added, had a value of £1.85bn in 2019 (in 2018 prices). Figure 2.1 shows economic growth was broadly in line with the national average until the 2008/9 economic downturn when there was a sharp fall in GVA. Following an initial strong recovery, GVA declined again after 2014, while the North East LEP area and national economy have continued to expand.

Figure 2.2 shows that the main reason for underperformance in the long term has been a large fall in value in the manufacturing sector. This was the largest contributor to output at the start of the century, accounting for a fifth of GVA. Since then its value has declined by £137m (40%) and now accounts for only 11% of South Tyneside's GVA. Manufacturing has also been in decline in England and the LEP area, but these areas have benefitted from a more diverse economy and a stronger services sector which have driven economic growth.

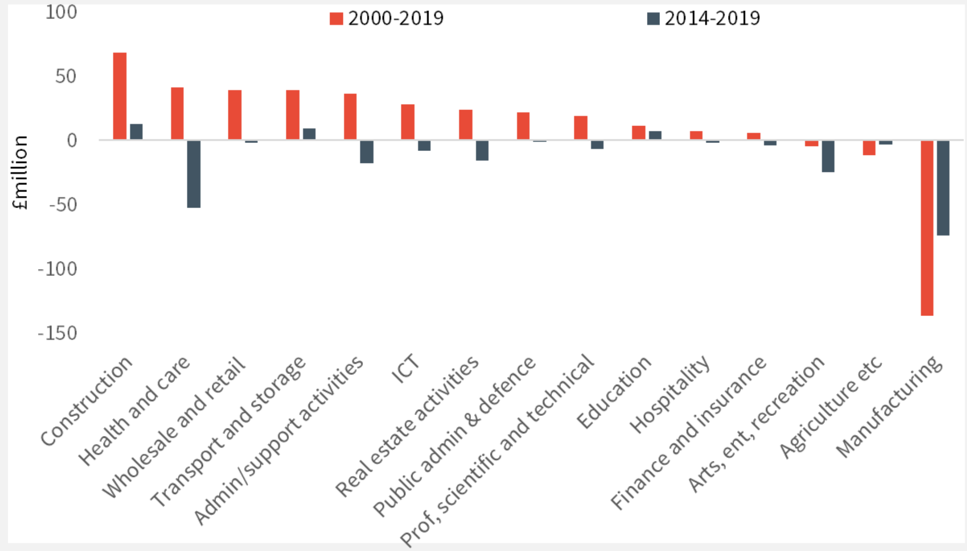
The decline since 2014 has been due to a combination of falls in GVA in the manufacturing and health and care sector (the result of a decline in employment in this sector in South Tyneside) and weak growth in other industries.

Figure 2.1: GVA change index, 2000-2019 (2000=100)



Source:
ONS Regional GVA

Figure 2.2: Change in GVA by industry in South Tyneside, 2000-2019 (2018 prices)



Source:
ONS Regional GVA

Source: GVA Regional Accounts

Local economic performance

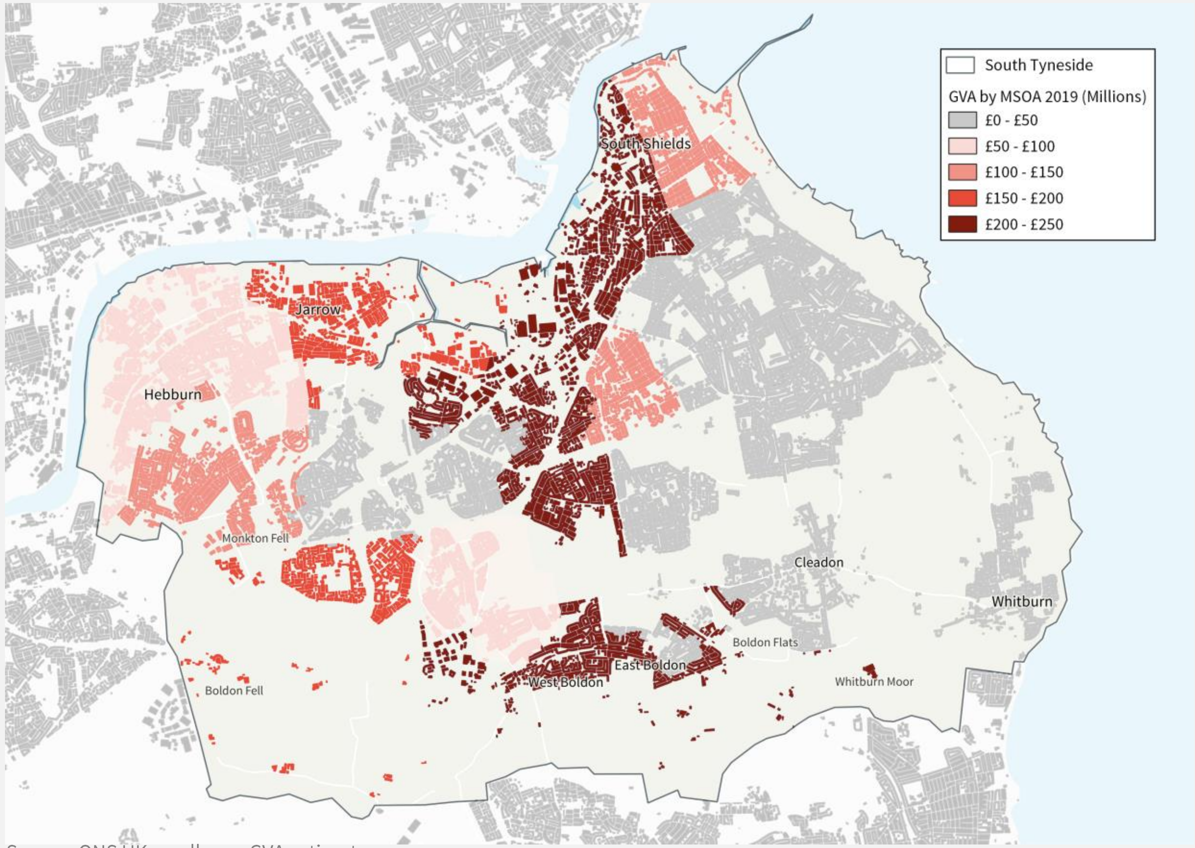
Port of Tyne and Boldon Business Park support high levels of GVA

Figure 2.3 shows where in the borough GVA is generated, using middle super output areas. It shows the three most economically productive areas are:

- South Shields, which is the main administrative, retail and service centre for South Tyneside. High GVA in this location therefore reflects the high volume of employment in this area.
- The area surrounding the Port of Tyne which has a large concentration of manufacturing employment and port related industries (see the footnote about how the size of this geographical area is exaggerated in the map) .
- The south of the borough, around Boldon Business Park which is driven mainly be a concentration of automotive manufacturing due to proximity to Nissan in Sunderland (as well as proposed development at IAMP).

The map shows a high proportion of activity in the west and south of the borough, which are more accessible by road, with the A19 running north to south from Jarrow to Boldon. Commercial agents reported that access to the A19 is a key requirement for manufacturing and distribution businesses, while northern and eastern parts of the borough are seen as inaccessible.

Figure 2.3: GVA by MSOA, 2019



Source: ONS UK small area GVA estimates
Note: the data aggregates the GVA for two MSOAs around the Port of Tyne. This gives the impression that areas to the south of the port, in the centre of South Tyneside generate high levels of GVA when in practice there is very little economic activity in this area. It is not clear why these MSOAs have been combined.

Productivity

The labour productivity gap is widening

Labour productivity, as measured by GVA per filled job, was £40,407 in 2019 (in 2018 prices). This has fallen by £1,900 since 2002 compared to a rise of over £3,000 in the sub region and England. As a result the productivity gap between South Tyneside and both the sub region and national average is widening. Labour productivity was around 87% of the national average in 2002 but is now around 81%.

Figure 2.5 shows the sector contributions towards changes in productivity since 2002. This shows the net change as a result of two different effects:

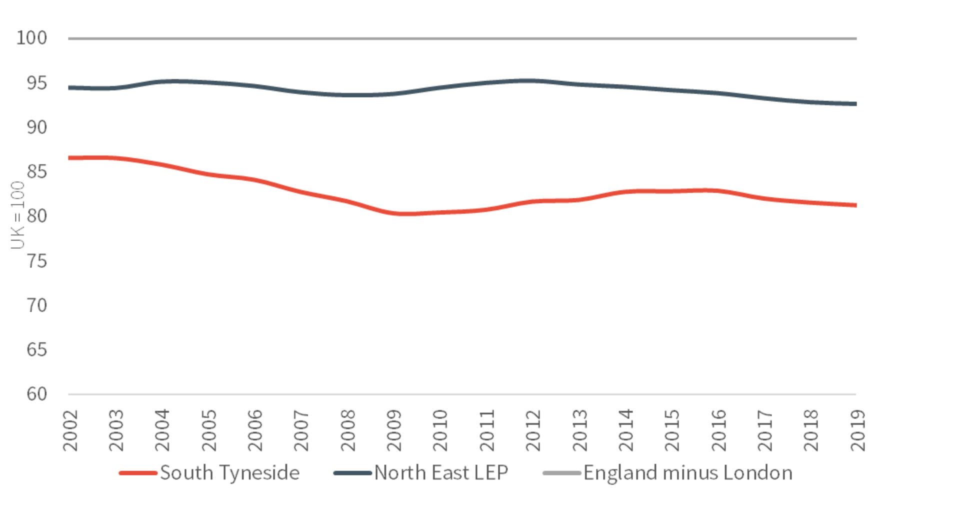
– 'within sector effects' relating to productivity changes within sectors.

– 'structural change effects' as a result of reallocation of employment from low to high productivity sectors, or from sectors with growing to declining productivity (or vice versa).

It shows the main reason for underperformance was a shift away from employment in manufacturing (a high productivity sector) towards lower productivity sectors such as wholesale and retail. Manufacturing accounted for 20% of employment in 2002 but this had declined to 11% of employment by 2019. At the same time there has been limited growth in highly value service sectors such as ICT and professional, scientific and technical activities which have contributed to productivity improvements elsewhere.

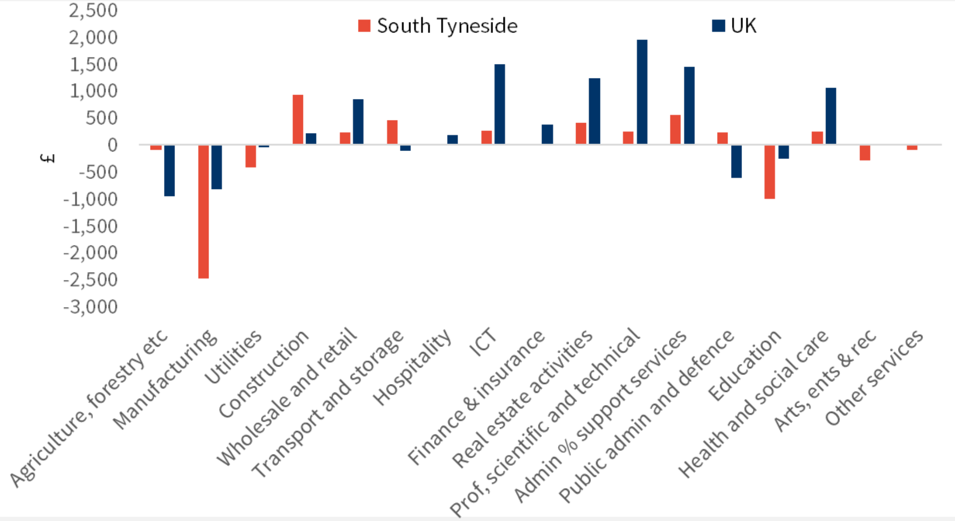
Productivity improvements within sectors have also been lower in South Tyneside than the national average. Change in labour productivity was broadly flat in manufacturing but has increased by around £3,000 per worker in the UK as a whole. There were also falls in labour productivity in ICT and professional services compared to large increases elsewhere.

Figure 2.4: GVA per filled job index, 2002-2019 (UK = 100)



Source:
ONS Regional GVA

Figure 2.5: Sector contributions to change in GVA per filled job, 2002-2019



Source:
ONS sub-regional productivity. Jobs estimates from ABI/BRES and ONS Workforce Jobs

Household **income**

But the gap in household income has narrowed

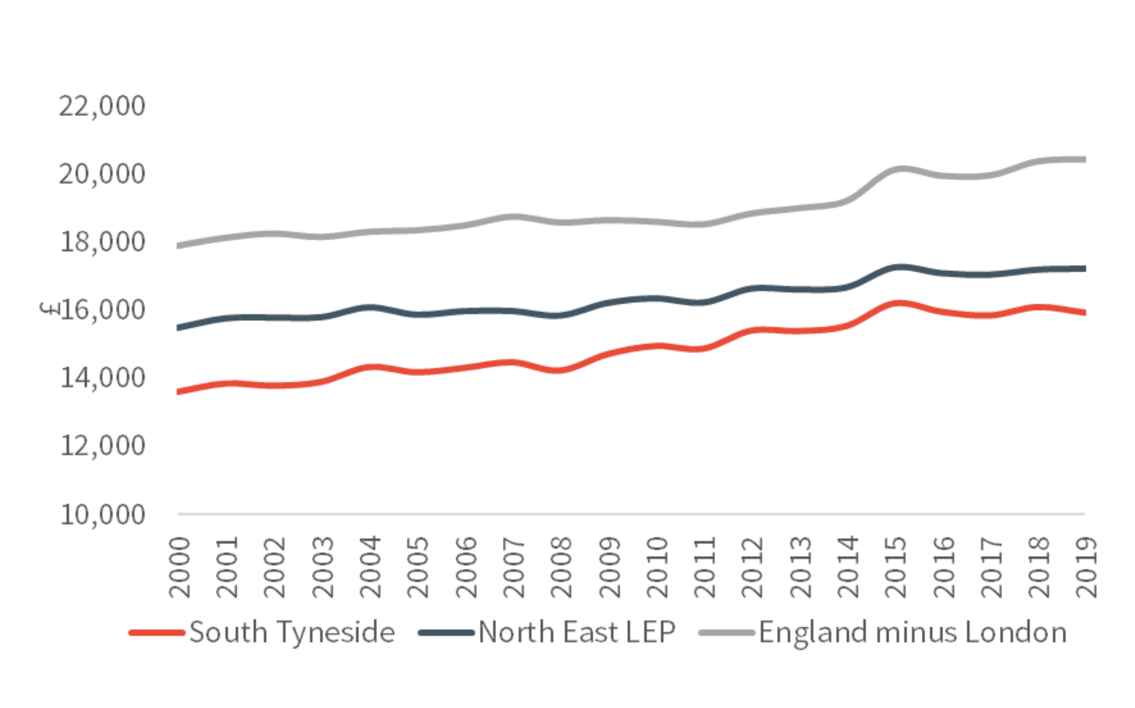
Changes in household income can be used to assess whether living standards for South Tyneside residents has improved. This is particularly important for South Tyneside because a high proportion of its residents work outside the borough, and therefore changes in GVA and productivity do not reflect changes in the prosperity of a large section of the population.

Figure 2.6 shows that Gross Disposable Household Income (GDHI) per head was £15,900 in 2019. This increased by around £2,300 between 2000 and 2019 (in 2019 prices), equivalent to a rise of 17%. This was higher than both the LEP and national average (11% and 14%) meaning the gap in living standards between South Tyneside and comparator areas has narrowed slightly over the past twenty years. GDHI per head is now 78% of the national average, up from 76% in 2000, although the difference was 82% in 2011 before falling again.

A number of factors could explain this improvement

+ South Tyneside has a higher proportion of people on low wages than comparator areas. Therefore increases to the National Living Wage and Working Families Tax Credits are likely to have disproportionately benefited South Tyneside.
+ Increases in the value of state pensions are also likely to have benefited South Tyneside because of the higher share of the population aged over 65.
+ An increase in employment of residents will have helped to raise GDHI from 2012 onwards as the unemployment rate fell sharply from around 12% to 6% in 2018.

Figure 2.6: Gross Disposable Household Income per head, 2000-2019



Source:
ONA Gross Disposable Household Income

Impacts of **Covid**

South Tyneside experienced a 10% loss of output in 2020 primarily driven by losses in the accommodation & food sector.

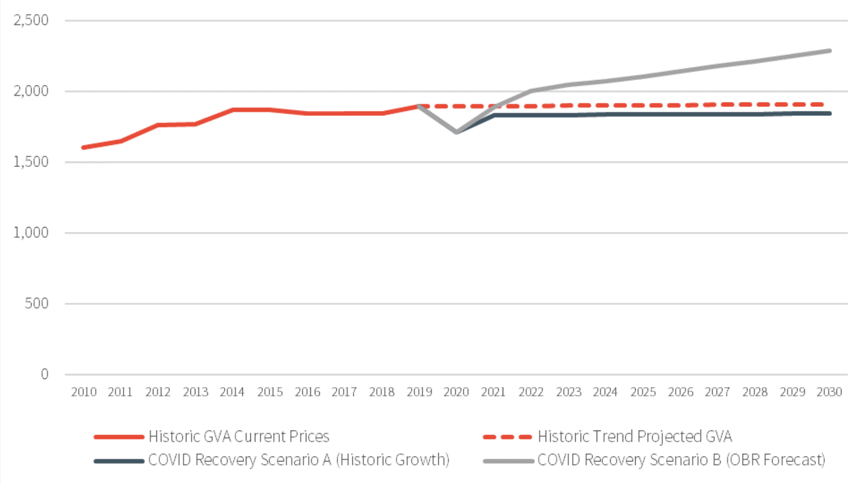
As the medium term and long term impacts of Covid-19 are still evolving, it is not yet possible to fully understand the impact on GVA. We have used the OBR's latest estimates of sectoral impact at a national level to understand impacts in South Tyneside.

The model indicates that Covid19 led to a £183m contraction in GVA between 2019 and 2020, equivalent to a 10% fall in the value of South Tyneside's output. The Government's revised central scenario (as of October 2021) is that the UK economy contracted by 9.8% in 2020.

The distribution of losses varies across sectors. The greatest fall was in the accommodation & food services sector, which accounted for 21% of total losses. The education, transport & storage and wholesale & retail sectors also saw large contractions in GVA, each accounting for more than a tenth of GVA losses. These estimates reflect a mix of the magnitude of sectoral impacts at the national level as well as each sector's relative importance to the local economy.

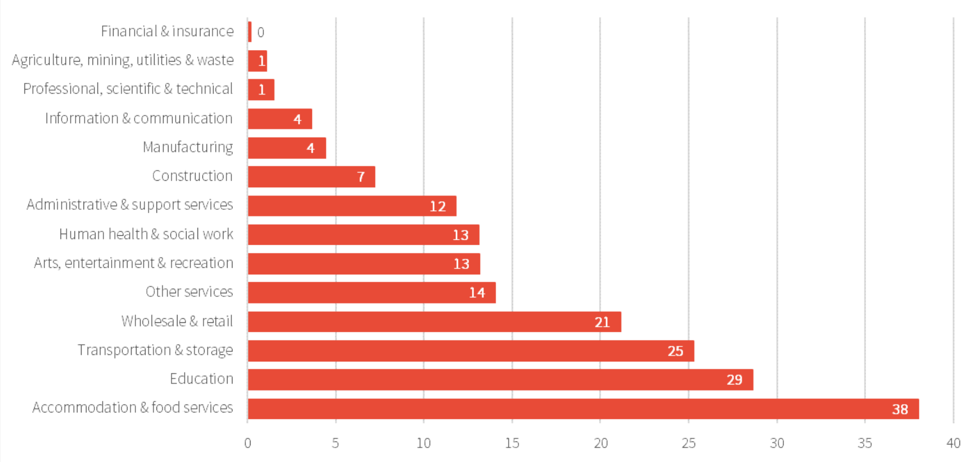
Although the Covid-19 Scenarios presented here are not forecasts, they give an indication of the growth rates required to both make up for the 2020 GVA loss and return to the pre-Covid growth path. Under Covid Recovery Scenario A, South Tyneside maintains its historic growth rate since 2010 (0.1%) and does not rejoin its pre-Covid growth trajectory. Covid Recovery Scenario B is based on the latest OBR figures (October 2021), expecting growth to peak in 2021 at 6.5% nationally, followed by growth rates of 6% in 2022 and 2.1% in 2023, whilst ranging from 1.3% to 1.7% thereafter. It shows that South Tyneside's economy needs to grow at a faster rate than historically to return to its pre-pandemic growth path.

Figure 2.7: GVA impact of Covid and recovery scenarios



Source:
Modelling by Hatch using OBR assumptions

Figure 2.8: GVA impact of Covid by sector (£m in 2020 prices)



Source:
Modelling by Hatch using OBR assumptions

Impacts of **Covid**

Impacts on employment have been less severe than turnover

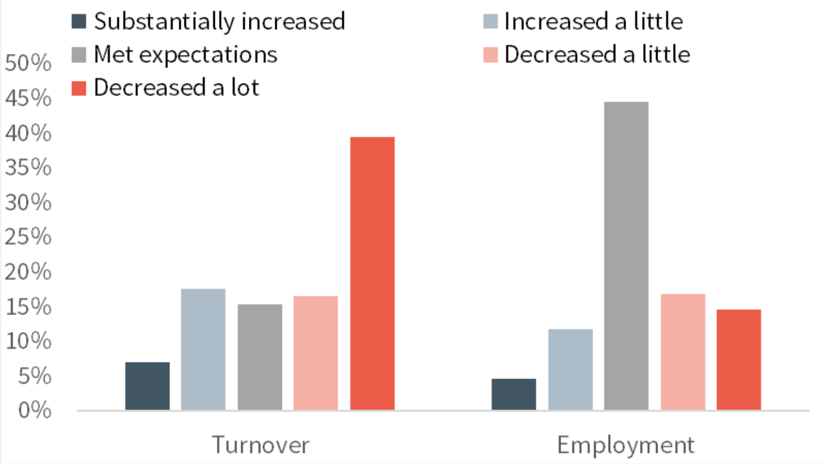
The business survey carried out to inform the economic assessment asked businesses how their business had performed over the past year. 56% of businesses reported that turnover had decreased, with 39% saying that this was by a lot. All sectors had a greater share of businesses reporting a fall in turnover than an increase, but the greatest falls in turnover were reported by businesses operating in public services and in retail and hospitality, with over 40% of businesses stating that turnover had fallen substantially (see Appendix 1).

Effects on employment have been more muted. Overall a larger proportion of businesses reported that employment had fallen than increased (31% vs 16%), but 44% businesses reported that employment levels had remained stable. This suggests most employers have retained their staff during the pandemic, including those who experienced a substantial fall in turnover.

When asked for the reason for the change in business performance, the impacts of Covid-19 was cited by 79% of businesses, significantly more than any other factor. This was also cited as the biggest influence on business performance in all sectors. In comparison Brexit was a minor issue, cited by 10% of businesses, although this was higher in certain sectors including professional services (22%) and manufacturing and construction (17%).

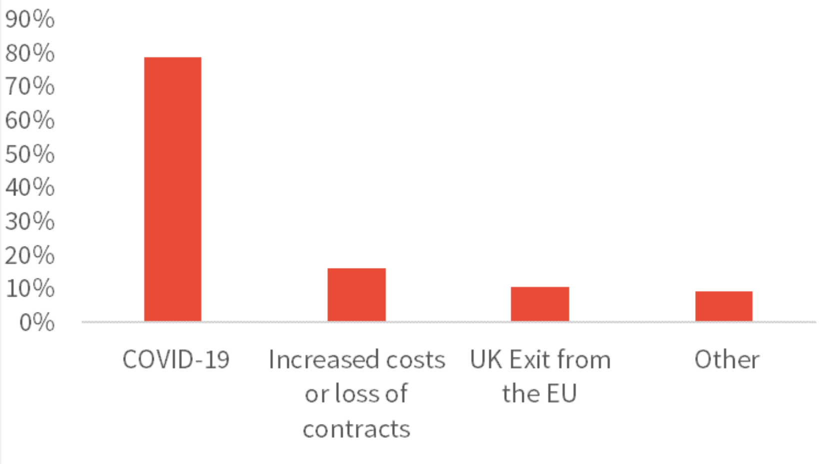
Most of the other factors identified by businesses were highly specific, although a large number of these related to increased costs (eg steel) or the loss of key clients or contracts.

Figure 2.9: Impacts on turnover and employment in last 12 months compared to expectations



Source:
South Tyneside business survey

Figure 2.10: Main reason for change in business performance over past 12 months



Source:
South Tyneside business survey

Economic **Forecast**

Oxford Economics show a fast recovery from the Covid pandemic followed by a reversion to the long-term growth rate

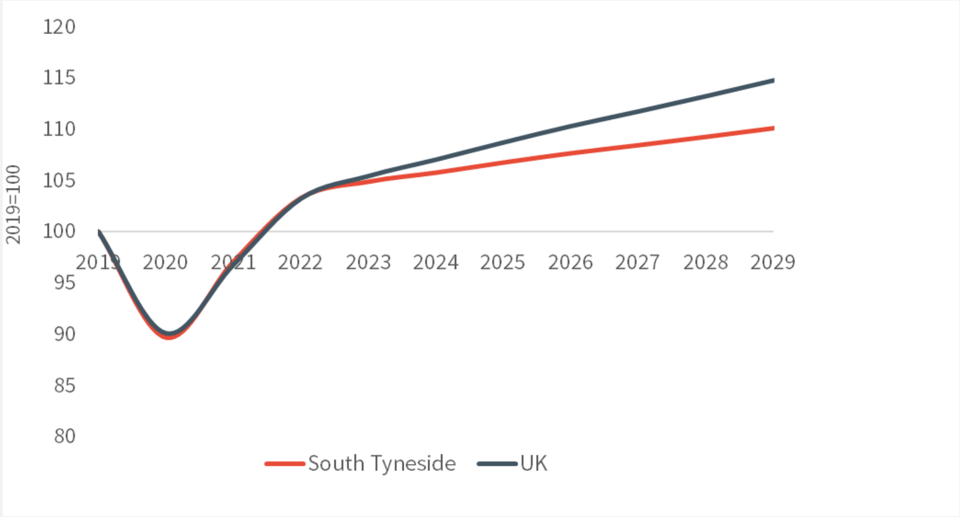
Economic forecasts produced by Oxford Economics suggest a fast recovery from the Covid pandemic; GVA is expected to have surpassed pre-pandemic levels by 2022, in line with the national average.

After 2022 South Tyneside's economy is expected to grow at a slower rate than the national average (0.9% per annum between 2022 and 2029 compared to 1.5% p.a. in the UK) but in line with past trends over the last twenty years. Similarly labour productivity is forecast to grow at a slower rate (0.8% p.a. compared to 1.0% p.a. in the UK).

The forecasts show a growing dependence on health and social care and wholesale and retail to support economic growth in South Tyneside. These two sectors account for 46% of forecast GVA growth between 2019 and 2029 compared to 26% in the UK as a whole. While higher value sectors such as ICT and professional, scientific and technical activities are expected to account for a higher share of growth in the UK.

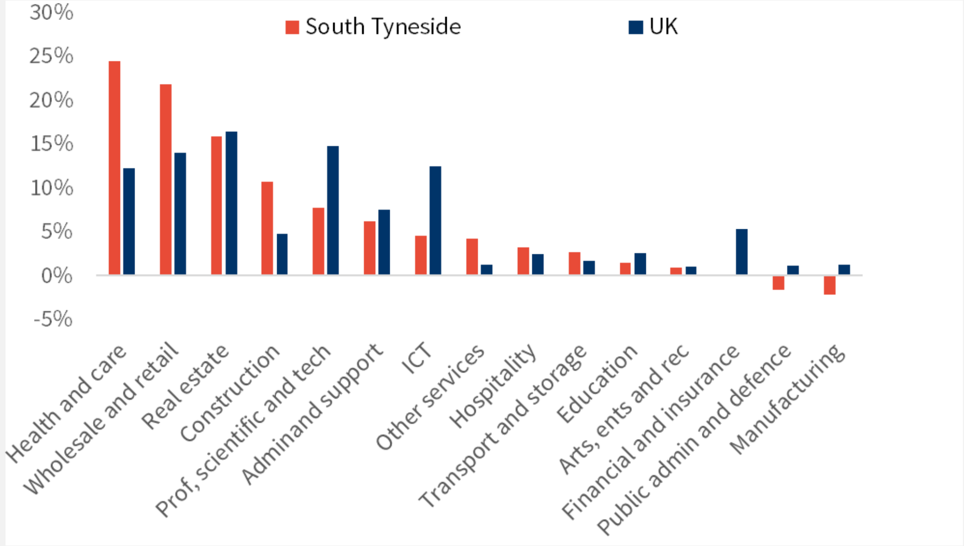
Oxford Economics local economic forecasts are largely trends based and are aligned with Oxford Economics' global and national forecasts. They do not take in to account local factors which have the potential to increase growth in certain sectors. For instance, the forecasts show a small fall in GVA in manufacturing but this does not take into account planned investments at the International Advanced Manufacturing Park (IAMP) which straddles the border of Sunderland and South Tyneside. IAMP is expected to create more than 6,000 direct jobs plus more in the supply chain, which could deliver a major boost to South Tyneside's manufacturing sector which are not reflected in these forecasts. Similarly, these forecasts do not capture the benefits that could be delivered from growth in offshore wind, such as the planned investment by Equinor at the Port of Tyne.

Figure 2.11: Forecast change in GVA, 2019-2029 (UK = 100)



Source: Oxford Economics

Figure 2.12: Sector contributions to GVA growth, 2019-2029



Source: Oxford Economics

Source: Oxford Economics

3

Business and sectors

Industrial structure

South Tyneside is home to around 4,100 businesses employing 41,400 employees in 2020. This has fallen by nearly 4,000 employees in the last five years (-9%).

Table 3.1 shows South Tyneside's main sector strengths are manufacturing, construction and hospitality, which each have a Location Quotient above 1, indicating these sectors account for a higher share of employment than the national average. High LQs in public services sectors show the borough is also dependent on the public sector as a source of jobs. 26% of jobs are in the public sector compared to 22% in the LEP area and 17% in England minus London

The number of businesses in South Tyneside has increased by 290 since 2015 (7%), with half of this growth coming from the construction sector.

Table 3.2 also shows the borough has strengths in manufacturing (LQ of 1.46), hospitality (LQ of 1.4) and construction (LQ of 1.11). Public services such as education and health also account for a large proportion of the business base.

Both tables show an underrepresentation of high skilled service sectors such as professional services and ICT which have driven growth in other parts of the country.

Table 3.1: Industrial composition of employment

	Employment 2020	Change since 2015	LQ
Agriculture and mining	470	195	0.53
Manufacturing	4,750	-250	1.26
Construction	2,500	125	1.19
Wholesale and retail	6,125	-450	0.94
Transport & storage	1,875	-375	0.86
Accommodation & food services	3,500	0	1.20
Information & communication	650	-100	0.41
Financial & insurance	275	-100	0.26
Property	900	-50	1.30
Professional, scientific & technical	1,875	-875	0.57
Business admini & support services	3,250	-1,250	0.90
Public administration & defence	2,125	125	1.26
Education	4,250	0	1.10
Health	7,000	-500	1.24
Arts, entertainment, recreation & other services	1,875	-375	1.10
Total	41,420	-3,880	

Source: Business Register and Employment Survey

Table 3.2: Industrial composition of business base

	Businesses 2021	Change since 2015	LQ
Agriculture and mining	45	-5	0.22
Manufacturing	315	50	1.46
Construction	555	145	1.11
Wholesale and retail	690	-10	0.97
Transport & storage	250	95	1.13
Accommodation & food services	390	30	1.40
Information & communication	145	25	0.57
Financial & insurance	70	10	0.75
Property	90	5	0.62
Professional, scientific & technical	540	-80	0.93
Business admini & support services	330	65	0.94
Public administration & defence	25	0	0.77
Education	120	-5	1.21
Health	265	-40	1.23
Arts, entertainment, recreation & other services	325	0	1.26
Total	4,160	290	1

Source: ONS business counts

South Tyneside's **sectors**

Evidence of strengths in advanced manufacturing and offshore wind

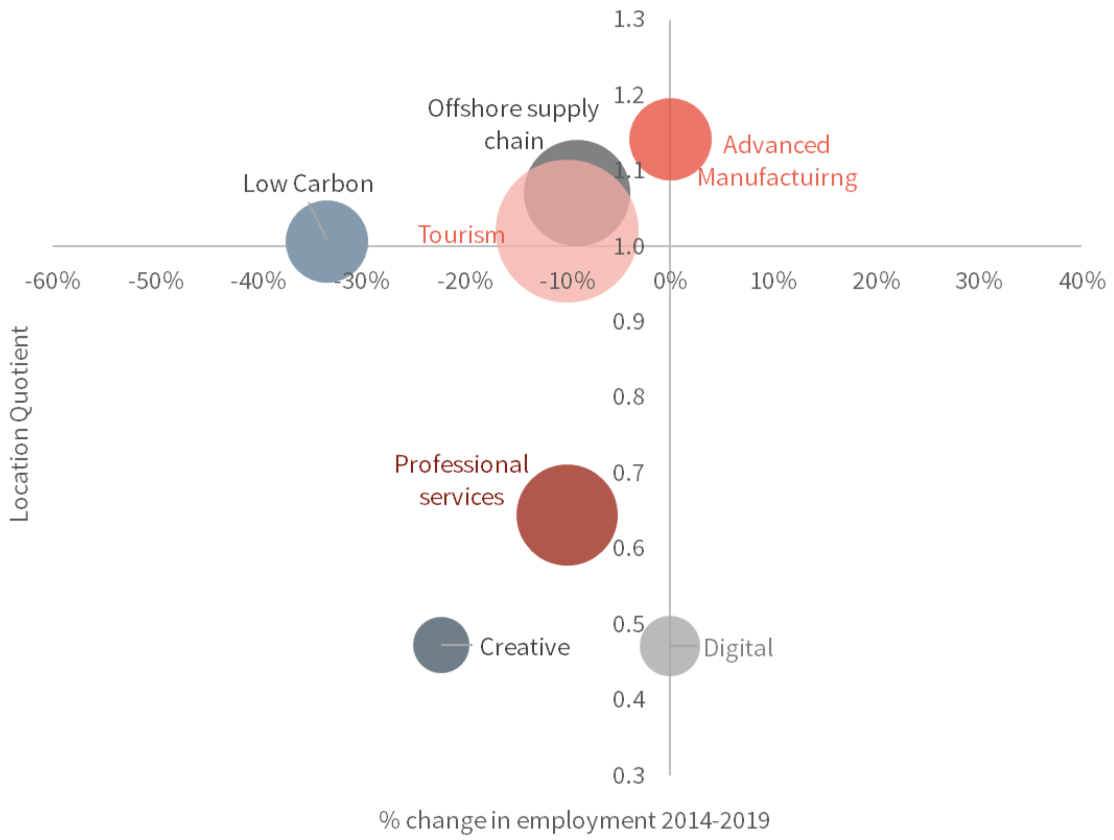
Figure 3.1 considers a number of specially defined sectors which have the potential to drive growth and wealth creation in the future in South Tyneside. These include high value sectors such as creative and digital industries and advanced manufacturing, lower value sectors that contribute to trade balance (eg tourism) and emerging sectors where there may be future growth opportunities (eg low carbon).

These sectors have been defined using 4 digit Standard Industrial Classification codes (SIC). While we have used accepted industry definitions for these sectors (eg DCMS for creative and digital, OECD for advanced manufacturing and ONS for tourism), it should be noted that SIC codes have a number of limitations, particularly for defining emerging industries such as low carbon. The results should therefore be treated with caution.

The chart provides evidence of strengths in advanced manufacturing (LQ of 1.15) and offshore wind supply chain sectors (1.07). The tourism and low carbon industries account for a similar share of employment in South Tyneside as the national average.

The chart shows clearly that creative and digital industries and professional services are not sector strengths in South Tyneside. These are high skilled sectors which require access to a large supply of graduate level skills, which is not available in South Tyneside. There is little value in trying to compete with other areas such as Newcastle and Gateshead which have far larger concentrations of employment and competitive advantages. Therefore, in our view, these should not be priority sectors for South Tyneside.

Figure 3.1: Sector strengths analysis for specially defined sectors



In focus: **Advanced Manufacturing**

South Tyneside's advanced manufacturing sector is made up of 60 businesses, employing around 1,600 people. Closer analysis shows that South Tyneside's main strengths are in automotive manufacturing and related supply chain sectors (manufacture of electrical equipment and machinery), which each have an employment LQ of over 1. This reflects the proximity of South Tyneside to the Nissan plant in Sunderland.

It is estimated that IAMP will create more than 7,000 direct jobs over the next 10 to 15 years in Sunderland and South Tyneside, a substantial proportion of which will be in automotive related sectors. The investment could also create up to 10,000 additional jobs in the North East through multiplier effects, many of which could be based in South Tyneside.

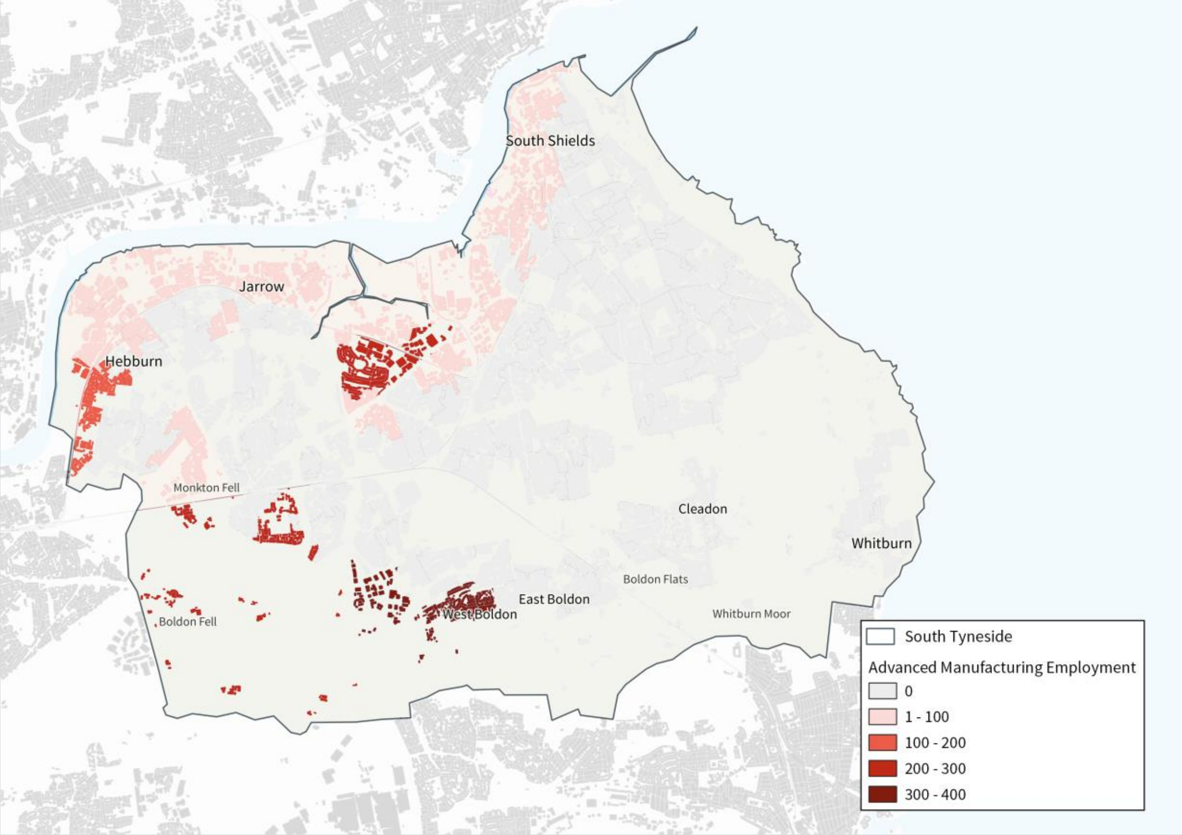
Table 3.3: Employment and businesses in advanced manufacturing subsectors

	Employment 2020		Businesses 2021	
	Number	LQ	Number	LQ
Automotive	440	2.0	5	1.0
Chemicals & Pharmaceuticals	175	1.0	5	0.9
Computers & electronic products	110	0.7	15	1.8
Electrical equipment	345	3.5	5	1.1
Machinery and equipment	500	2.0	30	2.9
Medical and dental equipment	5	0.1	0	0.0
Other transport	5	0.0	0	0.0
Total	1,580		60	

Source: ONS Business Count and Business Register and Employment Survey

The main concentrations of employment in advanced manufacturing are in the south of the borough at Boldon and Monkton business parks. These business parks are South Tyneside's most sought after industrial locations because of their access to the A19 which gives businesses good connections to the Nissan plant and markets to the south.

Figure 3.2: Locations of employment for advanced manufacturing, 2020



Source: Business Register and Employment Survey

In focus: **Offshore Wind Supply Chain**

Table 3.4 below shows South Tyneside has above average concentrations of employment in a range of sectors which are likely to form part of the offshore wind supply chain (although defining this sector with SIC codes has a number of limitations).

The Port of Tyne is a key sector asset for South Tyneside, as demonstrated by the Port being named as the operations base for the Dogger Bank wind farm, which will create 200 direct jobs by 2023 plus more in the supply chain. Consultees from the Port also reported they are currently receiving record numbers of inquiries from energy developers, mostly from the offshore sector but also tidal, hydrogen and other green energy projects. The Port has a number of quayside and riverside sites with significant development potential, while the new Manufacturing Zone at Jarrow Business Centre has provided accommodation for businesses in the offshore wind supply chain. The Tyne therefore has capacity to become a major hub for the installation and maintenance of offshore wind farms and service the supply chain that will grow from it.

Table 3.4: Employment and businesses in offshore wind supply chain sectors

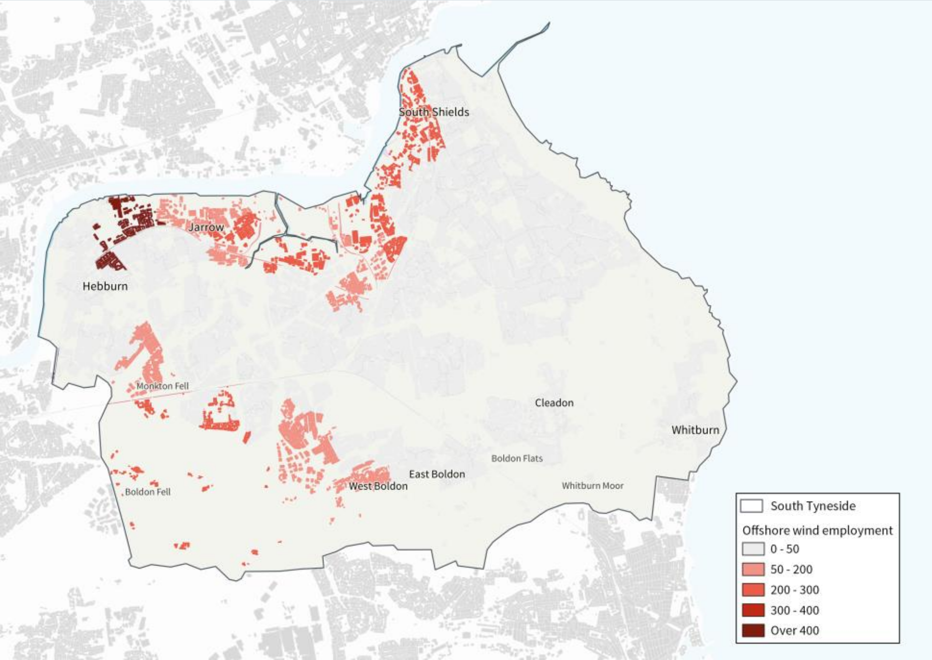
	Employment		Businesses	
	Number	LQ	Number	LQ
Construction and civil engineering	880	1.2	225	1.7
Electricity supply	140	1.1	0	0.0
Engineering and technical consultancy	830	1.2	190	1.8
Manufacturing	285	1.2	20	1.7
Shipbuilding and repair	185	2.1	20	3.2
Ports and support activities	630	1.3	15	1.0
Support services	205	0.5	25	0.9

Source: ONS Business Count

The main concentrations of employment in offshore wind supply chain sectors are all along the Tyne, reflecting the need for good access to ports in this sector. The Port of Tyne consultee reported that the cluster of energy and port related businesses is growing. Premises at the port have traditionally been occupied by a wide range of businesses, but they are now attracting a growing number of complementary businesses, which is strengthening the cluster and making it a more attractive investment location.

A key challenge facing this sector is access to skills; Equinor are already trying to recruit but are struggling to find certain skills from the local workforce, including electrical engineering, digital and surveying skills.

Figure 3.3: Employment locations for offshore wind supply chain, 2020



In focus: **Tourism**

South Tyneside's visitor assets include its coastline and sandy beaches, the Ocean Beach Pleasure Park, Jarrow Hall, Customs House, Arbeia Roman Fort and most recently The Word (the National Centre for the Written Word). These have helped South Tyneside to establish itself as a quality visitor destination.

STEAM data for 2019 showed there were 6.6 million total visitors to South Tyneside, providing a £331m boost to the local economy. This represents a 26% increase in visitor numbers since 2010 (although visitor numbers and expenditure both fell sharply in 2020 as a result of the Covid pandemic).

The table below shows that the only sub-sector that accounts for a higher proportion of employment than the national average is food and drink service. A substantial proportion of this activity is likely to be serving local markets and therefore unrelated to tourism. The low LQ for accommodation suggests that South Tyneside is yet to establish itself as a destination for overnight visitors compared to other locations.

The main concentrations of tourism employment are in South Shields, which is the location of a large proportion of South Shelds bars and restaurants.

Table 3.4: Employment and businesses in tourism sectors

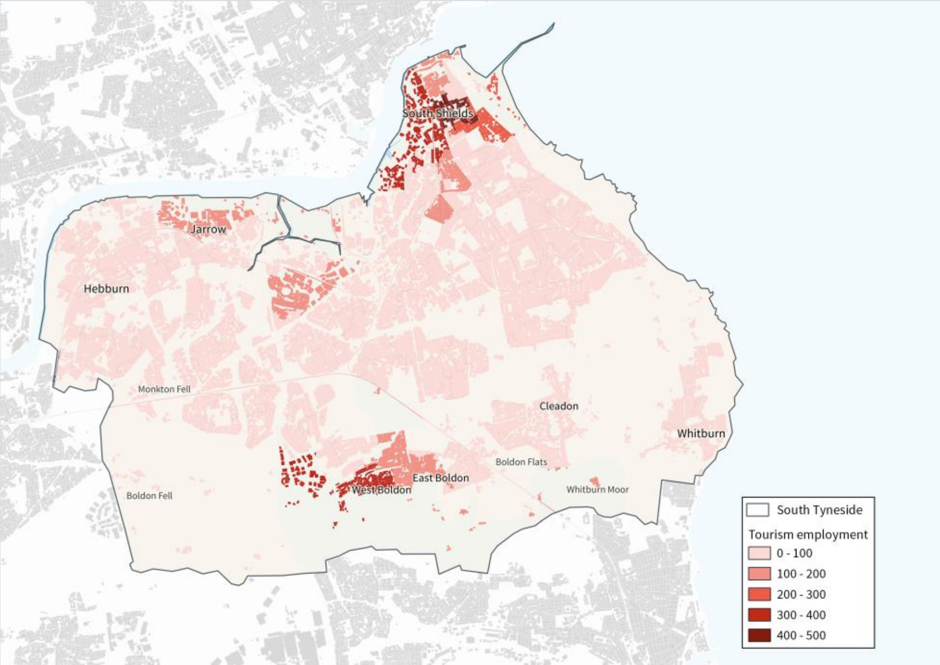
	Employment		Businesses	
	Number	LQ	Number	LQ
Accommodation	150	0.2	15	0.5
Cultural, sporting and lesiure	990	0.9	140	0.8
Food and drink service	3,170	1.3	370	1.5
Passenger transport and travel agencies	120	0.4	15	0.6
Total	4,430	1	540	1.1

Source: ONS Business Count

A number of consultees felt that South Tyneside, and South Shields in particular, was not meeting its full potential in this sector, given its natural assets. They pointed to the need for:

+ higher quality hotels, leisure and recreation assets so that South Shields is not only known as a budget visitor destination.
+ more attractive linkages between the ferry terminal and the foreshore (see Place chapter).
+ better place marketing and promotion to markets outside the North East. There was a perception that it is currently known as a day trip destination.

Figure 3.4: Employment locations for offshore wind supply chain, 2020



In focus: **Foundational Economy**

The three sectors discussed so far are all tradable or exporting sectors, which here refers to sectors whose main markets are outside South Tyneside. These sectors are critical for wealth creation and are rightly prioritised in existing economic strategies. Nevertheless, cumulatively these sectors only account for around 15% of jobs in South Tyneside. Even if these achieved a high rate of growth, this may have a limited impact on a large proportion of residents' quality of life beyond any indirect 'trickle-down' benefits.

In contrast, a high volume of employment is in the **foundational economy;** these are 'essential' service sectors which local residents depend upon in their everyday lives, including health, education, certain types of retail and local skilled trades. These sectors account for 64% of jobs in South Tyneside compared to 57% in the North East LEP and 52% in England minus London (although definitions of the foundational economy vary, giving different results).

Furthermore, Table 3.5 shows that South Tyneside has an LQ above 1 in almost every subsector for both businesses and employment, indicating the local economy is highly dependent on these sectors. To be clear, high LQs are not indicators that South Tyneside has particular strengths in these sectors; the jobs and businesses are there because people are there. Rather it reflects a low share of private sector jobs compared to other areas, and the loss of employment in key tradable sectors such as manufacturing over the last 20 years.

The large share of jobs in the foundational economy and low share of employment in tradable sectors has important implications for economic strategy in South Tyneside. It means traditional 'narrow' approaches, which prioritise a small number of high value sectors may be insufficient on their own to radically improve economic performance or the quality of life of most residents. This needs to be accompanied by broader approaches which build economic resilience and retain wealth in local communities, and in so doing deliver better social outcomes. These types of approaches are known as **community wealth building**, and have been brought to popular attention by the Centre for Local Economic Strategies (CLES) and its work in Preston.

Table 3.5: Employment and businesses in Foundational Economy sub-sectors

	Employment		Businesses	
	Number	LQ	Number	LQ
Health and care	6,870	1.22	265	1.25
High street retail	4,870	1.10	510	1.13
Education	4,240	1.10	125	1.28
Food and drink service	3,150	1.33	370	1.50
Residential construction and trades	2,570	1.57	495	1.25
Personal or household services	1,230	1.16	190	1.08
Property	930	1.34	95	0.66
Leisure and recreation	860	1.38	75	1.33
Post and communications	810	1.46	120	1.78
Other public services	790	1.34	15	1.82
Utilities	70	0.29	5	0.27
Total foundational economy	26,370	1.22	2,265	1.21

Key hallmarks of this approach are as follows:

- Plural ownership of the economy: encouraging and facilitating the use of co-operative or participatory ownership models, which enable wealth to be retained locally rather than flowing out as profits to shareholders.
- Making financial power work for places: better harnessing the wealth that exists locally through the use of credit unions or encouraging local authority pension funds to invest locally.
- Fair employment and just labour markets: encourage employers to pay the living wage and build progression routes for employees.
- Progressive procurement: working with local anchor institutions to use procurement strategies which maximise local returns (eg inclusion of social value clauses).
- Socially just use of land and property: ensuring local assets are owned and managed in ways which ensure that they generate wealth for local citizens

Business **vitality**

Rates of enterprise are below the national average

Encouraging entrepreneurship is important for economic growth, as it helps to create wealth and improve standards of living, not only for the entrepreneurs but also for related businesses.

A range of sources show rates of enterprise are lower than the national average in South Tyneside:

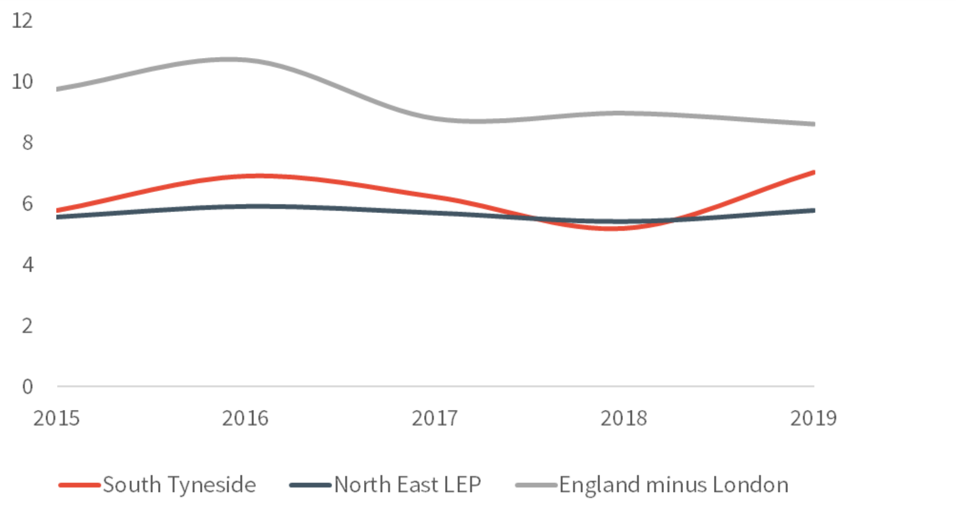
+ 7% of the working age population are self employed which is in line with the LEP average but below the national average (9%).
+ There are 4.4 businesses for every 100 working age people in South Tyneside in 2019 compared to 4.6 in the LEP area and 6.6 in England.
+ Figure 3.5 shows that the business start up rate (the number of new businesses per 1,000 working age residents) is also below the national average, although it has been above the LEP average in four of the last five years.

Interestingly, a number of consultees believed the start-up rate was a strength of South Tyneside and had been growing over time. They believed the key challenge facing the borough was that a large proportion of businesses are very small (fewer than five employees) and lack growth ambition. However we find limited evidence to substantiate either of these claims (see below).

Around a fifth of new businesses in South Tyneside in 2020 were in financial and professional services, which is consistent with national and LEP trends. The sectors which account for a disproportionately high number of starts in South Tyneside include construction, hospitality, leisure and recreation and manufacturing.

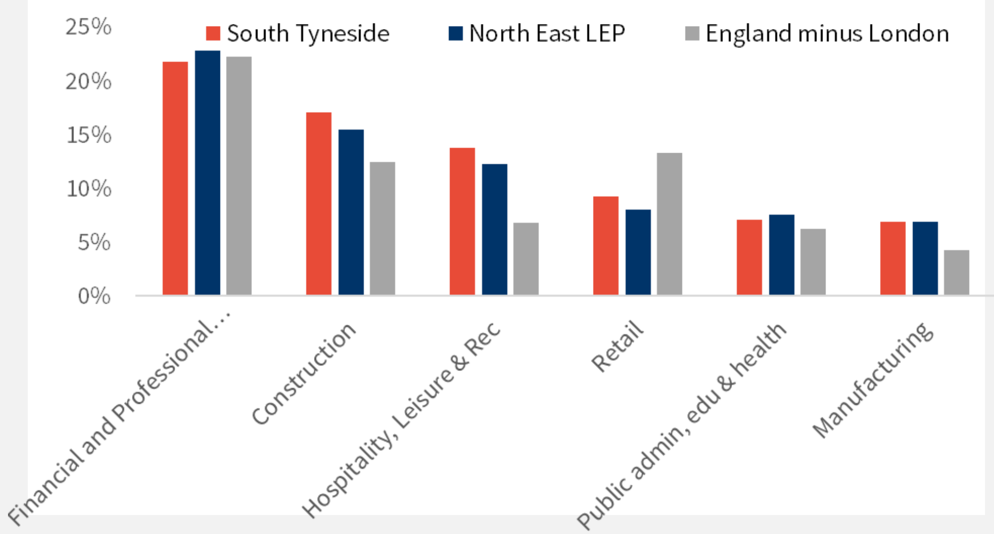
The survival rate of newly created businesses in South Tyneside is also slightly lower than the LEP and national average. Of the 565 businesses that were created in South Tyneside in 2014, only 40% were still active in 2019, compared to 41% in the LEP and 43% in England minus London.

Figure 3.5: Business start-up rate, 2015-2019



Source:
ONS Business Demography and mid-year population estimates

Figure 3.6: Sector profile of businesses started in 2020



Source:
Companies House

Business size and growth

There is limited difference with the LEP average in business size or growth rates

As noted above, a number of consultees expressed the view that South Tyneside's man challenge is not the low start-up rate but the large concentration of very small businesses with limited growth ambitions. Table 3.6 shows there is a slightly larger proportion of businesses with fewer than 5 employees in the borough than the North East LEP but a lower proportion than the national average, suggesting this is not a major factor explaining the difference in economic performance. Although it should be noted that this does not include those businesses not registered for either VAT or PAYE.

There is very limited data available on business growth, but earlier analysis of IDBR data by NESTA showed there was little difference between the levels of growth in turnover between 2015 and 2016 in South Tyneside with either the LEP or national average (see Figure 3.7). This data suggests that economic stakeholders have a number of misconceptions about the vitality and ambitions of the business base in South Tyneside. There is evidence of business growth and there is a role for the public sector to enable this.

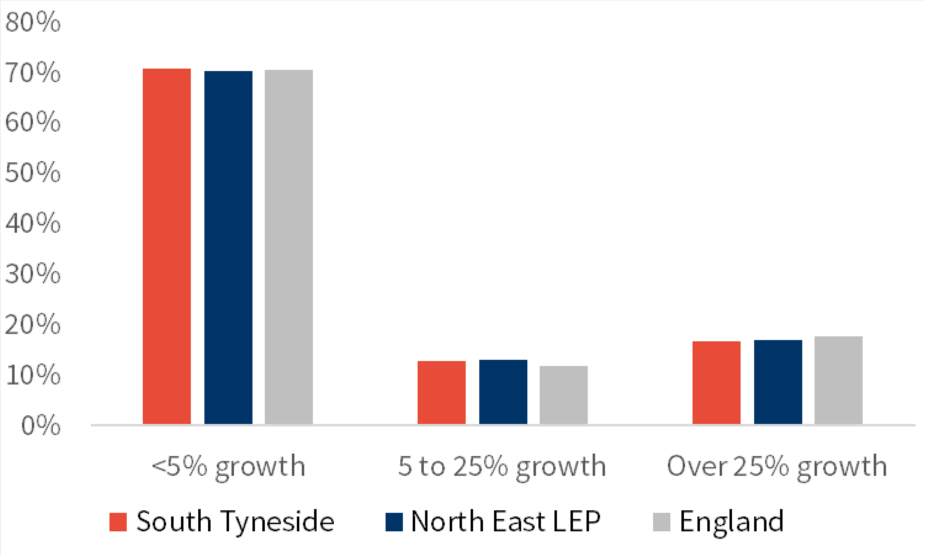
There is also very limited data on inward investment in South Tyneside, but consultees were of the view that this is limited in South Tyneside compared to other parts of the North East. Both commercial agents and economic stakeholders believed that its location means it is seen as quite inaccessible and has a smaller labour catchment area than other areas, which deters larger businesses. The exceptions to this are in the south of the borough at IAMP and Boldon Business Park (which is well connected to the A19) and at the Port, a key economic asset which attracts investments from businesses that need access for supply chains and distribution and from the offshore sector (eg Equinor).

Table 3.6: Size profile of businesses, 2021

	South Tyneside	North East LEP	England minus London
Micro 0 to 4	76.9%	74.2%	78.1%
Micro 5 to 9	12.3%	13.5%	11.4%
Small 10 to 49	8.8%	10.1%	8.6%
Medium 50 to 249	1.6%	1.7%	1.5%
Large 250+	0.4%	0.5%	0.4%

Source: ONS UK Business Counts

Figure 3.7: Distribution of SMEs by turnover growth, 2015-2016



Source: Nesta: State of Small Business, 2017

Innovation

Rates of innovation are very low in South Tyneside

Innovation is crucial for generating new ideas, technologies, processes and products. This helps to create more goods and services, which improves productivity. High levels of innovation are also associated with higher wages and business profitability.

There is very limited data available on innovation for local authority areas. The data available for LEPs from the UK Innovation Survey shows that the North East outperforms the national average for innovation activity; 41.2% of firms were considered to be 'innovation active' between 2016 and 2018, compared to 38.4% of businesses in England. But the LEP underperforms in terms of the value of innovation; new to market goods and services account for 6.7% of turnover compared to a national average of 8.5%.

The data which is available for South Tyneside suggests there is relatively low levels of innovation in the district compared to other parts of the LEP. This is likely to be linked to the absence of any HEI research facilities in the borough:

+ BRES does not record any employment in research and development in South Tyneside. Similarly EMSI estimates there are only around 175 people working as scientists or research and development managers in the borough (giving an LQ of only 0.53 compared to the national average)

+ There were only two Innovate UK funded grants in South Tyneside between 2017/18 and 2020/21, with a total value of £2,900. This represents just a small fraction of the grants awarded in the North East LEP (650 projects with a combined value of over £300 million).

+ There was not a single patent registered by a South Tyneside business between 2015 and 2018, according to the Intellectual Property Office database.

Table 3.7: Innovation Indicators, 2016-2018

	Per cent of businesses				
	Innovation active	Product innovator	Process innovator	Strategic & marketing	New to market goods and services as percent of turnover
North East LEP	41.2	20.9	13.6	25.9	6.7
England	38.4	18.8	12.8	27.1	8.5

Source: UK Innovation Survey, 2016-2018

Although there is limited current evidence of innovation in South Tyneside, a number of consultees identified potential opportunities to improve performance in future which could lead to new growth opportunities. This included:

+ **Electrification**: proximity to Nissan and IAMP plus existing strengths in electrical equipment means there are opportunities for South Tyneside businesses to be at the forefront of advances in 'the electric revolution', which has applications in multiple markets beyond electric cars.

+ **Mine water heat networks**: there are a number of projects in the North East which will provide renewable heat by collecting minewater from former collieries including two in South Tyneside. These are highly innovative projects (the first of their kind in the country), which offer opportunities for local businesses to develop expertise in a growth market.

Barriers to growth

Access to finance and staff recruitment are significant barriers to growth

The business survey asked respondents to identify the main barriers to their business achieving its growth ambitions over the next 12 months. Table 3.8 shows the results, split by different sector groupings.

Access to finance and taxation/business rates were the two most common barriers that businesses faced, cited by 24% and 18% of businesses respectively. Other major barriers included staff recruitment (16%) and competition in the market (16%). 15% of respondents had ongoing concerns about Covid, while 14% identified availability or the cost of premises as a barrier to their growth ambitions (although these last two were not statistically significant).

The responses varied by sector. The table shows that staff skills and recruitment were significant barriers to growth for the manufacturing and construction sector, with around a third of businesses identifying these as a barrier to growth.

There were also important differences in the barriers identified by different sizes of business.:

+ Staff recruitment was identified as a barrier by a far greater proportion of medium and larger businesses (60% and 50% respectively) than small or micro businesses (27% and 11%).
+ Micro and small businesses were far more likely to identify access to finance as a barrier; 26% and 21% compared to 6% of medium businesses and 0% of large businesses.

Table 3.8: main barriers to growth cited by businesses

	Raw materials	Manufacturing and construction	Retail and hospitality	Prof services	Public services	Total
Accessing finance	22%	15%	22%	31%	28%	24%
Tax and business rates	0%	25%	22%	12%	16%	18%
Staff recruitment	22%	34%	11%	14%	17%	17%
Competition in the market	0%	18%	8%	25%	20%	16%
COVID-19	11%	10%	16%	12%	18%	15%
Regulations / red tape	22%	26%	13%	10%	13%	15%
Availability/cost of suitable premises	11%	10%	13%	18%	15%	14%
Staff skills	0%	30%	7%	12%	9%	12%
UK exit from EU	33%	13%	10%	10%	6%	10%
Economic environment	11%	16%	12%	6%	4%	9%
Other	0%	13%	3%	16%	6%	7%
Local issues	0%	3%	6%	2%	5%	5%

Source: South Tyneside Business Survey

Note: The boxes highlighted in green are those where the proportion of businesses identifying a particular barrier was higher than other factors, and where this statistically significant at the 95% confidence level. Boxes in red are those where the proportion of businesses identifying a barrier was significantly lower.

Support needs

South Tyneside Council can support business growth through financial assistance, help finding premises and environmental improvements

37% of South Tyneside businesses have sought external advice in the last 12 months and 48% said they are likely to seek external advice over the next 12 months, a large proportion of whom said they are likely to seek advice or support from South Tyneside Council (63%). This was more than any other type of organisation. These businesses are likely to seek support on a wide range of matters, with the most common being financial advice (61%), business growth (60%) and training/skill needs (51%).

The survey also asked respondents to identify how South Tyneside Council could help businesses to achieve their growth ambitions. This elicited a wide range of responses (many of which were specific to their business), with the most common being additional funding or grants (23% of those who answered). Others included:

+ **Support finding or improving business premises (10%)**: this included sale of land, faster planning decisions for property expansion, encouraging more development and grants or gap funding for new premises.
+ **Environmental improvements (9%):** a large number of these specifically identified the need for town centre regeneration and high street improvements. Other issues included anti-social behaviour and fly-tipping).
+ **General business support, advice and guidance (9%):** a number of these were looking for advice on marketing and growing the customer base.
+ **Business rate reductions (9%)**

Table 3.9: Matters on which businesses seek external advice

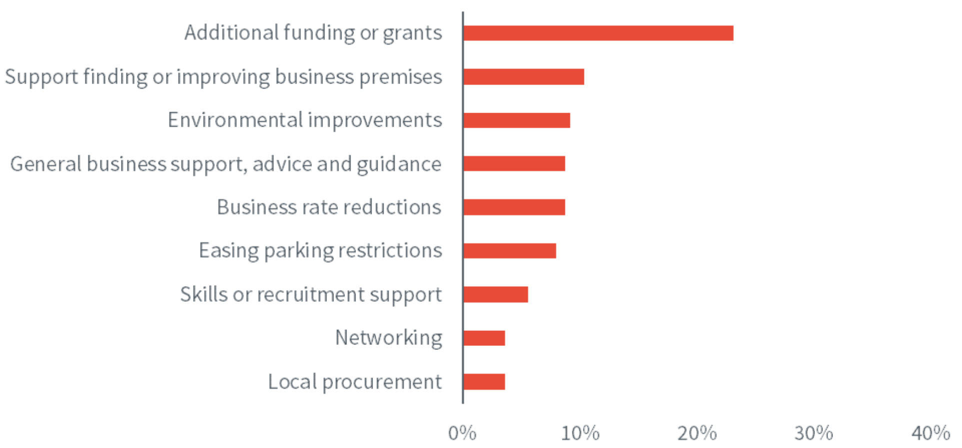
	Per cent
Financial	61%
Business growth	60%
Training / skills needs	51%
Improving business efficiency/productivity	45%
Marketing	45%
Regulations	43%
Employment law / HR	41%
Legal issues	37%
Tax, national insurance, workplace pensions	36%
Net Zero transition	36%
Introducing new technology	34%
Management/leadership development	29%
Procurement	22%
Moving to new premises	14%
Exporting	10%

Source: South Tyneside Business Survey

Base: 180 (all those who are likely to seek support over the next 12 months).

Note: boxes and red and green are statistically significant at 95% confidence level

Figure 3.8: How can South Tyneside Council help your business achieve its growth ambitions?



Source: South Tyneside Business Survey

Base: 251

Conclusions and recommendations

The analysis here clearly points to South Tyneside's main strengths being in advanced manufacturing, energy (particularly offshore wind) and tourism. These offer the greatest potential for wealth creation and inward investment and should be the main focus of local economic strategies. We believe there is little value in continuing to prioritise other sectors identified in previous strategies, such as digital and professional services.

South Tyneside's strengths in **advanced manufacturing** relate mainly to the automotive sector. Investment at IAMP therefore creates major opportunities to grow this sector, and intervention should be focused on maximising the supply chain benefits for South Tyneside businesses and job opportunities for local residents. This should also be used as a platform to encourage businesses to diversify into markets with strong growth potential, such as electrification, which could create opportunities in a range of markets. Manufacture of electrical equipment is already a strength in South Tyneside, and council should look to facilitate links between these businesses and the Driving the Electric Revolution Industrial Centre (DER-IC) in the North East.

The **energy and offshore wind sector** also offers significant growth opportunities, with record levels of inquiries from inward investors at the Port of Tyne. This, along with the planned investments in new heat networks, offer opportunities to develop the supply chain in South Tyneside. There is a need for a greater understanding of the requirements of these investments, mapping the skills and expertise that exists in South Tyneside and identify the support needs of local businesses (eg navigating procurement processes, brokering relationships). Consultees also identified the need for stronger cross-border working with other ports and local authorities in Tyneside, which focuses on the complementary assets, skills and expertise that exists in the sub-region. This would allow the region to present a more compelling case about the strength of the cluster on Tyneside and help to secure a larger number of major investments like Equinor.

South Tyneside's **tourism** sector is not yet an established strength of South Tyneside, but there is clear potential to develop this sector by better exploiting the borough's natural assets, including marketing and pivoting towards higher value markets.

The business survey also points towards the importance of creating a favourable environment and addressing barriers to growth:

- Skills shortages are a particular challenge in the manufacturing and energy sectors. But recruitment was also identified as a challenge for hospitality/tourism businesses, with many vacancies unfilled because people do not want to work in the sector. There is a potential role here for South Tyneside Council to work with schools to help raise awareness of these opportunities and the progression routes for entry in to these sectors, and to challenge misconceptions about developing a rewarding career in hospitality. It was noted that the council is already working with SSE to raise awareness of opportunities in offshore wind in local schools and encourage uptake of STEM subjects.

- Access to premises: this is a particular issue for manufacturing businesses with 25% reporting they intend to move to new premises in the next 12 months. The limited supply of premises therefore has the potential to act as a barrier to growth (see section on Infrastructure).

- The need to improve the attractiveness of the local environment, particularly in town centres, was raised by a number of businesses. This is clearly relevant to the tourism sector to increase visitor numbers and footfall, but consultees also pointed to the importance of investment in place to attract the higher skilled workforce needed by manufacturers and offshore supply chain businesses.

In addition to this sector specific focus, we find there is a strong case for the council to consider a broader approach to economic development, which supports the foundational economy and focuses on a wider set of outcomes than GVA and productivity. The council is already taking steps in this direction through the proposed roll-out of The Pledge which will ask employers to commit to local spending and recruitment, and other activities to maximise social and environmental benefits. However there is scope to go considerably further in supporting the foundational economy if there is political support for this approach. If so, the council should look to areas which have been at the forefront of this movement, such as Preston and Wales, for evidence of what works. We believe there is a particular need to support the health and care sector which is experiencing particularly severe skills challenges.

4.

People

South Tyneside's **demographics**

South Tyneside has an ageing population

The age profile of South Tyneside's population broadly resembles the national and LEP average, but has a higher share of people in older age groups (over 45) and a lower share of younger people below the age of 22 (see Figure 4.1).

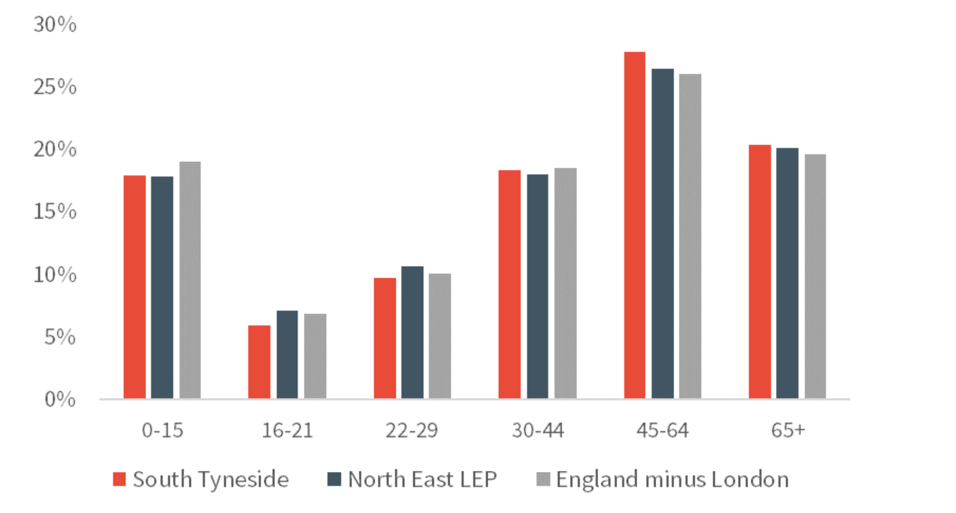
There are key differences in the age profile of different parts of South Tyneside, which are explored in more detail in the Place chapter of the report. In summary:

+ Young people in their 20s are overrepresented in South Shields
+ Hebburn has a high proportion of people in the 'young family' age groups (0 to 15 and 30 to 44)
+ The villages in the south of the borough (Boldons, Cleadown and Whitburn) have a higher proportion of people over the age of 65.

South Tyneside's working age population (16 to 64) has fallen by 2,200 people (-2%) over the last ten years compared to a 1% fall in the North East LEP and 2% growth for England minus London, which has restricted the local labour supply. Figure 4.2 shows the key difference is a large fall in the student age population (16 to 21) and much lower growth among people in their 20s compared to the LEP and national average.

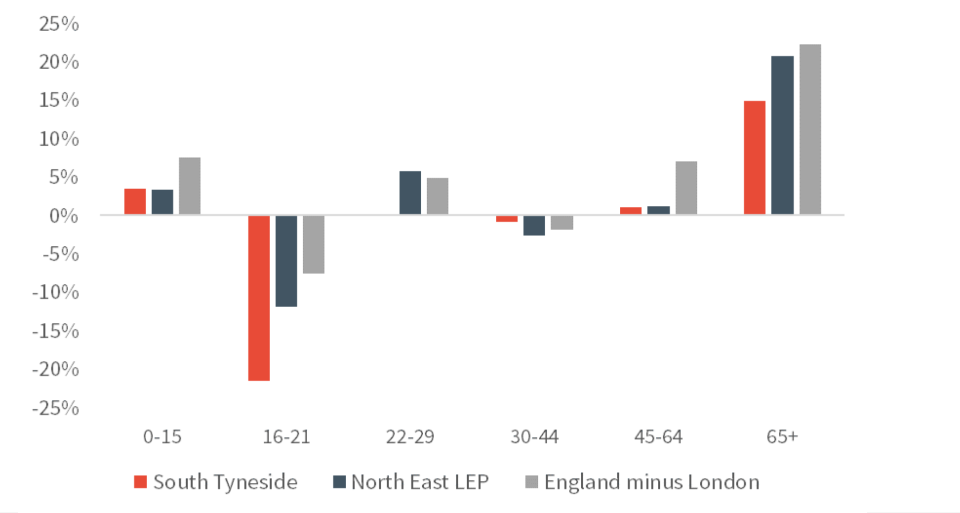
By contrast, the proportion of people over the age of 65+ has increased by 4,000 (15%) over the last ten years, although this was lower than the LEP and national average (21% and 22% respectively).

Figure 4.1: age profile of population, 2020



Source:
ONS mid year population projections

Figure 4.2: change in population by age group, 2010-2020



Source:
ONS mid year population projections

Migration trends

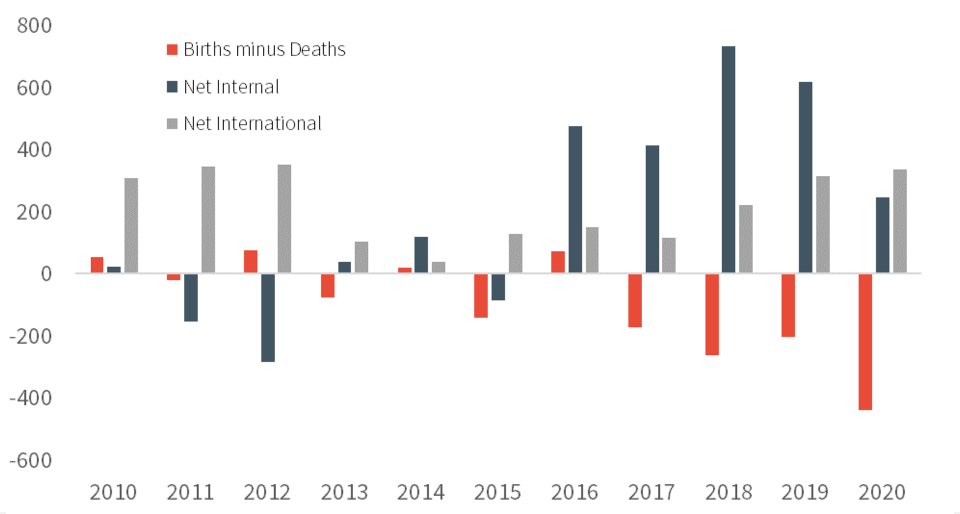
Population growth has been dependent on domestic and international migrants

Figure 4.3 shows South Tyneside is increasingly dependent on migration to sustain its population growth due to deaths outnumbering births since 2015. Internal migration from within the UK was the main contributor to population growth, accounting for 56% of net migration. But net migration among working age people was evenly split between internal and international migrants. Overseas workers have therefore made an important contribution to South Tyneside's labour supply, which may be at risk as a result of future restrictions on migration as a result of Brexit.

Net migration to South Tyneside was positive for all age groups except those aged 15-19 (due to a large number of young people moving away to university towns and cities). The large net inflow of people aged 0 to 15 and 30 to 44 suggests young families are being attracted to South Tyneside. There is also some evidence from the 2011 Census (albeit now very dated and only for one year) which shows in-migrants were higher skilled than average; 30% of people who moved in to South Tyneside were in the top two NSSec categories of managerial or professional occupations compared to 23% of the population overall.

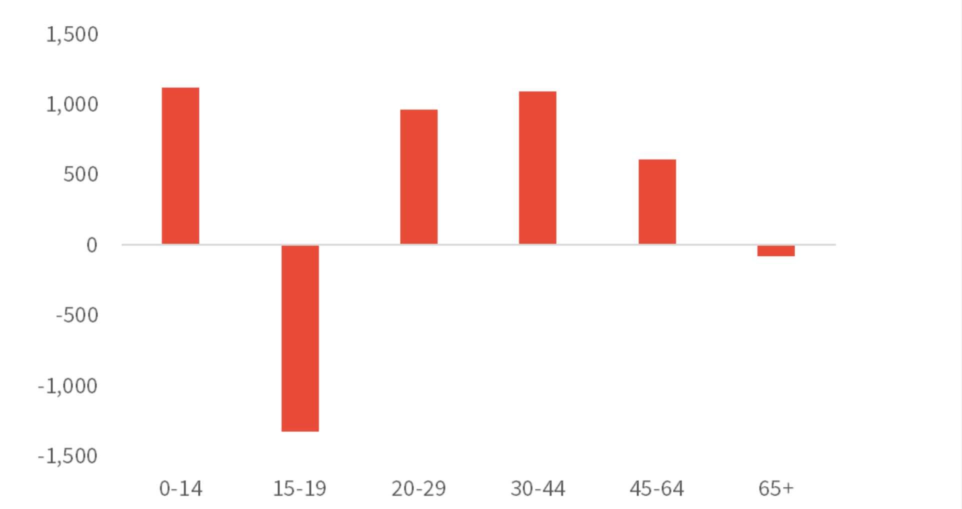
As noted, this may offer some evidence that South Tyneside (or parts of it) is seen as an attractive location for people who have built their careers in the city region's main employment centres, but move out of the city to start or build a family.

Figure 4.3: components of population change, 2010-2020



Source: ONS mid year population projections

Figure 4.4: net migration flows to South Tyneside, 2011-2020



Source: ONS local authority migration flows

Future **demographic trends**

Further falls in the working age population future will continue to constrain labour supply

ONS population projections show a 1% fall in the working age population(-1,100) between 2018 and 2028. This is in line with LEP average but below the national average of +2%. This has the potential to restrict labour supply and act as a barrier to growth. Although it should be noted a 1% fall is modest and South Tyneside's labour supply could still expand if economic inactivity rates were reduced from their current high level (see section on economic participation).

Nevertheless, the data which underpins the population projections shows deaths are expected to continue to outnumber births in South Tyneside. This means future population growth is dependent on high levels of net in-migration of over 600 people per annum (see Figure 4.6).   This level has been achieved only once in the past ten years, meaning there is a risk that population growth will be lower than these forecasts suggest.

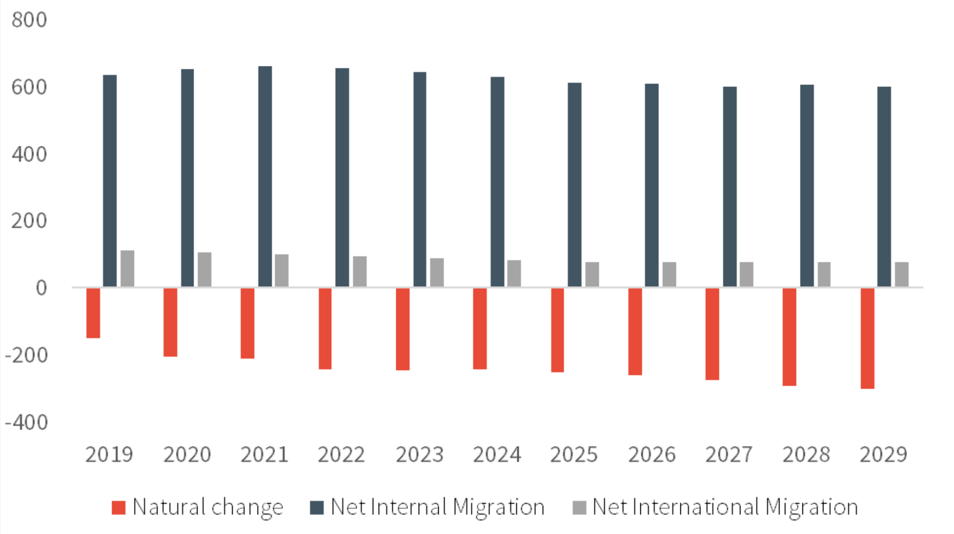
Furthermore, the number of people aged over 65 is forecast to increase by just under 20% between 2018 and 2028. This will result in a large number of people leaving the workforce through retirement, creating additional replacement demand (see labour demand section).

These two factors increase the risk of labour supply constraints in future and raise the importance of maximizing labour market participation among South Tyneside's residents.

Figure 4.5: population projections by age group, 2018-2028

Source:
ONS mid year population projections

Figure 4.6: components of change for population projections



Source:
ONS mid year population projections

Economic **participation**

High economic inactivity rates among women and young people

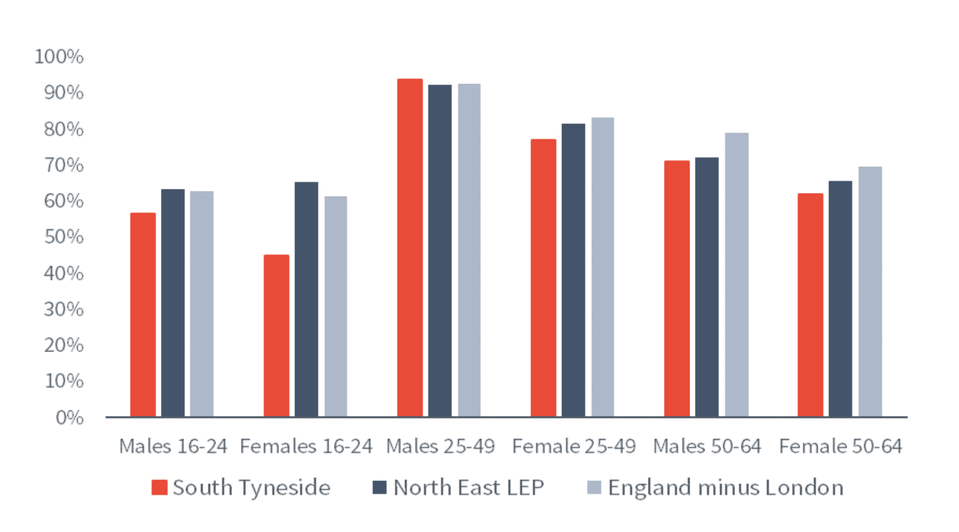
72% of South Tyneside's working age people were economically active in 2020/21. This is significantly lower than the LEP and national average (77% and 79% respectively) and has fallen by two percentage points since 2015.

Closer analysis reveals that the difference with the LEP and national average relate to certain groups, notably women (in all age groups) and young people aged 16-24 (see Figure 4.7). The low activity rates for women are likely to be explained by a higher share of the female population having caring responsibilities (see section on barriers to work).

Of particular concern is that the economic activity rate among young people has fallen sharply since early 2020 (see Figure 4.8). This fall is not evident in the data for North East LEP or national average, which suggests the Covid pandemic has had a profound and distinct impact on young people in South Tyneside, causing them to withdraw from the labour market all together. This was consistent with the experiences of some consultees who work with people re-entering the workforce but had noted a large drop off in people seeking support. They feared that some people had got used to not working during the pandemic and now faced greater barriers related to confidence about re-entering the labour market. There is a risk that this has a lasting scarring effect on the labour market prospects of South Tyneside's young residents if this is not addressed.

Reducing levels of inactivity will ensure that labour supply constraints do not act as a barrier to growth in future. Increasing the economic activity rate to the LEP average would boost South Tyneside's labour supply by 4,000 people, and by 6,000 if it was brought in line with the national average. This would help to overcome future falls in the working age population.

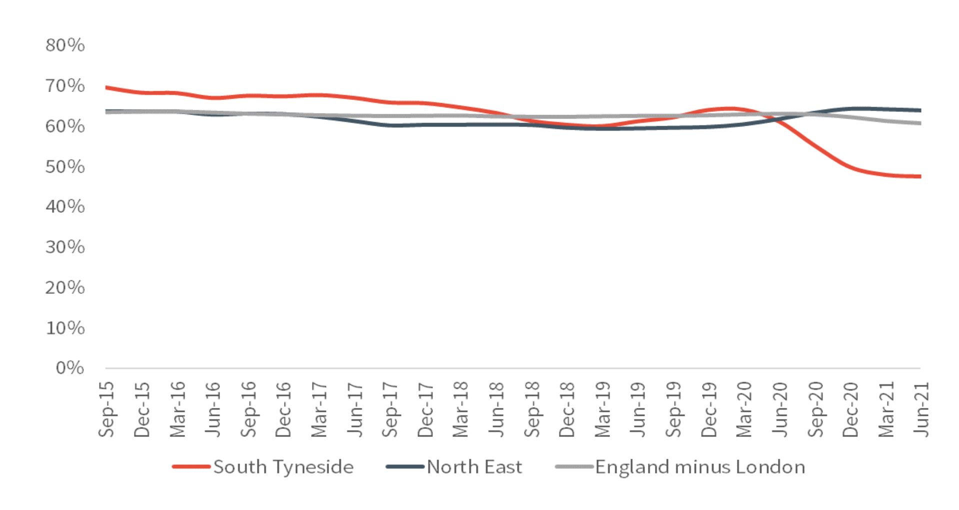
Figure 4.7: economic activity rates by age/sex, 2020-21



Source: Annual Population Survey

Note: based on the average of the three most recent quarterly surveys to reduce sampling error

Figure 4.8: economic activity rates of people aged 16 to 24, 2020-21



Source: Annual Population Survey

Note: based on three quarter moving averages to reduce sampling error

Unemployment

Evidence of a strong recovery from the Covid pandemic but a persistently high level of structural unemployment

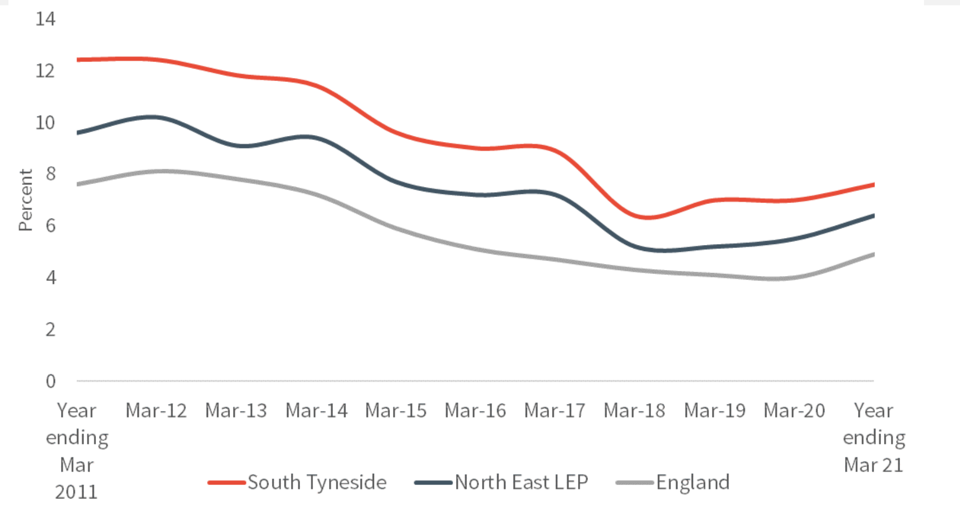
Figure 4.9 shows there was a large fall in unemployment in South Tyneside during the 2010s which helped to halve the gap between the local and national unemployment rate between 2010/11 and 2020/21. Nevertheless, the persistent gap with the national and LEP average shows South Tyneside has a higher level of long term, structural unemployment than compactor areas.

According to ONS modelled estimates South Tyneside had an unemployment rate of 7.6% between April 2020 and March 2021. It is important to note that this is inconsistent with claimant count data which shows the percentage of people claiming Universal Credit who were seeking work (which should be lower than the headline unemployment rate) was around 9% for much of this period, due to the Covid pandemic.

Figure 4.10 shows unemployment rose sharply from March 2020 onwards with a 45% increase between March and April 2020. Although the percentage point increase in the claimant rate was higher than the LEP or national average, it has also recovered faster and is now only 1.5 percentage points above the level it was at before the pandemic. If the strong recovery in the jobs market continues on its current trajectory, it is reasonable to expect that the claimant rate will reach its pre-pandemic level by early 2022. Similarly, the pandemic caused a sharp rise in claimant rates among all age groups, but these are all on course to return to pre-pandemic levels by early 2022. However it should be noted that the data predates the emergence of the Omicron variant in late 2021, which could delay the recovery in the jobs market.

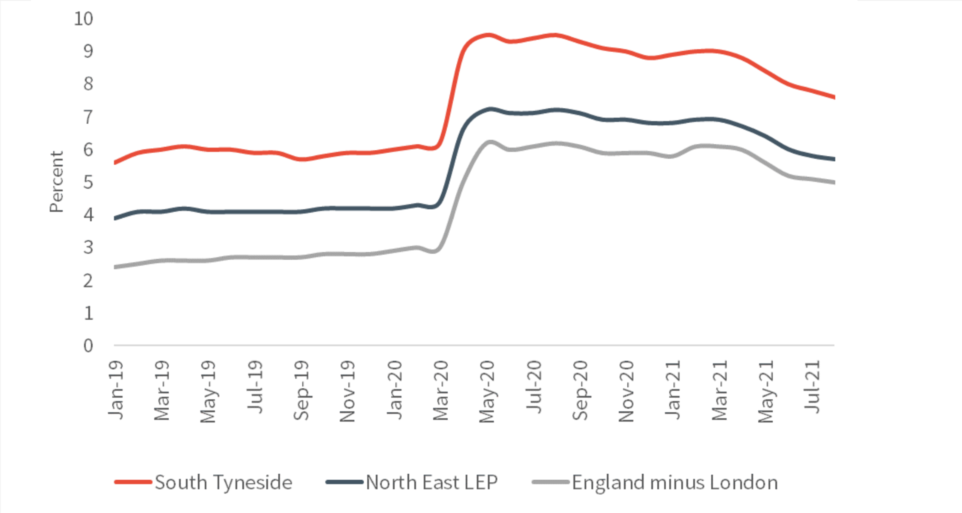
This suggests any long term scarring from the Covid pandemic in South Tyneside is reflected in rise in inactivity rather than an a long term increase in unemployment.

Figure 4.9: unemployment rate, 2011-2021



Source:
Annual Population Survey modelled estimates

Figure 4.10: claimant rate, Jan 2019 to Aug 21



Source:
Claimant Count

Barriers to work

Reasons for unemployment and inactivity include demand and supply side barriers

High levels of unemployment and inactivity in South Tyneside are likely to be due to a number of factors:

- **Personal circumstances**: a higher share of South Tyneside residents report they are unable to work due to particular barriers to work in their personal lives, including long term sickness and caring responsibilities (see Figure 4.12). Consultees also pointed to deeply engrained worklessness in some households in South Tyneside, which in many cases runs through generations. These people often lack confidence and self-esteem to work, even in the lowest skilled roles, and it will require intensive support to help them re-enter the labour market.

- **Lower skill levels**: Figure 4.11 shows the correlation between qualification levels and the probability of being employed in South Tyneside. Part of the reason for lower employment rates is explained by the fact South Tyneside has a lower share of residents with a higher education qualification (Level 4+) and a higher share with only basic or no qualifications (Level1 and below). The chart suggests that reducing the number of people with Level 1 or no qualifications could make a large contribution to increasing the employment and economic activity rate.

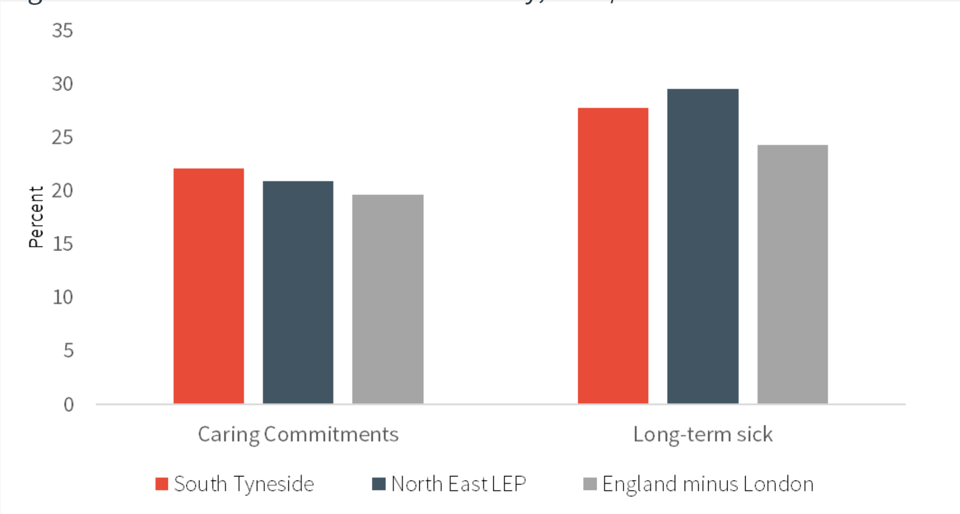
- **Availability and accessibility of jobs**: South Tyneside has a jobs density of 0.52, one of the lowest in the country and the result of weak demand for labour. This means residents are more likely to have to travel longer distances to access major employment centres which represents a barrier for many lower skilled people on low incomes, confirmed by a number of consultees.

- **Mismatch between job opportunities and jobseeker preferences**: Recruitment agents noted that Brexit has led to large numbers of vacancies in low wage sectors such as food manufacturing. However they reported that many British job seekers were unwilling to work in these roles.

Figure 4.11: percentage of working age people who are employed by qualification level, 2020

Source: Annual Population Survey

Figure 4.12: reasons for economic inactivity, 2020/21



Source: Annual Population Survey

Qualifications

A lower share of people with HE level qualifications, with little sign of the gap narrowing

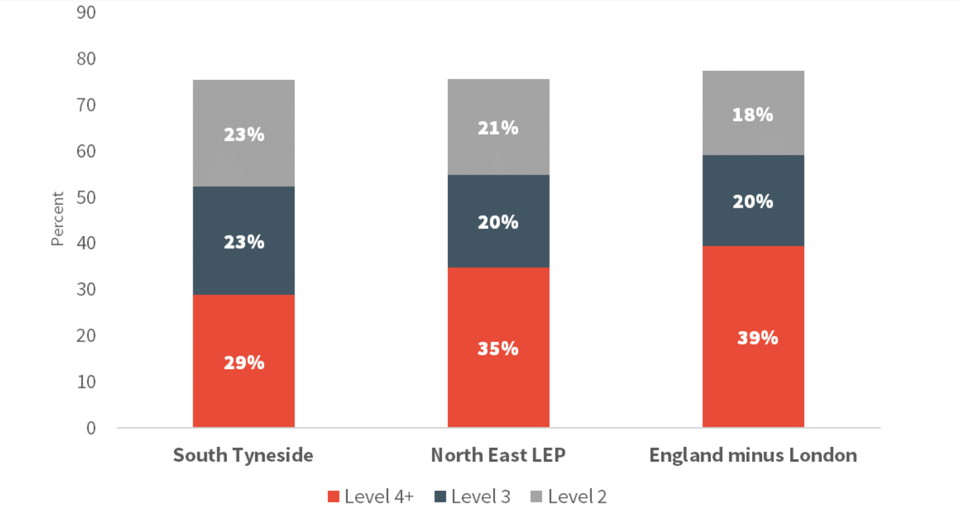
Figure 4.13 shows that 75% of South Tyneside's working age residents have at least a Level 2 qualification (equivalent to a GCSE at A* to C or 9 to 4) which is only slightly lower than the LEP and national average. This has also increased by 10 percentage points since 2010.

The key difference with comparator areas is at Level 4+, with only 29% holding a higher education qualification compared to 35% in the North-East LEP and 39% in England minus London.

Figure 4.14 shows that the percentage of people qualified to Level 4+ has increased by 5 percentage points over the last ten years. All areas have seen an increase in the percentage qualified to Level 4+ because of an age cohort effect; younger people are more likely to have these qualifications than older people because of the large increase in HE participation which occurred in the 1990s. Therefore as older people reach 65, this raises the average for the working age population. However there is little evidence that the gap with comparator areas has narrowed. Indeed the latest data suggests the gap has widened by 5 percentage points, although part of this could be due to sampling error.

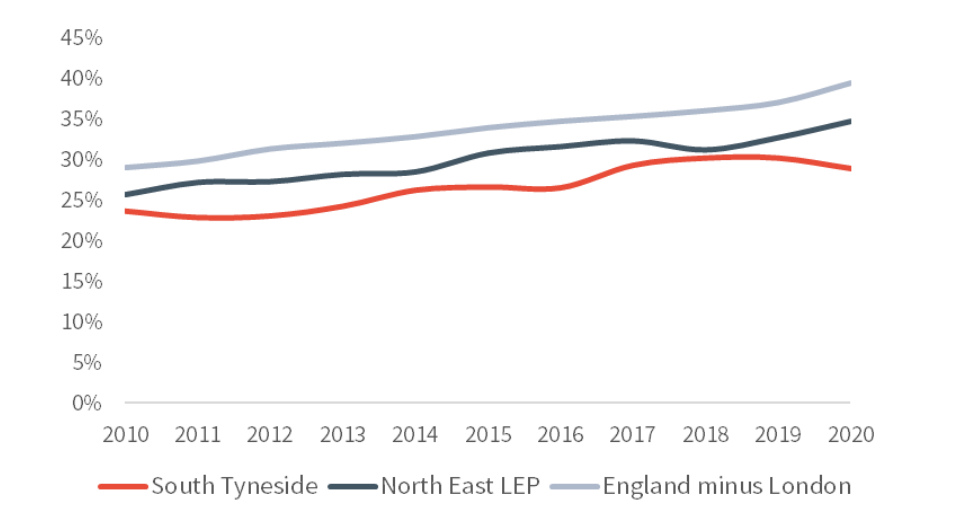
It is important to note that this gap at Level 4+ is due to both supply *and demand* factors, as we show in the following sections.

Figure 4.13: highest qualifications held by working age residents, 2020



Source: Annual Population Survey

Figure 4.14: change in percentage of working age people with a Level 4+ qualification, 2010-2020



Source: Annual Population Survey

Labour demand – long term trends

Zero net jobs growth since 2000

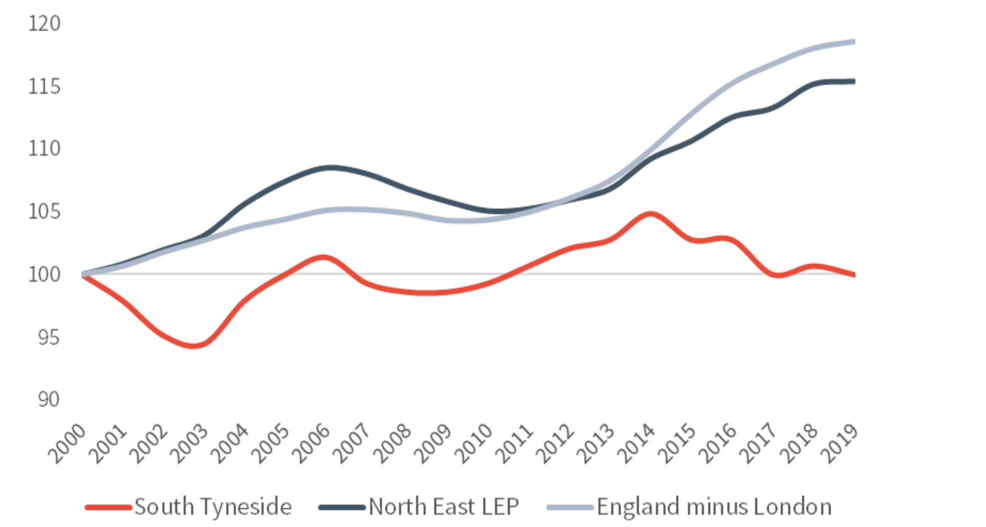
Figure 4.15 shows the number of jobs in South Tyneside is at the same level it was in 2000. This compares unfavourably with the LEP and national average which have both experienced strong jobs growth, particularly in the past ten years.

This weak jobs growth is a result of structural change within the economy, in which a large fall in employment in South Tyneside's manufacturing sector (-5,300) has been cancelled out by growth in service industries including education (+1,000), real estate (+700), and professional, scientific and technical activities (+1,000).

This structural change has also changed the types of skills in demand by South Tyneside's employers. The broad occupations with the largest increase in employment since 2004 (the earliest date for which data is available) were caring, leisure and other service occupations (+2,000). But there were falls in employment for a number of other occupations including skilled trades, associate professional and technical occupations and administrative occupations.

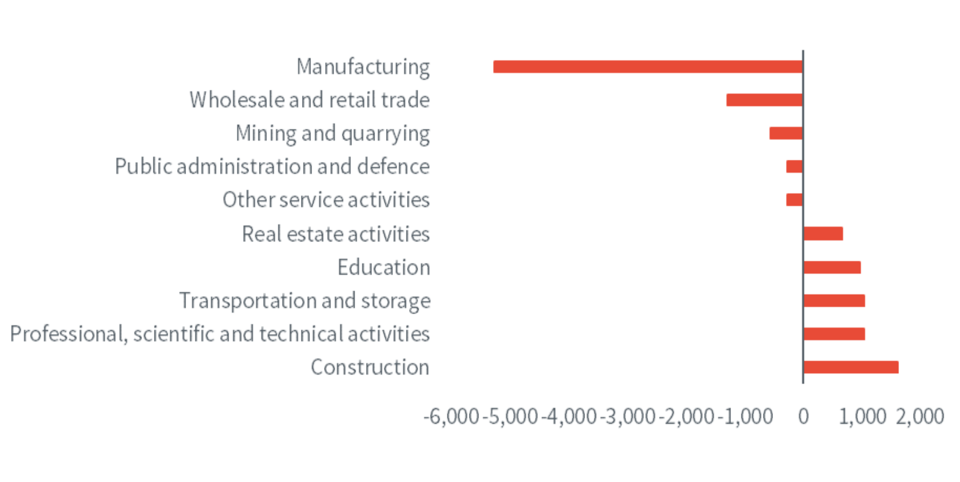
There is only limited evidence of growth in demand for higher skilled roles. The number of people in managerial occupations increased by 1,000 (34%) which was higher than the LEP and national average (17% and 25% respectively), albeit from a low base. The number of professionals fell slightly, compared to large increases in the LEP as a whole (42%) and England minus London (46%). This weak demand for professional skills helps to explain why the proportion of highly skilled residents is still significantly lower than the national average.

Figure 4.15: employment change index, 2000-2019 (2000=100)



Source:
ONS jobs density

Figure 4.16: employment change in five largest growing and declining sectors, 2000-2019



Source:
Business Register and Employment Survey

Low skill **equilibrium**

Figure 4.17 illustrates the relationship between demand and supply for high level skills for local authorities in England. South Tyneside sits in the bottom left quadrant of the chart which means it has a low skills equilibrium. This tends to occur in local labour markets where a high proportion of employment is in low value activities. This position becomes self reinforcing, creating a circular process where demand for skills is low, so skills supply is low (reflecting a lack of incentive to invest) which in turn inhibits the development and expansion of higher value activities. There may be a number of negative outcomes in these circumstances, many of which are evident in South Tyneside including low wages, low productivity and vulnerability to automation.

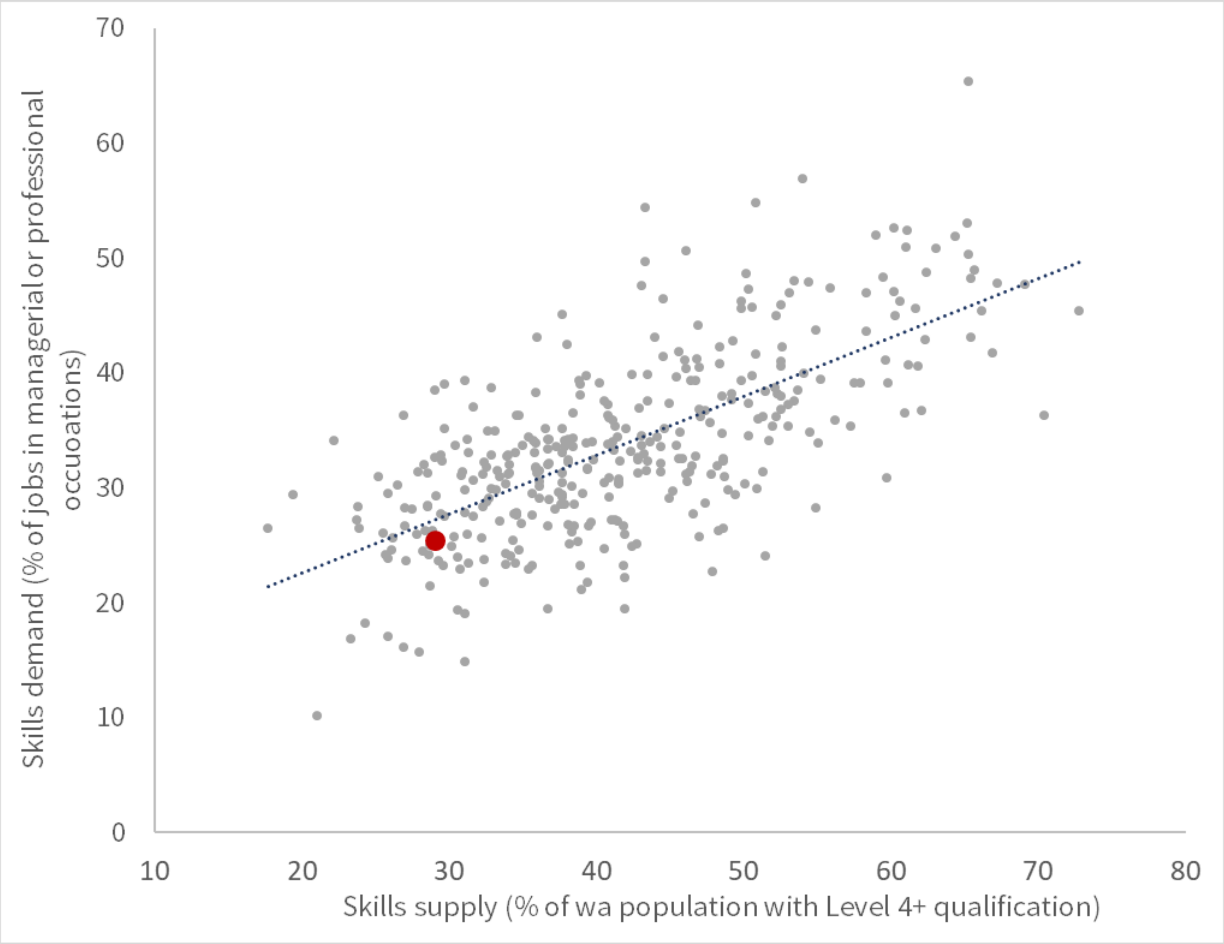
This means that measures which focus solely on improving the supply of high level skills will be insufficient unless accompanied by measures which raise the demand for these skills.

There may be limited interventions that can be applied at a local level to break out of this low skills equilibrium, but measures should be targeted at one of the following:

- Supporting those higher value sectors in which South Tyneside has particular strengths, including offshore wind and advanced manufacturing, and seeking to remove barriers to growth. This should also look to develop strong links between these sectors and local colleges and training providers to ensure that skill needs of these sectors are met from the local workforce.

- Raising demand for skills or improving utilisation of skills in high employment sectors. This is more challenging, and would require a sector-by-sector analysis of the factors which prevent employers from investing in workforce skills and progression, and how business support interventions could encourage firms to be more ambitious in their product market strategies or the way they manage their workforce.

Figure 4.17: relationship between skills demand and supply in English local authorities, 2020



Source:
Annual Population Survey

Job **vacancies**

The health and education sectors have driven recent demand for skills

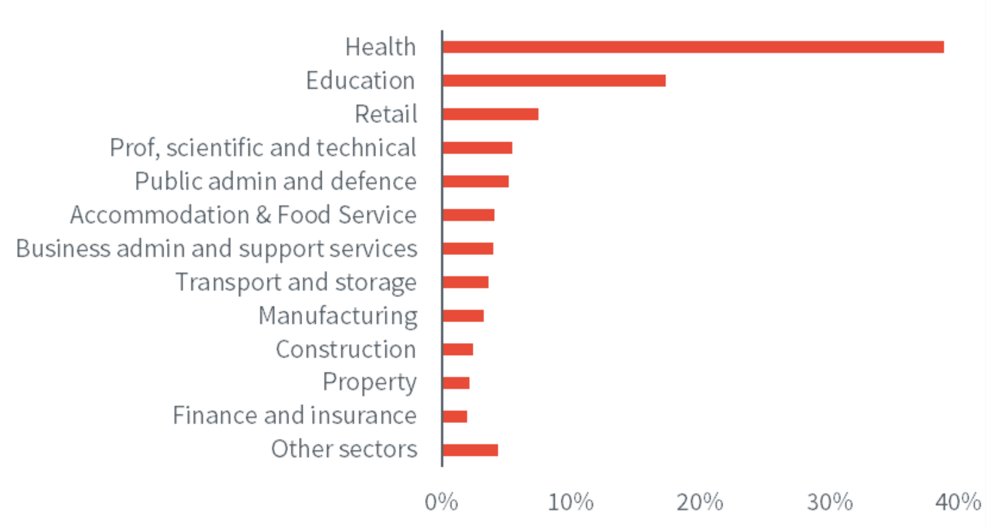
Analysis of recent job vacancies can be used to understand the current skill needs of South Tyneside employers. The EMSI database shows there were around 5,400 unique job vacancy postings p.a. in South Tyneside between 2016 and 2020, representing around 8% of employment in the borough over this period. This is substantially lower than the average for the North-East (22%) and England (29%). This is further evidence that demand for labour is much weaker in South Tyneside than comparator areas and a reason for the higher levels of worklessness.

Figure 4.18 shows that the public sector is the main driver of demand for skills in South Tyneside, particularly the health and education sectors which accounted for 56% of vacancies between 2019 and 2021.

This is reflected in occupations data which shows that the occupations with the highest numbers of vacancies were caring personal services (2,540), nurses (2,120) and teachers (1,630). Demand from the private sector tends to be for lower skilled and lower paid positions, including transport drivers, sales and administrative roles.

There are relatively few vacancies in those private sector industries in which South Tyneside has notables strengths, including advanced manufacturing and tourism. This could be an indicator of weak demand but in the case of tourism may also reflect the ways in which employers advertise vacancies.

Figure 4.18: sector profile of job vacancies in South Tyneside, 2016-2020



Source: EMSI

Figure 4.19: occupations with highest number of unique vacancies, 2016-2020

Source: EMSI

Skill shortages

Skills shortages in skilled trades, which could act as a barrier to growth in key sectors

According to the UK Employers Skills Survey (UKESS) around a third of vacancies in 2019 were hard to fill due to a lack of skills among applicants. There were eight skills shortage vacancies (SSVs) for every 1,000 employees in South Tyneside which is higher than the LEP average (6) but in line with the national average.

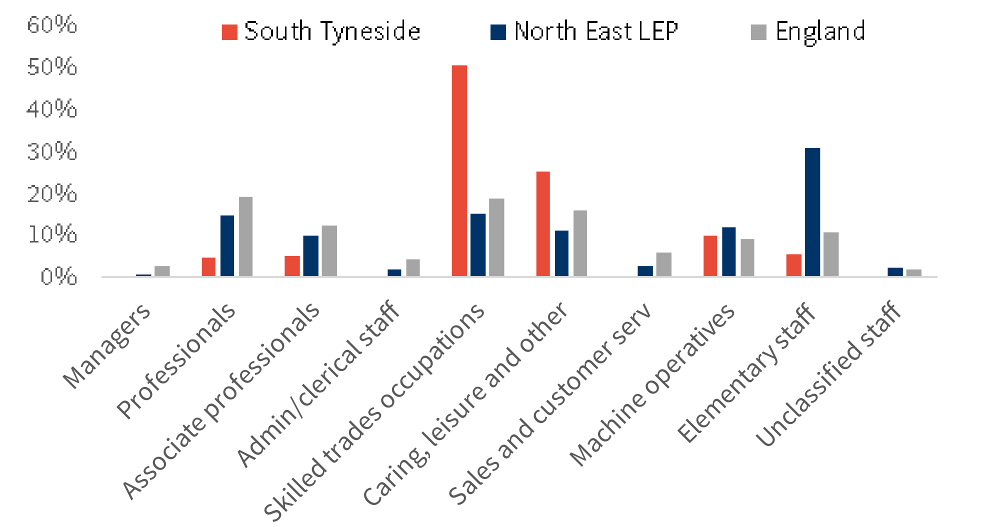
There is substantial variation in the profile of these SSVs. SSVs were spread among a wide range of occupations in England but over 50% in South Tyneside were in skilled trades and a further 25% were in care, leisure and other service occupations. The data for South Tyneside does not provide a breakdown of SSVs by sector but the largest employers of people in skilled trades are manufacturing and construction, which are both key sectors in the borough. Skilled trades are also a vital part of the offshore wind sector workforce.

This is supported by evidence from the business survey which found that staff recruitment was identified as a barrier to growth by 34% of businesses in the manufacturing/construction sector. This was significantly higher than the average (16%) and was the highest of any sector. Technical or job specific skills were identified as the skills which were most difficult to recruit, cited by 88% of businesses.

Consultees also identified skills as a barrier to growth in key sectors, particularly manufacturing and the energy sector. Employers in these sectors reported it was difficult to recruit staff at all levels, but particularly when recruiting experienced staff who are more advanced in their careers. Consultees noted there are few policy levers to help address this challenge but pointed to the importance of making South Tyneside a more attractive place to live through more family housing, town centre regeneration and investment in more aspirational leisure and recreation facilities.

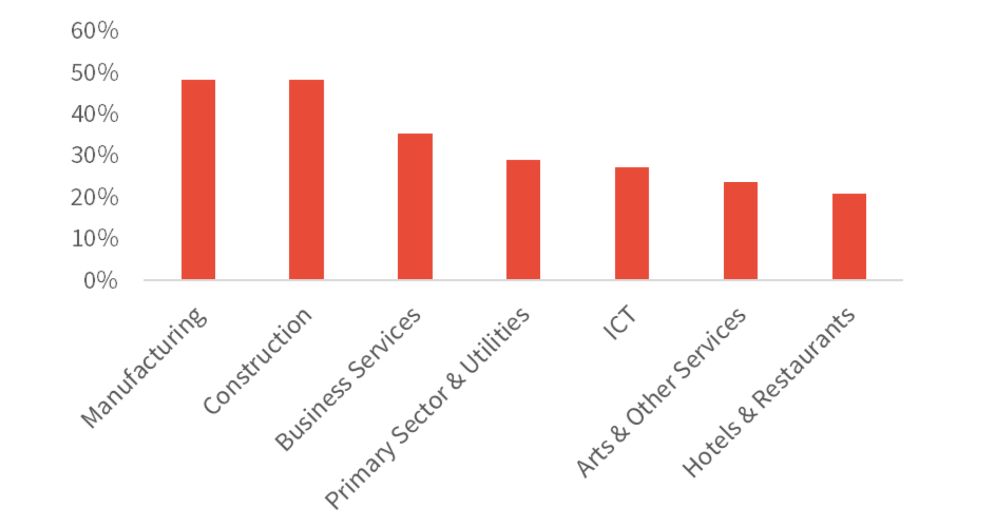
They also identified the need to build the pipeline of young people who pursue a career in these sectors. They felt there are still too many young people who lack awareness of the job opportunities that might be created at IAMP or in growth sectors such as offshore wind.

Figure 4.20: occupation profile of skill shortage vacancies, 2019



Source: UK Employers Skills Survey

Figure 4.21: percentage of vacancies in North East LEP that were due to skill shortages, 2019



Source: UK Employers Skills Survey

Post 16 **education** and **training**

Education and training provision is well aligned with industrial profile of South Tyneside

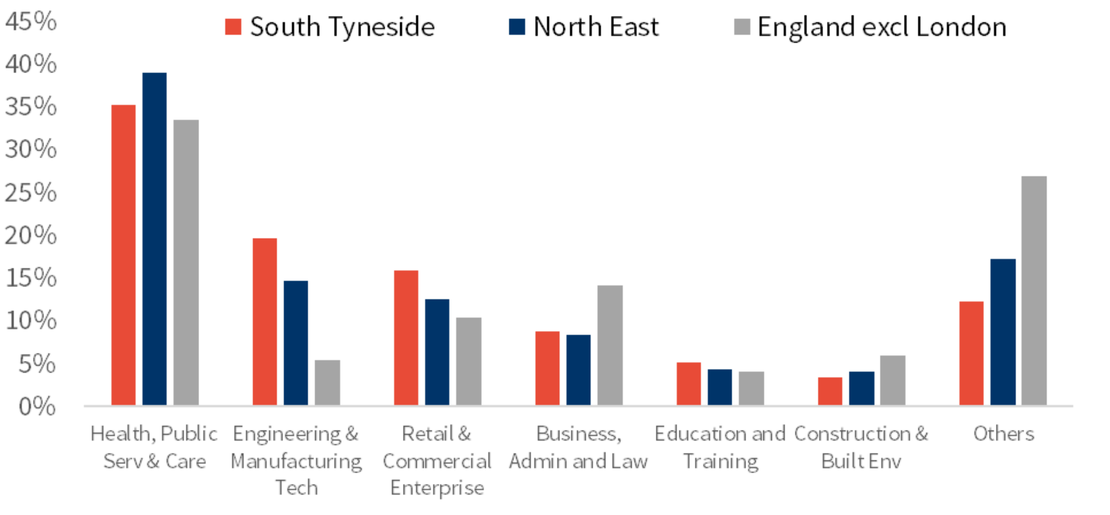
South Tyneside's main post 16 education and training provider is South Tyneside College and South Shields Marine School which form part of Tyne Coast College. This was rated Good by Ofsted in its most recent inspection (2019) and has some outstanding assets; the Marine School is one of only four specialist providers of maritime education and training in the country and has a national reputation in the sector. The School won a national Queens Award for Industry in 2019 and has strong links with global shipping companies and the offshore wind sector.

There were 3,500 enrolments on learning aims in South Tyneside in 2019/20 (excluding preparation for life and work modules). Figure 4.22 shows that two sector subject areas (SSAs) accounted for 55% of provision (Health, Public Services and Care and Engineering and Manufacturing Technology). The latter accounts for a much greater share of provision than the LEP or national average. South Tyneside has a low share of provision in ICT, Arts, Media and Publishing and Science and Mathematics, all of which also account for a much lower share of employment

Although this analysis is at a high level, this suggests that post 16 education and training provision is generally well aligned with the skill needs of South Tyneside's economy (counter to the views of some consultees). The one concern is that Construction and the Built Environment accounts for a low share of enrolments, despite accounting for a high share of employment in South Tyneside.

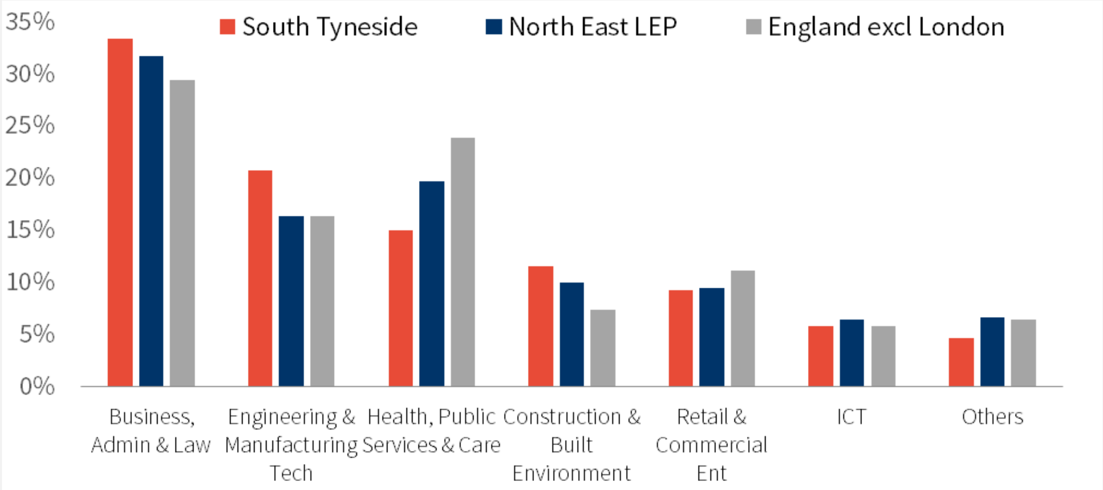
Apprenticeships data shows a slightly different pattern. There were 870 apprenticeship starts in South Tyneside in 2019/20, meaning there were around 21 enrolments for every 1,000 jobs in the borough. This is above the LEP average and in line with the national average. Engineering and Manufacturing Technologies again accounts for a high share of provision, whilst Health, Public Services and Care account for a lower share. The most popular apprenticeship is the business administration standard which is used by a wide range of sectors and explains why Business, Admin and Law accounts for the highest share of apprenticeship provision.

Figure 4.22: enrolments on learning aims by Sector Subject Area, 2019/20



Source: DfE

Figure 4.23: apprenticeship starts by Sector Subject Area, 2019/20



Source: DfE

Earnings

Average earnings are still well below the national average

The median annual gross salary for full time workers in South Tyneside was £24,800 in 2021. This is £2,700 lower than the LEP average and £6,700 below the England average. Figure 4.24 shows there has been no real terms growth in earnings in any of the areas since 2010. This has been attributed to stagnant labour productivity since the 2008/9 economic downturn.

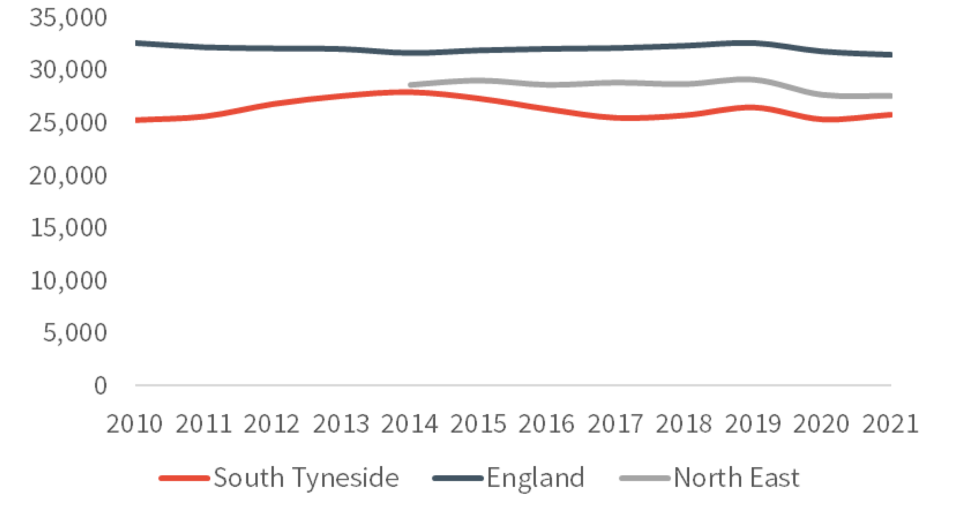
The median salary of South Tyneside's full time employed residents is £27,400. This is nearly £3,000 higher than the equivalent for people who work in the borough. This is explained by differences in the occupational profile of residents and jobs in South Tyneside, and the fact that a large proportion of higher skilled residents commute to neighbouring areas such as Newcastle (APS shows a net outflow of 7,000 managers and professionals in 2020/21).

Figure 4.25 shows the nature of labour demand explains some of the difference in average wages. 38% of jobs vacancies posted in South Tyneside between 2016 and 2020 were in positions where the advertised salary was less than £20,000 per annum compared to only 29% in the LEP and 16% in England. In contrast there was much weaker demand for workers in roles with a salary over £30,000.

There is no data available on career or earnings progression at local authority level. However this data suggests opportunities for progression are likely to be far more limited in South Tyneside than other areas, since there are fewer vacancies in intermediate and higher salary roles.

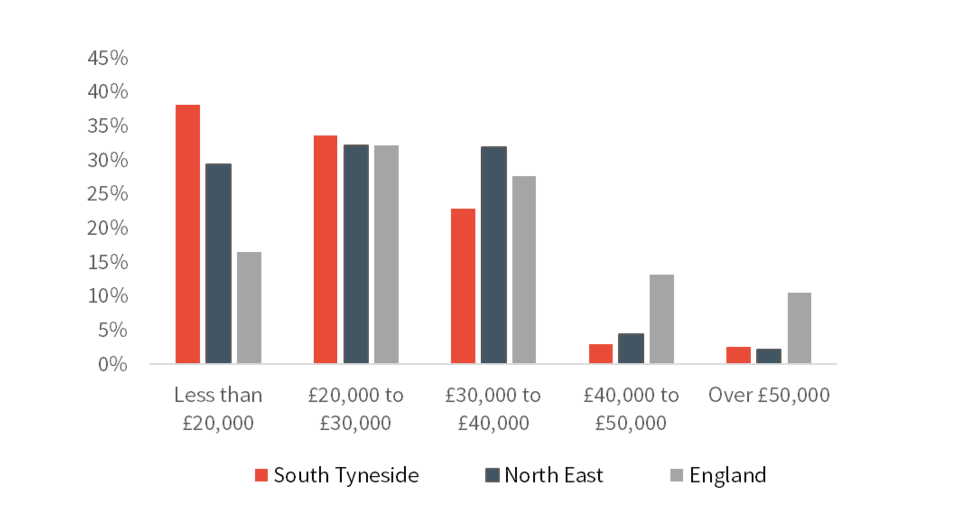
These patterns can be explained by the low skills equilibrium in South Tyneside. Solutions will need to tackle the low demand for skills as well as supply.

Figure 4.24: median gross salary of full time workers, 2016-2020



Source:
Annual Survey of Hours and Earnings

Figure 4.25: advertised salaries of job vacancies in South Tyneside, 2016-2020



Source:
EMSI

Future skills demand

High levels of replacement demand raise the chances of future labour shortages, particularly in the health and care roles

Future demand for labour/skills can be broken down in to two main components:

- Expansion demand: additional workers required as a result of future jobs growth in South Tyneside. We have used Oxford Economics forecasts to provide an indicative estimate of future jobs growth.

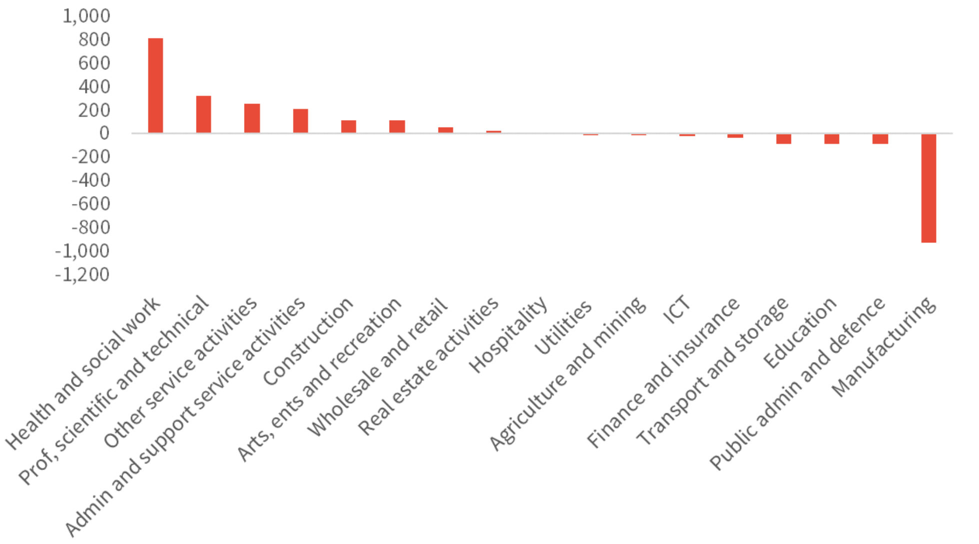
- Replacement demand: labour required to replace people leaving the workforce (eg through retirement). We have drawn upon Working Futures forecasts for the North East LEP, which we have adjusted in line with the workforce profile of South Tyneside.

The charts show that replacement of workers is expected to be the main driver of demand over the next ten years, with a requirement for 15,000 workers between 2017 and 2027. The largest requirement is expected to be for caring occupations and professionals (a large proportion of which are likely to be health and education professionals).

Oxford Economics forecasts show very limited net jobs growth over the next ten years (+500); the result of continued falls in manufacturing and growth in public services, particularly health and social care (in line with past trends). It should be noted that these forecasts are subject to significant uncertainty and do not take into account planned investments such as IAMP, which could reverse declines in the manufacturing sector.

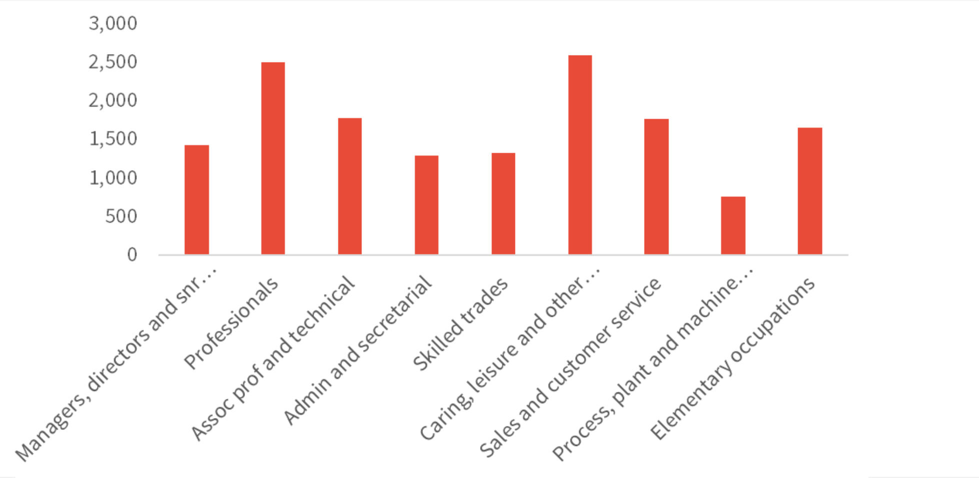
Despite limited net jobs growth, when combined with a declining working age population and high levels of inactivity in South Tyneside, these forecasts suggest there could be a labour shortage in future. This is likely to be a particular concern for the health and care sector.

Figure 4.26: forecast expansion demand by industry (jobs growth), 2019-2029



Source:
Oxford Economics

Figure 4.27: forecast replacement demand by occupation, 2017-2027



Source:
Working Futures

Conclusions and recommendations

The evidence suggests South Tyneside faces a number of stark labour market challenges:

- **Demographic challenges**: South Tyneside's working age population is falling, while the number of retired people is increasing. This is increasing demand for labour (through workers leaving the workforce) at the same time as shrinking the available workforce.
- **International migration**: this has been a vital source of labour supply over the last ten years but is now under threat as a result of stricter migration controls. This will be a particular challenge in those low wage sectors that are dependent on migrant workers such as food manufacturing and hospitality.
- **High levels of economic inactivity and structural unemployment**: the proportion of people who are economically inactive is at its highest level in ten years. There has been a particularly large fall in economic activity among young people since the Covid pandemic.

When combined these challenges could undermine even modest levels of jobs growth and lead to severe labour shortages in many sectors. Of particular concern is the risk that the Covid pandemic has a long-term scarring effect on the labour market prospects and life chances of young people. Working with Jobcentre Plus and other stakeholders to identify the reasons for this fall in participation and the support needs of young people who have withdrawn from the labour market should therefore be a high priority (it was noted that the council has recently started working with JCP through the skills hub South Tyneside Works).

A further option for addressing labour market challenges that the council should consider is housing led growth to attract more skilled migrants to live in South Tyneside. This should particularly focus on opportunities for housing development close to metro stations, and creating family friendly communities, which has proven successful in Hebburn (see Place chapter). This would ensure residents can access job opportunities elsewhere in the sub-region but also provide additional skilled workers for South Tyneside's growing sectors.

The key skills priorities are as follows:

- Meeting the high volume skill requirements of large sectors. This particularly relates to health and care but also construction and hospitality.
- Addressing skill shortages in priority sectors, particularly advanced manufacturing and offshore wind which could act as a barrier to growth. The requirement may be smaller in volume but relate to higher level skills.

In relation to the first priority there is a need to prepare the large number of unemployed people for work in these sectors. This could involve the creation of sector based work academies which offer pre-employment training, a work experience placement and a guaranteed job interview (we understand one is already proposed for the adult acre sector). Hatch is evaluating one work academy for the social care sector which has so far provided support to over 600 unemployed people, of whom over 200 have entered employment in the sector (so far). We are also aware of construction academies which have been highly successful. The Council should also continue to promote the Pledge in these sectors, which commits employers to recruiting locally, including people who face barriers to work.

The second priority is more challenging to address through public intervention, particularly the immediate challenge of recruiting experienced engineers. There is a need for greater awareness raising of the opportunities in these sectors, which focuses not just on young people but also existing workers who may have transferrable skills, and providing them with the support to retrain if needed. The council should also look to facilitate relationships between employers and Tyne Coast college to ensure that there is a pipeline of relevant skills in future.

Finally, it is clear that South Tyneside's poor economic performance is also due to low demand for skills. This can only be addressed by working with employers themselves, by helping them to diversify into higher value markets or adopt new ways of working which make greater use of workers skills and offer progression routes for staff. This is highly challenging and there are few examples of interventions that have successfully allowed an area to escape from low skills equilibrium. Nevertheless this should remain an ambition for the Council.

5.
Infrastructure

Housing

Limited evidence that access to housing is acting as a barrier to growth

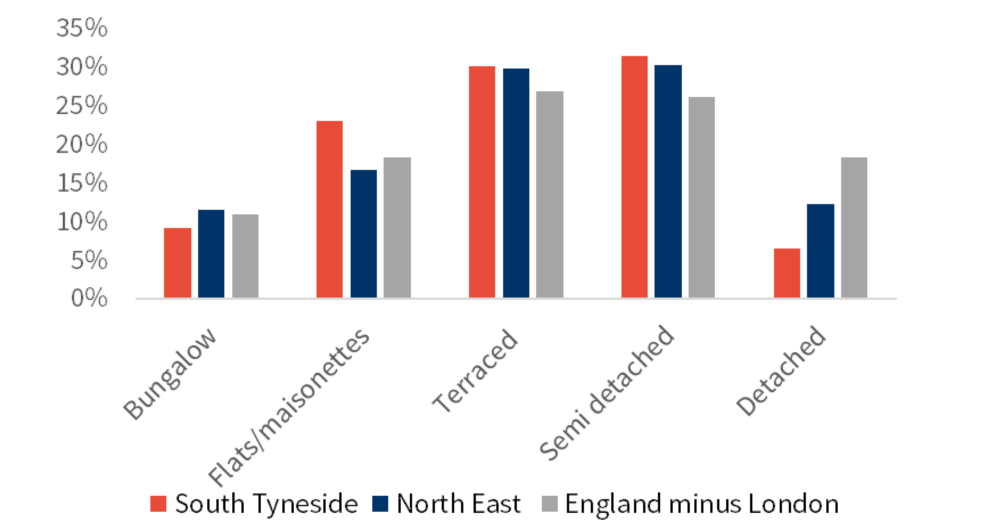
South Tyneside's housing stock is notable for having a higher share of flats/maisonettes than the LEP and national average and a much lower share of detached homes. There is also a very high share of affordable housing; 30% of homes are either rented from a council or housing association, which is one of the highest proportions of social housing in the country.

Overall there is limited evidence that the supply of housing is acting as a barrier to growth in South Tyneside. The current absorption rate (ratio of monthly average sales to homes on the market) is currently 8% (an absorption rate below 10% is generally an indicator that the market has an oversupply relative to demand). Housing is also affordable; the district has an affordability ratio of 4.92, which is the lowest in the North East LEP area and well below the England average (7.84). While house prices have been increasing, this has been broadly in line with inflation and earnings growth (around 2.3% per annum).

There is evidence of an oversupply of certain types of property, particularly flats for owner occupation, which have an absorption rate of just 3% compared to 14% for terraced homes. House price growth for flats and maisonettes has also been much weaker than other types of property (1% p.a.) which in real terms represents a fall in value. This suggests future supply should be geared more toward smaller houses than flats.

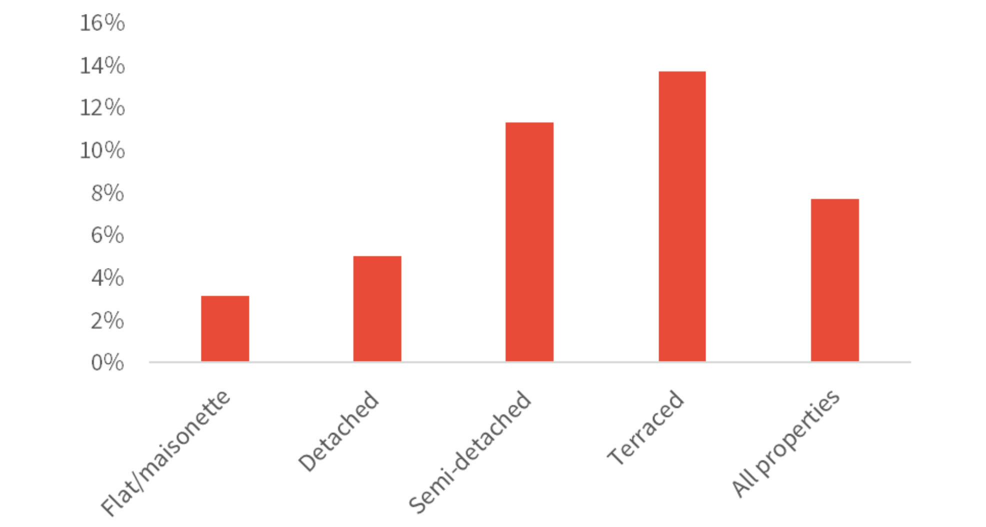
There is also some evidence of an undersupply of private rented homes in South Tyneside. The absorption rate for private rented homes is currently over 100%, with the average home staying on the market for just 20 days. This market imbalance is yet to be reflected in average rental values which have remained stable over the last few years. However this should continue to be monitored, as access to private rented accommodation is particularly important for low income workers.

Figure 5.1: profile of housing stock by house type, 2020



Source:
Council tax records
(Table CTSOP3.1)

Figure 5.2: absorption rate by house type, 2021



Source:
Land Registry and online portals

Office market: demand

Strong demand for small self-contained offices

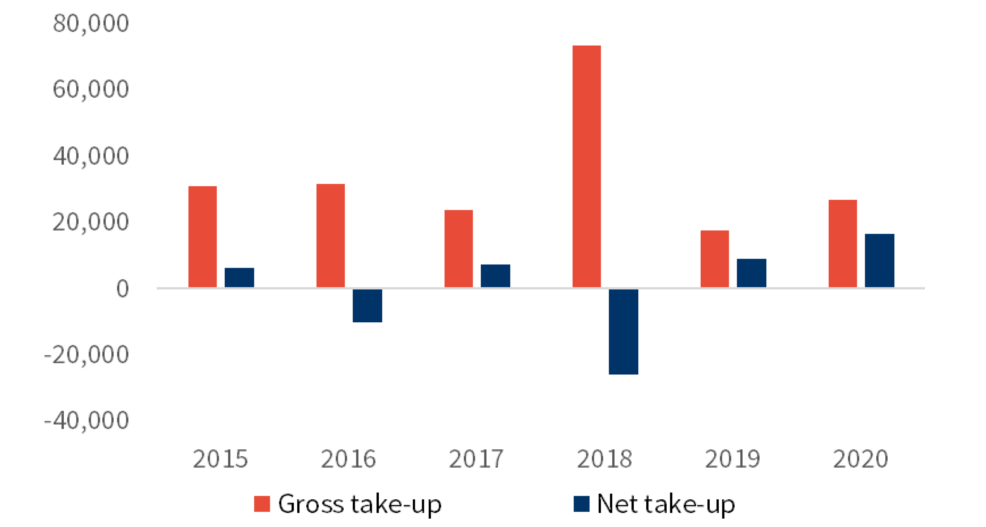
South Tyneside's main office market is South Shields Town Centre, which is home to 305 office units (c. 45% of the total for South Tyneside). This is a very small office market in comparison to Newcastle city centre which is the dominant office market location in the LEP area and attracts the vast majority of demand from HQs and larger businesses serving a regional or national market.

Demand for office space in South Tyneside is small scale. Figure 5.3 shows that gross demand for office space has been below 40,000 sq ft in five of the past six years and net take-up has been close to zero since 2015. Nevertheless, local agents reported there is demand for office space in the borough, which is mostly local businesses who have an established presence and are looking to update or expand their premises. This includes a diverse mix of sectors including financial services, IT, call centres and recruitment consultancies.

The most popular locations are business parks in the south and west of the borough, due in part to transport connections but also the fact they offer good quality office accommodation. Agents reported demand is strongest for small, self-contained office buildings with good parking. These were popular before the pandemic but have grown in popularity since because they are less dense and offer a degree of privacy and segregation from other businesses. Businesses are looking for good quality accommodation but not Grade A. There was also reported to be some demand in South Shields town centre but this is mostly very small businesses seeking affordable and flexible accommodation.

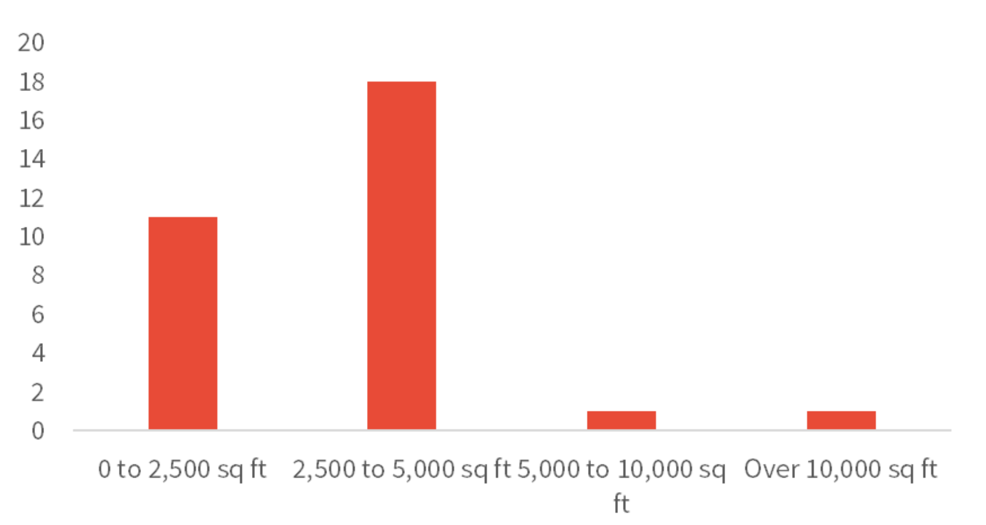
The vast majority of office requirements are small (below 5,000 sq ft). Larger requirements over 10,000 sq ft are much smaller in number but more difficult to satisfy. An agent offered one example of a national company based in the borough which is looking for 20 or 30,000 sq ft of space but has been unable to find any suitable premises.

Figure 5.3: gross and net demand for office space in South Tyneside, 2015-2020



Source: CoStar

Figure 5.4: number of deals by size-band, 2018-2021



Source: CoStar

Office market: supply

Need for public intervention to increase supply of office space

Vacancy rates have remained broadly stable over the past five years, between 5 and 7 per cent. According to CoStar there is currently around 55,000 sq ft of office space available, half of which is in small floorplates of less than 5,000 sq ft and all of which is Grade B. Based on past trends in net take-up, this would appear to be sufficient to meet most requirements for office space. However there is a very limited choice and agents reported there is a shortage of certain types of premises, particularly the small self-contained office buildings which are currently in high demand.

Agents reported that this undersupply has resulted in some local businesses relocating outside South Tyneside, and believe this will continue unless new development comes forward in future. The business survey also found that 18% of businesses in the professional services sector identified access to premises as a barrier to growth; higher than any other sector.

The main barrier to developing new office space is achievable office rents. Agents reported decent quality self-contained office buildings need rents of £19 to £20 per sq ft to be viable, but the maximum that could currently be achieved was £14 per sq ft. For larger requirements in need of higher quality space the viability gap is likely to be even greater.

There is therefore a need for public intervention to address the undersupply of office space, which could include:

+ Creating plots to sell the land to businesses to build their own buildings (this could work for local businesses looking for self contained buildings to own)
+ Gap funding development of larger buildings, or taking a head lease on premises and sub-letting to tenants.
+ Identify opportunities to refurbish disused or underused buildings to create small business centres offering flexible and affordable space for small businesses.

Figure 5.5: vacancy rates for office space in South Tyneside, 2015-2021

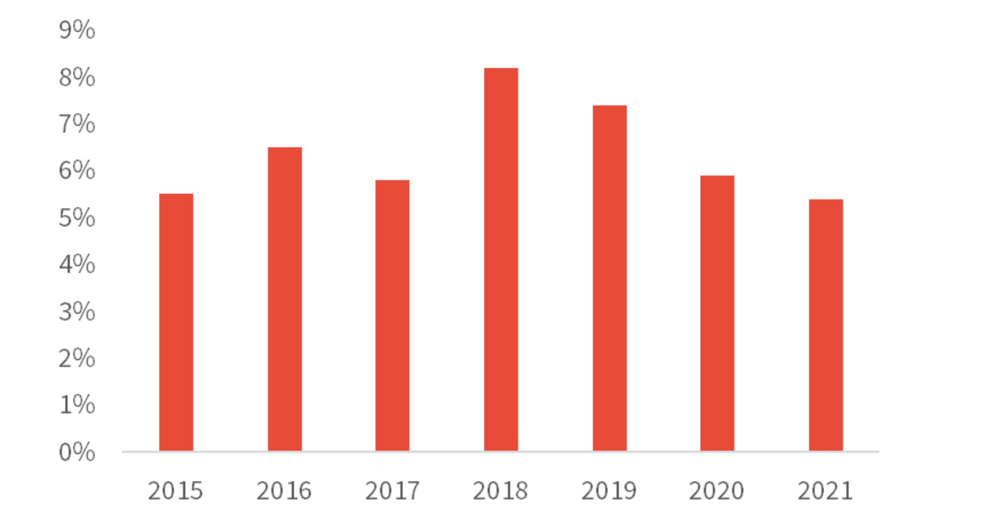


Figure 5.6: example of self contained office unit

Industrial market: **Demand**

Strong demand for industrial space in well located business parks

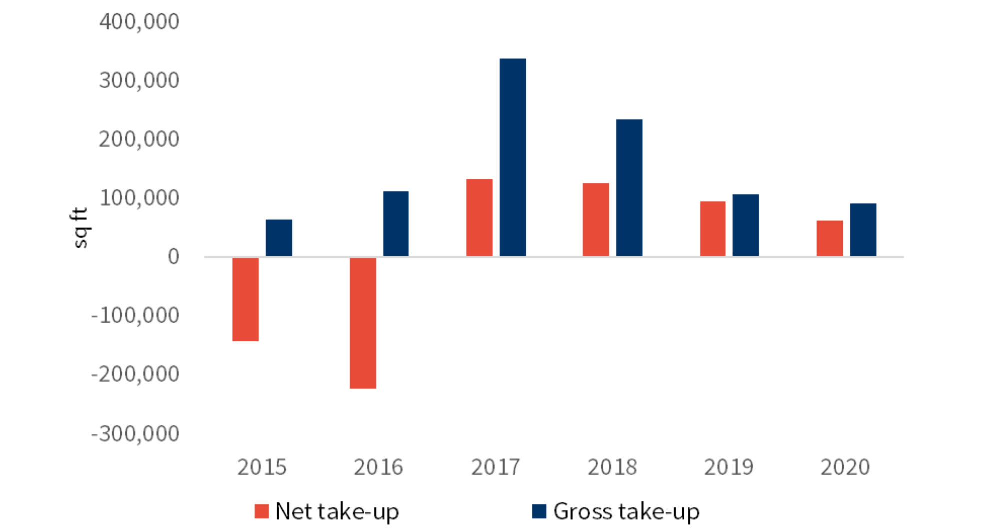
South Tyneside's industrial market is larger and more established than the office market, reflecting its history as a manufacturing location. Demand was reported to be strongest in the south and west of the borough on sites which offer good access to the A1/A19. The most sought-after locations are Monkton Business Park and Boldon Business Park followed by Simonside and Jarrow. There is also strong demand around the Port of Tyne from businesses that need access to the port and this has intensified in the last year because of greater uncertainty around global supply chains, which is leading many businesses to stockpile goods close to ports.

Net take-up of industrial space has been around 100,000 sq ft p.a. since 2017 (although this is likely to have been constrained by limited availability in recent years). Demand was driven by a range of sectors including manufacturing (32%), wholesale and retail (14%) and transport and logistics (5%). The offshore wind supply chain is also driving demand around the Port of Tyne (in addition to storage and distribution sectors) with record numbers of enquiries from offshore wind developers looking for sites for fabrication and installation.

Agents reported that the automotive supply chain is a large driver of demand in the south of the borough (eg Boldon Business Park) because of its proximity to Nissan, and they anticipated strong demand from manufacturers for the land at IAMP which falls within South Tyneside when it comes forward over the next 2-3 years.

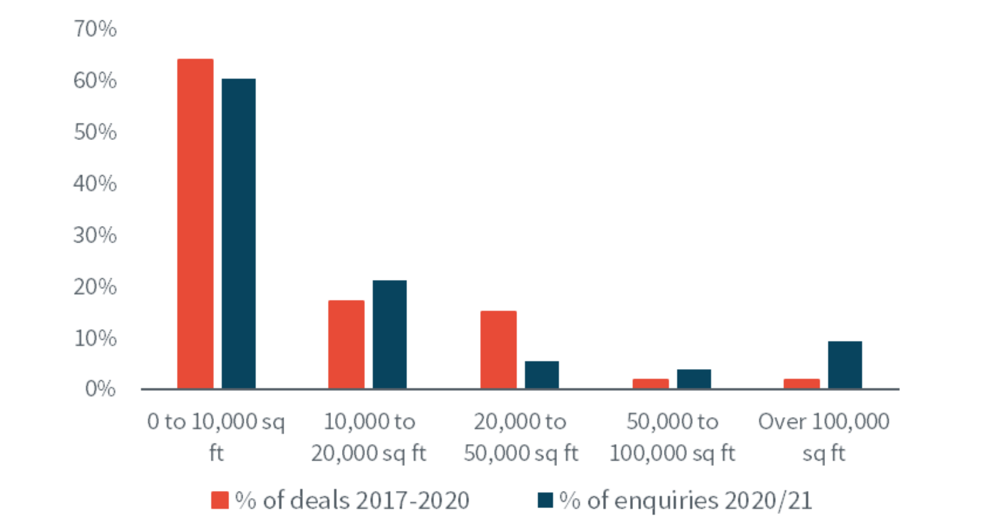
The majority of industrial demand is for small units below 10,000 sq ft. These accounted for 63% of industrial lease deal since 2017. But there is also evidence of demand for mid-size units between 20,000 and 100,000 sq ft that provide grow on space. There was only one deal over 100,000 sq ft, which was the new Amazon Warehouse in Jarrow. Enquiries data also shows strong market interest in the borough. There were 184 enquiries received between September 2020 and September 2021 (this coincided with the pandemic so demand may have been suppressed). Size requirements follow a similar pattern to recent industrial deals, although there is a higher share of enquiries for larger premises over 100,000 sq ft.

Figure 5.7: gross and net demand for industrial space in South Tyneside, 2015-2020



Source: CoStar

Figure 5.8: size requirements for industrial space



Source: CoStar and South Tyneside Council

Industrial market: **Supply**

Severe undersupply of industrial premises that could act as a barrier to growth

The vacancy rate for industrial space has fallen from 14% in 2016 to just 2.9% in 2020. There is currently only 165,000 sq ft of vacant industrial space in the borough, most of which is in a single warehouse at Tyne Dock. There is therefore currently a severe undersupply of industrial space which applies to most sizebands. According to agents this is resulting in some businesses relocating outside South Tyneside to neighbouring boroughs where new development is coming forward (eg Turbine Business Park and Hillthorne in Sunderland).

The business survey also provides evidence that this is acting as a barrier to growth for some businesses. 14% of businesses reported that availability of premises was a barrier, and 10% said that South Tyneside Council could help them by improving access to premises.

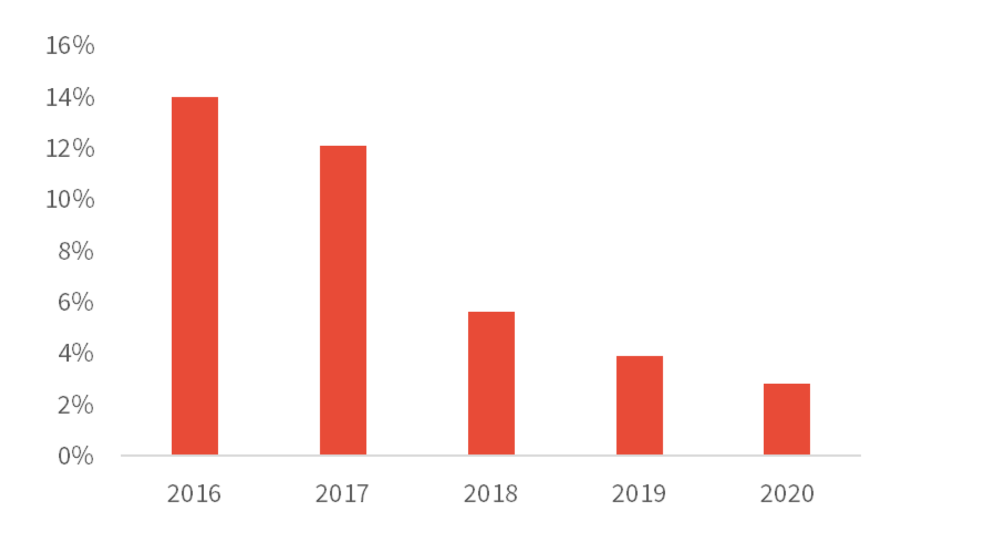
Agents reported that there is likely to be some industrial space freed up in 2022 when Faltec, a large occupier at Boldon Business Park, relocates to IAMP. Phase 2 of IAMP (which includes land in South Tyneside) will also provide additional capacity over the next two to three years. Beyond this, however, there is likely to be a severe undersupply of sites and premises which will act as a constraint on growth and investment, including from priority sectors such as manufacturing.

The major challenge facing the industrial market in the medium to long term is the limited supply of well connected and serviced sites. Beyond IAMP there was reported to be no other sites in the south of the borough (where demand is strongest but which is constrained by greenbelt). There were mixed views on availability of land at the Port. Some agents believed there is a limited supply but the Port of Tyne itself reported it has enough remediated and serviced land to meet demand over the next few years, depending on the scale of market requirements. Recent investment at Jarrow Business Centre has also provided additional space to meet the growth needs of offshore and manufactiring businesses linked to the Port.

Another potential barrier to development is the viability of development. There has been only one new industrial development in South Tyneside in the last few years (Infinity Park at Monkton Business Park), which received funding through the Local Growth Fund due to rents not being high enough for development to be viable. However there were mixed views over whether this is still the case as the tightening of supply has led to an increase in rents. Although there was agreement that viability in the industrial market is marginal. The planned North East Commercial Property Investment Fund (NECPIF), which is likely to launch in 2022, could help to encourage development on sites with marginal viability by the public sector reducing the risk to private developers.

The key priority in the industrial market is therefore identifying new, well connected employment sites in the south of the borough which can address the undersupply in the medium term.

Figure 5.9: vacancy rates for industrial space, 2016-2020



Source: CoStar

Road infrastructure

The strategic road network within South Tyneside consists of the A19 which runs north to south through the borough. This is a strategic economic corridor linking South Tyneside to the rest of the country and residents to job opportunities in Sunderland and a IAMP. Figure 5.10 shows there are a number of sections of this road which are subject to congestion (measured here by the number of seconds delay per vehicle per mile) which could impact business productivity. Although there are ongoing schemes to address key pinch-points such as the Testos and Downhill junction improvements in the south of the borough which should alleviate these issues.

There are also a number of 'local' A roads maintained by South Tyneside Council, many of which play a key role in linking the strategic road network to key assets such as the Port of Tyne. Figure 5.11 shows that delays on these roads are generally much lower than the average for local A roads, and much lower than those in other urban areas.

In general, congestion or inadequate road infrastructure is not perceived as a barrier to growth by South Tyneside businesses. None of the survey respondents specifically identified congestion or road connections as a key issue and only one suggested that the council could support businesses by investing in the road network. Similarly consultees reported that congestion was a low priority compared to other issues such as town centre regeneration, sites and premises and skills.

Nevertheless there are a number of road investments which have been identified as a priority in South Tyneside, particularly those which improve connections to the Port, Nissan Plant, IAMP and the A1M. These include:

+ A185 Dualling- Doubling the carriageway between the A19 and Port of Tyne to ensure reliable freight deliveries
+ Whitemare Pool Junction: this is a key access point linking IAMP and the Port to both the A19 and the A1M, which currently suffers from high levels of congestion

Figure 5.10: Average delay (vehicle seconds per mile) on strategic road network, 2019

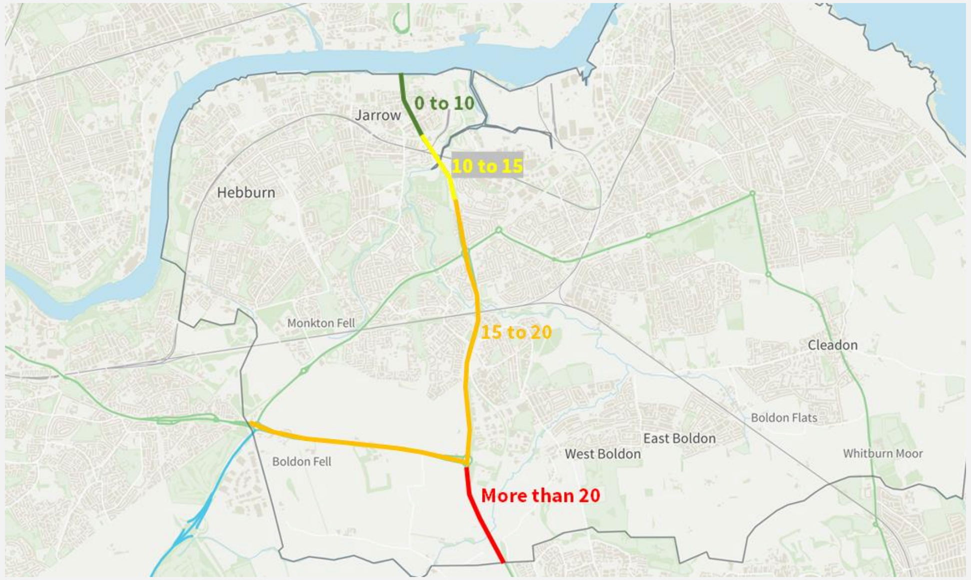
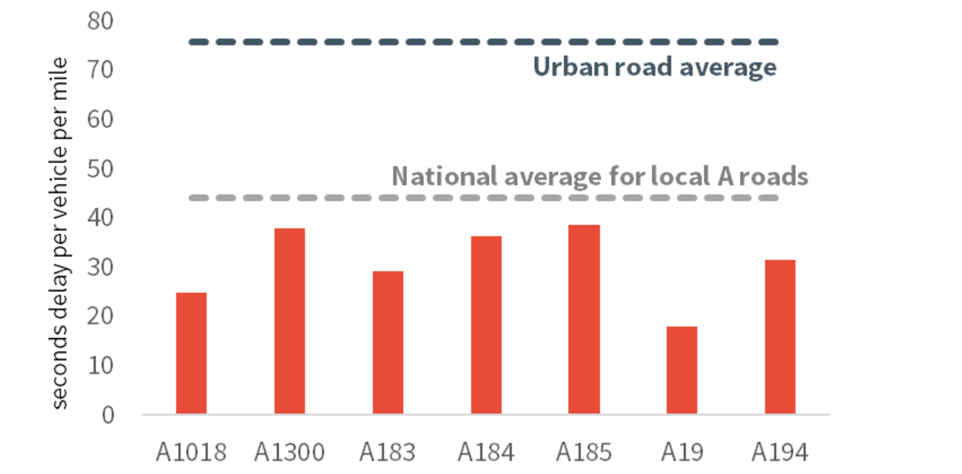


Figure 5.11: Average delay (vehicle seconds per mile) on local A roads, 2019



Public transport

Need for improved public transport connections between high unemployment areas and key growth centres

The public transport system is important for providing access to employment for South Tyneside residents. At the time of the 2011 Census, 21% of commuting trips were made by public transport but this increases to 27% for people working in low skilled occupations and over 50% for people working in Newcastle upon Tyne.

The main types of public transport infrastructure in the borough are the bus and Metro network. There are currently ten Metro Stations in South Tyneside. These are mainly on the Yellow Line which provides a link between South and North Tyneside via Newcastle. A further three stations are located on the Green Line in the south of the borough; this provides connections to Newcastle Airport and the city of Sunderland.

DfT's employment accessibility indicators suggest that all of South Tyneside's residents can access an employment centre of at least 5,000 jobs by foot or public transport within 30 minutes and 70% can reach a centre within 15 minutes. However our own travel time mapping shows that a number of key growth centres cannot be reached within 45 minutes of some locations, including South Shields which has the highest rate of unemployment in the borough (see Figur 5.13). In particular it appears journey times between South Shields and IAMP via public transport are slow.

Public transport was not identified as a key issue by survey respondents.   However some economic stakeholders did identify this as a key barrier to work (including recruitment agents who said it was a key priority) and noted that public transport also needs to operate during the night to ensure night shift workers can access jobs at IAMP. South Tyneside's low jobs density and high levels of localised unemployment mean that public transport connections to those areas where jobs will be created in future should be a high priority for the borough.

Figure 5.12: The Tyne and Wear Metro System

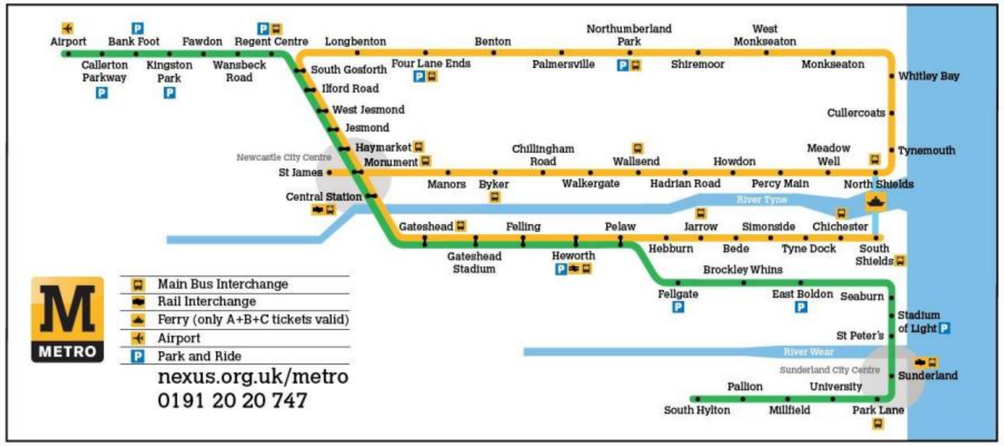
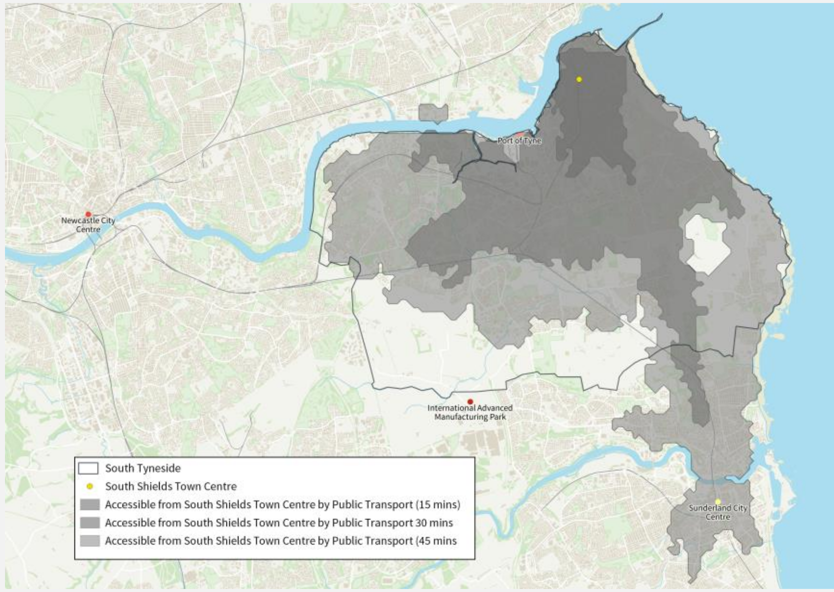


Figure 5.13 Accessibility of employment centres from South Shields via public transport



Digital infrastructure

Coverage of 4G, superfast and ultrafast broadband all above the national average

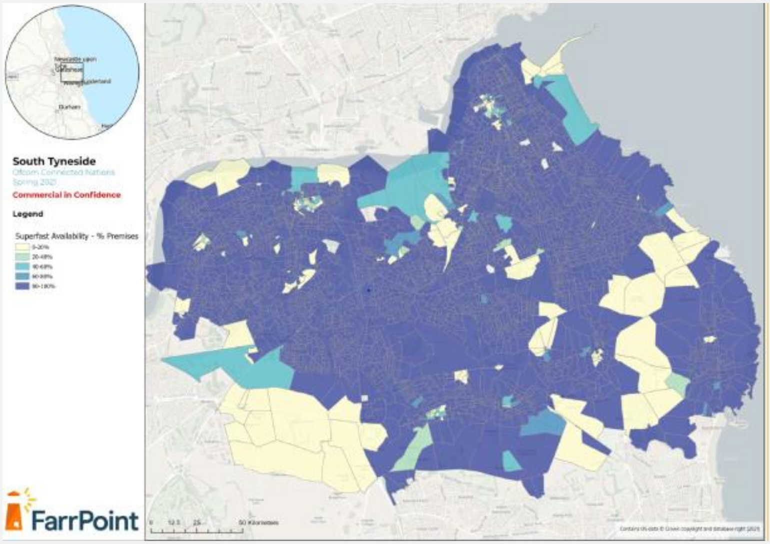
The latest data from OfCOM shows a high level of coverage for digital infrastructure in South Tyneside:

- 99% coverage of 4G networks compared to an England average of 84%.
- 99% coverage of superfast broadband (speeds of at least 30 Mbps) compared to an England average of 96%
- 76% coverage of ultrafast broadband (minimum 100 Mbps) compared to an England average of 64%.

This shows South Tyneside generally has very good access to digital infrastructure which will meet the vast majority of households and businesses needs. Nevertheless there remain a number of gaps in ultrafast coverage including at key employment locations such as Monkton and Boldon Business Parks. South Tyneside Council's Digital Infrastructure Strategy also notes that coverage of gigabit broadband (1,000 Mbps) is still low compared to other areas (1% compared to 27% nationally) meaning South Tyneside's digital infrastructure is not yet as future proofed as other areas. Although coverage of gigabit broadband is expected to increase as a result of planned Government investment through the Project Gigabit programme.

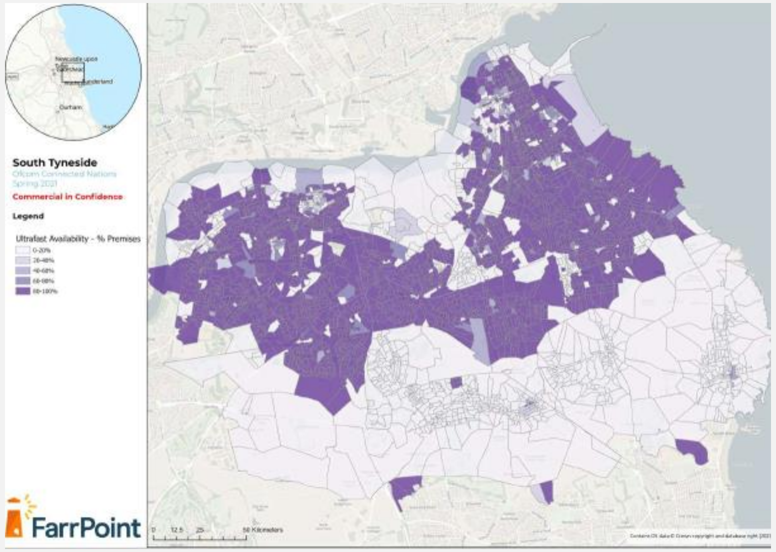
Overall there is limited evidence that digital infrastructure is a barrier to growth. The main priority for South Tyneside is likely to reducing the high proportion of people who are 'digitally excluded',. This does not just relate to improving access to digital technology but improving peoples' capacity to use it. Therefore interventions are likely to relate to improving digital skills rather than digital infrastructure.

Figure 5.14: coverage of superfast broadband (over 30 Mbps), 2021



Source:
South Tyneside Digital Infrastructure Strategy

Figure 5.15: coverage of ultrafast broadband (over 100 Mbps), 2021



Source:
South Tyneside Digital Infrastructure Strategy

Digital **Exclusion**

70% of the population are in areas with limited or no use of the internet

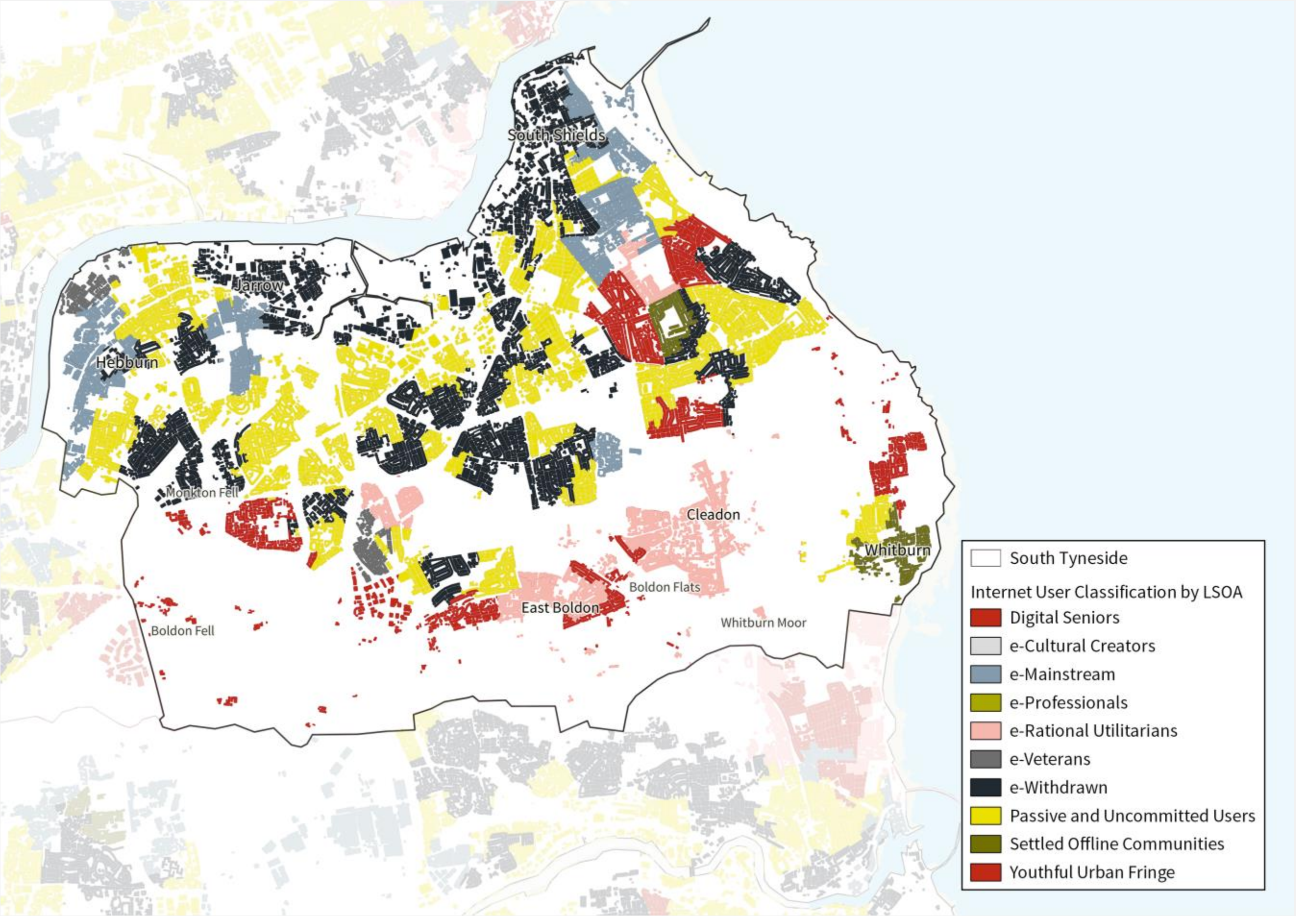
Figure 5.16 shows one way of identifying those communities most at risk from digital exclusion. The Internet User Classification (IUC) is a bespoke classification that describes how people living in different neighbourhoods interact with the internet. The two most common IUC groups in South Tyneside are:

+ **E-Withdrawn** (shown in black): people in this group are the least engaged with the internet. Often strongly correlated with deprived areas, this group has the highest ratio of people that don't have access to the internet or never engage with it.

+ **Passive and uncommitted users** (shown in yellow): individuals in this group have limited or no interaction with the internet, typically going online once a week or less. Access to broadband is well below average, and for those online, there is preference for access via smartphones. The internet is typically used for social networks, gaming and some limited online shopping.

Around 70% of the population falls in to one of these two groups which both have limited or no use of the internet despite the widespread availability of 4G and broadband networks. The spatial correlation with deprivation (see Place chapter) suggests the main reasons for this are likely to be either economic or skills related (or both). Therefore the main focus of intervention should be on improving access to digital technology and building people's confidence and digital skills.

Figure 5.14: Internet User Classification, 2019



Source:
Consumer Data Research Centre

Conclusions and recommendations

In our view the main infrastructure priorities for South Tyneside relate to improving access to sites and premises. The business survey shows this issue is of far greater concern to South Tyneside businesses than other types of infrastructure such as housing, transport and broadband and in many cases is acting as a barrier to growth.

There has been very little new development since the 2008 economic downturn because of viability challenges. This has resulted in a shortage of available space in the office and industrial market, leading many growing businesses to look outside the borough for new premises.

The key priority is identifying new employment sites in the south of the borough with good connections to the A1, which can address the medium term undersupply of industrial sites and premises. This is the area that is best placed to attract inward investment from manufacturers and grow high value industries, as shown in Figure 2.3. The council should also identify smaller plots suitable for small scale office development in self contained unts, and town centre buildings which could be refurbished and made available as small business centres at relatively low cost.

The council should also play an active role in identifying and promoting potential projects that could benefit from funding through NECPIF when it launches in 2022. This particularly relates to industrial projects which are on the margins of viability and are struggling to attract funding.

The key transport priorities are already well-recognised by the council. There are ongoing investments to address the key pinch-points on the strategic road network and on other key A roads, which will be vital for improving connectivity to IAMP and the Port of Tyne. The public transport network is generally strong but there is a need to enhance connections between unemployment hotspots and the Nissan/IAMP site.

The availability of housing does not appear to be acting as a barrier to growth. However, as noted in other sections, there may be an important role for housing to play in place based regeneration and attracting skilled migrants to South Tyneside to address future labour market challenges (see Place section). If the council does pursue this strategy, the main focus should be on increasing the supply of houses rather than flats, and creating high quality developments suitable for families.

Digital infrastructure is generally good and will meet the vast majority of households and businesses needs for the foreseeable future. Nevertheless there remain a number of gaps in ultrafast coverage including at key employment locations such as Monkton and Boldon Business Parks. The council should aim to ensure that these are addressed through the Project Gigabit programme.

6.

Place

Place Assets

Outstanding but underexploited natural assets

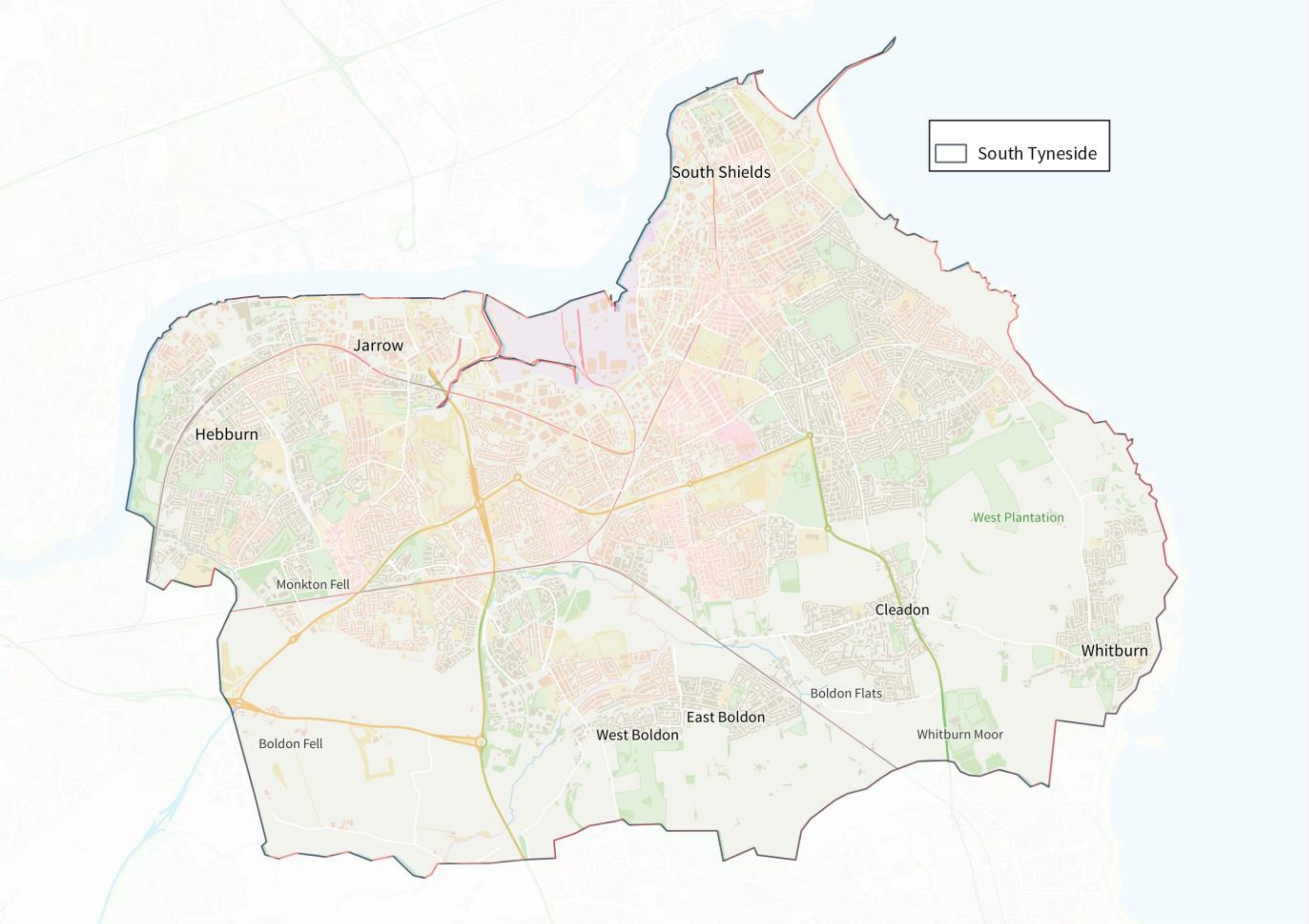
South Tyneside is a small area with a diverse physical environment. 60% of the land area is classified as urban, with the main towns of Jarrow, Hebburn and South Shields forming a contiguous built-up area in the north of the district. These towns also account for 80% of South Tyneside's population. To the south are the villages of Boldon, Cleadon and Whitburn, which make up the suburban fringe of South Tyneside and are completely surrounded by green belt. These areas have smaller populations and offer a quieter village environment.

South Tyneside has outstanding natural assets; its seafront, coastline and beaches were consistently identified as "the best thing about South Tyneside" by a range of different stakeholders in a recent engagement exercise for the South Tyneside Cultural Strategy. This was reinforced by consultees, who also identified its high quality parks and riverside as key assets. These all contribute to the quality of life in South Tyneside, giving it a distinctive offer which is unique in the city region and make it an attractive place to live and visit, particularly for families.

A recurring opinion expressed by consultees was that these assets are not being used to their full potential. In particular, consultees felt that linkages between these assets are in need of improvement (particularly the riverside and the foreshore), and that the current visitor and recreation offer along the coast is too focused at the budget end of the market. They identified a need for higher quality visitor accommodation and leisure/recreation facilities that could attract higher spending visitors to South Shields and make the area a more attractive place to live for highly skilled people.

More generally, 9% of businesses who responded to the survey reported that the council could support their growth ambitions by making environmental improvements (the third most common issue after funding and access to premises). This particularly included town centre regeneration but also reducing crime and anti-social behaviour, fly-tipping and graffiti.

Figure 6.1: map of South Tyneside and towns and villages



Town Centres

Regeneration of King Street is a key priority

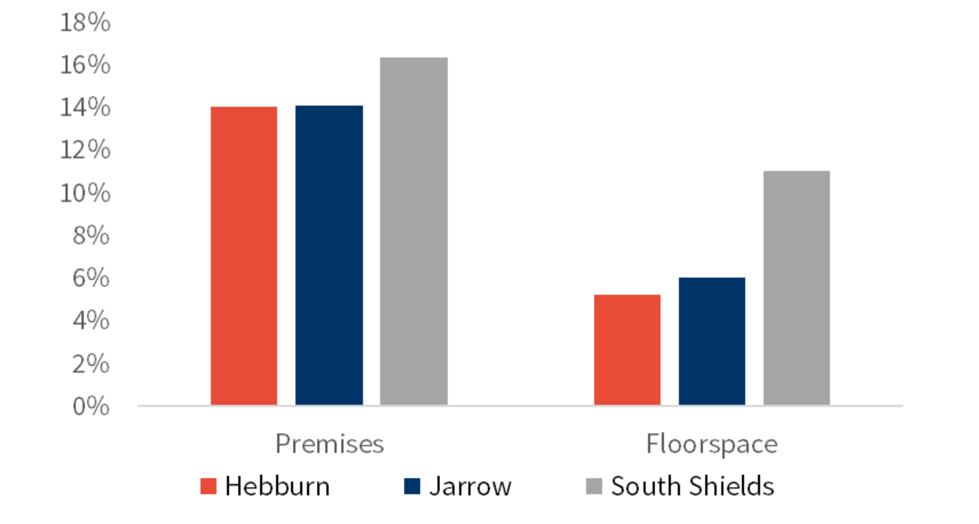
16 per cent of premises in South Shields town centre are vacant, according to Whythawk and Sqwyre data. This is higher than Hebburn and Jarrow which both have a vacancy rate of around 14%. Other sources indicate that the national average for town centres is also around 14% (BRC-LDC Vacancy Monitor). The vacancy rate for floorspace is also substantially higher in South Shields than Hebburn or Jarrow.

Consultees were positive about recent investments in South Shields town centre, particularly the new transport interchange, improvements around the ferry landings, and investment on Ocean Road, which has included tree planting and traffic calming measures. However they agreed that the town centre, and King St in particular, lacks vitality and has an oversupply of retail space and stores which is inconsistent with modern shopping habits and the growth of e-commerce. The poor quality of this area also detracts from the overall visitor offer because it is a key route linking the riverside and the beaches. The poor quality of South Shields town centre was also raised by a number of respondents to the survey.

The challenge of carrying out large scale regeneration on King Street (including unwilling landowners) were well recognised. But all believed that finding new uses for town centre retail space which increases footfall and reactivates King St should be a high priority. Consultees were supportive of a number of measures to diversify uses in the town centre, including

- residential development
- refurbishment of unused buildings to create flexible office space targeted at small, growing businesses. This would help to address the shortage of office space identified in earlier sections.
- relocation of South Shields College to a town centre site.

Figure 6.2: vacancy rates in town centres, 2020



Source:
Whythawk and Swyre

Figure 6.3: King Street, South Shields

Liveability

Analysis of house price per sq ft can also be used to assess the liveability and quality of place in different parts of South Tyneside. It shows the highest values are achieved in the Boldons and Whitburn where property sales achieve values of over £200 per sq ft, indicating these are seen as the most desirable locations in South Tyneside. West Hoe and Harton in the east and Hebburn in the west achieve values of between £150 and £200 per sq ft. The lowest value areas are in South Shields and to the south of the town in neighbourhoods around West Park. In these locations average sales values drop below £100 per sq ft.

Figure 6.5 shows how we have divided South Tyneside in to local areas for the purpose of place analysis. This has been based in part around the main towns and settlements but also differences in the character of different parts of South Tyneside and in house price per sq ft. Disaggregating the borough in this way allows us to explore differences in the socio-economic characteristics of different areas and how these can be explained by differences in the quality of place.

Figure 6.4: house price per sq ft by LSOA, based on property sales between 2019 and 2021

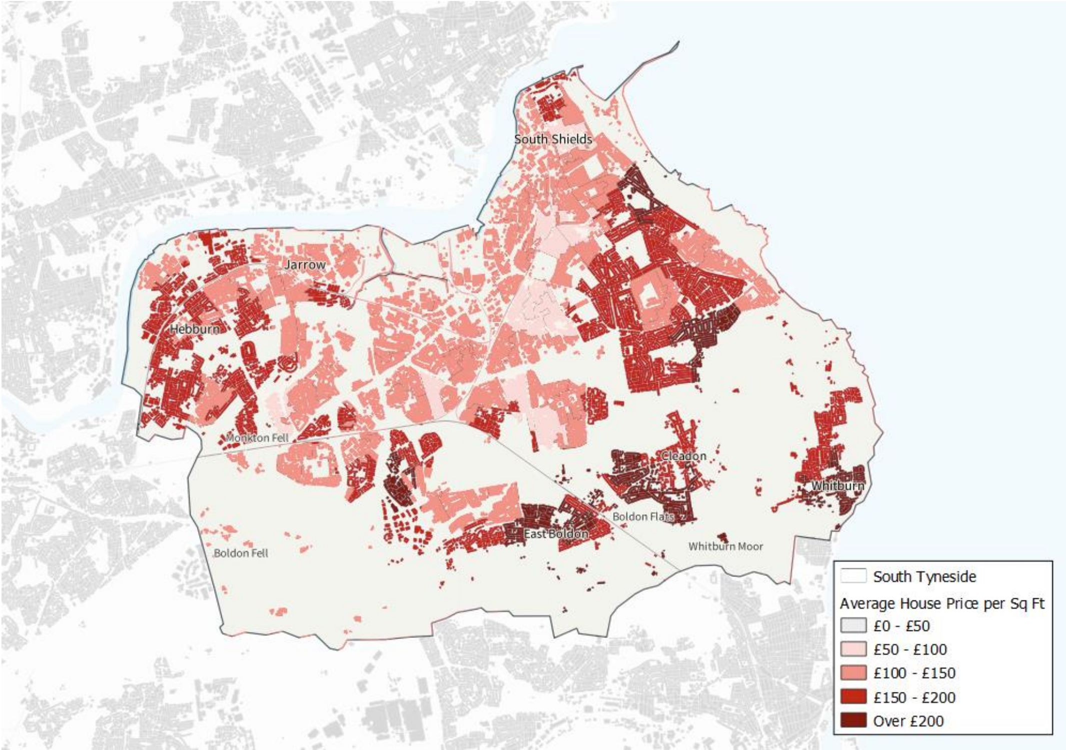
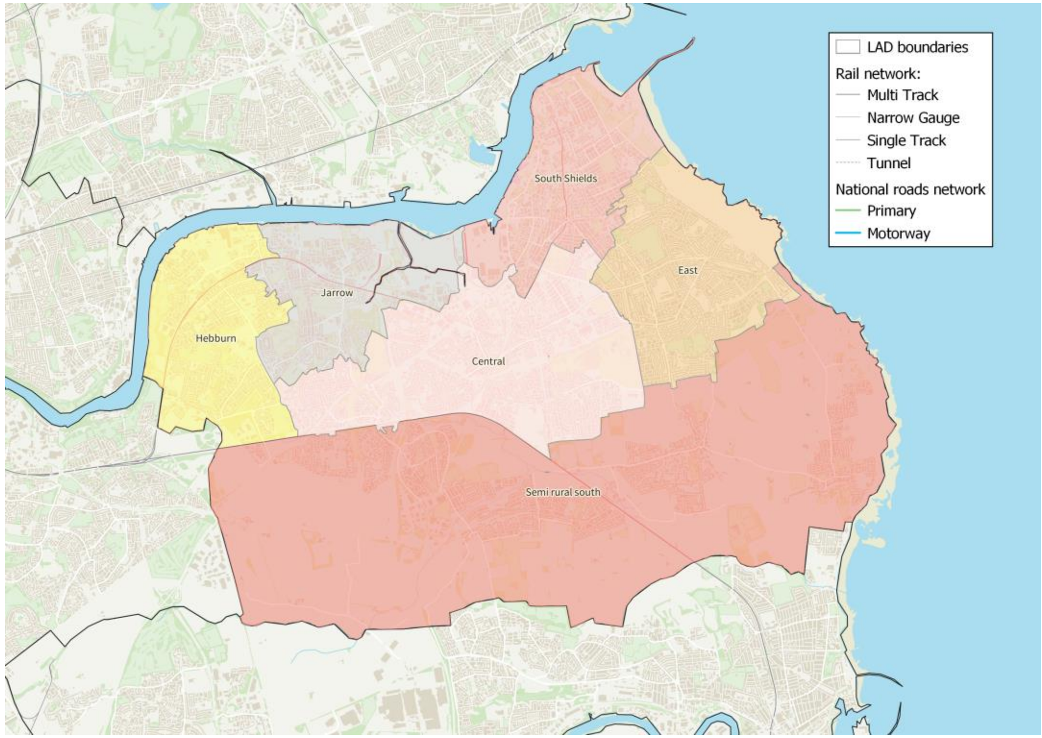


Figure 6.5: Definition of geographical areas for local socio-economic analysis.

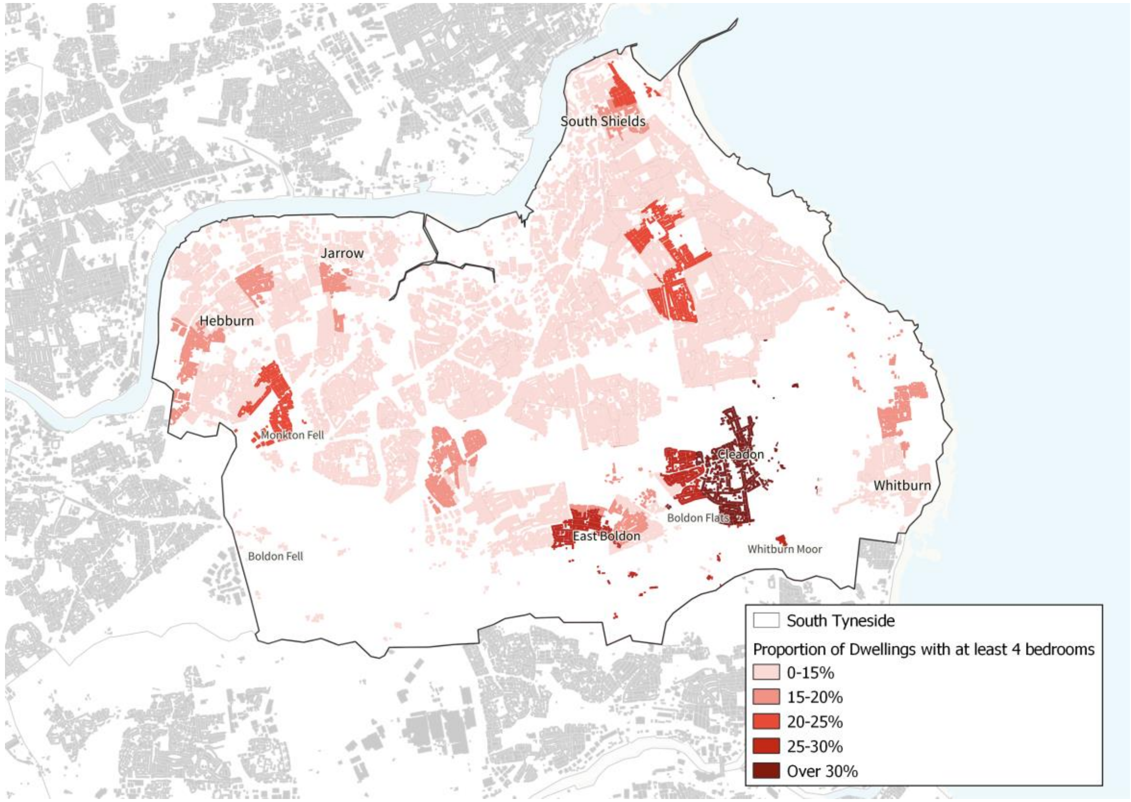


Housing and **living environment**

A key factor influencing the desirability of certain areas is the quality of the housing stock. The maps in Figures 6.6 and 6.7 show that the villages in the south of the district (Cleadon and Bodon) have a higher proportion of larger family homes and offer more outdoor space than other parts of South Tyneside. The South Shields suburbs of Westoe Village and Harton also offer a large number of large, detached period properties, some of which have been subdivided in to smaller properties. These areas also offer a high quality and characterful living environment, including a conservation area in Westoe Village and close proximity to the coast.

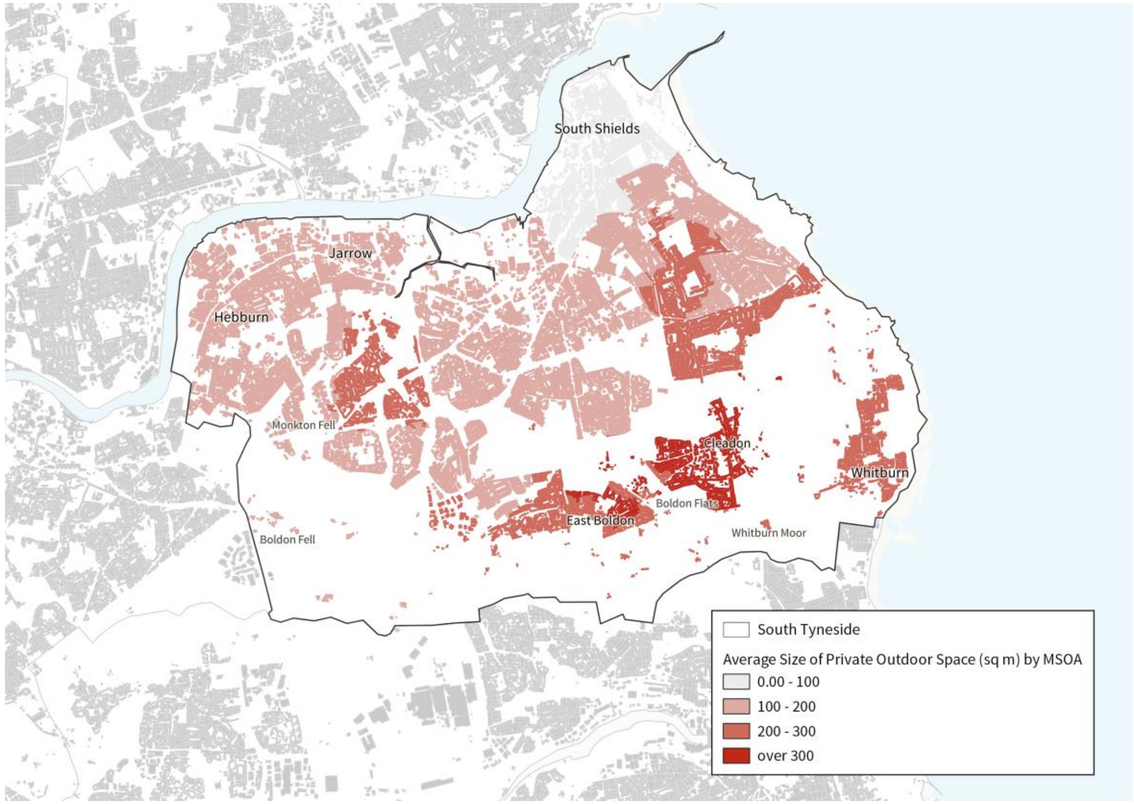
In the west of the district, parts of Hebburn also offer a large number of larger family homes, particularly around Monkton Fell. A large proportion of these were built in the last ten years and are more affordable than the more established areas of South Tyneside. Although gardens are not as large as other areas, Hebburn offers a number of parks and green space, including the Hebburn Riverside Park which increases the attractiveness of this area as a residential location.

Figure 6.6: proportion of homes with at least 4 bedrooms, 2021



Source: Council Tax records

Figure 6.7: average size of outdoor space by MSOA, 2020



Source: NS – access to gardens and outdoor space

Age profile

Significant population growth in Hebburn, driven by young families

Table 6.1 shows differences in the age profile of different parts of South Tyneside. Boxes shaded in red show age groups which are over-represented in the local area by more than one percentage point compared to the borough average. It shows that the two most desirable areas in South Tyneside (East, which includes Harton and surrounding areas and Semi rural south, which includes the Boldons and Whitburn) have a high proportion of older people over the age of 65. Young people in their 20s are overrepresented in South Shields, while Hebburn has a high proportion of people in the 'young family' age groups (0 to 15 and 30 to 44).

Of more interest is what has happened to population change in these local areas since 2011. Hebburn has seen very strong population growth over this period; it accounted for over half of net population growth in South Tyneside as a whole. Figure 6.2 shows this was driven primarily by people in the young family age groups.

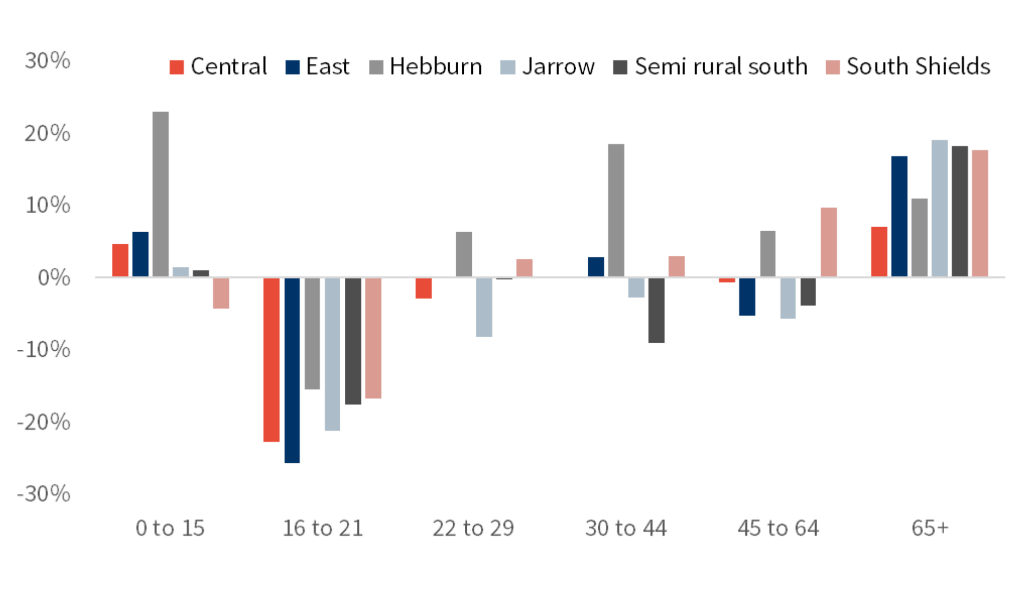
This suggests that the inward migration from other parts of the city region noted in earlier sections, mostly relates to people moving to Hebburn. Although Hebburn was historically a town of shipbuilding and heavy industry, this suggests the programme of housebuilding in this area, combined with its fast access to Newcastle city centre via the Metro has made it an attractive and affordable location for commuters in their 30s.

Table 6.1: age profile by area, 2020

	0 to 15	16 to 21	22 to 29	30 to 44	45 to 64	65+
Central	20%	6%	10%	18%	27%	19%
East	18%	6%	8%	16%	28%	24%
Hebburn	20%	6%	10%	21%	27%	17%
Jarrow	17%	6%	10%	18%	28%	21%
Semi rural south	17%	6%	8%	16%	29%	24%
South Shields	15%	6%	13%	21%	28%	17%
South Tyneside	18%	6%	10%	18%	28%	20%

Source:
ONS mid year population estimates

Figure 6.8: change in population by age group, 2011-2020



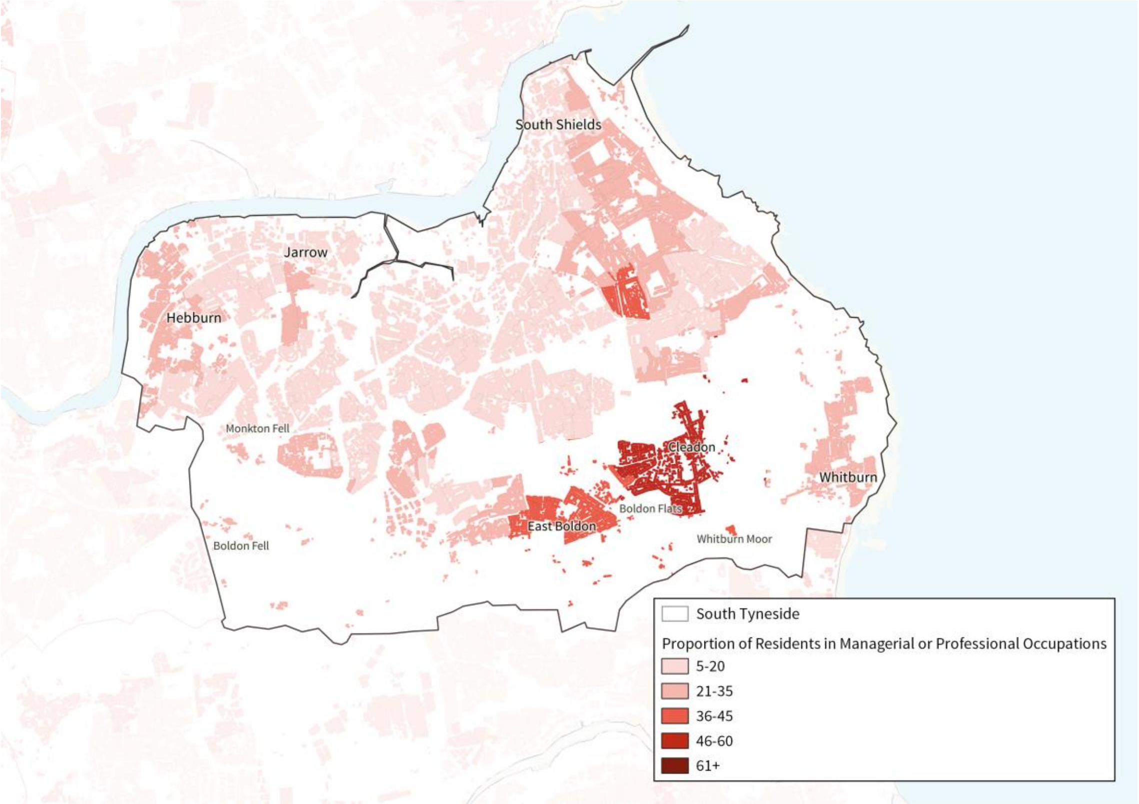
Source:
ONS mid year population estimates

Skills and **income**

There is a clear correlation between those areas with highest house values and the incomes and skill levels of residents. At the time of the 2011 Census over 50% of residents in Boldon work in managerial or professional occupation, and there was also a higher concentration around Harton. The map does not show a concentration around Hebburn, however this may be because the data is from 2011 and does not take in to account in-migration in to this area over the past ten years.

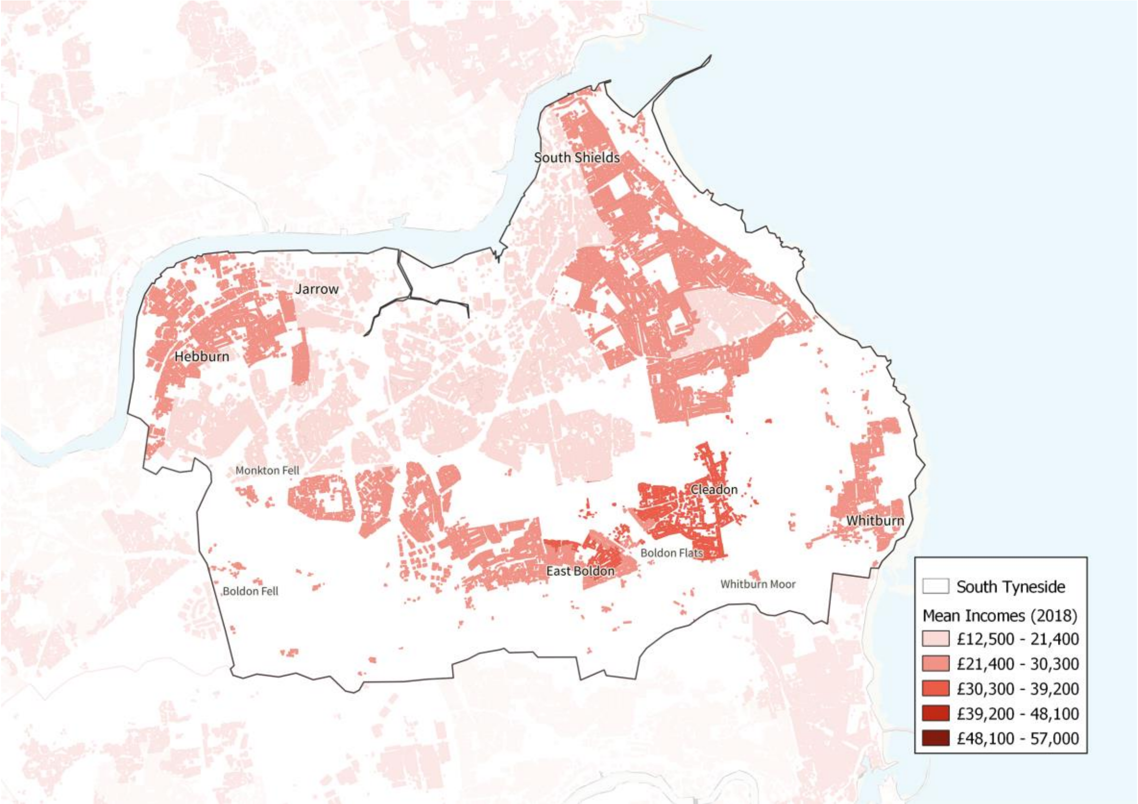
The income map shows the same areas have the highest household incomes, including Boldon, Harton, Fellgate and Hebburn. These areas offer the greatest potential to attract higher skilled residents to South Tyneside in future, but particularly in Hebburn because of its links to Newcastle and greater availability of housing. This would increase household expenditure in South Tyneside and could lead to higher levels of economic growth in the long term.

Figure 6.9: proportion of employed residents working in high skilled occupations, 2011



Source: 2011 Censis

Figure 6.10: 2019 Mean household income, 2018



Source: MHCLG

Deprivation

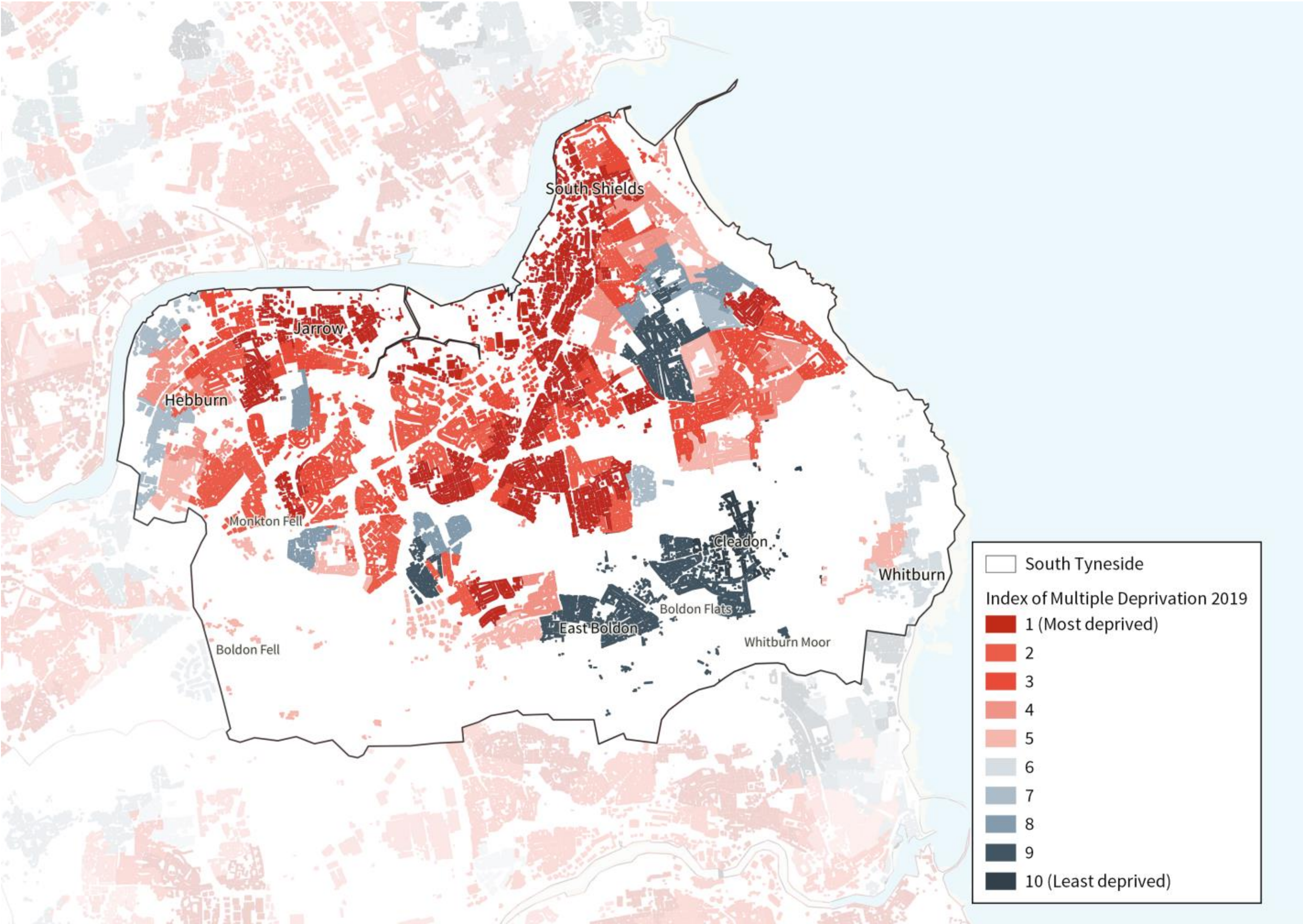
Wide variation in deprivation within South Tyneside

South Tyneside is home to a diverse mix of neighbourhoods and local areas with very different socio-economic characteristics. This includes areas within the 10% most deprived LSOAs in the country and affluent, desirable neighbourhoods.

Figure 6.11 shows the most severe deprivation is concentrated in the west of South Shields down to Tyne Dock, Jarrow and the centre of the borough around Biddick Hall and West Harton. These neighbourhoods score poorly against a number of measures of deprivation including crime, employment, income and educational attainment.

The least deprived areas are in the south of the borough around Fellgate, Boldon and the coastal community of Whitburn which are all more detached from the main urban area and offer a semi-rural lifestyle. The urban area itself also contains less deprived areas, particularly Harton and coastal areas around Hebburn.

Figure 6.11: Index of Multiple Deprivation, 2019



Source: MHCLG

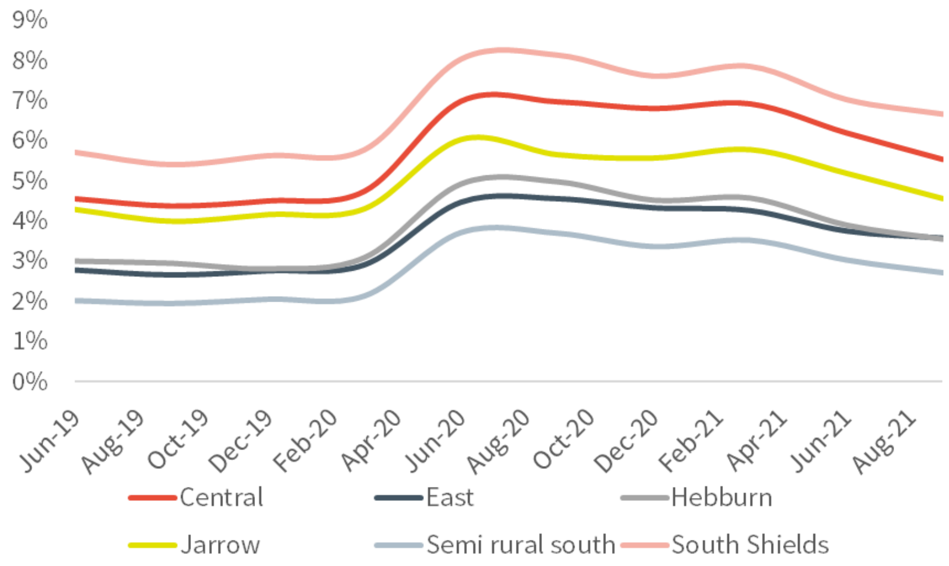
Unemployment

Unemployment concentrated in deprived areas

Figure 6.13 shows out of work claimants are concentrated in South Tyneside's most deprived communities, particularly in South Shields and areas to the south. These same areas also experienced the largest increase in unemployment as a result of the pandemic.

Residents in these communities are likely to face numerous and complex barriers to work, including low skills, poor health, poverty and challenges in their personal lives. This means reducing the high levels of inactivity and unemployment in South Tyneside is likely to require area-based approaches, which tackles barriers to work in an integrated and holistic way. This will also mean ensuring public services, including health and education support are joined up.

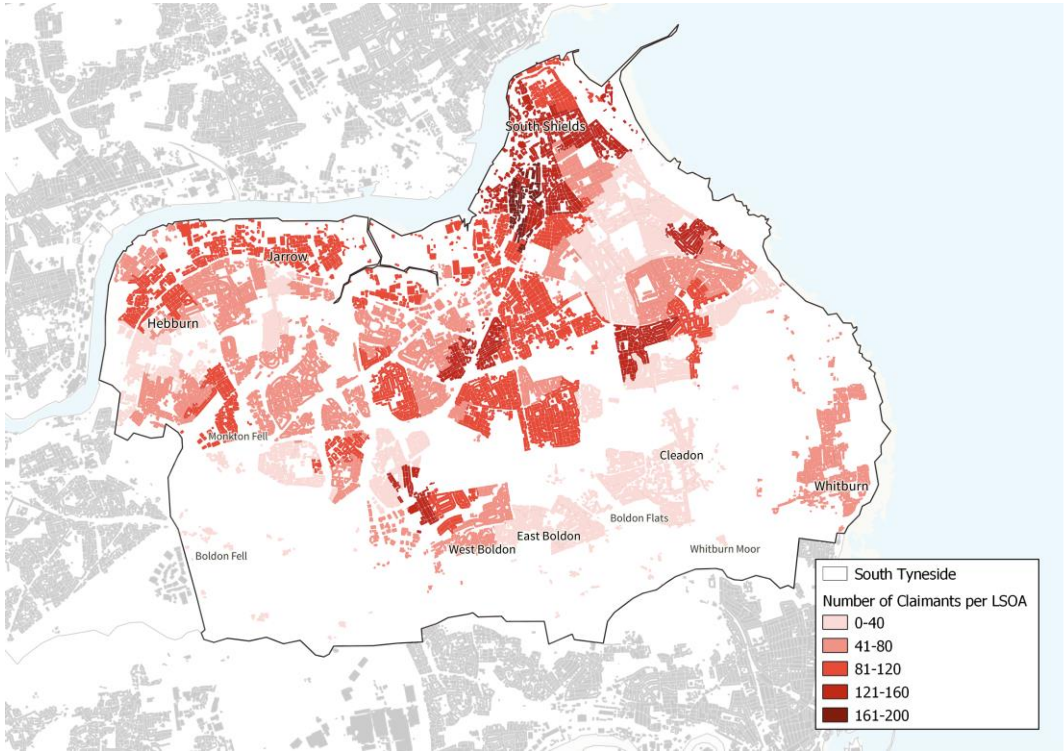
Figure 6.12: claimants as percentage of working age population, 2019-21



Source: Claimant count

This also highlights the importance of ensuring that areas where future jobs growth is expected are accessible for residents living in South Tyneside's most deprived communities. This includes ensuring that there are bus connections between South Shields and IAMP including during the night-time for people working night shifts, which was highlighted as a barrier to work for many unemployed residents. .

Figure 6.13: Claimant count, 2021



Source: Claimant count

Conclusions and recommendations

South Tyneside's place assets are one of its greatest strengths and competitive advantages. While the borough may be seen as less accessible than other parts of the city region, all consultees identified it as a good place to live and visit, with some outstanding natural assets not available elsewhere. This brings potential benefits beyond the tourism sector. Quality of place is vital for attracting skilled workers and entrepreneurs, who increase expenditure in the local economy but who also create wealth and improve long term economic performance. The ambition for South Tyneside should therefore to be the location of choice for the city region's high skilled residents.

However the area faces a number of challenges in achieving this ambition, many of which are well recognised by the council and have simply been underlined by this assessment. The main priorities are as follows:

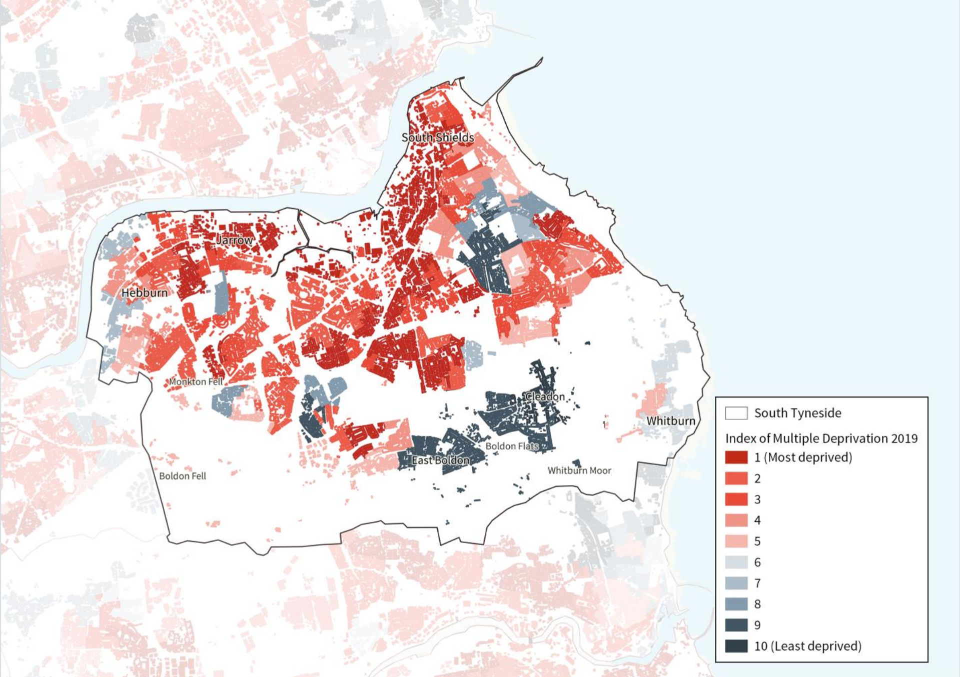
+ Regeneration of South Shields town centre, and King Street in particular. There is a need for a radical reduction in retail space and new town centre uses which increase vibrancy. There are no easy solutions here, but the council should be experimental and flexible and should seek a wide range of ideas for new uses and how the town centre could be reimagined.

+ Encouraging new investment in the foreshore area which improves its image and makes it a destination for a wider set of markets, including higher spending visitors. Consultees identified a particular need for a high quality hotel and opportunities to build its reputation as a food and drink destination.

+ High quality housing led growth and regeneration schemes such as those in Hebburn and Holborn, particularly targeted at family housing. These attract migrants to the borough and inject new life in to former industrial areas and town centres.

These priorities also need to be balanced against the need to address place based challenges faced by existing communities. The borough contains a number of areas among the most deprived in the country, which face deep structural challenges. It is in these communities where place and people based challenges combine including poor housing, high levels of crime, poor health and worklessness. A high proportion of South Tyneside's inactive and long term unemployed residents live in these areas, meaning there is a need for targeted place based interventions which address the complex challenges and barriers to work faced by these communities.

Figure 6.14: Index of Multiple Deprivation, 2019



Source: MHCLG

7.

SWOT analysis and Recommendations

SWOT

S Strengths

- **Strengths in key growth sectors.** South Tyneside retains specialisms above the national average in a number of sectors with growth potential and high productivity, including advanced manufacturing and offshore wind supply chain.
- **High levels of enterprise:** the business start-up rate is higher then the LEP average, although still below the national average
- **Outstanding natural assets:** particularly the seafront, coastline of beaches which benefits tourism and contributes to quality of life.
- **Attractive place to live:** a number of areas are seen as attractive places to live, particularly for families
- **Good transport and digital infrastructure:** congestion is low, public transport is good and coverage of 4G networks, superfast and ultrafast broadband are all above the national average

W Weaknesses

- **High dependence on the public sector:** a lack of dynamism in the private sector has limited job creation and density and means South Tyneside is highly reliant on the public sector for jobs.
- **Low skills equilibrium:** private sector employment is dominated by low value, low skilled activities which explains a number of areas of underperformance including low productivity and earnings and low levels of innovation.
- **High levels of inactivity and structural unemployment**: this contributes to lower living standards and constrains the supply of labour, which may make it difficult to meet future labour demand.
- **Deprivation in many communities**: high levels of deprivation around South Shields and in a number of other communities leading to poor living standards.
- **Underperforming town centres**: particularly in South Shields, which undermines the attractiveness of the town as a place to live and visit.

O Opportunities

- **IAMP:** planned investment at IAMP which straddles the border of South Tyneside and Sunderland presents a major opportunity to increase the number of high quality jobs in the manufacturing sector and its supply chain.
- **Growth in the energy sector:** there is potential for large scale inward investment at the Port, plus investment in new heat networks. Both of these offer supply chain opportunities.
- **Increase in domestic tourism:** offering potential for further growth in this sector
- **Attracting more high skilled and high income households**: there is an opportunity to exploit South Tyneside's appeal to families leaving the city region's main employment centres by building more family housing and encouraging investment in more aspirational leisure, hospitality and recreation facilities. This could increase expenditure in South Tyneside and lead to higher growth in the long term.

T Threats

- **Ageing population:** this will continue to restrict labour supply and also increase replacement demand, risking future labour shortages.
- **High dependence on international migrants** for growth in the working age population which is at risk because of Brexit.
- **Shortage of sites and premises:** there is an undersupply of both office and industrial premises which is acting as a barrier to growth for many businesses.
- **Skill shortages:** a high level of skill shortage vacancies is a major issue for the manufacturing and construction sectors, and could also limit the growth of the energy sector.
- **Other recruitment challenges:** other sectors are struggling to recruit the workers they need due to the nature of work and low wages, including health and social care and hospitality.

Summary of recommendations

Business and sectors

- **Prioritise growth needs of the advanced manufacturing, energy and tourism sectors,** in which South Tyneside has clear strengths and where there are growth opportunities**.**
- **Maximise supply chain opportunities of major investments**, particularly IAMP, heat networks, Equinor and other investments at the Port. The council needs to understand the nature of these opportunities, map the skills and expertise of local businesses and identify support requirements.
- **Use investments as a platform for innovation and accessing new markets:** electrification and heat networks both offer huge growth opportunities. The council needs to ensure that local businesses are at the forefront of this by facilitating collaboration with developers and bodies such as DER-IC.
- **Supporting the foundational economy**: expand on the work done to date on The Pledge to identify opportunities to support the foundational economy, learning from best practice in Wales and Preston.

People

- **Intensive support for disengaged young people**: Work with Jobcentre Plus and third sector organisations to identify the reasons for the fall in participation by young people, and provide additional resources for addressing these barriers (building on the work of South Tyneside Works).
- **Sector based work academies**: consider the creation of new academies for the construction and hospitality sectors, building on the proposal for the academy for Adult Social Care.
- **Raising awareness of future opportunities**: work with local schools to raise awareness of the opportunities to develop rewarding careers in growth sectors. This should also target the existing workforce and those with transferrable skills.
- **Support for retraining**: provide clear advice and signposting for adults wishing to retrain, taking advantage of new funding opportunities through the National Skills Fund.

Infrastructure

- **Identify new potential employment sites in the south of the borough** with good connections to the A19 to address the medium term shortage of these sites.
- **Identify and service smaller plots suitable for self contained office buildings** which could be sold to owner occupiers and explore opportunities to refurbish underused buildings in town centres to be used as small business centres.
- **identify and promote potential projects that could benefit from funding through NECPIF** when it launches in 2022, particularly industrial projects on the margins of viability.
- **Ensure there are frequent and reliable public transport connections** between South Tyneside's most deprived communities and growth locations such as IAMP.
- Ensure all business parks and employment locations have access to high speed broadband, and any gaps are addressed through the Project Gigabit programme.

Place

- **Prioritise the continued regeneration of South Shields town centre,** with the aim of radically reducing the amount of retail space and encouraging new uses which bring vibrancy to King St**.**
- **Encourage new investment in the foreshore area** which improves its image and makes it a destination for a wider set of markets, including higher spending visitors.
- **Identify opportunities for housing led growth and regeneration** around Metro stations to attract more skilled migrants and inject new life in to town centres.
- **Provide support and resources for targeted place based interventions which aim to tackle barriers to work in South Tyneside's most deprived communities**, and ensuring different services are joined up.

Appendix

Survey Results

Business characteristics

Business Size

73% of the businesses surveyed were micro businesses (employing fewer than ten employees) and a further 21% were small businesses (between 10 and 49 employees).

Table A.1 shows that the survey included a disproportionately large number of small, medium and large businesses compared to the business population.

Table A.1: Size of businesses that responded to survey

	Survey	Business base
Micro	73%	89%
Small	21%	9%
Medium	4%	2%
Large	2%	0%
Unknown	1%	

Sector

Table A.2 shows the sector profile of businesses who responded to the survey and how this compares to the general business population. There is over-representation of wholesale and retail and arts, entertainment and recreation businesses and an under-representation of construction and professional services businesses.

This also shows how these have been grouped for the purpose of reporting differences by sector. This aggregation was necessary to increase sample sizes so that we have greater confidence that differences between sectors are statistically significant. However this does impose constraints on the level of sector detail that we are able to infer from the survey results.

Table A.1: Sector of businesses that responded to survey

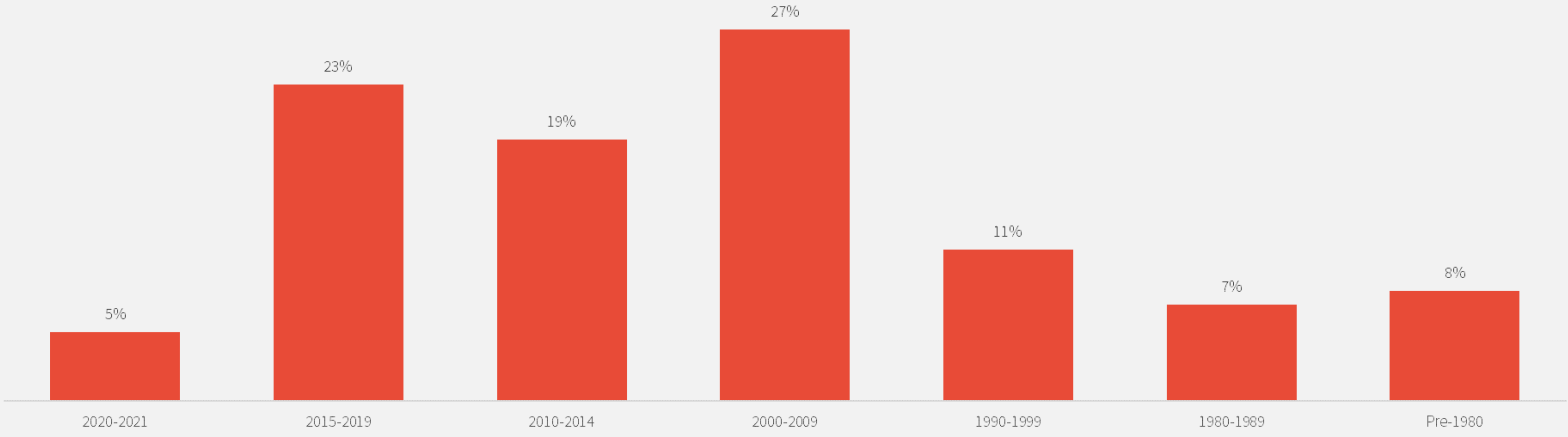
Sector category for analysis	Sector	Number of responses	% split	Business base
Raw materials	Agriculture, Forestry, Fishing and Mining	8	2%	1%
	Utilities and Remediation Activities	1	0%	0%
Manufacturing and construction	Manufacturing	41	10%	8%
	Construction	21	5%	16%
Retail and hospitality	Wholesale And Retail Trade	87	22%	15%
	Transportation And Storage	4	1%	6%
	Accommodation And Food Service Activities	44	11%	10%
Professional services	Information And Communication	5	1%	4%
	Finance and insurance	18	5%	1%
	Real Estate Activities	5	1%	2%
	Professional, Scientific and Technical Activities	24	6%	15%
Public and other services	Administrative and Support Service Activities	3	1%	8%
	Education	7	2%	2%
	Human Health and Social Work Activities	19	5%	4%
	Arts, Entertainment, Recreation & other	31	21%	8%
	Part of community and voluntary sector	28	7%	n/a
	Don't know	2		

Business characteristics

Age of Business

92% of business owners disclosed the age of their business (368 businesses). The sample included a broad distribution of ages, although nearly three quarters (74%) have been created sine 2000, and over a quarter since 2015.

Figure A.1 Age of Business N=368



Business characteristics

Exporting/Importing Businesses

Over 70% of surveyed businesses had never exported or imported goods or services. Comparatively, 13% were found to have exported previously and 22% had imported.

Exporters:

- Manufacturing and construction sector businesses were most likely to export (21%) with human service businesses least likely (3%).
- There is a direct relationship between business size and likelihood that the business exports. Microbusinesses were the least likely to export (6%) and large businesses the most likely (33%).

Importers:

- Micro businesses were the least likely to import (12%) and large businesses the most likely (33%).
- Similarly, the manufacturing and construction sector was the most likely to import (29%) and Public Services the least likely (6%).

Note: Findings were statistically significant at the 5% level for businesses, overall and at a sector level. However, given the sample size when discussing business sizes, only microbusinesses produced a statistically significant result.

Figure A.2 Exporting Businesses N=398

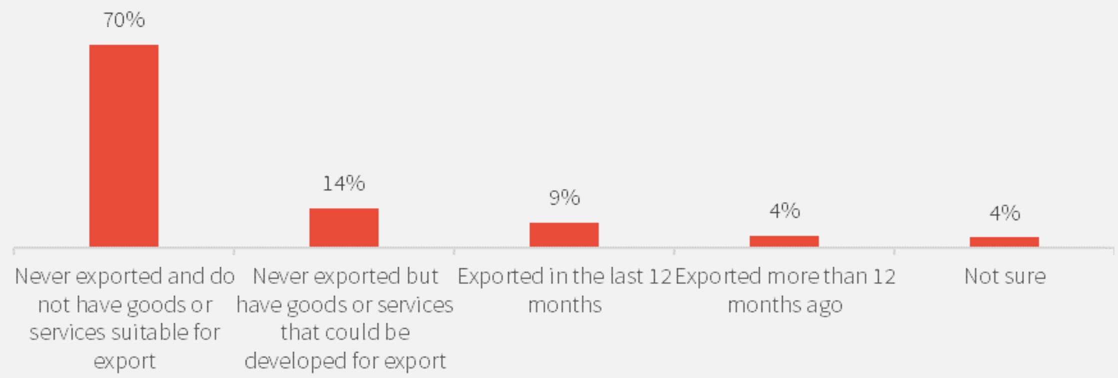
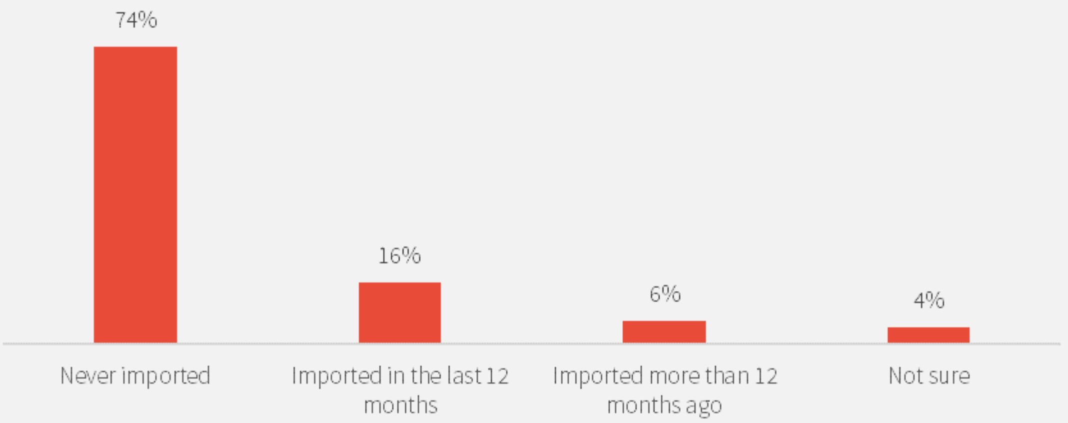


Figure A.3 Importing Businesses N=398



Recent performance

Change in turnover

When asked “How does your turnover for the past 12 months compare to normal expectations?”, 55% of businesses responded that it had decreased, while 24% of businesses recorded an increase. Responses varied by sector and size.

Sectors:

+ Businesses in public services and retail and hospitality were the most likely to report a fall in turnover
+ Businesses in raw materials and professional services were the most likely to report an increase.

Size:

+ Microbusinesses were most likely to have experienced a decrease in turnover (59%).
+ Medium-sized businesses were most likely to report an increase in turnover (53%).

Table A.3 Turnover by Business Sector N=377

	Substantially increased	Increased a little	Met expectations	Decreased a little	Decreased a lot	Don't know	Unwilling to say	No. of Businesses that answered
Raw materials	22%	11%	22%	11%	22%	0%	11%	9
Manufacturing and construction	13%	16%	18%	23%	27%	2%	2%	62
Retail and hospitality	7%	21%	16%	13%	40%	2%	2%	130
Professional services	4%	31%	15%	19%	27%	2%	2%	52
Public Services	4%	10%	13%	16%	51%	3%	3%	124
All Businesses	7%	17%	15%	16%	39%	2%	2%	378

Table A.4 Turnover by Business Size N=377

	Substantially increased	Increased a little	Met expectations	Decreased a little	Decreased a lot	Don't know	Unwilling to say	No. of Businesses that answered
Micro	5%	15%	17%	15%	44%	1%	2%	279
Small	7%	24%	9%	20%	27%	8%	4%	74
Medium	33%	20%	13%	27%	7%	0%	0%	15
Large	0%	50%	17%	0%	33%	0%	0%	6
Unknown	33%	0%	0%	0%	33%	0%	33%	3

Recent performance

Change in employment

When asked "How does employment for the past 12 months compare to normal expectations?", 32% of businesses reported that it had decreased while 17% of businesses recorded an increase. Responses varied by sector and size.

Sectors:

+ Public Services (36%) and Retail and hospitality (35%) were the most likely to report a decrease.
+ The professional services sector was the most likely to report an increase (27%).

Size:

+ Medium sized businesses were most likely to report a decrease in employment (40%). However, large businesses experienced more substantial reductions in employment.
+ Large businesses were also the most likely to report an increase in employment (50%)

Table A.5 Employment by Business Sector N=391

	Substantially increased	Increased a little	Met expectations	Decreased a little	Decreased a lot	Don't know	Unwilling to say	No. of Businesses that answered
Raw materials	0%	22%	56%	0%	11%	0%	11%	9
Manufacturing and construction	8%	10%	56%	18%	8%	0%	0%	62
Retail and hospitality	4%	12%	44%	20%	15%	4%	2%	130
Professional services	8%	19%	46%	10%	12%	6%	0%	52
Public Services	3%	9%	38%	17%	19%	9%	4%	138
All Businesses	5%	12%	44%	17%	15%	6%	2%	392

Table A.6 Employment by Business Size N=391

	Substantially increased	Increased a little	Met expectations	Decreased a little	Decreased a lot	Don't know	Unwilling to say	No. of Businesses that answered
Micro	3%	10%	49%	15%	15%	6%	2%	286
Small	6%	16%	36%	22%	11%	6%	2%	81
Medium	20%	20%	20%	27%	13%	0%	0%	15
Large	33%	17%	17%	17%	17%	0%	0%	6
Unknown	0%	33%	0%	0%	0%	33%	33%	3

Recent performance

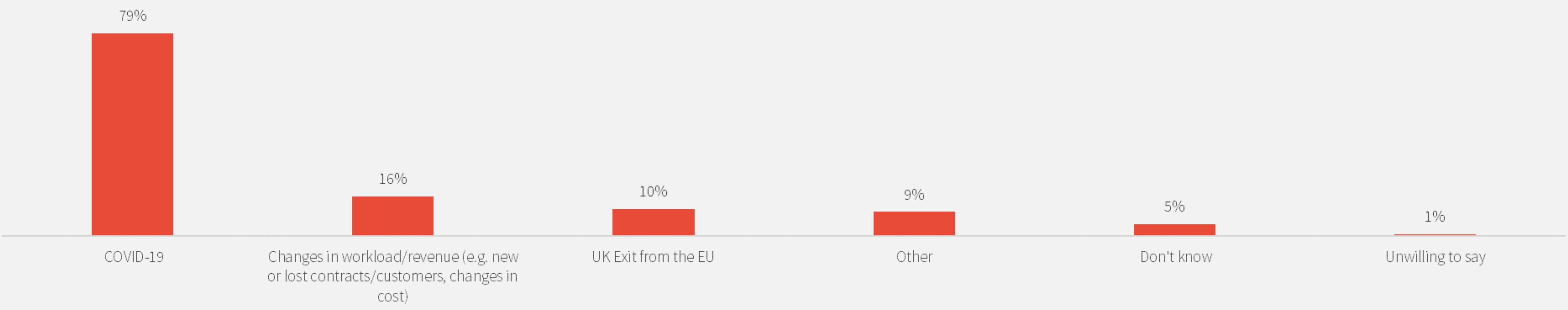
Reasons for change in turnover and employment

This question provided further insight into the reasons behind any reported changes in turnover and employment.

79% of businesses reported that COVID-19 was the main reason for any experienced change. This result was statistically significant. Across business sectors and sizes, it remained the largest reported reason.

Business sectors excluding raw materials experienced ≥70% of businesses reporting COVID-19 as the main reason for change. Conversely, only 57% of businesses in raw materials reported COVID-19 as their main reason for change. Changes in workload/revenue was the second most common reason given (43%).

Figure A.4 Main reasons for any exhibited change in turnover or employment N=277



Business optimism & Future plans

Expectations about future turnover

When asked "How do you think your business turnover for the next 12 months will compare to normal expectations?", 31% of businesses believed that turnover would increase. By contrast, 27% of businesses expect a decrease.

Businesses within manufacturing and construction (46%), raw materials (44%) and professional services (39%) were most optimistic about future turnover. Retail and hospitality businesses were the least optimistic with 39% of businesses expecting a decrease.

Figure A.5 Overall expectations about turnover in the next 12 months N=374

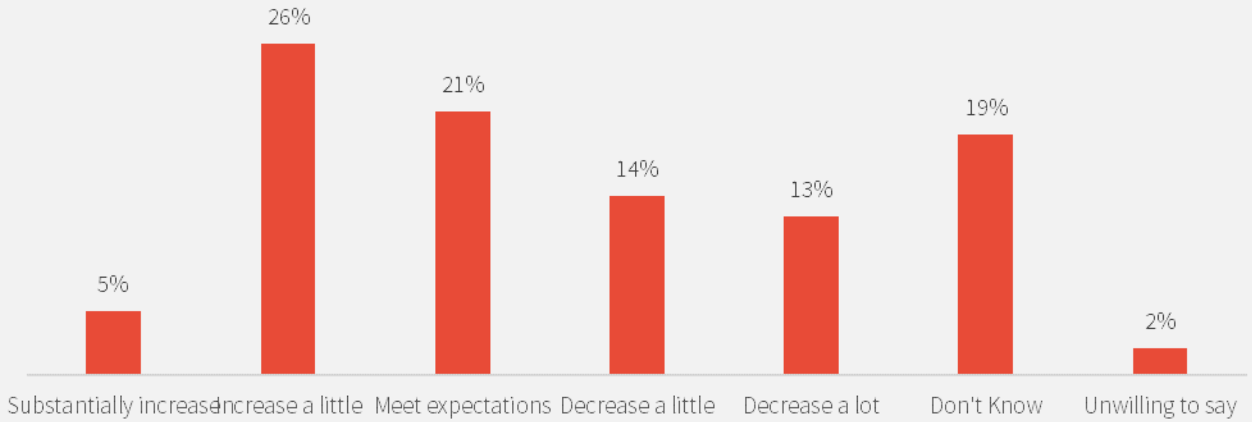


Table A.7 Overall expectations about turnover in the next 12 months N=374

	Raw materials	Manufacturing and construction	Retail and hospitality	Professional services	Public Services	All Businesses
Substantially increase	11%	8%	2%	6%	7%	5%
Increase a little	33%	38%	27%	33%	17%	26%
Meet expectations	11%	25%	18%	25%	21%	21%
Decrease a little	11%	11%	15%	13%	15%	14%
Decrease a lot	11%	5%	14%	10%	17%	13%
Don't know	11%	11%	22%	13%	21%	19%
Unwilling to say	11%	2%	2%	0%	3%	2%

Business optimism & Future Plans

Ambitions for businesses over the next 12 months

Figure A.6 shows the main ambitions of businesses for the next 12 months. Finding new customers and introducing new products were the two most common ambitions of the business sample (80% and 58%). Key sector/size differences were as follows:

+ A large proportion of manufacturing and construction businesses are seeking to recruit new employees (69%) which was significantly higher than the average (50%). In the same sector 18% of businesses intend to start to export to new markets which was also significantly higher than the average (6%).
+ Businesses within raw materials as well as manufacturing and construction were also most likely to be seeking new premises (44% and 25% respectively). Of those seeking new premises, 56% were seeking small premises of less than 5,000 sq ft (see Figure A.7).
+ There was a direct relationship between business size and intentions to recruit over the next 12 months, with larger businesses significantly more likely to be looking to recruit new staff than smaller businesses. Medium sized businesses were also significantly more likely than other businesses to be planning to adopt new technology (93% compared to 42% overall).

Figure A.6 Ambitions for businesses over the next 12 months N=391

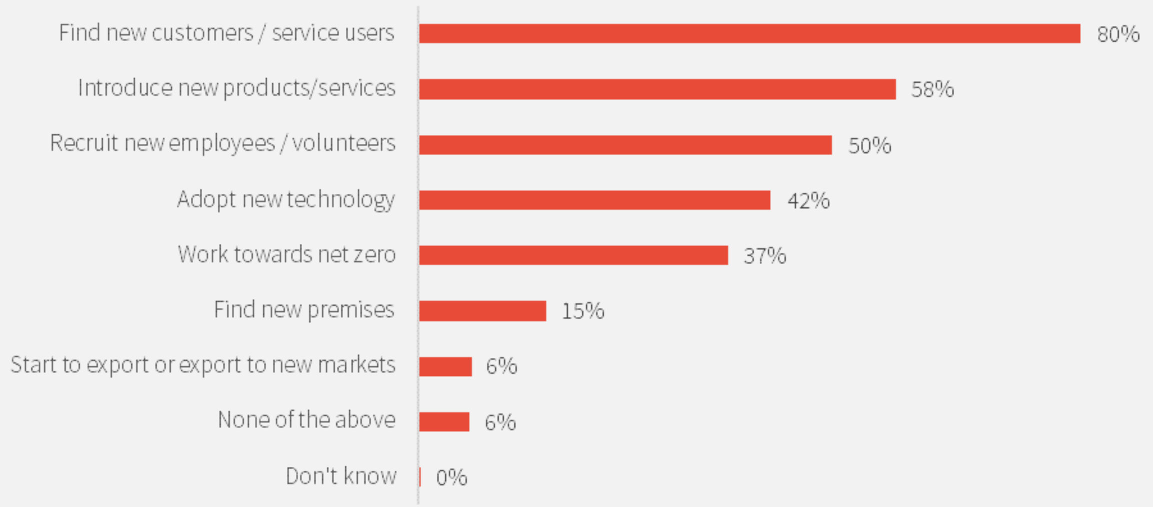
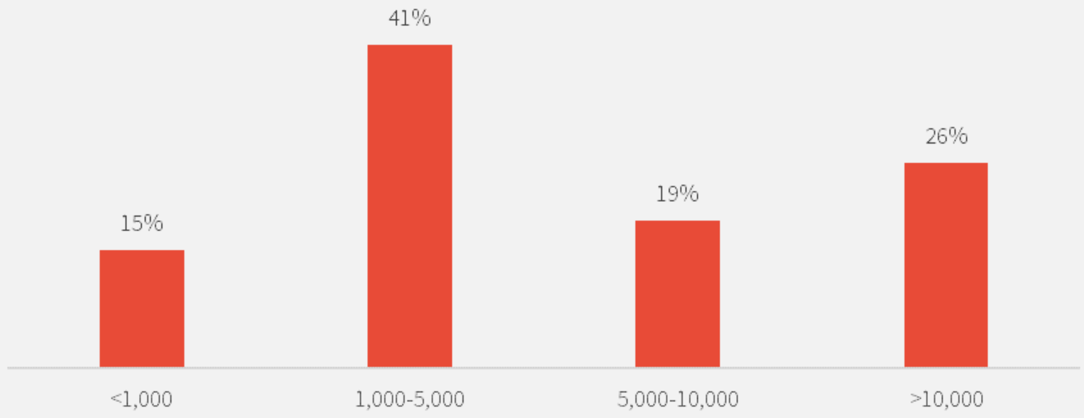


Figure A.7 Size of new premises (in Sqft) N=27



Business optimism & Future Plans

Confidence in achieving ambitions in South Tyneside

69% of businesses were at least fairly confident in achieving their ambitions with most businesses (88%) expecting to stay in South Tyneside to do so.

Although most sectors' businesses reported >65% confidence in achieving their ambitions, businesses within raw materials were the least optimistic. 22% of businesses reported that they were not at all confident in achieving their ambition.

For the 5% of businesses that stated they would not stay in South Tyneside to achieve their ambitions, reasons are listed below in order of prevalence:

+ Lack of premises in South Tyneside
+ Competitiveness of council offering/support compared to other areas
+ Customer/Work prevalence outside of South Tyneside
+ Other (Moving house/non-business-related preferences)

Figure A.7 Confidence in achieving detailed ambitions N=384

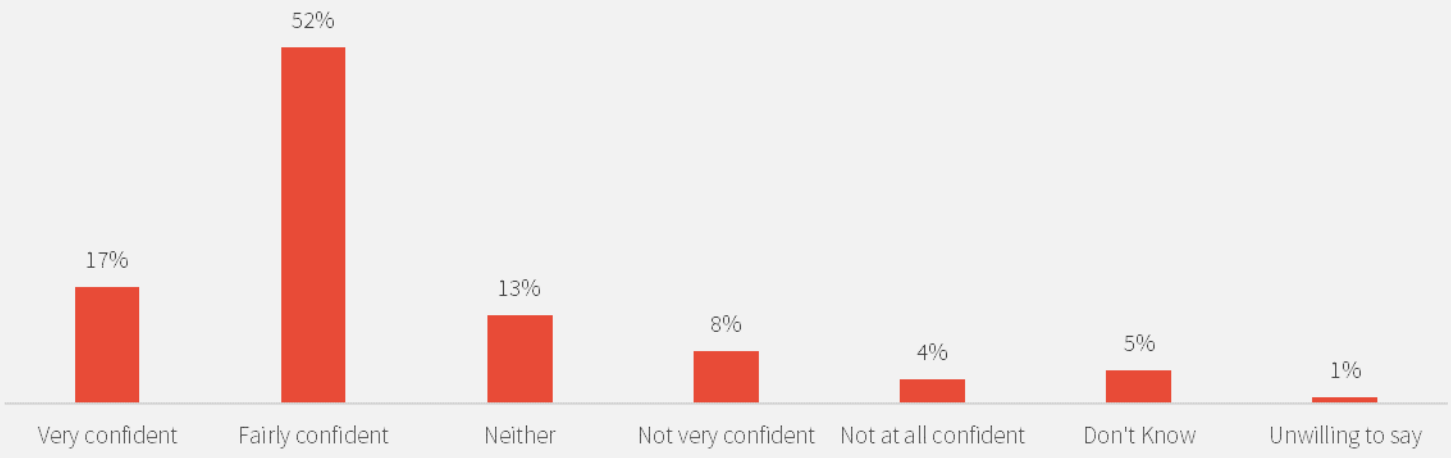
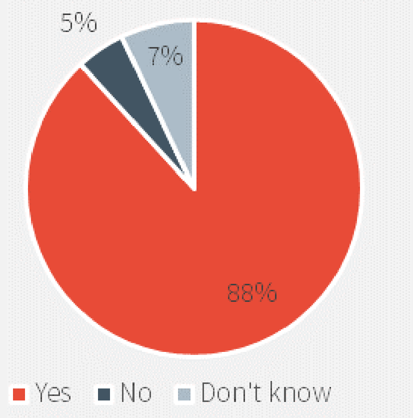


Figure A.8 Proportion of businesses staying in South Tyneside to achieve their ambition N=381



Business optimism & Future Plans

x

How South Tyneside Council could help to achieve ambitions

Businesses were asked how South Tyneside Council could help them to achieve their ambitions.

Additional funding was the support most required by businesses (23%), followed by support finding or improving business premises (10%).

Note: 46% of the 400 businesses did not answer or chose not to specify. Digital Infrastructure, improve public transport, promotion of green issues, transport investment, rounded to 0% and hence have not been displayed in Figure A.9.

Figure A.9 How South Tyneside Council can help to achieve ambitions N=400

Business optimism & Future Plans

Barriers to achieving ambitions

Businesses were asked to identify the main barriers to addressing their growth ambitions. Overall, access to finance (24% of businesses) and Taxation (18% of businesses) were the two most common barriers that businesses faced.

As shown in Table A.8, barriers varied by sector. The only statistically significant sector findings were that staff recruitment and skills were identified as a barrier by a higher proportion of manufacturing and construction businesses than the average.

By business size, the largest barrier for microbusinesses to achieve ambitions was accessing finance, whilst staff recruitment was a much greater challenge for medium and large businesses.

Figure A.10 Barriers to achieving ambitions by business size N=397

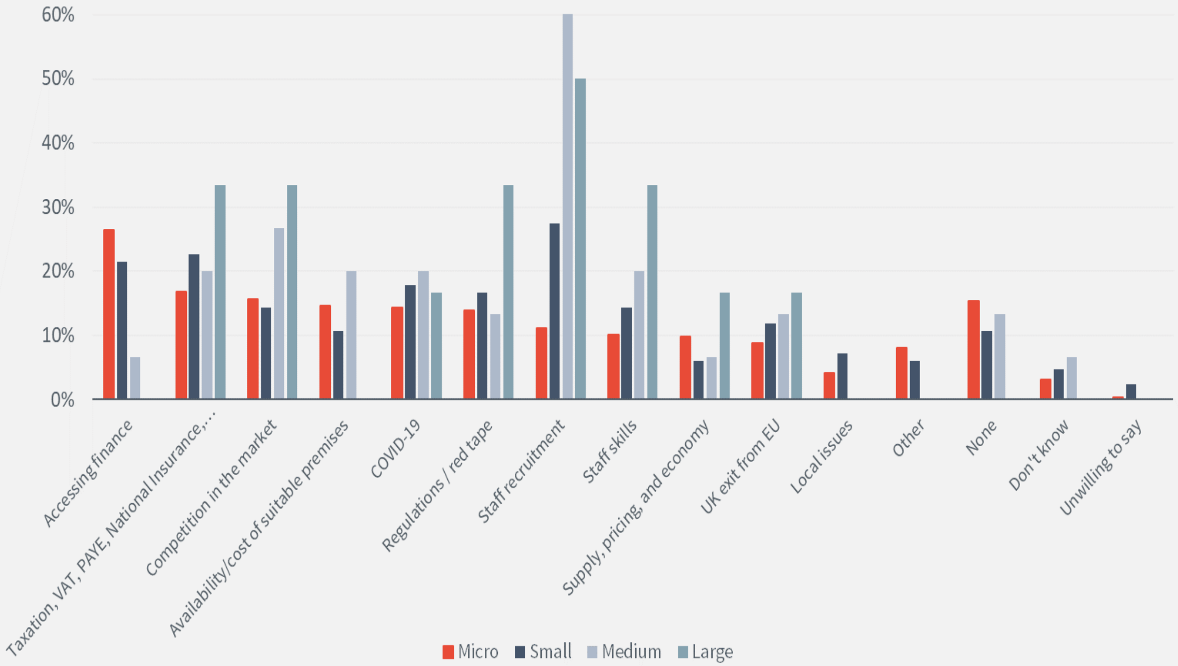


Table A.8 Barriers to achieving ambitions by business sector N=397

	Raw materials	Manufacturing and construction	Retail and hospitality	Prof services	Public services	Total
Accessing finance	22%	15%	22%	31%	28%	24%
Tax and business rates	0%	25%	22%	12%	16%	18%
Staff recruitment	22%	34%	11%	14%	17%	17%
Competition in the market	0%	18%	8%	25%	20%	16%
COVID-19	11%	10%	16%	12%	18%	15%
Regulations / red tape	22%	26%	13%	10%	13%	15%
Availability/cost of suitable premises	11%	10%	13%	18%	15%	14%
Staff skills	0%	30%	7%	12%	9%	12%
UK exit from EU	33%	13%	10%	10%	6%	10%
Economic environment	11%	16%	12%	6%	4%	9%
Other	0%	13%	3%	16%	6%	7%
Local issues	0%	3%	6%	2%	5%	5%

Business optimism & Future Plans

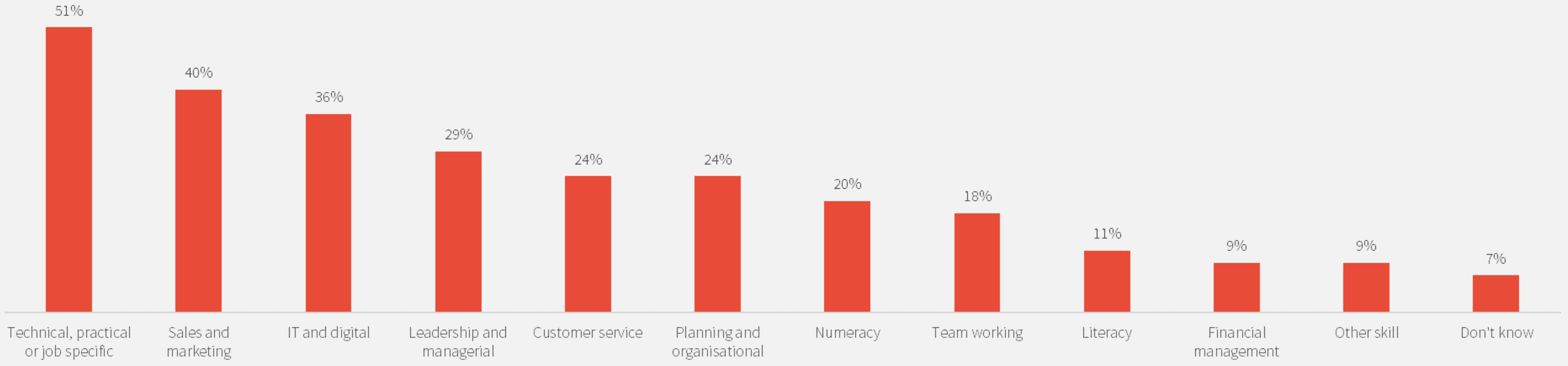
Skills that are currently barriers to businesses achieving their ambitions

Of those that identified access to skills as a barrier, technical, practical or job specific skills were the most difficult to recruit, cited by 51% of these businesses. .

This was particularly evident in manufacturing and construction sectors where 88% of business owners identified the skill as a barrier. This result was statistically significant and more than double the proportion of businesses reporting this in other sectors.

Note: Findings were statistically significant overall at the 5% level

Figure A.11 Skills that are currently barriers to businesses achieving their ambitions N=45



Seeking advice

External advice in the last 12 months

37% of businesses in the sample population sought advice in the last 12 months. A greater proportion of the sample did not (59%), however responses varied by business sector and size.

A greater proportion of businesses within the raw materials sector (50%) and professional services (49%) sector sought advice compared to other sectors. Business owners within retail and hospitality were least likely to seek advice with only 27% seeking advice in the past 12 months.

Larger businesses were also more likely to seek advice, with only 34% of micro-businesses seeking advice compared to 83% of large businesses.

Note: Findings were only statistically significant at the 5% level without sector or size breakdown.

Figure A.12 Businesses seeking help by Business Sector N=380

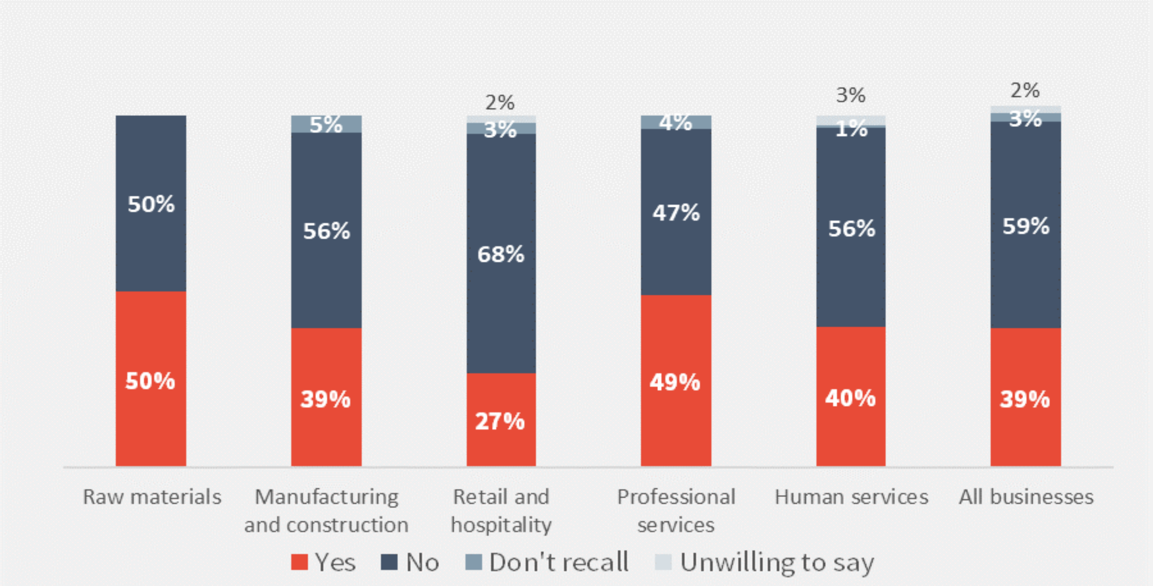
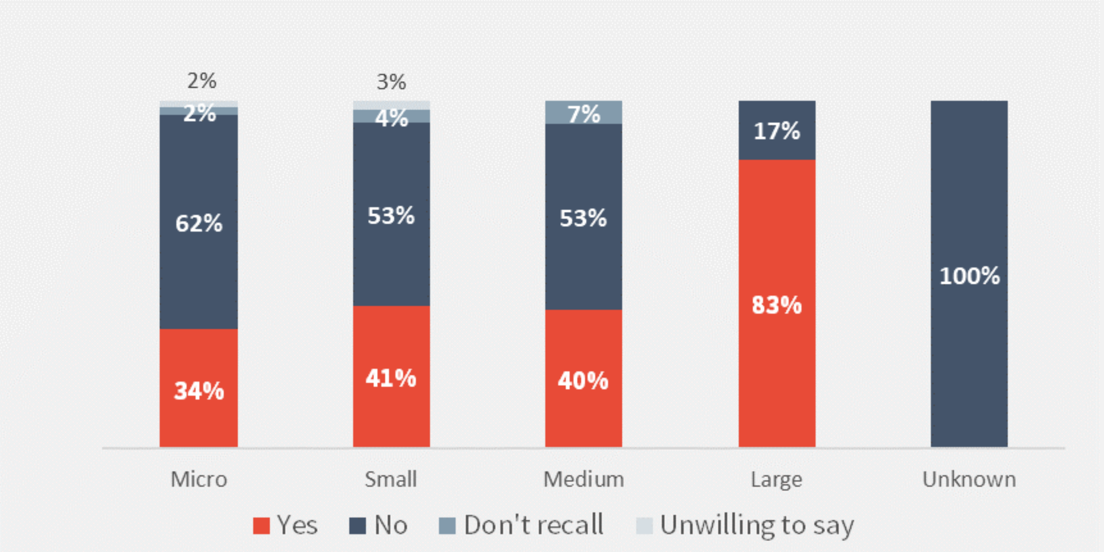


Figure A.13 Businesses seeking help by Business Size N=380



Seeking advice

Where have businesses sought advice from?

Half of all surveyed businesses sought advice from an accountant or financial adviser in the past 12 months. Business networks/trade associations (38%) and the .GOV website (35%) were also commonly used. Businesses were least likely to seek a public and charity sector or related organisation (10%).

Business Size Breakdown

- Accountants or financial advisors were most commonly used in micro, small and medium businesses. Large businesses were more likely to seek advice from consultants or general business advisors.
- Use of solicitors/lawyers, banks and related organizations were found to increase with business size.

Business Sector Breakdown

- Similarly, accountants/financial advisors were most commonly used in all sectors besides professional services.
- Professional services businesses tended to use Business networks/trade associations in seeking advice.

Figure A.14 Where businesses have sought advice (by Business Size) N=140

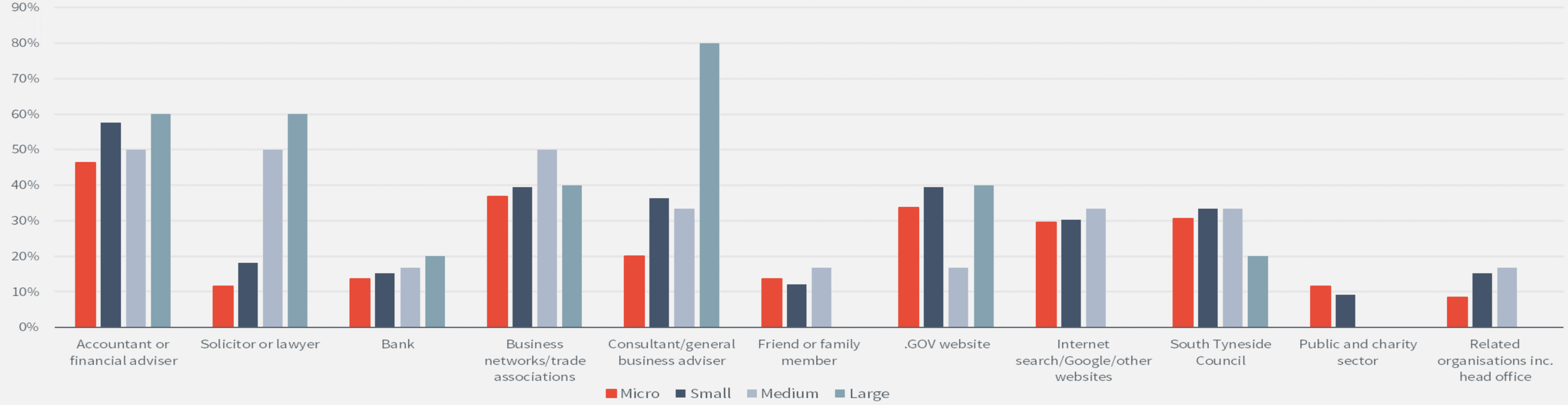


Table A.9 Where businesses have sought advice (by business sector) N=140

	Raw materials	Manufacturing and construction	Retail and hospitality	Professional services	Public Services	All Businesses
Accountant/ Financial adviser	25%	67%	62%	24%	49%	50%
Solicitor or lawyer	25%	17%	29%	12%	11%	17%
Business networks/trade associations	25%	54%	32%	44%	32%	38%
Consultant/general business adviser	25%	42%	35%	28%	13%	26%
.GOV website	25%	54%	44%	20%	28%	35%
Internet search/Google/other websites	25%	42%	41%	20%	21%	29%
South Tyneside Council	25%	13%	38%	20%	42%	31%
Other	25%	4%	0%	8%	2%	4%
Public and charity sector	25%	0%	3%	12%	17%	10%
Bank	0%	17%	26%	8%	11%	15%
Friend or family member	0%	13%	24%	12%	8%	13%
Related organizations	0%	21%	6%	4%	11%	10%
Don't recall	0%	0%	0%	0%	0%	0%
Unwilling to say	0%	4%	0%	0%	0%	1%

Seeking advice

How likely are business to seek advice again and where from?

48% of businesses in the sample population stated that they were likely to seek advice again, 32% stated it would be unlikely.

Businesses within the raw materials sector were least likely to return for a second round of advice, whereas businesses in the professional services are most likely. Findings further showed that the larger the business, the more likely they would be to return for advice. Businesses are most likely to seek advice again from South Tyneside Council (63%) or an accountant or financial advisor (47%).

Note: Findings were only statistically significant at the 5% level without sector or size breakdown.

Figure A.15 How likely are businesses to seek advice again N=381

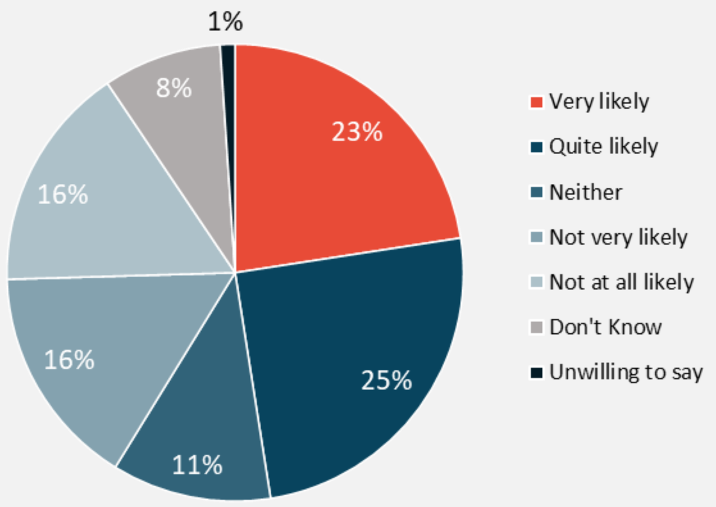
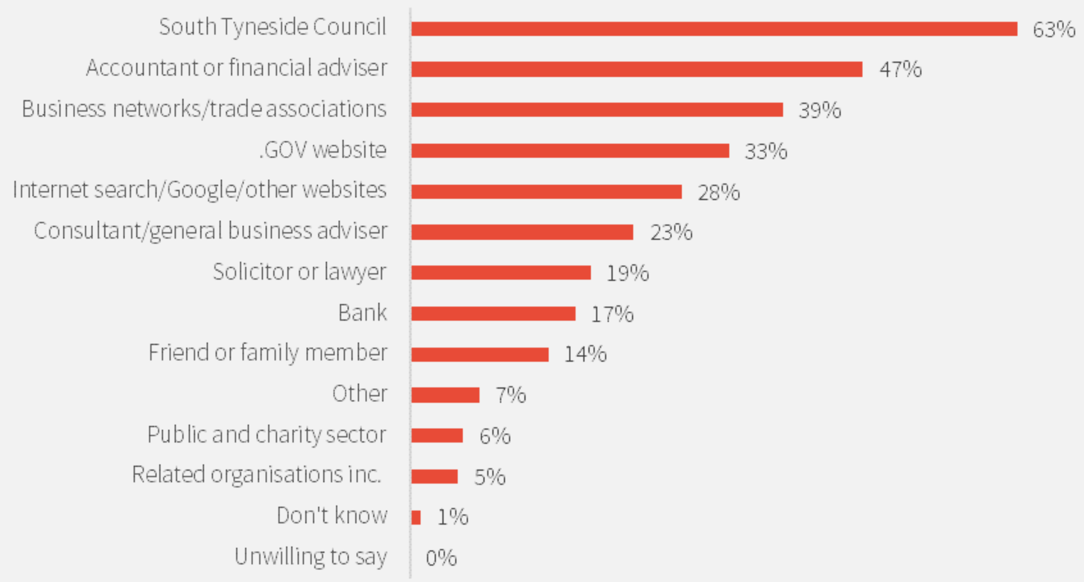


Figure A.16 Where would businesses seek advice again from? N=180



Seeking advice

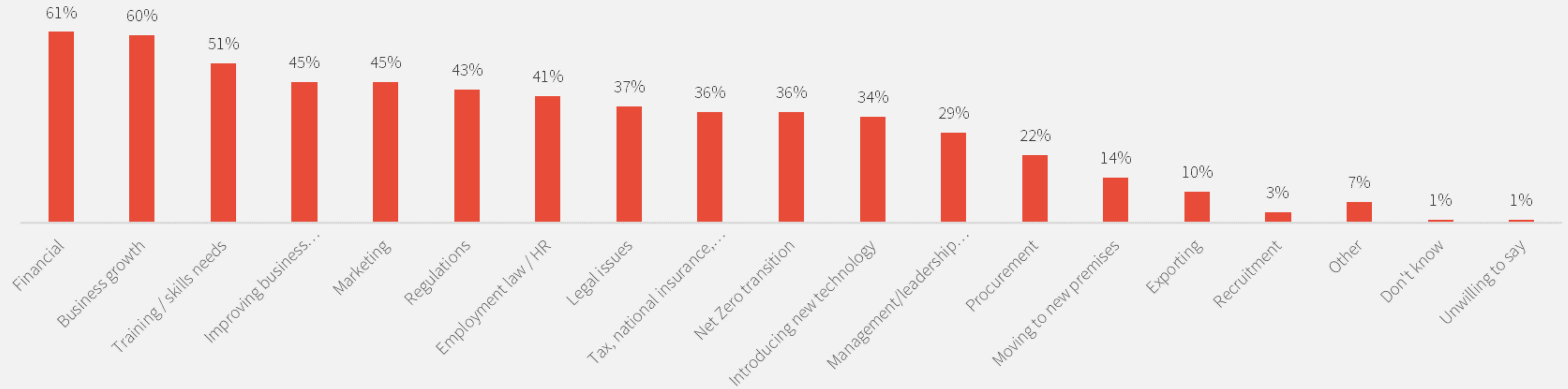
Matters affecting businesses

When asked ‘what matters affecting your business are you likely to seek external advice or information on over the next 12 months?’, 180 businesses responded. Financial and business growth were cited as the most common issues on which businesses might seek advice.

Businesses in public Services were most likely to seek advice on financial matters. Businesses in the raw materials sector, retail and hospitality and professional services were most likely to seek advice on business growth, while manufacturing and construction businesses were most likely to seek advice on employment law/HR (74%, which was significant at the 5% level). Over 50% of retail and hospitality businesses reported legal issues as the main issue on which they are likely to seek advice (also significant at the sector level).

There were no major differences between different size of business, with finance and business growth being the two most common issues on which all sizes of business seek advice.

Figure A.17 Matters affecting businesses that they would be likely to seek support on N=180



Seeking advice

Preferences for receiving external advice

Businesses were asked about their preference for receiving external advice or information on matters affecting their business.

Email was recorded as the most preferred communication with 62% of businesses recording this answer. Face-to-face support was the second-highest preference (41%).

These preferences were replicated across sectors. Significant findings showed that manufacturing and construction businesses preferred face-to-face advice compared to other sectors. Also notably, a higher proportion of Public Services businesses preferred to receive advice through email compared against other sectors.

Smaller businesses were more likely to prefer email communication (micro and small businesses), whereas medium and large businesses preferred face to face advice.

Reasons for not seeking external advice or information in the next 12 months

Businesses that had stated they would not be likely to seek external advice in the next 12 months were questioned on their reasoning.

20% of these businesses said there was no reason for these preferences (a statistically significant result) but 79% provided a reason. These were recorded and coded in Figure A.19 (*Note: 1% responded that they did not know).*

Most businesses responded that they did not need advice or could get advice internally (72%).

Responses for 'didn't know where to go, no support available or that they were too busy were not included in the chart as they made up 0% of the overall responses.

Figure A.18 Preferences for receiving external advice N=378

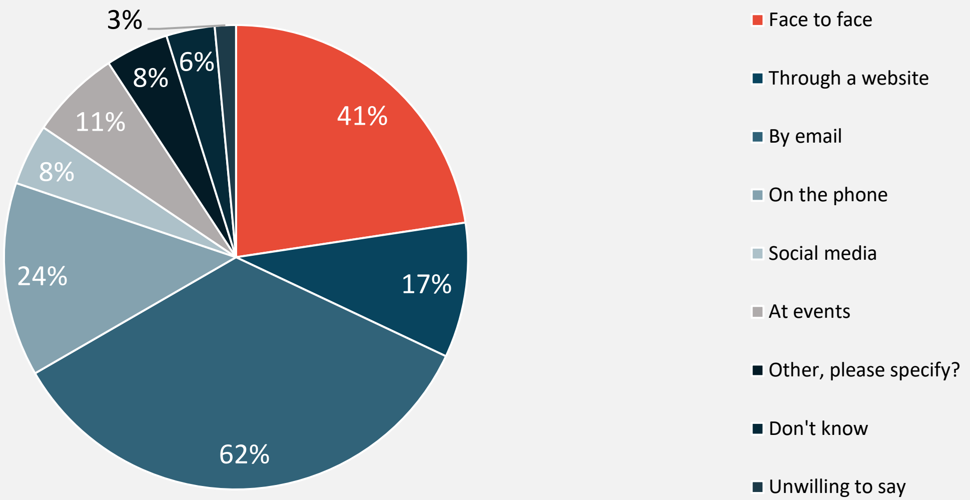
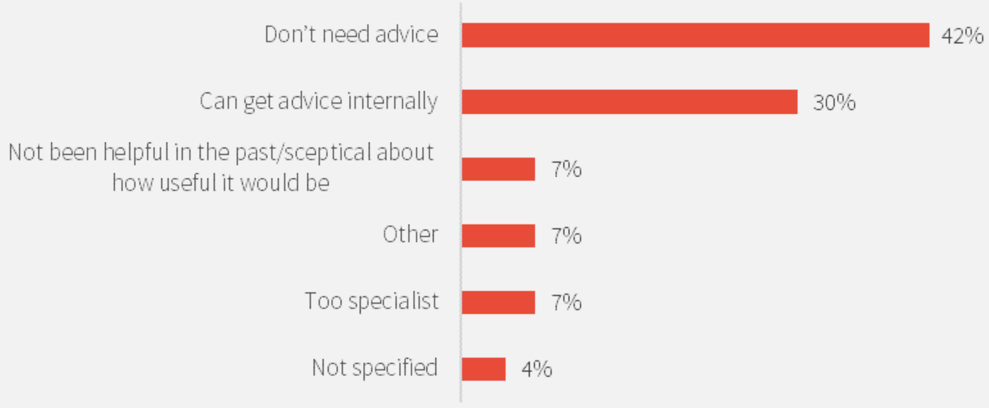


Figure A.19 Reasons for not seeking external advice in the next 12 months N=76



Seeking advice

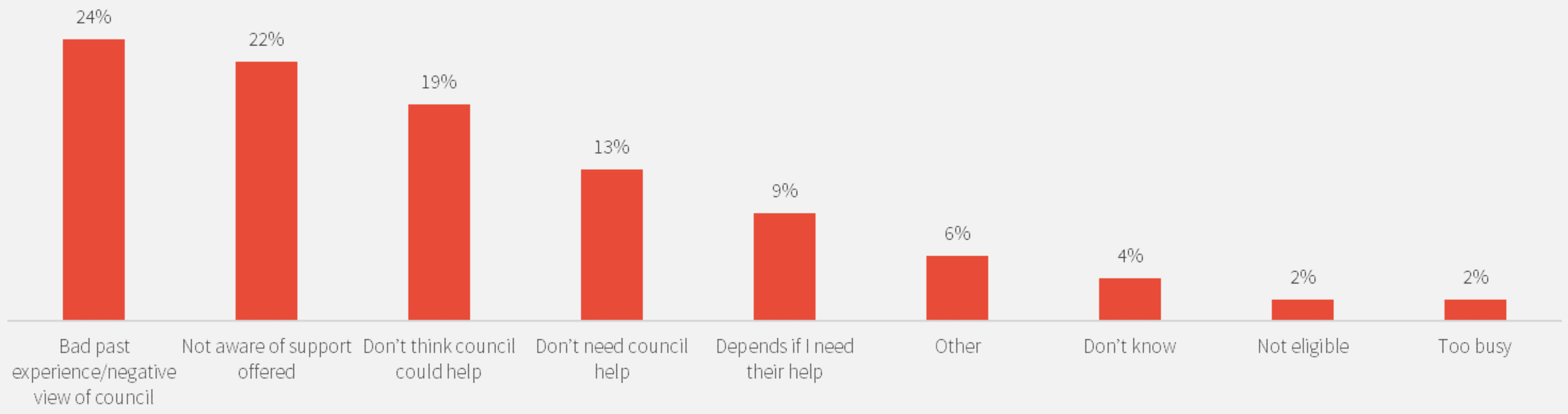
Reasons for not approaching South Tyneside Council for external advice or information on matters affecting businesses over the next 12 months.

124 businesses responded that they would not seek external advice from South Tyneside Council. Of these businesses, 48% responded that there was no particular reason for this.

52% of these businesses (N=57) stated a reason. These were recorded and coded, and the results displayed in Figure A.20. The main reasons given were because they received a bad experience or had a negative view of the council (24%), or that they were not aware of the support offered (22%).

Note: Findings were statistically significant at the 5% level.

Figure A.20 Reasons for not approaching South Tyneside Council for external advice over the next 12 months N=76



South Tyneside Location Rating

How do businesses rate South Tyneside as a place to run a business?

Views on South Tyneside as a place to run a businesses were favourable, with 16% rating it as excellent and 36% rating it as good. 13% of respondents rated it as poor or very poor.

Respondents gave a wide variety of reasons for their response. It appears a large number of respondents may have interpreted this question as asking for their view of South Tyneside Council. 49% of respondents who answered ‘good’ or ‘excellent’ said this was because they had a positive view of the council or had had positive experiences of working with them (particularly during the pandemic). Other strengths of South Tyneside included the fact that it was a nice place to live (11%) and its transport connections or other locational benefits (9%).

Similarly 41% of respondents who held a negative view of South Tyneside as a place to do business said this was due to their experience of working with South Tyneside Council. Other common responses were the fact it has a weak economy with limited spending in the local economy (16% of those with a negative view), and the cost/availability of premises (9%).

Figure A.21 How would you rate South Tyneside as a place to run a business? N=373