

Levelling Up the South West

By James Blagden and Matthew Greenwood

Summary

“Levelling up” is the flagship policy of this Government. The Prime Minister has pledged to boost opportunity for every part of the UK, to ensure that geography is not destiny and everyone has a fair chance to get on in life and go as far as their talents and hard work will carry them. But what levelling up means in practice, and where it is most needed, remain open questions until the Government’s White Paper in Autumn.

As Onward’s own research has shown, the levelling up challenge is complex and multifaceted. This is particularly true when considering the region that we discuss in this paper: the South West.

On many metrics, the South West performs around average among UK regions. It is not the lowest-ranked region for many of the measures that levelling up might target, whether employment or unemployment, wages or disposable income, or even connectivity.

As this report sets out, this is because headline measures obscure severe weaknesses in certain parts of the South West (because a regional focus excludes intra-regional variation) and in certain parts

of the labour market (because headline rates ignore differences in the types of work or the skill level of the workforce). In particular, we find that:

- Unemployment rates have fallen much slower than other regions since the Great Recession.
- Much of the work in the South West is part time, and those below the median are paid poorly compared to the rest of the United Kingdom.
- This is paired with a growing skills shortage among young people and a greater reliance on less productive, lower-paying sectors.
- Connectivity is poor both in terms of transport and digital infrastructure.

The South West is also a divided region, with Cornwall and Devon performing consistently worse on a number of metrics than better-off areas towards Wiltshire and Gloucestershire.

Addressing these will be crucial to levelling up and fulfilling the region’s potential. The sections that follow explore each of these issues in turn.

Foreword by Selaine Saxby MP

“Levelling Up” must benefit the whole country. While plenty has been written discussing “Levelling Up the North”, far less attention has been given to what is “Levelling Up the South” and in particular the south west, on which this research paper focuses. This is perhaps because as a whole the south west is perfectly average in most indicators of success that levelling up may target compared to the rest of the UK. However, dig a little deeper and it becomes clear that there is vast intra-regional inequality in the South West on a level barely seen elsewhere within the country.

Broad brush regional comparisons using the traditional indicators of success are by themselves unhelpful when discussing the unique position of the south west, and to understand what is really going on we must dig beneath the surface. Our unemployment is low in the south west, but this headline statistic hides the prevalence of part time work (some 27.1% of people) and the relative low pay of those at the bottom of the income spectrum, particularly the level of those on minimum wage.

Indeed, while some 90% of constituencies in the south west have part time employment above the UK average, the bottom 60% of part time workers in the income distribution in the south west earn less than their correspondingly ranked part time workers in every other region. This is despite the fact that workers here consistently work longer hours than in the south east, for example. Importantly, this abundance of poorly paid, part time work relates to our area’s reliance on accommodation and food services, industries which as we saw were particularly hard hit during the pandemic.

In the south west we also suffer poor digital connectivity, something I know well as Chair of the APPG on Broadband and Digital Communication, and poor physical connectivity, with few jobs within a reasonable drive of people’s homes. The number of jobs within Devon and Cornwall reachable within 60 minutes is two times below the median, and some five times below the median for those within 90 minutes. With public transport, the picture is slightly better, but Devon and Cornwall are still some 37% below the median at 60 minutes, and 54% below the median at 90 minutes.

This picture may be somewhat unfamiliar to those in the more urban conurbations in the south west, but to those of us in North Devon or other rural and coastal areas, often long distances from any city or motorway, these are very real concerns. With few jobs available within commuting distance, and connectivity in many places too poor to even consider a job requiring an average speed internet connection, people will continue moving away and our skills gap will widen further.

This complex picture of regional average versus intra-regional inequality is further reflected in skills. The south west is average in the UK for qualifications successes, yet in Devon, less than a quarter of 20-29 year-olds have a degree, despite the presence of Exeter and Plymouth. The picture is repeated in Cornwall, where there the number is some 10% below the national average of 35%. With the south west’s overreliance on a few low productivity and low wage sectors –

retail, accommodation, and food services – this may not appear an obvious short-term problem, but left untackled it stands stark in the face of the Government's Levelling Up ambitions.

The story of the south west is one of complex inequality, that is not easily reflected in traditional interregional figures, particularly around the coast. Instead, this report, for which I am immensely grateful to Onward for their diligent work, research, and analysis, goes deeper and looks at intraregional figures and inequality. Here, the true picture is teased out, and the reality of the situation on the ground is laid bare.

If the Government is to truly make a difference and level up the country as a whole, the south west cannot be ignored, and indeed deserves a special focus in its own right given the unique situation within which it finds itself.

Selaine Saxby MP
Conservative Member of Parliament for North Devon

Analysis

This paper examines the relative performance of the South West economy against a number of indicators, covering earnings, employment, skills, local industries, and connectivity.

1. Earnings and Employment

The South West has a historically strong performance on unemployment. In 2019, the South West had the third lowest unemployment level of any region, with 3.2% of 16-64 year-olds unemployed, compared to the UK average of 4%. The region has been one of the three regions with the lowest unemployment ever since 2004.

However, the South West has experienced the slowest decline in unemployment since the post-recession peak in 2011. Unemployment fell from 6.1% in 2011 to 3.2% in 2019. Part of this is because the South West saw one of the smallest increases in unemployment due to the recession, and therefore started from a lower base in 2011. But contrast the South West's post-recession trend with Northern Ireland, where unemployment fell from 7.4% to 2.6% over the same period.

Figure 1: Percentage change in unemployment by NUTS1 region, 2011-2019

Source: Onward Analysis of the Annual Population Survey



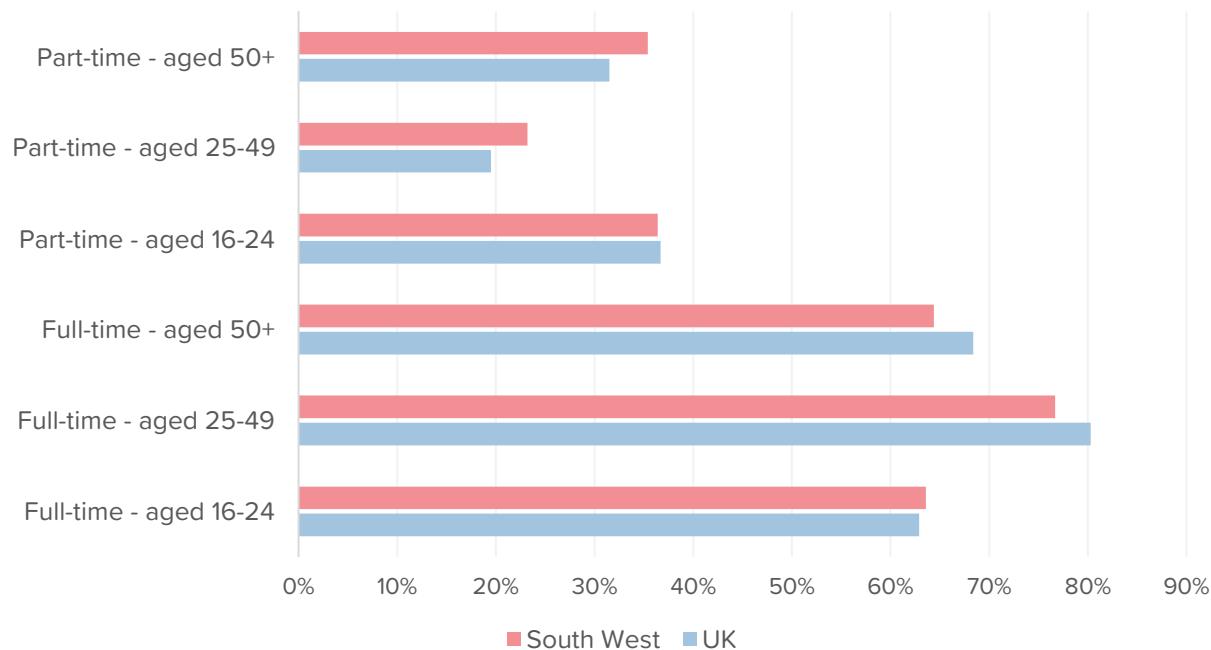
In addition, the South West economy is particularly reliant on tourism and hospitality. As a result, part-time employment is more prevalent in the South West, and those at the lower end of the earnings scale are paid considerably less than those working part-time elsewhere.

The South West ranks the highest of any NUTS1 region for the percentage of people in employment working part-time, with 27.1% working part time compared to the UK average of 23.8%. There are many reasons why people might choose to work part time, including to have time for childcare commitments, to retrain, to pursue other interests, or to reduce hours worked as one heads into retirement. But in the South West, part-time working is most common among those aged 25-49, suggesting that part-time work at least partly reflects underutilisation of the regional labour force.

Looking at Figure 2 below, we can see that the South West has a relatively low part-time employment rate among those aged 16-24 (the third lowest of any region), but a high part-time employment rate amongst those aged 25-49 compared to the rest of the UK. Among this middle age group (25-49), 23.2% work part time compared to 19.5% across the UK. Part-time work is also relatively high among those aged 50 or above.

Figure 2: Percentage of employed workers in full or part-time work in the South West (UK=100)

Source: Onward Analysis of the Annual Population Survey

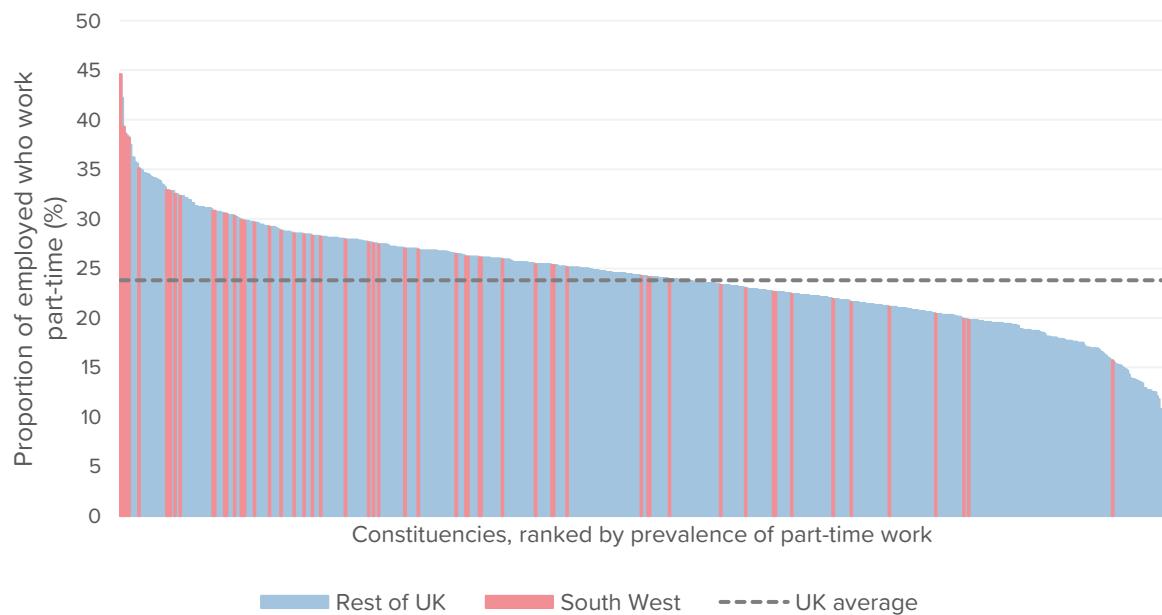


If we consider this by Parliamentary constituency, in Figure 3 below, we can see that 90% of constituencies in the South West have part-time employment above the UK average. This is the highest of any region.

Part-time work is particularly concentrated in Devon and Cornwall. An average of parliamentary constituencies gives Cornwall the highest share of part-time work in the region, at 32.5%, shortly followed by Devon at 30.4%. An average of parliamentary constituencies gives Wiltshire the lowest part time employment in the region, at 23.3%, followed by Bristol at 24.7%.

Figure 3: Part-time employment by parliamentary constituency

Source: Annual Population Survey



Part-time work is not only more common in the South West, it also pays significantly less than elsewhere in the UK.

At every point in the income distribution up to the 60th percentile, part-time workers in the South West earn less than every other region. At the 10th percentile, the lowest paid tenth, workers in the South West earn £3,264 annually, which is 13.28% lower than the UK figure. For the 20th percentile, workers in the South West earn £5,890, 7.8% less than the UK average.

Given this finding, we might expect hours worked in the South West to also be the lowest, but this appears not to be the case. In fact, part-time workers in the South East consistently work fewer hours per week than their South Western counterparts.

This is likely related to the high prevalence of minimum wage work in parts of the region. Using figures from the Low Pay Commission, we can map the share of the local workforce earning the National Minimum Wage across UK regions and constituencies.

Figure 4: Annual income amongst part-time employees in NUTS1 regions compared to the UK average

Source: *Onward Analysis of the Annual Survey of Hours and Earnings*

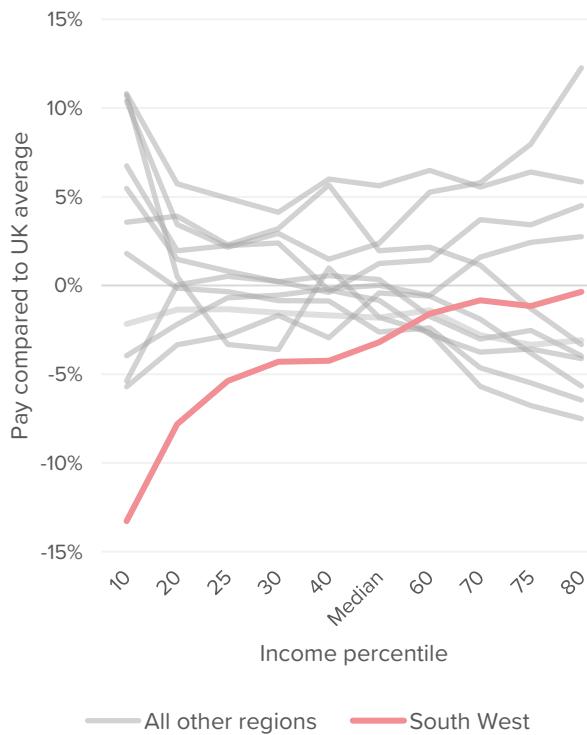


Figure 5: Annual income amongst part-time employees in the South West compared to the UK average

Source: *Onward Analysis of the Annual Survey of Hours and Earnings*

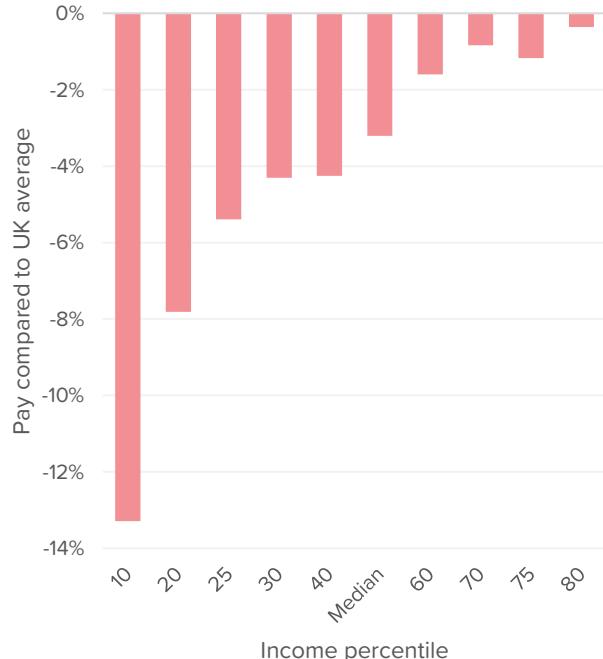
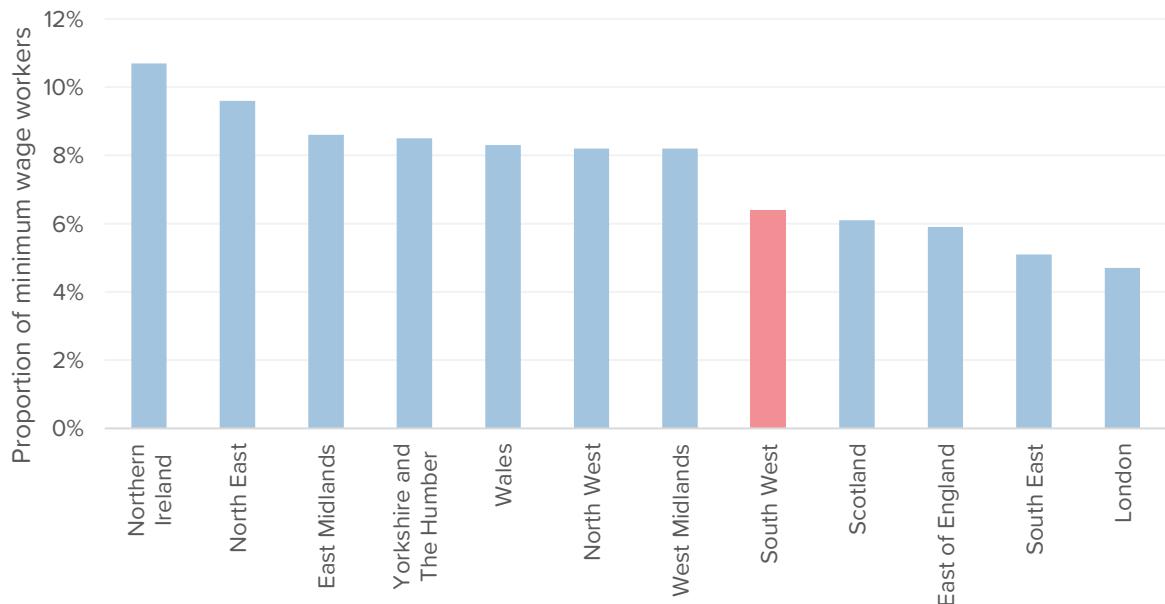


Figure 6: Share of workers earning the National Minimum Wage by NUTS1 region, 2019

Source: *Low Pay Commission*



As Figure 6 shows, the South West on the whole places around the middle of the pack, at 6.4%. However, that does not mean the South West is without its low-pay hotspots.

The map in Figure 8 below illustrates that the South West is divided between Devon and Cornwall in the west and Gloucestershire and Bristol in the north. The three areas with the highest minimum wage coverage are Bolton South East, Manchester Gorton, and Nottingham East. Conversely, the three areas with the lowest coverage are Eltham, Hampstead and Kilburn, and Chelsea and Fulham – all three of which are in London.

Indeed, we find that every constituency in Cornwall has a minimum wage coverage above the South West average, as do 91% of constituencies in Devon. This is compared to just 14% of constituencies in Wiltshire and 16% in Gloucestershire.

Figure 7: Proportion of workers earning the National Minimum Wage by county, 2019

Source: Onward analysis of Low Pay Commission

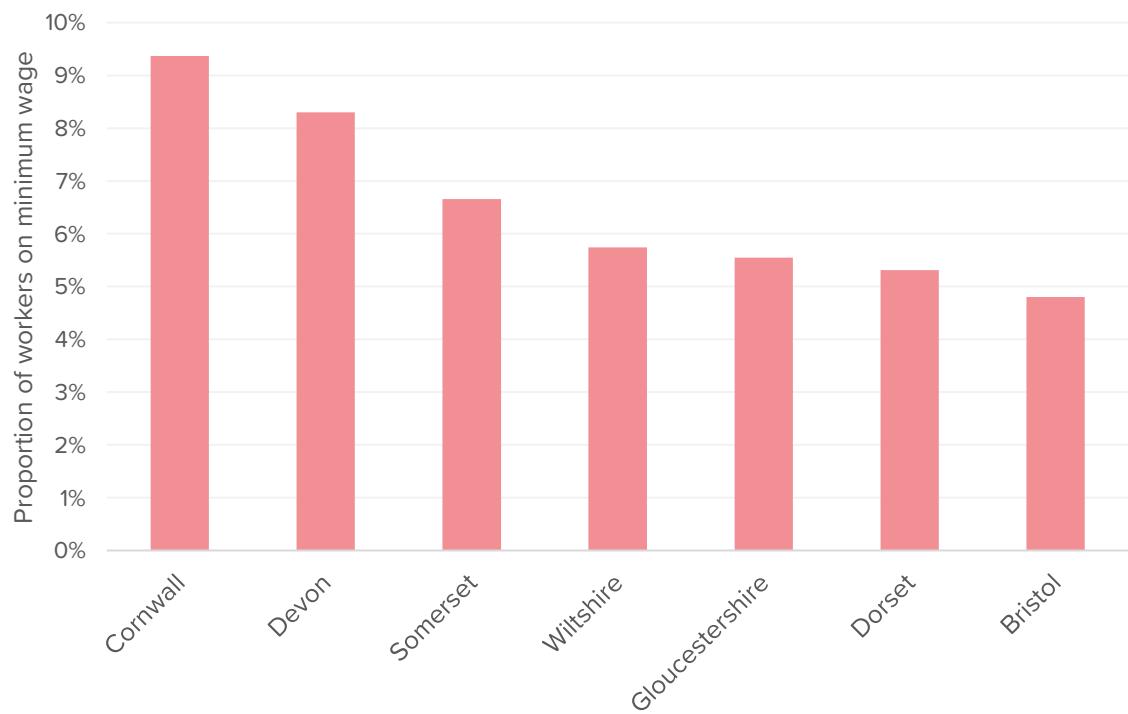
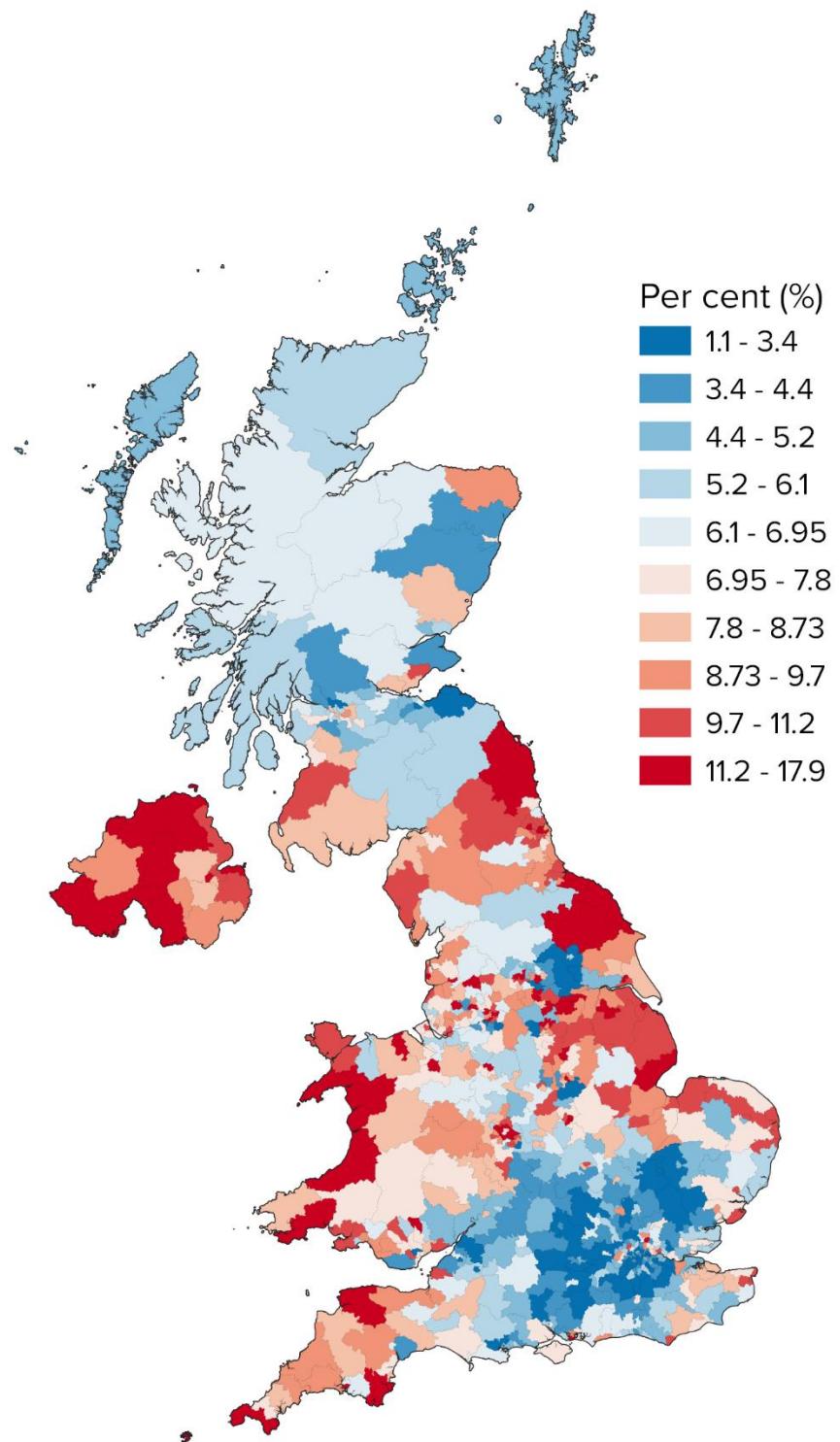


Figure 8: Minimum wage coverage by Parliamentary Constituency, 2019

Source: Low Pay Commission



2. Skills

As we have seen above, challenges for the South West are specific, rather than general, and largely confined to a few places (Devon and Cornwall) rather than spread across the whole region. It is the same for skills.

Compared to other regions and countries of the UK, the South West does not stand out as low on qualifications. But parts of the region are far below average.

Devon is particularly short on highly-qualified young people. Just 24% of 20-29 year-olds have a degree, the fourth lowest of any NUTS2 region (only East Yorkshire, the Scottish Highlands and Lincolnshire are lower), 10 percentage points below the national average of 35%. This is despite playing host to the universities of Exeter and Plymouth.

We can contrast this with the area covering Gloucestershire, Bristol and Bath, where 36% of 20-29 year-olds have a degree, ranking 8th highest in the country.

If we compare the proportion of students who come to study at universities in Devon to the proportion of young people with degrees, we see that the county seems to struggle a lot with graduate retention. 31,000 students study for an undergraduate degree at a university in Devon (mostly Exeter and Plymouth), which is 2.6% of the UK total. But there are 35,000 under-30s with a degree, which is only 1.6% of the UK total; this indicates that there is a significant 'brain drain' among younger people. Upon graduating, young people will seek opportunities elsewhere in the country, rather than stay in Devon.

3. Industry

Another area of weakness for the South West is its reliance on specific industries. Of particular interest here is the over-representation of low-productivity and low-wage sectors - retail and accommodation and food services.

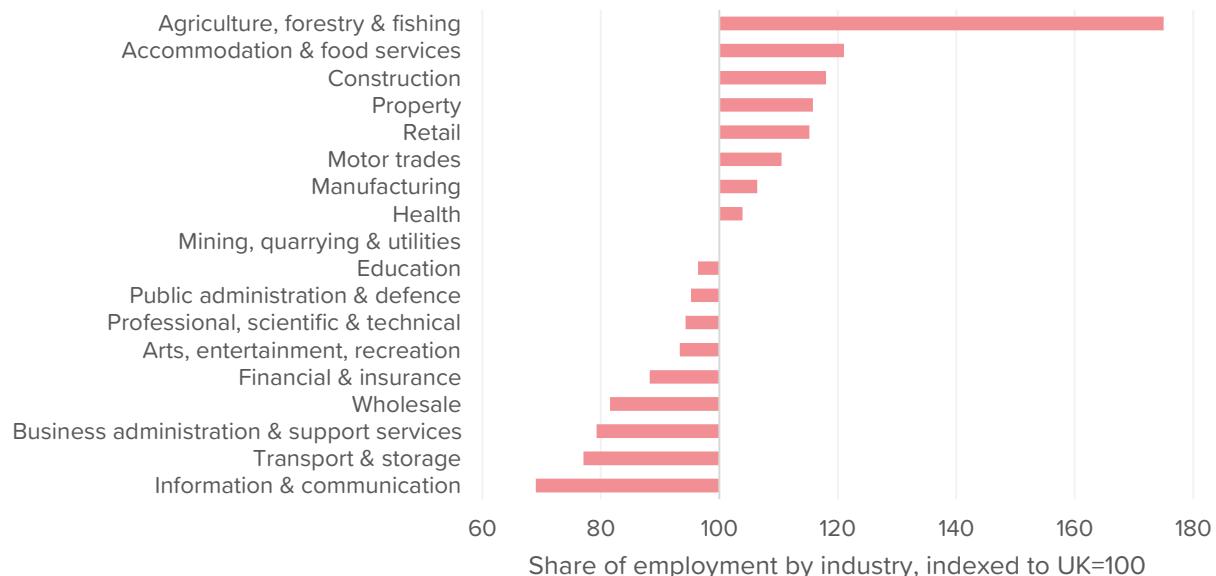
Employment in accommodation and food services makes up 9.2% the total in the South West, compared to 7.6% across Great Britain, yet it also has the lowest hourly pay across all broad industry groups. Median gross weekly pay for full-time workers is £404; for part-time workers, this median pay is £133. Average weekly pay across all sectors was £585 for full-time and £197 for part-time workers.

Retail presents a similar story. The sector accounts for 10.6% of jobs across the South West, compared to 9.2% across Great Britain. Full-time workers in retail earn 26% less than average and part-time workers earn 15% less. People in the South West are almost twice as likely as those in the rest of the country to work in agriculture, forestry and fishing, although the percentage is quite low (2.8%). Median pay in this sector is £479 a week for full-time and £165 for part-time workers.

This is compounded by the industries that the South West lacks. The information and communication sector only accounts for 2.9% of jobs in the South West, compared to 4.2% nationally. Wages are 31% higher than average among full-time workers and 12% higher among part-time.

Figure 9: Employment by broad industry group (SIC07) in the South West compared to the UK average

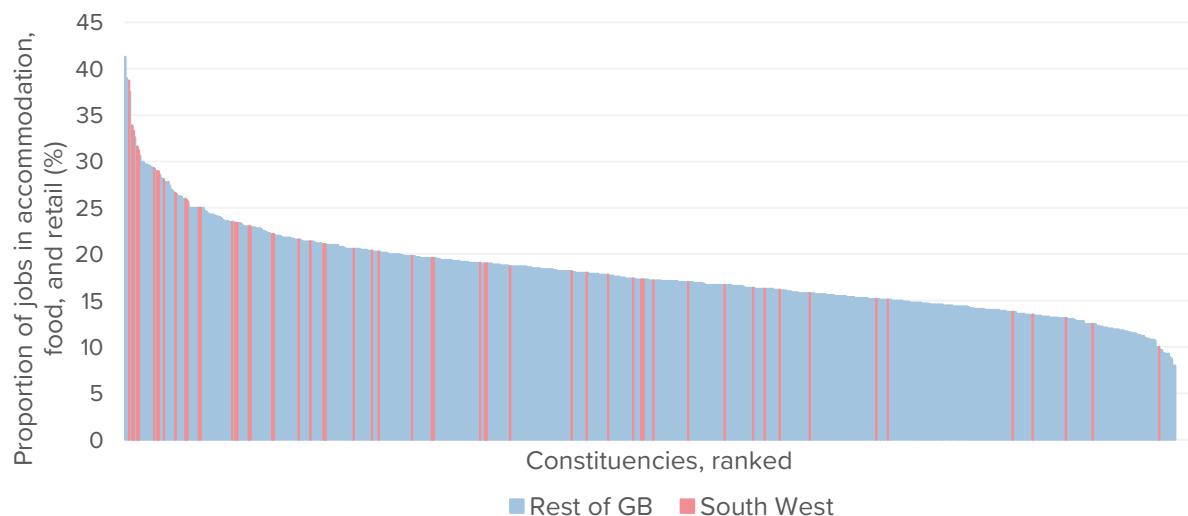
Source: Business Register and Employment Survey



In similar fashion, this regional skew towards particular industries is not spread equally across the South West. Averaged by county, Cornwall has the highest proportion of retail and accommodation and food services at 30% of its workforce, shortly followed by Devon at 23.7%. Bristol has the lowest share of employment in these sectors, at 14.3%.

Figure 10: Percentage of jobs in Retail and Accommodation and Food Services by Parliamentary Constituency

Source: Business, Register and Employment Survey



4. Connectivity

Exacerbating all of the issues previously discussed is the South West's poor connectivity - both digitally and physically.

Outside Bristol, the South West has poor connectivity to jobs. Much of the region - and almost all of Devon and Cornwall - ranks in the bottom 2 deciles for the number of jobs available within an hour by car or public transport.

But this is first and foremost a function of lack of jobs rather than a restrictive road network. In terms of how far residents could drive within 30 or 60 minutes, the South West actually ranks around average: 632km² and 3,896km², respectively, above the median values of 525km² and 3,859km². Due to the lack of congestion, rural parts of Dorset, Devon and Cornwall fare even better than the urban areas around Plymouth and Bristol. This suggests the problem is the labour market rather than drivability.

But on public transport, the absence is clear. Both reachable distance (how far you can travel) and accessible jobs (the number of jobs contained within that reachable area) are very low outside the South West's urban areas of Bristol, Exeter, and Plymouth.

The average number of jobs accessible by public transport across Devon and Cornwall is 43,667 within 60 minutes and 88,458 within 90 minutes. The median number of reachable jobs across Great Britain is 108,975 and 447,600 at the same time horizons. This means that the number of reachable jobs in these two counties is between 2 and 5 times lower than average. Looking at reachable distance by public transport, Devon and Cornwall fall 37% below the median at 60 minutes and 54% below the median at 90 minutes.

Unfortunately, poor physical transport is not compensated for by digital connectivity in the South West. Digital connectivity holds great opportunities for connecting communities without significantly damaging the landscape, but its potential is yet to be realised.

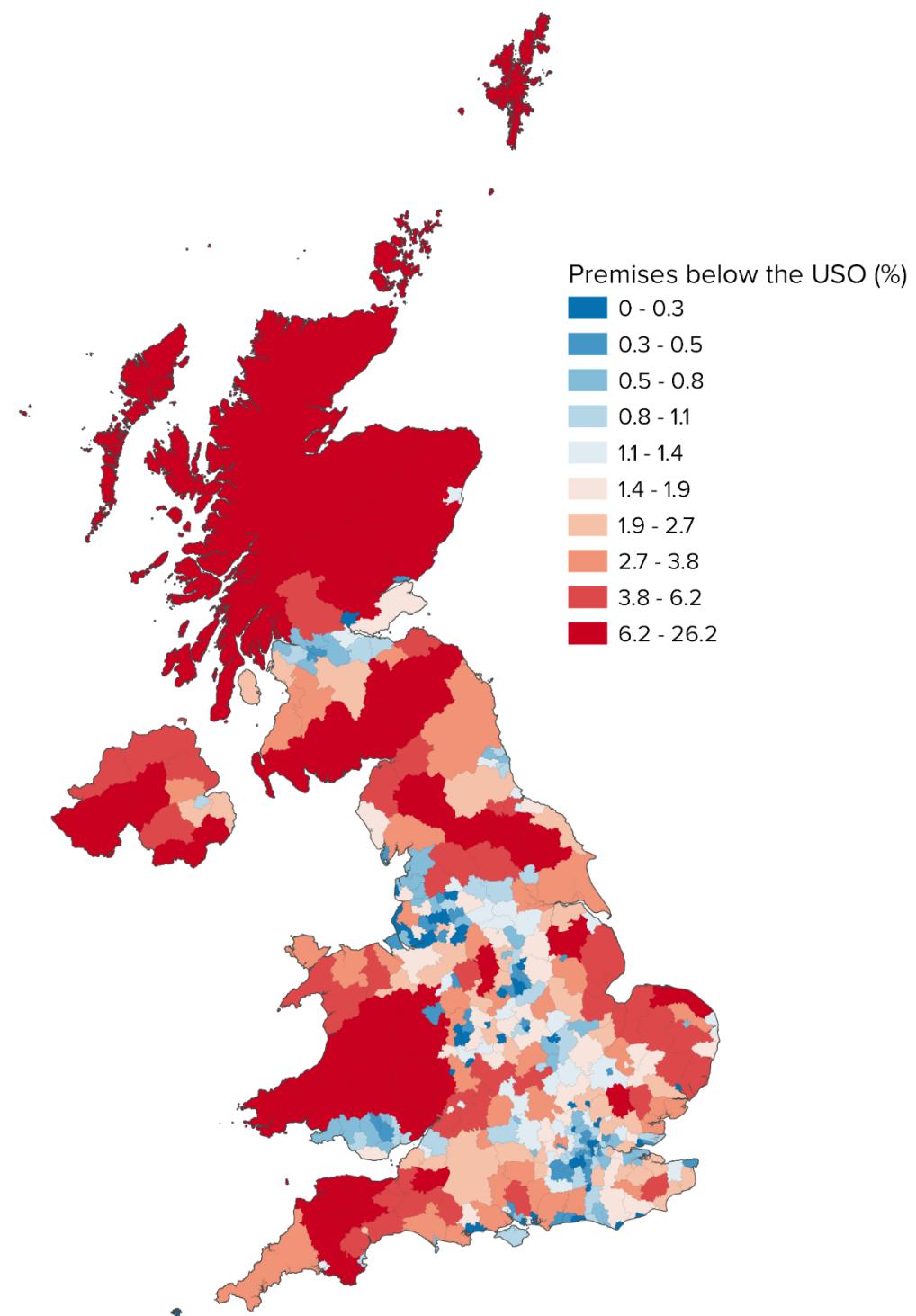
While the rollout of full fibre infrastructure in the South West is progressing smoothly, problems lurk beneath. The South West still has some of the slowest speeds and there are a lot of digitally disconnected places.

The region is over-represented at the bottom of the distribution of download speeds. Half of the South West's local authorities are in the bottom quartile for download speed. Put another way, the South West has the third lowest mean speed (60.49 Mb/s). Fixed broadband is relatively poor outside the cities.

Across Devon and Cornwall, the average proportion of premises below the universal service obligation (USO) is 5.8%, compared to around 2.5% across the UK. In West Devon, 12.5% of homes are below the USO, the eighth worst in the country.

Figure 11: Average Download Speed (Mb/s) by Local Authority

Source: OfCom



Conclusion

Put together, this report highlights a number of challenges particular to the South West. While people choose part-time work for a number of reasons, part-time employment in the South West is particularly high compared to other regions and, for those below the 60th percentile, it pays significantly less than average.

Much of the employment in the South West is reliant on a few low-paying industry groups, namely accommodation and food services and retail. These industries are sources of pride for the region and its flourishing tourism sector, but it's inescapable that both of them are also sources of low-pay and low productivity. This is paired with a skills shortage amongst young people, especially in Devon and Cornwall.

Finally, poor physical and digital connectivity is an issue, preventing easy travel both on the railway and across the digital airwaves.

While there are some general UK-wide levelling up challenges, a one-size-fits-all approach will not be sufficient. Different places will require different solutions.