

1. Purpose of this paper

Creating a successful economy and revitalised town centre is one of the seven key visions of Poole's Sustainable Community Strategy. The aim of this paper is to highlight key issues around the economy in Poole. This paper is part of a series of Topic Papers highlighting key issues in Poole for Housing, Economy, Children and Young People, Older People, Communities, Community Safety and the Environment.

2. Key Issues

- Poole has the highest proportion of residents aged 65+ of any urban area in England.
- A shortage of skills across Poole impacts the performance of the local economy. Whilst the availability of higher skills (NVQ4+) has increased this still stands behind national expectations and more significantly behind competitor areas
- 50% of Poole's employees are working in health, manufacturing, retail and education.
- Employees resident in Poole earn 10% less than their national counterparts.
- The expectations are that new or redeveloped employment land is expected to deliver an additional 14,000 jobs in Poole by 2026

3. Economy policy context

Some of the key documents on Poole's local economy include:

The **Borough of Poole Economic Strategy** outlines Poole's main economic development priorities, it analyses the strengths, weaknesses, threats and opportunities facing Poole. It provides information on Poole's economy and the key relevant policies for developing the local area.

Bournemouth, Dorset and Poole's Local Economic Assessment provides an understanding of the functional economic geography in the area and how it affects the well-being of residents and businesses. It identifies economic linkages, strengths and weaknesses of the local economy.

The **Economic Statistics Bulletin** produced by the Borough of Poole provides an ongoing economic intelligence update through which to determine progress in delivering the targets of the Borough of Poole Economic Strategy and identify key changes occurring within the local economy.

Key issues

The performance of Poole as monitored by the Poole Economic Strategy and the Borough of Poole Quarterly Economic Bulletin suggests it is a place of potential. This performance however is constrained by a number of issues. The challenges to address for Poole to reach its economic aspirations include:

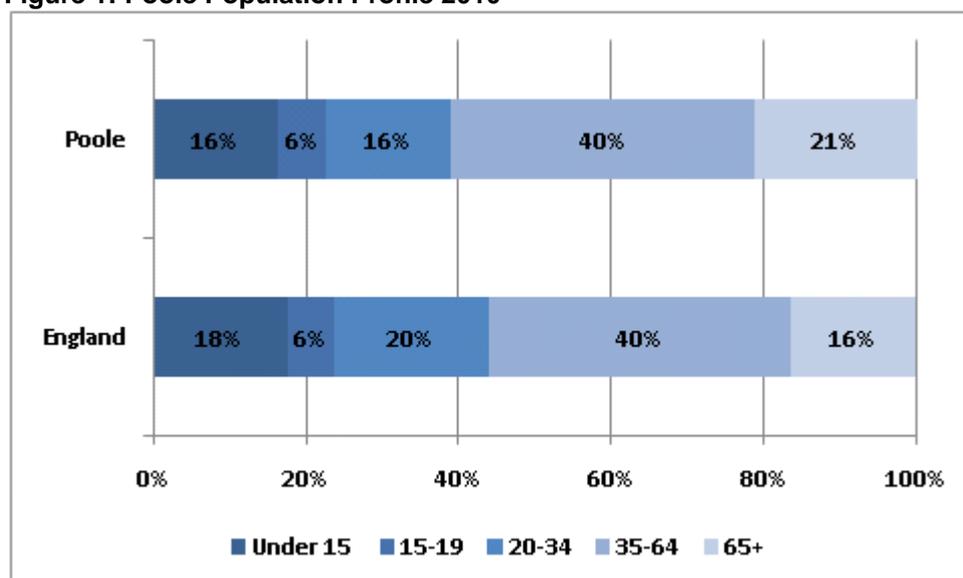
- Demographic imbalance
- Skills
- Key sectors
- Quality of life
- The impact of the consumer economy
- Delivering development sites

3.1 Demographic Imbalance

The level of Demographic Imbalance due to an ageing population is greater in Poole than it is nationally. Although the 65 and over age group continues to grow across the entire UK the high levels of in-migration from this age group compound the problem in Poole. In 2010, Poole has the highest proportion of residents aged 65+ of any urban area in England¹.

In contrast to the increasing trend of over 65's is a shortfall in the 20-35 age groups (figure 1). The shortage of younger people and the comparatively low levels of in-migration from those of working age potentially expose Poole to future labour shortages.

Figure 1: Poole Population Profile 2010



Source: ONS Mid-Year Population Estimates 2010

The changing structure of Poole population may result in a potentially risk for Poole in maintaining its economic performance. The ongoing loss of its workforce as older employees reach the current state pension age and decide to retire require more people of working age to replace them. This will not be possible through the ageing of Poole's younger population alone people of working age migrating to Poole are required as well. If the affordability of living in Poole continues to be at its current high levels it may result in workers deciding to migrate elsewhere as they cannot afford to live in Poole². See the *Housing Topic Paper for more information*³.

¹ Mid-year population estimates 2010

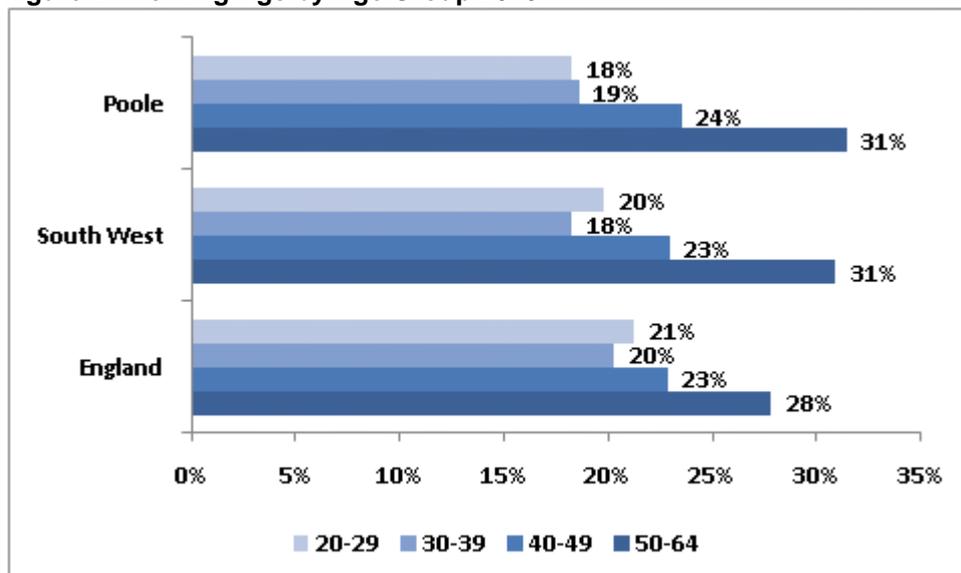
² Borough of Poole Economic Strategy 2011

³ Housing Topic Paper 2011

Poole's workforce profile (figure 2) shows how the retired community is likely to continue its growth in the future. The proportion of those aged 20-29 in Poole is 3 percentage points lower than the national average while those aged 50-64 is 3 percentage points higher.

A third of the existing available workforce in Poole will reach the (current) state pension age in the next fifteen years, some 27,000 people. The existing youth population and expected in-migration of people would be required to cover this number.

Figure 2: Working Age by Age Group 2010



Source: Mid Year Population Estimates 2010

One of the significant ways in which a growing retired community can affect a local area is in the level of inputs and outputs to the local economy. This is the difference between the adult population active in the labour market and the adult population active as consumers.

Areas with large retired communities (especially those aged up to 75) the numbers of consumers putting money into the economy is higher. The spending power of this demographic is important to a local economy as they can devote a greater proportion of their expenditure to both necessities and luxury items⁴. This effect has contributed to Poole's economy performing well during the recession, and the presence of a large active and affluent retired community has played a role in maintaining economic buoyancy.

The retired community would be able to influence the local economy through their demand and need for the provision of services. The cost of caring for the UK's elderly is estimated to exceed £300bn annually by 2025. Although locally this might be seen as a strain on both services and employment it can also be seen as an opportunity for future service and product innovation and development.⁵

See the *Demography Topic Paper* for more information on Poole's population and its key issues over the next five years⁶.

⁴ BIS: 'Is business ready for a ageing nation?', 2010

⁵ Deloitte: 'Innovation that Matters, how innovation is currently supported in an ageing society', 2009

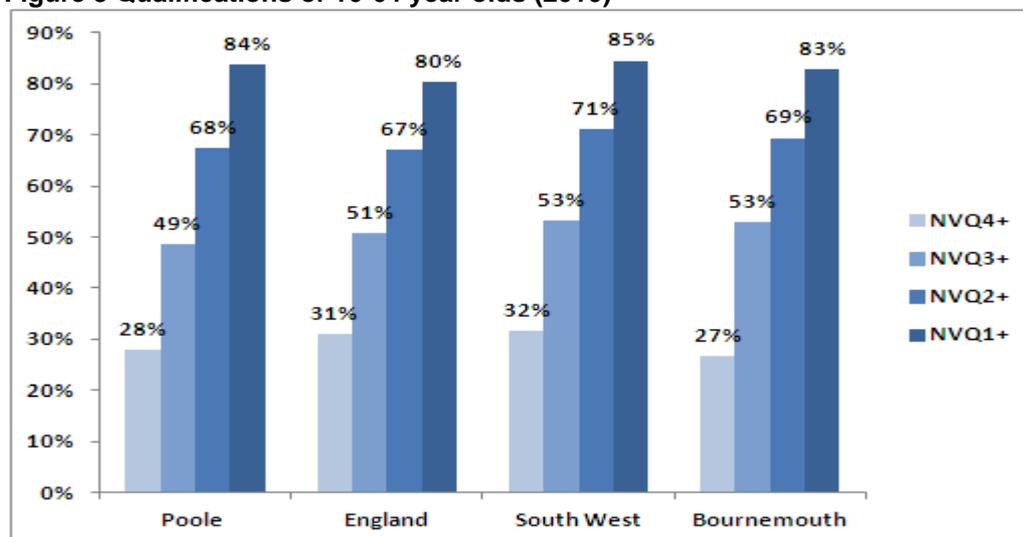
⁶ Demography Topic Paper

3.2 Skills

A shortage of skills across Poole would impact upon the performance of its local economy. Although the availability of higher skills has increased in Poole in recent years it still lags behind both the national average and competitor areas (figure 3).

The supply of available skills varies upon the level of qualification attained. At NVQ Level 2 the availability is strong but at NVQ Level 4 there is a shortage. Whilst it is important to have a good supply of skills across all qualification levels it is the availability of Level 4 skills which contributes to higher levels of economic productivity.

Figure 3 Qualifications of 16-64 year olds (2010)



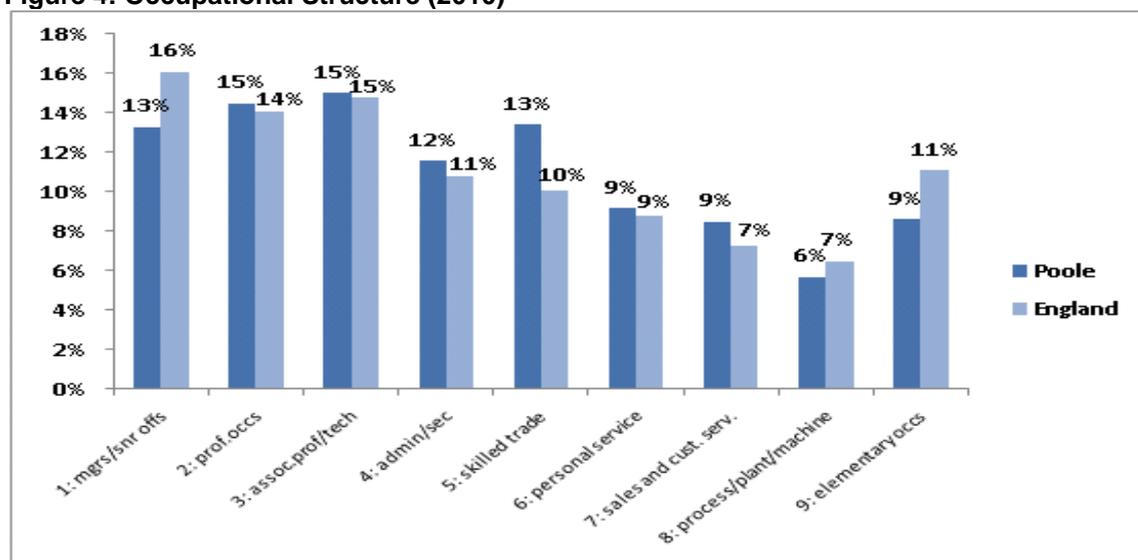
Source: Annual Population Survey 2010

It is important the supply of skills to the demands of the employment market. Occupational demand in the Bournemouth & Poole conurbation indicates a good market for medium-to-high skills. However there are mismatches between the employment market and the labour pool. Competition for high level occupations is found to be slim and there is a notable undersupply of candidates for mid-level roles.

Evaluating the occupational structure of Poole indicates the types of professions and skills for which there high or low demand. The occupational groups are set out in nine distinct categories that range from Managers and Senior Officials to Elementary Occupations.

The occupational profile of Poole in 2010 indicates that there are proportional differences against the national profile of over 1% at Occupational Groups 1, 5, 7, 8 and 9 (Figure 4).

Figure 4: Occupational Structure (2010)



Source: Annual Population Survey 2010

If the conurbation's employment market has to be reliant upon under-skilled labour to make up any shortfall it could have a direct impact on competitiveness.

3.3 Key sectors

Key industrial sectors extend beyond Poole's administrative boundary and they can form clusters of industries across extended functional economic areas⁷. Poole is part of a number of such clusters; it sits on the edge of the UK's most significant Marine cluster, is in a Manufacturing cluster which extends into Dorset and Wiltshire and a Knowledge Intensive Services cluster which runs along the south coast urban area.

National policy has been focused on the generation of private sector employment to counterbalance reduction in public expenditure. The greatest impact of generating private sector employment can be seen through investment in the financial, manufacturing and construction sectors. Those sectors are key to the economic aspirations of both national policy and local interests.

Data from the 2009 Business Register and Employment Survey (BRES) reported that around 50% of Poole's employees work in one of four sectors:

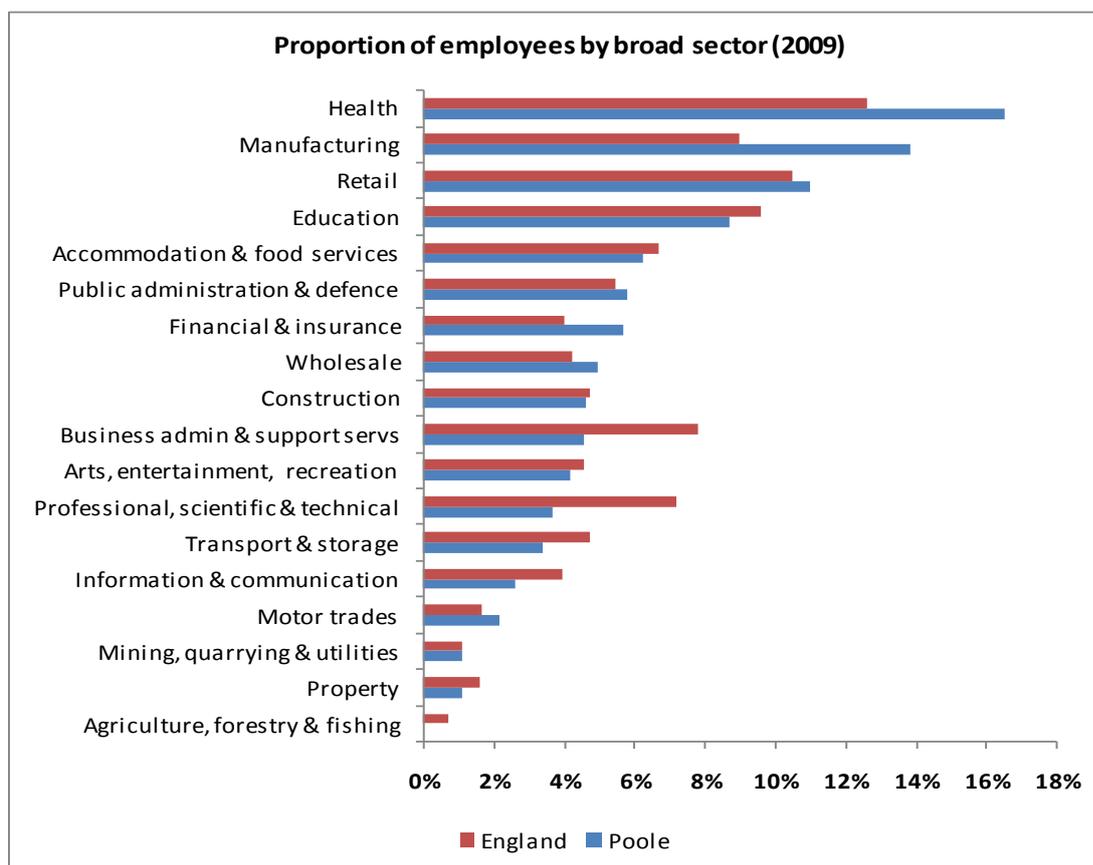
- Health (17% of total employees)
- Manufacturing (14%)
- Retail (11%)
- Education (9%)

Figure 5 shows that when compared to England, Poole features above-average representation of jobs in the following sectors:

- Health
- Manufacturing
- Retail
- Public administration & defence
- Financial & insurance
- Wholesale
- Motor trades

⁷ [A Functional Economic Area](http://www.communities.gov.uk/documents/localgovernment/pdf/1469713.pdf) is the area in which the local economy and its key markets operate. Communities and Local Government
<http://www.communities.gov.uk/documents/localgovernment/pdf/1469713.pdf>

Figure 5: Proportion of employees by SIC 2007 broad sector (2009)



Source: Business Register and Employment Survey 2009

3.4 Quality of life

Poole’s quality of life offer is one of its key strengths. However the cost of this can serve to reinforce inequality in the Borough and many presumptions about the extent of deprivation are made. This has significant implications for Poole’s potential economic performance and competitiveness. For more information on the extent of deprivation in Poole go to the *Poverty in Poole briefing paper*⁸

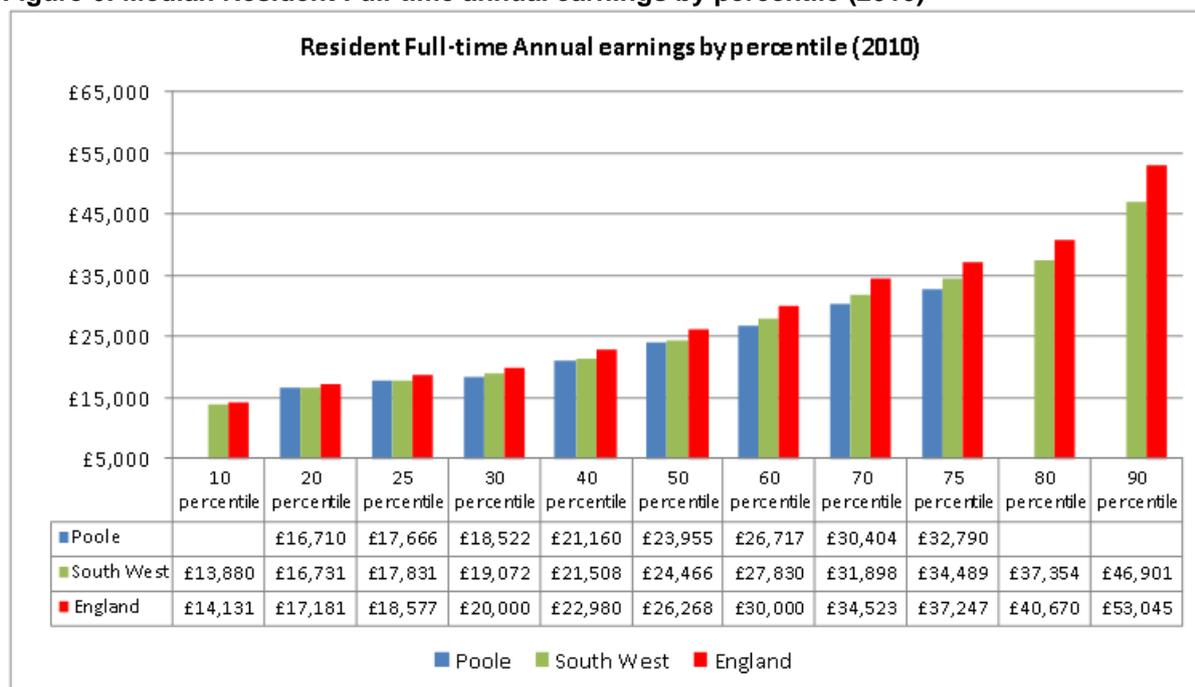
The buoyant employment market supported by active retirement communities, downsizers and the tourist economy makes a significant mark in terms of job creation. The impact of these market conditions however inflates the cost of living to an extent where it may be unaffordable for those in low paid employment.

Residents in Poole earn a median annual income of £23,955 in 2010 against a national figure of £26,268 (figure 6). This is 10% lower than the national average. However the average house price in Poole is 27% higher than the national average.

Whilst this gap is significant enough the level of potential exclusion and the income polarisation in the Borough is put into context when considering differences in the earning percentiles. The average annual gross earnings for Poole residents in the lowest 20% of paid workers is around £16,710, compared to a national figure of £17,181.

⁸ Briefing Paper: Poverty in Poole

Figure 6: Median Resident Full-time annual earnings by percentile (2010)



Source: ASHE 2010

This makes not only housing but the full cost of living a significant burden for lower income groups within Poole. In terms of housing affordability the lower quarter house prices to lower quartile full time resident earnings ratio for Poole in 2010 were **9.6** against a national figure of just **6.7**. For the bottom quartile of earners looking to purchase an average terraced house in Poole this difference is over **9 times** against a national average of **7 times**. For more information see the Housing Topic Paper⁹.

3.5 The impact of the consumer economy

Emerging national policy has expressed a renewed interest in focusing upon the production economy and increasing exports. The growth of the consumer economy has underpinned economic performance during the past decade, with major expansion in Real Estate, Construction, and Hotels & Restaurants.

The decline of the UK's export market saw a deficit of £32bn against import expenditure in 2009. This trend places a high reliance on the generation of internal value to compensate for this shortfall. The majority has been realised through the consumer economy; the need for continued consumer spending has seen personal debt rise close to £1,500bn. The shortage of easily available credit is expected to continue the slowdown of consumer spending.

In demand generation key markets for replacement jobs include UK Regional and Overseas Exports as well as Tourism. The highest return in terms of GVA and job creation is considered to be investment from Government and from Non-Profit Organisations. In replacing the consumer economy the export market and the potential of social enterprise within Poole offer the strongest opportunity for both job and wealth creation.

3.6 Delivering development sites

Poole is set to undergo a period of major development. The Twin Sails Bridge, set for completion in 2012, will open up a large area of brownfield land for new housing, community and employment premises. The designated Regeneration Area is expected to be progressed at the same time as major plans are underway for the Town Centre to extend its retail offer and improve the urban landscape.

⁹ Housing Topic Paper 2011

These developments may impact the town in a number of ways with its proposals for affordable homes, community facilities, and employment space. There is a need for this development to progress but with funding pressures on the Local Authority it may pose a risk to their designations as outlined in the Core Strategy. A danger is that this could lessen the impact that aims to create positive generational change for those marginalised living in Poole to a reinforcement of current conditions.

Development within Poole has always been complex and growth in the town is fundamentally curtailed. Growth expectations are reliant upon the creative use of brownfield sites within the Borough. This however creates tensions, where the market created by scarcity of land puts pressure on its value and therefore its viability.

This tension is enhanced through increasing legislation on land use and the form of development. The responsibility to address contamination issues on brownfield sites adds an additional cost, as does the growing expectations of the Code for Sustainable Homes and related BREEAM requirements for non-residential development. Changes to rate relief for empty property have exerted further pressure. Together these contribute to the risk of development and the will of investors to take on what are perceived to be less attractive schemes.

The expectations in Poole are that new or redeveloped employment land is expected to deliver an additional 14,000 jobs by 2026¹⁰. Whilst the majority of this is forecasted in service occupations, development needs to consider the changing face of the economy and the new policy priorities for economic restructuring.

Intelligence on supply and demand for premises in Poole is collected via the local Inward Investment service, 'Invest in Bournemouth, Dorset & Poole'. Records from the period 2005-2010 show just over 1,500 enquiries for commercial and industrial property in Poole were received during this time, 72% of which were for designated B-class premises.

Given the anticipated growth scenarios the expectation would be for the majority of this demand to occur in the Office market. The demand materialising across the Borough however implies a strong level of interest in industrial investment and expansion; enquiries for Industrial, Light Industrial, Warehousing or Workshops accounted for 44% of all enquiries and over 50% of enquired space.

The level of supply when compared against this demand is indicative of a major deficiency Poole faces if looking to stimulate business growth. For the three major commercial premises markets – Industrial, Office and Retail – the level of enquiries has surpassed supply by at least 80% (figure 7). Even considering the future supply which was actively being marketed during this period (development land designated for B class use), the under supply for the Office market was around 150,000 sq/ft (or 40% of the designated B1 in the Regeneration Area) and for the Industrial market was in excess of 630,000 sq/ft.

Figure 7: Level of supply/demand of commercial premises

	Supply Unit	Demand Units	Supply F/spc (sq/ft)	Demand F/spc (sq/ft)
Industrial	313	677	1,622,665	2,335,378
Office	219	393	446,779	1,008,607
Retail	160	387	240,843	746531

Source: *Invest in Bournemouth, Dorset & Poole*

¹⁰ Borough of Poole Economic Strategy 2011

4. Further Information

Borough of Poole Economy Strategy 2011

Borough of Poole Economic Statistics Bulletin 2011

Housing Topic Paper 2011

Demography Topic Paper 2011

Briefing Paper Poverty in Britain 2011

For further details or queries about this report please contact Lee Robertson,
Tel 01202 633063, or email L.Robertson@poole.gov.uk
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