# 8. Cheshire Economy

## Contents

## KEY STATISTICS:

| | Cheshire | National |
|---|---|---|
| Gross Value Added (GVA) - 2001 | £15,803/head | £14,852/head (UK) |
| Employment growth forecasts 2000 - 2015 | 0.7 p.a. % | 0.5% p.a. (UK) |
| Total Employment Growth 1995-2002 | 14% | 12% |
| Increase in VAT registered enterprises 1998-2003 | 7% | 5% (GB) |
| Economic activity rates 2002 | 68% | 67% (E&W) |
| Residents average gross weekly earnings 2003 | £555.07 | £475.79 (GB) |
| Residence based claimant count unemployment rates (Apr 04) | 1.4% | 2.5% (GB) |
| % of unemployed in long-term unemployment (Apr 04) | 10% | 15% (GB) |

# Cheshire Economy

## Overview of Cheshire Economy

Cheshire is significant to the North West economy. It has 1/10th of the region's population but accounts for 1/5th of GVA

**8.1** Cheshire occupies a strategic location within the North West (NW) and lies at the heart of the second largest concentration of economic and commercial activity in the UK.

**8.2** The economic analysis of Cheshire demonstrates its significance to the North West region's economy in terms of output, investment and employment. It has about 1/10 of the region's population but accounts for output of about £10.6bn, 1/5th of the North West Gross Value Added (GVA); so Cheshire's GVA per head of population is substantially more than regional and UK figures.

**8.3** Relatively strong output and investment growth in Cheshire is forecast to 2015 although slow growth in the labour supply may limit employment growth.

Unemployment rates are low in Cheshire

**8.4** The characteristics of Cheshire's labour market show that it continues to enjoy relatively low levels of unemployment compared with the North West region. However, there are pockets of high unemployment within Cheshire and these are detailed at ward level.

Cheshire's economic activity rates are higher than the NW and its labour force is well qualified

**8.5** Cheshire's economic activity rates are higher than the North West and its labour force is generally well qualified, but if Cheshire is to continue to grow and prosper there is a real need to understand the demand and supply of skills in the labour market. This should ensure that the workforce is appropriately equipped to meet the demand for high skill levels.

Key clusters identified as driving economic growth

**8.6** Cheshire has established a reputation for excellence in a number of economic areas and key clusters have been identified as driving economic growth. It also has a higher proportion of smaller businesses than the North West and Great Britain. Business survival rates in the Cheshire and Warrington sub-region have improved and are better than the North West and UK.

## Economic Growth

**8.7** In 2001, Cheshire continued to have a much higher GVA, at £15,803 per head, than the North West (£13,011) and UK (£14,852). By 2001, Cheshire's GVA £ per head had increased by 28% since 1995, compared with increases of 32% in the North West and 34% in the UK.

**8.8** Forecasts made in 2004, from the Cheshire and Warrington Econometric Model (CWEM) show Cheshire achieving relatively strong growth in output and investment.

Labour supply is forecast to grow more slowly than employment demand

**8.9** The forecasts indicate that the Cheshire economy will exhibit relatively strong growth in output (GVA – gross value added) of 2.5% p.a. during 2000-2015. This growth is forecast to be higher than that of the North West (2.0% p.a.) but lower than the UK (2.3% p.a.) over the same period.

**8.10** At a district level, both Macclesfield and Chester are forecast to have an economic growth rate (GVA) higher than Cheshire's rate, at 3.7% p.a. and 2.6% p.a. respectively during 2000-2015.

**8.11** Underpinning these growth rates are forecast significant levels of investment growth at 2.2% p.a. for Cheshire slightly higher than both the North West (1.9% p.a) and UK (2.1% p.a)

**8.12** According to the CWEM analysis, key sectors driving economic growth in Cheshire include: automotive, chemical, financial services, food and drink, ICT, life sciences, pharmaceutical, petrochemical and tourism.

### Regional Economic Strategy

**8.13** The North West Regional Economic Strategy has five broad objectives: business development, regeneration, skills and employment, infrastructure and image.

### Cheshire & Warrington Economic Strategy

**8.14** At the end of March 2004, the Cheshire and Warrington Economic Alliance (CWEA) published a strategy which will provide a framework for future economic developments in the sub-region. The strategy is built around five themes:

- To support new technology and the emerging knowledge economy
- To maximise the impact of strategic sites and bring forward new sites
- To improve transport infrastructure and accessibility of workplaces
- To address pockets of deprivation and opportunities for regeneration
- To overcome skill gaps.

## Employment Growth

Between 1995-2002 there was employment growth of 14% in Cheshire

**8.15** Employment forecasts from the CWEM for 2000-2015 indicate employment growth in Cheshire of 0.7% p.a., which is above the growth rates of the North West (0.4% p.a.) and UK (0.5% p.a.).

**8.16** Although employment is forecast to grow overall, there will be losses in certain areas and most of these, up to 2015, will be in Manufacturing. Sectors driving employment growth include 'Computing Services', 'Other Business Services' and 'Professional Services'.

**8.17** At district level for 2000-2015, Chester (0.9% p.a.) and Macclesfield (0.8% p.a.) are all forecast to have employment growth above the Cheshire average (0.7% p.a.). Crewe & Nantwich is forecast to have lower growth at 0.3% p.a.

### Growth Limiters

**8.18** The latest Cheshire Population Report show there will be a shift towards people of older working age as the number of people of younger working age decreases and the number of people of older working age increases throughout the forecast period (see table 8.1)

**Table 8.1- Cheshire Labour Supply Forecasts 2001-2021**

| | (thousands) | | | | | (% change) | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Cheshire** | **2001** | **2006** | **2011** | **2015** | **2021** | **2001 to 2006** | **2001 to 2011** | **2001 to 2015** | **2001 to 2021** |
| 16-44 | 205.9 | 201.6 | 191.0 | 182.5 | 176.7 | -2% | -7% | -11% | -14% |
| 45-64 | 120.9 | 126.0 | 135.7 | 140.0 | 136.8 | 4% | 12% | 16% | 13% |
| 16-64 | 326.7 | 327.7 | 326.8 | 322.6 | 313.6 | 0% | 0% | -1% | -4% |
| 65+ | 5.4 | 5.7 | 6.1 | 6.8 | 6.5 | 6% | 13% | 27% | 20% |
| **Total** | 332.1 | 333.3 | 332.8 | 329.4 | 320.1 | 0% | 0% | -1% | -4% |

Source: Cheshire Population Report 2004 ‘Changing Face of Cheshire’

**8.19** Labour supply of working age people (aged 16-64) in Cheshire will remain fairly constant in the short and medium term but will fall by about 4% in the long term. There will be a shift in the labour supply from younger to older people throughout the forecast period. This shift reflects the changes seen in the population. The increases in the older workforce are also in part due to the change in retirement age from 60 to 65 for women which will be phased in from 2010.

**8.20** Although not directly comparable (because of the differing time-scales) the forecast growth of -0.2% p.a. in the labour supply is substantially lower than a forecast of 0.7% p.a. in employment demand.

## Labour Market

### Employment trends

**8.21** Employment trends in Cheshire, the North West and Great Britain have followed similar patterns, growing in the late 1980s, falling in the early 1990s, since when they have tended to grow again. The employment trends data is taken from the Annual Business Inquiry (2002) which is survey based, therefore a note of caution is recommended when using results.

**8.22** Between 1995 and 2002:

- Total employment had grown by 14.0% in Cheshire, similar to North West growth of 13.7% and greater than British growth of 12.4%
- The Primary Sector (Agriculture, Fishing & Forestry and Energy & Water sectors) experienced a significant decrease in employment at county, regional and national level.
- Employment in the Manufacturing Sector in Cheshire fell by 9.0%, less than comparative falls in the North West (-16.0%) and Great Britain (-14.5%).
- Employment in the Construction Sector in Cheshire fell by 0.8% in contrast to the large rises in the North West (33.3%) and Great Britain (27.9%).
- Employment in the Service Sector increased in Cheshire by 23.9% which was more than in the North West (21.7%) and Great Britain (18.7%).

## Employee Characteristics

There were 306,700 people employed in Cheshire in 2002

**8.23** In Cheshire, in 2002 there were 306,700 people employed, an increase of 6% since 1998 compared with a 5% increase in Great Britain:

- Just over half were female
- Almost a third worked part-time with females making up the largest portion (78%)
- Of the two thirds who worked full-time, there were nearly twice as many males as females.

## Businesses in Cheshire

Number of VAT registered enterprises is increasing

**8.24** At the start of 2003, there were 22,020 VAT registered enterprises in Cheshire. This shows an increase of 7% since 1998, which compares with increases of 4% across the North West and 5% across Great Britain.

**8.25** Most registered businesses in Cheshire were in two broad sectors, Business Services (31.9%) and Wholesale/ Retail (21.7%).

**8.26** Between 2002 and 2003 in Cheshire, the stock of businesses grew in four industrial sectors: Public Administration & Other Services (6.0%), Hotels & Restaurants (5.1%), Construction (1.7%) and Business Services (1.0%).

Business survival rates are improving

**8.27** There has been a general improvement in business survival rates during recent years. This is true for both one and three year survival rates in the UK, North West and Cheshire and Warrington sub-region. Three year survival rates in 2001 in the Cheshire and Warrington sub-region (65.8%) were similar to the North West (64.9%) and UK (66.5%).

**8.28** Barclays Bank reports that, nationally, 2003 was a record year for business start-ups. Cheshire had an annual rate of 15 business start-ups per 1000 residents aged 16-59 which was similar to the rate for England & Wales.

## Sectoral Distribution

Cheshire has reputation for excellence in key economic areas

**8.29** As well as the agricultural industry for which it is famous, Cheshire has established a reputation for excellence in many key economic areas: automotive, bio-technology, chemical, financial services, food and drink, ICT, and tourism.

**8.30** Tourism in Cheshire from both within the UK and overseas continues to perform strongly. Over 8 million nights of acommodation (both UK & Overseas) and over 2.8 million visits to Cheshire were recorded during 2003.

## Sector Employment

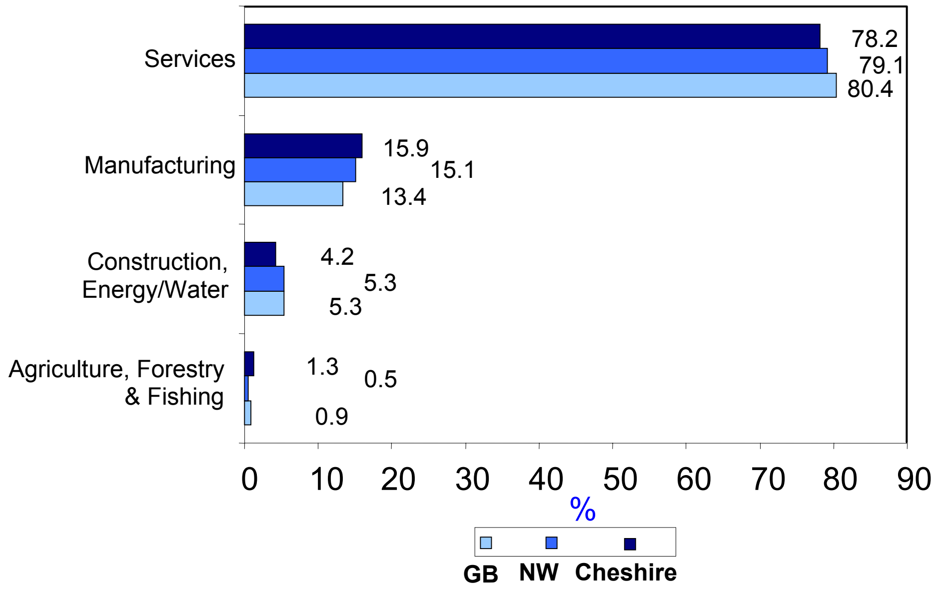
**8.31** The industrial structure of Cheshire in 2002 was fairly similar to that of the North West and Great Britain (see Figure 8.1).

**8.32** The 'Public Administration, Education and Health' sector (part of the Services Sector) formed 20.8% in Cheshire compared with 25.9% in the North West and 24.9% in Great Britain.

**8.33** The 'Manufacturing' Sector comprised 15.9% of employment in Cheshire compared with 15.1% in the North West and 13.4% in Great Britain.

**8.34** In Cheshire, the largest proportional reduction between 2001 and 2002 occurred in the 'Energy and Water' sector and there was also a significant reduction in the Manufacturing sector. The greatest growth during this period was in the 'Other Services' and 'Distribution, Hotels and Retail' sector.

**Figure 8.1 - County, Regional and British Comparisons of Industrial Structure 2002**




Source: Annual Business Inquiry 2002, ONS. Crown Copyright material is produced with the permission of the Controller of HMSO.

Cheshire's economic activity rates were higher than North West

Female economic activity rates are lower than male rates

### Cheshire Economic Activity Rates

**8.35** Census 2001 data showed that 68% of Cheshire residents aged 16-74 were economically active. This compares with 64% in the North West and 67% in England and Wales. The economic activity of Cheshire women (61%) remains lower than that of Cheshire men (75%). The Cheshire Community Strategy is trying to enable more women to take up employment, e.g. it is aiming to improve the number of childcare places.

## Earnings and Income

### National changes in real earnings

Gap closing between RPI and average earnings growth

**8.36** During the twelve months to July 2003, the British average earnings index fell slightly while the UK retail price index (RPI) more than doubled. The percentage change over the previous 12 months shows growth in the RPI (3.1%) almost matching growth in average earnings (headline rate 3.3%) .

**8.37** This suggests that the recent trend of average earnings increasing much faster than retail prices may be changing. However, between July 1998 and 2003:

- The average earnings index for GB increased by 19.9%
- The RPI for the UK increased by 11.2%
- The UK consumer price index (CPI), which enables international comparisons, increased by 1.3% during the twelve months to July 2003.

### Cheshire, North West and British Comparisons

**8.38** In 2003 the average gross weekly earnings (excluding overtime) of Cheshire residents exceeded British earnings and those of the North West region. Table 8.2 shows the variations across districts.

**8.39** The average gross weekly earnings of residents increased between April 2002 and April 2003 by 9% in Cheshire compared with 3% in the North West and 2% in Great Britain.

### Male and Female Earnings

**8.40** In 2003, earnings of Cheshire male residents exceeded their British and regional counterparts. They also grew more quickly; at a rate of 12% in Cheshire compared with 3% in the North West and 2% in Great Britain.

Cheshire residents' average gross weekly earnings in 2003 were £555.07 compared with GB (£475.79)

**Table 8.2 - Average Gross Weekly Earnings of Residents 2003**

| District | Residence Based Gross Weekly Earnings (£) | |
|---|---|---|
| | Average | Annual change |
| Chester | 536.51 | +3.4% |
| Congleton | * | * |
| Crewe & Nantwich | 458.12 | +7.4% |
| Ellesmere Port & Neston | 477.97 | * |
| Macclesfield | * | * |
| Vale Royal | 460.39 | -1.1% |
| **Cheshire** | **555.07** | **+8.5%** |
| NW | 440.11 | +3.1% |
| GB | 475.79 | +2.4% |

Source: New Earnings Survey 2003, NOMIS. Crown Copyright material is produced with the permission of the Controller of HMSO.

Note: * indicates that data is not available

Female economic activity rates are lower than male rates

**8.41** In 2003, earnings of Cheshire female residents exceeded regional levels but were similar to British levels. However, they grew more slowly; at a rate of 1% in Cheshire compared with 4% in the North West and 3% in Great Britain.

### Income

**8.42** Paycheck data from CACI estimates that, in 2002, the average gross household income (including income support and welfare benefits) was £28,400. This ranks Cheshire as 128th equal highest out of 442 local authorities.

**8.43** 18% of Cheshire households have income of less than £10,000 per year and 22% have more than £40,000 per year.

**8.44** Macclesfield is the district within Cheshire with the highest average household income (£31,900) and Crewe & Nantwich is the district with the lowest (£25,000).

## Unemployment, Vacancies, Redundancies

**8.45** In this section, unemployment trends and patterns are analysed using figures for April 2004. Unemployment rates in Cheshire have shown a small fall compared with April 2003 and remain consistently below those of the North West and Great Britain.

### Claimant count unemployment

**8.46** The residence based claimant count measure of unemployment is the main unemployment data source used by Cheshire, as it is produced relatively quickly and down to ward level. However, its main disadvantage is that it is very sensitive to changes in the rules for benefit eligibility and does not include people who are seeking work but not claiming benefits.

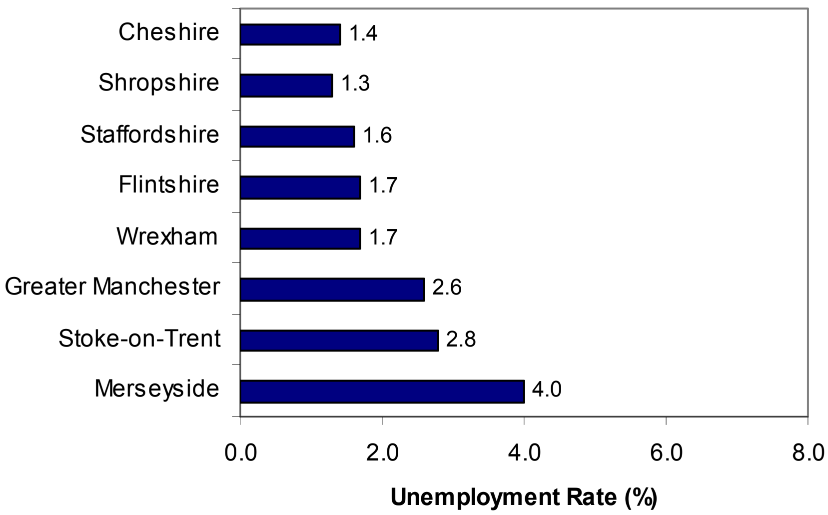
Cheshire has low unemployment rates compared with neighbouring counties

**8.47** The Office of National Statistics adjusted the denominator for the claimant count figure in December 2002 from the economically active population (i.e aged 16-74) to working age residents (aged 16-64 males and 16-59 females). In most areas, the effect of this has been to reduce the unemployment rate even where claimant numbers had remained stable. Using the original denominator (as used for the key Community Strategy indicator) the claimant rate remained stable in 2003 at 1.9%. However applying the new denominator, the unemployment rate (seasonally unadjusted claimant count) in Cheshire at April 2004 was 1.4%, one of the lowest levels of this decade. Since April 2003, unemployment in Cheshire has fallen by 7%, from 6,192 to 5,734. This downward trend in Cheshire has continued since January 1993.

**8.48** Figure 8.2 shows that Cheshire has one of the lowest rates of unemployment compared with neighbouring counties.

### Figure 8.2 Unemployment in Cheshire and Surrounding Counties April 2004

For many years Cheshire has had unemployment rates below those of the North West and GB




Source: Office for National Statistics, Labour Market Statistics First Release. Crown Copyright material is produced with the permission of the Controller of HMSO.

**8.49** Districts within Cheshire have differing rates of unemployment. Table 8.3 shows that at April 2004 all districts had unemployment rates of less than 2%. Macclesfield and Congleton had the lowest rate (1.1%) and Ellesmere Port and Neston had the highest (1.7%). Overall, since April 1992 the Cheshire unemployment rate has fallen by half a per cent. All districts have experienced falls in this period except Macclesfield where it has remained stable at 1.1%.

**Table 8.3 - Unemployed at April 2002 & 2004 (%)**

| District Percentage (%) | Percentage unemployed | |
|---|---|---|
| | 2002 | 2004 |
| Chester | 1.6 | 1.5 |
| Congleton | 2.2 | 1.1 |
| Crewe & Nantwich | 2.4 | 1.6 |
| Ellesmere Port & Neston | 2.5 | 1.7 |
| Macclesfield | 1.1 | 1.1 |
| Vale Royal | 2.7 | 1.5 |
| **Cheshire** | **1.9** | **1.4** |
| NW | 3.8 | 2.6 |
| GB | 3.2 | 2.5 |

Source: Office for National Statistics, Labour Market Statistics First Release. Crown Copyright material is produced with the permission of the Controller of HMSO.

Highest ward unemployment in Grosvenor ward, (Crewe & Nantwich District)

**8.50** A clearer picture of where unemployment is concentrated within Cheshire can be found by looking at ward level statistics. At April 2004, ward unemployment rates varied from 0.2% in Knutsford Norbury Booths (Macclesfield) to 5.9% in Grosvenor (Crewe & Nantwich).

## Youth Unemployment

**8.51** Despite the New Deal for 18-24 year olds, which is part of the Government's Welfare to Work strategy, the level of unemployment among the young people of Cheshire continued to be of concern in April 2004.

Over a quarter of the unemployed are under 25 and this continues to be a problem

**8.52** 1,620 people under the age of 25 within Cheshire were without work and claiming benefit. This youth unemployment represented around 29% (26% in April 2003) of the total unemployed (computerised claims only). At April 2004, the corresponding figures for the North West and Great Britain were 32% and 29% respectively.

Ellesmere Port & Neston and Crewe & Nantwich have the highest youth unemployment

**8.53** Ellesmere Port & Neston and Crewe & Nantwich districts had the highest proportion of youth unemployment in Cheshire (32%).

## Unemployment in the over 50s

19% of Cheshire's unemployed were aged 50+. Congleton district had highest proportion (25%)

**8.54** At April 2004, 1,086 people aged over 50 within Cheshire were without work and claiming benefit. This represented 19% (20% in April 2003) of the total unemployed (computerised claims only). At April 2004, the corresponding figures for the North West and Great Britain were 15% and 17% respectively.

## Long-Term Unemployment

1 in 10 of the unemployed is in long-term unemployment

**8.55** The number of long-term unemployed, those out of work for one year or more, has increased over the last year. Of the 5,658 unemployed (April 2004) 584 (10%) were long-term unemployed compared with 9% in April 2003.

**8.56** At April 2004, the corresponding proportions for the North West and Great Britain were 15%.

Long-term unemployment most evident in Chester district

**8.57** The problem of long-term unemployment was most evident in Chester district at 17% and least evident in Macclesfield district at 7%.

Minimum skills shortages reported in sub-region

Cheshire has net loss of jobs in 6 months to Feb 2004

## Job Losses and Gains

**8.58** From August 2003 to February 2004, job losses in Cheshire were estimated to be about 1,039

**8.59** In the same period, job gains in Cheshire were estimated to be about 875.