

Liverpool City Region Growth Plan

Sectoral composition, socio-economic profile and summary SWOT assessment

Version Number: 1

DRAFT

1 Building on our Sectoral Composition

1.1 Industrial Structure

1.1.1 Liverpool City Region is a major economy with a large number of international firms, annual Gross Value Added (GVA) of £23.1bn and total employment of 635,000. Over the last decade the economy has grown by 0.9% per annum, however employment has declined by 0.1% per annum as increasing globalisation has led to a focus on increasing competitiveness and thus productivity.

1.1.2 Given the availability of intervention resources strategic judgements have to be taken on where to intervene in the economy. Therefore an understanding of the current sector composition of the City Region economy and which sectors have the potential to provide the greatest impact in achieving economic growth and job creation will help to inform any prioritisation of investment.

1.2 Current Strengths¹

1.2.1 Currently in Liverpool City Region the largest sector in terms of employment is Human Health & Social Work

representing 18.1% of total employment. Wholesale & Retail, nationally the largest sector in terms of employment, is the second largest employment sector in the City Region with 14.9% of employment. Other large employment sectors include Education (9.2%), Manufacturing (8.1%), Administrative & Supportive Services (7.2%) and Public Admin (7.1%).

1.2.2 Currently the largest sector in terms of GVA in the City Region is Manufacturing, contributing 12.8% of total GVA. The second largest is Human Health & Social Work (11.5%), Wholesale & Retail (11.2%), nationally the largest sector in terms of GVA, contributes the third largest amount in the City Region. Other large GVA sectors include Real Estate (10.9%), Education (7.6%) and Public Admin (7.4%).

1.2.3 High productivity sectors in the City Region include Real Estate², Water Supply, Sewerage, Waste Management & Remediation activities, Mining & Quarrying, Electricity & Gas Supply, Financial & Insurance Activities as well as Information & Communication and Manufacturing.

¹ Oxford Economics Liverpool City Region Forecasts 2013 is the data source for figures quoted in this chapter

² A change in sector classification has resulted in “imputed Rents” being included in the Real Estate sector, were previously it was presented separately as a consequence the sector has a very high productivity.

However a number of these sectors make only limited overall contributions to the City Region economy in terms of employment and GVA including Water Supply, Sewerage, Waste Management & remediation activities, Mining & Quarrying and Electricity & Gas Supply.

Liverpool City Region – Sectoral Shares of Employment & GVA

	Share of total employment		Share of total GVA	
	LCR	UK	LCR	UK
Manufacturing	8.1%	8.1%	12.8%	10.6%
Human health & social work activities	18.1%	12.8%	11.5%	7.8%
Wholesale & retail trade; repair of motor vehicles and motorcycles	14.9%	15.3%	11.2%	11.2%
Real estate activities	1.5%	1.5%	10.9%	9.9%
Education	9.2%	8.8%	7.6%	6.3%
Public administration & defence; compulsory social security	7.1%	5.1%	7.4%	5.1%
Financial & insurance activities	3.0%	3.6%	6.3%	9.5%
Construction	5.5%	6.5%	5.8%	6.5%
Professional, scientific & technical activities	5.8%	7.6%	5.0%	7.3%
Transportation & storage	5.2%	4.7%	4.8%	4.5%
Administrative & support service activities	7.2%	7.8%	4.4%	5.0%
Information & communication	2.4%	3.9%	4.2%	6.5%
Accommodation & food service activities	6.0%	6.2%	2.9%	2.7%
Other service activities	2.6%	2.8%	1.7%	2.0%
Water supply; sewerage, waste management & remediation activities	0.5%	0.6%	1.6%	1.3%
Arts, entertainment & recreation	2.5%	2.8%	1.4%	1.5%
Electricity, gas, steam & air conditioning supply	0.1%	0.4%	0.3%	1.2%
Agriculture, forestry & fishing	0.4%	1.3%	0.2%	0.8%
Mining & quarrying	0.0%	0.2%	0.0%	0.4%

1.3 Sector Growth

Per annum Changes in Employment and GVA by sector 2001-2011

	Growth total employment		Growth total GVA	
	LCR	UK	LCR	UK
Agriculture, forestry & fishing	8.9%	1.4%	9.9%	1.7%
Real estate activities	6.2%	4.0%	6.2%	2.7%
Professional, scientific & technical activities	3.1%	2.7%	3.5%	4.0%
Water supply; sewerage, waste management & remediation activities	2.4%	0.9%	4.6%	0.8%
Human health & social work activities	2.3%	2.4%	3.3%	3.9%
Administrative & support service activities	2.1%	1.3%	2.4%	2.9%
Electricity, gas, steam & air conditioning supply	1.4%	2.0%	-5.9%	-0.2%
Education	0.6%	2.1%	-1.3%	0.8%
Transportation & storage	0.4%	0.6%	-1.4%	-0.5%
Construction	0.0%	0.4%	0.5%	0.9%
Arts, entertainment & recreation	-0.2%	1.4%	-1.0%	1.4%
Public administration & defence; compulsory social security	-0.4%	-0.1%	0.7%	0.5%
Accommodation & food service activities	-0.4%	0.7%	1.2%	1.8%
Other service activities	-0.4%	0.0%	1.2%	1.5%
Wholesale & retail trade; repair of motor vehicles and motorcycles	-1.7%	-0.3%	-0.5%	1.2%
Financial & insurance activities	-2.8%	-0.5%	-0.9%	2.7%
Information & communication	-3.0%	0.2%	1.2%	3.7%
Manufacturing	-3.8%	-3.9%	-0.7%	-0.6%
Mining & quarrying	-18.9%	-1.7%	-20.5%	-6.2%

1.3.1 Analysis of employment and GVA change over the last decade (2001-2011) in the City Region highlights differing performances across sectors. Large employment sectors Human Health & Social Work as well as Administration &

Support Services have recorded both employment and GVA growth per annum over the period, in line with the national trend.

1.3.2 Other large employment or large GVA sectors, have recorded mixed growth performances. Wholesale & Retail and Manufacturing recorded both employment and GVA declines over the period in the City Region. Whilst change in the Manufacturing sector followed the national trend, the performance of the Wholesale & Retail sector was weaker in the City Region.

1.3.3 Public Admin experienced employment decline over the last decade, however GVA increased, highlighting increased productivity. In contrast Education recorded a decline in GVA but an increase in employment. Both locally and nationally Real Estate experienced significant increases in employment and GVA between 2001 and 2011.

1.3.4 The recession and recovery has impacted sectors across the City Region economy, for Wholesale & Retail as well as Manufacturing the recession marked an acceleration in what had otherwise been a gradual decline in employment, however over the last two years employment numbers have strengthened.

1.3.5 The recession resulted in a decline in, what had been relatively stable, Administrative & Support Services and Real Estate employment. Employment numbers have since recovered in the City Region. The public sectors of Human Health & Social Work, Public Admin and Education remained relatively resilient during the

recession; however recent public sector cuts have resulted in employment decline across these sectors.

1.4 Labour Productivity Growth

Per annum Changes in Labour Productivity by sector 2001-2011

	Productivity Growth 2001-2011	
	LCR	UK
Information and communication	4.3%	3.4%
Manufacturing	3.3%	3.4%
Water supply; sewerage, waste management and remediation activities	2.2%	-0.1%
Financial and insurance activities	2.0%	3.2%
Other service activities	1.6%	1.5%
Accommodation and food service activities	1.6%	1.1%
Wholesale and retail trade; repair of motor vehicles and motorcycles	1.2%	1.5%
Public administration and defence; compulsory social security	1.1%	0.5%
Human health and social work activities	1.0%	1.4%
Agriculture, forestry and fishing	0.9%	0.3%
Construction	0.6%	0.6%
Professional, scientific and technical activities	0.4%	1.3%
Administrative and support service activities	0.3%	1.6%
Real estate activities	0.0%	-1.2%
Arts, entertainment and recreation	-0.8%	0.0%
Transportation and storage	-1.8%	-1.1%
Education	-1.8%	-1.4%
Mining and quarrying	-2.1%	-4.7%
Electricity, gas, steam and air conditioning supply	-7.2%	-2.2%

1.4.1 Two thirds of sectors in Liverpool City Region experienced an increase in productivity over the period 2001-2011. The largest growth occurred in Information & Communication followed by Manufacturing. Financial & Insurance as well as Wholesale & Retail also experienced significant productivity growth over the period.

1.4.2 Between 2001 and 2011 productivity growth in Liverpool City Region was higher than recorded nationally in the following sectors Information & Communication, Water Supply, Sewerage, Waste Management & remediation activities, Other Service Activities, Accommodation & Food Service Activities, Public Admin and Agriculture.

1.5 Sector Concentrations

1.5.1 The location quotients show the relative size of sectors in the Liverpool City Region economy compared with the UK. Sectors where the region has a greater concentration in employment are Human Health, Public Admin as well as Transport & Storage. Despite being the second highest employment sector in the City Region Wholesale & Retail provides marginally less employment regionally compared to nationally.

1.5.2 Unsurprisingly given their productivity, Manufacturing and Water Supply, Sewerage, Waste Management & remediation activities provide the Liverpool City Region with a higher share of GVA than in the national economy. Public sector activities also provide a greater share of GVA within the City Region than nationally. The LQ

deficits in terms of absolute employment and GVA contributions can be found across most private sector service activities.

Sectoral Location Quotients against UK, 2011

	Employment	GVA
Agriculture, forestry and fishing	0.29	0.33
Mining and quarrying	0.03	0.04
Manufacturing	0.99	1.20
Electricity, gas, steam and air conditioning supply	0.38	0.27
Water supply; sewerage, waste management and remediation activities	0.83	1.23
Construction	0.84	0.89
Wholesale and retail trade; repair of motor vehicles and motorcycles	0.97	1.00
Transportation and storage	1.10	1.09
Accommodation and food service activities	0.96	1.06
Information and communication	0.61	0.64
Financial and insurance activities	0.83	0.67
Real estate activities	1.02	1.11
Professional, scientific and technical activities	0.77	0.68
Administrative and support service activities	0.93	0.90
Public administration and defence; compulsory social security	1.39	1.45
Education	1.05	1.19
Human health and social work activities	1.42	1.47
Arts, entertainment and recreation	0.89	0.90
Other service activities	0.91	0.84

1.6 Growth Sectors

1.6.1 Currently over a third of employment is in Liverpool City Region growth sectors. Financial & Professional Services

represent 13.8% of employment, followed by Visitor Economy (7.1%) and Low Carbon (6.5%). In GVA terms Financial & Professional Services account for 23.0% of total GVA followed by Low Carbon (6.9%) and Visitor Economy (4.4%).

1.6.2 Of the City Region’s seven growth sectors, productivity levels in five are above the City Region average. Productivity in the SuperPORT sector is marginally below the City Region average, whilst productivity in the Visitor Economy is currently 60% of the average.

Growth Sector Shares of Employment & GVA, 2011

	Share of total employment		Share of total GVA	
	LCR	UK	LCR	UK
Digital & Creative	2.3%	4.3%	3.4%	6.2%
Advanced Manufacturing	2.8%	2.5%	3.6%	2.7%
Life Sciences	0.4%	0.3%	0.5%	0.3%
Financial & Professional Services	13.8%	15.6%	23.0%	25.8%
SuperPORT	3.2%	2.8%	3.0%	2.5%
Low Carbon	6.5%	8.1%	6.9%	7.9%
Visitor	7.1%	7.8%	4.4%	4.4%
Remainder	63.9%	58.6%	55.2%	50.1%

1.6.3 Analysis of employment and GVA change in growth sectors over the last decade (2001-2011) in the City Region highlights that only the Financial & Professional Services and SuperPORT sectors recorded both employment and GVA growth. In comparison Advanced Manufacturing, Life Sciences and Low Carbon sectors experienced a decline in both employment and GVA. Despite a reduction in recorded employment in the Visitor

Economy and Digital & Creative sector the amount of GVA produced increased over the period, highlighting productivity improvements.

Per annum Changes in Employment and GVA by growth sector 2001-2011

	Growth total employment		Growth total GVA	
	LCR	UK	LCR	UK
Digital & Creative	-2.8%	0.7%	1.0%	4.0%
Advanced Manufacturing	-3.2%	-3.5%	-1.2%	-1.4%
Life Sciences	-4.6%	-3.4%	-3.1%	-1.8%
Financial & Professional Services	1.2%	1.6%	2.6%	2.7%
SuperPORT	1.7%	1.2%	1.7%	1.7%
Low Carbon	-1.0%	0.0%	-0.2%	0.7%
Visitor	-0.1%	0.8%	0.1%	1.1%
Remainder	0.0%	0.4%	0.6%	1.3%

1.6.4 All growth sectors, apart from SuperPORT, experienced productivity growth between 2001 and 2011. Digital & Creative recorded the largest per annum growth, followed by Advanced Manufacturing and Life Sciences; a pattern also recorded nationally. City Region productivity increases in three growth sectors were above the national averages, Digital & Creative, Financial & Professional Services and Low Carbon.

Per annum Changes in Labour Productivity by sector 2001-2011

	Productivity Growth 2001-2011	
	LCR	UK
Digital & Creative	3.9%	3.3%
Advanced Manufacturing	2.1%	2.1%
Life Sciences	1.6%	1.7%
Financial & Professional Services	1.4%	1.0%
SuperPORT	-0.1%	0.6%
Low Carbon	0.9%	0.7%
Visitor	0.2%	0.3%
Remainder	0.7%	0.9%

Sectoral Location Quotients against UK, 2011

	Employment	GVA
Digital & Creative	0.54	0.55
Advanced Manufacturing	1.10	1.33
Life Sciences	1.36	1.69
Financial & Professional Services	0.89	0.89
SuperPORT	1.15	1.19
Low Carbon	0.80	0.87
Visitor	0.91	1.00
Remainder	1.09	1.10

1.6.5 The location quotients show the relative size of sectors in the Liverpool City Region economy compared with the UK. Sectors where the region has a greater concentration in employment and GVA are Life Sciences, SuperPORT and Advanced Manufacturing. Despite being the largest employment and GVA growth sector in the City Region Financial & Professional Services provide marginally less employment and GVA regionally compared to nationally. Figures show that despite productivity improvements the Digital & Creative sector provides significantly more employment and GVA nationally than in the City Region

1.7 Baseline Forecasts

- 1.7.1 In 2030 Human Health & Social Work is expected to remain the largest employment sector in Liverpool City Region with 17.6% of total employment. Wholesale & Retail (15.2%) remains the second largest employment sector, nationally the largest, followed by Administrative & Support Services (9.0%), Professional, Scientific & Technical (7.7%) and Education (7.6%).
- 1.7.2 By 2030 it is expected that the Real Estate sector will contribute the largest share of GVA to the City Region economy, a trend also recorded nationally. The second largest sector is forecast to be Wholesale & Retail (11.9%) followed by Manufacturing (11.3%), Human Health & Social Work (10.3%) and Professional, Scientific & Technical (7.3%).
- 1.7.3 Only two sectors in Liverpool City Region are expected to record both employment and GVA decline between 2011 and 2030, Mining & Quarrying and Public Admin. Six other sectors are forecast to experience a reduction in employment over the period including Manufacturing, Education and Financial & Insurance Activities. Sectors set to experience the largest employment and GVA growth are Professional, Scientific & Technical, Real Estate Activities, Administrative & Support Services,

Construction, Information & Communication and Transport & Storage.

- 1.7.4 All sectors, apart from Mining & Quarrying, are expected to record productivity growth between 2011 and 2030. The largest growth is expected in Manufacturing, Information & Communication, Water Supply, Sewerage, Waste Management & remediation activities, Administrative & Support Services and Professional, Scientific & Technical sectors, all with per annum growth rates above 2.5%.
- 1.7.5 Analysis of employment and GVA change in growth sectors between 2011 and 2030 in the City Region highlights that all are expected to record GVA growth. All sectors, apart from Advanced Manufacturing and Life Sciences are expected to experience an increase in employment.
- 1.7.6 All growth sectors are expected to experience productivity growth between 2011 and 2030. Digital & Creative is forecast to record the largest per annum growth, followed by Life Sciences and Advanced Manufacturing; a pattern also recorded nationally.

2 Socio-economic appraisal of the City Region

2.1 Liverpool City Region overview

2.1.1 The scale, growth potential and unique mix of assets and market facing opportunities mean Liverpool City Region can be a driver of national economic growth.

- **Liverpool City Region is a major economy** with a large number of international firms, annual Gross Value Added (GVA) of £23.1bn and 574,500 jobs. The City Region is home to world leading companies, including Unilever, Jaguar Land Rover, Maersk, NSG (Pilkington), Novartis, Iberdrola and Sony, attracted by the business friendly and cost competitive environment. The City Region has inherent sector strengths in Advanced Manufacturing, Life Sciences, Low Carbon and Renewables, Financial and Professional Services, Digital and Creative, Maritime and Logistics and Visitor Economy.
- **Liverpool City Region has a population of 1.5 million** covering the local authority areas of Halton, Knowsley, Liverpool, Sefton, St Helens and Wirral. Most areas have recorded an increase in population since 2006. Currently there are over 37,000 businesses. Over recent years the area has recorded improvements in its relative economic performance. The City Region is considered to be a functional economic area, with 85% of residents living and working within its boundary.
- **Liverpool acts as the City Region hub and is one of England's eight core cities**, the economically most important cities outside of London that will drive local growth and underpin national performance. Over the past two decades the Liverpool City Region economy has diversified, striving to develop international orientated markets and businesses. Currently 15% of employment in the City Region is in export intensive industries and the gap with the national average has narrowed.
- **The Liverpool City Region economy has strengthened over recent years**; key to this has been EU funding working in conjunction with other regeneration funds to build assets. Investment has transformed urban centres, the supply of commercial property and the visitor experience, ensuring that the City Region has the building blocks for growth in place. The City Region has developed a range of strategic investment locations, and these assets have helped establish a strong record in attracting inward investment and supporting business expansion. In 2014 the City Region will host an International Festival of Business.
- **Liverpool City Region has inherent strengths in Big Science, Life Sciences and Bio-medical, high-value Manufacturing, Marine/Maritime, Low Carbon and Renewable technologies and Digital and Creative industries.** The City Region has a strong network of

knowledge assets including a national innovation campus at Sci-Tech Daresbury and the Liverpool Knowledge Quarter which includes world leading centres of excellence such as the Liverpool School of Tropical Medicine and the Oceanography Institute. These strengths have been important drivers of growth in the City Region, enabling application and exploitation of ideas, skills and innovation. Currently, 83,000 people are employed in knowledge intensive industries in the City Region, with further concentrations of high and medium technology jobs. The City Region is exploring its differentiated science and technology offer, including its reputation for social innovation, to identify the opportunities to accelerate and scale up innovation excellence, the commercialisation of R&D and innovation driven business and job growth and is developing mechanisms to scale up such activities.

- **Liverpool City Region has economic connections to its immediate hinterland, wider national markets and also global markets.** The City Region benefits from excellent accessibility and important national and international transport connectivity. People and businesses benefit from high quality strategic transport infrastructure, the west coast mainline, national motorway network and international transport linkages via Liverpool John Lennon Airport and the Port of Liverpool.
- **Liverpool City Region is a distinctive brand with a vibrant culture, heritage and leisure offer.** The development of Visitor Economy assets has stimulated growth; the City Region Visitor Economy generates £3.1bn of economic output. Over the last 20 years the City Region has been transformed and the rejuvenation of Liverpool City Centre has created an attractive urban environment. Academic excellence across the

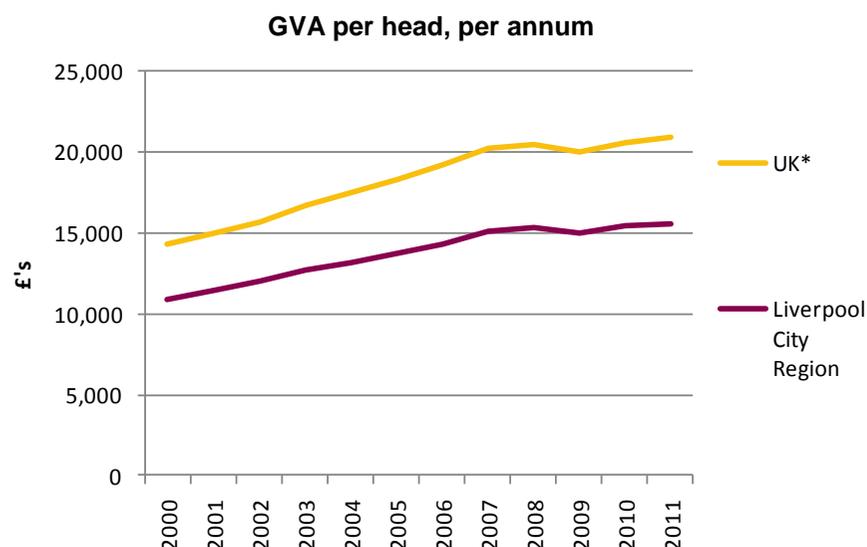
City Region's three universities, School of Tropical Medicine, hospitals and innovation centres has been a catalyst in attracting and retaining talented young people. Over the past ten years there has been an increase in the population cohort aged 18-24 years.

- Liverpool City Region has established a **strong governance framework**, the development of which has led to investigation of the potential for a Combined Authority. This strong governance framework has been integral to the development of the Local Growth Plan, of which the EU Structural and Investment Funds Strategy 2014-2020 (EU SIF Strategy) forms a key part. Development of the Local Growth Plan and EU SIF Strategy has included the integration of wider City Region strategies including the Employment and Skills Strategy and Local Transport Plan, to create a mutually supportive framework for sustainable and inclusive growth across the City Region.

2.2 Understanding the Challenges

- 2.2.1 Despite its strengths, Liverpool City Region faces considerable challenges which highlight the need for co-ordinated intervention and investment to ensure the City Region's latent potential is exploited.
- 2.2.2 Notwithstanding progress to date, resilience during the recession and a recent recovery in growth comparable to other similar City Region areas, Liverpool City Region's £23.1bn economy continues to struggle to punch its economic weight. Average GVA per head, the broadest

indicator of economic performance, is only 75% of the national average and this gap has remained largely unchanged over the last decade.. As a result the City Region suffers from an £8.2bn output gap compared to nationally.



Source: Office for National Statistics, Regional Accounts
 Note: *=UK less Extra Regio, excludes output that cannot be assigned to regions

2.2.3 A number of structural issues drive the output gap with the UK, from demographic characteristics, labour market participation levels to deficits in economic resources that influence productivity in the City Region compared to nationally. Greater globalisation as well as weakened economic conditions as a result of the recession have

increased competition and reduced opportunities for growth. Liverpool City Region needs to maximise the impact of investment and opportunities it has over coming years to reverse underlying structural issues and ensure the exploitation of its latent potential. This remains a significant challenge, and at the heart of the Liverpool City Region Growth Plan and EU SIF Strategy.

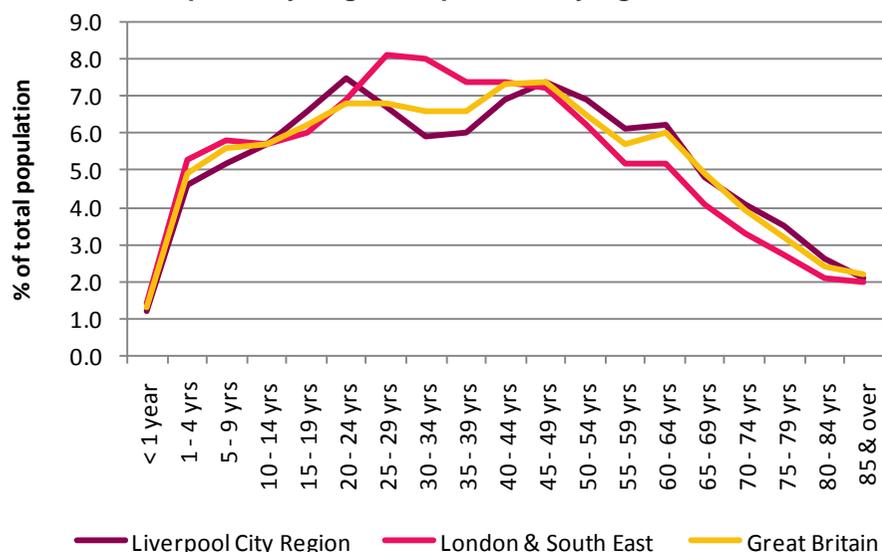
2.2.4 Differences in economic output performance are, at the most fundamental level, a result of variations in employment (which depends on demographics, labour market participation and unemployment) and productivity. Therefore if the City Region is to address its output gap of £8.2bn, it has to address a number of long-standing structural challenges in these areas.

2.3 Realising the Potential of Our People

2.3.1 Analysis of the Liverpool City Region population shows that it has suffered long-term decline, and whilst it has recorded growth over recent years, this has failed to match the national average. Looking at the population structure of the City Region highlights a deficit of 30-44 year olds relative to the national average and particularly London and the South East. Migration patterns show that younger people have been moving out of the City Region to areas of greater job potential or career progression. Significantly this age group plays an important role in terms of driving economic growth; it is often the group

that starts successful growth businesses. The City Region needs to accelerate job creation, particularly high-skilled opportunities to encourage population retention, especially among graduates.

Liverpool City Region Population, by Age Cohort



Source: Office for National Statistics, Mid-year estimates

2.3.2 Like many European regions, Liverpool City Region has recorded, and continues to record, growth in its population aged over 65 years. This trend has implications for the labour market, but also for infrastructure, culture and public service requirements. With an ageing population comes a higher dependency rate. Trends in out-migration mean that the City Region is

likely to be disproportionately affected. The City Region needs to explore innovative ways to address the challenges presented by an ageing population, from health provision and prevention to housing accessibility and usability, assisted living and the use of technology.

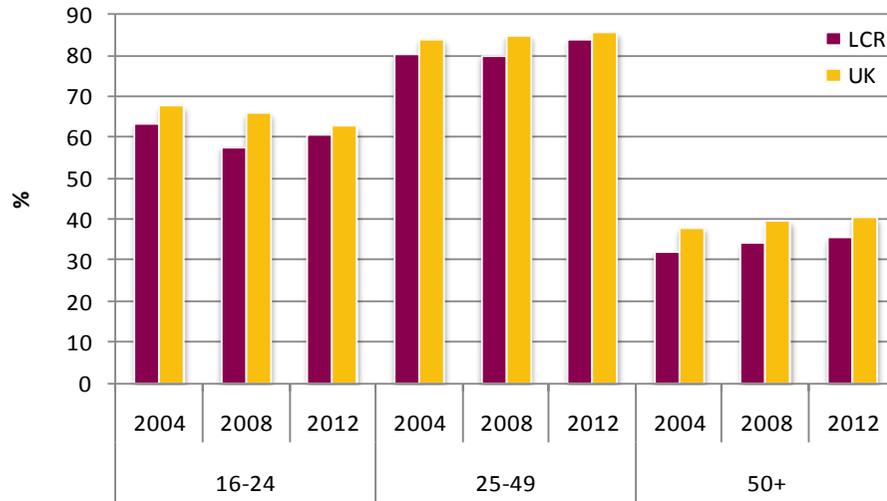
2.3.3 Liverpool City Region continues to face higher underlying economic inactivity than nationally, to an extent impacted by higher deprivation and poorer health levels. Currently the City Region has 35,000 more inactive individuals than on average across the country. Of particular concern is inactivity among young people, which, although it has increased nationally due to the recession, is disproportionately higher in the City Region and feeds through to lower employment levels. Youth inactivity is most prevalent in Liverpool and Wirral where rates are above the national average and have been increasing since 2004.

2.3.4 Across the country rates of employment fell as a result of the recession and have since struggled to recover. However, underlying rates of employment are below the national average in Liverpool City Region. Employment rates are particularly low in Liverpool and Knowsley. To achieve the level of employment equivalent to the national average an additional 46,200 individuals would need to enter employment in the City Region. Of particular concern is the disparity in male employment rates, which have not only struggled to recover to pre-

recession levels but are significantly below rates nationally. Whilst female employment rates are lower than for males the disparity with the national rate is considerably smaller.

2.3.5 These structural challenges highlight the link between working-age population shares, labour market participation, employment rates and economic output. It is essential that Liverpool City Region takes action to address its deficits in these areas if it is to improve competitiveness and increase economic growth to close the output gap.

Liverpool City Region Economic Activity Rates



Source: Office for National Statistics, Annual Population Survey

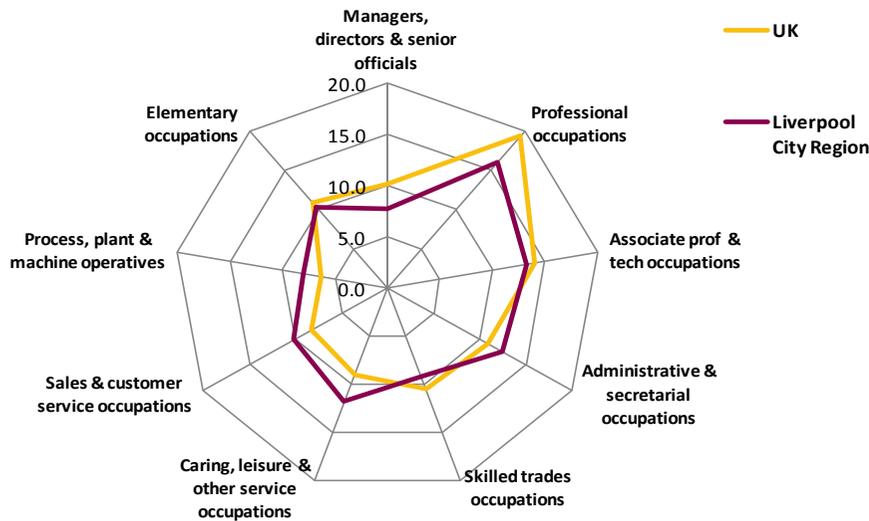
2.3.6 The recession resulted in a loss of jobs in the City Region, a product of its industrial structure, where vulnerable sectors including Construction, Financial and Professional services and Manufacturing are all large employers. Also, given the scale of the public sector in the City Region, the government's policy to reduce public sector debt and rebalance the economy has had a disproportionate impact. Although over 31,000 private sector jobs have been created since the recession, job density figures show that the City Region is not creating enough jobs for its resident population. To achieve this, the City Region would have to create approximately 90,000 jobs.

2.3.7 Over recent years the City Region economy has experienced a change in the nature of employment. Job losses have been concentrated in full-time roles whilst there has been a large increase in part-time working. This trend has repercussions for household income levels, with a knock-on effect on consumer spending in the City Region. The challenge of the City Region remains to create long-term sustainable jobs to reduce unemployment as well as under-employment.

2.3.8 Liverpool City Region suffers from a deficit in higher-level occupations, and a prevalence of lower-level occupations when compared nationally. For the City Region to have an equivalent proportion of people employed in higher-level occupations to the national average, it would need

to add 40,800 individuals to these occupations. In addition, earnings are lower across occupations compared to the national average and especially London and the South East. These differences impact on economic performance. The challenge for the City Region is to nurture, attract and support high-value activity, therefore increasing high-value opportunities.

Liverpool City Region Occupational Structure, 2012

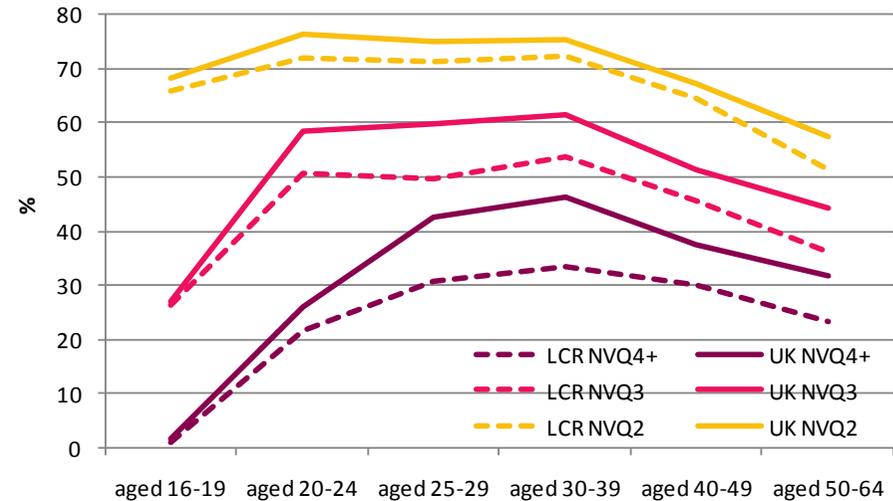


Source: Office for National Statistics, Annual Population Survey

2.3.9 The overall level of education and skills in a workforce can have a critical impact on the output and productivity levels of both an individual firm and the economy as a whole. An increasing number of jobs in the economy

require higher level skills. Over recent years, skills levels in the City Region have improved, however they remain below the national average and 13% of the working age population hold no qualifications. For the City Region to attract new investment and grow existing businesses, it needs to improve both higher and generic softer skill levels. The City Region, through the ‘Skills for Growth’ work, has begun to understand and communicate the current and future skill needs of employees; this is a sound basis for future work.

Liverpool City Region Skills Gap, by Age Level



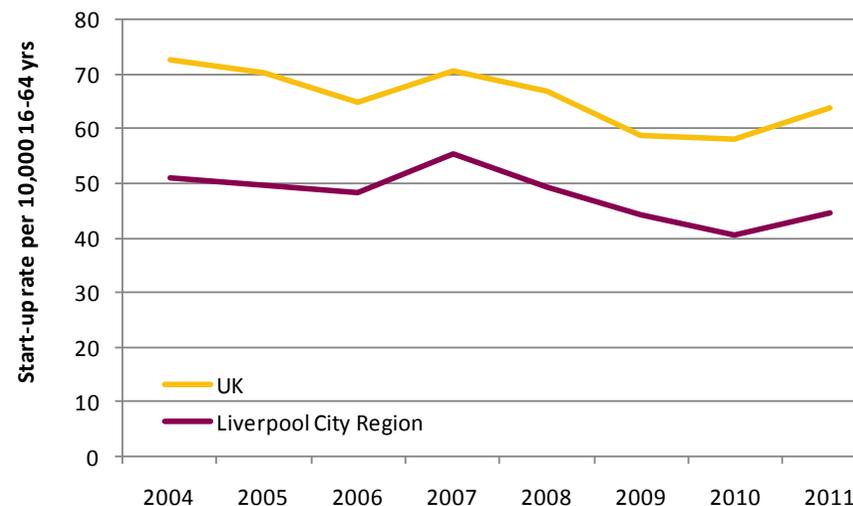
Source: Office for National Statistics, Annual Population Survey

2.3.10 Given the strong link between skill levels and unemployment, the City Region must work to equip people to be job ready and support their transition into work. Individuals make the decision to invest in skills, based on an assessment of the balance between the costs and benefits of gaining those skills. The City Region needs to ensure that factors influencing access to education and training such as public transport and availability of training opportunities do not act as barriers to skills attainment.

2.4 Creating a Healthy Business Base

2.4.1 Liverpool City Region has a deficit in its business base and a requirement to stimulate new enterprise when compared to national averages. Currently, there are over 37,000 businesses in the City Region, however, compared to the national average this equates to a shortage of 18,500 businesses. Business start-up rates are also below the national average. Establishing a culture of enterprise, improving knowledge and skills, access to finance and business innovation are all key factors in enhancing the level and quality of enterprise in the City Region.

Liverpool City Region Business Start-up Rates, 2004-2011



Source: Office for National Statistics, Business Demography & Populations Estimates

2.4.2 Liverpool City Region has seen a rise in self-employment, mainly as a result of redundancies and preference to start businesses rather than take benefits since the recession. However, evidence highlights a continued deficit in female self-employment. The challenge for the City Region is to sustain its recent performance and to bolster entrepreneurial culture in the area through targeted support for specific geographies and under-represented groups. The City Region has also seen growth in the Social Economy, with social enterprises of various sizes being created, the development of jobs and enterprises which are committed to staying in the City Region,

tackling new developments in employment, and demographic change, as well as changes in local procurement such as the Social Value Act.

2.4.3 The increasing globalisation of economic activity presents not only new opportunities to trade and invest for Liverpool City Region, but also challenges to industries and sectors that have traditionally dominated the economy. The City Region needs to ensure that its businesses can compete effectively in the global market place. Firms and individuals need to be encouraged to move into new markets.

2.4.4 Global competition and technological change increases the need for innovation. The City Region needs to support businesses to effectively apply new technologies and improve efficiency. Liverpool City Region needs to foster its ability to turn academic research into commercial innovation by stimulating the level of research and development undertaken and further improve partnership working between industry and researchers.

2.5 Focused Action Exploiting Key Assets and Opportunities

2.5.1 The City Region's transformational activities have developed from an accumulation of knowledge and understanding of the economy gained through work

developing previous strategies and sector action plans. This knowledge ensures action is focused on measures that maximise growth potential, job and business creation and improve quality of life across Liverpool City Region.

2.5.2 Productivity in Liverpool City Region is 83% of the national average; however despite this overall deficit there are a number of key sectors where productivity is higher than nationally, especially in Manufacturing, Utilities and Transport and Storage; and sectors with above City Region average productivity include Construction, Financial services and Information and Communication. The City Region has taken steps in recent years to provide a platform for growth in these and other key sectors.

2.5.3 Baseline forecast figures for key growth sectors show that currently 224,000 people are employed across the sectors in the City Region, producing output of £9.9bn, 43% of the City Region total. Productivity in the majority of key growth is higher than the City Region average, highlighting the value-added nature of the sectors and that activity focused in these sectors will drive growth across the City Region economy.

Key Sectors	Employment	GVA £m	Productivity £s
Low Carbon	40,000	1,577	39,251
SuperPort	17,000	611	36,449
Digital & Creative	14,000	432	31,192
Advanced Manufacturing	18,000	754	47,305
Life Sciences	3,000	147	50,772
Financial & Professional Services	89,000	5,368	60,482
Visitor Economy	45,000	1,032	22,781
Key Sector Total	224,000	9,922	44,353
Whole Economy Total	637,000	23,162	36,382

Source: Oxford Economics, Liverpool City Region Forecasts 2013

2.5.4 Over the period 2010 to 2020 baseline projections indicate that the City Region economy, on its recent economic trajectory, could grow by £4.7bn. Key sectors are forecast to be essential for this growth in the City Region, with the potential to contribute £3.2bn of output growth and create 35,000 additional jobs.

2.5.5 The provision of CORE status is recognition of the City Region's work and continued potential in the Low Carbon and Renewables sector. Its unique maritime location affords the City Region many of the components required to self-generate renewable energy, whilst established industries have the potential to diversify and many workers hold relevant skills. **Growth can be stimulated through the exploitation of commercial opportunities**

in Low Carbon environmental goods and services, energy and heat networks and the imperative for modal shift in transportation.

2.5.6 Liverpool City Region has built on its assets, port, airport, rail and logistics as part of a co-ordinated SuperPORT plan to bolster economic growth and secure the benefits of increased global trade. The 2014 International Festival of Business and its legacy have the potential to support City Region businesses to increase trade and exports. Harnessing inherent strengths in Life Sciences, Bio-medical and Healthcare, High-Value Manufacturing and Advanced Materials and Creative and Digital sectors offer opportunities for job creation and economic growth in the City Region; particularly through the exploitation of Science, Technology and Innovation assets in the Knowledge Quarter and Sci-Tech Daresbury. **The City Region needs to continue to develop areas of relative strength through stimulating indigenous sector growth, inward investment and diversification.**

2.5.7 The mapping of key City Region assets provides an understanding of potential opportunities that can be capitalised upon as well as gaps in terms of future demand that will need to be addressed. The potential from key government interventions needs to be exploited, including Growing Places Fund, Regional Growth Fund and Enterprise Zones. Mersey Waters Enterprise Zones hold significant employment generating potential such the

International Trade Centre and Advanced Supplier Park initiatives. Daresbury Enterprise Zone is a science and innovation campus of national recognition, a location for high-tech business and leading edge science with enormous potential for expansion. **Liverpool City Region needs to work to remove factors that can limit business growth.** Provision of key sites and commercial space are essential for growth, including the right mix of office space, laboratory and grow-on space as well as light industrial and small business space.

2.5.8 In the next twelve months Liverpool City Region will see £1.3bn of construction and development work begin as the Mersey Gateway Bridge in Halton (£600m), the Post Panamax 'Liverpool 2' water berth at the Port (£340m), and the redevelopment of the Liverpool Royal and Broadgreen Hospital Trust (£330m) all get underway. Ambitious £10bn plans to develop our Enterprise Zones at Wirral Waters and Liverpool Waters, the ongoing development of Sci-Tech Daresbury as a national science asset and plans to bring forward logistics and development sites across the City Region, provide real opportunities to collectively drive forward the City Region.

3 Summary SWOT Assessment

Strengths

- A number of world leading companies in key sectors
- Inherent sector strengths in Advanced Manufacturing, Life Sciences, Low Carbon, Digital & Creative, Maritime & Logistics and Visitor Economy
- A strengthening economy that has diversified with greater international orientation and a successful track record in utilising investment streams
- Significant knowledge assets including Sci-Tech Daresbury and The Knowledge Quarter
- National and international connectivity for business, logistics & freight as well as Tourism
- Critical mass of cultural, sporting, heritage, leisure, natural environment and retail assets
- Sea-board location and role as a gateway for trade and people into the North of England and beyond
- Proximity and connection to major markets
- Excellence in HE and FE sector, with particular research specialism
- New school and college facilities
- Sector strengths in waste management and recycling
- Strong governance structure

Weaknesses

- GVA per head remains well below the national average, has remained at 75% over the last decade
- City Region suffers from an £8.2bn output gap compared to nationally
- Productivity only 83% of the national average, particular deficits in service industries
- The affects of long-term decline in population
- Deficit in City Region business base compared to nationally
- Lower business start-up rates than nationally
- Deficit in female self-employment rates compared to nationally
- Population deficit in 30-44 year olds relative to the national average and particularly London and the South East
- High share of public sector employment
- Lower skilled workforce than nationally
- Skills gaps, technical, high-level and generic across the workforce
- Persistent pockets of deprivation, social exclusion and health inequalities
- Low employment rates compared to nationally
- Low economic activity compared to nationally
- Mismatch between housing stock and demand in locations across the City Region
- Areas of poor housing quality
- Decline in housing affordability
- Legacy of brownfield land and industrial activity

Opportunities	Threats
<ul style="list-style-type: none"> • Expansion of export intensive industries • 2014 International Festival of Business • Exploitation of Enterprise Zones • Major investment to start including The Mersey Gateway, Liverpool 2 (post panamax terminal) and The Royal Liverpool Hospital • Potential to expand high productivity sectors • Continued potential of the Low Carbon and Renewables sector including commercial opportunities • The potential to build a larger, nationally significant and differentiated innovation economy • Diversification potential of established sectors in the City Region • SuperPORT, the potential to exploit the benefits of increased global trade going forward • Relative improvements in female employment rates and overall self-employment • City Region production of products and services valued by growing consumer numbers in new and emerging market economies • Increasing demand for Low Carbon goods and services • Growth sectors with the potential to offer a range of occupational opportunities • Improving educational attainment • Opportunities related to the strength of the Voluntary and Community sector in the City Region • Development of new training and education facilities that reflect sectoral specialism • Development of HS2 • Growing numbers of leisure and tourism visitors • Development of science parks, bio-campus and innovation centres • Development of partnership working between industry and academia • Development of skills for growth agreements, matching skills demand with supply 	<ul style="list-style-type: none"> • Ageing population with significant implications for the labour force and public service requirements • Out-migration of population, particularly young people including graduates and key workers • Loss of accumulated skills from the older workforce • Change in the nature of employment from full-time to part-time • Continued global economic fragility impacting on growth opportunities • Continued competition from globalisation • Disproportionate impact of Government policies to rebalance the economy • Increasing demand for better skilled candidates at all levels of the workforce • Limits to the capacity of the transport network to cope with increased demands placed on it by new developments • Competition nationally and internationally to capture new developments and inward investment • Limited high-skilled opportunities impacting on graduate retention • The potential of climate change to affect areas of the City Region • Future constraints on employment land availability • Costs of bringing brownfield land back into use