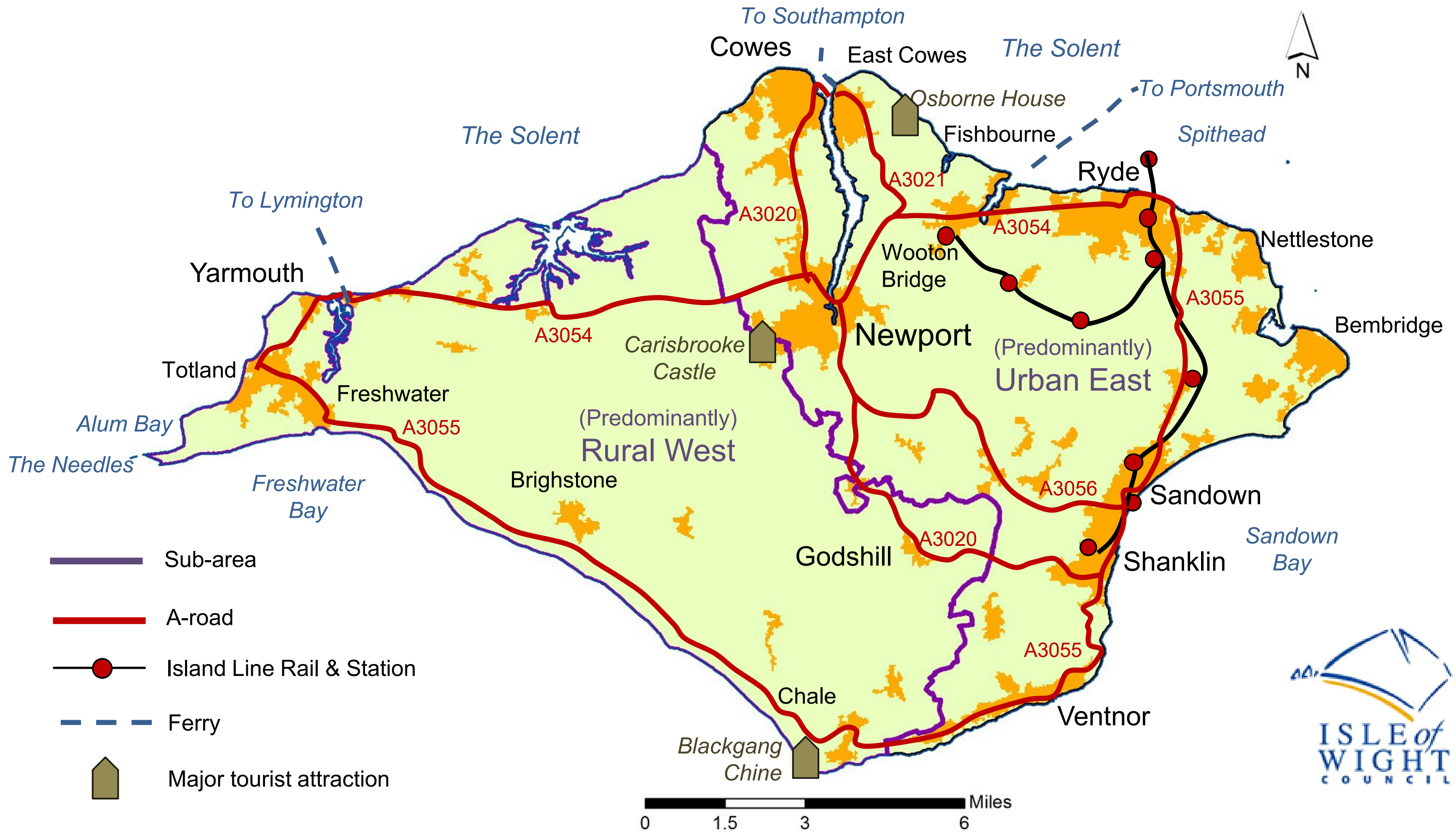
Isle of Wight Economic Profile 2023

ISLE of WIGHT
COUNCIL

The Isle of Wight and its Economic Sub-Areas



Separated from the mainland of England by the Solent, the Isle of Wight is home to approximately 140,400 residents according to Census 2021, an increase of 1.1% (2,000) on 2011 levels. The Island covers 147 square miles which is below the national average population density. Most Isle of Wight residents live in the predominantly urban east and home to the Island's main employment centres of Newport, Cowes, Ryde, and the resort towns of Sandown and Shanklin. Cowes and Fishbourne connect the Island to the ports of Southampton and Portsmouth – with ferries operating as the primary mode of transport to the mainland.

The predominantly rural west has smaller towns and villages nestled in stunning scenery, while Yarmouth is one of the Island's gateways connecting the port to Lymington. The Island's attractive landscape and natural environment supports a large tourism industry that is valuable to the Island's economy. Cowes Week and the Isle of Wight Festival, amongst many events, give the Isle of Wight international recognition, while Osborne House, Carisbrooke Castle and Blackgang Chine are major tourist destinations. Quality of life on the Island is high making it a good place to live and an attractive place for businesses to invest.

The Isle of Wight Economy

- **The Economic activity and growth on the Isle of Wight has been influenced by geography, demographics and historical links to certain sectors and the city of Southampton.** The economy was worth £3.1bn in Gross Domestic Product (GDP) terms in 2020 of which £2.6bn was economic output (GVA). This is considerably smaller than previously thought, and driven by the impact of the pandemic and revisions to historical data by the ONS.
- **The Isle of Wights makes a disproportionate contribution to the Exchequer in terms of indirect taxes.** The share of indirect taxes on products in total GDP of the Isle of Wight in 2020 was above the Hampshire & the Isle of Wight average and above the national average.
- **Economic output is dominated by local services with higher-value added traded services (HVATs) smaller than previously thought.** Local services account for over eight in every 10 pounds of GVA generated on the Isle of Wight and this is equally split between private services and broadly public services. There is a sizeable primary and secondary sector, two thirds of which is manufacturing but in GVA terms HVATS are tiny, and thanks mostly to data revisions considerably smaller than previously thought.
- **The predominantly urban areas account for the lion's share of GVA but the rural share has increased over time.** Health & social work and manufacturing are concentrated in both areas, but there are differences in other sectoral distributions. Tourism-related activities and the land-based sector are overrepresented in rural areas with transport and the broad public sector overrepresented (concentrated) in predominantly urban areas.
- **The Isle of Wight has seen broadly flat growth in GVA over the medium-term followed by an unprecedented impact from the pandemic but nevertheless smaller than elsewhere.** Economic growth in 2019 was strong but on average broadly unchanged over the medium term. Growth was still better than Southampton but slower than elsewhere in the area. The Isle of Wight economy contracted by 7.7% in 2020, smaller than for other areas and was considerably more resilient than Southampton
- **The economy appears to be more resilient to economic shocks but its apparent resilience is related to the strong growth in public expenditure.** Health & social work and the broad public sector are concentrated on the Isle of Wight that expanded during the pandemic. This has effectively made the economy appear more resilient to the pandemic.
- **The real resilience to economic shocks is achieved by a greater balance between local services, the broad public sector and HVATs.** Reliance on the broad public sector might be seen as a blessing during recessions and especially during major global downturns but this could constrain recovery and growth over the medium term. In comparison to other economies the Isle of Wight's HVATs services were far less resilient to the impact of the pandemic and they contribute little to both the economic growth and demand for advanced skills on the Isle of Wight.
- **The economy is on the brink of another recession with discretionary consumer-facing services exposed the most.** The Bank of England expects the longest UK wide recession on record from Q3 2022 through to the first half of 2024. There is less scope for the broad public sector to support economic growth over the next 18 months and the Isle of Wight's tourism related activities, that were affected the most during the pandemic, are again exposed to sharp cuts in household income and spending.
- **An ageing population and shrinking workforce imply that productivity growth is needed to boost competitiveness, economic growth and living standards.** The Isle of Wight has a large productivity gap with the national average and that gap has widened over time. These differences in labour productivity generally arise from differences in industry composition and firm characteristics. The broad public service is far less productive than for example HVATS, of which there are few on the Isle of Wight, and this is reflected in productivity estimates. Significant productivity differences within the same industry are found on the Isle of Wight and across the area.
- **The Isle of Wight's wage gap with the national average narrows slightly before increasing post-pandemic.** Wages among Isle of Wight residents increased at a slower pace than nationally between 2015 and 2019, resulting in the wage gap getting wider although the narrowing in 2019 and 2020. However, a fall in median earnings in 2021 resulted in a further widening of the wage gap. In tight labour markets, it might be easier to bid wages higher but productivity growth is the main driver of wage growth.
- **The Isle of Wight has a large and persistent gap in economic prosperity compared to the national average.** Economic prosperity in GVA per head terms is over a third below the national average, and slightly better in 2020 than in 2018, but thanks to subdued GVA growth performance it is worse than in 2015. In terms of household incomes the gap stands at about 11% but it has narrowed over time.

The Isle of Wight Businesses and Workforce

- **Business growth on the Isle of Wight generally lags behind both the Solent LEP area average and the UK.** However, sluggish pre-pandemic growth was reversed with latest data suggesting a robust rebound in 2022, and largely driven by growth in micro businesses. However, small businesses, which are overrepresented on the Isle of Wight, have struggled with growth and were hit harder during the pandemic.
- **Overall, data suggests the Isle of Wight had 50 more businesses (local units) in 2022 than in 2016** but growth only took place more recently between 2021-2022. Businesses were also supported through various Covid-19 grants during the pandemic to help mitigate against significant business closures.
- **The Isle of Wight has more businesses per head than the Solent LEP area average, but fewer than both Hampshire, South East and the UK**. While its short-term survival rates (3 and 5-years) are higher than the national average, historically the Isle of Wight has seen lower business births (start-ups), although 2021 saw an improvement. Historically, lower start up rates will be influenced by location (rural areas or an island economy can be generally less dynamic than cities) and by industrial mix (certain sectors have higher start-up rates than others).
- **The pandemic in 2020 erased earlier workplace employment growth** of approximately 3,000 additional workers on the Isle of Wight, although this is an estimate and could be higher or lower. The structure of the economy and jobs (especially consumer-facing services) meant the impact of the pandemic on the Isle of Wight was greater than for Great Britain.
- **The Isle of Wight has an over representation in primary & secondary industries (notably manufacturing and agriculture & utilities) but under-representation in HVATS businesses**, notably professional, scientific & technical activities. Increasing high-tech businesses will help contribute towards raising productivity on the Isle of Wight.
- **Local services represent almost four fifths of employment on the Isle of Wight with an employment share closer to the two cities but much higher than the national average.** Local services accordingly accounted for most of the fall in employment during 2020 and notably in accommodation & food and in retail. Although food services saw fewer job losses while tighter restrictions saw hotels mostly closed during 2020 and largely still to recover. Unlike accommodation & food, retail appears to have largely recovered job numbers in 2021.
- **Pre-pandemic gains made by primary & utilities were largely lost during the pandemic** with losses in manufacturing, construction, and agriculture and utilities. For manufacturing, losses were in part driven by interrupted supply chains, or the mothballing of inventories.
- **Professional services (HVATS sub-sector) saw early signs of recent business growth but not enough to overturn declines over the medium-term.** Employment was down during the pandemic but still higher overall over the medium term. Losses were partially mitigated by technology that allowed those with access to IT to work from home or adopt hybrid working patterns.
- **Knowledge Intensive (KI) activities remain underrepresented on the Isle of Wight** but despite a decline in the number of knowledge intensive businesses KI employment increased over the medium-term (albeit largely pre-pandemic). Around one in 10 employees in the area are ‘KI employees’ and on this measure employment on the Isle of Wight is underrepresented relative to all benchmark areas.
- However, there are **employment concentrations in marine & maritime, the tourism & visitor economy, cultural sector, land-based, retail, and care sector in the area,** but there are significant economic sub-area variations.
- However, **spikes in business costs (notably energy) in 2022 represents an existential threat to businesses and entrepreneurship**. The tourism & visitor economy and elements of the cultural sector, key Isle of Wight sectors, are particularly vulnerable to the dangers of soaring costs and falling discretionary spending.
- **Rising inflation is also adding pressure on public services.** According to the Institute for Fiscal Studies, higher inflation could lead to a significant reduction in planned growth in public sector funding to 2025 with further public sector cuts planned from 2024-2025.
- **Climate change and commitments to net-zero by 2050 have focused the spotlight on green jobs,** and the Isle of Wight is forecast to see strong future growth in green jobs. Likewise, the Isle of Wight’s concentration in manufacturing and construction will see those sectors become increasingly more in demand to help achieve the transition to net zero.

The Labour Market on the Isle of Wight

- **The Isle of Wight has lower labour market participation and falling economic activity**, and as a predominantly closed labour market, is also experiencing a shrinking working age population. Any contraction in the economically active population will present challenges for the Isle of Wight economy. This will also affect demand and investment over the medium term and beyond.
- **Overall, labour market participation on the Isle of Wight is lower than all benchmark areas**. Over the medium term the Isle of Wight has seen slower employment growth and higher unemployment compared to most benchmark areas. Falling resident employment was only exacerbated by the pandemic with no signs of recovery, while higher and rising unemployment also contrasts against most other benchmarks. An already low resident job density on the Isle of Wight was made worse by the pandemic.
- To mitigate against higher unemployment during the pandemic unprecedented **government job support schemes provided financial assistance in Summer 2020 to about half of all people in employment on the Isle of Wight,** without which unemployment would have risen by more and faster than it actually did. With both the Bank of England and Office for Budget Responsibility forecasting a long but shallow recession with rising unemployment, it is unlikely the Isle of Wight will see any improvements in the labour market in the short-to-medium term.
- **Timelier monthly payrolled data for resident employment suggests the Isle of Wight returned to pre-pandemic employee levels by mid-2021.** Employee growth slowed in the second half of 2021 before seeing an uptick in early 2022. Recession is likely to see a reversal in payrolled employment in 2023. **The Isle of Wight has the highest self-employed workforce across the benchmark areas, and has seen proportionately larger job losses** compared to employees and with no sign of recovery.
- **Demand for labour also saw a sharp uptick from March 2021 onwards as the economy largely reopened which released pent up demand,** especially in hospitality (tourism & visitor economy) characterised by shortages. Seasonal demand for labour in 2022 remains strong on the Isle of Wight, although there are signs of an easing in demand with growing uncertainty over the economy leading to possible delays in hiring intentions, although skills shortages remain a challenge.

Skills, Education and Occupations

- **Despite recent improvements, the Isle of Wight has consistently lagged behind benchmark areas for the proportion of working age residents with an advanced qualification.** The gap in advanced skills appears to have widened on the Isle of Wight relative to the benchmark areas over the medium term. As such, the Isle of Wight has a comparatively smaller high-skilled workforce which points to fewer high-skilled employment opportunities on the Isle of Wight. Due to small sample sizes skills data over time needs to be viewed with a degree of caution, especially during the pandemic.
- **The Isle of Wight has a sizeable but decreasing population with intermediate-level skills.** All benchmark areas have seen a degree of hollowing out of intermediate skilled residents, but only Portsmouth has seen a faster decline than the Isle of Wight.
- **One in four working age residents on the Isle of Wight have low-level or no formal qualifications, more than all the benchmark areas.** There are also comparatively more low skilled jobs on the Isle of Wight and growing over the medium term. That may reflect greater demand, and with job market opportunities generally improving most for low-skilled workers this helps to explain why there are **relatively low rates of young people on the Isle of Wight not in education, employment or training (NEET).**
- **However, the Isle of Wight has below average rates of on-job-training**, and that has gone backwards although that is most likely down to the pandemic constraining training opportunities.

Economic Disadvantage

- **The Isle of Wight has relatively low levels of deprivation but its economic inactivity is well above the UK and Solent LEP area average**, while the impact of the pandemic was greater on the Isle of Wight than all benchmark areas. Furthermore, a shrinking workforce and a greater dependency on household spending presents a challenge for recovery and growth.
- **The Pandemic saw a sharp increase for Isle of Wight residents on main out–of-work benefits and those on in-work Universal Credit, and has yet to see any significant reversal.** If economic conditions deteriorate as expected then the Isle of Wight may see further increases in economic disadvantages as the cost-of-living impacts will felt more by lower income households.

Contents

ISLE of WIGHT COUNCIL

1. The Isle of Wight Economy

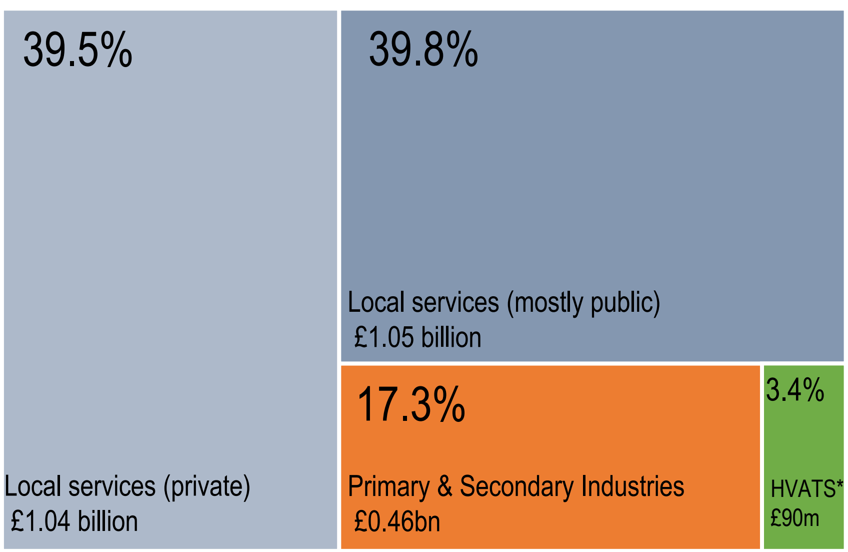
1.1 Economic performance and labour productivity

ISLE of WIGHT COUNCIL

Economy: higher value added traded services much smaller than previously thought

£3.1bn economy in 2020 (in 2019 prices)

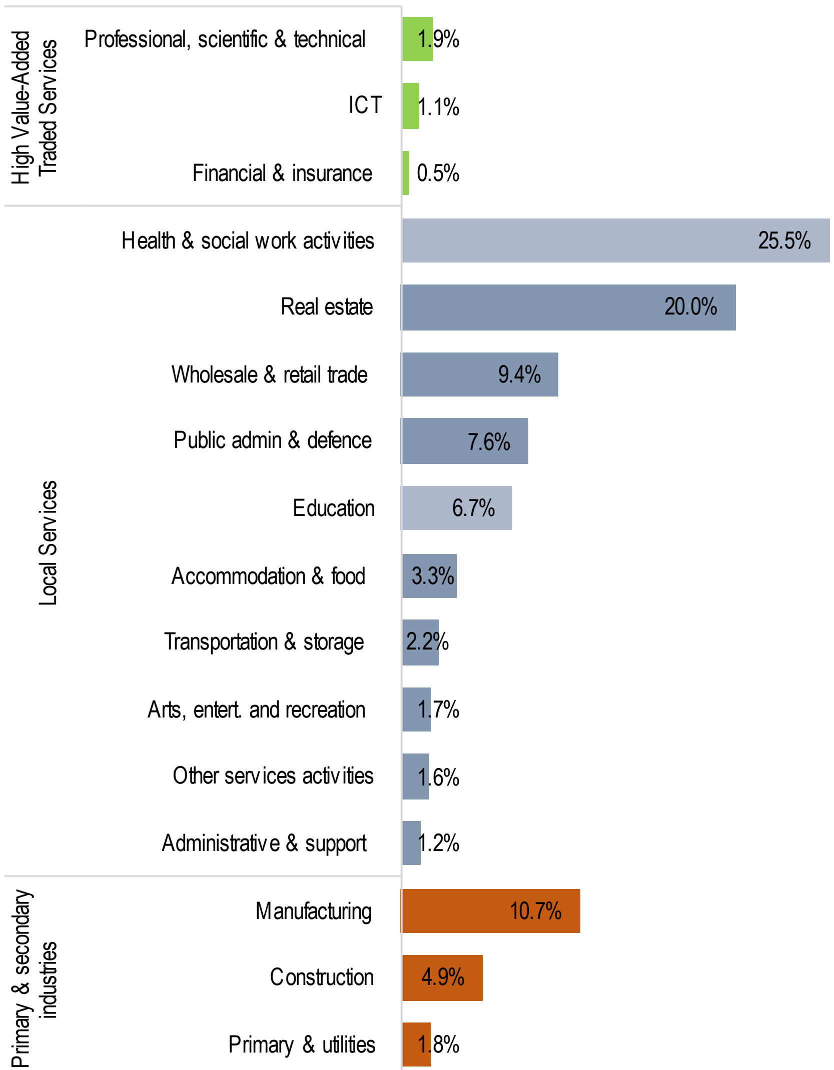
Composition of economic output (GVA) by broad sector group, £bn



Source: ONS 2022. HVATS – High Value-Added Traded Services

- The distribution of economic activity on the Isle of Wight has been influenced by its geography, demographics and historical links to certain sectors and the city of Southampton and this has affected economic growth on the Isle of Wight. On some indicators of economic performance, such as commuting patterns, the Isle of Wight economy resembles a closed economy but nonetheless has a proud history of trade with the rest of Hampshire and the UK and with global markets.
- Physical separation from the rest of Hampshire and the UK implies that local businesses face additional costs of conducting business on the Isle of Wight. This cost is not just reflected in higher transportation costs but also in a smaller local market. A smaller market implies limited opportunities for optimal economies of scale which tend to drive down business costs.
- There are two commonly used measures to describe economic performance at a regional or local level: Gross Domestic Product (GDP) and Gross Value Added (GVA). GDP is often seen as the main 'summary indicator' of economic activity as it comprises of GVA and indirect taxes on products net of subsidies. The Isle of Wight's economy was worth some £3.1bn in Gross Domestic Product (GDP) terms in 2020.
- The Isle of Wight's GDP is comprised of £2.6bn of economic output or Gross Value Added (GVA). GVA is the value of an industry's outputs less the value of intermediate inputs used in the production process. Alternatively, GVA is the measure of the value of goods and services produced in an area, industry or sector at a specific point in time and as such it is a preferable measure of economic performance at the local level.
- GDP on the Isle of Wight also comprises £352 million of VAT on products (£0.35bn) and £116m of other taxes on products (£0.12bn). Subsidies were tiny at just £11 million. The share of indirect taxes on products in total GDP stood at around 18% which is above the Hampshire & the Isle of Wight average and above the national average.
- In 2020 the Isle of Wight's economy accounted for about 8.5% of total GVA in the Solent LEP area. The Isle of Wight is a service driven economy dominated by mainly local services industries i.e. mostly public services and local private services each of which contributes around 40% of economic output (GVA). However, High Valued-Added Trades Services (high-skilled, high productive) less than 4%.

Composition of economic output (GVA) by broad sector, %

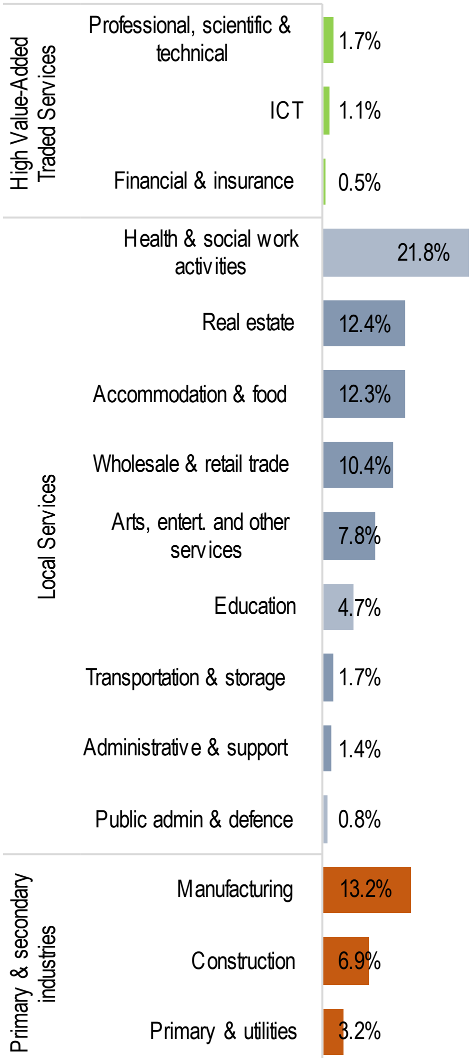


Source: ONS 2022

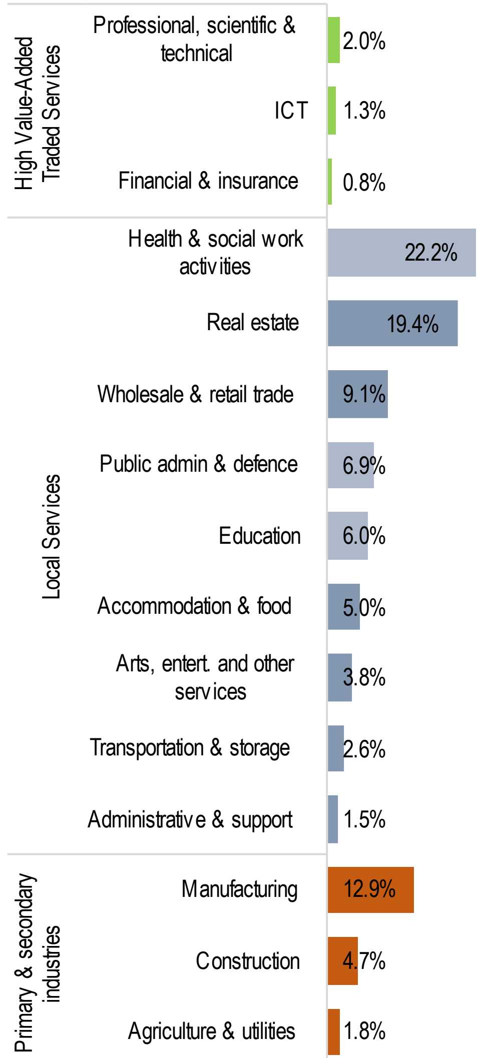
- Within the broad but mostly local services group of sectors, health & social work is by far the largest sector in terms of economic output or GVA. This sector alone accounts for about a quarter of all economic output (GVA) although its significant share in total GVA in 2020 was boosted by a sharp increase in spending on health compared to significant falls in GVA in most other sectors. Within the broad public services category, public administration and defence account for close to one in every 13 pounds (£) of GVA generated on the Isle of Wight, followed by close to 7% in education.
- Within the local private services sub-category there are significant contributions to economic output coming from wholesale & retail with close to one in every 10 pounds (£) generated on the Isle of Wight. Accommodation & food accounts for 3.3% of GVA but there was an unprecedented fall in GVA in this sector during 2020 while transport & storage accounted for 2.2% of GVA.
- The more traditional primary & secondary industries (agriculture, manufacturing, construction and utilities) are significant and account for about 17% of GVA. Manufacturing, with GVA of around £282 million accounts for about 62% of GVA in this broad category, or about 11% of total GVA on the Isle of Wight followed by construction (5%).
- The real estate activities is the second largest sector in terms of GVA (20%) on the Isle of Wight and in most other local authorities in Hampshire but this is mostly made up of 'owner occupiers imputed rents' and not activities associated with real estate businesses. Therefore, although large this sector is economically insignificant.
- Higher value-added traded services or the HVATS category of sectors is comprised of information & communication, finance & insurance and professional, scientific & technical. For the Isle of Wight economy HVATS are small as they account for just 3.4% of economic output. Recent revisions to local GVA estimates by ONS imply that this broad sector is much smaller than previously thought (about 10% of GVA) and much smaller than in the UK or Hampshire (22%).
- Experimental estimates from ONS suggest that about 90% of economic output (£2.31bn) is generated in the predominantly Urban East sub-area of the Isle of Wight and 10% (£0.24bn) in the Rural West sub-area, which is not surprising since over 50% of the Island is designated as an Area of Outstanding Natural Beauty (AONB) which has affected the distribution of economic activity.

Economy: tourism and land-based activities concentrated in Rural West

Predominantly Rural West:
£244 million in GVA in 2019



Predominantly Urban East:
£2,311 million in GVA in 2019

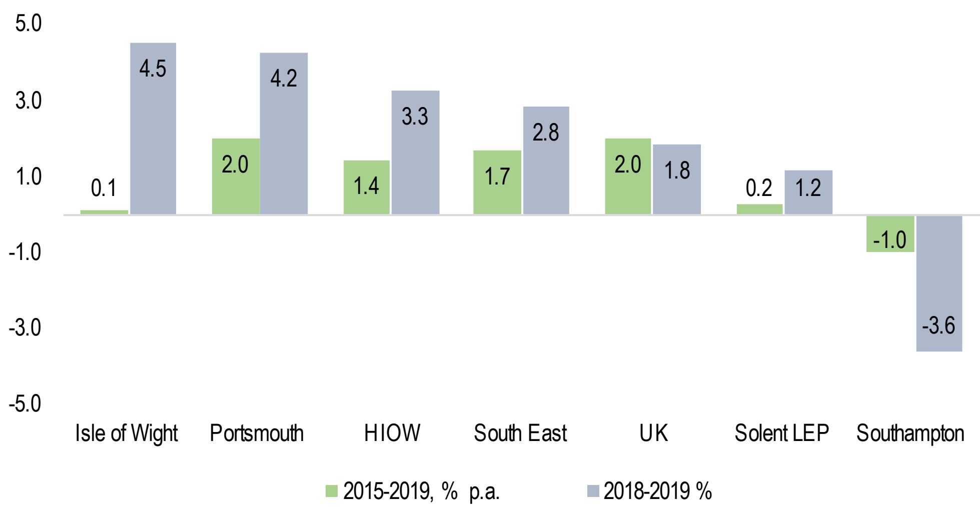


Source: ONS 2022

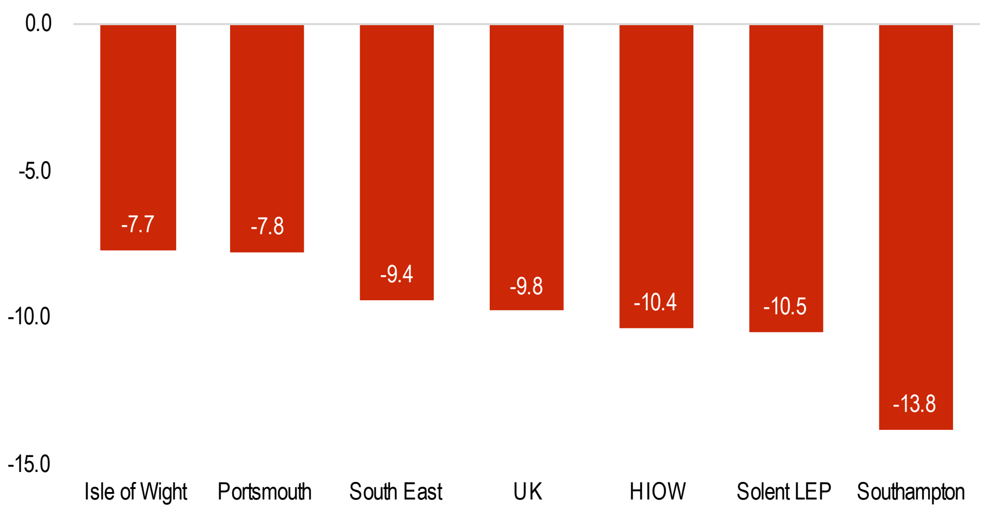
- Whilst relatively small in GVA terms, the share of the predominantly Rural West sub-area in the overall GVA of the Isle of Wight has increased over time, from 8.3% in 1998 to 10% in 2019 (before the outbreak of the pandemic). The large fall in tourism-related output during the pandemic implies that its share fell in 2020.
- The predominantly Urban East sub-area was responsible for over £2.3bn of economic output on the Isle of Wight in 2019 according to the latest experimental GVA estimates based on ONS data. These estimates have been derived by aggregating the official but experimental MSOA GVA estimates. Experimental data for 2020 was not available at the time of writing.
- The Rural West on the other hand contributed some £244 million to GVA or about 10% of total GVA on the Isle of Wight. This is slightly less than a proxy estimate derived in 2019 based on 2017 data which has been subsequently heavily revised by ONS. Again this is not surprising since over 50% of the Isle of Wight is designated as an Area of Outstanding Natural Beauty (AONB) which has affected the distribution of economic activity.
- A proxy sectoral estimate of GVA suggests that health & social work is the largest sector in both sub-areas and accounting for over a fifth of GVA respectively but as already stated elsewhere, the share of this sector has been boosted by strong growth in spending on health and a sharp fall in GVA in most other sectors.
- Both economic sub-areas have strengths in primary & secondary activities. For example, manufacturing accounts for over one in every eight pounds (£) of GVA generated in these areas respectively. With about 7% of GVA, construction is more concentrated in the Rural West than the predominantly Urban East economic sub-areas.
- Tourism and land-based activities tend to be concentrated in the Rural West. For example, accommodation & food in this sub-area accounts for about 1 in every 8 pounds (£) generated within the sub-area compared to just 1 in 20 in the Urban East sub-area. Thus this sector is about 2.5 time more concentrated in the Rural West than the Urban East. The concentration of arts & entertainment is double the concentration in the Urban East.
- Much of the GVA generated by public administration & defence, education and transport & storage is unsurprisingly created in the main urban settlements on the Isle of Wight found in the predominantly Urban East.

Economy: massive impact of the pandemic, smaller than elsewhere in the area but sluggish past growth

Pre-pandemic GVA growth, 2015-2019(average % p.a.) and 2018-2019 (%).



Impact of the pandemic on GVA, 2019- 2020 %



Source: ONS 2022

- Higher value-added traded services (HVATS) are also concentred in the predominantly Urban East sub-area but their share in total GVA is small at just over 4% compared to 3.3% in the predominantly Rural West.

  In the four years before the outbreak of the global pandemic, economic growth on the Isle of Wight adjusted for inflation was broadly unchanged but nevertheless the Isle of Wight performed much better than Southampton.

  Between 2015 and 2019 GVA growth on the Isle of Wight averaged just 0.1% p.a., compared to 0.2% in Solent, 2% in Portsmouth and a -1% p.a. contraction in Southampton. The performance of Southampton, the largest economy in the area has pulled down the overall growth rate in the Solent LEP area, and given its proximity to the Isle of Wight it has affected the performance of the Isle of Wight economy over this period.

  Economic growth before the outbreak of the global pandemic was exceptionally strong at 4.5%, faster than Portsmouth (4.2%) and much faster than elsewhere in the area. Strong growth in 2019 pulled up the average rate of growth between 2015 and 2019. This implies that GVA growth on the Isle of Wight contracted in the three years prior to 2019. These estimates differ from the previous estimates but are explained by the significant revisions to past GVA estimates by the ONS.

- The pandemic induced lockdowns for large parts of the economy that resulted in unprecedented falls in economic output (GVA) on the Isle of Wight and across the country. Real GVA on the Isle of Wight contracted by -7.7% in 2020 which represents an unprecedented fall in economic output during peacetime. Although considerable the fall in GVA on the Isle of Wight was smaller than in the two cities, Solent, Hampshire, South East or the UK.
- A simple assessment based on just the fall in headline GVA could lead us to conclude that the Isle of Wight economy was more resilient to the impact of the pandemic than other economies in the area but an assessment based on just the headline numbers would be misleading.
- In this case the relative resilience is associated with a large share and strong performance on the broad public sector and especially health & social care sectors, and not in any the resilience of the Isle of Wight's manufacturing, construction and private service industries.

Economic Growth: strong growth in public services offset by contraction in private services and HVATS services

GVA growth by sector and impact of the pandemic, % p.a.

Sector	Sector share, % 2019	Sector share, % 2020	Growth 2016-2019	Growth 2020
Financial & insurance activities	0.7	0.4	-8.9	-45.0
Accommodation & food	5.7	3.4	0.7	-44.1
Activities of households	0.4	0.3	13.6	-30.0
Arts, entertainment & recreation	2.3	1.7	-6.0	-29.5
Administrative & support service	1.5	1.2	7.2	-26.8
Manufacturing	12.9	11.0	10.6	-21.6
Other service activities	1.5	1.3	0.0	-19.5
Agriculture, forestry fishing; mining	0.6	0.5	-5.4	-18.8
Transportation & storage	2.5	2.2	-2.8	-17.9
Information and communication	1.3	1.1	0.7	-17.6
Education	5.9	5.5	-1.4	-13.8
Professional, scientific & technical	1.9	1.9	-6.1	-11.5
Utilities	1.3	1.3	-3.2	-8.3
All industries	**100.0**	**100.1**	**0.1**	**-7.7**
Construction	4.9	4.9	-2.3	-7.6
Wholesale & retail trade;	9.2	9.6	3.7	-4.0
Real estate activities	18.8	20.8	-2.6	1.8
Human health & social work	22.2	25.3	-0.9	5.0
Public administration and defence	6.4	7.6	-0.7	9.9

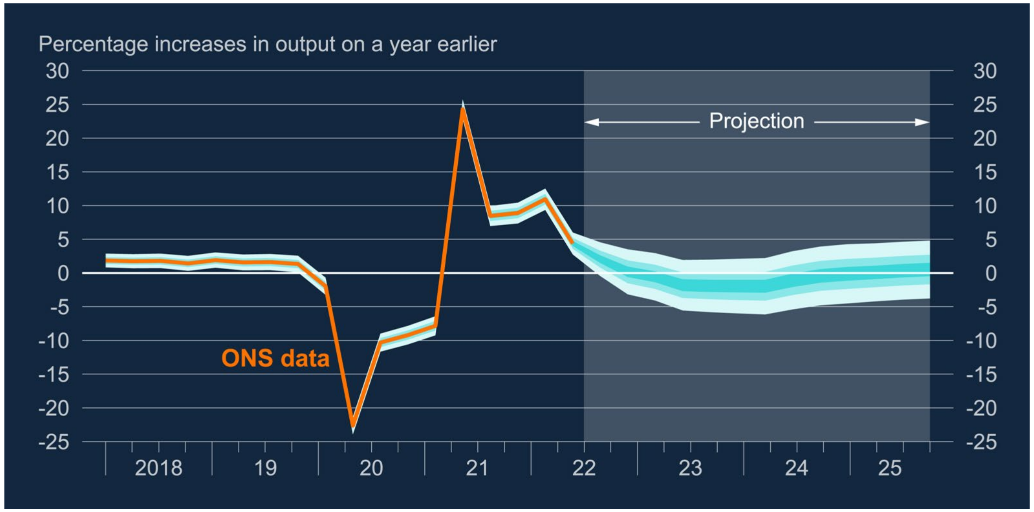
Key
Growth 2016-2019: Green (growth), Amber (no growth), Red (negative growth).
Growth 2020: Green (above industry average), Amber (negative but better than industry average) Red (negative and worse than industry average)

Source: ONS 2022

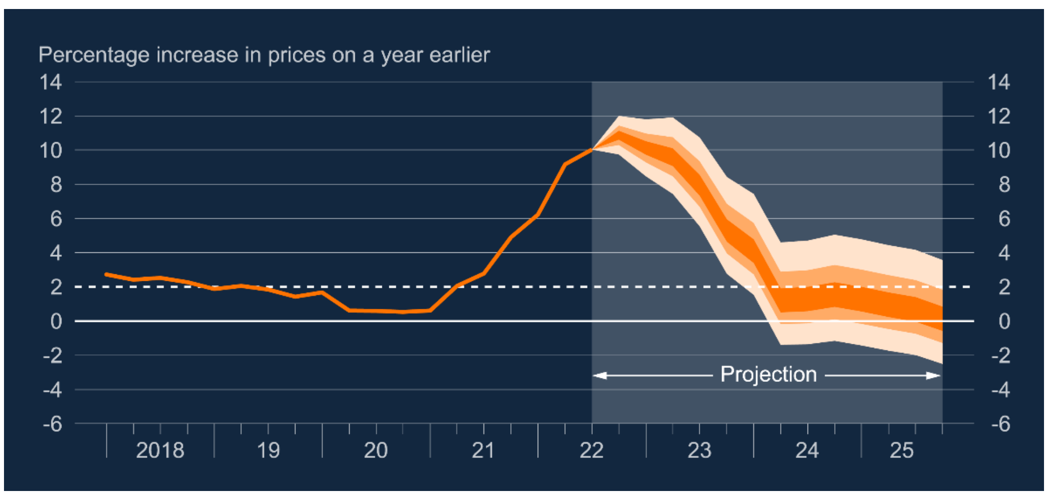
- The official but preliminary estimates of GVA growth by sector suggest that relative to the 'resilience' of the Isle of Wight in GVA terms is explained by strong growth of its broad public sector in 2020. In GVA terms the only growth sectors in 2020 were public administration & defence, human health & social work activities and real estate activities, the sectors that on average contracted between 2015 and 2019.
- Inflation adjusted output (GVA) in human health & social work, by far the largest sector on the Isle of Wight expanded by 5%, and since this sector accounted for over a fifth of GVA in 2019 this had a major impact on the headline rate of economic growth in 2020. Strong growth in this sector alongside the contraction in almost every other sector implies that health & social work activities accounted for over a quarter of GVA on the isle of Wight in 2020.
- A significant share of GVA in this sector may be seen as beneficiary in recessions that are accompanied by increases in public spending but this can also constrain growth during the economic recovery.
- Economic growth in public administration & defence was almost 10% followed by 1.8% growth in real estate activities. Education on the other hand contracted by just under 14% or close to double the contraction for the economy as a whole. This is explained by schools remaining shut for long periods of time in 2020. Education output on average contracted between 2015 and 2019 which is related to subdued growth in real public spending and the Isle of Wight's demographic factors.
- In relative terms the Isle of Wight's small financial & insurance sector contracted the most, down 45% which is likely to be explained by further restructuring and potentially the loss of some businesses on the Island.
- Sectors associated with tourism have been affected the most by the pandemic and in this regard the Isle of Wight's performance was similar to other economies. Accommodation and food contracted by 44% in 2020. One major area where the Isle of Wight stood out is the performance of its HVATS services. In terms of resilience this sector was less resilient on the Isle of Wight than in Hampshire or nationally. The above average impact is explained by a large share of micro and small businesses, many of which serve the local markets.

Economic Growth: relatively strong recovery in 2021 but economy on the brink of another recession

Bank of England GDP forecast, November 2022



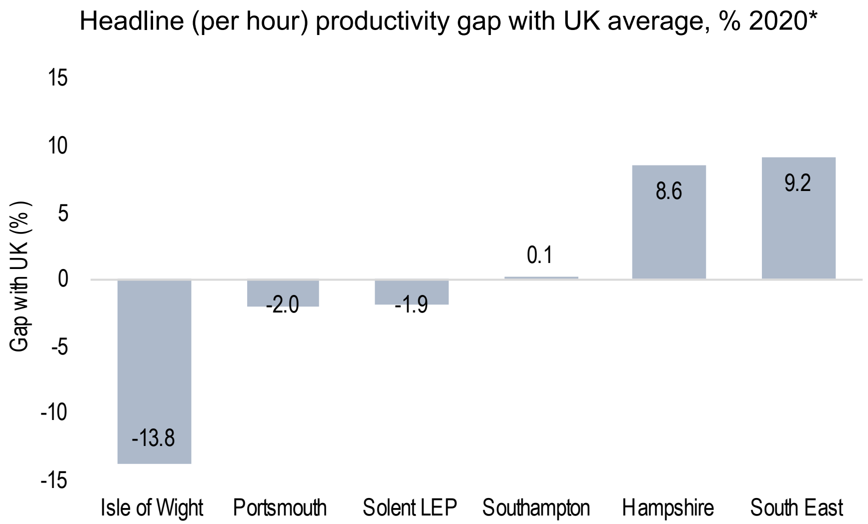
Bank of England inflation forecast, November 2022

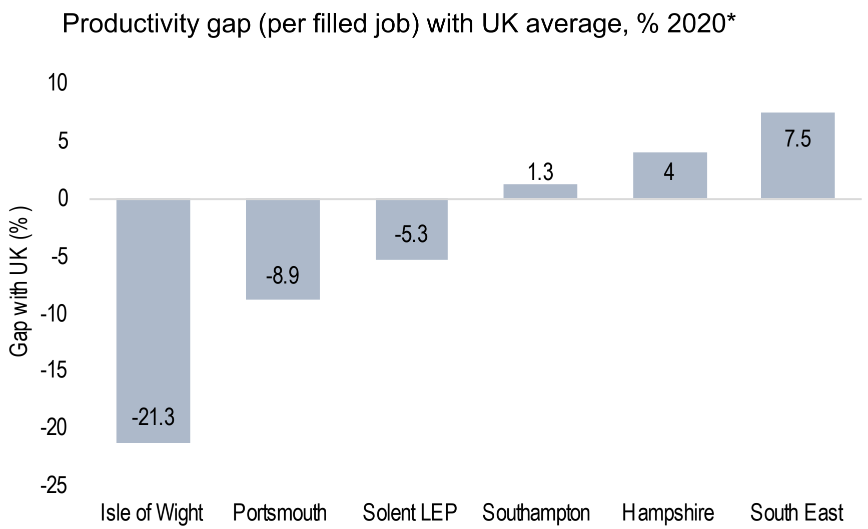


Source: ONS 2022

- Economic recovery on the Isle of Wight was strong and it is likely that GVA expanded by over 7% in 2021, the fastest growth on record. Re-opening of the economy meant that in relative terms the fastest increase in GVA was observed in consumer facing services such as accommodation & food and other tourism-related activities that benefitted the Isle of Wight.
- The latest downward revisions to UK data imply that the impact of the pandemic was even greater than previously thought and it is likely that the Isle of Wight economy is still smaller than its pre-pandemic peak.
- Economic growth in the first half of 2022 was slightly faster than previously thought but the UK economy contracted in the third quarter under the combined weight of falling domestic and global demand driven by a sharp contraction in inflation adjusted household incomes. Headline inflation reached 10% in September and this has resulted in a cost-of-living crisis leading to declines in spending and growth.
- Economic growth contracted by 0.2% in the third quarter but GVA growth in September fell by 0.6%, in part explained by the State Funeral. The fall in economic output in the third quarter was driven by falling private consumption. Government consumption, exports and total investment increased but there are question marks over government consumption and investment over the short-term. Net trade (exports) should support economic growth on the Island.
- The cost-of-living crisis driven by the extraordinary increase in household and utility bills will lead to inflation peaking at around 13% in the second half of 2022 and staying longer than anticipated in the first half of 2023 before falling sharply from the second half of the year according to the Bank of England.
- The economy appears to be on the brink of recession according to the Bank of England which expects GDP to contract by 0.75% in the second half of this year followed by a 1.5% contraction in 2023 and a 0.25% contraction in 2024.
- This is expected to be the longest recession since records began but relatively shallow recession followed by a sluggish recovery from the second half of 2024. Its industrial structure and relatively low household incomes suggest that the Isle of Wight may be more exposed to the downturn than the UK economy.

Productivity: large productivity gap with the UK average but productivity grows during pandemic

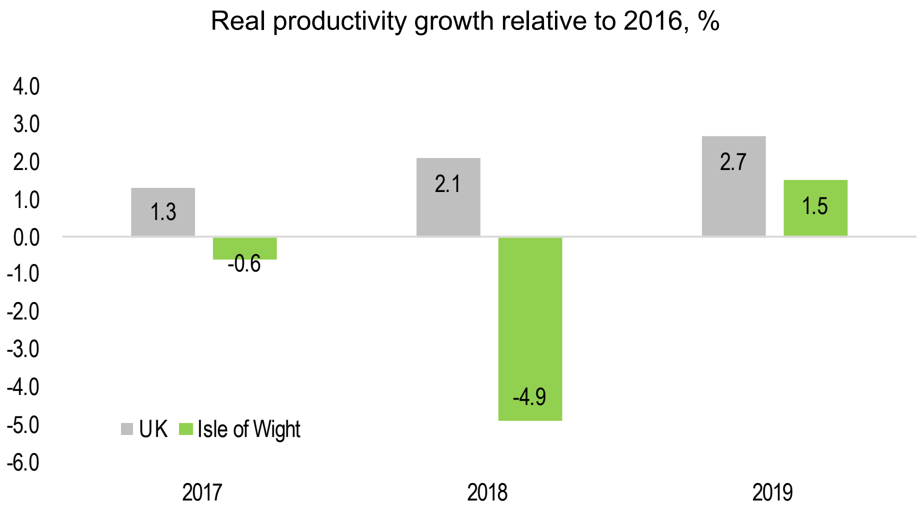


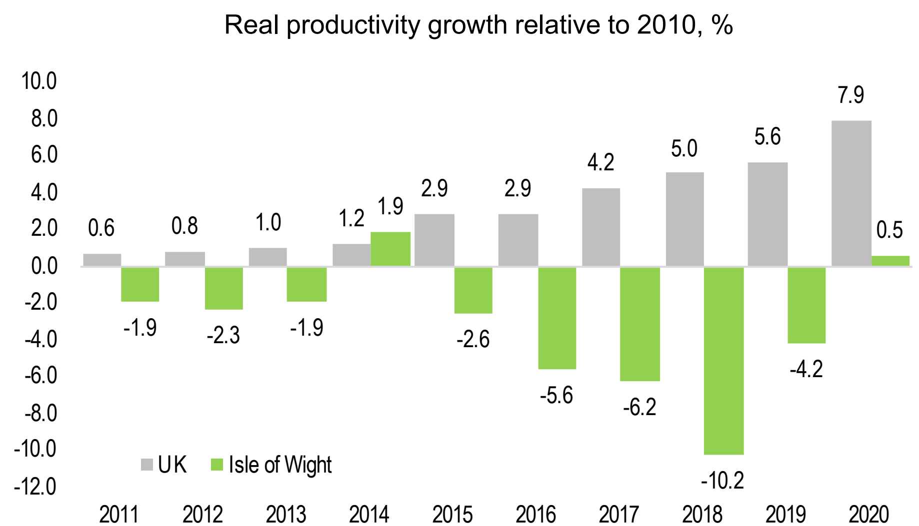


Source: ONS 2022

- Economic growth over both the short and the long term is driven by employment growth and labour productivity. An ageing population on the Isle of Wight implies that employment is unlikely to be the main source of economic growth in future years.
- As stated by Paul Krugman, Nobel laureate in economics, “productivity isn't everything, but in the long run, it's almost everything”. As such, productivity is the main driver of competitiveness, economic growth, and living standards over the long-term. Productivity in its simplest form is a ratio of economic output (GVA) and a measure of labour input such as hours worked or jobs.
- The latest data from ONS suggests that headline (GVA per hour worked) productivity for the Isle of Wight stood at £34.5 per hour worked in 2020 (or about £32 if data is smoothed over time to take out some volatility). In terms of the alternative measure, labour productivity stood at £45,350 per job or about £44,660 smoothed in 2020.
- On both the headline (per hour) and per job measure of productivity the Isle of Wight has a sizable productivity gap with the national average. On the headline measure the gap stood at about 14% in 2020 while on the per job measure the labour productivity gap stood at over a fifth with the national average. A much bigger gap in per job terms is mostly explained by a relatively large prevalence of part-time work (and fewer hours worked) on the Isle of Wight.
- Total GVA for the Isle of Wight decreased by -7.7% in 2020 but hours worked on the Isle of Wight decreased by -12.1%. Labour productivity on the Isle of Wight adjusted for inflation increased by about 5% faster than in any of the comparator areas but this is largely explained by the fall in hours worked for the Isle of Wight than for its comparator areas..
- The increase in labour productivity is also explained by the fact that the relatively low-productivity industries on the Isle of Wight such as accommodation and food services, arts, entertainment and recreation or non-food retail were most affected by restrictions to control the spread of COVID-19 in 2020.
- Relatively low share of HVATS activities on the Isle of Wight constrained productivity growth and will most likely constrain future growth in aggregate productivity.

Productivity: the real (inflation adjusted) productivity growth falls over the longer term

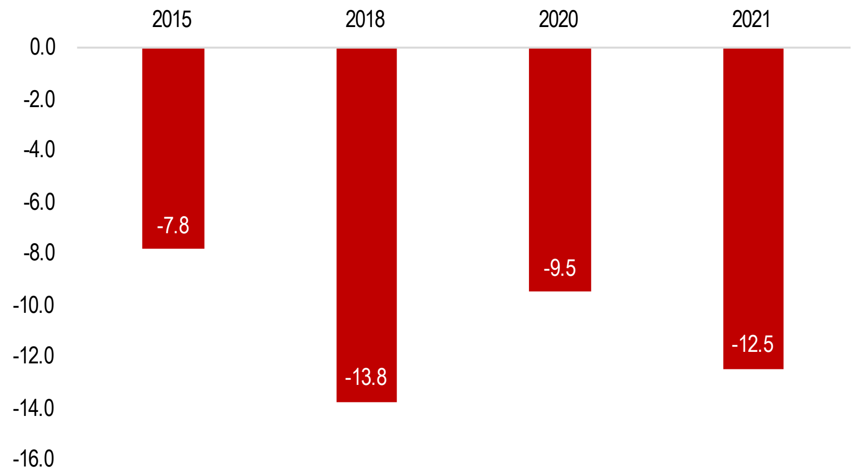




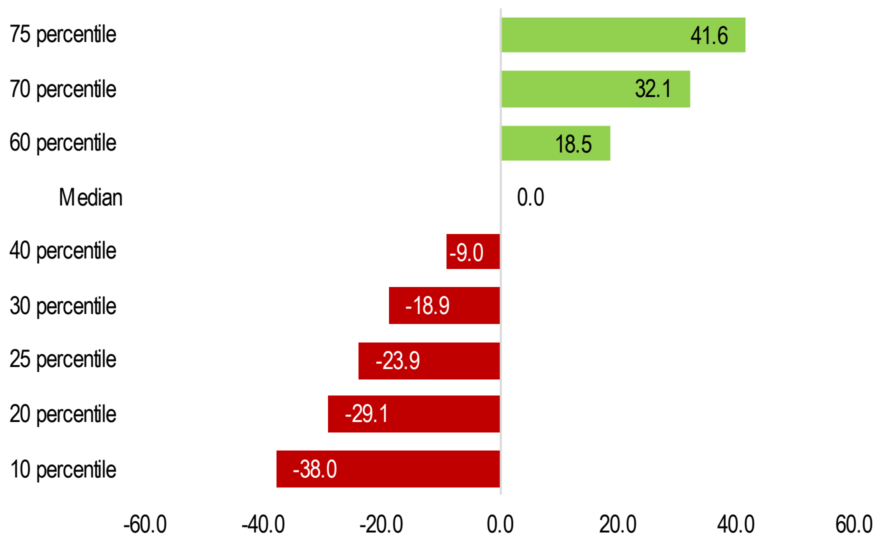
Source: ONS 2022

- On the alternative (per job) measure of productivity the Isle of Wight fell by about 5% in 2020 but this estimate needs to be treated with some caution since the productivity job metrics only declined by -2.7% during 2020 as a result of the Coronavirus Job Retention Scheme (CJRS) which protected jobs on the Isle of Wight and across the country.
- Productivity growth is volatile in any given year and especially in recessions but what matters is productivity performance over the longer-term. The Isle of Wight's productivity has been revised downwards by the ONS and these revisions have affected both the recent and historic estimates.
- In terms of inflation, adjusted productivity growth, the Isle of Wight's performance has lagged the UK average over both the short-to-medium term (since 2016), and over the longer-term since 2010 according to the most recent ONS data.
- The Isle of Wight's headline productivity in 2018 was about 5% below its productivity in 2016 adjusted for inflation. The strong growth in GVA in 2019 meant that productivity stood at 1.5% above the 2016 level but nevertheless the Isle of Wight underperformed the UK average.
- The same is true if we compare headline productivity growth over the longer term. Headline productivity adjusted for inflation for the Isle of Wight was about 10% lower in 2018 than in 2010 whilst UK productivity was about 5% above its 2010 level adjusted for inflation. Strong growth in 2019 and a much higher fall in hours worked in 2020 implies that productivity levels on the Isle of Wight in 2020 were slightly above 2010 when adjusted for inflation.
- These variations in average labour productivity and growth generally arise from differences in industry composition and firm characteristics. The broad public service are far less productive than for example HVATS of which there are fewer on the Isle of Wight and this is reflected in these productivity estimates.
- Similar to many other sub-regional economies there are significant productivity differs within the same industry between the Isle of Wight and other places in Hampshire. Isle of Wight businesses tend to be on average smaller and less capital intensive than elsewhere which impacts on productivity levels and growth over time.

Wage gap with the UK average, %
(median resident annual pay)



Annual residence earnings relative to median earnings, 2021 %

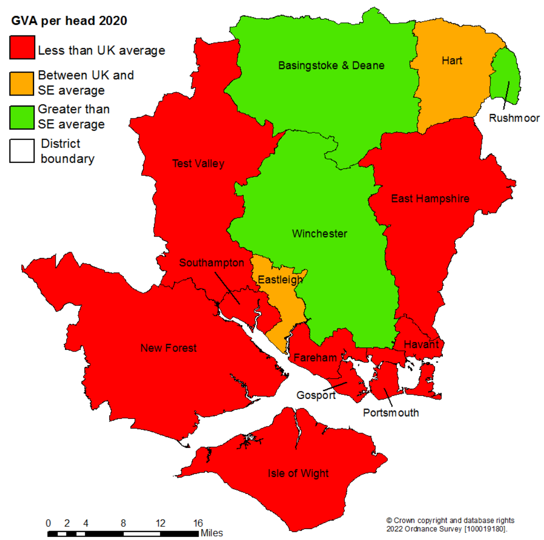


Source: ONS 2022

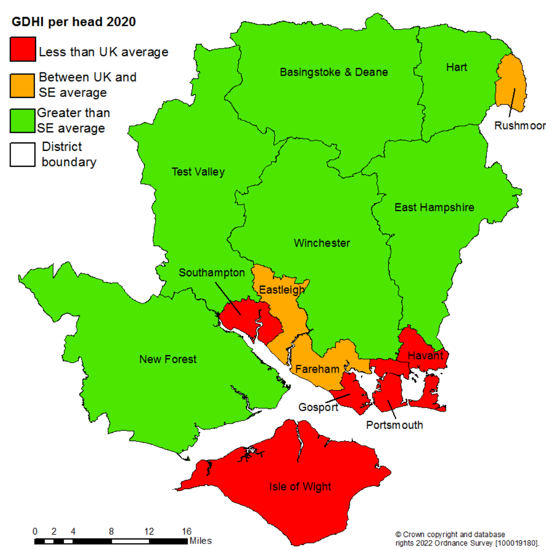
- Wage levels and growth in any economy are highly correlated with productivity levels and growth in labour productivity, and as such its industrial structure. In tight labour markets where the supply of labour is limited it may be easier to build wages higher than elsewhere. Several economies in Hampshire tend to have a relatively large wage gap between the resident-based and workplace-based wages but due to being an island economy this is less of an issue for the Isle of Wight.
- The Median salary for Isle of Wight residents working full-time was £27,374 in 2021, or 12.5% below the national average and about 13% below the Solent average. The Isle of Wight continues to have a large wage gap with comparator areas but the gap with the national average had narrowed to 9.5% by 2020 before increasing in 2021. This is explained by the industrial structure and labour productivity on the Isle of Wight and its residents being at a disadvantage (geographical barriers) in terms of accessing better paid jobs elsewhere in Hampshire.
- Average annual wages among full-time residents on the Isle of Wight were about 7.4% (almost £1,900) higher in 2021 than in 2018, or about 7.5% higher than in 2015. Nominal growth in wages was on average sluggish between 2015 and 2020 but wage growth between 2018 and 2020 averaged 5.7% p.a. which was stronger than in all other areas except for Southampton. This is despite the sluggish growth in productivity and a lack of labour supply is a factor that could explain faster growth in nominal wages on the Isle of Wight compared to elsewhere.
- In terms of wage growth during the pandemic the impact on the Isle of Wight was greater than elsewhere. Nominal wages among Isle of Wight residents fell by -3.9% in 2021, compared to a small fall in Hampshire and relatively strong growth in Portsmouth and Southampton. The fall in nominal wages in 2021 was driven by the falls in 4th decile (-4.2%) and 3rd decile (-1%). The bottom 10% of residents earned about £17,000 in 2021 or about 38% below median pay. Their nominal pay on average increased by 5% p.a. between 2015 and 2020 and 4.6% in 2021.
- Median earnings among people that work on the Isle of Wight fell by 4.3% in 2021 faster than in Southampton but slightly smaller than in Portsmouth. The wage gap between people that work on the Isle of Wight and residents had narrowed from -6.4% in 2015 to -4.6% in 2020 before edging higher to about -5% by 2021.

Economic Prosperity: large GVA per head gap but narrower gap in gross disposable household incomes

GVA per head relative to UK average, 20020



GDHI incomes per head relative to UK average, 2020



Source: ONS 2022

- GVA per head is the most widely used measure of economic prosperity in the UK but GVA per capita also has limitations as indicators of economic performance, particularly at lower level geographies. GVA per capita will tend to be lower in regions with relatively low labour market participation rates and high elderly population such as the Isle of Wight. In addition, as GVA includes capital charges such as depreciation, it is influenced by the industrial structure.
- GVA per capita on the Isle of Wight stood at around £18,500 in 2021. On this measure of economic prosperity the Isle of Wight had a gap of around 36% with the national average. This is considerably larger than a 26.5% gap in 2017 reported in the previous economic profile.
- The large increase in the gap is mostly explained by large revisions to GVA data by the ONS. The latest data suggests that the gap increased from -33.4% in 2015 to -38.5% by 2018 before falling to -36.6% in 2019 and -35.9% by 2020. GVA per head in 2020 fell at a faster pace than Portsmouth but slower than other comparator areas. GVA per capita growth was relatively strong between 2018 and 2020 but sluggish before 2018.
- The alternative measure of economic prosperity, Gross Disposable Household Income (GDHI) per head, allocates income to the place of residence. GDHI includes other components of income but since it includes primary income it is arguably preferable to GVA per head at local level. The Primary Income component is the best measure of the income earned by residents of an area from economic activities and arguably the best summary indicator of economic performance at lower level geographies.
- Total GDHI income on the Isle of Wight land stood at £2,724 million in 2020 or £19,142 in nominal (inflation unadjusted terms) per head terms, just -0.2% smaller than in 2019. On this measure of economic prosperity the Isle of Wight has a -10.7% gap with the national average. The gap stood at around -12% in 2015 and -11.4% in 2018.
- GDHI per head on the Isle of Wight is about 9.1% higher than in Southampton and 10.4% higher than in Portsmouth. Over the past couple of years the positive per capita GDHI gap with the cities has narrowed slightly.

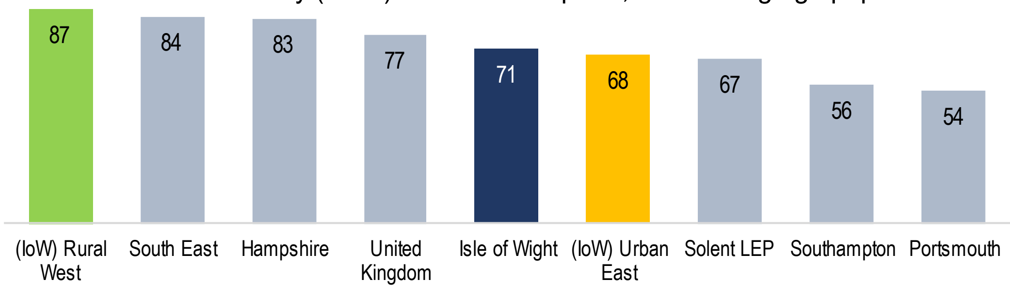
2. The Isle of Wight Businesses and Workforce

2.1 Business density, survival and growth

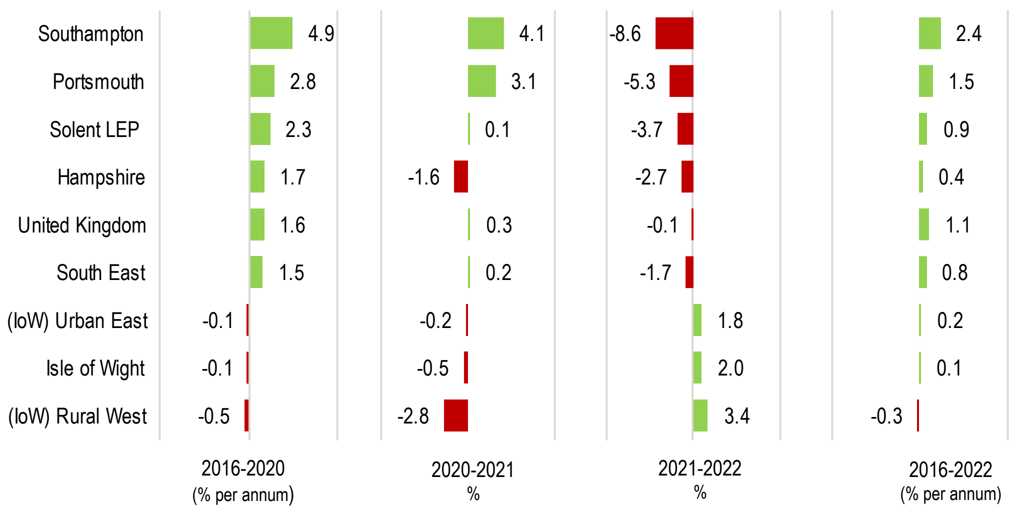
Businesses: falling business numbers pre-pandemic but strong post-pandemic growth

Businesses March 2022 Local units*	Business Density March 2022**	Growth			
		Pre-pandemic March 2016-March 2020)	Pandemic March 2020-March 2021	Recovery March 2021-March 2022	Medium term March 2016-March 2022
5,635	**71**	**-30**	**-30**	**110**	**50**

Business Density (2022) – businesses per 1,000 working age population



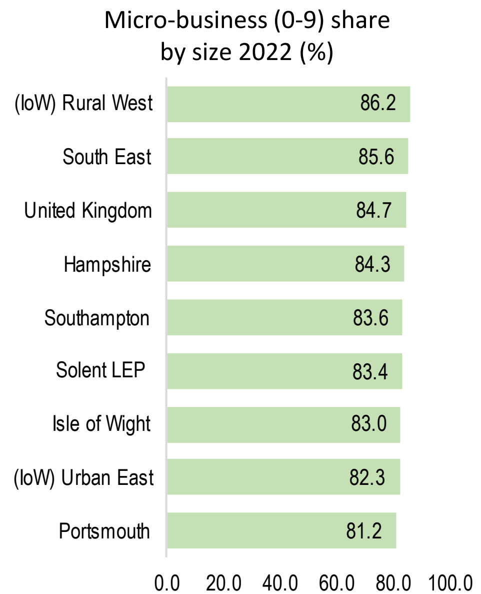
Business growth

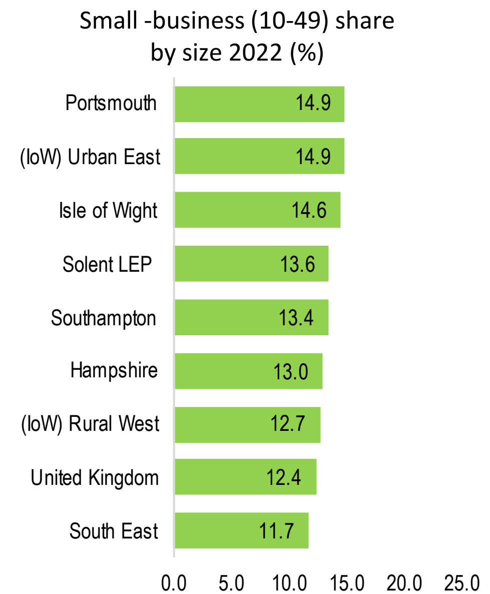


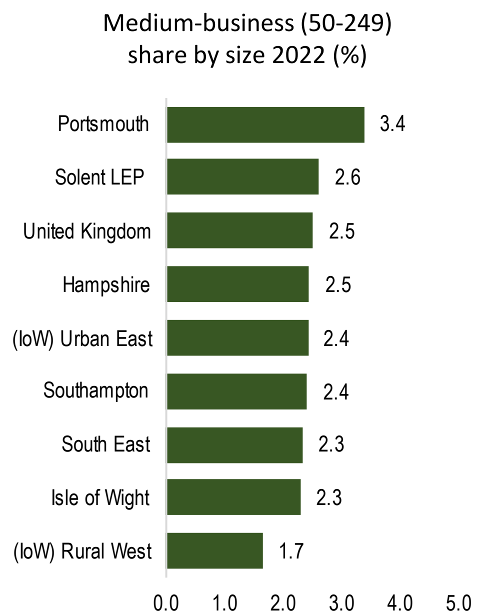
Source: ONS 2022. *Business numbers based on **local units** that are greater in number than reporting units (enterprises). A local unit can be a branch or sub-workshop and as such, are not directly comparable to Business Demography active business stocks based on enterprises. **Business density is defined as the number of businesses per 1,000 persons of working age (16-64 years old).

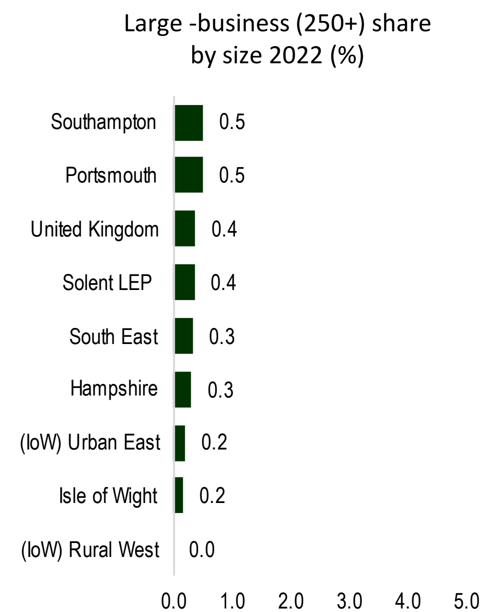
- Enterprises, through entrepreneurship, scaling-up and the growth of existing businesses are an important driver of productivity, innovation and competition. Official business data is a snapshot in time captured in March of each year, so that 2020 data describes the pre-pandemic peak, 2021 data the impact of the pandemic, and 2022 data the initial rebound period yet predating current global headwinds such as the war in Ukraine and imminent recession. Overall, the data suggests the initial impact on business stock was far more muted than on GVA, but the impact was far more significant in terms of business sales and business investment.
- In March 2022, the Isle of Wight had around 4,700 enterprises representing close to one in ten Solent LEP area businesses. However, using the alternative sub-regional local units measure*, the Isle of Wight had 5,635 businesses in March 2022, 11% of all businesses in the Solent LEP area. Local units are a more representative, small area measure and as such used in the report.
- The Isle of Wight's business density in March 2022 was 71 businesses per 1,000 persons of working age, and higher than the two cities and Solent average but lower than the UK and South East averages. A smaller working age population in the rural Isle of Wight relative to the number of businesses is the primary reason for a higher rural business density. Density has stayed relatively stable over the medium term on the Isle of Wight, ranging from 69 to 71.
- In terms of business growth between March 2016 and March 2020, the Isle of Wight saw on average negative annual growth of -0.1% per annum. This contrasts with growth across all benchmark areas.
- In March 2020, the Government imposed health-related restrictions causing widespread business closures or by limiting in-person numbers in places of work. In responses businesses saw unprecedented government interventions through business and job support schemes.
- Growth between March 2020 and March 2021 was also negative on the Isle of Wight with 30 fewer businesses (-0.5%). Only Hampshire saw a larger rate of business losses. The economy began re-opening from March 2021 with the release of pent-up demand. As such, growth was robust in 2021-22 with 110 new local units (2%) on the Isle of Wight that outperformed all benchmark areas where growth was still negative. Overall, the Isle of Wight has 50 more local units in 2022 compared to 2016. However, falling demand and spiralling business costs could lead to a sharp increase in business failures in 2023-24 as the country is expected to fall into recession.

Businesses: small businesses hit harder during the pandemic but relatively strong recovery driven by growth in micro businesses









Source: ONS 2022

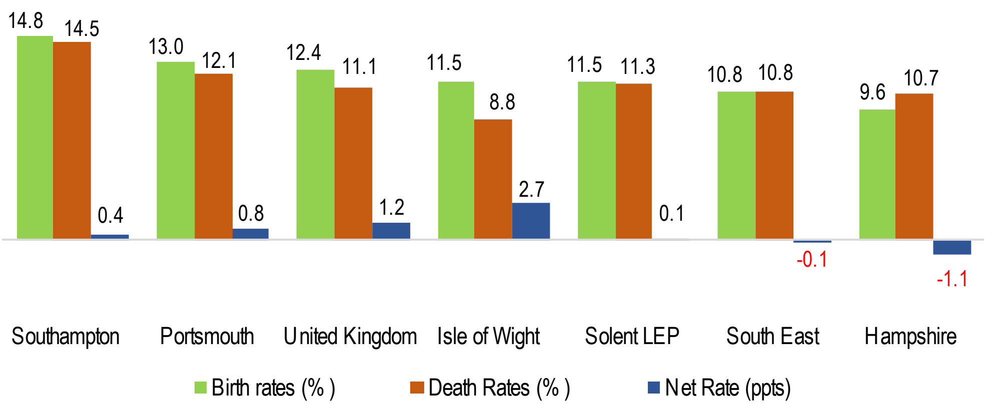
- Business size matters to any economy, as medium to larger firms tend to account for much of the growth in jobs, turnover, and productivity and as such see higher wages. Nonetheless, small businesses are often seen as the backbone of the community as they often serve local markets and act as a spring for new ideas and innovation.
- The distribution of businesses (local units) by the four standard broad classifications sees fewer micro, medium, and large businesses and more small businesses on the Isle of Wight compared to the UK average. However, there are sub-area differences for micro, small and medium sized-businesses.
- Micro-businesses employing fewer than 10 workers are skewed to rural sub-areas, with the rural share (86.2%) much higher than the Isle of Wight average (83.0%) and all benchmark areas. Small businesses (10-49 employees) have a higher proportion on the Isle of Wight, marginally more so for the urban Isle of Wight, and second only to Portsmouth, but less so in rural Isle of Wight where businesses are less likely to have access to suitable sites to facilitate scaling-up.
- The Isle of Wight has a much lower share of medium-sized (50 and 249 workers) and large businesses (250+ workers) compared to all benchmark areas. This will largely reflect an island economy and the availability of larger development sites but also the size of its workforce and proximity of main markets. Fewer medium and large businesses affects employment growth and productivity growth on the Isle of Wight.
- Overall business growth was negative between 2016 and 2020, but accompanied with small gains in micro-businesses (+15) offset by larger losses for small businesses (-45). There were no changes for medium or large businesses over this period. During the pandemic period (March 2020-March 2021) most losses were for small businesses with little or no change for other sized operations. Almost all business growth in the economic recovery period (March 2021-March 2022) was for micro-businesses (+115). There were only marginal gains for small businesses while medium businesses saw a small decrease.
- Over the medium term (2016-2022) business growth on the Isle of Wight has been driven by micro-businesses, but overall medium-term growth was dampened by small business losses – there were 70 fewer small businesses in 2022 than in 2016.

Businesses: historically, the Isle of Wight has seen lower business births but experienced robust post-pandemic growth

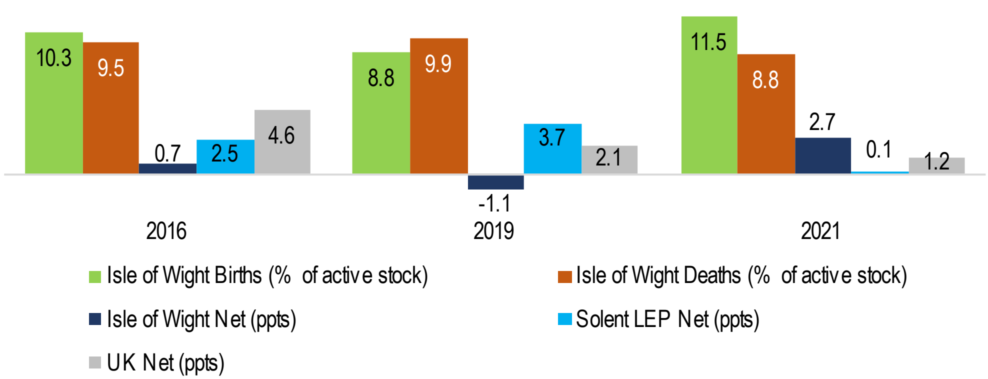
Isle of Wight Business Demographics - 2021

Active Business Stock (enterprises)	Births (start-ups/registrations)	Deaths (closures/cease trading)	Net businesses (Births – Deaths)
4,790	550 (11.5%)	420 (8.8%)	+130 (+2.7 ppts)

Enterprise Births and Death rates (%) and Net Rate (ppts) 2022



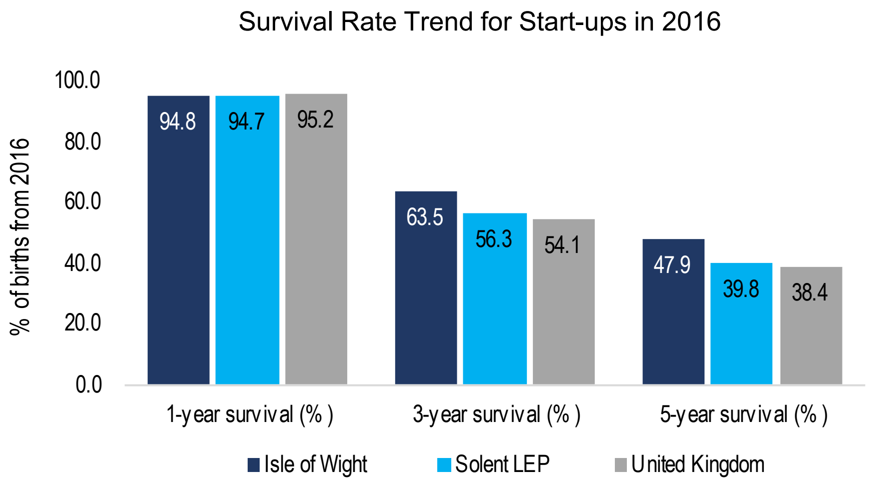
Enterprise Births* and Death rates (%) and Net Rate (ppts) 2016- 2021

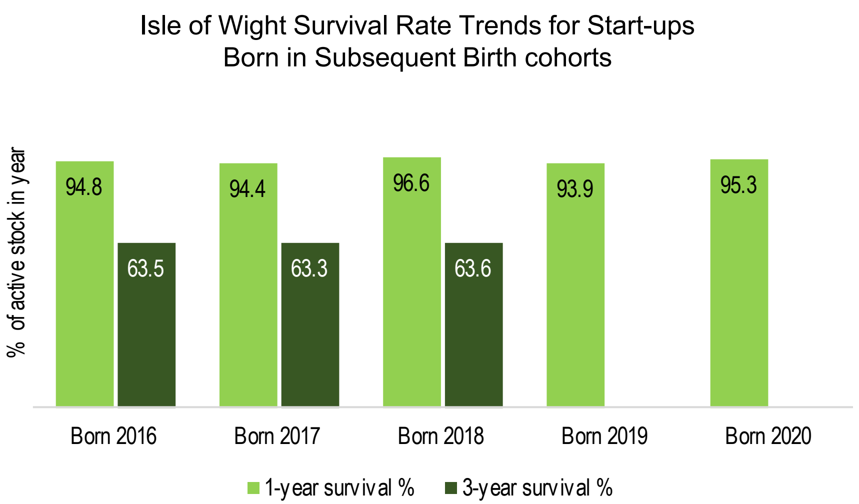


Source: ONS. *Eastleigh and Southampton have been identified as having more than 500 businesses at a single postcode within the datasets for certain year that will also affect the Solent LEP average.

- New business registrations often stimulate innovation and facilitate the adoption of new technologies. In addition to providing employment opportunities, start-ups may increase an economy's competitiveness that can in turn boost productivity growth and economic performance.
- Business demography data records the number of active businesses (enterprises), new registrations and businesses (enterprises) that ceased trading over a period of one year, and is a valuable indicator of the health of the local business population, although it does not measure the size of the business. The Business Demography data has a different methodology and is not comparable to the business counts (local units) data.
- In 2021 there were some 4,790 active enterprises on the Isle of Wight, a period that largely covers the post-pandemic recovery.
- During 2021 there were 550 business births (start-ups), which equates to 11.1% of active stock. This is comparable to the Solent LEP average* but lower than the UK average (12.4%) and the two cities, and will largely reflect the absence of major employment centres on the Isle of Wight.
- Over the same period there were 420 business deaths (ceased trading) that equates to 8.8% of active stock which is lower than all benchmark areas. This means the Isle of Wight had net business growth of 2.7 percentage points or 130 additional businesses in 2021, giving the Isle of Wight the highest net business rate of all benchmark areas in 2021.
- The Isle of Wight's birth rate in 2021 (11.5%) was higher than in 2016 (10.3%), but the 2021 death rate (8.8%) was lower. The Isle of Wight lagged behind all benchmarks on birth rates until 2021. Death rates are more mixed but the Isle of Wight has had consistently lower rates against the Solent and UK averages. Due to lower relative birth rates rather than relatively higher death rates, the Isle of Wight has seen lower net business growth against the benchmark areas pre-2021. However, 2021 saw the Isle of Wight have the highest net business rate (2.7ppts), although a degree of caution is required due to volatility in the data.

Businesses: Isle of Wight has higher three and five year survival rates than mainland benchmark area businesses





- While business birth rates provide useful information on the economy's dynamism, the ability to survive and grow for up to five years after creation matters more to the economy. Most economically prosperous economies across the UK tend to have above average five-year business survival rates.

- The Isle of Wight has survival rates above the national and Solent LEP averages on several survival cycles for 3 and 5-years for start-ups (births). Indeed, whilst one-year rates are close across all benchmarks, ranging between 93.5% (Southampton) up to 95.3% (Hampshire), for 3 and 5-years survival cycles the Isle of Wight has the highest survival rates across all benchmarks areas where the benchmark ranges are wider. The higher rates in survival cycles for 3 and 5-years on the Isle of Wight may reflect less external competition faced by new businesses on the mainland.

- Over nine out of ten Isle of Wight businesses survived one year of trading from start-up in 2016, but by 2019 and after three years of trading less than three two thirds (63.5%) were still trading, and by 2021 after five years of trading just under half (47.9%) of the 2016 cohort were still in business. In effect, the Isle of Wight's survival rates decreased by close to one third (31 percentage points) by year three and by around half that amount again by year five (16 percentage points). This is far slower than either the Solent or UK changes.

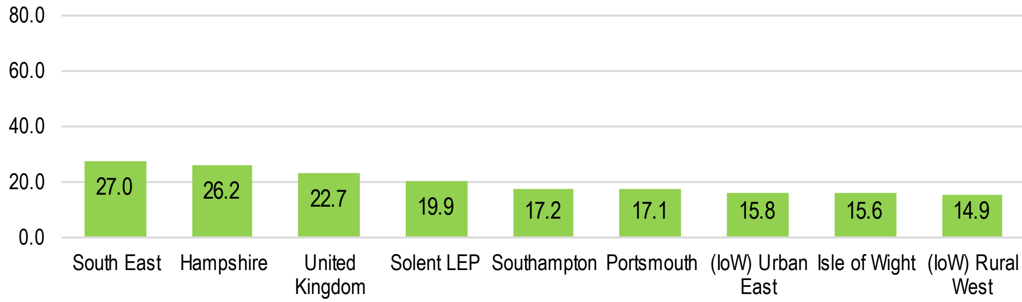
- Year one survival rates for consecutive Isle of Wight start-up cohorts fluctuates yearly but average out at around 95%. There was a peak of 96.6% in 2018 but appears to dip in 2019 (93.9%) before the pandemic before partially recovering in 2020 (95.3%).

- Three-year survival rates for the Isle of Wight hardly differ for those businesses born in 2016, 2017 or 2018.

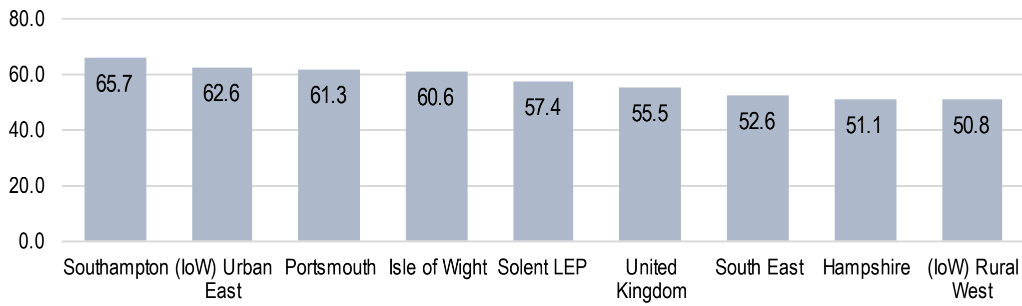
Source: ONS

Business Sectors: relatively few higher productivity businesses but over represented by more traditional primary and secondary industries

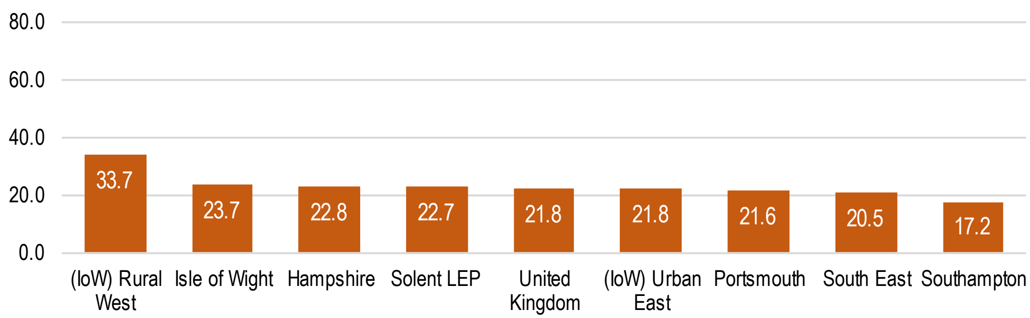
High Value-Added Traded Services Business Share (%) 2022



Local Services Business Share (%) 2022



Primary & Secondary Industries Business Share (%) 2022

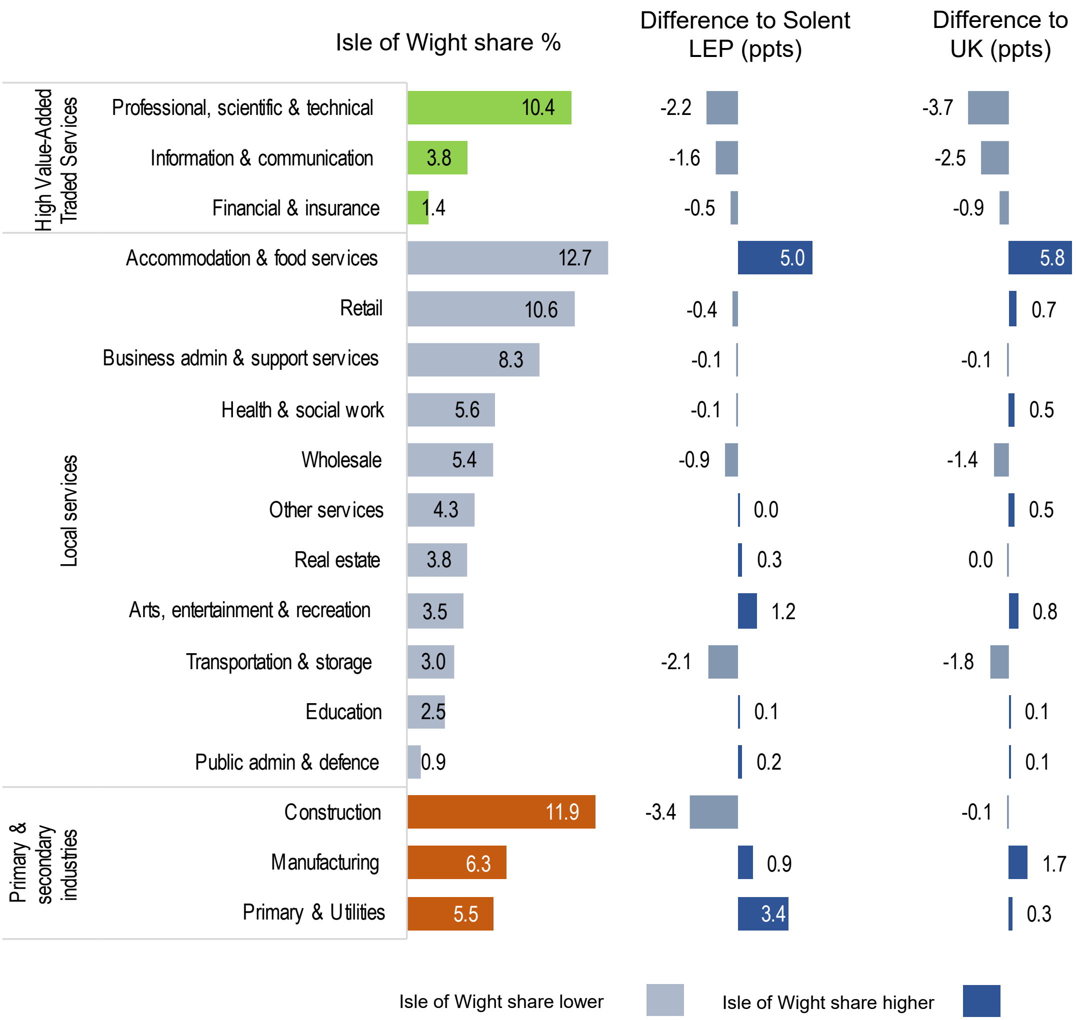


Source: ONS 2022

- As shown in the previous section the economy can be broadly divided into three headline level areas of activity that cover: high value-add traded services (HVATS); local services (both private and public) and primary & secondary industries - see p21 for broad sector disaggregation.
- High value-add traded services (HVATS) are on average less dependent on local demand and generally deliver higher productivity and exports (services), both crucial drivers for economic growth and resilience during recessions. The Isle of Wight had 880 (15.6%) HVATS businesses in 2022. This represents the lowest share of HVATS businesses across the benchmark areas, and is especially low against the South East average (27%). There are no significant urban-rural sub-area differences on the Isle of Wight .
- However, with the acceleration of digital and modal shifts in hybrid and remote working patterns, geographical barriers common to island economies can be more easily overcome, and present opportunities in HVATS activities to boost productivity on the Isle of Wight, but only by growing advanced skills on the supply side and through investment.
- Like most services driven economies, sectors broadly described as local services dominate on the Isle of Wight. Local services are those activities predominantly focused on servicing local private sector markets (largely consumer facing) but can also include the delivery of public sector services to residents.
- The Isle of Wight had just over 3,400 businesses in local services businesses, representing 60.6% of all businesses on the Isle of Wight. The business share is above the national (56.5%), regional (52.6%), and Solent (57.4%) averages, but lower than the two cities. However, there is a notable urban (62.6%) and rural (50.8%) divide on the Isle of Wight that will reflect the prevalence for local services to be concentrated in towns.
- In the largely production based primary and secondary industries the Isle of Wight had 1,335 businesses. This represents the highest share (23.7%) against all benchmark areas. There is a natural rural-urban split with one third (33.7%) of all businesses in rural Isle of Wight engaged in primary & secondary industries, largely driven by land-based industries. The urban Isle of Wight sub-area is in line with the national average, reflecting both rural areas in the sub-area and such businesses often based in towns.

Business Sectors: significant number of tourism-related businesses and to a lesser extent manufacturing businesses

Isle of Wight Business by broad sector share 2022 (%) and relative to Solent LEP area average and UK (ppts)

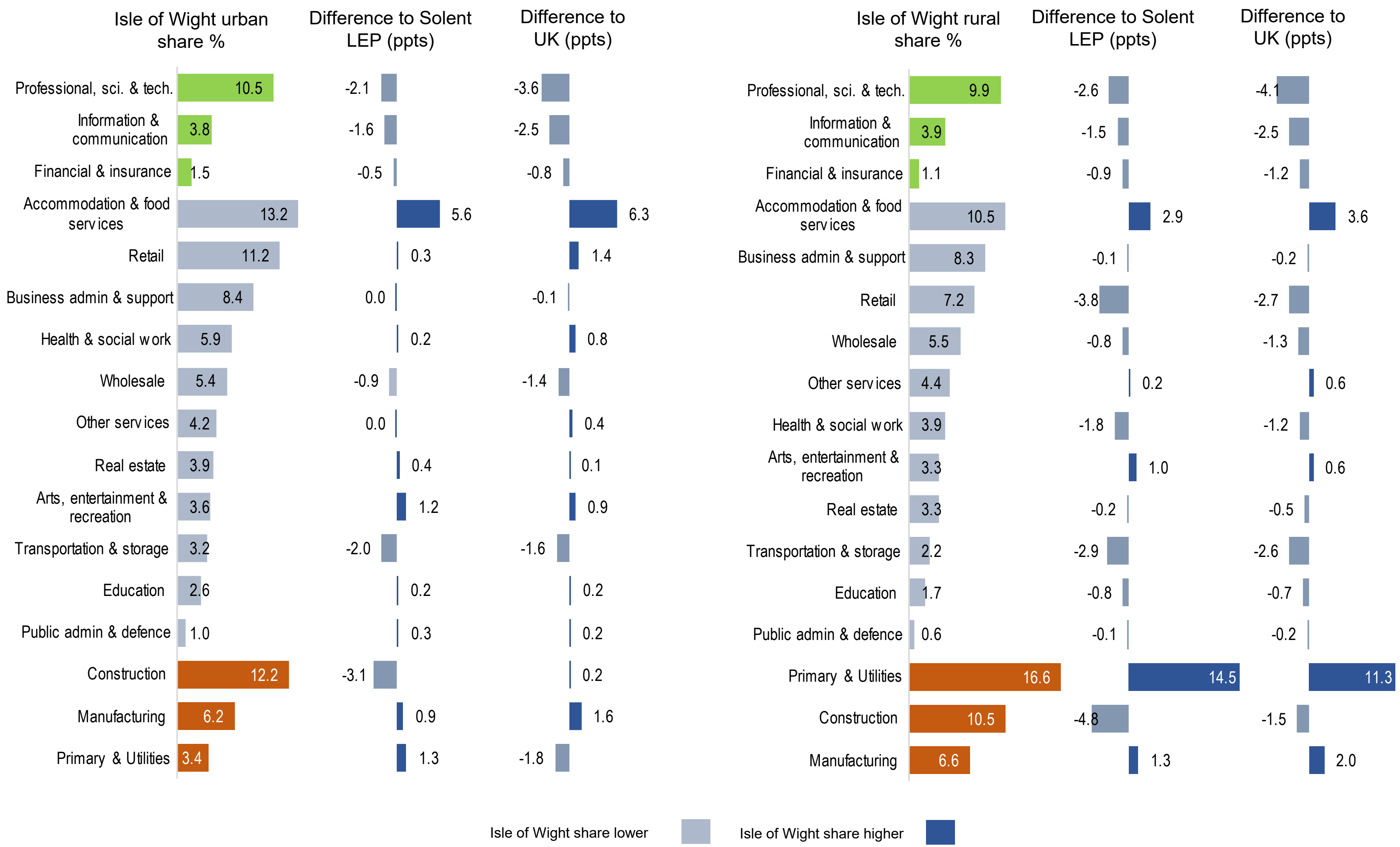


Source: ONS 2022

- Drilling further down to the underlying broad sectors and comparing against the Solent LEP and national average provides a clear overview of those broad sectors that are over or underrepresented on the Isle of Wight.
- The Isle of Wight is underrepresented across all three broad HVATS sectors, and although the professional, scientific & technical sector represents one in ten business on the Isle of Wight, the sector is underrepresented to a greater extent than ICT or financial & insurance, which alongside the concentration of micro and small businesses helps to explain lower productivity on the Isle of Wight.
- The concentration of most local services sectors is reasonably close to the Solent and national averages in terms of business sector representation. However, the Isle of Wight is significantly over represented by accommodation & food businesses that signals a well-established hospitality and visitor economy on the Isle of Wight. As such, arts, entertainment & recreation is also over represented, albeit to a lesser extent. This concentration can be a strength during periods of economic growth but does expose the Isle of Wight during economic downturns and falling consumer spending when households are expected to rein-in on discretionary expenditure such as holidays. With a recession forecast for 2023-24 these two sectors could face challenges.
- With physical barriers constraining large volume movements of goods, the transport & storage, and to a lesser degree wholesale sectors, are both under-represented on the Isle of Wight – although consumer growth in online activity translated to business growth in transport over the medium term (p24).
- Manufacturing and primary & utilities (farming/energy) are over represented while construction is under-represented. Manufacturing has a strong presence in Solent which explains why the gap is narrower compared to the national average. For the same reason, the Isle of Wight is far more under represented against the Solent LEP with its concentration in construction businesses than against the UK. The opposite is apparent for primary & utilities with over representation greater against the predominantly urban Solent LEP area. The same broad sector differences carry across to the two economic sub-areas (p22), albeit with some sector exaggeration in differences that reflect whether the sub-area is predominantly urban or rural in nature.

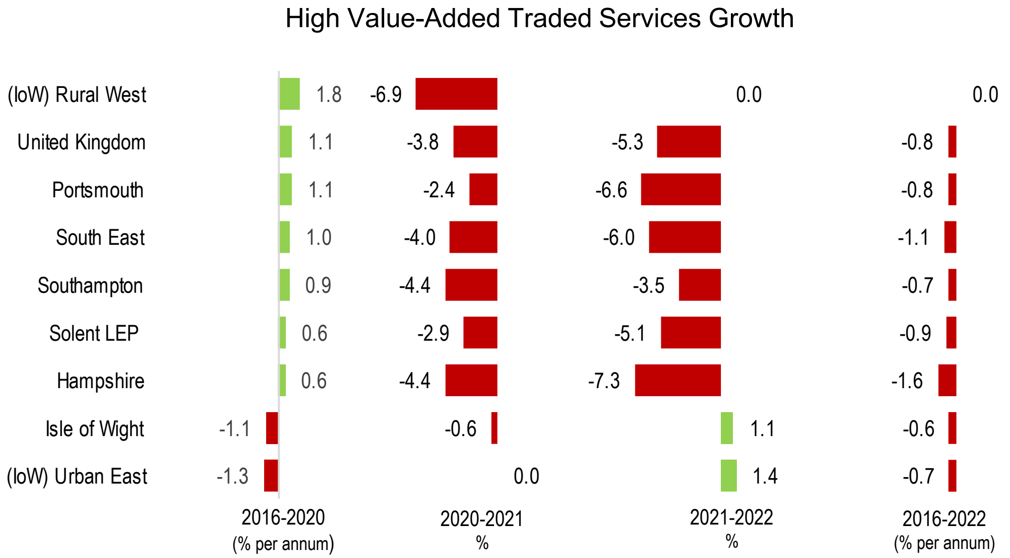
Business Sectors: both urban and rural Isle of Wight sub-areas over represented in accommodation & food, and in primary & utilities for the rural sub-area

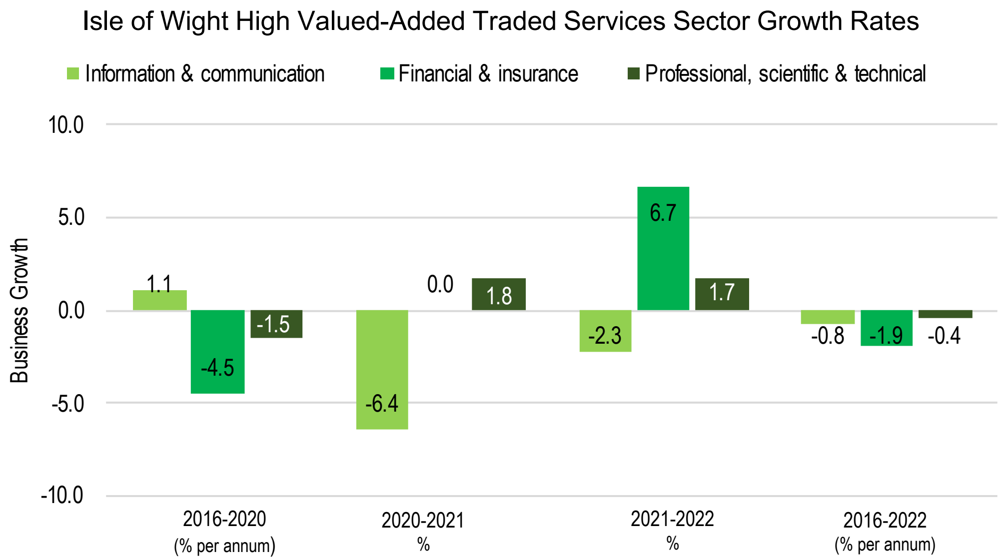
Isle of Wight economic sub-area Business by Broad sector share 2022 (%) and relative to Solent LEP area average and UK (ppts)



Source: ONS 2022

Business Sector Growth: early signs of recent HVATS business growth but not enough to overturn declines over the medium-term



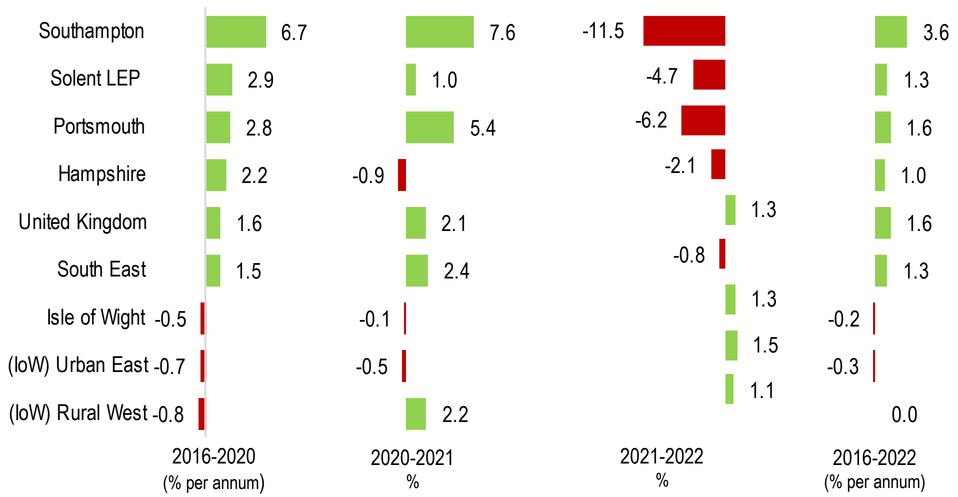


Source: ONS 2022

- Given the economic shock resulting from the pandemic, the years 2020-2021 (broadly core pandemic) and 2021-2022 (broadly recovery) can see significant swings in growth rates when contrasted to the more economically stable pre-pandemic period (2016-2020), or when smoothed out over the medium term (2016-2022).
- On average, during the pre-pandemic period there was a contraction in HVATS business growth on the Isle of Wight when compared to the other benchmarks. The Isle of Wight saw 40 fewer HVATS businesses in 2020 compared to 2016 (-1.1% per annum), with small gains in the rural Isle of Wight sub-area offset by larger losses for the urban Isle of Wight.
- The Isle of Wight was less affected during the pandemic with negative growth of just 0.6% compared to larger relative negative rates elsewhere. In contrast to the benchmarks the recovery period saw growth on 1.1% (+10 businesses) on the Isle of Wight. However, what matters more is growth over the medium-to-long term. Over the medium term the Isle of Wight has seen a decrease in HVATS businesses, with 35 fewer high-tech HVATS businesses in 2022 than in 2016, which averages out at -0.6% per annum.
- Pre-pandemic, and by broad sector, in relative terms the decrease in HVATS businesses was greater in the financial & insurance sector, but from a very small business base. Despite the professional, scientific & technical sector averaging annual growth of only -1.5% per annum in absolute terms the sector accounted for 70% (-35 businesses) of HVATS business losses. In contrast, information & communication (ICT) saw small growth (1.1% per annum) with 10 additional businesses.
- Counterintuitively, with digital acceleration during the pandemic, the ICT sector appears to have been hit harder during the pandemic and recovery periods, thereby undoing any pre-pandemic growth. This probably reflects business size and that these businesses predominantly serve local markets. Over the medium term there were 10 fewer ICT businesses in 2022 than in 2016, which averages out at -0.8% per annum.
- The professional, scientific & technical, and financial & insurance sectors were more resilient during the pandemic and also made gains during the recovery period. However, a lack of pre-pandemic growth was enough to see 15 fewer professional, scientific & technical, and 10 fewer financial & insurance businesses in 2022 than in 2016.

Business Sector Growth: sluggish performance in local services with retail the primary casualty, while accommodation & food staged a strong recovery

Local Services Growth



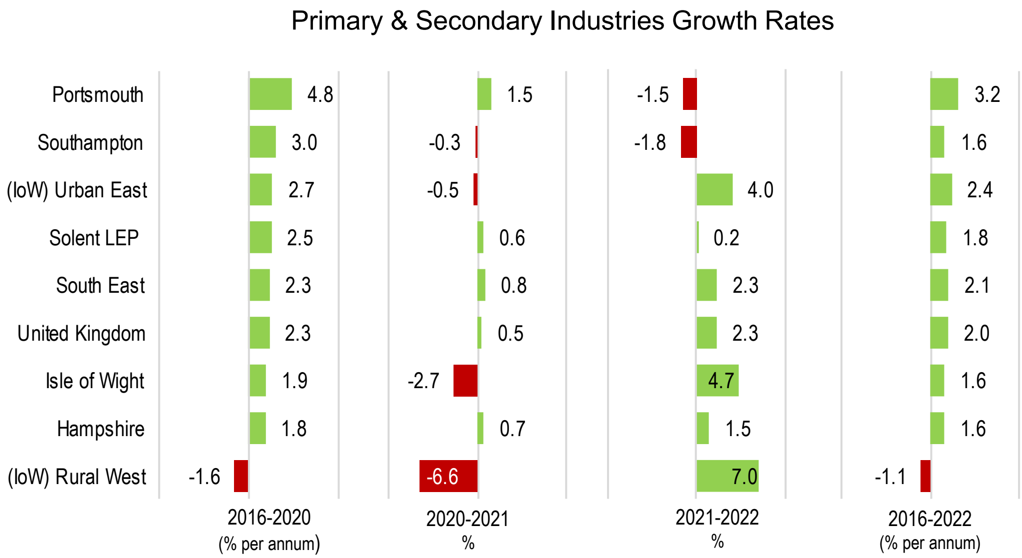
Isle of Wight Local Services Sector Growth Rates

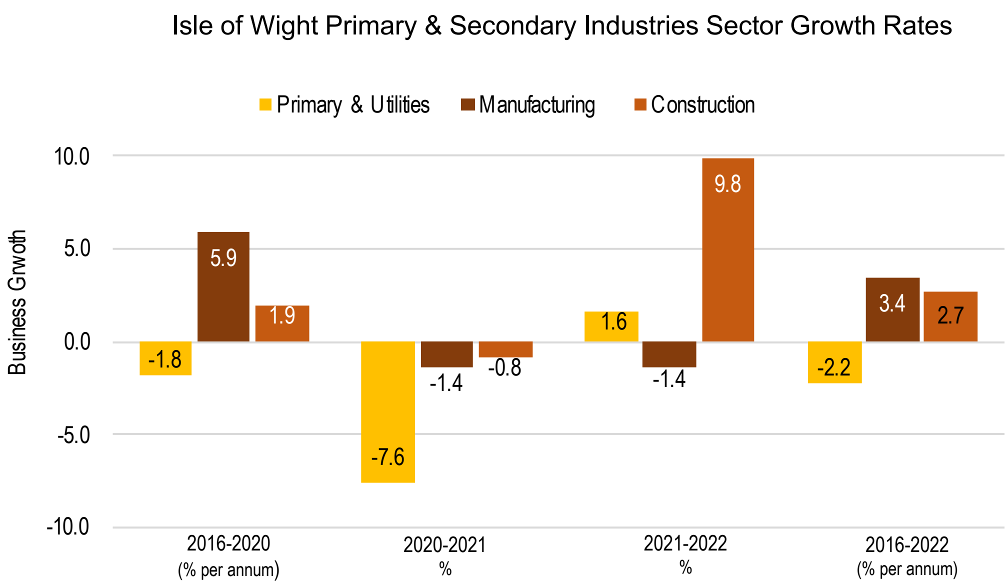
Local Services	2016-2020 (% per annum)	2020-2021 (%)	2021-2022 (%)	2016-2022 (% per annum)
Transportation & storage	1.7	19.4	-8.1	2.7
Accommodation & food services	1.1	-4.3	8.3	1.3
Real estate	-0.6	0.0	7.5	0.8
Business admin & support	0.0	6.8	0.0	1.1
Public admin & defence	-3.5	0.0	-23.1	-6.5
Education	0.0	11.1	-6.7	0.6
Health & social work	-1.8	-4.6	1.6	-1.7
Arts, entertainment & recreation	0.6	-4.9	2.6	0.0
Other services	0.5	-4.1	2.1	0.0
Retail	-2.9	-2.5	0.0	-2.3
Wholesale	-0.8	0.0	0.0	-0.5

Source: ONS 2022

- Over the medium term, public sector (admin and health), retail, and wholesale have all seen fewer businesses in 2022 than in 2016, with retail the primary loser with 90 fewer businesses over the period. Broken down by pre-pandemic, pandemic and recovery timescales the Isle of Wight has followed a largely different trajectory for local services against most of the benchmark areas.
- On average, during the pre-pandemic period there was a contraction in local services on the Isle of Wight compared to growth across all other benchmark areas. The Isle of Wight saw 75 fewer local services businesses, averaging 0.5% per annum, and with losses across both the urban and rural economic sub-areas.
- The Isle of Wight saw little change during the pandemic period (-0.1%) but was one of a few areas to see growth in the recovery period (2021-22). However, over the medium term the Isle of Wight has seen a small decrease in businesses operating in local services, with 35 fewer local services businesses in 2022 than 2016; averaging -0.2% per annum
- In relative terms the decrease in local services during the pre-pandemic period was largely in the public sector and in retail. The pandemic hit consumer facing services harder with combined losses of 65 businesses in accommodation & food; arts, entertainment & recreation; retail; and other services – and with around half of all losses in accommodation & food. The data suggests that a small decrease in health & social work was largely down to fewer medical and dental practices, and also in social work.
- Gains in transport and storage probably reflect a significant uptake in online shopping (30 additional businesses). There was also gains in business admin & support (+30 businesses) and in education (+15 businesses).
- March 2022 saw reversals for pubic admin, education and transport – the latter could be down to people returning to the high street and the rising cost of living dampening discretionary spending. However, accommodation & food saw a recovery of 8.3% (+55 businesses). This may change as recession looms with the hospitality and visitor economy particularly exposed.

Business Sector Growth: business resilience and relatively strong growth among manufacturing and construction businesses



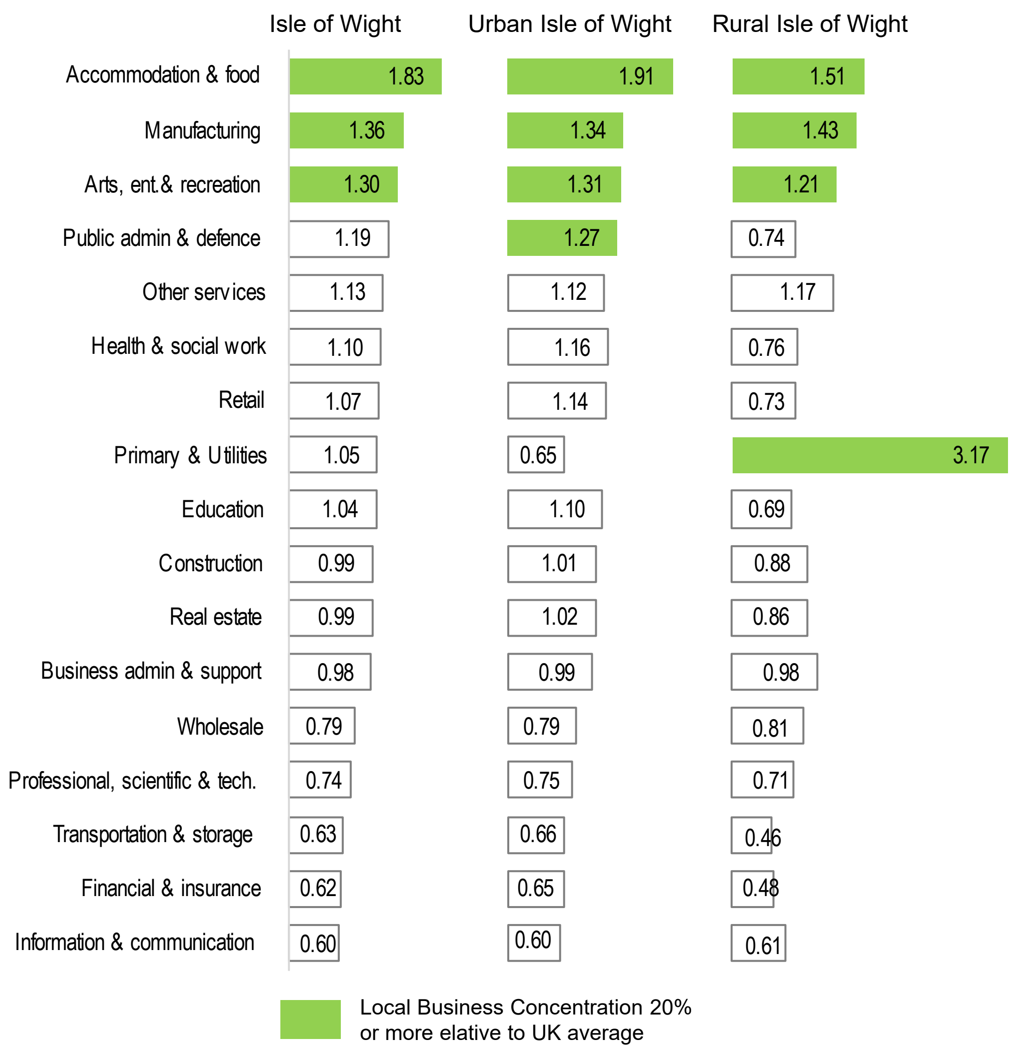


Source: ONS 2022

- Over the medium term (2016-2022), primary and secondary industries grew across all areas – the one exception being the rural Isle of Wight economic sub-area. Disaggregated by pre-pandemic, pandemic and recovery timescales the Isle of Wight has largely followed a different trajectory for primary & secondary industries against most benchmark areas.
- Primary & secondary industries on the Isle of Wight saw on average business growth of 1.9% per annum during the pre-pandemic period. This was slower than all benchmark areas with the exception of Hampshire (1.8% p.a.). The Isle of Wight saw 95 additional businesses in primary & secondary industries but this was tempered by losses in the rural economic sub-area (approximately 20 fewer businesses).
- The Isle of Wight's primary & secondary industries were affected more during the pandemic period (-2.7%) than other benchmark areas, with losses again driven by the rural Isle of Wight (approximately 20 fewer businesses).
- The Isle of Wight saw robust growth in 2022 (4.7%, +60 businesses), with the rural sub-area regaining numbers lost during the pandemic. Over the medium term the Isle of Wight has seen an increase in primary & secondary industries with 120 additional businesses in 2022 than in 2016, averaging 1.6% per annum.
- In relative and absolute terms pre-pandemic growth was driven by manufacturing (5.9% p.a., +75 businesses), followed by construction (1.9% p.a., +40). In contrast, primary & utilities experienced a small contraction (-1.8% p.a., -25).
- The pandemic impacted all three sectors but especially primary & utilities (-7.6%, -25 businesses). In comparison, manufacturing and construction saw relatively minor losses with -5 businesses each.
- The recovery phase saw significant growth in construction (9.8%, +60 businesses), possibly reflecting pent up demand from delays during the pandemic for new builds ,extensions and repairs.
- Manufacturing (+65) and construction (+100) have proved to be more resilient with growth over the medium term and more businesses in 2022 than 2016. Primary & utilities less so, with 45 fewer businesses over the medium term.

Business Concentration: sub-area concentrations well above the national average in hospitality & visitor type activities and in manufacturing but low HVATS

Business Broad Sector Concentrations 2022 (1.00 = UK)



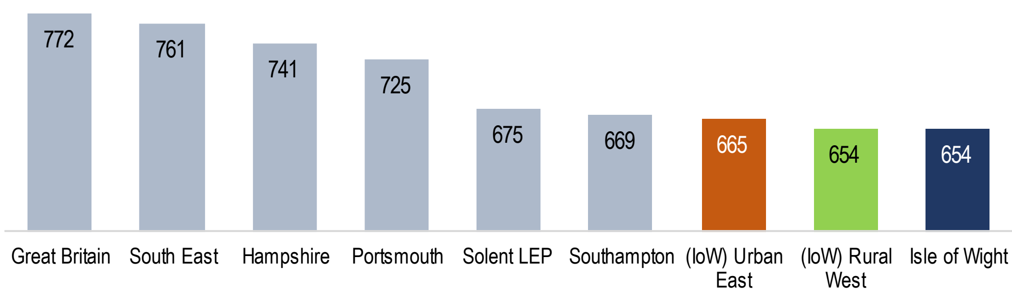
Source: ONS 2022

- For the purposes of the economic profile significant business concentrations are any sector that has 20% (1.20) or more local businesses than the comparison area. This is often seen as a potential indicator of sector agglomeration, or even sector clustering that may benefit similar firms located in the area through for example knowledge spillover effects.
- Relative to the UK average (1.00) the Isle of Wight has significant business concentrations in accommodation & food and in arts, entertainment & recreation that reflect the hospitality & visitor economy, but also crucially in the high value-added manufacturing sector.
- Accommodation & food has a concentration 83% above the national average, rising to 91% for the urban Isle of Wight but lower at 50% above the national average for the rural Isle of Wight.
- Arts, entertainment & recreation is 30% above the national average, and marginally higher for the urban Isle of Wight (31%) but lower in rural areas (21%), probably reflecting the location of the main attractions and tourist resorts (Ryde, Sandown, Shanklin, and Ventnor) being located in the predominantly urban sub-area.
- Manufacturing has a business concentration on the Isle of Wight just over one third (36%) above the national average, with a broadly similar concentration for the urban Isle of Wight (34%), but rising to 43% above the national average for the predominantly rural Isle of Wight.
- Public administration & defence is just under a fifth below the national average. Purely by sub-area, the urban Isle of Wight has a business concentration in public administration & defence of over a quarter above the national average, no doubt partly reflecting Newport as the main location for local public administration business units.
- The rural Isle of Wight sub-area has a business concentration (3.17) in primary and utilities that is over two times the national average, and mostly down to land-based operations. Concentration of HVATS ranges between 25% and 40% below the national average, a factor that affects competitiveness, productivity and growth.

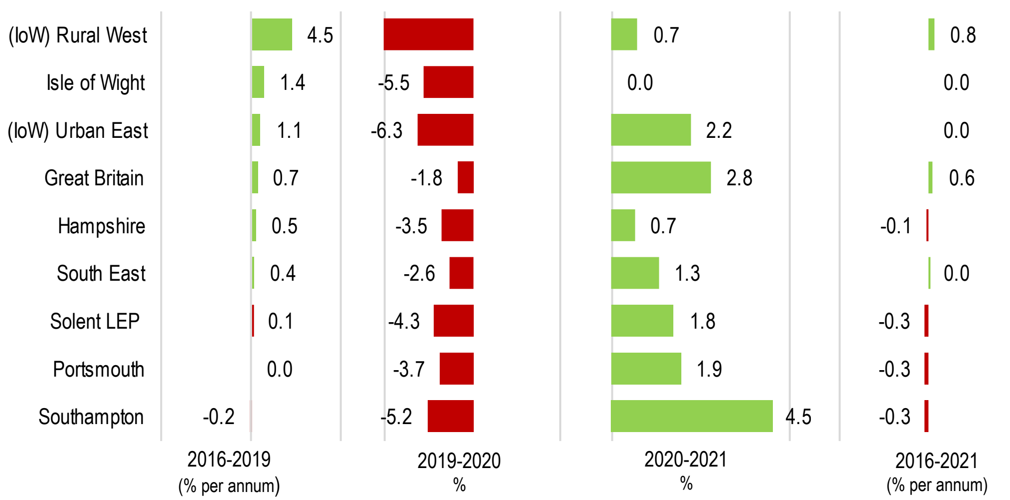
Employment: pandemic reverses strong pre-pandemic growth in workplace employment followed by little to no post-pandemic growth

Employment Sept 2021	Employment Density Sept2022**	Growth*			
		Pre-pandemic Sep 2016-Sep 2019)	Pandemic Sep 2019-Sep 2020	Recovery Sep 2020-Sep 2021	Medium term Sep 2016-Sep 2021
52,000	**654**	**3,000**	**-3,000**	**0**	**0**

Employment Density (2021) – Workplace Employment per 1,000 adult population



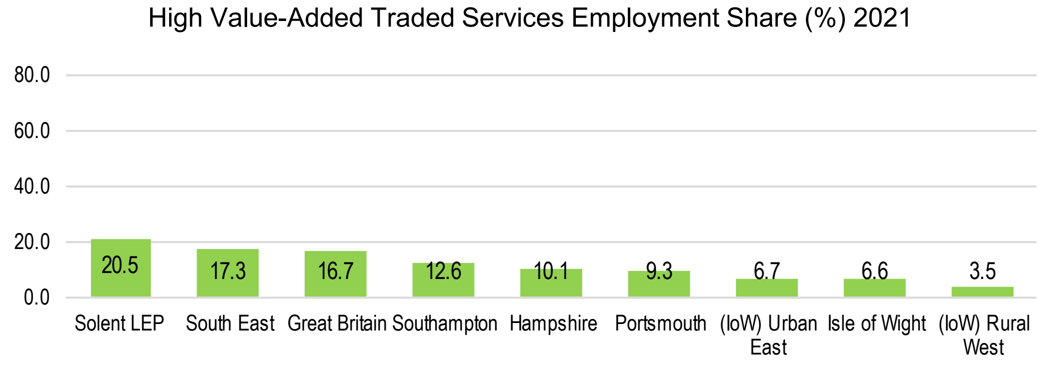
Employment growth

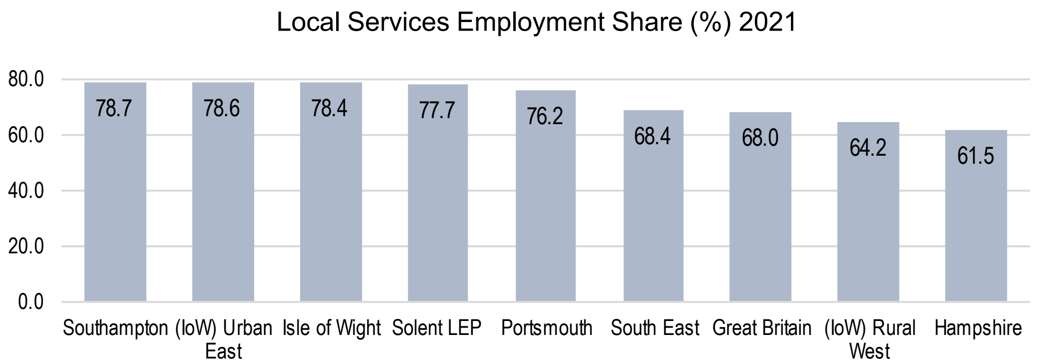


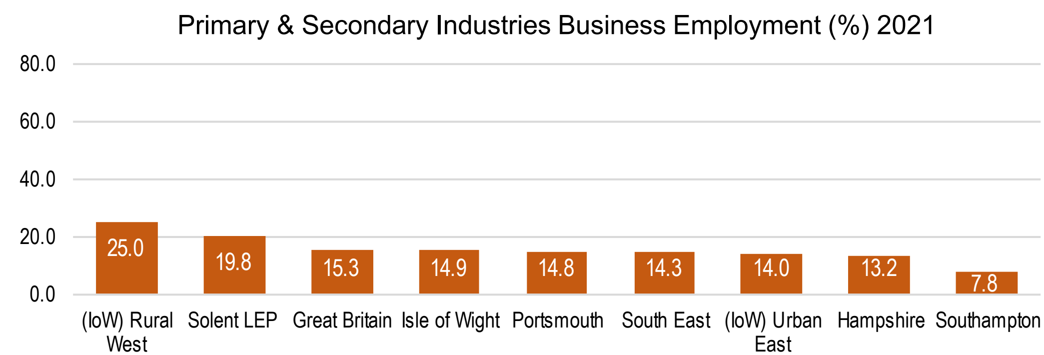
Source: ONS 2022 [1] Excludes some self-employed.*Due to disclosure rounding all changes over time should be viewed with caution and treated as indicative, especially by sector and sub-area.

- Workplace data is a measure of local labour demand as opposed to demand from outside the Isle of Wight that is to some extent measured by headline residence employment data (p62). The data is captured in September each year and is an estimate of the local workforce (excluding most self-employed and armed forces personnel) irrespective of residence. However, the data has a longer time lag than the resident headline survey data. The data is subject to disclosure rounding so any changes over time should be read with caution. The latest data is a snapshot for September 2021 or as furlough was about to end.
- Employment density, an alternative to job density (p59), allows for a comparative sub-area equivalent. On this measure the Isle of Wight's employment density in September 2021 was 654 workers per 1,000 persons of working age. This is the lowest among the benchmark areas and well below the national (772) and South East (671) averages. The density is closer to the Solent LEP (675) and Southampton (669). The two sub-areas also have relatively low employment densities.
- In September 2021, the Isle of Wight had a workforce of around 52,000, representing close to one in ten of the Solent LEP area workforce[1]. In terms of employment growth, between September 2016-2019, the Isle of Wight saw on average annual growth of 1.4% per annum, or 3,000 additional workers. This growth rate outperformed all benchmark areas.
- In March 2020, the Government imposed health-related restrictions resulting in an unprecedented fall in business activity and unemployment increasing although the full impact was mitigated by job support schemes. The 2020 data captures the economy as it was re-opening. However, all areas saw a fall in employment, with the Isle of Wight down -5.5%, the largest decrease of all benchmark areas. This translates to an estimated 3,000 fewer workers which has effectively reversed pre-pandemic gains.
- According to the latest official data from ONS there was no employment growth on the Isle of Wight between Sept 2020 and Sept 2021, which contrasts to growth across all the benchmark areas. However, sub-area data suggests some employment growth took place, but this is inconclusive due to disclosure rounding. It is therefore likely that some growth took place, especially as timely payroll data (p64) points to growth among employees during this period.

Employment sectors: employment continues to be dominated by local services with relatively few jobs in high valued-added services



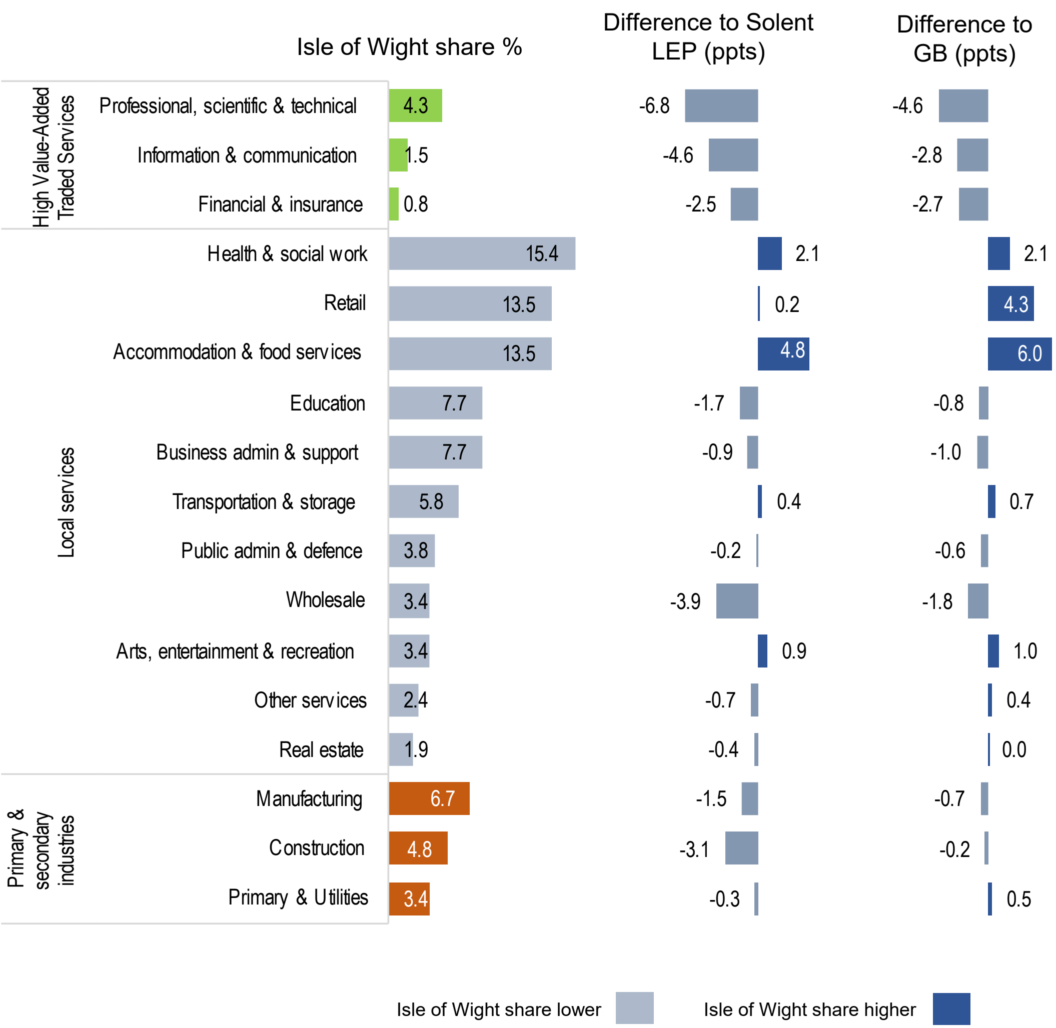




Source: ONS 2022

- High value-add traded services (HVATS) generally employ higher-skilled workers that are on average more productive, and as such tend to contribute disproportionally to economic growth. However, there are significant disparities in labour productivity between micro and small businesses and medium and large businesses.
- The number of such workers stood at 3,450 on the Isle of Wight in 2021, but representing just 6.6% of the workforce. This is the lowest share of HVATS employment across the benchmark areas, and the Isle of Wight is especially low against the Solent LEP average (20.5%). The urban Isle of Wight sub-area had a higher share than the rural sub-area but still below all benchmark areas.
- Remote working and the acceleration of digital and modal shifts in hybrid working patterns can more easily facilitate opportunities to grow HVATS activities to boost productivity on the Isle of Wight, but only by expanding the advanced skills supply side and through investment.
- Services driven sectors broadly described as local services dominate employment. Local services employment covers a wide range of skill-sets but tends to have lower pay and productivity compared to HVATS and some primary & secondary industries, such as advanced manufacturing. The Isle of Wight had 40,750 workers employed in local services in 2021, which equates to nearly 4-in-5 workers (78.4%).
- The Isle of Wight employment share in local services is high, sitting above the national (68%), regional (68.4%), and Solent (77.7%) averages, and only marginally lower than Southampton (78.7%). However, there is a notable urban (78.6%) and rural (64.2%) divide on the Isle of Wight that reflects a prevalence for local services primarily being located in towns.
- Elements of the broad primary & secondary sector such as advanced manufacturing and construction are generally more productive than local services. The Isle of Wight had a workforce of 7,750 in the largely production driven primary & secondary industries in 2021. This translates as an employment share of 14.9% on the Isle of Wight which is close to most benchmark areas but lower than the Solent LEP average.
- There is a natural rural-urban split with one in four workers in the rural Isle of Wight in primary & secondary industries, whereas the urban sub-area is around the Isle of Wight average.

Isle of Wight Employment by broad sector share 2021 (%) and relative to Solent LEP area average and GB (ppts)

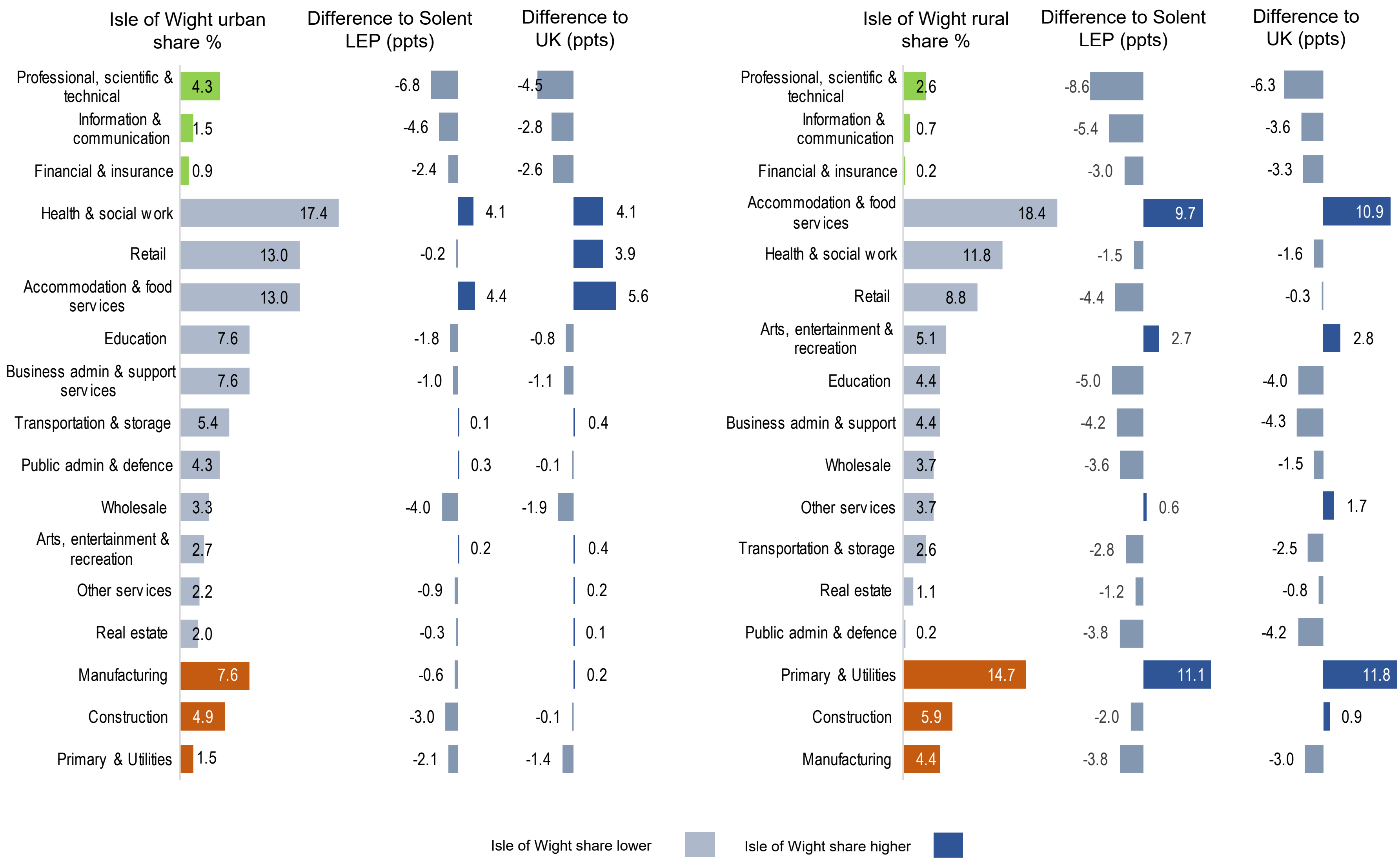


Source: ONS 2022

- Drilling further down to the underlying broad sectors and comparing against the local Solent LEP and national average provides a clear overview of those broad sectors that are in terms of workplace-based employment over or underrepresented on the Isle of Wight.
- The Isle of Wight is underrepresented across all three broad HVATS sectors on employment but unlike the business share (p21) employment has a much smaller share for the professional, scientific & technical, and is also far more under-represented than ICT or financial & insurance which will also help to explain lower productivity on the Isle of Wight.
- Unlike business distributions (p21), there are more local services sector variations to the Solent and national averages in terms of employment representation. However, the Isle of Wight is significantly over represented in accommodation & food employment that reflects a well-established hospitality and visitor economy on the Isle of Wight. As such, arts, entertainment & recreation is also over represented, albeit to a lesser extent. This concentration can be a strength during periods of growth but exposes Isle of Wight employment in this sector during economic downturns. With a recession forecast for 2023-24 this sector in particular could face further employment challenges.
- The largest sector in GVA terms, health & social work, is also over represented in employment terms against the Solent and national averages. The same is true of retail against the national average. However, wholesale is under-represented on the Isle of Wight. Furthermore, a lack of significant higher education institutions may help explain underrepresentation in education employment.
- Unlike for businesses (p21), manufacturing employment is underrepresented and the gap is wider with Solent compared to the national average, possibly reflecting larger manufacturing businesses with more employees. The Isle of Wight is far more underrepresented against the Solent LEP with its concentration in construction employment than against the UK. For primary & utilities there is a lower concentration against the Solent LEP area but marginally more against the national share.
- The same broad sector differences carry across to the two economic sub-areas (p30), albeit with some sector exaggerations depending on whether the sub-area is predominantly urban or rural in nature.

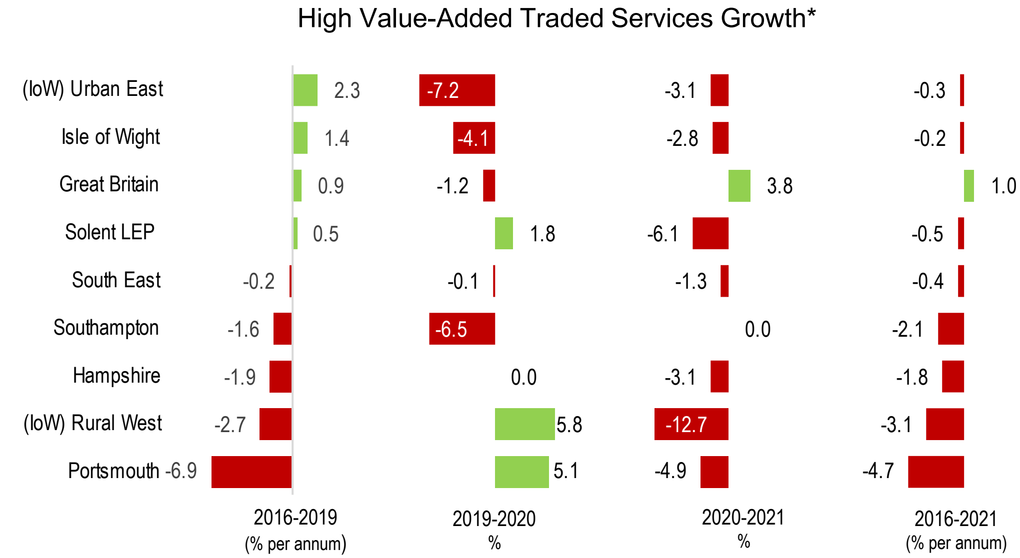
Employment sectors: health & social work over represented in both sub-areas, but accommodation & food and retail strengths in urban areas

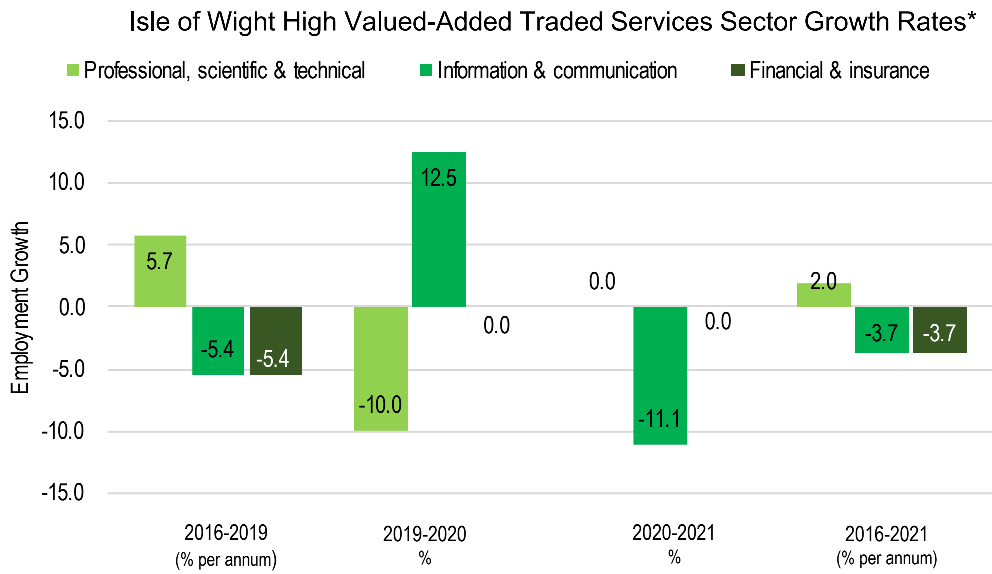
Isle of Wight economic sub-area Business by Broad sector share 2022 (%) and relative to Solent LEP area average and UK (ppts)



Source: ONS 2022

Employment growth: employment volatility in high-skilled, high-tech jobs during the pandemic that has yet to be fully reversed



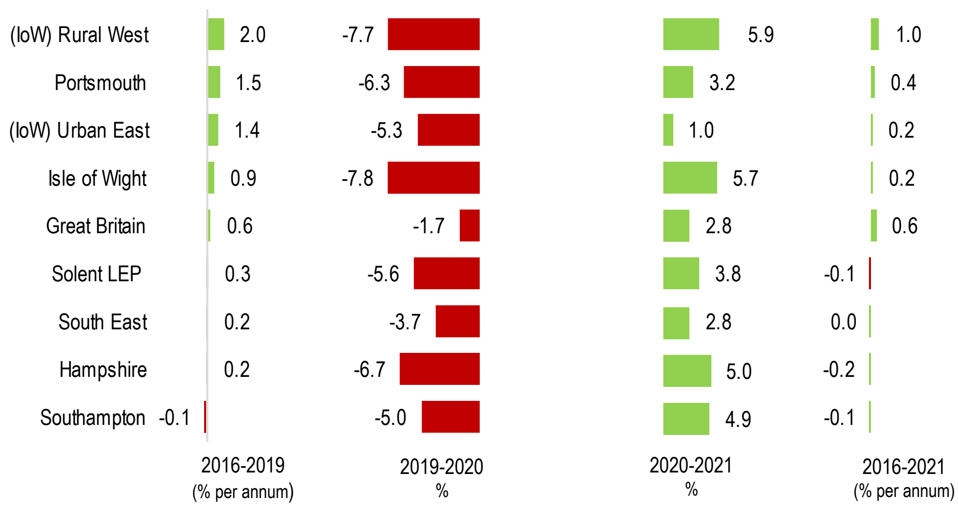


Source: ONS 2022. *Due to disclosure rounding all changes over time should be viewed with caution and treated as indicative, especially by sector and sub-area.

- Given the economic shock resulting from the pandemic, the years 2019-2020 that covers the first lockdown, and 2020-2021 with the partial recovery, both can see significant changes when contrasted to the more economically stable pre-pandemic period (2016-2020), or when smoothed out over the medium term (2016-2021).
- On average, during the pre-pandemic period there was employment growth in HVATS activities on the Isle of Wight. This outperformed all benchmark areas, and notably so for the urban sub-area. The Isle of Wight saw 200 additional HVATS workers over this period, with gains in the urban Isle of Wight sub-area offsetting losses for the rural Isle of Wight sub-area.
- During the pandemic, in relative terms only Southampton (-6.5%) was affected more than the Isle of Wight (-4.1%), and like almost all the benchmark areas saw a further decline in 2020-2021 (-2.8%), although the rural Isle of Wight appears to have bucked the broad trend with some growth. However, over the medium term the Isle of Wight has seen a small decrease in HVATS workforce, with 50 fewer high-skilled HVATS workers in 2021 than in 2016.
- By broad sector, and in relative terms the increase in HVATS employment was limited to professional, scientific & tech in the pre-pandemic period with 500 additional workers. Both ICT (-200) and financial services (-100) saw a contraction in employment.
- The ICT sector saw growth in September 2020 with 100 additional workers, but this was reversed in 2021 by the same levels. Professional, scientific & tech saw a large reversal in 2020, losing half of the gains made pre-pandemic, with 250 fewer workers and no recovery in 2021. The small financial & insurance sector was unchanged following pre-pandemic losses.
- Over the medium term only professional, scientific & tech employment was higher in 2021 (+250) than in 2016. Employment in both ICT (-200) and financial & insurance (-100) were lower in 2021 than in 2016. Continuing to grow professional, scientific & tech jobs and reversing losses in ICT will be important to economic growth and high productivity over the long-run. The focus should be on these two sectors as the financial & insurance sector is small and unlikely to see significant growth outside London, or other smaller regional centres such as Southampton.

Employment growth: robust rebound from the pandemic in local services, with strong recovery in retail and business support services

Local Services Growth*



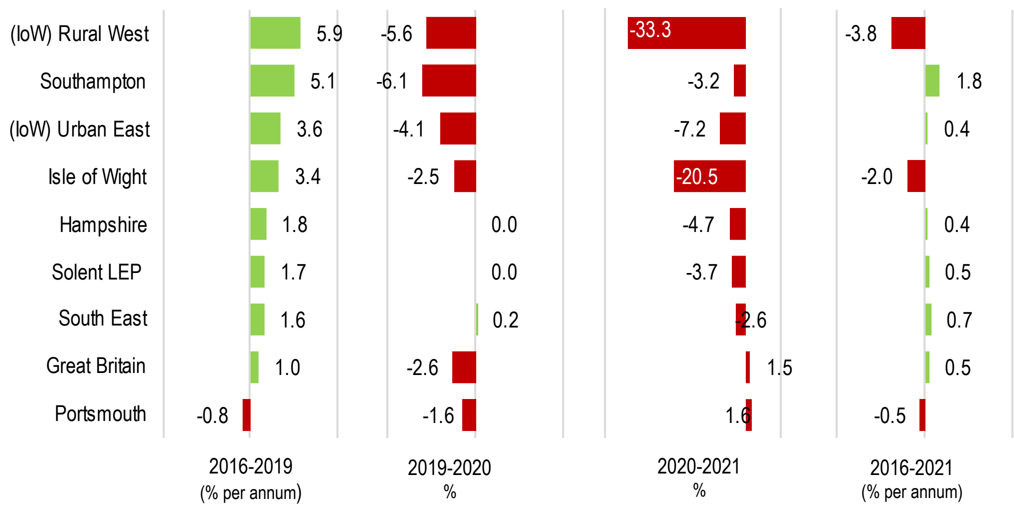
Isle of Wight Local Services Sector Growth Rates*

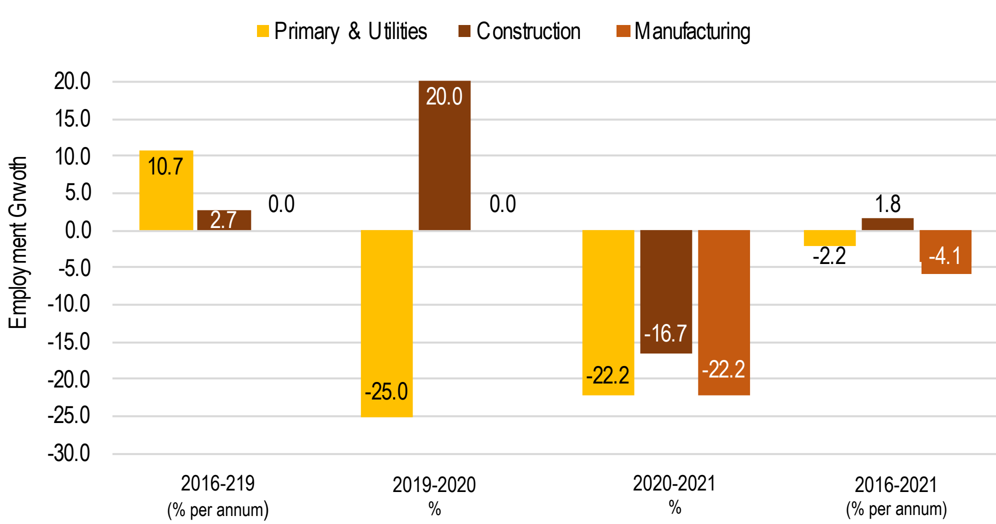
Local Services	2016-2019 (% per annum)	2019-2020 (%)	2020-2021 (%)	2016-2021 (% per annum)
Transportation & storage	-3.3	14.3	50.0	7.0
Accommodation & food services	7.5	-12.5	0.0	2.6
Real estate	-10.6	0.0	25.0	-3.7
Business admin & support	0.0	-14.3	33.3	2.3
Public admin & defence	-3.3	28.6	-11.1	0.0
Education	0.0	0.0	-11.1	-1.9
Health & social work	0.0	-11.1	0.0	-1.9
Arts, entertainment & recreation	-3.3	0.0	0.0	-2.2
Other services	10.7	-16.7	0.0	3.8
Retail	0.0	-14.3	16.7	0.0
Wholesale	3.0	-11.1	-12.5	-2.2

Source: ONS 2022.*Due to disclosure rounding all changes over time should be viewed with caution and treated as indicative, especially by sector and sub-area.

- Broken down by pre-pandemic, pandemic and the partial recovery period timescales, the Isle of Wight has followed a largely similar trajectory for local services employment against most benchmark areas. Growth data needs to viewed with a degree of caution*.
- On average, during the pre-pandemic period there was small growth in local services on the Isle of Wight (0.9% per annum), but nonetheless the Isle of Wight outperformed most benchmark areas. The Isle of Wight saw its local services' workforce grow by over 1,500, with employment gains across both the urban and rural economic sub-areas.
- The Isle of Wight saw significant negative growth during the pandemic period (-7.8%, 3,250 fewer workers), and by more than any other benchmark area; although all benchmark areas saw their workforce shrink. The partial recovery period (2020-21) saw the strongest rebound on the Isle of Wight (5.7%, +2,200). Over the medium term the Isle of Wight has seen a small increase in the local services workforce, with 500 more workers in 2021 than in 2016. This highlights the Isle of Wight's vulnerability to economic downturns but also the ability to rebound strongly when the economy improves providing that the recovery is driven by strong growth in spending.
- In absolute terms, the increase in local services during the pre-pandemic period was largely in accommodation & food (+2,000). However, the pandemic hit consumer facing services employment hard with combined losses of 2,000 workers in accommodation & food, and in retail. The data suggests a large decrease in health & social work (-1,000 and largely down to fewer medical and dental practices, and in social work), but also in business admin. & support (-500).
- The recovery period saw a strong rebound in some sectors with the winners in retail and business admin. & support with +1,000 workers each, and robust growth in transport & storage (+1,000). However, education (-500) and public admin (-250) saw further job losses.
- The picture is mixed over the medium term with some local services sectors down or seeing no change on 2016 levels. Despite large losses during the pandemic accommodation is higher in 2021 then in 2016 but with no sign of recovery following the pandemic in the year to September 2021.

Employment growth: manufacturing employment flat in pre-pandemic years followed by significant job losses in primary & secondary industries



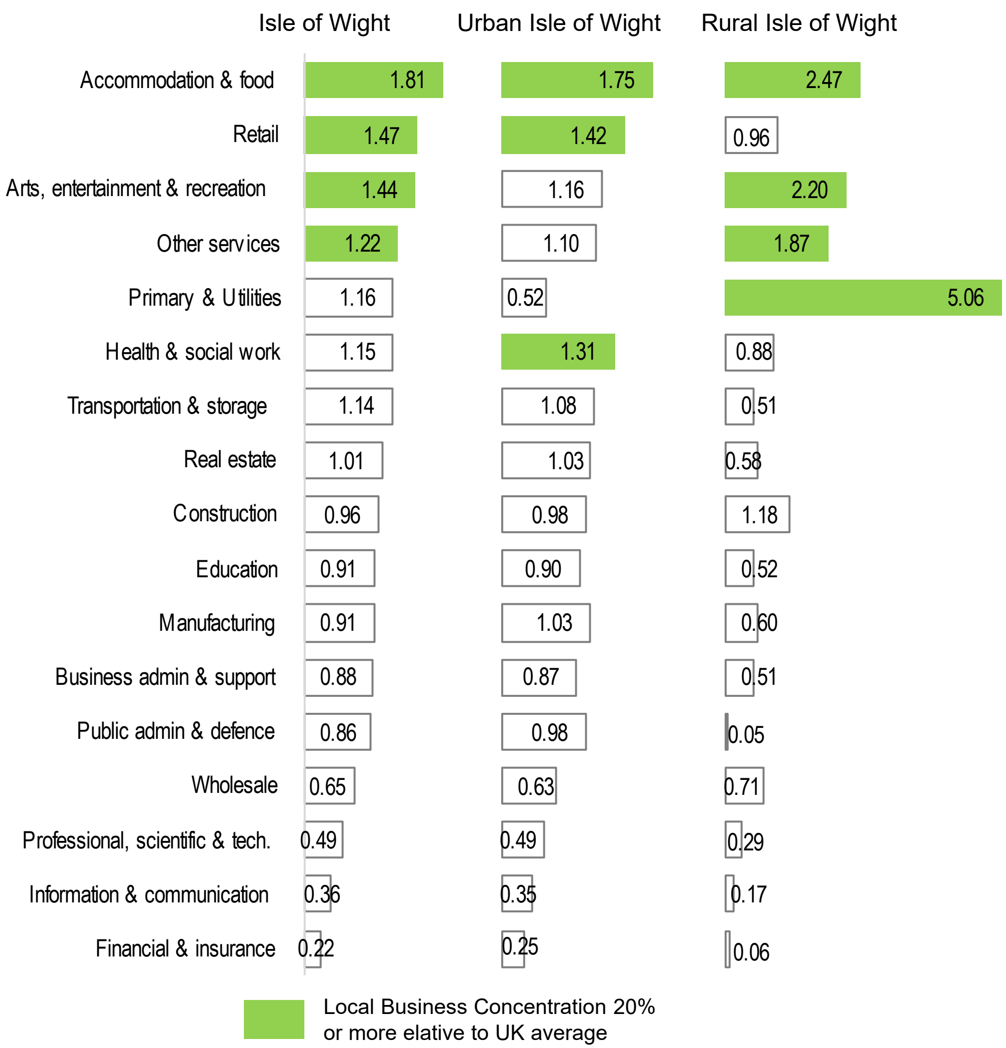


Source: ONS 2022. *Due to disclosure rounding all changes over time should be viewed with caution and treated as indicative, especially by sector and sub-area.

- On average, during the pre-pandemic period there was employment growth in primary & secondary industries on the Isle of Wight (3.4% per annum) that was only slower than Southampton (5.1% p.a.). In absolute terms the Isle of Wight primary & secondary industries' workforce grew by 1,250, with employment gains made across the Isle of Wight's urban and rural economic sub-areas.
- The Isle of Wight's primary & secondary industries were impacted during the pandemic period (-2.5%), but nonetheless more resilient than Southampton. However, the Isle of Wight had higher negative growth rates than Solent, Hampshire and South East. Between September 2019-2020 the Isle of Wight saw its workforce shrink by 250, with losses across both sub-areas.
- There were further significant losses in 2021 on the Isle of Wight with approximately 2,000 fewer workers, and with a negative growth rate of -20.5% was far worse than other benchmark areas. Over the medium term the Isle of Wight has seen a decrease in the primary & secondary industries' workforce with 1,000 fewer workers in 2021 than in 2016. However, based on timelier payroll it is possible that some growth took place in 2022.
- In relative and absolute terms pre-pandemic growth was driven by primary & utilities (10.7% p.a., +1,000 workers), followed by construction (2.7% p.a., +250). However, manufacturing experienced no change in employment.
- Pre-pandemic gains made by primary & utilities were largely lost during the pandemic (-25%, -750 workers). This is in contrast to construction that grew by 500 workers. Again, there was no change in manufacturing employment.
- Between September 2020-2021 all three sectors saw significant falls in employment with combined losses of 2,000 workers. It is possible that global supply chain delays and material shortages and rising input and labour prices contributed to the decrease in manufacturing and construction employment.
- Over the medium term employment in primary and secondary industries the primary & utilities (-250 workers) and manufacturing (-1,000 workers) sectors contracted. Only construction had more workers in 2021 (+250) than in 2016.

Employment concentrations: employment concentrations in consumer facing services (hospitality & visitor type activities and in retail and other services)

Employment Broad Sector Concentrations 2021 (1.00 = UK)



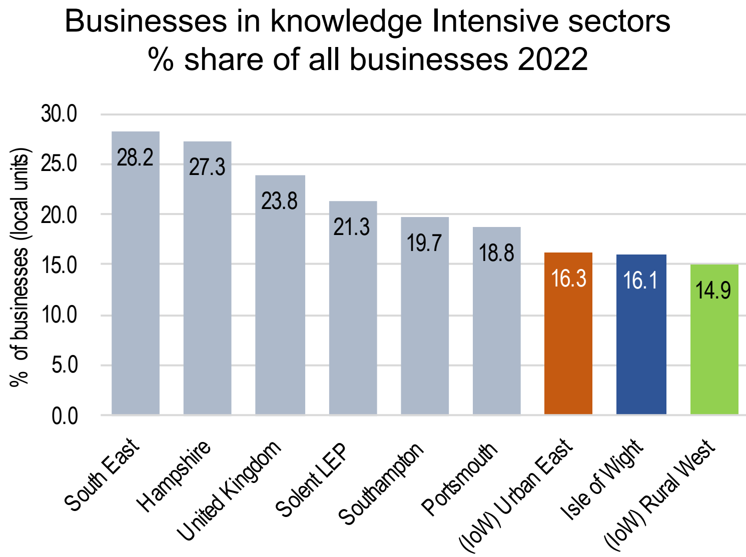
Source: ONS 2022

- For the purposes of the economic profile significant business concentrations are any sector that has 20% (1.20) or more local businesses than the comparison area. This is often seen as a potential indicator of sector agglomeration, or even sector clustering that may benefit similar firm located in the area through for example knowledge spillover effects.
- Relative to the UK (UK=1.00) the Isle of Wight has significant employment concentrations in accommodation & food and in arts, entertainment & recreation that reflect its large hospitality & visitor economy, but there are also significant concentrations in retail and other services.
- Accommodation & food has a concentration 81% above the national average, rising to about 2.5 times the national average (247%) for the rural Isle of Wight but marginally lower at 1.75 time the national average for the urban Isle of Wight.
- Arts, entertainment & recreation is about 1.44 times (44%) as concentrated as the national average, and about 2.2 times higher in the rural Isle of Wight. Employment concentration in the urban Isle of Wight is much lower at around 16% above the national average.
- Retail is another sector which in employment terms is highly concentrated on the Isle of Wight. This sector has a employment concentration on the Isle of Wight of close to 1.5 times (or 50%) above the national average, with a broadly similar concentration for the urban Isle of Wight (42%), but no concentration in the rural Isle of Wight.
- Other services has an employment concentration of around a fifth above the national average, rising to 87% above the national average in the rural Isle of Wight but no significant concentration in the urban Isle of Wight.
- Purely by sub-area, the urban Isle of Wight has employment concentrations in health & social work that stands at close to a third above the national average.
- The rural Isle of Wight sub-area has employment concentrations over four times the national average (+406 %) in primary and utilities, and mostly down to demand from land-based businesses.

Knowledge Intensive: fewer knowledge intensive businesses which weighs on employment demand and productivity

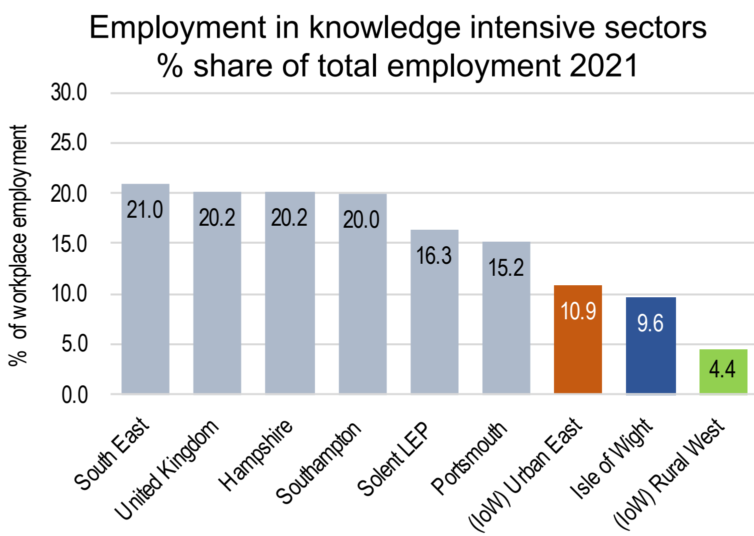
905

Local Business Units
Isle of Wight (2022)
Urban East: 770
Rural West: 135



5,000

Employment*
Isle of Wight (2021)
Urban East: 5,000
Rural West: 300



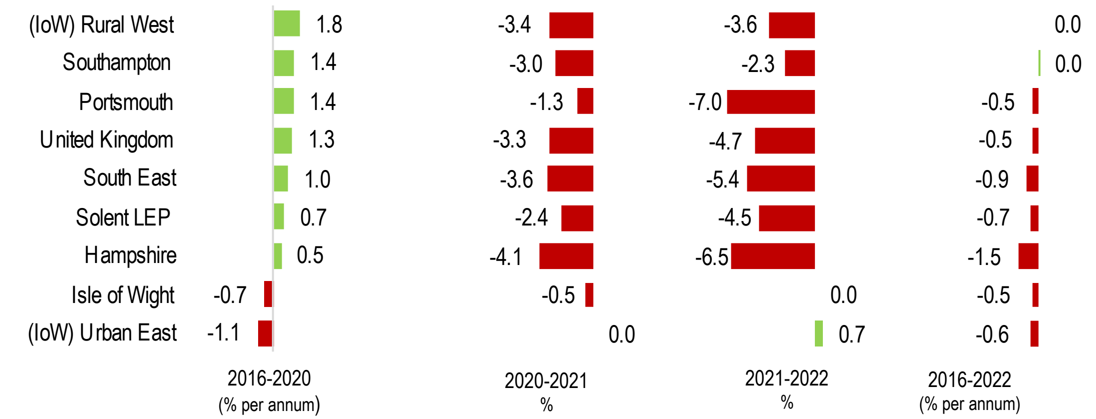
Source: ONS 2022 *Employment by sub-area may not sum to Isle of Wight total due to disclosure rounding.

- Knowledge is increasingly seen as the key to making more effective use of the traditional factors of production such as labour and physical capital. This sector is the future driver of economic growth and requires high skilled workers. However, the Isle of Wight has no business or employment concentrations relative to the national average, and indeed is significantly under-represented in this area.
- The Isle of Wight has around 900 businesses (local units) in knowledge intensive sectors (services and manufacturing) employing 5,000 workers. About one in six businesses on the Isle of Wight (16.1%) are found in knowledge intensive sectors with 9.6% of the workforce found in knowledge intensive sectors.
- The percentage share of all businesses and employment in knowledge intensive sectors on the Isle of Wight is low compared to its benchmark areas.
- The share of businesses in 2022 that are found in knowledge intensive sectors on the Isle of Wight is slightly over a half of the proportion found in the South East as a whole (28.2% of all businesses).
- The share of the workforce that are employed in knowledge intensive sectors on the Isle of Wight stands at just 9.6%, less than 50% of the South East and national averages and well below other benchmark areas.
- On the Isle of Wight, businesses and workers in knowledge intensive sectors have a higher share in the predominantly urban sub-area and a low share in predominantly rural sub-area. Around 85% of businesses in knowledge intensive sectors and an estimated 95% of the knowledge intensive workforce on the Isle of Wight are found in the urban Isle of Wight sub-area.
- The proportion of businesses in knowledge intensive sectors in rural Isle of Wight (15%) is not far behind the urban sub-area but the share of employees in knowledge intensive sectors in the rural Isle of Wight rural stands at just 4.4%, less than half the urban Isle of Wight sub-area.
- There are concentration of knowledge intensive businesses, mostly micro and small business around Newport and the Medina River area.

Knowledge Intensive: despite a decline in the number of knowledge intensive businesses, employment increased over the medium-term

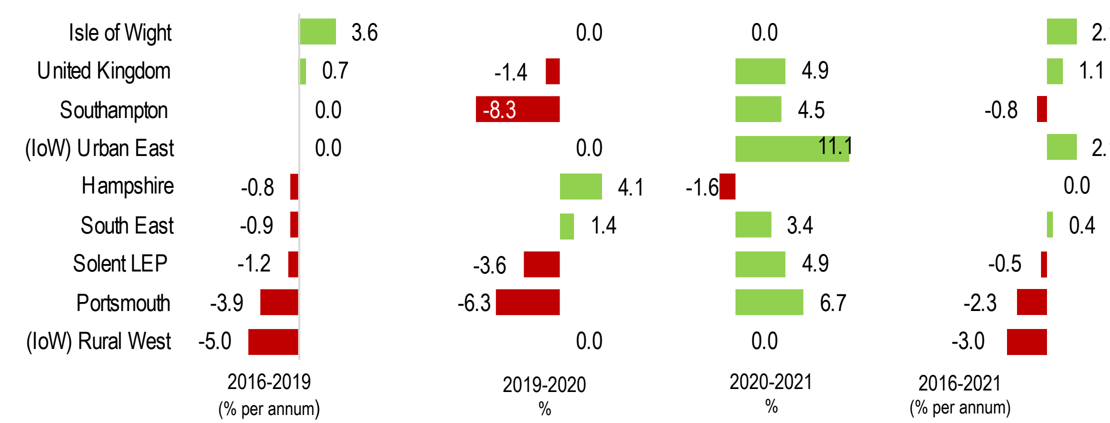
Knowledge Intensive Business Growth and Growth Rates*

Businesses (local units)	2016-2020 cumulative	2020-2021	2021-2022	2016-2022 cumulative
Isle of Wight	-25	-5	0	-30



Knowledge Intensive Employment Growth and Growth Rates*

Employment	2016-2019 cumulative	2019-2020	2020-2021	2016-2021 cumulative
Isle of Wight	500	0	0	500



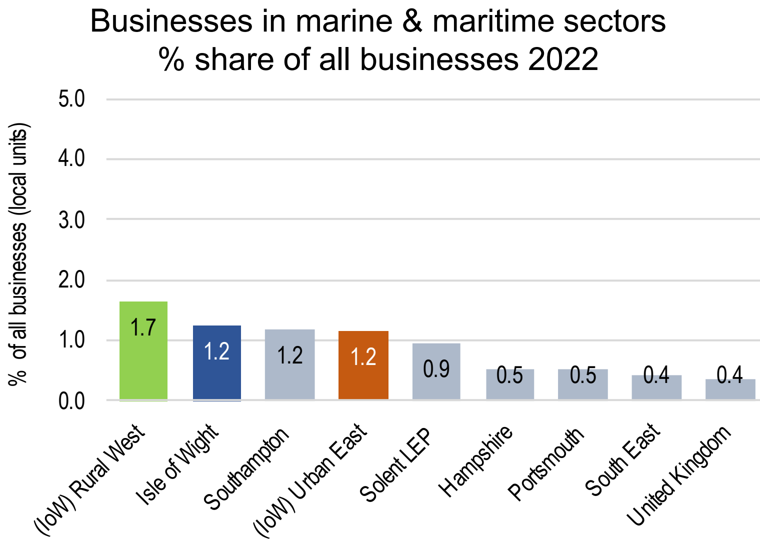
Source: ONS 2022. *Use with caution. Due to disclosure rounding all changes over time should be viewed with caution and treated as indicative, especially by sector and sub-area.

- The growth periods between businesses and employment are not aligned with data collected annually for businesses in March and employment in September. As such, the pandemic and recovery periods are not directly comparable.
- The Isle of Wight has 30 fewer businesses in knowledge intensive sectors in 2022 compared to 2016, with the decrease mostly between 2016-2020
- Given the significant overlap with HVATS businesses the Isle of Wight was the only area that had negative growth rates between March 2016-2020, although by sub-area the rural Isle of Wight saw relatively robust growth, albeit from a small business base.
- Employment between September 2016-2019 saw strong growth on the Isle of Wight compared to other benchmark areas with 500 additional knowledge intensive workers. However, this is indicative due to the extent of disclosure rounding at sub-area level that precludes reliable sub-area growth rates.
- During the broad pandemic period the Isle of Wight saw a minor decrease in knowledge intensive businesses (-5) but no apparent change in employment. This differs to other benchmark areas that were all less resilient on business numbers but mixed on employment with the two cities, Solent, and national average all experiencing negative growth. This contrasts to growth in Hampshire and the South East.
- The recovery period for businesses (March 2021-22) showed no change on the Isle of Wight, which compares favourably against negative growth for all benchmarks areas. The employment recovery period (Sept 2020-21) equally shows no employment growth on the Isle of Wight but nonetheless still outperformed Hampshire. However, the Isle of Wight under-performed against the remaining benchmarks that saw positive growth.
- Over the medium term the Isle of Wight has fewer knowledge intensives businesses but more workers. To build competitiveness the Isle of Wight will need to support existing knowledge intensive businesses and attract new ones. This will need to be accompanied by investment in both skills and infrastructure.

Marine & Maritime: relatively large sector with business and employment concentrations well above the national average

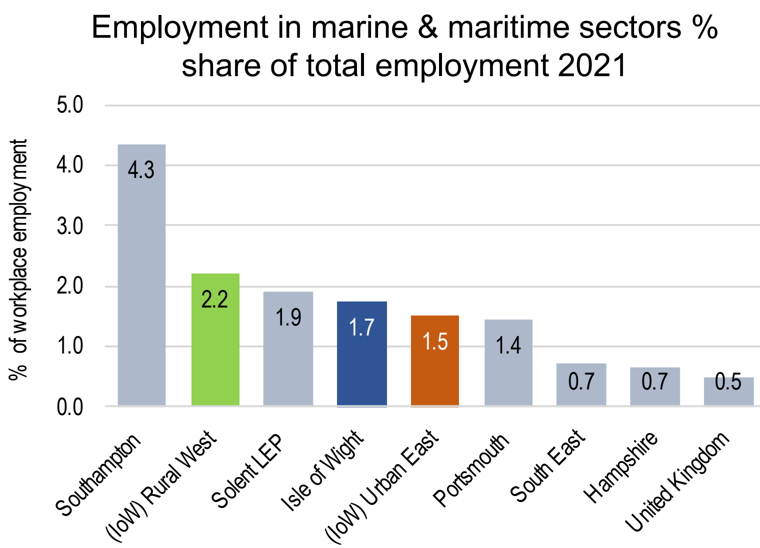
70

Local Business Units
Isle of Wight (2022)
Urban East: 55
Rural West: 15



900

Employment*
Isle of Wight (2021)
Urban East: 700
Rural West: 150



Source: ONS 2022 *Employment by sub-area may not sum to Isle of Wight total due to disclosure rounding.

- The Isle of Wight's marine & maritime sector is relatively large according to official data and saw employment growth. There are several marinas, notably in Cowes which also hosts the prestigious Cowes Week regatta.

- The main public ferries are accessed on the mainland from Lymington, Southampton and Portsmouth via the Wightlink, Red Funnel and Hover travel services. Both Cowes Week and the ferry services are closely interlinked to tourism and visitor economy, with some ferry services reduced during the out of season Winter period.

- As of 2022, official data reports 70 marine & maritime businesses on the Isle of Wight. However, this is a narrow sector definition and will not include companies in the wider supply chain or in any associated research and development activities that may fall under the manufacturing or knowledge intensive sector classification.

- Marine businesses are mostly located in the predominantly urban Isle of Wight sub-area, where more of the marinas are located. As a percentage share of all businesses, the marine & maritime sector is small at 1.2% in 2022, although higher in relative terms compared to benchmark areas, and relatively higher still in the rural Isle of Wight (1.7%) although from a much smaller business base.

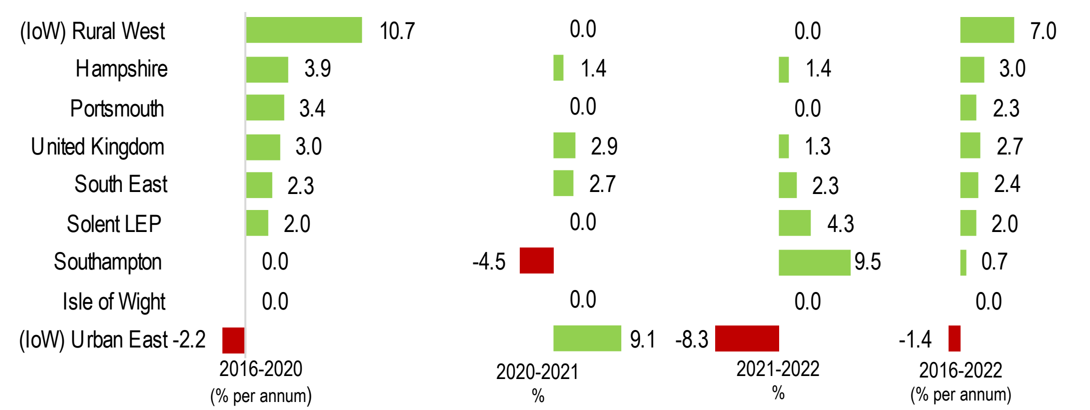
- The Isle of Wight has a workforce of 900 in the marine & maritime sector in 2021 – although there may be more who are self-employed. The marine & maritime sector accounts for 1.7% of the workforce on the Isle of Wight, which is marginally lower than the Solent (1.9%) but less than half that of Southampton (4.3%). Nonetheless, the Isle of Wight is significantly above the national and South East region averages.

- In 2022 the Isle of Wight had a marine & maritime business concentration 2.5 times the national average, rising to 3.5 times for the rural Isle of Wight (from a small business base). The Isle of Wight also had an employment concentration 2.5 times (3.57) the national average, rising to 3.5 times for rural Isle of Wight (4.56).

Marine & Maritime: stable business numbers and healthy employment suggests the marine & maritime sector was largely unaffected by the pandemic

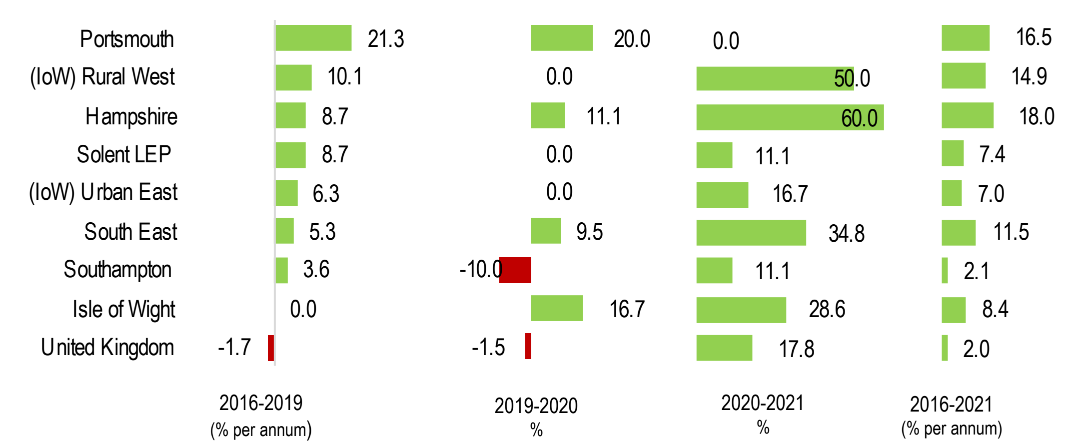
Marine & Maritime Business Growth and Growth Rates*

Businesses (local units)	2016-2020 cumulative	2020-2021	2021-2022	2016-2022 cumulative
Isle of Wight	0	0	0	0



Marine & Maritime Employment Growth and Growth Rates*

Employment	2016-2019 cumulative	2019-2020	2020-2021	2016-2021 cumulative
Isle of Wight	0	100	200	300



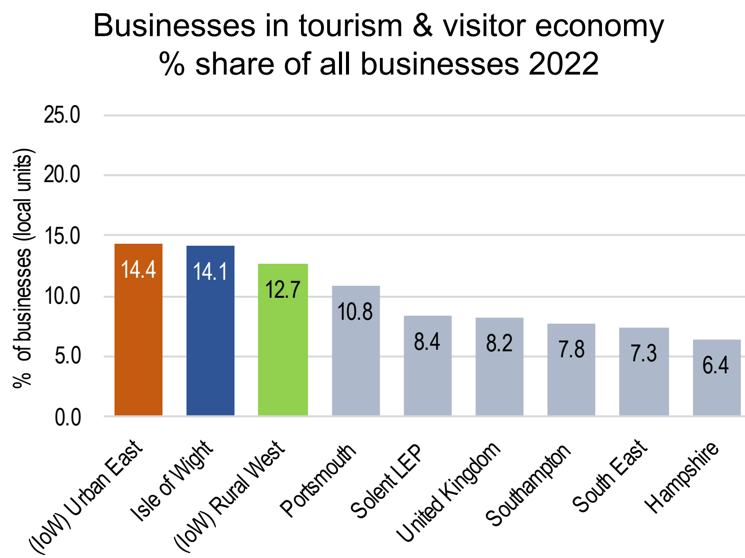
Source: ONS 2022. *Use with caution. Due to disclosure rounding all changes over time should be viewed with caution and treated as indicative, especially by sector and sub-area.

- The growth periods between businesses and employment are not aligned and not directly comparable (see p37).
- The number of marine & maritime businesses on the Isle of Wight has remain constant since 2016 at 70. However, the data is rounded to the nearest five businesses so it is possible that very small changes occurred, as suggested by sub-area data, but essentially the sector has remained broadly stable. A lack of overall growth over the medium term might suggest constraints on suitable and available development site opportunities.
- Sub-area data suggests business growth in the rural Isle of Wight sub-area and a decrease in urban areas between 2016-2020, but despite the percentages the numbers are small and cancel each other out. Likewise, the urban Isle of Wight's growth in 2020-21 was undone by losses of the same magnitude in 2021-22.
- Employment between September 2016-2019 saw no employment growth on the Isle of Wight compared to most other benchmark areas that did see growth. Sub-area data suggests otherwise but disclosure rounding precludes definitive growth and also subject to large absolute changes.
- Nonetheless, from 2019 onwards the sector showed signs of growth with employment growth of 300 between 2019-2021. Relative growth rates are extreme for the rural Isle of Wight (smaller base with large changes and disclosure rounding), with the majority of growth in the urban Isle of Wight. Hampshire also saw potentially strong growth (+1,500).
- Over the medium term the Isle of Wight has seen no business growth while employment growth was fairly robust and outperformed the national average, Southampton, and Solent but lower against Portsmouth, Hampshire, and the South East.
- Future opportunities in the marine & maritime sector include growth in marine autonomy – for example, crewless vessels, or Underwater Autonomous Vehicles (UAV) and robotics used in ocean science, naval and surveying and exploration[1]. Environmental demands for low carbon-energy will likely see more growth opportunities in offshore wind energy, but also wave energy, tidal energy, and ocean current energy. There may also be secondary benefits from the proposed Solent Freeport that include various custom and tax sites.

Tourism & Visitor Economy: large business base and significant employer (especially in rural areas) with high local concentrations

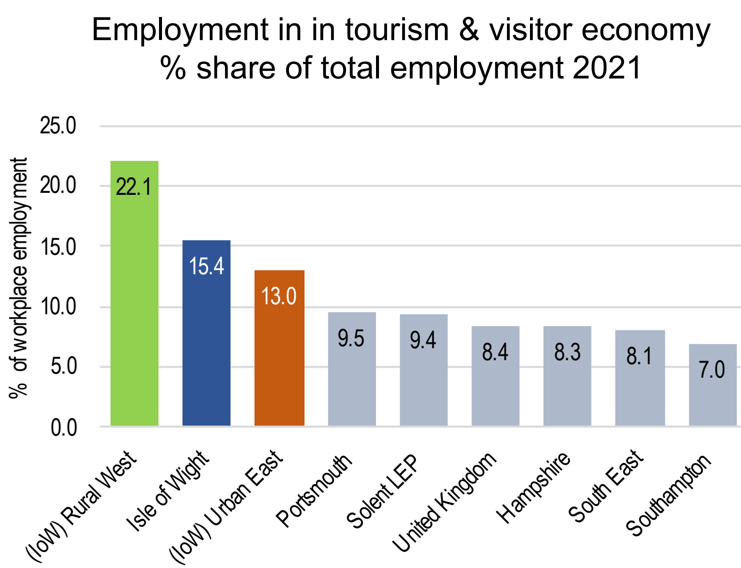
795

Local Business Units
Isle of Wight (2022)
Urban East: 680
Rural West: 115



8,000

Employment*
Isle of Wight (2021)
Urban East: 6,000
Rural West: 1,500



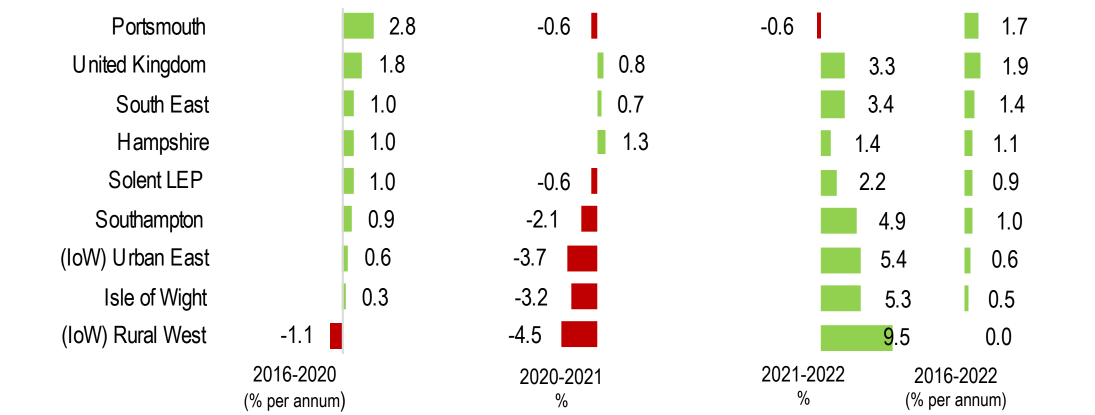
Source: ONS 2022. *Employment by sub-area may not sum to Isle of Wight total due to disclosure rounding. [1] Isle of Wight Visitor Monitor 2022. [2]The Economic Impact of Tourism on the Isle of Wight 2018 (Tourism South East)

- The Isle of Wight's tourism & visitor economy is one of the larger sectors on the Isle of Wight in terms of businesses and employment, capitalising as it does on the coastline, countryside and heritage. The Isle of Wight drew in over 633,000 visitors in the second quarter of 2022 with visitor spend worth £114.4m, which was significantly up compared with the same period in 2019[1]. In any normal year 2.4 million visitors come to the Isle of Wight, spending £350 million[2]. With less than 1% of visitors coming from abroad the Isle of Wight was perhaps less affected by global travel restrictions and benefited from UK staycations during the pandemic[1].
- The Isle of Wight had just under 800 businesses in the tourism & visitor economy in 2022 that account for around 1-in-7 businesses on the Isle of Wight (14.1%), more than all benchmark areas and twice that of Hampshire and the South East. Portsmouth is closest with 10.8%, but still 3.3. percentage points lower than the Isle of Wight.
- Businesses are mostly located in the predominantly urban Isle of Wight, where the main resorts and tourist attractions are mostly based. The urban figure is marginally higher at 14.4% (680) while the rural Isle of Wight is lower, and from a smaller business base, at 12.7% (115) but is still above all of the benchmark areas.
- The sector employs an estimated 8,000 people on the Isle of Wight, or about 1-in-6 workers (15.4%), and well above all of the benchmark areas. The Isle of Wight's employment share is twice that of Southampton (7.0%). Portsmouth is closest with 9.5%, but still 5.9. percentage points lower.
- The rural Isle of Wight figure is much higher with over 1-in-5 workers (22.1%) employed in the tourism & visitor economy, while the urban Isle of Wight is lower but from a larger workforce (13%, 6,000) but still above all of the benchmark areas. Employment in the sector is likely to see seasonal peaks during the main summer tourist season.
- In 2022 the Isle of Wight had a tourism & visitor economy business concentration 72% above the national average. The Isle of Wight also had an employment concentration 83% above the national average, rising to 1.6 times (2.63) for the rural Isle of Wight, albeit from a smaller base.

Tourism & Visitor Economy: sluggish pre-pandemic growth followed by a large impact of the pandemic but businesses and employment bounce back

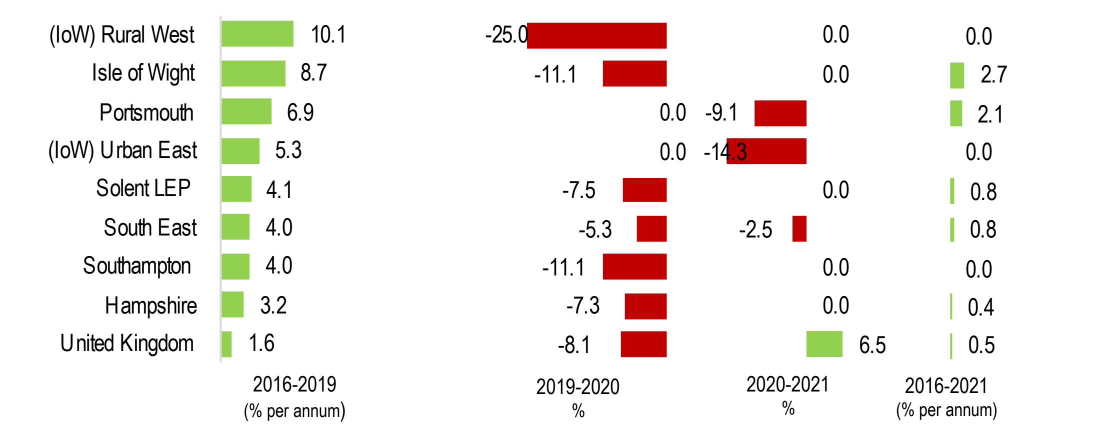
Tourism & Visitor Economy Business Growth and Growth Rates*

Businesses (local units)	2016-2020 cumulative	2020-2021	2021-2022	2016-2022 cumulative
Isle of Wight	10	-25	40	25



Tourism & Visitor Economy Employment Growth and Growth Rates*

Employment	2016-2019 cumulative	2019-2020	2020-2021	2016-2021 cumulative
Isle of Wight	2,000	-1,000	0	1,000



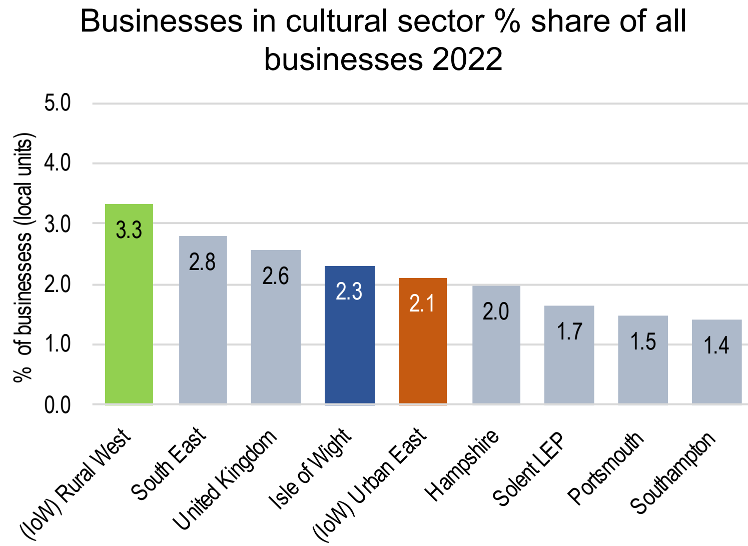
Source: ONS 2022. *Use with caution. Due to disclosure rounding all changes over time should be viewed with caution and treated as indicative, especially by sector and sub-area.

- The growth periods between businesses and employment are not aligned and not directly comparable (see p37).
- The number of tourism and visitor economy businesses on the Isle of Wight increased on 2016 levels by 25, although this was based on relatively sluggish pre-pandemic growth, and although impacted by the pandemic, business numbers rebounded strongly once the recovery took hold.
- The Isle of Wight had the slowest pre-pandemic business growth rate with both sub-areas also underperforming – although given the high concentrations the local market may be saturated in places during the main season. During the pandemic the Isle of Wight (and sub-areas) were affected more, with larger negative growth rates than all of the benchmark areas. The Isle of Wight lost 25 businesses during this period despite targeted government sector businesses grants for the hospitality sector.
- However, the Isle of Wight had an impressive recovery with a strong rebound of 40 businesses in 2021-2022, and a growth rate of 5.3% that was above all of the benchmark areas, and no doubt helped by travel restrictions for many foreign holiday destinations. Over the medium term the Isle of Wight has under-performed with lower annual growth of 0.5% per annum (2016-2022).
- Employment growth between September 2016-2019 was robust with average annual employment growth of 8.7% p.a. on the Isle of Wight which outperformed its benchmark areas.
- However, the impact of the pandemic is clearly evident with a fall in employment of 11.1% that was only equalled by Southampton. The Isle of Wight saw its workforce shrink by 1,000 fewer workers. However, this could have been far worse without furlough. The data for 2020-2021 shows no recovery although timelier payroll data would suggest growth while high vacancy numbers point to strong local demand.
- Future growth opportunities for the sector include the 'experience economy' that is expected to continue expanding, with hospitality & leisure and those businesses able to deliver customised, personal experiences to gain customer loyalty having the competitive advantage. The Isle of Wight has an abundance of natural and cultural capital to further exploit this market.

Cultural Sector: strong local presence in the Solent area

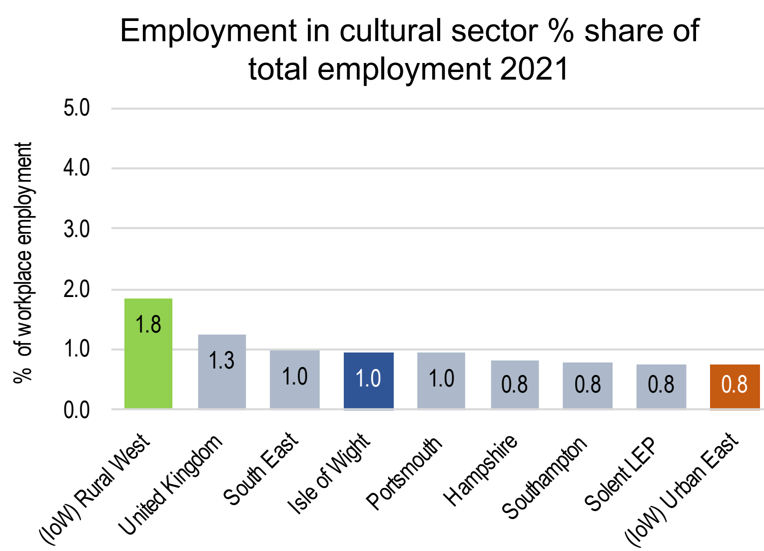
130

Local Business Units
Isle of Wight (2022)
Urban East: 100
Rural West: 30



500

Employment*
Isle of Wight (2021)
Urban East: 350
Rural West: 125



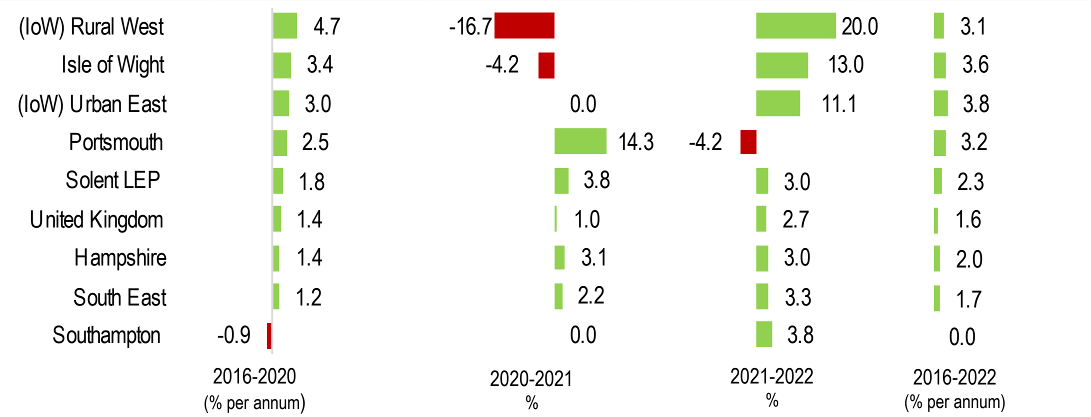
Source: ONS 2022. [1]Filmwight. *Employment by sub-area may not sum to Isle of Wight total due to disclosure rounding.

- The Isle of Wight's cultural sector is much smaller than the tourism & visitor economy but shares elements with this and the knowledge intensive sectors, and likewise capitalises on the Isle of Wight's heritage and creative industries. The Isle of Wight's landscape, coastline and built environment have been the locations for numerous films, including Osbourne House[1].
- The Isle of Wight had 130 businesses in this sector in 2022, and with a 2.3% share of all businesses has a higher cultural presence than other local benchmark areas, being almost twice that of Southampton (1.4%), but lower than the South East (2.8%) and national (2.6%) averages.
- The rural Isle of Wight has a higher share still at 3.3% albeit from a smaller business base (30) than urban Isle of Wight (2.1%, 100 businesses).
- The cultural sector on the Isle of Wight had an estimated workforce of 500 in 2021, although this is possibly higher given that self-employed freelancers make up a significant part of the cultural workforce.
- Nonetheless, the cultural sector workforce accounts for 1% of all employment on the Isle of Wight, and whilst small is above other local benchmarks. However, like business shares, employment is also relatively lower on the Isle of Wight compared to the South East and regional averages.
- The rural Isle of Wight has a higher share at 1.8%, albeit from a smaller workforce (125 workers) than the urban Isle of Wight (0.8%, 350 workers). The sector may see some seasonal peaks during the main summer tourist season (e.g. performing arts), but less so than the tourism & visitor economy.
- The Isle of Wight does not have a cultural sector business or employment concentration, however, the rural Isle of Wight does with a business concentration 28% above the national average and employment concentration 46% (1.46) above the national average, albeit from a smaller base. Going forwards and likelihood of recession the arts and heritage side of the cultural sector will be more sensitive to a fall in discretionary spending and any government funding cuts.

Cultural Sector: strong business growth with robust pandemic recovery, while earlier sluggish employment growth has seen a recent uptick in workers

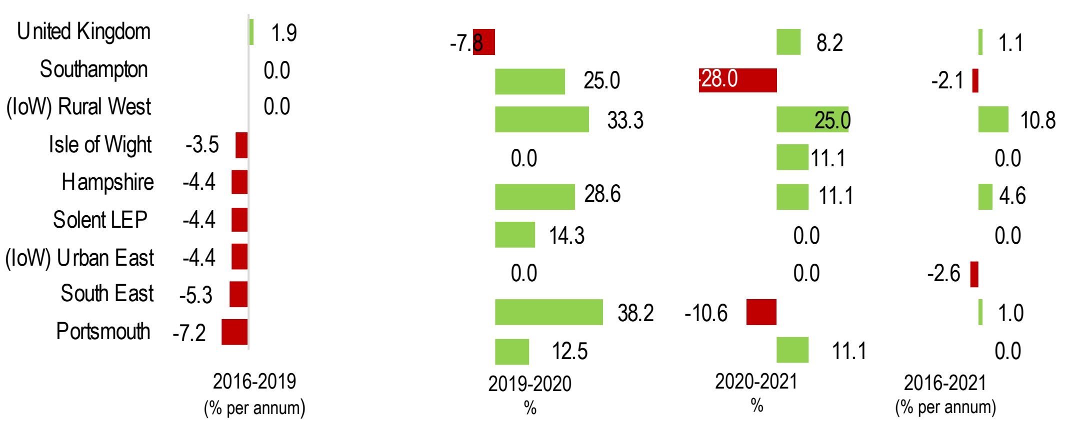
Cultural Business Growth and Growth Rates*

Businesses (local units)	2016-2020 cumulative	2020-2021	2021-2022	2016-2022 cumulative
Isle of Wight	15	-5	15	25



Cultural Employment Growth and Growth Rates*

Employment	2016-2019 cumulative	2019-2020	2020-2021	2016-2021 cumulative
Isle of Wight	-50	0	50	0



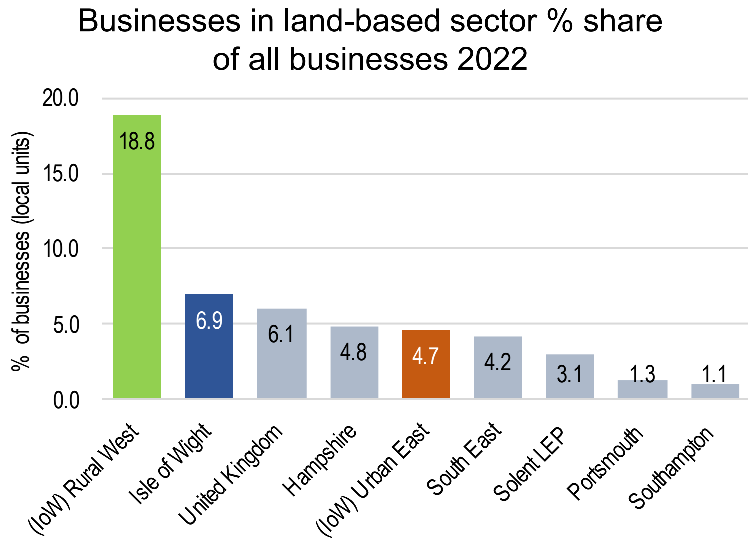
Source: ONS 2022. [1] Deloitte (2021) Future of Creative Sector. *Use with caution. Due to disclosure rounding all changes over time should be viewed with caution and treated as indicative, especially by sector and sub-area.

- The growth periods between businesses and employment are not aligned and not directly comparable (see p37).
- The number of cultural sector businesses on the Isle of Wight has increased on 2016 levels by 15. Initially built upon strong pre-pandemic growth, the sector was impacted by the pandemic (like the wider tourism & visitor economy), but saw a strong recovery with robust growth in 2022.
- The Isle of Wight, on average, saw business growth of 3.4% per annum in the pre-pandemic period. This was a higher rate of growth against all benchmarks - the two sub-areas also performed well. The Isle of Wight saw 15 additional businesses over the period. During the pandemic the Isle of Wight (and sub-areas) were affected with negative growth rates (-4.2%) when compared to growth or no change against benchmark areas. However, the Isle of Wight only lost five businesses during this period.
- The Isle of Wight had an impressive recovery with a strong rebound of 15 businesses in 2021-2022, and a growth rate of 13% that was above all benchmark areas, and partly helped by a resurgence in the tourism & visitor economy. Over the medium term, the Isle of Wight outperformed other benchmark areas with annual average growth of 3.6% per annum (2016-2022).
- In contrast to businesses, employment growth between September 2016-2019 was negative. On average, annual employment growth on the Isle of Wight was -3.5% per year (50 fewer workers), which was below the national average and Southampton but outperformed other benchmark areas.
- The pandemic had no tangible impact on employment which suggests the sector could operate or workers were able to access furlough, or self-employment support. With the economy beginning to rebound in 2021 the Isle of Wight saw robust growth (11.1%) and 50 additional workers that reversed pre-pandemic losses to give net zero change over the medium term.
- Future growth opportunities in the cultural sector will be similar to tourism & visitor economy (p43) but also from the increasing crossover between digital and creative industries that is likely to grow with AI developments, streaming, and VFX in making new film and TV, and in collaborative production tools[1].

Land-based: medium sized sector with above national average employment concentrations, particularly in rural areas

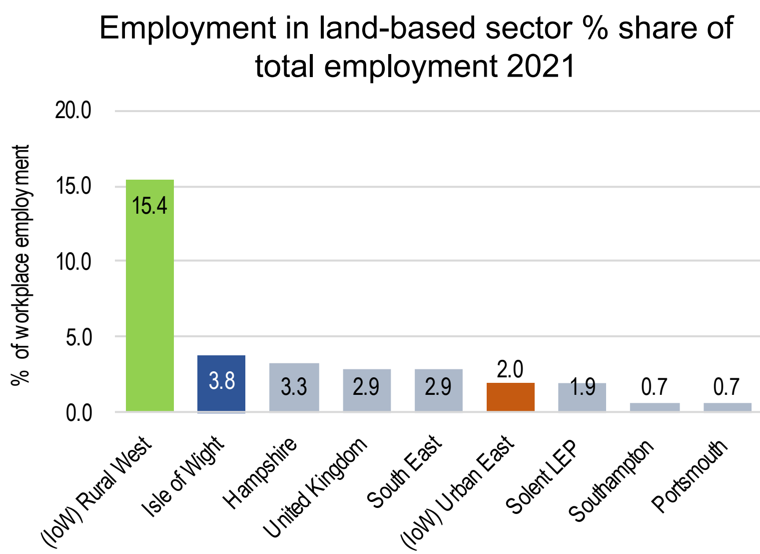
390

Local Business Units
Isle of Wight (2022)
Urban East: 220
Rural West: 170



2,000

Employment*
Isle of Wight (2021)
Urban East: 1,050
Rural West: 900



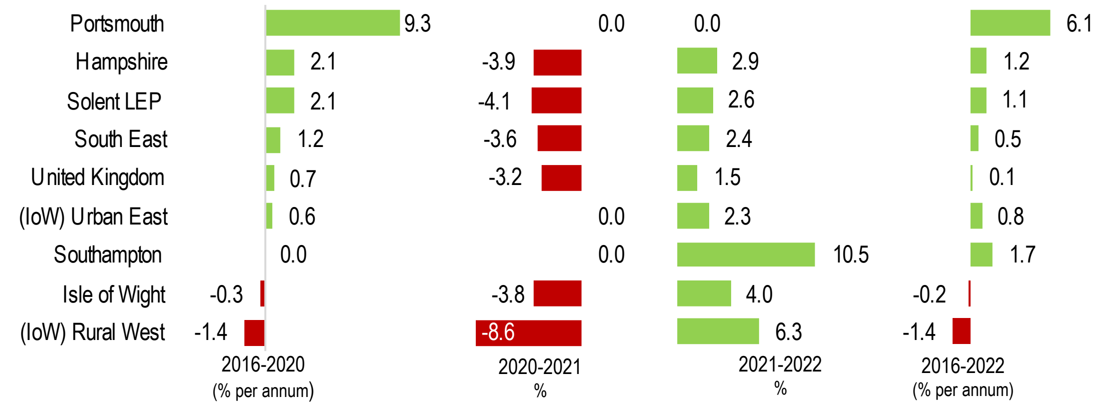
Source: ONS 2022. [1] Natural England National Character Area profile (127 Isle of Wight). Employment by sub-area may not sum to Isle of Wight total due to disclosure rounding.

- The land-based sector is a medium sized sector on the Isle of Wight. Covering an area of 380 square kilometres, almost 50 per cent of the Isle of Wight land falls within Areas Outstanding Natural Beauty[1]. Most of the arable land is on the southern coastland plain, while dairy is found on the northern pastures.
- Beyond traditional agriculture the land-based definition is more wide ranging, capturing related activities such as the wholesale of land production, veterinary and landscape gardening. However, many of these businesses operate out of urban areas. The sub-areas are loosely defined and the predominantly urban East may have agricultural land on its urban fringes.
- The pandemic, extreme weather, rising input costs, and workforce shortages (compounded by Brexit) have all impacted on the sector in recent years.
- The Isle of Wight had 390 businesses in this broad sector in 2022, of which two thirds (66%, 260) are in agriculture. Almost one in 14 businesses (6.9%) on the Isle of Wight are land-based and this is the highest in relative terms across all benchmark areas, and over two times the Solent LEP average. The Isle of Wight accounts for 25% of all land-based businesses in the Solent LEP area.
- The land-based workforce numbered 2,000 workers in 2021, of which around 800, or two fifths (40%), are employed in farming activities. The employment share on the Isle of Wight at 3.8% is lower than the business share, but nonetheless the Isle of Wight has the largest relative employment share of all benchmark areas, and higher still in rural Isle of Wight as expected where the figure is around 1-in-6 jobs in land-based activities.
- The Isle of Wight as a whole does not have any significant concentrations in land-based business but does for the rural Isle of Wight at 2.1 times (2.10) the national average. However, the Isle of Wight has an employment concentration of about a third (1.33) above the national average in 2021, rising to five times for the rural Isle of Wight.

Land-based: significant impact of the pandemic on the workforce most likely related to a combination Covid-related factors and Brexit

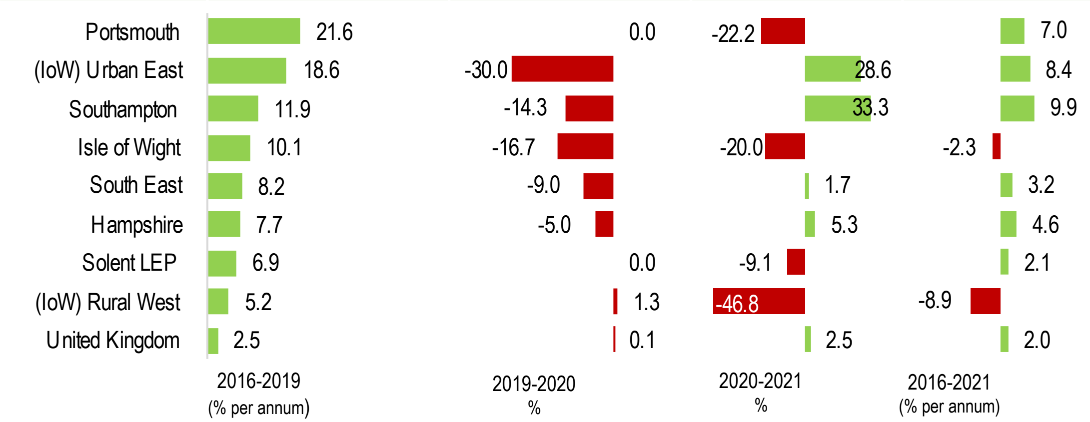
Land-based Business Growth and Growth Rates*

Businesses (local units)	2016-2020 cumulative	2020-2021	2021-2022	2016-2022 cumulative
Isle of Wight	-5	-15	15	-5



Land-based Employment Growth and Growth Rates*

Employment	2016-2019 cumulative	2019-2020	2020-2021	2016-2021 cumulative
Isle of Wight	750	-500	-500	-250



Source: ONS 2022. [1] M. de Clercq, A., Vats, A., Biel (2018) Agriculture 4.0 The Future of Farming Technology.[2] Growing crops beneath solar panels. *Use with caution. Due to disclosure rounding all changes over time should be viewed with caution and treated as indicative, especially by sector and sub-area.

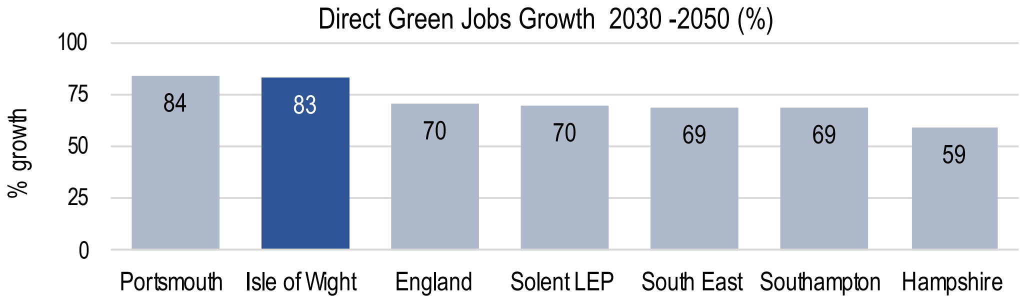
- The growth periods between businesses and employment are not aligned and not directly comparable (see p37). The number of land-based businesses on the Isle of Wight in 2022 is lower by five on 2016 levels, and although further losses during the pandemic were offset by a strong rebound, the sector is marginally smaller in 2022 than in 2016.
- The Isle of Wight, on average, saw negative business growth of -0.3% per annum and the weakest pre-pandemic business performance against all benchmark areas. The pandemic saw further negative growth rates with 15 business closures, although rates were similar to most benchmark areas
- The Isle of Wight had an impressive recovery with a strong rebound of 15 additional businesses in 2021-2022 that largely offset previous losses, and a growth rate of 4% that was above most benchmark areas. However, over the medium term the Isle of Wight has underperformed against other benchmark areas with average annual growth of -0.2% per annum (2016-2022).
- In contrast, employment growth between September 2016-2019 period was positive with average annual growth on the Isle of Wight of 10.1% per year (+750 workers), outperforming other more rural authorities such as Hampshire. The two cities' impressive growth rates reflect a relatively smaller workforce.
- The pandemic had a tangible impact on employment which saw losses of 500 workers, possibly exacerbated by former EU seasonal workers returning home due to a combination of Covid and Brexit. The sector saw further losses of 500 in 2020-21, possibly for similar reasons to the previous year. Overall, losses between 2019 and 2021 surpassed pre-pandemic growth with 250 fewer workers in 2022 than in 2016.
- Opportunities do exist as global food security and disruptions to supply chains lead to scarcity of supply which will create new prospects, such as establishing new local supply chains for Isle of Wight producers. In addition, as part of the fourth industrial revolution, land-based will see a greater reliance on technology[1] in emerging areas such as hydroponics and agrivoltaics[2]; new methods of mechanization (precision farming) using GPS, drone technology and remote sensing; nanotechnologies (nano-fertilizers, pesticides); and genomics (laboratory produced meat). These advances will force the sector to become much more skilled in the years to come.

Green jobs: relatively few green jobs but projected faster growth than in all but one comparator areas

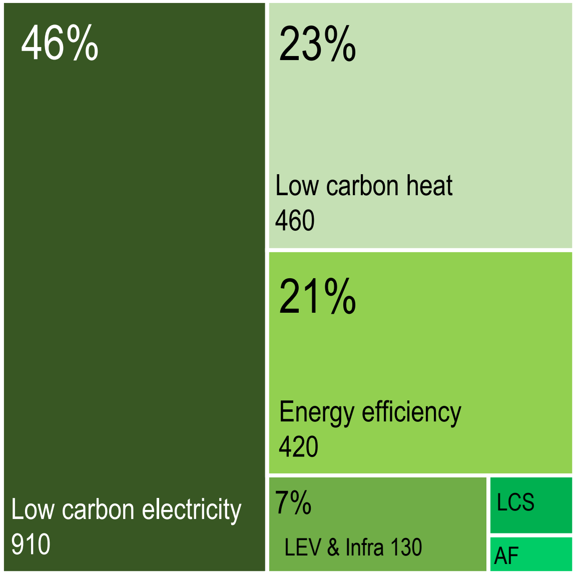
660 Total Green jobs 2020

320 Direct Green jobs 2020

340 Indirect Green jobs 2020

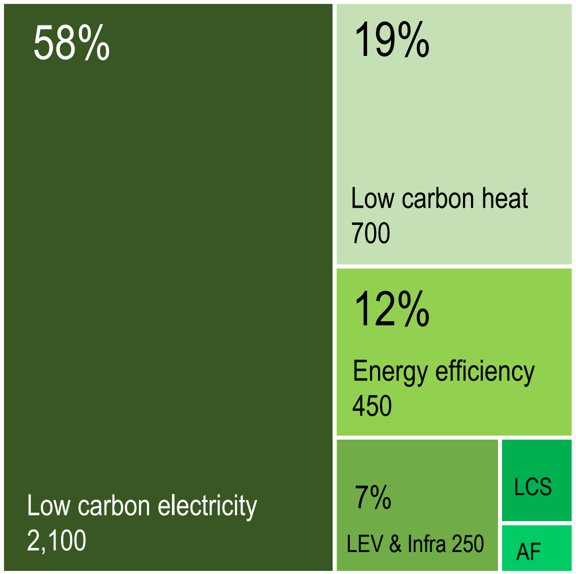


Isle of Wight: Estimated Direct Green Jobs 2030



LEV & Infra – Low Emission Vehicles & infrastructure. LCS – Low carbon services (2%) , AF – Alternative Fuels (1%)

Isle of Wight: Estimated Direct Green Jobs 2050

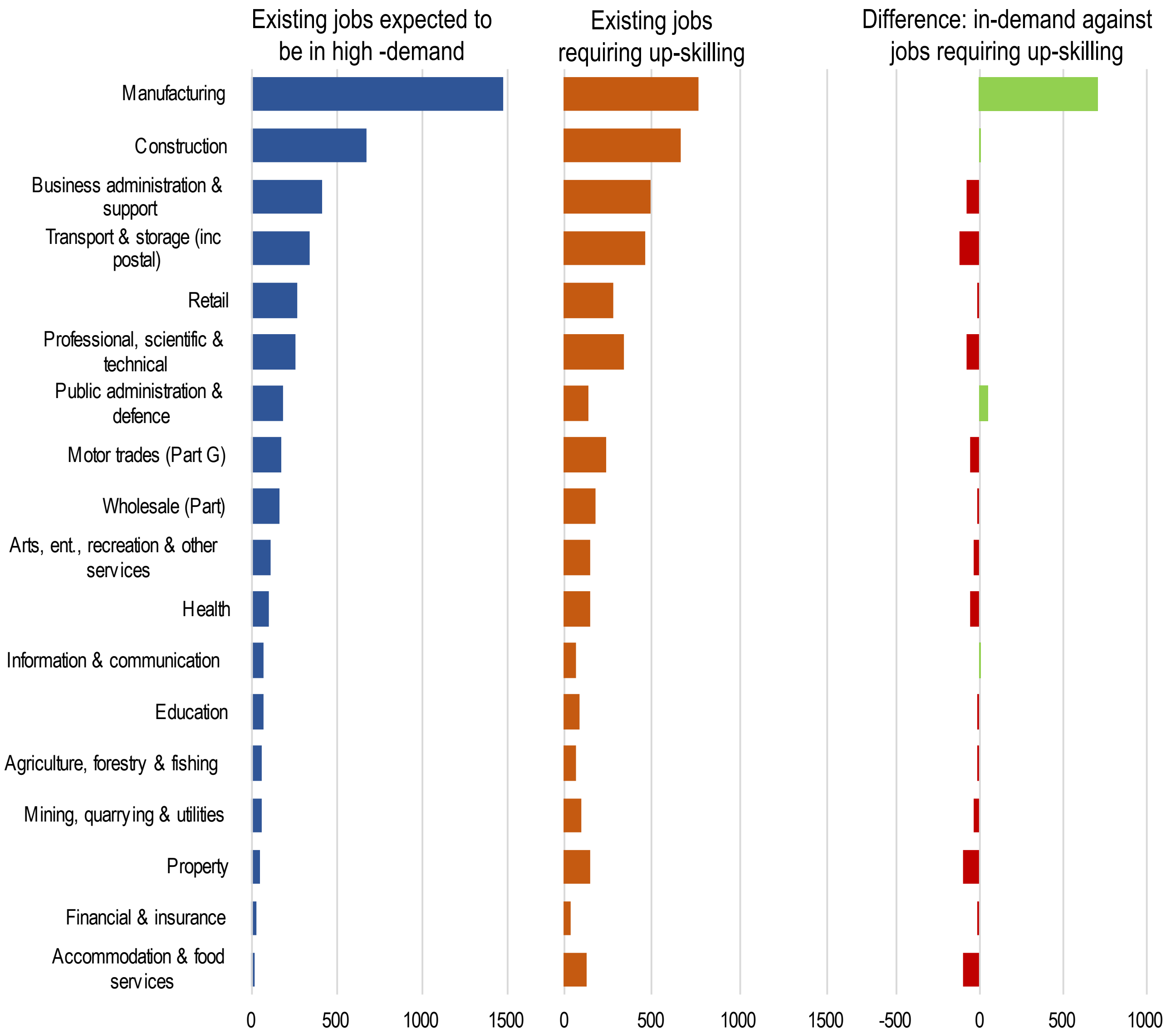


LEV & Infra – Low Emission Vehicles & infrastructure. LCS – Low carbon services (2%) , AF – Alternative Fuels (1%)

- There is no official definition of a what a green job is and it is a complex area constrained by outdated industrial classifications. Often, more than one definition is cited, and different definitions can be used for different purposes.
- Three sources are used for the Isle of Wight Economic Profile: the first is based on ONS[1] work to approximate current job estimates; second, independent research on future direct low carbon green jobs (2030 and 2050); and the third[3], using research on transitioning to net zero. All three approaches for green jobs are heavily underpinned by assumptions and can therefore only provide broad estimates.
- Using the first method, the Isle of Wight had an estimated 660 green jobs in 2020, of which 320 are direct and 340 indirect. The estimated number of jobs has largely remained stable since 2016, growing on average by just 0.4% per annum.
- However, where estimated growth has occurred it appears to be strongest in off-shore wind which is partly validated by the presence of Vestas offshore wind blade manufacturers (Vestas employs around 130 people on the Isle of Wight[4]), and also in renewable heat.
- For future estimates of direct green jobs, the Isle of Wight is forecast to have close to 2,000 green jobs by 2030 and rising to around 3,600 by 2050. This represents growth of 83% in direct green jobs on the Isle of Wight between 2030 and 2050, and the second highest estimated growth rate across the benchmark areas – only Portsmouth's growth rate was higher at 84%.
- The Isle of Wight is estimated to represent 15% of all direct green jobs in Solent LEP area in 2030 and 2050.
- Close to three quarters of direct job growth (73%, +1,200 jobs) is expected to be in low-carbon electricity, with off-shore wind and solar PV the main drivers. Low-carbon heat is the next highest growth sector with heat pumps and hydrogen the main sources of job growth.

Source: [1] EBIS using ONS (LCREE). [2] Ecuity/LGA. [3] Just Transition Tracker .[4] Vestas

Green jobs: manufacturing and construction jobs will be key to transition to net zero by 2050 on Isle of Wight



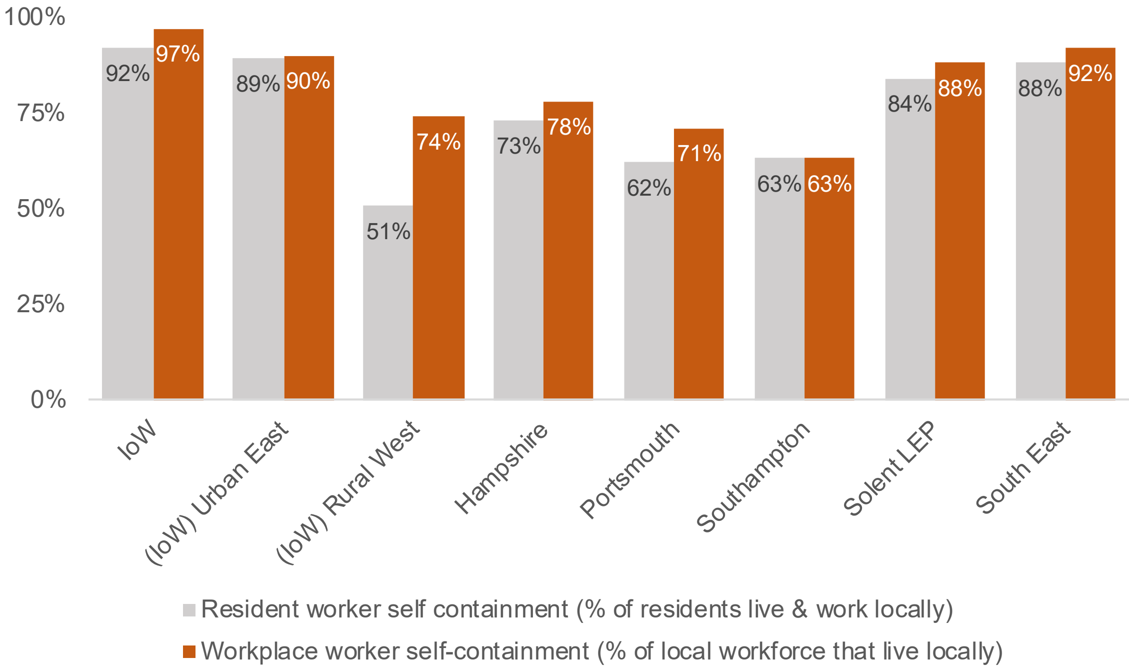
- The 2020 estimates and modelled forecasts for 2030 and 2050 were primarily about direct green jobs, but to achieve net zero by 2050 all industry sectors will need investment to realise both increased demand and to up-skill the workforce in greening the economy.
- Research suggests that one-fifth of existing jobs will involve skills that could either experience future demand or see demand diminish in the transition to a green economy, with approximately 10% of the workforce benefiting from new opportunities during the transition (in-demand) and 10% more likely to need reskilling or upskilling.
- The sector impacts are highly varied but not surprising, with manufacturing, construction and transport having a much higher proportion of jobs affected by the transition relative to finance & insurance. But equally, these same sectors will see many jobs benefit from being key in transitioning to the green economy.
- As with any modelled data, underpinned by a number of assumptions, the relative magnitude is more pertinent than absolute job numbers for interpretation. Sectors with red shaded bars in the third graphic denote a greater need to reskill or upskills workers, with transport one of the highest.
- However, manufacturing on the Isle of Wight has the potential to benefit more relative to manufacturing jobs that require greater re-skilling or upskilling, while construction has a ratio of close to 50:50.

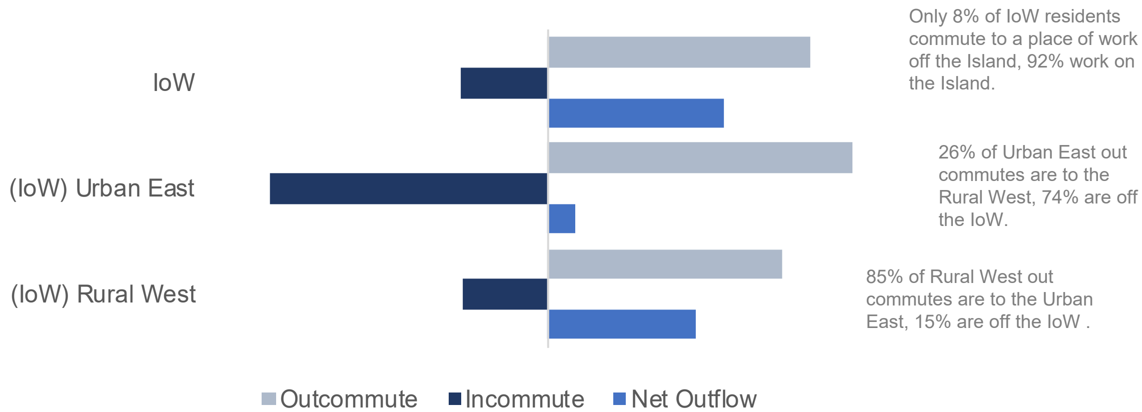
Source: Robins, N., Gouldson, A., Irwin, W. and Sudmant, A., 2019. Investing in a just transition in the UK How investors can integrate social impact and place-based financing into climate strategies. London School of Economics.

3. The Labour Market on the Isle of Wight

3.1 Labour market self-containment

Commuting patterns: a highly self-contained labour market, especially in the predominantly Urban East

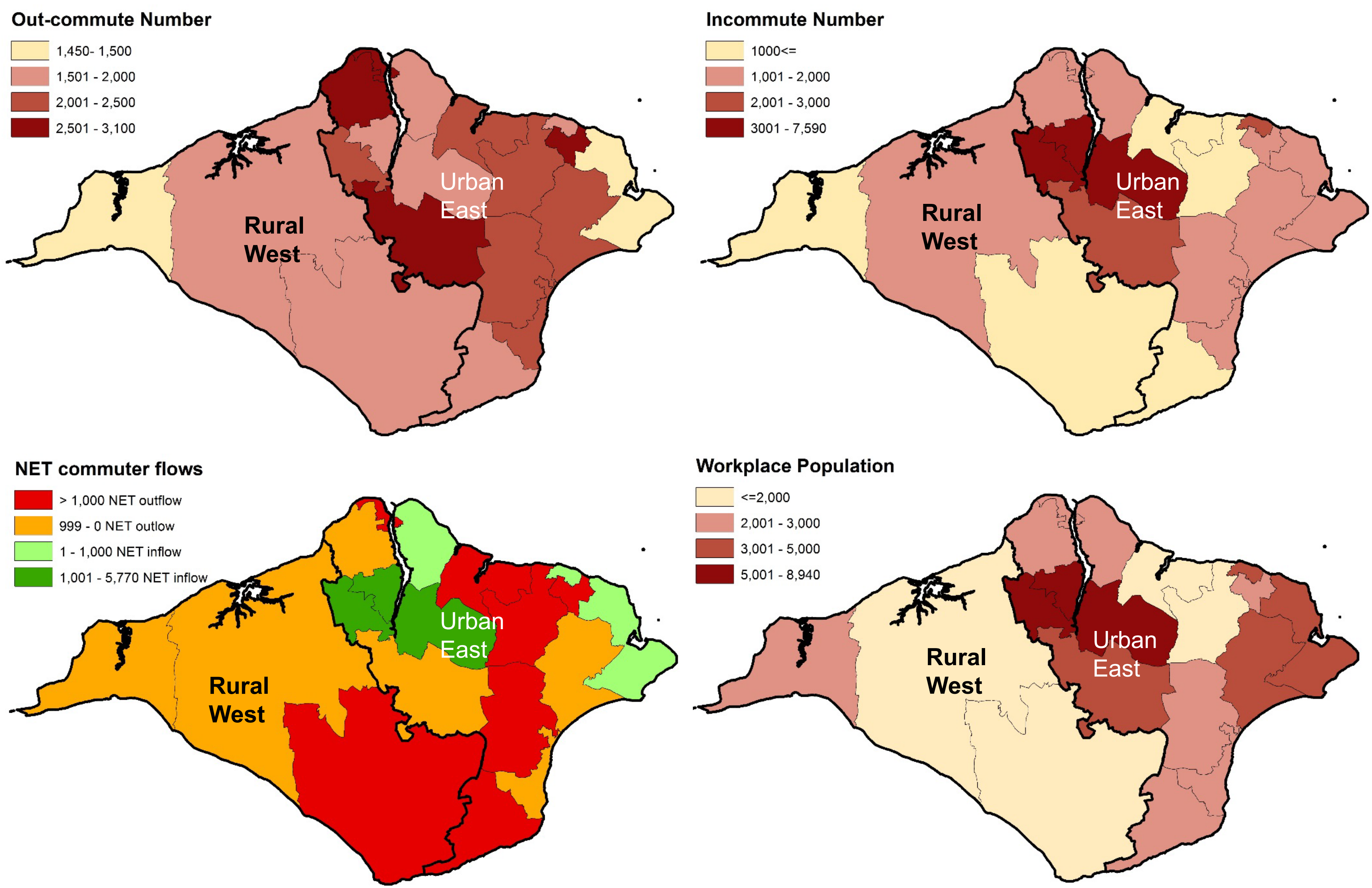




Source: ONS Census 2011. Excludes flows between the Isle of Wight and Wales due to postcode coding errors with Newport (Wales) and Newport (IoW). 1 A-to-there (2017) Evidence Based Assessment of Cross-Solent Ferry Operations. 2 Lichfield/Solent LEP (2018) Island Infrastructure Investment Plan

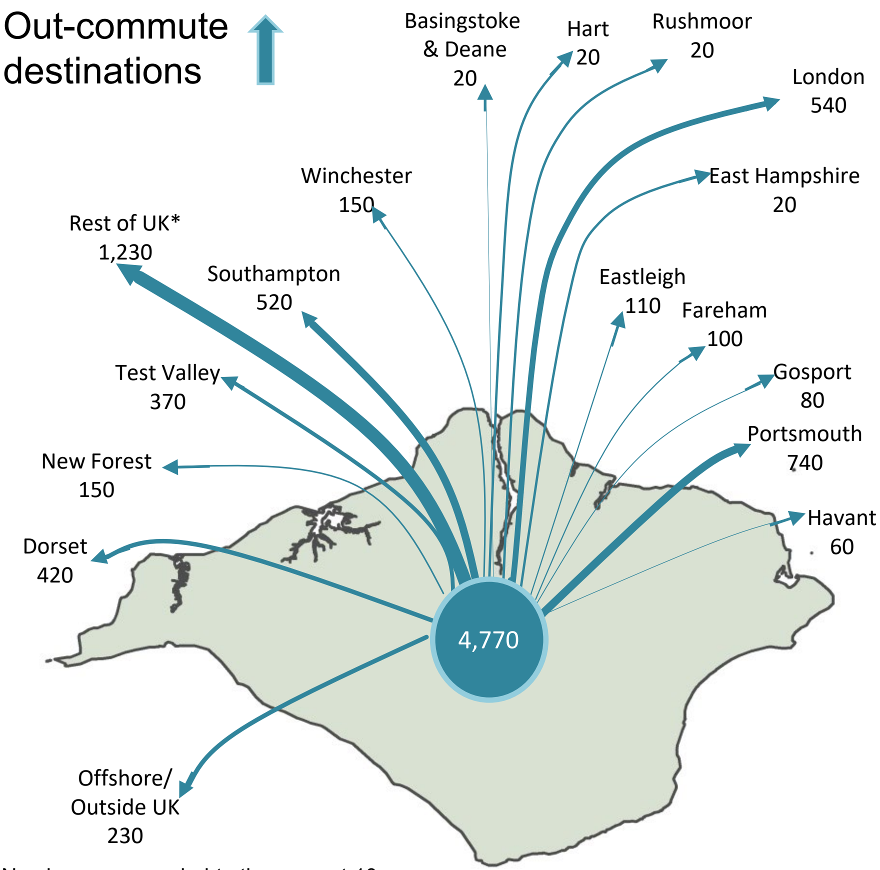
- As an island economy without direct access to the mainland by means of bridge or tunnel, the Isle of Wight has high levels of resident and workplace self-containment (the two being almost mutually exclusive).
- Although characterised by a highly localised workforce, the Isle of Wight also had a relatively low job density that may partially explain the out flow of over 4,700 residents against a more modest in flow of almost 1,600 in-commuters in 2011. The pandemic and technology adoption could see even less commuting activity in the 2021 Census data when published. Job density on the Isle of Wight fell back in 2020 during the pandemic (see p59).
- The Urban East sub-area also has high self-containment, whereas the Rural West sub-area has comparatively low resident self-containment due to high out-commuter flows to the predominantly Urban East, where most employment opportunities are located. Population concentrations will be around Newport. The county town is also the only employment centre to see significant net in-flows of workers.
- With frequent ferry routes to the two cities the most popular work destinations on the mainland were Portsmouth and Southampton, followed mostly by destinations to one of the other Solent LEP area local authorities.
- Research suggests that 5.5% of Isle of Wight residents in employment rely on ferries for daily commuting to the mainland[1]. The research also found crossings by coaches as well as commercial vehicles was down with fewer working age residents travelling from the Isle of Wight to work. Other studies highlight the constraints the labour market and trade flows caused by the Isle of Wight's physical separation from the mainland[2].
- The pandemic will have seen significant shifts in working patterns with a significant increase in working from home (WFH) and hybrid working. This is reflected in Census 2021, but may be a temporary spike, with the extent of WFH falling back, although hybrid working will likely become more permanent as 'normality' returns.

Commuting patterns: workplace population concentrated in Urban East, especially in and around Newport

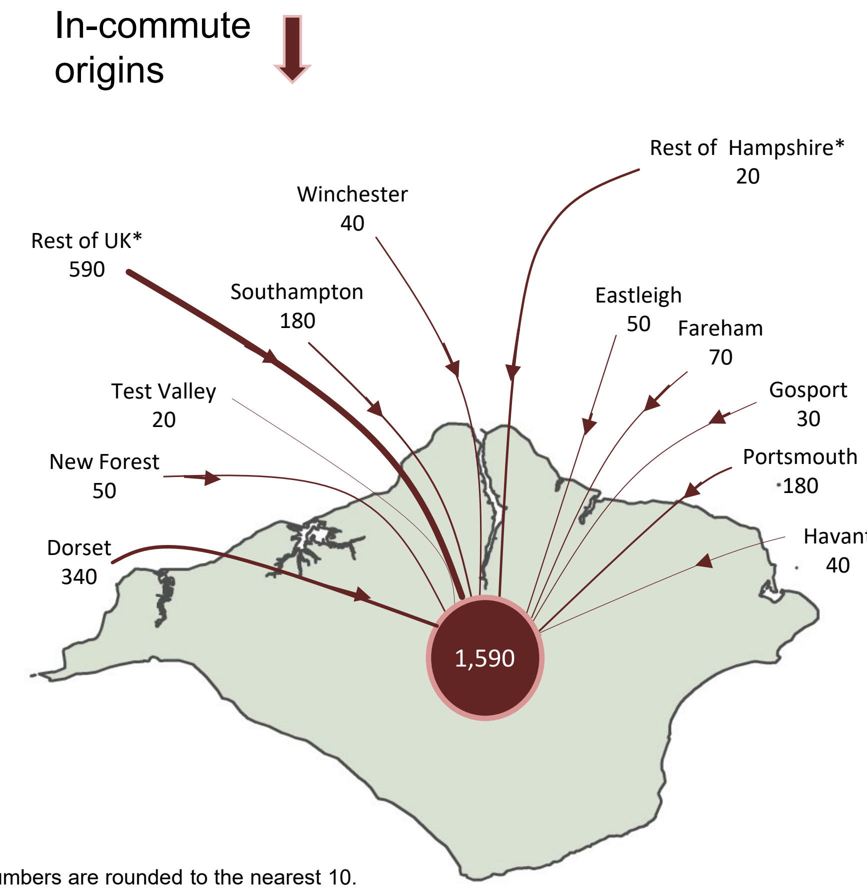


Source: ONS Census 2011. Excludes flows between the Isle of Wight and Wales due to postcode coding errors with Newport (Wales) and Newport (IoW). 1 A-to-there (2017) Evidence Based Assessment of Cross-Solent Ferry Operations. 2 Lichfield/Solent LEP (2018) Island Infrastructure Investment Plan

Commuting patterns: most out and in-commuting is with the rest of Hampshire but patterns will be affected by the pandemic



Numbers are rounded to the nearest 10.



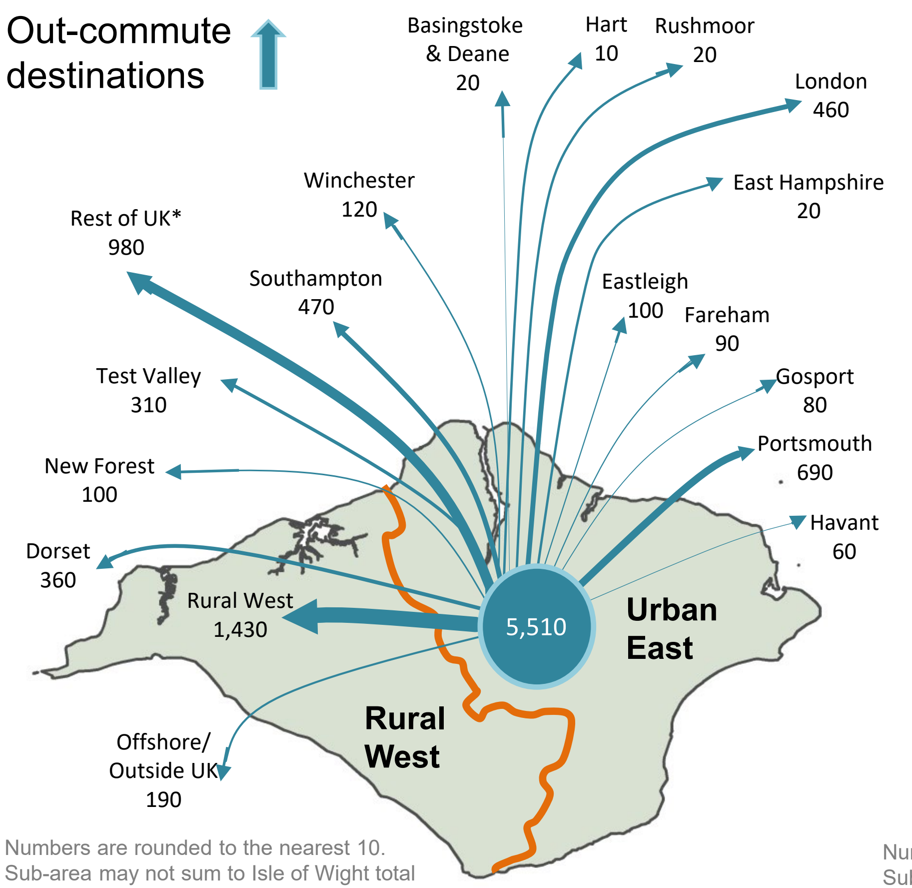
Numbers are rounded to the nearest 10.

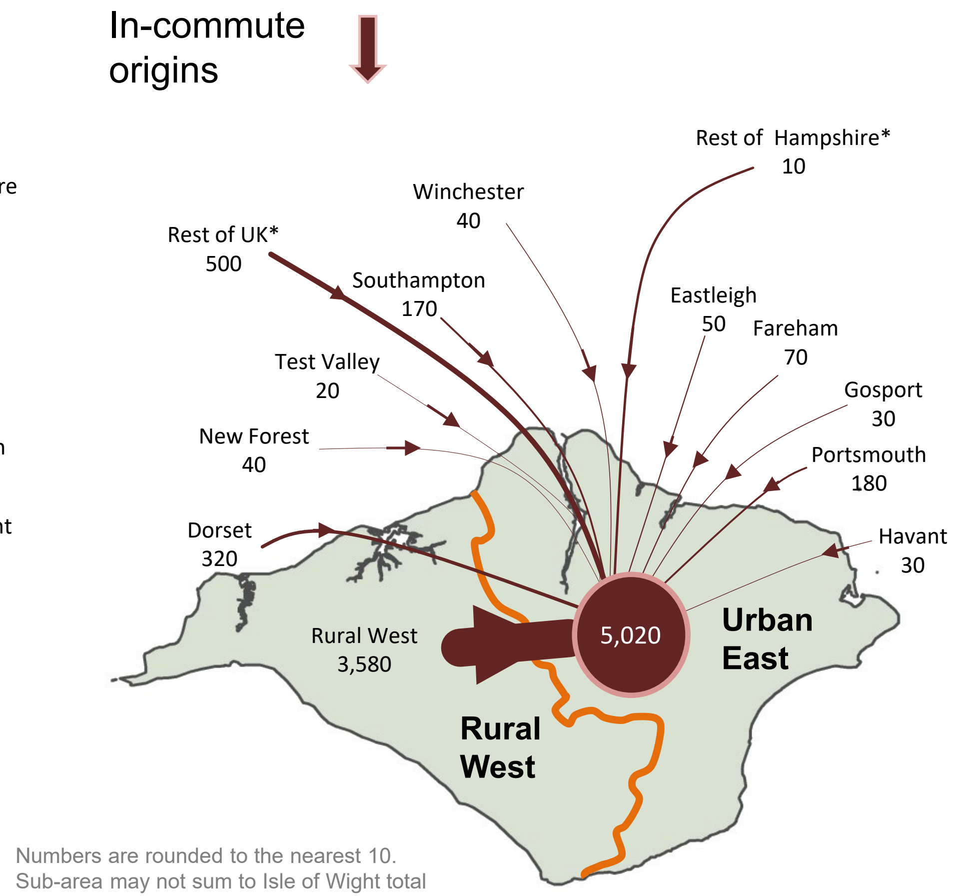
As Portsmouth and Southampton are terminus for ferry borne car and passenger traffic off the Island, they are also the two primary destinations for off-Island commuting. Around 1,300 residents commuted to a place of work in the two cities. When combined, the south Hampshire districts account for just over 1,000 commuters. Over 500 residents commuted to London, half to either Westminster or to the City, and a further 400 to Dorset. The data suggests a further 1,230 to the rest of the UK although there are doubts on destinations closer to Wales due to known coding issues with Newport (Wales) and Newport (Isle of Wight).

Commuter flows are one-sided with relatively few in-commuter flows from the mainland. Nonetheless the two cities are a primary source of workers from the mainland commuting to a destination on the Island. Similar numbers (circa 300) in-commute from south Hampshire districts and from Dorset. The data suggest a further 500 from the rest of the UK although there are doubts on those origins closer to Wales due to known coding issues with Newport (Wales) and Newport (Isle of Wight).

Source: ONS Census 2011. *Excludes flows between the Isle of Wight and Wales due to postcode coding errors with Newport (Wales) and Newport (IoW). Note some other destinations and origins close to Wales are included e.g. Gloucestershire, and commuter flows to and from the Rest of the UK are indicative.

Commuting patterns: heaviest commuter flows for Urban East is with the Rural West, followed by Solent locations





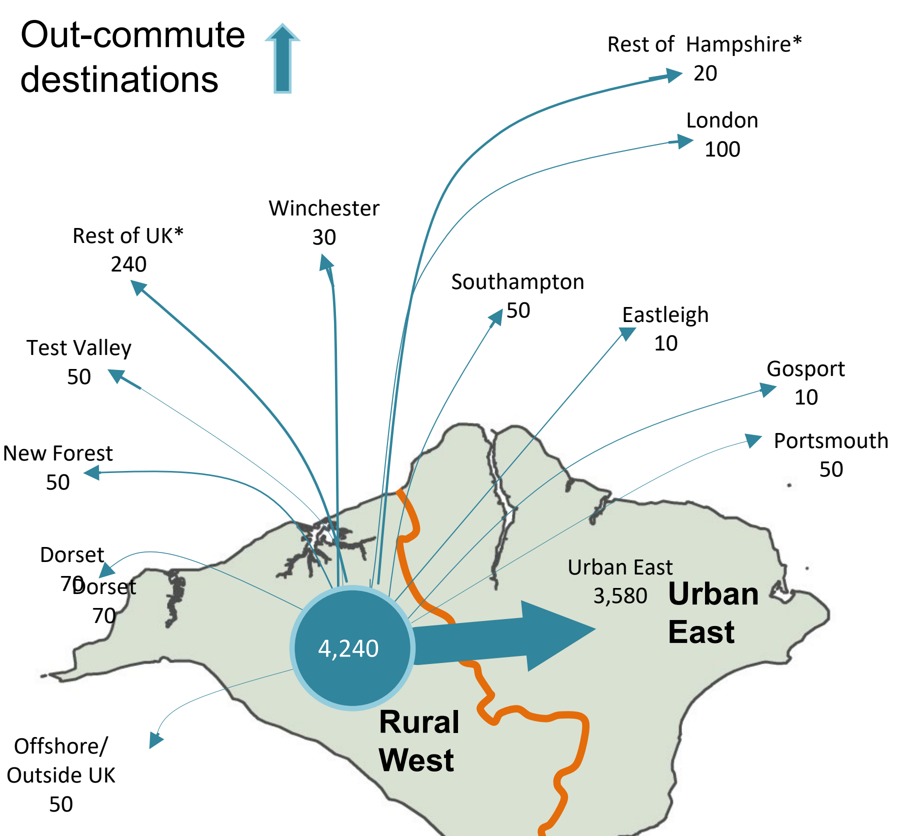
The urban east accounts for approximately 86% of all off Island commuting, the distribution of destinations is similar to the overall out-commuter flow. Therefore the two cities, south Hampshire, London and Dorset are the primary destinations.

However, the largest destination is to the rural west with 1,430 residents commuting to a place of work that reflects more job opportunities and most likely cheaper commutes.

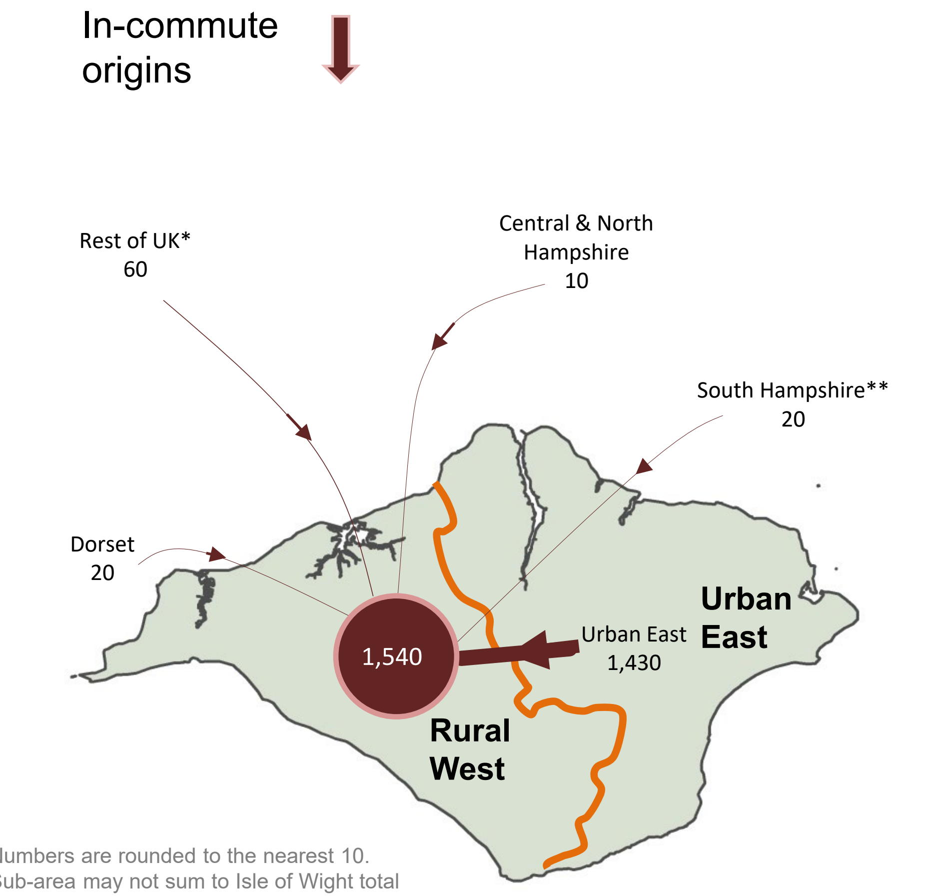
As with the Island total, commuter flows are one-sided with relatively few flows from the mainland and from destinations i.e. from south Hampshire districts and from Dorset. The urban east accounts for approximately 93% of all mainland commuting to the Island.

However, the largest origin of in-commuters is from the rural west with over 3,500 residents commuting to a place of work that reflects more job opportunities and most likely cheaper commutes. This large influx from the rural west will impact road infrastructure and peak time congestions

Source: ONS Census 2011. *Excludes flows between the Isle of Wight and Wales due to postcode coding errors with Newport (Wales) and Newport (IoW). Note some other destinations and origins close to Wales are included e.g. Gloucestershire, and commuter flows to and from the Rest of the UK are indicative.



Numbers are rounded to the nearest 10.
Sub-area may not sum to Isle of Wight total



Numbers are rounded to the nearest 10.
Sub-area may not sum to Isle of Wight total

With fewer major employment centres the predominantly rural west has a net out-flow of commuters in all areas (see page 57), mostly to the urban east. Approximately 85% of all out-commutes from the rural west are to the urban east.

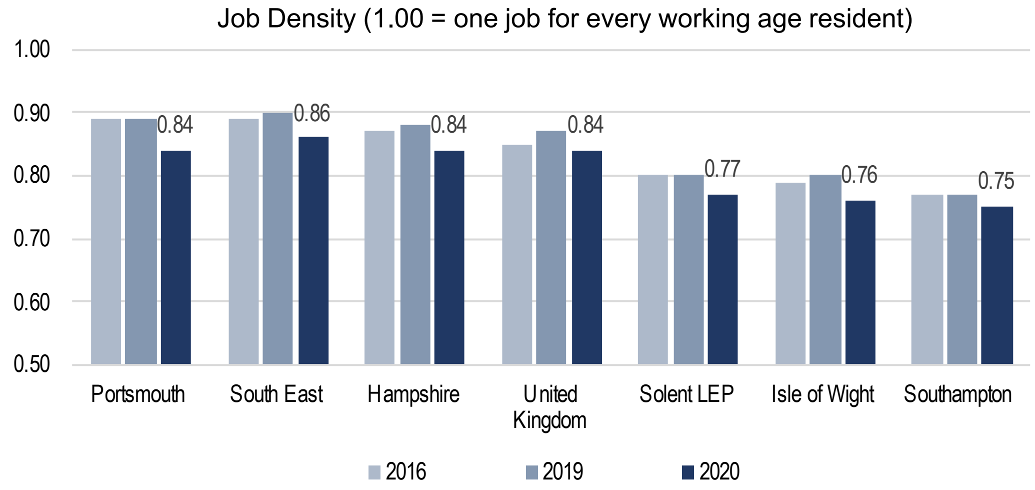
Off Island the primary destination for Isle of Wight workers was London (100). This data is likely to represent higher earners that can afford the commute.

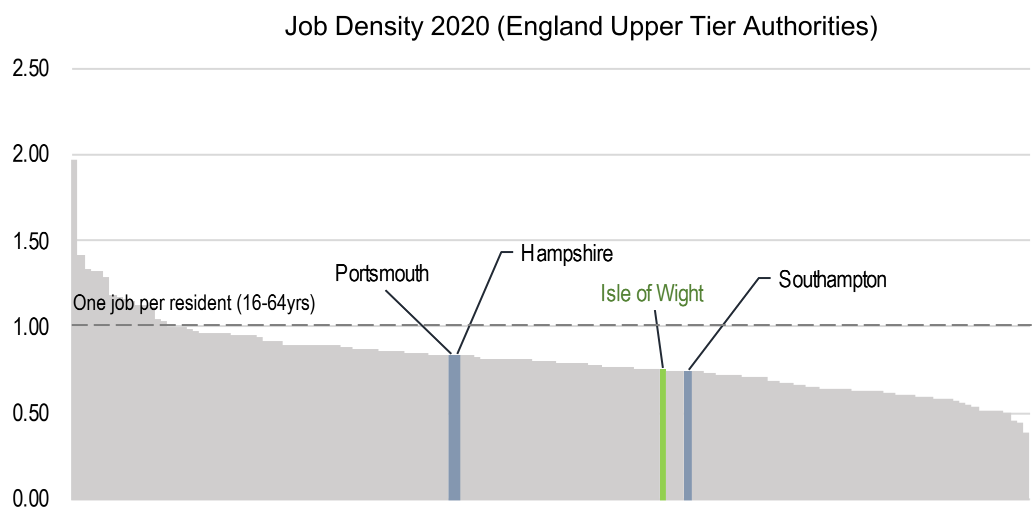
With few major employment centres there is little commuting from the mainland to the rural west. Approximately 93% of all in-commuting to the rural west comes from the urban east.

With no rail connections the disparity in flows is likely to see heavy west-to-east road traffic flows along the A3054 and A3055 in the morning and vice versa in the evening, or along the smaller B-roads (e.g. B3323, B3399, B3401)

Source: ONS Census 2011. *Excludes flows between the Isle of Wight and Wales due to postcode coding errors with Newport (Wales) and Newport (IoW). Note some other destinations and origins close to Wales are included e.g. Gloucestershire, and commuter flows to and from the Rest of the UK are indicative. ** South Hampshire = Solent LEP (new definition) minus IoW.

Job density: low resident job density on the Isle of Wight made worse by the pandemic



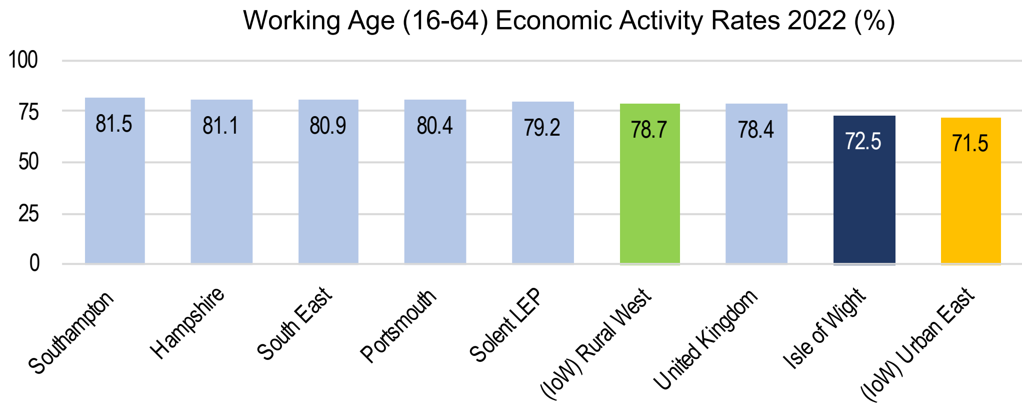


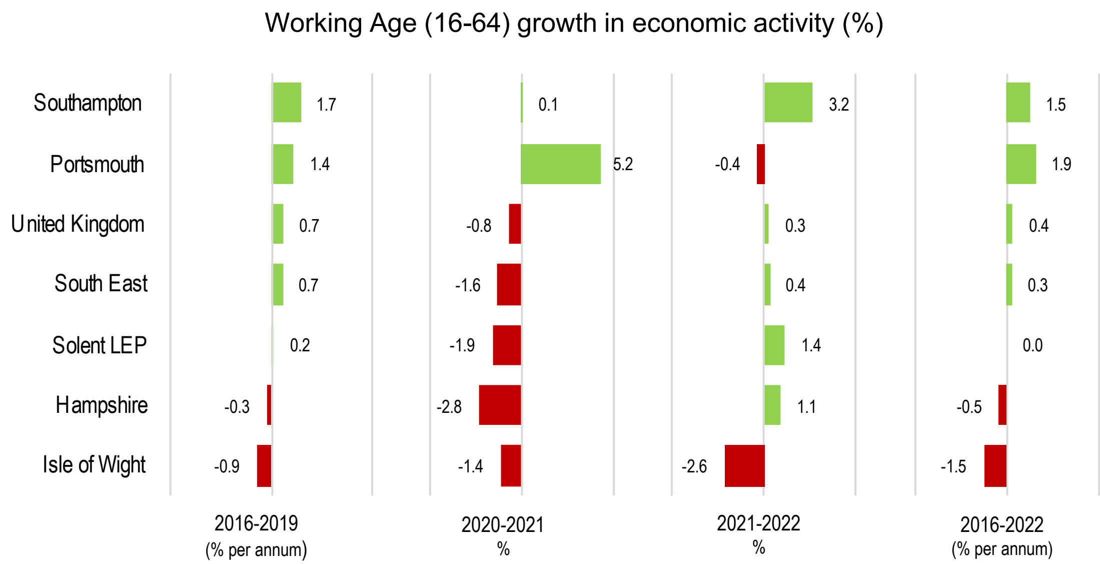
Source: ONS (2022). *excludes City of London (83.71) and Westminster (3.91) which are both outliers with much higher job density values.

- The job density of an area is expressed as the number of workplace jobs per head of the resident population aged 16 to 64. A value of 1.00 would mean that there is theoretically one job for every resident of working age in the local population. Job Density is often used as an historic indicator of labour demand.
- In 2020, the Isle of Wight had a job density of 0.76, equivalent to a job for 76 out of every 100 working age residents.
- Job density on the Isle of Wight remained comparably low over time and in 2020 saw a small decrease in response to the pandemic, as did all benchmark areas. The Isle of Wight saw a four percentage point decrease in job density in 2020, twice that of Southampton (-2ppts, and smallest change) but lower than Portsmouth (-5ppts, and largest change). All areas have a lower job density in 2020 than in 2016.
- In terms of total jobs, numbers fell from 64,000 in 2019 to 61,000 in 2020, a difference of -4,000. As there was no change in total jobs between 2016 and 2019 the gap with the baseline year is the same i.e., 4,000 fewer total jobs over the medium term.
- In theory there are not enough jobs on the Isle of Wight for the population. However, there is always some frictional unemployment in any economy and economic inactivity rates tend to be around 20% of the people of working age. Given its demographic outlook the Island will increasingly have to look to economically inactive residents as an important source of labour for its economy or rely on immigration or investment in technology to boost productivity.
- The median job density for the 150* upper tier authorities in England is 0.80, placing the Isle of Wight in the lowest half of English upper tier authorities on job density, but not in the lowest quartile. It is not clear from the latest headline employment data (p62) that job density will recover to pre-pandemic levels, but timelier payroll data is presents a more optimistic picture (p64).

Economic Activity: lower labour market participation and falling economic activity presents a challenge for the Isle of Wight economy

Isle of Wight	2016	2019	2020	2021	2022	Medium term 2016-2022
Active residents aged 16-64yrs	60,200	58,600	58,000	57,200	55,700	
Change on previous period		-1,600	-600	-800	-1,500	-4,500





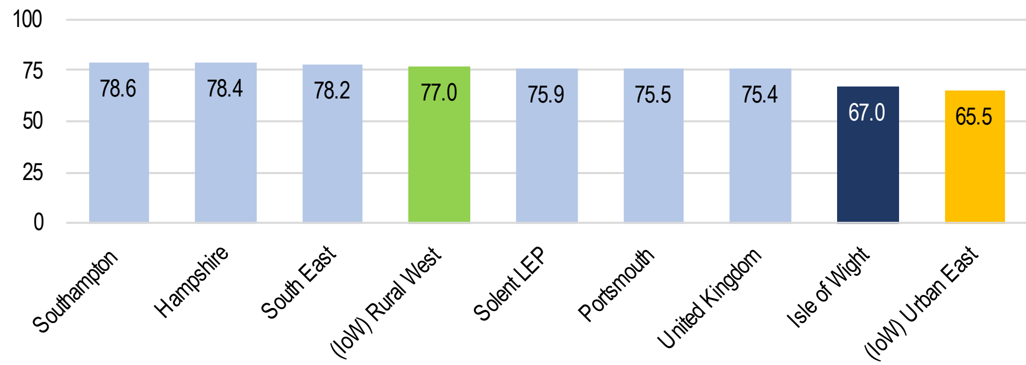
Source: ONS 2022. Annual Population Survey 12 mths to June for 2016, 2019-2022. ONS MYE estimates 2011-2020 - Working age decreased 4% while over 65s increased by 5%.

- Economic activity, on the supply side of the labour market is measured by employment plus the number of people who are actively looking for work (unemployed). Since the economic rebound in 2021 labour markets have been described as 'tight', in that unemployment is low but unfilled job vacancies remain high. Whilst other factors are at play, the tight labour market is in part being driven by rising inactivity that has been exacerbated by the pandemic (see p84). As a predominantly closed labour market, also experiencing a shrinking working age population, any contraction in the economically active population will present challenges for the Isle of Wight economy.
- In 2022 the Isle of Wight had an estimated 55,700 working age residents who were economically active, representing close to three in every four (72.5%) working age residents.
- However, the Isle of Wight had the lowest economic activity rate (72.5%) across all benchmark areas, although the rural west sub-area (78.7%) was marginally above the national rate (78.4%). However, the Isle of Wight was a full ten percentage points (ppts) lower than Southampton (81.5%), and 5.9ppts lower than the national average.
- Economic activity on the Isle of Wight was already on a broadly downward trajectory in the pre-pandemic period, falling by -0.9% per annum. Only Hampshire saw negative growth over the same period, albeit at a rate of growth two thirds lower compared to the Isle of Wight. This contrasts to the two cities that saw increases in economic activity.
- As a result of the pandemic most areas saw a fall in economic activity. With the UK economy rebounding in 2021-2022 almost all areas saw economic activity increase. However, the Isle of Wight continued to see falling economic activity rates (-2.6%) – only Portsmouth (-0.4%) also saw negative growth.
- Over the medium term (2016-2022) the Isle of Wight saw 4,500 fewer economically active residents, and averaged negative growth of -1.5% per annum, three times as large as Hampshire; the only other benchmark area to see negative growth over the medium term.

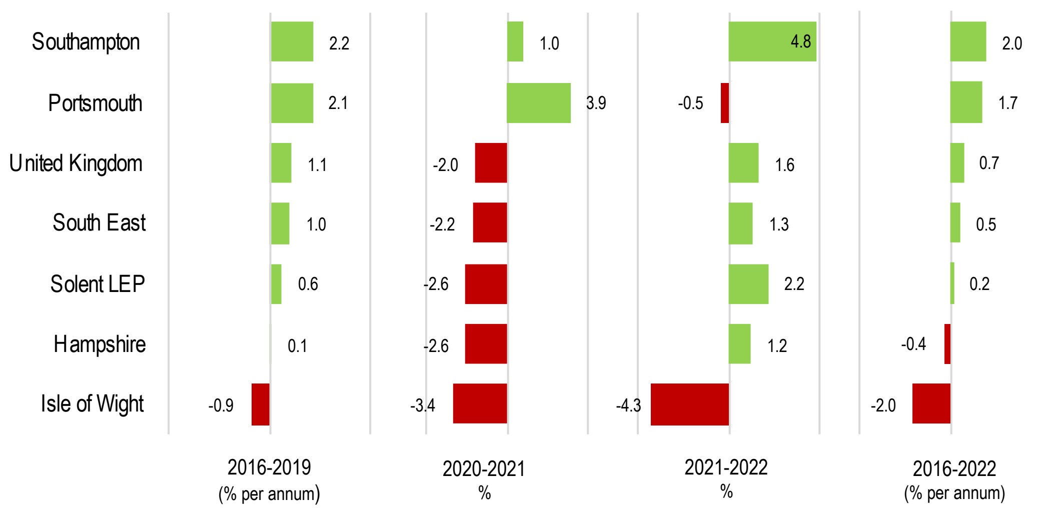
Employment: falling resident employment exacerbated by pandemic with no sign of recovery

Isle of Wight	2016	2019	2020	2021	2022	Medium term 2016-2022
Employed residents aged 16-64yrs	57,200	55,600	55,800	53,900	51,600	
Change on previous period		-1,600	+200	-1,900	-2,300	-5,600

Working Age (16-64) Employment Rates 2022 (%)



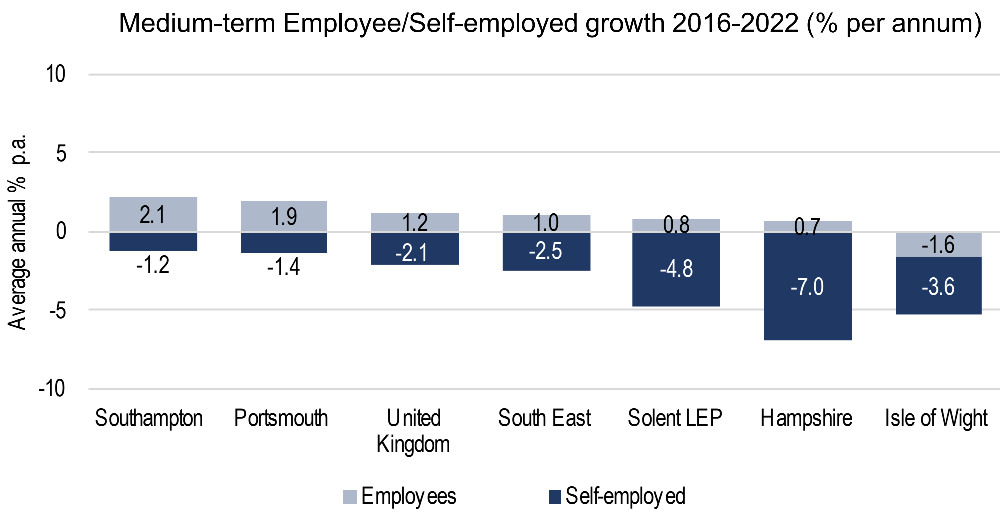
Working Age (16-64) growth in employment (%)



Source: ONS 2022. Annual Population Survey 12 mths to June for 2016, 2019-2022.

- In 2022 the Isle of Wight had an estimated 51,600 working age residents in employment, representing 67% of the working age population. This is a relatively low employment rate, and the lowest among the benchmark areas over the 12 months to June 2022.
- In the pre-pandemic period (2016-2019) the Isle of Wight saw cumulative employment fall by 1,600. The growth rate over this period decreased on average by 0.9% per annum. This contrasts to growth across all other benchmark areas, ranging from robust growth in the two cities that saw on average growth at just over 2% per annum, to more marginal growth in Hampshire (0.1% per annum).
- Over the year to June 2020 the Isle of Wight saw a marginal increase in employment (+200), but over the year to June 2021 average employment levels fell by a further 1,900 in response to the pandemic, while the rate decreased by 3.4%, the largest negative change across the benchmark areas. In contrast, the two cities saw growth, notably Portsmouth (3.9%) as they benefited from higher consumption and smaller impacts of the pandemic on medium and large businesses that are concentrated in cities.
- In the 'recovery' period (2021-2022) employment levels fell by a further 2,200 and the rate by 2.0%, a greater margin than all benchmark areas. Falling employment has been accompanied by a rise in unemployment (see p65) despite government support (see p64), but the evidence suggests most people losing jobs are probably moving into inactivity (see p84).
- Over the medium term the Isle of Wight has seen cumulatively 5,600 fewer residents in employment since 2016, and on average negative growth of 2.0% per annum. As such, the employment gap between 2016 and 2022 has widened against all benchmark areas.
- Sub-area data is not reliable enough to compare growth, notably for the rural Isle of Wight due to much smaller sample populations. Nonetheless, the sub-area data infers employment losses focused in the predominantly urban east of the Isle of Wight.

Employment: proportionately more self-employed workers than elsewhere and disproportionately hit by the pandemic

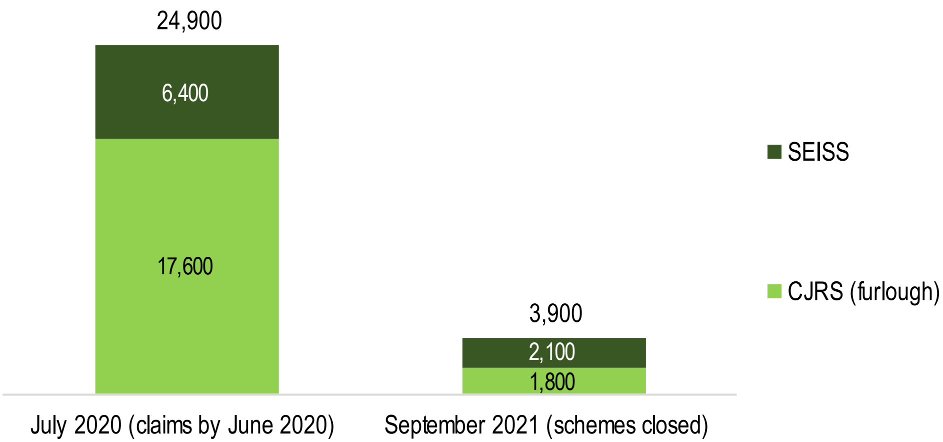


Source: ONS 2022. Annual Population Survey 12 mths to June for 2016, 2019-2022. Excludes residents in temporary work.

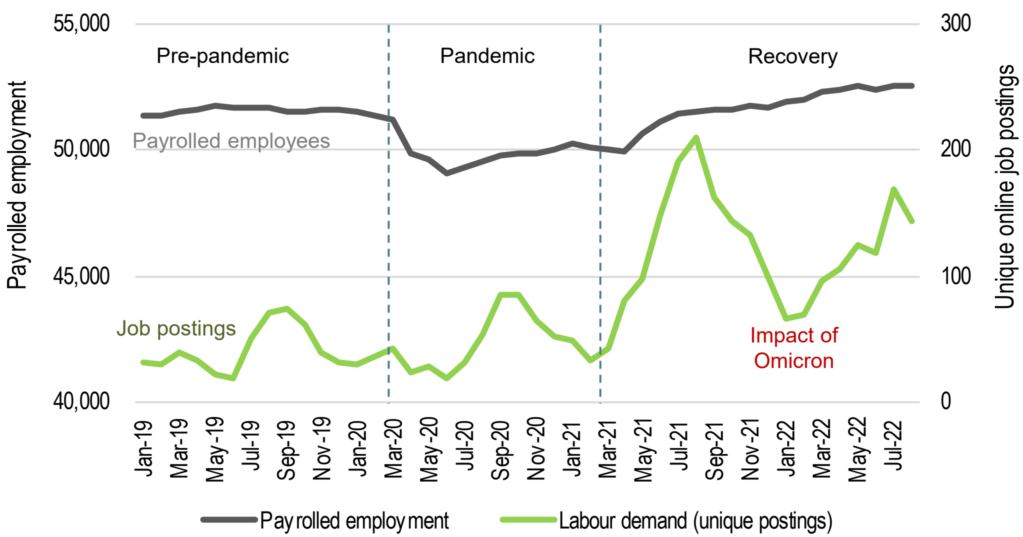
- There were around 42,800 employees on the Isle of Wight in 2022 out of 51,600 people in employment. Employees accounts for 83% of those in employment giving the Isle of Wight (and two sub-areas) the lowest share among the benchmark areas.
- The percentage share of the resident workforce on the Isle of Wight who are employees has remained consistently in the low 80s since 2016, and constantly lower than all the benchmark areas. This will reflect the industrial structure on the Isle of Wight and the lack of larger employers.
- Over the medium term the Isle of Wight has seen 3,700 fewer employees since 2016, and on average, negative growth of -1.6% per annum. Counterintuitively, the employee share of employment increased from 81.3% in 2016 to 83% in 2022. However, this is due to a smaller overall employment population in 2022 uplifting the rate but also, proportionately larger job losses for self-employment.
- The Isle of Wight resident workforce in 2022 had around 8,500 self-employed workers, which represents 16.4% of all working age residents in employment. Along with the two sub-areas the Isle of Wight has the largest self-employment shares across the benchmark areas.
- The percentage share of the Isle of Wight workforce who are self-employed has been around 17% +/- 1% since 2016 and been consistently higher than all benchmark areas. This again reflect the nature of business activities that take place on the Isle of Wight.
- Over the medium term the Isle of Wight has seen 1,700 fewer self-employed residents since 2016, and on average, negative growth of -3.6% per annum. The self-employed share of employment has decreased from 17.7% in 2016 down to 16.4% in 2022. However, this is due to proportionately larger job losses in self-employment.
- Research suggests that the self-employed were hit harder than employees during pandemic primarily by limiting the extent many self-employed workers could work and despite the SEISS scheme.

Employment: nearly half of the workforce supported by job protection during pandemic, with strong (seasonal) post-pandemic demand for labour

Isle of Wight Residents accessing government job support schemes 2020-2021



Isle of Wight resident payrolled employees and labour demand (job postings) Jan 2019 – Aug 2022



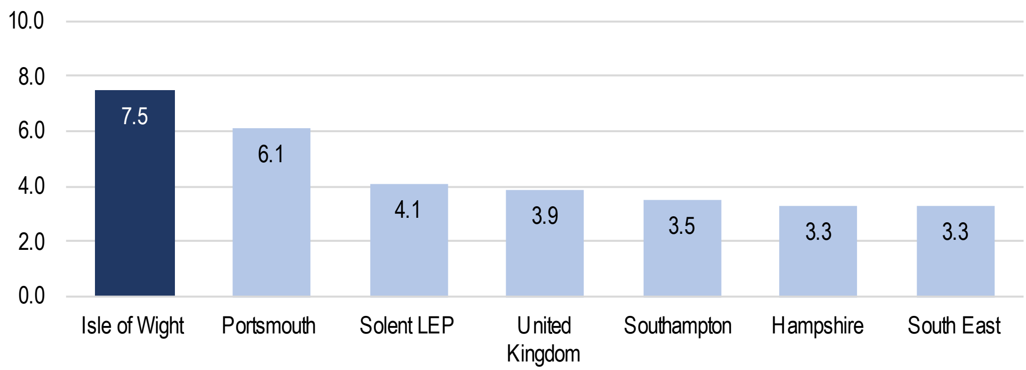
Source: ONS/HMRC 2022, Lightcast 2022.*Tax definition so not comparable to headline ONS employee data. Also, evidence to suggest self-employed re-classed themselves as employees to access furlough.

- In response to the emerging pandemic in 2020, the government introduced unprecedented job support schemes for employees (CJRS or furlough) and for the self-employed (SEISS). By July 2020, around 25,000 Isle of Wight residents were being supported by both schemes, around half of those in employment.
- As the economy largely re-opened in March 2021, and the economy rebounded, the number supported in September 2021 with the closure of both schemes was 3,900. Fears of an uptick in unemployment did not materialise and most furloughed workers appear to have returned to employment, although not necessarily in the same job or sector, thereby exacerbating a skills shortage for some industries, particularly those previously reliant on EU workers such as hospitality and care.
- Using timelier employee* payroll data, pre-pandemic employment levels on the Isle of Wight were stable, but the first national lockdown in March 2020 saw a sharp fall in employee numbers before levelling off as job support schemes came into play. The re-opening of large parts of the economy from March 2021 onwards saw a rise in employee jobs with demand for labour increasing. Growth slowed in the second half of 2021 before seeing an uptick in early 2022. The increase in employees will be down to a surge in labour demand following the three national lockdowns, although Omicron temporarily dented demand for labour, particularly in hospitality. Employee levels on the Isle of Wight returned to pre-pandemic levels by July 2021 according to HMRC PAYE data.
- Using online job postings as a proxy for labour demand, the Isle of Wight saw the usual seasonal demand, with demand in summer 2020 not overly different. However, the opening-up of the economy in March 2021 and the increase in staycations saw a significant rise in demand before falling away in autumn as Omicron restrictions dampened demand.
- Seasonal demand for labour in 2022 remains strong on the Isle of Wight, although there are signs of an easing in demand with growing uncertainty over the economy leading to possible delays in hiring intentions, although skills shortages remain a challenge.

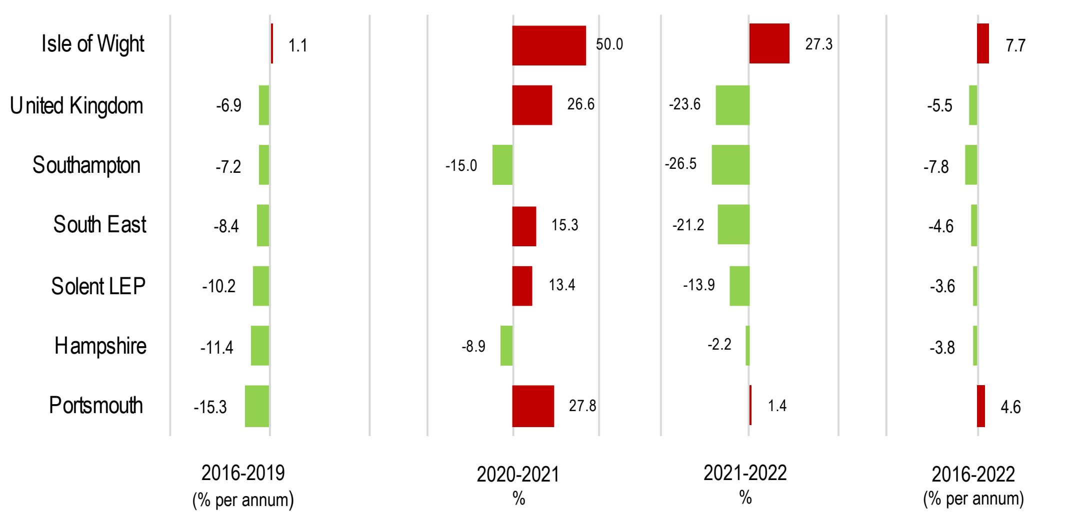
Unemployment: high and rising unemployment contrasts most other areas

Isle of Wight	2016	2019	2020	2021	2022	Medium term 2016-2022
Active residents aged 16-64yrs	2,900	3,000	2,200	3,300	4,200	
Change on previous period		+100	-800	+1,100	+900	+1,300

Working Age (16-64) Unemployment Rates 2022 (%)*



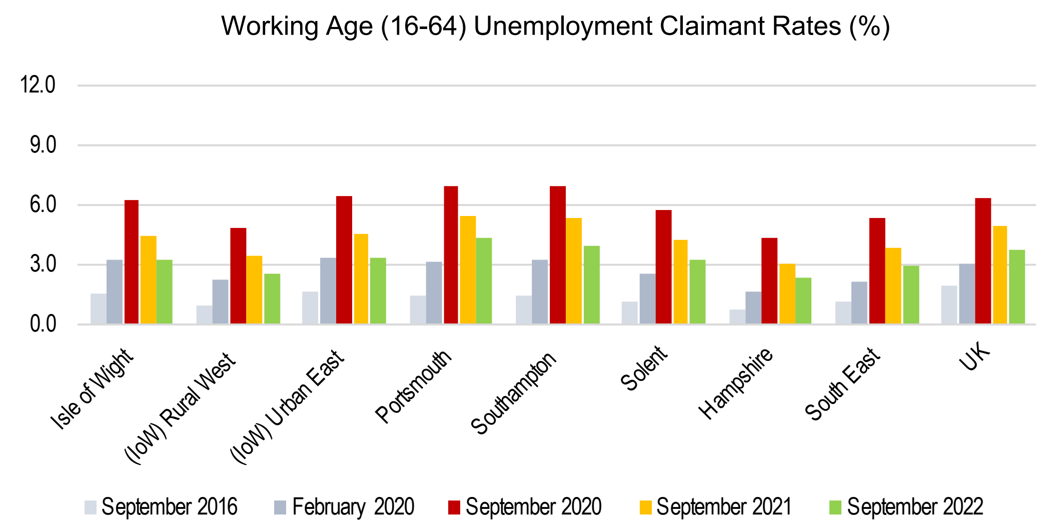
Working Age (16-64) growth in unemployment %

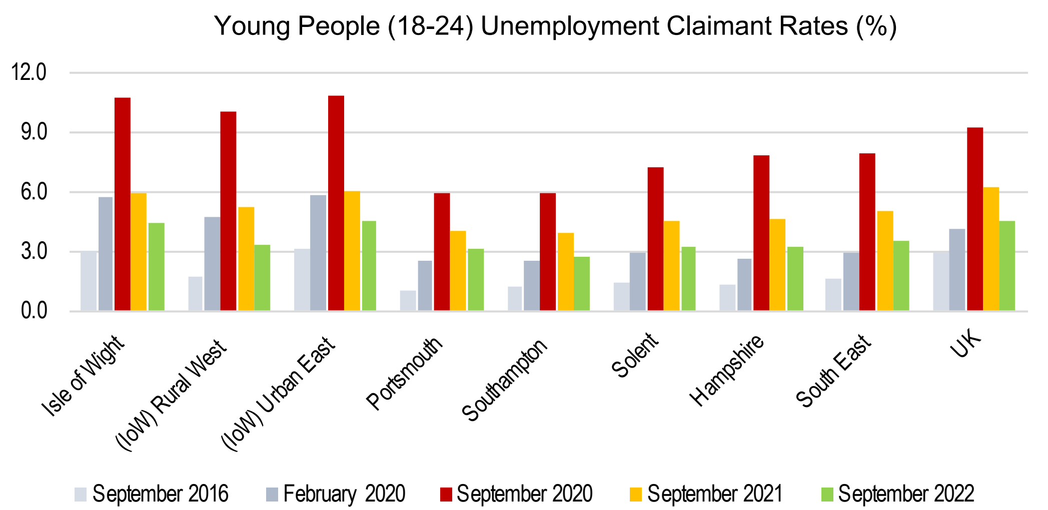


Source: ONS 2022. Annual Population Survey 12 mths to June for 2016, 2019-2022. *Sub-area data not reliable, see Claimant Counts for sub-area unemployment.

- The Isle of Wight has a relatively high resident working age unemployment rate at 7.5% against other benchmark areas*. The number of working age unemployed residents was 4,200 in the year to June 2022. This remains well above the 2016 baseline, and during the pandemic and UK economic rebound periods. However, the low participation rate is more of an issue for the Isle of Wight (see p84).
- Pre-pandemic, the Isle of Wight saw little change in unemployment levels, although this edged up between 2016-2019 with the unemployment rate increasing on average by 1.1% per annum. This was in stark contrast to unemployment rates decreasing across all the benchmark areas.
- Like employment, there was an improvement (decrease) in unemployment (-800) averaged over the year to June 2020, but in the year to 2021 unemployment levels rose by a further 1,100 (50%) in response to the pandemic. Most benchmark areas equally saw an increase, albeit not to the same extent - except for Southampton and Hampshire.
- The UK 'recovery' period (2021-2022) saw rising unemployment on the Isle of Wight in contrast to falling unemployment for most benchmark trends (Portsmouth was the only other area to see a rise). Unemployment levels on the Isle of Wight rose by a further 900 working age residents.
- Over the medium term there were 1,300 more working age residents in unemployment than in 2016, despite government job support. However, timelier 2022 claimant count data show unemployment falling back to pre-pandemic levels (p66).
- Nonetheless, strong demand for labour (p64) implies that unemployment could be lower than it currently is and suggests a skills mismatch, that alongside economic inactivity, is leading to many employers continuing to face staffing gaps amid a tight labour market.
- The combination of rising inflation, the increase in Bank of England base rates, and low economic growth (stagflation) has increased the likelihood of recession in late 2022 and 2023, and that will inevitably lead to a rise in unemployment.

Unemployment: falling claimant count unemployment but above average youth unemployment





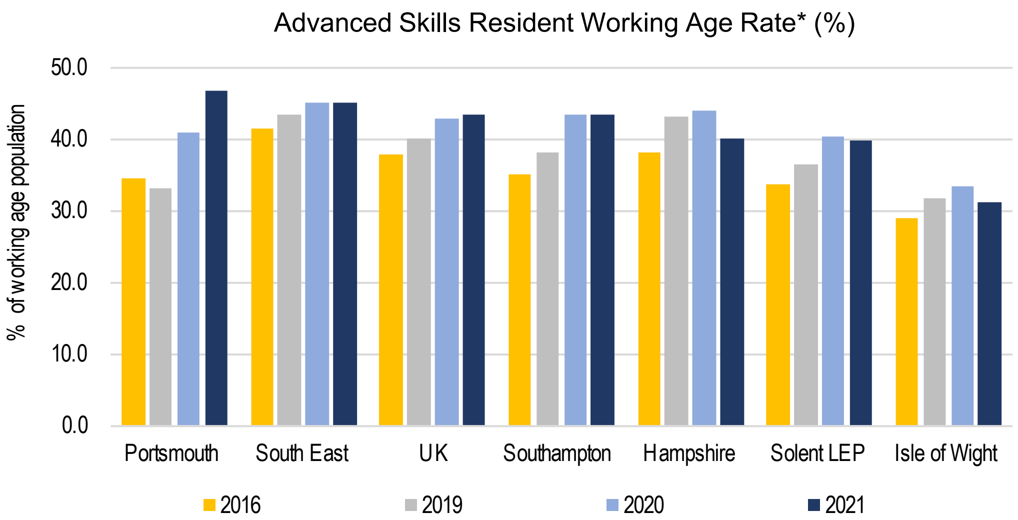
Source: ONS 2022. *claimant count is an administrative measure of residents who are both eligible and successfully applied for Universal Credit (out of work), although may also include some legacy JSA claimants. The headline unemployment uses the wider ILO definition of unemployment.

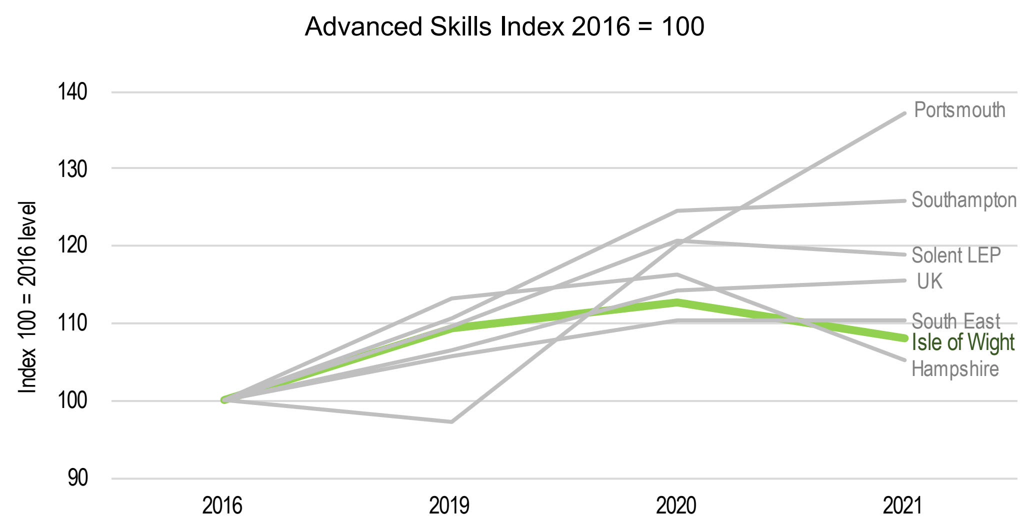
- Headline (survey-based) unemployment is a lagging indictor but using the timelier but narrower* definition of unemployment, the seasonally unadjusted claimant counts can provide a more up-to-date picture.
- On this measure in September 2022, just under 2,600 Isle of Wight working age residents were claiming unemployment benefits, representing 3.2% of the working age population. This is 0.5 percentage points (ppts) lower than the national average and in line with the Solent average. Only Hampshire (2.3%) and the South East (2.9%) are lower than the Isle of Wight
- The pandemic saw a spike in unemployment benefit claimants in spring 2020 and peaking on the Isle of Wight at 7% in May 2020 (5,500 claimants), with government job support schemes preventing even higher unemployment.
- The re-opening of large parts of the economy in March 2021 saw a steady fall in unemployment although still above pre-pandemic levels by 1.2ppts and by nearly 900 claimants. The Isle of Wight had the fastest recovery rate over this period (-1.2ppts).
- By September 2022, the Isle of Wight's unemployment numbers and claimant rate were back to pre-pandemic levels (3.2% and close to 2,600), unlike the benchmark areas with claimants and rates still above their pre-pandemic levels.
- There were close to 400 young people aged 18-24 on unemployment benefits on the Isle of Wight in September 2022, representing 4.4% of 18-24-year-olds. The Isle of Wight rate is only lower than the national average (4.6%), and 1.6ppts above Southampton with the lowest benchmark rate.
- As young people are more vulnerable to unemployment during an economic shock, youth unemployment (aged 18-24 years) initially saw a larger increase following the lockdown. Rates peaked twice on the Isle of Wight at 12% (June 2020 and March 2021) which was above all benchmark rates, but was down to 4.4% in September 2022, and below pre-pandemic levels by around 1.3ppts (120 fewer claimants), unlike the benchmark areas with claimants and rates still above their pre-pandemic levels.

4. Skills, Education and Occupations

4.1 High Qualifications/Skills

Advanced Skills: relatively few but rising residents with advanced skills but a sharp fall during the pandemic





Source: ONS 2022. Notes: *Advanced Qualification **Level 4+ (levels 4-8)**: Certificate of Education, Diplomas/Degrees, Postgraduate qualifications such as masters and doctorates (PhD). All skills data from the APS should be viewed with caution due to sample size and response bias.

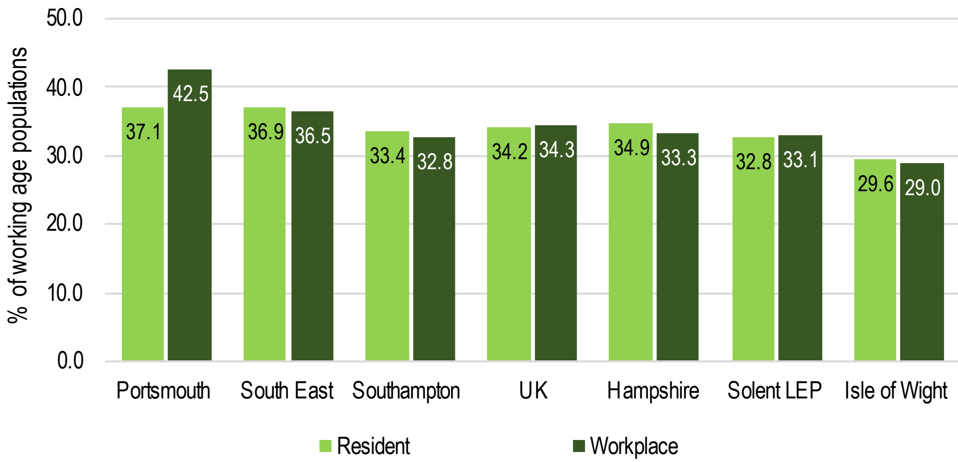
- Having a sufficiently skilled workforce is critical to economic success on the Isle of Wight especially as labour markets and skills evolve, but also for achieving wider social mobility through greater equality of opportunity.
- Advanced skills* (above A-level and up to doctorate/PhD) in particular, enhance employment opportunities for the individual and are a key driver of productivity growth, competitiveness and economic prosperity of a local economy.
- The Isle of Wight has consistently lagged behind the benchmark areas for the proportion of working age residents with an advanced qualification. Although the Isle of Wight has made overall gains on 2016 rates, with the exception of Hampshire (no real change), the gap in advanced skills has widened on the Isle of Wight relative to the benchmark areas over the medium term since 2016.
- The Isle of Wight had 24,000 residents in 2021 with an advanced skill. This equates to 31.3% of the working age population, which is below all benchmarks, but notably lower than Portsmouth (46.8%) and the South East average (45.2%).
- The Isle of Wight saw a cumulative growth rate of 3.1% (+2,400) between 2016 and 2019, which was only slower than Hampshire (4.2%) but in line with Solent LEP average. There was slower growth during the pandemic (2.9%, +700), with the Isle of Wight only outperforming Hampshire (2.7%).

  Although some care is needed interpreting data captured during the pandemic, the data suggests the Isle of Wight saw its advanced skills rate slip in 2021 (-4.0%), with only Hampshire seeing worse figures (-9.5%). Between 2020 and 2021 the Isle of Wight potentially saw 1,000 fewer residents with an advanced qualification.

  Over the medium term (2016-2021) the Isle of Wight has seen the number of working age residents with an advanced qualification increase by 1,800 (+1.6%) but numbers are lower than in 2019 and 2020.
- It is not apparent why the numbers have fallen away in 2021. It could be data quality, or down to stricter post-Brexit controls that saw highly skilled EU residents returning to the EU and either unable or not willing to return, or proportionately more mature residents aging and no longer counted as working age.

High-Skilled Occupations: a large and widening gap among highly-skilled occupations

High-Skilled Occupations Resident Working Age Rate (%) 2021



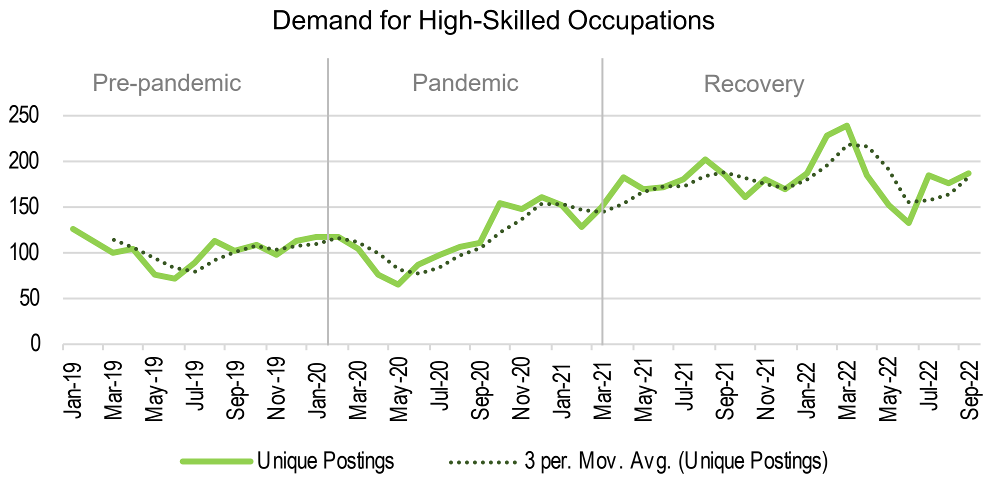
High-Skilled Occupations Growth

Resident	2016-2019 Pre-pandemic (av. % per annum)	Pandemic % (2019-2020)	Partial Recovery % (2020-2021)	2016-2021 (av. % per annum)
Isle of Wight	0.0	6.0	-8.5	-0.6
Solent LEP	1.8	3.9	4.0	2.6
UK	3.1	3.3	0.3	2.5
Workplace	**2016-2019 Pre-pandemic (av. % per annum)**	**Pandemic % (2019-2020)**	**Partial Recovery % (2020-2021)**	**2016-2021 (av. % per annum)**
Isle of Wight	-0.8	0.0	1.3	-0.3
Solent LEP	2.4	3.6	1.8	2.5
UK	3.1	3.4	0.2	2.6

Source: ONS 2022. Notes: *Advanced Qualification **Level 4+ (levels 4-8)**: Certificate of Education, Diplomas/Degrees, Postgraduate qualifications such as masters and doctorates (PhD).

- High-skilled occupations* are important for the same reasons as advanced skills, with a large degree of overlap between the two data sources. In addition, there is a suggestion that local business growth in high-skilled tech sectors can have a multiplier effect on lower skilled local services jobs i.e., to meet the needs of the high-skilled workers the highly skilled spend more of their income where they live and that in turn creates demand in local service industries.
- On the latest estimates the Isle of Wight has 16,200 residents employed in high-skilled occupations, one in five (20.4%) of the working age population – much lower than all other benchmarks (ranging from 25% for Solent LEP area to 30% in the South East).
- For those who are employed on the Isle of Wight there were fewer workers in high-skilled occupations (15,700), which points to more high-skilled employment opportunities outside the Isle of Wight.
- As with resident workers, the Isle of Wight (29.0%) has a relatively smaller high-skilled workforce compared to all of the benchmark areas.
- The gap in working age high-skilled rates between the Isle of Wight and most benchmark areas have widened over the medium term for both resident and workplace populations. Primarily as other benchmarks saw working age rates generally increase by relatively larger margins.
- There was little or no growth in the pre-pandemic period on the Isle of Wight in contrast to the Solent LEP and national averages that saw growth. The pandemic period saw robust resident worker growth outperform the Solent and UK, but no change in workplace levels. The partial recovery in 2020-21 saw a large decrease in residents (which correlates with qualifications) but a degree of workplace growth, possibly due to the re-opening of the economy and resumption of some commuting.
- Overall 2021 levels of the Isle of Wight's employment in high-skilled occupations is lower for both for residents (500) and workplace workers (-200) when compared to 2016.

High skilled: rising vacancies peaked in Q2 2022



- Using unique online job postings as a proxy for demand for labour, the Isle of Wight has seen a recovery on the pandemic dip with the first and subsequent lockdowns. Current recovery levels are above pre-pandemic figures reflecting the reopening of the economy in 2021 and seasonal fluctuations in demand in 2022 as businesses struggle to recruit workers.
- Reflecting pre-existing structural shortages in health care, demand for nurses was high before the pandemic but noticeably increased in 2020-2021 to cope with Covid-19 and various vaccination programmes. There is also demand in 2022 for IT and business services in sales and analytical roles. With a strong manufacturing base, demand is also evident for production management and engineering professionals.

Top 10 In-Demand High-Skilled Occupations 2019-2022

Top 10 September 2019
Prod. & Process Engineers
Nurses
Programmers & Software
Prod. Man. & Dir. Manu.
Pharmacists
Engineering Professionals
Teaching & Other Edu. Prof.
Managers &Proprietors
Marketing & Sales Directors
Hotel and Accom. Managers

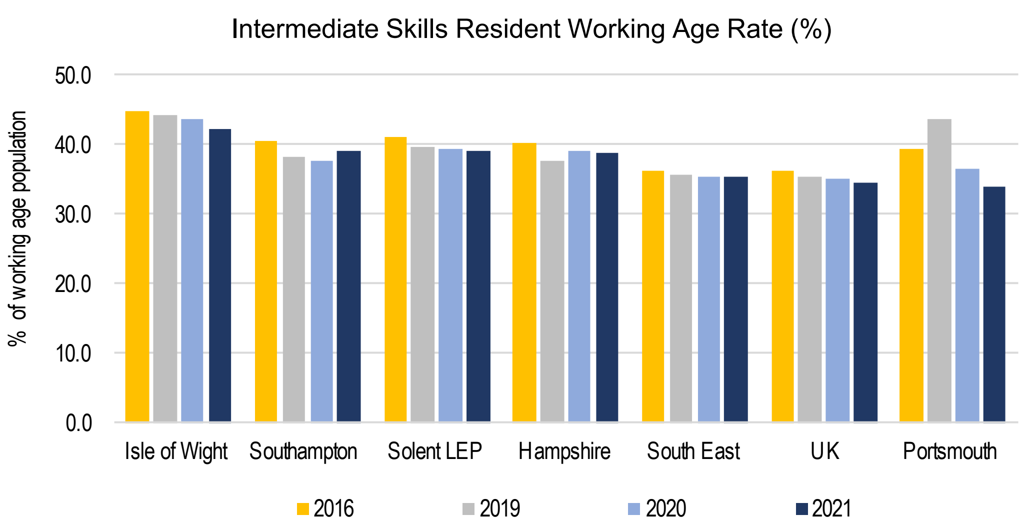
Top 10 September 2020
Nurses
Pharmacists
Managers &Proprietors
Purchasing Man. & Dir.
Programmers & Software
Dental Practitioners
FE Teaching Professionals
IT & Telecommunications
Ophthalmic Opticians
Marketing &Sales Directors

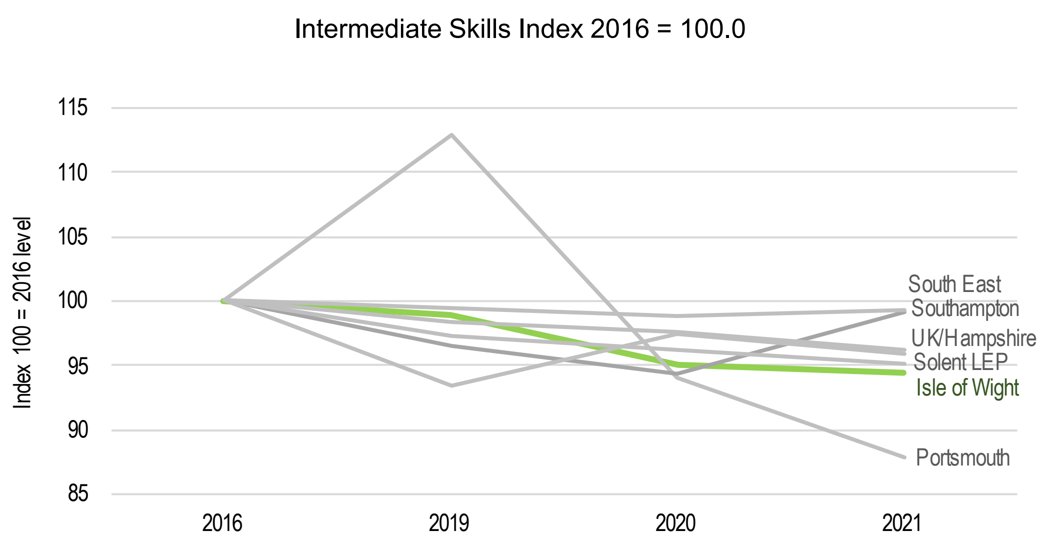
Top 10 September 2021
Nurses
Managers & Proprietors
Programmers & Software
Construction Project Man.
Marketing & Sales Directors
Chart & Cert. Accountants
Engineering Professionals
Prod. Man. & Dir. Manu.
Hotel &Accom. Managers
Business & Research Prof.

Top 10 September 2022
Nurses
Managers & Proprietors
Programmers & Software
Prod. Man. & Dir. Manu.
Marketing & Sales Directors
IT Business. Analysts
Bus. & Fin. Management
Engineering Professionals
Senior Prof. Education
Teaching

Source: Lightcast 2022. Notes: **High skilled** -1: managers, directors and senior officials and 2: professional occupations (SOC 2010)

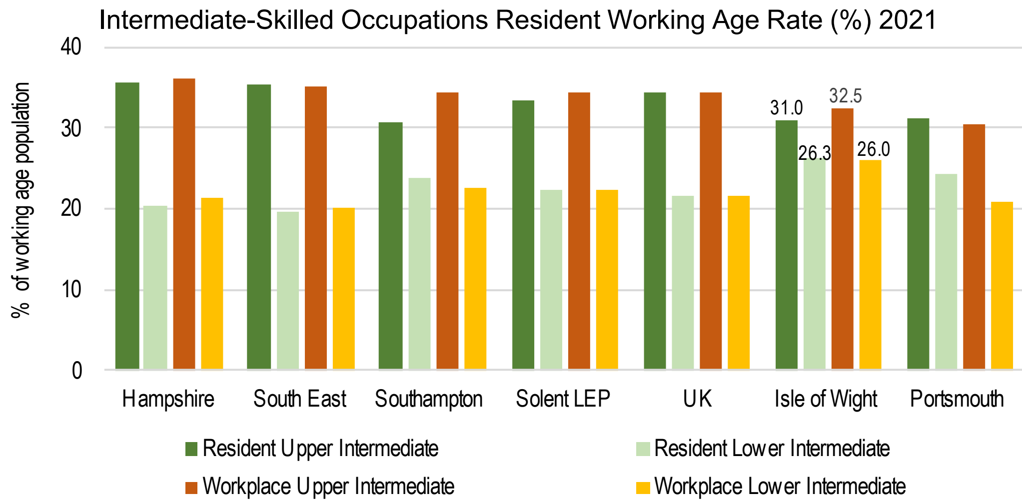
Intermediate skills: a sizeable but decreasing population with intermediate-level skills





Source: ONS 2022. Notes: Intermediate: **Level 2** (GCSEs (4-9) or equivalent NVQ2) and **Level 3 (**A levels or NVQ3, and Trade Apprenticeships). All skills data from the APS should be viewed with caution due to sample size and response bias.

- A good supply of residents with intermediate skills (GCSE grade 4-9 up to A-level or equivalents) will support several key sectors on the Isle of Wight such as tourism and parts of manufacturing. Furthermore, many new entrants to the labour market will also begin their careers with intermediate qualifications, and through further learning progress to more advanced qualifications.
- In relative terms, the Isle of Wight has consistently seen more working age residents with an intermediate qualification than all the benchmark areas. All areas have seen a degree of hollowing out of intermediate skilled residents, but only Portsmouth has seem a faster decline than the Isle of Wight.
- However, the gap in intermediate skills has narrowed on the Isle of Wight relative to all benchmark areas (except Portsmouth) over the medium term since 2016. This is not necessarily a negative trend so long as supply for intermediate skilled jobs is met, or that more residents gained higher qualifications or moved to the Isle of Wight, which does appear to be the case (see p68).
- The Isle of Wight had 32,400 residents in 2021 with intermediate skills (qualifications). This equates to 42.2% of the working age population, and above all benchmark areas, and notably above Portsmouth (34.1%) and UK average (34.6%). This is in large part explained by the structure of its economy as well as demographics.
- A degree of caution is required with data collected in 2020-2021. However, if taken at face value then the data suggests the Isle of Wight has seen a steady decline in residents with intermediate skills, and this picked up pace between 2019 and 2020 (-1,300) during the pandemic, before slowing again in 2021 (-200).
- The latest 2021 data shows a decrease in rates of -0.6% for the Isle of Wight, which is slower than other benchmark areas recording a decline, such as -6.7% in Portsmouth. In contrast Southampton saw growth of 5.1%.
- Overall, the Isle of Wight has potentially 1,900 fewer working age residents with intermediate skills in 2021 than in 2016.



Intermediate-Skilled Occupations Growth Rates

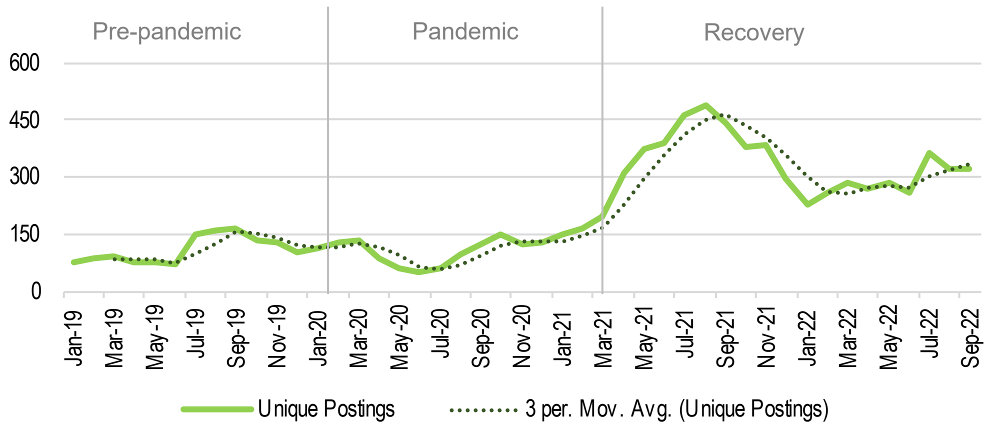
Resident	2016-2019 Pre-pandemic (av. % per annum) U	L	Pandemic % (2019-2020) U	L	Partial Recovery % (2020-2021) U	L	2016-2021 (av. % per annum) U	L
Isle of Wight	3.2	-3.2	-12.7	-4.4	-8.1	-4.6	-2.5	-3.7
Solent LEP	-0.9	1.9	0.3	-2.9	1.3	-8.2	-0.2	-1.2
UK	0.5	0.1	1.0	-4.5	-1.9	-0.7	0.1	-1.0
Workplace	**2016-2019 Pre-pandemic (av. % per annum) U**	**L**	**Pandemic % (2019-2020) U**	**L**	**Partial Recovery % (2020-2021) U**	**L**	**2016-2021 (av. % per annum) U**	**L**
Isle of Wight	3.0	-3.6	-13.9	-2.7	1.1	-2.1	-1.0	-3.1
Solent LEP	0.4	1.1	-2.1	1.0	3.6	-6.4	0.5	-0.5
UK	0.4	0.1	1.2	-4.4	-1.9	-0.8	0.1	-1.0

Source: ONS 2022. Notes: **Intermediate occupations (Upper)** -**3**: associate prof & tech, **4**: administrative and secretarial, and **5**: skilled trades; **Intermediate (Lower) 6**: caring, leisure and other service, **7**: sales and customer service, and **8**: process, plant and machine operatives (SOC 2010)

- Intermediate-skilled occupations can be further split into upper (technical, administrative and skilled trade) and lower (services, customer services and machine/plant operatives).
- On the latest estimates the Isle of Wight has 17,000 residents employed in upper intermediate (UI) occupations and 14,400 in lower intermediate (LI) occupations. At 31% the Isle of Wight has a lower UI working age rate than most benchmark areas (Southampton being the exception at 30%), but the Isle of Wight has a higher working age LI rate (26.3%) than all benchmark areas.
- In terms of workplace skills, the Isle of Wight has broadly similar levels to resident numbers for UI (17,600) and LI (14,000) that reflects the largely self-contained labour market on the Isle of Wight, although the data suggests more in-commuting for UI than LI workers. The UI rate in 2021 was 32.5%, the second lowest behind Portsmouth (30.6%), while the LI rate of 26% is the highest of all benchmark areas.
- The gap in working age intermediate-skilled rates between the Isle of Wight and most benchmark areas have been generally getting wider over the medium term for both resident and workplace populations. Primarily as other benchmarks saw working age rates decrease by relatively smaller margins in most cases.
- Given the correlation between qualifications and occupations, the Isle of Wight saw negative growth in all periods measured for both UI and LI. This differs to the Solent LEP and national average with gains and contractions in different periods, although all three have seen a hollowing out in intermediate skills over the medium term.
- Overall, in 2021 the Isle of Wight had potentially fewer UI (-2,300) and fewer LI (-3,300) resident workers, but also fewer UI (-900) and fewer LI (-2,400) workplace workers compared to 2016. This is not detrimental so long as intermediate supply still meets demand or leads to improved productivity with progress into high-skilled jobs.

Upper Intermediate Skills: robust demand in consumer-facing services, and in technical services and engineering

Demand for Upper Intermediate Skilled Occupations



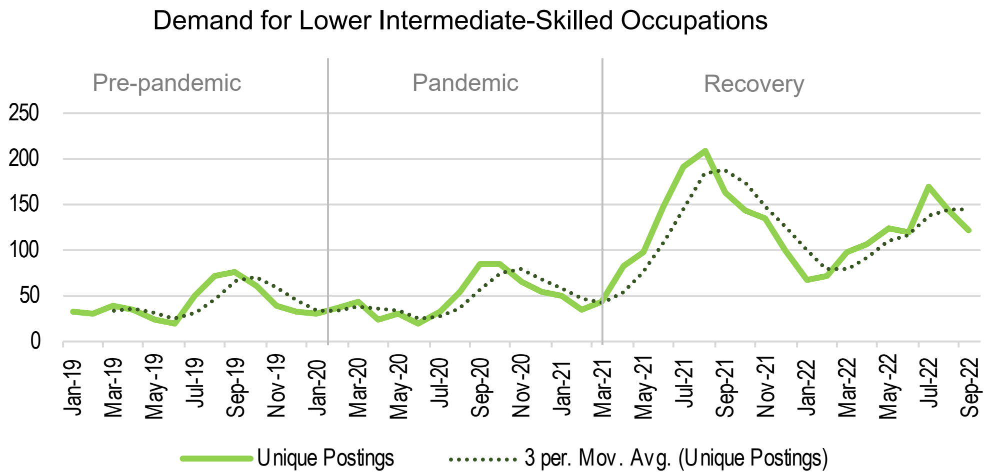
- Using unique online job postings as a proxy for demand for labour the Isle of Wight has seen a strong recovery on the pandemic. There was a dip in the recovery due to Omicron impacting on customer facing services which disproportionately includes upper intermediate occupations, but 2022 has seen a strong rebound and is well above pre-pandemic levels as businesses struggle to find workers.
- Reflecting a strong presence in hospitality and leisure on the Isle of Wight, there was robust demand for kitchen staff and front of house pre-pandemic that largely disappeared during the pandemic, with demand shifting more to business services and in 2021 in trades. However, demand for hospitality staff began to recover in 2021-2022. Engineering demand was also higher in 2022.

Top 10 In-Demand Upper Intermediate Skilled Occupations 2019-2022

Top 10 September 2019	Top 10 September 2020	Top 10 September 2021	Top 10 September 2022
Chefs	Receptionists	Chefs	Receptionists
Other Administrative Occ.	Chefs	Science, Eng. & Prod. Tech.	Chefs
Receptionists	Other Admin. Occ.	Painters & Decorators	Engineering Technicians
Cooks	Book-keepers, Payroll	Other Administrative Occ.	Welfare & Housing
Carpenters and Joiners	Science, Eng. & Prod. Tech.	Receptionists	Other Administrative Occ.
Engineering Technicians	HR & Ind. Relations Officers	Plumbers & Heating Eng.	Plumbers & Heating Eng.
Book-keepers, Payroll	Welfare & Housing	Gardeners & Landscape	Catering & Bar Managers
Catering and Bar Managers	Marketing Professionals	Engineering Tech.	Financial Admin. Occ.
Draughts persons	Cooks	Metal Working Prod.	Office Managers
Health Assoc Professionals	Engineering Technicians	Electricians & Elect. Fitters	Fire Service Officers

Source: Lightcast (2022). Notes: **Intermediate (Upper)** -3: associate prof & tech, 4: administrative and secretarial, and 5: skilled trades

Lower Intermediate Skills: strong demand in health & care sector, and in sales

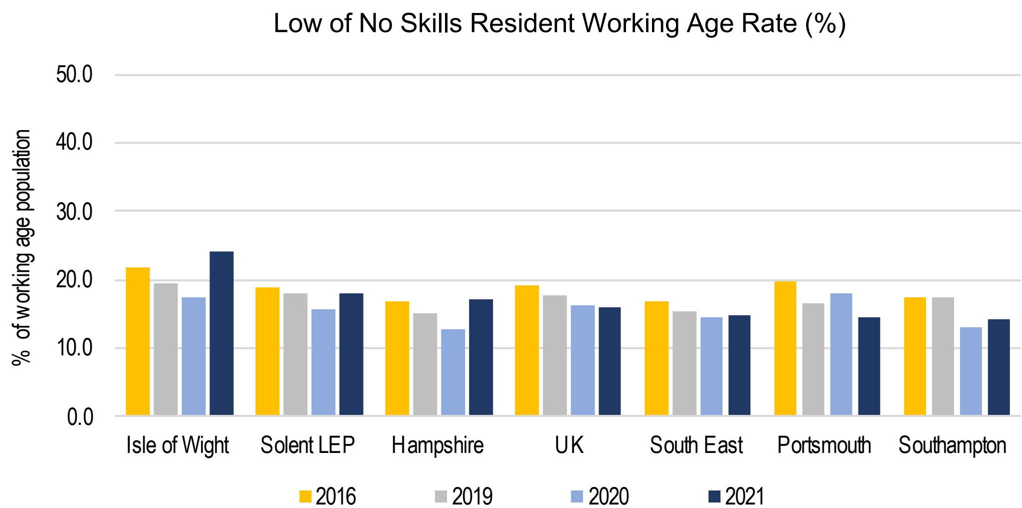


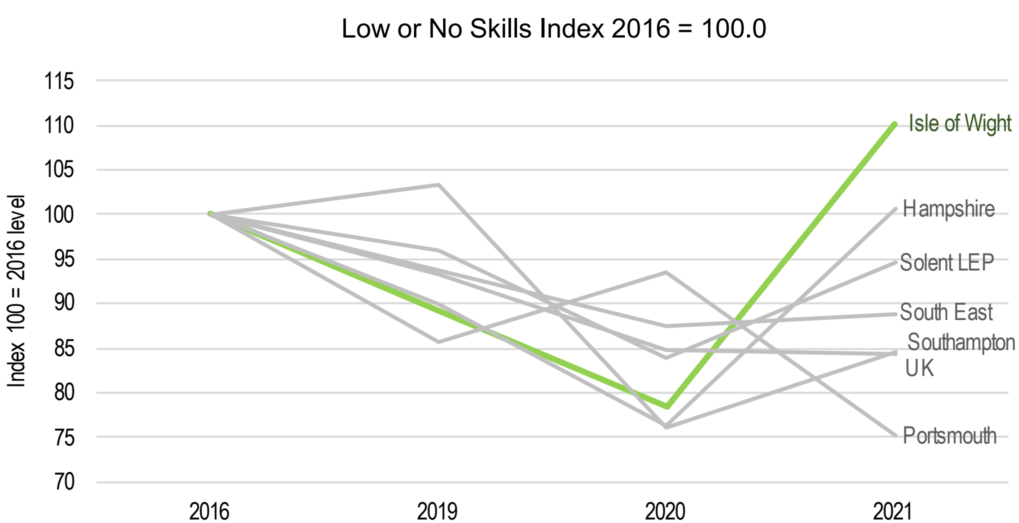
- Using unique online job postings as a proxy for demand for labour the Isle of Wight has seen a strong recovery on the pandemic. There was a dip in the recovery due to Omicron impacting on customer facing services which disproportionately include lower intermediate occupations, but 2022 has seen a strong rebound to reflect more normalised seasonal demand patterns and well above pre-pandemic levels, as businesses struggled to find workers.
- Reflecting a strong presence in the care sector on the Isle of Wight, there was strong demand for health care workers pre-pandemic as the sector struggled to fulfil shortages, and this only grew during the pandemic, most likely due to increased demand but also from high staff turnover and low retention rates. During recovery demand still remains high in the care sector but is closer to pre-pandemic proportions. Since the pandemic there has also been demand for sales activities, some of which will be seasonal going into the Christmas period.

Top 10 In-Demand Lower Intermediate Skilled Occupations 2019-2022

Top 10 September 2019	Top 10 September 2020	Top 10 September 2021	Top 10 September 2022
Care Workers & Home Carer	Care Workers & Home Carer	Care Workers & Home Carer	Care Workers & Home Carer
Housekeepers & Related	Customer Service Occ..	Sales & Retail Assistants	Customer Service Occ.
Sales Related Occupations	Housekeepers & Related	Sales Related Occupations	Housekeepers & Related
Customer Service Occ.	Van Drivers	Customer Service Occ.	Sales Supervisors
Nursing Auxiliaries	Sales Related Occupations	Van Drivers	Van Drivers
Sales Supervisors	Sports & Leisure Assistants	Housekeepers & Related	Sales Related Occupations
Beauticians & Related Occ.	Caretakers	Large Goods Vehicle Drivers	Sales & Retail Assistants
Hairdressers & Barbers	Sales and Retail Assistants	Nursing Auxiliaries	Sports & Leisure Assistants
Sports & Leisure Assistants	Teaching Assistants	Sales Supervisors	Nursing Auxiliaries
Caretakers	Dental Nurses	Educational Support	Teaching Assistants

Source: Lightcast (2022). Notes: **Intermediate (Lower)** 6: caring, leisure and other service, 7: sales and customer service, and 8: process, plant and machine operatives (SOC 2010)

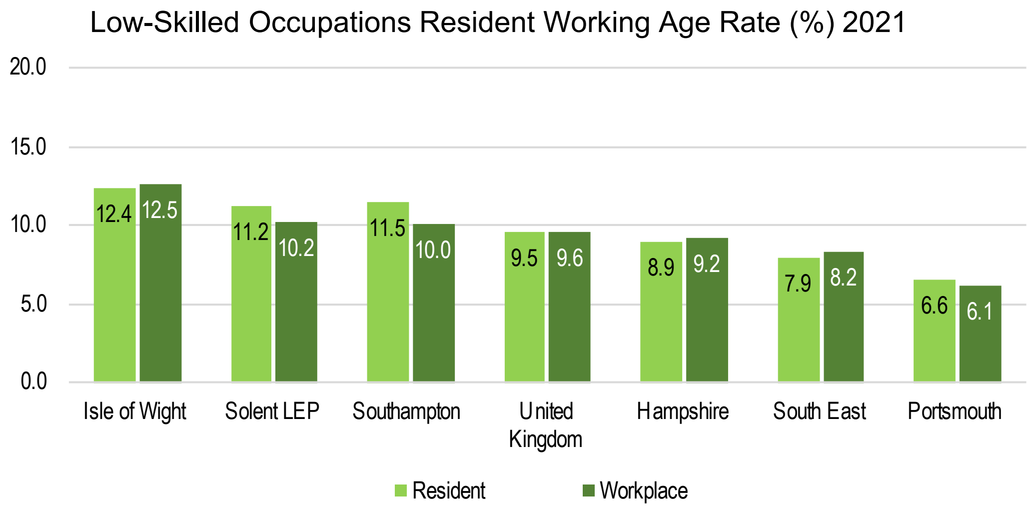




Source: ONS 2022. *Notes: Low or No – **No formal qualification or Level 1** (equivalent to GCSE (1-3) or equivalent NVQ1). All skills data from the APS should be viewed with caution due to sample size and response bias.

- Residents with low skills are more likely to be unemployed than those with higher skills. There is also evidence that disability is disproportionate among low-skilled adults. Overall, relatively large numbers of people with low or no skills can act as a drag on productivity, given that the proficiency of workers and how their skills are utilised is critical to raising productivity.
- In relative terms, the Isle of Wight has consistently had more working age residents with low or no formal qualifications than all the benchmark areas.
- The Isle of Wight had 18,400 working age residents in 2021 with low or no skills*. This equates to one in four (24%) of the working age population, which is above all benchmark areas, Portsmouth and Southampton are nearly 10 percentage points lower at around 14% respectively.
- Data captured in 2020-2021 should be interpreted with some caution, but nonetheless suggests most of the increases made in low skilled residents on the Isle of Wight took place between 2020 and 2021 (+5,300) as the economy was beginning to emerge from the third lockdown but also captures early Omicron restrictions. Prior to that period in time there was a decline in low-skilled residents.
- The picture is mixed for benchmark areas with Hampshire, Solent LEP and UK following a similar, albeit shallower, upward trajectory in 2021, while the South East and Southampton saw little change, and Portsmouth bucked the trend with a decrease.
- The gap in low skills had been narrowing between the Isle of Wight and the UK and South East averages between 2016 and 2020. However, the estimated increase in low skilled residents in 2021 was significant enough to see a reversal of direction and a widening in the gap against all benchmark areas. Given the size of swing the data should be viewed with caution if it cannot be easily explained away by local intelligence.
- Based on the data, over the medium term the Isle of Wight potentially saw 1,700 more working residents with a low or no formal qualification.

Low-Skilled Occupations: comparatively more low skilled jobs on the Isle of Wight and growing over the medium term



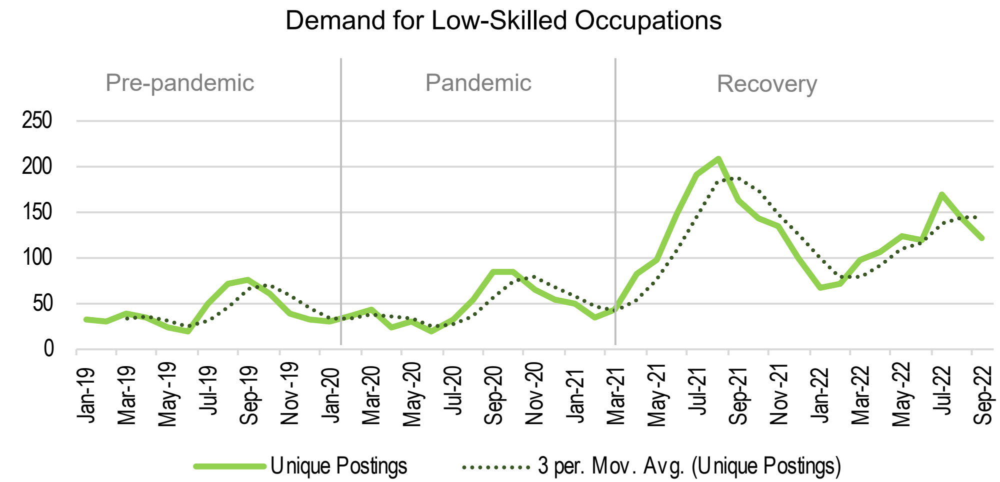
Low-Skilled Occupations Growth Rates

Resident	2016-2019 Pre-pandemic (av. % per annum)	Pandemic % (2019-2020)	Partial Recovery % (2020-2021)	2016-2021 (av. % per annum)
Isle of Wight	1.6	4.5	-1.4	1.5
Solent LEP	-3.5	-15.6	16.8	-2.4
UK	-0.4	-9.2	1.3	-1.9
Workplace	**2016-2019 Pre-pandemic (av. % per annum)**	**Pandemic % (2019-2020)**	**Partial Recovery % (2020-2021)**	**2016-2021 (av. % per annum)**
Isle of Wight	4.7	-7.1	4.6	2.2
Solent LEP	-1.8	-13.1	10.6	-1.9
UK	-0.5	-8.9	1.3	-1.9

Source: ONS 2022. Notes: **Low Skilled occupation** – **9** Elementary occupation (SOC 2010)

- In economies with a significant proportion of consumer-facing local services like the Isle of Wight, low-skilled residents are exposed to cyclical elements such as sharp falls in discretionary spending.
- Workers with less education can nonetheless still be in high demand in some areas as a by-product of growth in high-tech well paid jobs. Furthermore, government policy post-Brexit to curb low-skilled EU workers may also boost resident demand.
- On the latest estimates the Isle of Wight has 6,800 residents employed in low-skilled occupations, just over 1-in-10 (12.4%) of working age residents; higher than all benchmark areas.
- The Isle of Wight workforce has the same number at 6,800, just over 1-in-10 (12.5%) that work in low-skilled occupations and also higher than all benchmark areas. The main driver behind these numbers is the Isle of Wight's industrial structure. Another factor is a lower propensity to commute for low-skilled jobs, and especially so for the Isle of Wight with additional transport barriers for low income commuters.
- Residents in low-skilled occupations, increased between 2016 and 2020 (notably 2020) but declined in 2021. In contrast, the low-skilled workforce grew in the pre-pandemic period (2016-2019), dipped during the pandemic, but made gains in 2021. This differs to the Solent LEP and national averages with overall decreases over the medium term.
- The gap in low skilled occupations on the Isle of Wight has been widening between resident and workplace between 2016 and 2021, mainly as the working age rate has increased on the Isle of Wight whilst falling across the benchmark areas.
- Ove the medium term (2016-2021), the Isle of Wight had potentially 500 more residents in low-skilled occupations, and a workforce with 700 more low-skilled jobs.

Low-Skilled Occupations: robust seasonal demand in hospitality and elementary production activities



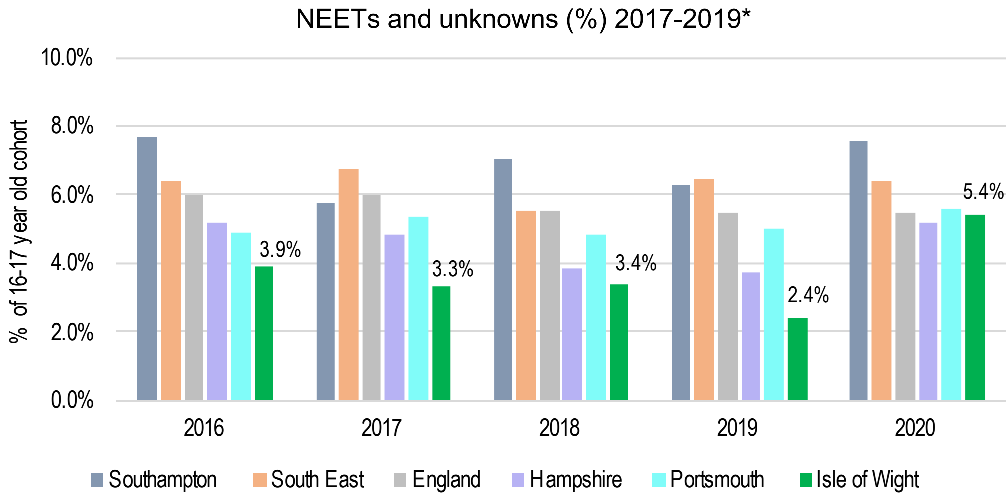
- Using unique online job postings as a proxy for demand for labour the Isle of Wight has seen strong growth post-pandemic. There was a dip in the recovery due to Omicron impacting on customer facing services that disproportionately includes low-skilled occupations who are often unable to work from home, but 2021 saw a strong rebound and job postings well above pre-pandemic levels while 2022 reflects lower but more normalised seasonal demand patterns as businesses struggle to find workers. Research* suggests there has also been a systematic shift towards vacancies in lower-skilled and lower-paid occupation vacancies which means that job market opportunities have generally improved most for low-skilled workers.
- Reflecting a strong presence in hospitality on the Isle of Wight, there was strong demand for front-off house staff pre-pandemic and remained surprisingly steady during the pandemic and increased during the recovery. As did demand for elementary packing and storage from 2021 onwards. Demand for security guards or related occupations has remained steady.

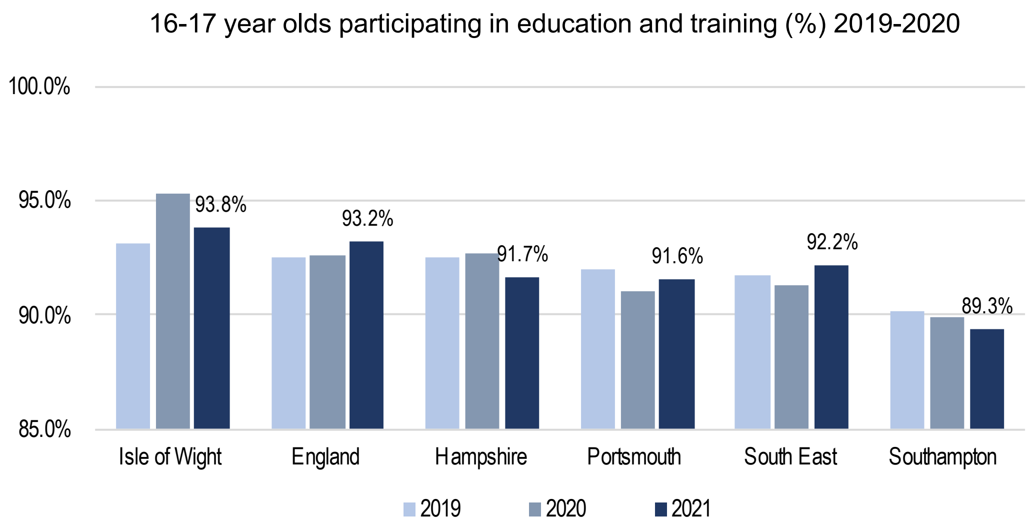
Top 10 In-Demand Low-Skilled Occupations 2019-2022

Top 10 September 2019	Top 10 September 2020	Top 10 September 2021	Top 10 September 2022
Kitchen & Catering	Cleaners & Domestics	Kitchen & Catering	Kitchen & Catering
Cleaners & Domestics	Kitchen & Catering	Cleaners & Domestics	Cleaners & Domestics
Waiters & Waitresses	Other Elementary Services	Waiters & Waitresses	Waiters & Waitresses
Elementary Storage Occ.	Bar Staff	Elementary Storage Occ.	Elementary Storage Occ.
Bar Staff	Elementary Storage Occ.	Bar Staff	Bar Staff
Other Elementary Services.	Waiters & Waitresses	Other Elementary Services.	Other Elementary Services
Fishing & Elementary Agri.	Street Cleaners	Elementary Construction	Elementary Construction
Elementary Administration	Launderers, Dry Cleaners	Launderers, Dry Cleaners	Packers, Bottlers, Canners
Launderers, Dry Cleaners	Security Guards & Related	Security Guards & Related	Launderers, Dry Cleaners
Security Guards & Related	Farm Workers	Fishing & Elementary Agric..	Security Guards & Related

Source: Lightcast 2022. Notes: **Low Skilled** – (9) Elementary occupations (SOC 2010). *Institute for Fiscal Studies (2022)

NEETs: Isle of Wight has low NEET/unknowns rates but sharp increase in 2020, possibly related to pandemic



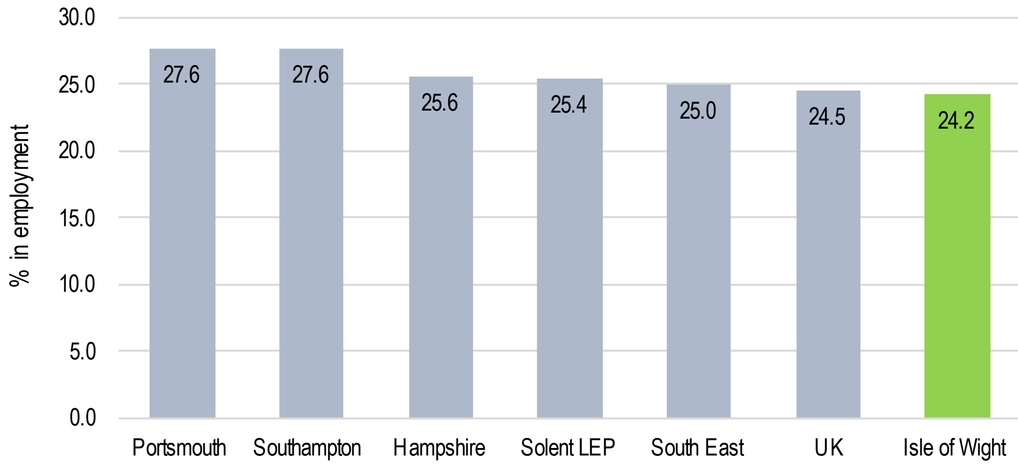


Source: DFE (2022)

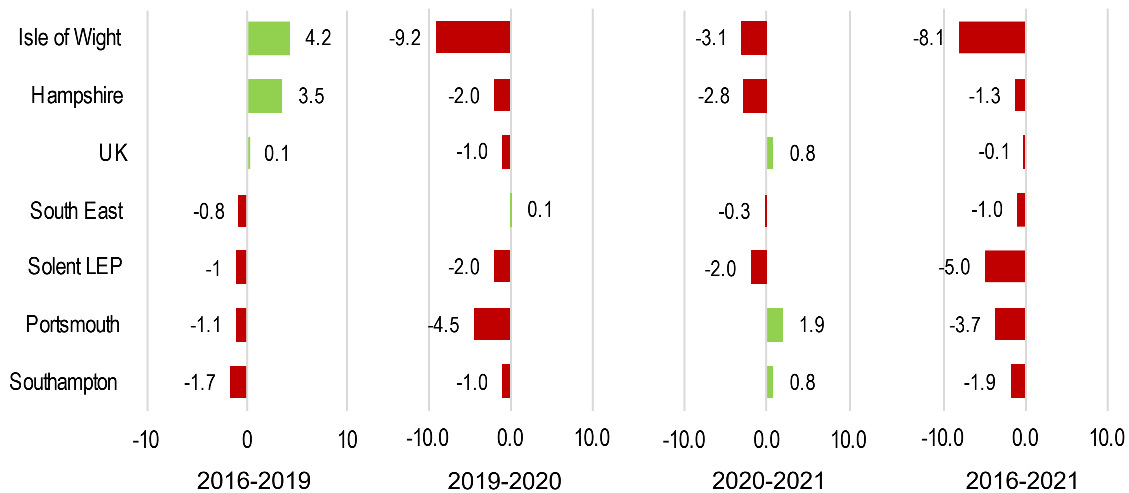
- The percentage of young people Not in Education, Employment or Training (NEET) and unknowns has been consistently lower on the Isle of Wight than the national average and most other benchmark areas since 2016.
- Evidence has shown that time spent as a NEET can have detrimental effects on health and also increase the likelihood of unemployment, low wages or low quality of work later on in life.
- The NEET rate is a percentage of the 16-17 year old cohort and unknowns. The rate is fluid being typically higher in September and reduces throughout the academic year as an individual's educational, employment or training circumstances become known. The annual rate is based on a three month average between December and February.
- Data for 2020 indicates that the Isle of Wight saw a sharp increase in the NEET/unknown rate more than doubling from 2.4% in 2019 to 5.4% in 2020, but nonetheless remains relatively low against Southampton and marginally below the England average (5.5%).
- On the other hand, the Isle of Wight (93.8%) had the highest participation rate of young people (16-17 year olds) in education and training (i.e. full-time education and apprenticeships etc.) against comparator areas in 2021. The 2021 proportion is down on 2020 (95.3%) but above 2019 (93.1%).
- In 2021 those going into full-time education increased on previous years but the proportion of apprenticeships were down. On the Isle of Wight there was a 2.0 percentage point increase in full-time education against a 1.3 percentage point decline in apprenticeships. This probably reflects the difficulty in businesses able to accommodate apprenticeships during the pandemic due to more challenging workplace logistics with restrictions on social distancing and working from home.

On-job training: below average on-job training for Isle of Wight residents, and going backward due to the pandemic constraining training opportunities

Employees & self employed aged 16-64 received job related training in last 13 weeks (2021)



Job-related training growth rates (percentage point change)



Source: ONS 2022. *NAO/DfE (2022)

- With the realisation of Brexit there has been a reduced supply in EU labour, notably in hospitality, construction, and manufacturing – all important sectors for the Isle of Wight. With restricted access to EU labour UK employers will increasingly need to invest more in training UK workers.
- However, according to research* there has been a 11% real-terms fall in employers' spending on workforce training per employee over the last decade with lack of spare staff time and limited funds commonly cited for why training was not undertaken by employers.
- According to the data, in 2021 around one in four Isle of Wight workers (24.2%, 12,400) received on job related training in the last 13 weeks. This is the lowest among the benchmark areas, but only marginally below the UK average (24.5%). The two cities have the highest proportion of the workforce receiving job related training which in addition to industrial structure will also possibly reflect better opportunities to access external training providers.
- The Isle of Wight saw strong average annual growth (4.2% per annum) between 2016-2019 in the pre-pandemic period that outperformed all other benchmarks, with some areas seeing a decline. However, from 2019 to 2021 there has been a much larger relative decline on the Isle of Wight in job related training.
- The full or part closure of many commercial premises during the various pandemic lockdowns led to increased working from home, or workers being furloughed, that naturally saw reduced opportunities for businesses to train workers internally or through external providers.
- With a concentration on the Isle of Wight for consumer-facing services occupations, such as hospitality, combined with a self-contained economy, may partly explain why the Isle of Wight has been impacted more than the other benchmark areas job related training.

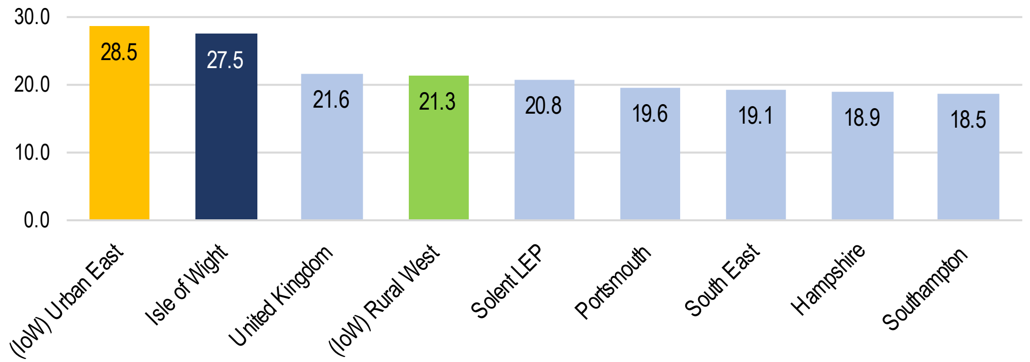
5. Economic Disadvantage

5.1 Economic Inactivity

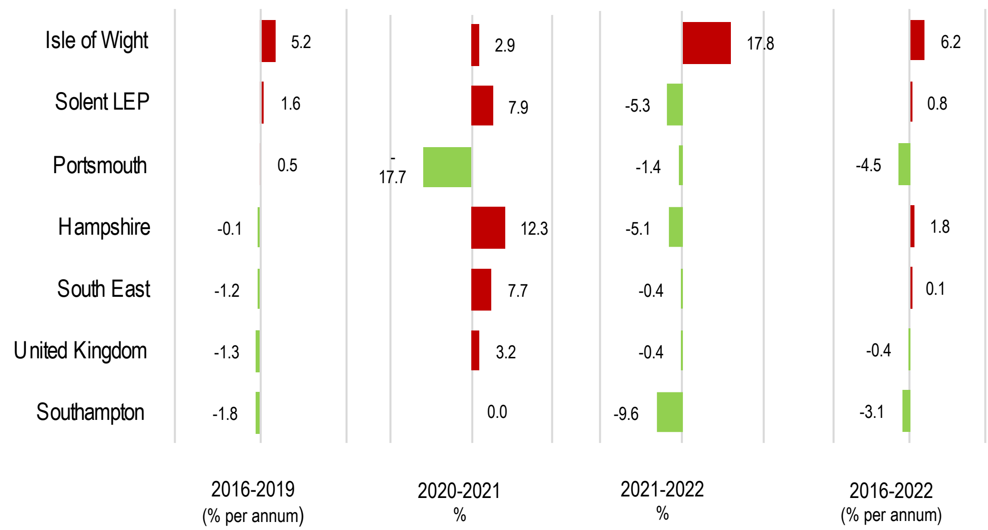
Economic Inactivity – decreasing labour market participation, exacerbated by pandemic, with rise in students and long-term illness as causes for inactivity

	2016	2019	2020	2021	2022	2016-2022
Inactive residents aged 16-64yrs	15,700	18,300	17,500	18,000	21,200	
Change on previous period		+2,600	-800	+500	+3,200	+5,500

Working Age (16-64) Economic Inactivity Rates 2022 (%)



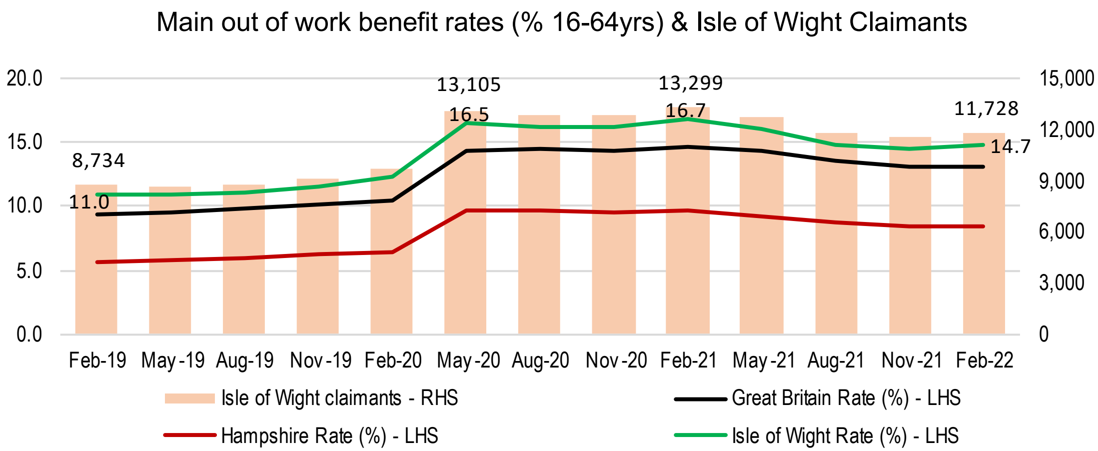
Working Age (16-64) growth in economic inactivity

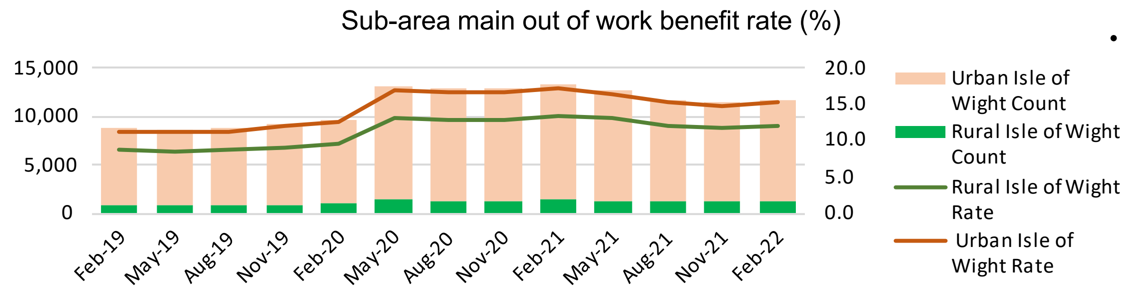


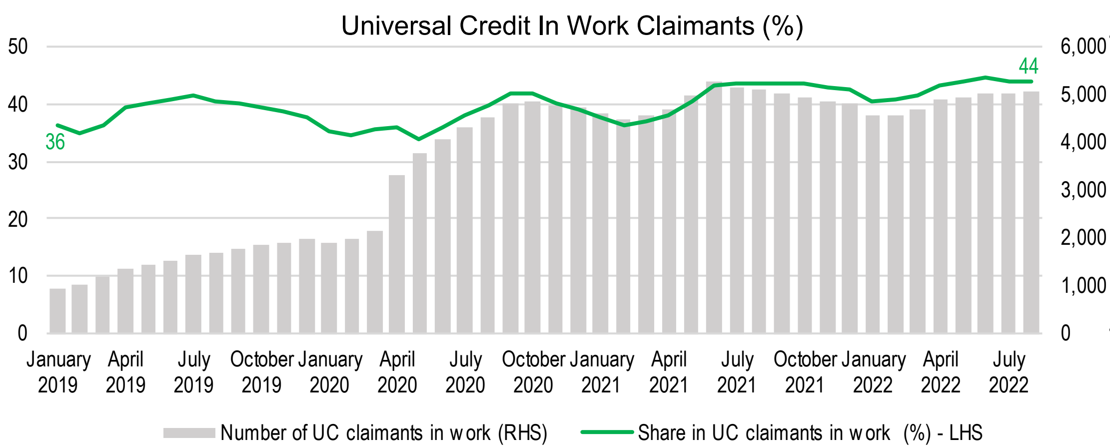
Source: ONS 2022. Annual Population Survey 12 mths to June for 2016, 2019-2022. ONS MYE estimates 2011-2020 - Working age decreased 4% while over 65s increased by 5%.

- Economic exclusion has a cost for individuals in terms of health, deprivation and unfulfilled potential, and collectively on the economy by narrowing the tax base and increasing health and social services spending. Economic inactivity is a measure of those out of work but not looking and/or not being available for work.
- In 2022, the Isle of Wight had 21,200 working age residents who were economically inactive or over one in four (27.9%) of the working age population, and well above all benchmark areas, and specifically 5.9 percentage points (ppts) above the national average (21.6%) and 9ppts above Southampton (the lowest at 18.5%). The Isle of Wight has consistently been above the national average on inactivity but more often above the other benchmarks since 2019. Combined with a shrinking working age cohort[1] but a growing older population presents the Isle of Wight with a challenge for future labour market supply and greater reliance on raising productivity.
- Data suggests economic inactivity levels increased between 2016 and 2019 (pre-pandemic) but in the 12 months to June 2020 inactivity levels saw a modest decrease before edging higher in 2021 and increasing strongly in 2022. Rate changes have consistently risen over the various periods. The data suggests the increase is largely attributable to the urban Isle of Wight sub-area as might be expected.
- Although the wider UK economy rebounded in 2021, and demand for labour increased, the number of economically inactive actually increased on the Isle of Wight by 3,200 for the annual average between June 2021 and June 2022, and with levels more than 5,500 above the 2016 baseline.
- Like national trends, more young people stayed in education as students as job opportunities temporarily dried up (+1,700 in 2022 alone). A national trend for older workers retiring early was not evident from the data for the Isle of Wight. However, of concern is the rising number of inactive residents because of long-term illness (+1,900 in 2022), and with a mix of Covid and longer delays in accessing health treatment underlying causes. This has implications for current and future labour supply.

Out of Work & In-work Benefits: the pandemic led to significant increase in residents claiming out-of-work and in-work benefits, with levels still elevated







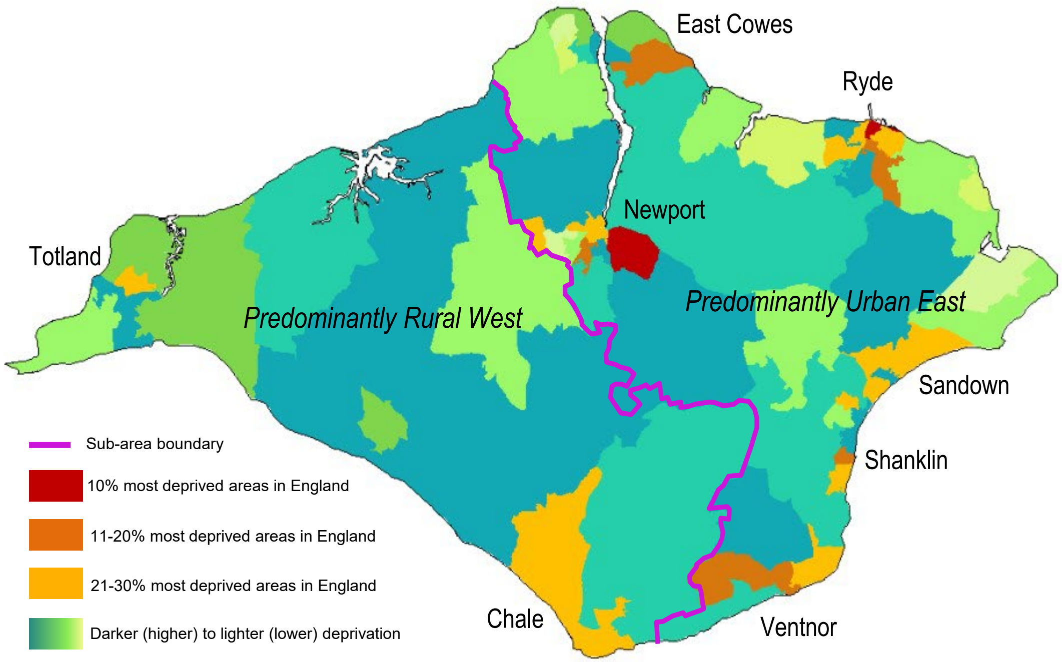
Source: DWP (2022)

- Another measure of economic disadvantage is the main out of work benefits combination (MOWB).
- In November 2021, the Isle of Wight had around 9,150 MOWB claimants representing 11.5% of the working age population, which is above the UK rate (10.1%) and well above Hampshire (6.2%) – indeed the Isle of Wight on average sits around 1.7 ppts above the national average rate over this period.
- MOWB claimants were gradually rising in 2019 prior to the pandemic, but the first lockdown saw a spike in claimants from 9,700 (Feb 2020) to over 13,000 in May 2020 but peaking in February 2021 following Omicron at close to 13,300. Levels slowly fell back before seeing a small uptick in early 2022. Levels and rates have not returned to pre-pandemic levels by February 2022, with the rate 2.5ppts higher than February 2020 and with claimants around 1,500 higher.
- By sub-area, the urban Isle of Wight accounts for most MOWB claimants and working age rates. Nonetheless, the rural Isle of Wight on average has seen rates above 10% since the pandemic, and rates still remain l above pre-pandemic levels.

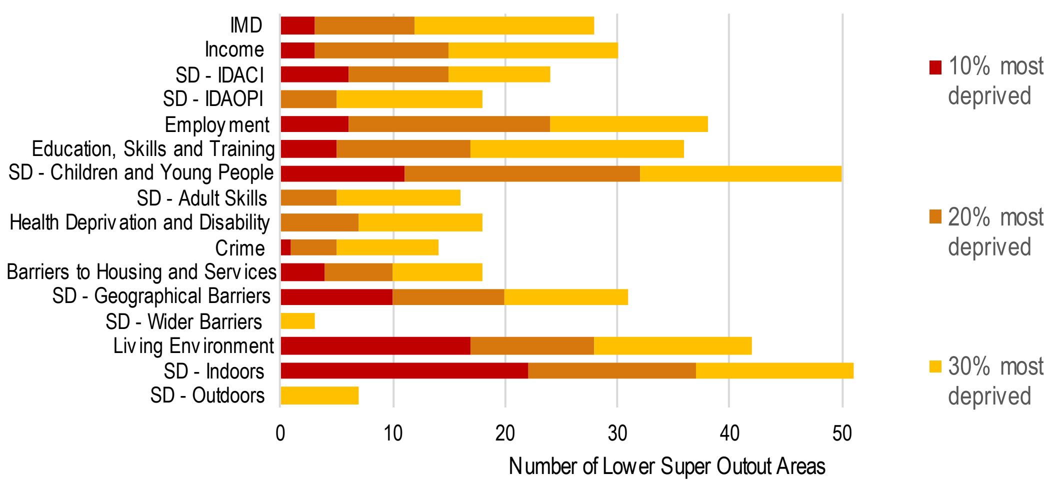
Another indicator of economic disadvantage is Universal Credit (UC) claimants who are in work and acting as a proxy for low income. UC is available to those who are in work but on low incomes and adjusts as earnings change. Some of the increases will be legacy claimants moving to UC.

- Prior to the pandemic, on average 38% of the Isle of Wight resident claimants on UC were in employment, above the national average of 35% but lower than Hampshire (43%). The pandemic saw a sudden uplift in UC claimants for those in or out of work – partly due to lockdown impacts but also down to temporary policy and operational changes during the pandemic to ease access, such as suspending conditionality. The dip in work claimant shares in the chart (left) are down to larger relative increases in unemployed UC claimants.
- The share of UC claimants in work has not returned to pre-pandemic levels and the latest July 2022 figures has 44% of all UC claimants in work, while the July 2022 count at over 5,000 is around 3,000 claimants above February 2020 (pre-pandemic). The cost-of-living crisis could keep levels high, or even higher and for longer.

Deprivation: overall relatively low levels of multiple deprivation, but pockets in the main urban centres



Types of Deprivation – number of areas in top three deciles (30%) for deprivation



Source: MCHLG 2019.
SD (Sub-domain) .*District summary average rank of score. ** Lower Super Output Area.

- On the latest 2019 Index of Multiple Deprivation, the governments preferred measure of overall deprivation, the Isle of Wight sits just above the median for deprived upper tier authorities in England. The Isle of Wight is ranked 71* out of 151 upper tier authorities (where 1 is the most deprived authority). This compares favourably to Portsmouth (46) and Southampton (47), but the Isle of Wight is relatively more deprived compared to Hampshire (135). However, the upper tier authority summaries mask a few localised hotspots of neighbourhood deprivation on the Isle of Wight, almost all in the Urban East sub-area.
- The 2019 IMD captures multiple and weighted measures of deprivation from a period prior to the pandemic and the more recent cost of living crisis, both of which will disproportionately impact neighbourhoods in the bottom three deciles. This is simply because residents in deprived areas were more likely to be low-paid workers that often lacked the capacity to soak up financial shocks, were unable to stay at home during COVID, and with less disposable income, making them more vulnerable to rising inflation and fuel and food poverty.
- Looking at the IMD map left, three urban neighbourhoods can be identified in the 10% most deprived decile (Newport, and Ryde), nine in the 11-20% most deprived (East Cowes, Newport, Ryde, Shanklin, and Ventnor), and 16 in the 21-30% most deprived. Most areas highlighted in the top three deciles provide a focus for policy interventions.
- Using the top three deciles (30% most deprived relative to England), the Isle of Wight has deprivation across all seven separate types of deprivation (domains) and the sub-domains, although subject to varying deprivation distributions.
- The most prevalent type of deprivation on the Isle of Wight are Indoor (Living Environment) and Children and Young People (Education, Skills & Training) with 52 and 51 LSOA** respectively in the top three deciles for deprivation. Indoor deprivation primarily measures quality of housing and the Isle of Wight has 22 LSOA in the 10% most deprived in England, although has few LSOA for homelessness, affordability or overcrowding (Wider barriers). Children & Young People measures school age attainment and staying on in education or progressing to higher education, and the Isle of Wight has 11 LSOA in the 10% most deprived in England, but fewer deprived areas for Adult Skills.

Appendix – Sector Definitions

Sector definitions – standard industrial sectors

BROAD SECTORS (that can be described collectively as three top level classifications

- (PSI) Primary & Utilities **(ABDE).**
- (PSI) Manufacturing **(C)**
- (PSI) Construction **(F)**
- (LS) Wholesale **(part G)**
- (LS)Retail (part G)
- (LS) Transport & storage **(H)**
- (LS) Accommodation & food services **(I)**
- (HVATS) Information and communication **– ICT (J)**
- (HVATS) Financial and insurance activities **(K)**
- (LS) Real estate activities **(L)**
- (HVATS) Professional, scientific, and technical **(M)**
- (LS)Business administration & support **(N)**
- (LS) Public administration and defence **(O)**
- (LS) Education(P);
- (LS) Health **(Q)**
- (LS) Arts, entertainment & recreation **(R)**
- (LS) Other services activities **(S)**

- (PSI) – Primary and Secondary Industries
- (LS) – (mainly) Local Services
- (HVATS) – High Value-Added Traded Services

BROAD SECTOR DESCRIPTION:

- **(A) Agriculture, Forestry and Fishing:** Crop, animal production, hunting, forestry, logging, fishing and aquaculture.
- **(B) Mining and Quarrying:** Mining of coal, lignite and metal ores. Extraction of crude petroleum and natural gas.
- **(D) Electricity, Gas, Steam and Air Conditioning Supply:** Electric power generation, manufacture of gas and distribution.
- **(E) Water Supply; Sewerage, Waste Management and Remediation Activities.** Water collection, treatment and supply. Waste collection.
- **(C) Manufacturing**: Manufacture of products (i.e. textiles, wood, paper, chemicals, rubber, plastic, metal, computer, food/beverages, etc.), motor vehicles and furniture. Printing and reproduction of recorded media. Repair and installation of machinery and equipment.
- **(F) Construction:** Construction of buildings, civil engineering and specialised construction activities.
- **(G PART) Wholesale, Repair of Motor Vehicles and Motorcycles**
- **(G PART)Retail Trade.**
- **(H) Transportation and Storage -** including land transport and transport via pipelines, water transport, air transport, warehousing and support activities for transportation, postal and courier activities.
- **(I) Accommodation and Food Service Activities -** including Hotels and similar accommodation. Holiday and other short stay accommodation, Other accommodation, Restaurants and mobile food service activities, Beverage serving activities
- **(J) Information and Communication** (ICT): Publishing ,motion picture, video/television programme production, sound recording, programming, broadcasting, telecommunications, consultancy and information service activities.
- **(K) Financial and Insurance Activities:** Financial service activities; Insurance, reinsurance and pension funding.
- **(L) Real Estate Activities** - including **b**uying and selling of own real estate, Renting and operating of own or leased real estate.
- **(M) Professional, Scientific and Technical Activities:** Legal and accounting, management consultancy, head offices, architectural and engineering, veterinary activities. Technical testing and analysis. Scientific research and development. Advertising and market research.
- **(N) Administrative Activities:** Rental and leasing, employment, travel agency, tour operator, security, services to buildings and landscape activities.
- **(O) Public Administration and Defence; Compulsory Social Security.**
- **(P) Education.** Primary, secondary, higher and other education. Educational support activities.
- **(Q) Human Health and Social Work Activities.**
- **(R) Arts, Entertainment and Recreation – including** arts facilities, museum activities, historical sites and buildings and similar visitor attractions
- **(S) Other Service Activities:** Membership organisations activities. Repair of computers and personal and household goods. Hairdressing and other beauty treatment. Washing and (dry-)cleaning of textile. Physical well-being activities.

Source: ONS SIC 2007.

Sector definitions – strategically important sectors

Marine: Support activities for petroleum and natural gas extraction; Building of pleasure and sporting boats; Sea and coastal passenger water transport; Sea and coastal freight water transport; Inland passenger water transport; Operation of warehousing and storage facilities for water transport activities ; Service activities incidental to water transportation; Cargo handling for water transport activities; Other transportation support activities; Renting and leasing of freight water transport equipment.

Tourism & Visitor Economy: Hotels and similar accommodation. Holiday and other short stay accommodation. Camping grounds, recreational vehicle parks and trailer parks. Other accommodation. Restaurants and mobile food service activities. Beverage serving activities. Renting and leasing of recreational and sports goods. Travel agency activities. Tour operator activities. Other reservation service and related activities. Performing arts. Support activities to performing arts. Artistic creation. Operation of arts facilities. Library and archive activities. Museum activities. Operation of historical sites and buildings and similar visitor attractions. Botanical and zoological gardens and nature reserve activities. Gambling and betting activities. Operation of sports facilities. Other sports activities. Activities of amusement parks and theme parks. Other amusement and recreation.

Cultural Sector: Reproduction of recorded media; Manufacture of jewellery and related articles; Manufacture of musical instruments; Retail sale of music and video recordings in specialised stores; Motion picture, video and television programme production activities; Motion picture, video and television programme post-production activities; Motion picture, video and television programme distribution activities; Motion picture projection activities; Sound recording and music publishing activities; Radio broadcasting; Television programming and broadcasting activities; Photographic activities; Cultural education; Performing arts; Support activities to performing arts; Artistic creation; Operation of arts facilities; Library and archive activities; Museum activities; Operation of historical sites and buildings and similar visitor attractions.

Knowledge Intensive: Water transport. Air transport. Motion picture, video and television programme production, sound recording and music publishing activities. Programming and broadcasting activities. Telecommunications. Computer programming, consultancy and related activities. Information service activities. Financial service activities, except insurance and pension funding. Insurance, reinsurance and pension funding, except compulsory social security. Activities auxiliary to financial services and insurance activities. Legal and accounting activities. Activities of head offices; management consultancy activities. Architectural and engineering activities; technical testing and analysis. Scientific research and development. Advertising and market research. Other professional, scientific and technical activities. Employment activities. Security and investigation activities.

Land-based: Crop and animal production, hunting and related service activities; Forestry and logging; Freshwater aquaculture; Manufacture of agricultural and forestry machinery; Agents involved in the sale of agricultural raw materials, live animals, textile raw materials and semi-finished goods; Agents involved in the sale of timber and building materials; Wholesale of grain, unmanufactured tobacco, seeds and animal feeds; Wholesale of flowers and plants; Wholesale of live animals; Wholesale of fruit and vegetables; Wholesale of meat and meat products; Wholesale of dairy products, eggs and edible oils and fats; Wholesale of agricultural machinery, equipment and supplies; Retail sale of flowers, plants, seeds, fertilisers, pet animals and pet food in specialised stores; Veterinary activities; Landscape service activities; Botanical and zoological gardens and nature reserve activities.
n.e.c. (not elsewhere classified).
Source: ONS SIC 2007 (3 and 4 digit classes)

Green jobs – there is currently no official definition. The primary methodology used in the report takes the ONS LCREE survey approach (Low Carbon and Renewable Energy Economy) and LCREE taxonomy for sub-sectors to derive jobs via employment apportionments. Just transitions data is also based on research assumptions and sector apportionments.

https://www.ons.gov.uk/economy/environmentalaccounts/articles/exploringregionalestimatesofactivityinthelowcarbonandrenewableenergyeconomyukandregionsofengland/2020

About the Economic Profile

About this evidence base

The evidence base (Economic Profile) focusses on the Isle of Wight economy and its two sub-areas. It covers a number of important policy areas in some detail grouped under five broad themes: the Isle of Wight economy; the labour market in the Isle of Wight; the Isle of Wight businesses and workforce; economic disadvantage; and skills, education & occupation.

In addition to the standard industrial sectors there is a focus on business and employment in several strategically important sectors: marine & maritime, tourism & visitor economy, cultural sector, knowledge-based sector; land-based sector and estimates for green jobs.

For more information contact Ella Clapham, Ella.Clapham@IOW.gov.uk or Chris Brammall, Chris.Brammall@IOW.gov.uk.

Data sources & further information

Most data comes from the UK Office for National Statistics – Regional Accounts, Annual Population Survey (APS), Business Register and Employment Survey (BRES), HMRC PAYE, Claimant Counts, UK Business Counts, Sub-area GVA from ONS experimental MSOA estimates.

Additional information comes from commercial sources such as Lightcast.

For more information contact the Economic & Business Intelligence Service, ebis@hants.gov.uk

ISLE of WIGHT COUNCIL

economic business intelligence service

Final Version: February 2023