

Our Economy 2021





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Welcome from Lucy Winskell, Chair North East Local Enterprise Partnership

Economies don't stand still, and we must remain alert to change and agile in response if we are to do the right things for our region. This year, perhaps more than any other, developing our shared understanding of change in the regional economy is crucial.

The work we have done to track, analyse and interpret data and evidence about the performance of our regional economy is central to our role at the North East LEP and a core part of the support we offer our partners. It is integral to our economic leadership, our influencing work with government, and underpins our investment decisions and stewardship of public funds, ensuring that regional programmes of delivery are targeted at addressing the key opportunities and challenges we face.

As we have responded to the disruption created by COVID-19, considered long term changes in public policy, including our departure from the European Union, and looked ahead to an agenda focused on decarbonisation of the global economy and levelling up domestically, we have continued to look carefully at what the data is telling us and are committed to continue to do this.

I am therefore delighted to welcome the publication of not one, but two Our Economy reports.

Our annual State of the Region report - Our Economy 2021 - tracks the performance of the North East LEP economy across a range of key economic indicators and takes a similar format to the previous Our Economy reports.

The second looks specifically at insights into the impact of COVID-19 and EU transition on the North East Economy. It draws together a range of additional and innovative sources of data about the changes we have lived through over the last two years and reports on consultations with key partners which have been ongoing through the last 18 months, building a picture of rapid change in the economy.

Together, these reports are key components of the region's evidence base, which informs both our immediate and longer-term policy and strategic response. My thanks to everyone who has contributed to these reports including our consultants and interviewees - and in particular to the team in the North East LEP for their own strong contribution and for their co-ordination.

Lucy Winskell,
Chair, North East Local
Enterprise Partnership

An overview from Richard Baker, Director of Strategy and Policy North East Local Enterprise Partnership

In 2014, we agreed an ambition to deliver 100,000 more jobs by 2024, with 70% of these jobs being better jobs, in professional, technical and leadership roles. We also agreed four key comparative indicators to measure the levelling up of our economy - productivity, the employment rate, economic activity rate, and private sector jobs density.

The North East Strategic Economic Plan is built around these targets. By March 2020 we had added almost 70,000 new jobs to the economy. The statistical quirk that 113% of these were better jobs, indicates growth in better jobs had outstripped the loss of other jobs as the economy has changed.

Over the past 18 months, the economy has faced unprecedented challenges and had to adapt to change brought about by COVID-19 and our departure from the European Union. Whilst our established sources of data are critical to monitoring our long-term performance, to remain on the front foot, we have needed to innovate to report fully on the position of the North East economy, which is why we are publishing two reports this year.

Our Economy 2021 is the collation of almost 100 sources, helping us understand the long-term performance and current issues of the North East economy. It uses data we are used to seeing from places like Office for National Statistics (ONS) and government departments, such as Department for Education (DfE) and Department for Work and Pensions (DWP).

Our Economy: insights into the impact of COVID-19 and EU transition on the North East Economy - looks specifically into the economic changes triggered by the two economic shocks. This

report combines national and regional data with new data sources and intelligence gathered from stakeholder consultations over the last 18 months.

Collectively, the two Our Economy reports tell us that:

- By March 2021, the number of jobs in the North East economy had declined by 9,500 - reflecting the challenges we have faced - but the proportion of better jobs has continued to strengthen.
- On our levelling up targets, employment and economic activity rates have been less impacted than elsewhere. Productivity and private sector employment data is lagged but we anticipate a significant gap will remain.
- There are long-term signs of growth, particularly within our scale up businesses, private sector R&D investment, and on qualifications. Our areas of opportunity continue to strengthen, answer global challenges, and deliver on the priorities in the Plan for Growth.
- Local, regional and national intervention during the pandemic has protected businesses and jobs, but the impact once these support measures end is unclear. Sectors such as retail, hospitality and aviation have been severely impacted.
- Businesses, public bodies and social organisations have innovated, with digitalised processes, goods and services, and growth in online business.



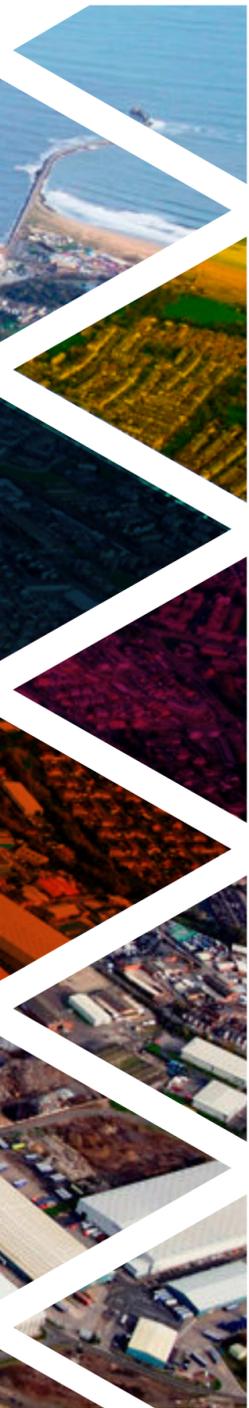
- Leaving the European Union has created barriers to trade, especially for small businesses which needs to be addressed. Whilst we have seen growth in service exports, the future trading environment is uncertain and we need to take advantage of new trade deals.
- Inequalities within the region have been exacerbated, significant mismatches of labour supply and demand are holding us back, employers in many industries are struggling with skills shortages and younger and older people need support to take the jobs available.

I would encourage you to read both reports in more detail on our North East Evidence Hub (evidencehub.northeastlep.co.uk) and I would like to thank my colleagues who have contributed significantly to these pieces of work.

Richard Baker
Director of Strategy and Policy, North East Local
Enterprise Partnership

Section 1

Introduction



Section 1

Introduction

The North East Local Enterprise Partnership area

The North East Local Enterprise Partnership (LEP) area covers seven local authority areas:

- County Durham
- Gateshead
- Newcastle upon Tyne
- North Tyneside
- Northumberland
- South Tyneside
- Sunderland

What our economy looks like

The North East has:

- Key assets in the energy sector, including
 - offshore energy and subsea technologies
 - regional energy
 - demonstration and innovation
- World leading clinical research that supports a growing health and life sciences sector
- A vibrant digital community with a combination of start-up, high growth and established businesses across a wide range of specialisms
- Capabilities across a range of enabling services including education, financial, professional, and business services, transport and logistics, and construction
- Significant employment in the public sector across both local services and central government back office and shared services
- A strong cultural, heritage and sports sector that supports the growing visitor economy.

Our Economy report

Our Economy is produced each year to provide an overview of the economy of the North East LEP area and how it is changing over time.

The purpose of this report is to:

Provide a comprehensive, resource for partners to inform decision making

Include datasets that are consistent with those used in previous editions to enable comparisons over time

Provide additional analysis that highlights the impact of COVID-19 and related restrictions on the North East economy, where possible

Point to more detailed statistics and evidence on the North East LEP's Evidence Hub (evidencehub.northeastlep.co.uk)

Contribute to the wider evidence base that supports the Strategic Economic Plan and other regional strategies.

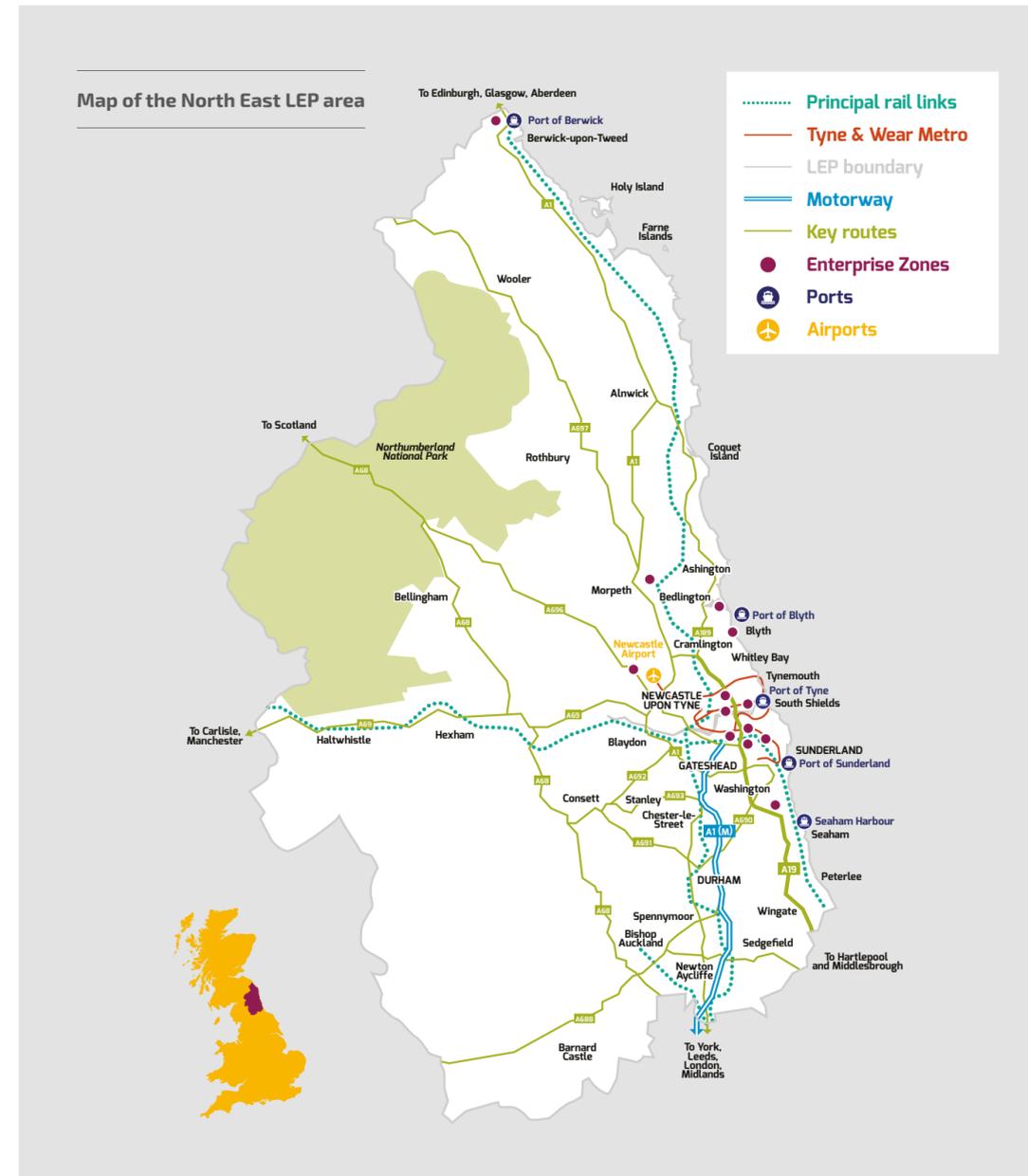
In previous years, a full report and executive summary of Our Economy have been produced. This year, these have been replaced by a summary report and a complementary summative assessment of the impact of COVID-19 and EU Exit on the North East economy.

The final section of this report focuses on topics of importance to the North East economy as it develops over the next decade. These include:

- The current economic geography of the North East
- The LEP's areas of strategic importance: advanced manufacturing; digital; energy; health and life sciences
- Service sectors that support the North East economy: construction; education; financial, professional and business services; transport and logistics
- Emerging policy priorities: the green economy; levelling up; and internationalisation and the visitor economy.

Points to note:

- The most recent data at September 2021 has been used. This is generally for 2019, 2020 or early 2021
- Some datasets that do not include information about 2020 onwards have been replaced by alternatives. However, many have been retained to be consistent with previous editions
- Change over time has generally been measured from 2014, to reflect the publication date of the North East Strategic Economic Plan. Where this is not possible, the earliest available comparable date is used
- Where possible, data for the North East LEP area has been used. However, many government statistics are only available at a regional level, where the North East region includes the North East and Tees Valley LEP areas. References to the North East region in the text relate to this larger area
- We continue to lobby data providers to use LEP geography more often and some additional data has been recently made available that was previously regional only
- The LEP area's statistics are compared with those for England excluding London wherever possible, in line with Strategic Economic Plan targets. Where data is not available for England excluding London, England or the UK has been used as an alternative benchmark
- Where data has a monetary value, such as Gross Domestic Product (GDP) or Gross Value Added (GVA), current values have been given, unless stated otherwise. This means that such data has not been adjusted to account for inflation
- Occasionally, data sources available to the North East LEP are retrospectively revised or changed more fundamentally. We will keep the data sources in this report under review and, where necessary, change the indicators we use or report on, in consultation with the North East Economic Evidence Forum.



Section 2

Overall performance of the North East economy



Section 2

Overall performance of the North East economy

Understanding the North East's performance

Gross Domestic Product (GDP) is a key measure of the size and growth of an area's economy. It measures the value of goods and services produced in an area. National data is produced quarterly and is available up to the end of 2020. Local and LEP level GDP is produced annually, with the latest being for the pre-pandemic year of 2019.

GDP can be thought of as the product of economic indicators:

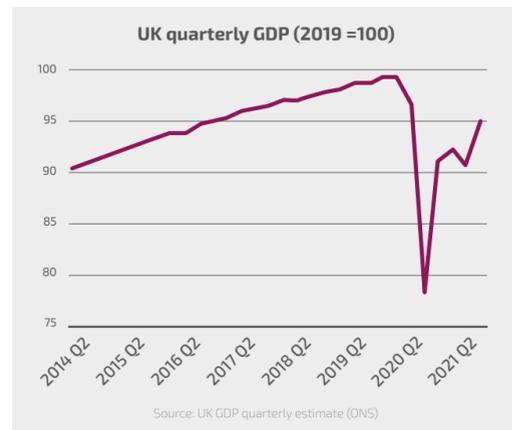
$$GDP = Population \times \frac{\text{Working age population}}{\text{Population}} \times \frac{\text{Economically active}}{\text{Working age population}} \times \frac{\text{Employment}}{\text{Economically active}} \times \text{Productivity per worker}$$

All of the following can contribute to economic growth in an area:

- An increase in population
- An increase in the working age economic activity rate
- Increased productivity
- Growth in the proportion of working age people
- A fall in the unemployment rate of the economically active.

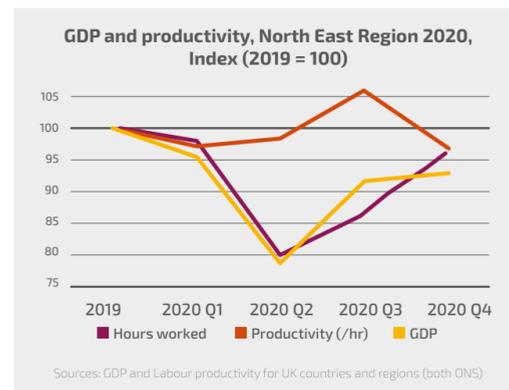
UK GDP

National economic output was increasing gradually up to early 2020, when it declined rapidly, but rebounded strongly. Growth has slowed in 2021.



North East regional GDP

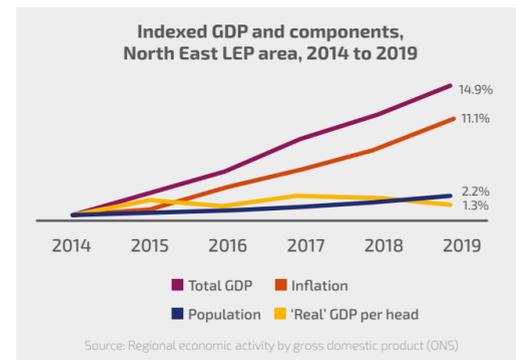
ONS regional indices of GDP and productivity show change over time but do not compare regional levels. In 2020 the North East regional GDP followed the UK pattern. Productivity increased in Q2 and Q3 as hours worked fell faster than GDP.



Size of the North East economy

GDP of North East LEP area in 2019: £48.2 billion
3.4% of the England excluding London total

The North East LEP area GDP increased by 14.9% between 2014 and 2019, compared to an increase of 18.8% across England excluding London

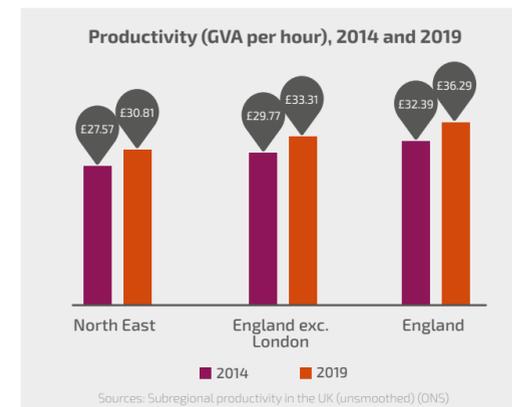
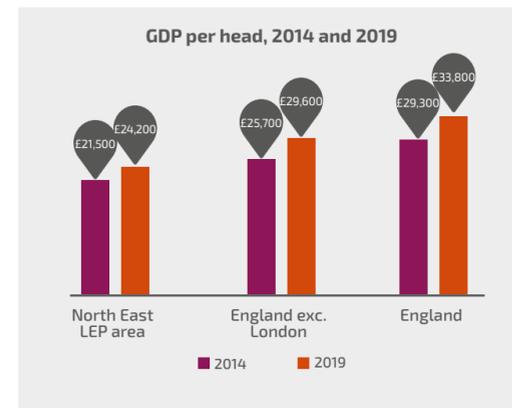


Increases in GDP are affected by inflation and population growth as well as by changes in 'real' GDP per head (with inflation and population effects omitted). In 2019, 'real' GDP per head in the North East LEP area was only 1.3% higher than in 2014. It had decreased in each of the most recent two years.

GDP per head is used to compare the economic performance of different sized areas. In 2019 GDP per head in the North East LEP area was only about 82% of the equivalent for England excluding London and only 71% of England's figure, highlighting the large size of London's GDP.

North East LEP area GDP per head had risen by 12.5% between 2014 and 2019, a smaller percentage increase than for England excluding London (up 14.9%).

The official ONS measure of productivity is calculated on a "per hour" basis to take account of the fact that employment rates and hours worked differ by area. North East region GVA per hour in 2019 was £30.81, which was 85% of England's rate and 93% of that for England excluding London. All three rates had increased by about 12% between 2014 and 2019.



Overall performance of North East LEP area economy

Indicator	Most recent data	Change since 2014	North East as % of England excluding London	Performance improved compared with nationally
Total GDP	£48.2 billion (2019)	👍 Increase by £6.3 billion	3.4%	👎 No (proportion decreased)
GDP per head	£24,154 (2019)	👍 Increase by £2,680	81.7%	👎 No (gap increased)
Population	2,003,593 (mid 2020)	👍 Increase by 51,856	4.2%	👉 Unchanged proportion
Working age population as % of total population	62.5% (mid 2020)	👎 Decrease by 1.3 percentage points	101.9%	👎 No (NE lead reduced)
Economically active as % of working age population	76.5% (Apr 2020-Mar 2021)	👍 Increase by 2.4 percentage points	96.7%	👍 Yes (gap decreased)
Unemployment as % of economically active working age population	6.4% (Apr 2020-Mar 2021)	👍 Decrease by 3.0 percentage points	136.1%	👉 Unchanged
Productivity (GVA per hour)	£30.81 (2019)	👍 Increase by £3.24	92.5%	👎 No (gap increased)

Sources: Regional economic activity by GDP (ONS), mid year population estimates (ONS), Annual Population Survey (ONS via Nomis), Sub-regional productivity (ONS)

Challenges

Even though the North East population has increased since 2014, the proportion who are working age has decreased. To reverse this trend, working age people should be attracted into the region and residents need to remain.

Despite the impact of COVID-19, the working age economic activity rate increased between 2014 and 2021, with the unemployment rate decreasing. However, both compare poorly to national rates and have improved less rapidly compared to other regions.

Opportunities

Reductions in the percentages of working age people, both within and outside the labour market, who are seeking work would positively impact on the North East economy, with more people moving into employment

Differences in productivity between areas are often a result of differences in sector. Increasing the proportion of jobs in high productivity sectors would help to boost the economic output of the North East.

Section 3

Update on the Strategic Economic Plan targets



Section 3

Update on Strategic Economic Plan targets

The Strategic Economic Plan sets out six targets for the region to achieve between 2014 and 2024.

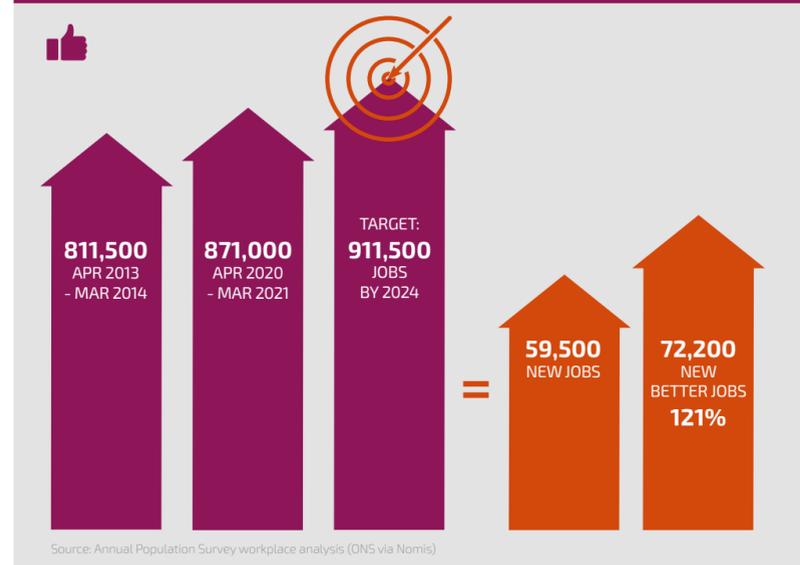
Our headline targets are to create more and better jobs in the North East LEP area.

More and better jobs

In 2014, employment in the North East LEP area was 811,500. We have set a target to increase this by 100,000 to 911,500 by 2024. In addition, we have set a target that 70% of additional employment should be in 'better jobs', a definition based on occupations.

'Better jobs' include managers, directors and senior officials; professional occupations (such as civil engineers and doctors); and associate professional and technical occupations (such as laboratory technicians and graphic designers).

Progress: By March 2021, employment had increased by 59,500, despite a decrease of 9,400 since March 2020. This had been driven by increased employment of 72,200 in better jobs, equivalent to 121% of the total net change (this is greater than 100% because total employment in other occupations has decreased)



Source: Annual Population Survey workplace analysis (ONS via Nomis)

We also have four targets that compare the North East LEP area's performance with England excluding London.

Employment rate

It is important that residents in the North East LEP area are benefiting from the additional jobs created. One way of measuring this is the employment rate. This shows the number of people aged 16 to 64 in employment (both employees and self-employed people) as a percentage of the total population in this age group. In 2014, the North East LEP area had a lower employment rate than England excluding London. We have set a target to close the gap between the North East's employment rate and that of England excluding London by 100% between 2014 and 2024.

Economic activity rate

The economic activity rate measures the proportion of people aged 16 to 64 who are participating in the labour market, either employed or out-of-work but actively seeking a job. We want to reduce the gap between the North East's economic activity rate and that of England excluding London by 50% between 2014 and 2024.

Private sector employment

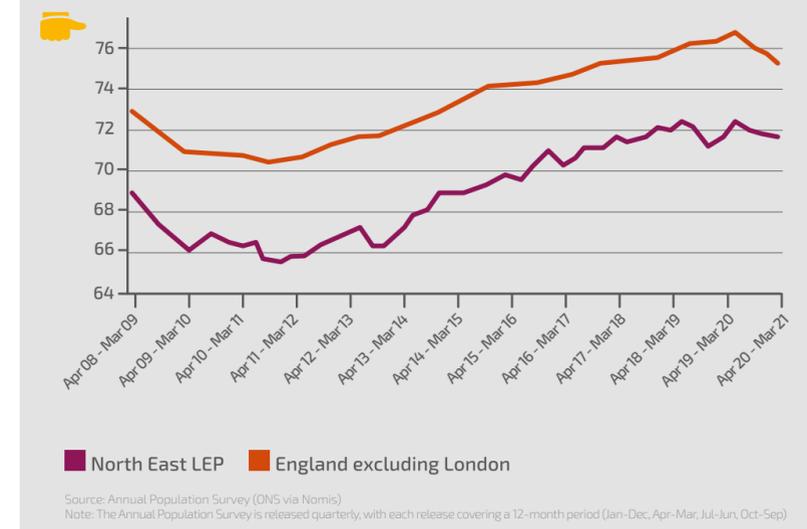
The annual estimate of employee jobs provides details of employment by sector (excluding the self-employed). In 2015 there were fewer private sector employee jobs per head (16 to 64 population) in the North East than in England excluding London. Our target is to reduce this gap by 50% by 2024. The baseline year differs from that used in other targets because consistent data is only available from 2015.

Productivity (Gross Value Added per hour worked)

Gross Value Added (GVA) measures the contribution to the economy of each individual producer, industry or UK region. GVA per hour worked is the most widely used statistic for comparing the productivity of different areas. Unlike the alternative measure (GVA per job), it takes account of sector variations in the number of hours worked. We aim to reduce the gap in GVA per hour worked between the North East and England excluding London by 50% between 2014 and 2024.

Employment rate

Progress: By March 2021, the gap between the North East LEP area and England excluding London had reduced by 31%. The latest employment rates for both areas were lower than a year earlier but the North East had experienced a much smaller percentage point decrease (less than 0.1, compared to 1.2). Most furloughed workers are categorised as being in employment and the time lag means that this data does not reflect the impact of the gradual ending of furlough.



Source: Annual Population Survey (ONS via Nomis)
Note: The Annual Population Survey is released quarterly, with each release covering a 12-month period (Jan-Dec, Apr-Mar, Jul-Jun, Oct-Sep)

Economic activity rate

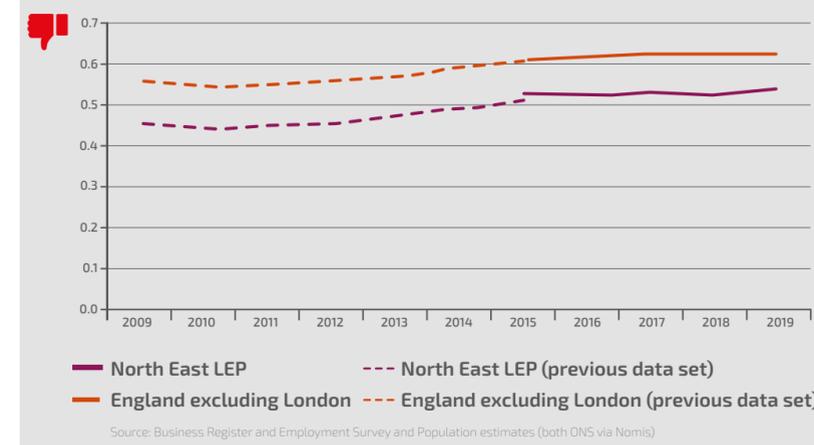
Progress: By March 2021, the gap between the North East LEP area and England excluding London had reduced by 29%. The latest economic activity rate in the North East was 0.6 percentage points higher than a year earlier, contrasting with a 0.5 percentage point decrease in England excluding London. The employment rate did not increase in this period, resulting in an increase in the proportion of unemployed working age people.



Source: Annual Population Survey (ONS via Nomis)
Note: The Annual Population Survey is released quarterly, with each release covering a 12-month period (Jan-Dec, Apr-Mar, Jul-Jun, Oct-Sep)

Private sector employee jobs per working age person

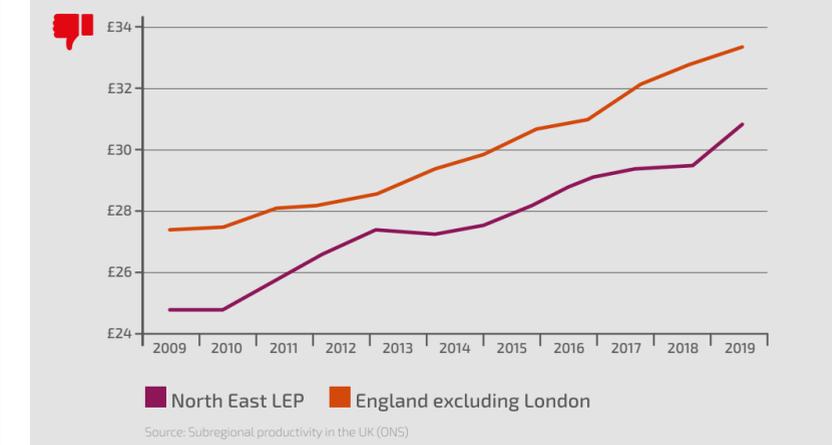
Progress: Between 2015 and 2019, the gap between the North East LEP area and England excluding London widened by 14%. This reflects that the 1.9% increase in the number of private sector employees in the North East LEP area in this period was much smaller than the 5.1% increase across England excluding London.



Source: Business Register and Employment Survey and Population estimates (both ONS via Nomis)

Gross Value Added per hour worked (£)

Progress: Between 2014 and 2019, the gap between the North East LEP area and England excluding London widened slightly (by 1%). Productivity in both areas increased by just under 12% in that period. In the most recent year, productivity in the North East increased by 4.6%, a much larger percentage increase than for England excluding London (1.7%)



Source: Subregional productivity in the UK (ONS)

Section 4

North East Strategic Economic Plan: programmes of delivery data, opportunities and challenges

The North East Strategic Economic Plan sets out five programmes of delivery. These are:

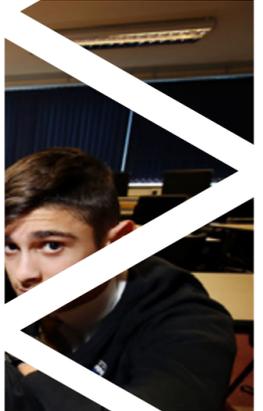
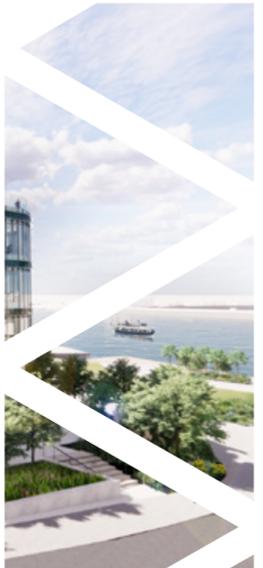
Business growth

Innovation

Skills, employment, inclusion and progression

Transport connectivity

Infrastructure and investment



Section 4

Business growth

Why is this important?

Business growth refers to the creation and scaling of new and existing businesses. Research from the Enterprise Research Centre estimates that growth businesses account for about three fifths of job creation and, in particular, that 'high growth' businesses are responsible for almost a quarter of new jobs created despite being just 1% of job creating firms.

Business growth is fundamental to achieving the Strategic Economic Plan's targets to increase the number of jobs in the North East by 100,000 and to reduce the gap in private sector job density with England excluding London by 50% by 2024. It also directly contributes to increasing productivity across the North East LEP.

What does the data tell us?

Low rates of businesses per head and business start-ups per head has been a persistent weakness of the North East LEP's economy. The most recent data suggests that these rates are improving in the North East LEP area, but that the gap between the North East LEP and England excluding London continues to grow.

The data for business survival rates and the number of high growth businesses, however, demonstrates that despite the relatively small size of the business population in the North East LEP area, the business population that does exist is robust. The survival rates for new enterprises are higher in the North East LEP than England excluding London and the improvement is encouraging for the longer term.

The North East has retained its lead over England excluding London of goods exported per head and has reduced the gap of services exported by head.

More broadly the data shows the North East LEP's economy has been heavily impacted by COVID-19. Many businesses have been forced to place employees on furlough, and large proportions of North East businesses have reported lower turnover. Home working became a necessity during Covid for many businesses, and is likely to remain prominent in working practices as we emerge from the pandemic.

Despite challenges they have faced, businesses in the North East LEP area are now increasingly confident in their ability to survive moving forwards. In August over three quarters of businesses reported high levels of confidence that they could survive the next three months. North East businesses have also consistently reported higher levels of confidence than England as a whole.



The North East Growth Hub team support businesses to start, grow and thrive.

Challenges

The challenge is to build a more entrepreneurial culture in the North East to increase the low number of businesses per head and the low business birth and death rates, thus improving the dynamism of the economy.

As the analysis of the global North East in section 5 shows, more than half of the value of the North East region's goods exports are currently destined for the EU. We need to resolve the regulatory challenges faced by businesses exporting to Europe and to expand markets elsewhere.

Although business activity is now returning to pre-COVID levels across many sectors, furlough, home working and other restrictions are still present for a lot of businesses. There is also uncertainty of the impact of the withdrawal of Government financial support for the economy.

Opportunities

In recent years the percentage of high growth businesses in the North East has increased faster than nationally. There are opportunities to identify and work with businesses with scaleup potential to continue this improvement.

North East businesses have generally been more confident of survival than nationally since the start of COVID-19. Together with this resilience, major investment announcements in the region, including Nissan and Envision, Britishvolt, have helped to build optimism about the potential for a strong recovery.

The high value per head of North East exports of goods highlights that the area has the expertise to grow our trade in existing and new markets.

A summary of the key indicators that demonstrate the business growth performance in the North East LEP area economy

Indicator	Most recent data	Change since 2014	North East as % of national comparator	Performance improved compared with nationally
Businesses per 10,000 adults	323 (2020)	Increased (from 2014 by 47 enterprises)	67% (England excluding London)	Unchanged
Business births per 10,000 adults	44 (2019)	Increased (from 2014 by 1 enterprise)	67% (England excluding London)	No (Gap widened)
Business deaths per 10,000 adults	39 (2019)	Increased (from 2014 by 7 enterprises)	69% (England excluding London)	No (Gap widened)
New businesses two-year survival rates	71% (2017-2019)	Decreased (from 2014-2016 by 4% points)	102% (England excluding London)	Yes (NE taken lead)
Proportion of 'High Growth' businesses	5.7% (2015-2018)	Decreased (from 2014-17 by 0.1% points)	92% (UK)	Yes (Gap narrowed)
% of start-ups scaling turnover from less than £500,000 to £1 million in three years	1.8% (2015-18)	Unchanged (since 2012-15)	90% (England)	No - gap widened (England)
% of scaling survivors increasing turnover from £1-2 million to £3 million in three years	7.0% (2015-18)	Increased (by 1.6 percentage points)	92% (England)	Yes - gap narrowed (England)
Value of goods exports per adult (North East Region)	£5,265 (2020/21)	Increased (from 2014/15 by £97)	116% (England excluding London)	Yes (NE lead increased)
Value of services exports per adult (North East Region)	£3,157 (2018)	Increased (from 2014 by £1,588)	87% (England excluding London)	Yes (Gap narrowed)

Sources: Business counts (ONS), Business demography (ONS), Local Growth Dashboard (ERC), Mid-year population estimates (ONS), Regional trade data (HMRC), International Trade in Services (ONS)

Business growth

Business base

53,530
private sector enterprises
in the North East LEP area 2020

- This was equivalent to 323 private sector enterprises per 10,000 adults in the population
- If the North East LEP area had the same rate of private sector enterprises per 10,000 adults as England excluding London there would be an additional 26,020 private sector enterprises in the North East LEP area

These private sector enterprises were diverse in terms of their size, turnover and urban/rural classifications.

- 87.5% were micro enterprises employing 0-9 individuals. A further 10.4% were classified as small (10 to 49), while medium (50-249) and large (250+) enterprises only accounted for 1.7% and 0.4% of all enterprises respectively. These proportions are very similar to the figures for England excluding London
- Similarly, most enterprises had relatively small annual turnovers, with 35% reporting between £0-£99,000 and 48% between £100-£499,000. Enterprises with turnovers over £500,000 accounted for the remaining 17%. These proportions are also similar to England excluding London

- Over three quarters (76%) of enterprises in the North East LEP area operated in urban areas, with 24% operating in rural areas.

Sources: Business counts (ONS)

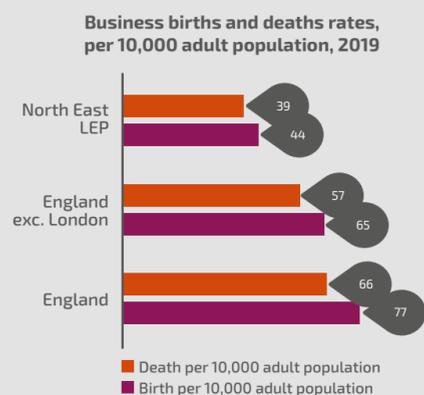
Business birth and death rates

The North East LEP area continues to have lower rates of business births per 10,000 adults than England excluding London.

- In 2019 there were 7,210 births in the North East LEP area, equivalent to 44 per 10,000 adults
- This is lower than the rate for England (77) and England excluding London (65).

The rate of business deaths in the North East LEP area is also lower than the national rate. Business death rates are very closely linked to levels of innovation and dynamism in regional economies.

- In 2019 there were 6,475 deaths in the North East LEP area, equivalent to 39 per 10,000 adults
- This is lower than the rate for England (66) and England excluding London (57).



Sources: Business demography (ONS)

Survival rates and high growth firms

The rates of enterprises that survive at least two years are more comparable to rates in England excluding London.

- 5,025 of the businesses born in 2017 in the North East LEP area were still active two years later, a survival rate of 71.0%
- This is very similar to the rates for England (68.9%) and England excluding London (69.5%).



The North East LEP area also has a relatively high number of high growth firms.

The Organisation for Economic Co-operation and Development (OECD) defines a high growth business as a business that has grown its number of employees by at least 20% per annum over a three-year period.

- 5.7% of businesses operating in the North East LEP area were classified as high growth in the 2015-2018 period.
- These rates of high growth firms are comparable to national figures. In the same time period 6.2% of firms in the UK were classified as high growth.

Sources: Business demography (ONS), Local Growth Dashboard (ERC)

Exports

High levels of exports are a key feature of a high growth economy. The most recent data suggests that the North East region continues to export high values of goods and services abroad.



The value of goods exported per adult compares favourably with England excluding London.

- In 2020/21 the North East region exported goods worth £11.6 billion abroad. This was equivalent to £5,265 per adult in the region
- In the same year England excluding London exported goods worth £4,545 per adult.



The North East Region also exports services abroad. The value of service exports per adult across the North East region was lower than England excluding London in the most recent data release.

- In 2018 the North East region exported services worth £6.9 billion. This was equivalent to £3,157 per adult in the region
- In the same year England excluding London exported services worth £3,638 per adult.

Sources: Business demography (ONS), Local Growth Dashboard (ERC) Regional trade data (HMRC), International trade in services (ONS)

Impact of COVID-19

The North East LEP area's economy has been significantly disrupted by the COVID-19 pandemic, presenting businesses with a series of challenges over the last two years, many of which are ongoing, including the requirement of furlough support scheme, adapting to home working, turnover restrictions.

317,800
workers on furlough since it
launched until 16 August 2021.

41,100
workers on furlough in the
North East LEP area as of 31 July 2021

78%
businesses in the North East region who
reported more staff working from home
because of COVID-19 (November 2020)

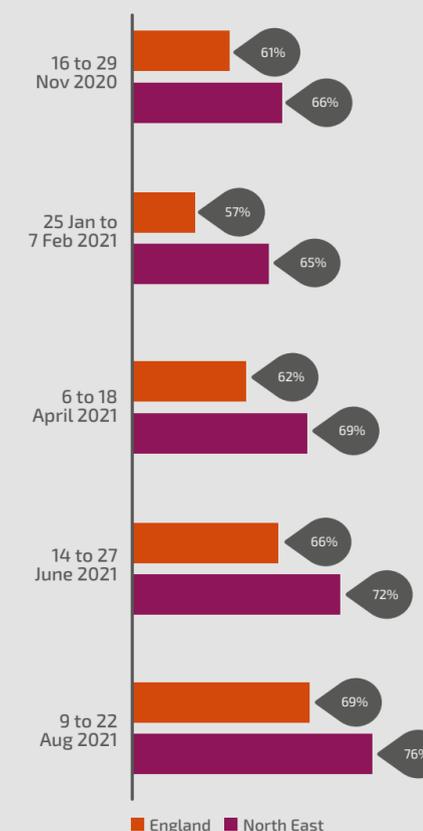
45%
businesses in the North East region
who reported a reduction in turnover
of at least 20% (November 2020)

Sources: Coronavirus job retention scheme statistics (ONS), Business insights and impact on the UK economy (ONS)

Business confidence

Despite the challenges faced by businesses over the last two years, businesses in the North East region are increasingly confident about their ability to survive in the future, more so than businesses across England as a whole.

Proportion of businesses that have 'high confidence' they can survive the next three months, 2020-21



Sources: Business insights and impact on the UK economy (ONS)
Note: The bars in the chart start from 50%

Innovation

Why is this important?

As one of the five key drivers, innovation is central to our long-term aim to build a more productive economy. Investment in innovation drives change and enables the solving of economic and social challenges by bringing new products, services, processes and business models into the economy. Improving rates of innovation activity across the business community and increasing investment in research and development (R&D) will also help to increase the number of 'better' jobs in the North East.

Many innovation performance indicators are included in other sections of this document because innovation impacts on business and economic growth and on the development of skills. This section specifically focuses on data about innovative businesses, spend on R&D, intellectual property and employment in specific occupations.

Some data sources pre-date the pandemic and its impact on innovation activity. In particular, the UK Innovation Survey data which is collected every two years, most recently 2016-18. In this edition of Our Economy, we are able to include LEP area data from that survey for the first time.

What are the key findings from the data?

In 2016-18, about 41% of businesses in the North East LEP area reported that they were innovation active, down from 56% in 2012-14. This was a slightly higher percentage than nationally and a slightly smaller decrease (England 38%, down from 54%).

Innovation active businesses include product and process innovators, where new or significantly improved products or processes have been introduced. Innovation active businesses can also be engaged in an active innovation project, or introducing improved forms of organisation, marketing processes or business structures and practices.

About 21% and 14% of businesses in the North East LEP area were, respectively, product and process innovators in 2016-18. This was slightly higher than in England as a whole (19% and 13%).

As with overall innovation active businesses, the percentage of process innovators in the North East LEP area decreased over the four years from 2012-14 (when it was 19%). The percentage of product innovators was unchanged.

About 21% of businesses in the North East LEP area reported that they performed internal R&D in 2016-18 (England 17%). This was an increase from 20% four years earlier, in contrast to England, where the rate had fallen from 19%.

Total investment in R&D in the North East region in 2019 was £742 million, equivalent to 1.3% of GVA. This was a much smaller percentage than nationally (2.3% in England excluding London). However, the gap has decreased slightly since 2014 (North East 1.1% of GVA, England excluding London 2.2%).

When measured on a per adult resident basis, business expenditure on R&D in the North East region equated to 35% of expenditure per adult in England excluding London in 2019.

When measured on the same basis, government expenditure on R&D in the North East region was less than half that across England excluding London. The equivalent measure for higher education R&D was 16% lower in the North East region than nationally.

About 5.2% of employed people in the North East LEP area in 2020 were science, research, engineering or technology professionals, with a further 2.3% working as associate professionals. Both percentages have increased since 2014 but the former is still lower than the national equivalent (6.0% in England excluding London).

There were 68 patents granted in the North East region in 2020. This was 15 and 24 higher than in 2019 and 2014, respectively. However, the 2020 total represented about 25 per million inhabitants, less than half the national rate (68 in England excluding London).

Challenges

Whilst the North East continues to make incremental progress in innovation, we continue to lag behind national indicators.

The North East is not recognised as an innovative location nationally or internationally.

Some businesses are concerned about a current lack of clarity regarding the UK's future R&D strategy and specific investment plans, following EU exit. Continuing uncertainty risks holding back private sector innovation investment.

Innovation data is significantly lagged, meaning we can not fully understand the impact of COVID-19 or use current data to inform strategy and project development.

Opportunities

To build an innovation-led post-Covid recovery through targeted investment in R&D and the adoption of new technologies, focusing on the region's unique strengths in automotive manufacturing and electrification, low carbon energy, and digital technologies (including AI and automation).

To agree a transformational Innovation Deal to enable a step change in Innovation delivery and secure investment into its knowledge assets in business and higher education.

Businesses and SMEs across all sectors have shown great adaptability, demonstrating their capacity to innovate and make changes to the way they operate in the face of the pandemic. This includes the development of new products and services; entering new markets; and developing better and more efficient ways of working, including home working and digital delivery of services. These innovations have delivered significant productivity and financial benefits for many businesses which will endure beyond the pandemic.

A summary of the key indicators that demonstrate the innovation performance in the North East LEP area economy

Indicator	Most recent data	Change since 2014 (except where stated)	North East as % of England excluding London	Performance improved compared with nationally
% of businesses that are innovation active	41.2% (2016-18)	 -14.6 % pts (2012-14)	107.3% (England)	 NE lead increased
% of businesses involved in product innovation	20.9% (2016-18)	 -0.2 % pts (2012-14)	111.2% (England)	 NE overtook England
% of businesses involved in process innovation	13.6% (2016-18)	 -5.5 % pts (2012-14)	106.3% (England)	 NE lead decreased
% of businesses involved in wider innovation	22.1% (North East region 2016-18)	 -22.6 % pts (2012-14)	83.4% (UK)	 UK overtook NE
Business expenditure on R&D per 10,000 adult population	£1.87m (North East region 2019)	 +£0.57m	35.4%	 Gap narrowed
Business employment in R&D per 10,000 adult population	27.4 FTE (North East region 2019)	 +8.8 FTE	52.2%	 Gap narrowed
Higher education expenditure on R&D per 10,000 adult population	£1.14m (North East region 2019)	 -£0.01m	84.1%	 Gap increased
Government expenditure on R&D per 10,000 adult population	£0.23m (North East region 2019)	 +£0.01m (2015)	47.6%	 Gap increased
Total expenditure on R&D as a % of GVA	1.34% (North East region 2019)	 +0.22 % pts	59.6%	 Gap narrowed
% employed in science, research, engineering and technology professional occupations	5.2% (Jan 2020-Dec 2020)	 +1.2% pts (Jan 2014-Dec 2014)	88.6%	 Gap narrowed
% of employment as science, engineering and technology associate professionals	2.3% (Jan 2020-Dec 2020)	 +0.4 % pts (Jan 2014-Dec 2014)	106.4%	 Unchanged
Patents granted per million adult population	25.4 (North East region 2020)	 +8.6	37.5%	 Gap increased

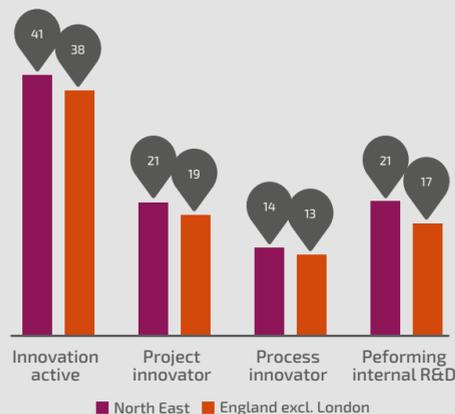
Sources: UK Innovation Survey (BEIS), Annual Population Survey Workplace Analysis (Nomis), Business Expenditure on R&D (ONS), Country and regional breakdown of expenditure on R&D in the UK (ONS) and Patents (Intellectual Property Office)

Innovation

Business innovation activity

Over two fifths of businesses in the North East LEP area were innovation active in 2016-18, the latest date for which survey information is available.

Percentage of businesses engaged in innovation activity 2016-18



According to the latest data, in 2016-18 about 36% of businesses in the North East region were defined as 'broad innovators'. Compared with non-innovators, these businesses were:

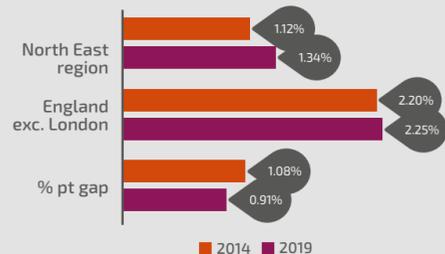
- 2½ times more likely to be an exporter**
- 5 times more likely to employ a Science or engineering graduate**
- 2½ times more likely to employ graduates in other subjects**

Source: UK Innovation Survey (BEIS)

Expenditure on R&D

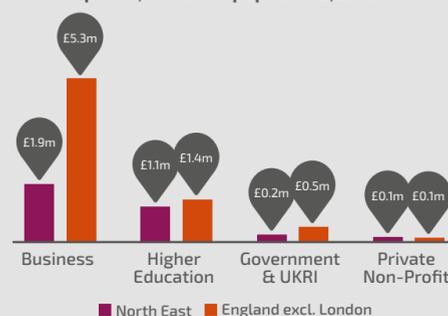
When expressed as a percentage of GVA, total expenditure on R&D in the North East region in 2019 was much lower than the national equivalent. However, the gap had closed slightly in the most recent five years.

Total expenditure on R&D as a percentage of GVA, 2014 and 2019



Business expenditure on R&D makes up a larger proportion of total expenditure than any other sector source, both locally and nationally. The disparity between the North East region and England excluding London in R&D expenditure per head is particularly large for business expenditure on R&D.

Expenditure on R&D by source, per 10,000 adult population, 2019

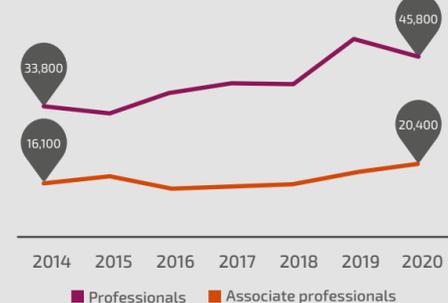


Sources: UK Expenditure on R&D, Business Enterprise R&D

Employment

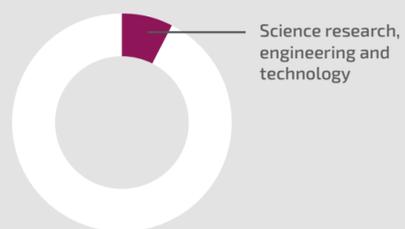
The number of people employed as science, research, engineering and technology professionals and associate professionals in the North East LEP area increased by over 16,000 between 2014 and 2020, despite a decrease of about 3,000 in the number of professionals in the most recent year.

Employment in science, research, engineering and technology, North East LEP area, 2014 to 2020



About 7.5% of employment in the North East LEP area during 2020 was in one of these professional or associate professional occupations.

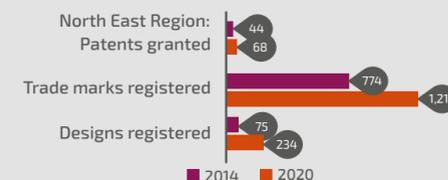
Employment in the North East LEP area, 2020



This proportion was slightly smaller than the national equivalent (8.2% in England excluding London) but had increased by 1.6 percentage points since 2014.

Source: Annual Population Survey Workplace Analysis (Nomis)

Patents, trade marks and designs



Grants of patents and registrations of trade marks in the North East region in 2020 were both more than one and a half times the totals in 2014. Registrations of designs were more than three times higher.

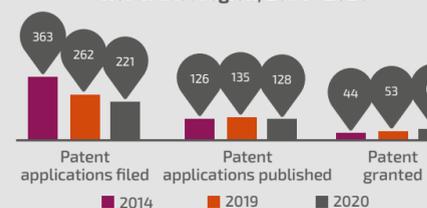
Taking account of population, the North East rates of patents granted and of designs registered were both well below half those in England excluding London. The North East rate of trade marks registered was more than 40% lower.

Intellectual property grants and registrations per head 2020, North East region as a percentage of England excluding London



The increased number of North East region patents granted since 2014 contrasts with a decrease in the number of applications filed.

Patent applications, publications and grants, North East region, 2014 - 2020

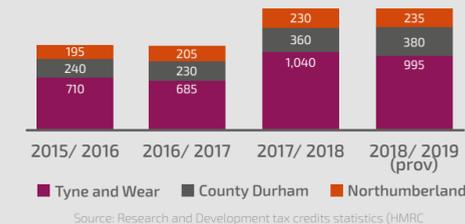


Source: Patents, trade marks and designs data 2020 (Intellectual Property Office)

Funding for R&D

Over 1,600 businesses in the North East LEP area claimed R&D tax credits in 2018/19, the latest year for which statistics are available. This was a similar total to the previous year but was 41% higher than in 2015/16, the first comparable year at LEP level. Most claimants in each year were in the Tyne and Wear area.

R&D tax credit claimants, North East LEP area



Source: Research and Development tax credits statistics (HMRC)

The latest available data from UK Research and Innovation (UKRI) states that total UKRI spend in the North East region in 2018/19 was £215 million, including investment in the catapult network. More up to date, local data shows that Innovate UK provided £23.7 million to projects in the North East LEP area that started in 2020/21. This was a lower total than in the previous three years but more than double that in 2014/15. The totals exclude large one-off grants made to centres of excellence.

R&D tax credit claimants, North East LEP area

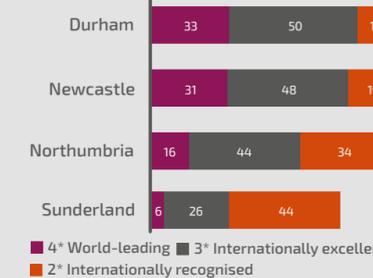


Source: Database of funded projects since 2004 (Innovate UK)

University research

Over four-fifths of the research output submitted by Durham and Newcastle universities to the higher education funding body was assessed as either world-leading or internationally excellent in 2020. This was true of three-fifths of research from Northumbria University and about a third from the University of Sunderland.

Quality of submitted research output (% of total), 2020 North East LEP area universities



Source: Research Excellence Framework Rankings 2020

This source also includes a measure of research power in 2020, with Newcastle and Durham, respectively, ranked 16th and 20th out of 128 UK institutions. Northumbria was 50th and Sunderland 90th.



Skills, employment, inclusion and progression

Why is this important?

Enhancing our region's skills base is essential to improving our economic performance, driving productivity and improving social mobility. Investment in skills helps individuals access employment, establish businesses and build careers. This investment will be most effective if it reflects the needs of employers, ensuring alignment between labour demand and supply during periods of economic transition. To help individuals access opportunities, wider measures are required, focusing on inclusion and progression.

What are the key findings from the data?

Qualification levels among working age individuals in the North East LEP area continue to be lower than England excluding London. While the proportion of those with no qualifications is declining it is doing so more slowly than England excluding London. The proportion possessing degree level and above qualifications is also growing more slowly.

Digital inclusion remains a challenging area. The North has a much lower proportion of adults with essential digital skills for work than the UK average. However, the North East region perform well relative to England in terms of foundation level digital skills and digital skills for life.

There were large declines in enrolment in further education across the North East LEP primarily due to COVID-19 - with a drop of 50% between 2018/19 -2019/20, including a 23% fall in the number of apprenticeships. Enrolment in higher education remained high in 2019/2020, but data pre-dates COVID-19 so the impact of the pandemic is not yet visible.

Overall working age employment is lower in the North East LEP area than England excluding London. It is slightly higher among the 16-24 age group, yet still had the lowest employment rate overall.

Challenges

As of 31 July 2021 there were still 41,100 workers on furlough in the North East LEP area – understanding the impact of the scheme coming to an end is critical.

It is unclear how the labour market volatility caused by COVID-19 and EU exit will affect employment patterns and skills requirements in the future.

The steep declines in further education and apprenticeship enrolment may impact future skills supply and constrain future growth.

There are concerns about incomes and living standards in the context of policy changes such as the end of the Universal Credit uplift. Household poverty is already above the English average on every measure (with and without household costs), while wages based on weekly pay for the North East LEP area continue to be lower than the national average too.

A high proportion of residents are impacted by health issues affecting employment, with almost a third of those economically inactive citing long term or temporary sickness as their reason for being economically inactive

The number of vacancies in the North East region has recovered since the onset of the COVID-19 pandemic and has now exceeded pre-pandemic totals. However, the vacancies per working age resident is still the lowest of the nine English regions.

There are some persistent issues with labour market inclusion visible in the most recent data. Those of a working age with a disability or belonging to ethnic minorities were less likely to be in employment in the North East LEP area than those without these characteristics. Males and young adults were the most likely to be unemployed.

Opportunities

The growth in professional employment opportunities means there is greater number of high-quality jobs within the North East LEP area. Employment is predicted to grow across many sectors, including health and social care, professional services, support services and information technology which consequently could increase professional opportunities.

Changes in working practices means there is strengthened demand for digitally enabled workers, with 92% of businesses saying that digital skills are important – creating a requirement for digital upskilling across the workforce.

The slight fall in economically inactive and disconnected workers suggests a greater proportion of the North East LEP's workforce is engaging with the labour market.

The large increases in vacancies advertised over the last year creates opportunities to intervene and correct mismatches in supply and demand by upskilling residents to access the range of available jobs.

In terms of progression, further and higher education students generally move into employment or further study after completing their studies, although rates of progression from further education are lower in the North East LEP area than for England as a whole.

Progression opportunities are underpinned by a growing professional labour market in the North East LEP area, with professional employment opportunities increasing by 47,700 between 2014 and 2020.

A summary of the key indicators that demonstrate the skills, employment, inclusion and progression performance in the North East LEP area economy

Indicator (note: working age is defined as 16 to 64)	Most recent data	Change since 2014 (except where stated)	North East as % of England excluding London (except where stated)	Performance improved compared with nationally
Employment density per 1,000 working age population	666 (2019)	Increase (by 8)	89%	No (gap widened)
Working age population as % of total population	62.5% (2020)	Decrease (by 1.3 %pts)	102%	No change
Working age economic activity rate	76.5% (Apr 20-Mar 21)	Increase (by 2.4 %pts)	97%	Yes (gap narrowed)
Working age employment rate	71.6% (Apr 20-Mar 21)	Increase (by 4.6 %pts)	95%	Yes (gap narrowed)
% of working age population with NVQ Level 4+ qualifications	34.7% (Jan-Dec 2020)	Increase (by 6.2 %pts)	88%	Yes (gap narrowed)
% of working age population with no qualifications	7.9% (Jan-Dec 2020)	Decrease (by 1.9 %pts)	123%	No (NE lead widened)
% of vacancies that are skills shortage vacancies	24% (2019)	Increase (by 10 %pts since 2013)	96% (England)	No (gap widened)
% of employers reporting skills gaps	14% (2019)	Decrease (by 4 %pts since 2013)	108% (England)	Yes (NE lead reduced)
Working age economic inactivity rate	23.5% (Apr 20-Mar 21)	Decrease (by 2.4 %pts)	112%	Yes (NE lead reduced)
Working age unemployment rate (% of economically active population)	6.4% (Apr 20-Mar 21)	Decrease (by 3.2 %pts)	133%	No change (NE lead almost unchanged)
16 to 24 unemployment rate (% of economically active population)	15.3% (Apr 20-Mar 21)	Decrease (by 9.2 % pts)	109%	Yes (NE lead reduced)
50 to 64 unemployment rate (% of economically active population)	5.4% (Apr 20-Mar 21)	Decrease (by 0.5 % pts)	159%	No (NE lead widened)
Median gross weekly wages of full- time employees	£517 (2020)	Increase (by £38)	88% (England)	No (gap widened)

Sources: Business Register and Employment Survey (Nomis), Population estimates (Nomis), Annual Population Survey (Nomis), Employer Skills Survey (DFE), and Annual Survey of Hours and Earnings workplace analysis (Nomis)

Notes:

- To ensure that seasonal factors are not affecting comparison, the same time periods are used for both the most recent year and the 2014 benchmark year for each indicator. For example, the most recent Annual Population Survey data is for the period Apr 2020-Mar 2021, so Apr 2013-Mar 2014 is used as the "2014" comparator.
- Employment density is based on employees and working owners in VAT and PAYE registered enterprises. It excludes self-employed workers and non-working owners.
- Skills shortage vacancies are vacancies that are hard to fill because there is a lack of skilled or qualified people to take the job.
- Skills gaps are where existing staff are not fully proficient in their job role.
- Working age qualifications data in the Annual Population Survey are only available for the Jan-Dec 12 month period.

Skills

Qualifications of the workforce

In 2020, over 38% of working age people in the North East LEP area had no or low (NVQ1 / NVQ2) qualifications, compared to less than 34% in England excluding London. The North East also had a lower percentage qualified to degree level and above (NVQ4+).

Working age population by highest level of qualification (%) Jan-Dec 2020



Source: Annual Population Survey (ONS via Nomis)
 Guide: NVQ1: fewer than 5 GCSEs at grades A-C, NVQ2: 5 or more GCSEs at grades A-C, NVQ3: 2 or more A levels, NVQ4+: HND, Degree and Higher Degree level
 Other qualifications: includes foreign and some professional qualifications

Between 2014 and 2020, percentages of North East working age people qualified to degree level and with no qualifications changed by, respectively, +6.2 and -1.9 percentage points. These were smaller changes than in England excluding London (+6.5 and -2.4).

Digital skills

Lloyds Bank data indicates that, in 2021, essential digital skills at foundation level for adults were slightly higher in the North East region than in England overall. The region also had a slightly higher level of essential digital skills for life, but the North as a whole had a lower level for work than the UK overall (there is no regional data for work skills).

Adults with essential digital skills by type (%), 2021



Essential Digital Skills Data (Lloyds Bank)

Further Education



In 2019/20, there were 46,290 adult learners (aged 19+) participating in government-funded further education in the North East LEP area.

Source: Further education and skills data (DFE)

This total includes apprenticeships and was 53% lower than in 2018/19, a much larger fall than the 16% decrease across England. In 2019/20 a total of 38,130 adult learners achieved a government-funded further education qualification.

Apprenticeships



In 2019/20, there were 13,150 apprenticeship starts in the North East LEP area

Source: Apprenticeships data (DFE)

About 31% of apprenticeship starts were at intermediate level, with 45% advanced and 24% higher. The North East LEP area also had 470 traineeship starts in 2019/20. These are designed as a stepping-stone to an apprenticeship or to other work. The total number of North East starts was 23% lower than in 2018/19 but the number of higher apprenticeship starts was 4% higher.

The most common subject areas for North East apprenticeships in 2019/20 were:

- Business, administration and law (31%)
- Health, public services and care (22%)
- Engineering and manufacturing technologies (17%)
- Construction, Planning and the Built Environment (10%).

Universities

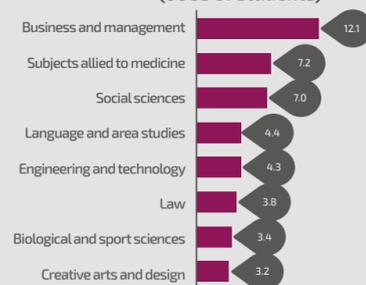
In 2019/20, the four North East universities had:

69,065 undergraduate students

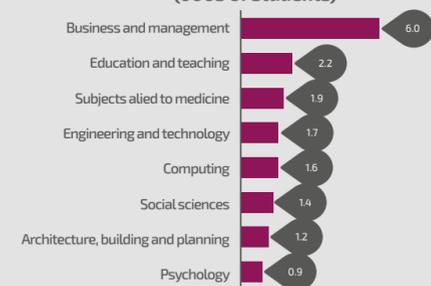
22,600 postgraduate students.

These totals represented 4.5% of all undergraduates and 4.3% of all postgraduates in Higher Education establishments in England. Around two thirds of North East undergraduates and 75% of post graduates studied one of the eight most common subjects.

North East undergraduate student enrolments, 2019/20. Eight most common subjects (000s of students)



North East postgraduate student enrolments, 2019/20. Eight most common subjects (000s of students)



Source: Higher Education Student Statistics: 2019/20 (HESA)

Progression

Student destinations

Among students in the North East LEP area who completed key stage 4 in 2018/19:



93% went onto sustained education, apprenticeship or employment, compared to 94% in England.

Made up of:

Further education: 42%; school sixth form: 39%; apprenticeship: 6%; employment: 4%; other education: 2%.

Among students in the North East LEP area who reached the end of 16 to 18 study in 2018/19:



78% went onto sustained education, apprenticeship or employment, compared to 81% in England.

Made up of:

Higher education: 32%; employment: 21%; apprenticeship: 13%; further/other education: 12%.

Further education (FE) outcomes

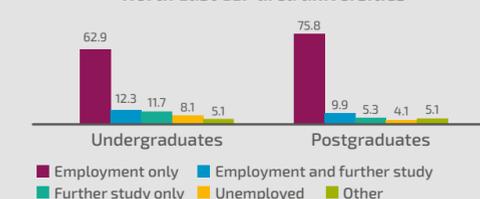
In the North East LEP area, 73% of the 63,000 further education leavers in 2017/18 went into sustained employment or education. This was the same percentage as in 2016/17 but less than the percentage in England as a whole (78%). North East apprenticeship leavers were more likely to go into sustained employment or education than other further education leavers.

Sources for this column:
 Key stage 4 destination measures (DFE), 16-18 destination measures (DFE)
 Further education: outcome-based success measures (DFE)
 Note: "sustained" means being at a destination for at least two academic years.

Higher education outcomes

Among 2018/19 graduates from the four North East universities, about 75% of undergraduates and 86% of postgraduates surveyed the following year were in employment or unpaid work, including those combining work with further study.

Destination rates (%) of 2018/19 North East LEP area universities



Source: Higher Education Graduate Outcomes Statistics (HESA)
 Note: percentage is of those who responded

Professional occupations

Growth in North East employment has been driven by additional jobs in professional occupations. Employment increased by 47,700 between 2014 and 2021 across all four broad professional occupational classifications:

Net change in employment in professional occupations, North East LEP area, 2014-2020



Source: Annual Population Survey (Nomis)

Future employment patterns

Working Futures provides a rich and detailed picture of how current employment patterns may evolve over the next decade, based on explicit assumptions about how the UK labour market is expected to behave.

The research was completed just before the COVID-19 pandemic and therefore will not have considered any economy impact this may have on the region.

That said it does show interesting predictions on sectors that are close to our strategic and enabling sectors.

Between 2017 and 2027 these 4 industries are expected to be the highest growth in terms of employees:

- Health and social work
- Professional services
- Support services
- Information technology

In terms of occupation changes, Working Futures predicted that between 2017 and 2027 these four occupations were set for highest growth:

- Managers, directors and senior officials
- Associate professional and technical
- Professional occupations
- Caring, leisure and other service

Source: Working Futures 2017-2027 (IER)

Employment

Employment rates

In Apr 2020-Mar 2021, the working age employment rate in the North East LEP area was 71.6%, compared to 75.3% in England excluding London. The percentage point gap was larger amongst men than women and largest in the oldest age group. The North East rate was lowest among 16 to 24 year olds, although it was slightly higher than nationally.

Employment rates Apr 2020-Mar 2021



Source: Annual Population Survey (ONS via Nomis) rates rounded to nearest whole percentage

Employment by sector

The most up to date LEP area data provides estimates of North East employment by broad sector for Apr 2020-Mar 2021:

Public administration, education and health	37%
Wholesale, retail, hotels and restaurants	18%
Banking, finance and insurance	14%
Manufacturing	9%
Transport, information and communications	8%
Construction	6%
Other services	6%
Agriculture, fishing, energy and water	3%

Source: Annual Population Survey (ONS)
Note: Sums to more than 100% due to rounding, other services include arts, recreation and personal services

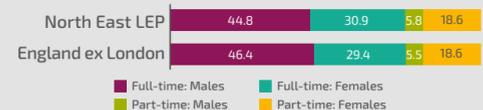
Employment characteristics

In the latest data, females made up a greater percentage of those in employment in the North East LEP area than in England excluding London, with self-employed workers making up a smaller percentage. Part-time workers made up a slightly higher percentage of working age people in employment in the North East but so did full-time female workers.

Employment (aged 16 and over) by status (%), Apr 2020-Mar 2021



Full-time and part-time working age employment (%), Apr 2020-Mar 2021



Source: Annual Population Survey (ONS via Nomis)

According to the latest available data:

- 4.9% of people in employment were in non-permanent jobs in the North East LEP area, compared to 4.4% in England excluding London
- 2.4% were on zero hour contracts in the North East region, compared to 3.0% in England as a whole
- Median full-time weekly employee pay was £516.50, in the North East LEP area, compared to £589.90 across England
- Median part-time weekly employee pay was £203.90, slightly higher than England's £200.90

Sources: Annual Population Survey Apr 2020-Mar 2021 (ONS via Nomis), EMPI17: People in employment on zero hours contracts Apr-Jun 2021 (ONS) Annual Survey of Hours and Earnings (ASHE) 2020 (ONS via Nomis)

Vacancies

The ONS index of online job adverts highlights that recent North East vacancy levels have been well above pre-pandemic levels. In mid-September 2021:

- The number of job adverts in the North East region was 180% of the total in the pre-COVID period of February 2020
- The number was 253% of the total in mid-September 2020
- Both percentage increases were higher than in England as a whole (+133% and +226%).

Despite the increases, a report from the Institute of Employment Studies (IES) indicates that the North East region had the lowest number of vacancies per working age resident among the nine English regions in June 2021.

Sources: Online Job Advert Estimates (ONS), Situations vacant: Online job adverts during the crisis and recovery (IES)

Skills shortage vacancies and skills gaps

The results from the latest Employer Skills Survey (2019) suggested employers in the North East LEP area were:

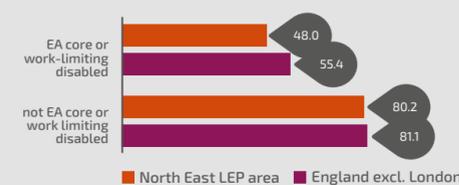
- Less likely to have hard to fill vacancies, 5.7% had at least one hard to fill vacancy, compared to 7.6% for businesses in England excluding London
- Less likely to have skills shortages, 3.9% of businesses had a skills shortage vacancy, compared to 5.5% in England excluding London
- Less likely to have a skills gap with 13.6% of businesses compared to 13.9% in England excluding London.

Inclusion

Employment of people with disabilities

In Apr 2020-Mar 2021, 26.4% of working age people in the North East LEP area were classified as core disabled according to the Equality Act or as having a work limiting disability. Fewer than half (48.0%) were in employment. England excluding London had a lower incidence of disability (22.5%) and a higher employment rate (55.4%), with the 7.4 percentage point gap being much larger than for the rates for other working age people.

Working age employment rate by disability status, Apr 2020-Mar 2021

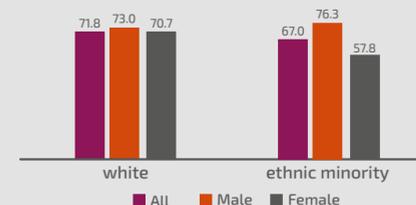


Source: Annual Population Survey (Nomis)

Ethnicity in employment

In Apr 2020-Mar 2021, the North East working age employment rate was higher among people of white ethnicity than among other people. However, among males the reverse was true.

Working age employment rate by sex and ethnic group, Apr 2020-Mar 2021

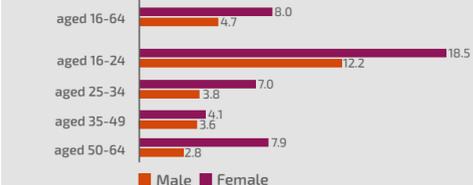


Source: Annual Population Survey (Nomis)

Unemployment by age and sex

The unemployment rate is expressed as the percentage of the economically active population. In Apr 2020-Mar 2021 the working age unemployment rate in the North East LEP area was 6.4%, compared to 4.8% in England excluding London. The North East rate was higher among males and particularly high among young people and males in the oldest age group.

Unemployment rates by sex and age, North East LEP area, Apr 2020-Mar 2021

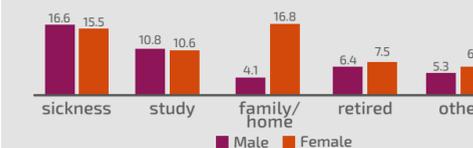


Source: Annual Population Survey (Nomis)

Economic inactivity by reason

In Apr 2020-Mar 2021, 23.5% of the working age population was economically inactive, a higher percentage than in England excluding London (20.9%). The North East rate was higher among females (26.4%) than males (20.5%). Over 32% of the North East's economically inactive people cited long-term or temporary sickness, with about 21% being students and a similar proportion looking after family or home.

Economic inactivity by reason and sex, North East LEP area, Apr 2020-Mar 2021



Source: Annual Population Survey (Nomis)

Young people not in education, employment or training (NEET)

- In Dec 2020-Feb 2021, about 5.8% of 16 and 17 year olds in the North East LEP area were NEET or had an unknown activity, compared to 5.5% in England as a whole and was unchanged on a year earlier.
- In Q4 of 2020, about 13.7% of 16 to 24 year olds in the North East region were NEET, compared to 11.5% in England and was 3.1 percentage points lower than in Q4 of 2019.

Sources: NEET and participation: local authority figures (DFE) NEET statistics annual brief (DFE)

Households below average income

The DWP's annual analysis includes data for English regions that covers three financial years. A household is in relative low income if their income is below 60% of national median income. During the 2017/18 to 2019/20 period in the North East region:

- 561,000 people lived in relative low income households, **before** housing costs
- 657,000 people lived in relative low income households, **after** housing costs
- These totals were, respectively, 23% and 17% higher than five years earlier, compared to 17% and 8% across England

Compared to England in the latest data, the North East region had higher percentages of children and working age adults in relative low income households after housing costs but a lower percentage of pensioners.

Source: Households below average income (DWP) Note: the North East region includes Tees Valley

Transport connectivity

Why is this important?

Transport connectivity is fundamental for regional economic growth because it connects supply to demand. This includes allowing businesses to bring goods to market and connecting individuals to not just labour but also education and leisure market opportunities.

What are the key findings from the data?

- Most transport datasets in this report cover 2020 - 21 and therefore the impact of COVID-19 can be demonstrated. Transport usage was severely impacted by COVID-19 restrictions and therefore the totals for passenger journeys and miles show a fall compared to 2014
- More broadly the data demonstrates that the North East has some key strengths in transport connectivity. Despite the pandemic the Metro continues to have higher rates of passengers per head than England outside of London. Bus passenger numbers per head are also improving compared to England excluding London, although they are falling overall.
- Goods lifted by GB-registered vehicles per head remains lower than the England excluding London average.

Challenges

Before the pandemic, public transport usage was already declining in the region and is anticipated to continue on that trajectory, in light of COVID-19 restrictions.

We are now faced with the challenge of getting people back on public transport to address congestion, air quality and decarbonisation.

This is further exacerbated by the transport system not being fully integrated or accessible to all communities.

Without significant investment in our infrastructure and public transport, the North East will be unable to maximise the opportunities available through the transition to zero emission vehicles.

- One of the key features of the response to COVID-19 was the shift to online working across multiple sectors. In the North East LEP area 20% of those in employment were working

Opportunities

In our region, 56% of commuting trips are under 10km and 37% under 5km. We must target the 93% of commuters who have a journey less than 10km to adopt active, sustainable and public modes of transport to work.

To continue to expand existing and new lines and routes on rail and metro to support economic and sector development as these will provide new passenger travel and freight services.

Trade routes have been significantly disrupted due to COVID-19 and EU exit, but there is an opportunity to work with growth sectors and markets to recover and develop.

from home between January and December 2020. Commentary suggests that online and hybrid working practices will be here to stay across the economy.

Transport connectivity in the North East LEP economy

Indicator	Most recent data	Change since 2014	North East as % of national comparator	Performance improved compared with nationally
Public spending on transport per head	£315 (North East region 2019-2020)	Increase (by £81)	76% (England excluding London)	No (Gap increased)
Metro passenger journeys per head	8.2 (Tyne and Wear 2020-21)	Decrease (by 26.1)	234% (Areas with light rail or tram systems excluding London)	No (NE lead narrowed)
Metro passenger miles	49.7m (Tyne and Wear 2020-21)	Decrease (by 152.1m)	30% (Areas with light rail or tram systems excluding London)	No (Proportion decreased)
Bus passenger journeys per head	68 (2019-2020)	Decrease (by 10)	162% (England excluding London)	Yes (NE lead extended)
Bus passenger miles	62m (2019-2020)	Decrease (by 9m)	7% (England excluding London)	No Change
Goods lifted (tonnes) by GB-registered heavy goods vehicles per adult	21 (North East region 2020)	Decrease (by 5.1)	79% (England excluding London)	No (Gap increased)

Sources: Identifiable expenditure on services (HMT), Light rail and tram statistics (DfT), Local bus services statistics (DfT), Goods data (DfT), Mid-year population estimates (ONS)
 Notes: Public expenditure on transport per head varies greatly from year to year. In 2018/19 the figure for the North East was higher than England excluding London.



Metro

The use of the Tyne and Wear Metro has been heavily impacted by COVID-19. Passenger journeys per head fell by 72% between 2019/20 and 2020/21. Prior to the pandemic passenger journeys per head on the Metro was broadly stable.

Metro journeys per head (Tyne and Wear) 14/15-20/21



Bus services

The most recent data on bus usage is from 2019/2020 and therefore only a small portion of the data is affected by Covid restrictions. There was a fall of 6% in the number of passenger journeys per head in the North East LEP area between 2018/19 and 2019/20. Bus passenger journeys per head were falling in the North East LEP area before the pandemic, a trend also visible in the figures for England excluding London.

Bus journeys per head (North East LEP) 14/15-19/20



Sources: Light rail and tram statistics (DfT), Local bus services statistics (DfT)



Air travel

The North East LEP area is home to Newcastle International Airport. International travel was heavily impacted by COVID-19, with a steep 80% decline in passenger numbers from 2019 to 2020. Prior to the pandemic the number of passengers flying through the airport was broadly stable.

Total passenger numbers Newcastle Airport (thousands) 2014-2020



Road freight

The tonnes of goods delivered per person in the North East region is lower than England excluding London. In 2020 there were 21 tonnes lifted per adult in the North East region. The equivalent figure for England excluding London was 27 tonnes.

Tonnes of goods lifted by GB-registered heavy goods vehicles from the North East region (millions) 2014-2020



Sources: Passenger data (CAA), Goods data (DfT)

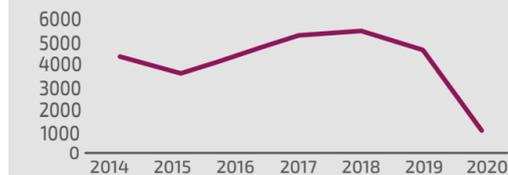


Air freight

Freight transported through Newcastle airport declined sharply in 2020, falling by 78% between 2019 and 2020.

Prior to the pandemic totals of freight moved through Newcastle Airport were broadly stable.

Tonnes of freight lifted Newcastle Airport 2014-2020



Sea freight

The North East LEP area is home to five ports - Tyne, Sunderland, Berwick, Blyth and Seaham. The volume of goods that moved through the ports was declining before the pandemic, falling by 23% between 2017 and 2019.

Tonnes of freight moved through North East LEP ports (thousands) 2014-2020



Sources: Freight (CAA), Port Freight Tonnage (DfT) Note: Warkworth is also a minor port in the North East LEP area but is not included here because the tonnage rates are too small to be published.

Investment and infrastructure

Why is this important?

Understanding the investment and infrastructure needs of a region is critical to be able to prioritise capital investment projects and programmes. To ensure economic growth, we need to:

- Prepare site readiness to secure business investors Enable access to employment and education sites
- Invest into our tourism and cultural assets and our growth and emerging sectors
- Invest into strategic sites, plants and machinery Ensure there are enough homes and business premises to support the economy and the workforce.

What are the key findings from the data?

- The annual number of additional dwellings in the North East is lower than England excluding London and has decreased in each of the last three years
- The number of major planning applications approved has decreased

Challenges

Pre pandemic, the North East LEP area was seeing a decline in business floorspace and the number of planning applications for new major developments. Since the shift to long-term home working, many large-scale office buildings have remained vacant or empty. The challenge is now to encourage business to return or invest in new fit for purpose accommodation and as a consequence increase demand and get the footfall back into our town and city centres.

Retail and leisure has seen a reduced footfall and a wide range of premises remain vacant, even as Covid restrictions are removed. It is unclear at this point if the impacts will be short or long term, but cities, towns and high streets will need to consider adapting and repurposing these spaces.

The lack of available public funding to invest alongside private investment over the last year, coupled with reduced investor confidence as a result of the pandemic and EU Exit, has negatively impacted on the region's ability to drive forward regional investment levels in large scale projects.

Opportunities

Significant pipelines of activity and investment into house building, road, rail, ports, employment and tourism sites, commercial developments, and town and city centre regeneration and re-purposing needs to be supported by both public and private funding.

The region's previous lead on digital infrastructure has been overtaken by other areas. We need to press on given the accelerated interest in digital infrastructure to ensure that businesses and households in the region have access to a reliable, superfast broadband and to ensure digital inclusivity across the full region.

- North East business floorspace has decreased by over 1% in the five years to 2019-20
- North East superfast broadband coverage matches that across England excluding London but ultrafast broadband and full fibre coverage is lower
- 4G mobile coverage varies across the North East. It is lowest in the local authorities with more rural areas (Northumberland and County Durham).

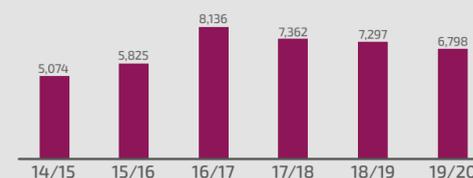
Investment and infrastructure in the North East LEP economy

Indicator	Most recent data	Change since 2014 or 2014/15 (except where stated)	North East as % of England excluding London	Performance improved compared with nationally
Net additional dwellings per 1,000 dwellings	7.3 (2019/20)	👍 Increase (by 1.7)	76%	👎 No (gap increased)
Business floorspace sq.m per working age person	16.4 (2019/20)	👎 Decrease (by 0.2)	98%	👎 No (gap increased)
Rateable value of business floorspace per sq.m	£57.70 (2019/20)	👉 Almost unchanged (up £0.30)	87%	👍 Yes (decrease in NE cost, relative to national)
Major development planning applications approved per 10,000 adults	2.1 (2020)	👎 Decrease (by 0.6)	85%	👎 No (gap increased)
Proportion of premises with superfast broadband (30Mbit/s+) services available	95% (2020)	👍 Increase in all local authorities (median +12 %pts since 2015)	100%	Not available
Proportion of indoor premises receiving 4G mobile coverage from all operators	North East LEP local authorities 76% to 96% (2020)	👍 Increase in six local authorities (median +25 %pts since 2015)	Not available	Not available

Housing

Even though most of the period covered was before the start of COVID-19 restrictions, the latest count of net additional dwellings in the North East LEP area was at its lowest since 2015-16. The total has fallen in each of the most recent three financial years.

Net additional dwellings (North East LEP area) 2014-15 to 2019-20



Source: Net additional dwellings by local authority (MHCLG live table 122)

Business floorspace

In 2019-20, business floorspace in the North East LEP area totalled 20.4 million square metres. 57% was in the industrial sector - this was a smaller percentage than in England excluding London at 60%. Total North East business floorspace in 2019-20 had decreased by 1.1% since 2014-15. In England excluding London it had increased by 1.7%.

Business floorspace (North East LEP area) 2019-20 by sector

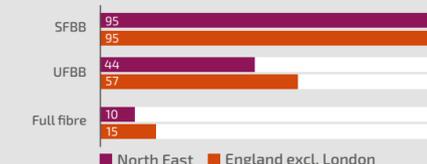


Source: Non-domestic rating: stock of properties including business floorspace (VDA)

Broadband coverage

According to Ofcom, in 2020 95% of premises in the North East LEP area had Superfast Broadband coverage from fixed broadband. This matched the coverage in England excluding London. However, smaller percentages of premises had Ultrafast Broadband or Full Fibre service in the North East than in England excluding London.

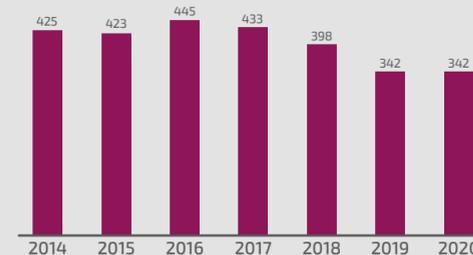
Premises broadband coverage (%) by type North East LEP area and England excluding London, 2020



Planning

Despite the impact of COVID-19 in 2020, the number of major planning applications approved in the North East LEP area was unchanged from 2019. However, both totals were lower than in each of the preceding five years.

Major planning applications approved (North East LEP area) 2014 to 2020



Source: District planning application statistics (MHCLG table P52)

Infrastructure funding

North East region capital expenditure in the five years to 2019-20

Annual average: £2.05 billion.
About £774 per person, compared to £786 in England excluding London and £885 in England overall.

North East region planned infrastructure expenditure 2021/22 to 2024/25

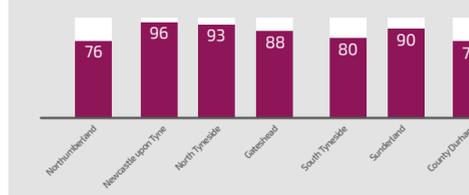
From all sources: £575
From central government sources: £272
From private sources: £303

Sources: Country and regional analysis: November 2020 (HMT) National Infrastructure and Construction Pipeline 2021 (IPA / HMT)

Mobile coverage

Ofcom provides mobile phone coverage data at a local level. This shows that the highest levels of 4G coverage in the North East in 2020 were in Newcastle and North Tyneside but that almost a quarter of premises in County Durham and Northumberland did not receive a 4G signal from all operators.

Premises with indoor 4G signals from all operators (%) North East LEP area local authorities, 2020



Source for both charts: Connected Nations 2020 (Ofcom)

Section 5

Focus areas

The economic geography of the North East

Areas of strategic importance

Levelling up in the North East

Decarbonising the North East economy

A global North East



Section 5

The economic geography of the North East

The places within an area influence the performance and growth of its economy. This section focuses on the North East's scale and geography, its population structure, flows and complexity of economic activity, and the commuting patterns of workers to explain this level of influence.

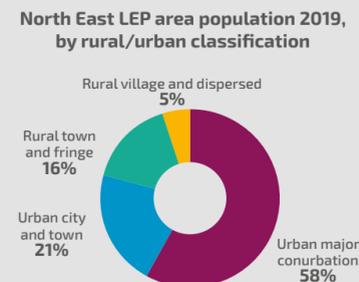
Where people live in the North East

The North East LEP area is the seventh largest in terms of population with just over two million residents. Most of the population lives in the South East of the LEP area.

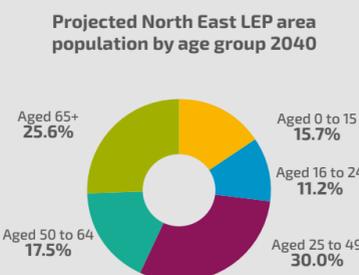
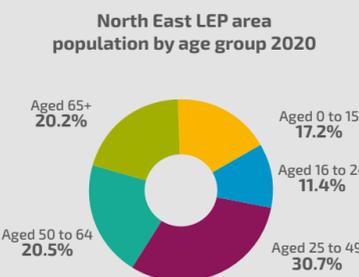
In 2019, Tyneside and Sunderland were, respectively, the seventh and seventeenth largest built up areas in England by population.

About 58% of the North East's population live in these two built up areas.

Half of those living outside these areas are in other "urban" towns and cities of 10,000 people or more, mostly in County Durham. The other half live in rural towns, villages, or dispersed areas.

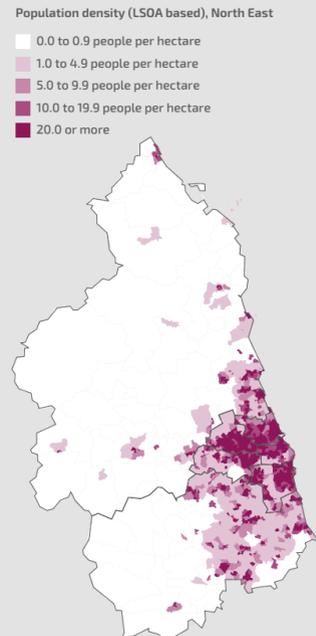


Sources: Small area population estimates, LSOA population density 2018 (ONS), LSOA rural/urban classifications (DEFRA)

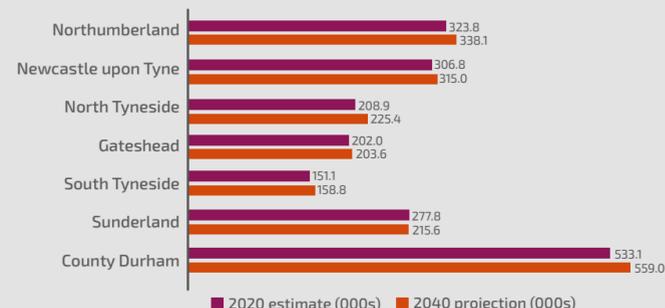


Current and projected population trends

In 2020 almost 27% of the North East population lived in County Durham, 16% in Northumberland, 15% in Newcastle, 14% in Sunderland, 10% in North Tyneside and Gateshead, and almost 8% in South Tyneside. According to projections based on changes in the years up to 2018, the North East population will increase by 3.6% up to 2040 from 2020. There will be significant increases in population for all local authority areas except Gateshead and Sunderland. The 2040 population is also projected to have over 125,000 additional people aged 65 and over. International migration drove population growth in Newcastle upon Tyne, Gateshead and Sunderland between 2013 and 2018. Internal (i.e. within UK) migration had the largest impact in Northumberland, North Tyneside and South Tyneside while both contributed equally in County Durham. Only Newcastle upon Tyne saw significant natural population growth.



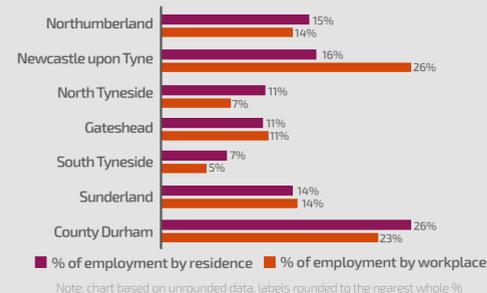
Estimated and projected populations 2020 and 2040, North East local authority area



Net commuting patterns in the North East

In 2020, 26% of employment in the North East LEP area was within Newcastle workplaces, despite residents only making up 16% of employment, indicating that many employees commuted in from other local authority areas. Net in- and out-commute for each area can be expressed as the difference between the two percentages of total employment. The largest net out-commutes, (which means residents are working outside the local authority area in which they live), from North Tyneside (4 percentage points), County Durham (3), South Tyneside (2) and Northumberland (1). In both Gateshead and Sunderland the difference was negligible.

Employment by residence and workplace percentages of total employment, Jan 2020-Dec 2020



For 'better job' occupations (managerial, professional and associate professional roles), the net in-commute to Newcastle and the net out-commute from North Tyneside were both higher than for all occupations.

'Better job' occupations, workplace & residence employment, difference between share (% points), Jan 2020-Dec 2020



Source: Annual Population Survey, residence and workplace based (ONS via Nomis)

Workplace and residents' pay

In 2020, median weekly full-time pay within the workplaces of Newcastle, South Tyneside and Sunderland was higher than the median pay for residents of these areas. In these areas, therefore, higher-paid jobs were likely to be filled by in-commuters.

Median weekly full-time pay, 2020 Difference of workplace pay from resident pay (%)

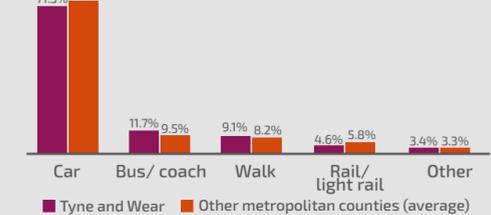


Source: Annual Survey of Hours and Earnings (ASHE) (ONS via Nomis)

Methods of travel to work

The latest available Department for Transport (DfT) data covers a pre-COVID period (Q4 of 2019) and does not include LEP area data. Among people working in the Tyne and Wear area, car was, by far, the most popular mode of travel to work. However, travel to work by car was slightly less popular than across the other five metropolitan areas in the North and Midlands, while bus and coach travel and walking were slightly more popular.

Usual method of travel to work (%), Oct-Dec 2019



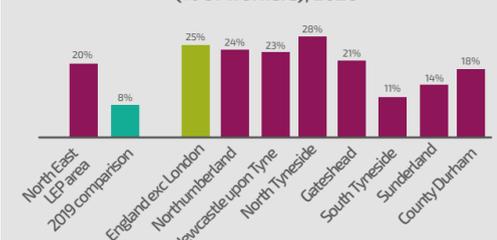
Source: Transport Statistics GB (DfT), Other Metropolitan counties: Gtr Manchester, Merseyside, S. & W. Yorkshire, W. Midlands

Homeworking in 2020

Throughout 2020, interviewees were asked by ONS whether they had worked at home during the week prior to interview. Their responses provided an indication of the levels of homeworking throughout the year.

In the North East LEP area, a fifth of workers had worked at home during the previous week, more than double the proportion in 2019. This was a lower percentage than nationally and the figure varied across the North East. The rate of homeworking in South Tyneside was less than half of that in North Tyneside, Northumberland and Newcastle, while rates were also low in Sunderland and County Durham.

Working at home in the previous week (% of workers), 2020



Source: Homeworking in the UK Labour Market: 2020 (ONS)



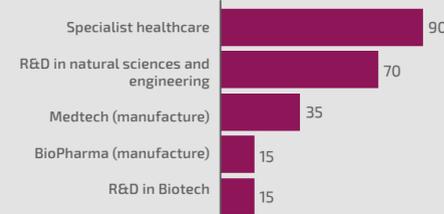
Areas of strategic importance

The North East Strategic Economic Plan identifies where the North East has strengths and opportunities to improve its economic competitiveness. The plan identifies four areas of opportunity in health and life sciences, digital, energy and advanced manufacturing and four enabling sectors that support the economy and are key sources of job growth in financial and professional business services, transport logistics, construction and education.

Health and life sciences

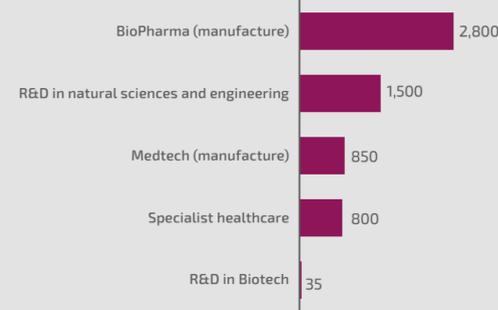
In 2020 there were 225 health and life science enterprises in the North East LEP area. Specialist healthcare was the largest subsector with 40% of enterprises.

Health and life sciences total enterprises by subsector North East LEP area (2020)



In 2019, employment in health and life sciences in the North East LEP area was 5,985. BioPharma (manufacture) was the single largest subsector in terms of employment, accounting for 47% of the total.

Health and life sciences total employment by subsector North East LEP area (2019)



Digital

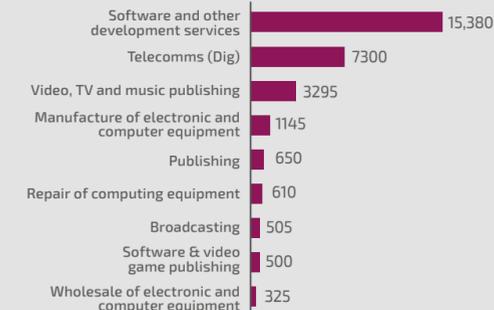
There were 2,805 digital enterprises in the North East LEP area in 2020. Most of these enterprises were in the software and other development services subsector, which accounted for 74% of the total.

Digital total enterprises by subsector North East LEP area (2020)



Employment in digital enterprises in the North East LEP area was 29,710 in 2019. Software and other development services was the also the largest subsector in terms of employment, accounting for 52% of the total.

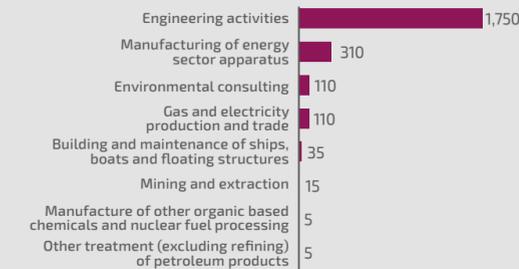
Digital total employment by subsector North East LEP area (2019)



Energy

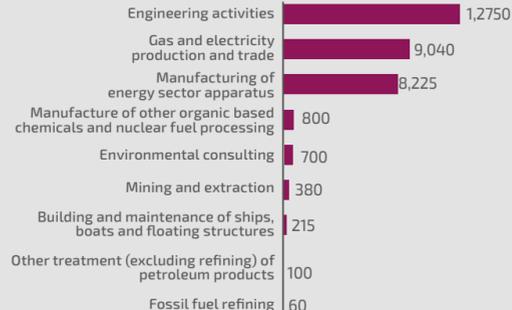
In 2020 there were 2,340 enterprises in the North East LEP area energy sector. Engineering activities was the largest subsector, with 75% of the total.

Energy total enterprises by subsector North East LEP area (2020)



In 2019 there were 32,270 individuals in employment within energy enterprises in the North East LEP area. Again, engineering activities was the largest subsector, accounting for 40% of employment.

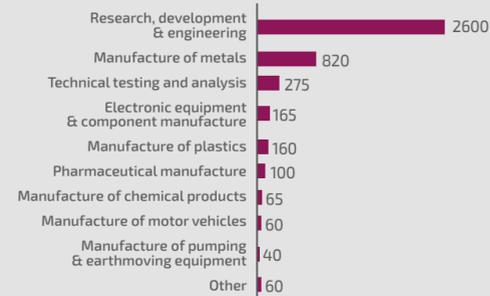
Energy total employment by subsector North East LEP area (2019)



Advanced manufacturing

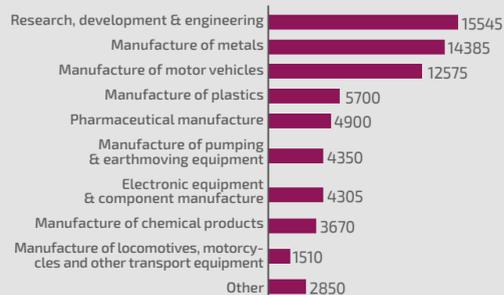
In 2020 there were 4,345 enterprises in the advanced manufacturing sector in the North East LEP area. Research, development and engineering was the largest subsector, with 60% of enterprises.

Advanced manufacturing total enterprises by subsector North East LEP area (2020)



Employment in advanced manufacturing in the North East LEP area was 69,700 in 2019. Research, development and engineering was also the largest subsector in terms of employment, with 22% of the total.

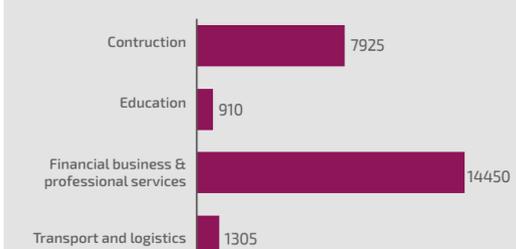
Advanced manufacturing total employment by subsector North East LEP area (2019)



Service sectors to support growth

In 2020 the total number of enterprises in the enabling sectors was 23,760. Financial, business & professional services was the largest enabling sector, with 61% of enterprises.

Supporting sectors total enterprises by sector North East LEP area (2020)



In 2019, employment in the North East LEP area enabling sectors was 272,080. In employment terms, financial, business and professional services was the largest sector, employing 51% of individuals in the enabling sectors.

Supporting sectors total employment by sector North East LEP area (2019 - thousands)



Note: The definitions for individual areas of strategic importance and enabling sectors overlap slightly. Therefore, the combined total is not equivalent to the sum of the individual totals. Totals also exclude non-core sectors within construction.

Employment growth

Both the areas of strategic importance and the enabling sectors have seen increases in total employment since 2015. Over the same period total employment in all other sectors decreased slightly.

Employment growth North East LEP area (2015-2019)



Note: The definitions for individual areas of strategic importance and enabling sectors overlap slightly. Therefore, the combined total is not equivalent to the sum of the individual totals.



Sources: UK business count and business register employment survey (BRES) (both ONS via Nomis). Both sources have data from VAT and PAYE registered businesses only. Notes: in these sources, enterprises are legal units with some autonomy within a business group. Employment includes employees and working business owners in registered enterprises but excludes self-employed workers.

Levelling up in the North East

As well as levelling the North East's performance against national averages, it is important to understand inequalities and imbalances within our area, which this section reviews.

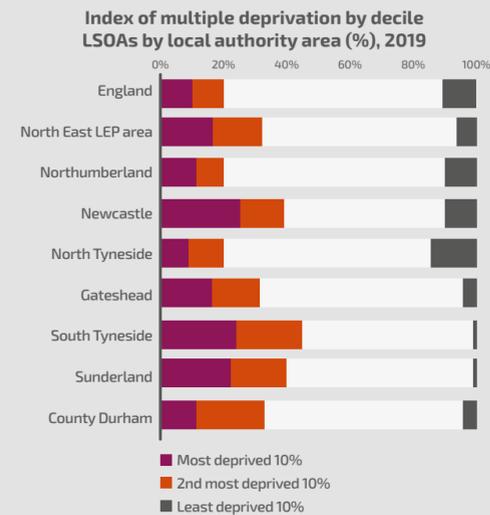
The indices of deprivation

The Index of Multiple Deprivation (IMD) is a ranking, combining 40 indicators, across seven domains. The English IMD are used at local and national level to prioritise area based funding, by measuring relative deprivation of small areas.

The IMD ranks England's 32,844 lower-layer super output areas (LSOAs), which are geographies of equal population and smaller than local authority areas. There are 1240 LSOAs in the North East LEP area.

In 2019, in the North East LEP area, 17% of LSOAs were within the most 10% deprived in England, with higher proportions in Newcastle, South Tyneside and Sunderland.

The North East has areas with low levels of deprivation, with 6% of LSOAs falling within the least deprived 10% in England.

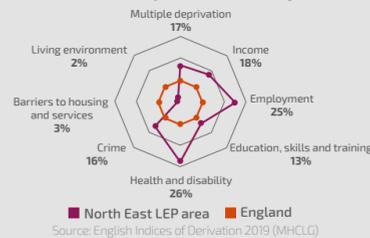


Source: English Indices of Deprivation 2019 (MHCLG)

Domains of deprivation

In 2019, North East LSOAs were more likely than those elsewhere to be among the most deprived 10% in England in five of the seven domains of deprivation, particularly in the health and disability and employment domains. The complexity of the indices of deprivation means that they are not updated each year. Some of the indicators that feed into the indices can provide more up to date information about trends in the domains of deprivation.

Indices of deprivation, North East LEP area, 2019 LSOAs in the most deprived decile, by domain (%)

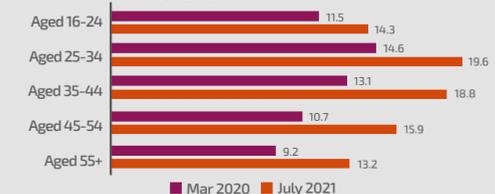


Source: English Indices of Deprivation 2019 (MHCLG)

Unemployment benefit claimant count

The claimant count includes unemployed benefit claimants and some working claimants required to search for a new job. Between March 2020 and July 2021, the number of claimants in the North East LEP area increased by almost 23,000 (38%). All age groups saw an increase, with those aged 45 to 54 having the highest percentage change (48%).

Claimant count by age group, North East LEP area (000s)



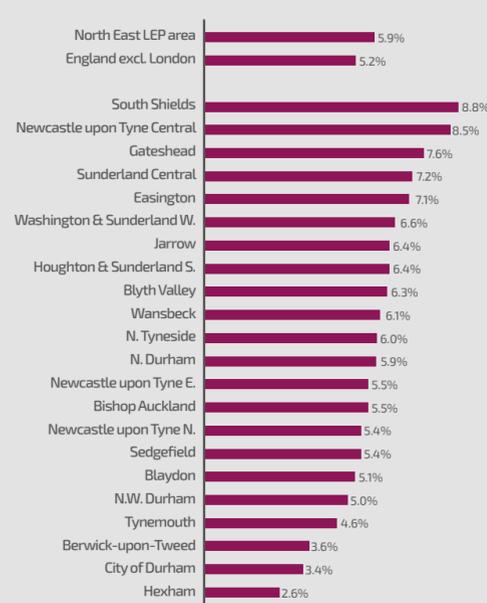
Source: Claimant count (ONS via Nomis)

Claimant count variations within the North East

The latest North East LEP area's rate (5.9%) was higher than that for England excluding London. Within the North East LEP area, the claimant rate was 10% or more in 17 wards, with at least one in each of the seven local authorities. A similar number of wards, however, had rates of 2% or less.

The variations are apparent at the larger constituency level, with the rates for South Shields and Newcastle upon Tyne Central being more than three times the rate for Hexham. In County Durham, Easington had a rate more than twice that of the neighbouring City of Durham.

Claimant count rates (%) Jul 2020, North East constituencies



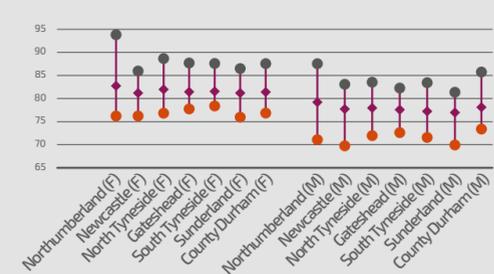
Source: Claimant count (ONS via Nomis)

Life expectancy

The latest, pre-Covid, estimates of life expectancy at birth in the North East show fairly small differences between the seven local authorities but large variations at ward level.

Female and male life expectancies are both highest in Northumberland: respectively, 83 and 79 (England 83 and 80). They are lowest in Sunderland (81 and 77). At ward level, female life expectancy ranged from 76 in Byker (Newcastle) to 94 in Ponteland South with Heddon (Northumberland). The latter also had the highest male life expectancy (88) with Elswick (Newcastle) having the lowest (69). In all seven local authorities there is at least nine years between both lowest and highest ward life expectancies.

Life expectancy at birth, females and males, 2015-19 North East local authorities; highest and lowest wards

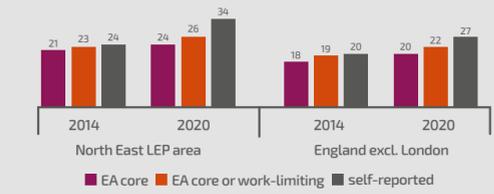


Source: Local Health (Public Health England)

Disability

The percentage of disabled working age people is higher in the North East and has increased since 2014.

Disability among 16 to 64 year olds (%)



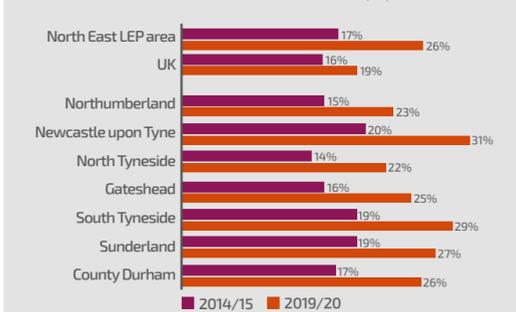
Source: Annual Population Survey (ONS via Nomis)

Low income households

In 2019/20, the latest period for which data is available, over 90,000 children in the North East LEP area were living in relative low income families, according to data from the Department for Work and Pensions.

This was over a quarter (26%) of all children, a higher proportion than nationally (19%). The nine percentage point increase from 2014/15 was more than double the UK increase. The rate was highest in Newcastle and South Tyneside.

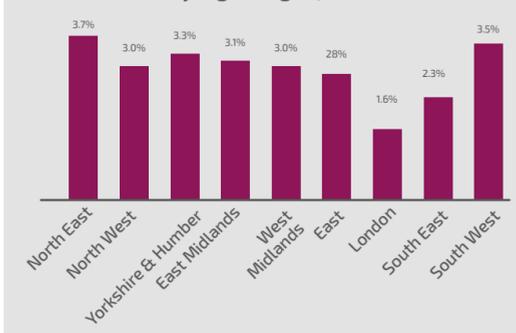
Children living in relative low income households (%)



Source: Children in low income families (DWP). Before housing costs relative measure.

The annual estimate of the number of jobs paid below the National Minimum Wage (NMW) includes estimates for regions. In 2020, around 36,000 jobs in the North East region (including Tees Valley) were paid below the NMW. This was 3.7% of employee jobs, the highest in any English region.

% of employee jobs below NMW, by English region, 2020



Source: Jobs paid below minimum wage by category (ONS) (excluding furloughed jobs)

Digital exclusion

Digital exclusion refers to where people lack digital skills, connectivity, and/or accessibility.

It has been recognised as a growing problem for several years and issues associated with digital exclusion have been exacerbated by COVID-19 and an increased reliance on digital technologies.

Regional data on digital exclusion is relatively limited. The available data suggests that the North East region is one of the worst affected regions. The 2021 UK Consumer Digital Index found that

- 32% of the North East's population has low levels of digital engagement, compared to an English average of 28%
- 8% of the North East's population was offline entirely, compared to an English average of 5%.

Digital exclusion can significantly impact regional labour markets

- 92% of businesses say that digital skills are important for their employees
- 28% of North East employers with skills gaps say basic digital skills need improving.

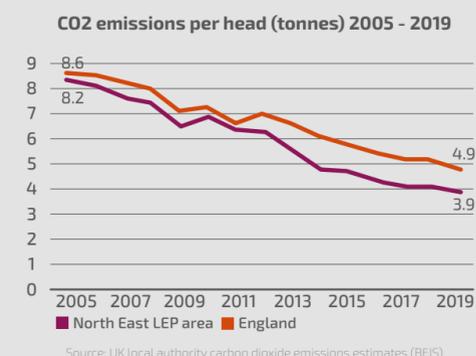
Source: Digital Exclusion in the North East LEP Area: Executive Summary (North East LEP)



Decarbonising the North East economy

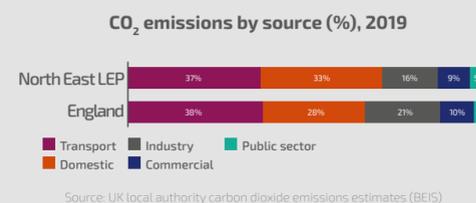
Carbon dioxide (CO2) emissions

CO2 emissions in the North East LEP area were estimated at 7.8 million tonnes in 2019. This was equivalent to 3.9 tonnes per person, compared to 4.9 in England as a whole. The North East rate has fallen faster than the England rate since 2005.



Source: UK local authority carbon dioxide emissions estimates (BEIS)

The emissions total includes the net emissions from land use, land use change and forestry (LULUCF), which are negative in the North East. Excluding these, the percentage of emissions by source differs in the North East from England as a whole. Domestic emissions make up a larger percentage of the total than nationally, with industry emissions responsible for a smaller percentage.



Source: UK local authority carbon dioxide emissions estimates (BEIS)

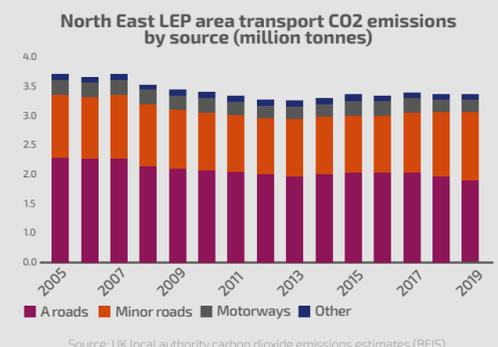
North East emissions from all sources decreased between 2005 and 2019 but the rate of change varied.

Emissions % change by source 2005-19, North East LEP area:

Total	↓ 50%
Industry	↓ 75%
Commercial	↓ 57%
Public sector	↓ 49%
Domestic	↓ 39%
Transport	↓ 11%

Between 2005 and 2019, CO2 emissions in the North East LEP area decreased from 15.6 to 7.8 million tonnes. The breakdown of emissions by source have changed since 2005, with those from transport and domestic sources now having more of an impact. Measures to reduce emissions, therefore, need to differ from those in the earlier period.

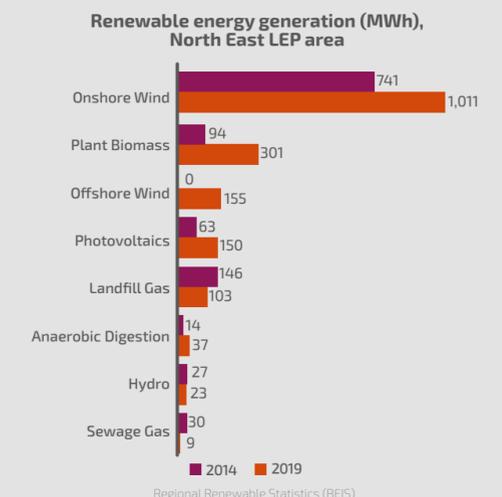
Transport is the largest contributor to CO2 emissions in the North East LEP area. It had the lowest percentage decrease of any source between 2005 and 2019, increasing by 2% between 2014 and 2019. In particular, emissions from minor road transport increased by 16% in the latest five year period.



Source: UK local authority carbon dioxide emissions estimates (BEIS)

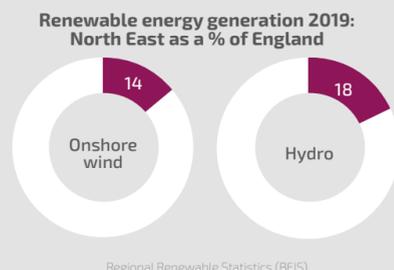
Renewable energy generation

In 2019 about 1.79 megawatt hours (MWh) of renewable electricity were generated in the North East LEP area. More than half (57%) was onshore wind generated. The total was 60% higher than five years earlier, a slightly larger percentage increase than across England (up 56%).



Regional Renewable Statistics (BEIS)

The North East LEP area was the source of about 3.1% of the renewable energy generation that could be allocated to a specific local authority area in 2019. The North East was responsible for particularly high percentages of energy generation from onshore wind and hydro.



Regional Renewable Statistics (BEIS)

The low carbon and renewable energy economy (LCREE)

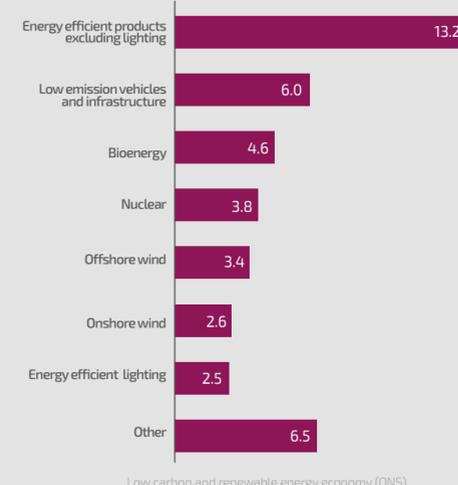
The Office for National Statistics (ONS) defines the LCREE as economic activities that deliver goods and services likely to help the UK generate lower emissions of greenhouse gases, predominantly carbon dioxide.

The LCREE Survey asks UK businesses to classify themselves into 17 LCREE sectors. It provides estimates of the size of the national economy that directly relates to low carbon activities:

UK low carbon and renewable energy economy 2019:

- 66,500 businesses
- Turnover of £42.6 billion
- Employment of 202,100 (full time equivalents)

UK LCREE turnover (£ billion) 2019 by sector



Low carbon and renewable energy economy (ONS)

Transition to the green economy: Existing jobs

The LCREE makes up a small proportion of total UK turnover and employment at present. However, it is estimated that about 6.3 million current UK jobs will be affected positively or negatively by the transition to a green economy.

According to these estimates, 10% of existing jobs in the North East LEP area will require significant changes in skills and knowledge as a result of such a transition. A further 10% are expected to be in high demand due to their important role in the net-zero economy.

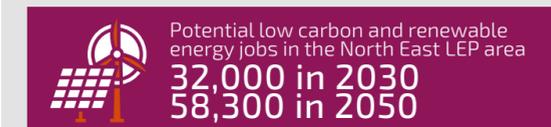
Impact of transition on existing jobs, North East LEP area



Just Transition Jobs Tracker (PCAN)

Transition to the green economy: Future jobs

Analysis commissioned by the Local Government Association (LGA) estimates that there could be 700,000 direct jobs in England's low-carbon and renewable energy economy by 2030, rising to over 1.18 million by 2050.



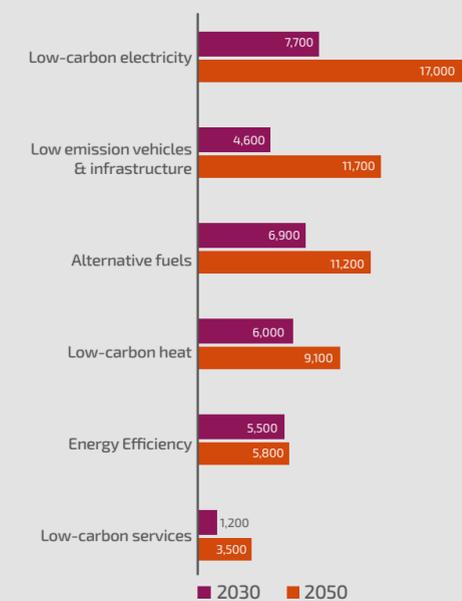
It is estimated that about 29% of these North East jobs in 2050 will be related to low carbon electricity with about a fifth related to low emission vehicles and infrastructure and a similar proportion related to alternative fuels. About a quarter of the jobs are expected to be in Sunderland.

Potential low carbon and renewable energy jobs 2050 (%)



Source: Local green jobs –accelerating a sustainable economic recovery (LGA)

Potential low carbon and renewable energy jobs by sector, North East LEP area, 2030 and 2050



Source: Local green jobs –accelerating a sustainable economic recovery (LGA)

A global North East

Trade in goods

The North East region was a net importer of goods in 2020/21. Goods valuing £11.6 billion were exported while goods valuing £11.9 billion were imported. This means that the net balance was £0.3 billion imports.

Top three exporting classifications

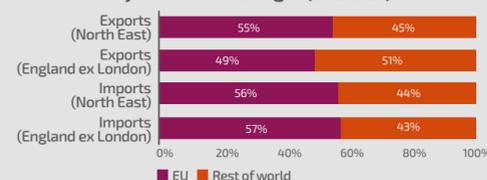
	Machinery and transport	45%
	Chemicals	23%
	Manufactured goods	19%

Top three importing classifications

	Machinery and Transport	34%
	Manufactured goods	20%
	Chemicals	18%

Most of the value of goods exports from the North East region was exported to the EU. In contrast, most of the value of goods exports from England excluding London was exported to the rest of the world. Both the North East region and England excluding London imported goods of greater value from the EU than the rest of the world.

Value of goods exports and imports by destination/origin (2020/21)



Sources: International Trade in Goods (HMRC)
Note: The England excluding London figures exclude unallocated trade in goods

Trade in services

The North East region was a net exporter of services in 2018 (the most recent data available). Services valuing £6.9 billion were exported while services valuing £5.7 billion were imported. This means the North East exported a net balance of £1.1 billion.

Top three exporting classifications

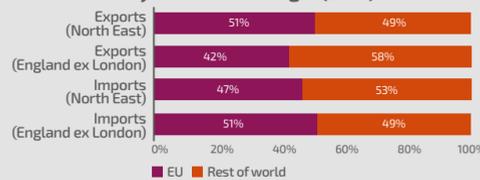
	Financial and insurance activities	35%
	Manufacturing services	14%
	Transportation and storage	8%

Top three importing classifications

	Travel	25%
	Financial and insurance activities	21%
	Manufacturing services	10%

Most of the value of service exports from the North East region was exported to the EU. In contrast, most of the value of service exports from England excluding London was to the rest of the world. This pattern was reversed for service imports. Most of the value of the North East's service imports was from the rest of the world, while the majority of England excluding London's imports value was from the EU.

Value of service exports and imports by destination/origin (2018)



Sources: International Trade in Services (ONS)

Foreign owned businesses

The North East region had a high proportion of foreign owned businesses (5%) in 2019. This was the highest proportion of all English regions, underlining the importance of foreign owned businesses to the North East's economy. Europe accounted for 63% of foreign owned businesses, with the EU alone accounting for 43%. The Americas accounted for a further 30% while Asia accounted for 5%.

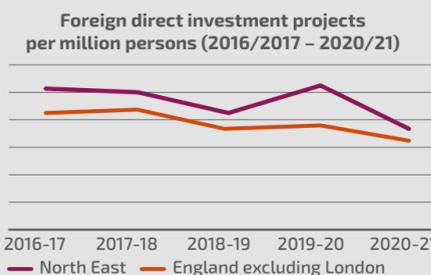


Sources: Annual Business Survey (ONS)



Foreign direct investment

The North East region has maintained a lead in foreign direct investment projects per head over England excluding London, although the rate for both the North East region and England excluding London appears to be gradually declining over time. Foreign direct investment projects in the North East region created 1,373 new jobs in 2020/21.



Sources: Inward Investment Results 2016-17 (DIT), Annual Population Survey (ONS)
Note: These figures exclude projects across multiple UK sites

International population



This was 4.0% of the population compared to 7.4% in England excluding London.

About 40,000 were of an EU nationality. Of the rest, the nationalities of around 18,000 were Asian, 11,000 were African and 5,000 were North American.

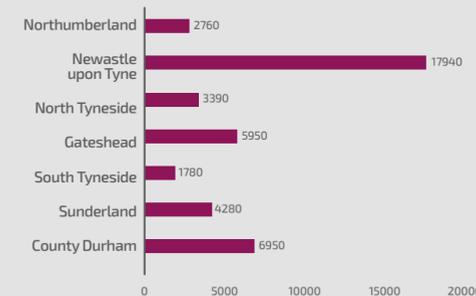
Population of the UK by country of birth and nationality (ONS). Note: These are estimates based on Survey data and have more uncertainty than the settlement scheme data.

EU settlement



42% of these citizens were in Newcastle upon Tyne.

Settled and pre-settled totals by Local Authority (28 August 2018 to 30 June 2021)



Sources: EU Settlement Scheme quarterly statistics (Home Office)

The most common nationality among applications to the EU settlement scheme in the North East LEP area:



These three nationalities are also the most likely to apply to the scheme across the UK.

International students

The number of international students attending universities in the North East LEP area has increased since 2014/2015.

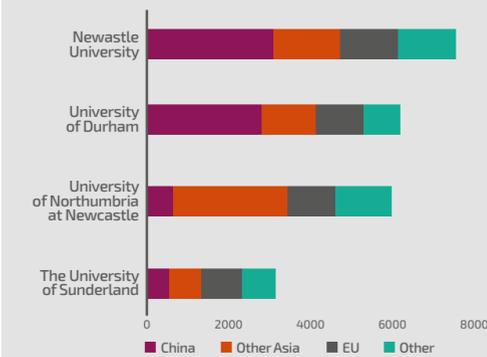


22% higher than in 2014/15

Newcastle University has the largest number of international students in the North East LEP area, with 7,615 international students in 2019/20.

Newcastle and Durham also have high proportions of international students from China (41% and 45%), while Northumbria has the highest proportion of students from elsewhere in Asia (48%).

International students by country of origin (2019/20)



Sources: Non-UK domiciled HE students by HE provider and country of domicile (HESA)

