

Local Economy Baseline for Blackpool

Executive Summary

November 2011



SQW

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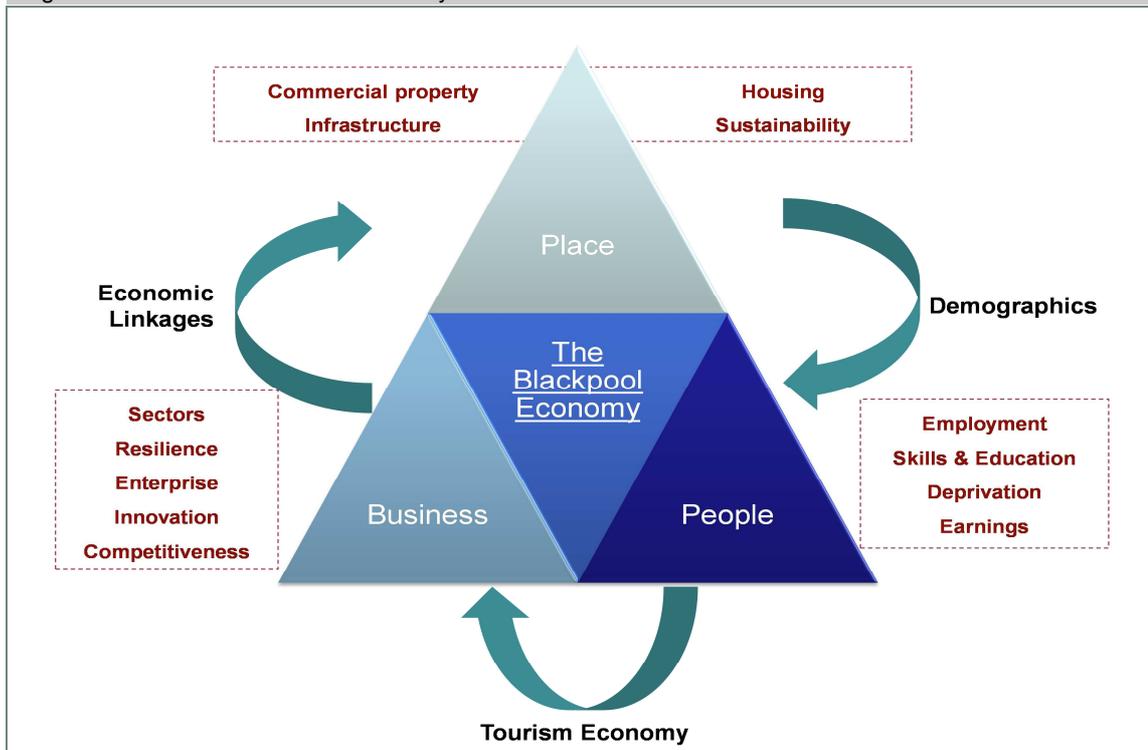
Purpose

1. Blackpool Council commissioned a Local Economy Baseline to provide a strong and comprehensive evidence base which would identify its key economic drivers and inform economic development strategy and investment decisions. The work also assessed Blackpool's role in the wider functional Fylde Coast economy, and key opportunities going forward.
2. This Executive Summary sets out the key findings in the Local Economy Baseline, undertaken by SQW on behalf of the Council, over July-October 2011.

Approach

3. The Baseline was developed from a comprehensive analysis of socio-economic indicators, a literature review, and involved stakeholder engagement through consultations and a 'challenge' workshop with representatives from the private, public and voluntary/community sectors.
4. The conceptual approach is presented in Figure 1, framed around '*Business, People, Place*' perspectives of Blackpool's economy. The approach also reflected the importance of Economic Linkages, Demographics, and the Tourism Economy as key underpinning factors in understanding Blackpool's economy.

Figure 1: Framework for Local Economy Baseline



Source: SQW

Framing Blackpool's economy

5. Blackpool is a major and distinctive local economy in the North West – it has 140,000 residents and 4,500 businesses, and contributes an annual Gross Value Added (GVA) of £1.7bn. Blackpool also retains its status as one of the UK's most popular tourist destinations, and as the UK's quintessential classic 'seaside resort'.
6. But Blackpool has faced three decades of economic challenge. As its tourism fortunes declined from the 1980s onwards (with growing affluence and mass market air travel the key factors) investment stalled, jobs were lost and residents faced limited employment prospects and low wages. The population shrank as people looked elsewhere for work and social problems became deeply entrenched in parts of the town.
7. Correspondingly, the 'over-supply' of holiday accommodation and the potential to use this flexibly – with little or no new investment – to meet other short-term accommodation needs, had the effect of reducing the incentive for sustainable new investment in commercial and residential property, reinforcing social challenges, and leading to high levels of transience.
8. As a result of these factors:
 - Blackpool's economy grew at under half the rate of England over 1995-2008 with GVA growth of 2.6% p.a in Blackpool compared to 5.4% in England
 - GVA per head in Blackpool stood at 59% of the England level in 2008, compared to 74% in 1995: Blackpool's residents have become, relatively, less prosperous
 - GVA per employee in Blackpool was 65% of the England level in 2008, compared to 72% in 1995: Blackpool's economy has become, relatively, less productive.
9. Blackpool's economy is therefore under-performing relative to the national level. The local labour market is relatively self-contained, and for obvious reasons, linkages cannot develop to the west. The economy is therefore more fragile than might be the case elsewhere, with local economic performance resting heavily on the skills and competencies of Blackpool's residents.
10. That said, Blackpool is also at the heart of, and economically, the largest and most important, part of the Fylde Coast functional economy – with an estimated 5,000 further businesses within 10 miles of Blackpool's town centre. This wider functional area provides an important resource for Blackpool, especially for higher-value economic activity. But, Blackpool does not appear to dominate this wider economy, to the degree that might be expected.
11. Blackpool is not an economy in isolation. As elsewhere, local and wider linkages and contexts will play a key role in shaping future economic performance and prospects. But at present, the outlook is highly uncertain, and this matters for Blackpool, as it will impact on the level of new investment in the area, determine employment opportunities and job creation, drive consumer spending and demand for goods and services from local businesses, particularly given the importance of 'disposable' income to the town's economy. It will also impact the provision of social, health, educational and other public services.

Business

Key indicators

	Blackpool	Fylde Coast	Lancashire	England
Change in active enterprises 2005-2009	-3.3%	0.1%	3.9%	7.1%
Business density per 1,000 population	32.1	36.7	36.0	39.4
Business births per 10,000 WAP	52	51.8	53.9	62.1
Ratio of business births to business deaths	0.66	0.64	0.77	0.84
Change in employees 1998-2008	-7%	2%	6%	9%
Work-based employees in the public sector	31%	25%	23%	20%
Private sector job growth 2005-2008	0%	6%	3%	3%
Employees in part-time work	39%	33%	32%	32%

Headline messages

- ***Blackpool's business base is stable at best, and the direction of travel appears to be down, not up.*** Blackpool's business base has declined in scale gradually over recent years, continuing a long-term trend. Although Blackpool has not been 'haemorrhaging' businesses in recent years, nor has it been replacing failing firms with viable new ones at a fast enough rate.
- ***Blackpool's businesses appear generally to be less resilient – or perhaps plan less for the long term – than those in other places.*** Although there is a reasonable level of start-ups, businesses exhibit lower survival rates in the early years in Blackpool than elsewhere, and the recession has exacerbated this, with business closures outnumbering business starts.
- ***Blackpool's business base remains very 'different' to the national picture, and notably, to the wider Fylde Coast and to Lancashire.*** Retail, the public sector and accommodation (plus wider tourism economy business) remain the key drivers of the economy – all these sectors face considerable challenges going forward. Only in financial services has Blackpool seen employment rises over the past decade – this sector, of course, faces its own challenges. Part-time employment is also more common in Blackpool than elsewhere.
- ***Blackpool has important competitive assets and advantages*** – it is at the heart of a major economic area, is price competitive in terms of labour and premises, and now has a critical mass of major visitor attractions. For a coastal location, it also has good transport access.
- ***Blackpool's competitiveness as a business location, relative to other places in England is low.*** This reflects the sectoral structure of the economy with high levels of work-based employment in low-wage and low value industries such as retail, accommodation and health and social work, and the low productivity/wage nature of the business base.

People

Key indicators

	Blackpool	Fylde Coast	Lancashire	England
Change in working age population 1992-2010	-6%	1%	5%	11%
Employment rate	67.7	70.7	71.3	70.4
Employed residents in managerial occupations	34.7	41.8	39.5	45
JSA Claimants per Advertised Vacancy	5.71	5.04	3.56	3.74
Average annual full-time resident earnings (£)	18,550	-	23,950	26,250
WAP with NVQ4+ Qualifications	19.4	27.6	29.7	31.1
WAP with No Qualifications	16.5	12.7	12	11.1
Incapacity Benefits Claimants as % WAP	10%	7%	6%	5%

Headline messages

- ***Blackpool's working age population is decreasing, meaning there are fewer people to start businesses, provide labour for local firms, and generate the wealth that will drive the economy forward.*** A reducing working age population also means fewer people and families to spend their earnings in the local retail and leisure economy.
- ***Blackpool's labour market engagement remains too low.*** There are too few people in work and too few people actively seeking work. However, labour market challenges in Blackpool are principally a 'male issue' with female engagement broadly in line with comparators.
- ***Competition for work is increasing, as the number of vacancies on offer in Blackpool has declined sharply.*** Demand- as well as supply-side issues are prevalent in Blackpool's labour market. As well as more jobs, better quality jobs are needed to meet increasing demand from those who are economically inactive who do want to find work.
- ***More of Blackpool's residents work in 'non-professional' administrative, elementary and services occupations than elsewhere.*** The occupational structure is changing but not at the top levels. As a result average earnings remain low, and they have not changed substantially in the last five years.
- ***Skills levels are improving for both adults and young people.*** The developing educational infrastructure in the area provides a key opportunity for attracting in new businesses and families – that said Blackpool remains a relatively low qualification economy.
- ***There are entrenched deprivation and social challenges across the town.*** Blackpool has double the national level of people claiming sickness-related benefits and high levels of substance misuse and smoking. This has implications for both quality of life and economic activity.

Place

Key indicators

	Blackpool	Fylde Coast	Lancashire	England
Median House Price (£)	105,000	-	129,950	185,000
Change in house prices 2005-10	0%	-	18%	16%
Ratio of median house price to median earnings	5.1	-	5.3	7.0
Housing completions per 10,000 WAP	12.1	13.1	11.4	20.3
Retail as proportion total commercial floorspace	35%	28%	17%	18%
Office as proportion total commercial floorspace	15%	17%	11%	17%
Commercial rateable value per sqm – all classes (£)	46	42	38	66
Commercial rateable value per sqm – offices (£)	45	44	56	121

Headline messages

- ***The housing market in Blackpool is characterised by generally low prices and high levels of private rented accommodation: a particular challenge relates to HMOs – a legacy of the significant stock of holiday accommodation no longer required.*** The 3,000+ HMOs in Blackpool are a major policy challenge – many, not all, are of poor quality and lead to social issues and challenges, but they are profitable and as such hard to address in public policy terms.
- ***Housing in Blackpool is relatively affordable compared to the rest of the Fylde Coast and England.*** Although broadly similar to Lancashire as a whole, the affordability of Blackpool's housing stock does provide an opportunity for Blackpool to attract/retain first-time buyers.
- ***Much of the commercial property in Blackpool is of low quality, and the rate that the market is willing to pay for premises is lower than elsewhere, particularly for offices.*** Blackpool's commercial offices offer in the property market is limited.
- ***The lack of available employment in Blackpool represents a potential threat to developing Blackpool's business base.*** New employment sites are needed but there are few sites within the local authority boundary which could be brought forward to stimulate new demand.
- ***Given its location, external transport connectivity is good with the M55 and airport key transport assets.*** Blackpool is an accessible place for business and visitors, although it would gain from the restoration of a direct rail link to London.
- ***Progress has been made in making Blackpool's physical infrastructure more fit-for-purpose as a modern economy.*** In particular in the town centre, at the seafront and in its major tourism assets. But away from this core, significant physical appearance/infrastructure challenges remain.

The Tourism Economy

Key indicators

Key indicators	Blackpool	Fylde Coast	Lancashire	England
% total employees in tourism economy	19%	15%	10%	10%
% total part-time employees in tourism economy	23%	22%	17%	15%
Turnover per employee in Accom sector (£)	38,050	-	-	53,400
Average nights per trip (UK holidays)	3.7	-	4.6	6.8
Average spend per trip (UK holidays, £)	201.6	-	183.8	208.5

Headline messages

- ***The tourism economy remains a major driver of the local economy – it supports around 11,000 employees, one-fifth of the total in Borough, and remains a core element of Blackpool’s business base, accounting for an estimated one-quarter of all business.*** Tourism also supports additional jobs in the wider economy through supply-chain effects and remains core to the town’s external perceptions and profile.
- ***But the tourism economy in Blackpool continues to lag behind, overall, in terms of productivity, efficiency and quality.*** The turnover of tourism economy businesses in Blackpool is generally below national levels, and the productivity of the workforce remains low – evidence suggests that GVA per worker in Greater Blackpool is around £14,500, around half the level across the economy as a whole.
- ***Blackpool remains a major tourism destination – last year only London attracted more UK holidaymakers and recent years have seen an increasing number of visitors, with 13 million visitors in 2010.*** However, people tend to stay only a short time – on average under four days for visitors from elsewhere in the UK, well below the national average of seven.
- ***Major investment has gone into infrastructure which supports the visitor economy in the last decade, and tourism will continue to be key to generating new employment and wealth in the town.*** These ambitions will be successfully realised only if current and potential new investors are confident in Blackpool’s competitive position as a modern destination.

SWOT analysis

12. The evidence informed an overall assessment on the Strengths, Weaknesses, Opportunities and Threats of/for Blackpool’s economy.

Strengths

- Blackpool has a **well-established high profile as a visitor destination at the UK level, and offers an increasingly diverse tourism product to different market segments.** In 2010 Blackpool was the second most visited place in the country for holidays by UK residents – only London (a global city) attracts more people.
- **Blackpool's tourism economy has 'broad-shoulders' with a longer season than experienced in other seaside towns and holiday destinations** owing to its key assets such as the well-established Illuminations, Pleasure Beach, and the new/re-developed facilities such as the Tower and Madam Tussauds. Blackpool now has 'global' brands associated with, and committed to, its tourism offer.
- **Blackpool is a well-defined and established location for 'specialist' conferences/conventions, based on its capacity to provide large-scale facilities and large numbers of delegates/attendees.** Although not at present on the mainstream political conference circuit, Blackpool remained the 12th most visited place for business/conference events in England in 2010 and continues to present a strong offer to the market for large and specialist events; the public sector element will now be under pressure owing to spending constraints.
- **Scale** – Blackpool is a large urban centre and has a substantial (although declining) population on which to draw.
- **Blackpool is at the heart of a large and well-defined functional economic area.** Blackpool's residents are able to access a wide range of job opportunities, and opportunities for high-wage employment in the wider Fylde Coast, and business supply-chain opportunities. Outside of the local authority area, but within 10 miles of the town centre of Blackpool are an estimated 5,000 additional businesses.
- **External road connections are good** providing access for visitors and residents to places such as Preston, Lancaster, the Lake District, and further away, Manchester and Liverpool, and their city-regions. The M55 and M6 mean that despite its relative peripheral location, Blackpool is highly accessible.
- **The updated tram network does (and will) provide improved internal connections across Blackpool and the Fylde Coast** for the benefits of residents: improved links between the major attractions along seafront provide an improved visitor experience.
- There is an **improving skills profile in the local resident population – for both adults and young people.** The number of people in the economy with degree level qualifications is now higher than the number with no qualifications, a reverse of the situation some five years ago.
- **Positive levels of engagement in the labour market by women.** Blackpool provides the potential for accessible and flexible – including part-time – employment for female residents, particularly in retail, accommodation and administrative occupations.
- **A higher share of the economically inactive population in Blackpool now 'want a job' compared to relevant comparators.** Although overall levels of economic inactivity remain higher than elsewhere, this suggests that, in part owing to the pressures of the recession, the non-employed population in Blackpool is increasingly looking to engage in the labour market.
- **The range and relative affordability of housing compared to the wider functional economy, provides access in housing to first-time buyers and/or movers-in to the area,** as well as ensuring that housing is affordable to local people, even those on relatively low wages.

Weaknesses

- **A large prevalence in the local economy of low value added occupations and sectors** – leading to economic underperformance in productivity and low earnings for residents who work in the town (a high proportion of all workers). Resident earnings in Blackpool have not increased over the past five years.
- **Declining rates of enterprise** with too few businesses starting up in recent years to maintain the scale of the business base.
- **Relatively low levels of business resilience, with high rates of business closures, and low business survival rates**, as a result the overall scale of the business base in Blackpool is declining, albeit modestly – but across the rest of the Fylde Coast and Lancashire the business base is increasing, as across England.
- **The seasonal nature of employment in the economy**, leading to high rates of unemployment over much of the year and reducing wages, job security and skills development/training opportunities.
- **Persistently lower levels of engagement and participation in the labour market by the resident population** – in short, too few people are in work in Blackpool, and there remain higher than average levels of economic inactivity, employment and crucially a very high level of local people, mainly male, claiming sickness benefits.
- There remain important **skills deficits in the local resident base** with an over-representation compared to other places of people with low-level or no qualifications.
- **A deficit of high-quality and available employment development sites** – this limits the potential for economic diversification and reduces market and investor interest in the area as a business location.
- **A limited and under-performing town centre for retail and associated leisure purposes** meaning that expenditure of residents of Blackpool itself and the wider Fylde Coast is lost elsewhere, notably to Preston, as well as limiting the expenditure in the local area of visitors. The retail offer of Blackpool away from the town centre is also a weakness.
- **Population transience and high rates of in-migration from non-economically active and/or socially excluded individuals**. Although for understandable reasons the hard evidence is relatively weak, issues of transience and associated social problems are cited by people who know Blackpool well as an important detractor from local wellbeing and a constraint on the further development of a more rounded visitor economy.
- **Potentially weakening linkages to the labour market and skills capacity of Fylde Coast**, with Blackpool exerting a lesser 'pull' as the main economic centre than may be expected, limiting the potential for effective clustering and agglomeration benefits. While urban centres elsewhere are driving growth, Blackpool, is becoming a smaller part of the Fylde Coast economy.
- **High rates of smoking, drinking and substance misuse across the resident population**. This has economic implications both directly in terms of non-employment, and indirectly though calls on public resources and services; it also has implications for Blackpool's reputation as a place to live, visit, work and invest.
- **Continued over-supply of holiday accommodation, with many units being converted into HMOs**, or remaining as low-value B&Bs competing on price not quality.
- **Lack of an integrated knowledge-economy offer**. To date, Blackpool has not operated as a 'knowledge-economy hub'. It now has some assets for this, notably the creative incubators and the University Centre, but the town has not yet developed a coherent offer to new starts/entrepreneurs in non-creative industries.

Opportunities

- **Maximise Blackpool's role as a retail and economic centre for the Fylde Coast**, supporting a critical mass of employment, developing a niche offer complementary to, and benefiting from, being well-connected to larger centres in Preston and Manchester.
- **The investment in the tourism infrastructure and offer helps to raise the overall quality and productivity in the sector, and this is already** leveraging further investment by the private as well as public sector. There is scope - and ambition- for Blackpool to attract more business-related tourism and to capture higher levels of visitor expenditure through a more mixed and higher quality evening offer.
- **Blackpool can develop its role as a 'location of choice' for support services and contact centres, and for other labour intensive forms of economic activity**, given its accessible labour market, rising lower/intermediate skill levels, low cost base, and a resident population that is confident with, and used to part-time and flexible working. This should be seen as a route to developing higher quality and better paid employment.
- **Working with partners, develop the Airport to support business growth**, with a focus on increasing in-bound tourism as well as improving the outward offer to non-UK locations including Ireland (the largest source of overseas trips to Blackpool) and the near continent.
- **The re-franchising of the West Coast Mainline in 2013** provides an opportunity for local partners in Blackpool to 'make the case' for an improved rail service offer.
- **Build the quality and range of food/accommodation offer** in Blackpool town centre in order to respond to and secure the potential of, the public investment and new private expertise in infrastructure and major attractions, and help build more of an 'evening economy' in the town to attract residents in Fylde Coast, retirees and families.
- **Develop Blackpool's role in the creative arts** i.e. public performance, technical enabling/organising displays, drawing on its profile as a location for events and shows, the refreshed tourism infrastructure, and creative industries incubators. The colleges will have a key role to play here helping to drive enterprise and interest in creative industries.
- **Pursue the next stage of Talbot Gateway and the emerging Central Business District** as a means to help diversify the economy of Blackpool and in time attract new private sector investment to the central area.
- **Develop the role of the University Centre as a key knowledge-economy asset for Blackpool.** Given the lack of HE provision in the Fylde Coast economy as a whole, the potential for developing the Centre into a full university college over the longer-term is a major opportunity for Blackpool to attract and retain talented young people.
- **Engage with the planning and delivery of the recently proposed Enterprise Zone at Warton** – this provides a major opportunity for Blackpool given the proximity of the site to the area and established commuting patterns. Blackpool must ensure that it is fully engaged in discussions on the Enterprise Zone to ensure that the town, its people and its infrastructure are seen as a key part of the wider investment offer.
- **Engage with industry and government in assessing the potential for, and implications of, the shale gas discovery which could bring investment to Blackpool, and a range of well-paid technical and skills jobs.** Environmental protection will be paramount, but this could be an important bridgehead to a local economy in which technical knowledge and its applications are more evident and valued.

Threats

- **The national economic slowdown persists**, leading to reducing consumer confidence and real-term incomes. Crucially, this may reduce demand for the enhanced tourism offer in Blackpool from UK residents, in particular for relatively expensive new attractions.
- **Wider European and global economic slowdown also persists, reducing the potential for increased overseas visits, and the growth potential of the Airport.** This wider economic context will also impact on likely levels of new investment into Blackpool by the private sector.
- **Limited resilience in the business base and low levels of enterprise mean that the scale of the business and employment base continues to reduce**, so that Blackpool becomes a smaller part of the Fylde Coast economy, and loses its scale advantage.
- **An on-going reliance on retail, the tourism economy, accommodation and the public sector in order to retain employment levels traps Blackpool in a low productivity economy** with knock-on effects for wages, competitiveness, investment and quality of life for local people.
- **Public sector shrinkage with significant employment impacts on the local economy and social/equity considerations** as social protection and other public spending is reduced. A relatively high proportion of Blackpool residents depend on benefits, and this may reduce wages and quality of life in the area.
- **The tourism economy offer remains dominated and influenced by pressure of other uses (accommodation) and continues to compete on price not quality**, with many low value jobs.
- **The public sector spending reductions threaten the maintenance and up-keep of the improved/refreshed physical infrastructure** in the town centre, the seafront and the wider visitor economy.
- **The persistence of a low-wage economy reduces the incentive to work for local economically inactive people** that have moved towards the labour market in recent years; these people return to/remain in long-term inactivity with no intention to find regular employment.
- **Poor rail links (need to connect at Preston to West Coast Mainline) limits interest from business and conference market**, and over the longer term high-speed rail further distances Blackpool from the main rail network and commuting/travelling patterns.
- **Job losses at BAe in Warton** impact both directly and indirectly on Blackpool in terms of loss of employment by residents, a reduced overall confidence in the Fylde Coast economy by the market, and potentially, displacement of businesses to the proposed Enterprise Zone site.
- **Further competition from the major urban centres of Manchester, Liverpool, Warrington and Preston** for investment and employment.

13. Capitalising on opportunities, will require active engagement with partners across the Fylde Coast – particularly for new opportunities associated with the Enterprise Zone, transport and potentially for shale gas. The threats identified would impact substantially on Blackpool's ability to turn-around its economic fortunes.
14. External and contextual threats are clearly the hardest to predict, yet they are probably also the most significant. Recent investments have improved Blackpool's position and prospects, but the town remains particularly vulnerable to a further extended downturn in the national and international economy.

Going forward

15. The major investments – largely public sector-led – in Blackpool’s physical and commercial fabric in recent years have resulted in the recent re-opening of the Tower, an improved seafront and public realm, a renovated Winter Gardens and a considerably enhanced retail offer. This investment has generated new private sector interest, involvement, and some recent investment, despite the recession and on-going economic uncertainty. And there are some positive trends evident in the data, skills and education performance are improving, and visitor numbers increasing.
16. Local stakeholders are genuinely enthused, engaged and positive about the prospects for Blackpool’s economy going forward. Blackpool must build on this momentum and maximise this opportunity.
17. But Blackpool’s economy remains unusually fragile, with widening gaps in performance over the last two decades relative to national averages, Lancashire and the Fylde sub-region. This trend has been exacerbated by the recession that hit Blackpool sooner, and harder, than elsewhere. Blackpool also appears to be taking longer to recover than other places.
18. Crucially, there are structural characteristics in Blackpool’s economy that limit its ability to compete in an increasingly knowledge-based and value-driven landscape: notably land and property constraints, occupational structures, and a reliance on low wage industries. Expecting these challenges to be addressed in the short-term is not realistic: Blackpool needs to focus on the long-term and reversing the negative ‘direction of travel’ evidenced in much of the secondary data.
19. However, the visitor economy and retail sectors, and public sector employment are threatened both by public sector funding cuts and the loss of consumer confidence. New jobs have not been created elsewhere in the local economy in recent years to offset these threats. Reductions in public expenditure are likely to increase the already high proportion of the local population which rely on benefits, and increase pressure on services, both core provision and discretionary tailored assistance.
20. So, the challenges that Blackpool faces are substantial. But they are not new, and are well-recognised by local stakeholders. In managing Blackpool’s economic development going forward, and in framing future economic development strategy efforts, this study suggests that the key questions that partners across Blackpool should now be asking are:
 - How can Blackpool lever its position as the business and visitor centre for the Fylde Coast, to the benefit of the town and the wider area?
 - What actions can be taken to grow a cadre of locally-based managers and technical skills which can effectively deliver, support and extend the town’s visitor offer, and potentially to sell this specialist business expertise outside Blackpool?
 - How can the Council best work with national and local partners, to develop ideas and engage others behind a set of agreed economic-based priorities for further physical change, including working towards solutions for the HMOs issue?