



ARGYLL & BUTE COUNCIL

Housing Need & Demand Assessment Technical Supporting Paper 03

Core Output 1: Key Housing Market Drivers - Economic Trends (pre- Covid)

(March 2020)

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1.0 Introduction

- 1.1 To achieve “robust and credible” status, a Housing Need and Demand Assessment (HNDA) must satisfy all core outputs and processes as set out in the guidance published by the Centre for Housing Market Analysis in 2018. This paper covers the economic element of Core Output 1, hence it focuses on “the key drivers of the local and national economy” (HNDA practitioners guide 2018). The key economic drivers that this paper addresses are namely; the gross added value (GVA) and the sectors which are most prevalent and most productive in the authority, an analyses of businesses and their levels of confidence, economic activity and inactivity, employment structures and patterns and finally the potential impacts of Brexit and COVID-19 . The analysis should reflect the data to be used in the CHMA’s online HNDA Tool and the choice of scenarios that have been agreed by the local housing market partnership to run the Tool. This will ultimately provide the calculation for new build requirements for affordable housing over a 5 and 10-year period.
- 1.2 This paper focuses on the contextual economic trends for Argyll and Bute, as well as addressing the current and potential future impacts of both Brexit and COVID-19 and proposes a set of scenarios for inputting to the HNDA Tool.
- 1.3 The aim of this technical supporting paper is to provide a clear, evidence-based understanding of:
 - Key economic factors and how these are driving the local housing market(s);
 - The data and scenarios that will be used to run the CHMA’s HNDA Tool calculations;
 - The key findings that can be used to inform the Local Housing Strategy and the Local Development Plan(s).
- 1.4 This paper collates the most current data available and full details of sources are outlined in Appendix 1.

The economic picture of Argyll and Bute is constructed from a blend of qualitative and quantitative data. For example, the report incorporates qualitative data obtained from local business sector fora, which examined the relationship between housing and economic growth.

The quantitative data was assembled from an assortment of local and national research. National research such as NOMIS, the Scottish Annual Business Statistics 2016-2017 (released in July 2019), the Office for National Statistics (ONS), National Records of Scotland (NRS), and Scottish Centre for Regional Inclusive Growth (SCRIG) data sets. Data from Visit Scotland, the Tourism Alliance, Skills Development Scotland and the Scottish Qualifications Authority (SQA) as well as other national attainment data has also been analysed in this paper.

The state of the economy, outlined in this paper, is a national one; however, a wide variety of local research has also been incorporated to provide a more

finely granulated local picture. For example, this includes for example a number of Business Panel Surveys commissioned by Highlands and Islands Enterprise between 2017-2019 as well specific Argyll and Bute reports by Skills Development Scotland. This paper also builds on previous analysis produced by the Council’s Economic Development Officers, such as Local Sub Area report produced in 2019 and “Argyll and Bute in Numbers” produced in October 2018; Business Gateway Statistics for 2019 as well as “Argyll and Bute Economic Development Action Plan 2019-2023”.

Additional data and analysis has been drawn from the bespoke thematic research carried out in Argyll and Bute such as; North Star’s -Helensburgh and Lomond Housing Market Study 2018; EKOS- Faslane Economic Impact 2019 and “IBP Strategy and Research” report - Tourism and Food and Drink Industries Workforce Survey January 2019. Penultimately this paper includes specific pieces of research examining the relationship between housing and local economic development namely “Stimulating Housing Development in the Highlands and Islands” 2017 and “Enabling our next generation” November 2018.

2.0 The Argyll and Bute Economy – an overview

Since the financial crash, the Government has pursued a policy of fiscal contraction, creating a landscape where it was more difficult to access finance. The lack of access to finance has affected businesses, reducing their ability to invest and grow.

In 2019, the British economy saw its weakest year outside a recession since the Second World War.

Table 2.0 shows that Argyll and Bute contributes to the Scottish economy commensurate with its size in terms of overall population and levels of economic activity. However, there is scope for significant growth and improvement, and this is reflected in the aims and proposals set out in the Argyll and Bute Economic Development Action Plan 2019-2023. Housing would have a key role in both supporting and proactively generating such growth.

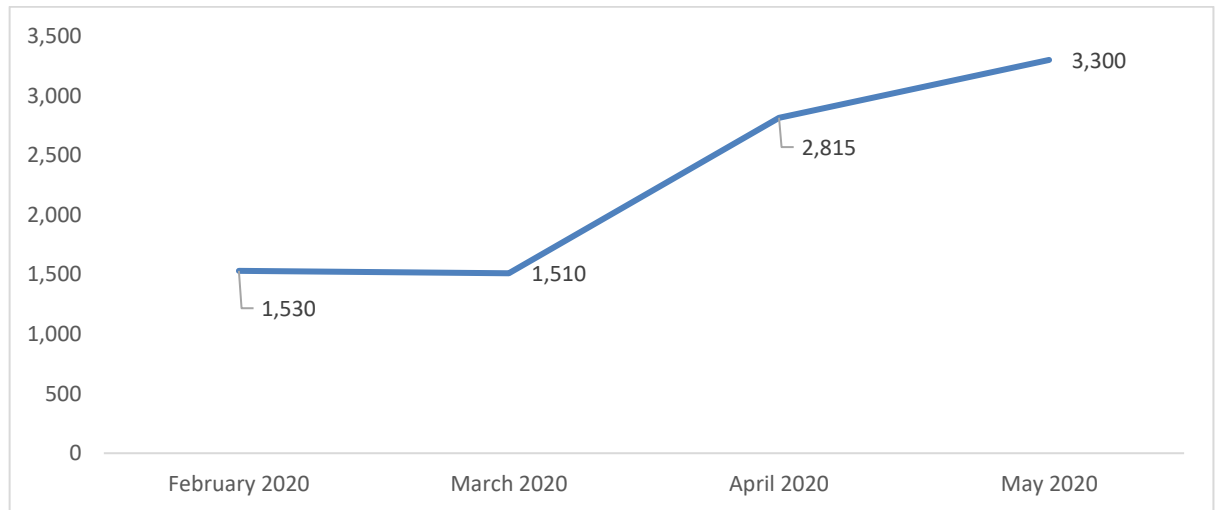
TABLE 2.0: Argyll & Bute in relation to Scotland

	Argyll and Bute	Scotland	% of Scotland
Population mid - year estimates 2018	86,260	5,438,100	1.6%
Total Employed 2018	41,000	2,638,400	1.6%

Source: National Records for Scotland (NRS) April 2019.

However, the impacts of COVID-19 have been dramatic in the authority’s economy as the number of people claiming benefits has more than doubled since February 2020 (Figure 2.0). There are expected to be two further waves of claimants, namely school leavers who traditionally worked in tourism or hospitality until going to University and those currently furloughed losing their jobs at the end of the scheme.

FIGURE 2.0: Claimant Count February to May 2020



Source: NOMIS¹

Table 2.1 highlights the number of people claiming benefits in each of the authority’s electoral wards, and shows that in one ward 9.6% of the area’s population is claiming benefits. Although South Kintyre has the highest percentage of its population claiming unemployment benefit (9.6%) all other electoral wards with the exception of Helensburgh and Lomond South; Kintyre and the Islands; and North Lomond all have over 6.5% of the population claiming benefits. Seven of the of the eleven wards have more than 7% of the population claiming benefits which is significantly greater than in Scotland as a whole where the proportion is just over 6%.

¹ “The Claimant Count is the number of people claiming benefit principally for the reason of being unemployed. This is measured by combining the number of people claiming Jobseeker’s Allowance (JSA) and National Insurance credits with the number of people receiving Universal Credit principally for the reason of being unemployed. Claimants declare that they are out of work, capable of, available for and actively seeking work during the week in which the claim is made.” Nomisweb.co.uk

TABLE 2.1: Claimant count by Electoral Ward

Claimant count by Electoral Ward, May 2020 (number in brackets indicate change since April 2020)		
Argyll and Bute Electoral Ward	Claimants aged 16-64	Claimants as a % of residents aged 16-64
Cowal	250 (+40)	7.0 (+1.1)
Dunoon	335 (+25)	7.8 (+0.6)
Helensburgh Central	335(+50)	6.7 (+1.0)
Helensburgh & Lomond South	135 (+20)	2.9 (+0.3)
Isle of Bute	295 (+30)	8.8 (+0.9)
Kintyre and the Islands	160 (+20)	4.3 (+0.6)
Lomond North	225 (+50)	3.4 (+0.8)
Mid Argyll	300 (+65)	6.6 (+1.4)
Oban North and Lorn	430 (+80)	7.4 (+1.3)
Oban South and the Isles	505 (+60)	7.8 (+0.9)
South Kintyre	330 (+45)	9.6 (+1.3)
Argyll and Bute	3,300 (+485)	6.4 (+0.9)
Scotland	215,240 (+27,065)	6.2 (+0.8)

Source: NOMIS (Nomisweb.co.uk) (figures are rounded to nearest 5 and previous month's figures checked for errors)

2.2 The relationship between housing and the economy

A housing and development stakeholders network was established 2018 to examine the relationship between housing and the business sector. Two dedicated conferences were held in one in 2018 the other in 2019 to identify the key challenges, and potential opportunities housing could play in facilitating business development. The findings from these conferences fed into the Argyll Rural Growth Deal programme.

This qualitative data is supported by quantitative data obtained from the Housing Needs and Demands survey of Local Businesses in Argyll and Bute. The survey was undertaken in 2018 and reported that over 80% of businesses cited lack of housing as having a “significant” or “very significant” negative impact on their business. Although this was a small sample survey the finding were validated by a larger survey undertaken by “IBP Strategy and Research”, which captured the views of 195 tourism businesses and 32 food and drinks businesses in mid-2018.

Table 2.2 demonstrates that more than half the tourism businesses cite a lack of “suitable housing” as a barrier to recruitment and retention and hence preventing their business growing. The term “suitable housing” included both a lack of affordable housing and insufficient availability of housing overall.

Of all the tourist businesses surveyed 49% said lack of affordable housing had, a significant impact and 27% identified it as having some impact on their ability to recruit and retain staff. While 58% of businesses in the food and drink sector claim that lack of affordable housing has a significant impact on recruitment and retention and 25% consider it to have some impact.

However, it is not only the lack of affordable housing but also the lack of the right type of housing that impacted on local businesses. 58% of businesses in

the food and drink sector consider lack of the right type of housing to have a significant impact on their ability to recruit and retain staff while 35% consider it to have some impact. This is also the view of tourism business where 42% stated having the right type of housing available had a significant impact on recruiting and retaining staff, while 36% said it had some impact. 16% of tourism businesses went on to say that, the lack of suitable housing has resulted in providing opportunities for staff to work remotely. This approach may address the difficulties businesses face in attracting staff to the area but it has profound knock on effects to the local economy, as these employees are not spending money in the local economy.

Table 2.2 : Reasons Tourist businesses' identified as the reasons why they had difficulty recruiting or retaining staff.

Reason	Total	1 member of staff or fewer	Small micro	Larger micro	Larger businesses
Not enough people interested in this line of work	56%	50%	60%	33%	67%
Lack of suitable housing for people wishing to work in the business	51%	33%	43%	67%	76%
It is hard to get people to relocate to the area to take up offers of employment	41%	28%	40%	40%	57%
It is difficult to pay a high enough salary / wages	40%	22%	43%	47%	48%
Staff do not wish to work long / unsociable hours	36%	33%	33%	33%	43%
We can only offer temporary or casual employment for some roles	35%	56%	30%	40%	29%
Staff are not prepared to stick with a job for the long-term	32%	11%	43%	20%	43%
It is not worth some staff taking on extra work as it affects their benefits	30%	17%	30%	20%	48%
It is difficult for people that live here to get to the location of our site(s)	26%	17%	27%	40%	29%
Difficulties in identifying / reaching potential candidates	23%	22%	27%	13%	29%
Staff will move to other employers or sectors for better wages	16%	6%	20%	13%	24%
Too much competition from other employers	16%	28%	13%	-	24%
Lack of career progression	7%	6%	10%	13%	-
Another reason (please give brief details below)	13%	11%	10%	7%	24%
Sample	88	18	30	15	21

Source -"IBP Strategy and Research" survey of Tourism and the Food and Drinks Sector 2019.

2.2.1 Young People

The “IBP Strategy and Research” survey findings are supported by a survey of young people commissioned by Highlands and Islands Enterprise, the findings of which are documented in the 2018 report - “Enabling our Next Generation”.

It is important to note that the Highlands and Islands Enterprise area is not synonymous with the Council area but rather it omits Helensburgh and Lomond and includes Caithness and Sutherland, Inner Moray Firth, Inverness, Outer Hebrides, Lochaber, Skye and Wester Ross, Moray, Orkney and Shetland. The report used the label “young people” to describe individuals aged between 15 and 30 years old. These age groups were then subdivided into the following 15-18 years, 19-24 years and 25-30 years. In total 3,130 young people responded to the survey. Table 2.3 provides a more detailed breakdown of respondents.

Table 2.3: Respondents by age and gender, 2018 and 2015

	2018 (%)	2015 (%)
15-18	29%	51%
18-24	37%	27%
25-30	34%	21%
Female	69%	66%
Male	31%	34%

Source: ekosgen survey of young people (2015 and 2018)

This report finds that 62% of young people cited housing as a very important to them. In addition, 45% of young people disagreed that there was a good choice of rental housing and 48% disagreed that there was a good choice of appropriate housing for young people to buy. Stimulating Housing Development report stated that young people would potentially leave the area if they do not find affordable independent housing.

2.2.2 Young and Stuck

Stimulating Housing Development report uses the term “young and stuck” which is defined as “young people aged 26+ who are in fulltime work but are neither the householder nor the spouse in the household. The report goes on to reveal that the Highlands and Islands Enterprise area² has the highest proportion of young people 26+ years who are working but unable to form their own household as can be seen in Table 2.4.

² It is important to note that the Highlands and Islands Enterprise area is not synonymous with the Council area but rather it omits Helensburgh and Lomond and includes Caithness and Sutherland, Inner Moray Firth, Inverness, Outer Hebrides, Lochaber, Skye and Wester Ross, Moray, Orkney and Shetland.

Table 2.4: Estimated percentage of households that have young people aged 26+ years who are working but are unable to afford to form their own household, by enterprise area.

Enterprise Area	Percentage
Aberdeen City and Shire	2.6%
East of Scotland	2.1%
Highlands and Islands	3.1%
South of Scotland	2.4%
Tayside	2.3%
West of Scotland	2.1%

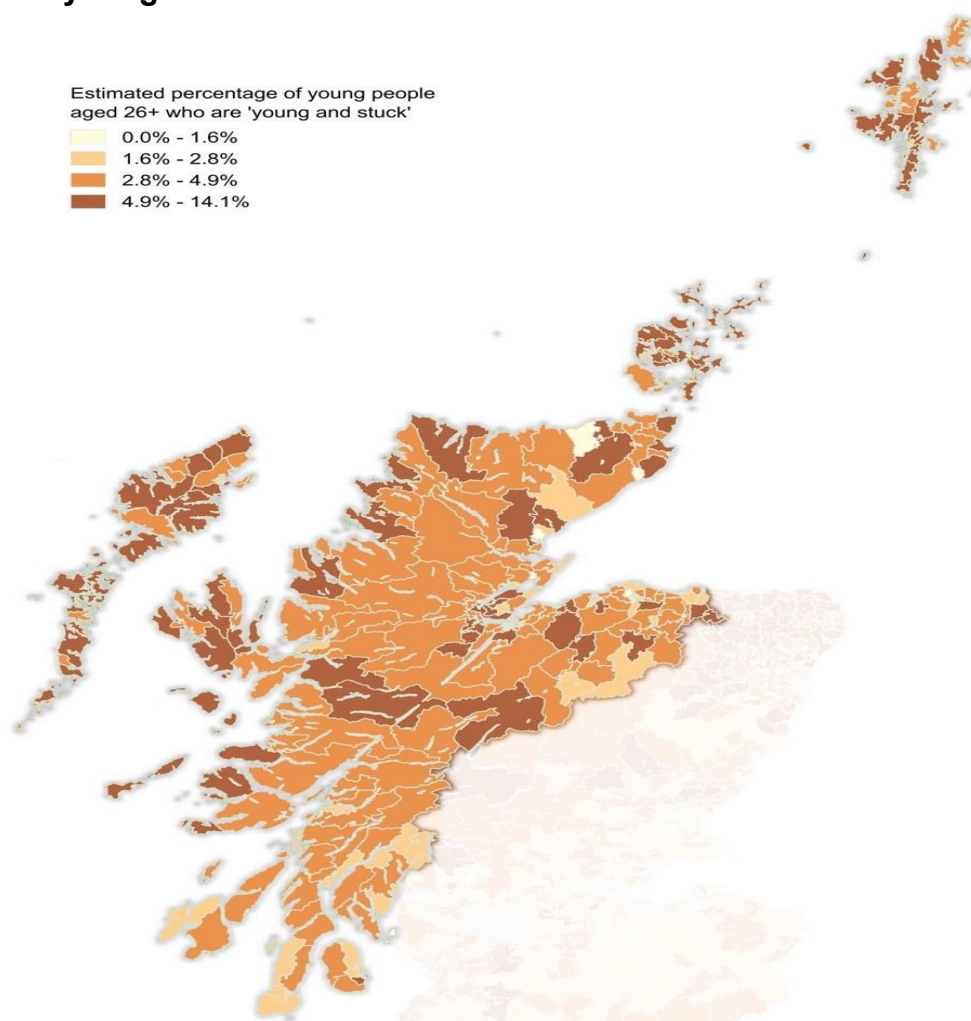
Source Stimulating Housing and Development Report 2017

A more granular picture is displayed in figure 2.1 which, shows the particular areas of Argyll and Bute where young people aged 26 years and above find it particularly difficult to form their own household. A strong economy requires an area to have a high percentage of working aged population so the potential loss of young people will reduce the economic base of the area and this has significant implications for growing the local economy.

This point is reinforced in the “Stimulating Housing Development in the Highlands and Islands” report, published in September 2017, which states:

“a lack of housing in certain areas of the Highlands and Islands is a constraint to population growth, and the tendency for local households and especially young people to leave the region, with knock-on effects on the sustainability of fragile rural and remote communities”.

Figure 2.1: Estimated percentage of young people aged 26+ years who are 'young and stuck'.



Source Stimulating Housing and Development Report 2017

2.3 Gross Value Added (GVA)

GVA is a key measure of overall productivity performance and wealth creation; as well as an indicator of the economic well-being of an area. The latest figures show that Argyll and Bute's economy continues to perform less strongly than the Scottish average (-13%). However, over recent years Argyll and Bute has witnessed a significant improvement in its GVA value; as in 2012 Argyll and Bute GVA per head of population was 29% less than Scotland but has narrowed the gap to being only 13% less than national value in 2017.

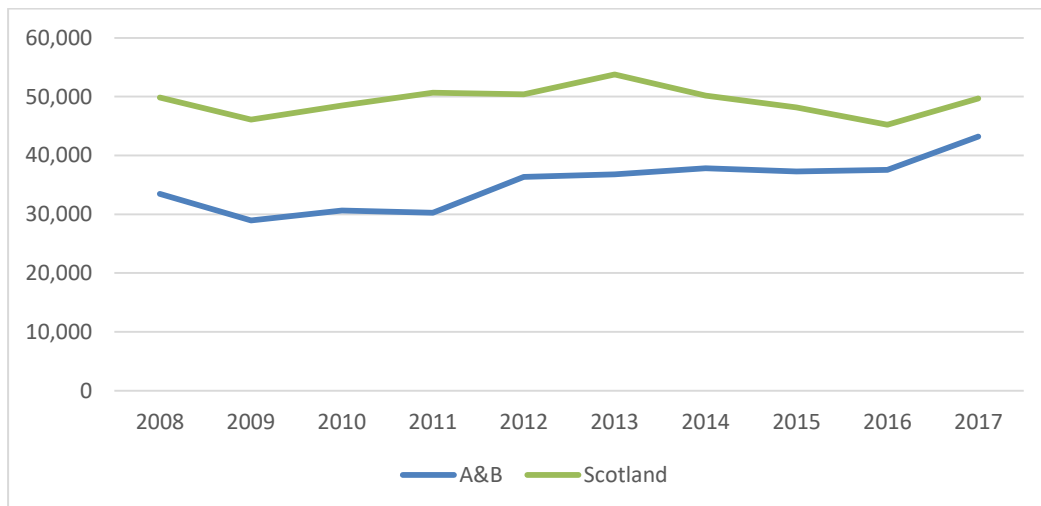
TABLE 2.5: Argyll & Bute's GVA in relation to Scotland

	Argyll and Bute	Scotland	% comparison with Scotland
Gross Value Added per head	43,202	49,693	-13%

Source³: NRS April 2019 and Annual Population Survey 2018

The narrowing of the gap between Argyll and Bute's GVA and Scotland's can be seen pictorially in Figure 2.2. It is also evident from the figure, that Argyll and Bute's GVA has grown over the last decade from just over £30,000 per head of population in 2008 to over £40,000 in 2017 whereas the national GVA in 2017 remained unchanged from the 2008 value.

Figure 2.2: Gross Value Added per head (£), Scotland and Argyll & Bute, 2008-2017



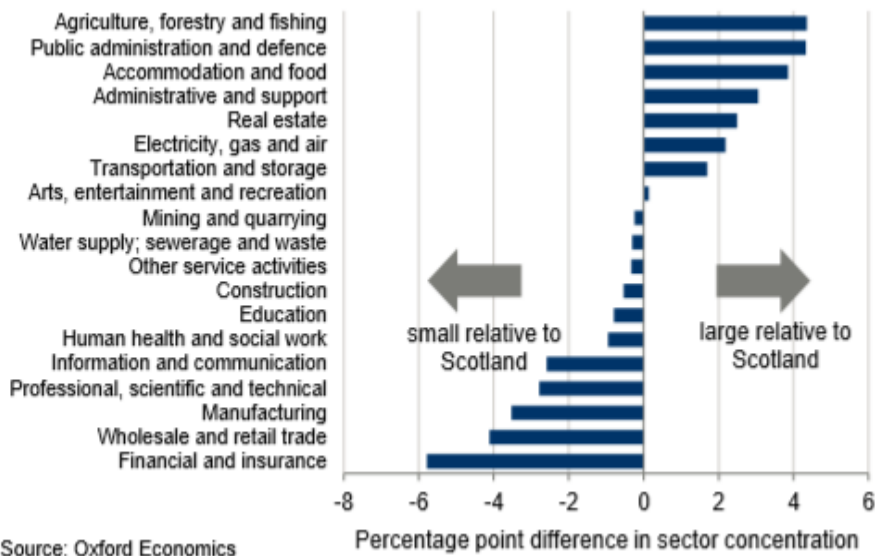
Source: Scottish Annual Business Statistics, 2008-2017, (published 2019)

2.3.1 GVA by sector

Argyll and Bute's GVA is significantly more reliant, than Scotland as a whole, on agriculture, forestry and fishing; public administration and defence; accommodation and food; and real estate sectors. Conversely, Figure 2.3 shows the value of the authority's GVA is much less reliant on finance, retail trade, manufacturing and professional sectors than Scotland as a whole.

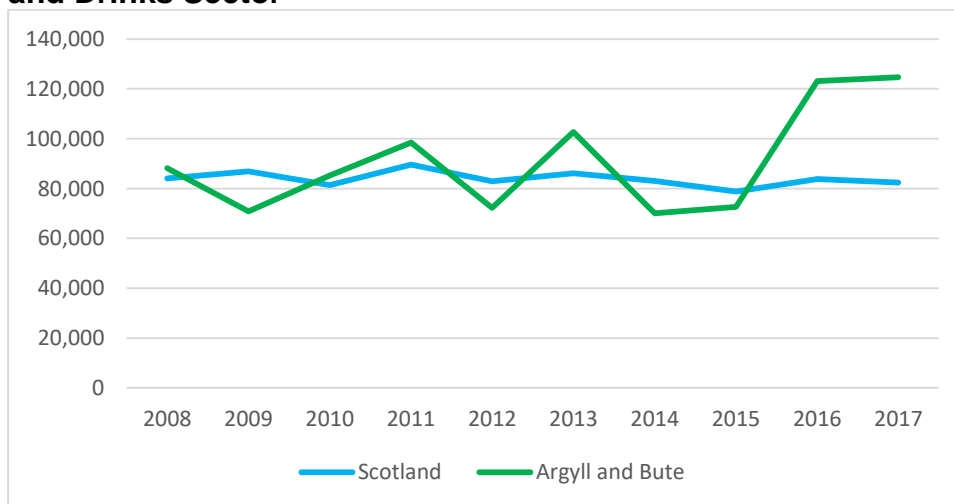
³ <https://www.gov.scot/publications/scottish-annual-business-statistics/>

Figure 2.3: Sector GVA share Argyll and Bute Versus Scotland 2018



When we drill down into these sectors it is apparent that Argyll and Bute’s GVA is significantly more dependent on the food and drinks sector than Scotland as a whole, which is depicted in figure 2.4. While it is encouraging to see the growth in this sectors’ value to the local economy from around £90,000 per head of population in 2008 to £120,000 in 2017, figure 2.4 also portrays the volatility of the sector in the authority. This is contrasted by the sectors contribution to the Scottish GVA remained relatively steady over the same period.

Figure 2.4: Gross Added Value per head of population from the Food and Drinks Sector

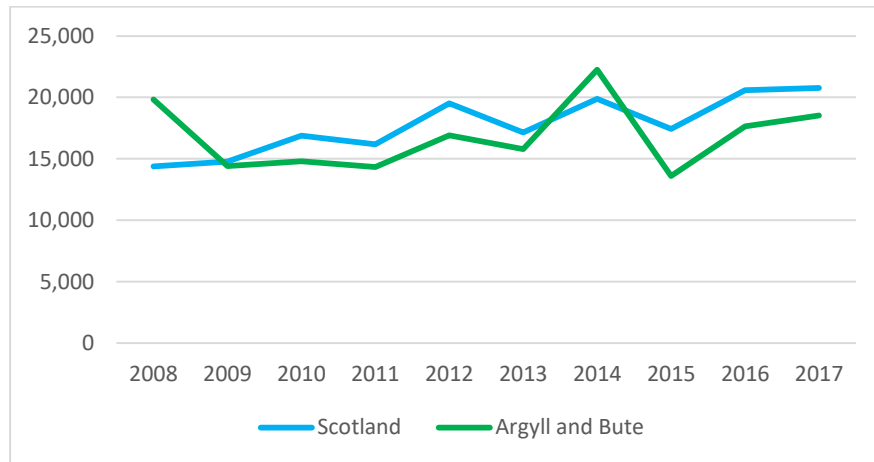


Source: Scottish Annual Business Statistics, 2008-2017, (published 2019)

The value added to the local economy from the accommodation and food services sector, has declined from 2008. Therefore, this element of tourism in Argyll and Bute is less valuable than it has been previously to the areas’ economy this may be as a result of a change in tourism tastes as a higher proportion of visitor prefer to tour the area in campervans than was previously

the case. Changes in visitor habits and preferences will have a negative impact on this element of the tourism sector as campervans are predominately hired from businesses out with the area, resulting in added value to other areas in Scotland and a loss of value to the local economy. This could be one explanation of the trend depicted in figure 2.5 which shows that accommodation and food services in 2008 had a higher contribution to the areas value than in Scotland as whole whereas in 2017 the opposite is the case. Another explanation is that there is some displacement of high value tourism spend from the area to other parts of Scotland with the increased popularity of short city breaks.

Figure 2.5: Gross added value per head of population from accommodation and food services.

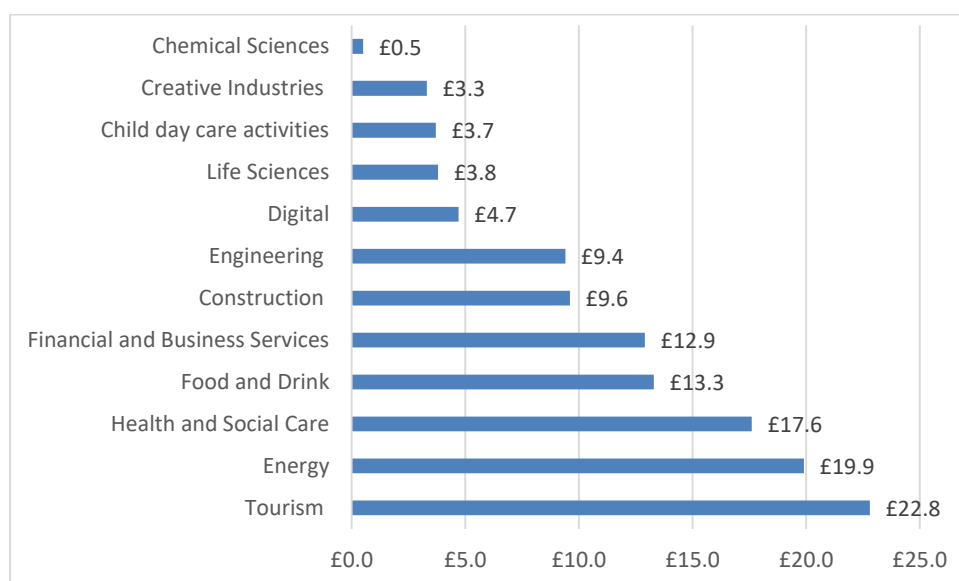


Source: Scottish Annual Business Statistics, 2008-2017, (published 2019)

2.3.2 Future GVA forecasts

However, the tourism industry is not only defined by the accommodation and food sectors, adventure tourism and the increased popularity of whisky tours provide potential opportunities for growth. Figure 2.6 shows GVA growth forecasts for Argyll and Bute, and these place tourism as the sectors which will contribute most significantly to GVA in 2029, followed by energy, health and social care and food and drink sectors.

FIGURE 2.6: Forecast absolute GVA growth by key sector (£m) (2019-2029)



Source: SDS Regional Skills Assessment - Argyll's Rural Growth Deal 2019

2.4 Business Enterprises

When we assess GVA per head of population it appears that Argyll and Bute's economic climate is less buoyant than Scotland as a whole. On the other hand if the economic outlook takes into account the thriving business enterprises in the area a rosier economic outlook can be seen with table 2.6 showing the authority had 4085 business enterprises in 2018.

The table also highlights that Argyll and Bute punches above its weight in relation to business enterprises, as the percentage of business enterprises in Argyll and Bute accounts for 2.6% of Scotland's total while the area only makes up 1.6% of Scotland's population.

TABLE 2.6 Businesses in Argyll and Bute.

	Argyll and Bute	Scotland	% of Scotland
Population mid - year estimates 2018	86,260	5,438,100	1.6%
Total Business Enterprises 2018	4,085	155,045	2.6%

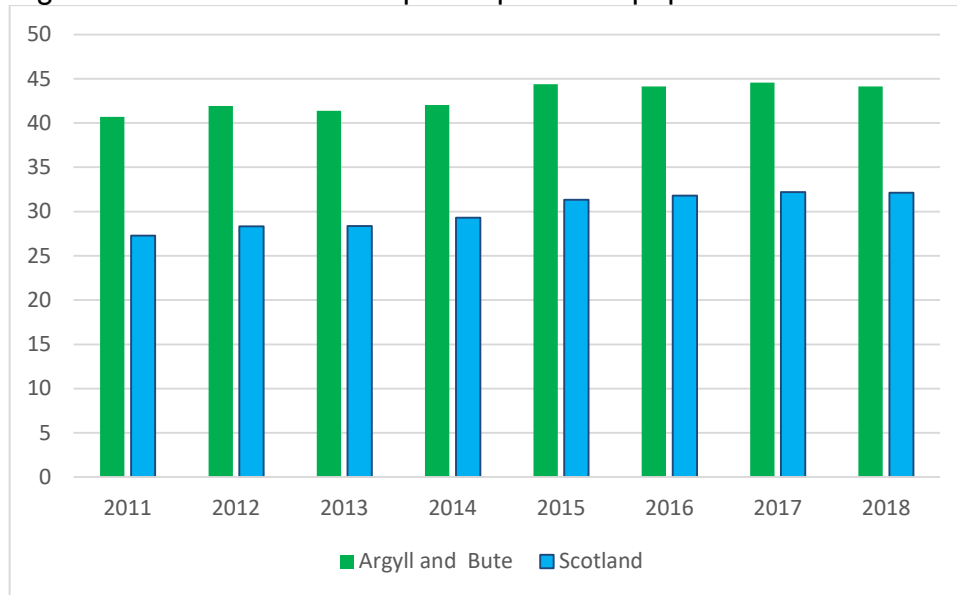
Source⁴: NRS April 2019, Annual Population Survey 2018

This point is further evidenced by figure 2.7 which shows that over time Argyll and Bute has consistently had considerably more business enterprises per

⁴ <https://www.gov.scot/publications/scottish-annual-business-statistics/>

head of population that Scotland as a whole. This trend suggests that there is a high degree of entrepreneurialism in the authority and that businesses are robust and resilient.

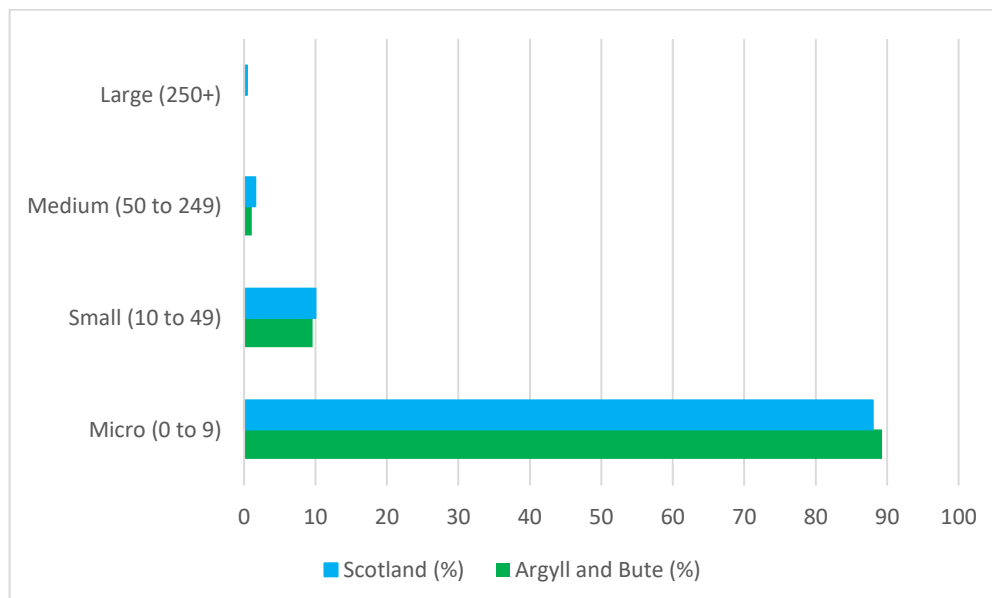
Figure 2.7: Number of enterprises per 1000 population



Source: Inter Departmental Business Register (ONS) 2019

Micro businesses are the most prevalent type of business (around 90%) in both the authority and the nation as can be seen in figure 2.8.

Figure 2.8: Size of businesses in Argyll and Bute and in Scotland in 2019



Source: Inter Departmental Business Register (ONS) 2019

Small and micro businesses contribute a considerable amount to the areas economic wellbeing as evidenced by a snap shot of the financial contribution

made by businesses supported by Argyll and Bute’s business gateway. In 2018, 116 business start-ups were supported with a projected turnover of £4.2 million and 140 existing businesses with a turnover of 17.8 million.

2.4.1 Number and size of Business enterprises in HMAS

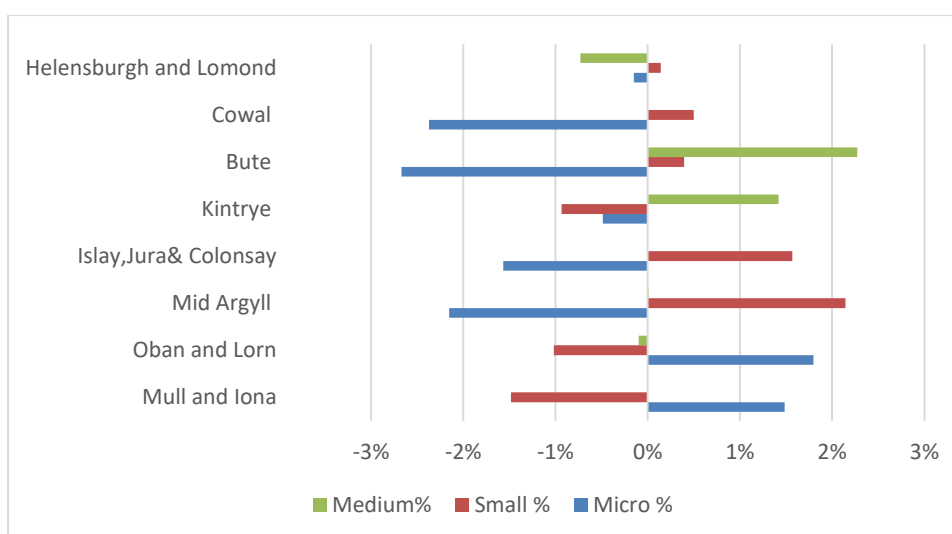
The prevalence of small businesses is extremely variable in the HMAs and this is demonstrated by table 2.7 which shows the number of businesses in the Council’s administrative areas. Although Helensburgh and Lomond has 30% of the authority’s population, it has the least amount of businesses with only 18% of Argyll and Bute’s business enterprises. This administrative area has only half the number of businesses per head of population than are in Oban, Lorn and Isles and Mid Argyll Kintyre and Islay administrative area. The assumptions drawn from this are that the Helensburgh and Lomond population either commute or work outside the authority or that they work for larger companies. Whereas Oban, Lorn and the Isles have the highest number of businesses and the lowest population hence therefore is can be assumed that the area has a large number of small businesses. This assumption is validated by figure 2.9 which shows that Mull and Iona and Oban and Lorn both have increased the number of micro businesses in their economy.

Table 2.7: Number and Percentage of Businesses 2018 in Council administrative areas.

Area	Number	% of businesses	% of population	Number of businesses per head of population
Oban, Lorn and the Isles	1,225	32%	23%	0.06
Mid-Argyll, Kintyre and the Islands	1,145	30%	23%	0.06
Helensburgh and Lomond	680	18%	30%	0.03
Bute and Cowal	755	20%	24%	0.04
Argyll and Bute	3,805			

Source: UK Business Counts and National Records for Scotland 2018- Small Area Population Estimates (SAPE)

Figure 2.9: Change in business sizes 2016-2018



Source: UK Business Counts and National Records for Scotland (NRS) Small Area Population Estimate (SAPE) 2018

The change in the number of businesses over time is also markedly different between the sub-areas of Argyll and Bute as demonstrated in Table 2.8. Oban, Lorn and the islands have seen an increase of 10% of business enterprises between 2010-2018 compared to Cowal and Bute, which saw a small reduction of the businesses over the same time. This reduction in the number of businesses does not necessarily equate to a contraction in the economy especially if you look at the data in conjunction with figure 2.9. Bute and Cowal have reduced the number of micro businesses and increased the number of small and medium sized businesses suggesting either that previous micro businesses have grown or new larger businesses have located to the area.

Table 2.8: Change in the number of businesses 2010-2018 in the Council's administrative areas.

	2010	2018	Absolute change 2010-18	% change 2010-18
Oban, Lorn and the Isles	1,110	1,225	115	10%
Mid-Argyll, Kintyre and the Islay	1,125	1,145	20	2%
Helensburgh and Lomond	650	680	30	5%
Bute and Cowal	760	755	-5	-1%
Argyll and Bute	3,635	3,805	170	5%
Highlands and Islands	19,765	21,990	2,225	11%
Scotland	144,565	174,730	30,165	21%

Source: UK Business Count

2.4.2 Business confidence

Ipsos MORI carried out a Business Panel Survey, in the Highlands and Islands, in October 2019, which found that almost $\frac{3}{4}$ of businesses, (72%), felt optimistic about the future; such a high confidence level suggests that the economy is in good shape. This survey was conducted in the midst of the Brexit negotiations have hence businesses would have made this response after considering the expected impacts from Brexit. However, the survey would not have considered the impacts of COVID-19.

The survey reports that tourism businesses in particular were confident in the economy, and are positive about their performance, and optimistic about their own prospects. In contrast, the food and drink sector tended to be less confident in the economy, and more pessimistic about their prospects. This is both encouraging and concerning as Argyll and Bute are relying on businesses in the tourism and food and drinks sector to generate future economic growth according to IBP Strategy and Research report. The report states: "Argyll and Bute Council aims to achieve population growth by supporting key growth sectors, including both food and drink and tourism".

The business panel survey carried out in 2019 found just over half (54%) of businesses aspired to grow, while 36% were content with their current level of performance and only 10% wanted to downsize this is again another positive indicator of a strong economy.

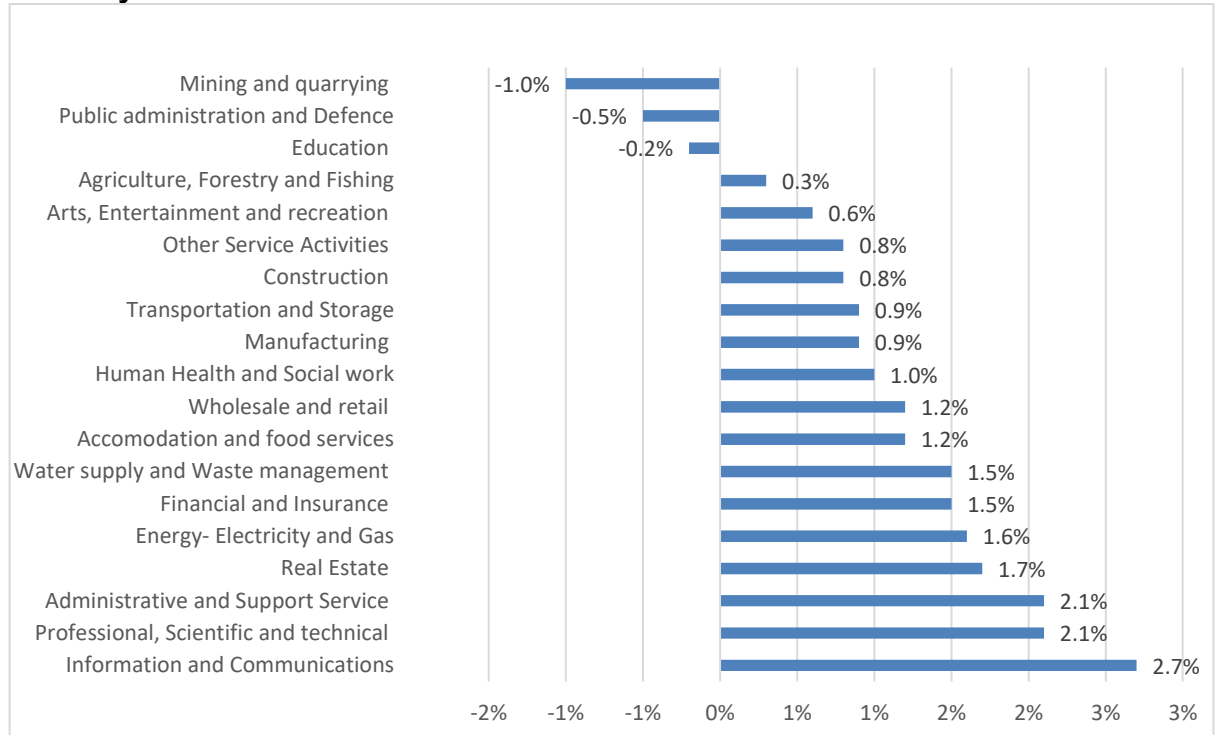
The survey also ascertained how confident business were about their ability to adapt quickly in light of the changing political landscape caused by Brexit. Encouragingly most businesses, felt prepared for changes with 88% claiming they felt confident in their ability to respond to changes likely to occur in the next year or two. Reasons for feeling confident included: being able to adapt and respond to changes in the past (64%), having the skills needed to respond to changes (56%), having an adaptable workforce (55%), a loyal customer base (53%), and a strong brand reputation (51%). This demonstrates that businesses in Argyll and Bute are both adaptable and resilient. This resilience is verified by Argyll and Bute's Business Gateway, which reported the survival rate of business starts up it supports is very high with 90% of business start-ups surviving for a year or more.

2.4.3 Growth sectors

According to the report produced for Argyll's rural growth deal, economic forecasts predict most growth in "white collar" jobs in offices or labs with the information and communications sectors growing the most, followed by the administrative and support services sector and professional, scientific and technical sector. The energy sector is predicted to grow but at a lower rate. However, in the net zero political climate the renewable energy sector is attracting increased profile and investment and growth will be sustained over

the long term. Industries such as mining and quarrying are predicted to decline as is the Public Sector.

Figure 2.10: Forecast average annual percentage GVA change by Industry 2019-2029



Source: SDS Regional Skills Assessment – Argyll’s Rural Growth Deal 2019

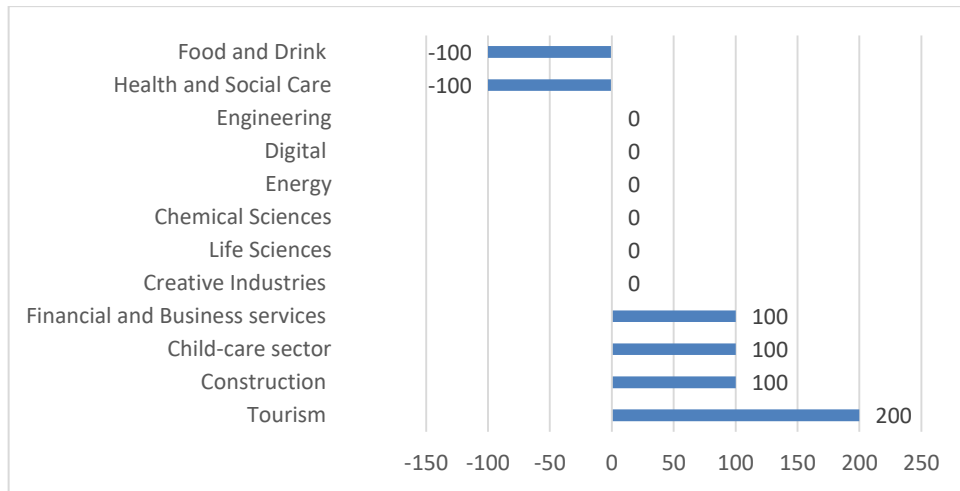
Figure 2.11 shows the tourism, construction, child care services as well as financial and business services, are those predicted to provide the most employment growth. The largest sector supported by Argyll and Bute Business Gateway was the food and drinks sector however according to the forecast it is likely to reduce the amount of employees required as can be seen in figure 2.11. Also noteworthy is that although the energy sector is expected to grow due to Argyll and Bute’s advantageous location which enables it to harness renewable energy. The number of people employed in this sector is not predicted to rise.

However in terms of tourism businesses this appears to be borne out by what is currently happening in the sector as 11% of the businesses helped to grow by Argyll and Bute’s Business Gateways service were in the tourism sector.

The tourism sectors has been forecast to be the largest growth sector according to Argyll’s Rural Growth Deal however this prediction is not supported by Visit Scotland’s data. Visit Scotland is 2017-2018 data, illustrates in figure 2.12 that there was a large contraction in spend on accommodation and this component of the tourism sector provides the greatest economic benefit according to the Council’s economic analyse

documented in “Argyll and Bute in Numbers”, which states that accommodation revenues contribute to 28.5% of the sectors contribution.

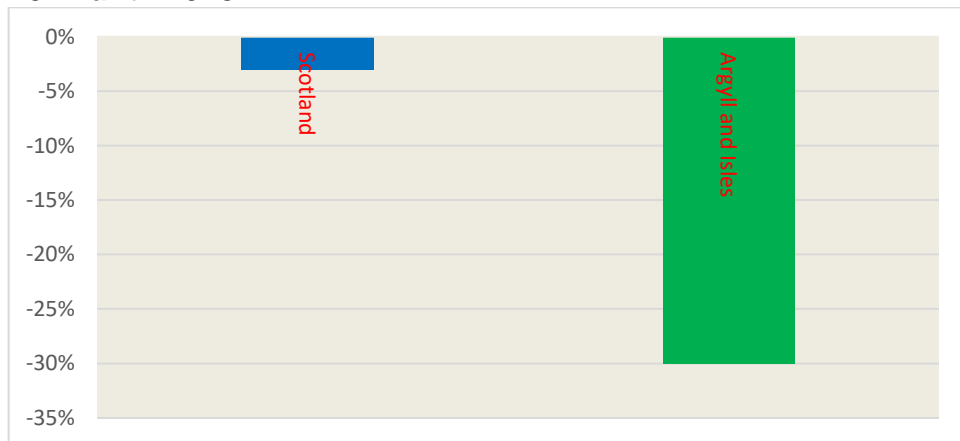
Figure 2.11: Forecast employment change by Sector 2019-2029



Source: SDS Regional Skills Assessment - Argyll’s Rural Growth Deal 2019

The accommodation component of the tourism sector has witnessed a 30% reduction in spend between 2017-2018 and although there has also been a reduction in Scotland as a whole the level of contraction is significantly lower equating to less than 5%.

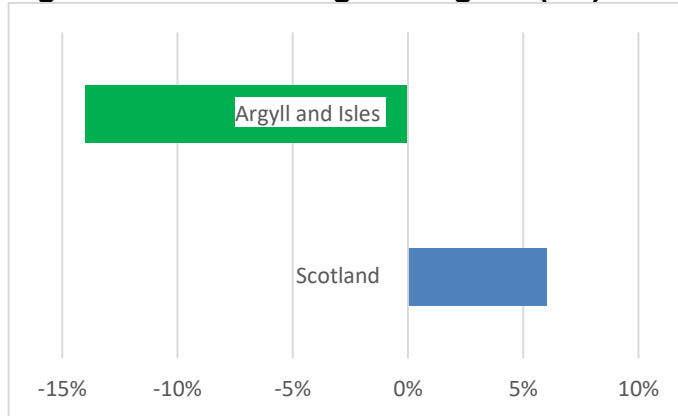
Figure 2.12: Percentage change of spend in (£M) in tourism between 2017 until 2018



Source: International Passenger Survey (IPS) 2018

To ascertain if the contraction was blip or a longer-term trend, data was analysed from the previous 2 years. Figure 2.13 shows that from 2015-2017 there was a 14% reduction in tourism spend in Argyll and Bute compared to 6% growth in Scotland as a whole. Hence it would appear that the reduction in spend in the tourism sector in Argyll and Bute has occurred since 2015. This large fall in tourism spend is extremely concerning.

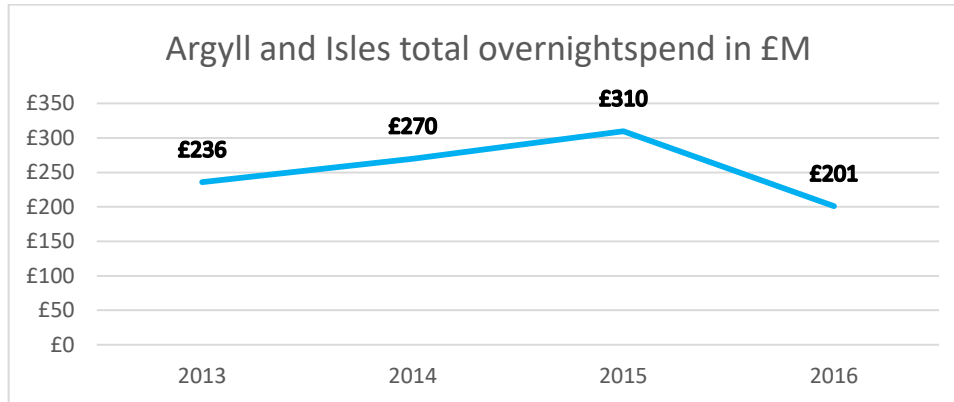
Figure 2.13: Percentage change in (£M) on tourism 2015-2017



Source: The Great Britain Day Visits Survey (GBDVS)

However if we look at longer term data in relation to the amount of overnight spend we can see that there was a sharp rise in expenditure from £236 million in 2013 to the 2015 peak of £310 million. This was immediately preceded by a sharp decline the following year to £201 million. The change in spend is not as concerning when we look at the longer-term trend, which figure 2.14 illustrates. The direction is still a reduction in spend but the change in spend is less marked, changing from £236 million in 2013 to £201 million in 2016.

Figure 2.14: Argyll and Isles total overnight spend in £M on tourism 2013-2016



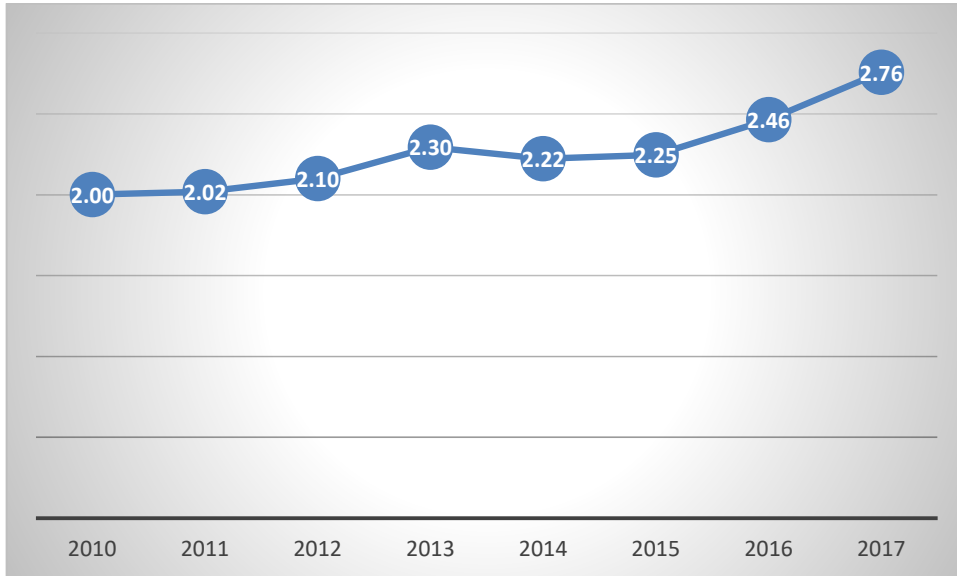
Source: GB Tourism Survey (GBTS) and International Passenger Survey (IPS)

Notwithstanding this point, the amount spent in overnight accommodation has seen a marked decline in Argyll and the Isles over the last 8 years.

The decline in spend reported by Visit Scotland may not necessarily equate to a real decline in spend but more likely a displacement of spend. This assumption is validated by the Council report (“Argyll and Bute in Numbers”) which found that there has been 26% growth in “no services accommodation”, which would include Airbnb, and other direct booking self-catering accommodation and this spend is unlikely to be captured by Visit Scotland.

This displacement of overnight spend assumption is validated when visitor numbers are analysed and from these emerges a more positive tourism picture with a 33% increase in the number of visitors to Argyll and Bute between 2010 and 2017, as can be seen in Figure 2.15.

Figure 2.15: Visitor numbers in millions visiting Argyll and Bute 2010-2017

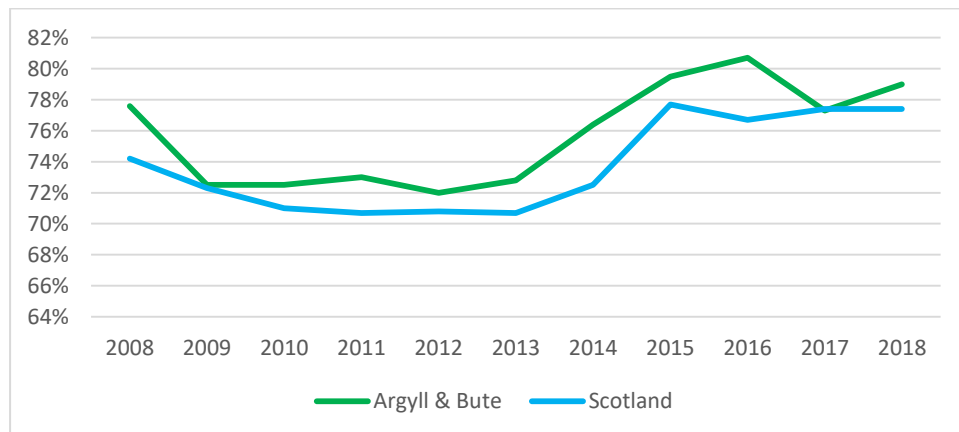


Source: National Records of Scotland

2.5 Economic Activity

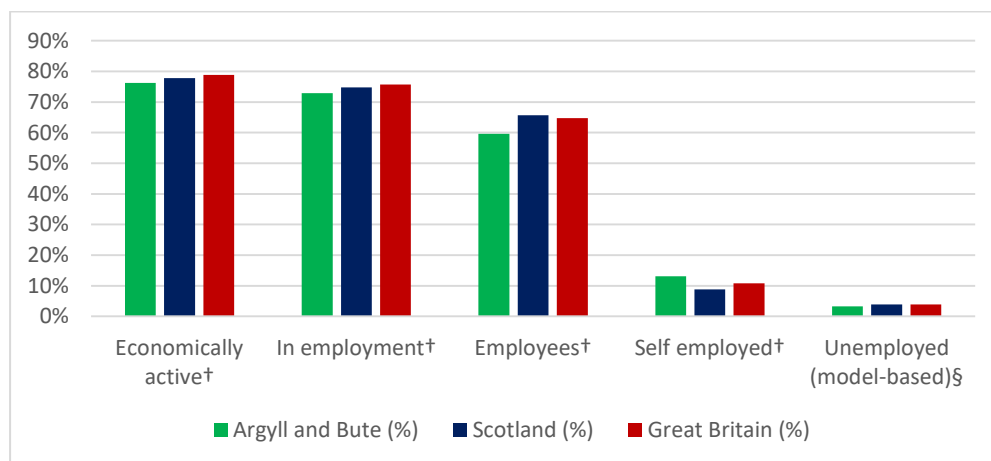
The economic activity trend is illustrated in figure 2.16, this shows that Argyll and Bute has a greater percentages of the population economically active than Scotland as a whole from 2008-2018. This picture is even more positive when the most recent data in the figure 2.16 is analysed, as this shows a sharper increase in the number of economically active citizens in Argyll and Bute than in Scotland as a whole. Unfortunately the latest data covering the period 2018-2019 suggests that a lower percentage of Argyll and Bute's population is economically active compared to Scotland and the Great Britain as a whole as can be seen in Figure 2.17.

Figure 2.16: Economically active people in Argyll & Bute and Scotland 2008-2018



Source: ONS Annual Population Survey, 2014 and 2019

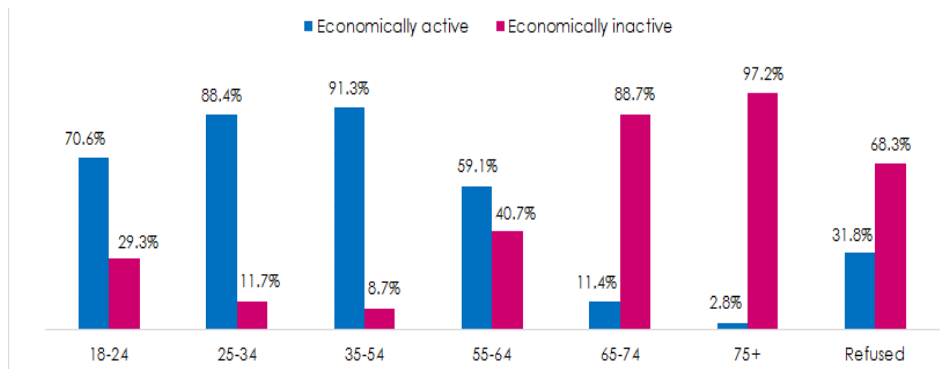
Figure 2.17: Percentage of economically active in Argyll and Bute, Scotland and Great Britain October 2018- September 2019



2.5.1 Economic Activity by Age

To cultivate a more granular picture of economic activity in Argyll and Bute, the HNDA survey incorporated a question to determine how economic activity compared across age groups. The survey findings are depicted in figure 2.18 which shows that 88.4% of 25-34 year olds and 91.3% of 35-54 year olds were economically active. However, almost a 1/3 of young people were economically inactive this could be due to many young people taking up further and higher education opportunities. Only 59% of older working aged people were economically active although in many cases the level of inactivity in this group could be a lifestyle choice as individuals in this age group may have chosen to take early retirement.

Figure 2.18: Economic activity by age of head of household 2019

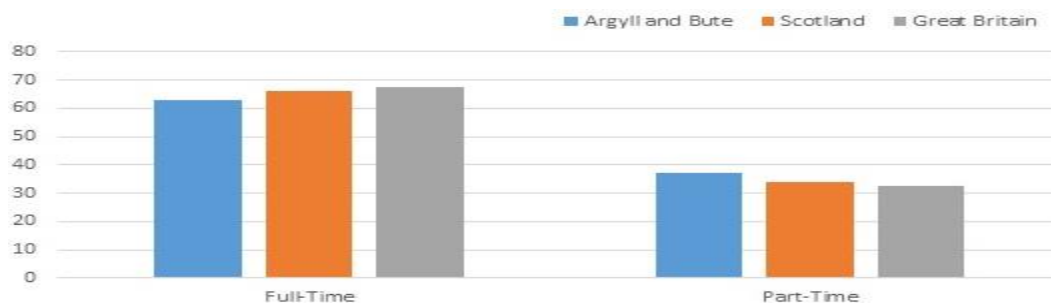


Source HNDA survey 2019

2.5.2 Full time versus part time employment

Figure 2.19 demonstrates that in 2017 Argyll and Bute has less full time employees than both Scotland and Great Britain as a whole, which is consistent with the areas reputation as having a large proportion of part-time and seasonal employment.

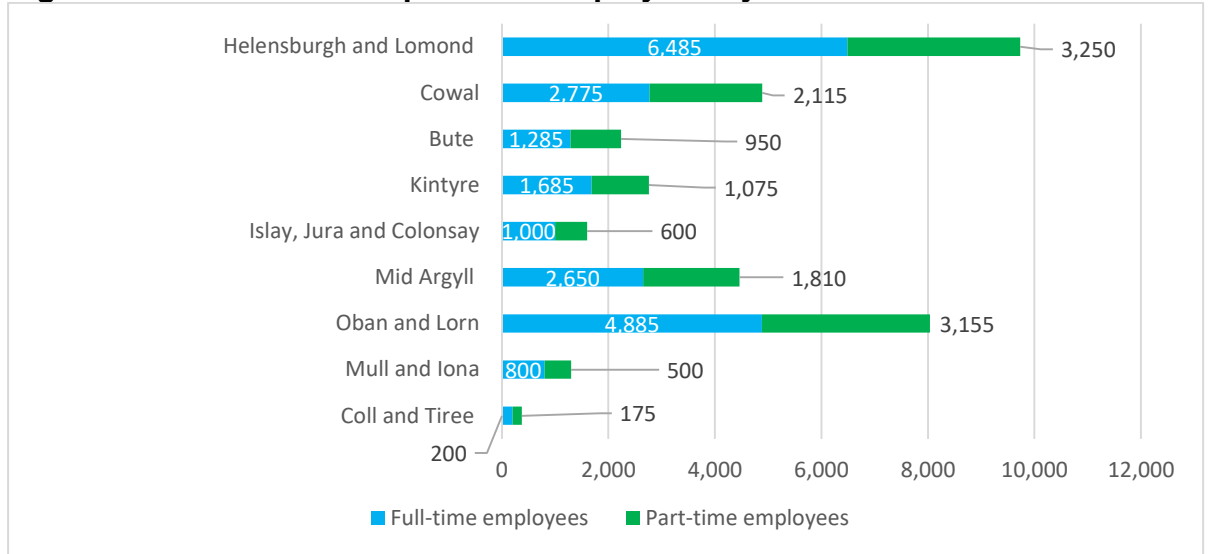
Figure 2.19: Employee jobs in Argyll and Bute, Scotland and Great Britain 2017



Source: ONS Business Register and Employment Survey (2017)

Across the HMAs there are significant variations the proportion of full time versus part time employment as can be seen from figure 2.20 This can be demonstrated by Cowal which has almost an even split between full and part time employment compared to Helensburgh where two thirds of employees are in full time employment. Most of the HMAs have a high portion of their employees working in a part time capacity, this type of working pattern is likely to increase the need for low priced housing due to employees not being able to afford market priced properties, this issue will be explored further in the affordability paper.

Figure 2.20: Full time and part time employees by HMA



Source⁵ NOMIS

2.5.3 Current occupational structure

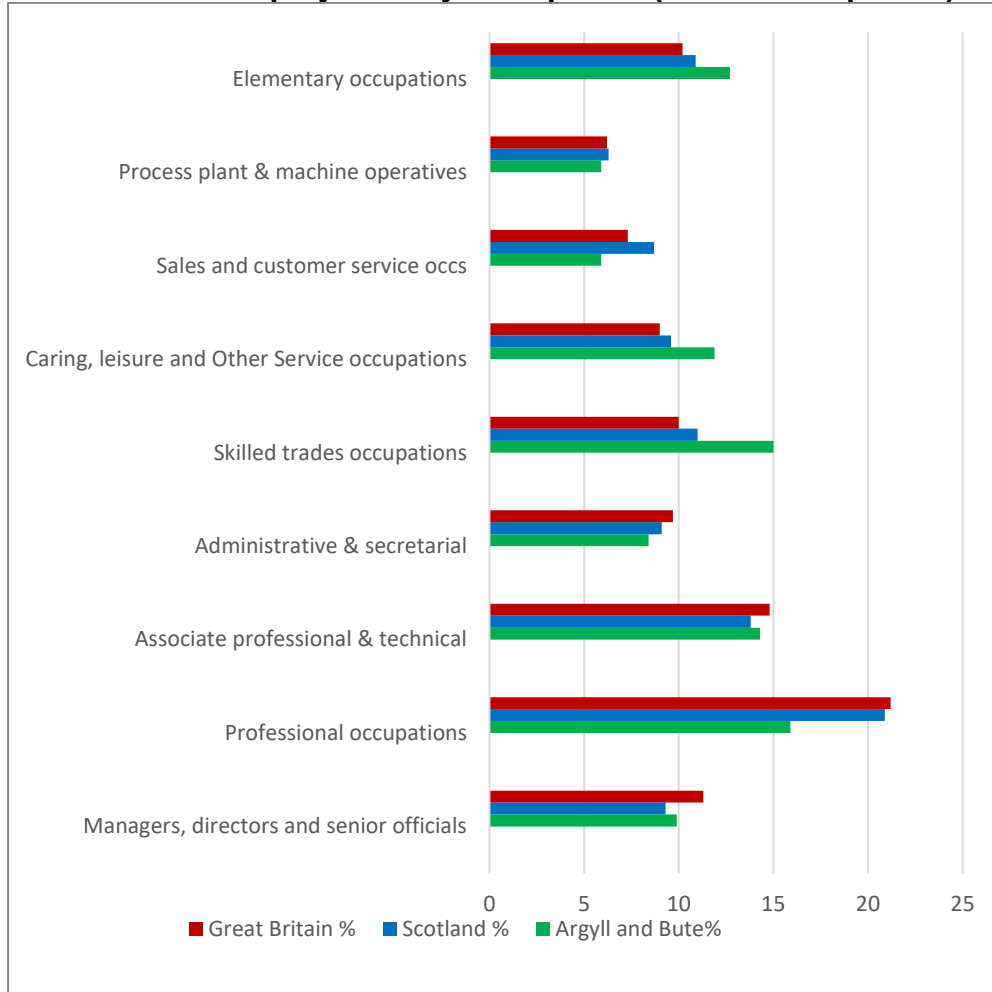
The latest employment data for Argyll and Bute is sourced from the ONS annual population survey. Figure 2.21 highlights that Argyll and Bute has significantly more people employed in skilled trade occupations (15%) than Scotland (11%) or the GB (10%) as a whole. Other occupations that are more prevalent in Argyll and Bute are elementary occupations⁶ and caring, leisure and other service occupations. Argyll and Bute has considerably fewer people employed in professional occupations with only 15% compared to 21% respectively in Scotland and GB. This data suggests that employees in Argyll and Bute are more likely to be employed in low paid employment that employees across Scotland.

Trend data depicted in figure 2.22 highlights the percentage of employees in Argyll and Bute in the professional sector has remained consistent since 2014 to 2019, whereas this has increased by 2.5% in Scotland and 3% in Great Britain as a whole which means that the skill gap is widening.

⁵ <https://www.nomisweb.co.uk/articles/1103.aspx>.

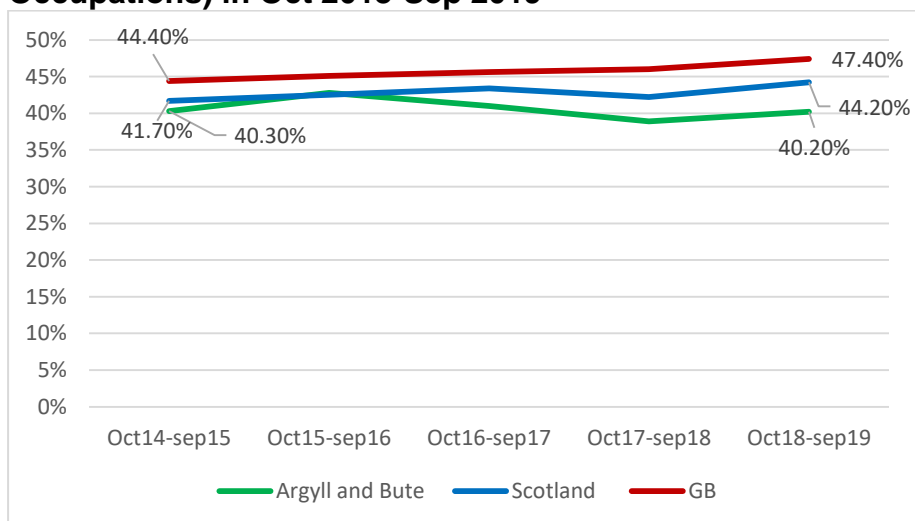
⁶ Elementary occupations are occupations where people usually perform simple and routine tasks, which may require the use of hand-held tools and considerable physical effort, for example labourers and cleaners.

FIGURE 2.21: Employment by Occupation (Oct 2018-Sep 2019)



Source: ONS annual population survey

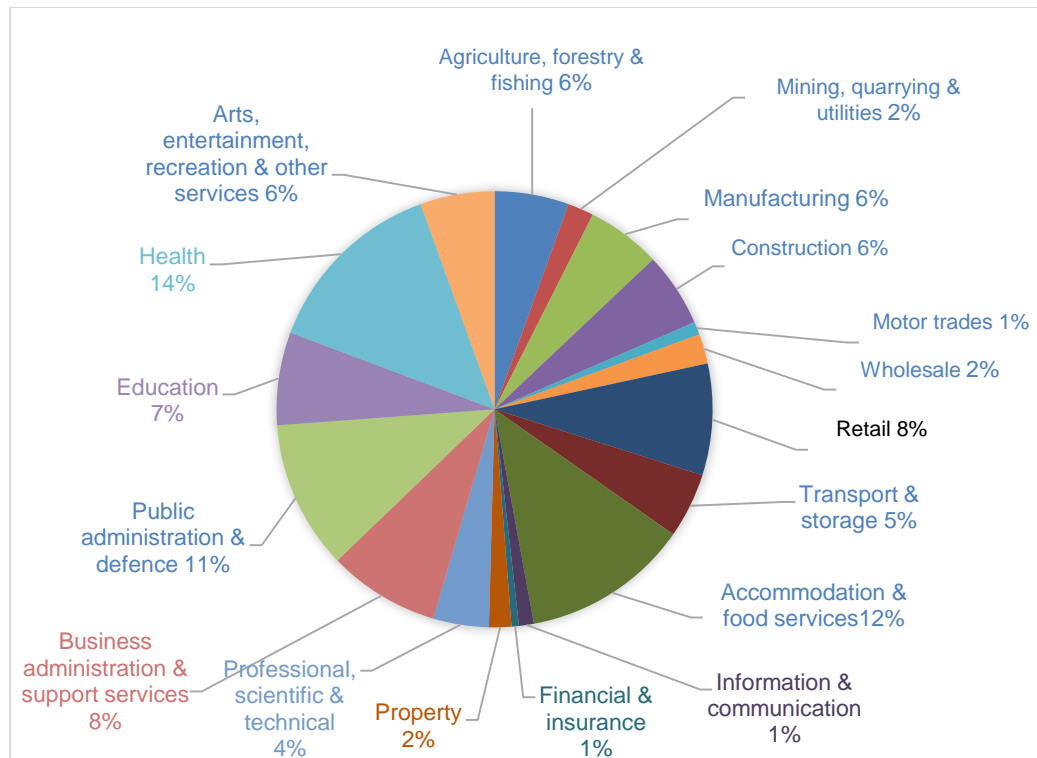
FIGURE 2.22: Percentage of employment in category 1-3 (Professional Occupations) in Oct 2018-Sep 2019



Source: ONS annual population survey

Figure 2.23 utilises data sourced from the ONS Business Register and Employment Survey (BRES), and relates to employee jobs as of 2018. The figures illustrate that just under a third of local employment (32.8%) is in the public services sector (Human health and Social Work 14%; Education 7% and Public Administration and Defence 11%). While tourist-related employment, in Accommodation and Food Services, makes up 12% of the authority's employment. The local construction sector has grown over recent years and now accounts for 6% of employment.

Figure 2.23: Employed by Sector 2018



Source⁷: NOMIS – Data set open access

Table 2.9 looks at employment in particular sectors over time and demonstrates that employment sectors in Argyll and Bute have remained fairly stable. The agriculture forestry and fishing sector has increased by around a 1/3, due to the growing aquaculture industry.

Manufacturing, construction, and professional, scientific and technical services sectors have also seen some growth in the council area since 2015. While in Scotland the number of jobs in the aforementioned sectors, have remains stable.

Conversely, the public sector has seen a 3% reduction in its share of Argyll and Bute's employment whereas it has only declined by 1% in Scotland as a whole. The public sector accounts for 1/3 of employment in Argyll and Bute

⁷<https://www.nomisweb.co.uk/query/construct/summary.asp?reset=yes&mode=construct&dataset=189&version=0&anal=1&initsel=>

and hence a 3% reduction in employment will create increased challenges for the area to achieve its overarching aim of growing the economy.

The Argyll Rural Growth Deal forecasts that tourism would be the key area of growth for the authority but unfortunately, the table shows that employment in the accommodation and food services has reduced by around 1%. While in Scotland as a whole, the percentage of jobs has remained stable although around 3000 jobs have been lost in the sector since 2015, which is consistent with Visit Scotland data. However, as stated in the tourism section of this paper this does not mean that tourism is not a key growth sector for the area as arts and recreational services has grown which is another element, which contributes to the wider tourism industry.

Table 2.9: Argyll and Bute change in employment by sector 2015-2018 and between Argyll and Bute and Scotland in 2018

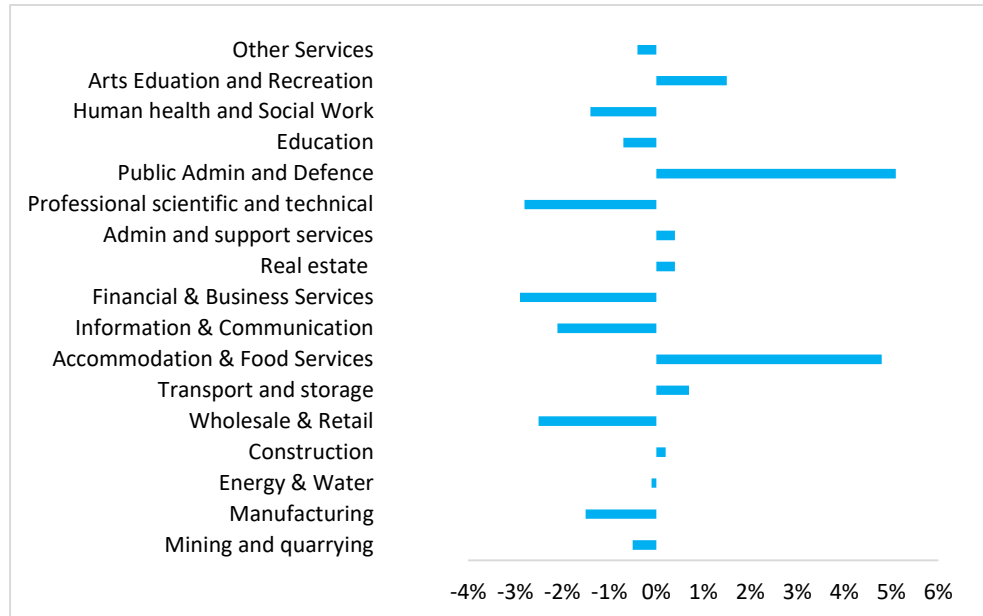
Employment sector	Argyll and Bute				Scotland			
	2015		2018		2018		2015	
	number	%	number	%	number	%	Number	%
Agriculture, forestry & fishing	1,500	4%	2,000	6%	41,115	2%	35,000	1%
Mining, quarrying & utilities	600	2%	700	2%	67,125	3%	69,000	3%
Manufacturing	1,750	5%	2,000	6%	180,100	7%	179,000	7%
Construction	2,000	5%	2,000	6%	135,100	5%	131,000	5%
Motor trades	450	1%	350	1%	43,575	2%	44,000	2%
Wholesale	900	2%	800	2%	75,900	3%	77,000	3%
Retail	3,000	8%	3,000	8%	223,850	9%	237,000	10%
Transport & storage	1,750	5%	1,750	5%	106,300	4%	102,000	4%
Accommodation & food services	5,000	13%	4,500	12%	200,200	8%	203,000	8%
Information & communication	300	1%	400	1%	79,875	3%	62,000	3%
Financial & insurance	225	1%	200	1%	86,615	3%	85,000	3%
Property	600	2%	600	2%	32,700	1%	31,000	1%
Professional, scientific & technical	1,250	3%	1,500	4%	174,300	7%	163,000	7%
Business administration & support services	3,000	8%	3,000	8%	204,100	8%	183,000	7%
Public administration & defence	4,000	11%	4,000	11%	156,050	6%	147,000	6%
Education	3,000	8%	2,500	7%	192,650	8%	193,000	8%
Health	6,000	16%	5,000	14%	392,000	16%	413,000	17%
Arts, entertainment, recreation & other services	2,000	5%	2,000	6%	121,100	5%	108,000	4%

Source:⁸ Nomis Data Set Business Register and Employment Survey : open access

⁸ <https://www.nomisweb.co.uk/query/construct/submit.asp?forward=yes&menuopt=201&subcomp=> (Figures in () are from <https://www.argyll-bute.gov.uk/info/economy> original Source: Business Register and Employment Survey 2018)

To sum up as outlined above there are considerable variations in employment sectors in Argyll and Bute and Scotland as a whole, this is depicted in Figure 2.24

Figure 2.24: Percentage difference in occupations between Argyll and Bute and Scotland in 2018

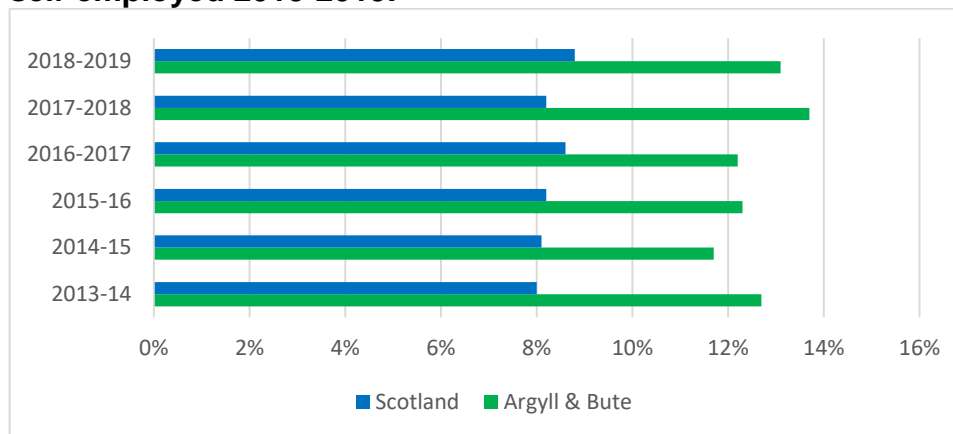


Source: ONS annual population survey

Argyll and Bute has a considerably higher rate of self-employment compared to Scotland as a whole, as figure 2.25 illustrates. The self-employment trend depicted in figure 2.25, shows that the self-employed rate has remained stable from 2013-2019.

Economists have however, singled out the self-employed as a group which is very vulnerable both during the COVID-19 pandemic and being able to negotiate the aftershocks arising from the pandemic. Their reasons for this are firstly, the self-employed do not generally have a great amount of financial reserves to wait out a protracted shutdown and secondly, the fiscal programmes often for this group are of limited help.

Figure 2.25: The percentage of the Argyll and Bute population who are self-employed 2013-2019.



ONS Annual Population Survey 2014 and 2019

2.5.4 Occupational Structure by Housing Market Area

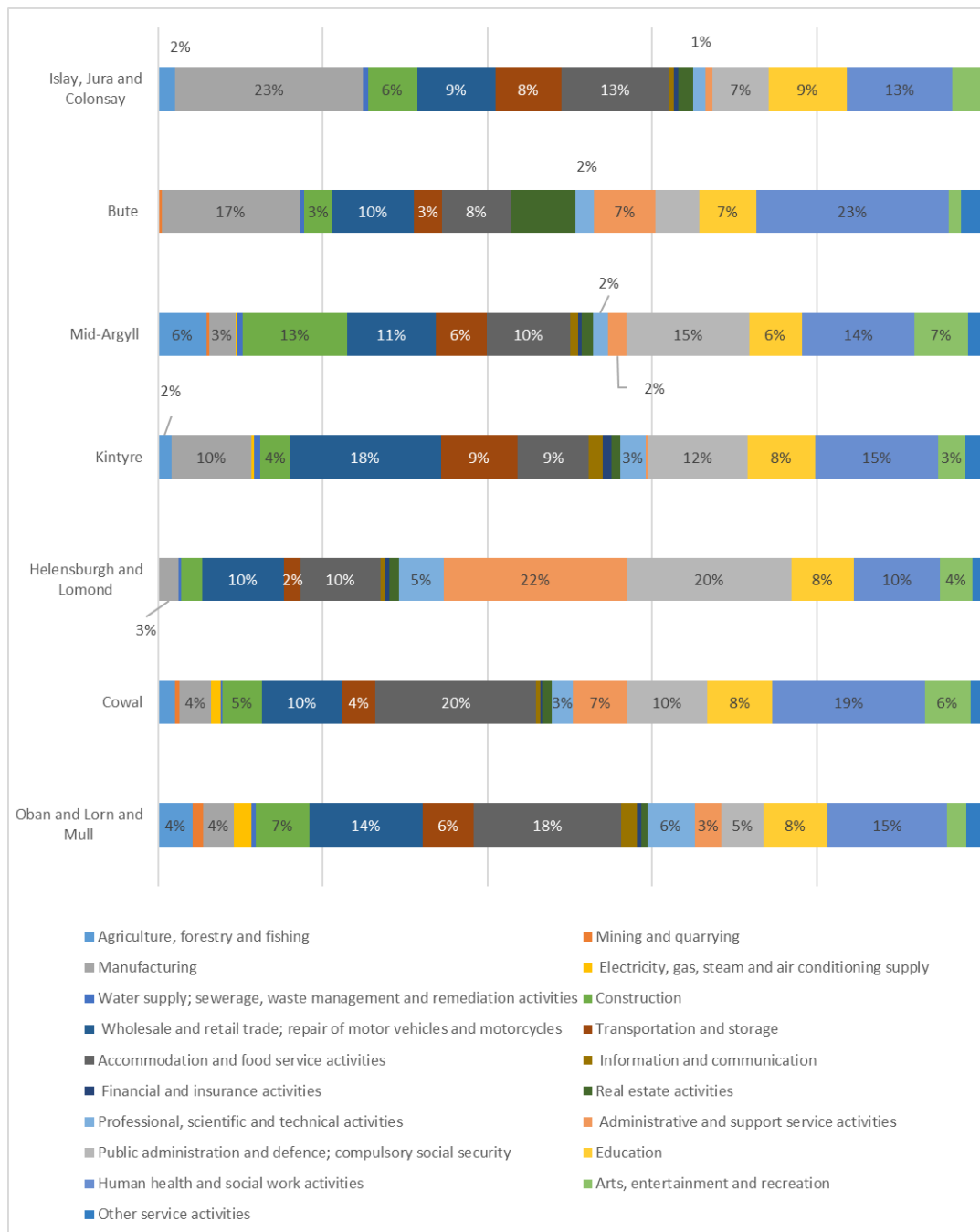
Across the HMAs, there are some notable variations in terms of occupation as can be seen in Figure 2.26. Helensburgh and Lomond for example has almost a quarter of its residents employed in administrative and support services (22%) compared to only 1% of the Islay, Jura and Colonsay market. Whereas Islay, Jura and Colonsay have 23% of employment in manufacturing products, for example whisky and other food and drink produce whereas Helensburgh and Lomond and Cowal only have 3% or 4% respectively working in this sector.

Helensburgh and Lomond does not have any employment in the agriculture forestry and fishing sector whereas Mid Argyll has 6% of employment in this sector.

The accommodation and food services sector is a key employment sector in Cowal; Oban; Mull and Iona; and Coll and Tiree equating to around a fifth of employment in these area whereas in Helensburgh and Lomond tourism only accounts for a tenth of employment and less than 10% in Kintyre and Bute.

The impacts of COVID-19 will not be experienced equally in each of the HMA'S, as the prevalence of different sectors within the HMA will result in different impacts. For example, the Whisky islands could actually see growth as a result of COVID-19 as these areas have a high level of reliance on manufacturing of products for the food and drinks sector. These businesses have experience of being remote and having a good on-line presence to allow them to market and sell products. This could result in food and drinks businesses experienced at trading on-line being able to increase their market share as businesses located close to market may have no or little experience of on-line trading and could lose their market share to those experienced online sellers. There are also examples of businesses who pre pandemic produced luxury alcohol products, which experienced less demand for their product during the pandemic but were able to rapidly adapt and capitalise on business opportunities such as producing hand-sanitiser.

Figure 2.26: Employment sectors in HMAs 2018

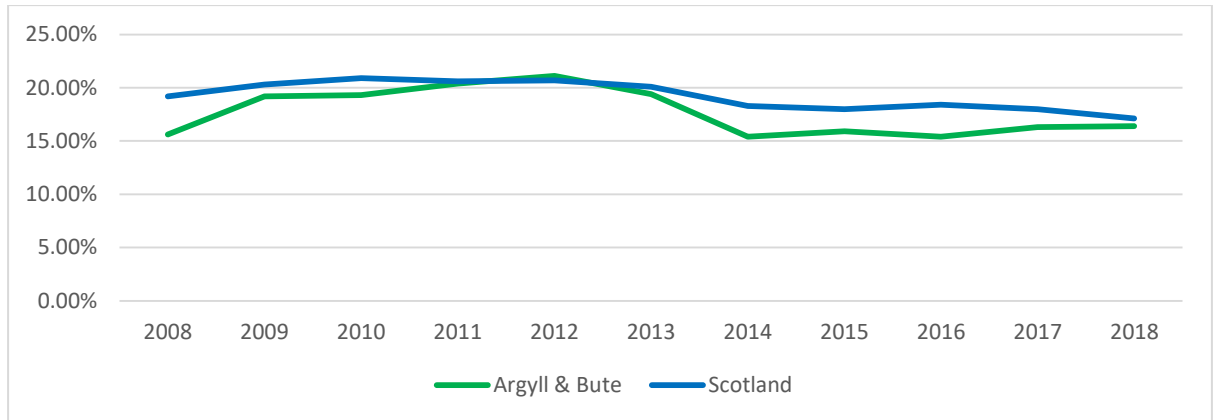


2.6 Economic Inactivity

It is apparent from figure 2.27 that Argyll and Bute has had greater fluctuation in the number of workless households in comparison to a fairly stable rate nationally. In 2008, Argyll and Bute had considerably less workless households than Scotland as a whole however, by 2012, the authority rose slightly above the national rate but by 2014, it had dropped back to 2008 levels. Since 2014, the number of workless households, in the authority, have

gradually been increasing whereas Scotland has seen a gradual decrease during the same time period.

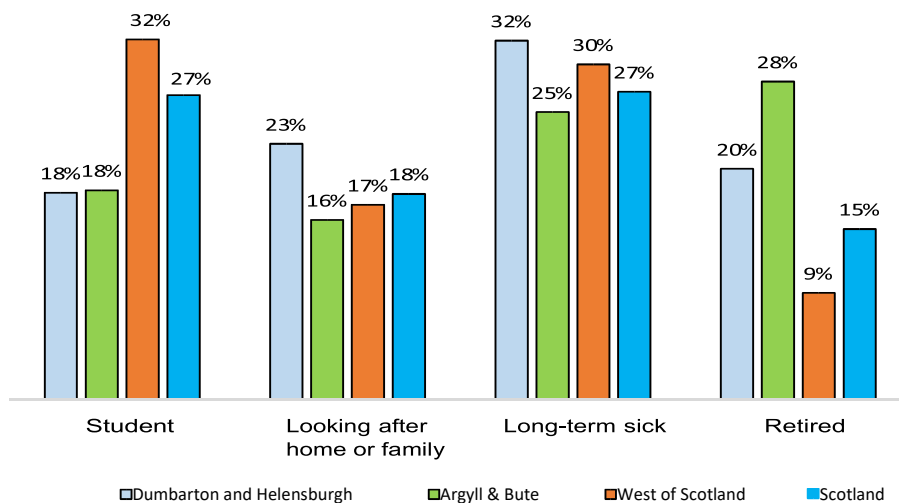
Figure 2.27: Workless households in Scotland and Argyll and Bute 2008-2018



Source: ONS annual population survey - households by combined economic activity status

The reasons for economic inactivity are varied and this is demonstrated by Figure 2.28.

Figure 2.28: The percentage of economically inactive households in Helensburgh, Argyll and Bute, the West of Scotland and Scotland.



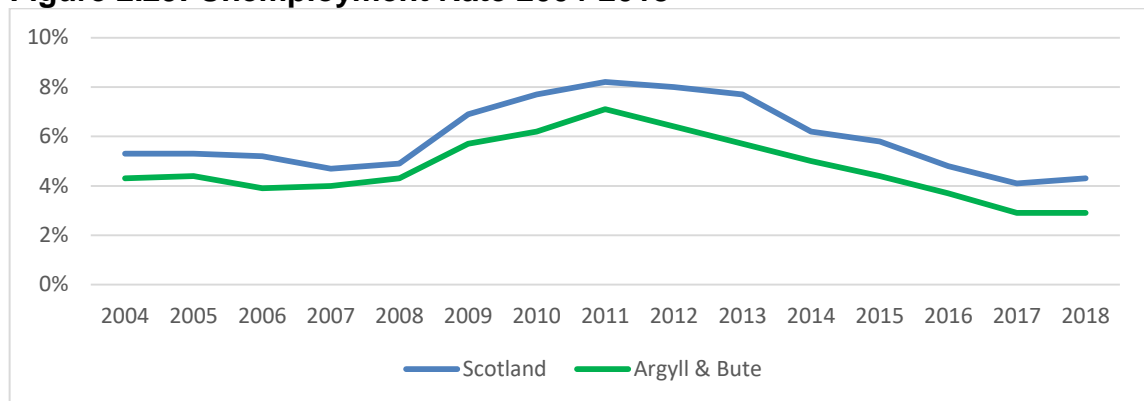
Source: Faslane RN Base Expansion Economic Impact Report August 2019

2.6.1 Unemployment rate

Argyll and Bute has remained consistently below both Scottish and UK unemployment rates, possibly indicating a degree of resilience in the local economy. Scotland's unemployment rate as reported in 2018, in the Annual Population Survey was 4.3%, which was marginally higher than the UK rate of 4.2% but considerably higher than Argyll and Bute's rate of 2.9%. Figure 2.29 depicts the unemployment trend in Argyll and Bute mirrors that of Scotland's. However, due to the economic crisis, the rate of unemployment in May 2020 is considerably higher than depicted below and come August changes to the

furlough scheme will likely see another sharp rise in unemployment rates with another rise in October when the furlough scheme ends.

Figure 2.29: Unemployment Rate 2004-2018

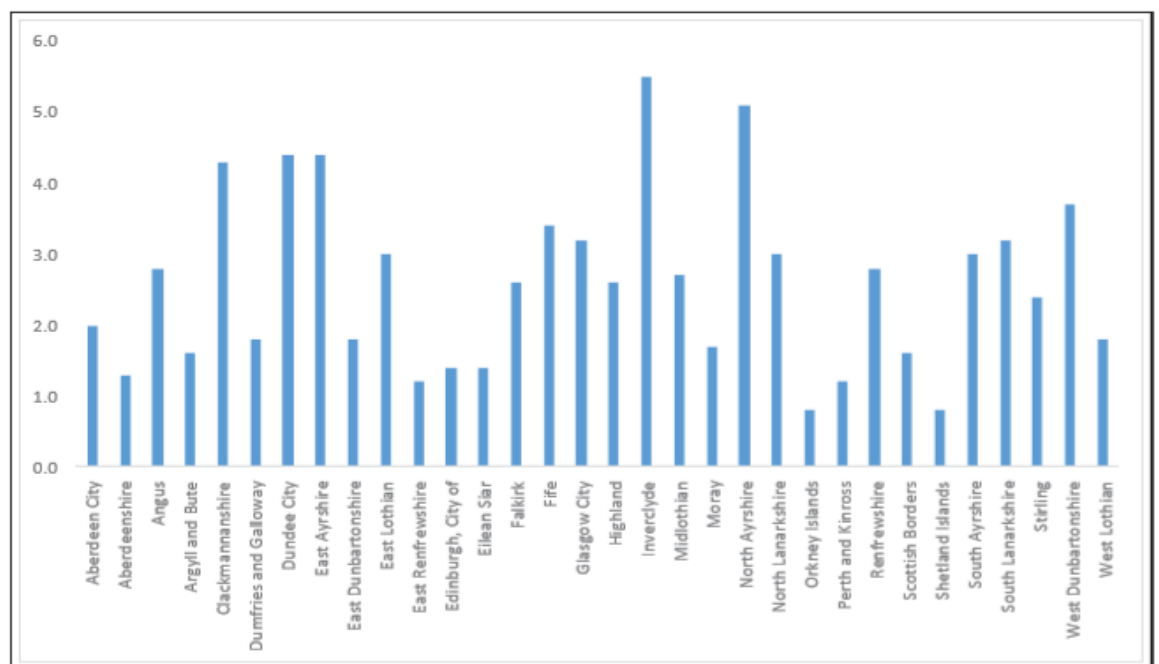


Source⁹ Regional Employment Patterns in Scotland – Annual Population Survey 2018

2.6.2 Working-age benefits claimants

Argyll and Bute has a fairly lower percentage of people claiming benefits when compared to other Local Authorities, as figure 2.30 shows.

Figure 2.30: Claimant count per Local Authority 2018



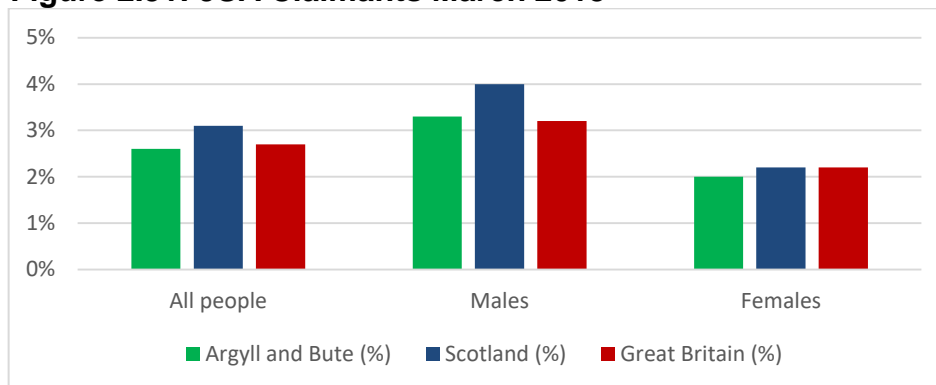
Source Nomis

Jobseeker's Allowance (JSA) is payable to people under pensionable age who are available for, and are actively seeking work. In March 2018, 2.6% of

⁹ <https://www.gov.scot/publications/regional-employment-patterns-scotland-statistics-annual-population-survey-2018/pages/7/>

the resident population aged 16-64 claimed JSA compared to the Scottish rate of 3.1%. (See figure 2.31).

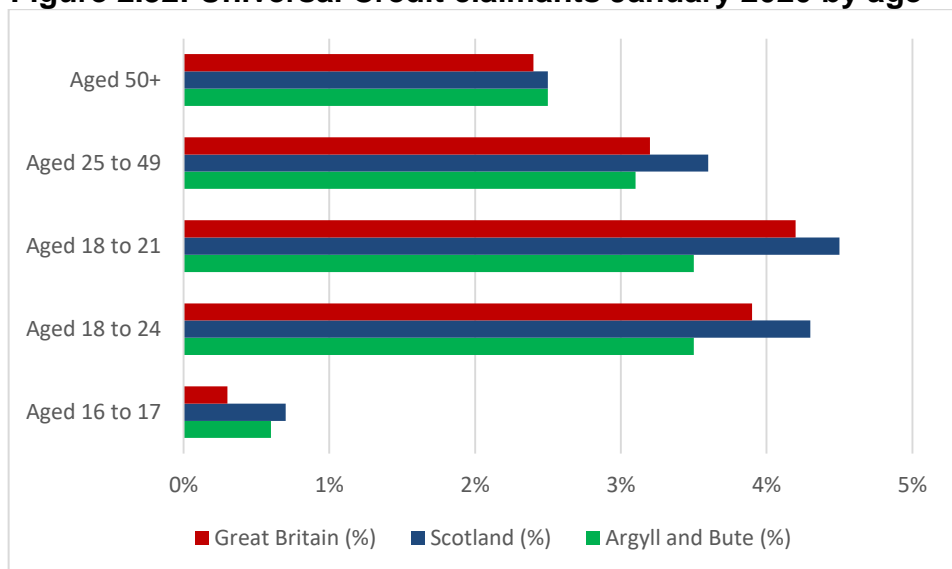
Figure 2.31: JSA Claimants March 2018



Source: ONS claimant count with rates and proportions (NOMIS, May 2019)

Universal Credit has replaced JSA and Argyll and Bute has considerably fewer claimants aged 18-49 years old than both Scotland as a whole and the UK. The number of claimants who are at the extreme end of the working age spectrum are more in line with the Scottish level and the level is greater than the UK wide rate. Although this data, in figure 2.32, is fairly recent showing the number of claimants in January this year the unprecedented economic crisis caused by COVID-19 has seen over a million people in the UK, in both March and April of this year having made applications for Universal Credit.

Figure 2.32: Universal Credit claimants January 2020 by age



Source: ONS Claimant count by sex and age

2.7 Income

Argyll and Bute remains a low wage economy as the gross weekly pay in Argyll and Bute is 10% lower than Scotland as a whole according to table 2.10. Detailed analysis of income within the authority will take place in the affordability paper.

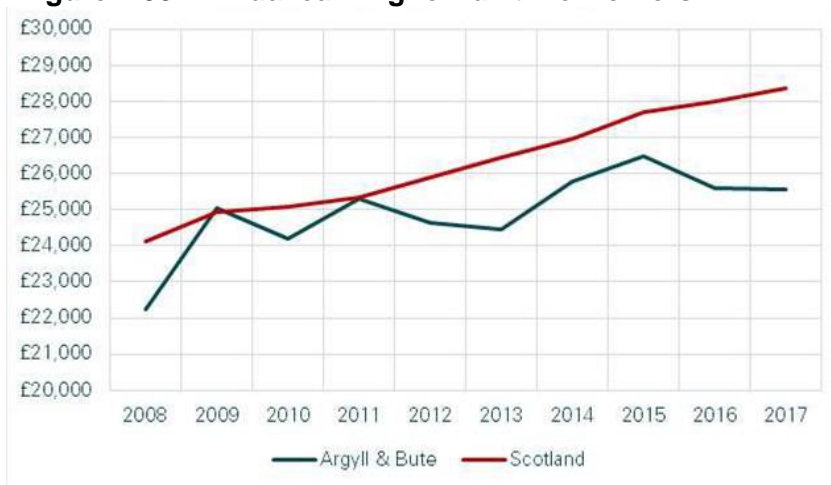
TABLE 2.10: Argyll & Bute in relation to Scotland

	Argyll and Bute	Scotland	Comparison with Scotland
Gross weekly pay 2019	£536.20	£576.70	-7%

Source: Office for National Statistics Annual Survey of Hours and Earnings 2019, workplace analysis¹⁰.

Figure 2.33 further demonstrates further that Argyll and Bute is a low wage economy as wages in the area are less than in Scotland as a whole. In addition, wages in Scotland have been on a constant upward trajectory since 2008 whereas, they have fluctuated in Argyll and Bute with peaks and troughs. The latest data depicts a declined in wages from 2015 when wages were around £26,000 to less than £25,000 in 2017.

Figure 2.33: Annual earning for full time workers.

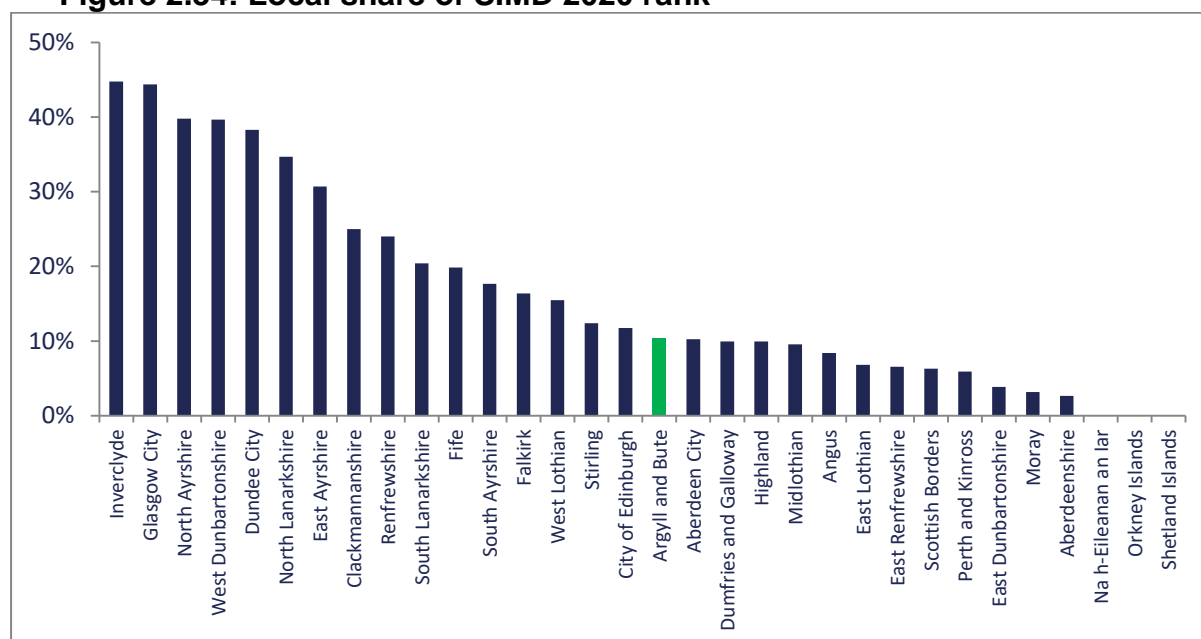


2.8.1 Deprivation

Figure 2.34 shows that Argyll and Bute is an authority which ranks fairly well being 17th out of 32 in the 2020 Scottish Indices of Multiple Deprivation (SIMD), thus suggesting that the Council area does not widely suffer from deprivation. However, there are pockets of severe deprivation in the Council area, as the Council has 13 data zones which are the 20% most deprived. SIMD data show Lomond has 7 data zones which are categorised as in the 20% most deprived and is ranked 43rd most deprived ward in Scotland and consequently is Argyll and Bute's most deprived area. This is followed by Helensburgh Central which has 2 data zones in the 20% most deprived which equates to a ranking of 144th most deprived ward. Oban South and the Isles has one data zone in the 20% most deprived and is ranked at 195th. All other wards, in Argyll and Bute do not have any data zone in the 20% most deprived category and are ranked above 300 and hence deprivation is less marked in these data zones.

¹⁰ Figures relate to the median earnings for employees living in the area

Figure 2.34: Local share of SIMD 2020 rank



Source: SIMD 2020

2.9 Argyll and Bute’s Economic Strategy 2019-2023

The Councils’ Economic Strategy covers the period from 2019-2023; is ambitious and aspires to grow the economy. The strategy outlines economic successes, challenges and opportunities.

Successes:

- New employment opportunities have been created in the private and third sectors.
- An ambitious capital regeneration programme has been implemented including building new schools, bringing buildings back into productive use and upgrading the public realm.
- Economic infrastructure has been improved.
- The area continues to have a high level of self-employment and businesses are resilient with a high percentage surviving.
- The authority has a thriving tourism sector; and Argyll and Bute is viewed as a world-class destination.
- Strong key sectors, which can deliver sustainable economic growth such as tourism, food and drinks industry, engineering, renewables and marine industries.

Challenges:

The areas must address

- The unresolved infrastructure challenges.
- Demographic issues.
- The need for investment in businesses.
- Low productivity.
- Underemployment.

- The low wage economy where wages are less than the national average, particularly for females.

Opportunities:

There are opportunities for growth, which could be achieved by taking advantage of:

- increased mobility in the workforce, which could enable migration into the area and allow those already living here to move more easily between employment opportunities to ensure they remain in the area.
- increased living wage, which boosts spending power in the local economy.
- the rapidly changing digital technology that not only enables businesses to be more productive but also reduces the disadvantages of being distant from markets.
- new public sector interventions for example the rural growth deal will enable the authority to invest in the local economy to facilitate growth
- with “net zero” aspirations there is an increased appetite for renewable energy and the area is well placed to increase generation.

The economic development strategy 2019-2023 states, “A key barrier to growing our population and delivering sustainable, economic growth is the provision of affordable housing in the places people want to live and work.” The strategy also highlights the need to provide “additional housing choice, particularly for key workers working in our main business sectors”.

3.0 Conclusion:

Argyll and Bute’s Economic Development Action Plan’s has “created new employment opportunities...and delivered sustainable economic growth”. As previously demonstrated the authority boasts a considerable number of business enterprises per head of population. Argyll and Bute also punches above its weight in the number of resilient enterprises with a large proportion succeeding over time thus highlighting the wide range of economic opportunities available in the local area. However the demographic challenges of a declining population makes the local economy more fragile, hence it is important to stem the movement of working aged people from the area. There are also opportunities to attract new workers to Argyll and Bute due to the success of particular sectors such as the food and drinks sector. Also the expansion of the HM Clyde Naval base will see a considerable increase in the number of employees locating from south of the border to the council area. Due to a lack of accommodation on the base these additional personnel will have to be housed in the community, thus increasing the pressure on housing. Coupled with this the area has seen strong performance from the tourism sector which provides a substantial proportion of Argyll and Bute’s GVA. This growth in tourism provides employment opportunities however, certain types of tourism such as Airbnb reduces the amount of homes available for employees to buy or rent.

This paper has highlighted that one of the key reasons that people leave the area is the lack of opportunity to purchase a home. The reason for this is often due to some areas having high property prices coupled with many members of the workforce earning low rates of pay creating high pressure ratios in some areas. Hence it becomes increasingly difficult to retain local people and to recruit new incoming workers. The Economic Development Action plan concludes that “sustained economic growth has been delivered” in Argyll and Bute. However, continuing this growth requires the area to be able to recruit and retain a workforce but according to businesses one of the key barriers to them recruiting or retaining staff is the lack of suitable/affordable housing.

4.0. Economy post 2020

The economic analysis outlined above has completely metamorphosed by the UK’s decision to leave the EU, an institution which it has been a member of for decades coupled with the unrepresented economic implications caused by the Covid-19 pandemic. Both of these enormous events have and will continue to reshape the economic landscape. As a result of these unprecedented events an additional paper has been written to accompany this one to outline the current impacts and possible future impacts of Brexit and Covid-19 on the local economy.

SOURCES:

The paper also builds on previous analysis produced by the Council’s Economic Development Officers, namely

- Bute and Cowal Sub Area Report 2019
- Helensburgh and Lomond Sub Area Report 2019
- Mid Argyll Kintyre and the Islands Sub Area Report 2019
- Oban, Lorn and Isles sub Area Report 2019
- Argyll and Bute in Numbers October 2018
- Business Gateway 2019 Statistics

Data was also sourced from colleagues at Highlands & Islands Enterprise namely:

- Stimulating Housing Development in the Highlands and Islands 2017.
- Argyll and the Islands Key Statistics Nov 2019
- Business Panel Survey Wave (Survey October 2019)
- Unemployment Digest February 2020
- Business Panel Survey Infographic Sep 2019

The data generated from a variety of reports about Argyll and Bute developed by Skills Development Scotland were also utilised namely

- Argyll Rural Growth Deal RSA Infographic 2019

- Regional Skills Assessment Argyll Rural Growth Deal Summary Report 2019
- Regional Skills Assessment Highland and Island 2019
- Local Authority Booklet Argyll and Bute 2017
- Argyll and Bute Skills assessment 2016

The HNDA also incorporated data from Visit Scotland and the Tourism Alliance reports namely

- Visit Scotland -Scotland's Visitor surveys
- Visit Scotland – Key facts on Tourism 2018
- Visit Scotland –Insight Department Argyll and Isles Factsheet 2018
- Tourism Alliance -Tourism in Scotland the economic contribution of the sector 2018

SQA and other attainment results data was also analysed this included

- Scottish Funding Council – Infact Database 2018-19
- Department of Education -Employer Skills Survey 2017 (Highlands and Islands)
- HESA – Higher Education Statistics
- SQA results for Argyll and Bute 2019
- Education Scotland statistics -Attainment and Leaver Destinations

Additional data and analysis has been drawn from the bespoke thematic research reports namely.

- North Star -Helensburgh and Lomond Housing Market Study 2018
- EKOS- Faslane Economic Impact 2019
- “IBP Strategy and Research”- Tourism and Food and Drink Industries Workforce Survey Jan 2019