

Falling off a cliff?

Economic and social decline by the coast

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SMF

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Scott Corfe joined the SMF as Chief Economist in June 2017. Before joining, he was Head of Macroeconomics and a Director at the economics consultancy Cebr, where he led much of the consultancy's thought leadership and public policy research. His expert insights are frequently sought after in publications including the Financial Times, the Sunday Times, the Guardian and the Daily Telegraph. Scott has appeared on BBC News, Sky News, Radio 4 and a range of other broadcast media.

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EXECUTIVE SUMMARY

The Social Market Foundation's 2017 report *Living on the Edge* highlighted the significant economic and social challenges facing Britain's coastal communities. Low pay, lacklustre economic growth, bad health and poor educational outcomes were found to be issues dogging many seaside communities.

Building on *Living on the Edge*, this SMF briefing note provides an update on the state of Britain's coastal communities. Worryingly, it shows that the economic gap between coastal communities and the rest of the country has widened even more since our 2017 report. Further, new analysis in this briefing note shows a growing life expectancy gap between coastal communities and the rest of the country as health inequalities take their toll.

Data analysed in this report relate to local authorities in Great Britain. "Coastal communities" refers to local authorities which border the coast.

The key findings of our analysis are:

- **The "coastal community wage gap" widened substantially in 2018.** Average employee annual pay in coastal communities was about £4,700 lower than in the rest of Great Britain in 2018. This compares with a wage gap of £3,200 in 2017.
- **Coastal communities have seen much weaker economic growth since the financial crisis than other parts of the country.** While the size of Britain's coastal economy grew by 7.5% between 2010 and 2017, the rest of the country's economy grew more than twice as fast, by 17.1%. The economic growth gap between coastal communities and other parts of the country is greater than was the case before the financial crisis.
- **Access to key services, including jobs, is more limited in coastal communities than other parts of the country.** Access to large centres of employment is more limited, and it takes longer to travel to key public services such as hospitals.
- **There is now a widening life expectancy gap between coastal communities and the rest of Britain.** While in the early 2000s there was no life expectancy gap for men born in coastal communities, those born today can now expect to live half a year less than those in other parts of the country. Life expectancy at birth among women born in coastal towns has fallen recently.

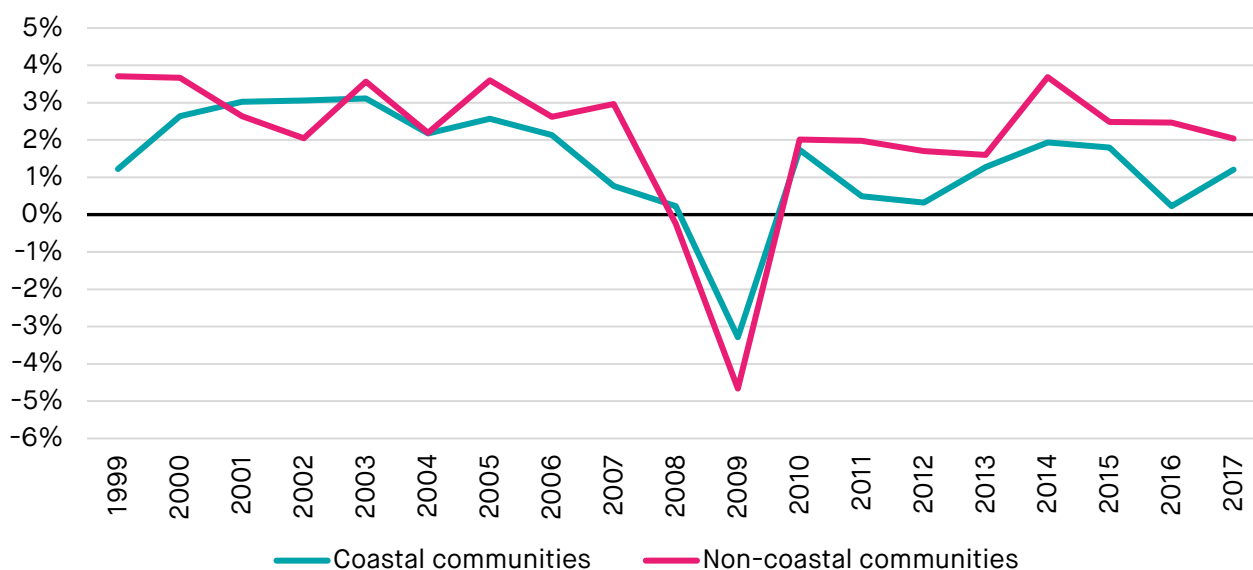
The note concludes with some thoughts on next steps for policymakers, in light of these findings.

Relative decline by the coast

Office for National Statistics data on local-level economic activity show that economic growth in coastal communities has generally trailed behind the rest of the country. This has led to a situation where coastal communities account for a dwindling share of the economy. While coastal communities accounted for 20.4% of British economic output (as measured by gross value added, GVA) in 1998, this had fallen to 18.4% by 2017.

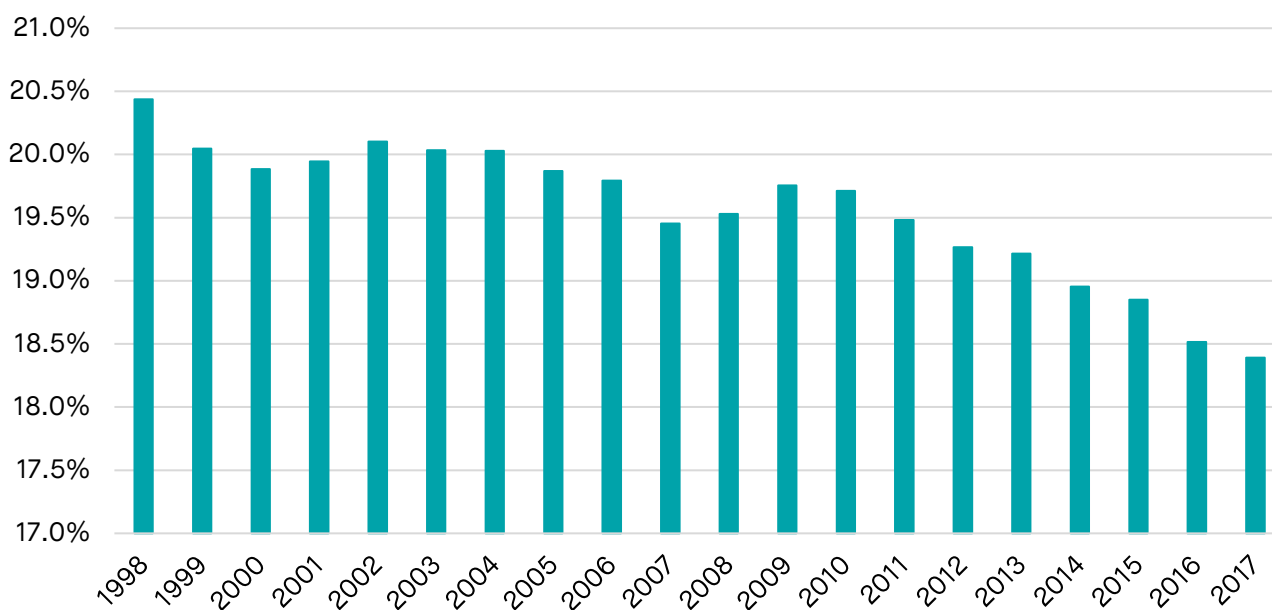
As Figure 2 below shows, the pace of relative decline of coastal communities has accelerated notably since the 2008/09 Great Recession. While the size of Britain's coastal economy grew by 7.5% between 2010 and 2017, the rest of the country's economy grew more than twice as fast, by 17.1%.

Figure 1: Growth in real GVA, coastal communities and non-coastal communities in Great Britain



Source: ONS, SMF analysis

Figure 2: Coastal communities - % of total British economic output GVA



Source: ONS, SMF analysis

Many coastal economies remain smaller than their pre-financial crisis peaks. 32 of the 103 coastal local authorities in Great Britain – a third - had smaller economies in 2017 than in 2007 (in terms of real, inflation-adjusted GVA). These are listed in Table 1. This compares with a fifth (20.6%) of non-coastal local authorities in Britain with smaller economies than in 2007. In short, coastal economies have struggled more than the rest of the country to move on from the impact of the Great Recession of 2008/09. As the Parliamentary Group for Coastal Communities recently noted, this might be a reflection of these areas being hit harder by government funding cuts since the financial crisis¹.

It has been argued that economic decline and stagnation was a contributing factor to some parts of the country voting to leave the European Union during the 2016 referendum. Given this, it is notable that 25 of the 32 coastal areas that have seen their economies shrink voted Leave in 2016. Of the eight that voted Remain, only three are in England.

Table 1: Coastal communities with smaller economies in 2017 than in 2007

	% change in GVA, 2007-2017	% vote to Leave the European Union, 2016 referendum
Inverclyde	-17.50%	36.2
Weymouth and Portland	-12.90%	61
Redcar and Cleveland	-12.80%	66.2
Great Yarmouth	-11.20%	71.5
Na h-Eileanan Siar	-10.50%	44.8
Lancaster	-9.90%	51.1
West Somerset	-8.90%	60.6
Suffolk Coastal	-8.80%	53
Gosport	-8.60%	63.9
New Forest	-8.40%	57.8
Worthing	-8.20%	53
Dover	-7.00%	62.2
Isle of Anglesey	-6.60%	50.9
Sefton	-6.60%	48.1
Moray	-5.20%	49.9
South Hams	-4.50%	47.1
Torbay	-4.30%	63.2
North East Lincolnshire	-4.20%	69.9
East Riding of Yorkshire	-4.00%	60.4
North Ayrshire	-3.30%	43.1
Angus	-3.10%	44.7
Tendring	-3.10%	69.5
Castle Point	-2.90%	72.7
Scarborough	-2.40%	62
Denbighshire	-2.20%	54
Northumberland	-1.90%	54.1
Sunderland	-1.80%	61.3
Allerdale	-1.50%	58.6
Folkestone and Hythe	-1.00%	62.2
County Durham	-0.60%	57.5
South Lakeland	-0.20%	47.1
Wyre	-0.20%	63.8

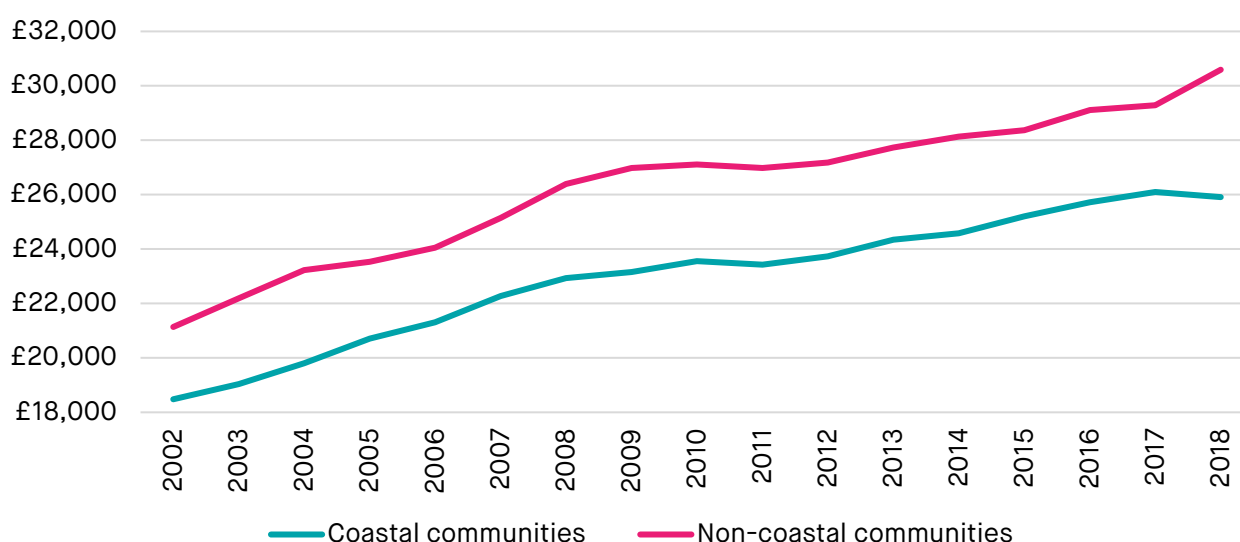
Source: ONS, Electoral Commission, SMF analysis

Low wage, low quality employment

Reflecting the subdued economic picture in coastal communities is a lacklustre job market.

Living by the coast means, for most, having to put up with lower pay. Jobs in coastal communities are on average much lower paid than in other parts of the country, and this pay gap has widened substantially according to the latest data from the Annual Survey of Hours and Earnings. Average employee wages in coastal communities were about £4,700 lower than those in the rest of Great Britain in 2018. This compares with a wage gap of £3,200 in 2017. While the rest of the country saw an acceleration in wage growth in 2018, coastal communities saw average employee wages fall slightly – even before accounting for inflation and the rising cost of living.

Figure 3: Mean employee annual pay, coastal communities and non-coastal communities in Great Britain



Source: ONS, SMF analysis. Calculations based on location of residence of employees (as opposed to location of workplace). Local authority data weighted according to the number of employees in each authority.

Half (11) of the 20 local authorities in Great Britain with the lowest average worker pay in 2018 were coastal communities – as Table 2 shows. Given that coastal local authorities only account for about a quarter (27%) of all local authorities in Britain, coastal communities are overrepresented in this “low pay league table”.

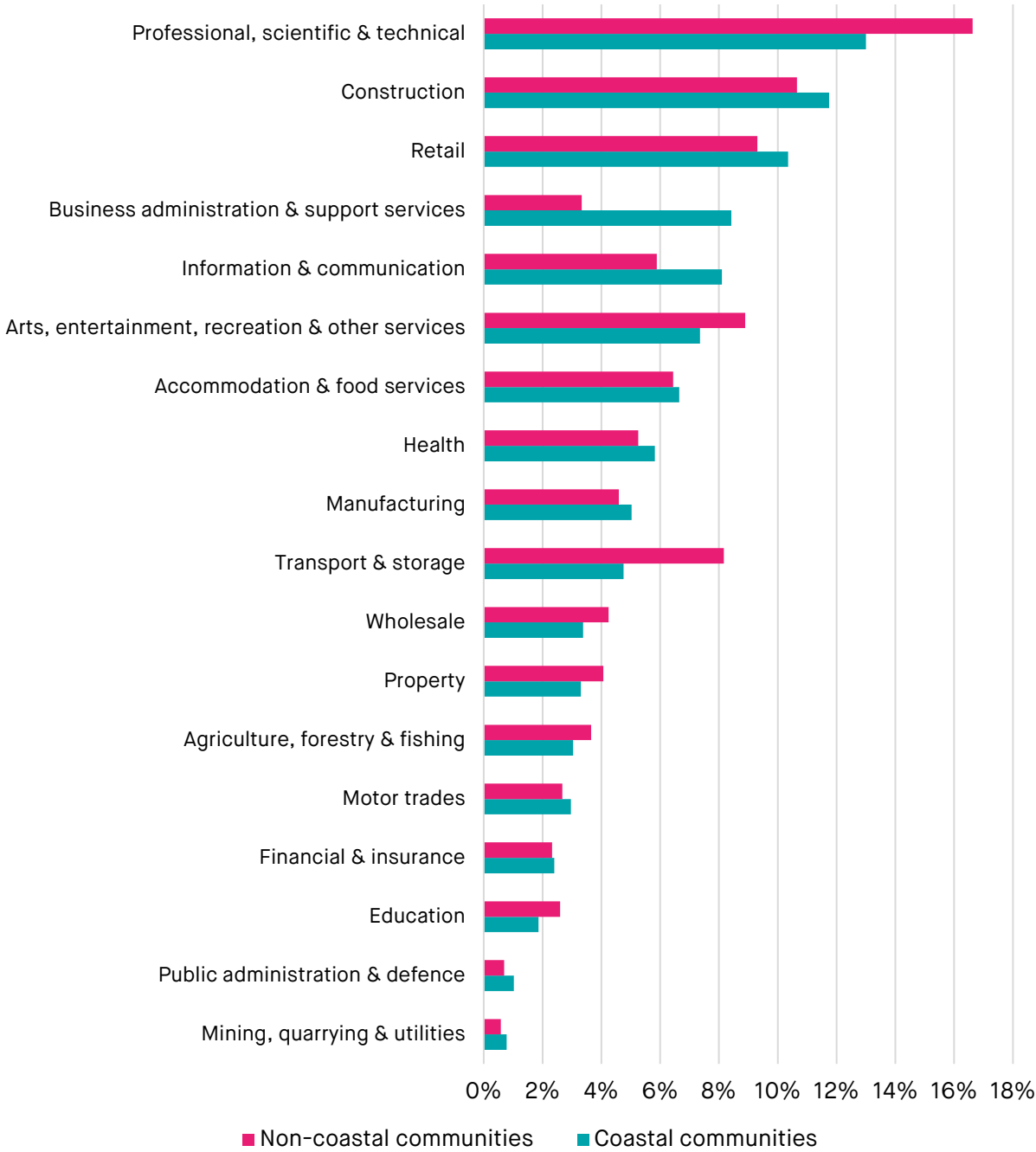
Table 2: Bottom 20 local authorities in terms of average employee pay, 2018. Coastal communities highlighted blue.

Local authority	Average annual pay	Local authority	Average annual pay
Kingston upon Hull, City of	£20,505	North Devon	£22,153
Leicester	£20,773	Blackburn with Darwen	£22,174
Blackpool	£20,993	Eden	£22,368
North Norfolk	£21,434	Na h-Eileanan Siar	£22,370
Purbeck	£21,485	Powys	£22,427
Mansfield	£21,579	Thanet	£22,442
Boston	£21,581	Hastings	£22,453
Blaenau Gwent	£21,601	Lincoln	£22,679
Torbay	£21,732	Torridge	£22,705
Gwynedd	£22,085	Waveney	£22,718

Source: ONS, SMF analysis

A key driver of low pay in coastal communities is that economies often revolve around low wage industries: agriculture, social care, retail and hospitality. As Figure 4 shows, coastal communities have a much higher proportion of businesses in these industries than other parts of the country. Similarly, coastal communities contain a relatively low number of businesses offering jobs in high paying sectors of the economy. A fifth (19.6%) of businesses in coastal communities are in the IT, financial services and professional services sectors, compared with over a quarter (27.4%) elsewhere in Great Britain

Figure 4: 2018 business population. % of business units by industry

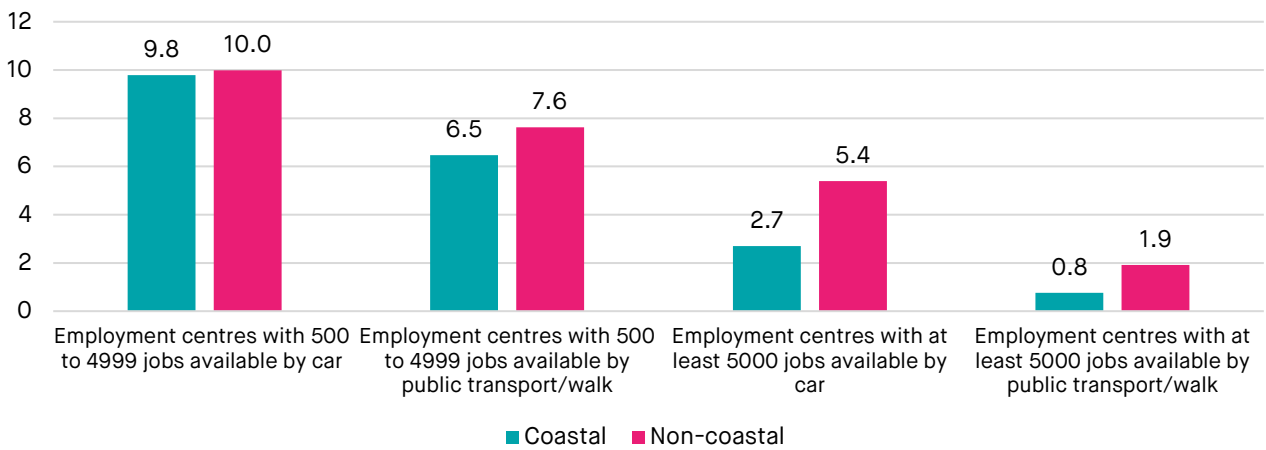


Source: ONS, SMF analysis

No way out – poor connectivity

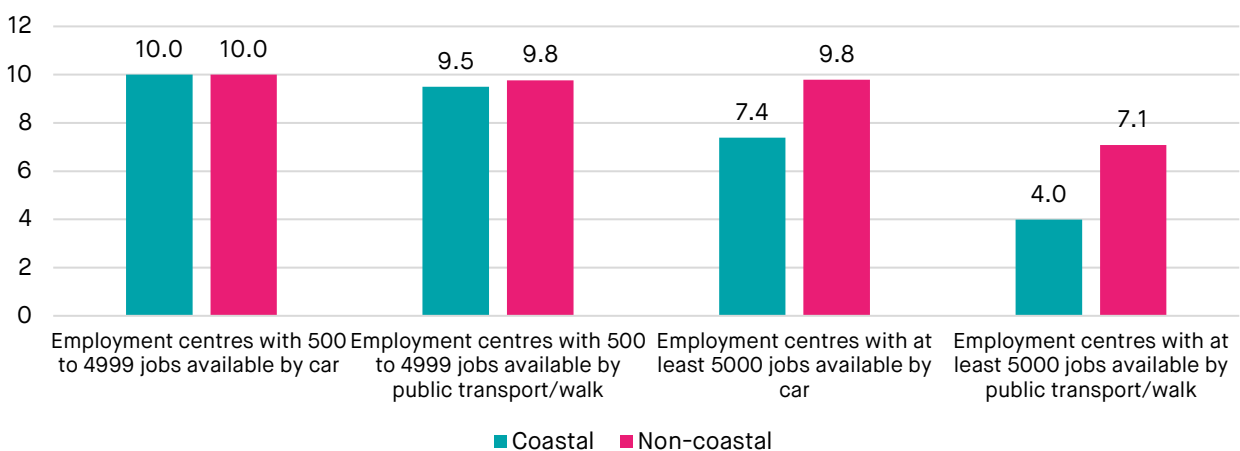
The business mix of local authorities is not the only driver of low pay by the coast; individuals are of course able to commute elsewhere and seek better paying jobs “inland”. But a key barrier to this is poor transport connectivity in many coastal communities. As the graphs below and heatmaps overleaf show, access to large employment centres is more limited by the coast. This is particularly true in terms of public transport access. In other words, not only do the jobs in coastal communities pay badly, on average, but it is also harder to escape to places offering more job opportunities.

Figure 5: Average number of employment centres within 30 minutes travel, by mode of transport and size of employment centre. Data for England only. Maximum score = 10



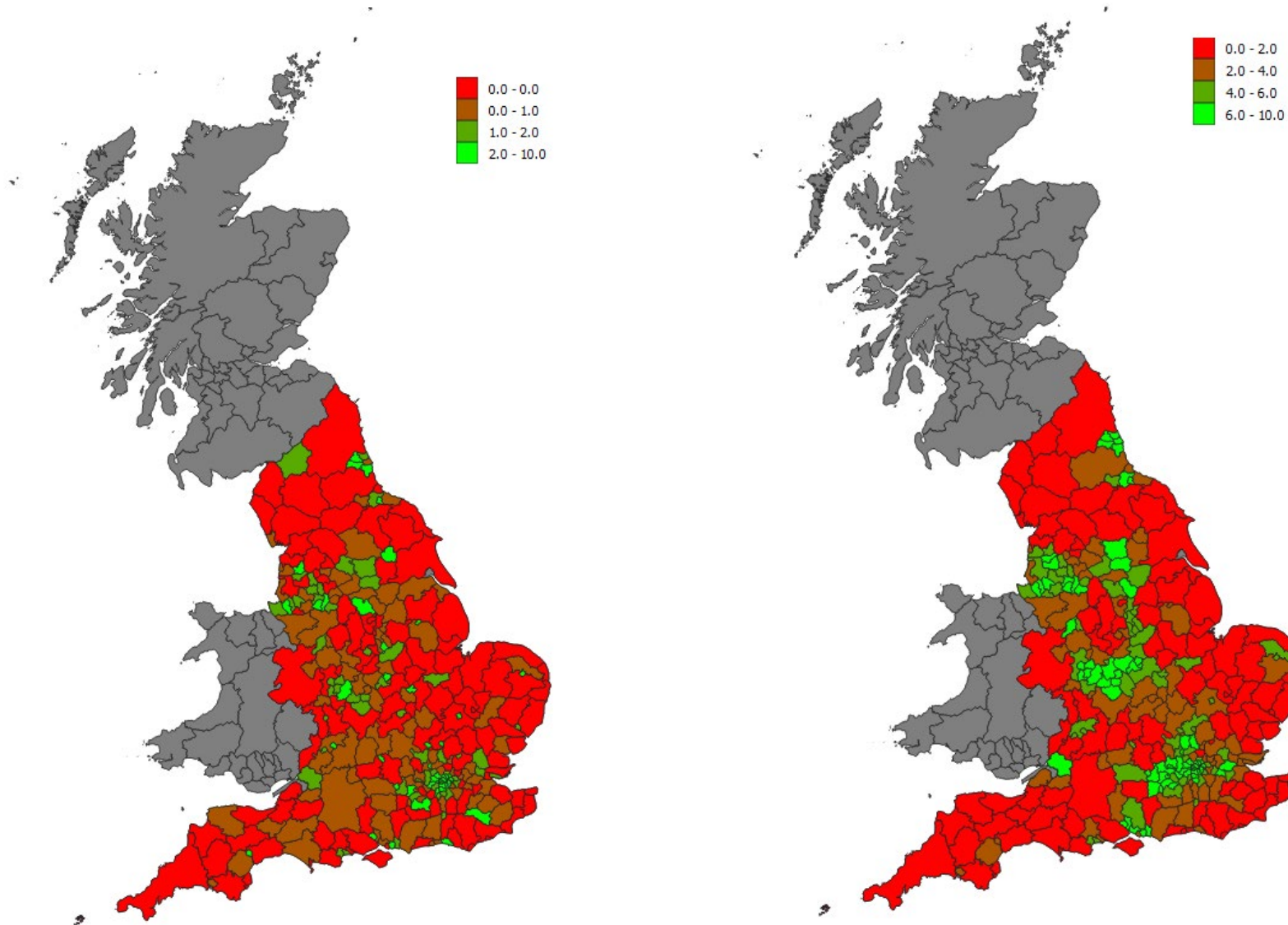
Source: Department for Transport, SMF analysis. Local authority data weighted according to the population in each authority

Figure 6: Average number of employment centres within 60 minutes travel, by mode of transport and size of employment centre. Data for England only. Maximum score = 10



Source: Department for Transport, SMF analysis. Local authority data weighted according to the population in each authority

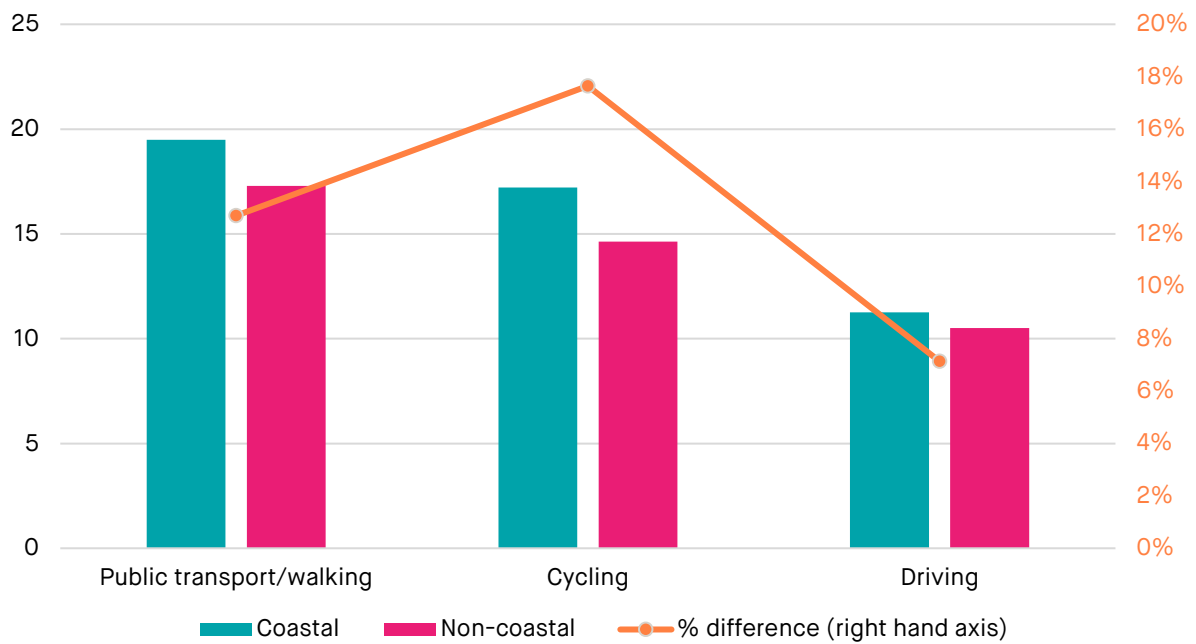
Figures 7 and 8: Average number of very large employment centres (with > 5000 jobs) within 30 minutes travel, by mode of transport. Left-hand chart shows travel time for public transport/walking. Right-hand chart shows travel time by car



Source: Department for Transport, SMF analysis

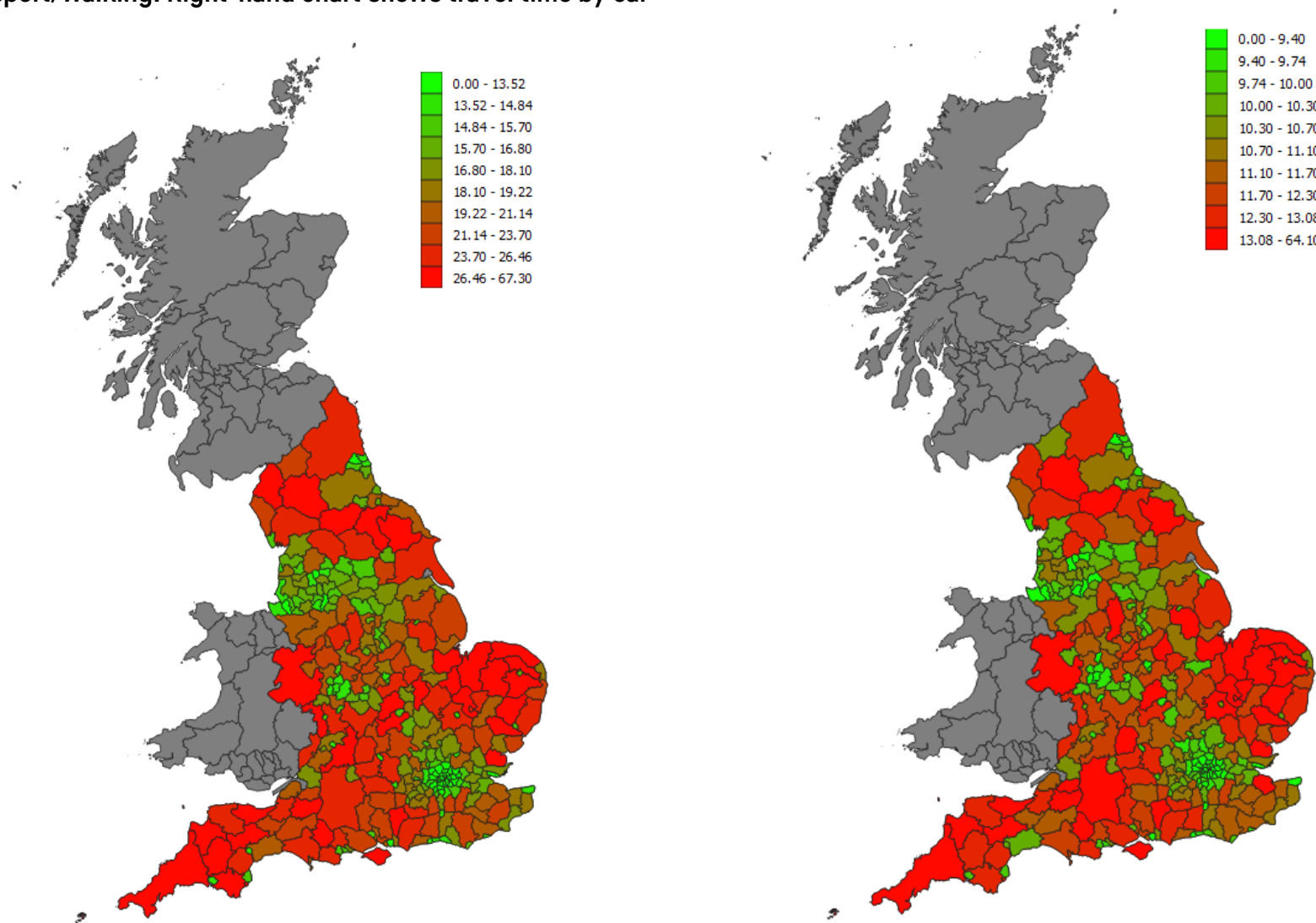
Access to public services such as healthcare and schools is also worse in coastal communities. Department for Transport data on the minimum travel time to reach key services shows minimum journey times by car 7.1% higher in coastal communities. In terms of public transport and walking, minimum journey times are 12.7% higher.

Figure 9: Minimum travel time to key services² in minutes, 2016, England



Source: Department for Transport, SMF analysis. Local authority data weighted according to the population in each authority.

Figures 10 and 11: Minimum travel time to key services in minutes, 2016, England. Left-hand chart shows travel time for public transport/walking. Right-hand chart shows travel time by car



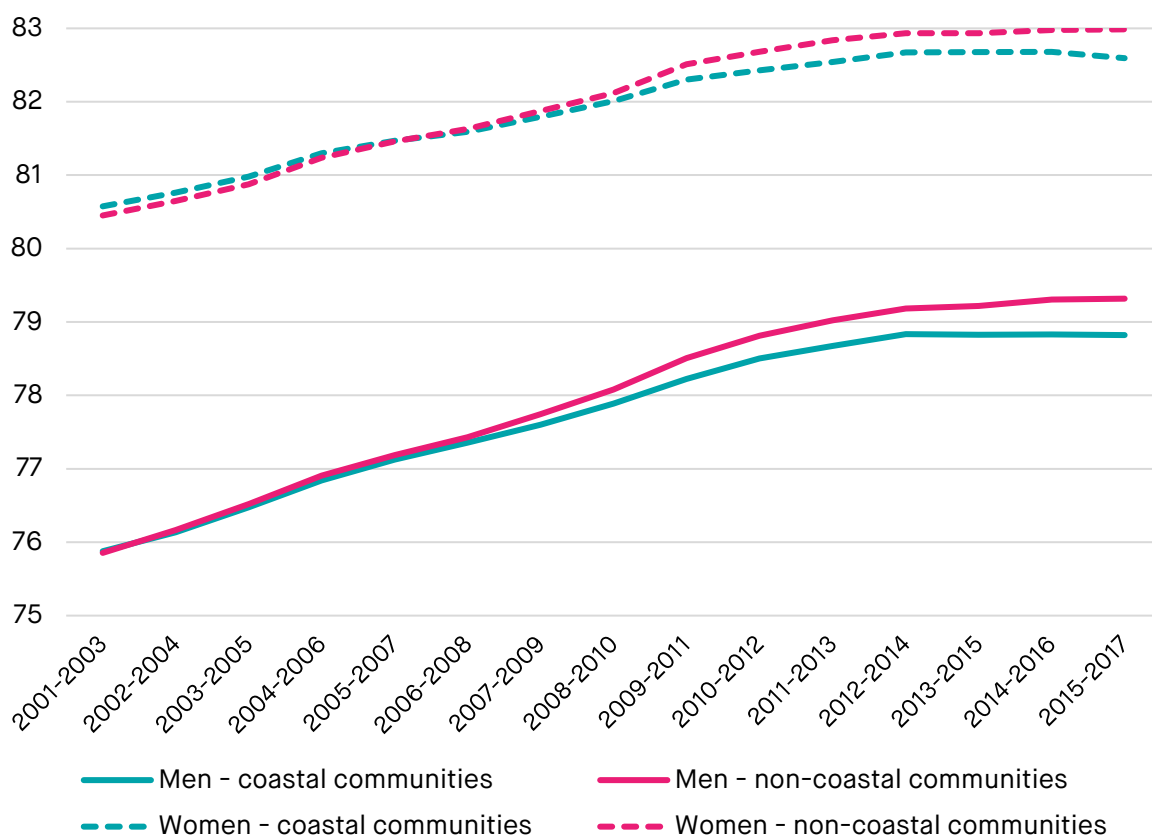
Source: Department for Transport, SMF analysis

Dying younger by the sea

Put bluntly - living by the British coast is now associated with dying earlier. Recent studies and news reports have drawn attention to problems of drug abuse³, and mental health issues⁴ in Britain's coastal towns. Some have noted the strong correlations between poverty, stagnant economies and bad health - "Shit-Life Syndrome" as the cause of early death⁵.

Health inequalities in the UK are widening, which is translating into a growing life expectancy gap between coastal communities and the rest of the country. While in the early 2000s there was next to no life expectancy gap for men born in coastal communities, those born today can now expect to live half a year less than those in other parts of the country. For women born by the coast, there is now a life expectancy gap of 0.4 years, and the most recent data show a decline in life expectancy.

Figures 12: Life expectancy at birth



Source: ONS, SMF analysis. Local authority data weighted according to the population in each authority.

What next for policymakers?

This statistical briefing note highlights some of the deep economic and social challenges facing coastal communities in the UK. Worryingly, the economic and health gap between coastal and “inland” communities has widened, rather than narrowed, in recent years.

Without drastic change, the UK’s coastal towns and communities face a bleak future – falling into economic insignificance, with few good job opportunities and populations in bad health. Brain drain – where highly skilled or educated individuals up sticks for better opportunities elsewhere – can contribute to a viscous spiral of economic decline.

Despite these issues, central government remains complacent in dealing with the challenges facing seaside towns across the country – preferring to tinker rather than introduce measures which could actually reverse the relative decline of coastal economies. Government financial commitments for coastal communities have, in recent years, been miserly – for example, an announcement this year of £36 million for coastal projects⁶. Billions, not millions, will probably be required to tackle the issues identified in this report.

We have three recommendations for policymakers:

1. Central government must give priority to the economic revival of Britain’s coastal communities – much as it has done elsewhere with the Northern Powerhouse and Midlands Engine initiatives

As we have shown, coastal communities are in relative economic decline and a third of coastal economies remain smaller than before the 2008/09 economic downturn.

Much as government has given greater priority to regional economic growth strategies, such as the Northern Powerhouse and Midlands Engine initiatives, government needs to show a commitment to tackling the specific needs of coastal communities through a similar initiative for seaside towns.

Critically, it is crucial that government does not fall into the trap of focusing efforts on boosting tourism to coastal towns – trying to bring back “the good old days” when a trip to the British seaside was much more popular. This should form *part* of a coastal economic strategy, but it will not resolve the low wage crisis in many coastal areas. Jobs in tourism tend to be relatively poorly paid and often seasonal in nature.

Given this, a coastal communities strategy must be focused on introducing more high value-added, high paying industries to coastal towns – such as business services, finance and technology. One option would be through the rollout of low tax zones to incentivise high value-added businesses to relocate to the coast:

2. Tax incentives for employers in high paid sectors to locate to coastal communities

Our analysis suggests that there is an important geographic dimension to low pay that often gets overlooked: namely that opportunities for low paid workers to progress their earnings and their careers may be particularly limited in some localities where the labour market is dominated by sectors that offer low-paid work and typically weak wage and career progression opportunities. This is true in many coastal communities, where retail, care, agriculture and hospitality account for a high share of jobs.

Introducing into the locality a wider range of better paid jobs could offer opportunities for both wage increases (by individuals moving to better paid jobs in other sectors) and career progression (by individuals moving into sectors that on average have better occupational mobility).

A recent SMF report⁷ discussed the concept of ‘Economic Growth Areas’, which could be piloted by local authorities or national government. These would offer tax incentives to firms in higher paying sectors to relocate or start a business in an area where there is poor industry mix and where the economy is dominated by low paying work. Deprived coastal communities such as Blackpool would be strong candidates for trialling the use of these Economic Growth Areas.

3. Undertake a cost-benefit analysis of options for improving transport connectivity in coastal communities, as part of the HS2 value-for-money review

New analysis in this briefing note showed that coastal communities suffer from worse transport connectivity, on average. Accessing jobs and public services tends to take longer and, at least with respect to jobs, choice tends to be more limited.

Given that the Prime Minister, Boris Johnson, has promised a value-for-money review of the HS2 rail link, there is a case for considering the extent to which (some of) the costs of HS2 might be better spent improving transport connectivity elsewhere in the country – including in coastal communities. As a recent SMF article noted, better physical connections – trains, buses, new roads – for the likes of Blackpool, Weston Super Mare and Clacton would help to attract businesses, improve access to education and make it easier for individuals to commute to areas offering more job opportunities.⁸

ENDNOTES

¹ <https://www.bbc.co.uk/news/uk-england-48995925>

² The average of minimum journey times to medium sized centres of employment (500-4999 jobs), primary schools, secondary schools, further education, GPs, hospitals, food stores and town centres.

³ <https://www.theguardian.com/uk-news/2018/apr/28/barrow-in-furness-drug-deaths-heroin-coastal-towns-blackpool>

⁴ <https://www.theguardian.com/society/2017/apr/14/antidepressants-prescribed-deprived-seaside-towns-of-north-and-east-blackpool-sunderland-and-east-lindsey-nhs>

⁵ <https://www.ft.com/blackpool>

⁶ <https://www.gov.uk/government/news/james-brokenshire-announces-over-36-million-for-the-great-british-coast>

⁷ <http://www.smf.co.uk/publications/pay-progression-low-paid-workers/>

⁸ <https://unherd.com/2019/05/what-government-should-do-next/>