2.0 Economic Overview

2.1 This Chapter establishes the economic context for the study by reviewing both recent economic conditions and trends within Swale Borough in the context of neighbouring districts in Kent, the South East region and the national economy. This is important in identifying the existing strengths and weaknesses of the Swale economy, and the factors likely to influence the nature and level of future demand for employment land within the Borough.

The Borough

2.2 Swale is located on the Thames Estuary in north east Kent and comprises three main areas focused on the towns of Sittingbourne (population 42,000), Faversham (18,000) and Sheerness (11,700) on the Isle of Sheppey.

2.3 The Borough is bounded by Medway district to the west, by Canterbury to the east, Ashford to the south and Maidstone to the south west (Plan 2.1). The western part of the Borough falls within the Thames Gateway, one of the main growth areas within the Government's Sustainable Communities programme, while Ashford to the south is also a growth area. As part of this growth initiative, some 12,000 new jobs are indicated for Sittingbourne and Sheerness by 2016 and 10,800 new homes by 2026.[3]

2.4 In terms of accessibility, Swale is served by Junctions 5-7 of the M2 motorway, while the M20 motorway linking London with the Channel ports and Tunnel runs just to the south of the Borough. The A249 links the Borough with Maidstone and the south of Kent and a Northern Relief Road is planned in Sittingbourne aimed at reducing traffic congestion. Faversham and Sittingbourne also lie on the main rail line to London Victoria, while the recent introduction of High Speed 1 gives a journey time to London St. Pancras of under one hour. The nearest airports with scheduled services are London City and London Gatwick over 50 km to the west.

2.5 There are currently no universities within Swale although university campuses exist at Canterbury and Chatham while the Kent science Park near Sittingbourne contains the Kent Science Resource Centre offers foundation degree level science courses for technicians. Sheppey College in Sheerness, a satellite of Canterbury College, is the only further education facility and but such facilities are limited relative to population levels and the Borough's educational needs.

2.6 Part of the relatively prosperous South East region, Swale is not subject to any EU designations relating to financial assistance programmes. It is also not covered by Tiers 1 or 2 of the UK's Regional Selective Assistance Programme

[3] Jobs target indicated in Swale Forward Regeneration Framework 2006-2016; housing target from SE Plan

although businesses can obtain grants under Tier 3. Relevant policies on economic development are summarised in Appendix 2.

Economic Activity

2.7 Other than town centres, the main centres of economic activity and employment are industrial estates based in the three main towns of Sittingbourne, Faversham and Sheerness. A large proportion of employment space is concentrated in the very large Eurolink employment area in Sittingbourne, a mainly industrial area. Sheerness is a deep water port with rail freight connections and one of the UK's largest import points for fruit, timber and paper products and vehicles. There are relatively few office areas, mainly the Watermark development in Sittingbourne, although the Kent Science Park just outside Sittingbourne contains some offices as well as R&D facilities.

Figure 2.1: Regional Context of Swale

2.8 There are relatively few large firms in the Borough with only 3% of businesses having more than 50 employees and none with over 500, although this share is similar to Kent generally and nationally. Swale also has a high proportion (83%) of very small firms (0-9 employees), a similar level to the sub-regional and national picture (Table 1, Appendix 3).

2.9 The largest private sector employers in Swale are in the industrial and transportation sectors and include Aesica (pharmaceuticals), St. Regis Paper, Medway Ports and Shepherd Neame (brewers). Pfizer, a major pharmaceutical firm, has recently relocated from the Borough. There are no major office based firms based in Swale although two call centre operations are based at Kent Science Park.

2.10 Another important local employer is the cluster of three prisons on the Isle of Sheppey. The tourism sector is also a significant supporter of local jobs, with many caravan parks based on Sheppey and many bed and breakfast establishments and self-catering accommodation across the North Kent Downs Area of Outstanding Natural Beauty.

Economic Trends

2.11 Recent economic trends in the Borough are summarised below, with detailed statistics contained in Appendix 3. These allow the recent performance of Swale's economy to be compared with Kent, the South East region, and Great Britain.

2.12 The resident population of the Borough in 2008 was estimated at 131,900, a rise of 11% since 1998. Swale has had modest housing growth in recent years, with 2,900 new dwellings built between 2001-2006, an increase in the total stock of 5.4% which was slightly above the regional average (4%).

2.13 In 2008, Swale contained some 42,800 employee jobs, a level mid way among Kent districts.[4] The Borough's employment grew by 10.6% between 1998-2008, the 6th highest among Kent districts and slightly above the growth rates in the South East region (9.7%) and Great Britain (9.5 %) but below the Kent average (14.8%) (Table 2).

2.14 Looking at economic output, although Swale's GVA per capita puts it in the lower half of Kent districts and well below regional and national averages, the Borough's growth in GVA per capita between 2001-07 (34.3%) has been the 4th best in Kent and exceeded the regional growth rate (25%) (Table 18).

[4] Based on Annual Business Inquiry, 2008

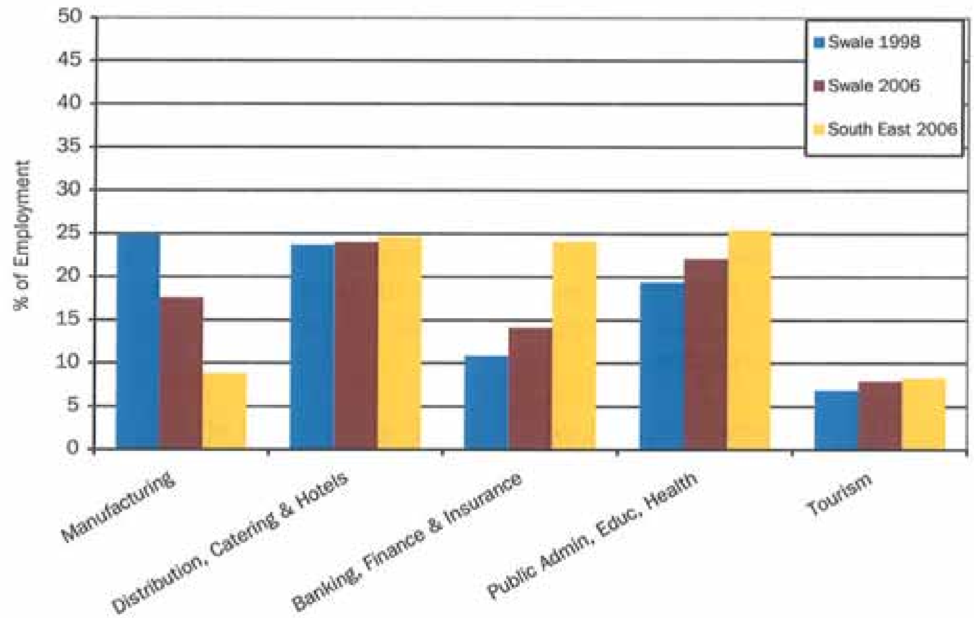

Figure 2.2: Principal Sectors of Employment in Swale Source: Annual Business Inquiry

2.15 In employment terms, Swale's main industrial sectors are distribution, hotels and catering (24%) and public administration, education and health (22%), with broadly similar proportions to the regional and national averages. However, the typically more dynamic growth sector of banking, finance and business services (14%) is greatly under-represented in employment terms, compared with the region (21.2%) and Great Britain (22%) (Table 3).

2.16 While manufacturing employment has declined to 17.6% of all Swale jobs, its share still remains well above the regional figure (12.9%) and the national (10.2%) average. Transport and communications (8.5%) also has higher representation than regional and nationally. Reflecting the rural character of much of the Borough, agriculture still employs 4.4% of the total workforce, well above the regional (1.4%) and national (1.0%) averages.

2.17 Over the period 1998-2008, the fastest growing sectors in the Borough were financial and business services (+54%) followed by other services (+58%) and public sector jobs (47%), all of which grew much more than the national average. The distribution, hotel and catering sector grew less (10%) but still almost double the national rate. Manufacturing in Swale declined by 36%, which was slightly worse than the national fall of around 33% (Table 4).

2.18 The tourism sector is a modest employer within the Borough with 3,200 jobs in 2008, but has grown by almost 70% in the last eight years. However, its 7.4% share of all Swale jobs is lower than both the South East region (8.2%) and nationally (8.2%).

2.19 Between 1994-2006, the number of VAT registered firms in the Borough grew by just over 31%, higher than the County (28.0%) and national rate (25.9%) but very similar to the regional (31.6%) growth rate (Table 5). With 43 VAT registrations per 10,000 population in 2006[5], Swale's rate of new business formation is similar to Kent (41) and the South East region (43) and all are above the national figure (37) suggesting an above average entrepreneurial culture locally (Table 6). The business survival rate beyond three years of businesses in Swale is also slightly better than County, regional and national rates (Table 7).

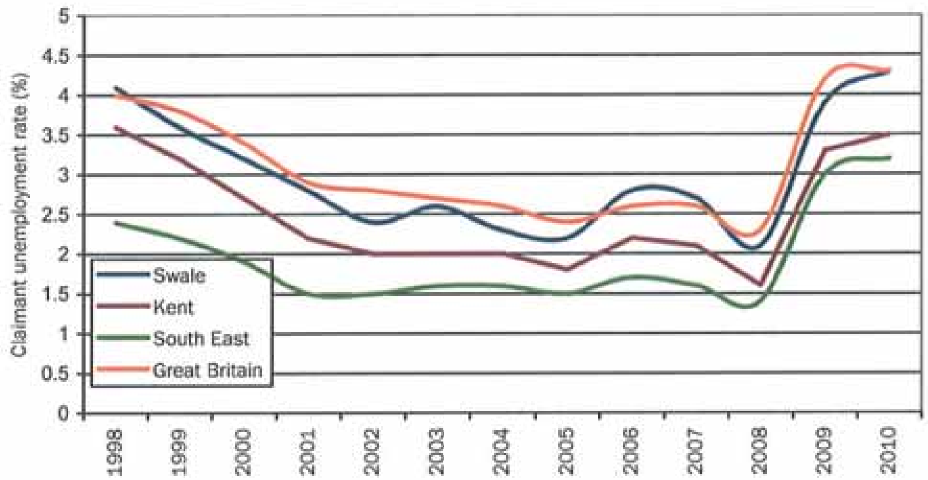

Figure 2.3: Claimant Unemployment Rate, 1998-2009 Source: NOMIS

2.20 The Borough, with 4.2% of its resident workforce out of work in February 2010, has relatively high claimant unemployment compared with Kent (3.6%) and the South East region (3.2%) and comparable to the national rate (4.3%) (Table 8). This general pattern has prevailed over the past decade (see Figure 2.3).

2.21 Long-term unemployment[6] in Swale (12.5%) is slightly lower than the regional (13.5%) and national (14.8%) rates. However, the ILO[7] unemployment rate for the Borough (6.3%) – which includes those seeking work but not claiming benefits – is well above the claimant rate, and also above the comparable rates for Kent (5.4%) and the South East (5.0%). This suggests that local unemployment may be underestimated and emphasises some capacity for employment growth.

[5] Over 16 years of age
[6] % of claimant unemployed who are out of work for over 12 months
[7] International Labour Organisation measure indicates total number of unemployed actively seeking work.

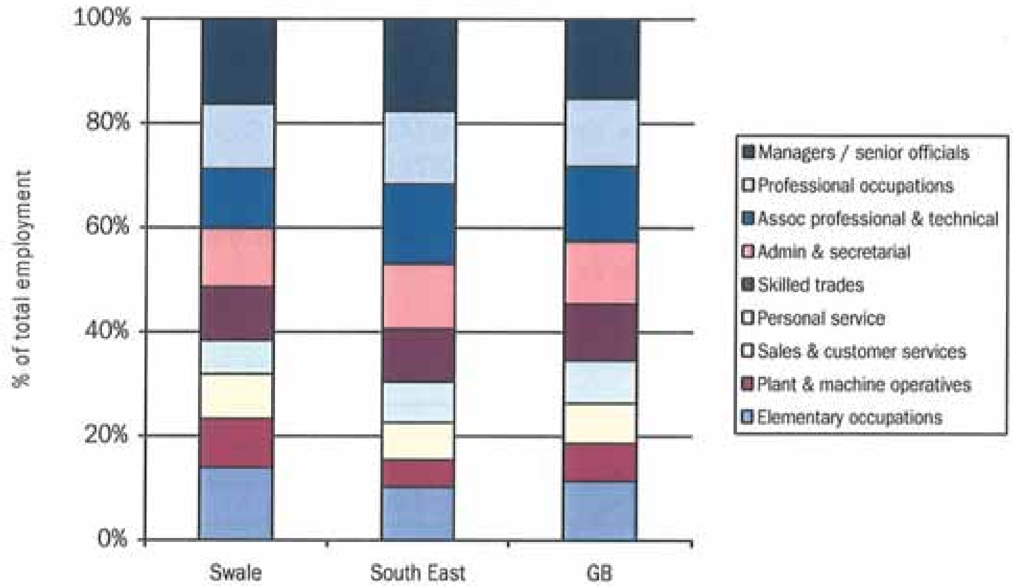

Figure 2.4: Occupational Breakdown of Labour Force Source: Annual Population Survey, 2006-07

2.22 In February 2010, there were 5.6 claimant unemployed workers for every notified job centre vacancy in the Borough. This was higher than the ratios for the South East (4.5) but similar to the national average (5.7). This indicates a less tight labour market in Swale with capacity for employment growth compared with other parts of Kent (Table 9).

2.23 There also appears some scope to expand the indigenous local labour supply should employment demand grow in future (Table 10). This is reflected in the economic activity rate for Swale Borough – the proportion of the economically active workforce in employment – which at 77.8% is lower than the South East average (82.0%) and slightly below the national rate (78.5%).

2.24 Overall, Swale's labour force has fewer highly skilled paid occupations and more, lower skilled manual jobs than the South East region and the national picture. In particular, there is a slightly lower proportion of residents in managerial (16.4%), professional (12.5%) and associate professional (11.4%) occupations. At the same time, the local proportion of manual industrial occupations, particularly process plant & machine operatives (9.4%), is almost double the South East average while lower-skilled elementary occupations (14%) are also more highly represented (Table 11 and Figure 2.4).

2.25 Skills levels of Swale residents are also lower than average. Only 18.6% of its working-age residents have a degree or higher qualification, well below the regional (30.8%) and national (28.6%) averages. Similarly, the proportion with no qualifications (19.2%) is double the regional average (9.6%), and also above the national proportion (13.1%) (Table 12).

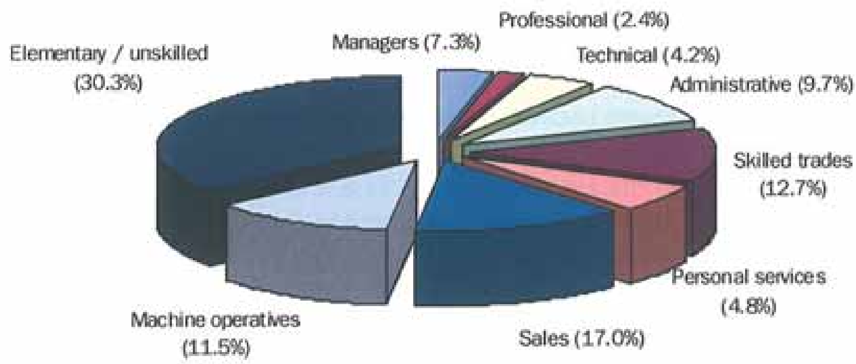

Figure 2.5: Sought Occupation of Claimant Unemployed in Swale Source: NOMIS

2.26 Turning to the types of jobs required in the area, the most sought occupations amongst claimant unemployed workers in Swale are for elementary / unskilled work (36%), sales and customer services (14%), skilled trades (12%) and machine operatives (12%). Demand for managerial and professional jobs (5.4%) among unemployed residents is much lower than proportions for the South East. Generally, there is greater need for low skilled jobs and manual industrial jobs (process plant/machine operatives) compared with the regional and national average (Table 13).

2.27 Reflecting the relatively lower-skilled nature of the local workforce, average wage levels of working residents in the Borough are in line with the national average, but 9-12% below the County and regional average (Table 14). However, workplace earnings in Swale are 9% lower than the national average, and 15% lower than the South East average. This suggests that many Swale residents are commuting to higher-paid jobs elsewhere and there is a need for more, higher paid jobs locally.

2.28 Confirming this picture of below average earnings, the proportion of households receiving benefits in Swale Borough (14.4%) is much higher than the South East regional average (9.7%), although in line with the national rate (14.2%) (Table 10).

2.29 Swale has relatively high levels of deprivation, being ranked as the 116th most deprived out of 354 English local authorities measured by the English Indices of Deprivation 2007. This makes it the most deprived Kent district after Thanet and substantially worse off than some nearby areas such as Ashford (227), Maidstone (248) and Tunbridge Wells (273) (Table 15).

Inward Investment

2.30 Based on recent surveys by Locate in Kent, Swale was one of the lowest rated Kent districts as a business location by developers, employers, investors and property agents.[8] Despite this, the Borough has had a reasonable record of attracting investment in recent years although primarily small scale industrial firms from elsewhere in Kent. Some 27 successful investments were attracted to Swale between 1998-05, 11% of the Kent/Medway total.[9] Most of these were small scale, with the average number of jobs between 20-40, much lower than the average for Kent as a whole. It is important to note, however, that other direct inward investment to Swale, particularly in life sciences, may not be reported in these figures.

2.31 Most investments have been in manufacturing and paper/publishing, with none in financial services and only small amounts in ICT, life sciences and business services. Most of the office based investments moving to Swale have gone to Kent Science Park. More of the new investment in Swale is created by indigenous firms than in Kent generally but over 70% of industrial enquiries are from firms already based in Kent and looking to relocate, with very few from overseas firms.

2.32 Roughly twice as many recent enquiries by potential investors have been for industrial premises than for office units. The great majority for industrial premises are for units below 4,650 m^2 (50,000 sq. ft) and those for office space predominantly below 930 m^2 (10,000 sq. ft).

Knowledge-based Industries

2.33 Knowledge-based industries are those sectors of the economy where value-added is derived from the intensity and accumulation of knowledge, often fostered through innovation and increasing use of technology. Firms within this sector tend to grow faster and have greater future potential than other sectors, and so are considered an important indicator of an economy's competitiveness and future growth prospects.

2.34 As Table 1 shows, although the Kent Science Park in located in the Borough, only 14.4% of firms within Swale are within knowledge-based industries. This is lower than in all nearby districts, and much lower than areas such as Tunbridge Wells (23.9%), Maidstone (20.5%) and Ashford (19.5%). The proportion in Swale is also well below the South-East (24.6%) and national averages (20.6%).[10]

[8] Business Perception Survey, Swale Forward, 2005
[9] Swale Inward Investment & Property Report, Locate in Kent, August 2005.
[10] Based on definition adopted by the Organisation for Economic Co-operation and Development (OECD), includes high-tech manufacturing activities such as pharmaceuticals, computers and aerospace, and services such as telecommunications, financial intermediation, computing and research and development.

	1997	2004
Ashford	17.9%	19.5%
Canterbury	16.0%	17.0%
Maidstone	20.5%	20.5%
Swale	14.8%	14.4%
Tunbridge Wells	24.1%	23.9%
South East	24.2%	24.6%
GB	18.6%	20.6%

Table 1: Knowledge-based industries, % of businesses Source: UK Competitiveness Index

2.35 The importance of the Kent Science Park within both the local and the Kent economies was assessed by a recent Economic Impact Study. This found the Park contained one third of Swale's employment in knowledge-based sectors and was very important in raising the profile of both areas as a location for bioscience and other knowledge-intensive activities.[11] If fully developed, the Park could create 4,800 jobs but to fully exploit its potential, it needed to be integrated into a wider cluster of knowledge-based activities across North Kent and improved access by public transport or a new M2 motorway link would be important to such development.

Commuting

2.36 In 2001, over 19,000 residents travelled out of Swale Borough to work elsewhere, predominantly to the adjoining Kent districts of Medway, Canterbury and Maidstone, as well as Central London/Docklands (Table 16). This out-commuting was equivalent to about one third of all employed residents. At the same time, approximately 10,000 residents of other districts commuted into Swale to work – again predominantly from adjoining areas of Kent – equivalent to nearly 22% of all workplace jobs in the Borough being filled by non-residents. This produces a significant net out-flow of around 9,000 residents. Almost 60% of the out-commuting residents work in B class jobs, many in London but also in Medway.

2.37 An area's self-containment rate reflects the proportion of working residents in work locally, as opposed to commuting elsewhere. In Swale Borough, the self-containment rate in 2001 was a relatively high 65%. This rate is lower than other Kent Boroughs such as Canterbury and Ashford, but higher than Maidstone, Tunbridge Wells and Medway. On balance, although overall it is a moderate exporter of labour, Swale forms a relatively self-contained local economy where most of the residents both live and work within the Borough and immediately adjoining boroughs.

[11] Kent Science Park Economic Impact Assessment, Centre for Strategy & Evaluation Services, 2008.

Conclusions

2.38 Swale has a modest sized economy with employment concentrated in its three main towns. Its economy has performed moderately in recent years compared with some other parts of Kent although less well than growth areas such as Ashford. Drawing together the above analysis, the economic strengths of the Borough, which will influence its ability to support new employment space in future, are:

- good transport accessibility to the M2 and M20 motorways with reasonable rail links to London;
- the growth potential of the Port of Sheerness and related distribution activities;
- a strong industrial base which has held up fairly well despite national decline in the sector;
- reasonable employment growth in recent years, significantly above the regional average and many other Kent boroughs;
- good levels of new business formation, suggesting local entrepreneurship;
- the presence of Kent Science Park, a focus for high technology firms with the largest concentration of wet laboratory space in Kent and potential to attract inward investment;
- generally low land/building costs;
- proximity to major housing and population growth planned in the Thames Gateway; and
- affordable housing costs combined with proximity to attractive countryside.

2.39 Weaknesses and potential threats include:

- a narrow employment base focused on the manufacturing sector, which typically has poorer growth prospects and strong competition from lower-cost locations;
- under-representation in the financial and business services and other knowledge-based sectors, which typically have greater potential for growth;
- modest recent attraction of inward investment and relocations in higher growth/higher value sectors from London/South East;
- an above average proportion of lower paid jobs, with significant out-commuting to better paid jobs outside the Borough;
- a relatively low-skilled workforce; and
- lack of a clear, attractive image compared with some other parts of Kent.