

Economy Service Briefing: August 2021

Devon's Economy – Summary

Introduction

Devon's economy was hit hard during 2020 and early 2021, with the immediate economic impacts of COVID-19 for the County as a whole being as severe as any in living memory. Devon County Council's (DCC) Economy, Enterprise and Skills team has been keeping track of the rapidly changing economic situation by using real-time information from a number of sources, including Government, commissioning targeted studies, evidence and forecasts and gathering information directly from the business community to keep a track of impacts on our economy.

This information has fed directly into the Team Devon response and recovery work programme working with District Council colleagues and partner organisations. It has also formed the basis of our engagement with Government to help drive forward a series of opportunity focused asks to help build our future economy.

The available data and evidence we are drawing on is summarised within this report. Only some datasets are available at a local, or District level, or are produced very recently. We have included within this report stakeholder and business derived evidence, which we will continue to expand as new data emerges.

Summary of key impacts

Economic output

- Pre pandemic Devon's economy already significantly underperformed the national economy, with GVA at just 77.8% of the UK in 2019.
- Devon has a forecasted loss of output / productivity similar to the UK wide impact of almost 10% of GDP for 2020 as a whole on its pre pandemic levels. The Bank of England now forecasts a swifter and more sustained UK recovery of 7.25% in 2021 and 5.75% in 2022 with the national economy returning to its pre-Covid level by end-2021.
- Delayed economic recovery compared with nationally forecasted for much of Devon outside of Exeter and particularly in Mid and West Devon.

Unemployment

- A rise in Universal Credit (UC) Claimant count in Devon from 1.8% in March 2020 to 5.0% by May 2020 before falling back to 3.6% in June 2021, although with significant additional levels of inactivity (some hidden unemployment).
- UC levels in Devon rose from being very significantly below the national average, to close to the national average, the UK also having seen significant rises due to lockdowns
- Very heavy impacts in terms of UC claimant rises during lockdowns for under 25s and over 50s, although numbers of claimants now falling for all age groups

Furlough

- Large numbers of people in Devon still claiming furlough at end of May 2021, although well below the one third of all workers in Devon on furlough seen in early summer 2020.
- Now around the national average (8% of all workers in Devon at the end of May), from well above previously – we expect this to fall further as the furlough scheme winds down.
- Furlough especially focused in hospitality, tourism, the arts, construction, manufacturing and the service sector generally

Labour Market

- As some locked-down businesses began to reopen in April to July 2021 significant labour shortages have occurred in Devon across many sectors
- Some sectors experiencing acute demand include tourism; hospitality; health and care (which had some shortages pre-covid); transport (especially HGV drivers) and skilled construction staff. The voluntary sector has in some instances also reported a shortage of volunteers. Demand for goods and services appears to be bouncing back, but now with fewer people able to service those demands.
- A variety of reasons have been given and these include especially furlough, but also higher levels of applications to study, or retrain; EU exit causing an interim lack of migrant workers; early retirements during covid lockdowns; high housing costs meaning people can't afford to live near some jobs and people reprioritising their lives linked to covid lockdowns.
- In the tourism sector recent evidence now points to over half of all businesses paying more for staff, but reducing their opening hours, with disgruntled customers sometimes being the outcome. A significant number of businesses report brisk business but the impact of previous lockdowns has impacted their net positions, with cash flow risk still looming and potential impacts on business survivability into 2022.

Just About Managing and pay

- Between 2019 and 2020 average pay for the lowest 20% of earners nationally rose slightly. In Devon outside of South Hams and West Devon it fell significantly and was already lower than nationally pre pandemic (in Devon as a whole for this group it fell by 6%). Unsure yet as to whether these impacts are temporary, but even temporary impacts could mean lower income households suffering from more debt issues.
- Average workplace pay rates in Devon were around 82.7% of the UK in 2020, but lower still in some parts of the County (West Devon just 71.9% of UK)
- Data on average pay rates overall in Devon were very volatile in 2020 showing a lot of changes to the labour market, but no significant trend, although greater levels of working from home. 2021 and 2022 data will be needed to ascertain any longer-term trends.
- On average, pay for freelancers during 2020 took a significant hit
- SW House prices up 17% in a year – competition for housing, especially at higher priced end and in rural/coastal areas
- Staycation boom causing rental property to come off the market and be let by Airbnb - renters who have to move have been hit, especially in traditional holiday areas. Unsure yet as to whether these impacts are temporary.
- Anecdotal evidence (so far) of highly significant increases (doubling in some instances) in Food Bank usage in Devon during the pandemic lockdown periods and more widely worry about food insecurity, especially among those with children

High Streets

- All high streets in Devon were impacted by significant temporary business closures during the first 2020 lockdown
- Since then there has been a significant shift in spend patterns, with many of the smaller market and coastal towns that are focused on independent stores holding up best, buoyed in part by the resumption of the holiday trade; higher numbers of people working from home and shopping more locally and retirees, many of whose incomes have held up feeling more confident in venturing out and spending again.
- The retail businesses most impacted by the pandemic have tended to be national and international chain stores that operate on business models with tight margins and often occupy more expensive town and city centre retail units.
- Retail vacancy rates remain an issue, but in most Devon towns and cities are below the national average (those remaining above at most recent survey were Cullompton, Ilfracombe, Axminster, Barnstaple and Exeter City Centre)

Other challenges

Short term

- Tackling immediate labour market shortages. With tourism in particular we have a potentially booming sector this year, but with the ‘pingdemic’, labour shortages generally, particularly of skilled staff that means that many businesses are struggling to meet demand which is impacting negatively on the visitor experience.
- Linked to the labour market shortages is the need to keep upskilling/reskilling people as the labour market changes post-pandemic and to help get people into the vacant roles
- Creating career pathways, so that jobs become a route to better paid, better skilled posts
- House prices and lack of rental accommodation in many tourist areas is impacting on recruitment
- Monitoring and tackling where necessary business cash flow problems, which may become an issue later in the autumn as the tourist industry slows down and impacts in the supply and service chains.
- The pandemic has impacted on people who are “just about managing” in Devon (where we have greater concentrations than nationally). It is likely to mean they are more indebted now and many in part time and/or low paid employment.

Medium term

- Some of the above points, plus tackling the issues we have always had in Devon such as creating more productive, more highly skilled and highly paid work across the whole of Devon, plus attracting and creating new businesses in Devon
- Upskilling and reskilling our workforce for the future, including more digital, engineering, construction, and renewable energy skills
- Continuing to recruit and create career pathways in our health and social care workforce, as demand will continue in our older than average population. We already had staff shortages in much of the care sector pre-pandemic and this has been exacerbated
- Issues on high street support, that was already starting to be a problem pre pandemic – gaps due to chain store closures and what we do with them to ensure vibrant town and city centres.

Team Devon Recovery

A wide range of activity is underway and planned to support Devon’s recovery from the impact of the pandemic. The following are a few examples of work led by the County Council’s Economy service often in collaboration with District Council colleagues and other partners.

Devon Work Hubs

Awarded £350,000 of Recovery Funding to support flexible workspace provision and awareness across the County in areas hard-hit by the pandemic. A total of £200,000 of the funding will support the development of 3-new work hubs, digital and infrastructure upgrades in existing work hubs that are yet to join the Devon Work Hubs network and support a brand refresh and web-presence upgrade.

A further £150,000 of funding was awarded to pilot a hybrid model of accommodation and enterprise space called Live/Work. Traditionally successful in global cities and larger conurbations, this investment will be used to support demand studies in 3-specific locations and match-fund developers in support of capital expenditure.

Natural Capital Challenge Fund

£300,000 has been provided to deliver a Natural Capital Challenge Fund. The fund will support the creation of more businesses, jobs and accredited training – which in turn will allow this new economic sector to flourish and help with Devon’s aspiration of becoming a leader in clean growth. Through this [Natural Capital Challenge Fund](#) programme the aim is for six projects to be directly supported with 30 apprenticeships, or people upskilled and 3,000 tons of CO2 saved.

Community Energy Challenge Fund

This £200,000 fund will support the growth of this sector by workforce upskilling and encouraging new participants and businesses into this exciting new arena.

Brownfield Land Renewal Fund / Self and Custom Build Fund

The Torbay and Devon One Public Estate partnership, led by the County Council's Economy service, has developed a £9 million funding bid to Government which if successful would create 643 new homes. The bid covers Exeter, Torbay, North Devon, and Teignbridge and will allow further home building to be undertaken in areas of Devon where housing is a key challenge for local communities.

Future Farming Resilience Fund

DEFRA has awarded Devon County Council £731,000 to deliver a programme to support 773 farms across the Heart of the South West LEP region. The objective of the programme is to assist farmers and land managers to build resilience and help them prepare for, and adjust to, the Agricultural Transition Plan 2021.

Open Up to Skills programme

The £450,000 'Open Up to Skills' programme will provide training opportunities for those individuals and companies within the hospitality, tourism, leisure and retail sectors who have been most adversely affected by the pandemic. Supporting 700 additional training places between October 2021 and March 2023, the project will support 300 businesses to upskill their staff or support redeployment across the County.

Made in Devon

The scheme supports Devon businesses who contribute to their local economy and communities, by helping them to grow their customer base and make them more resilient. The scheme was launched in September 2020 with an initial offer of free membership for the first twelve months to fifty local businesses. The [Made in Devon](#) initiative also aims to support the continued growth of consumer trends towards 'buying local' and establish Devon as a leading region for high quality products and services.

Apprenticeships

A service level agreement is in place with our Devon and Cornwall Training Provider lead for 12 months to deliver specific Apprenticeships focussed work for Devon. Activity has included information and training sessions on the world of Apprenticeships to the virtual school and the Children's Social Care Personal Adviser team to increase their knowledge of Apprenticeships as a post 16 option.

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