

The Swansea Economy



**Where we are and
where we need to be**

Mike Hedges

November 2019

Introduction

This report initially compares the Swansea economy with that of the rest of Wales and the rest of the UK on sectors of the economy.

The economy broken down into local, regional, national and international

It examines the foundation economy and then looks beyond the foundation economy and preparing the Welsh economy for the future

It looks at how other countries have used University supported science parks and university schools of entrepreneurship to improve the economy an area.

Looking at what works and what has been done in Sheffield and Liverpool followed by the economic benefits of Welsh universities to the Welsh economy.

Finally it looks at fast growing companies in Swansea and large public sector and large private sector companies outside the Foundation economy.

Swansea Economy

I intend to examine what the Swansea economy currently looks like and what is needed to improve the wealth of the area.

We know that in 2017 there were 123,200 people employed in Swansea and we know what sectors they were employed in from published data. Table 1 below shows employment via broad sector:

Table 1

<u>Classification</u>	<u>Number employed</u>	<u>Percentage</u>
Agriculture, Forestry and Fishing	700	0.57
Production	7500	6.09
Construction	6600	5.36
Wholesale, retail transportation, hotels and food	28500	23.13
ICT	6100	4.95
Finance and Insurance	4900	3.98
Real Estate	1600	1.3
Professional, Scientific and Technical Services Administrative and support services	15600	12.66
Public administration, defence, education and Health	43900	35.63
Other services	7600	6.17

It fails to come to 100% due to rounding.

How does this compare to firstly the Welsh economy and then the British economy?

I will first repeat the table for the whole of the Welsh economy and then repeat it for the British economy.

This will identify variations and whilst some such as those employed in Agriculture, Forestry and Fishing will be expected to be lower than the rest of Wales.

I would expect due to the DVLA, Pensions Agency and Land Registry as well as two universities and two major hospitals being in Swansea that Public administration, Defence Education and Health would be higher.

Welsh economy

We know that 1,414,800 people were employed in Wales, in 2017.

Using the same sector classification as with Swansea, we get Table 2:

Table 2

<u>Classification</u>	<u>Number employed</u>	<u>Percentage</u>
Agriculture, Forestry and Fishing	40500	2.86
Production	164500	11.63
Construction	90500	6.40
Wholesale, retail transportation, hotels and food	331500	23.43
ICT	58600	4.14
Finance and Insurance	31900	2.25
Real Estate	18100	1.28
Professional, Scientific and Technical Services	174100	12.31
Administrative and support services		
Public administration, defence, education and Health	422400	29.86
Other services	83000	5.87

As expected, Swansea is below the Welsh average in Agriculture, Forestry and Fishing but Public administration, Defence, Education and Health in Swansea are higher than the Welsh average.

Swansea is also low on production , which shows how it has been affected by the closure of numerous metal based industries.

Finance and Insurance is above the Welsh average. This is almost certainly owing to Admiral Insurance having a major centres in Swansea, both in SA1 and Llansamlet.

United Kingdom Economy

Table 3

In the UK we have 32,915,200 people in employment:

<u>Classification</u>	<u>Number employed</u>	<u>Percentage</u>
Agriculture, Forestry and Fishing	392700	1.19
Production	2894000	8.79
Construction	2296000	6.98
Wholesale, retail transportation, hotels and food	8445500	25.66
ICT	1452300	4.41
Finance and Insurance	1053800	3.2
Real Estate	561200	1.7
Professional, Scientific and Technical Services Administrative and support services	5856400	17.79
Public administration, defence, education and Health	8028600	24.39
Other services	194700	5.88

Again, we have the expected below the percentage of people employed in Agriculture, Forestry and Fishing across the UK and above the percentage of people employed in public administration, defence education and health.

The other sector where we are substantially below the UK percentage in both Swansea and Wales is the Professional, Scientific and technical services, administration and support sector.

The economy- local, regional, national and international

Local

There are service industries such as:

Hairdressers;

Tattooists;

Taxi firms;

Accountants;

Solicitors

and Insurance brokers

which provide a local service and are almost certain to be locally owned and managed.

There are also public industries such as:

Local Government including schools and social services.

There are also local services provided by national and international companies such as:

Supermarkets;

Pub and restaurant chains;

and Retailers



Regional

Bus company

Hospitals

Car sales



National

DVLA

Land Registry

Pension Agency



International

Universities

Exporting companies e.g. Cyden which has won the Queens award for international trade for outstanding short-term growth in overseas sales in the past 3 years and CBD .

Foundation economy

The Welsh Government describe the foundation economy as: “[The foundation economy] provides essential goods and services from the provision of care to the old and young, to the food we consume and the retailers in our high streets. It is the backbone of our local communities across Wales. In parts of Wales, such as some of our rural communities the foundation economy is the economy”

The Centre for Research on Socio-Cultural Change define the foundational economy as: “...the sheltered sector of the economy that supplies mundane but essential goods and services such as: infrastructures; utilities; food processing, retailing and distribution; and health, education and welfare.” I would add local services such as car sales and servicing, local bus service, accountants, estate agents, solicitors, nail bars , hairdressing and tattoois to the list.

The Welsh Government’s Economic Action Plan has moved away from a sector approach to economic development to one focused on place – making the communities we live in stronger and more resilient. It places a greater emphasis on tackling inequality and signals a shift away from big grants to a “something for something” relationship with business. The next step in that approach is to nurture and grow the foundations of our local economies. Care, food, housing, energy, construction are all examples of the foundational economy.

The Quality, Local Government and Communities Committee “Making the economy work for people on low incomes” in May 2019 reported that;

“The foundational economy provides the grounding on which our economy and communities can develop and grow. We welcome a focus on four foundational sectors within the EAP. We know that tourism, food, retail and care; often offer low-wage, low-quality work. The Welsh Government needs to ensure that the jobs that are created are jobs of a high standard, providing people with a decent income and quality of life. We note that the Welsh Government has committed to prioritising specific foundational sectors rather than proposing to work differently across the whole of the foundational economy. We therefore think that this approach should be a starting point to engaging with the more far-reaching changes that need to be made.”

What the foundation economy does is provide services for the area and distributes income across the area . If we do not have wealth producing services and manufacturing then those needing the services provided by the foundation economy will reduce and it will decline as the area declines.



Beyond the Foundation economy

The National Assembly for Wales opened its doors for the first time 20 years ago, and a lot has changed since then within the Welsh and world economies.

When the Assembly opened in 1999, online retail was in its infancy. It was another eight years before the first iPhone, and five years before YouTube came online. Computer games generated a fraction of the income of today and the Sega Dreamcast, the world's first Internet-ready console, was a year away from being launched. Jobs such as influencer, professional computer games player and Uber driver did not exist.

Preparing the Welsh economy for the future

Since then, employment has become less secure and reliable. In May 2018 the TUC published figures showing that 3.8 million people – 11.9% of the workforce – are now stuck in precarious forms of employment such as zero-hours contracts, low-paid self-employment or agency work.

In 1999, Welsh Government economic policy was a continuation of the Welsh Development Agency policy of enticing mainly Far Eastern and American investors with grants, offering high skills at relatively low wages compared to other advanced industrial nations, and access to EU markets. Not all attempts to attract foreign direct investment were successful, LG being the classic example where despite a grant to LG of £200 million, around £30,000 a job, the expected employment did not materialise.

Why should the next 20 years not have at least as much change as the last 20 years? More importantly, what can we in Wales do differently to the last 20 years in order to create a more successful economy? We cannot predict the new types of employment and which industries will grow over the next twenty years, but we can help to create an environment that allows Welsh companies to start, grow and prosper. [As I have previously set out](#), I believe we should, like other successful countries and regions, use our universities as economic drivers, benefitting from the skills and knowledge their graduates and postgraduates possess, and encouraging future-focused innovation.

Universities as economic drivers

At present in Britain we have Cambridge University Science park, formed initially by Trinity College Cambridge as a response to the 1964 Labour Government request that Universities worked closer with industry, which employs over 6,500 people in over 100 companies. There is also Alderley Park in Manchester, purchased by Manchester Science Parks – a partnership between Manchester's academic centres, local councils and investment company [Bruntwood](#) – which offers exceptional bioscience facilities for Research & Development focussed life science companies.

There are also very successful medium-sized European cities which have economic strategies linked to their universities that have created successful future-focussed economies using their universities. Mannheim in Germany has a Centre for Entrepreneurship and Innovation (MCEI) run by the university which provides a founder and incubator platform for students, young entrepreneurs and investors. The largest research park in Denmark is the INCUBA Science Park, Aarhus, created by an amalgamation of



“Innovation Network Centre for University and Businesses of Aarhus” and focusing on IT and biomedical research.

In Scotland, we have seen the success of the computer games industry in Dundee. Abertay University found political and financial backing to create a new department offering the first computer games degree in the World in 1997 and went on to be the home of a successful computer gaming industry, including the worldwide bestseller “Grand Theft Auto”.

In Wales, we have Menai Science Park, known as M-SPark, which opened last year to bring together businesses from the ICT, science and research sectors and aims to provide a supportive environment to help firms grow. It was created by, and is part of, Bangor University and aims to bridge the gap between advanced academic research and businesses.



Learning from what works

In the early 2000s the Welsh Government brought in a Technium project which was meant to bridge the gap between academia and commerce. Whilst the initial one in Swansea had some success, the scheme overall was an expensive failure. The most detailed explanation comes from the evaluation by DTZ which noted a number of key flaws to the whole concept:

“The first was the lack of any clear rationale for the roll-out of the programme beyond the first incubator in Swansea. One has to wonder why the Welsh Development Agency had then gone ahead with building Techniums across Wales before a ‘working prototype’ had been fully tested?”

Secondly, there were no explicit objectives for the Technium programme and it would seem that the only rationale was to build as many of these as possible before the European funding ran out. Certainly, there seemed to be little consideration of whether there was demand, either from the local business community or from the universities, for this type of building.

Thirdly, it would seem that the monitoring and evaluation of the programme by Technium managers was practically non-existent which, given that many of those involved had very little experience of managing such projects, is not surprising.”

The difference between government-led, university-led and government-supported could not be clearer. Where it has worked, universities act as the primary driver of initiatives which governments at all levels support, but don’t directly manage. I have high hopes for M-SPark, which is university-led, and hope the other universities in Wales will create similar enterprises that create supportive environments for our industries of the future to flourish.

Unless we generate these high skill and high wage jobs in the area then we are in danger of becoming a low wage area.

Sheffield

Today the transfer of technology from Sheffield's universities is claimed by some to be "guaranteeing" Sheffield's continuing industrial and commercial evolution, creating cutting-edge enterprises across the city. High technology businesses such as the US company Fluent, Inc., have chosen Sheffield as the centre for their international operations and so has Jennic,

specialists in semiconductor design for the home automation, commercial building automation, and industrial process monitoring and control markets. The University of Sheffield supports the growth of technology transfer in the Sheffield City Region through the Kroto Innovation Centre and Sheffield Bioincubator which house small and medium enterprises as well as start-up companies working in similar areas, or alongside, University of Sheffield researchers.

Insight Enterprises invested £50m in a new European headquarters in the city resulting in 1700 jobs over the 2005-2008 period, while Boeing, through its collaboration with the University of Sheffield will be at the centre of an Advanced Manufacturing Park (AMP) on the edge of the City, home to a cluster of businesses in the advanced manufacturing sector.

Sumo Digital Ltd. is a British video game developer based in Sheffield, England. The company was founded in 2003 by four former members of the management team of Infogrames Studios. As of 2018, Sumo Digital employs more than 500 developers.



The three fastest growing cities in the UK are the three capitals London, Edinburgh and Cardiff but after that comes Liverpool

Liverpool

According to Jonn Elledge in City Metric;

The true Northern Powerhouse since 1998 has been Liverpool. With an average annual growth rate of 4.2 per cent, it's one of only five of the twelve cities to have doubled the size of its economy since 1998, passing that mark by 2015. Between 1998 and 2009-10, in fact, it was the fastest growing major city in the UK. Then there was the slight matter of the crash and the austerity which followed, but even then it's bounced back.

In 2003, Liverpool was named the 2008 European Capital of Culture. The city didn't just spend five years planning its programme of events: it also ensured the event left a legacy, not just reputational, but in terms of cultural infrastructure, tourism facilities and actual physical venues, notably the Echo Arena.

Liverpool City Council agreed to redevelop the Paradise Street Area in 1999. Nearly a decade later, as the city was showing its cultural goodies off to the world, the Liverpool ONE development opened and at 42 acres is the largest open air shopping centre in the UK.

There are four universities in Liverpool. With a student population of roughly 70,000, Liverpool is one of the most loved student cities in the UK.

In 1994, the EU allocated £700m to Liverpool under its Objective One regional development programme. Another £928m followed in 2000; and between 2014 and 2020, another £450m was allocated to Liverpool. (figures from the *Liverpool Echo*.) That money helped fund a huge range of infrastructure across the city, including the Echo Arena.



Welsh Universities

The Economic Impact of Higher Education in Wales report produced in 2013 provided the following information

“The sector directly provided 16,241 full time equivalent (FTE) jobs across a wide range of occupations. Unsurprisingly, academic professions (Professors, Lecturers and researchers) are the largest single type of occupation. However jobs are provided across a very wide range of occupations, including a range of skilled and semi-skilled jobs. This reflects the need to maintain significant university estates including lecture halls, laboratories, offices as well as halls of residence, cafeteria and related facilities for students such as sports facilities. The university sector is a major source of employment in Wales and the employment opportunities it offers are an important element of its role in the Welsh economy.”



“Welsh university expenditure, together with the expenditure of university staff and students generates economic activity through secondary or ‘knock-on’ effects. In 2011-2012 the HESA data shows a total expenditure (including staff salaries) of £1.2 billion”

Economic benefits come “through the universities buying goods and services from a wide range of suppliers (from books and stationery to legal services, laboratory equipment to catering supplies). The suppliers also have to make purchases in order to fulfil the university orders and their suppliers in turn make other purchases and so on, rippling through the economy. Through the universities paying wages to their employees, who in turn spend their salaries on housing, food and other consumer goods and services. “

Swansea retailers say the city’s students are proving to be a valuable support system for their businesses, and they are welcoming the new development that is going on throughout the City Centre to accommodate the influx of young people.

In 2018 Swansea’s annual Student Shopping Event, organised by Swansea BID (Business Improvement District) and the Quadrant Shopping Centre, saw more than 6,000 young people flock to the City Centre to take advantage of special deals and discounts laid on by the businesses.



“This study highlights that while the sector is of considerable importance to Wales in supporting economic development through education and research it is also a major economic actor and industry in itself, generating output, jobs and GVA, supporting communities across Wales. The results clearly demonstrate that, irrespective of any wider

impact generated by the nature of higher education activities, higher education institutional expenditure and that of higher education staff and students have an immediate positive economic impact and this impact is significant for Wales, with spillover benefits for other parts of the UK.”

The last point takes me back to the comments on the foundation economy. The Foundation economy needs wealth drives in order to grow and Universities provide one of the wealth drivers to the area.

Fast growing local companies

Cyden designs and manufactures IPL (intense pulsed light) hair removal products. Home-use beauty devices are a high growth category and Cyden has made great progress in addressing these global markets and winning a Queens ward for exporting.

From launching the first IPL hair removal device in the UK with the retailer Boots, the company now distributes its products to 11 international markets and has recently opened its first overseas office in Tokyo.



Cyden is unique in combining technological innovation with clinical understanding of skin-light interaction.

The potential for home-use devices is huge and as well as hair removal there are opportunities to expand the use of the technology into skin rejuvenation, acne treatment and other beauty applications

Character.com is the UK's largest independent online retailer of licensed clothing and accessories for children and adults. It produces an exclusive range of nightwear, clothing and accessories featuring characters from the worlds of TV, film and books with a focus on great quality, great value and fantastic customer service.



Mitour is a tour operator and event organiser working solely in the sports market. It provides land and air packages to sporting groups of all ages across the world. It also organises several mini and junior rugby festivals across the UK, and an international youth football tournament in London.

Coatings and Blastings Services (CABS) offers the construction and commercial industry a range of on- and off-site painting, fire protection, shot blasting and renovation services. It also provides industrial blasting and coating services, including fire protection to steelworks and is able to cover the whole of the UK. The firm also provides a range of Giromax, PPG and other market-leading products to overcoat and refurbish steel and aluminium roof sheets and profile guttering, while enhancing their life expectancy.

Vizolution provides SaaS solutions which help to streamline difficult customer journeys across store, telephony and digital channels. Its digital solutions enable agents and customers to show, share and sign documents offering all the benefits of a face-to-face interaction without the high cost.

What is interesting about this group is that they cover the whole of the economy Cyden is a manufacturing company, Character is a retailer, Mitour is tourism, CABS is a construction support company and vizolution is technology company.

Public sector

Large public sector employers include the City and County of Swansea council, Driver and Vehicle Licensing Agency, HM Land Registry, Department for Work and Pensions, Swansea University, Swansea Metropolitan University, and Swansea NHS Trust.

Large local private sector companies not in the Foundation economy include :

Admiral Group and although the company has its main operation in Cardiff, it has branches in Swansea and its contribution to the city is significant. Approximately 2,000 of Admiral's Welsh workforce are based either at the SA1 development or in Llansamlet.

ERS is a Lloyd's underwriting business that specialises in motor insurance for high risk drivers and vehicles that would otherwise be hard to insure. In 2014, the company decided to become a motor-only, broker-only insurer, meaning their policies are available exclusively through motor insurance brokers and more than 500 employees are now based in its Swansea offices.

Dr. Organic manufactures skin care and cosmetic products in Llansamlet, Swansea. The company's ethos is based around the use of natural and organic ingredients such as plant extracts and herbs.



There are also offices of large companies such as

Arvato operating the UK government's first Independent Shared Service Centre.

BT, the world's most established communications company is a major employer in Swansea.

HSBC, one of the world's largest banking and financial services organisations operates from Swansea's Enterprise Park.

Conclusion

We see that in high wage sectors especially Professional, Scientific and Technical services, Administration and support services Swansea has roughly 2/3 of the UK percentage employed.

Swansea is also under the UK percentage on ICT and, despite ERS and Admiral employing a large number in Swansea, in Finance and Insurance

The Foundation economy is important but it will not make an area wealthy

Swansea University and UWTSD can provide employment, bring students in to the city with their spending power and as an economic driver by transferring technology from the universities.

Science Parks work

Large companies support smaller ones either by staff leaving to create their own companies or by their purchasing power.

You can have fast growing companies in any sector of the economy

There is no simple fix but using the universities, supporting fast growth companies and getting a balanced economy will improve the wealth of the area.