

# Cambridgeshire Together

Supporting Cambridgeshire's communities  
through the economic downturn



Working together to improve  
the quality of life for all who live, learn,  
work and travel in Cambridgeshire

The partners of **Cambridgeshire Together** have a truly ambitious vision of the future for the people who live, work and visit Cambridgeshire. A vision of strong, growing, prosperous and inclusive communities where people can fulfil their potential with excellent quality of life.

Yet today our communities are facing a number of new challenges.

Read any newspaper, listen to any news bulletin or switch on any TV channel and the issues of the economic downturn are being played out live, in real time. But how are these issues affecting the communities of Cambridgeshire? Are they even affecting our communities at all?

The partners of **Cambridgeshire Together** want to understand how the downturn is impacting on daily life for people living and working across Cambridgeshire. This discussion document sets out what we know about the economic downturn, some of the facts and figures that can be found by accessing Government databases, national and local sources of information. But this information doesn't paint the complete picture. We want to encourage you to share your knowledge and understanding of what is happening in our communities, to tell us about the different impacts being felt by communities across Cambridgeshire and the changes in the ways people are accessing your services or seeking support.

Our analysis of sources of information available to us already shows how the downturn may be impacting across the County.

What do we know already?

- There have been a small number of business closures in some parts of the County, particularly in the construction and manufacturing sectors
- There has been an increase in the number of job losses in the East of England, although very few of them were in Cambridgeshire
- Where people lose their jobs, they are more likely to face debt problems, especially related to their mortgage or rent payments and energy bills
- House-building is understood to have stopped in Cambourne and Arbury Park
- House prices are forecast by local estate agents to fall by up to 10% in Cambridge City and by up to 20% elsewhere in the County
- More people are buying 'value' ranges in supermarkets across the County with fewer sales of 'premium' products
- Many shopping centres have reported reduced takings but levels of shoppers visiting stores remain high
- Citizens Advice Bureaus have had more people looking for support and advice, often related to debt
- Charity shops around the County have been receiving fewer donations, and many have also seen an increase in shoppers
- There have been some reports of increased crime, including arson of stolen cars, damage to vacant properties and some domestic violence as families and communities feel the strain
- A general perception that clients are taking longer to pay for business services

We have a range of information that has helped develop our understanding, but we recognise that we do not yet have all of the pieces of the jigsaw. In fact, much of our information must come with a health warning that it is based on small samples or early analyses of the information. However, the information does suggest that the downturn is starting to impact on our communities and we want to understand as much as we can in order to ensure that we put into place the right support for our communities.

It is so important that we act now to help support individuals and families and relieve some of the fears and tensions affecting our communities. Whilst we know we might not have the complete picture just yet, by waiting to see what happens, we will be too late to act. It may be that the downturn will affect some parts of our County more than others, but we need to work as a partnership to understand the issues as best we can and then agree how we can work together to shield our communities.

It is clear that no one organisation can be successful during this time on its own, and it is only through the increasing strength of our **Cambridgeshire Together** partnership that we will be able to provide the support our communities need in these difficult times.

The **Cambridgeshire Together** partnership will openly engage with communities and partners throughout these challenging times to make sure you can talk to us about the issues affecting communities and your services, and so we can have open discussions about the work we can do together to keep us on track for achieving our vision of creating strong, growing, prosperous and inclusive communities where people can fulfil their potential with excellent quality of life.

We would like to encourage you to get involved by either attending one of our workshops, or by answering the questions outlined below.

- **In your experience, how is the economic downturn affecting communities across Cambridgeshire?**
- **What examples do you have that provide evidence of those impacts?**
- **What practical activities or projects could the Cambridgeshire Together partnership deliver to support communities affected by the downturn?**



To support our initial analysis of the impacts of the downturn on communities, and to help develop a shared understanding of the evidence we already have, the rest of this document provides more detailed information taken from a range of nationally and locally available sources of data.



## The national economic picture

Britain made a critical economic turn in 2007. The increase in world food and oil prices seriously affected the economy by increasing producer, retail and consumer prices. Rising inflation contracted domestic demand and consumer spending. Falling house prices pushed some households into negative equity and increased the number of repossessions. Overall, the deterioration of household disposable income increased the number of over-indebted households. The global financial market crisis further worsened in September 2008, when many major banks faced bankruptcy. Despite international efforts to protect the markets, confidence has not been entirely restored yet and the stock market continues to fluctuate.

The fear of a recession is producing a decrease in consumer confidence, which translates into a further decrease in consumer spending. Retail profits drastically plummeted in the third quarter of 2008. In this context, a slight rise in unemployment could reflect businesses' efforts to reduce costs. Overall, the slowdown of the economy affected the national GDP, producing negative growth in the third quarter of 2008. Most analysts expect that the fear of a recession may further affect consumer confidence and prolong the period of negative growth<sup>1</sup>.

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<sup>1</sup> Source of data: Office for National Statistics

## The local economic picture

Until now Cambridgeshire's economy has been a main contributor to the East of England's economic growth. Cambridgeshire's economy has continued to grow strongly in recent years showing signs of a healthy local economy: working age adults in the county make up a greater proportion of the total population than is the case nationally and of these people significantly higher proportions are economically active and in employment. The Gross Value Added (GVA) has grown significantly and at a higher rate than across the region and country overall. Business start-up rates and business stock rates are generally above the UK average (although start-up rates have been slowing down in the past years)<sup>2</sup>.

In general terms it is too early to demonstrate any clear local economic impact from the economic downturn, partly because many of the data sources quoted nationally are not yet available at a local level. These will become available in the next 6 months. Many of the potential implications of the downturn therefore remain speculative. Moreover, the impact will depend on the economic sectors of each of the districts, the turnover of each of the businesses within these economic sectors and the demand available.

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<sup>2</sup> Greater Cambridge Partnership (2007). Greater Cambridge Annual Profile.

- At a national level, most economic sectors suffered from a loss in production output during the 3rd quarter of 2008, except for the agricultural sector and the public sector. Manufacturing suffered the biggest slowdown (Source: ONS). Analysts expect the manufacturing and construction sectors to be the most affected in the short-term.
- In Cambridgeshire services account for 81% of industry, whilst manufacturing accounts for 12% and construction accounts for 4% (Source: Cambridgeshire and Peterborough Employer Database).
- Within the service industry, the education, health and social work, retail, hotels and restaurants sectors have the highest number of employees (Source: CPED). Results of recent consumer confidence surveys carried out by GFK NOP and by YouGov suggest that most UK consumers would cut spending on clothing, eating out and drinking if the economic situation worsens. If this were true, retailers, restaurants and pubs in Cambridgeshire would suffer<sup>3</sup>.
- Most of the manufacturing and construction jobs in the county are in South Cambridgeshire and Huntingdonshire. Local evidence suggests that the small number of closures and redundancies affecting Cambridgeshire so far have occurred in these sectors.
- A large proportion of Cambridgeshire's primary sector (e.g. agriculture) is in Fenland where the proportion of the population holding qualifications at NVQ levels 2, 3 and 4 is below national average. This sector could be affected if commodity prices increase further and labour force becomes scarce.
- Cambridgeshire hosts an internationally renowned hi-tech cluster, which accounts for 16% of the county's industry. 75% of the companies employ 24 or fewer staff with only 0.6% employing more than 500 staff<sup>4</sup>. The profits of these companies, which provide both services and manufacturing, are very reliant on the business cycle, local and international demand and their degree of specialisation: demand will not decrease as long as they can guarantee being the unique supplier of that product in the market.
- The effect on tourism is unclear. The weaker British currency could stimulate international tourism into the UK and discourage British people from going abroad. However, international tourism will also depend on how other economies are performing.
- There is evidence to suggest that numbers of commuters to London have increased in recent years. Unemployment rises in London could affect the number of commuters and people deciding to move into Cambridgeshire, resulting in a decrease in housing demand in some areas.

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<sup>3</sup> Pubs seem to have been already experiencing a rise in closures.

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<sup>4</sup> Cambridgeshire County Council (2006). Employment in the Hi-Tech Community.

- Other parts of the county are building for the anticipated internal migration for employment. If employment falters in Cambridgeshire, developers are not likely to build the proposed houses. Yet, if employment remains strong people may be even more likely to come here, creating a comparative housing development boom. But that will also depend on the type of employment.

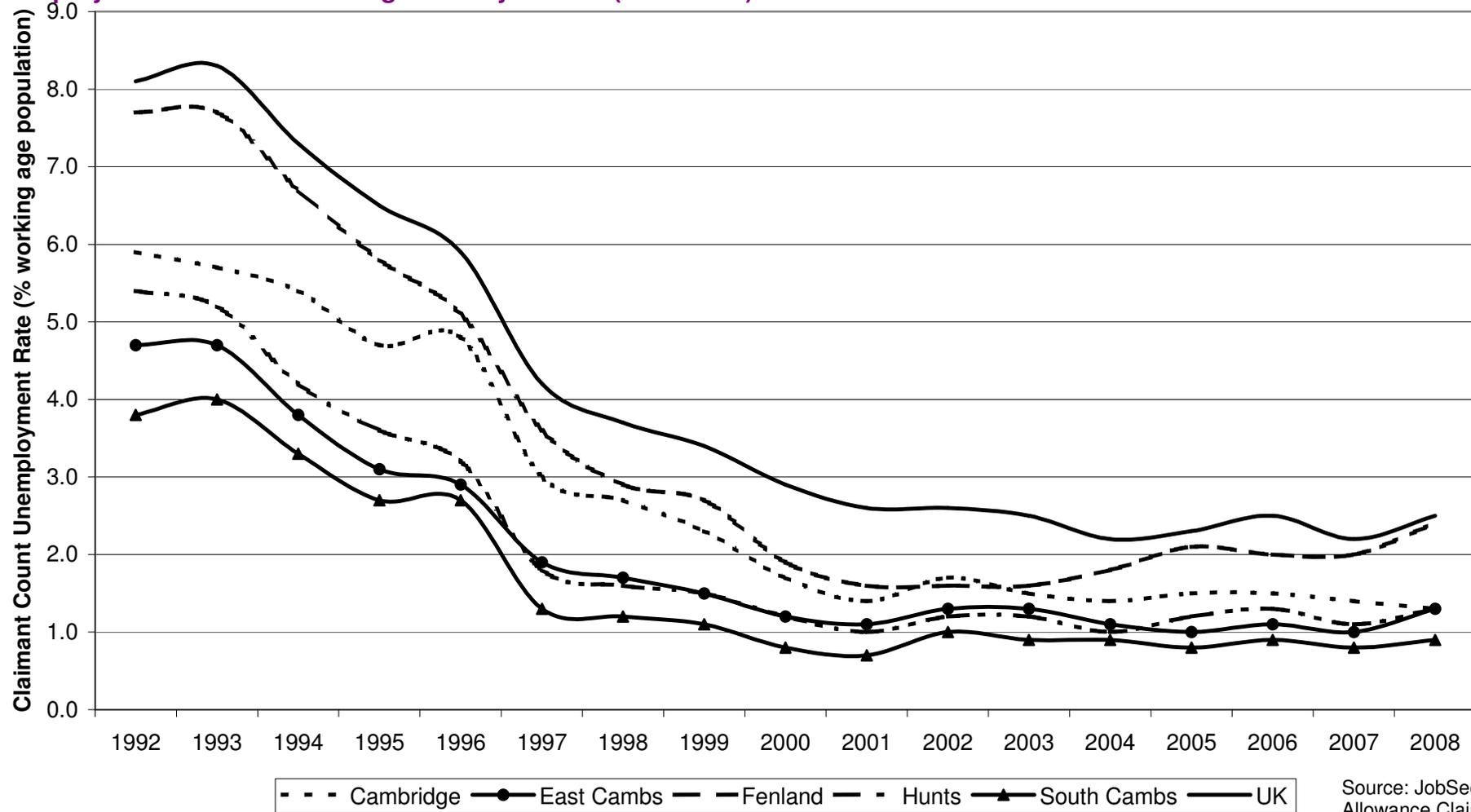
## Employment and income

In the third quarter of 2008 unemployment rates rose nationally and very slightly regionally. In Cambridgeshire the 2007 unemployment rate, based on the Annual Population Survey (which complies with the ILO definition) was 2.9%<sup>5</sup>. Different data sources are, however, slightly contradictory. While the Annual Population Survey unemployment rates show a gradual positive trend in unemployment since the late 90s, the Jobseekers' Allowance claimant count rate (see Figure 1) only shows slight fluctuation. Sources seem, nonetheless, to agree that in recent years unemployment in Fenland has been rising. The latest claimant count data, from July to September 2008, indicates a slight increase in unemployment in all Cambridgeshire districts, except Cambridge City, but it is too early to determine whether this is significant or if it even relates to the downturn.

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<sup>5</sup> Data for the third quarter of 2008 in Cambridgeshire are not yet available.

**Unemployment rates in Cambridgeshire by district (1996-2007)**



During an economic downturn we would expect the unemployment rate in Cambridgeshire to increase at a higher rate than in previous years. The Jobcentre Plus figures on redundancies and job losses show that job losses have increased in the East of England, from 1,092 in September 2007 to 1,474 in August 2008 and 2,334 in September 2008. We cannot yet determine whether these figures are related to the downturn, as they could just be illustrating frictional unemployment<sup>6</sup>.

10% (250) of job losses were registered in Cambridgeshire and Suffolk compared to 42% (988) in Bedfordshire and Hertfordshire. Most job losses were recorded in the manufacturing, food production and construction sectors, which are also the sectors that contributed less to national GDP during the last quarter of 2008. Jobcentre Plus anticipates that the majority of job losses will occur between September 2008 and March 2009<sup>7</sup>. Rises in unemployment would lead to a rise in Jobseekers' allowance and Income support benefits claims.

The rise in unemployment and the deterioration of households' disposable income could raise the number of people living in poverty. This may depend on a series of factors:

- First, as unemployment rises the number of people dependent on benefits will also rise.
- Second, some households will face debt problems as their disposable income falls.
- Third, housing affordability will become an important issue, with some families unable to access appropriate housing and others facing negative equity. 'Hidden' homelessness may rise as people are forced to live with friends and family.
- In addition, energy prices have significantly increased. According to the English House Condition Survey, 5.9% of the population in Cambridgeshire in 2003 was in fuel poverty. This estimate is now likely to be substantially higher. Increased energy prices, increased unemployment and inflation may leave more vulnerable members of society, such as older people, children and disabled people, energy poor.

A recession would not affect all areas equally. During periods of high unemployment, areas with a less skilled labour market may be hit hardest, as the population may have fewer transferable skills and so be less able to adapt to a changing jobs market.

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<sup>6</sup> Frictional unemployment is unemployment that comes from people moving between jobs, careers, and locations.

<sup>7</sup> These figures are provisional and subject to change.

## Housing in Cambridgeshire

A preliminary assessment of the impact of the financial crisis on Cambridgeshire's housing market activity produced by Cambridgeshire Horizons shows that the crisis has not had an effect on housing completions yet. They think that this may be due to a lag factor but also that the data collected by them do not provide information on very recent trends<sup>8</sup>.

Perceptions of local estate and letting agents regarding the current and future housing market in the Cambridge Sub-Region<sup>9</sup> collected in August 2008 by the Cambridgeshire County Council Research Group show interesting results:

Estate agents believe that although prices are decreasing there are very few buyers. In particular, agents state that sales are very slow, particularly to first time buyers and buy-to-let. In general, Cambridge City agents expect a 5-10% decrease in prices in the coming year whilst agents outside the City expect a 10-20% decrease.

Letting agents believe that the rental market is very strong at the moment and demand will continue to be strong in the coming years. Agents believe that there were very few buy-to-let (BTL) investors buying new properties and around a third had noticed an increase in BTL selling properties. Agents did not have strong

feelings about what would happen to BTL selling and buying in the coming year. If demand remains strong, but supply decreases, this could increase the number of households in need of affordable solutions. Agents expressed concerns about the decrease in the number of migrant workers, which would limit demand. Agents were also concerned about the increase in the number of people entering into Individual Voluntary Arrangements (IVAs)<sup>10</sup>.

As far as loans are concerned, the Council of Mortgage Lenders statistics show that nationally the number of loans to home movers and home buyers has fallen considerably. The average price of 'all properties' housing in most of the districts has increased from August 2007 to August 2008 (Source: Hometrack).

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<sup>8</sup> Cambridgeshire Horizons (2008). Information on building rates across Cambridgeshire  
<sup>9</sup> The Cambridge Sub-Region comprises Cambridgeshire County, Forest Heath and St Edmundsbury.

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<sup>10</sup> IVA is a formal agreement between the debtor and the creditor where the debtor will come to a payment arrangement with the creditor. It helps those in financial difficulties to make a formal proposal to settle their debt.

## Impacts on the environment

**Waste and recycling:** Potential increased landfill charges for waste could lead to more fly-tipping. We could also see a decrease in the price paid for recycled commodities, due to lack of demand, especially cardboard, paper and metals. This could lead to a reduction in demand and price paid for recycled materials, which may result in increased landfill of recyclable materials

**Reduced travel:** Increase in fuel costs may lead to a reduction in use of private vehicles and a potential increase in demand and regularity of public transport. The average age of vehicles on the road may increase and so emission levels, especially for air pollutants, will not decrease. Budgets for development and maintenance of transport routes may be impacted upon in times of economic hardship. Furthermore, there might be changes in way of working and travelling to work: we could expect increased home working, virtual working and use of public transport in place of own vehicle.

**Energy:** There may be less take up of home energy efficiency measures due to requirement of an initial financial outlay. The commercial property sector may drop green issues down the agenda in favour of price. Furthermore, increased home energy costs may affect how workers choose to work: working from home may become prohibitive for some. More individuals may rely on expensive prepaid credit energy tariff provision due to poor credit ratings. Finally, the importance of energy performance in

accommodation purchasing and renting may diminish as tenants drop green issues in favour of cheaper rents<sup>11</sup>.

**General Environment:** other issues to consider are the impact on water quality, on organic and environmentally sound food production and prices, corporate social responsibility attitudes and cutbacks on spending for maintaining green spaces and designated sites.

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<sup>11</sup> Doyle, David. Tenants drop green issues in favour of cheaper rents [Internet], Property Week.

## Community Safety

In this section, the relationship between an economic downturn and crime is explored. Although the evidence is mixed, the story emerging from academic evidence is that a weakening economy and rising unemployment is associated with higher crime rates. This is particularly true for property crime; some studies found a similar (though less marked) picture for violent crimes.

As the chart below shows, recent Cambridgeshire data shows no clear association between crime and unemployment. There have been no recent increases in crime that can be attributed to the downturn, though we would not necessarily expect to see the effects already.

It is important to note that:

- A weakening economy does not affect everyone equally. People at the margin of the labour market with the fewest skills are more likely to suffer from a recession, by unemployment, fewer hours of work, or poorer pay.
- A given experience of unemployment or social disorder brought about by a poor economy does not influence the offending behaviour of everyone equally. Those who are at higher risk of offending, in general and in response to unemployment, are young men.
- The victims of an increased crime rate are likely to have a similar profile to current victims – those living in deprived areas have a much higher chance of being victims of crime.

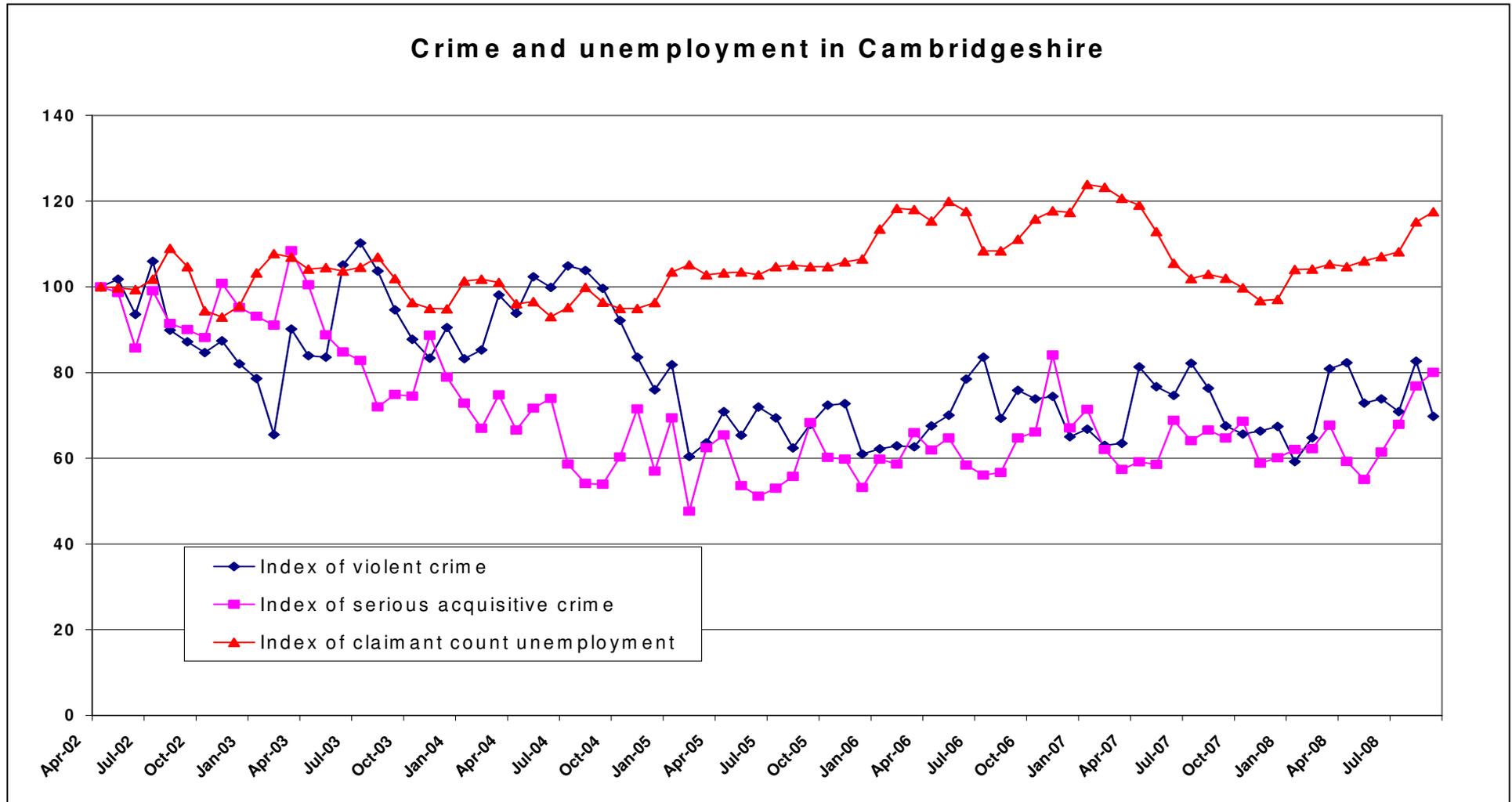
The evidence that an economic downturn would increase domestic violence is weak. Some individuals might commit domestic violence because of stress and anger; tensions or disputes in a household that is short of money could also increase the risk of domestic violence; there is some anecdotal evidence of a small number of incidents of domestic violence in the County which may have been caused by these stresses. However, the causes of domestic violence are complex and long-term, so a general increase in unemployment or fall in income will not necessarily lead to higher occurrences.

There is also little evidence about the relationship between the economy, alcohol and crime. Alcohol sales are relatively insensitive to the business cycle, but where a relationship has been found, sales have fallen when economies weaken, an argument which may explain some of the pub closures we have seen in the region<sup>12</sup>.

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<sup>12</sup> Freeman, D 1999, A note on economic conditions and alcohol problems, *Journal of Health Economics*

**Figure 2: Unemployment and crime rates in Cambridgeshire (2002-2008)**



## Public health and mental health

This section considers whether an economic downturn will lead to an increase in the number of Cambridgeshire residents suffering stress or anxiety and whether this will lead to an increase in referrals to mental health services.

The most reliable figures relating to economic activity and stress that are available are from the Health and Safety Executive (HSE), particularly the 'Self-reported work-related illness surveys', although these figures only relate to work-based stress and are of people in work. As evidenced by the HSE, if companies cut their workforce in the face of an economic slowdown, then that could put employees under great pressure.

In the downturn of 1990-2003 there was an increase in levels of stress within the overall population as demonstrated by the number of reports in national newspapers. However, work-related stress has increased continually since 1990, irrespective of the economic conditions. For stress and anxiety to increase measurably we would probably require a long and deep recession.

Contact with GP surgeries has not unveiled any specific trends in increased numbers of surgery visits related to stress. In fact, there is some evidence, that the economic downturn is resulting in some health benefits, such as more people walking rather than driving, and an increase in preparing home-cooked meals as compared to ready-meals (Source: YouGov survey).

## Children's Services

This section examines whether an economic downturn will lead to an increase in the number of children in care. The evidence base to answer this question involves two main aspects: first, whether the number of children in care as a proportion of the total population of children increases in times of comparative economic stress. Second, the reasons why children are being taken into care. A confounding factor is national and local policy, which can affect how many children are taken into care at any one time. Depending on those policies, increased numbers of children taken into care can be seen as a positive rather than a negative factor<sup>13</sup>.

In Cambridgeshire, the number of looked after children per 10,000 has increased between 2001/02 and 2007/08. This is in line with the national picture. However, that rate is consistently lower than the national rate. This may be related to economic factors in Cambridgeshire compared to other parts of the Country, but social factors and local policies and practice are also important.

Overall, the most likely reasons for changes in the number of children in care at any one time are national and local policies and practice. A change in economic fortunes of Cambridgeshire would probably have to be severe and long-term to make any noticeable difference to those numbers.

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<sup>13</sup> There are more children in care now than in Victorian England.

## Community cohesion and immigration

In times of recession, community cohesion is an important aspect to consider. Periods of scarce resources may provoke societal frictions because of increasing inequalities, but they can also increase a sense of solidarity and community.

One of the main concerns at a national level is that in periods of rising unemployment immigration would pose a threat to community cohesion, as the local population would resent migrants filling the few jobs available. Several proposals suggest cutting immigration levels. In Cambridgeshire, international immigration is already naturally stabilising. Statistical evidence shows that work registrations of foreign nationals have decreased in the last two years. Fewer job opportunities and the weaker British currency could deter migrants from coming to the UK. The immigration points system is also likely to reduce migration levels further. The effect on community cohesion remains unclear.

It is, however, important to consider the impact of an economic downturn on those economic sectors that are strongly dependant on foreign labour force. In Fenland and East Cambridgeshire, for example, Eastern European migration contributes to the agricultural sector. Three elements should be addressed: first, we should assess whether these economic sectors would survive with a shrinking labour force. Second, we should assess whether these sectors could easily find labour replacement within the local population. Third, we should establish whether the local population needs additional skills or training.

## In summary...

Britain has not entered recession yet, however there are strong signs that this could happen in the next three months. The length and implications of this recession are still unknown. More difficult is to assess how the economic downturn might affect economic and service sectors at a local level.

Local socio-economic indicators show that Cambridgeshire has a strong economy that has grown significantly in recent years. The labour market is buoyant and diverse. This implies that the economic downturn might have a softer impact in Cambridgeshire than in other areas of the UK. Yet, we are already seeing some signs of a slowdown, particularly in some sectors of the economy.

The economic downturn will not affect all regions of the UK equally, yet negative messages of recession will only increase the fear of a recession, thereby accelerating the downturn in those areas, such as Cambridgeshire, that have been having economic growth. Policy efforts could, initially, be concentrated on avoiding the dispersal of local panic and trying to restore consumer confidence while protecting local businesses. Unemployment should not increase as long as Cambridgeshire's productivity and consumer demand remain stable.

For further information on our workshops and the Cambridgeshire Together Board discussion on the economic downturn, contact:

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