



Perceptions of the Economy

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1 Executive Summary

This wave of the Life in Lancashire panel investigated what effect the economic downturn is having on Lancashire residents (if any), and looked into their priorities and level of confidence for the future. The survey was sent to all 3097 members of the panel on 25 February and the fieldwork ended on 3 April 2009. In total 2560 questionnaires were returned, giving an overall response rate of 83%.

1.1 Key findings

Local and national priorities

- There are wide differences in local and national priorities. The **economy** is seen as the most important issue nationally by far (70%), but only about a third as many people see it as a key local issue (26%).
- The most important local issue is **crime and law and order** (44%), but the economic issue of **unemployment** is the second most important local issue (32%).
- **Activities for teenagers** (48%) and **road and pavement repairs** (45%) are seen as the most important things for improvement locally, though the third highest priority is for **job prospects** (43%), which is ahead of the **level of crime** (40%) and **clean streets** (37%). Job prospects are more likely to be mentioned as a priority by those in the youngest age group 16 to 24 years (62%) and those from socio-economic groups DE (48%).

The state of the economy

- Almost three in five Lancashire residents say that they and their family are worse off compared to last year (59%), with one person in five feeling much worse off (20%). Only one person in ten considers themselves better off (10%).
- Panel members are quite pessimistic about the economy over the next 12 months, with most thinking the economy will get worse locally (68%), across Lancashire (74%) and especially in the country as a whole (84%). People in east Lancashire are more likely to think things will get worse locally than those in the west of the county (71% and 66% respectively).

- The current economic downturn is expected to last beyond December 2010 by two people in five (40%), or about half of panel members giving an answer. This suggests a recovery expected at least two years from the date of fieldwork.
- Three-quarters of people are concerned about someone they know being made redundant or unemployed in the next 12 months (74%, or 84% excluding don't know answers). Seven in ten residents are concerned about their current financial situation (70%), with a quarter very concerned (23%).
- Amongst panel members who are currently employed, more than one person in three is concerned about being made redundant or unemployed in the next 12 months (36% very or fairly concerned). Full-time and part-time workers are equally likely to be concerned. Employees from the more deprived C2 and DE socio-economic groups are more likely to be concerned than those from groups AB and C1.
- A quarter of panel members agreed that financial worries were having a negative effect on their relationships (25%). Younger respondents were more likely to agree with this.

Changes in spending

- Panel members answer that they have recently reduced their spending in a wide variety of areas, particularly luxury items (65%), eating out or takeaways (54%) and going out (42%). One person in three answers that they have recently reduced spending on the essentials of household food (35%) and gas, electricity or heating (32%)¹. Reductions in spending on heating come despite the winter of 2008/9 being the coldest in more than ten years.
- In the next 12 months panel members are most likely to say they expect to reduce spending on Christmas or birthday presents (33%), holidays abroad (32%) and gas, electricity or heating (31%).
- From the same list, the main areas where people had spent more money than last year were on gas, electricity and heating (42%), household food (29%) and travel and transport (20%). This could possibly be because of higher prices or spending money differently for example (eg meals taken at home rather than meals out).

¹ It is also important to note that the question did not ask for previous usage of each item. While each household will buy food and gas or electricity, not every household will have previously spent on every item on the list, eg going for a holiday abroad.

1.2 Conclusions

Perceptions of the economy appear to be changing as quickly as the economy itself, with job prospects being named as a much higher local priority on this survey than on a similar survey only five months previously. While the economy is seen as the most important priority nationally, this is likely to have greatly increased in priority in the last 12 months as seen elsewhere, reflecting the current economic downturn.

There is an expectation that the economy will get worse, and therefore communications to the public may need to reflect this. This could be by providing reassurance or details of what the county council is doing to support businesses and members of the public during the recession, (eg prompt payments and welfare rights information).

The finding that employees from the lower socio-economic groupings are the most worried about becoming made redundant is important to note. If these concerns are warranted and unemployment is more common in these groups, then this will widen the gaps with higher groups that already exist both financially and in other areas of deprivation, and also potentially in other areas such as mental wellbeing. This will need to be monitored to allow action by the relevant agencies and policy areas. Also previous panel research has shown a strong link between levels of financial difficulty and anxiety or depression, whatever the socio-economic group.

It also appears clear that a wide swathe of the Lancashire public is already feeling the force of the economic downturn, (reduced spending on heating during a cold winter being a dramatic sign of this). Reduced spending and the expectation of reduced spending are likely to have an impact on local businesses throughout the county, particularly local shops (especially luxury shops and clothing retailers), restaurants and takeaways. This will need to be considered by the council and its partners in their actions to respond to the downturn.

2 Introduction

Lancashire County Council has used Living in Lancashire regularly since August 2001, (formerly Life in Lancashire). A panel of willing participants is recruited and is approached on a regular basis to seek their views on a range of topics and themes. Panel members are voluntary participants in the research they complete and no incentives are given for completion.

The panel has been designed to be a representative cross-section of the county's population. The results for each survey are weighted in order to reflect the demographic profile of the county's population.

The panel provides access to a sufficiently large sample of the population so that reliable results can be reported at a county wide level. It also provides data at a number of sub-area and sub-group levels.

Each wave of Living in Lancashire is themed. Firstly, it enables sufficient coverage on a particular topic to be able to provide insight into that topic. And secondly, it comes across better to the residents completing the questionnaires if there is a clear theme (or 2-3 clear themes) within each survey.

The panel is refreshed periodically. New members are recruited to the panel and some current members are retired on a random basis. This means that the panel remains fresh and is not subject to conditioning i.e. the views of panel members become too informed with county council services to be unrepresentative of the population as a whole.

3 Research Objectives

The objectives of this consultation are to find out what effect the economic downturn is having on Lancashire residents, and to find out their priorities and level of confidence for the future.

4 Methodology

This wave of Life in Lancashire research was sent to 3097 members of the panel on 25 February. A reminder was sent on the 18 March, and the fieldwork ended on 3 April 2009.

In total 2560 questionnaires were returned, giving an overall response rate of 83%.

All data are weighted by age, ethnicity and district to reflect the Lancashire overall population, and figures are based on all respondents unless otherwise stated. The weighted responses have been scaled to match the effective response of 2188, which is the equivalent size of the data if it had not been weighted and was a perfect random sample.

4.1 Limitations

The table below shows the sample tolerances that apply to the results in this survey. Sampling tolerances vary with the size of the sample as well as the percentage results.

Number of respondents	50/50 + / -	30/70 + / -	10/90 + / -
50	14%	13%	8%
100	10%	9%	6%
200	7%	6%	4%
500	4%	4%	3%
1000	3%	3%	2%
2000	2%	2%	1%

On a question where 50% of the people in a sample of 1000 respond with a particular answer, the chance are 95 out of 100 that the answer would be between 47% and 53% (ie +/- 3%), versus a complete coverage of the entire Lancashire population using the same procedure.

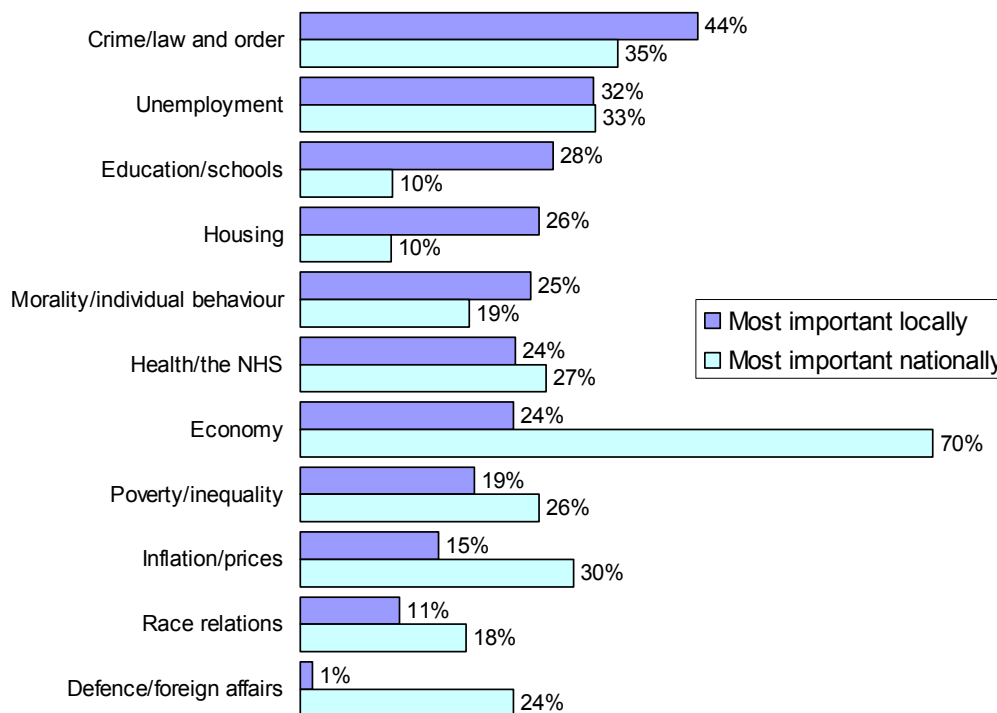
In charts or tables where responses do not add up to 100%, this is due to multiple responses or computer rounding.

5 Main Research Findings

5.1 Local and national priorities

The first questions on the questionnaire asked for Lancashire residents local and national priorities to compare the difference and see how important economic issues are viewed.

**Chart 1 - a) Which of the following issues do you think are most important nationally now?
b) Which of the following issues do you think are most important locally now?**



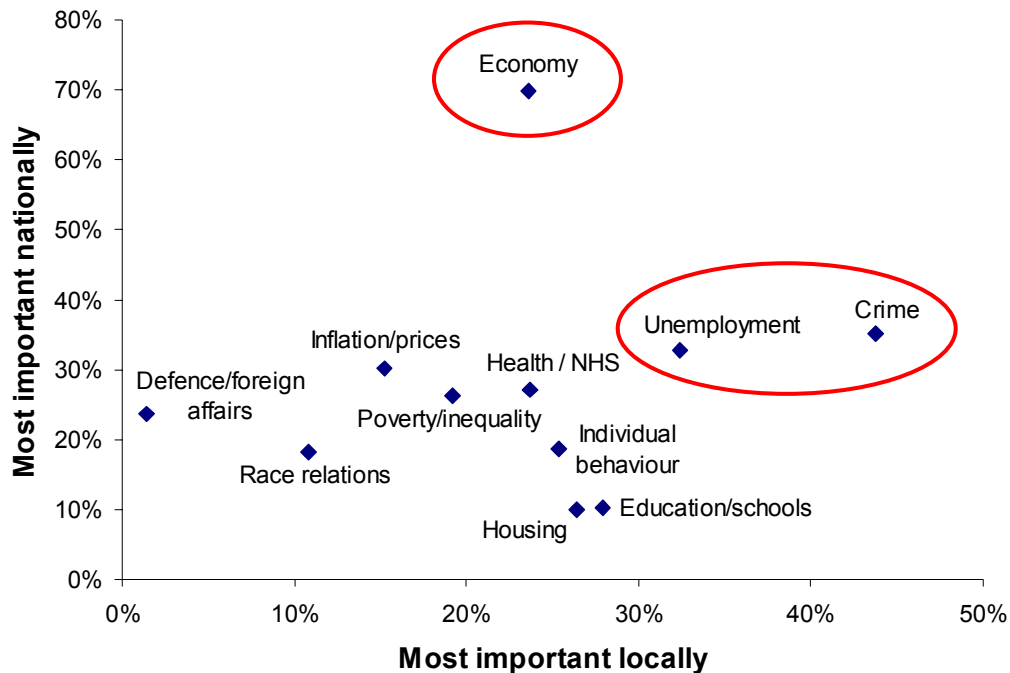
Base: All respondents (unweighted 2560, weighted 2188)

Nationally, the economy is viewed as the most important issue by far, with twice as many people naming it as the next most important issue, crime. Linked to the economy, both unemployment and inflation/prices are also seen as high national priorities (33% and 30% respectively).

Locally though, crime and law and order is seen as the most important issue, though unemployment is seen as one of the most important issues by one person in three (32%).

This difference between local and national issues is shown in the chart below, with the national and local issues shown on the same scatter chart.

**Chart 2 - a) Which of the following issues do you think are most important nationally now?
b) Which of the following issues do you think are most important locally now?**



Base: All respondents (unweighted 2560, weighted 2188)

Therefore, while the economy is seen as the most important issue nationally it is not necessarily viewed as a local issue, though the linked issue of unemployment is.

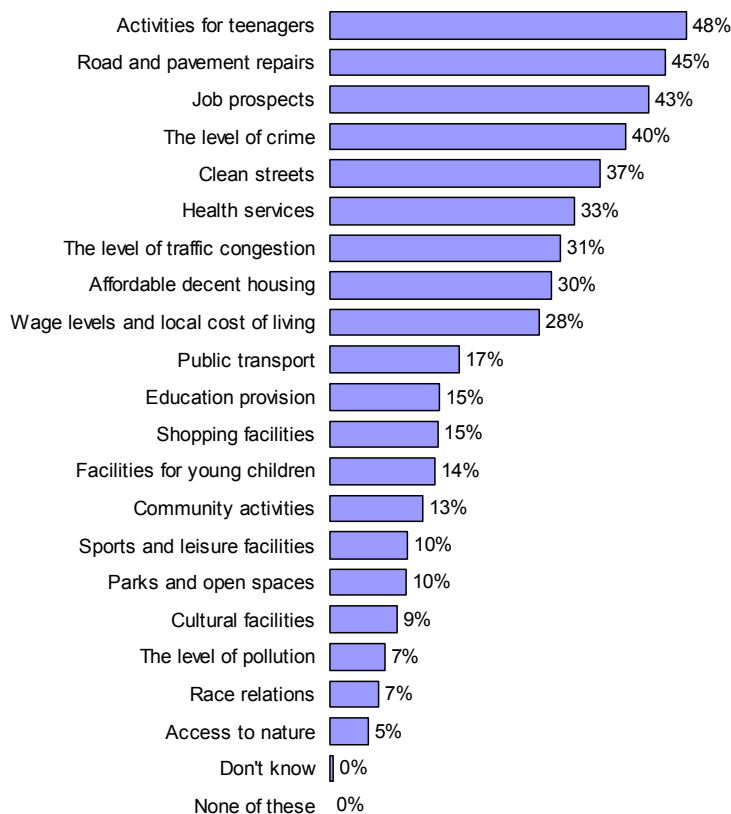
These findings for the most important issues nationally are similar to those of the polling firm Ipsos-MORI in their UK-wide surveys. In their February 2009 survey, the economy was seen as one of the most important national issues by 67% of respondents, with twice as many people naming it as the next highest issue, crime (32%). The perceived importance of the economy has risen sharply as the economic downturn continues, on this national survey for instance, the proportion naming the economy as one of the most important issues has more than tripled compared with the same survey 12 months ago, (18% named the economy as of the most important issues in February 2008). Despite the lack of any previous benchmarks for this question in Lancashire, it is likely that this sharp rise in the importance of the economy has also occurred within the county.

Demographically, there are some slight differences. Locally, older residents are more likely than younger residents to name crime as a priority (49% of those aged 45 years or older give it as a local priority compared to only 35% of those aged 44 years or younger). As might be expected, education

and schools is more likely to be a priority for those with children in the household (39% versus 25% of those without). Unemployment is seen as more important locally by those from socio-economic groups DE² (40%) and C2 (37%) than those in the highest grades AB (22%). Nationally, the economy is seen as the most important issue by all subgroups, though people employed full-time are more likely to name it than those employed part-time or not employed (eg retired); (75% of those employed full-time compared with 67% of both those not employed and employed part-time). There are no significant differences by district.

Respondents were next asked what most needed improving in the local area. Activities for teenagers (48%) and road and pavement repairs (45%) were seen as the most important, as they were on the Place survey which asked the same question in late 2008. Job prospects (43%) are the third highest priority here, whereas they were only the sixth highest priority last year³.

Chart 3 - And thinking about this local area, which of the things below do you think most need improving?



Base: All respondents (unweighted 2560, weighted 2188)

² See Section 7 Appendix for definitions

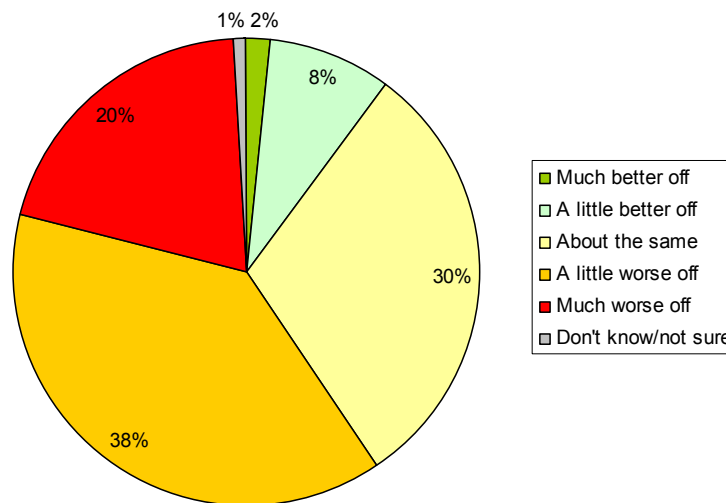
³ This could be due to the economy being seen as more of a priority now, or could be due to the different survey this time, with its later section on the economy causing an effect on answers.

Job prospects are more likely to be mentioned as a priority by those in the youngest age group 16 to 24 years (62%) and those from socio-economic groups DE (48%). People aged 60 years and over are significantly more likely to mention road and pavement repairs and clean streets as local priorities (60% and 47% respectively). Panel members in Burnley are almost twice as likely as the county average to mention wage levels and the local cost of living (46% against a county average of 28%).

5.2 The state of the economy

The first direct question on the survey on economic issues asked whether panel members felt better or worse off compared with last year. Only one in ten felt better off, while three in five felt worse off (59%), with one in five much worse off (20%).

Chart 4 - Compared with this time last year would you say that you and your family are...



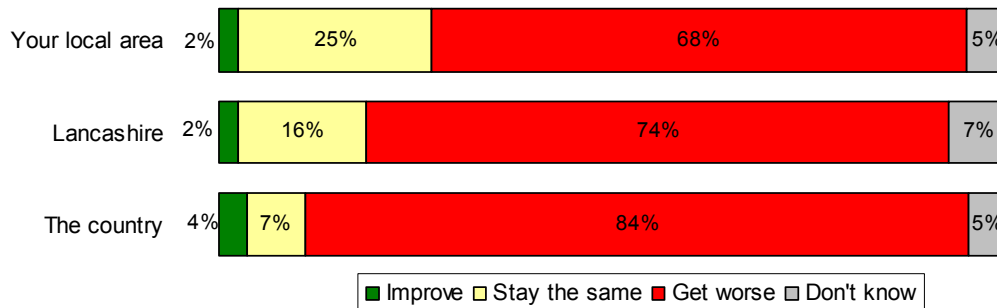
Base: All respondents (unweighted 2560, weighted 2188)

There are significant differences in the proportion feeling worse off by age. Respondents aged 45 to 59 years are most likely to feel worse off (67% much or a little worse off). Those aged 60 years and over (60%) are also significantly more likely to feel worse off than those aged 16 to 24 and 25 to 44 years (52% and 53% feeling worse off respectively). There are no significant differences by district, suggesting that this effect is distributed relatively evenly across the county.

Following on from this, panel members were asked whether they think the economy will improve in the next 12 months in three areas from local to national, as shown below. Respondents are quite pessimistic across this timescale, with the vast majority expecting things to get worse in each area.

Respondents are more likely to think things will get worse nationally than locally or across the county. In the local area, residents of east Lancashire are more likely to think things will get worse than those from west Lancashire, with three quarters of residents in Burnley (75%), Pendle and Rossendale (both 74%) thinking the local economy will get worse. There are only small differences by subgroup in the proportions answering that Lancashire and the country will get worse.

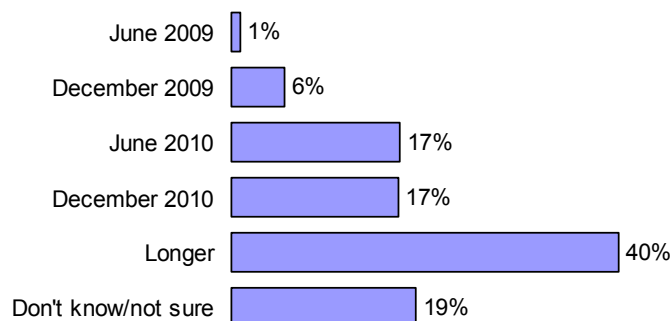
Chart 5 - And do you think that the economy in each of the following areas will improve, stay the same, or get worse over the next 12 months?



Base: All respondents (unweighted 2560, weighted 2188)

Matching the fact that most respondents expect the economy to get worse in the next 12 months, panel members are most likely to answer that they think the current downturn will last beyond December 2010, which suggests at least two years from the time of fieldwork. The same proportion expects the downturn to last up to December 2010 or sooner (41%).

Chart 6 - And approximately when do you think the current economic downturn will last until? ⁴



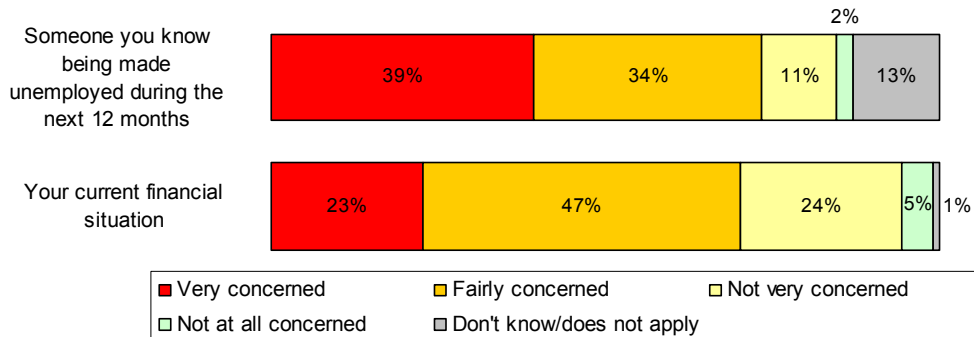
Base: All respondents (unweighted 2560, weighted 2188)

There were no demographic differences for this question.

The next questions investigated the level of concern at the possible effects of the recession. Three-quarters of people are concerned about someone they know being made redundant or unemployed in the next 12 months (74%, or 84% excluding don't know answers). Seven in ten people are concerned about their current financial situation (70%), with a quarter very concerned (23%).

⁴ Please note this question does not specify which area the economy is situated in.

Chart 7 - How concerned, if at all, would you say you are about each of the following?

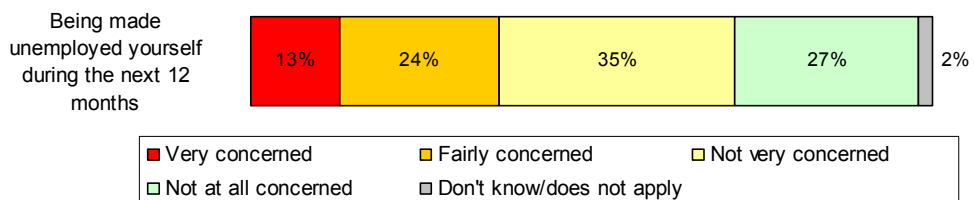


Base: All respondents (unweighted 2560, weighted 2188)

There are significant differences on these measures by socio-economic group, with residents in groups C2 and DE significantly more concerned about their current financial situation (77% and 80% concerned respectively, excluding don't know answers), than those from groups AB and C1, (63% and 70%). Those from C2 and DE are also more likely to be worried about someone they know being made unemployed in the next 12 months than respondents from groups AB, (88, 85 and 78% concerned respectively, excluding don't know answers).

Panel members who are currently employed were also asked how worried they were about being made redundant or unemployed themselves in the next 12 months. While they are less likely to say they are concerned for their own jobs than those of others, more than one person in three is concerned (36% very or fairly concerned). Full-time and part-time workers are equally likely to be concerned (36% and 37% respectively). This compares with claimant counts in March 2009, the time of fieldwork, showing 3.5% of the Lancashire working age population on unemployment related benefits⁵. This is almost double the rate in March 2008, (an increase of 90%), showing that unemployment in the county is increasing.

Chart 8 - How concerned are you about being made redundant / unemployed yourself during the next 12 months?



Base: All respondents currently employed (unweighted 1339, weighted 1318)

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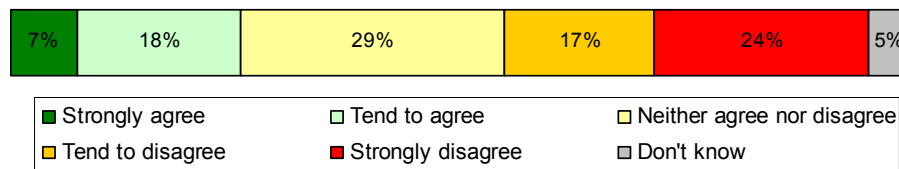
http://www.lancashire.gov.uk/office_of_the_chief_executive/lancashireprofile/unemployment/ccsum200903.asp

People from east Lancashire were more likely to be concerned about losing their jobs than those in the west of the county⁶ (43% concerned vs 33%). Half of employees from socio-economic groups C2 and DE are concerned about being made unemployed (both 50%), which is a significantly higher proportion than the one in three from groups AB and C1 who are concerned (32% and 33% respectively).

If this level of concern is warranted and people from the more deprived socio-economic groups are more likely to become unemployed, this will increase the gap between the most and least affluent groups both financially and in other areas, such as mental wellbeing. For example the Living in Lancashire report into health issues in July 2008 found that people from socio-economic groups DE were significantly more likely to suffer from anxiety or depression than average. The same survey found a strong link generally between financial difficulty and levels of anxiety and depression.

Following on from these questions all panel members were asked whether financial worries were affecting their relationships. A quarter of panel members agreed that financial worries were having a negative effect (25%), with one person in twelve agreeing strongly (8%).

Chart 9 - And how much do you agree or disagree with the following statement? My financial worries are having a negative effect on my relationships with family or friends

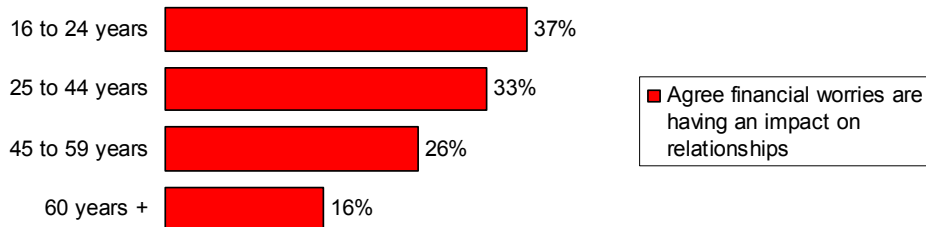


Base: All respondents (unweighted 2560, weighted 2188)

There is a strong link to this question by age, with younger panel members more likely to agree, as shown in the chart below. This is perhaps surprising, since there was no significant link between age and concern over current situation, so could be a reflection of concerns about the future.

⁶ By district the claimant count figures vary from 1.6% of the working age population in Ribble Valley to 4.7% in Burnley. The increase in the last twelve months varies between a 60% increase in claimants in Preston up to a 139% increase in Ribble Valley.

Chart 10 - % agreeing financial worries are affecting relationships, by age group



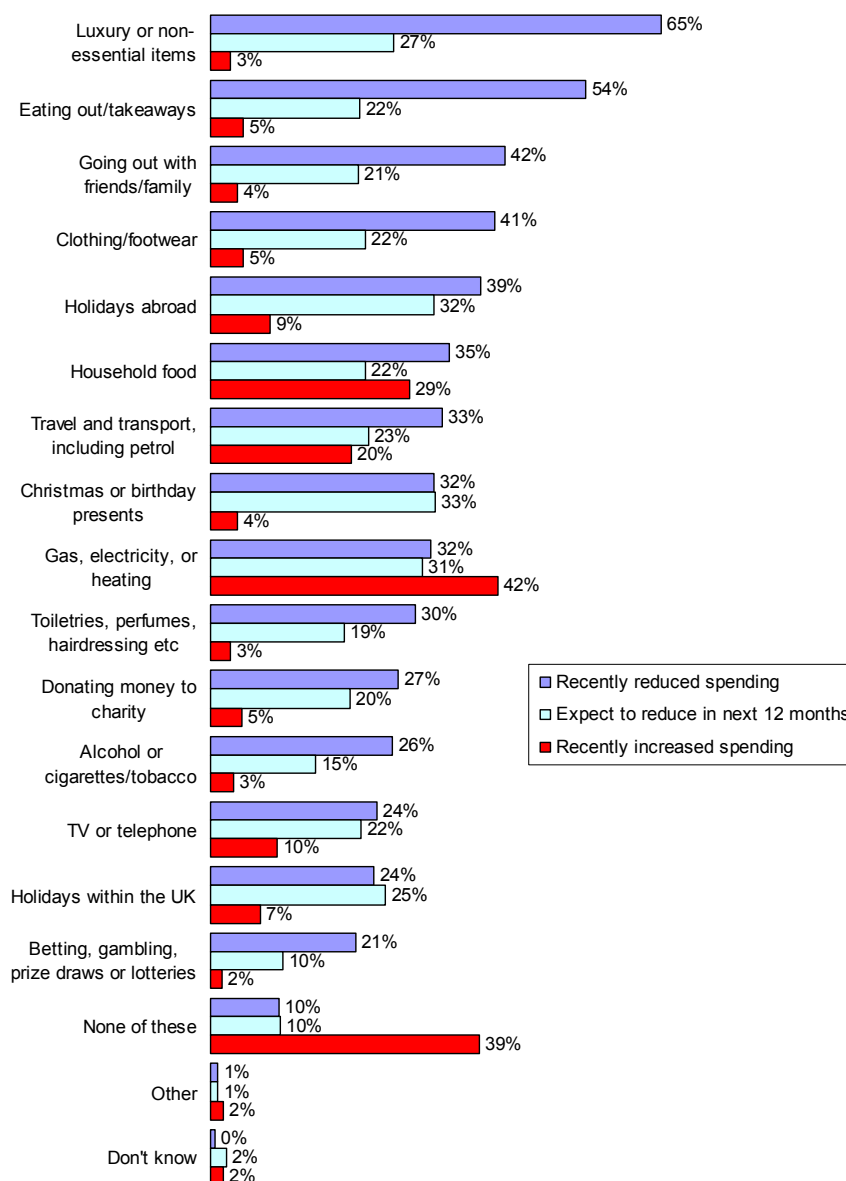
Base: All respondents excluding don't know answers (unweighted 2560, weighted 2188)

There is also a strong difference by ethnicity, with respondents from a BME background about twice as likely to agree with the above statement than white respondents (56% and 25% agree respectively, excluding don't know answers). With only one person in six agreeing (16%), people from socio-economic groups AB are significantly less likely to agree than those from all other groups. There are no significant differences by district.

5.3 Changes in spending

Panel members were also asked whether there had been any recent changes in their spending, or whether they expected to reduce their spending in the next 12 months. These are shown below.

**Chart 11 - a) On which of the following, if any, have you recently reduced your spending?
 b) And which, if any, of these items do you expect to reduce your spending on in the next 12 months?
 c) On which of the following, if any, have you recently increased your spending? (eg due to spending less elsewhere or a change in prices)**



Base: All respondents (unweighted 2560, weighted 2188)

There are a number of areas where a third or more of the panel have reduced spending, particularly luxury items (65%) and eating out or takeaways (54%). While the question does not ask by how much spending has decreased, these certainly are large proportions of the population answering that they are spending less on many items, which may have implications for local shops, restaurants, takeaways and other businesses. Also particularly noticeable is the one person in three who has recently reduced spending on the essentials of household food (35%) and gas, electricity or heating (32%)⁷. Respondents aged over 60 years and between 45 and 59 years are more likely to say they have reduced spending on gas, electricity or heating than those aged 25 to 44 years (36%, 35% and 26% respectively).

There are some demographic differences in the responses to reductions in spending. Younger respondents are more likely to have recently reduced spending on clothing and shoes, and eating out or takeaways than older respondents. Women are more likely to have reduced spending on clothing and footwear (50%), than men (30%).

Panel members are most likely to say they expect to reduce spending in the next 12 months on Christmas or birthday presents (33%), holidays abroad (32%) and gas, electricity or heating (31%). There were few demographic differences in this, though panel members from an ethnic minority were more likely to expect to reduce spending on utilities, household food and transport than white respondents.

Finally, for the same list, panel members were asked whether they had recently increased spending on any items on the list. The main areas where people had spent more were on gas, electricity and heating (42%), household food (29%) and travel and transport (20%). The reason for these would need to be investigated further but are likely to include:

- a reduction in spending elsewhere, (eg going out less meaning more meals are taken at home);
- higher prices, (eg according to the BRC-Nielson Shop Price Index, food price inflation stood at 9% in March)⁸; and
- other factors, (eg winter 2008/9 in England was the coldest in more than 10 years⁹, meaning more gas and electricity being used for heating).

⁷ It is also important to note that the question did not ask for previous usage of each item. While each household will buy gas or electricity and food, not every household will have previously spent on every item on the list, eg going for a holiday abroad.

⁸ <http://www.retail-week.com/market-data/food-inflation-slows-for-the-first-time-this-year/5002365.article>

⁹ <http://www.metoffice.gov.uk/climate/uk/2009/winter.html>

Gas, electricity and heating, and household food are particularly interesting since most people are changing the amount they spend one way or the other, with large proportions both increasing (42%) and decreasing (32%) their expenditure. The fact that a large minority of the public say they have recently reduced spending on gas, electricity or heating during an especially cold winter gives a strong suggestion of the current economic situation.

6 Conclusions

Perceptions of the economy appear to be changing as quickly as the economy itself, with job prospects being named as a much higher local priority on this survey than on a similar survey only five months previously. While the economy is seen as the most important priority nationally, this is likely to have greatly increased in priority in the last 12 months as seen elsewhere, reflecting the current economic downturn.

There is an expectation that the economy will get worse, and therefore communications to the public may need to reflect this. This could be by providing reassurance or details of what the county council is doing to support businesses and members of the public during the recession, (eg prompt payments and welfare rights information).

The finding that employees from the lower socio-economic groupings are the most worried about becoming made redundant is important to note. If these concerns are warranted and unemployment is more common in these groups, then this will widen the gaps that already exist both financially and in other areas of deprivation with higher groups, and also potentially in other areas such as mental wellbeing. This will need to be monitored to allow action by the relevant agencies and policy areas. Also previous panel research has shown a strong link between levels of financial difficulty and anxiety or depression, whatever the socio-economic group.

It also appears clear that a wide swathe of the Lancashire public is already feeling the force of the economic downturn, (reduced spending on heating during a cold winter being a dramatic sign of this). Reduced spending and the expectation of reduced spending are likely to have an impact on local businesses throughout the county, particularly local shops (especially luxury shops and clothing retailers), restaurants and takeaways. This will need to be considered by the council and its partners in their actions to respond to the downturn.

7 Appendix

7.1 Socio-Economic-Group Definitions

These groups are based on Market Research Society definitions and on the respondent. They are graded as A, B, C1, C2, D and E.

Group A

- Professional people, very senior managers in business or commerce or top-level civil servants.
- Retired people, previously grade A, and their widows

Group B

- Middle management executives in large organisations, with appropriate qualifications
- Principle officers in local government and civil service
- Top management or owners of small business concerns, educational and service establishments
- Retired people previously grade B, and their widows

Group C1

- Junior management, owners of small establishments, and all others in non-manual positions
- Jobs in this group have very varied responsibilities and educational requirements
- Retired people, previously grade C1, and their widows

Group C2

- All skilled manual workers, and those manual workers for responsibility for other people
- Retired people, previously grade C2, with pensions from their job
- Widows, if receiving pensions from their late partner's job

Group D

- All semi skilled and unskilled manual workers, and apprentices and trainees to skilled workers
- Retired people, previously grade D, with pensions from their late job
- Widows, if receiving pensions from their late partner's job

Group E

- All those entirely dependant on the state long term, through sickness, unemployment, old age or other reasons
- Those unemployed for a period exceeding six months (otherwise classified on previous occupation)
- Casual workers and those without a regular income