Hampshire Economic Assessment, 2011

Extended Evidence Document: Introduction & Theme 1

March 2011

Hampshire County Council

SQW

Contents

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1: Introduction

1.1 This Extended Evidence document contains the detailed data analysis that 'sits behind' and directly informs the Hampshire Economic Assessment, 2011.

1.2 In order to navigate through this document and to identify those sections that are of most interest, the following table provides an overview of what is covered.

Table 1-1: An overview of the Extended Evidence document

Section	Contents
Key definitions	This section explains how the complex geography of the *Hampshire Economic Area* has been defined, used in the collection of the data and labelled. It also explains the approach to the use of comparators. This short section should be read before reading any of the sections that follow.
Theme 1 – Overall Competiveness	This begins with an introduction that sets out a number of propositions – identified by Hampshire County Council and its key stakeholders[1] – that guided the collection and analysis of the data. It then presents a comprehensive analysis of the data covering: an overview of the Hampshire economy; four of the five HM Treasury drivers of productivity; and the competitiveness of Hampshire compared to other areas. The section concludes by providing a response to the propositions set out in the introduction.
Theme 2 – Economic Linkages	This section examines the settlement structure in Hampshire; economic linkages; and the earnings differentials between resident- and workplace-based workers.
Theme 3 – Business and Enterprise	The focus of this section is on data that relate to: the business population and key employers; business starts and survival rates; key sectors; GVA; commercial and industrial floorspace; and inward investment.
Theme 4 – People and communities	Following an introduction that sets out the key propositions, this section is broken down into a number of separate sub-sections. These address: • Population and households – which covers: total population, components of population change, population estimates by age, ethnic groups, population projections and household projections. • Labour market – which covers: Economic activity and employment, unemployment, benefit claimants, destination of school leavers, NEETs, earnings, migrant workers, vacancies and labour supply forecasts. • Skills and qualifications – which covers: qualifications of the resident population, school attainment, adult learners and higher education institutions. • Social deprivation – which covers: housing affordability, housing needs, life expectancy, other health indicators, conceptions to under 18s, number of economic inactive residents who want a job, crime statistics and the index of multiple deprivation. It ends by responding to the propositions identified by Hampshire County Council and its key stakeholder group.
Theme 5 – Sustainable Economic Growth	This section examines a broad range of indicators relating to: resource use, transport, broadband, housing, employment land, and the overall quality of life.

[1] Hampshire County Council convened a key stakeholder group to shape and support the development of the Hampshire Economic Assessment. Membership of this group included: representative officers from local authority districts in each of the three sub-areas; Hampshire Economic Partnership (HEP); the Partnership for Urban South Hampshire (PUSH); the South East England Development Agency (SEEDA); regional agencies; and the voluntary and community sector

Section	Contents
Future prospects	This final section takes a 'forward look' using various modelled projections and forecasts. It provides a summary of the detailed population and employment projections analysed in Theme 4 (see above) along with a headline analysis of both the balance between workers and jobs, and GVA projections.

2: Key definitions

Understanding the geography of the *Hampshire Economic Area*

2.1 The *Hampshire Economic Area* includes the territory covered by Hampshire County Council and the two unitary authority areas of Portsmouth and Southampton. Hence it covers – in statistical terms – 13 local authority districts (LADs). Within it, three broad sub-areas are recognised:

- *North Hampshire*: straddling the M3 motorway and including some large settlements (e.g. Basingstoke, Aldershot and Farnborough) but also a significant rural area
- *Central Hampshire/New Forest*: a predominantly rural area, much of which is within the boundary of the South Downs and New Forest National Parks, and, in settlement terms, comprising a network of market towns and smaller settlements, but also Winchester and Andover
- *South Hampshire*: a largely – although not exclusively – urban area, including Southampton and Portsmouth, but also other sizeable urban areas (e.g. Havant, Gosport, Fareham and Eastleigh).

2.2 Over the years, sub-area boundaries have been a subject of much discussion in Hampshire (and beyond). Working definitions have been proposed at different times, in different ways, and for different purposes:

- The South Hampshire area has been (and is) important in sub-regional partnership and planning terms, for the area has been a designated growth point, an MAA and the Partnership for Urban South Hampshire (PUSH) works across it. The area is largely defined by the boundaries of the South Downs and New Forest National Parks.
- The boundary between Central and *North Hampshire* is less well established. One formulation had its origins in the South East Plan and the specification of the Western Corridor/Blackwater Valley sub-region. However that sub-regional boundary has been realigned twice in recent years and the significance of this designation has dwindled of late.

2.3 The two boundaries therefore are somewhat different from each other – both in terms of the basis on which they have been drawn and their current wider significance. Hampshire County Council's preferred approach to the definition of sub-areas, and the approach adopted for the purposes of the Hampshire Economic Assessment is set out below.

Preferred approach

2.4 The boundary between South Hampshire and Central Hampshire / New Forest is defined as follows:

- Wherever possible, the boundary between South Hampshire and Central Hampshire / New Forest will follow the South Hampshire boundary. Practically, this means an approach to the definition of South Hampshire which is defined on the basis of whole wards or whole Lower Layer Super Output Areas (LSOAs). Central Hampshire/New Forest will have its southern boundary defined on the basis of whole wards or whole LSOAs and its northern boundary defined on the basis of LADs (see below).

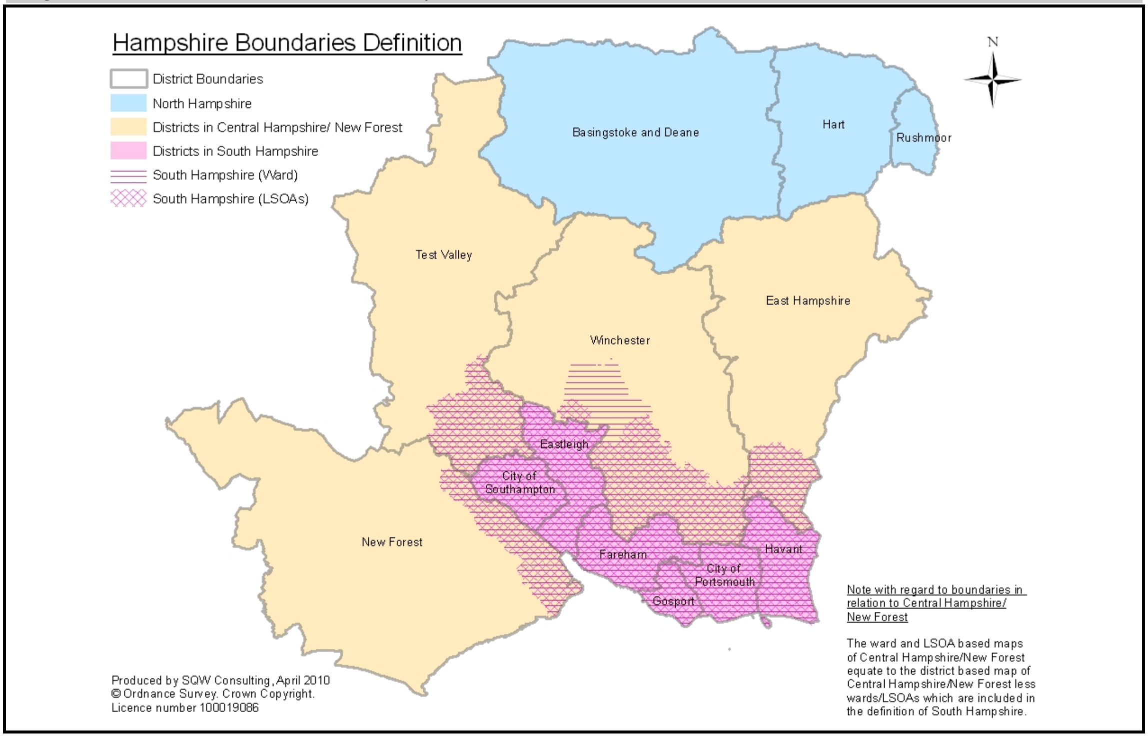
- However relatively few socio-economic data are available at this level of granularity and many of those that are in principle "available" are highly dubious in terms of their robustness. Hence for many indicators it will be necessary to adopt a district-based approach; where this is the case, "whole" districts will be used and no attempt will be made to sub-divide district-level information across the boundary between South Hampshire and Central Hampshire/New Forest.

2.5 The boundary between Central Hampshire / New Forest and North Hampshire is defined as follows:

- The boundary between North Hampshire and Central Hampshire / New Forest will be drawn on the basis of LAD boundaries. Basingstoke and Deane, Hart, and Rushmoor will be identified as "North Hampshire". The abutting districts to the south will all be included within Central Hampshire / New Forest (except for those areas which fall within South Hampshire).

2.6 The map which follows shows the definition of each of the three sub-areas using these boundary definitions.

Figure 2-1: Sub-areas within the *Hampshire Economic Area*



Source: SQW and Hampshire County Council

Nomenclature

2.7 In order to ensure absolute clarity in terms of naming conventions, the following labels have been used throughout both the Extended Evidence document and the full Hampshire Economic Assessment.

Table 2-1: Labels and definitions of sub-areas

District-based	Ward-based	LSOA-based	Definition
North Hampshire	*North Hampshire*	*North Hampshire*	The LADs of Basingstoke and Deane, Hart, and Rushmoor
Districts in Central Hampshire/New Forest			The LADs of East Hampshire, New Forest, Test Valley, and Winchester
Districts in South Hampshire[2]			The LADs of Eastleigh, Fareham, Gosport, and Havant; and the unitary authority areas of the City of Portsmouth and the City of Southampton
	Central Hampshire/New Forest (Ward)		Wards (on 2003 boundaries) within East Hampshire, New Forest, Test Valley, and Winchester that are outside the South Hampshire boundary
		Central Hampshire/New Forest (LSOA)	LSOAs within East Hampshire, New Forest, Test Valley, and Winchester that are outside the South Hampshire boundary

[2] Note that the definition and composition of *"Districts in South Hampshire"* used throughout this document is identical to "PUSH6" (i.e. the terminology adopted by DTZ in its work for the Partnership for Urban South Hampshire)

District-based	Ward-based	LSOA-based	Definition
	South Hampshire (Ward)		The LADs of Eastleigh, Fareham, Gosport, and Havant; and the unitary authority areas of the City of Portsmouth and the City of Southampton; and the Wards (on 2003 boundaries) within East Hampshire, New Forest, Test Valley, and Winchester that are within the South Hampshire boundary
		South Hampshire (LSOA)	The LADs of Eastleigh, Fareham, Gosport, and Havant; and the unitary authority areas of the City of Portsmouth and the City of Southampton; and the LSOAs within East Hampshire, New Forest, Test Valley, and Winchester that are within the South Hampshire boundary

Source: SQW and HCC

Using the different spatial definitions

2.8 In terms of using the different definitions of the Hampshire sub-areas, the following principles have been adopted:

- LAD-based definitions are used wherever (a) data are only available at this scale (e.g. data from ASHE) and/or (b) despite in theory being available at finer levels of granularity, data robustness is really dubious at ward/LSOA levels (e.g. ABI). In addition:
  - Where LAD-based data are appropriate, no attempt is made to "split" LAD-level information between LADs (i.e. we do not, for example, apportion half of the data for Winchester to some definition of Central Hampshire and half to South Hampshire)
- Ward-based data are used where possible/sensible, particularly for social indicators where very localised difference is both meaningful and important (e.g. in relation to worklessness)
- LSOA-based data are used only in relation to IMD.

Comparator Areas

2.9 In order to compare and contextualise the findings for the *Hampshire Economic Area* and its constituent sub-areas, comparator data have been collected for the South East and England as a whole for all indicators. In addition, and where appropriate and relevant, data have also been gathered for adjacent areas. These include:

- Berkshire (comprising the unitary areas within the former county of Berkshire)
- Dorset (including Bournemouth and Poole)
- Isle of Wight
- Surrey
- West Sussex
- Wiltshire (and Swindon).

2.10 In the analysis that follows, reference is generally made to these comparator areas when a notable and interesting difference from the *Hampshire Economic Area* (and its sub-areas) is apparent.

Theme 1 – Overall Competiveness

1: Introduction

Key propositions

1.1 This section provides evidence relating to the overall competitiveness of the *Hampshire Economic Area*. The analysis seeks to explore Hampshire's competiveness through three propositions which were identified by Hampshire County Council and its stakeholders:

- At the *national and regional level*, there is a need to understand how *Hampshire Economic Area's* economy compares to elsewhere in terms of both scale and economic performance. It is important that this comparison occurs with other economies in the South East (because it is the most competitive region in England (outside London)) but also with national benchmarks.
- In addition, there is real interest in understanding how *Hampshire Economic Area's* economy compares to *international benchmarks*.
- As well as looking upwards and outwards, there is a need to 'drill-down' and explore spatial variations with regard to overall competitiveness *within* the *Hampshire Economic Area,* focusing on differences in economic performance between localities and sub-regions within the *Hampshire Economic Area*.

1.2 This Theme draws on a number of secondary data sources as well as other information and reports provided by Hampshire County Council, the district and unitary authorities and wider stakeholders. The narrative that follows provides a broad overview of the Hampshire economy (with the specific details explored in the context of later themes) before reviewing the different drivers of productivity, and the UK Competitiveness Index. It concludes by drawing together the findings for this Theme and commenting on each of the three propositions above.

2: Data Analysis

The Hampshire economy

The size of the local economy

2.1 Table 2-1 sets out a number of headline indicators that provide some insight into the size of the *Hampshire Economic Area's* economy, its sub-areas and the South East region as a whole. It shows that generally across these measures, *Hampshire Economic Area* makes up about a fifth of the wider South East.

2.2 The table shows that within the *Hampshire Economic Area*, the three sub-area economies are of very different scales. *Districts in South Hampshire* collectively account for over half of the total; the other two sub-areas are smaller.

Table 2-1: Headline indicators

Indicator	**South East**	***Hampshire Economic Area***	***North Hampshire***	***Districts in Central Hampshire/New Forest***	***Districts in South Hampshire***
Number of active enterprises (ONS Business Demography, 2008)	372,800	68,915	14,935	25,960	28,020
Number of VAT and/or PAYE based enterprises (UK Business, IDBR, 2009)	337,385	62,070	13,570	24,140	24,360
Number of workplace units (ABI, 2008 – rounded to the nearest 100)	395,600	74,400	15,900	27,100	31,400
Resident working age population (APS, July 08-June 09)	5,066,100	1,051,500	295,800	214,300	541,400
Total employees (ABI, 2008)	3,757,710	776,300	164,900	229,300	382,100
Employment rate (APS, July 08-June 09)	78%	78%	82%	79%	76%

Source: Various

Note: ONS Business Demography (2008) includes PAYE-registered and VAT-registered records. Estimates from ONS Business Demography differ from (and are lower than) estimates from UK Business / IDBR because the latter is a "snapshot" measure whereas ONS Business Demography takes into account businesses that were active at any point during the relevant year. Separately, for some measures, ABI workplace units are used; this is because the relevant data are available at finer levels of spatial and sectoral disaggregation.

The value of the local economy

Total GVA

2.3 Table 2-2 sets out the overall value of the economy in terms of Gross Value Added (GVA) – the sum of wages plus profits generated locally – for 1995 and 2007 for the *Hampshire Economic Area*, the national and regional comparators and the six comparator areas. In 2007 – and measured at current basic prices – the *Hampshire Economic Area's* GVA was about £35bn (equivalent to about 20% of the regional total). Between 1995 and 2007, it grew (in current price terms and therefore not allowing for inflation) at about 6.0% per annum. Over this 12 year period, the growth rate matched the regional average. However the corresponding figure for neighbouring Berkshire was 7.0% per annum; for Surrey, it was 6.2% per annum; and for West Sussex, it was 4.7% per annum.

Table 2-2: Total GVA. 1995 and 2007 (at current basic prices)

	1995 (£m)	2007 (£m)
England	544,128	1,045,257
South East	87,808	176,541
Hampshire Economic Area	17,177	34,703
Hampshire (County Area)	12,317	25,567
Berkshire	11,373	25,571
Dorset (incl. Bournemouth and Poole)	6,001	11,966
Isle of Wight	898	1,821
Surrey	12,905	26,471
West Sussex	8,530	1,522
Wiltshire (incl. Swindon)	7,173	1,342

Source: National Statistics 2009

GVA per Capita

2.4 Table 2-3 seeks to provide a measure of overall productivity by setting out GVA per capita (i.e. per head of population) for the *Hampshire Economic Area* and its comparators. It shows that by 2007, GVA per capita in *Hampshire Economic Area* was £20,345 (at current prices) and the regional average was £21,248. For Berkshire, the corresponding figure was £30,970; for Surrey, it was £24,103; and for West Sussex it was £20,382.

Table 2-3: GVA per capita, 1995-2007 (at current basic prices)

	1995 (£)	2007 (£)
England	11,246	20,458
South East	11,311	21,248
Hampshire Economic Area	10,714	20,345
Hampshire (County Area)	10,237	20,025

	1995 (£)	2007 (£)
Berkshire	14,606	30,970
Dorset (incl. Bournemouth and Poole)**	8,914	16,899
Isle of Wight	7,117	13,054
Surrey	12,526	24,103
West Sussex	11,790	20,382
Wiltshire (incl. Swindon)**	12,236	21,090

Source: National Statistics 2009

2.5 These findings would suggest – certainly when considered in relation to its immediate neighbours – that the *Hampshire Economic Area* has performed steadily over recent years but also that it is some way adrift when considered alongside the most strongly performing areas such as Berkshire and Surrey.

LEFM projections:

2.6 To examine variations within the *Hampshire Economic Area*, it is necessary to use a different source of evidence as official estimates of GVA do not exist for areas smaller than upper tier local authority areas. Hampshire County Council subscribes to Cambridge Econometrics' Local Economy Forecasting Model (LEFM) and it receives regular updates. These include GVA estimates – both historic and projected future – at sub-area levels. However these data are provided (a) at constant prices and (b) on a "per job" rather than "per capita" basis. For both reasons, they are not therefore directly comparable to those set out above.

2.7 At 2003 constant prices, these data show that in 2007, the value of the economy of the *Hampshire Economic Area* was £30.9bn. Between 2000 and 2007, it grew at 2.6% per annum – slightly faster than the regional average (2.4% per annum) but slower than the UK-wide figure (2.8% per annum). Over this period, *North Hampshire* grew by 3.1% per annum and both *Districts in Central Hampshire/New Forest* and *Districts in South Hampshire* grew by 2.3% per annum; for these two sub-areas, the rate of economic growth was therefore below both the regional and national averages. Conversely, patterns of economic growth across *North Hampshire* were actually very similar to those in the high-performing neighbouring areas of Surrey and Berkshire.

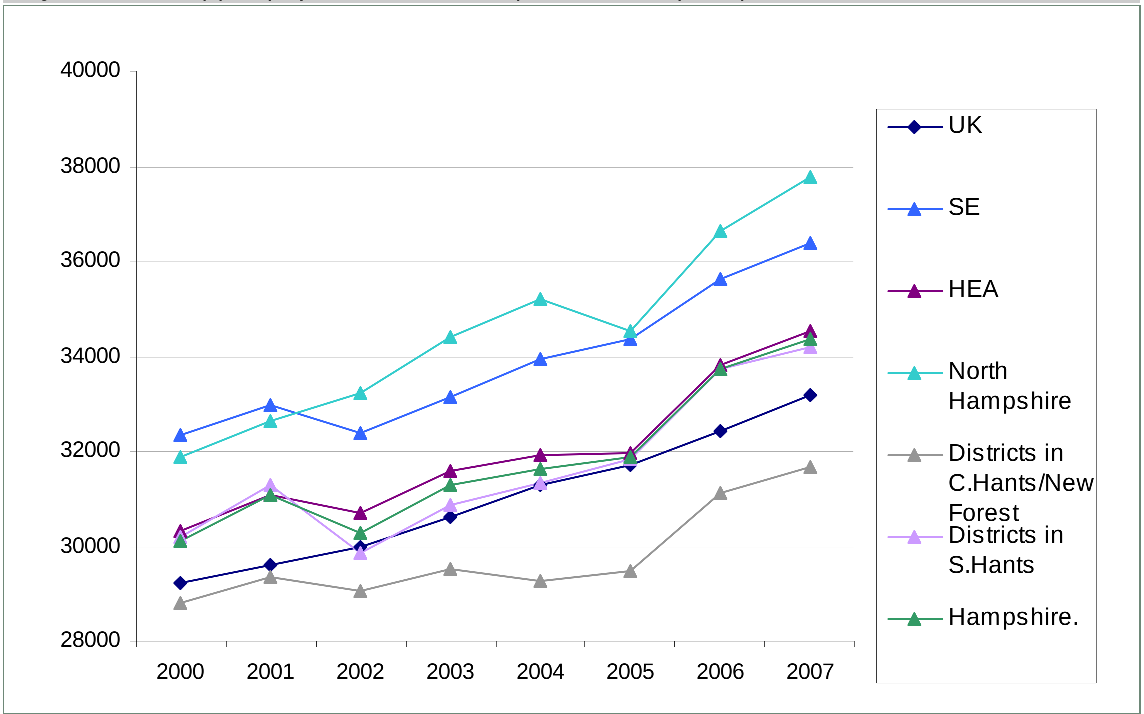
2.8 Table 2-4 provides the LEFM GVA data in terms of the workplace-based measures of GVA per job. This shows that by 2007, GVA per job (again at constant 2003 prices) was just over £34k across the *Hampshire Economic Area*. In *North Hampshire*, it was nearly £38k (having increased at a rate of 2.5% per annum since 2000 (see Figure 2-1) and across *Districts in South Hampshire*, it was close to the *Hampshire Economic Area* average (following growth at 1.8% per annum since 2000). On this workplace-based measure, however, the real laggard appears to have been *Districts in Central Hampshire/New Forest:* by 2007, GVA per job was just over £31k which was consistent with an annual growth rate of 1.6% per annum since 2000.

Table 2-4: GVA (£)/employment 2007 (2003 prices)

Area	**GVA/employment (£)**
UK	33,200
South East	36,400
Hampshire Economic Area	34,500
North Hampshire	37,800
Districts in Central Hampshire/New Forest	31,700
Districts in South Hampshire	34,200
Hampshire (County Area)	34,400

Source: LEFM

Figure 2-1: GVA (£)/employment 2001 – 2007 (2003 constant prices)



Source: LEFM

The drivers of productivity

Skills

2.9 Table 2-5 and Figure 2-2 show the proportion of the working age population that have higher level qualifications (NVQ Level 4 or above[3]), those that have lower than NVQ 2 (NVQ 1 and no qualifications) and those that have no qualifications for the *Hampshire Economic Area*, its sub-areas and the study comparator areas. This shows that across the *Hampshire Economic Area* as a whole, the skills profile of the resident working age population is, in terms of the incidence of NVQ4+, similar to the average for England (but below that for the South East) while the proportion of the working age population with low or no qualifications is similar to

[3] NVQ 4 and above (NVQ 4+) equates to a Higher National Certificate (or equivalent) or higher qualifications e.g. degree, postgraduate degree or doctorate and their equivalents

the regional average and better than the national picture. When considered alongside the high performing economies of Surrey and Berkshire, the assessment however is less sanguine. The incidence of highly qualified people is over five percentage points lower than that in Berkshire and approaching ten percentage points below the Surrey figure; conversely, the incidence of residents with low (lower than NVQ 2) or no qualifications is nearly five percentage points higher in the *Hampshire Economic Area*.

2.10 Within the *Hampshire Economic Area*, however, some stark contrasts are apparent:

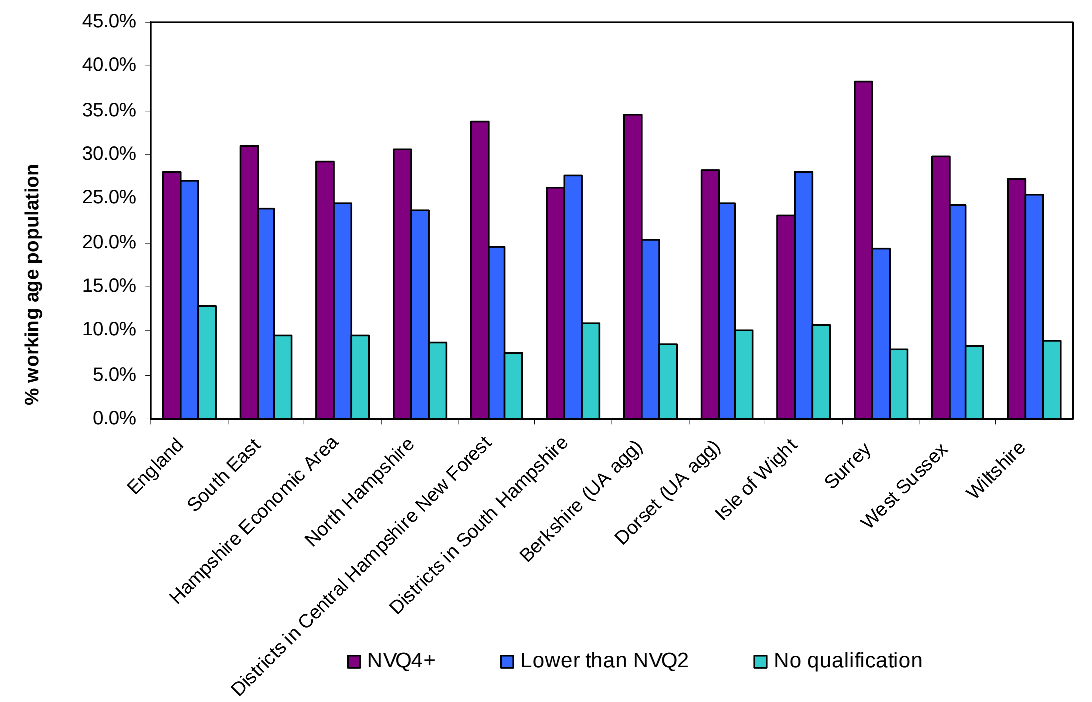
- the skills base across the *Districts in South Hampshire* is really quite weak and worse than most of the comparators, both in terms of a low incidence of highly qualified residents of working age, and a high incidence of low and unqualified ones
- the profile across *North Hampshire* is very similar to the average for the South East
- across *Districts within Central Hampshire/New Forest*, the incidence of highly qualified residents of working age is well above the regional average and not far behind that for Berkshire.

Table 2-5: Percentage of the working age population with NVQ 4+, Under NVQ 2 or 'no qualifications' – 2005-2008 3 year average.

	NVQ 4 +	**Under NVQ 2 (NVQ1 and no qualifications)**	**No qualifications**
England	28.1	27.0	12.9
South East	30.9	23.8	9.4
Hampshire Economic Area	29.2	24.5	9.4
North Hampshire	30.5	23.6	8.7
Districts in Central Hampshire/New Forest	33.7	19.6	7.4
Districts in South Hampshire	26.2	27.5	10.9
Hampshire (County Area)	30.5	23.4	8.5
Isle of Wight	23.1	28.1	10.6
Surrey	38.2	19.4	7.9
West Sussex	29.9	24.3	8.3
Berkshire (UA agg)	34.5	20.3	8.4
Dorset (UA agg)	28.1	24.5	10.1
Wiltshire	27.2	25.5	8.8

Source: Annual Population Survey 2006-2008

Figure 2-2: Percentage of the working age population with NVQ 4+, Under NVQ 2 or 'no qualifications' – 2005-2008 3 year average.



Source: Annual Population Survey 2006-2008. Note that the percentage of the working age population with "Under NVQ2" includes those with no qualifications

Innovation

2.11 In general terms, measures of innovation are thin on the ground, particularly at local levels. One proxy that is often used relates to the incidence of knowledge-based activity (on the grounds that this tends, by definition, to be innovative and the application of its products/services is also associated with the process of innovation more generally). Figure 2-3 shows two different measures of the importance of the knowledge economy across the *Hampshire Economic Area*, its comparator areas and the three sub-areas within it: the proportion of employees and business units associated with the knowledge economy[3]. The chart suggests that:

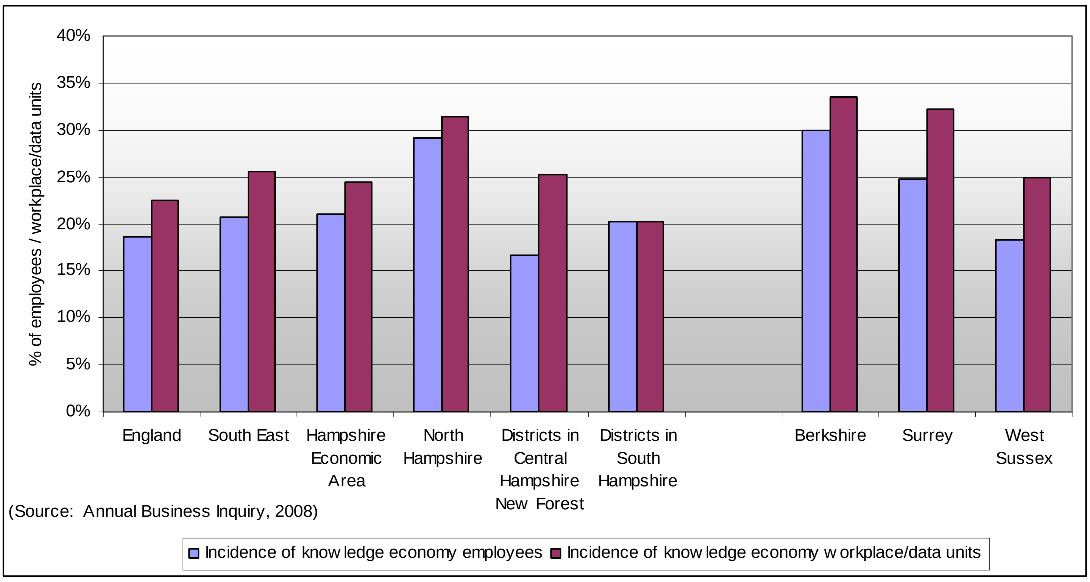
- Within the *Hampshire Economic Area*, the incidence of employees within the knowledge economy is higher than the regional average but the incidence of business units is lower. This implies a prevalence of relatively large employers. It is consistent with a legacy of defence-related activities, many of which are knowledge-based, but in which government procurement features strongly.

- Although the *Hampshire Economic Area* performs strongly as compared to the region, it falls behind both Surrey and Berkshire in terms of the prevalence of knowledge economy employees. It has a lower incidence of knowledge economy business units than these two comparators.

[3] The definition of the "knowledge economy" used here is set out in Annex A

- Within the *Hampshire Economic Area*, the strongest performer – by some margin and on both indicators – is *North Hampshire* (which is actually very similar in profile to nearby Surrey and Berkshire). Whilst the *Districts in South Hampshire* have a high incidence of employees in knowledge economy sectors, the incidence of business units is relatively low; again this suggests a small number of relatively large employers and it may reflect the historic importance of defence-related activities. Across the *Districts in Central Hampshire/New Forest*, the incidence of employees in these sectors is below the average for England and for all of the comparators (and this is despite the fact that the resident working age population is the most highly qualified). However the incidence of business units is relatively high, suggesting that the majority of local knowledge-based businesses are small.

Figure 2-3: Incidence of knowledge economy – employees and business units



Source: Annual Business Inquiry, 2008

Competitiveness

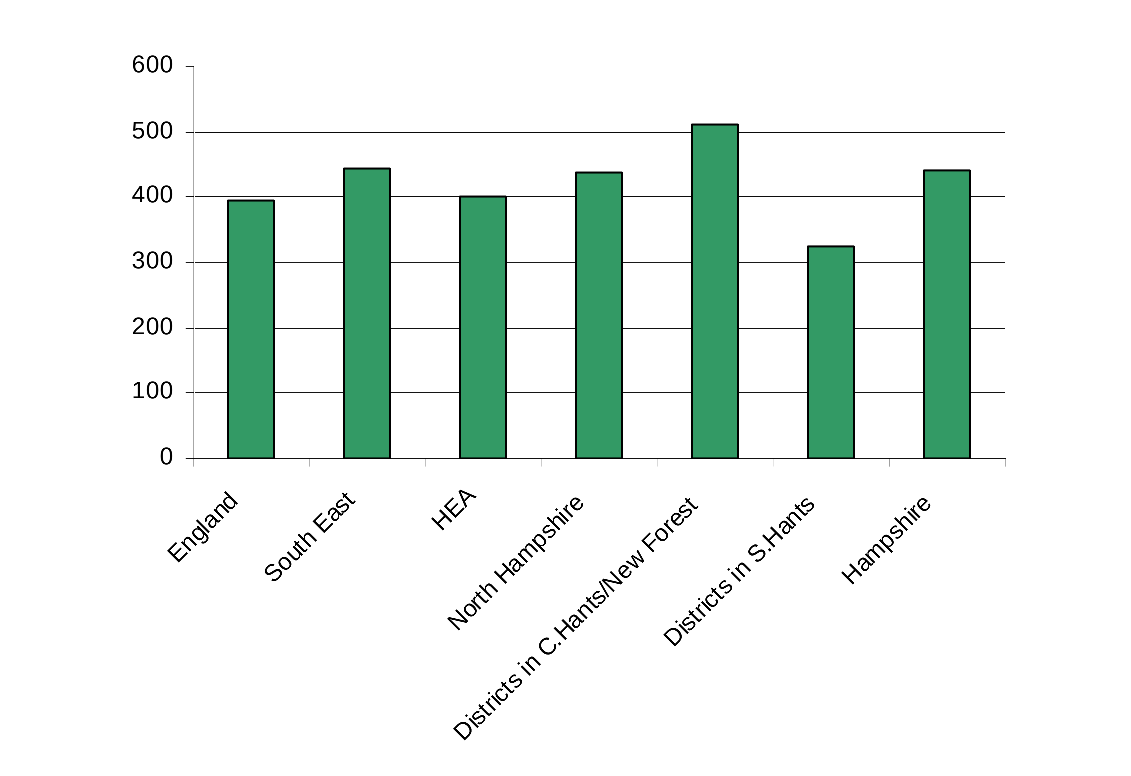
2.12 In terms of local competitiveness, a proxy (although imperfect) measure relates to business density (defined as the stock of businesses per head of population). Generally speaking, the argument is made that the higher the business density, the higher the degree of local competition. The ONS Business Demography statistics suggest that the number of enterprises in the *Hampshire Economic Area* is well over 60,000; this equates to about 400 units for every 10,000 residents. Within the *Hampshire Economic Area*, business density is highest across *Districts in Central Hampshire/New Forest* (512) and lowest across *Districts in South Hampshire*; indeed, at 325 enterprises per 10,000 residents, business density in this part of the *Hampshire Economic Area* is significantly adrift of the English average (394) and well below the regional figure (445). This suggests a predominance of larger employers within *Districts in South Hampshire* which add their own value to the local and regional economy.

Table 2-6: Local Units (enterprises) – Count and Density (2008)

	Business stock (enterprises) count	**Business stock (enterprises) per 10,000 pop**
England	2,024,990	394
South East	372,810	445
Hampshire Economic Area	68,915	401
North Hampshire	14,935	437
Districts in Central Hampshire/New Forest	25,960	512
Districts in South Hampshire	28,020	325
Hampshire (County Area)	56,880	442

Source: ONS Business Demography Statistics, and Mid Year Population Estimates 2008

Figure 2-4: Local Units per 10,000 population



Source: ONS Business Demography Statistics, and Mid Year Population Estimates 2008

Entrepreneurship

2.13 Levels and rates of entrepreneurship are difficult to measure: micro enterprises can function quite effectively for some time before reaching the VAT threshold, and there is a "fuzzy line" between self employment and new business formation. Nevertheless, data from the ONS Business Demography dataset provide some instructive insights. Table 2-7 shows enterprise births as a percentage of stock, and enterprise births per 1,000 population for the *Hampshire Economic Area* and various component and comparator areas. It shows, broadly, that as a proportion of stock, the birth rate across the *Hampshire Economic Area* is similar to the regional average but behind the England-wide figure; while in terms of births per 1,000 population, the *Hampshire Economic Area* lags both the regional and national averages. Within the *Hampshire Economic Area*, on per capita measures, *North Hampshire* is the most enterprising sub-area while the *Districts within South Hampshire* comprise the least. However on both measures – as a percentage of stock and per capita – the *Hampshire Economic Area* and all sub-areas within it are out-performed by Berkshire. Surrey performs very strongly on per capita measures of business births. Indeed, it is striking that the incidence of business births per 1,000 population in Surrey is almost double the figure reported for *Districts in South Hampshire.*

Table 2-7: Patterns of business start-up across the *Hampshire Economic Area* and in its sub-areas and comparator areas

	Business births as a % of enterprises, 2008	Business births per 1,000 population, 2008
England	11.8	4.64
South East	10.9	4.87
Hampshire Economic Area	10.7	4.28
North Hampshire	11.6	5.03
Districts in Central Hampshire/New Forest	9.5	4.80
Districts in South Hampshire	11.3	3.68
Berkshire UAs	12.0	5.62
Surrey County	11.4	6.15
West Sussex County	9.7	4.23

Source: ONS Business Demography Statistics, and ONS mid-year population estimates for 2008 (May 2010)

UK Competitiveness Index

2.14 As noted above, competitiveness is not easy to measure and nor is it possible to make direct and robust comparisons between the competitiveness of different localities. One source that does provide some insight – albeit no means a perfect one – is the UK Competitiveness Index prepared by Robert Huggins and Hiro Izushi at the Centre for International Competitiveness. This index uses a methodology that seeks to create an *"integrated measure of competitiveness focusing on both the development and sustainability of businesses and the economic welfare of individuals"*. It considers *"competitiveness to consist of the capability of an economy to attract and maintain firms with stable or rising market shares in an activity, while maintaining stable or increasing standards of living for those who participate in it"*[4].

2.15 The Index provides a rank and score for 407 district and unitary authorities. Table 2-8 shows this information for the 11 districts and two unitary authorities in the *Hampshire Economic Area* for 2006 and 2008. However before these data are discussed, it is necessary to provide some wider comparative context. In 2008, the top 20 ranking localities nationally were all in London or the South East – the top seven were in London with the top locality in the South East being Windsor and Maidenhead (in eighth place). None of the districts or unitaries in the

[4] UK Competitiveness Index 2008, Centre for International Competitiveness, Robert Huggins and Hiro Izushi

Hampshire Economic Area were in the top 20. Of the comparator areas used for this study, six of 11 Surrey districts and four of six Berkshire unitary authorities were in the top 20.

2.16 Looking specifically within the *Hampshire Economic Area*, the highest ranked district was Winchester (27 out of 407), although in terms of sub-areas, the districts in *North Hampshire* were generally higher ranked than the other two sub-areas. *Districts in South Hampshire* generally had the lowest rankings with Gosport the lowest ranked (345 out of 407); the highest ranked district – Eastleigh – in this sub-area was ranked 97.

2.17 In terms of change between 2006 and 2008, Gosport and Portsmouth saw the greatest increases in terms of rank (rising 20 and 14 places respectively), whilst Fareham and East Hampshire saw the biggest falls (37 and 15 places respectively).

Table 2-8: UK Competitiveness Index Scores 2006-2008

	UK Competitiveness Index Scores					
	2006	Rank 2006 (out of 407)	2008	Rank 2008 (out of 407)	Change in Score	Change in Rank (+/-)
Districts in *North Hampshire*						
Basingstoke and Deane	111.6	54	112.0	54	0.4	0
Hart	116.1	34	115.8	32	-0.2	2
Rushmoor	108.8	65	109.8	63	1.0	2
Districts in Central Hampshire/New Forest						
East Hampshire	108.3	70	105.8	85	-2.5	-15
New Forest	97.8	167	97.9	158	0.1	9
Test Valley	107.5	76	107.5	74	0.0	2
Winchester	118.1	25	117.7	27	-0.4	-2
Districts in South Hampshire						
Eastleigh	105.6	89	104.5	97	-1.1	-8
Fareham	102.2	112	98.6	149	-3.6	-37
Gosport	83.4	365	84.4	345	1.0	20
Havant	94.4	218	92.9	225	-1.4	-7
Portsmouth	94.8	211	95.3	197	0.5	14
Southampton	96.3	190	96.6	182	0.4	8

Source: UK Competitiveness Index 2008. Centre for International Competiveness

Business views of competitiveness

2.18 A survey[5] conducted by the Hampshire Economic Partnership (HEP) during July and August 2010 gathered businesses' perceptions on economic growth and the priorities of the coalition Government. A number of issues were highlighted by the business community including the constraints of 'red tape'. However, the top concern raised was the difficulties of access to finance and funding. This was identified as both a long-term and immediate problem for many businesses, which reported that they had experienced "poor support from banks". This was seen as not just a problem for existing businesses but also new businesses, acting as a barrier to entrepreneurship. Another key issue for business was the local infrastructure – tackling road congestion and addressing the broadband supply were seen as important drivers for the economy. The businesses surveyed also said that their future growth will be affected by their ability to find staff with the appropriate skills.

[5] Business Reaction survey, http://www.hep.uk.com/downloads/J1020_HEP_Business_Report_Final-41.pdf

3: Conclusions – responding to the propositions

3.1 Hampshire County Council and its Key Stakeholder Group identified three propositions that have informed the narrative within this Theme. This concluding section seeks to draw together the findings presented above and in turn to comment on each of the propositions.

Proposition one – comparing Hampshire's economy with national, regional and local comparators

3.2 In broad terms – number of businesses, resident working age population, total employment – the *Hampshire Economic Area* makes up about a fifth of the wider South East economy and in terms of economic output, the *Hampshire Economic Area* has performed steadily over recent years. However on the measure of GVA per capita, its performance is below that for the South East and England, and well below that for the buoyant neighbouring economies of Berkshire and Surrey.

3.3 Looking at four of the five drivers of productivity shows that:

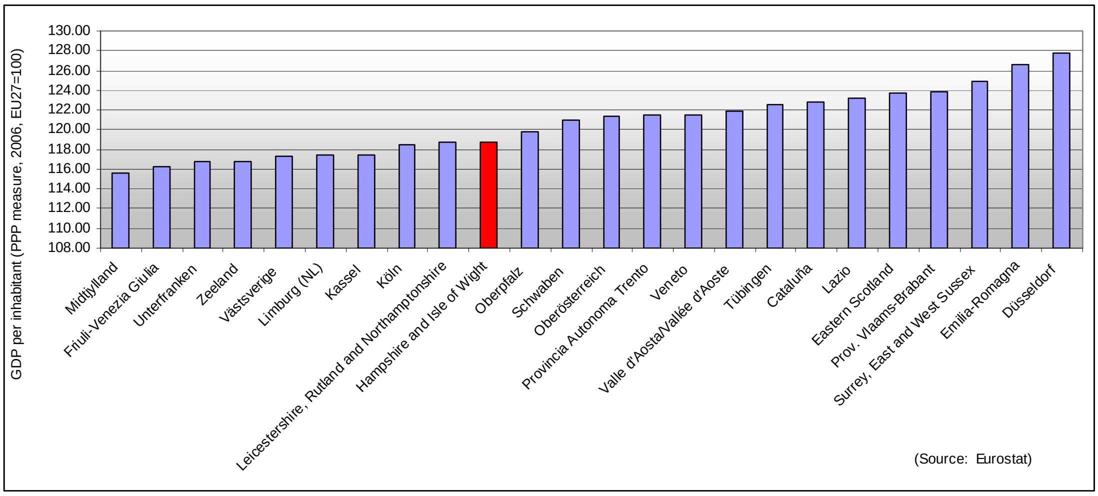
- Across the *Hampshire Economic Area,* the **skills** profile of the resident working age population with higher qualifications (NVQ 4+) is very similar to the average for England, but below the South East. The proportion of the working age population with no qualifications is similar to the regional average and better than the national picture.
- The incidence of employees within the knowledge economy (a proxy for **innovation**) in the *Hampshire Economic Area* is higher than the regional average (although the incidence of business units in this sector is lower). However the area falls behind both Surrey and Berkshire on both of these measures.
- In terms of local **competitiveness,** using the (imperfect) proxy of business density, the *Hampshire Economic Area* is above the national average but below the regional one.
- Levels of **entrepreneurship**, measured through business births as a proportion of stock, are similar to the regional average but behind the England-wide figure; in terms of business births per 1,000 population, *the Hampshire Economic Area* lags both the regional and national averages.

3.4 The 2008 UK Competitiveness Index generally confirms these findings as it suggests that the *Hampshire Economic Area* is less competitive than the comparator areas of Berkshire and Surrey. Within both of these comparator areas, a number of districts/unitary authorities are identified in the top 20 most competitive localities nationally. The highest placed district in the *Hampshire Economic Area* is Winchester, ranked at 27, but other LADs are significantly below this.

Proposition two – understanding how Hampshire's economy compares internationally

3.5 Deriving robust international comparisons of economic performance is not easy: data are not straightforwardly comparable across international boundaries, particularly for small geographical areas. Some data are available from Eurostat however. Across 275 NUTS2 areas, the best performing in terms of GDP per inhabitant are the large metropolitan economies: Inner London is ranked first, followed by Luxembourg, Brussels and Hamburg. Hampshire and the Isle of Wight is ranked 54^{th} – behind Surrey, West and East Sussex (42^{nd}) but ahead of Dorset and Somerset (112^{th}). The figure below shows the performance of Hampshire and the Isle of Wight alongside that of its "nearest neighbours" in these terms: apart from Leicestershire, Rutland and Northamptonshire, all of these "nearest neighbours" are sub-areas within Germany. Overall, on a European Index, the measure of GDP per inhabitant for Hampshire and the Isle of Wight is 118.72 – well above the EU27 average (100).

Figure 3-1: GDP per inhabitant on a PPP measure, 2006, (EU27=100): Hampshire and the Isle of Wight, and its nearest NUTS2 neighbours



Proposition three – exploring spatial variations with regard to overall competitiveness

3.6 Within the *Hampshire Economic Area* there is significant variation in the competitiveness of the three sub-areas. *North Hampshire* performs more strongly on GVA per worker measures than *Districts in South Hampshire* and, particularly, *Districts in Central Hampshire/New Forest*.

3.7 This pattern does however change with regard to four drivers of productivity discussed above:

- looking at the **skills** profile of residents of working age shows the *Districts in Central Hampshire/New Forest* performing well, but the skills across *Districts in South Hampshire* are weaker

- in **innovation**, *North Hampshire* is strong compared to the *Hampshire Economic Area* as a whole and the other sub-areas
- on local **competitiveness** across the *Districts in South Hampshire,* levels of business density are low especially compared to *Districts in Central Hampshire/New Forest* – although the larger business units within the South Hampshire sub-region may define their own competitive dynamic
- *North Hampshire* performs better than the other two sub-areas in terms of the levels **of entrepreneurship**.

3.8 These conclusions are also broadly supported by the 2008 UK Competitiveness Index.

Annex A: SIC code definitions of priority sectors

ADVANCED ENGINEEERING

SIC 2003 class (4 digit)

2941 : Manufacture of portable hand held power tools
2942 : Manufacture of metalworking machine tools
2943 : Manufacture of other machine tools not elsewhere classified
3130 : Manufacture of insulated wire and cable
3210 : Manufacture of electronic valves and tubes and other electronic components
3310 : Manufacture of medical and surgical equipment and orthopaedic appliances
3320 : Manufacture of instruments and appliances for measuring, checking, testing, navigating and other purposes, except industrial process control equipment
3330 : Manufacture of industrial process control equipment
3340 : Manufacture of optical instruments and photographic equipment
3410 : Manufacture of motor vehicles
3420 : Manufacture of bodies (coachwork) for motor vehicles: manufacture of trailers and semi-trailers
3430 : Manufacture of parts and accessories for motor vehicles and their engines
3530 : Manufacture of aircraft and spacecraft

AEROSPACE AND DEFENCE

SIC 2003 group (3 digit)

353 : Manufacture of aircraft and spacecraft

ENVIRONMENTAL TECHNOLOGIES

SIC 2003 class (4 digit)

2923 : Manufacture of non-domestic cooling and ventilation equipment
3120 : Manufacture of electricity distribution and control apparatus
3710 : Recycling of metal waste and scrap
3720 : Recycling of non-metal waste and scrap
4100 : Collection, purification and distribution of water
4511 : Demolition and wrecking of buildings; earth moving
4524 : Construction of water projects
7430 : Technical testing and analysis
9001 : Collection and treatment of sewage
9002 : Collection and treatment of other waste
9003 : Sanitation, remediation and similar activities

PROFESSIONAL SERVICES

SIC 2003 division (2 digit)

65 : Financial intermediation, except insurance and pension funding
66 : Insurance and pension funding, except compulsory social security
67 : Activities auxiliary to financial intermediation
70 : Real estate activities
71 : Renting of machinery and equipment without operator and of personal and household goods
72 : Computer and related activities
73 : Research and development
74 : Other business activities

LIFE SCIENCES AND HEALTHCARE TECHNOLOGIES

SIC 2003 class (4 digit)

2441 : Manufacture of basic pharmaceuticals
2442 : Manufacture of pharmaceutical preparations
3310 : Manufacture of medical and surgical equipment and orthopaedic appliances
7310 : Research and experimental development on natural sciences and engineering

KNOWLEDGE ECONOMY

SIC 2003 class (4 digit)

2214 : Publishing of sound recordings

SIC 2003 group (3 digit)

223 : Reproduction of recorded media
244 : Manufacture of pharmaceuticals, medicinal chemicals and botanical products
300 : Manufacture of office machinery and computers
311 : Manufacture of electric motors, generators and transformers
312 : Manufacture of electricity distribution and control apparatus
314 : Manufacture of accumulators, primary cells and primary batteries
316 : Manufacture of electrical equipment not elsewhere classified
321 : Manufacture of electronic valves and tubes and other electronic components
322 : Manufacture of television and radio transmitters and apparatus for line telephony and line telegraph
323 : Manufacture of television and radio receivers, sound or video recording or reproducing apparatus and associated goods
331 : Manufacture of medical and surgical equipment and orthopaedic appliances
332 : Manufacture of instruments and appliances for measuring, checking, testing, navigating and other purposes, except industrial process control equipment
334 : Manufacture of optical instruments and photographic equipment
335 : Manufacture of watches and clocks
353 : Manufacture of aircraft and spacecraft
642 : Telecommunications
741 : Legal, accounting, book-keeping and auditing activities; tax consultancy; market research and public opinion polling; business and management consultancy; holdings
742 : Architectural and engineering activities and related technical consultancy
743 : Technical testing and analysis
744 : Advertising
745 : Labour recruitment and provision of personnel
921 : Motion picture and video activities
922 : Radio and television activities

SIC 2003 division (2 digit)

65 : Financial intermediation, except insurance and pension funding
66 : Insurance and pension funding, except compulsory social security
67 : Activities auxiliary to financial intermediation
72 : Computer and related activities
73 : Research and development

MARINE (Solent Waterfront Strategy definition)

SIC 2003 class (4 digit)

0501 : Fishing
0502 : Operation of fish hatcheries and fish farms
1110 : Extraction of crude petroleum and natural gas
1120 : Service activities incidental to oil and gas extraction excluding surveying
1440 : Production of salt
1520 : Processing and preserving of fish and fish products
1541 : Manufacture of crude oils and fats
1752 : Manufacture of cordage, rope, twine and netting
2320 : Manufacture of refined petroleum products
2911 : Manufacture of engines and turbines, except aircraft, vehicle and cycle engines
3511 : Building and repairing of ships
3512 : Building and repairing of pleasure and sporting boats
4524 : Construction of water projects
5138 : Wholesale of other food including fish, crustaceans and molluscs
5151 : Wholesale of solid, liquid and gaseous fuels and related products
5223 : Retail sale of fish, crustaceans and molluscs
6110 : Sea and coastal water transport
6120 : Inland water transport
6311 : Cargo handling
6312 : Storage and warehousing
6322 : Other supporting water transport activities
6330 : Activities of travel agencies and tour operators; tourist assistance activities not elsewhere classified
6340 : Activities of other transport agencies
7122 : Renting of water transport equipment
7420 : Architectural and engineering activities and related technical consultancy
7522 : Defence activities

ICT AND DIGITAL MEDIA

SIC 2003 division (2 digit)

32 : Manufacture of radio, television and communication equipment and apparatus
64 : Post and telecommunications

TOURISM

SIC 2003 group (3 digit)

551 : Hotels
552 : Camping sites and other provision of short-stay accommodation
553 : Restaurants
554 : Bars
633 : Activities of travel agencies and tour operators; tourist assistance activities not elsewhere classified
925 : Library, archives, museums and other cultural activities
926 : Sporting activities
927 : Other recreational activities