

Hampshire Economic Assessment, 2011



Hampshire
County Council

SQW

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Accompanying Extended Evidence Document (available separately)

Contents of the Extended Evidence Document:

- Introduction
- Theme 1: Overall competitiveness
- Theme 2: Economic linkages
- Theme 3: Business and enterprise
- Theme 4: People and communities
- Theme 5: Sustainable economic growth

Foreword

Hampshire County Council does not take the economic prosperity of the county for granted. Now more than ever we need to build a strong, stable and sustainable economy in Hampshire.

This first Hampshire Economic Assessment provides the comprehensive and robust analysis of local economic conditions that will enable the County Council and many other economic development organisations in the area to move this agenda forward and support the economic prosperity of Hampshire.

The Assessment describes the economy of Hampshire, the 'economic flows' which characterise its economic life, and the area's overall economic competitiveness. It looks at Hampshire's key business sectors, our employment rates and worklessness, and the environmental sustainability of the county economy. It concludes by examining Hampshire's economic prospects together with the opportunities, constraints, tensions and dilemmas that need to be addressed.

This inaugural edition of the Hampshire Economic Assessment has been prepared by the County Council with support from consultants SQW and a Key Stakeholder Group consisting of Local Authority representatives as well as the main economic development agencies in the county. I am grateful to all concerned and trust that the Assessment will go on to become a key resource to underpin their decision-making.

The preparation of an Economic Assessment is a new statutory duty for the County Council and unitary councils and because of strong economic links, Hampshire's Assessment covers the whole of the *Hampshire Economic Area*: defined as the County Council's administrative area plus the cities of Portsmouth and Southampton.

This Assessment is supported by an Extended Evidence document containing additional data and more detailed analysis. A separate Worklessness Assessment, exploring in greater depth the information in this key area, is nearing completion and will be published soon.

I am grateful to all who contributed to the preparation of the Hampshire Economic Assessment by responding to last summer's consultation on the draft. Many sections have been revised or expanded in response to the comments received.

The Assessment will be further developed and updated later this year and subsequently, to ensure that it remains up to date and fit for purpose.

Ken Thornber

Leader

March 2011

Executive Summary

1. The *Hampshire Economic Area*¹ is home to 1.7 million people (of whom, just over one million are of working age). Collectively, the area has well over 60,000 businesses² and approaching 780,000 employee jobs. Overall, the annual value of economic output is around £35bn. The *Hampshire Economic Area* therefore constitutes a large economy; on most indicators it accounts for about 20% of the South East economy.

The area's economic geography – and key “flows” within and beyond it

2. The area has a distinctive settlement structure. Two cities (Portsmouth and Southampton) dominate the south. But there are also several other large towns and – particularly in the central area – a series of smaller market towns and a myriad of villages in an extensive rural area. This settlement structure – and the economic assets linked to it – is important in defining the area's economic geography and understanding how the economy “works”. Reflecting these broad differences, it is helpful to consider the economy in terms of three sub-areas: *North Hampshire*, *Central Hampshire/New Forest* and *South Hampshire*³ (see Figure 1 (below))⁴.

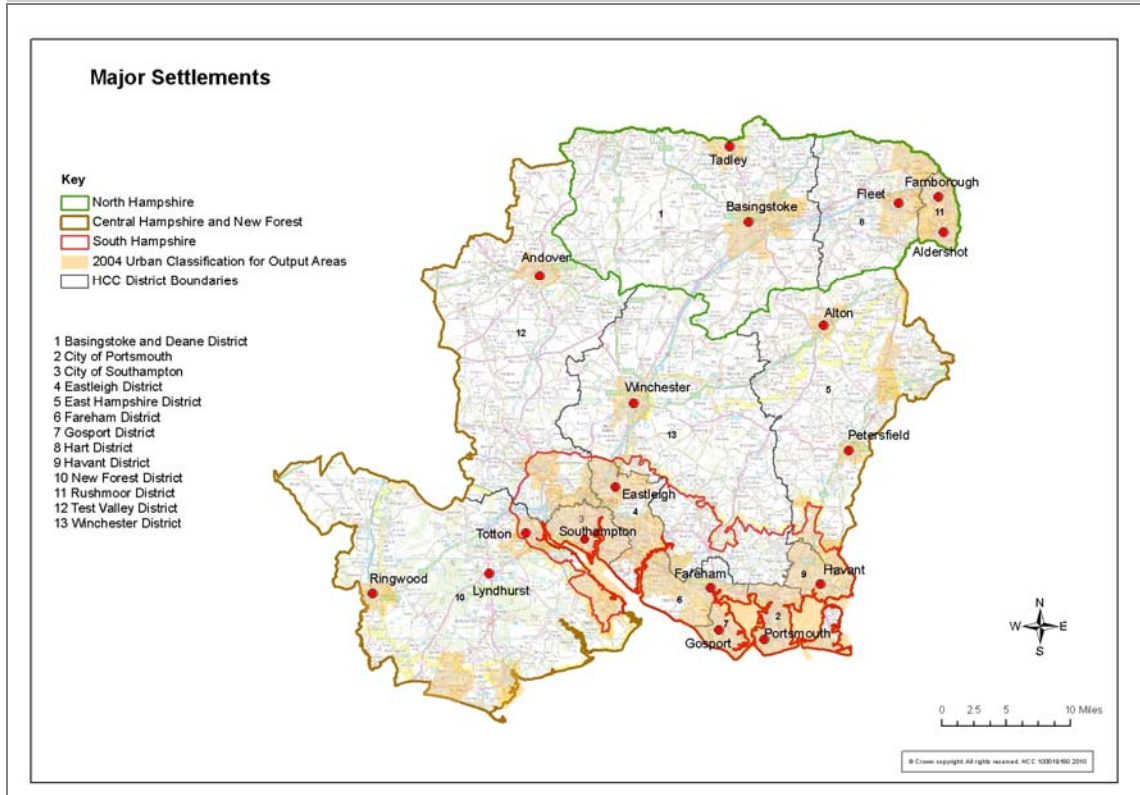
¹ Defined as the area covered by 11 District or Borough Councils within Hampshire, plus the two adjacent Unitary Authorities in Southampton and Portsmouth

² Estimates of the total number of businesses within the *Hampshire Economic Area* vary according to source and according to the precise unit of measurement. For a more detailed discussion see the account of Theme 1 in the Extended Evidence Document

³ 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)

⁴ Note that the Hampshire Economic Assessment is also used to test the validity and coherence of these three areas (see Section 8)

Figure 1: Major settlements and sub-areas within the *Hampshire Economic Area*



3. The *Hampshire Economic Area* is internationally well connected – through ports and airports particularly, but also through the activities of businesses and universities, amongst others. This has an important influence on the shape of the economy.
4. Over 800,000 residents of the *Hampshire Economic Area* work. Of these, about 120,000 commute to workplaces outside the *Hampshire Economic Area* (including 25,000 who work in London)⁵. At the same time, some 90,000 people commute into the area. There are also major “flows” *within* the *Hampshire Economic Area*. At the level of individual districts, Portsmouth, Southampton and Winchester see net in-commuting while Havant, East Hampshire and New Forest have high levels of net out-commuting. Overall, within the *Hampshire Economic Area*, there is a net flow of workers from *Districts in South Hampshire* to the *Central Hampshire/New Forest* sub-area, and from this sub-area to *North Hampshire*.

Overall competitiveness of the *Hampshire Economic Area*

5. In terms of economic output, the *Hampshire Economic Area* has performed steadily over recent years. However, measures of gross value added (GVA) per capita are below those for the South East and England, and they are well below those for buoyant neighbouring economies (e.g. Berkshire and Surrey). There are also big sub-

⁵ A degree of caution is needed in drawing conclusions from this data, in particular any notion that commuting across administrative boundaries is by definition undesirable/unsustainable. Some such commutes can be quite short, whereas some journeys to work which are wholly within a district can be quite lengthy.

area differences: *North Hampshire* performs strongly on GVA per worker (a measure of productivity); performance in *South Hampshire* is close to the regional average (but below the national average) but, on this metric, *Central Hampshire/New Forest* is weaker again.

6. In explaining these differences, the evidence suggests that:

- The skills profile of the *Hampshire Economic Area's* working age residents is similar to the South East average. Within this, *Districts in Central Hampshire/New Forest* perform well, but the profile across *Districts in South Hampshire* is weak with a low incidence of higher level skills amongst the resident population.
- The *Hampshire Economic Area* has a high incidence of activity linked to the knowledge economy. Within this, the profile of *North Hampshire* is strong.
- Across *Districts in South Hampshire*, there is a high incidence of larger employers. Conversely, in relative terms, the incidence of smaller enterprises is high across *Districts in Central Hampshire/New Forest*.
- Rates of new business formation across the *Hampshire Economic Area* are below those for the South East and well adrift of those for buoyant adjoining areas. Again, at a sub-area scale, it is *North Hampshire* that performs best on this indicator.

7. The fact that *Districts in Central Hampshire/New Forest* have the strongest skills base (amongst their resident working age population) and the weakest performance in terms of GVA per worker points to the impact of commuting patterns.

Sectors

8. Across the *Hampshire Economic Area*, three-quarters of employee jobs⁶ are in three broad sectors: finance and business services; public administration, education and health; and shops, hotels and catering. In terms of broad sectoral groupings, the distribution of employment across the *Hampshire Economic Area* mirrors the South East, apart from a relatively strong incidence of engineering. However there are contrasts across the three sub-areas: the profile of *North Hampshire* is similar to that of nearby Berkshire (which is notable because Berkshire performs strongly in terms of GVA per capita). Conversely, *Districts in Central Hampshire/New Forest* have relative strengths in the primary sector (although this is small in absolute terms). Engineering-related specialisms are particularly evident in *Districts in South Hampshire*.

⁶ Employee jobs are a major source of workforce jobs, but they are not the totality. ONS states that total workforce jobs are derived by adding employee jobs to self employment jobs to HM Forces jobs and government supported trainees

9. In the past, priority sectors^{7,8} have been defined through national, regional and local strategies, generally because of their growth potential. Across the three sub-areas, *North Hampshire* stands out in relation to the incidence of employment in life sciences and health technology, ICT and digital media, and aerospace and defence; in *Districts in Central Hampshire/New Forest*, the marine sector is distinctive (based on the broad Solent Waterfront Strategy definition); and for *Districts in South Hampshire*, the advanced engineering, aerospace and defence, and marine sectors are clear specialisms.
10. The sectoral breakdown of GVA presents a complex picture. Overall, the pattern of GVA generation is little different from the regional average. Most striking at a sub-area level is the importance of computer services in *North Hampshire* and the significance elsewhere of activities in which the public sector plays a major role. Given likely public sector spending cuts, this presents some challenges looking ahead.
11. Although impossible to measure consistently in terms either of GVA or employment, the significance of the voluntary and community sector in the *Hampshire Economic Area* should also be noted. In the order of 7,000 separate organisations have been identified. These contribute much to the area's quality of life.

People and communities

12. Across the *Hampshire Economic Area*, activity and employment rates are similar to the regional average⁹. At a sub-area level, there are some differences: on both metrics, *North Hampshire* performs most strongly.
13. Overall, the rate of unemployment (measured in terms of JSA claimants) was about 2.2% in October 2010, marginally lower than the regional average and much lower than the national rate. For *South Hampshire*, the rate of unemployment was higher (2.5%). *Central Hampshire/New Forest* recorded the lowest rate of unemployment (1.4%). However in all three sub-areas, there are unemployment hotspots at a localised level.
14. Overall, about 10.4% of the working age population of the *Hampshire Economic Area* is claiming benefits; this is 0.3 percentage points lower than a year ago. This figure is very much higher in some localities: in eight wards (all of which are in *South Hampshire*), the figure is over 20%. In terms of deprivation, similar patterns emerge:

⁷ In general, if sectors are identified as priorities then some level of public sector interest should follow. This might mean the provision of sector-specific infrastructure with some level of public funding. More often it should mean that active steps are taken to align policy frameworks – e.g. by ensuring that local planning policy is not unhelpful in relation to sector-specific growth models

⁸ For the *Hampshire Economic Area*, the priority sectors include: Advanced Engineering, Aerospace and Defence, Professional services, Environmental technologies, Life sciences and health technology, Knowledge economy, ICT and digital media, Marine and Tourism

⁹ A full glossary is provided at Annex A, but the “employment rate” refers to the proportion of the working age population that is employed while the “activity rate” is the proportion that is either employed or unemployed

overall, the *Hampshire Economic Area* fares well, but there are pockets of extreme poverty which are found mainly in the larger urban areas.

15. Looking ahead, particular concerns must surround the incidence of child poverty for this has a major bearing on life chances. The incidence of children in low earning households is particularly high in wards in urban *South Hampshire*. Seen alongside poor levels of attainment at school and a high incidence of young people Not in Education, Employment or Training (NEETs), this must raise concerns. The issues are acute in the two unitary authority areas of Portsmouth and Southampton.

Environmental sustainability of the economy

16. Emissions of carbon dioxide per capita overall and from businesses across the *Hampshire Economic Area* are lower than in the South East and nationally. Emissions per capita from Hampshire businesses have reduced over recent years. However, there are sub-area variations. Worst performing in terms of carbon emissions are *Districts in Central Hampshire/New Forest* (although this may be explained in part by activities at Fawley power station and oil refinery) while *Districts in South Hampshire* perform best.
17. Future sustainability will depend – in part – on infrastructure provision, for this will influence how economic life is organised (including the location of homes relative to workplaces and preferred modes of transport, etc.). Across the *Hampshire Economic Area*:
 - There are areas of congestion on the road network, both on the motorways (M3, M27) and more locally.
 - Broadband access is quite poor, particularly in rural and urban fringe locations.
 - Net housing stock increased by almost 70,000 dwellings between 1998 and 2009 (with the biggest relative increases in *North Hampshire*). However housing affordability remains an overarching concern, particularly in the rural *Districts in Central Hampshire/New Forest*.
 - Existing Employment Land Reviews suggest that the overall provision of employment land and premises, including second hand floorspace on the market, ought to be consistent with the scale of forecast growth. However, concerns surround the quality and the viability of some planned provision. Rates of new employment site development have slowed since the recession.
 - Economic growth may be constrained by a lack of capacity in gas, electricity and water supplies so careful and timely planning will be required.

- Looking ahead, there are likely to be important economic issues linked to the management of flood risk, particularly in the context of rising sea levels. If these are not addressed, they will have an impact on patterns and rates of economic growth.

Future prospects

18. Despite the recent recession, over the medium term, significant growth is anticipated across the *Hampshire Economic Area*. The population is forecast to increase by around 10% over 20 years and the fastest rates of growth are expected in *South Hampshire*. However, the rate of growth in the working age population is actually quite small. Although this might improve as activity rates increase and more people seek to work for longer (because of the changing retirement age and pensions provision), employers may struggle to find the workers they are expected to need.
19. The expectation is that over the period 2006-2026, around 87,000 additional jobs will be created. In relative terms, the fastest growth is expected to be in *North Hampshire* but *South Hampshire* will see the biggest absolute increases. In terms of GVA, prospects for the *Hampshire Economic Area* are similar to the regional average; with regard to GVA per job, they are marginally weaker. There are notable contrasts at a sub-area level: the projected growth rate in both GVA and GVA per job in *North Hampshire* is well ahead of that of the other two sub-areas.

Hampshire Economic Assessment: Spatial synthesis

20. Overall, the economic performance of the *Hampshire Economic Area* is similar – on most indicators – to the regional average. However in reaching this overall conclusion, it is important to acknowledge that there are big sub-area differences:
 - In general, *North Hampshire* is the best-performing of the three sub-areas with a high incidence of strongly performing knowledge-based sectors; a good local skills base; strong links to London; and a good past performance and strong prospects in relation to economic output. Future risks relate to the prospect of labour shortages post recession and associated infrastructure constraints; to the area's environmental performance; and to the performance of some of the area's larger towns.
 - Across *Districts in Central Hampshire/New Forest*, two models are at play. One reflects the highly qualified residents who often commute out of the area to work, mainly in higher level occupations, but whose activities generate high carbon emissions. The second surrounds relatively low paid workplace jobs (many of which attract workers from areas in which house prices are lower); a sectoral structure which is indistinctive (other than being dominated by the

public sector); and weak GVA performance. This “duality” has implications for housing affordability and for the sustainability of individual settlements.

- In quantitative terms, *Districts in South Hampshire* constitute the largest of the three sub-areas; it has a big urban population and some of the *Hampshire Economic Area*'s key economic assets (an airport, two international ports and three of the area's four universities). However overall, the skills base of the local population is not robust (although this varies locally) and rates of business birth (on a per capita basis) are low. Underpinning all of this is a distinctive sectoral make-up. There are clear, knowledge-based, specialisms which owe much to a maritime location and the legacy of defence-related activities; the PUSH economic development strategy looks to use local strengths in these sectors to generate high GVA in the future. *Districts in South Hampshire* perform well on key environmental indicators. Hence if the economy can perform well, there is a basis for more sustainable economic growth.

21. Across the three sub-areas there are therefore major contrasts. However – although the three sub-areas are broadly coherent (and therefore useful as analytical devices) – they should not be taken too far: there are variations *within* sub-areas as well as *between* them, and some aspects of economic life across the *Hampshire Economic Area* are best considered from other vantage points. The evidence gathered through the Hampshire Economic Assessment suggests that urban-rural differences are particularly important:

- Within the *Hampshire Economic Area* there are some real “hot spots” of economic inactivity and social exclusion. These are overwhelmingly urban and there are significant concentrations in each of Portsmouth, Southampton and Basingstoke, and smaller pockets in Havant, Farnborough and Aldershot. This finding is significant because it suggests that worklessness can persist *despite* strong economic performance. However, given concerns about possible long term labour shortages, the reduction of worklessness is a relevant issue.
- In assessing the performance of rural areas across the *Hampshire Economic Area*, the picture is complex. Economic activity in rural areas tends to be associated with high levels of commuting (often both in- and out-) which in turn presents some important challenges. Looking ahead, there is a need to support the businesses that are operating within rural Hampshire to sustain a dynamic workplace-based economy.

Towards an economic agenda

22. The Hampshire Economic Assessment is, literally, an assessment, not a strategy. However, it was always intended to inform future strategic processes. It is therefore important to distil what appear – on the basis of evidence – to be the overarching economic priorities for the *Hampshire Economic Area* as it looks to the future. The priorities identified below are only indicative and will need further evaluation and refinement during strategy development.
23. Six priorities are identified:
- nurturing an innovative, entrepreneurial and globally competitive knowledge-based economy
 - investing in the skills of the current and future workforce
 - investing in key infrastructure, recognising that new resourcing solutions will need to be found
 - addressing persistent worklessness, improving economic participation (particularly among young people), and encouraging greater attainment
 - defining – and investing in – key economic roles for cities and towns within the *Hampshire Economic Area*
 - realising economic potential from the *Hampshire Economic Area's* locational and environmental assets, and the quality of life they provide.

1: Introduction

- 1.1 This document presents the **Hampshire Economic Assessment, 2011**: the Local Economic Assessment for the *Hampshire Economic Area*. It has been prepared by Hampshire County Council with support from SQW.
- 1.2 The requirement for Local Economic Assessments was set out in the Local Democracy, Economic Development and Construction Act (2009), and statutory guidance relating to them was published at the end of March, 2010. This set out four objectives for Local Economic Assessments and it required that – in some form – five key themes (economic geography; business and enterprise; people and communities; sustainable economic growth; and economic competitiveness) should be addressed¹⁰.

Defining the *Hampshire Economic Area* and its sub-areas

- 1.3 This Local Economic Assessment examines the *Hampshire Economic Area* which is defined for this purpose as the administrative area covered by Hampshire County Council plus the two unitary authority areas of Portsmouth and Southampton. The Hampshire Economic Assessment therefore relates to a very substantial geographical territory: it has a resident population of about 1.7 million people; it is home to well over 60,000 businesses; the value of the area's economic output is in the order of £35bn per annum; and included within it are 13 local authority districts¹¹.
- 1.4 Partly because of its sheer scale, the *Hampshire Economic Area* is very diverse and there is a risk that “average” economic observations on the total area provide little real insight. The socio-economic geographies of the north, centre and south of the area differ quite considerably from each other; this has been reflected in the production of separate plans/strategies for each area since the 1950s. For those reasons it was decided that three broad spatial sub-divisions ought to be recognised and used to structure the Hampshire Economic Assessment (and, to some extent, to be tested through it). These were defined as *North Hampshire*, *Central Hampshire/New Forest*, and *South Hampshire* (see Figure 1-1). The boundary between the latter two areas broadly follows the boundaries of the New Forest and South Downs National Parks^{12,13}. In order to provide a sense of scale, Table 1-1 shows what proportion of

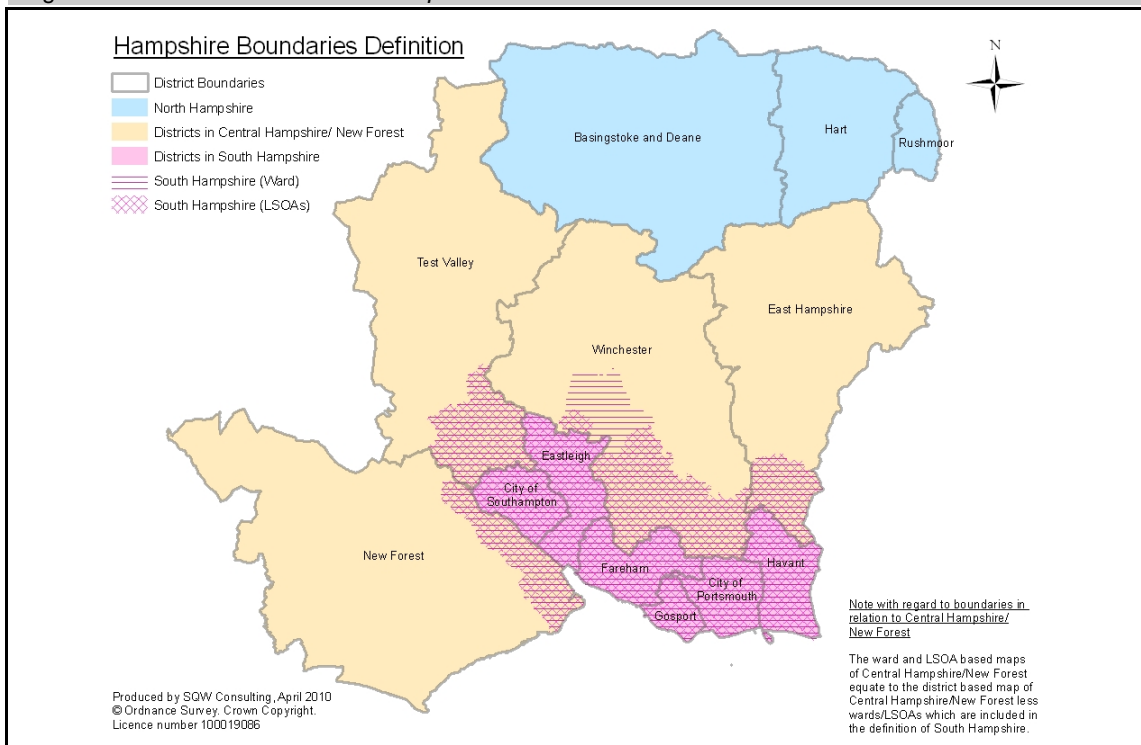
¹⁰ Note that the LEA guidance was revoked by the new coalition government. However the duty remains in place

¹¹ These comprise the areas covered by 11 District or Borough Councils within Hampshire, plus the two adjacent Unitary Authorities in Southampton and Portsmouth. In terms of statistical data, all thirteen are defined as local authority districts (i.e. no distinction is made between upper tier unitary and lower tier district/borough council areas)

¹² The National Park boundaries present some complications in defining sub-areas for the purpose of data analysis. The most accurate representation is derived by building areas up on the basis of wards/lower level super output areas (LSOAs). Where data are available and robust at this level of granularity, a ward/LSOA-based approach is used and the sub-areas are referred to simply as *North Hampshire*, *Central Hampshire/New Forest* and *South Hampshire*. However many economic datasets are not robustly available at scales finer than Local Authority

the *Hampshire Economic Area's* economy these sub-areas constitute according to various measures.

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



Source: SQW

Table 1-1: Scale of the sub-areas relative to the *Hampshire Economic Area* (2008)

	North Hampshire	Central Hampshire/ New Forest (wards)	South Hampshire (wards)
% of the <i>Hampshire Economic Area</i> resident population	22%	19%	60%
% of the <i>Hampshire Economic Area</i> total employment	21%	22%	57%
% of the <i>Hampshire Economic Area</i> total GVA	23%	20%	57%

Source: SAPF and LEFM

1.5 In the course of the Hampshire Economic Assessment, reference is made to the performance and character of comparator areas. As well as regional and national averages, adjacent areas provide important benchmarks. Hence where sensible and appropriate, the Hampshire Economic Assessment considers conditions in (some or

Districts (LADs). Where we report LAD-level data we refer to the sub-areas as *North Hampshire*, *Districts in Central Hampshire/New Forest* and *Districts in South Hampshire*. The geography of *North Hampshire* is identical on both definitions. However, on the ward/LSOA-based definition, *South Hampshire* is notably bigger (and *Central Hampshire/New Forest* notably smaller) than on the LAD-based definition. Some account should be taken of this in making comparisons across datasets. Figure 1-1 shows both sets of definitions and the naming terminology which is used consistently throughout this document

¹³ 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)

all of) West Sussex, Surrey, Isle of Wight, Dorset (including Poole and Bournemouth), Wiltshire (including Swindon), and Berkshire^{14 15}.

Process of preparing the Hampshire Economic Assessment

- 1.6 The preparation of this first Hampshire Economic Assessment involved two main phases of work.
- 1.7 The first phase led to the publication of a consultation draft of the Hampshire Economic Assessment in the summer, 2010. This process was undertaken in consultation with a Key Stakeholder Group which 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. The Key Stakeholder Group helped to shape the development of the assessment through a series of ‘key propositions’ (see Extended Evidence Document) that guided the collection and analysis of the data.
- 1.8 The draft Hampshire Economic Assessment was widely consulted upon including through written consultation responses and various briefing meetings (with both Councillors and businesses). In finalising the Hampshire Economic Assessment (the second main phase of work), account has been taken of the comments that were made during the consultation.

Structure of the Hampshire Economic Assessment

- 1.9 The Hampshire Economic Assessment is divided into eight further sections:
 - *Section 2* describes briefly the spatial economy of the *Hampshire Economic Area* and it examines – again in headline terms – the “economic flows” that characterise economic life within the *Hampshire Economic Area*
 - *Section 3* presents headline findings in terms of the area’s overall economic competitiveness
 - *Section 4* considers the sectoral composition of the economy
 - *Section 5* examines key issues relating to labour market inclusion and worklessness, and deprivation across the *Hampshire Economic Area*

¹⁴ This area encompasses all of the unitary authority areas within the former administrative county of Berkshire

¹⁵ In general the data tables and figures in this assessment tend to make reference to Berkshire and Surrey – as the best performing comparator economies – and West Sussex as the worst. The Extended Evidence Document does however contain some data for all of the comparator areas.

- *Section 6* considers issues relating to the environmental sustainability of economic activity across the *Hampshire Economic Area*
- *Section 7* examines future prospects for the area's economy, based on various modelling processes
- *Section 8* looks across previous sections to provide a spatial synthesis
- *Section 9* summarises the priorities that emerge from the Hampshire Economic Assessment as an input into future strategic discussions and processes¹⁶.

1.10 There are three main annexes. Annex A provides a glossary of technical terms used in the body of this document. Annex B presents a summary set of headline indicators for the *Hampshire Economic Area*, its sub-areas and the South East region. Annex C contains a parallel set of indicators relating to key comparator areas.

1.11 In addition, a separate Extended Evidence Document provides a substantial volume of data and analysis which is structured around the five themes. Many of the data are presented for *Hampshire Economic Area*, for the three sub-areas and also for the area covered by Hampshire County Council.

¹⁶ Note that the priorities have no formal status

2: The spatial economy and “economic flows”

Section 2: Key findings

- The settlement structure of the *Hampshire Economic Area* is distinctive, encompassing two large urban areas, some other large settlements, a series of market towns and a myriad of smaller settlements in an extensive rural area. This geographical backdrop is very important in terms of understanding “how the economy of the *Hampshire Economic Area* works”
- Many of the *Hampshire Economic Area*’s key physical assets for economic growth are located in or close to the major urban areas and this ought to provide a basis for significant economic effects (through processes of agglomeration)
- The *Hampshire Economic Area* is internationally well connected – through ports and airports particularly, but also through the activities of businesses, universities, and so on. This has an important influence on the shape of the economy
- There are extensive commuting flows within the *Hampshire Economic Area* and between it and other areas, notably London. Again this is materially important in terms of how the economy “works” and the opportunities and constraints it is facing. A key observation is that at sub-area level, the *Hampshire Economic Area* can be characterised in terms of a net flow of workers northwards: from South to Central/New Forest, and from Central/New Forest to North
- One consequence of commuting is that earnings generated by those who work in an area can be very different from those of the workers that live there. More generally, workplace-based observations (e.g. composition of jobs) and residence-based ones (e.g. skills of local people) can look very different and there is a need to think about the impact of commuting when considering appropriate local interventions

Economic Geography

- 2.1 By 2008, the *Hampshire Economic Area* was home to 1.7 million people. During the period since 2001, this figure had increased by just over 4%, a similar rate of population growth to the South East region and to England as a whole¹⁷.

Urban and rural components of the Hampshire Economic Area

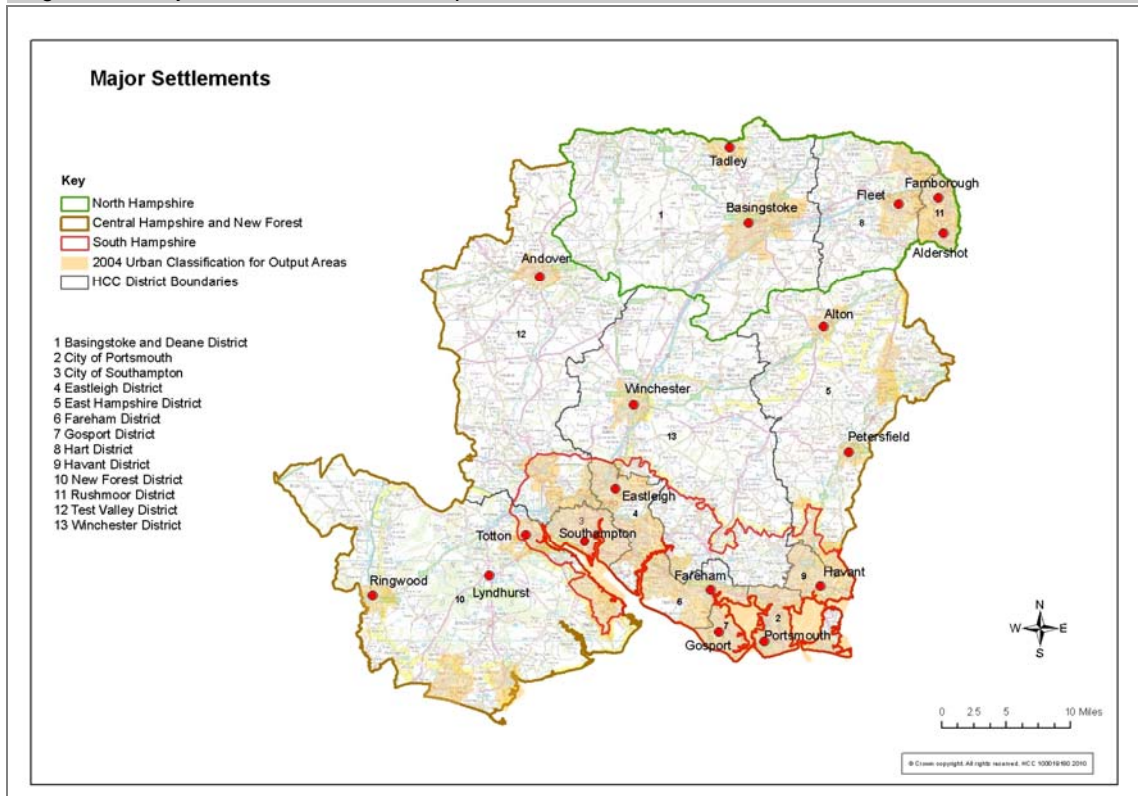
- 2.2 The *Hampshire Economic Area*’s settlement structure means that the spatial distribution of its population is uneven and this, in turn, is integral to “*how the economy works*”. In 2001 (at the time of the last Census) – and based around an ONS-derived “bricks and mortar” definition¹⁸ – five urban areas were identified with resident populations of more than 50,000 people: Portsmouth Urban Area (including Gosport, Fareham and Havant, and with a resident population of over 440,000);

¹⁷ ONS Mid Year Population Estimates

¹⁸ This identifies contiguous urban development (as indicated on Ordnance Survey maps) and then attaches population-based Census data to these (through output areas)

Southampton Urban Area (including Eastleigh, with just over 300,000 people); Basingstoke (94,000); Aldershot (58,000); and Farnborough (57,000)¹⁹. These five urban areas were therefore home to approaching 60% of the total resident population.

Figure 2-1: Major settlements in the *Hampshire Economic Area*



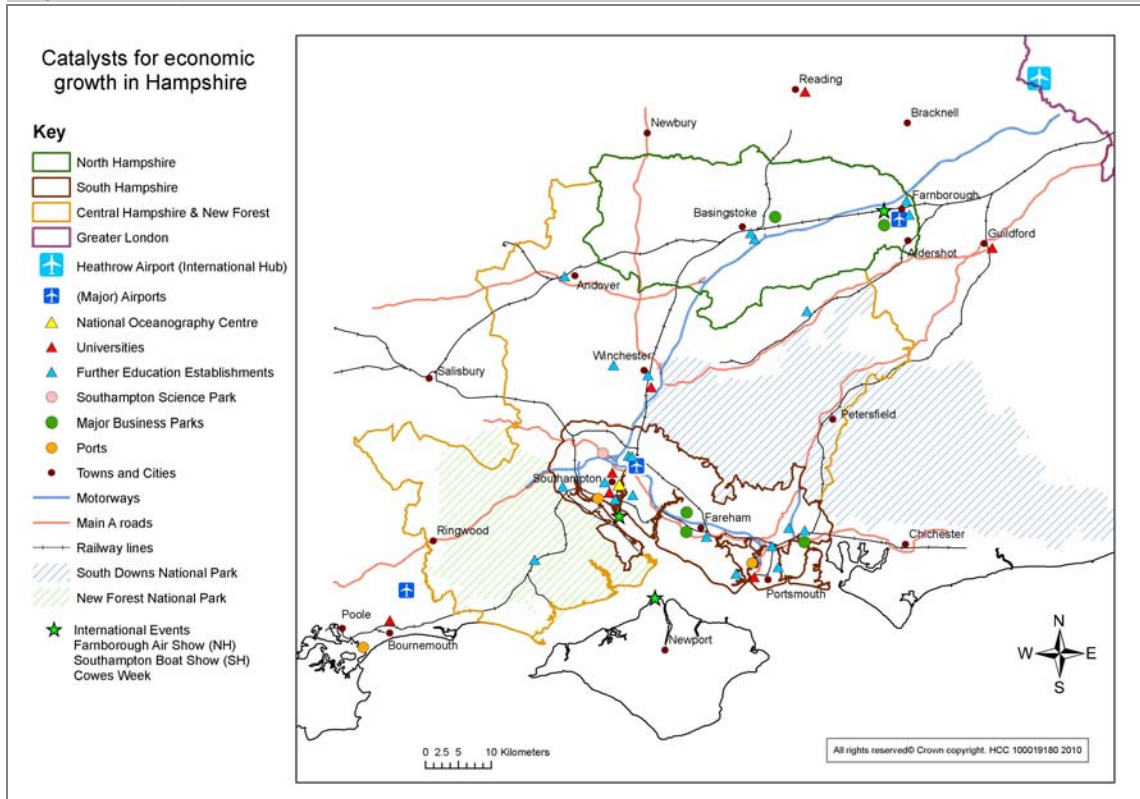
Source: Hampshire County Council

- 2.3 The geography of the urban areas has influenced – and has been influenced by – the location of some key economic assets such as key railway interchanges, universities, hospitals, ports, airports, etc. (some of these are shown in Figure 2-2). Whilst the towns and cities within the *Hampshire Economic Area* have grown at different rates and in response to quite different roles (ranging from ports functions to London overspill to historic county towns), economic theory would in general suggest that – all other things being equal – the larger the available workforce/customer base, the better the prospects for growth owing both to specialisation effects and the straightforward consequences of scale (agglomeration).
- 2.4 In combination with key elements of the transport infrastructure, the larger urban areas have also tended to determine the shape of “economic corridors”, at a range of spatial scales. Within the *Hampshire Economic Area*, these include – in particular – the M27/A27 Corridor in the south of the area and the M3 Corridor extending, broadly, from *South Hampshire* towards Winchester and beyond. Looking beyond the *Hampshire Economic Area*, similar arguments apply. The M4 Corridor/Thames Valley is very important in terms of the area’s overall economic character and

¹⁹ Table KSO1 from the 2001 Census

performance as, more generally, is the London-focused Greater South East which (arguably) encompasses the whole of the *Hampshire Economic Area*.

Figure 2-2: Key assets within the *Hampshire Economic Area*



Source: Hampshire County Council

- 2.5 Overall, urban areas in total account for 17% of the land area of the *Hampshire Economic Area* but around 83% of the population; conversely, about 83% of the land area is rural and this is home to 17% of the population²⁰.
- 2.6 In spatial terms, it is therefore important to acknowledge that much of the *Hampshire Economic Area* is rural and this is a further key determinant of “*how the economy works*”. The area is spatially extensive. Moreover it includes some major designated landscapes (including large parts of two National Parks) and these need to be recognised as key economic assets in their own right: they are crucial in terms of tourism, leisure and recreation (which are substantial economic sectors) and they contribute much in defining the area’s wider “quality of life”.

Urban and rural components – the three sub-areas

- 2.7 Within this general picture of urban and rural contrasts, there are important sub-area differences. Across *Districts in South Hampshire*, over 90% of the resident population is estimated to live in urban areas. Conversely, in *North Hampshire*, the

²⁰ The figures were calculated by Hampshire County Council using the Defra 2004 Urban/Rural Classification as a means to derive the rural/urban area in GIS, and the Defra 2004 Urban/Rural Classification and Hampshire’s Small Area Population Forecasts were used to derive the rural/urban population

figure is around 85% while for *Districts in Central Hampshire/New Forest*, it is just over 40%.

- 2.8 These differences are important. They emphasise the contrasting character of the three sub-areas' economic geographies: specifically, they suggest that in *South Hampshire* and – to a degree – *North Hampshire*, the population is spatially concentrated in a few urban areas whereas in *Central Hampshire/New Forest*, it is much more scattered (market towns feature strongly, as do smaller settlements). In terms of the Hampshire Economic Assessment, these differences matter because the distribution of population – both as workers employed to produce goods and services (whether paid or unpaid) *and* as customers/consumers wanting to buy/use them – has a material bearing on firms' competitive prospects.

Key economic flows

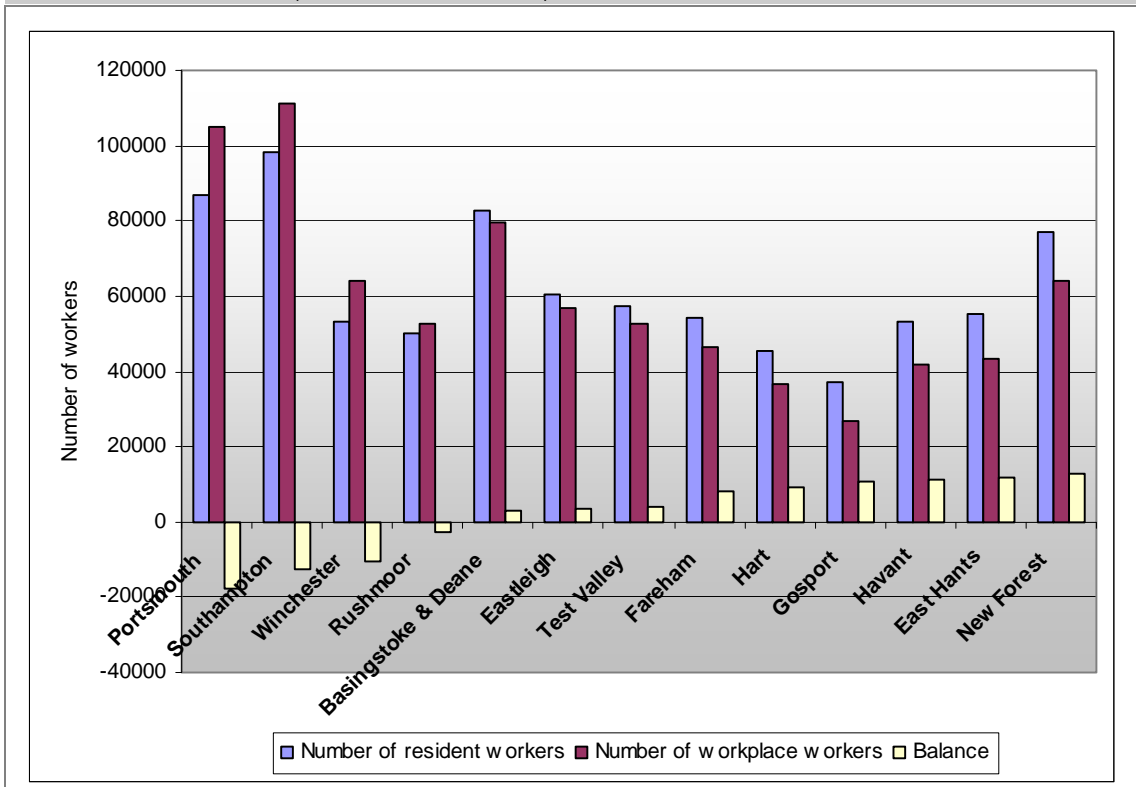
- 2.9 Of course, people – whether workers, consumers/customers, or both – can (and do) travel. Hence the economic geography of the *Hampshire Economic Area* needs to be examined in terms of economic flows.

Commuting flows within the Hampshire Economic Area

- 2.10 Commuting patterns are one key consideration but we have to rely on data from the 2001 Census for detailed and robust evidence²¹.

²¹ The Annual Population Survey (APS) is a source of more recent data, but these are sample based and therefore less robust. They however suggest that there was very little change between 2001 and 2008.

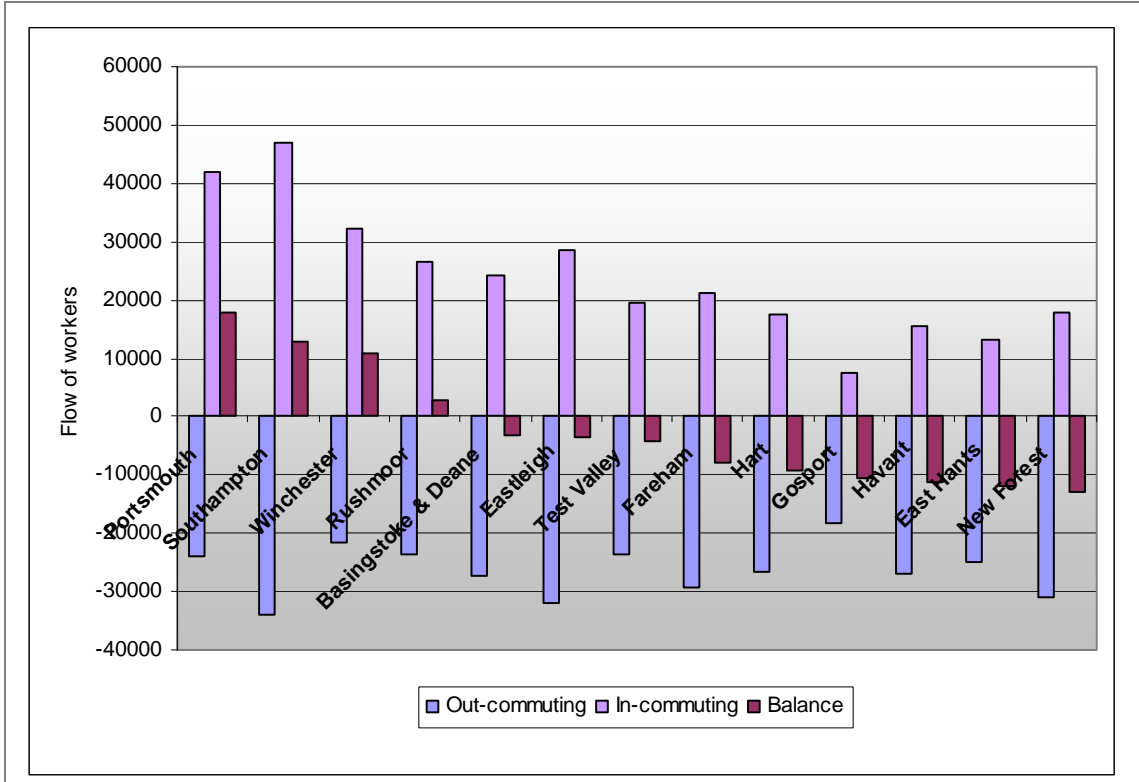
Figure 2-3: Number of resident workers and workplace workers for each local authority district, and the balance between the two (Source: Census, 2001)



2.11 For each of the 13 local authority districts within the *Hampshire Economic Area*, Figure 2-3 shows the number of resident workers; the number of workplace workers; and the balance between the two. It indicates that the larger urban areas, particularly Portsmouth and Southampton, have more workplace than resident workers, with net in-commuting the clear inference. Conversely, among *Districts in Central Hampshire/New Forest* (notably East Hampshire and New Forest), the data point clearly to net out-commuting. The important implication is that variations in economic geography evidenced through the distribution of the resident population tend to be exaggerated further once commuting patterns are taken into account. Across the *Hampshire Economic Area*, there are therefore very distinctive “contours” relating to patterns of economic activity.

2.12 Another important “cut” with regard to commuting relates to gross flows of in- and out-commuters; these data are shown in Figure 2-4 and they are important because they point to the overall *volume* of flows. The net balance mirrors exactly the data shown in Figure 2-3. However what is evident from Figure 2-4 is that the volume of flows varies substantially at a district level: Southampton and Eastleigh have the largest absolute numbers of out-commuters whereas Southampton and Portsmouth see the highest levels of in-commuting, followed by Winchester and Eastleigh.

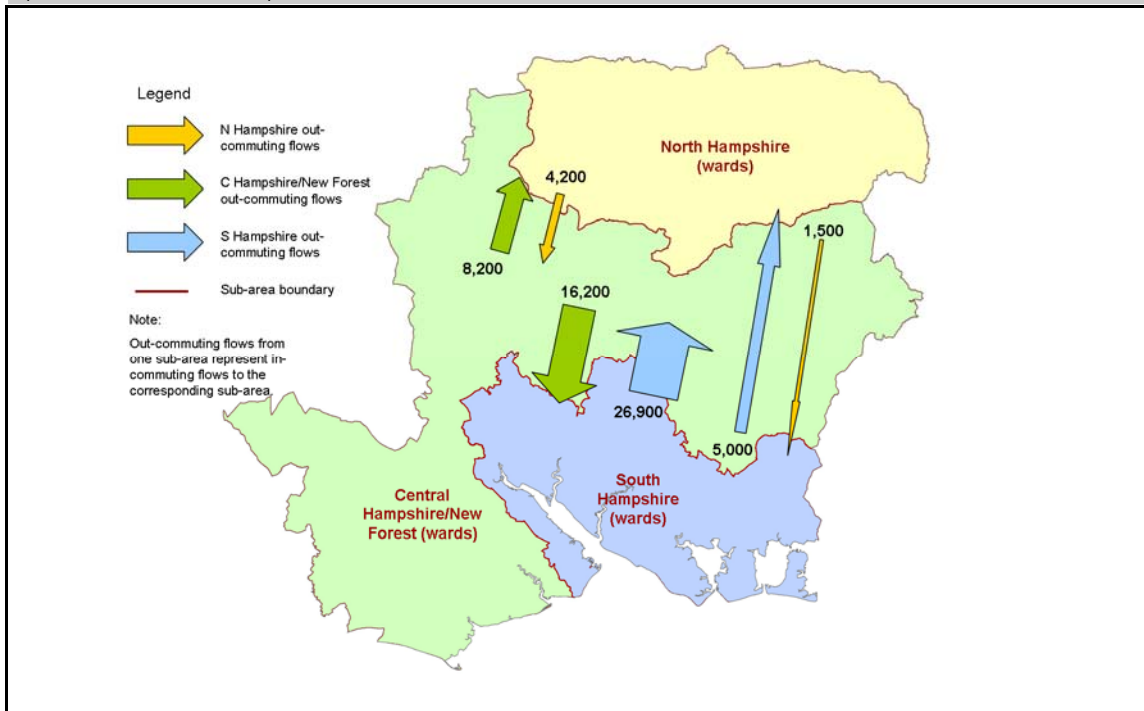
Figure 2-4: In-commuting, out-commuting and the balance between them (Source: Census 2001)



2.13 At the level of the three sub-areas, the volume of out- and in-commuting, and the balance between the two, is summarised in Figure 2-5 (on a ward-based definition of sub-areas). On both ward-based and district-based definitions of sub-areas, more people commute out of *Districts in South Hampshire* than into them²²; given the sub-area's urban character, this observation is unusual and it ought to be seen as a concern. For *Districts in Central Hampshire/New Forest*, the overall picture is a net inflow from the south and a net outflow to the north. The factors which explain these observations are examined through the Hampshire Economic Assessment as a whole.

²² Using the ward definition for South Hampshire (the PUSH area) results in a much higher level of self-containment than on the district definition

Figure 2-5: Flows of commuters between the three sub-areas within the *Hampshire Economic Area* (Source: 2001 Census)



Source: Hampshire County Council

2.14 With regard to patterns of economic flows, three other points need to be recognised. All three are crucial in relation to the Hampshire Economic Assessment.

Commuting flows across the boundaries of the Hampshire Economic Area

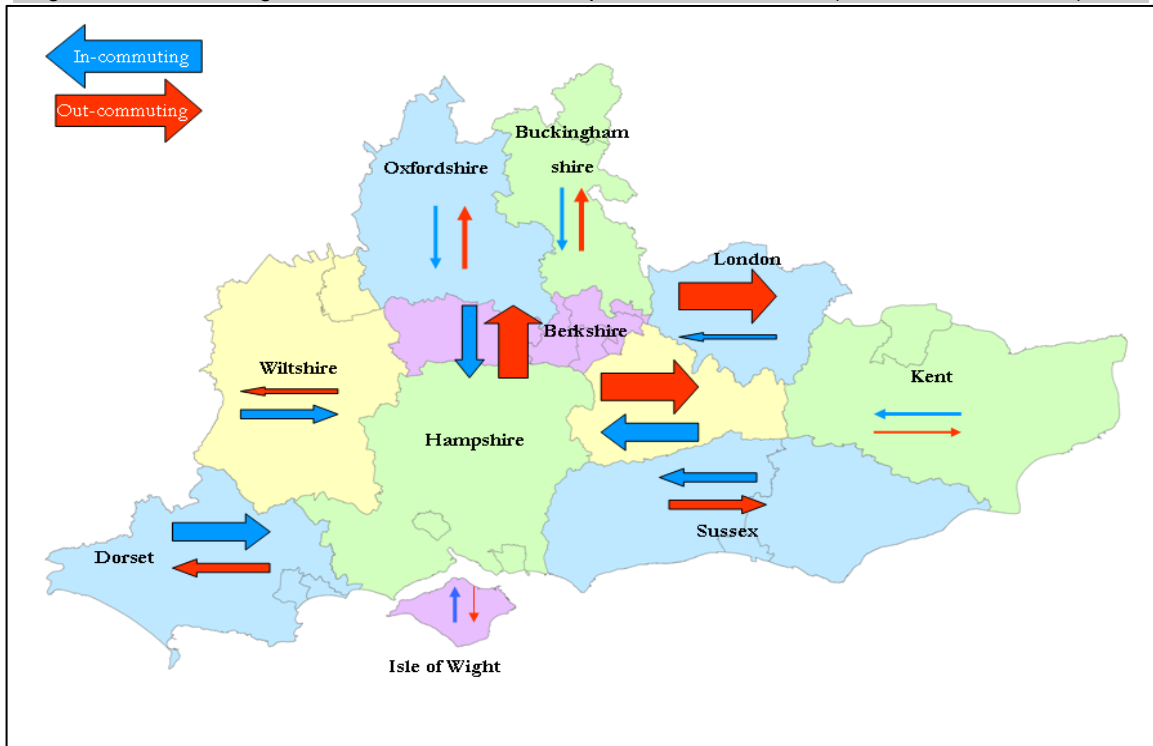
2.15 Commuting flows do not “stop” at the “boundary” of *Hampshire Economic Area*; indeed, in terms of economic activity, the “boundary” is wholly artificial and extremely permeable in both directions. Figure 2-6 and Figure 2-7 shed some light on this:

- At the time of the last Census, about 811,000 residents of the *Hampshire Economic Area* had jobs. Amongst these, approaching 25,000 residents commuted to work in London. In addition, about 32,000 (most of whom were residents of Hart, Rushmoor and East Hampshire districts) worked in Surrey; 10,000 (mainly from Basingstoke and Deane) worked in West Berkshire; 8,000 (mainly from East Hampshire, Havant and Portsmouth) worked in West Sussex; and over 5,000 (mainly from Test Valley and New Forest) had workplaces in Wiltshire. Overall, just over 120,000 residents of the *Hampshire Economic Area* had a workplace that was outside of the area²³.

²³ The districts on the boundary of the *Hampshire Economic Area* had particularly strong commuting links with other authorities outside of the economic area; for example the New Forest is well connected to Dorset.

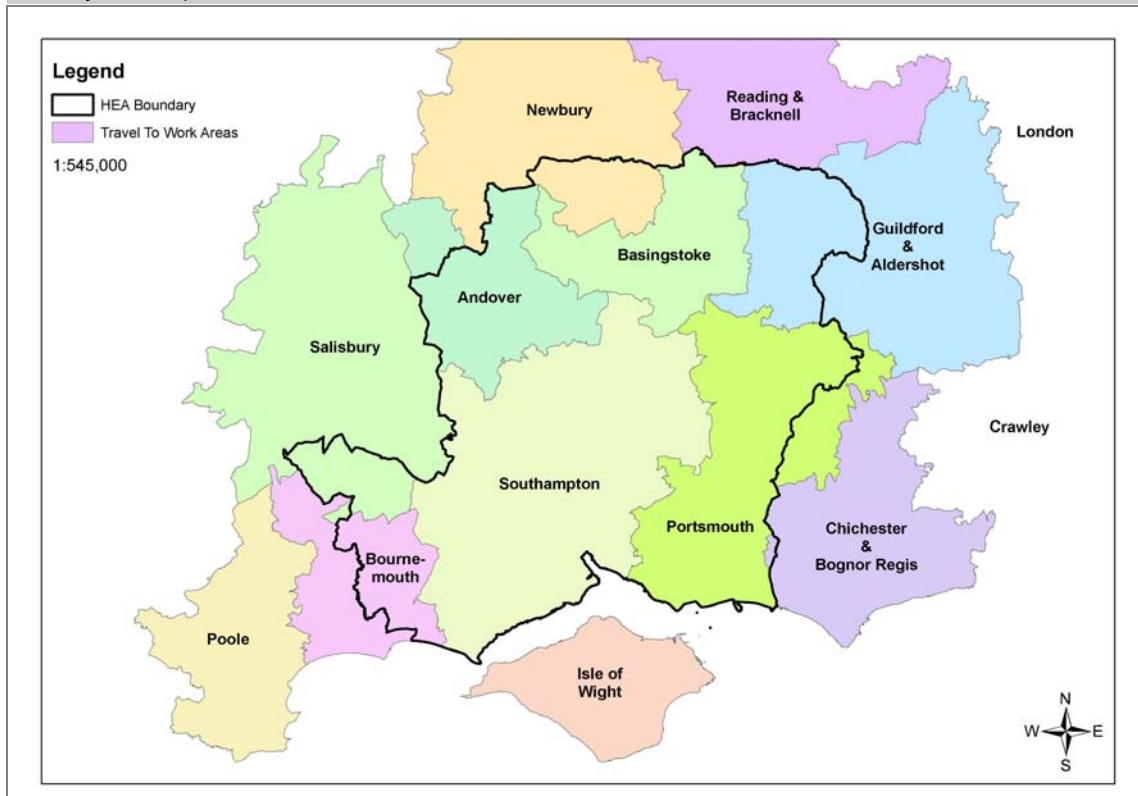
- At the same time, about 90,000 people commuted to work within *Hampshire Economic Area* from outside the area. Of these, close to 20,000 were resident in Surrey; about 13,500 lived in Dorset (including Bournemouth and Poole); 11,500 were resident in Berkshire; West Sussex and Wiltshire were both home to around 9,000; and – perhaps surprisingly – some 6,500 workers commuted to the *Hampshire Economic Area* from London.
- Within the *Hampshire Economic Area*, there are eight different Travel to Work Areas, but only two of these (Southampton and Basingstoke) are contained wholly within its administrative geography.

Figure 2-6: Commuting flows into and out of the *Hampshire Economic Area* (Source: 2001 Census)



Source: Hampshire County Council

Figure 2-7: Travel to Work Areas across the *Hampshire Economic Area* (Source: ONS and Hampshire County Council)



Source: Hampshire County Council

- 2.16 A degree of caution is needed in drawing conclusions from these data, in particular any notion that commuting across administrative boundaries (whether within or beyond the *Hampshire Economic Area*) is, by definition, undesirable/unsustainable. Some such commutes can be quite short, whereas some journeys to work within a district can be quite lengthy²⁴. On average, workers resident in the *Hampshire Economic Area* (with an average journey to work of 12.4 km) commuted shorter distances than workers nationally (13.3 km), regionally (14.9 km) and across all of the comparator areas except the Isle of Wight (10.7 km).

The implications of commuting flows: major differences between workplace-based and residence-based observations

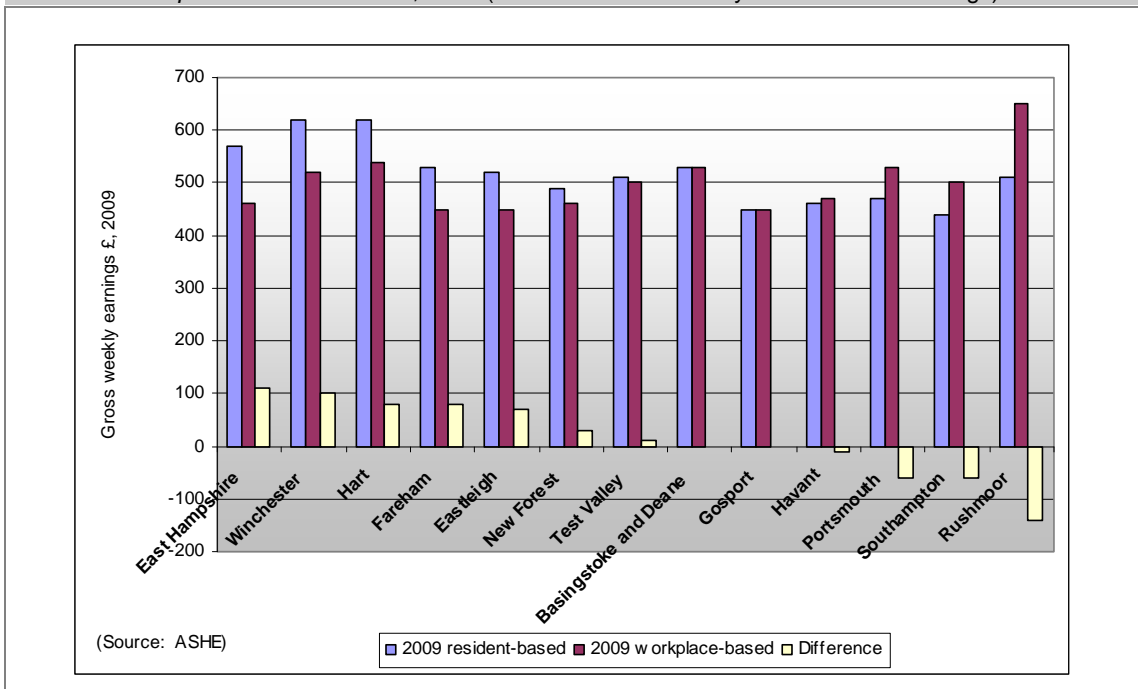
- 2.17 One of the consequences of sizeable commuting flows (particularly those to London but also flows contained within *Hampshire Economic Area*) is that in some parts of the *Hampshire Economic Area* there is a significant differential between workplace- and residence-based employee earnings. This is important because it has major implications for the affordability of housing²⁵ and for the cohesion and sustainability of individual communities. In this regard, the *Hampshire Economic Area* is not very

²⁴ These issues are considered further in Section 6

²⁵ In 2009, lower quartile house prices were 7.71 times lower quartile earnings across the South East and 8.13 times earnings in the *Hampshire Economic Area*. In East Hampshire, the ratio was as high as 10.48 while in New Forest it was 9.63

different from much of the rest of England: in rural areas in particular, residence-based earnings tend to be a good deal higher than workplace-based earnings, because of the commuting effect. As Figure 2-8 demonstrates, in both East Hampshire and Winchester, median residence-based full time employee earnings are about £100 per week higher than workplace-based ones. Conversely, for Portsmouth, Southampton and Rushmoor (a small but predominantly urban district (which includes Farnborough and Aldershot)), residence-based earnings are a good bit lower than workplace-based ones. Again, this picture is typical of larger urban areas but it is noteworthy and it has wide-ranging implications, not least in terms of labour market mobility.

Figure 2-8: Median residence-based and workplace-based full time employee earnings for districts within the Hampshire Economic Area, 2009 (Source: Annual Survey of Hours and Earnings)



Other types of economic flows – and the international dimension

2.18 Before moving on from the spatial economy of the Hampshire Economic Area, one further set of observations must be made, for it fundamentally underpins the area's wider competitive prospects. Specifically, the Hampshire Economic Area includes a number of international gateways which create important opportunities with regard to local economic growth. These include Southampton International Airport and Farnborough Airport, as well as the ports at both Southampton and Portsmouth; brief descriptions are provided in Box 2-1 below. These gateways are fundamentally important to some of the Hampshire Economic Area's key sectors, most notably the cruise industry (focused on Southampton), logistics and tourism.

Box 2-1: The Hampshire Economic Area's International Gateways

The *Hampshire Economic Area's* two international sea ports (Southampton and Portsmouth), and two airports (Southampton and Farnborough) are key assets in allowing world business and trade markets to be reached from a *Hampshire Economic Area* base. In addition the majority of the *Hampshire Economic Area* is within easy travelling distance of Heathrow Airport, a major world transportation hub.

In terms of specific International Gateways:

- Southampton Airport serves a wide area of the south coast. Over 3 million people live within one hour of the airport which has 13 airlines flying to 48 destinations nationally and across Europe with a notable 39% of trips through the airport being for Business reasons²⁶. The proximity of Southampton Airport Parkway railway station to the airport means that Southampton has one of the best train-to-plane connections in Europe.
- Farnborough Airport provides one of the most modern and efficient specialist business aviation airports in Europe, providing executive terminal services with a business centre for passengers.
- Southampton Sea Port is a major economic asset and driver of the transport and logistics sector which is recognised as a potential growth sector in *South Hampshire*. The port acts as an international transport hub handling one fifth of the UK's trade with non-EU countries and is one of the largest ports in the UK by tonnage. The Port has access to major World, European and UK markets and enjoys excellent road and rail links
- Portsmouth Sea Port is Britain's most successful municipal port as well as a naval dockyard. The ferry port deals with over 2 million passengers and 600,000 vehicles a year while the commercial quay serves over 300 ships a year handling over one million tonnes of imports and exports including 70% of the UK's banana trade.

- 2.19 There are four universities within the *Hampshire Economic Area* (three in the *Districts in South Hampshire* and one in *Central Hampshire/New Forest*). Alongside a number of colleges, these have key networks of international connections, as do many of the larger businesses. These linkages provide another important dimension of the *Hampshire Economic Area* on a global stage.
- 2.20 Over recent years, the *Hampshire Economic Area* – like many other areas – has seen substantial in-migration of workers from abroad. Local area data linked to international migration need to be treated with caution but two broad trends are evident. First, following a steady rise from 2004 to 2007, the number of newly arriving migrant workers declined significantly in 2008 and 2009. And second, international migration has affected all parts of the *Hampshire Economic Area* although *Districts in South Hampshire*, and particularly Southampton, have been a focus.
- 2.21 For all of these reasons, the “geography of flows” that is so important in relation to the *Hampshire Economic Area* must therefore be understood on an international stage. It is this “fluidity” that provides the backdrop for an assessment of the area's competitive performance.

²⁶ Southampton Airport Masterplan

3: Overall economic competitiveness

Section 3: Key findings

- In terms of economic output, the *Hampshire Economic Area* has performed steadily over recent years but measures of GVA per capita are below those for the South East and England, and well below those for the buoyant neighbouring economies of Berkshire and Surrey.
- At a sub-area level, *North Hampshire* performs strongly on GVA per worker (productivity) measures. The performance across *Central Hampshire/New Forest* is weaker.
- In seeking to explain these variations, it is important to note that:
 - (i) the skills profile of residents of working age within the *Hampshire Economic Area* is similar to the South East average. Within this, *Districts in Central Hampshire/New Forest* perform well, but the profile of resident skills across *Districts in South Hampshire* is weak
 - (ii) the *Hampshire Economic Area* has a high incidence of activity linked to the knowledge economy. Within this, the profile of *North Hampshire* is especially strong
 - (iii) there are well over 60,000 businesses within the *Hampshire Economic Area*, but levels of business density vary significantly. Across *Districts in South Hampshire*, levels of business density are low which suggests a high incidence of larger employers. Conversely, in relative terms, the incidence of smaller enterprises is higher across *Districts in Central Hampshire/New Forest*
 - (iv) levels of entrepreneurship across the *Hampshire Economic Area* are slightly below those for the South East and well below those for buoyant adjoining areas. Again, it is *North Hampshire* that performs best on this indicator.
- The fact that *Districts in Central Hampshire/New Forest* have the strongest skills base (amongst their resident working age population) and the weakest performance in terms of GVA per worker points to the impact of commuting patterns on the local economy.
- When surveyed, businesses in the *Hampshire Economic Area* identified a number of factors which are likely to influence future economic growth and – hence – overall competitiveness. These include the importance of access to finance and improvements to key infrastructure.

Gross Value Added (GVA)

- 3.1 The overall value of a local economy is best measured in terms of Gross Value Added (GVA); this boils down to the sum of wages plus profits generated locally. “GVA per worker” provides a measure of overall productivity while a benchmark which is often used as a measure of overall prosperity is “GVA per head” or “GVA per capita”²⁷.

²⁷ GVA per head/capita needs to be used carefully as the numerator (GVA) is workplace based and the denominator (population) is residence based. GVA per head measures tend to be low if there is a lot of net out-commuting (and inflated if there is net in-commuting). Also, GVA per head measures are typically low in areas in which a large proportion of the population is not of working age (e.g. because they are retired)

- 3.2 The recent performance of the *Hampshire Economic Area* in relation to GVA may be summarised as follows:
- In 2007 – and measured at current basic prices – the *Hampshire Economic Area's* GVA was about £35bn²⁸ (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 and was faster than the England-wide figure (5.6% per annum). 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.
 - By 2007, GVA per capita in Hampshire was £20,345 (at current prices), the regional average was £21,248 and the average across England was £20,458. For Berkshire, the corresponding figure was £30,970; for Surrey, it was £24,103; and for West Sussex, it was £20,383.²⁹
- 3.3 The conclusion – certainly when considered in relation to its immediate neighbours – is that although the *Hampshire Economic Area* has performed steadily over recent years, it is below the regional and national averages with regard to GVA per capita. It is some way adrift when considered alongside the most strongly performing areas.
- 3.4 To examine variations within the *Hampshire Economic Area*, we need 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; (b) on a “per job” rather than “per capita” basis; and (c) for ward-based definitions of sub-areas³⁰. For all three reasons, they are not therefore directly comparable to those set out above.
- 3.5 At 2003 constant prices, LEFM suggests that in 2007, the value of the economy of the *Hampshire Economic Area* was £30.9bn. *South Hampshire* accounted for over half (57%) of the area's economic output measured in terms of GVA. *Central Hampshire/New Forest* accounted for 20% and *North Hampshire* for the remaining 23%.

²⁸ National Statistics, 2009

²⁹ GVA per capita figures for Southampton and Portsmouth are close to the national and regional averages. However net in-commuting has the effect of inflating GVA per capita figures (because the numerator is workplace based, and the denominator is residence based). Therefore large urban areas characterised by net in-commuting tend to perform strongly on this measure

³⁰ See Footnote 12 for a further explanation

- 3.6 LEFM suggests that between 2000 and 2007, the *Hampshire Economic Area's* GVA 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 at 3.1% per annum and both *Central Hampshire/New Forest* and *South Hampshire* grew at 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.
- 3.7 In terms of workplace-based measures of GVA per job – the overall headline measure of productivity – LEFM provides some further important insights. 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) and across *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 *Central Hampshire/New Forest*: by 2007, GVA per job was £31k which was consistent with an annual growth rate of 1.6% per annum since 2000. These findings are broadly consistent with those reported in Figure 2-8 above: workplace-based earnings in some of the more rural *Districts in Central Hampshire/New Forest* are low (even though residence-based earnings are high).

Drivers of productivity

- 3.8 How do we try and explain these observations and what are the future implications arising from them? To inform an assessment, it is helpful to refer to the “drivers of productivity” set out by HM Treasury (skills, innovation, competition, investment and entrepreneurship), a framework that resonates strongly with the principles of “smart growth”³¹. Not all of these drivers are easily measurable at small spatial scales, but in the paragraphs that follow we comment on four of the five³².

(i) Skills

- 3.9 Across the *Hampshire Economic Area* as a whole, the skills profile³³ of the resident working age population is not very different from that for either England or the South East: in fact, in terms of the incidence of people with qualifications equivalent to

³¹ “Smart growth” is essentially concerned with “doing more with less” and securing higher levels of prosperity per head without increasing the ecological footprint. In general terms, it can be achieved by bringing more people into the workforce and through enhanced business productivity

³² There is insufficient local data to comment sensibly on patterns of business investment and variations within it. However, “investment” is implicit in the discussion of the *Hampshire Economic Area's* key assets (see Section 2) and also the discussion of infrastructure (see Section 6)

³³ See the analysis of Theme 4 within the Extended Evidence Document for a fuller discussion of the *Hampshire Economic Area's* skill profile

NVQ Level 4 or above³⁴, it is very similar to the average for England (but below that for the South East) while the proportion of the working age population with no qualifications is similar to 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.

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

- the skills base across the *Districts in South Hampshire* is really quite weak³⁵; it is worse than any of the comparators, both in terms of a low incidence of highly qualified residents of working age, and a high incidence of 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.

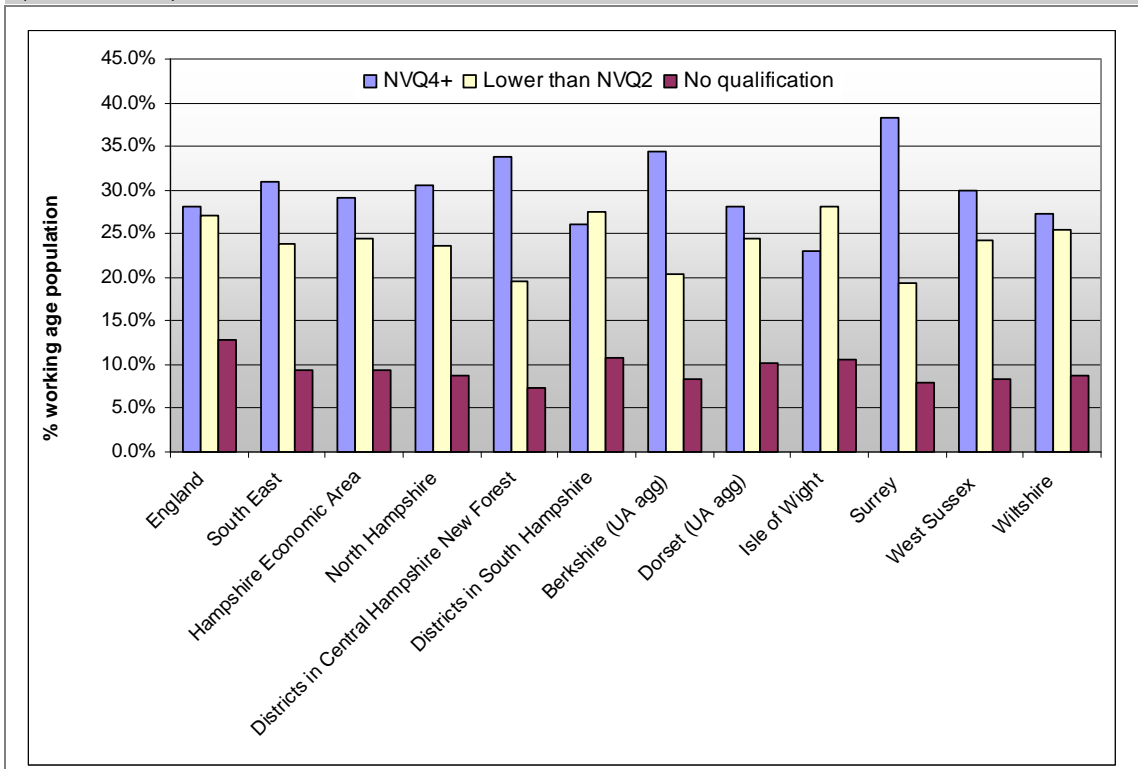
3.11 This final observation is especially important when considered alongside the comment in para 3.7 – that *Districts within Central Hampshire/New Forest* have fallen behind on workplace-based measures of GVA per job. The explanation lies in patterns of commuting (both into and out of the area): *Districts within Central Hampshire/New Forest* are home to large numbers of well-qualified people, but relatively few of these are working in local jobs and therefore employed by local businesses³⁶. Instead, the wages earned and profits generated by people who live in this part of the *Hampshire Economic Area* are often linked to businesses elsewhere; it is the local economies in which they work (and the businesses which employ them) that benefit from the product of their labours.

³⁴ “NVQ 4 and above” (NVQ4+) equates to a Higher National Certificate (or equivalent) and higher qualifications e.g. degree, postgraduate degree or doctorate and their equivalents

³⁵ Despite faster improvements than the rest of the South East in the proportion of the workforce with NVQ level 4 or higher, the overall proportion of residents with NVQ level 4 or higher qualifications within the *Districts in South Hampshire* remains below the other sub-areas

³⁶ Moreover, amongst this sub-area’s resident working population, over a third are engaged in managerial or professional occupations; the corresponding figure within the workplace population is 29% (APS, 2006-08)

Figure 3-1: Qualifications levels within the working age population, averaged over three years (2006-08) (Source: APS)



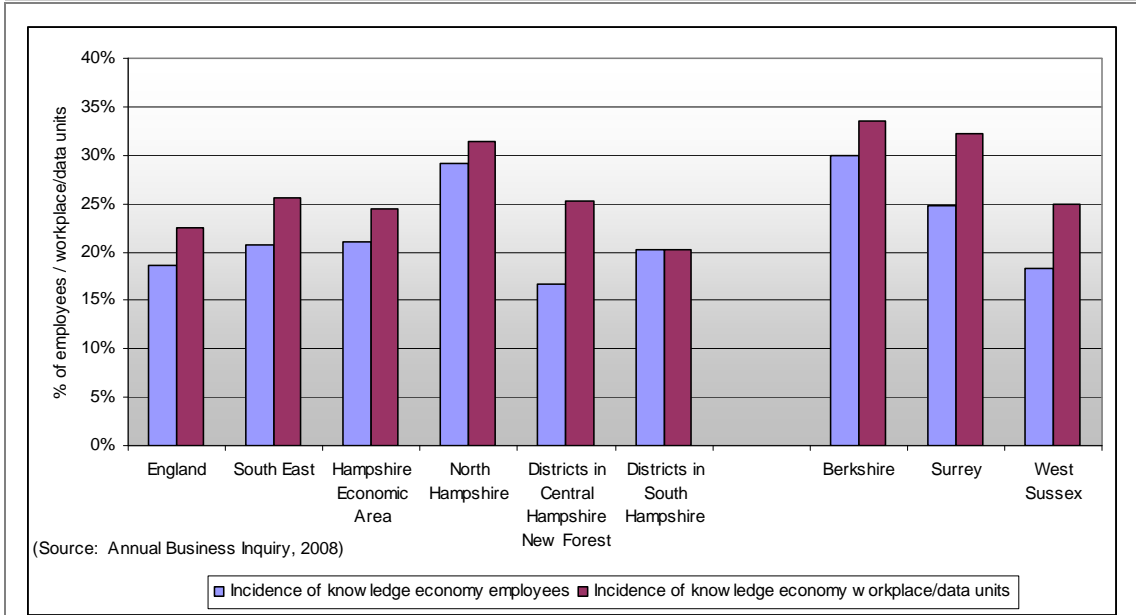
(ii) Innovation

3.12 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 3-2 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. 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.

- Within the *Hampshire Economic Area*, the strongest performer – by some margin and on both indicators – is *North Hampshire* (which is similar in profile to nearby Surrey and Berkshire). Whilst the *Districts in South Hampshire* have a relatively high incidence of employees in knowledge economy sectors (compared to regional and national averages), 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 3-2: Incidence of knowledge economy – employees and business units (Source: Annual Business Inquiry, 2008)



3.13 In the context of the Hampshire Economic Assessment, it is important to recognise that the *Hampshire Economic Area* contains key assets that ought to be a spur for innovation. Within the area are four Higher Education Institutions (the universities of Portsmouth, Southampton and Winchester, and Southampton Solent University) which together have around 60,000 students on their books. Various incubators and science parks are linked – more or less closely – to these including Portsmouth Technopole and Southampton Science Park at Chilworth, while the University of Southampton (for example) is responsible for over 70 business start-ups and spin-outs (some of which are now listed on the London Stock Exchange Alternative Investment Market). The *Hampshire Economic Area*, in addition, has some major and high profile businesses with a strong R&D focus and extensive supply chains; examples include IBM (with a major facility near Winchester), Shire Pharmaceuticals

(Basingstoke) and Roke Manor (one of Siemens' worldwide centres of R&D, based in Romsey).

(iii) Competition

- 3.14 In terms of local competition, 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. Estimates of the size of the business stock vary (depending on the exact unit of measurement). However the Business Demography statistics (ONS) 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* 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 adrift of the English average (394) and well below the regional figure (445). This suggests a predominance of larger employers within the *Districts in South Hampshire* which add their own value to the local and regional economy.

(iv) Entrepreneurship

- 3.15 A final indicator that is typically considered to be important in explaining the productivity performance of local economies relates to levels and rates of entrepreneurship. This is 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 3-1 shows business births as a percentage of business stock, and business 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*.

- 3.16 The *Hampshire Economic Area* has a business survival rate which is above the national rate and similar to the average for the South East: the evidence suggests that half of all new enterprises are still in operation five years after being formed.

Table 3-1: 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
<i>Hampshire Economic Area</i>	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	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 projections for 2008 (May 2010)

Business views of competitiveness

- 3.17 Alongside data-based analyses of competitiveness, it is important also to understand the views of businesses.
- 3.18 A survey³⁷ 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 including the constraints of "red tape". However, the top concern surrounded the difficulties of access to finance and funding. This was identified as both a long-term and immediate problem for the many businesses which indicated that they had received "poor support from banks". This was seen not just as a problem for existing businesses but also for new businesses, acting as a barrier to entrepreneurship. Another key issue for business was the local infrastructure: "tackling road congestion" and "addressing broadband provision" were seen as important for the economy. The businesses surveyed also said that their future growth would be affected by their ability to recruit staff with the appropriate skills.

Conclusions

- 3.19 In terms of overall competitiveness³⁸, what then should we conclude? The picture, clearly, is complicated. Overall, the *Hampshire Economic Area* performs more

³⁷ Business Reaction survey, http://www.hep.uk.com/downloads/J1020_HEP_Business_Report_Final-41.pdf

³⁸ Another source that does provide some insight into Competitiveness – albeit no means a perfect one – is the UK Competitiveness Index prepared by Robert Huggins and Hiro Izushi at the Centre for International Competitiveness. The findings from this source are discussed in the Extended Evidence Document

strongly than some of its neighbours (e.g. West Sussex) but it lags behind the fast growing economies of Surrey and Berkshire. Within this general picture, there are important variations at a sub-area scale:

- *North Hampshire* performs most strongly on a number of different indicators and in statistical terms at least, it appears to be similar in structure and character to Surrey and Berkshire. It is characterised by a reasonably strong skills base; a high incidence of knowledge economy employees and business units; and a high rate of business births. Its overall performance in terms of GVA and GVA per job is strong.
- *Across Districts in Central Hampshire/New Forest*, there are stark differences depending on whether the focus is residence-based or workplace-based: whilst the area is home to the highest proportion of highly qualified people of working age, its performance on (workplace-based) GVA measures is quite poor: rates of growth over much of the last decade have fallen some way short of the *Hampshire Economic Area* averages. This suggests an increasingly polarised economy with big and growing contrasts between those who work locally and those who commute outside the area to work.
- For *Districts in South Hampshire*, rates of GVA growth have hovered around the average for the *Hampshire Economic Area*. However, the skills base amongst the resident population is generally not robust and rates of business birth on per capita measures are also low. Overall the area has low levels of business density suggesting a predominance of larger employers. Within this broad context, the cities of Portsmouth and Southampton are particularly important to the sub-area's economy.

4: Sectoral composition

Section 4 Key findings

- Overall, there are about 776,000 employee jobs within the *Hampshire Economic Area*. About a half of these are in *Districts in South Hampshire*; a third are in *Districts in Central Hampshire/New Forest*; and about a fifth are in *North Hampshire*.
- Three-quarters of employee jobs are found in three broad sectors: finance and business services; public administration, education and health; and shops, hotels and catering.
- In terms of broad sectoral groupings, the profile of employment across the *Hampshire Economic Area* is not very different from the South East apart from the strong incidence of engineering. However there are notable contrasts across the three sub-areas: the profile of *North Hampshire* is broadly similar to that of nearby Berkshire whereas *Districts in Central Hampshire/New Forest* have relative strengths in the primary sector (although this is small in absolute terms) and engineering-related specialisms are particularly in evidence in *Districts in South Hampshire*.
- In the past, priority sectors have been defined through national, regional and local strategies. Most of these have a strong representation in the *Hampshire Economic Area* (as compared to the South East). Across the three sub-areas, *North Hampshire* stands out in relation to the incidence of employment in life sciences and health technology, ICT and digital media, and aerospace and defence; in *Districts in Central Hampshire/New Forest*, the marine sector appears to be distinctive (based on the Solent Waterfront Strategy definition); and for *Districts in South Hampshire*, the advanced engineering, aerospace and defence, and marine sectors are distinctive specialisms.
- The sectoral breakdown of GVA presents a complex picture. Overall, the pattern of GVA generation across the *Hampshire Economic Area* is little different from the regional average. Again though, there are notable differences at a sub-area level. Most striking is the importance of computer services in *North Hampshire* and the significance of activities in which the public sector plays a major role in the other two sub-areas.
- Although impossible to measure consistently in terms either of GVA or employment, it is important to recognise the significance of the voluntary and community sector in the *Hampshire Economic Area*. In the order of 7,000 separate organisations have been identified. These provide paid employment for an estimated 50,000 people and contribute much to the area's quality of life.

Introduction

- 4.1 Alongside measures of overall competitiveness and productivity, we need to consider the sectoral structure of the economy of the *Hampshire Economic Area*, and variations within it. In the paragraphs that follow we examine the sectoral profile of the *Hampshire Economic Area* focusing firstly on employment and secondly on the generation of GVA.

The sectors in which workers are employed

Broad sectoral profile

- 4.2 Overall, data from the Annual Business Inquiry suggest that in 2008 there were about 776,000 employee jobs across the *Hampshire Economic Area* as a whole³⁹. About half of these were located in *Districts in South Hampshire*, some 30% were in *Districts in Central Hampshire/New Forest* and 21% were in the three districts which comprise *North Hampshire*. At a broad sectoral level – across the *Hampshire Economic Area* as a whole – around 25% of employee jobs were found in each of finance and business services; public administration, education and health; and shops, hotels and catering.

Table 4-1: Employee location quotients⁴⁰ for broad sectors in the *Hampshire Economic Areas*, its sub-areas, and comparator areas in 2008, relative to the South East (SE = 1.0) (Source: Annual Business Inquiry, 2008)

	Hampshire Economic Area	North Hampshire	Districts in Central Hampshire New Forest	Districts in South Hampshire	Berkshire	Surrey	West Sussex
Primary ⁴¹	0.9	0.9	1.5	<u>0.5</u>	<u>0.8</u>	<u>0.7</u>	1.1
Community and personal services	0.9	1.2	1.0	<u>0.8</u>	1.0	1.1	0.9
Construction	1.0	0.9	1.2	0.9	0.9	1.1	0.9
Engineering	1.4	1.2	1.1	1.7	1.0	<u>0.6</u>	1.2
Finance and business services	1.0	1.2	1.0	0.9	1.3	1.3	0.9
Other manufacturing	0.9	1.0	1.2	<u>0.7</u>	<u>0.8</u>	<u>0.7</u>	1.2
Public administration, education & health	1.0	<u>0.7</u>	1.0	1.1	<u>0.7</u>	0.9	1.0
Shops hotels and catering	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Transport and communications	0.9	1.2	<u>0.7</u>	1.0	1.3	<u>0.7</u>	1.6

Note LQs which are ≥ 1.2 are shown in **bold**; those which are ≤ 0.8 are underlined

- 4.3 Important questions however surround the extent to which this pattern is the same as or different from comparator economies, and variations within the *Hampshire Economic Area* itself. Table 4-1 provides important insights on both fronts by showing the extent to which each area has a relatively high or low concentration of employee jobs in particular sectors.
- 4.4 In comparing the *Hampshire Economic Area* (as a whole) with three neighbouring areas, the table suggests some similarities, notably with regard to sectors which are

³⁹ This is lower than the total number of jobs principally because it excludes those who are self employed

⁴⁰ A location quotient is an index through which we can assess the concentration of employees in a particular sector in a particular area. Put simply, it is a measure of *relative specialisation* – i.e. are we seeing relatively more employees in sector A in *North Hampshire* as compared to (say) the typical picture across the South East? The LQ for the wider area which is chosen for comparison is by definition 1.0. Therefore, a LQ of 4.0 for *North Hampshire* would mean that it has four times more employees in sector A than would be expected if *North Hampshire* matched the pattern across the South East. A LQ of 0.5 would mean that it has half as many employees in this sector than we would typically expect

⁴¹ Primary industries include agriculture, forestry, fishing, mining/quarrying, etc.

predominantly serving a local population (e.g. community and personal services; and shops, hotels and catering). In one sector (engineering), the *Hampshire Economic Area* has a relatively high incidence of employees compared to all three comparators. Finance and business services, however, is more prevalent in the strongly performing economies of Berkshire and Surrey. Also, compared to the *Hampshire Economic Area* (and indeed the South East as a whole), these economies have a much lower incidence of other manufacturing and (particularly in Berkshire) public administration, education and health. The differences with regard to sectoral composition are therefore noteworthy.

4.5 Similarly variable findings are apparent at a sub-area level. In this regard, it is notable that:

- By and large, the employee location quotients for broad sectors in *North Hampshire* are similar to those for Berkshire; specifically, both have a strong concentration of employment in finance and business services and a low incidence in public administration, education and health.
- Across *Districts in Central Hampshire/New Forest*, it is primary industries (mainly agriculture and horticulture); construction; and other manufacturing that stand out. This sub-area is distinctively different from any other in the *Hampshire Economic Area* and from any of the comparator areas.
- For *Districts in South Hampshire*, it is engineering that stands out as a very distinctive specialism. Both finance and business services and shops, hotels and catering are under-represented (albeit slightly) relative to the South East; this is noteworthy because, with two large urban areas, these sectors might have been expected to be strong. The high incidence of employees in public administration, education and health in *Districts within South Hampshire* must also be a concern looking ahead, given the extent and scope of planned cuts in public spending.

Priority sectors⁴²

4.6 The sectoral classification used in this context is however very broad. Various strategies and plans⁴³ – at national, regional and sub-area levels – have identified priority sectors, generally because of their growth potential. It is instructive to complete a parallel analysis in relation to them. Table 4-2 shows the number of employees in the *Hampshire Economic Area* for each of the priority sectors. It then goes on to produce employee location quotients relative to the South East for the area as a whole, its sub-areas and three comparators.

⁴² For a definition of the priority sectors, see Annex A to Themes 1 or 3 within the Extended Evidence Document

⁴³ These include *New Industry, New Jobs*, HM Government 2009; *Regional Economic Strategy for the South East England, 2006-16*, SEEDA, 2006; and *Economic Development Strategy*, Partnership for Urban South Hampshire

Table 4-2: Employee location quotients in priority sectors across the *Hampshire Economic Area*, its sub-areas and various comparators relative to the South East (SE=1.0) (Source: Annual Business Inquiry, 2008)

Priority sectors – identified through strategy	Employees in Hampshire Economic Area, 2008	Hampshire Economic Area (LO)	North Hampshire (LO)	Districts in Central Hampshire New Forest (LO)	Districts in South Hampshire (LO)	Berkshire (LO)	Surrey (LO)	West Sussex (LO)
Advanced Engineering	17,900	1.5	1.2	0.9	2.0	<u>0.6</u>	<u>0.6</u>	1.3
Aerospace and Defence	6,200	2.7	2.0	1.0	4.0	<u>0.2*</u>	<u>0.5*</u>	1.2
Professional services (incl. financial and business services)	188,400	1.0	1.2	1.0	0.9	1.3	1.3	0.9
Environmental technologies	10,300	1.2	1.5	1.0	1.2	1.1	0.9	<u>0.7</u>
Life sciences and health technology	9,000	0.9	1.9	0.6	0.6	1.7	0.9	1.1
Knowledge economy	163,400	1.0	1.4	0.8	1.0	1.4	1.2	0.9
ICT and digital media	17,900	1.0	1.9	0.8	0.8	2.3	0.6	0.9
Marine ⁴⁴	41,200	1.3	1.1	1.9	1.4	0.9	1.2	<u>0.8</u>
Tourism	60,600	1.0	0.8	1.1	0.9	0.8	1.0	1.1

Note: Sectors within this table have been defined in a way which is not mutually exclusive. Hence figures should not be summed
Key: * LQs based on low employee estimates; LQs which are ≥ 1.2 are shown in **bold**; those which are ≤ 0.8 are underlined

- 4.7 From Table 4-2, it is noteworthy that some of the “priority sectors” are very much larger than others in terms of numbers of employees; however they all impact on the local economy in important respects. Considered alongside the 776,000 employee jobs within the *Hampshire Economic Area’s* economy, some of the priority sectors – like aerospace and defence, advanced engineering and marine to a lesser extent – appear to be modest in scale. However these are all sectors with high levels of productivity and high wage jobs, and they make a significant contribution to economic output (GVA). In addition, and just as importantly, they stimulate further job growth in other sectors through local supply chains. For example the marine sector, which has strong links to the knowledge base within the universities, is estimated to generate 8,400 indirect jobs in the *Hampshire Economic Area* through local supply chain effects⁴⁵.
- 4.8 Consistent with earlier observations, *North Hampshire* appears to have relative strengths in all priority sectors other than tourism. In addition to the more established aerospace and defence related industries, and ICT and digital media, *North Hampshire* is particularly strong in some emerging sectors, notably environmental technologies, and life sciences and health technology. While relatively small in terms of direct jobs, these sectors contribute to the local economy through high productivity, high wages and a local supply chain; and all have good prospects for growth in the future. More widely, North Hampshire is also relatively strong in professional and

⁴⁴ The definition of the marine industry is based on the Standard Industrial Classification codes identified in the Solent Waterfront Strategy

⁴⁵ Solent Waterfront Strategy published by SEEDA, Marine South East and the Partnership for Urban South Hampshire

financial services and the so-called knowledge economy; these are very much larger in terms of employment and also have good prospects for growth.

- 4.9 Across *Districts in Central Hampshire/New Forest*, there is little evidence of relative specialisation in the sectors that have been identified as priorities. The only real exceptions are marine (which is locationally concentrated within New Forest District) and tourism (which – in the main – is low wage and low value added, although it has positive effects on other sectors such as retail). It is notable though that despite two National Parks and the historic cathedral city of Winchester, the sub-area does not really stand out in terms of the strength of its tourism sector when considered alongside other areas (e.g. West Sussex).
- 4.10 Given its size, it is unsurprising that the relative strengths of *Districts in South Hampshire* tend to map onto the specialisms of the *Hampshire Economic Area* as a whole but to a greater degree (i.e. the marine, advanced engineering and aerospace and defence sectors). These sectors are often interrelated with transferable skills and shared supply chains. Environmental technologies, which is relatively strong and expected to grow rapidly, also has links into these three established sectors. Rather surprisingly given the presence of two large urban areas (and unlike *North Hampshire*), the specialisms of *Districts in South Hampshire* do not include professional and financial services or the knowledge economy as a whole. However, in absolute terms, both are significant and large sectors in the sub-area, and both could be expected to contribute to employment growth in the future.
- 4.11 The sectoral employment analysis therefore arguably confirms some of the earlier observations. The economy of *North Hampshire* is typically quite different from that of the other two sub-areas and it has many parallels with nearby Surrey and Berkshire. Across *Districts in Central Hampshire/New Forest*, there is little evidence of specialisation: other than with regard to primary industry, the sectoral structure of employment is similar to the regional average. The “priority” sectors identified across the *Hampshire Economic Area* do not, in general, map onto the strengths of this sub-area. Conversely, there is evidence of specialisation across *Districts within South Hampshire*. At a broad level, this relates to some currently “at risk” activities (e.g. public administration and defence) which places even greater emphasis on the continued success of the priority sectors.

Sectors and GVA

- 4.12 From LEFM, it is possible to estimate the sectoral make-up of the economy of the *Hampshire Economic Area* in terms of GVA. The sectoral classification used by the model is different from that considered above, but it is useful nevertheless. Note also that the definition of sub-areas used by LEFM is ward-based (whereas the discussion of sectoral employment was district-based).

4.13 Table 4-3 shows the ten largest sectors (in terms of GVA contribution) within the *Hampshire Economic Area*; together these account for about two-thirds of the economy (with output from 31 other sectors generating the remainder). Across the *Hampshire Economic Area* as a whole, the largest sector in terms of output is professional services, followed by computing services; health and social work, and public administration and defence, come next. Compared to the South East region, the *Hampshire Economic Area* relies relatively heavily on public administration and defence in terms of its share of GVA. But that aside, the picture across the *Hampshire Economic Area* is actually very similar to that for the South East: across the other nine largest sectors, the share of GVA within the *Hampshire Economic Area* is within a range of about +/-10% compared to the regional share.

Table 4-3: Sectoral composition of GVA within the *Hampshire Economic Area*, its sub-areas and the South East – based on modelled data for 2010 (at 2003 prices) (Source: LEFM)

	<i>Hampshire Economic Area</i>	North Hampshire	Central Hampshire/New Forest	South Hampshire	South East
Total GVA in 2010 (at 2003 prices)	£29.8bn	£6.7bn	£6.1bn	£16.9bn	£153.6bn
Share of GVA within the <i>Hampshire Economic Area</i>	100%	23%	20%	57%	
Prof. Services	10.3%	11.5%	13.7%	<u>8.6%</u>	11.6%
Computing Services	7.0%	15.8%	<u>4.6%</u>	<u>4.4%</u>	7.2%
Health & Social Work	6.9%	<u>4.1%</u>	9.0%	7.3%	7.2%
Public Admin. & Def.	6.9%	<u>3.5%</u>	8.1%	7.8%	5.4%
Retailing	6.9%	<u>5.4%</u>	6.2%	7.7%	6.9%
Construction	6.4%	5.1%	6.4%	6.8%	5.8%
Distribution	6.3%	7.6%	6.8%	<u>5.6%</u>	6.9%
Banking & Finance	5.4%	6.7%	<u>4.3%</u>	5.3%	6.0%
Education	5.3%	<u>3.8%</u>	5.6%	5.7%	5.3%
Misc. Services	5.0%	<u>4.5%</u>	5.8%	4.9%	5.6%
Other sectors	33.7%	32.0%	29.5%	35.8%	32.0%

Note: Where a particular sector's relative share of GVA 20% (or more) greater than the average for the South East, the figure is shown in **bold**; where it is 20% (or more) lower than the South East average, it is underlined

4.14 At the level of sub-areas, there are however some notable contrasts:

- For *North Hampshire*, the outstanding observation from Table 4-3 is the relative importance of computing services (which in this sub-area actually generates more output than professional services): its contribution to the area's GVA is more than double the average for the South East region (and is explained by the presence of some major players locally such as Nokia in Farnborough, EDS in Hook and Genisys Group and UBICS in Basingstoke). The other key observation with regard to *North Hampshire* is the under-representation in terms of GVA of sectors in which the public sector is writ large: public administration and defence is the most obvious, but health and social work and education also have a significant public sector element.

- In some respects, the sectoral pattern of GVA generation in *Central Hampshire/New Forest* is virtually the opposite: the computer services sector is under-represented while the share of GVA accounted for by public administration and defence and health and social work is double the regional average. Within this sub-area, there is a strong local government presence (including Hampshire County Council); Hampshire Constabulary is based in Winchester; and the Royal Hampshire County Hospital (and the Winchester and Eastleigh NHS Trust) is also located in Winchester.
- Across *South Hampshire*, the sector which stands out in terms of its relative GVA contribution is public administration and defence. In part this reflects the continuing importance of naval and other defence-related activity within the sub-area: for example, Portsmouth Naval Base is home to over half of the Royal Navy's surface ships and it accounts for 17,200 jobs (at peak times)⁴⁶. Within this sub-area, both professional services and computing services are under-represented in terms of their GVA contribution compared to the South East and both other sub-areas within the *Hampshire Economic Area*.

Voluntary and Community Sector

- 4.15 Within the *Hampshire Economic Area*, the importance of the voluntary and community sector (VCS) – also known as the “third sector” or Not for Profit sector – must also be noted. This includes registered charities and other incorporated organisations, community groups and social enterprises including cooperatives. These organisations vary considerably in terms of size and focus, ranging from branches of large national charities (e.g. the National Trust) to local community groups. The larger organisations employ paid staff as well as volunteers whereas small community groups may be entirely volunteer based.
- 4.16 Estimating the scale of the VCS is not easy. E.VOLve – an interactive website for community and voluntary sector organisations – lists about 5,000 entries for Hampshire and the Isle of Wight⁴⁷. A study in 2009 by RAISE (Regional Action and Involvement South East) estimated that there are over 7,000 voluntary and community organisations operating in Hampshire⁴⁸.
- 4.17 In terms of their sectoral profile, VCS organisations are very diverse although a good proportion are concerned with health and social care, and welfare. In terms of the foregoing analysis, VCS activity will be picked up in estimates of both GVA and employment if the relevant organisations have salaried staff. However many do not. The impact and significance of the VCS is very difficult to estimate using

⁴⁶ See <http://www.royalnavy.mod.uk/operations-and-support/establishments/naval-bases-and-air-stations/hmnb-portsmouth/>

⁴⁷ <http://www.e.volve.org.uk/aboutus.aspx>

⁴⁸ Hidden Assets, Raise 2009

conventional economic metrics, but it is sizeable. It is estimated that 51,320 people are employed in the sector in Hampshire with a further 111,330 volunteers. Of this workforce, an estimated 71% are women and 74% are part-time workers.⁴⁹ The sector clearly has a significant role in the labour market, not least as a vehicle for moving people towards permanent full-time work. It is also crucial in supporting the area's quality of life and contributing to many social, economic and environmental issues.

⁴⁹ Hidden Assets, Raise 2009

5: People and communities

Section 5: Key findings

- Although the economy of the *Hampshire Economic Area* performs reasonably strongly overall, there remains significant exclusion and deprivation within it, and this tends to be concentrated in localised areas.
- Across the *Hampshire Economic Area*, activity and employment rates are very similar to the regional average. At a sub-area level, however, there are some differences. On both metrics, *North Hampshire* performs more strongly than the other two sub-areas.
- Overall, the rate of unemployment (measured in terms of JSA claimants) is marginally lower than the regional average and much lower than the national rate. There was an overall downward trend in JSA claimants in 2010, although numbers were still high compared to 2007 pre recession levels. For *South Hampshire*, the rate of unemployment is higher than the regional average while it is a good bit lower in *Central Hampshire/New Forest*. In all three sub-areas, there are unemployment hotspots at a localised level.
- Overall, about 10.4% of the working age population of the *Hampshire Economic Area* is claiming benefits. This figure is very much higher in some localities: in eight wards (all of which are in *South Hampshire*), the figure is over 20%.
- In terms of deprivation, a very similar pattern emerges. Overall, the *Hampshire Economic Area* fares well. However there are pockets of extreme poverty. In the main these are in the larger urban areas.
- Looking ahead, particular concerns must surround the incidence of child poverty for this has a major bearing on life chances. The incidence of children in low earning households is particularly high in wards in urban South Hampshire. Seen alongside poor levels of attainment at school and a high incidence of young people Not in Education, Employment or Training (NEETs), this must raise some real questions and concerns. The issues appear to be particularly acute in the two unitary authority areas of Portsmouth and Southampton.

Labour market participation

Employment and activity rates

- 5.1 Alongside the Treasury-defined drivers of productivity, crucial dimensions of so-called “smart growth” concern the rates of economic activity and employment among the working age population⁵⁰. Economic strategies have long sought to drive up performance on both indicators in order – literally – to extract more economic output from the same number of working age residents. Against this backdrop, we need to understand how the *Hampshire Economic Area* is performing on both measures:

⁵⁰ A full glossary is provided at Annex A, but the “employment rate” refers to the proportion of the working age population that is employed while the “activity rate” is the proportion that is either employed or unemployed

- *Economic activity rates:* Across the *Hampshire Economic Area* as a whole, in 2008/09 there were about 865,000 economically active people; this was about 82% of the working age population (a rate that was similar to the regional average). At a sub-area level, the rates were highest in *North Hampshire* (around 87%) and lowest in the *Districts in South Hampshire* (just below 81%). At a district level, economic activity rates were highest in the *North Hampshire* district of Hart (around 90% in 2008/09) and lowest in Portsmouth and Southampton (around 77.5% in 2008/09). Economic inactivity rates for residents of working age were the mirror image.
- *Employment rates:* In 2008/09, the *Hampshire Economic Area* had an estimated employed resident working age population of 818,200. The employment rate was 77.8% and similar to the regional average (78.1%). At a sub-area level, the employment rate ranged from 75.7% across *Districts in South Hampshire* to 81.9% in *North Hampshire*. At a district level, the employment rate across the working age population was highest in Hart (86.2%); Gosport (83.8%); Test Valley (83.5%); and Rushmoor (83.3%). It was lowest in the two unitary authority areas of Portsmouth (71.7%) and Southampton (72.0%).

5.2 From both sets of observations, the clear inference is that levels of labour market engagement are higher in *North Hampshire* than in either of the other two sub-areas. They are particularly low across *Districts in South Hampshire*. As explained above, within the *Hampshire Economic Area*, this sub-area contains the largest concentrations of workers, jobs and businesses. The limited extent of labour market engagement must therefore be a concern.

Unemployment⁵¹

5.3 In the context of recession, there is a need to consider rates of unemployment (measured through Job Seekers Allowance (JSA) claimants). Across the *Hampshire Economic Area* as a whole – and using this metric – unemployment rates rose from 1.6% in October 2008 to 2.2% in October 2010; this picture matched that across the South East. The overall trend in 2010 was downwards, although unemployment levels remained higher than those experienced pre-recession. At a sub-area level – and on a ward-based definition – *Central Hampshire/New Forest* saw unemployment rising from 1.0% to 1.4% between October 2008 and October 2010; *North Hampshire* saw an increase from 1.2% to 2.0%; and *South Hampshire* experienced an increase from 1.9% to 2.5%. However locally, the picture was much more acute and some notable “unemployment hotspots” were evident in the data for March 2010. Specifically, 12

⁵¹ Hampshire County Council is also producing a separate Worklessness Assessment (Spring 2011) which will explore the issues of unemployment and worklessness in more detail.

wards in *South Hampshire* and five in *North Hampshire* (all of which were in Basingstoke and Deane district) had a claimant count rate in excess of 5%.

- 5.4 With regard to the duration of unemployment, one-third of all JSA claimants have been unemployed for 6 months or more. Some 16% of claimants aged 25 and over have been unemployed for at least one year and 22% have been unemployed for between 6 and 12 months. Some 3% of claimants aged 18 to 24 can be considered 'long-term' unemployed (i.e. out of work for more than 12 months); around 15% have been out of work for between 6 and 12 months.
- 5.5 At a sub-area level there is evidence to indicate that young people (aged 18 to 24) out of work for 6 months or more account for a slightly higher share of all JSA claimants in the *Districts in South Hampshire* than elsewhere, although the differences are not large.

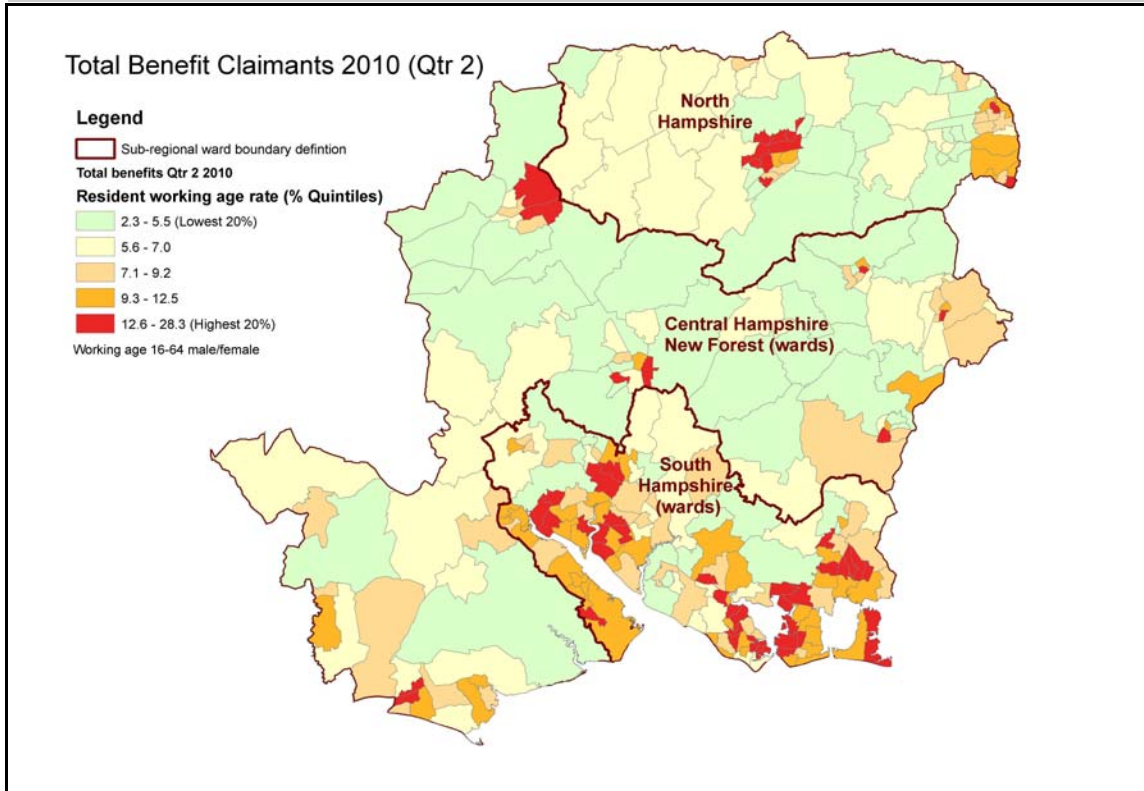
Benefit claimants

- 5.6 Of perhaps greater long term concern, particularly in relation to levels of worklessness, is the overall pattern of benefit claimants. In addition to JSA, this includes other benefits such as Incapacity Benefit⁵², Severe Disablement Allowance, and Income Support. Overall, by May 2010, some 10.4% of the working age population of the *Hampshire Economic Area* was claiming benefits. This figure was marginally lower than that for the South East (10.7%) and four percentage points lower than the Great Britain-wide figure (14.7%)⁵³. At sub-area level, *Central Hampshire/New Forest (ward)* performed best (8.2%) and *South Hampshire (ward)* performed worst (11.8%). Again though, at individual ward level some real "hot spots" were evident: for eight wards within the *Hampshire Economic Area*, more than 20% of the working age population was claiming benefits (all of these were in *South Hampshire*). In addition – as Figure 5-1 flags – there were localised pockets of relatively high benefits dependency in Andover, Basingstoke and Winchester.

⁵² This has recently been replaced by the Employment and Support Allowance

⁵³ In August 2010, the Office for National Statistics realigned the female working age from 16-59 years to the male pensionable age of 16-64years. This new denominator was applied retrospectively to data.

Figure 5-1: Proportion of the resident working age population claiming benefits, 2010 (Qtr 2)



Source: HCC and DWP 2009 (based on four quarter average of total benefit claimants)

Young people not in employment, education or training (NEETs)

- 5.7 In considering the nature and extent of worklessness across the working age population in general, we need to pay particular attention to young people within the *Hampshire Economic Area*. There is evidence that the recession has hit this cohort – many of whom are attempting to enter the labour market – particularly badly. Overall, in 2009/10, there were estimated to be about 51,000 16-18 year olds across the *Hampshire Economic Area*. In the Hampshire County Council area, 5.7% were estimated – by Connexions – to be Not in Employment, Education or Training (NEET). In the unitary authority areas of Portsmouth (11.1%) and Southampton (9.7%), the incidence of NEETs was especially high, although it is reducing. Across the South East as a whole, 5.8% of 16-18 year olds were estimated to be Not in Employment, Education or Training.

Conclusions in relation to labour market participation

- 5.8 Overall then, although the *Hampshire Economic Area* has performed reasonably strongly in relation to activity and employment rates, it has been hit by the economic recession and unemployment rates have risen; although these started to fall towards the end of 2010, they are still well above pre-recession levels. At a localised level, there is a persistent pattern of economic inactivity. For a large handful of wards – which are mostly in *South Hampshire* with a few in the *North Hampshire* district of

Basingstoke and Deane – the challenges are both persistent and acute. In the main, the problem appears to be a largely (although not exclusively) urban one. In addition, the *Hampshire Economic Area* as a whole – and Portsmouth and Southampton in particular – appears to have major challenges with regard to the incidence of NEETs; this is really important in terms of future prospects, both for the individuals concerned and the area as a whole.

Deprivation and poverty

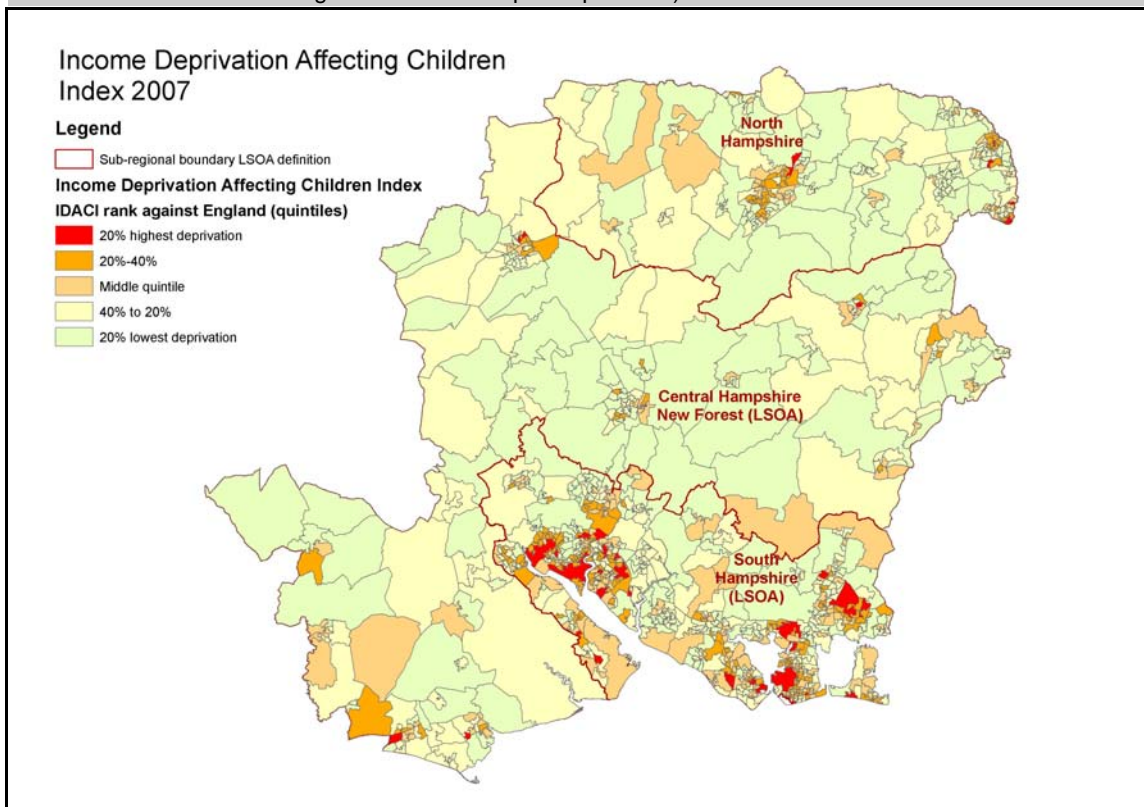
- 5.9 To what extent though do these differences in economic activity and employment rates and patterns manifest themselves into multiple aspects of deprivation and disadvantage?

Deprivation and disadvantage in relation to children and young people

- 5.10 A “first cut” in relation to disadvantage relates to children and young people. This is especially important because it embraces a strong inter-generational dimension. Figure 5-2 shows rates of income deprivation affecting children. These are defined as the proportion of children aged 0-15 living in income deprived households⁵⁴. The map shows that the highest incidence of income deprivation affecting children is seen in pockets across the urban areas of *South Hampshire*: Portsmouth, Southampton, Havant, Gosport and Eastleigh. There are isolated issues elsewhere – notably in Farnborough and Aldershot (*North Hampshire*) and Andover and New Milton (*Central Hampshire/New Forest*).

⁵⁴ Defined specifically as the percentage of an LSOA’s children under 16 who were living in families in receipt of IS and JSA (IB) or in families in receipt of Working Family Tax Credit/Disabled Persons Tax Credit and whose equivalised income is below 60% of median before housing costs

Figure 5-2: Income deprivation affecting children (rates) (Source: Department for Communities and Local Government 2007 English Index of Multiple Deprivation)



Source: Map produced by Hampshire County Council

5.11 The challenges of deprivation affecting young people across urban parts of *South Hampshire* really are acute and they manifest themselves in all sorts of ways, particularly within the unitary authority areas of Portsmouth and Southampton. Whereas Figure 5-2 considered children up to the age of 16, Table 5-1 presents key indicators relating to young people. It shows that young people in the area administered by Hampshire County Council generally perform better at both GCSE and A Level than those in England as a whole; and – as mentioned above – they are less likely to be NEET (and there is evidence that the position across the county improved between 2008/09 and 2009/10, and has improved further since January 2010). The exact opposite is the case for the unitary authority areas of Portsmouth and Southampton.

Table 5-1: Key indicators relating to young people in Hampshire, Portsmouth and Southampton (Source: DCSF; Hampshire County Council)

	Hampshire County Council	Portsmouth UA	Southampton UA	England
% of pupils at the end of Key Stage 4 achieving 5+A*-C (and equivalent) including English and maths GCSEs, 2009	55.4%	39.5%	43.1%	49.8%
Average A level points score per student, 2009	786.1	697.2	657.9	739.3

	Hampshire County Council	Portsmouth UA	Southampton UA	England
% of 16-18 yr olds Not in Education, Employment or Training (3 month average (Nov09-Jan10))	5.7%	11.1%	9.7%	6.4%

Deprivation amongst the whole population

- 5.12 The Index of Multiple Deprivation (IMD)⁵⁵ 2007 brings together indicators from a wide range of ‘domains’, including income, employment, health and crime, and it provides some useful insights with regard to the wider population. Table 5-2 shows the number of lower layer super output areas (LSOAs)⁵⁶ in the *Hampshire Economic Area* which are in the 20% most deprived in England. As the table shows, when set in the context of England as a whole, the *Hampshire Economic Area* is not generally deprived. Some 86 of the *Hampshire Economic Area*’s 1,091 LSOAs fall in the 20% most deprived in England (7.9% of the total). However, the table also shows that it is *South Hampshire* which is predominantly affected, accounting for 83 of these. Within the *Central Hampshire/New Forest*, there are no LSOAs in the most deprived group nationally while in *North Hampshire* there are three.

Table 5-2: *Hampshire Economic Area*: LSOAs in 20% most deprived in England, Index of Multiple Deprivation 2007

Area	Total LSOA	% of <i>Hampshire Economic Area</i> LSOA	LSOA in 20% most deprived in England	% of LSOAs in area	% of <i>Hampshire Economic Area</i> most deprived
<i>Hampshire Economic Area</i>	1,091	100%	86	7.9%	100%
North Hampshire	216	19.8%	3	1.4%	3.5%
Central Hampshire/New Forest	218	20%	0	0%	0%
South Hampshire	657	60.2%	83	12.6%	96.5%
Hampshire (County Area)	822	75.3%	27	3.3%	31.4%

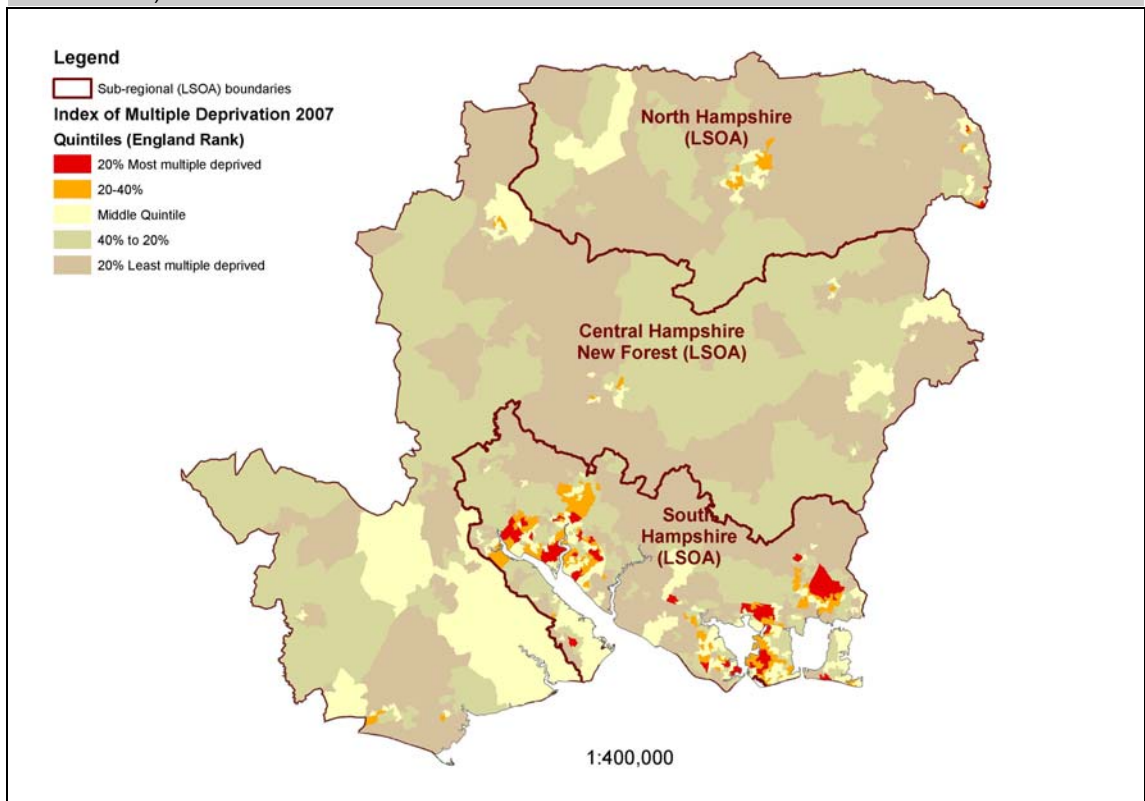
Source: *Index of Deprivation 2007*; Hampshire County Council

- 5.13 Analysis at the LSOA level also helps to pinpoint pockets of deprivation spatially; these are mapped in Figure 5-3. The most deprived areas in *South Hampshire* are predominantly in Southampton and Portsmouth, followed by Havant (especially Leigh Park and the Wecock Estate). Within *North Hampshire*, the most deprived LSOAs are in Rushmoor district (two wards in Farnborough (Mayfield and Grange) and one in Aldershot (Heron)).

⁵⁵ IMD is built up from LSOA level and therefore we are able to use a LSOA-based definition of sub-areas in the context of this dataset. See Footnote 12 for a further explanation

⁵⁶ These are defined in Annex A but essentially they relate to small areas which are defined in terms of population; the mean population within an LSOA is 1,500

Figure 5-3: Index of Multiple Deprivation 2007 (Source: Department for Communities and Local Government)



Source: Map produced by Hampshire County Council using data from IMD 2007

6: Environmental sustainability of the economy

Section 6: Key findings

- A key challenge for the *Hampshire Economic Area* looking ahead – as indeed for all local areas as a result of EU policy – is to sustain economic growth and prosperity whilst reducing the consumption of resources and the emissions of carbon dioxide.
- The *Hampshire Economic Area* performs well against regional and national averages for carbon emissions – although performance does vary across sectors with lower industry and commercial emissions, higher transport emissions and similar household emissions. *Districts in South Hampshire* produce the lowest per capita carbon emissions of the three sub-areas.
- Currently, the relationship between GVA per capita and emissions of carbon dioxide per capita across the *Hampshire Economic Area* is similar to that across the South East. There are sub-area variations, however. Worst performing on this metric are *Districts in Central Hampshire/New Forest* while *Districts in South Hampshire* perform relatively well. A key explanatory factor surrounds patterns and modes of commuting.
- Climate change impacts present both opportunities and threats in relation to the economy of the *Hampshire Economic Area*; the environmental goods and services sector however has real growth potential.
- Future sustainability will depend – in part – on infrastructure provision.
- Across the *Hampshire Economic Area*, there are areas of congestion on the road network, both on the motorways (M3, M27) and more locally.
- Broadband access is quite poor, particularly in rural and urban fringe locations.
- Between 1998 and 2009, the net housing stock increased by almost 70,000 dwellings across the *Hampshire Economic Area*. In relative terms, the biggest increases were seen in *North Hampshire*. Despite the increase in stock, housing affordability remains an overarching concern, particularly in the rural *Districts in Central Hampshire/New Forest*, where workplace-based earnings have not kept up with house price rises. For some rural areas, issues of affordability are absolutely acute.
- A review of extant Employment Land Reviews suggests that overall employment land provision ought to be consistent with the scale of planned and forecast growth. However, there are concerns about the quality and the viability of some planned provision. Rates of employment floorspace completion have slowed since the recession
- Economic growth may be constrained by a lack of capacity in gas, electricity and water supplies so careful and timely planning will be required
- Looking ahead, there are likely to be important economic issues linked to the management of flood risk, particularly in the context of rising sea levels. If these are not addressed, they will have an impact on patterns and rates of economic growth

Sustainability of economic life

- 6.1 Particularly as we look forward, the environmental footprint of the area's economy needs to be properly understood. This has many dimensions, but in the context of the Hampshire Economic Assessment, one key metric relates to the relationship between economic growth on the one hand, and both emissions of carbon dioxide and the efficiency of resource use on the other. Specifically, can the economy grow without placing ever-increasing demands on environmental assets and resources (i.e. can this relationship genuinely be de-coupled)?

Carbon Emissions

- 6.2 Table 6-1 suggests that the *Hampshire Economic Area* performs well against the national averages for carbon emissions, and that its performance is improving.

Table 6-1: Per capita carbon emissions for the three sectors of Industry and Commercial, Domestic, and Transport

Area	Year	Per capita - Industry and Commercial	Per capita - Domestic	Per capita - Road Transport	Per capita - Total
<i>Hampshire Economic Area</i> Total	2005	2.5	2.5	1.9	6.9
	2006	2.4	2.5	1.8	6.7
	2007	2.3	2.4	1.8	6.5
	2008	2.3	2.4	1.8	6.4
South East Total	2005	2.5	2.5	1.9	6.9
	2006	2.5	2.5	1.8	6.9
	2007	2.4	2.4	1.8	6.7
	2008	2.4	2.4	1.7	6.6
England Total	2005	3.0	2.5	1.7	7.2
	2006	3.0	2.5	1.7	7.1
	2007	2.8	2.4	1.7	6.9
	2008	2.8	2.4	1.6	6.8

Source: Department of Energy and Climate Change

- 6.3 However, performance varies by sector: industry and commercial emissions are below those of the regional and national averages, domestic emissions are at the same level and transport emissions above both the national and regional averages. This suggests that *Hampshire Economic Area's* performance is largely due to the comparatively good performance of the industrial and commercial sector.

Table 6-2: Per capita carbon emissions for the three sectors of Industry and Commercial; Domestic; and Transport

	Total final energy consumption/ Capita (kWh)	Total domestic energy consumption/ capita (kWh)	Total industrial and commercial energy consumption/ employee (kWh)	Total vehicle consumption/ capita (tonnes of fuel)	CO2 emissions/ capita (tCO2)
North Hampshire	27,667	9,323	15,600	0.9	8.0
Districts in Central Hampshire/New Forest	49,775	9,643	68,375	1.1	10.7
Districts in South Hampshire	<u>19,917</u>	<u>8,133</u>	<u>14,000</u>	<u>0.4</u>	<u>5.9</u>

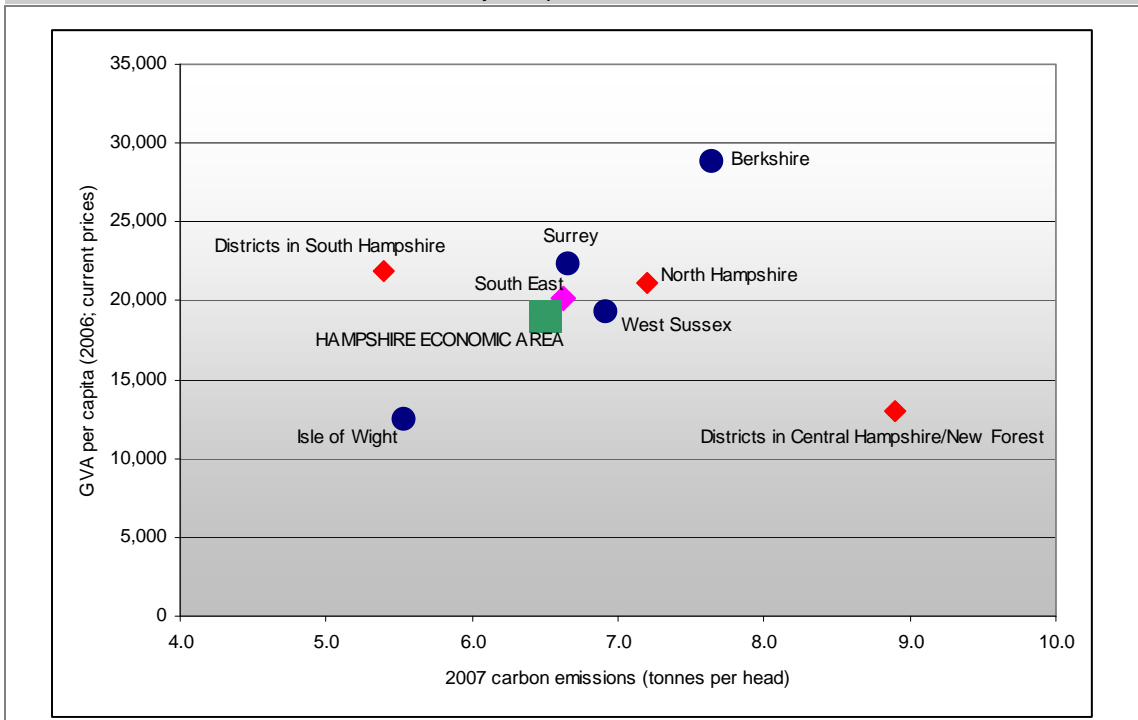
Source: Department of Energy and Climate Change

Notes: Values in the upper quartile nationally (GB) are shown in **bold**; those in the lower quartile are underlined

- 6.4 At sub-area level, *Districts in South Hampshire* stand out as producing the lowest per capita carbon emissions⁵⁷ in the *Hampshire Economic Area*, with levels within the lower quartile nationally (Table 6-2). By contrast, per capita emissions in *Districts in Central Hampshire/New Forest* appear relatively high, within the upper quartile nationally (although this position is heavily influenced by activities at Fawley power station and oil refinery: removing this effect would bring the sub-area's energy consumption closer to the national average).
- 6.5 Figure 6-1 plots the relationship between GVA per capita and carbon emissions per capita in the *Hampshire Economic Area*, its component sub-areas, and across some key comparators. Read alongside the preceding tables, it confirms that overall, the performance of the *Hampshire Economic Area* is very similar to the regional average. In terms of comparators, Surrey and West Sussex are broadly similar. However Berkshire – the strongest performing area on GVA per capita (and on many of the key competitiveness indicators considered in Section 3) – appears to generate very high carbon emissions per resident. Notwithstanding its economic successes, there must therefore be questions with regard to its overall sustainability. This ought to raise questions for the *Hampshire Economic Area* looking ahead.

⁵⁷ Data in Table 6-1 and Table 6-2 are not directly comparable because road transport data and residual fuel data (included in total final energy consumption) have been revised.

Figure 6-1: Relationship between GVA per capita and carbon emissions per capita in the *Hampshire Economic Area*, the three sub-areas and key comparator areas



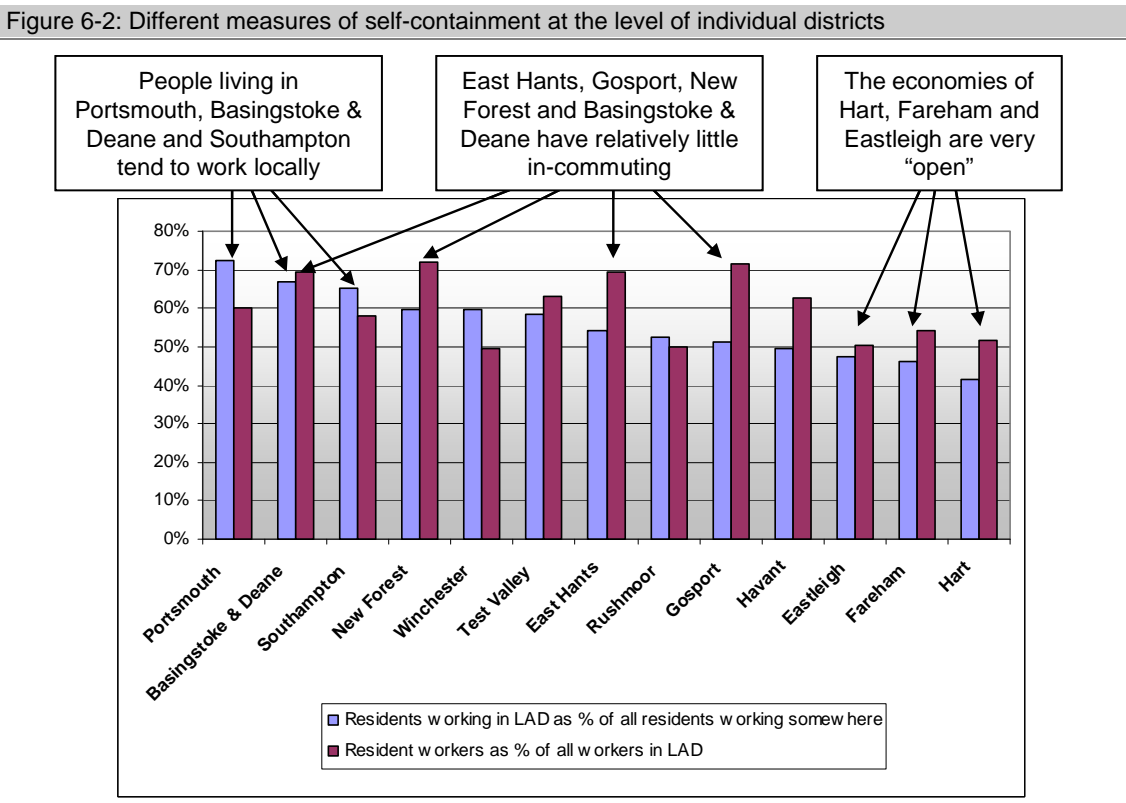
Notes: Data on per capita CO₂ emissions are sourced from DECC (NI186). For the Hampshire Economic Area, South East and comparator areas, GVA per head data were sourced from National Statistics (2008). Figures for the sub-areas have been calculated using LEFM GVA output (including an adjustment to translate them into current prices) and population numbers from APS.

6.6 At a sub-area level, the contrasts – evidenced by the Figure and the preceding tables – are striking:

- The *Districts in South Hampshire* appear to constitute the most environmentally sustainable economy (at least in terms of carbon emissions). Relatively, per capita emissions deriving from road transport are low, a finding which is consistent with the character of commuting patterns within a comparatively urban area in which most resident workers work locally (see Figure 6-2): at the time of the Census, and across the sub-area as a whole, 73.6% of residents travelled less than 10km to work (compared to 67.3% for the *Hampshire Economic Area* and 63.0% across the South East) and 57.7% drove a car to work (compared to 60.7% across the *Hampshire Economic Area* and 59.2% across the South East).
- For *North Hampshire*, per capita carbon emissions are notably higher. In this context, it is apparent that the resident working population is travelling further to work⁵⁸ (the proportion travelling less than 10 km was 64.1% in 2001) and is more inclined to drive (63.4% used this mode as captured by the Census).

⁵⁸ Note for example that fewer than 40% of resident workers in Hart district were working within the district at the time of the last Census (see Figure 6-2)

- However, it is with regard to the *Districts in Central Hampshire/New Forest* that the biggest questions arise in relation to environmental sustainability. We noted earlier that this sub-area performs poorly on workplace-based measures of economic output, despite the high incidence of well-qualified residents. The Census suggests that within this sub-area, the proportion of working residents with journeys to work of less than 10km was under 60% in 2001, and that the majority of these were made by car. From Figure 6-2, these areas are typically mid-ranking in terms of self containment; however it is important to recognise that these predominantly rural districts are spatially extensive (and hence within-district commuting can still be long distance).



Source: 2001 Census

Climate change impacts

6.7 Looking ahead, the impacts of climate change are likely to be important for the economy of the *Hampshire Economic Area*. All sectors will need to adopt resilience and adaptation measures in response, and there may be some requirements imposed through regulation. Likely economic impacts are a mix of “positives” and “negatives”, and they include:

- changed requirements in relation to building design, construction, maintenance and management

- increased costs of capital and insurance for operations vulnerable to extreme weather events
- disruptions to supply and distribution routes as well as production processes, operations, service delivery and availability of the workforce
- opportunities for the emerging environmental goods and services sector, a key component of the so-called low carbon economy.

6.8 The environmental goods and services sector constitutes a major opportunity for the *Hampshire Economic Area*. The global market for this sector is already estimated to be worth £3 trillion⁵⁹ and to generate high levels of GVA per worker⁶⁰. The *Hampshire Economic Area* is well placed to take advantage of this market, with solid growth in the environmental technologies sector particularly in *Districts in South Hampshire*, where it has the potential to become a significant sector in the future. There is an opportunity for the *Hampshire Economic Area* to build on its existing strengths and inter-relationships with advanced manufacturing, aerospace and marine to harness the demand for renewable, green energy and environmental services.

Key infrastructure

6.9 One dimension of environmental performance relates to infrastructure provision and the manner in which this might be changing. Six key elements are considered briefly below. All six are fundamentally important with regard to the geography and sustainability of economic activity, both now and in the future.

Transport and Communications

6.10 The *Hampshire Economic Area's* two international sea ports (Southampton and Portsmouth), and two airports (Southampton and Farnborough) are key assets in allowing world business and trade markets to be reached from a *Hampshire Economic Area* base (see Section 2). An effective and reliable transport network is essential in ensuring access to and from these international gateways as well as linking businesses to businesses and commercial centres with residential areas. In particular, traffic congestion and economic performance are closely related, with each influencing the other. However, the *Hampshire Economic Area's* transport infrastructure is under pressure. According to the Local Transport Plan, the most congested routes are found within *Districts in South Hampshire*, notably the M27 between Southampton and Portsmouth. In *North Hampshire*, the stretch of the M3 between Hook and

⁵⁹Figure from Committee on Climate Change - Independent advisors to the UK Government on tackling and preparing for climate change www.theccc.org.uk/topics/economics-and-society/social-impacts

⁶⁰ Environmental Technologies – PUSH Economic Strategy Evidence Base <http://www.push.gov.uk/pos-100608-r01-kta-appendix.pdf>

Farnborough and onwards to the M25 is congested. More locally, “congestion hotspots” are identified in and around Basingstoke, Portsmouth, Gosport and Hythe.

- 6.11 The economic downturn has resulted in a fall in traffic volumes, to varying extents across the area, which in turn has led to improvements in journey times with congestion easing. However longer term forecasts suggest that increases in traffic volumes are likely to resume, with growth nationally of 7% by 2015 and 43% by 2035⁶¹. Since tackling road congestion is a key issue for Hampshire businesses⁶² it is important that efforts in this area do not diminish as recent falls in congestion are likely to be temporary.

Broadband

- 6.12 Particularly for the more rural areas within the *Hampshire Economic Area*, the provision of broadband is often seen as a key infrastructure in terms of facilitating home-working and reducing the need to travel⁶³. However, research carried out for Hampshire County Council (eHampshire) has indicated that 51.8% of Hampshire’s postcodes cannot achieve the minimum speed laid out in the Digital Britain report⁶⁴ of 2Mbps; and that most of these postcodes are in rural and town fringe locations⁶⁵ (see Figure 6-3). Against this backdrop – and with the gradual introduction of superfast broadband – the possibility of an increasingly acute digital divide is a strong one.

⁶¹ Hampshire Local Transport Plan, due for publication in March 2011

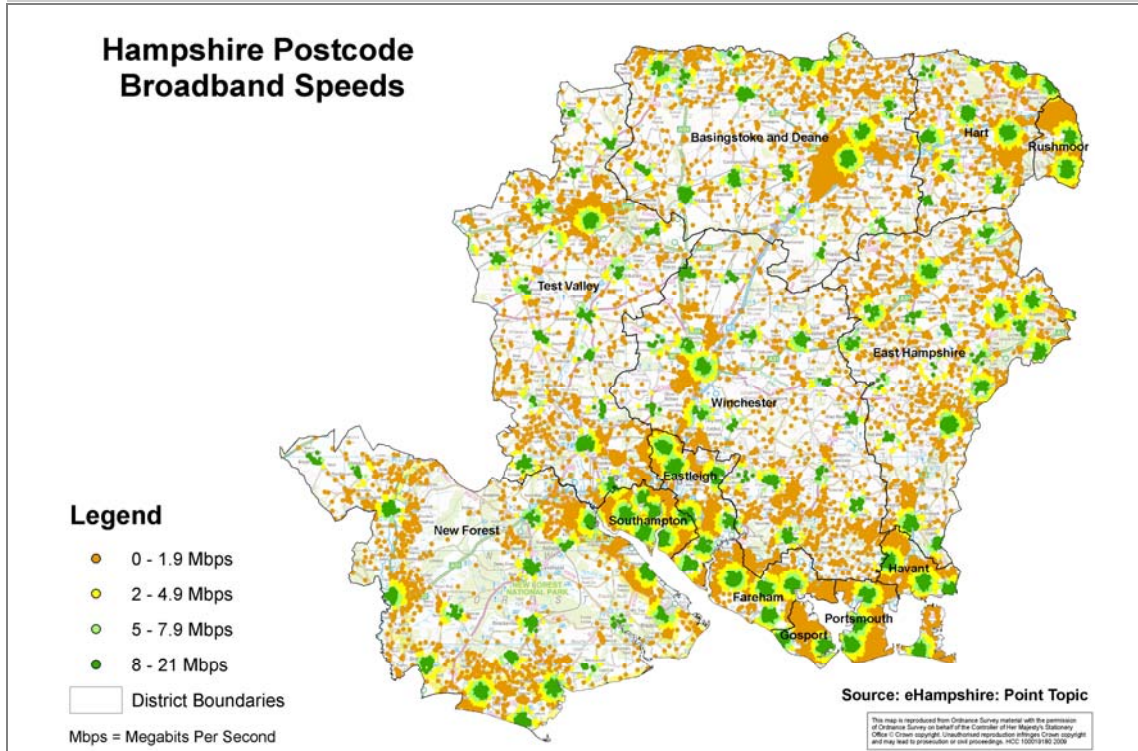
⁶² Business Reaction survey, Hampshire Economic Partnership, 2010, www.hep.uk.com/downloads/J1020_HEP_Business_Report_Final-41.pdf

⁶³ Whether this reduces carbon emissions however is a matter for debate. The carbon dioxide emitted through heating houses during the day may exceed that generated through a journey to work

⁶⁴ Available at: <http://interactive.bis.gov.uk/digitalbritain/category/digital-britain-report/>

⁶⁵ Socio-economic profile of rural Hampshire, Hampshire County Council, April 2010

Figure 6-3: Hampshire postcode broadband speeds



Source: e-Hampshire

Housing provision

6.13 Between 1998 and 2009, the net housing stock of the *Hampshire Economic Area* increased by over 68,000 dwellings (an increment which is equivalent in scale to a sizeable town). All three sub-areas saw substantial growth, but as a proportion of stock, the highest figures were actually recorded in *North Hampshire*. Notwithstanding its designation as a Growth Point, on the district-based sub-area definition, the rate of growth in the housing stock within *Districts in South Hampshire* matched exactly that across *Districts in Central Hampshire/New Forest*. At district level, the greatest *relative* increases in housing stock were seen in Basingstoke and Deane, Gosport, Winchester, and Hart; while the largest *absolute* increases were in Southampton, Portsmouth and Basingstoke and Deane. Over time, this will impact on the economic geography of the *Hampshire Economic Area* as described in Section 2.

Table 6-3: Total dwellings (2008/09) and net additional dwellings over the period 1998-2009

Area	Total Net Dwelling Completions 1998-2009	Total Dwelling stock 08/09	Net completions as % of 08/09 stock
<i>Hampshire Economic Area</i>	68,056	743,757	9.2%
• North Hampshire	16,694 (14%)	145,802	11.4%
• Districts in Central Hampshire/New Forest	19,117 (28%)	223,230	8.6%
• Districts in South Hampshire	32,245 (47%)	374,725	8.6%
Hampshire County Council Area	51,384	556,113	9.2%

Sources: Hampshire County Council Land Availability Monitoring System; and CLG

6.14 Notwithstanding the rate of house building, major issues remain with regard to affordability. Table 6-4 shows median house prices, median workplace-based gross weekly earnings and the ratio between the two (indexed against England). It suggests that for people working locally, the least affordable district in which to live is Winchester, followed by New Forest and East Hampshire; it is striking that all three of the least affordable districts are in the same, predominantly rural, sub-area (*Districts in Central Hampshire/New Forest*). The lowest median house prices appear to be in Gosport, but the most affordable districts – relative to local earnings – are Portsmouth and Rushmoor (although Rushmoor, arguably, is slightly anomalous because workplace-based earnings are relatively high). Overall, housing within eight (of 13) districts within the *Hampshire Economic Area* is less affordable than the regional average.

Table 6-4: House prices, workplace-based earnings, and the ratio between the two (Source: ASHE and Land Registry)

District	Sub-Area within the Hampshire Economic Area	Median house prices, 2009 Q1	Median workplace based gross weekly FT employee earnings, 2009	House prices: earnings ratio normalised against England
Winchester	Districts in Central Hampshire/New Forest	£245,000	£520	1.47
New Forest	Districts in Central Hampshire/New Forest	£215,000	£459	1.46
East Hampshire	Districts in Central Hampshire/New Forest	£210,000	£455	1.44
Hart	North Hampshire	£248,725	£543	1.43
Fareham	Districts in South Hampshire	£185,000	£448	1.29
Eastleigh	Districts in South Hampshire	£175,000	£445	1.22
Test Valley	Districts in Central Hampshire/New Forest	£195,000	£499	1.22
Havant	Districts in South Hampshire	£172,000	£468	1.15
Basingstoke and Deane	North Hampshire	£175,000	£531	1.03
Southampton UA	Districts in South Hampshire	£142,950	£500	0.89
Gosport	Districts in South Hampshire	£127,250	£447	0.89
Rushmoor	North Hampshire	£175,000	£652	0.84
Portsmouth UA	Districts in South Hampshire	£130,000	£534	0.76
South East		£188,000	£514	1.14
England		£159,000	£495	1.00

Employment land

6.15 In terms of the Hampshire Economic Assessment, housing-based observations need to be considered alongside and in relation to employment land provision and development (whilst recognising also that a large and increasing proportion of jobs growth is not accommodated on formally-allocated employment land (B1-B8 use classes)⁶⁶).

⁶⁶ B1-B8 use classes refer to provision for offices, light industrial, warehousing, R&D, etc. There are some key sectors that do not really use sites of this nature (e.g. retail, health, education) and the increasing number of people who work from home are also not occupying employment land

Provision of employment land

- 6.16 A review of employment land studies across the *Hampshire Economic Area* suggests that (a) the overall supply of employment land and premises (including vacant premises available on the second hand market) should be sufficient to accommodate projected demand; although (b) the quality and viability of at least some of the sites allocated for new employment development may be open to debate (particularly in the context of the property market downturn). Over the medium-long term, major new employment sites are likely to be concentrated in Basingstoke, Farnborough, a Strategic Development Area (North of Fareham), the Strategic Employment Zone close to Southampton International Airport (Eastleigh RiverSide) and the city centres of both Southampton and Portsmouth. The majority of major new planned development is focused in *Districts within South Hampshire*. Although – at least relatively – this area scores reasonably well with regard to environmental sustainability, this area is – on many measures – underperforming economically and hence generating high quality and sustainable economic growth will be challenging but vital.

Realising that provision: employment land completions

- 6.17 In the context of recession, completions of new employment floorspace in the *Hampshire Economic Area* have declined. Over the four years since 2006, employment development completions in the *Hampshire Economic Area* decreased by 59%⁶⁷. The largest sub-area decrease was in *Central Hampshire/New Forest* where there was a decline of 72% (compared with 40% in *North Hampshire*, and 28% in *South Hampshire* over the same period). The amount of employment floorspace under construction and new starts have also both fallen significantly since 2008 meaning that the economic downturn is likely to continue to have a significant impact on new employment floorspace development over the next couple of years.
- 6.18 Long term employment floorspace completion data taken over a 20 year period indicate an annual average completion rate of 208,000m² per annum for the *Hampshire Economic Area*. As of 1st April 2010 there were around 2,409,000m² of floorspace in the supply of new sites in the planning system⁶⁸, so it could be implied very simply that there were approximately 12 years' worth of supply in the planning pipeline. However two cautionary points should be noted. On the one hand the deliverability of the supply of sites is far from certain. In 2009⁶⁹ it was estimated that 23% of the current stock of sites might require remedial action (often in the form of transport infrastructure investment) to avoid market failure. On the other, past rates of

⁶⁷ Development in Hampshire 2009/10 Monitoring Bulletin

⁶⁸ Total potential floorspace in supply is the total of permitted floorspace plus allocations (hectares) at 3500m² to the hectare, totalling 2,409,000m²

⁶⁹ Employment Land in Hampshire – HEP Large Site Assessment Study 2009

new site development may provide an inadequate guide to future floorspace demand particularly in the light of recent trends in the commercial property market towards more efficient use of space.

Utilities

- 6.19 Economic growth can be constrained by lack of capacity in gas, electricity and water supplies and in waste water treatment. Utility companies have a statutory duty to provide connections to new developments. Where significant new infrastructure is required, there can be a lead-in period of several years and up to 5-10 years for major engineering works. More strategically significant is whether there are sufficient energy and water supplies. The provision of sufficient electricity generating capacity is a national issue which is outside local influence, other than to have a positive attitude to, for example, renewable energy proposals. Water companies in Hampshire are developing Water Resources Management Plans which look 25 years ahead. These will take account of known planned developments and, through a combination of water supply enhancements and demand management measures, aim to ensure adequate water supplies into the future.
- 6.20 In this context, a key consideration is the need for employment sites to be identified/allocated well in advance of their development, so that the necessary infrastructure and associated lead-in times can be factored into the plans of the utility providers. This in turn underlines the importance of Local Development Documents being finalised as soon as possible for all areas so as to identify a long term supply of employment sites.

Managing flood risk

- 6.21 Flood risk from rising sea levels is a direct threat to large areas of coastal land and areas of significant economic potential particularly for marine-related industries. Across the *Hampshire Economic Area*, there is a risk of river flooding in some localised areas. Neither is an absolute constraint on economic development (less so than for house building, for example) provided that buildings are designed appropriately and measures are in place to manage the risk of flood events. It may however impose additional costs on businesses, through developer contributions towards flood prevention measures (such as sea defences), and/or higher insurance premiums.

7: Future prospects

Section 7: Key findings

- Notwithstanding the recent recession, over the medium term, significant growth is anticipated across the *Hampshire Economic Area*.
- The population is forecast to increase by around 10% over 20 years and the fastest rates of growth are expected in *South Hampshire*. However within this overall picture, the rate of growth in the working age population is actually quite small. Although this might increase as more people seek to work for longer (because of the changing retirement age and pensions provision), nevertheless, employers may struggle to find the workers they are expected to need.
- The expectation is that over the period 2006-2026, around 87,000 additional jobs will be created. In relative terms, the fastest growth is expected to be in *North Hampshire* but *South Hampshire* will see the biggest absolute increases.
- There may be labour shortages over the period to 2026 which could be an issue across all three sub-areas (although the implications will vary). However, there are many uncertainties: most of the shortfall could be addressed through modest above-trend increases in activity rates and/or improved skills.
- In terms of GVA, prospects for the *Hampshire Economic Area* are similar to the regional average, while in terms of GVA per worker (productivity), they are a little weaker. There are notable contrasts at a sub-area level: on both GVA and GVA per worker, the projected growth rate in *North Hampshire* is well ahead of that of the other two sub-areas.
- Economic growth (GVA) is expected to be led by professional services, computing services and communications while hotels and catering, computing, professional and business services, and health and social work are expected to contribute most to employment growth. The public sector is expected to decline in terms of its contribution to both GVA and employment.

7.1 For the Hampshire Economic Assessment, a key question is what the foregoing analysis tells us about future prospects. In order to inform this assessment we need to consider various modelled projections and forecasts.

Changes in the population of Hampshire

7.2 The household and population projections used in this Assessment reflect recent housing policies and targets^{70,71}. Overall these indicate that the total population is forecast to increase by 10.2% across the *Hampshire Economic Area* over 20 years. At a sub-area level, the highest rate of population growth is forecast for *South Hampshire*

⁷⁰ Specifically, the provisions of the South East Plan and the contents of PUSH's Economic Development Strategy

⁷¹ Within the Localism Bill, published in December 2010, the intention to revoke Regional Strategies was formally set out. This means that there is now a question as to the status of previously-agreed housing targets, particularly where they are not contained within an adopted Local Development Framework

(11.1% over 20 years). The rate of growth forecast for the *Central Hampshire/New Forest* sub-area is lowest at 7.2% with the *North Hampshire* sub-area forecast to increase by 10.6%. The highest absolute increase in population is also forecast for the *South Hampshire* sub-area (around 112,000).

- 7.3 These overall patterns of projected growth have a very distinctive age structure. Specifically, the County Council's population projections show that the post working age group, i.e. those aged 65 and over, account for 88% of the total population change in the *Hampshire Economic Area* from 2006 to 2026. There are important differences at a sub-area scale, namely, in *Central Hampshire/New Forest* the whole of the net population growth is in the current post working age group, in *South Hampshire* this group accounts for 84% of the net population increase and in *North Hampshire* the balance is slightly less stark, with 73% of the net population growth being in the current retirement group⁷². This confirms the national need for changes in the retirement age and in the pension system.

Changes in the labour force

- 7.4 The projected demographic changes across the *Hampshire Economic Area* have implications for the number of working age residents, i.e. those aged 16 – 64 for both men and women. Trends such as the lower average number of children born in the *Hampshire Economic Area* and lower projected in-migration to the area mean that relatively less young people will be entering the labour market in the future. The projected increase in the population of working age between 2006 and 2026 could be as low as 10,300.
- 7.5 However, other changes in the labour market (such as an expected rise in activity rates, changes in provision of pensions, and increases in retirement age), could lead to a significant increase in the availability of the labour force in the *Hampshire Economic Area*. Factoring in the change to the retirement age already agreed by Government takes the increase in the economically active population to 52,800 by 2026⁷³ (Column (i) in Table 7-1 below). In addition, further pressures arising from the shortages in the working age population, additional changes to the retirement age and national policies to address worklessness could all lead to a modest increase in activity rates above trend, taking the increase in the economically active population up to 97,000 by 2026 (Column (ii) in Table 7-1 below).

⁷² For a fuller discussion of the demography of the *Hampshire Economic Area* see Theme 4 within the Extended Evidence Document

⁷³ Note that this addition reflects the increase of the retirement age – already agreed by government – to 66 from 2024. If the increase in the retirement age happened earlier (e.g. in 2016), then the increase in the economically active population would be greater. See

http://www.direct.gov.uk/en/Pensionsandretirementplanning/StatePension/DG_4017919

Expected growth in employment

- 7.6 But how many workers are businesses and other employers within the *Hampshire Economic Area* likely to need? A number of different estimates have been tested to explore the potential changes in the local economy. The most likely scenario (based on both Hampshire County Council (using Cambridge Econometrics' Local Economic Forecasting Model) and PUSH (using Oxford Economics' model) projections) estimates that between 2006 and 2026, an additional 87,000 jobs could be created in the *Hampshire Economic Area*. Around 51,000 of these are expected to be in *South Hampshire*, with about 18,000 in each of the other sub-areas⁷⁴.

The balance between workers and jobs

- 7.7 A comparison of forecasts relating to employment and the labour force is set out in Table 7-1. These different sets of numbers are important because of what they imply about the balance between workers and jobs: specifically, it is important to understand whether they are badly out of kilter and if so, what consequences could follow and what actions need to be taken.

Table 7-1: Comparison of workers and jobs, 2006-2026⁷⁵

	WORKERS (i): Increase in the economically active population, 2006- 2026	WORKERS (ii): Impact on economically active population 2006-26 of a modest increase in activity rates above trend, post 2016	JOBS: Increase in the number of jobs, 2006-2026
<i>Hampshire Economic Area</i>	52,800	97,000	86,800
• North Hampshire	15,100	24,400	18,000
• Central Hampshire / New Forest	6,700	14,000	17,600
• South Hampshire	31,100	58,700	51,200

Source: Hampshire County Council – based on baselines and alternative scenarios drawn from both LEFM and Oxford Economics (PUSH)

- 7.8 For the *Hampshire Economic Area* as a whole, Table 7-1 indicates a shortfall in terms of available workers if there were no changes beyond the announcement already made by Government of an increased retirement age (column (i)). However this shortfall is relatively small and it would be offset by a modest 5% increase in activity rates resulting from additional changes to the retirement age and national policies to address worklessness (column (ii)). At a sub-area level, the picture is more complicated:

⁷⁴ Later in this Section, we revisit the employment projections to consider sectoral dimensions

⁷⁵ Numbers in the table do not sum because of rounding

- For *North Hampshire*, projected jobs growth exceeds the projected increment in the economically active population assuming no changes beyond the already announced increased retirement age. Although the difference is not huge, it may be a challenge. The activity and employment rates in the sub-area are already high (see para 5.1) and probably therefore difficult to increase further. The skills base in this area is already strong – similar, in some respects, to the surrounding Thames Valley/M4Corridor – and hence the scope for productivity improvements and therefore jobless growth may not be great (see Figure 3-1). The adjacent areas in Berkshire and Surrey are likely also to be facing a deficit of workers over the same period. If the resident economically active population is not allowed to grow through in-migration, commuting may increase and/or implicit economic potential may simply not be realised.
- For *Central Hampshire/New Forest* there is a deficit in the projected growth of the economically active population which is relatively and absolutely bigger than that in *North Hampshire*. The shortfall is also bigger than that which could be remedied through any plausible further increase in activity rates. Given the evidence presented earlier, this apparent deficit and its scale may depend on assumptions made with regard to public sector employment. It could be that the projections have not yet factored in the full impact of the planned public spending cuts. However, if the jobs projections are broadly correct, the most obvious risk associated with them is increased in-commuting from the south.
- For *South Hampshire*, surplus demand for workers is also projected. This could be remedied by a further modest increase in activity rates. Moreover, improving the skills base of the economically active population would also make a difference, currently it is some way adrift of the other two sub-areas and a more skilled workforce ought also to be a more productive one. There is some risk that jobs growth in *Central Hampshire/New Forest* attracts increasing numbers of *South Hampshire's* resident workers. Indeed DTZ's recent work for PUSH provides evidence consistent with this pattern. However this is all the more reason why Southampton and Portsmouth need to be encouraged to function more effectively as genuine employment hubs, as envisaged by the recently refreshed PUSH Economic Development Strategy⁷⁶.

7.9 Overall then, the implication is that demand for labour may well outstrip supply without some addition to the trend increase in economic activity rates. Moreover, these findings suggest that any short term slackening in the labour market in the context of recession is likely to prove to be a relatively short term phenomenon. Over

⁷⁶ PUSH Economic Development Strategy, November 2010: Transformational Action 2

the medium term, the challenges experienced during the middle part of the last decade are likely to reappear.

Economic growth projections (GVA)

7.10 Headline data from the LEFM projections are captured in Table 7-2⁷⁷. These suggest that:

- With regard to *total output (GVA)*, the *Hampshire Economic Area* is projected to grow at a very similar rate to the regional average and faster than the UK as a whole. At a sub-area level, *North Hampshire* is projected to grow much more quickly than the other two sub-areas, both of which are adrift of the regional average although still ahead of the national picture.
- With regard to *measures of productivity (GVA/Employment)*, the projected performance of the *Hampshire Economic Area* is less good than that for the South East and very similar to the national picture. At a sub-area scale, *North Hampshire* again performs strongly, but both the LEFM and Oxford Economics projections for *South Hampshire* (which are slightly higher at 1.7% for the 2006 to 2026 period) remain relatively weak. Again, this points to the importance of an active economic strategy in which improvements to the skills base and business investment in growth sectors must feature strongly.

Table 7-2: Projected annual growth rates in GVA and GVA/Employment (Source: LEFM)

	2001-2006	2006-2016	2016-2026	2006-2026
GVA				
UK (national data)	2.8%	1.4%	2.4%	1.9%
South East (regional data)	2.1%	1.7%	2.8%	2.2%
<i>Hampshire Economic Area</i>	2.5%	1.6%	2.7%	2.2%
• North Hampshire	2.5%	2.2%	3.2%	2.7%
• Central Hampshire/New Forest	2.2%	1.6%	2.6%	2.1%
• South Hampshire	2.5%	1.5%	2.6%	2.0%
GVA/Employment (Productivity)				
UK (national data)	1.8%	1.5%	2.1%	1.8%
South East (regional data)	1.6%	1.5%	2.2%	1.9%
<i>Hampshire Economic Area</i>	1.7%	1.3%	2.0%	1.7%
• North Hampshire	2.4%	1.9%	2.5%	2.2%
• Central Hampshire/New Forest	1.2%	1.3%	2.0%	1.6%
• South Hampshire	1.6%	1.2%	1.9%	1.5%

Source: Data provided by Hampshire County Council

⁷⁷ For South Hampshire, these correspond to the PUSH Economic Development Strategy

7.11 If businesses cannot recruit the workers they need, these projected outcomes are unlikely to be achieved. However there are other reasons too as to why the pattern of economic growth reflected in Table 7-2 should be treated with a degree of caution (and hence why demand for workers might be less than expected). Two are overarching:

- First, it could be that the modelled projections have not fully considered the long term impact of a lack of finance to support business investment. At the time of writing, the “credit crunch” – at least insofar as it affects lending to businesses – is self-evidently far from over and the nature and scale of its long term impact is unknown. This is borne out by Hampshire businesses ranking difficulty in accessing finance as their top concern (para 3.18)
- Second, in June 2010, the Office for Budget Responsibility (OBR) significantly scaled back national forecasts for GVA growth. This reflects the composite impact of fewer migrants and an ageing society resulting in reduced growth of potential labour supply⁷⁸. It is unlikely that the *Hampshire Economic Area* will buck the national trend.

Unpacking the economic projections

Sources of economic growth

7.12 The latest projections based on LEFM suggest – as recorded in Table 7-2 above – that between 2006 and 2026, the economy of the *Hampshire Economic Area* is projected to grow at a rate similar to the South East regional average. In part this is due to the presence of higher productivity sectors particularly in *North Hampshire*. *South Hampshire* and *Central Hampshire/New Forest* are expected to grow at a slightly lower rate; in these sub-areas, growth will depend more on increases in employment.

Structural changes

7.13 The projections suggest that over the next 15 years, the *Hampshire Economic Area* will see a relative increase of employment in construction, distribution, hotels and catering, and in financial and business services. The latter sector should increase its share in total employment by around 4.8 percentage points. The “public sector⁷⁹”, by contrast, is projected to see the biggest decline in the share of total employment; from 26.4% in 2010 to 23.4% in 2026.

7.14 Changes in the share of economic output by sector are driven by two factors – the number of jobs and overall productivity. LEFM projections suggest that financial and

⁷⁸ See http://budgetresponsibility.independent.gov.uk/d/pre_budget_forecast_140610.pdf

⁷⁹ Public Administration & Defence, Education and Health & Social Work are often used as a proxy for public sector employment. However, Education and Health include a significant number of private activities so the use of this group over-estimates the size of the public sector.

business services' share of economic output will increase from 28% to 35% of the total between 2010 and 2026. This is partly due to the increasing numbers of jobs but also to productivity increases. The "public sector" is projected to contribute just under 15.4% of economic output by 2026, down from 18.9% in 2010.

More detailed observations from the projections

7.15 From the LEFM projections, it is possible to make some more disaggregated sectoral observations:

- **economic growth (GVA)** is expected to be led by growth in professional services, computing services and communications. Smaller – but still important – contributions are projected from distribution, retail, banking and finance, health and social work and other business services
- in terms of **employment growth**, sectors such as hotels and catering, computing services, professional services, other business services, health and social work and miscellaneous services are projected to contribute most
- **productivity improvements** are projected in the following sectors in particular: manufacturing of fuels, pharmaceuticals, electronics, motor vehicles, electricity, gas supply and communications

7.16 Some of the high growth sectors identified above – like pharmaceuticals, electronics, motor vehicles, computing services – are within the priority sectors identified in Section 4. Their prospects and performance have also been analysed in the recent study by DTZ for PUSH. This research also identified other sectors, such as construction, creative industries, public sector, retail and transport, storage and logistics that are important to the local economy of the *South Hampshire* sub-area.

8: Spatial synthesis

Section 8: Key findings

- The economic performance of the *Hampshire Economic Area* is – on most indicators – similar to the average for the South East. However there are significant variations within it
- One “cut” that has proved to be useful is that between the three sub-areas. Broadly speaking, *North Hampshire* tends to be the strongest performing sub-area although the biggest sub-area economy – by some margin – is that of *South Hampshire*. Across all three sub-areas, however, there are distinctive challenges and opportunities looking ahead
- That said, some issues are better understood in terms of urban-rural contrasts. For example, worklessness appears to be a very largely urban phenomenon
- Within this context, the *Hampshire Economic Area*’s larger towns and cities – most notably Southampton and Portsmouth – need to “punch their weight” in economic terms
- For rural areas, there is a need to define a sustainable economic future, recognising that appropriate economic growth is essential if rural areas are not to become the sole preserve of well-paid commuters and retirees

- 8.1 Analysis has shown that the economy of the *Hampshire Economic Area* is large, diverse and complex. It needs to be understood against a backdrop of economic flows – internationally, in relation to London and adjacent areas, and, particularly, within the *Hampshire Economic Area* itself. Around 60% of the population and a higher proportion of jobs are based in or close to five major urban areas; these range in scale and character from two large conurbations (Portsmouth and Southampton) to Basingstoke and two smaller *North Hampshire* towns (Farnborough and Aldershot). Large parts of the *Hampshire Economic Area* however are predominantly rural.
- 8.2 Overall, the economic performance of the *Hampshire Economic Area* is similar – on most indicators – to the average for the South East. However this assessment masks some very significant variations and these need to be understood fully.

The sub-area perspective

North Hampshire

- 8.3 In general, *North Hampshire* is the best-performing of the three sub-areas and it has many similarities to neighbouring areas in Surrey and Berkshire; indeed, it is linked into the Thames Valley/M4 Corridor with a high incidence of strongly performing and knowledge-based sectors; a good local skills base; strong links to London; and a good

past performance and strong prospects in relation to economic output. If there are risks in relation to *North Hampshire*, they relate to the prospect of labour shortages post recession and associated infrastructure constraints; to the area's environmental performance (in relation to carbon dioxide emissions); and – as we consider below – to the performance of some of the area's larger towns.

Districts in Central Hampshire/New Forest

- 8.4 Across *Districts in Central Hampshire/New Forest*, there are essentially two economic models at play. One surrounds the highly qualified residents who commute out of the area to work, mainly in higher level occupations, but whose activities seem to be associated with high carbon emissions. The second surrounds relatively low paid workplace jobs (many of which attract workers from areas in which house prices are lower); a sectoral structure which is indistinctive (other than being dominated by the public sector); and a performance on GVA which is actually quite poor. This duality of economic roles must be a concern going forward and it has implications for the sustainability and cohesion of individual settlements, and certainly for housing affordability. In part, it is a consequence of an outstanding natural environment – with two National Parks and some historic settlements – but it does present challenges. Whilst broadband solutions might provide part of the answer, there is a risk that superfast broadband will simply exaggerate existing differentials.

Districts in South Hampshire

- 8.5 In quantitative terms, *Districts in South Hampshire* constitute the largest of the three sub-areas and contained within it is a substantial urban population and some of the *Hampshire Economic Area's* key assets for economic growth: Southampton International Airport, two major international ports, three of the four universities, much of the physical innovation infrastructure (innovation centres, science parks), and most of the larger planned development sites.
- 8.6 In terms of its economic character, however, there are questions with regard to this area. In particular, the skills base of the local population is generally not robust (although there is local variation) and rates of business birth (measured on a per capita basis) are low. Underpinning all of this is a sectoral make-up that is really very distinctive. Generally speaking, across *Districts in South Hampshire* there is an under-representation of growth sectors, including those typically associated with larger urban economies (e.g. financial and business services). There are some very clear specialisms, many of which are knowledge-based and owe much to a maritime location and the legacy of defence-related activities. Typically these bring with them very specialised and high level skills sets, but in terms of their underlying growth potential, there are some real challenges. These findings need to be viewed alongside

the more detailed work completed by DTZ for the Partnership for Urban South Hampshire in refreshing the area's Economic Development Evidence Base and Strategy.

- 8.7 More positively – and largely as a function of its urban character – *Districts in South Hampshire* perform better than much of the rest of the *Hampshire Economic Area* on key environmental indicators. Hence if the sectoral potentials can be properly harnessed, there is a basis in this sub-area for more sustainable economic growth.

Coherence of the sub-areas

- 8.8 Going forward, an important question – raised at the start of this document (see para 1.4) – surrounds the coherence of the three sub-areas and, by implication, the extent to which they are a useful device in seeking to understand economic life across the *Hampshire Economic Area*. The Hampshire Economic Assessment provides some insights and it is helpful to reflect on these. “Coherence” – arguably – can be considered in two ways: “functional coherence” and “sameness”. These are quite different from each other, but we consider both in the paragraphs that follow.
- 8.9 One important measure of functional coherence is, arguably, labour market geographies and the analysis presented in Section 2 provided important insights. Figure 2-7 indicated that the definition of *North Hampshire* maps – more or less – onto Travel to Work Areas that are either contained within the northern part of Hampshire or else spill out to the north or east and into Berkshire or Surrey. *South Hampshire* is contained within the TTWAs, for Southampton and Portsmouth. The geography of *Central Hampshire/New Forest* is more complicated. Much of it is within the Southampton and Portsmouth TTWAs although as highlighted in Figure 2-5, the balance of flows is actually northwards, not southward⁸⁰, across the sub-area boundary with *South Hampshire*. In addition, it is important to note that there is a separate TTWA defined around Andover; the inference is self containment in labour market terms. The implication of these observations – if anything – is that it is the boundary between the central and southern sub-areas that might be difficult to interpret⁸¹.
- 8.10 Another perspective on coherence is – arguably – “sameness”. Given the multi-faceted nature of economic life, this needs to be treated carefully and multivariate analysis has a role to play. Based on Census data, ONS has completed cluster analysis at district (and also ward and output area) levels⁸². This identifies for any

⁸⁰ In this context it is important to note that TTWAs are defined in terms of self-containment within the given area; there is no presumption that the flow of workers is all in one direction or that it is dominated by a single workplace destination (i.e. flows within a TTWA are not like “water draining down a sink”)

⁸¹ To a large extent, this is recognised by the fact that there are two different spatial definitions as explained in Footnote 12. The ward/LSOA-based definition is better but few economic data are robustly available at this scale and hence the district-based definition has often been used

⁸² See http://www.statistics.gov.uk/about/methodology_by_theme/area_classification/default.asp

one area, the most statistically similar area in the UK. It provides some evidence in support of the sub-area constructs; for example, statistically, East Hampshire is the most similar district to Test Valley (both are *Districts within Central Hampshire/New Forest*) while Havant is statistically the most similar district to Gosport (both are *Districts in South Hampshire*). However the cluster analysis also throws up some anomalies (e.g. Test Valley and East Hampshire are the second and third most similar districts to Fareham). But again, it only takes the argument so far: for individual districts, there is a good deal of “within area” variation.

- 8.11 Overall the Assessment has found that there is some distinctiveness within the three sub-areas. That said, they cannot be used uncritically: the commuting flows data shows considerable permeability of the boundaries between them indicating inter-dependencies and linkages that cannot be ignored. There is also a need to recognise internal variations – including those *within* local authority districts. For example, Andover as a town is different from much of the rest of Test Valley and – given its history – it has some affinity with nearby Basingstoke, even though there is a sub-area boundary between them.

Additional perspectives – urban-rural

- 8.12 The sub-area perspective is therefore useful and necessary, but in seeking to understand the *Hampshire Economic Area* as a whole, it is not – arguably – sufficient; additional perspectives are needed. A key one is the contrast between urban and rural (recognising that in practice this is similarly fraught in definitional terms). For some elements of economic life within the *Hampshire Economic Area*, this geographical canvass is compelling and it arguably provides a better vantage point than that of the sub-areas.

Challenges facing urban areas within the Hampshire Economic Area

- 8.13 One that really stands out – and one which is especially important going forward – surrounds the nature and pattern of worklessness. Within the *Hampshire Economic Area* there are some real “hot spots” of economic inactivity and exclusion. These are overwhelmingly urban and there are significant concentrations in each of Portsmouth, Southampton and Basingstoke; smaller pockets in Farnborough and Aldershot; and at a localised level, within towns like Andover. This finding is important. The persistence of worklessness is not a straightforward consequence of economic potential and prosperity: *North Hampshire* is a buoyant economy, yet high levels of localised worklessness remain. Hence simply growing the economy may not be the whole answer. The projections reported in Section 7 suggest that in the future, the *Hampshire Economic Area* could be faced with labour shortages. (Re-)engaging those who are currently outside the labour force and of working age must therefore be

an ongoing priority if businesses are to find the workers they need: if businesses cannot find the workers they require, the relatively sanguine projections for GVA performance across the *Hampshire Economic Area* simply will not be realised. In managing this risk, urban areas – and the working age populations within them – arguably have *the* key role to play.

- 8.14 Although the Hampshire Economic Assessment has not been structured around an examination of particular settlements, the evidence has nevertheless pointed consistently to a range of issues and challenges for the three largest urban areas: Portsmouth, Southampton and Basingstoke.
- 8.15 A recent analysis completed by DTZ for PUSH suggested that between 1998 and 2008 – a period of economic buoyancy – employment in the PUSH cities actually declined (often because firms (and jobs) relocated to adjoining areas); the urban boroughs saw the greatest absolute growth while in relative terms, the most impressive growth rate was recorded in the PUSH “rural fringe” (with a 21% increase in employment over the period). The implication appears to be a “thinning” of the urban core which – looking ahead – must be a cause for some concern. For the *Hampshire Economic Area* as a whole, Southampton and Portsmouth need to be vibrant city economies that harness the full benefits of economic agglomeration consistent with their sizeable populations and the economic assets in or close to them (universities, airports, etc.); they need to be the foci for key services and functions, and the incubation of new businesses.
- 8.16 In Basingstoke (town rather than district), recent progress has been similarly mixed. The area’s economy is strongly knowledge-based, with a third of jobs in the knowledge economy and it has a good strategic location in relation to the transport network; in that sense it is similar to the rest of *North Hampshire*. However, the legacy of “London overspill” and the type of development that shaped the town’s growth has created a range of challenges (including with regard to the town centre and provision of office space). Some of these are already being addressed. Further progress will be important in the context of competing offers from towns in the Thames Valley/M4 Corridor (e.g. Reading, Newbury).

The rural dimension

- 8.17 As evidenced in Section 2, over 80% of the *Hampshire Economic Area* is rural and although one sub-area is predominantly rural, there are rural areas in all three. As with urban areas, the Hampshire Economic Assessment has generated some important findings and insights with regard to the economy in rural areas across the geography of the *Hampshire Economic Area*; in some respects, these transcend sub-area differences and they need to be treated as a priority throughout.

- 8.18 On the face of it, rural parts of the *Hampshire Economic Area* are prospering economically. Indeed, as cited above, the work completed recently by DTZ suggested that within *South Hampshire*, it is the rural fringe that has grown most quickly over recent years. The challenges, however, are those that have been noted previously: economic growth in rural areas tends to be associated with high levels of commuting (often both in- and out-). Two inimical consequences follow: first, there is evidence of increased polarisation between residence-based and workplace-based employee earnings (with implications for housing affordability and thence community cohesion and ultimately sustainability) and second, performance on environmental indicators tends to be quite poor. There are some mitigating responses – not least high levels of self-employment and home working facilitated by access to broadband – but the challenges remain.
- 8.19 For Hampshire County Council and its partners, the challenge is how to prevent rural areas becoming, increasingly, the exclusive preserve of well-paid commuters and/or in-moving retirees. One key response must lie in supporting the businesses that are operating within rural Hampshire to grow and prosper and hence sustain a dynamic workplace-based economy. Another may surround support for local entrepreneurship including, potentially, access to capital and the provision of shared workspace in rural communities. In this context, the market towns of the *Hampshire Economic Area* – ranging from larger settlements like Winchester and Andover to a sizeable number of smaller ones (Petersfield, Alton, Lyndhurst, Ringwood) – have a crucially important role to play.

9: Towards an economic agenda for the Hampshire Economic Area

Section 9: Key findings

- The Hampshire Economic Assessment is, literally, an assessment, not a strategy. However, it was always intended to inform future strategic processes. So this final chapter attempts to distil what appear – on the basis of evidence – to be the overarching economic priorities for the *Hampshire Economic Area* as it looks to the future. The priorities below are only indicative and will need further evaluation and refinement during strategy development.
- Six priorities are identified:
 - 1: Nurturing an innovative, entrepreneurial and globally competitive knowledge-based economy
 - 2: Investing in the skills of the current and future workforce
 - 3: Investing in key infrastructure, recognising that new resourcing solutions will need to be found
 - 4: Addressing persistent worklessness, improving economic participation (particularly among young people), and encouraging greater attainment
 - 5: Defining – and investing in – key economic roles for cities and towns within the *Hampshire Economic Area*
 - 6: Realising economic potential from the *Hampshire Economic Area's* locational and environmental assets, and the quality of life they provide.

- 9.1 The Hampshire Economic Assessment is, literally, an *assessment*; it is not – and was never intended to be – a *strategy*. However it was intended to inform future strategic processes. By way of conclusion, it is important to try and distil what appear – on the basis of the foregoing analysis and evidence – to be the key overarching priorities, challenges and opportunities in securing future economic growth. This will help inform future processes, whether they are concerned with emerging Local Enterprise Partnership configurations, or the preparation of Local Development Frameworks, or other decision-making. The priorities are only indicative and will need further evaluation and refinement during subsequent processes of strategy development.
- 9.2 Taking the Hampshire Economic Assessment in the round, there appear to be six overarching priorities. These are discussed in the paragraphs that follow.

I: Nurturing an innovative, entrepreneurial and globally competitive knowledge-based economy

- 9.3 Within the *Hampshire Economic Area*, there are some major assets linked to the knowledge economy. Looking ahead, these need to be used appropriately and creatively to secure sustainable, high value, economic growth.
- 9.4 For example, the *Hampshire Economic Area's* four Higher Education Institutions (HEIs) have contrasting specialisms, ranging from civil, electronic and mechanical engineering at the University of Portsmouth and oceanography, computing and engineering at the University of Southampton through to the Winchester School of Art (part of the University of Southampton), business and education specialisms at the University of Winchester, and maritime and media at Southampton Solent. The four HEIs already work closely together through a Hampshire-wide network and they have important links into the local economy. However, these links need to be developed further. Economic regeneration plans for both Southampton and Portsmouth emphasise the importance of creative industries as part of a cultural city-centre offer and in this context, links into the Winchester knowledge hub ought to be important. More generally, the cocktail of both science-based specialisms and prominent expertise linked to creativity and the arts ought to provide a basis for innovation of all forms.
- 9.5 This argument extends beyond the HEI sector. Within the *Hampshire Economic Area*, there are some global knowledge-based corporates with extensive research facilities. For example, IBM has a major facility near Winchester, Nokia has a strong presence in Farnborough, Shire Pharmaceuticals is located in Basingstoke, and Roke Manor Research is based in Romsey. In addition – across the *Hampshire Economic Area* – there are some major defence-related activities. These include the substantial presence of QinetiQ, particularly in Farnborough. This complement of large, knowledge-based and research intensive corporates is a distinctive feature of the *Hampshire Economic Area* as a whole and it both reflects and creates substantial knowledge-based assets.
- 9.6 Overall, these assets and resources are substantial. But looking ahead, they need to be worked harder as the basis for building a robust and sustainable high value-added economy. Overall, rates of new business formation within the *Hampshire Economic Area* are not especially high, particularly in *South Hampshire*. Moreover, the knowledge economy role of the major urban areas is not – in general – well defined. This needs to be given far sharper focus. The larger urban economies, and particularly the city centres, ought to be nurturing the specialist financial and business service providers that are so important in terms of the growth of the knowledge economy. Such development would also contribute markedly to the regeneration imperatives of the cities and urban areas (although a flexible response to the property

requirements of knowledge-based businesses more broadly would help to ensure that all elements of this key sector can be accommodated successfully).

- 9.7 In this context, there is a need for symbiotic growth in which the role of urban areas is really thought through whilst the *Hampshire Economic Area* as a whole is clearly and explicitly “open for business”. A positive approach ought to help counter the fact that despite the scale and density of knowledge-based assets, large numbers of highly qualified residents commute out of the area to work.
- 9.8 Looking ahead, these different ingredients and potentials need to be brought together in a more concerted and focused manner that encourages more effective entrepreneurialism and works these assets hard. The four HEIs have a key role to play in this context, but there is also scope to strengthen and animate links to the larger businesses. The scope for the commercialisation of the knowledge base – through spin-outs, licensing arrangements and the like – ought to be fully explored as part of a wider approach to rebalancing the economy; this is a process that needs to bite, particularly in the *Central Hampshire/New Forest* and *South Hampshire* sub-areas.
- 9.9 The growth of new enterprises, and business expansion generally, is contingent on the availability of capital and ongoing funding. The ‘credit crunch’, insofar as it affects lending to businesses, is far from over and the duration of its impact is uncertain. Difficulties in accessing finance emerged as a top priority in the Hampshire Economic Partnership’s recent survey of businesses, and as a long term problem, not just an immediate one. It was shown to be a difficulty for existing businesses as well as a barrier to entrepreneurship. This problem needs to be addressed if it is not to be a brake on economic growth.

II: Investing in the skills of the current and future workforce

- 9.10 Key to effecting economic transformation must be a positive approach to workforce skills. In the *Hampshire Economic Area* currently, the picture is mixed. In some locales (e.g. Winchester), the skills profile is outstanding. However, elsewhere, the picture is far less sanguine: amongst the resident working age population, the proportion qualified to at least degree level (NVQ4+) is well under 30% in areas as diverse as Rushmoor, Fareham and Portsmouth.
- 9.11 However, it would be wrong to focus exclusively on high end skills. For the *Hampshire Economic Area* as a whole, the bigger challenge, arguably, is at the lower end of the labour market. Across four local authority districts, the proportion of the working age population with no qualifications at all is above 10%: Rushmoor, Portsmouth, Southampton and New Forest. Casting the net a little more broadly, more than a third of the working age population is qualified to below NVQ Level 2 (5 GCSEs at A*-C grades) in each of Rushmoor, Havant, Portsmouth and Southampton.

Arguably this profile of workforce skills sits quite uncomfortably with the need – and opportunity – to grow the knowledge economy and to improve productivity performance more generally: particularly, but not exclusively, in the south of the *Hampshire Economic Area* there is a major skills problem and it needs to be addressed. This is not to suggest that only those with the highest level of qualifications can really contribute to the economy. For *South Hampshire* in particular, high end manufacturing – linked into the broader knowledge economy – has long been recognised as a priority, and rightly so. But businesses in this field have particular needs in relation to technician-level skills and currently, these appear to be in very short supply: aligning workforce skills with the requirements of the business community must therefore be a priority.

III: Investing in key infrastructure, recognising that new resourcing solutions will need to be found

- 9.12 The full potential of the *Hampshire Economic Area* will not be realised unless key infrastructures are refreshed and enhanced, consistent with the needs of a globally competitive, knowledge-based, economy. Of course, infrastructure – by its nature – is expensive and “wish lists” tend to be long; in the context of severe pressure on public finances, there is a need to prioritise needs and then be creative in formulating responses, particularly in terms of how “more” can be gained from “less”. Across the *Hampshire Economic Area*, there are three overarching priorities.
- 9.13 A first relates to the area’s broadband infrastructure. Currently, this is – at best – patchy: it is, in general, better in the larger towns and worse in the more rural areas. However, the next year or two will see a market-led revolution in terms of broadband infrastructure. In essence, the copper network is being replaced partly or wholly by fibre. This will mean far higher broadband speeds than currently – with download speeds of up to 100mb per second. The expectation is that this in turn will transform the manner in which IT applications are used, both at home and by businesses. It will also have major implications in terms of service delivery. For example, hosted applications should be available – and workable – on-line which should reduce costs and improve productivity; video-conferencing should become far more effective; and the scope for very effective homeworking should significantly increase. Superfast broadband is currently being rolled out, but the areas which are benefitting first are either those with very large populations of potential users and/or those where local partners are being very proactive in their relationships with broadband providers and there is evidenced local demand or gap funding. For the *Hampshire Economic Area*, this all represents a significant challenge and it urgently needs a concerted response. A good broadband infrastructure will, arguably, be crucial in terms of the vibrancy of the economy. It will also be a critical determinant of the quality of local service provision which is important for businesses and residents alike. The major public sector bodies and the larger business players have key roles to play in this context,

both as potential purchasers and as influencers; both aspects are seriously important. The timely provision of good quality, high speed broadband is crucial in terms of the sustainability and competitiveness of the economy of the *Hampshire Economic Area* as a whole.

- 9.14 A second infrastructure priority is tackling road congestion – identified by Hampshire businesses as a key issue – and generally improving the quality and reliability of the transport network. This is vital to enable Hampshire firms to transport their goods, for customers and suppliers to visit their premises, and for employees to reach their workplaces. In general, predictability of arrival is at least as important as overall journey time. Whilst the economic downturn has reduced traffic volumes to an extent, with some consequent improvements in journey times, the rise in traffic volumes is forecast to resume in the longer term with growth nationally of 7% by 2015 and 43% by 2035⁸³.
- 9.15 The third infrastructure priority is in some respects more mundane, but it is no less crucial. Notwithstanding the credit crunch and subsequent recession, the *Hampshire Economic Area* as a whole still needs to encourage the appropriate development of housing and the provision of employment land and premises: although the development process has taken a big hit since 2008, the long term need has certainly not “gone away”. However future development will need to proceed on a different footing with minimal public sector investment (in terms of cash). Across the *Hampshire Economic Area*, there is a concern that some allocated sites are very expensive in development terms and therefore at considerable risk of being stalled indefinitely. This in turn would undermine the area’s prospects for sustained economic growth.
- 9.16 To remain competitive, continual investment in infrastructure is required across the *Hampshire Economic Area*. Given the state of the public coffers, new and innovative approaches to the financing of infrastructure are imperative. These will need to incentivise appropriate development locally and establish appropriate routes to associated investments (through emerging mechanisms like the Community Infrastructure Levy, Tax Increment Financing, and so on). Within this mix, the assets of the public sector will need to be brought to bear, including, potentially, sites released by the Ministry of Defence (MoD). The detail of these new approaches remains to be worked through, but for appropriate investment to be sustained across the *Hampshire Economic Area*, significant headway needs to be made quickly, drawing in a wide portfolio of assets and potentials from the private and public sectors alike.

⁸³ Hampshire Local Transport Plan, due for publication in March 2011

IV: Addressing persistent worklessness, improving economic participation, (particularly among young people), and encouraging greater attainment,

- 9.17 One of the most concerning aspects of the *Hampshire Economic Area* surrounds pockets of persistent worklessness and economic inactivity. Whilst overall, the *Hampshire Economic Area* performs well, key indicators – whether data about benefit claimants or information from the Indices of Multiple Deprivation – point to pockets of economic exclusion which are identifiable at ward level or below. In these areas, the issues are acute and deep-seated.
- 9.18 An analysis of claimant data shows there are eight wards within the *Hampshire Economic Area* in which more than 20% of working age residents are claiming benefits (principally Job Seekers’ Allowance, Incapacity Benefit/Employment and Support Allowance, and Income Support). More generally, whilst the majority of the wards with relatively high benefits dependency are within *South Hampshire*, there are a number in Basingstoke and Deane, and some in each of Test Valley, Rushmoor, East Hampshire, Winchester and New Forest. In all cases, these “hot spots” are within urban areas.
- 9.19 Looking ahead, the life chances of young people are especially important, but again a similar pattern is apparent. Overall, the incidence of young people not in employment, education or training (NEET) is higher than the regional average. From the Indices of Multiple Deprivation, income deprivation affecting children is concentrated in urban areas: Southampton, Portsmouth, Havant and Gosport feature strongly with isolated pockets elsewhere such as Basingstoke, Andover, Aldershot, Farnborough, Alton and New Milton.
- 9.20 In terms of the future of the *Hampshire Economic Area*, this analysis is important but also quite challenging. It suggests that pockets of persistent deprivation exist even where economic growth has been relatively strong. Hence the implication is that localised solutions – developed at a neighbourhood level and with a strong social dimension – are really important, even within some otherwise-buoyant local economies. In turn, this is important for the *Hampshire Economic Area* not just for reasons of equity but also because high activity and employment rates are needed if the area’s economic potential is to be realised. The risk otherwise is the paradox of simultaneous labour and skills shortages *and* pockets of severe unemployment. This challenge is a distinctively urban one and it exists – to varying levels – across all of the larger cities and towns across the *Hampshire Economic Area*.

V: Defining – and investing in – key economic roles for cities and towns within the Hampshire Economic Area

- 9.21 Looking forward, there is a need for the *Hampshire Economic Area*’s towns and cities to function effectively. This means that all of the urban areas need clear and

confident economic roles: all of the urban areas have challenges and opportunities looking ahead, although these vary tremendously in terms of their character and scale. For the *Hampshire Economic Area* to perform effectively and sustainably, a clear approach to long term urban economic renaissance is needed. Emerging elements of an urban framework for *Hampshire Economic Area* are provided below:

- *Southampton*'s economy was originally founded on its maritime location and its port function remains important: it is a very significant container port (with links to a major logistics sector) and also a major focus for passenger traffic (including cruise liners). Over recent years, parts of the Docks have been redeveloped to form the Ocean Village complex which is emerging as a cultural and retail hub, and includes a new innovation centre. In and around Southampton, and including Eastleigh, the local economy is really quite diverse with significant assets for further growth: the University of Southampton is a major player and Southampton International Airport is nearby. The City Council has ambitious plans for office, retail/leisure and cultural development in the city centre but how quickly all of these can be realised is uncertain, particularly in a subdued development market and with limited public sector capital funding being available. Looking ahead, there are some flood risk issues which will also need to be addressed
- *Portsmouth* and the surrounding towns of Fareham, Gosport and Havant, is a substantial urban area and it really needs to exercise its economic muscle. Historically, the city was strongly influenced by its Naval role and it is estimated that a tenth of the city's workforce works at Portsmouth Naval Dockyard. Like some of the other towns and cities within *Hampshire Economic Area*, the imprint of the defence sector is huge – both in terms of economic activity and land ownership. Over recent years, Portsmouth's city centre function has developed, and there has been investment linked to the development of retail and related services and activities. However the city centre itself must remain a significant focus for regeneration and redevelopment. Across the area as a whole, there are flood risk issues which will need to be taken into account
- *Basingstoke* needs to really secure the advantages that ought to derive from its location and scale. It has a strong complement of high tech and high value added businesses, and distinctive specialisms within financial and business services. However its substantial quantity of outdated office stock means that it is in danger of losing out to the likes of Newbury and Reading. Moreover the legacy of London overspill needs to be addressed and there is a need to engage local communities in a proactive approach to economic development

- *Aldershot and Farnborough* are two towns with vibrant workplace economies characterised by a high incidence of knowledge-based activities, many of which are defence-related. In both cases however, high paid local jobs seem to attract in-commuters and the well-being of the people who live locally is more questionable. More generally, the strong military history – and continuing military presence – confers a very distinctive character on both towns. This includes the biennial Farnborough International Airshow which is a major driver for the economy and a major focus for the aerospace sector
- *Winchester* is an historic county town and cathedral city. On the face of it, Winchester is very prosperous and house prices are high. However, Winchester has a very distinctive economic form which presents both opportunities and threats looking forward. The city’s residents tend to be highly qualified and the earnings of residents are high – but there is a high level of out-commuting, locally as well as to London. Conversely, jobs within Winchester tend to be low paid and predominantly within the public sector. These attract in-commuters, mainly from the south and west. Given the policy announcements from the new government, the workplace economy of Winchester is at some risk and there may well be substantial numbers of job losses. With a significant HEI presence, Winchester ought to be able to restructure its economy and it certainly has the potential to emerge as a knowledge hub in its own right. In the future – given the undoubted pressure on the existing workplace economy – this really ought to be positively encouraged
- *Andover* is another military town and the Ministry of Defence is its largest employer. However Andover also functioned as a London Overspill town and, because of this, it grew substantially in the 1960s. This legacy has had a big impact on the town’s physical form and also its population mix. In this regard, there are some similarities with Basingstoke and there is a need for a positive and creative approach to economic growth which engages local people fully.

VI: Realising economic potential from the Hampshire Economic Area’s locational and environmental assets and the quality of life they provide

- 9.22 Finally, it must be recognised that the *Hampshire Economic Area* brings with it substantial assets in terms of the quality of life that it provides. It includes two National Parks and a maritime environment. Coupled with reasonable proximity to London and a range of international gateways, the area has much to offer potential investors and people.

- 9.23 These assets, however, bring with them some risks. A major one is that the apparent prosperity of the rural areas masks a disparity between the average earnings of those who live there and those who work there. The implication is that the apparent economic prosperity of rural areas is very dependent on incomes earned by residents who commute out of the area to work. This raises major issues with regard to the sustainability and cohesion of rural communities, and specifically, the prospects and opportunities available to younger people; many struggle to find quality jobs locally and – in the context of high house prices – many young people have little option other than to move away. The *Hampshire Economic Area* needs a vibrant rural economy such that individual settlements within it – market towns and villages – are sustainable communities, which offer opportunities for well designed, and appropriate scale, business development and affordable housing, and do not simply become a destination for in-moving retirees and/or high earning out-commuters. The possibility of superfast broadband offers real opportunities in this regard, but these will need to be seized and the potential benefits realised through a positive and creative approach to appropriate economic growth. In this context, it is important also to recognise that the rural economy does not equate to the land-based sector and tourism – although both have a crucial (and growing) role to play, not least given the renewed emphasis attached by government to the production of food, and potential links between the land-based sector and the provision of renewable energy.
- 9.24 A second risk is, in some respects, the flip-side of the first. The urban areas really do need to function well, which means that they need serious and sustained investment, particularly in terms of the town/city centres. They need to be vibrant hubs, recognising that what this means for one town will be quite different from what it means for another; each has a distinctive role to play, in relation to the *Hampshire Economic Area* as a whole and in relation to the local population.
- 9.25 Finally, it is important to recognise that the *Hampshire Economic Area* has seen, and will see, substantial population increases, much of it due to indigenous growth. To be sustainable, the larger urban areas must provide the principal focus for both housing and employment provision. This will allow the character of more rural areas and the settings for the urban areas, which makes them so attractive, to be protected. But this in turn means that the urban areas must be supported as places in which people will choose to set up new businesses (whether through start-up processes or inward investment) and grow existing ones. These outcomes are not impossible, but nor are they inevitable; they require a concerted response through which the assets and opportunities of the *Hampshire Economic Area* as a whole might be brought to bear.

Annex A: Glossary of terms

Table A-1: Economic terms used in the Hampshire Economic Assessment

Term	Definition
Constant prices	A stock of assets is expressed at constant prices when all members of the stock are valued at the prices of a single base period. This means that any changes are “real” – not just the result of inflation
Current prices	Output and intermediate consumption valued at the prices which were current at the time the production took place (i.e. no adjustment is made for inflation)
Economic activity rate (sometimes “activity rate”)	Proportion of the working age population that is economically active
Economically active	People aged 16 or over who are either in employment or unemployed
Economically inactive	People who are neither in employment nor unemployed These include those who want a job but have not been seeking work in the last four weeks, those who want a job and are seeking work but not available to start, and those who do not want a job
Employee jobs	Employee jobs are estimated in dialogue with employers. To establish total workforce jobs, there is a need to add self employment jobs, HM Forces and government supported trainees
Employment rate	The number of people in employment expressed as a percentage of the relevant population. For example, the working-age employment rate is the number of people in employment aged 16–59/64 as a percentage of the population aged 16–59/64
Gross Value Added (GVA)	Gross value added is the difference between the value of the output produced by a sector or industry and its intermediate consumption. Intermediate consumption is the cost of raw materials and other inputs that are used up in the production process GVA can be expressed more simply as the sum of wages and profits linked to particular activities
Knowledge-based	Sectors that are associated with highly skilled workers and are seen as drivers of economic growth. The knowledge economy is commonly associated with the shift to high value added services in finance and telecoms for example, and in areas of advanced manufacturing like aerospace and defence A statistical picture of knowledge based activity has been built up on the basis of large numbers of detailed Standard Industrial Classification codes. It includes activities like R&D, computer and related activities, some parts of the manufacturing sector, etc. A full definition is provided in the Extended Evidence Document (available separately)
Location quotient	A location quotient is an index through which we can assess the concentration of employment in a particular sector in a particular area. Put simply, it is a measure of <i>relative</i> specialisation
Lower Layer Super Output Areas (LSOAs)	Lower Layer Super Output Areas are built from groups of contiguous Output Areas and have been automatically generated to be as consistent in population size as possible, and typically contain from four to six Output Areas. The Minimum population is 1000 and the mean is 1500
Residence-based earnings	Earnings for employees living in an area who are on adults rates of pay and whose pay was not affected by absence. The earnings information collected relates to gross pay before tax, national insurance or other deductions, and excludes payments in kind
Resident workers	Residents of an area who are in employment

Term	Definition
Travel to Work Area	A labour market catchment – in defining TTWAs, the fundamental criterion is that, of the resident economically active population, at least 75 per cent actually work in the area, and also, that of everyone working in the area, at least 75 per cent actually live in the area
Working age	A female aged 16–59 or a male aged 16–64. In August 2010 the Office for National Statistics aligned the female working age to the male pensionable age of 16-64. Data in NOMIS that use working age have been retrospectively rebased to reflect this change. In the LEA, the revised working age population has only been applied to JSA and Benefit data. Other data are based on the old working age population.
Workplace population	All people aged 16 – 74 who are in employment and whose usual place of work is in the area
Workplace-based earnings	Earnings of employees working in an area who are on adults rates of pay and whose pay was not affected by absence. The earnings information collected relates to gross pay before tax, national insurance or other deductions, and excludes payments in kind

Source: Definitions have been taken from various sources including National Statistics and OECD. See:
<http://www.statistics.gov.uk/about/data/guides/LabourMarket/downloads/glossary.pdf>
http://www.statistics.gov.uk/downloads/census2001/definitions_chapters_1_5.pdf <http://stats.oecd.org/glossary/search.asp>

Annex B: Summary of headline economic indicators

Indicator	Year	Source	Area Definition	South East	Hampshire Economic Area	Central Hampshire/ New Forest	North Hampshire	South Hampshire
Resident population	2001	Census	LAD	8,000,645	1,644,250	495,632	327,051	821,534
Workplace workers	2001	Census	LAD	3,696,580	780,502	224,094	168,691	387,717
Resident workers	2001	Census	LAD	3,888,756	811,043	242,524	178,076	390,443
Resident population	2008	Mid-yr pop est	LAD	8,380,100	1,720,500	515,200	341,900	863,400
Resident working age population (WAP)	2008/09	APS	LAD	5,066,100	1,051,500	295,800	214,300	541,400
Total employees	2008	ABI	LAD	3,757,711	776,321	229,320	164,902	382,098
GVA (£m)	2007	ONS	LAD	£176,541	£34,703	N/A	N/A	N/A
GVA per capita (current prices)	2007	ONS	LAD	£21,248	£20,345	N/A	N/A	N/A
GVA per employee job (current prices)	2007	ONS & ABI	LAD	£46,980	£44,701	N/A	N/A	N/A
GVA per worker (modelled – 2003 prices)	2010	LEFM	LAD	£36,200	£34,100	£31,300	£38,000	£33,800
Median gross weekly earnings (full time employees) – resident-based	2009	ASHE	LAD	£537	£511	£539	£547	£478
Median gross weekly earnings (full time employees) – workplace-based	2009	ASHE	LAD	£514	£504	£487	£571	£489
Activity rate (% of WAP that is	2008/09	APS	LAD	82.4%	82.3%	81.4%	87.1%	80.8%

Indicator	Year	Source	Area Definition	South East	Hampshire Economic Area	Central Hampshire/ New Forest	North Hampshire	South Hampshire
economically active)								
Employment rate (% of working age population in employment)	2008/09	APS	LAD	78.1%	77.8%	78.8%	81.9%	75.7%
% of working age population with NVQ4+	2006-08	APS	LAD	30.9%	29.2%	33.7%	30.5%	26.2%
% of working age populations with below NVQ2	2006-08	APS	LAD	23.8%	24.5%	19.6%	23.6%	27.5%
% of working age population with no qualifications	2006-08	APS	LAD	9.4%	9.4%	7.4%	8.7%	10.9%
VAT registrations per 10,000 population (aged 16+)	2007	BIS	LAD	48	42	49	55	31
Enterprise births per 10,000 population (aged 16+)	2009	IDBR/ONS	LAD	60	53	59	64	45
Business stock (enterprises) per 10,000 pop'n	2008	BIS & mid-yr pop est	LAD	445	401	512	437	325
% of employees in knowledge economy	2008	ABI	LAD	20.8%	21.0%	16.7%	29.2%	20.2%
% of businesses (data units) in knowledge economy	2008	ABI	LAD	25.6%	24.4%	25.2%	31.4%	20.2%

Source: SQW and HCC

Acronyms used in the table:

LAD = Local Authority District

APS = Annual Population Survey

ABI = Annual Business Inquiry

LEFM = Local Economy Forecasting Model

ASHE = Annual Survey of Hours and Earnings

BIS = Dept of Business, Innovation and Skills

ONS = Office of National Statistics

IDBR = Inter-Departmental Business Register

Annex C: Summary of comparator area headline economic indicators

Indicator	Year	Source	Area Definition	South East	Hampshire Economic Area	Berkshire	Dorset ^a	Isle of Wight	Surrey	West Sussex	Wiltshire ^b
Resident population	2001	Census	UA/CC	8,000,645	1,644,250	800,118	692,712	132,731	1,059,015	753,614	613,024
Workplace workers	2001	Census	UA/CC	3,696,580	780,502	442,119	295,505	51,697	487,102	347,773	303,784
Resident workers	2001	Census	UA/CC	3,88,756	811,043	419,005	309,053	54,483	532,819	357,128	311,230
Resident population	2008	MYE	UA/CC	8,380,100	1,720,500	836,300	710,500	140,200	1,109,700	781,500	648,400
Resident working age population (WAP)	2008/09	APS	UA/CC	5,006,100	1,051,500	528,600	394,400	77,200	670,600	446,100	384,800
Total employees	2008	ABI	UA/CC	3,757,711	776,300	463,800	303,400	50,200	516,300	335,800	292,300
GVA (£m)	2007	ONS/ABI	UA/CC	£176,541	£34,703	£25,571	£11,966	£1,821	£26,471	£15,822	£13,542
GVA per Capita (current prices)	2007	ONS/ABI	UA/CC	£21,248	£20,345	£30,970	£16,899	£13,054	£24,103	£20,382	£21,090
GVA per employee job (current prices)	2007	ONS/ABI	UA/CC	£46,980	£44,701	£55,134	£39,440	£36,275	£51,271	£47,117	£46,329
GVA per worker (modelled - 2003 prices)	2010	LEFM	LAD	£36,240	£34,105	N/A	N/A	N/A	N/A	N/A	N/A
Median gross weekly earnings (full time employees) - resident based	2009	ASHE	UA/CC	£537	£511	£583	£456	£436	£623	£498	£497
Median gross weekly earnings (full time employees) - workplace based	2009	ASHE	UA/CC	£514	£504	£607	£453	£435	£562	£471	£472

Indicator	Year	Source	Area Definition	South East	Hampshire Economic Area	Berkshire	Dorset ^a	Isle of Wight	Surrey	West Sussex	Wiltshire ^b
Activity rate (% of WAP that are economically active)	2008/09	APS	UA/CC	82.4%	82.3%	83.1%	81.3%	77.9%	82.4%	83.3%	85.6%
Employment rate (% of WAP in employment)	2008/09	APS	UA/CC	78.1%	77.8%	78.7%	77.0%	72.6%	79.6%	79.5%	80.5%
% of WAP with NVQ 4+ (3 yr average)	2006-2008	APS	UA/CC	30.9%	29.2%	34.5%	28.1%	23.1%	38.2%	29.9%	27.2%
% of WAP below NVQ 2* (3 yr average)	2006-2008	APS	UA/CC	23.8%	24.5%	20.3%	24.5%	28.1%	19.4%	24.3%	25.5%
% of WAP with no qualifications (3 yr average)	2006-2008	APS	UA/CC	9.4%	9.4%	8.4%	10.1%	10.6%	7.9%	8.3%	8.8%
VAT registrations per 10,000 population (aged 16+)	2007	BIS	UA/CC	48	42	58	42	29	58	42	46
Enterprise births per 10,000 population (aged 16+)	2009	IDBR/ONS	UA/CC	60	53	71	53	38	75	52	N/A
Business stock (enterprises) per 16+ population	2008	BIS/ONS	UA/CC	549	490	590	526	421	663	541	N/A
% of employees in knowledge economy	2008	ABI	UA/CC	20.8%	21.0%	30.0%	15.9%	10.4%	24.7%	18.4%	18.0%
% of businesses (data units) in knowledge economy	2008	ABI	UA/CC	25.6%	24.4%	33.5%	19.9%	13.5%	32.2%	24.9%	24.2%

a Agglomeration of Dorset CC , Bournemouth UA and Poole UA

b Agglomeration of Wiltshire CC and Swindon UA

** No qualifications+NVQ1 only (excludes Trade Apprenticeships and Other qualifications)*