

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.