

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

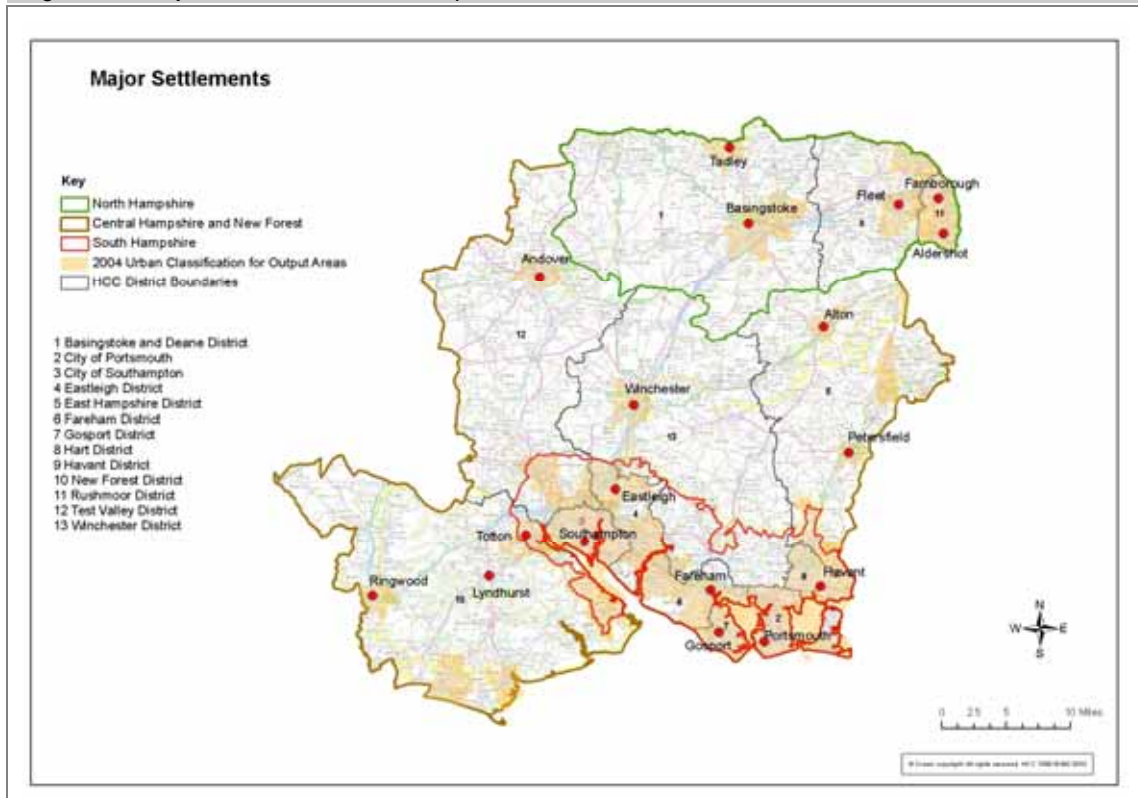
- 2.2 The *Hampshire Economic Area*’s settlement structure means that the spatial distribution of its population is uneven and this, in turn, is integral to “*how the economy works*”. In 2001 (at the time of the last Census) – and based around an ONS-derived “bricks and mortar” definition¹⁸ – five urban 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*



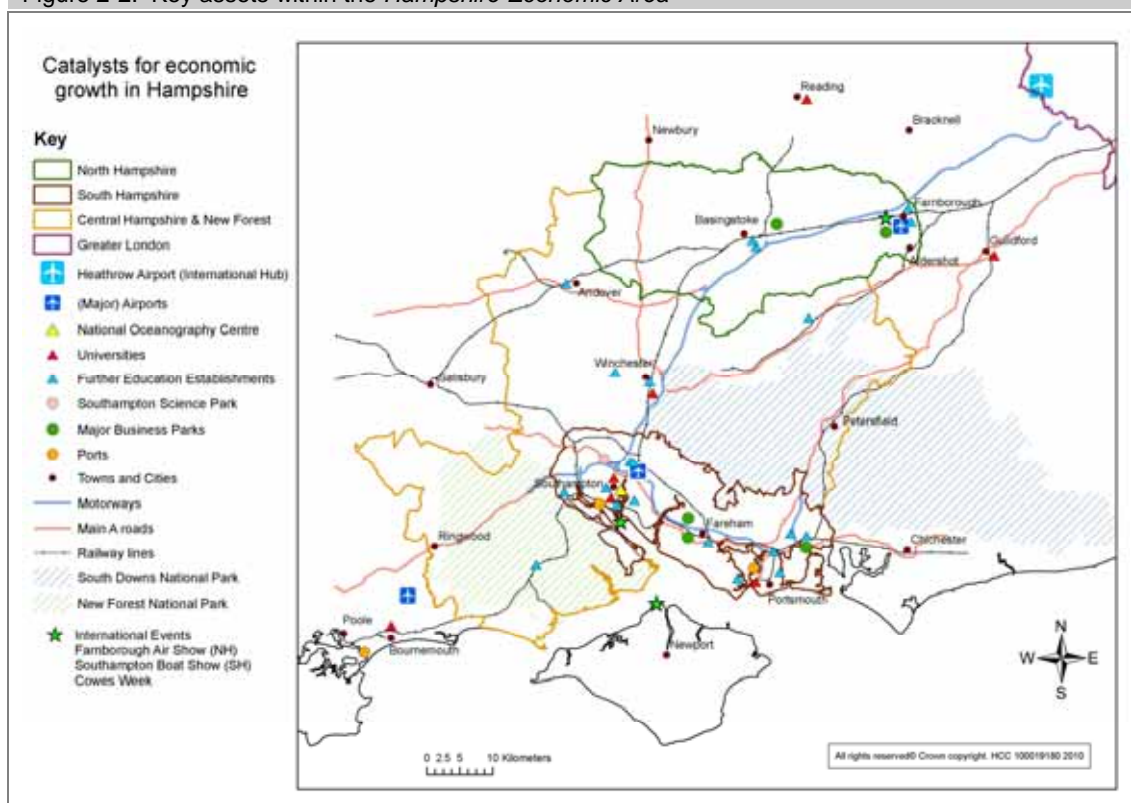
Source: Hampshire County Council

- 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

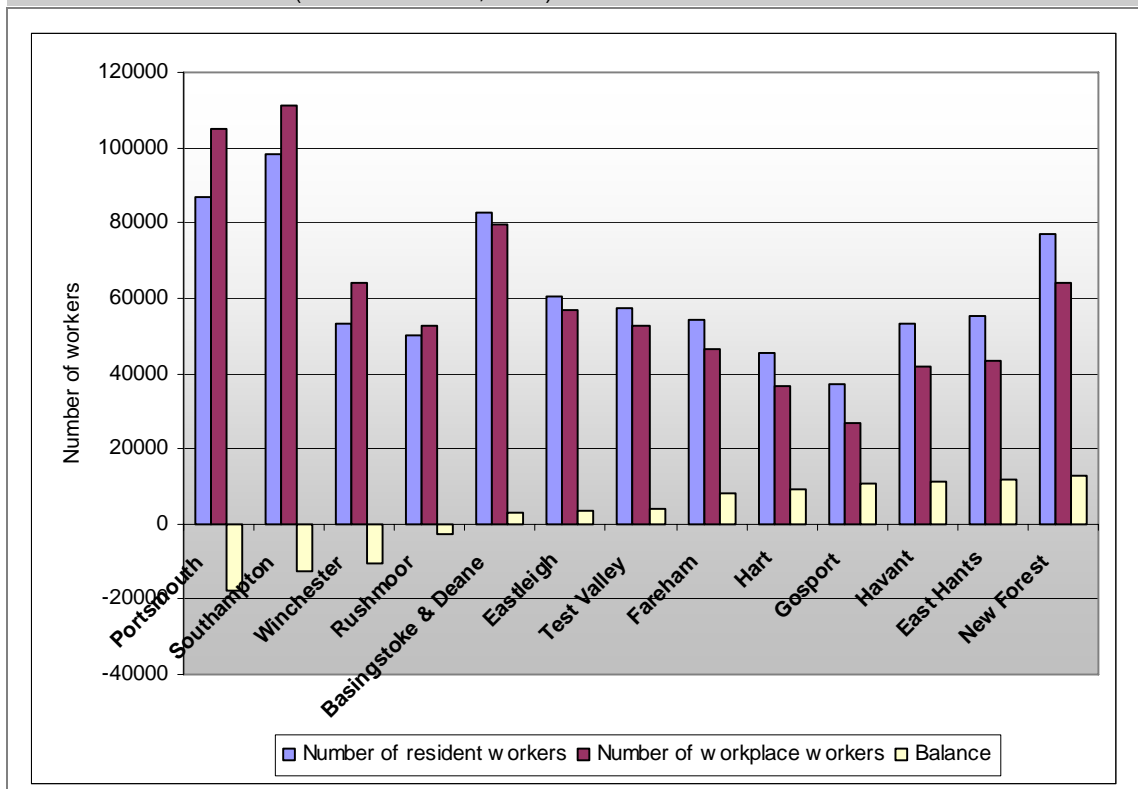
- 2.9 Of course, people – whether workers, consumers/customers, or both – can (and do) travel. Hence the economic geography of the *Hampshire Economic Area* needs to be examined in terms of economic flows.

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.

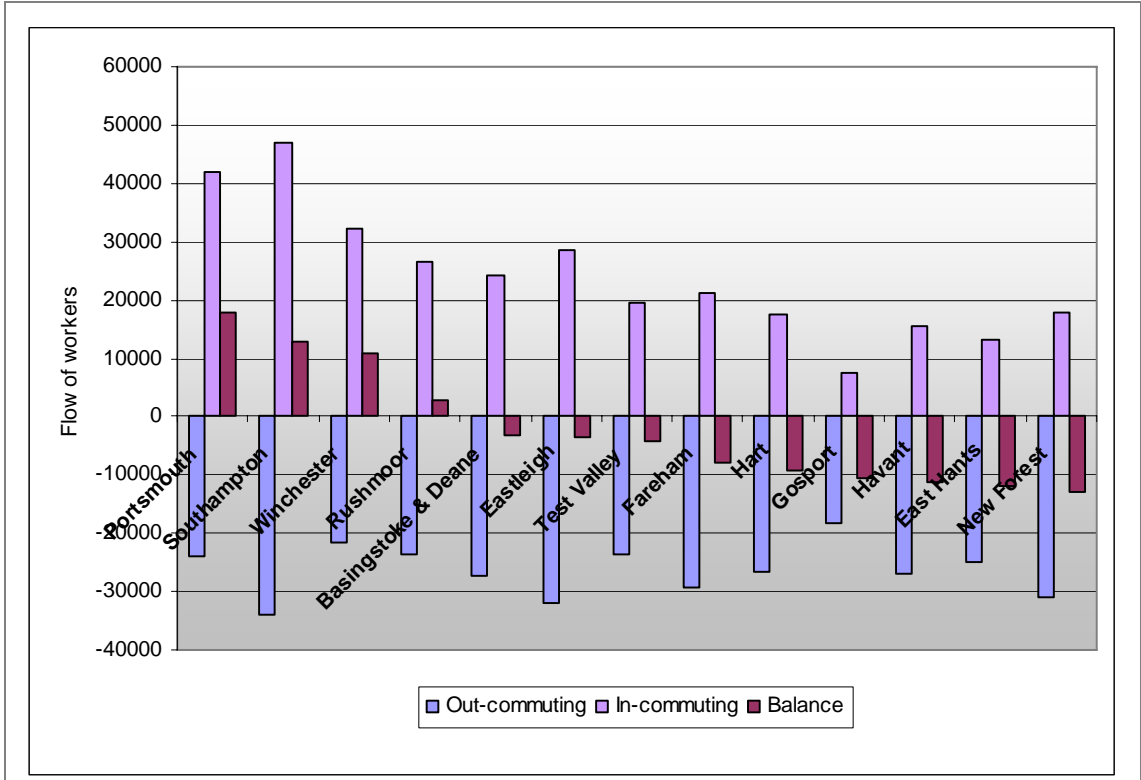
Figure 2-3: Number of resident workers and workplace workers for each local authority district, and the balance between the two (Source: Census, 2001)



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.

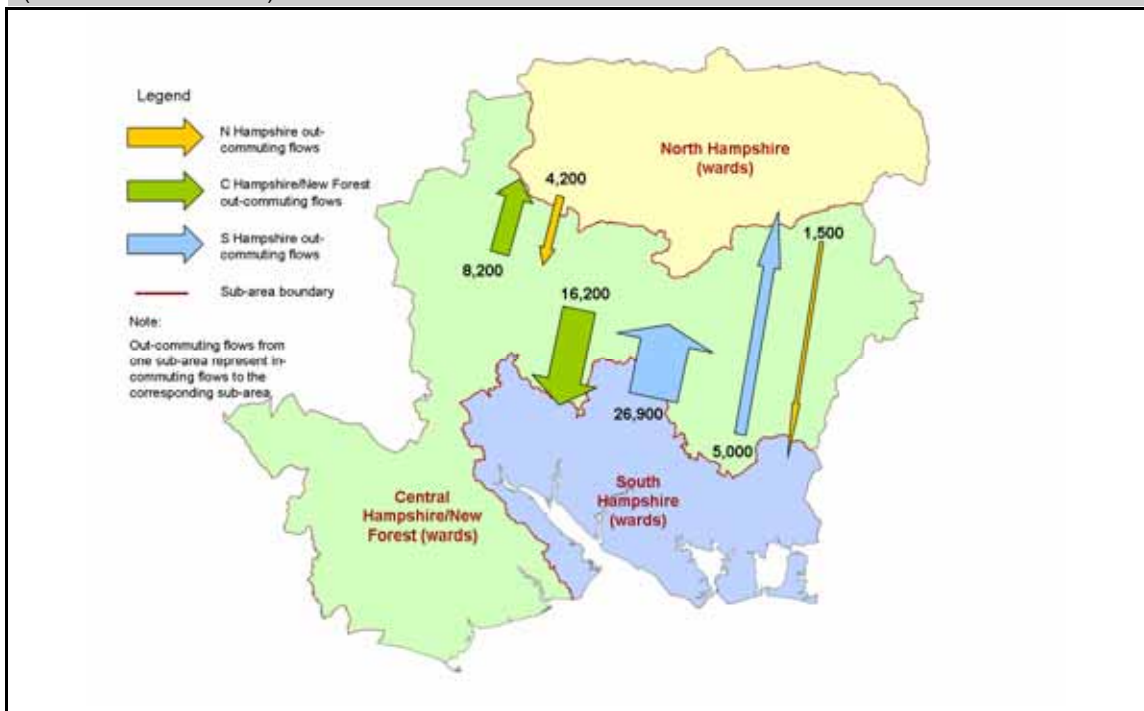
Figure 2-4: In-commuting, out-commuting and the balance between them (Source: Census 2001)



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

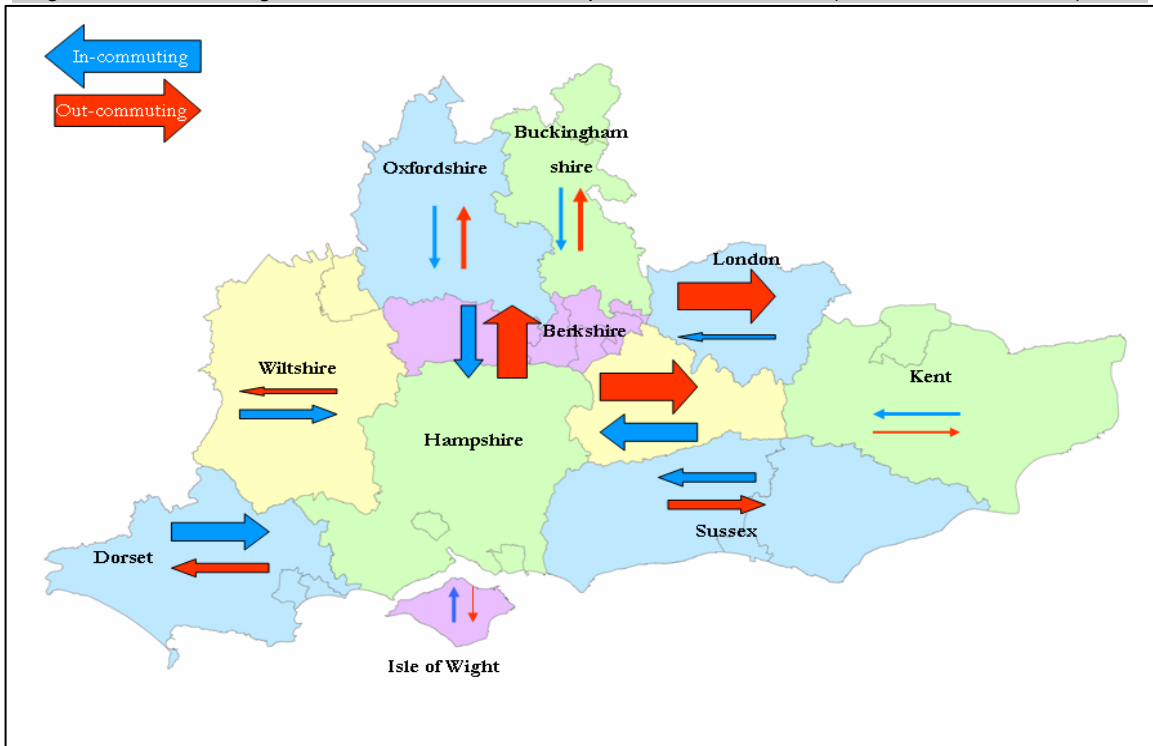
- 2.15 Commuting flows do not “stop” at the “boundary” of *Hampshire Economic Area*; indeed, in terms of economic activity, the “boundary” is wholly artificial and extremely permeable in both directions. Figure 2-6 and Figure 2-7 shed some light on this:

- 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.

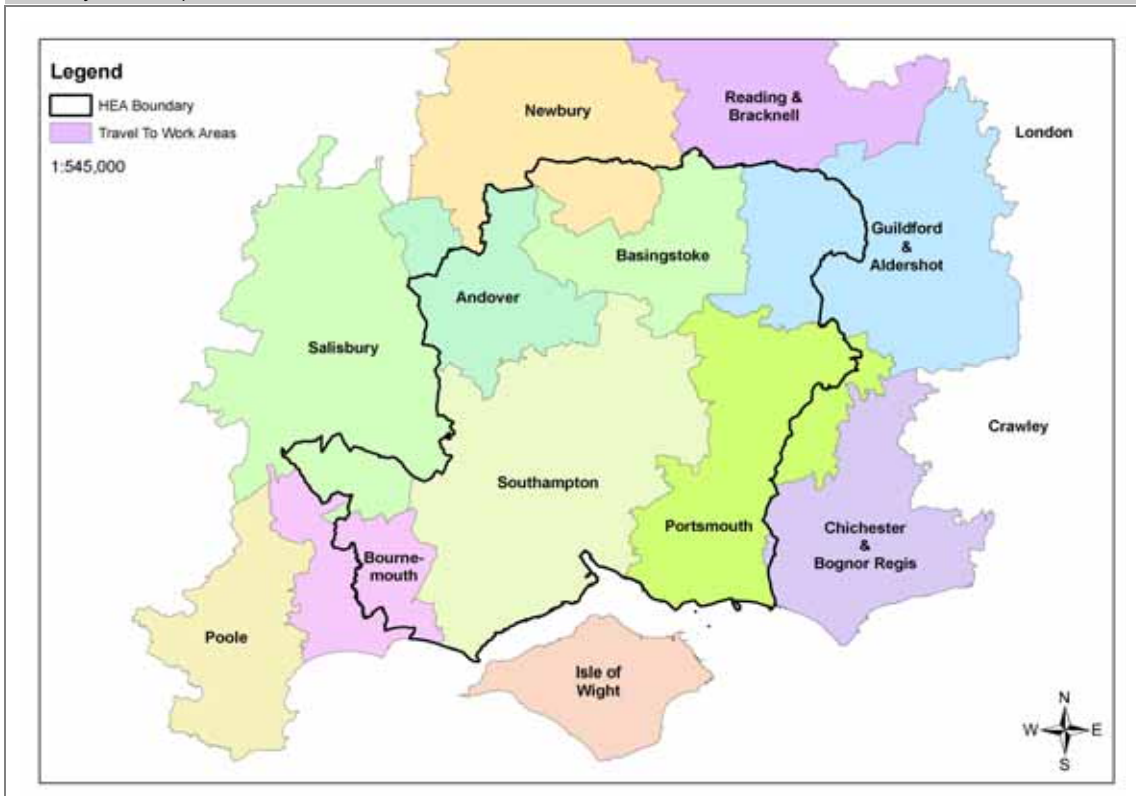
- At the same time, about 90,000 people commuted to work within *Hampshire Economic Area* from outside the area. Of these, close to 20,000 were resident in Surrey; about 13,500 lived in Dorset (including Bournemouth and Poole); 11,500 were resident in Berkshire; West Sussex and Wiltshire were both home 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

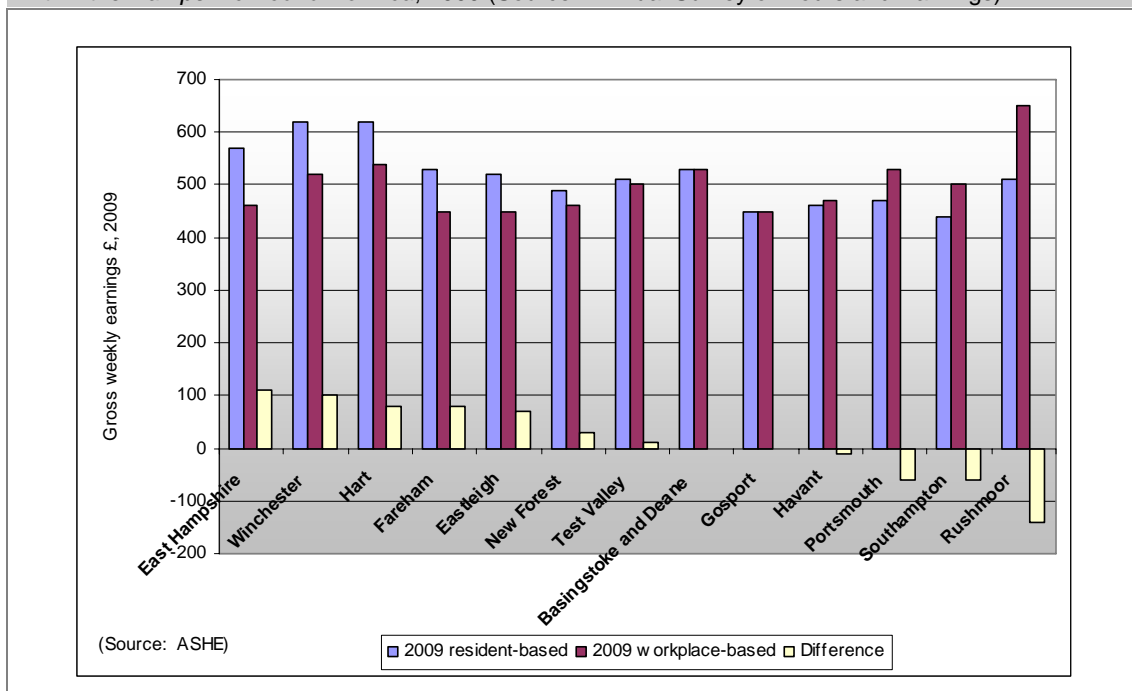
- 2.17 One of the consequences of sizeable commuting flows (particularly those to London but also flows contained within *Hampshire Economic Area*) is that in some parts of the *Hampshire Economic Area* there is a significant differential between workplace- and residence-based employee earnings. This 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