Hampshire Economic Assessment, 2010

Consultation Draft

July 2010

Hampshire County Council

SQWconsulting

Contents

Accompanying Volume of Technical Annexes (available separately)

Contents of Accompanying Volume:

Foreword

This is Hampshire's draft Local Economic Assessment on which your comments are sought.

The preparation of a Local Economic Assessment (LEA) is a new statutory duty for county and unitary councils. The LEA must be a comprehensive and robust analysis of local economic conditions which will provide a common information base for decision-making by local authorities and other organisations including for the County Council to prepare a sustainable economic development strategy for its area.

This draft Assessment – **Hampshire Economic Assessment, 2010** – has been prepared by Hampshire County Council with support from consultants SQW Consulting. It covers the *Hampshire Economic Area*: defined as the County Council's administrative area plus the cities of Portsmouth and Southampton. It is based on comprehensive data and analysis.

Preparing a LEA is not a one-off task; rather the legislation requires that it be regularly updated. Moreover, this first edition is unlikely to be perfect: it will be further developed next year and subsequently.

The Hampshire Economic Assessment, 2010, describes the economy of Hampshire, the 'economic flows' which characterise its economic life, and the area's overall economic competitiveness. It looks at the sectors which make up the Hampshire economy, economic activity rates and worklessness, and the environmental sustainability of economic activity in the county. It concludes by examining Hampshire's economic prospects together with the opportunities, constraints, tensions and dilemmas that need to be addressed. A number of Technical Annexes (available separately) contain the more detailed data and analysis which underpin this Assessment.

Your comments will help refine this inaugural Assessment. You may be able to provide additional data, or insights into Hampshire's economic conditions, or simply want to comment on the findings. The questionnaire in Annex C may help you to respond. **Please send us your comments by 15 October 2010.** All responses will be acknowledged.

A revised document will then be prepared, taking account of the comments received, and any new information which becomes available over the summer. That document will be presented to county councillors for approval in early 2011.

We look forward to hearing from you.

Ken Thornber
Leader

Executive Summary

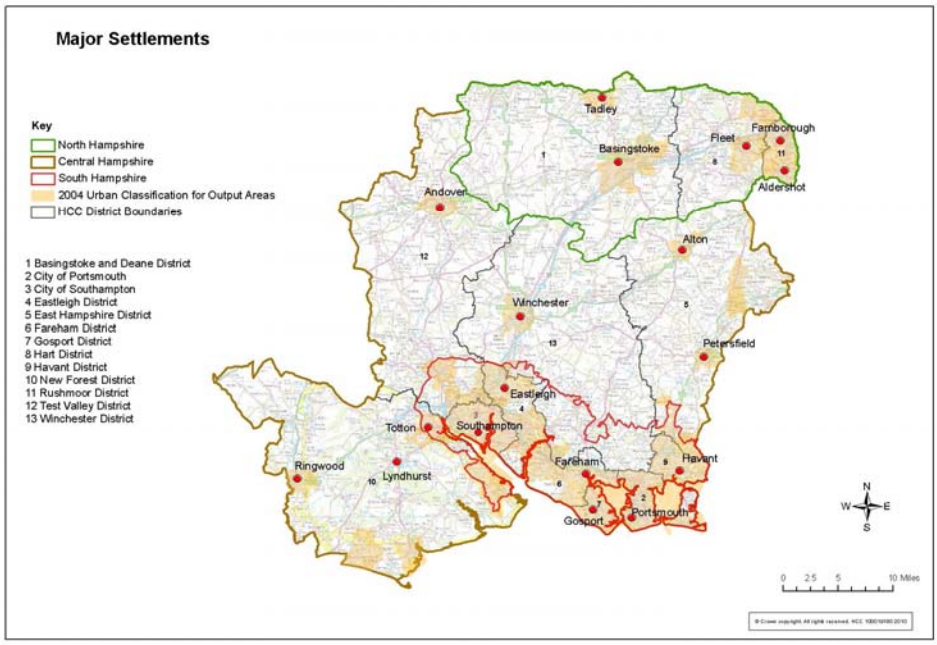
1. The *Hampshire Economic Area*[1] is home to 1.7 million people (of whom, just over one million are of working age). Collectively, the area's 69,000 businesses employ approaching 780,000 people. Overall, the annual value of economic output is around £35bn. The *Hampshire Economic Area* therefore constitutes 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*[2] (see Figure 1 and Figure 1.1 on page 2 of the main report)[3].

[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] 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)
[3] Note that the Hampshire Economic Assessment is also used to test the validity and coherence of these three areas (see concluding section)

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). 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 the South 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-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, 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 jobs 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.*

9. In the past, priority sectors[4] 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 (although – on a strict definition – it is small in terms of employment); 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 8,000 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 average[5]. 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) is about 2.9%, similar to the regional average. For *South Hampshire*, the rate of unemployment is higher (3.3%). *Central Hampshire/New Forest* records the lowest rate of unemployment (2.0%). However in all three sub-areas, there are unemployment hotspots at a localised level.

14. Overall, about 11.5% of the working age population of the *Hampshire Economic Area* is claiming benefits. This figure is very much higher in some localities: in 11 wards (ten of which are in *South Hampshire*), the figure is over 20%. In terms of deprivation, similar patterns emerge: overall, the

[4] 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

[5] 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

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. 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. Again, there are sub-area variations. Worst performing in terms of carbon emissions are *Districts in Central Hampshire/New Forest* while *Districts in South Hampshire* perform best. A key explanatory factor surrounds patterns and modes of commuting.

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 also 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 overall employment land provision ought to be consistent with the scale of forecast growth. However, concerns surround the quality and the viability of some planned provision.

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 almost 9% over 20 years and the fastest rates of growth are expected in *North 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.

Conclusions

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 (in relation to carbon dioxide emissions); 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 and 3 of the area's 4 universities etc). 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, such as marine and aerospace, 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 exclusion. These are overwhelmingly urban and there are significant concentrations in each of Portsmouth, Southampton and Basingstoke, and smaller pockets in 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.

1: Introduction

1.1 This document presents the consultation draft of the **Hampshire Economic Assessment, 2010**: the Local Economic Assessment for the *Hampshire Economic Area*. It has been prepared by Hampshire County Council with support from SQW Consulting (SQW).

1.2 The requirement for Local Economic Assessments was set out in the Local Democracy, Economic Development and Planning 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 addressed.

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

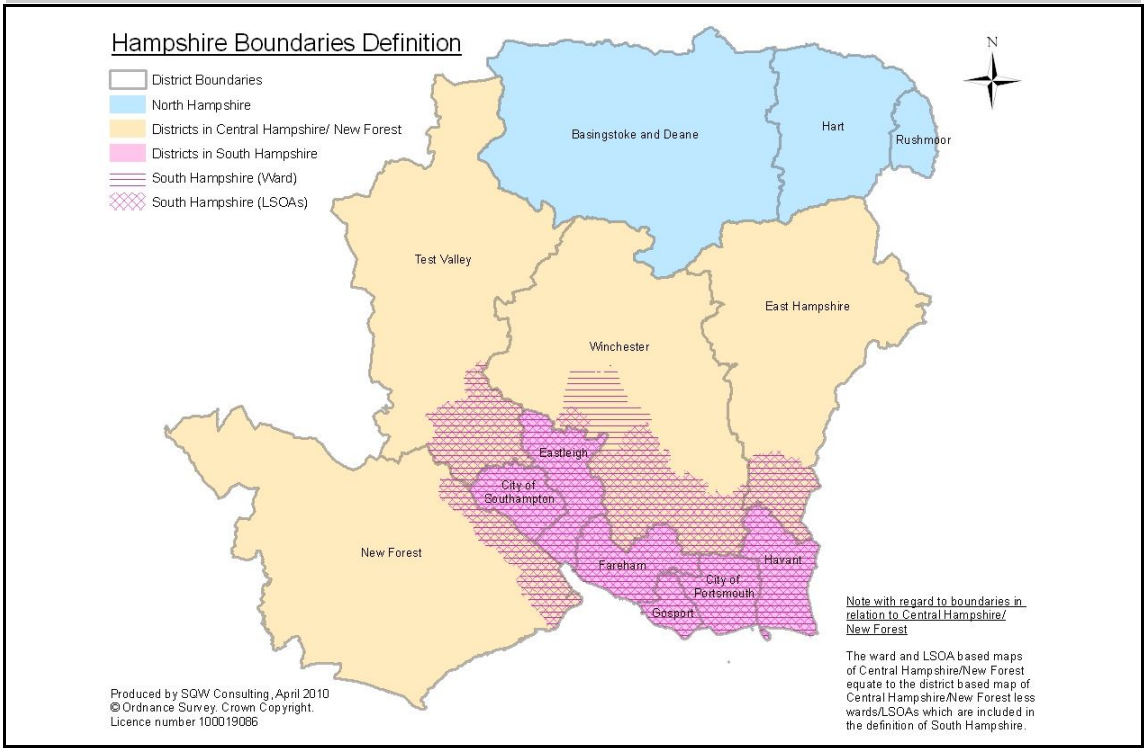
1.3 This Local Economic Assessment examines the *Hampshire Economic Area* which is defined for this purpose as the administrative area covered by Hampshire County Council plus the two unitary authority areas of Portsmouth and Southampton. The Hampshire Economic Assessment therefore relates to a very substantial geographical territory: it has a resident population of about 1.7 million people; it is home to about 69,000 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 districts[6].

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 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

[6] 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)

broadly follows the boundaries of the New Forest and South Downs National Parks[7],[8].

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



Source: SQW Consulting

1.5 In addition, 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 all of) West Sussex, Surrey, Isle of Wight, Dorset (including Poole and Bournemouth), Wiltshire (including Swindon), and Berkshire[9].

[7] 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 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

[8] 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)

[9] This area encompasses all of the unitary authority areas within the former administrative county of Berkshire

Process of preparing the Hampshire Economic Assessment

1.6 The preparation of the consultation draft of the Hampshire Economic Assessment has been undertaken in consultation with a Key Stakeholder Group. This has 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.

Structure of the Hampshire Economic Assessment

1.7 The consultation draft of the Hampshire Economic Assessment is divided into seven 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*
- *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* draws together some conclusions, focusing on opportunities, constraints, tensions and dilemmas that will need to be addressed in the future.

1.8 There are two main annexes[10]. Annex A provides a glossary of all 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.

1.9 In addition, a separate accompanying volume contains detailed technical annexes. These marshal a substantial volume of data and analysis which is structured around the five themes identified in the statutory guidance for Local Economic Assessments. Data within the technical annexes are presented for

[10] A third annex – Annex C – contains the consultation response form

Hampshire Economic Area, for the three sub-areas and also for the area covered by Hampshire County Council. These technical annexes comprise the substantive evidence base for the Hampshire Economic Assessment.

2: The spatial economy and "economic flows"

Section 2: Key findings

- The settlement structure of the *Hampshire Economic Area* is very 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 people 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

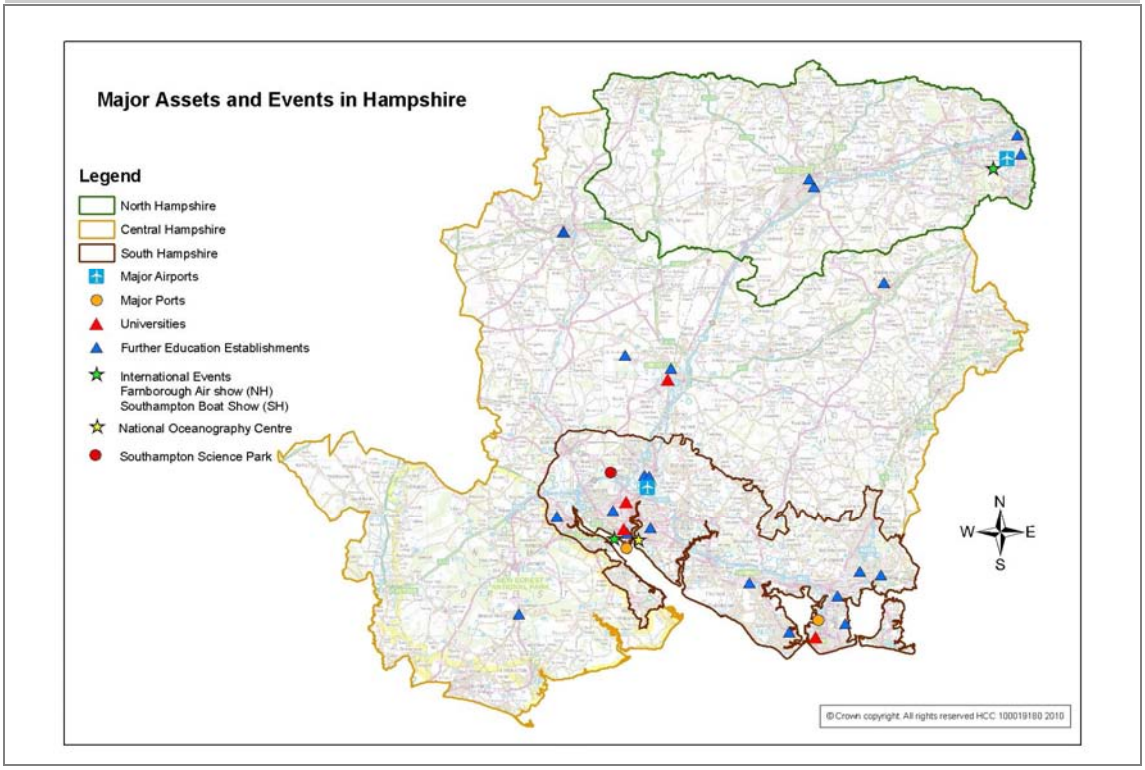
2.1 By 2008, the *Hampshire Economic Area* was home to 1.7 million people. During the period since 2001, this figure had increased by just over 4%, a similar rate of population growth to the South East region and to England as a whole[11].

2.2 However, the *Hampshire Economic Area* had (and has) a very distinctive settlement structure. This means that the spatial distribution of its population is very 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" definition[12] – 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

[11] ONS Mid Year Population Estimates
[12] This identifies contiguous urban development (as indicated on Ordnance Survey maps) and then attaches population-based Census data to these (through output areas)

over 440,000); Southampton Urban Area (including Eastleigh, with just over 300,000 people); Basingstoke (94,000); Aldershot (58,000); and Farnborough (57,000)[13]. These five urban areas were therefore home to approaching 60% of the total resident population. Casting the net a little more broadly, 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 population[14]. Within this general picture, 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 figure is around 85% while for *Districts in Central Hampshire/New Forest*, it is just over 40%.

Figure 2-1: Catalysts for economic growth: Key assets and events within the *Hampshire Economic Area*



Source: Hampshire County Council

2.3 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 –

[13] Table KSO1 from the 2001 Census
[14] 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 used to derive the rural/urban 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. It also influences – and is influenced by – the location of key economic assets such as key railway interchanges, universities, hospitals, ports, airports, etc. (Some of these are shown in Figure 2-1). 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).

Key economic flows

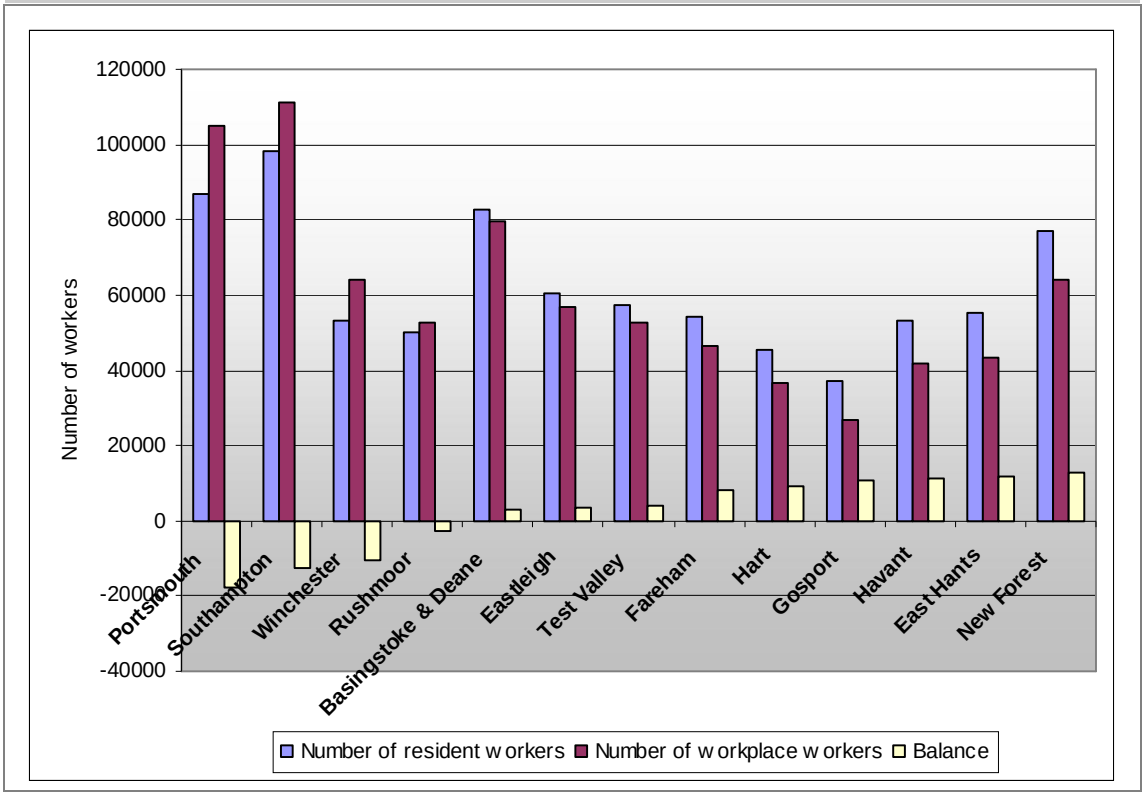
2.4 Of course, people – whether workers, consumers/customers, or both – can (and do) travel. Hence the economic geography of the *Hampshire Economic Area* needs to be examined through lenses other than straightforward population distribution.

Commuting flows within the Hampshire Economic Area

2.5 Commuting patterns are one key consideration but we have to rely on data from the 2001 Census for detailed and robust evidence[15].

[15] APS is a source of more recent data, but these are sample based and therefore less robust. They also suggest that there was very little change between 2001 and 2008

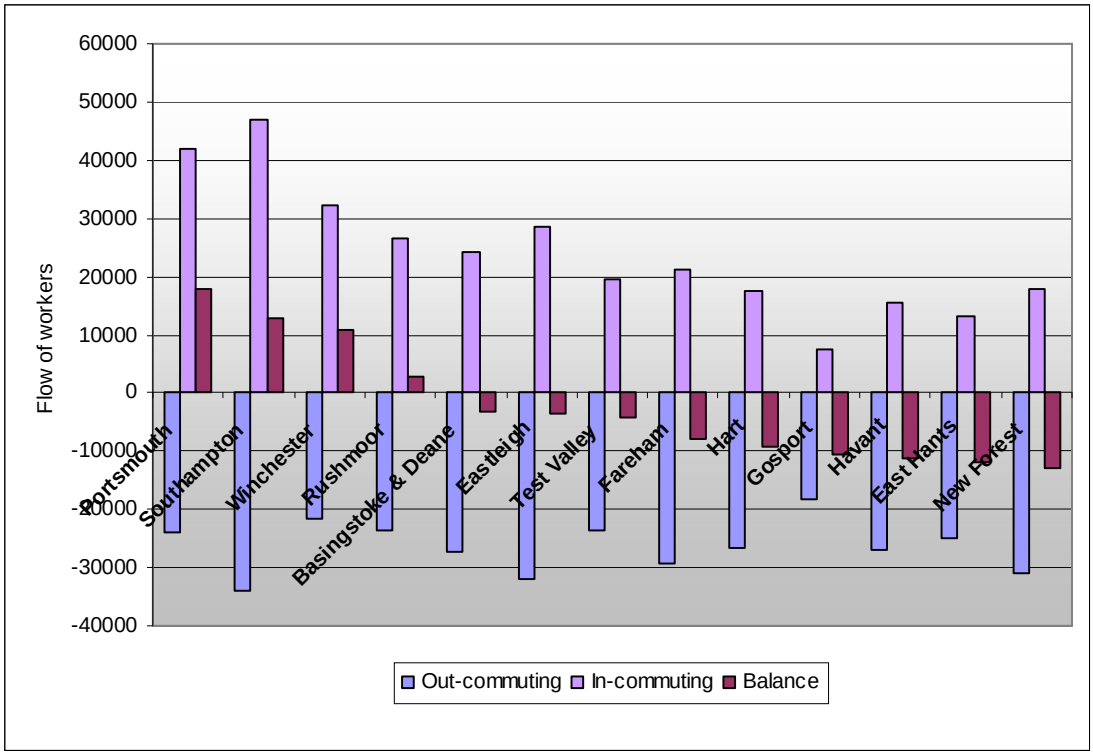
Figure 2-2: Number of resident workers and workplace workers for each local authority district, and the balance between the two (Source: Census, 2001)



2.6 For each of the 13 local authority districts within the *Hampshire Economic Area*, Figure 2-2 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, for *Districts within 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 are 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.

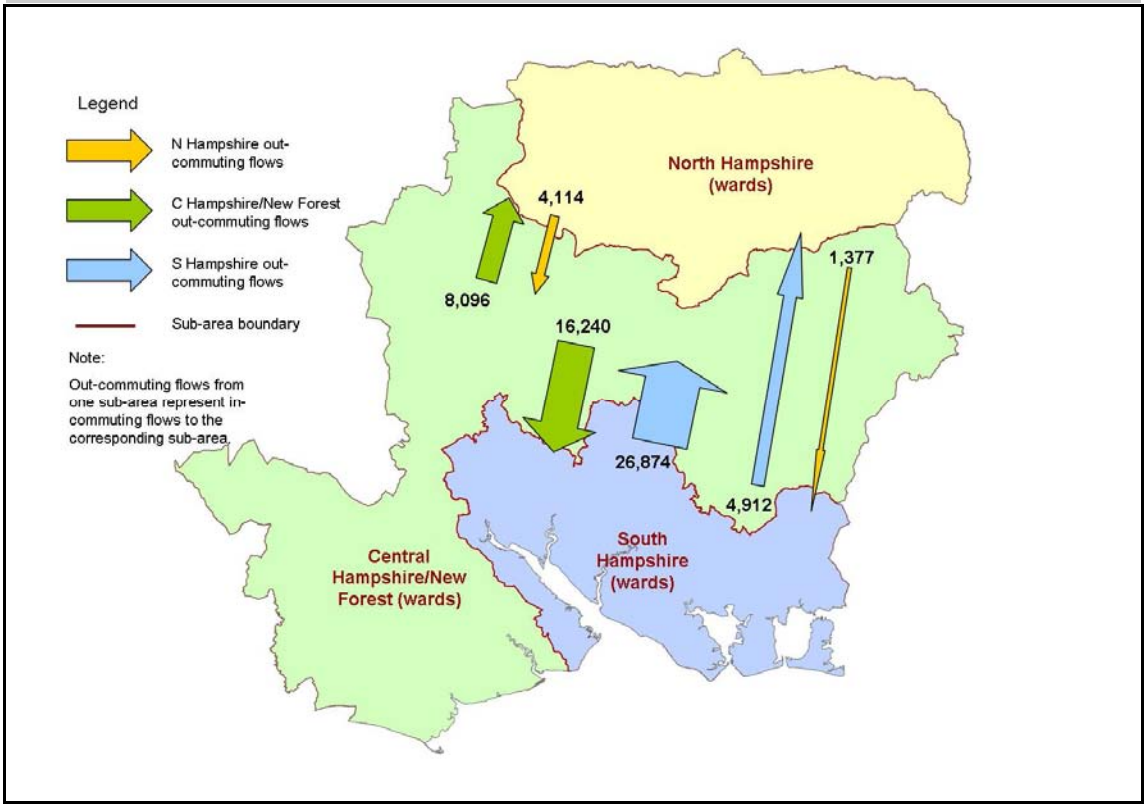
2.7 Another important "cut" with regard to commuting relates to gross flows of in- and out-commuters; these data are shown in Figure 2-3 and they are important because they point to the overall *volume* of flows. The net balance mirrors exactly the data shown in Figure 2-2. However what is evident from Figure 2-3 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 2-3: In-commuting, out-commuting and the balance between them (Source: Census 2001)



2.8 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 2-4. On the district-based definition of sub-areas, this suggests that more people commute out of *Districts in South Hampshire* than into them; 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 across the Hampshire Economic Assessment as a whole.

Figure 2-4: Flows of commuters between the three sub-areas within the *Hampshire Economic Area* (Source: 2001 Census)



2.9 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

2.10 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 2-5 and Figure 2-6 shed some light on this:

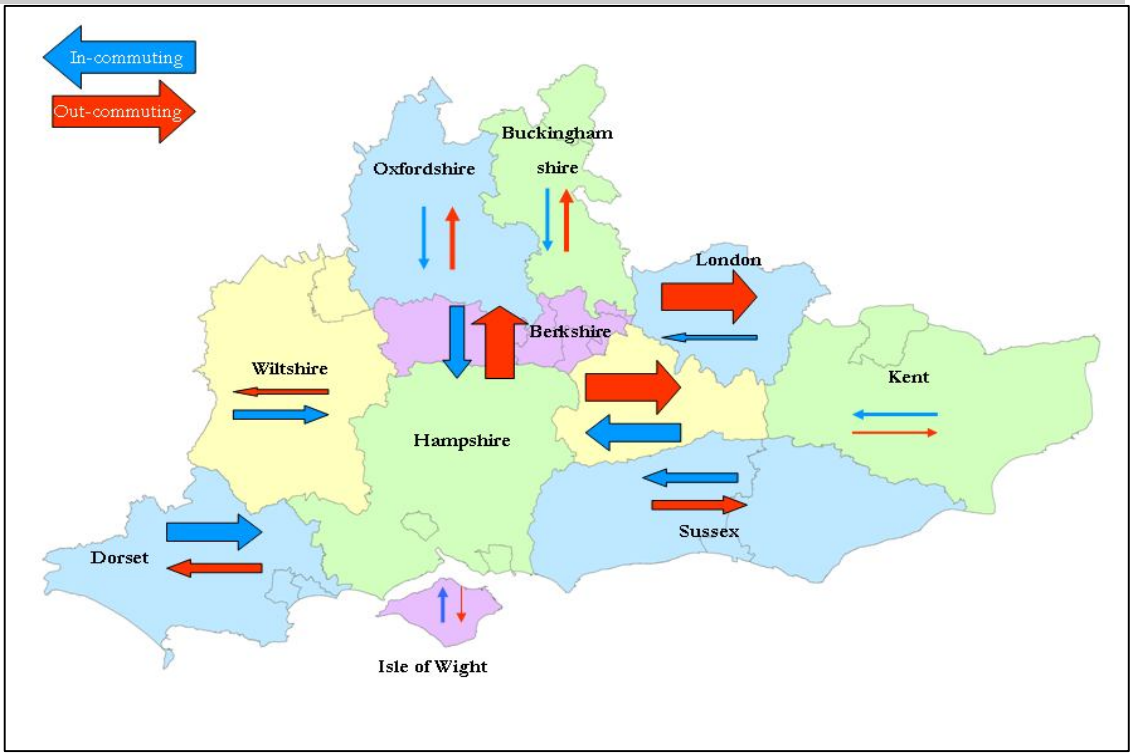
- At the time of the last Census, about 811,000 residents of the *Hampshire Economic Area* had jobs. Amongst these, approaching 25,000 residents commuted to work in London. In addition, about 32,000 (most of whom were residents of Hart, Rushmoor and East Hampshire districts) worked in Surrey; 10,000 (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 area.

- 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.

- 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 as noted later in paragraph 6.3.

Figure 2-5: Commuting flows into and out of the *Hampshire Economic Area* (Source: 2001 Census)



Source: Hampshire County Council

Figure 2-6: Travel to Work Areas across the *Hampshire Economic Area* (Source: ONS and Hampshire County Council)

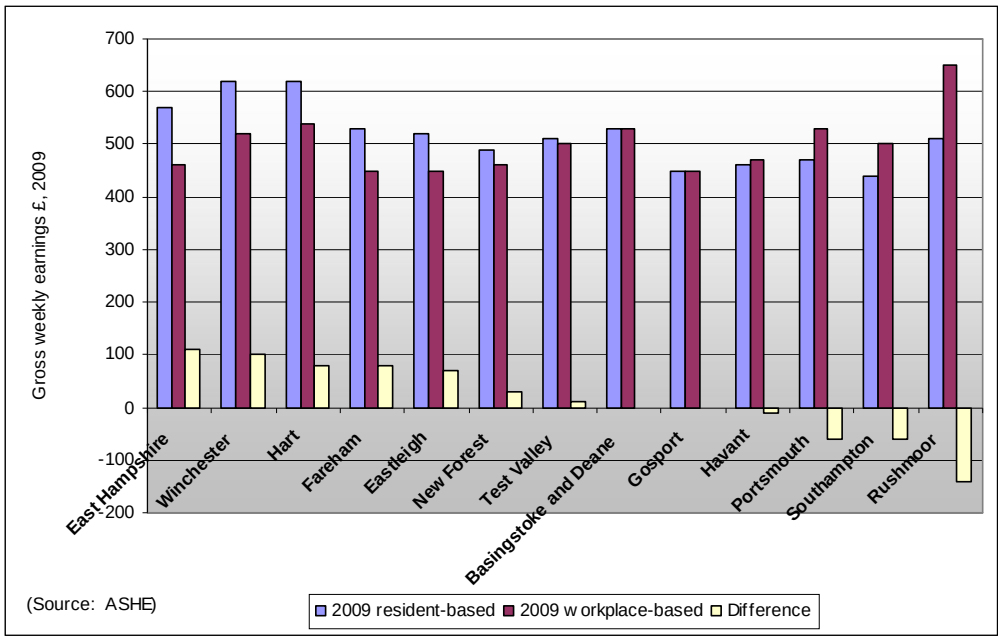
The implications of commuting flows: major differences between workplace-based and residence-based observations

2.11 One of the consequences of sizeable commuting flows (including those 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 earnings. This is important because it has major implications for the affordability of housing[16] and for the cohesion and sustainability of individual communities. In this regard, the *Hampshire Economic Area* is not very 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 2-7 demonstrates, in both East Hampshire and Winchester, median residence-based 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

[16] 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

noteworthy and it has wide-ranging implications, not least in terms of labour market mobility.

Figure 2-7: Median residence-based and workplace-based 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

2.12 Before moving on from the spatial economy of the *Hampshire Economic Area*, one further observation 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. Additionally, the four universities within the *Hampshire Economic Area* all have networks of international connections, as do many of the larger businesses. Moreover, over recent years, the *Hampshire Economic Area* – like many other areas – has seen substantial in-migration of workers from abroad. 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.

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 much 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 really 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 about 69,000 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, 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 though, 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.

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"[17].

3.2 The recent performance of the *Hampshire Economic Area* in relation to GVA may be summarised as follows:

[17] 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)

- In 2007 – and measured at current basic prices – the *Hampshire Economic Area's* GVA was about £35bn[18] (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). However the corresponding figure for neighbouring Berkshire was 7.0% per annum; for Surrey, it was 6.2% per annum; and for West Sussex, it was 4.7% per annum.

- 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.[19]

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 has fallen behind both 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-areas[20]. For all three reasons, they are not therefore directly comparable to those set out above.

3.5 At 2001 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 22%.

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).

[18] National Statistics, 2009
[19] GVA per capita figures for Southampton and Portsmouth are close to the national and regional averages. However it is important also to recognise that 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
[20] See Footnote 7 for a further explanation

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 2001 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 2-7 above: workplace-based earnings in many of the more rural *Districts in Central Hampshire/New Forest* really 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"[21]. Not all of these drivers are easily measurable at small spatial scales, but in the paragraphs that follow we comment on four of the five[22].

(i) Skills

3.9 Across the *Hampshire Economic Area* as a whole, the skills profile 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

[21] "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

[22] 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 Figure 2-1) and also the discussion of infrastructure (see para 6.4 on page 39)

qualifications equivalent to NVQ Level 4 or above[23], 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.

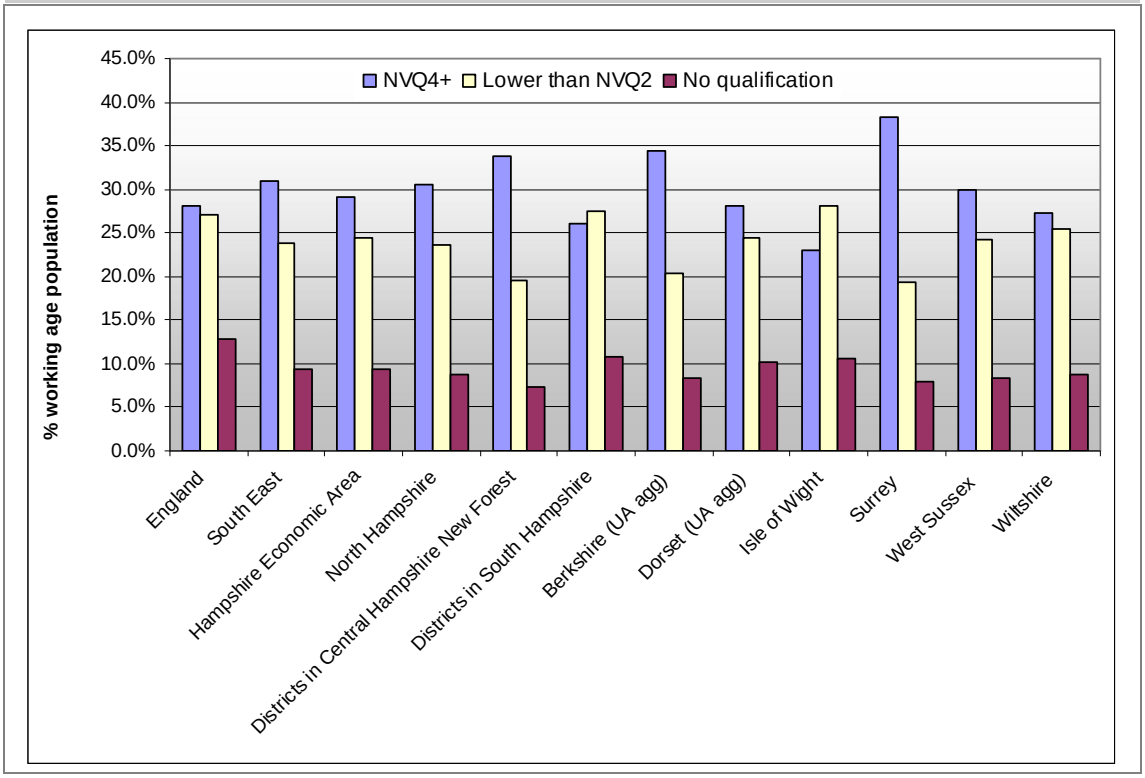
3.10 Within the *Hampshire Economic Area*, however, some stark contrasts are apparent:

- the skills base across the *Districts in South Hampshire* is really quite weak; 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 really 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 businesses[24]. 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.

[23] "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
[24] 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

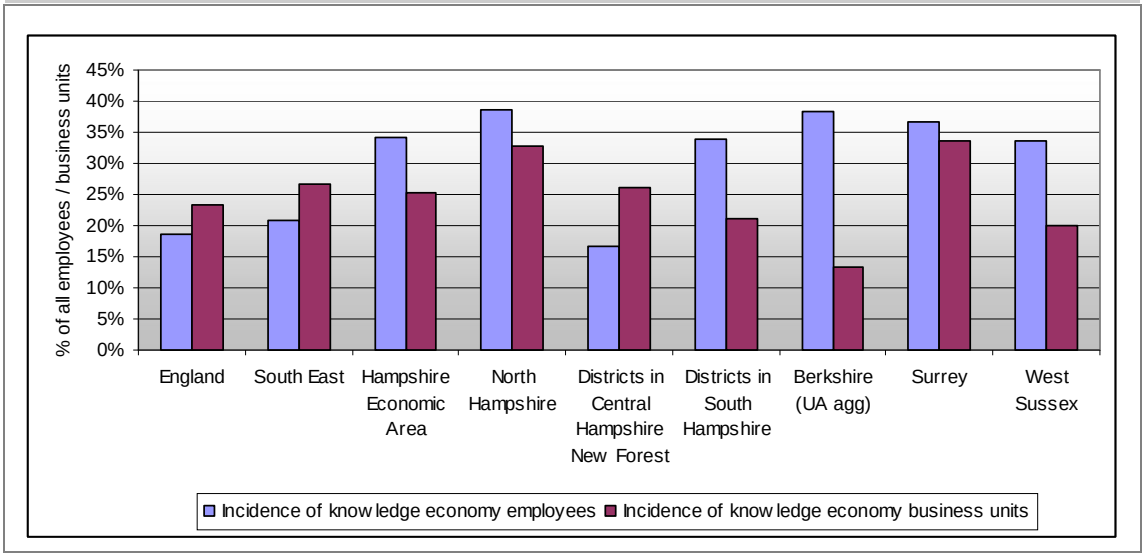
3.12 In general terms, measures of innovation are thin on the ground, particularly at local levels. One proxy that is often used relates to the incidence of knowledge-based activity (on the grounds that this tends, by definition, to be innovative and the application of its products/services is also associated 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.

- Within the *Hampshire Economic Area*, the strongest performer – by some margin and on both indicators – is *North Hampshire* (which is actually very similar in profile to nearby Surrey). Whilst the *Districts in South Hampshire* have a high incidence of employees in knowledge economy sectors, the incidence of business units is 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: ABI, 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. There are, in addition, some major and high profile businesses with a strong R&D focus; 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 Annual Business Inquiry (2008) suggests that the number of business units in the *Hampshire Economic Area* is in the order of 69,000; 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 significantly adrift of the English average (394) and well below the regional figure (445).

(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 business demography dataset[25] 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.*

[25] Produced by ONS from IDBR

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
Hampshire Economic Area	10.7	4.28
• North Hampshire	11.6	5.03
• Districts in Central Hampshire/New Forest	9.5	4.80
• Districts in South Hampshire	11.3	3.68
Berkshire	12.0	5.62
Surrey County	11.4	6.15
West Sussex County	9.7	4.23

Source: Business demography statistics, and ONS mid-year population projections for 2008 (May 2010)

Conclusions

3.16 In terms of overall competitiveness, what then should we conclude? The picture, clearly, is complicated. Overall, the *Hampshire Economic Area* performs more 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 really 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, including within knowledge economy activities which are reasonably well represented.

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 (although it is small in terms of employment); 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 8,000 separate organisations have been identified. These 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

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 whole. 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 quotients[26] 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: ABI)

	Hampshire Economic Area	North Hampshire	Districts in Central Hampshire New Forest	Districts in South Hampshire	Berkshire	Surrey	West Sussex
Primary	0.9	0.9	**1.5**	0.5	0.8	0.7	1.1
Community and personal services	0.9	**1.2**	1.0	0.8	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	0.6	**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**	0.7	0.8	0.7	**1.2**
Public administration, education & health	1.0	0.7	1.0	1.1	0.7	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**	0.7	1.0	**1.3**	0.7	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 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 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 employment compared to all three comparators. Finance and business

[26] 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 *relative* specialisation – i.e. are we seeing relative more employment 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 employment 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 much employment in this sector than we would typically expect

services, however, is much 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 employment 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 employment 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.

4.6 The sectoral classification used in this context is however very broad. Various strategies and plans[27] – 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 two key comparators.

[27] 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: ABI, 2008)

Priority sectors – identified through strategy	Employees in *Hampshire Economic Area*, 2008	Hampshire Economic Area (LQ)	North Hampshire (LQ)	Districts in Central Hampshire New Forest (LQ)	Districts in South Hampshire (LQ)	Berkshire (LQ)	Surrey (LQ)	West Sussex (LQ)
Advanced Engineering	17,900	**1.5**	**1.2**	0.9	**2.0**	0.8	1.0	**2.4**
Aerospace and Defence	6,200	**2.7**	**1.7**	1.0	**4.0**	0.2*	N/A	**1.2**
Professional services (incl. financial and business services)	188,400	1.0	**1.2**	1.0	0.9	**1.7**	**1.9**	**1.6**
Environmental technologies	10,300	**1.2**	**1.5**	1.0	**1.2**	1.4	**1.3**	**1.4**
Life sciences and health technology	9,000	0.9	**1.9**	0.6	0.6	**2.2**	**1.3**	**2.1**
Knowledge economy	163,400	1.0	**1.4**	0.8	1.0	**1.9**	**1.8**	**1.6**
ICT and digital media	51,900	1.0	**1.9**	0.8	0.8	**3.0**	0.9	**1.6**
Marine	4,500	**3.8**	N/A	**1.7**	**6.7**	0.2*	0.3	0.8
Tourism	60,600	1.0	0.8	**1.1**	0.9	1.1	**1.5**	**2.0**

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. Considered alongside the 776,000 employee jobs which comprise the *Hampshire Economic Area's* economy, the marine sector appears to be very small[28]. However, from the analysis of location quotients it is clearly a distinctive feature of the *Hampshire Economic Area* economy in general and that of the *Districts in South Hampshire* in particular; moreover, if it was possible to quantify the wider cluster of which it is a part, the numbers would rise (not least because this is one area in which links to the knowledge base within the universities is extremely strong). At the other end of the spectrum are professional and financial services and the so-called knowledge economy. These are very much larger in terms of their scale but – compared to the South East – there is, in truth, little evidence of specialisation at the level of the *Hampshire Economic Area*.

4.8 Consistent with earlier observations, *North Hampshire* appears to have relative strengths in all priority sectors other than marine and tourism. With regard to *Districts in South Hampshire*, the principal observations from Table 4-2 are actually quite sobering: the area's relative strengths are in sectors which are

[28] Note that the definition of "marine" used here is very much more tightly defined than that which has appeared in other recent reports, notably the Solent Waterfront Strategy (published by SEEDA, Marine South East and the Partnership for Urban South Hampshire)

really quite small (marine[29], environmental technologies, aerospace and defence, and advanced engineering). While these bring with them a distinctive skills and knowledge base, their growth prospects may not – without intervention – be especially strong. Across *Districts in Central Hampshire/New Forest*, there is very little sign of relative specialisation in the sectors that have been identified as priorities. The only real exceptions are marine (which, on a narrow definition, is small in scale and locationally concentrated within the New Forest) and tourism (which – in the main – is low wage and low value added). 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 West Sussex and Berkshire.

4.9 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. Another observation is that 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, education and health) while in terms of priority sectors, the specialisms – although distinctive – appear to be comparatively small in their absolute scale.

Sectors and GVA

4.10 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 those considered in the context of employment, 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).

4.11 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

[29] Note that more detailed information relating to the marine sector in South Hampshire is available through DTZ's recent study for PUSH

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 2001 prices) (Source: LEFM)

	Hampshire Economic Area	North Hampshire	Central Hampshire/New Forest	South Hampshire	South East
Total GVA in 2010 (at 2001 prices)	£29.8bn	£6.7bn	£6.1bn	£16.9bn	£152.6bn
Share of GVA within the Hampshire Economic Area	100%	23%	20%	57%	
Prof. Services	10.3%	11.5%	13.7%	8.6%	11.6%
Computing Services	7.0%	**15.8%**	4.6%	4.4%	7.2%
Health & Social Work	6.9%	4.1%	**9.0%**	7.3%	7.2%
Public Admin. & Def.	6.9%	3.5%	**8.1%**	**7.8%**	5.4%
Retailing	6.9%	5.4%	6.2%	7.7%	6.9%
Construction	6.4%	5.1%	6.4%	6.8%	5.8%
Distribution	6.3%	7.6%	6.8%	5.6%	6.9%
Banking & Finance	5.4%	6.7%	4.3%	5.3%	6.0%
Education	5.3%	3.8%	5.6%	5.7%	5.3%
Misc. Services	5.0%	4.5%	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*

4.12 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 and EDS in Farnborough, 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)[30]. 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

4.13 Within the *Hampshire Economic Area*, the importance of the voluntary and community sector (VCS) – or the "third sector" – must also be noted. The VCS includes registered charities; non-charitable, non-profit organisations, associations and self-help groups; and community groups. VCS organisations must, by definition, include some aspect of voluntary activity. However the organisations themselves vary considerably in terms of size and focus. Some have paid staff and are of considerable size (e.g. the National Trust), but the majority of community organisations tend to be focussed on particular localities or groups within the community; many are dependent entirely or almost entirely on voluntary activity.

4.14 Within the *Hampshire Economic Area*, there is a vibrant and large third sector. E.VOLve – an interactive website for community and voluntary sector organisations – lists about 5,000 entries for Hampshire and the Isle of Wight[31]. Hampshire CVS network estimates that there are approximately 8,400 voluntary and community groups which are active across the *Hampshire Economic Area* and the Isle of Wight[32].

4.15 In terms of their sectoral profile, VCS organisations are very diverse although a good proportion are concerned with health and social care, and education. 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 conventional economic metrics, but it is sizeable. It

[30] See http://www.royalnavy.mod.uk/operations-and-support/establishments/naval-bases-and-air-stations/hmnb-portsmouth/
[31] http://www.e.volve.org.uk/aboutus.aspx
[32] http://www.hampshirecvs.org.uk/index.php?id=1

is also crucial in supporting the area's quality of life and contributing to many social, economic and environmental issues.

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 about 2.9%, similar to the regional average. For *South Hampshire* the rate of unemployment is higher (3.3%). *Central Hampshire/New Forest* records the lowest rate of unemployment (2.0%). However in all three sub-areas, there are unemployment hotspots at a localised level.
- Overall, about 11.5% of the working age population of the *Hampshire Economic Area* is claiming benefits. This figure is very much higher in some localities: in 11 wards (ten 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 population[33]. 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:

[33] 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 very much 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.

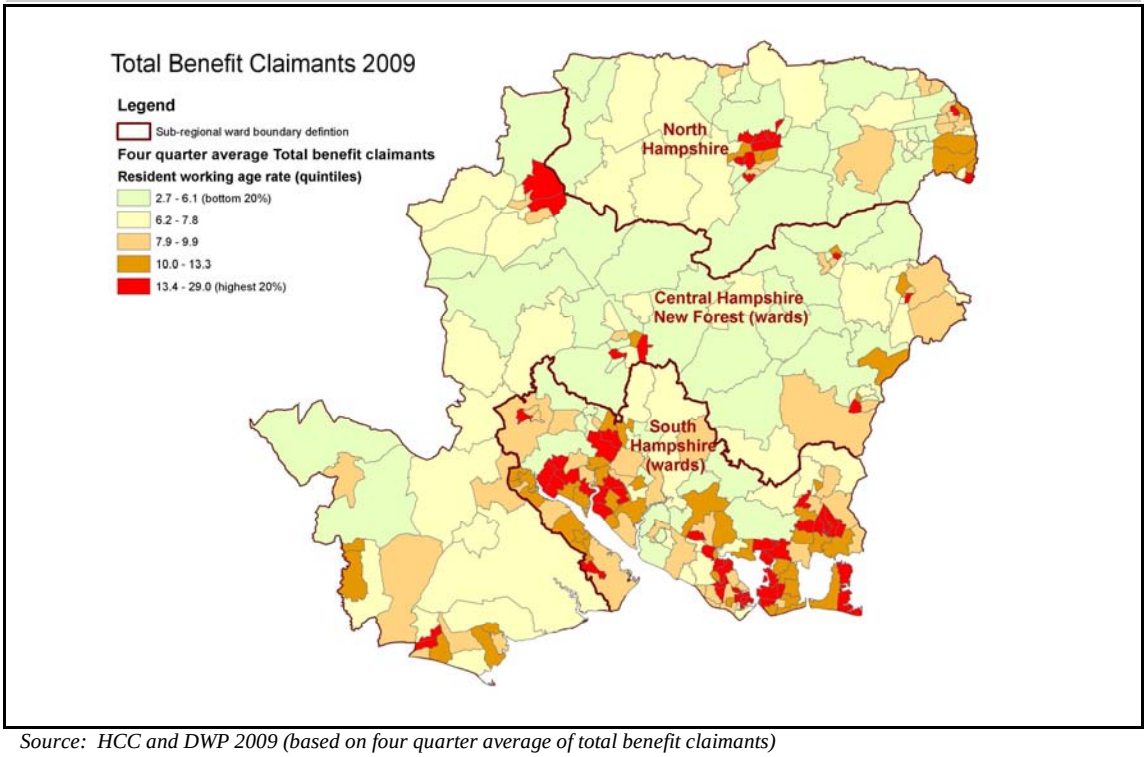
Unemployment

5.3 In the context of recession, there is a need to note 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 1.3% in March 2008 to 2.9% in March 2010; this picture matched that across the South East. At a sub-area level – and on a ward-based definition – *Central Hampshire/New Forest* saw unemployment rising from 0.8% to 2.0%; *North Hampshire* saw an increase from 1.0% to 2.6%; and *South Hampshire* experienced an increase from 1.6% to 3.3%. However locally, the picture was much more acute and some notable "unemployment hotspots" were evident in the data for March 2010. Specifically, 12 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%.

Benefit claimants

5.4 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 relates to Incapacity Benefit[34], Severe Disablement Allowance, and Income Support. Overall, by August 2009, some 11.5% of the working age population of the *Hampshire Economic Area* was claiming benefits; this figure was identical to that for the South East and four percentage points lower than the England-wide figure. At sub-area level, *North Hampshire* performed best (9.2%) and *Districts in South Hampshire* performed worst (13.2%). Again though, at ward level, some real "hot spots" were evident: for 11 wards within the *Hampshire Economic Area*, more than 20% of the working age population was claiming benefits; ten of these were in *South Hampshire* and one was within the *North Hampshire* district of Basingstoke and Deane. In addition – as Figure 5-1 flags – there were localised pockets of relatively high benefits dependency in Andover and Winchester.

Figure 5-1: Proportion of the resident working age population claiming benefits, 2009



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

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

5.5 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 –

[34] This has recently been replaced by the Employment and Support Allowance

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. 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

5.6 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. 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 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

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

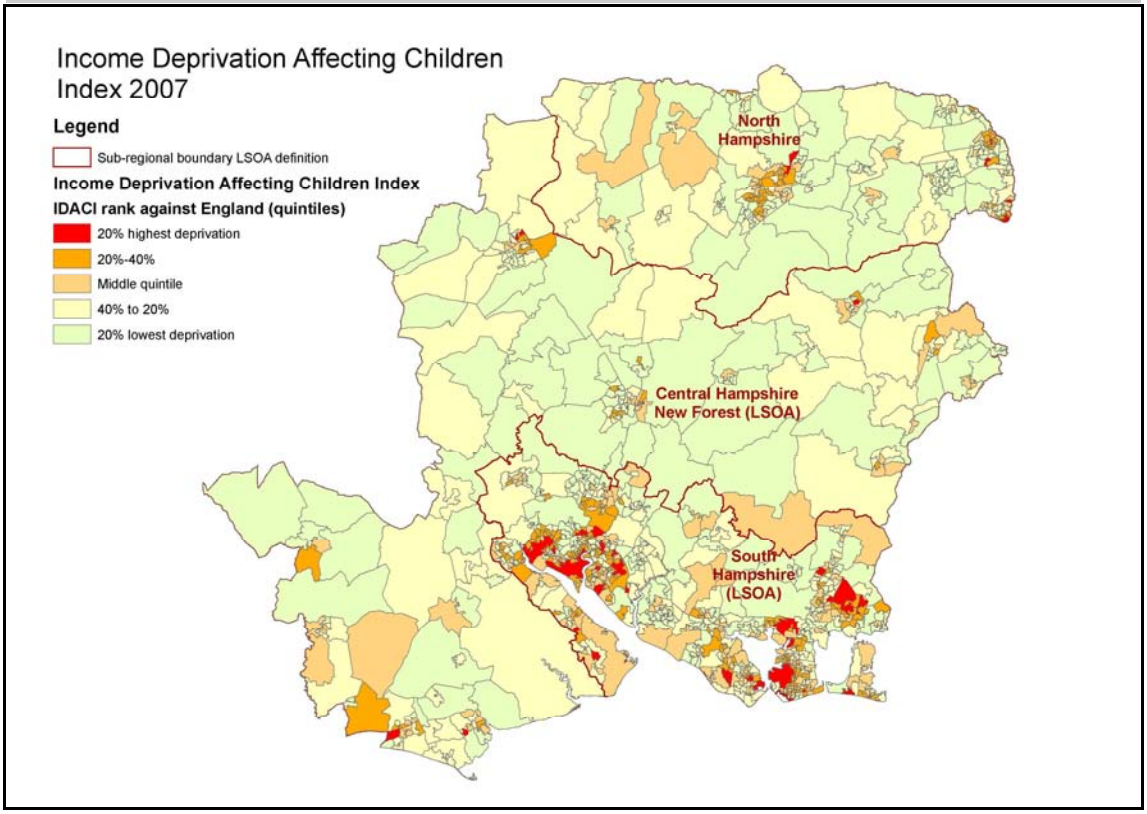
Deprivation and disadvantage in relation to children and young people

5.8 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 households[35]. 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, Eastleigh, Gosport and Fareham. There are isolated issues elsewhere – notably in Farnborough and

[35] 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

Aldershot (*North Hampshire)* and Andover and New Milton (*Central Hampshire/New Forest).*

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

5.9 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%

	Hampshire County Council	Portsmouth UA	Southampton UA	England
Average A level points score per student, 2009	786.1	697.2	657.9	739.3
% 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

5.10 The Index of Multiple Deprivation (IMD)[36] 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)[37] 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 *Hampshire Economic Area* LSOA	LSOA in 20% most deprived in England	% of LSOAs in area	% of *Hampshire Economic Area* most deprived
Hampshire Economic Area	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%

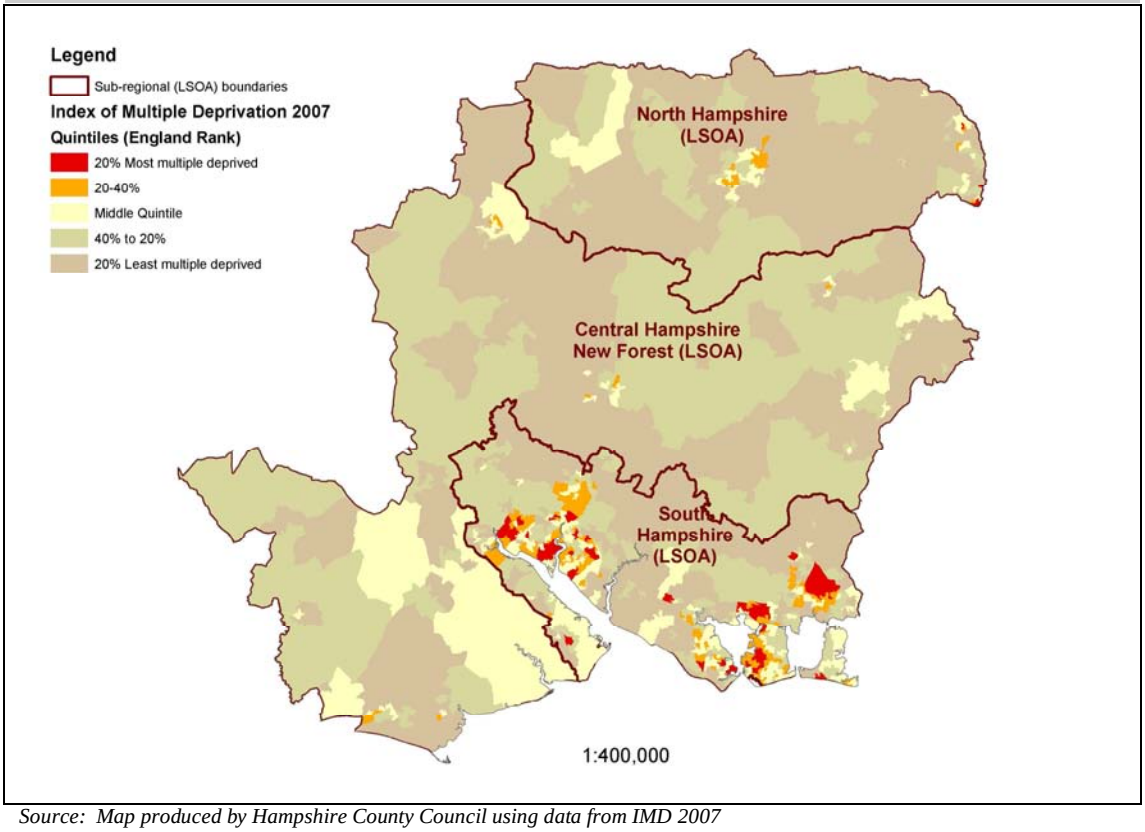
Source: Index of Deprivation 2007; Hampshire County Council

5.11 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)).

[36] 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 7 for a further explanation

[37] 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 – is to sustain economic growth and prosperity whilst reducing the consumption of resources and the emissions of carbon dioxide.
- Currently, the relationship between GVA per capita and emissions of carbon dioxide per capita across the *Hampshire Economic Area* is very 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.
- 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 also 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.

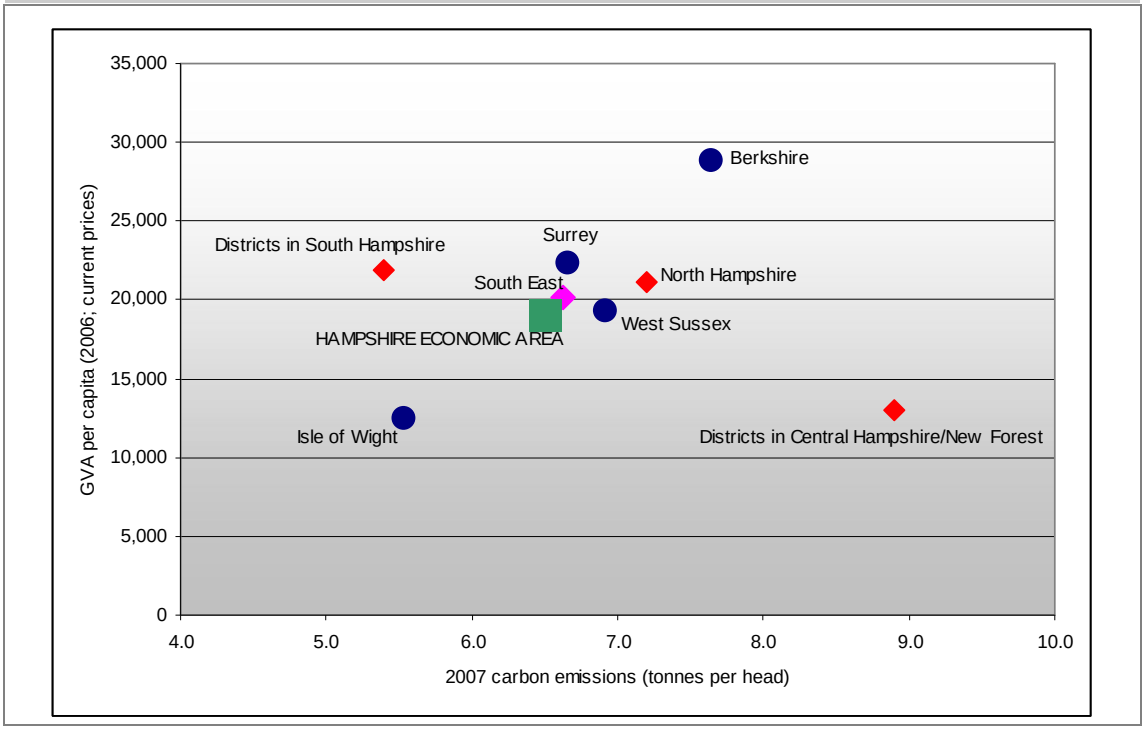
Sustainability of economic life

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)?

6.2 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. It suggests 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 above) – 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.

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 CO_2 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.

6.3 At a sub-area level, the contrasts are striking:

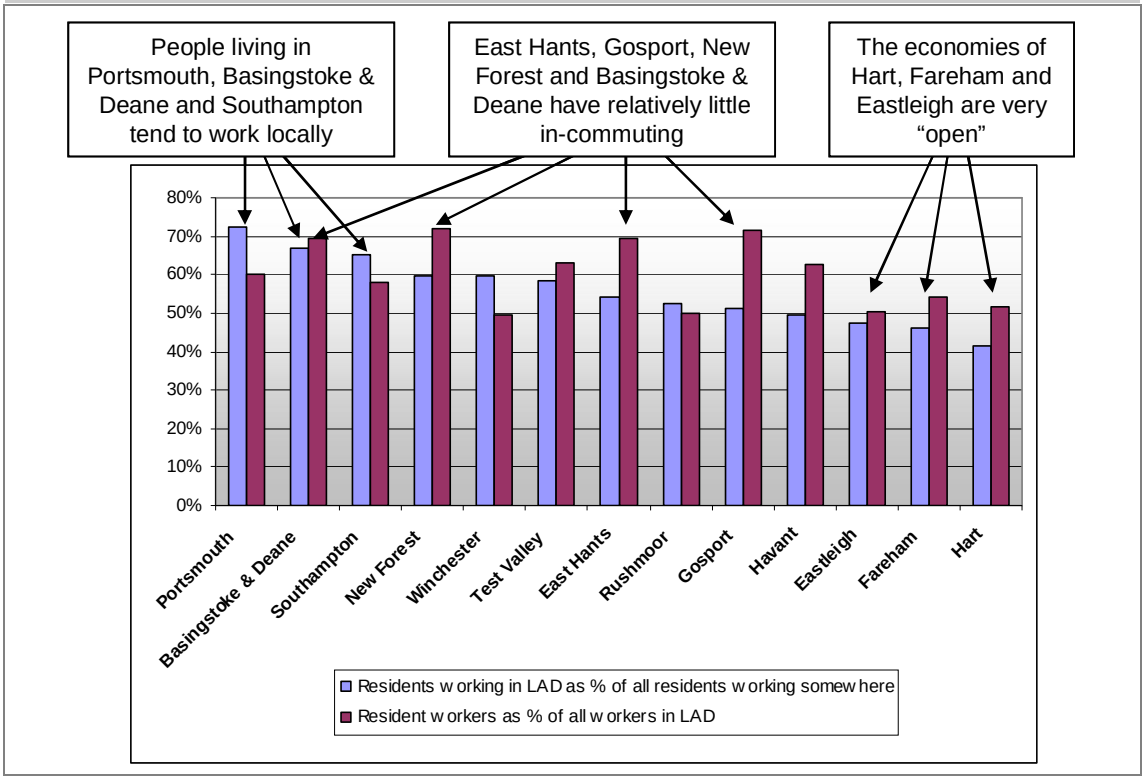
- The *Districts in South Hampshire* appear to constitute the most environmentally sustainable economy (at least in terms of carbon emissions). Relatively, per capita emissions deriving from road transport are low, a finding which is consistent with the character of commuting patterns within a comparatively 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 work[38] (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).

- 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).

Figure 6-2: Different measures of self-containment at the level of individual districts (Source: 2001 Census)



Key infrastructure

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

[38] 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)

Transport and Communications

6.5 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 working from home and reducing the need to travel[39]. 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 report[40] of 2Mbps; and that most of these postcodes are in rural and town fringe locations[41]. Against this backdrop – and with the gradual introduction of Next Generation Broadband – the possibility of an increasingly acute digital divide is a strong one.

6.6 In general terms, the *Hampshire Economic Area*'s transport infrastructure is under pressure. Within the Local Transport Plan, the most congested routes are identified within *Districts in South Hampshire*, notably the M27 between Southampton and Portsmouth. In *North Hampshire*, the stretch of the M3 between Farnborough and the M25 is congested. More locally, "congestion hotspots" are identified in and around Basingstoke, Portsmouth, Gosport and Hythe.

Housing provision

6.7 All of this needs to be understood within the context of rapid housing and population growth over the last decade. 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 roughly "another Basingstoke"). 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 within 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 6-1: 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

[39] 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
[40] Available at: http://interactive.bis.gov.uk/digitalbritain/category/digital-britain-report/
[41] Socio-economic profile of rural Hampshire, Hampshire County Council, April 2010

Area	Total Net Dwelling Completions 1998-2009	Total Dwelling stock 08/09	Net completions as % of 08/09 stock
Hampshire Economic Area	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

6.8 Notwithstanding the rate of house building, major issues remain with regard to affordability. Table 6-2 shows median house prices, median workplace-based gross weekly earnings and the ratio between the two (normalised 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 6-2: 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 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

6.9 In terms of the Hampshire Economic Assessment, housing-based observations need to be considered alongside and in relation to employment land provision (whilst recognising also that a large and increasing proportion of jobs growth is not accommodated on formally-allocated employment land (B1-B8 use classes)[42]). A review of employment land studies across the *Hampshire Economic Area* suggests that (a) the overall supply of employment land should be sufficient to accommodate projected demand; although (b) the quality and viability of at least some of the allocated sites 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 contained within two Strategic Development Areas (North of Fareham and North/North East of Hedge End), the strategic employment zone close to Southampton International Airport (Eastleigh) and the city centres of both Southampton and Portsmouth. Hence the 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.

[42] 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

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.

Introduction

7.1 For the Hampshire Economic Assessment, a key question is what the foregoing analysis "boils down to" in terms of future prospects. In order to inform this assessment we need to consider various modelled projections and forecasts.

Household and population projections

7.2 The household and population projections used in this Assessment reflect recent housing policies and targets[43]. 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* (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

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

absolute increase in population is also forecast for the *South Hampshire* sub-area (around 112,000).

Economically active population

7.3 If the Hampshire County Council forecast is realised, the actual increase in the population of working age (aged 16 to 64) will be very small between 2006 and 2026: an increment of about 10,300 people. However, there are various reasons for assuming that the potential workforce will grow more quickly than these data initially suggest. Three are especially important:

- first, activity rates have been rising and are expected to rise further, particularly for women (of all ages) and for men (aged over 50). Making an allowance for the rising trend in activity rates takes the projected increase in the economically active population to 44,800[44]
- second, and in addition, changing pensions provision and retirement ages will mean that more people work for longer. Factoring in the change already agreed by Government takes the increase in the economically active population to 52,800 by 2026[45].
- third, further pressures arising from the shortages in the working age population, additional changes to the retirement age and policies to address worklessness, could lead to a modest increase in activity rates above trend, taking the increase in the economically active population up to 97,000 by 2026.

Employment projections

7.4 But how many workers are businesses and other employers within the Hampshire Economic Area likely to need? A number of different estimates have been made, including those produced by Hampshire County Council (using Cambridge Econometrics' Local Economy Forecasting Model) and PUSH (based on Oxford Economics' forecasting work).

7.5 All sorts of assumptions have to be made to generate employment projections but looking across these different sources, the "best guess" with regard to employment growth over the period 2006-2026 is an increment of about

[44] Note that this increase simply reflects the trend-based changes to economic activity rates and the equalisation of male and female retirement ages, published by ONS in 2006 See http://www.statistics.gov.uk/downloads/theme_labour/projections_LMTJan06.pdf

[45] 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

87,000 jobs. Around 51,000 of these are expected to be in South Hampshire, with about 18,000 in both of the other sub-areas.

The balance between workers and jobs

7.6 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: "Best guess" in terms of the changing balance between workers and jobs, 2006-2026[46]

	WORKERS (i): "Best guess" in terms of the 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: "Best guess" in terms of the increase in the number of jobs, 2006-2026**
Hampshire Economic Area	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)

7.7 By drawing on a range of different sources, Table 7-1 provides a "best guess" in terms of the likely increases in both workers and jobs over the period to 2026. For the *Hampshire Economic Area* as a whole, it indicates a shortfall in terms of available workers. However this shortfall is relatively small and it would be offset by a modest (5%) increase in activity rates above trend (as shown by the middle column of Table 7-1). At a sub-area level, the picture is more complicated:

- For *North Hampshire*, projected jobs growth exceeds the projected increment in the economically active population. Although the difference is not huge, it may be a challenge for three different reasons. First, it needs to be seen in the context of activity and employment rates which are already high (see para 5.1) and probably therefore difficult to increase further. Secondly, it must be acknowledged that the skills base in this area is already strong and hence the scope for productivity improvements (and therefore jobless growth) may not

[46] Numbers in the table do not sum because of rounding

be great (see Figure 3-1). Third, it is important to recognise that *North Hampshire* is strongly linked to the Thames Valley/M4 Corridor and that adjacent areas in Berkshire and Surrey are likely also to be facing a deficit of workers over the same period. The implication of these observations is that if the resident economically active population is not allowed to grow (through in-migration from outside the area), 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*; indeed, the scale of the shortfall is apparently bigger than that which could be remedied through any plausible further increase in activity rates. Given the evidence presented earlier in this document, this apparent deficit needs some unpicking. Its scale depends crucially on assumptions made with regard to public sector employment and it could be that the projections have not yet factored in the full impact of the Coalition Government's stance towards public sector spend. However, if the jobs projections are broadly correct, the most obvious risk associated with them is increased in-commuting from the south. Unless there is a fundamental change in the sectoral/occupational composition of employment, it is difficult to envisage the out-commuters of *Central Hampshire/New Forest* opting for local jobs, even though the labour market will be tight (and hence wage levels ought to increase).

- For *South Hampshire*, surplus demand for workers is also projected. This could be remedied by a further modest increase in activity rates and – given the relatively low starting point (see para 5.1) – this ought to be possible (and should be the aim) over a 15-20 year time frame. 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 that is all the more reason why Southampton and Portsmouth need to be encouraged to function more effectively as genuine employment hubs; a proactive economic strategy for the area ought to help bring this about.

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

GVA projections

7.9 Assuming businesses can find the workers they need, LEFM provides an insight into future economic output. Headline data from LEFM projections, which for South Hampshire, correspond to the PUSH Economic Development Strategy, are captured in Table 7-2. 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%
Hampshire Economic Area	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%
Hampshire Economic Area	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

7.10 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. What is clear, however, is that banks' lending regimes over the next period will be a good deal more restrictive than those which characterised the last decade and, to the extent that growth is financed through credit, there must be consequences in terms of GVA growth

- 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 supply[47]. It is unlikely that the *Hampshire Economic Area* will buck the national trend.

[47] See http://budgetresponsibility.independent.gov.uk/d/pre_budget_forecast_140610.pdf

8: Conclusions

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 very much part of 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 are associated with really very 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 Next Generation 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 certainly some 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 South Hampshire 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 paragraph 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 in this concluding Section, 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 2-6 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 2-4, the balance of flows is actually northwards, not southward[48], 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 interpret[49].

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) levels[50]. This identifies for any 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

[48] 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")
[49] To a large extent, this is recognised by the fact that there are two different spatial definitions as explained in Footnote 7. 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
[50] See http://www.statistics.gov.uk/about/methodology_by_theme/area_classification/default.asp

(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, areas within towns like Andover stand out. 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. For example, a recent analysis completed by DTZ for PUSH suggests that between 1998 and 2008 – a period of economic buoyancy – employment in the PUSH cities actually declined; 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.): intrinsically this ought to be a sustainable growth model and across the two cities there are many assets that ought to be consistent with its realisation. Currently however there are, clearly, some challenges.

8.15 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). Looking ahead, these will continue to need to be addressed, particularly in the context of competing offers from towns in the Thames Valley/M4 Corridor (e.g. Reading, Newbury).

The rural dimension

8.16 As evidenced in para 2.2, 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.

8.17 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 earnings (with major 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.

8.18 For Hampshire County Council and its partners, the challenge is how to prevent rural areas becoming 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. Looking ahead, this ought to be both recognised and supported as the basis for a sustainable economic future.

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
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 supporting volume of technical annexes
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 *relative* 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
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

Term	Definition
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 worker (current prices)	2007	ONS & ABI	LAD	£46,980	£44,701	N/A	N/A	N/A
GVA per worker (modelled – 2001 prices)	2010	LEFM	LAD	£36,200	£34,100	£31,300	£38,000	£33,800
Median gross weekly pay – resident-based	2009	ASHE	LAD	£537	£511	£539	£547	£478
Median gross weekly pay – workplace-based	2009	ASHE	LAD	£514	£504	£487	£571	£489

Indicator	Year	Source	Area Definition	South East	Hampshire Economic Area	Central Hampshire/ New Forest	North Hampshire	South Hampshire
Activity rate (% of WAP that is economically active)	2008/09	APS	LAD	82.4%	82.3%	81.4%	87.1%	80.8%
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 employment 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 B-2 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 worker (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 pay - resident based	2009	ASHE	UA/CC	£537	£511	£583	£456	£436	£623	£498	£497

Median gross weekly pay - workplace based	2009	ASHE	UA/CC	£514	£504	£607	£453	£435	£562	£471	£472
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%
Indicator	Year	Source	Area Definition	South East	Hampshire Economic Area	Berkshire	Dorset[a]	Isle of Wight	Surrey	West Sussex	Wiltshire[b]
Employment rate (% of WAP in employment)	2008/09	APS	UA/CC	78.1%	77.8%	78.7%	Chapter 1 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 employment 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)*

Annex C: Hampshire Economic Assessment: Consultation

We need your help to finalise this 2010 Assessment. Please send us your comments on this draft document **by Friday 15 October 2010**. It will help us if you comment by completing this questionnaire. Organisations are asked to send just one response.

This document and the following consultation questions are also available at: www.hants.gov.uk/economicassessment

1 What are your comments on Section 1 Introduction?

2 What are your comments on Section 2 The spatial economy and 'economic flows'?

3 What are your comments on Section 3 Overall economic competitiveness?

4 What are your comments on Section 4 Sectoral composition?

5 What are your comments on Section 5 People and communities?

6 What are your comments on Section 6 Environmental sustainability of the economy?

7 What are your comments on Section 7 Future prospects?

8 What are your comments on Section 8 Conclusions?

9 Are there any issues that you think the draft Assessment fails to address?

10 Do you have any data that may throw further light onto any of the issues covered by this draft Assessment or the additional issues you listed under question 2 above?

11 In what ways do you envisage your organisation will take the findings of the Assessment into account in its work and decisions?

12 Are there any ways in which the draft Assessment could be made more useful to you/your organisation?

13 Do you have any other comments about this draft Assessment?

Name: ……..…… Title: (Mr/Mrs/Ms etc): ……..…

Organisation (if any): ……
.
Title/post in that organisation: ……

Postal address: ……

……

…….…… Postcode: ……..…..

Email address: ……..

We will acknowledge receipt of your comments. We would also like to inform you later of the outcome of the consultation. Please tick this box if you would like to be contacted in that way:- ☐

Hampshire County Council will process your response in accordance with the Freedom of Information Act 2000 and the Data Protection Act 1998. The substance of your response will be regarded as non-confidential. This will mean that while the body of your response may be published, your personal data will not be disclosed to third parties.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Please email this questionnaire to **genevieve.dady@hants.gov.uk** by Friday 15 October 2010.