



Economic Development Evidence Base

Partnership for Urban South Hampshire

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This document was prepared over the period November 2009 – June 2010. Historic data used within this report was drawn in early 2010. For some datasets, more recent data may have become available since the data included in this report was drawn. However, to enable the study to proceed a cut off date was used.



1. Introduction

The Partnership for Urban South Hampshire (hereafter PUSH) was formed in 2003 and includes eleven local authorities and a number of other key delivery partners such as Hampshire Economic Partnership, SEEDA, GOSE, HCA, the Skills Funding Agency, Business Link and Job Centre Plus. PUSH also seeks to actively involve a range of wider stakeholders from the business community, third sector and other statutory bodies.

In January 2007 PUSH published a summary document¹ which set out the results of a substantial economic research and scenario development exercise undertaken over the period 2004-2006. This formed part of the evidence base submitted to the Examination in Public of the South East Plan and was central to the development of the South Hampshire sub-regional strategy within the SE Plan. The economic development evidence base has also been used to inform the PUSH Economic Development Strategy, Multi-Area Agreement and other documents and actions.

As the end of the first five year period approaches, and following what is generally recognised as one of the most severe post WW2 recessions, it was deemed appropriate to update the economic development evidence base, refresh the growth targets and update the Economic Development Strategy to ensure a robust basis for further activity and appropriate action to respond to the challenges brought about by the recession.

DTZ and Oxford Economics were commissioned in autumn 2009 to update and refresh the PUSH economic development evidence base and strategy, including an assessment of the impact of the recession on the sub-region.

This document sets out the updated economic development evidence base. This draws on official statistics, a range of research documents commissioned by PUSH and partners since the last evidence base, consultations with a broad range of stakeholders² and the outputs of economic modelling undertaken by Oxford Economics.

1.1 Document Structure

The document is structured as follows:

Section 2 provides a commentary on the economic performance of the sub-region since the initial evidence base was developed, including an assessment of the headline implications of the credit crunch and ensuing recession.

Section 3 provides an assessment of the labour market in South Hampshire including participation, skills and occupations.

Section 4 provides an assessment of the industrial structure of South Hampshire and assesses the performance of sectors in the economy.

¹ South Hampshire Economic Drivers and Growth: Combined Report, DTZ on behalf of Partnership for Urban South Hampshire, January 2007.

² Many of these consultations were undertaken by Centre for Cities as part of a concurrent research project.

Section 5 provides an assessment of business and innovation in South Hampshire.

Section 6 provides an assessment of demographics and deprivation in South Hampshire.

Section 7 provides analysis of baseline projections for the South Hampshire economy which provides greater insight into the long term implications of the recession on growth prospects.

Section 8 provides a summary of the key issues arising from the evidence.

This document is part of a suite of documents including:

- PUSH Economic Development Strategy;
- PUSH Preferred Growth Scenario;
- Headline Sustainability Assessment for the Economic Development Strategy; and
- Key Sites in South Hampshire

1.2 Definitions and Benchmarks

The PUSH area is defined as the entirety of Portsmouth, Southampton, Havant, Gosport, Fareham and Eastleigh Unitary/Local Authority areas and parts of East Hampshire, Winchester, Test Valley and New Forest Local Authority areas. The geographic definition was initially developed as part of research into functional economic areas and housing market areas for SEERA³ and refined as part of the initial economic drivers and growth research. Appendix 1 provides a detailed definition of the sub-region.

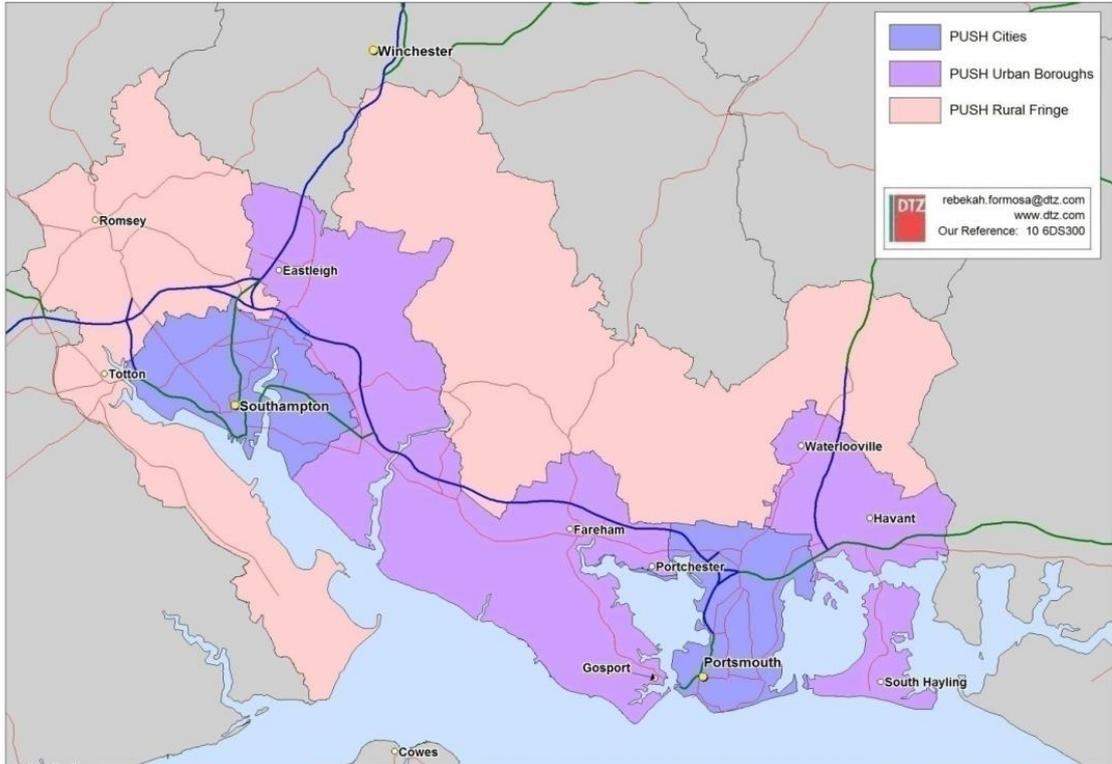
Figure 1 illustrates the sub-region. When considering internal variations PUSH is sub-divided into the:

- Cities – comprising the two cities of Portsmouth and Southampton;
- Urban Boroughs – comprising the four boroughs wholly included within the PUSH area: Havant, Gosport, Fareham and Eastleigh; and
- Rural Fringe – comprising a transitional area which incorporates some urban, suburban and more rural areas and adjoins a more rural hinterland beyond the PUSH boundary. Parts of Winchester, East Hampshire, Test Valley and New Forest districts are included in this designation

These designations are consistent with the first evidence base prepared for PUSH. Variations at local/unitary authority level are also considered to highlight issues of note. This is particularly pertinent for the rural fringe when considering datasets that are not provided below the local/unitary authority level. In some cases the parts of the districts outside PUSH influence the entire district data. In general, where data is not available below the local/unitary authority area PUSH is approximated to the six district/unitary authority areas wholly included within South Hampshire. Wherever possible PUSH is benchmarked against Hampshire, South East England and GB.

³ Identifying the Local Housing Markets of South East England, DTZ on behalf of English Partnerships, SEERA and the South East Regional Housing Board, October 2004.

Figure 1 Map of PUSH Sub Region



2. Headline Economic Performance

This section of the report provides a brief assessment of a range of headline performance indicators for the PUSH economy over recent history.

2.1 Summary

- The GVA gap between South Hampshire and the South East identified in the previous evidence base remains, although there is some evidence that the gap narrowed slightly through the early 2000s.
- GVA has fallen as a result of the recession with 2009 output of the economy below 2006 levels.
- GVA per capita gap between South Hampshire and South East persists at approximately 11% and after a slight narrowing the gap has started to widen again.
- GVA per worker (labour productivity) is lower than the South East but there is some evidence of gap closing since the mid 2000s
- Total employment growth 1998-2008 in PUSH in percentage terms is slightly below SE and GB levels. Employment data is subject to a lag and so the effects of the recession are not yet seen.
- Very different patterns are evident in employment performance between the cities, which have seen falls in employment, and the urban boroughs and rural fringe, which have both experienced growth ahead of the regional and national averages. This links with concerns raised in the consultation programme of a drift of employment away from the cities to the M27 corridor.
- Economic activity and employment rates continue to be below the SE levels but above GB. Lower levels of labour market participation in the cities are the most significant issue although the evidence again shows some signs of improvement
- Poorer GVA performance in PUSH continues to be caused by both lower levels of productivity and lower employment rates.
- When looking at the economy in cross section, compared to benchmark areas there is continued under-performance. However, the dynamic time series picture is more encouraging with evidence of improved performance against several indicators.

2.2 Gross Value Added (GVA)

GVA is a measure of economic output frequently used to assess regional and sub-regional economies. As of 2009, GVA generated in the PUSH area is estimated to be £17.8bn, down on the 2008 estimate of £18.7bn. The impact of the recession has been to reduce GVA to below 2006 levels. However, in total GVA is 28% higher in 2009 than 1997.

Figure 1: Total GVA in PUSH (expressed in 2005 prices)

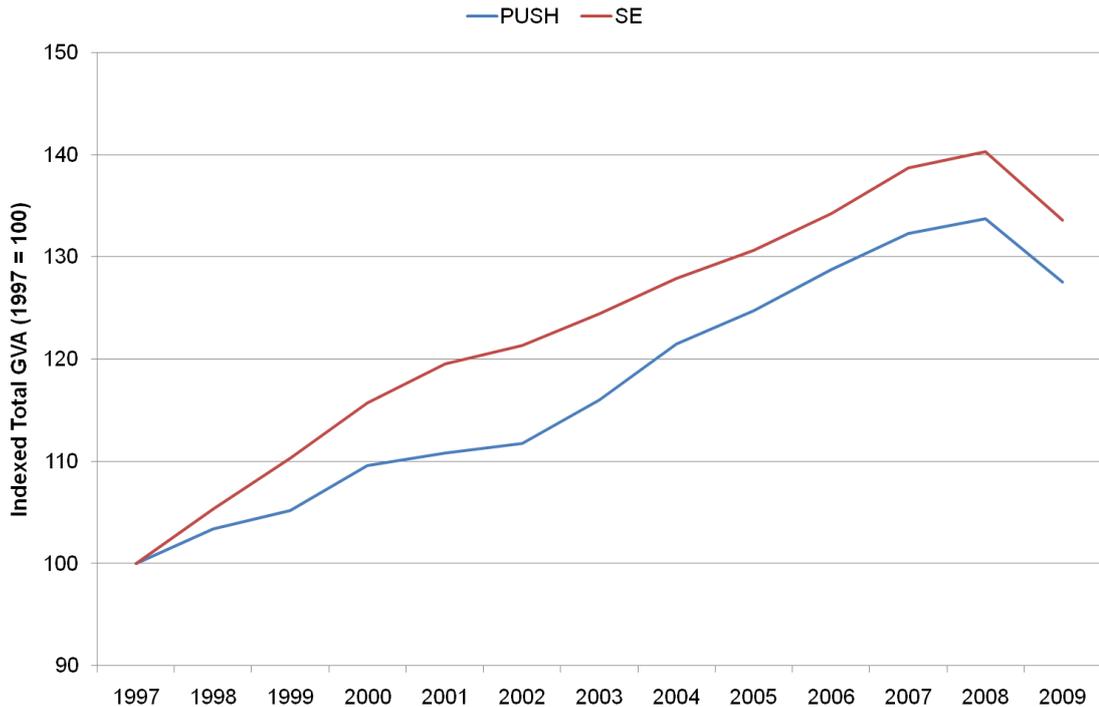
	2005	2006	2007	2008	2009
PUSH	£17.4bn	£18bn	£18.5bn	£18.7bn	£17.8bn

Source: OEF

Looking at indexed GVA growth of PUSH and the SE it is apparent that the SE has seen faster overall GVA growth than PUSH. GVA has grown by 34% in the SE over the period 1997

to 2009, in comparison to 28% in PUSH. However, since approximately 2004 the GVA gap between PUSH and the SE has remained relatively unchanged, which is encouraging

Figure 2: Indexed Change in GVA, PUSH and SE

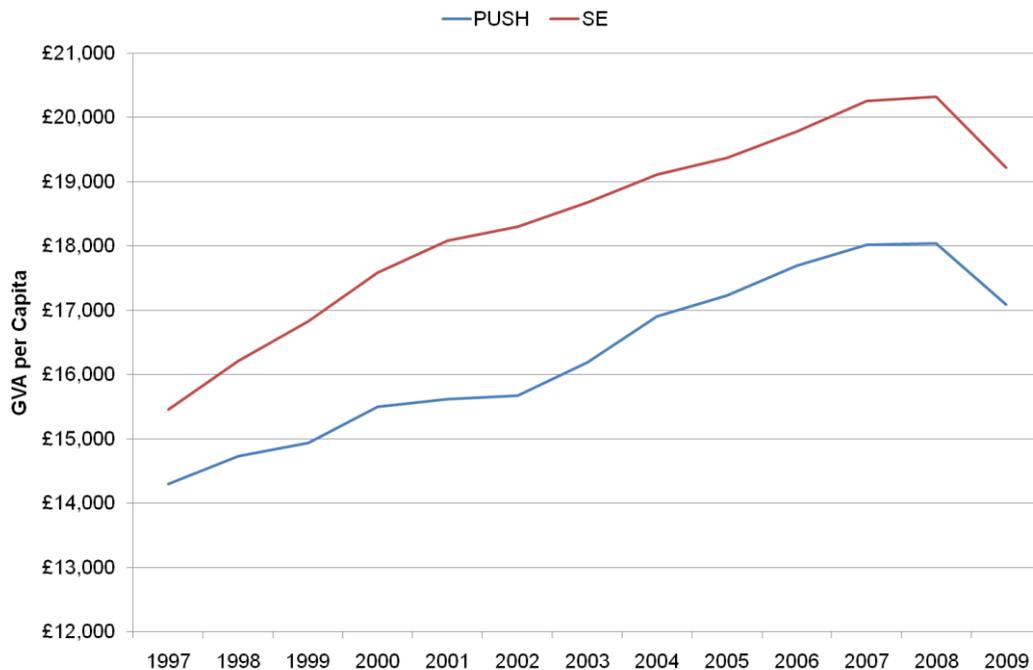


Source: OEF

2.3 GVA per Capita

GVA per capita provides a helpful comparative measure of economic output as it is linked to the scale of the resident population. In 2009 GVA per capita in PUSH is estimated to be £17,100, having fallen since its peak of £18,000 in 2008. Current GVA per capita is below the SE level of £19,200. Figure x shows the gap between the GVA per capita in PUSH and the SE. The gap in GVA per capita with the SE has emerged since 1991 and was at its widest in 2002, at approximately £2,600, a gap of 14%. However, this gap has closed slightly since. In 2007 the gap was at its narrowest (10%) since the late 1990s and currently stands at 11% or £2,100 per resident.

Figure 3: GVA per Capita



Source: OEF

2.4 GVA per Worker

GVA per worker is a measure of labour productivity. In line with GVA and GVA per capita there is evidence of a performance gap between PUSH and the SE. The GVA per worker gap currently stands at 9% equivalent to around £3,500 less GVA generated by each worker in PUSH compared to the SE. This represents an improvement since 2004 when the GVA per worker gap stood at 12% equivalent to £4,400 less output per worker.

2.5 Total Employment

In 2008 the total employment in PUSH was 440,100⁴. Since 1998 employment has grown by 7%. Over the same period employment grew by 10% in the SE and 10% in GB. Employment growth has been strongest in the Rural Fringe at 21% well ahead of regional and national averages. The Urban Boroughs have also grown at a faster rate. In stark contrast, the cities have experienced falls in employment⁵.

Whilst the cities have been adversely affected by a data anomaly relating to the retail sector, the data accords with the views of consultees which identified firms relocating from the cities to employment areas located along the M27 corridor. This is a challenge that PUSH needs to

⁴ ABI 2008

⁵ Please note that there was a change in the way employment data was collected that caused a discontinuity in the data. In particular this has affected the retail sector as the employment survey date switched from December (when there was substantial seasonal retail employment) to September. This in part explains the poor performance of the cities.

address, particularly in response to the findings of Centre for Cities⁶ highlighting the need for the cities to play a strong role in driving future growth.

Figure 4: Employment in PUSH

	Employment in 2008	Change in Employment 1998 - 2008	% Change in Employment 1998 - 2008
PUSH Cities	209,200	-2,700	-1%
PUSH Urban Boroughs	172,900	20,400	13%
PUSH Rural Fringe	62,000	10,700	21%
PUSH Total	444,100	28,400	7%

Source: ABI, 2008

2.6 Employment and Economic Activity Rates

The tables below provide headline data on two key labour market indicators, economic activity and employment rates. The key messages emerging from the data are that compared to national averages PUSH performs well, but compared to the South East, and particularly Hampshire as a whole performance is weaker. This is particularly a result of lower levels of labour market participation in the cities. The urban boroughs perform well, and the constituent authorities within the rural fringe (no data available below district level) also perform well, particularly Winchester and Test Valley that have very high participation rates. More encouragingly for the cities, the data shows a trend towards increasing levels of engagement, although for the urban boroughs the trend is the reverse.

Figure 5: Economic Activity Rates

	2005	2006	2007	2008
PUSH Cities	77.0	78.1	78.2	78.7
PUSH Urban Boroughs	83.3	82.1	82.0	82.2
PUSH 10 LAs	80.9	81.4	81.2	81.2
Hampshire	84.2	84.6	83.6	83.6
SE	82.3	82.1	82.0	82.3
GB	78.4	78.6	78.6	78.8

Source: APS

N.b. data not available below District/Unitary Authority level. Rural fringe cannot therefore be presented PUSH 10 LAs includes the entirety of East Hampshire, New Forest, Test Valley and Winchester.

N.b. economic activity rates measure the proportion of the working age population, both employed and unemployed who are actively engaged in the labour market

⁶ Charting the Course: Growing South Hampshire's Economy, Centre for Cities, March 2010.

Figure 6: Employment Rates

	2005	2006	2007	2008
PUSH Cities	72.8	72.8	73.0	74.3
PUSH Urban Boroughs	80.5	79.4	80.0	78.5
PUSH 10 LAs	77.9	77.7	77.8	77.8
Hampshire	81.4	81.7	80.8	80.6
SE	79.2	78.4	78.4	78.5
GB	74.5	74.3	74.4	74.2

Source: APS

N.b. data not available below District/Unitary Authority level. Rural fringe cannot therefore be presented. PUSH 10 LAs includes the entirety of East Hampshire, New Forest, Test Valley and Winchester.

N.b. employment rates are the proportion of the working age population who are currently in employment

3. Labour Market

This section of the report looks at the labour market conditions in the PUSH area and places them in context by benchmarking them against the comparator areas. We look at the participation of the population in the workforce, through the economic activity, employment and unemployment rates. We review the data on self employment and commuting to understand where people work. Then we assess the skills of the workforce and the types of occupations that they are working in.

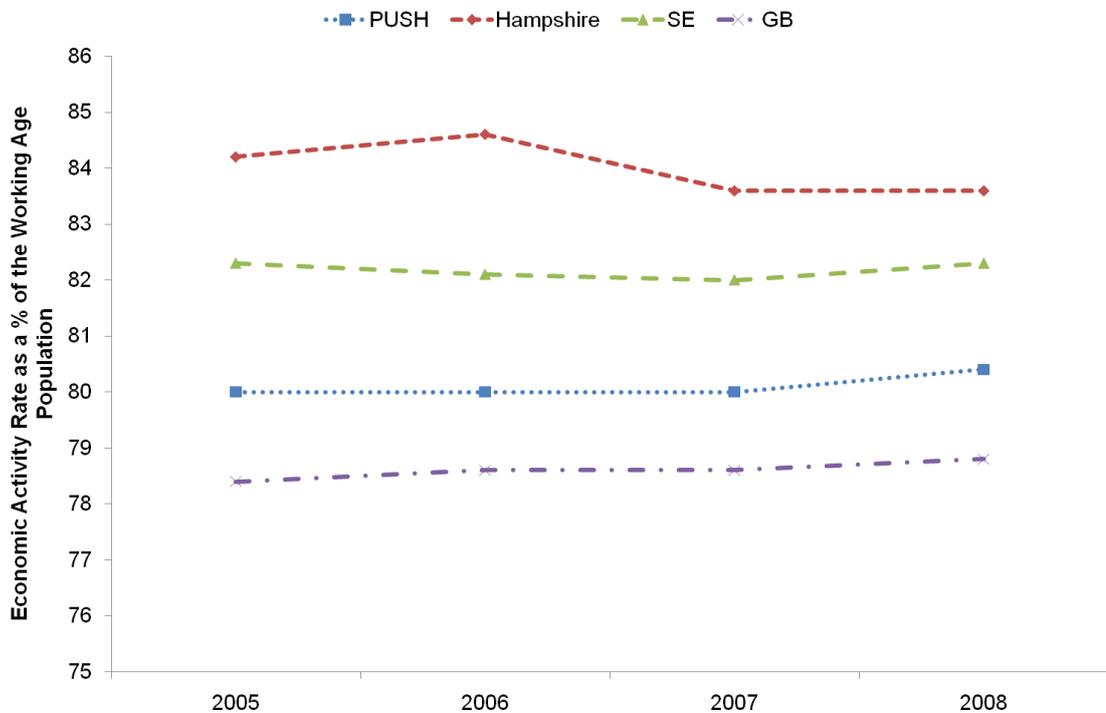
3.1 Summary

- Labour market participation is above GB averages but below Hampshire and SE.
- The PUSH average is dragged down by low levels of participation in the two cities in particular. However, levels of labour market participation in the cities are rising.
- Unemployment rates have been rising as a result of the recession.
- Young people typically make up around 30% of the claimant unemployed. Whilst this proportion has not changed substantially, the volume of 18-24 year olds that are currently out of work is around 6,000 in South Hampshire and there are risks that some of these young people will become detached from the labour market for an extended period.
- PUSH has a smaller proportion of its working age population with the highest levels of qualifications which is likely to contribute to the observed lower levels of productivity. However, the proportion of the PUSH working age population with the highest levels of qualifications has been increasing faster than the SE.
- This is also manifest in the occupational structure which indicates lower proportions of the workforce in the highest order occupational groups. However, there has been some switch to higher grade occupations in recent years.
- Workplace wages are highest in the cities, but the urban boroughs show wage levels below the comparator averages. The pattern of resident wages is very different.

3.2 Participation in the Labour Market

The economic activity rate in PUSH (80% - 6 LAs) is below the activity rates in Hampshire and the SE but higher than GB. This shows that although the economic activity rates are lower than their nearest neighbours, placed in a context of the national figure they are performing better than average. The Cities (79%) in PUSH drag down the overall economic activity rate, performing closer to national averages than the SE. Conversely the Urban Boroughs (82%) have economic activity rates which are comparable to the SE. However, looking at time series data in Figure 5 it is evident that the cities are closing the gap on the urban boroughs. Whilst it is encouraging that the cities are improving their performance, it is more concerning that the urban boroughs are slipping back slightly.

Figure 7: Economic Activity Rates

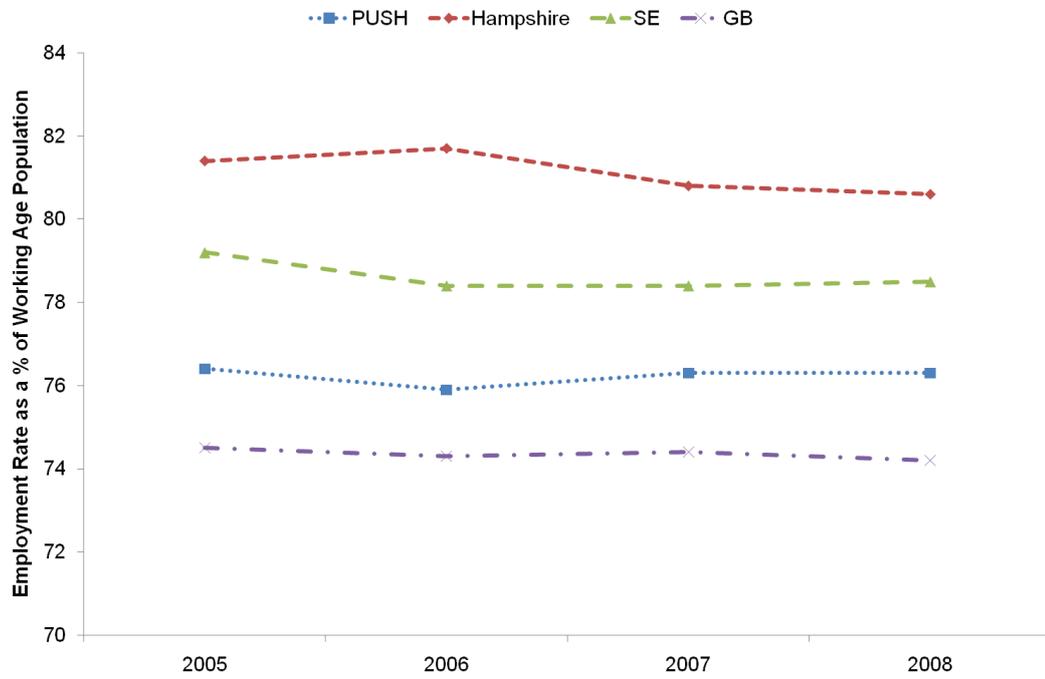


Source: APS, 2008

Employment rates in PUSH (76%) tell a similar story, below the employment rates in the SE and Hampshire but above GB. Encouragingly the gap between PUSH and both Hampshire and the SE has closed slightly. Over the period 2005 to 2008 there has been no significant changes in the employment rate at the PUSH level although the rates in the cities have risen slightly whilst the Urban Boroughs have slipped back slightly. As with the economic activity rate the employment rate is higher in the Urban Boroughs than in the Cities. As a result of the recession employment rates will fall, however, this is not yet evident in the data which is subject to substantial time lags.

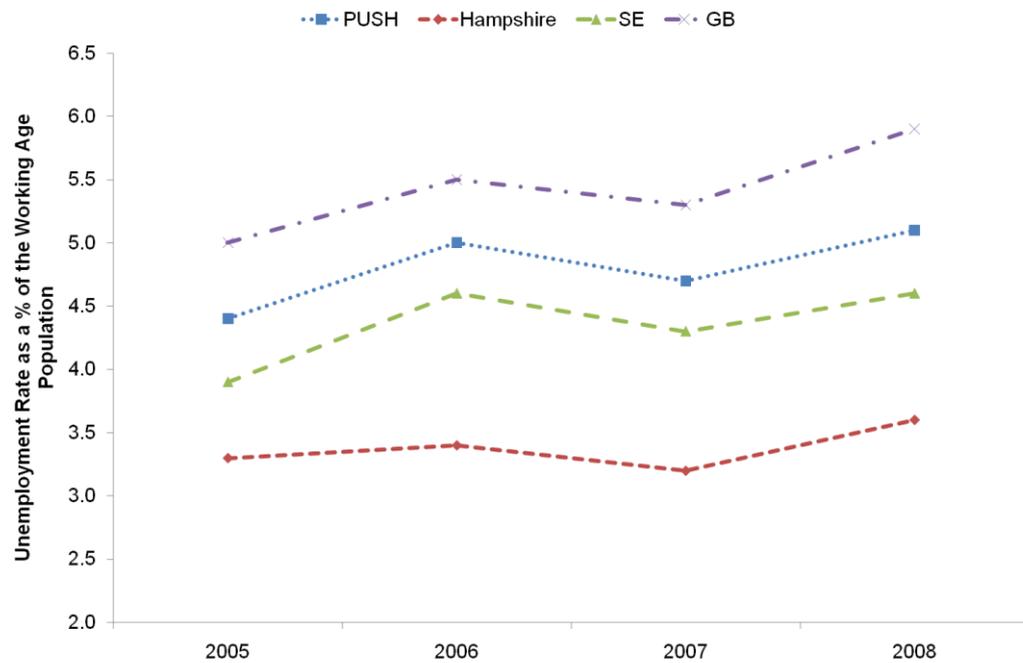
Similar to the previous two indicators the PUSH region performs below Hampshire and the SE when looking at the unemployment rate but better than GB. There has been no change in the ranking of the areas, but all of the areas experienced an increase in the unemployment rate in 2008, as the effects of the recession began to filter through to the labour market.

Figure 8: Employment Rates



Source: APS, 2008

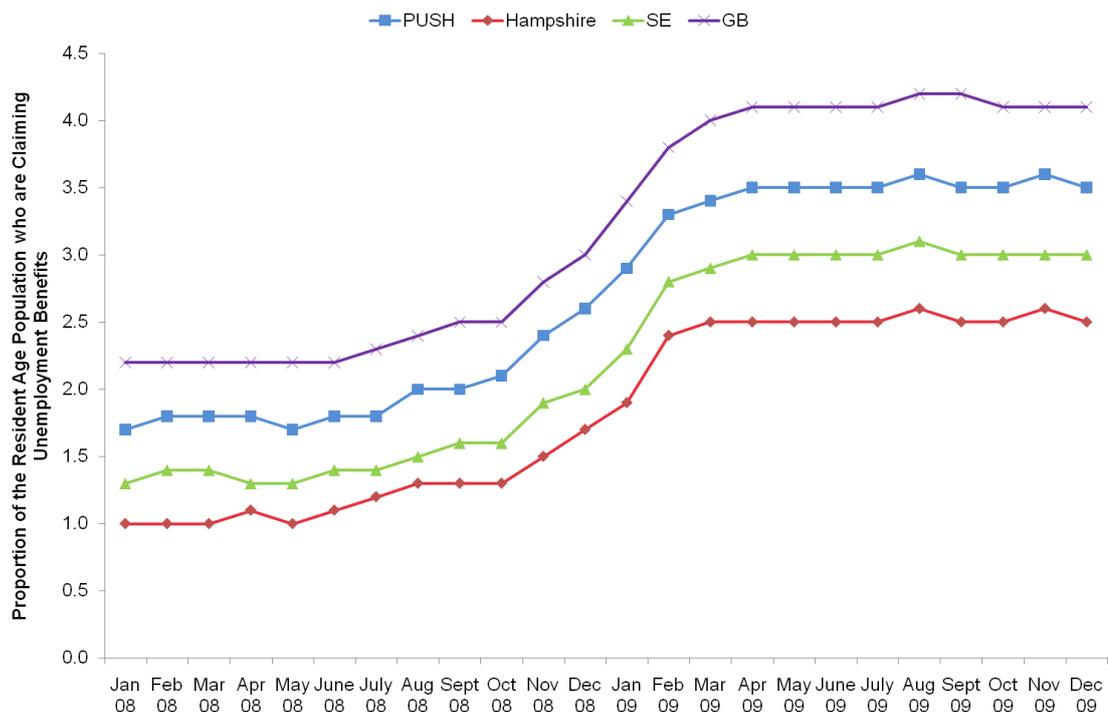
Figure 9: Unemployment Rates



Source: APS, 2008

The unemployment rate as measured by the APS shows some evidence of an increase in the number of workers who are unemployed but the survey is only conducted on a quarterly basis, with a further lag built in as results are analysed. The Claimant Count is a monthly measure of the number of people who are claiming unemployment benefits and as such it provides a much quicker indication of the variations in the labour market. Figure x shows that the proportion of residents who are claiming unemployment benefit increased rapidly over the period from May/June 2008 until Mar/April 2009. Interestingly the rate at which this Claimant Count increased was very similar for PUSH and all of the comparator areas and their ranking in comparison to each other remained unchanged. Since the first quarter of 2009 the proportion of residents who are claiming unemployment benefit has largely remained unchanged, aside from a few minor jumps. Anecdotal evidence collected through consultations indicated that PUSH has fared relatively well in terms of the recession with few large scale redundancy programmes.

Figure 10: Claimant Count Rate

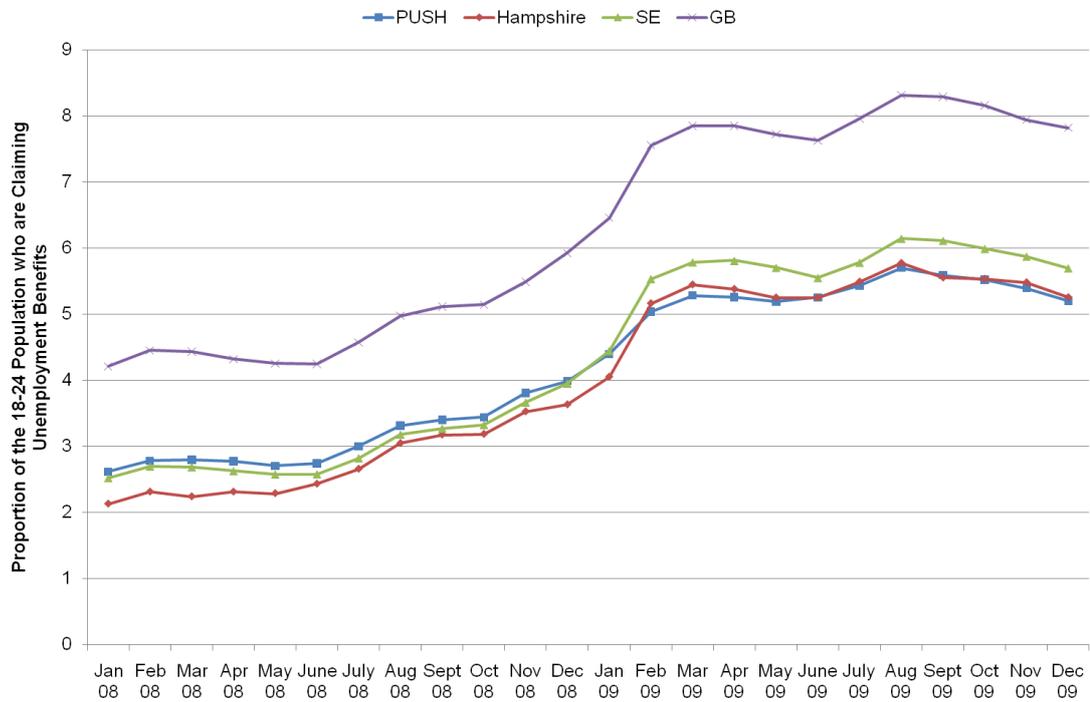


Source: Claimant Count, ONS

Youth Unemployment

Youth unemployment (18-24 year olds) has followed a similar pattern with a steadily increasing claimant count throughout 2008 followed by a sharp increase over the first few months of 2009. Since this point the claimant rate has generally remained reasonably steady with only a few fairly minor fluctuations. Notice that youth unemployment started from a higher base level, approximately 1 to 1.5 percentage points higher than the overall claimant count rate. The youth claimant rates are very similar in PUSH, Hampshire and the SE, with the shape of the increase in claimants broadly following the GB trend.

Figure 11: Claimant Count Rate 18-24 Year Olds



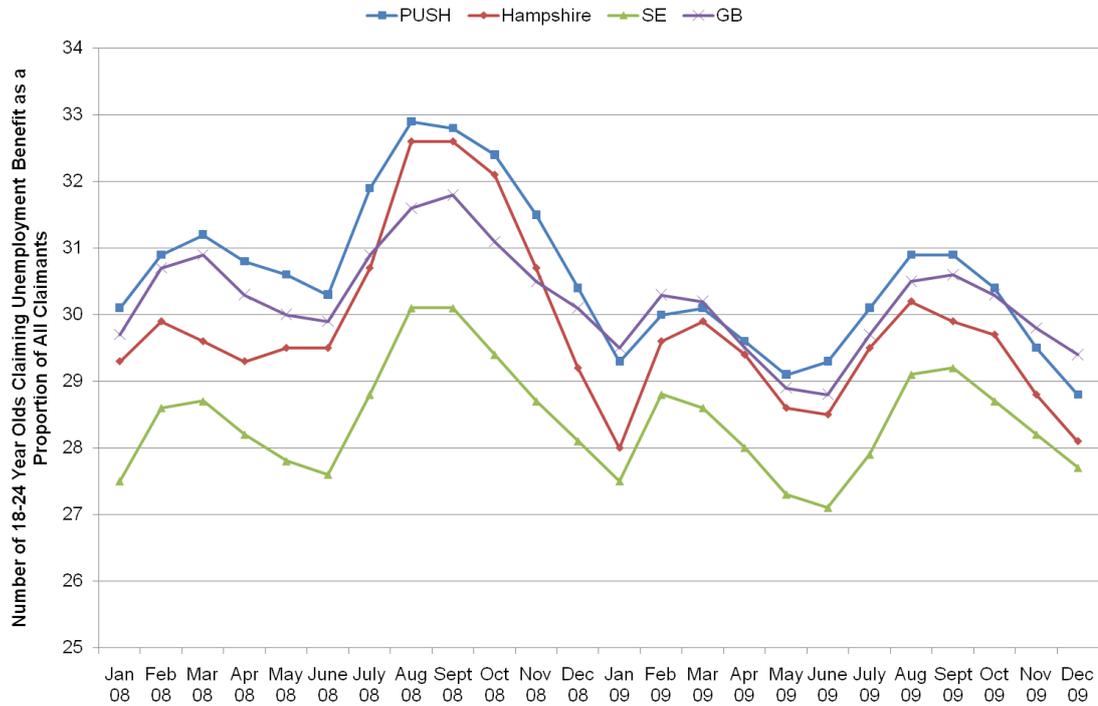
Source: Claimant Count, ONS

There has been substantial press coverage relating to the assertion that the recessionary period has impacted on those who are young the most, it is surprising that we do not see the number of young claimants as a percentage of all claimants increasing more rapidly. There has been some fluctuation in the share of youth claimants including a peak in summer 2008, but by December 2009 the share returned to a similar level as seen in January 2008, at somewhere between 28-30%. The share of youth claimants in PUSH has been higher than either Hampshire or the SE over the last two years but has recently fallen below the share in GB. The chart also shows the sharp fluctuations around the start and finish of academic years.

However it should be noted that youths not active in the employment market may not show up in the claimant count, as they may take other routes such as continuing in education or training. Young people are more likely to be living at home with their parents with lower responsibilities and therefore may choose to opt out of the job market entirely rather than try claim for unemployment benefit.

The more significant cause for concern with regards to youth unemployment is not that the shares of youth unemployment have risen starkly, but the absolute number of youth unemployed has risen. There are currently around 6,000 18-24 year olds claiming unemployment benefits in the six LAs wholly within PUSH. The risk is that without being able to enter the world of work some of these young people become detached from the labour force for an extended period which in turn creates additional strain on the public sector finances and limits the available labour force in the future.

Figure 12: Youth Claimant Count as a Share of All Claimants



Source: Claimant Count, ONS

Self Employment

The percentage of the working age population in the PUSH area who are self employed is below the average for the comparator areas. Self employment levels in PUSH rose between 2005 and 2007, peaking at 8.5% in 2007. However, since then the self employment rate has fallen back to around 8%. During the period 2005-2008 the self employment rate has consistently remained below comparator areas. The SE has the highest self employment rate of around 10.5%. The highly urbanised nature of the PUSH area is likely to reduce observed levels of self employment, which tend to be higher in more rural areas.

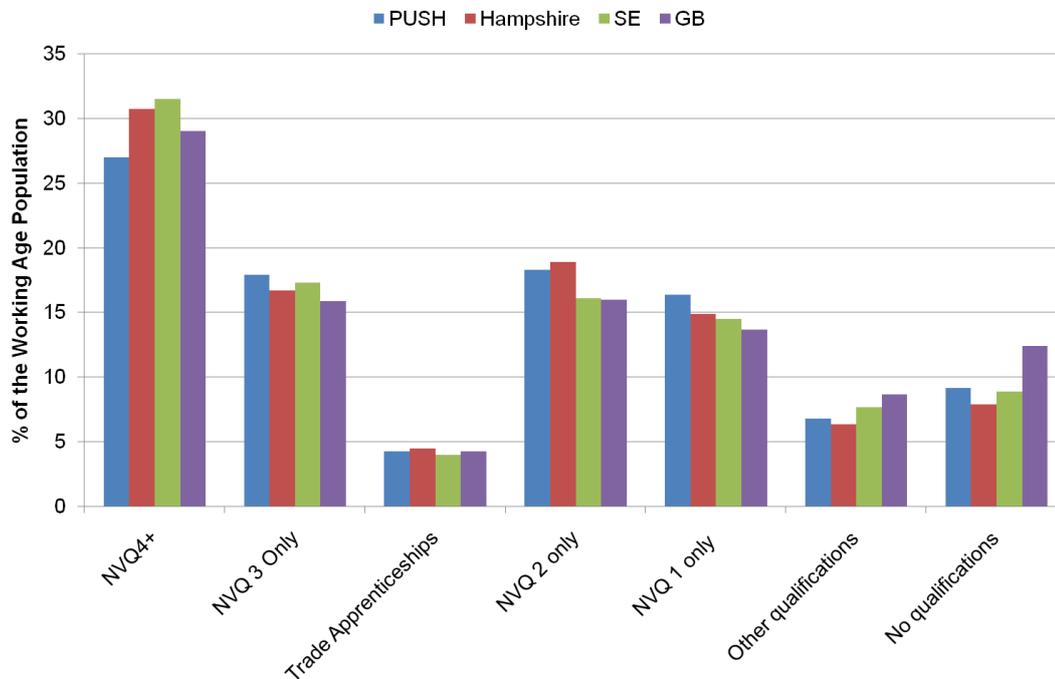
3.3 Skills

The PUSH area has a lower percentage of the working age population with a NVQ Level 4⁷ or above qualification than the comparator areas. The SE has the highest percentage of the working age population (31.5%) who are qualified to NVQ Level 4 and above. The PUSH area has above average levels of people qualified to NVQ Level 2 or NVQ Level 1. The level of the working age population who have no qualifications is below the national average.

The smaller proportion of the working age population with higher level skills is in keeping with observed levels of lower labour productivity, with the expectation that higher levels of skills enable higher levels of GVA creation.

⁷ A NVQ level 4 or above is equivalent to a degree level qualification or higher.

Figure 13: NVQ Qualifications - 2008



Source: APS, 2008

Figure 14 shows the percentage of the working age population by the highest level of qualification in each of the constituent parts of PUSH. Eastleigh has the highest proportion of its resident working age population who are qualified to NVQ level 4 and above, a level equivalent to the SE average. All of the other Local Authorities have a smaller proportion of their working age population holding the highest qualification level, with Fareham performing the worst with only 23.3% of its population qualified to NVQ level 4 or above.

Figure 14: Percentage of Residents by Highest Level of Qualification, 2008

	Eastleigh	Fareham	Gosport	Havant	Portsmouth	S'hampton
NVQ 4+	31.5	23.3	28.1	26.5	26.1	27.0
NVQ 3 Only	15.2	20.0	16.3	14.1	19.6	18.9
Trade Apprenticeships	4.2	6.0	2.1	5.6	4.2	3.8
NVQ 2 Only	22.0	20.8	25.8	18.0	16.5	14.9
NVQ 1 Only	17.8	19.6	10.5	17.3	15.1	17.0
Other Qualifications	2.0	5.8	8.9	8.9	6.8	8.1
No Qualifications	7.4	4.5	8.4	9.6	11.5	10.3

Source: APS, 2008

Over the period 2005-2008 the percentage of the working age population who hold NVQ 4+ qualifications has increased. In PUSH this number has increased by 2.4 percentage points. This is a faster growth rate than in the SE (an increase of 2.1 percentage points). This is

important as an increase in skills, particularly at the higher levels, will be required to deliver future economic growth. However, given the relatively lowly starting position PUSH is still some way behind the SE. The increase in the percentage of the working age population who hold an NVQ 4 or above is in part due to older people with no formal qualifications leaving the job market and younger people joining (who typically are more likely to hold formal qualifications).

PUSH has seen decreases in the level of workers who have trade apprenticeships⁸, hold a NVQ Level 1 only, hold Other qualifications or hold No qualifications. Overall the data shows the workforce in South Hampshire moving up the qualifications escalator more quickly than the South East.

Figure 15: Changes in PUSH and SE Skill Levels - % Achieving Each Level (Resident Based)

	PUSH			SE		
	2005	2008	Change	2005	2008	Change
NVQ 4+	24.6	27	2.4	29.4	31.5	2.1
NVQ 3 Only	17.1	17.9	0.8	16.6	17.3	0.7
Trade Apprenticeships	6.6	4.3	-2.3	5.1	4	-1.1
NVQ 2 Only	15.1	18.3	3.2	16.3	16.1	-0.2
NVQ 1 Only	17.2	16.4	-1.2	15	14.5	-0.5
Other Qualifications	7.7	6.8	-0.9	7.4	7.7	0.2
No Qualifications	13	9.2	-3.8	10.1	8.9	-1.2

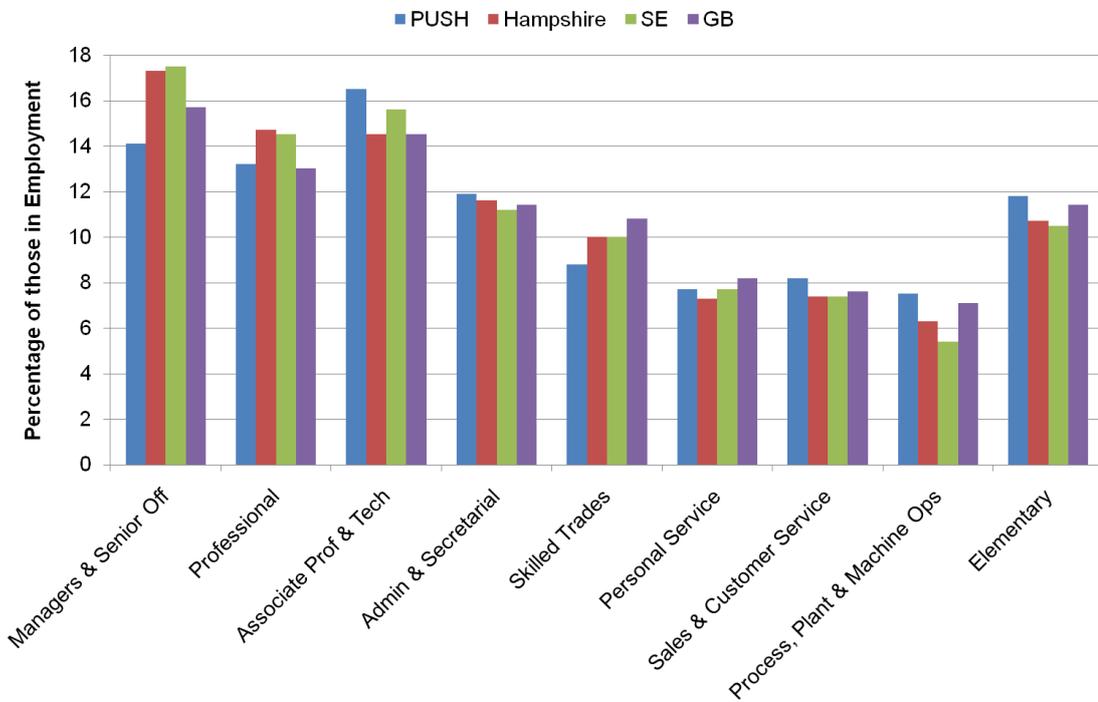
Source: APS, 2008

3.4 Occupations

The occupational structure shows the types of jobs undertaken by the workforce ranging from Manager & Senior Officials, at the higher end, to Elementary Occupations, at the lower level. There is a smaller percentage of the employed population who are working as Managers & Senior Officials in PUSH than in comparator regions. For example, 14.1% of PUSH employees work as a Manager or Senior Official, whereas the figure is 17.5% in the SE. The occupations in which PUSH has a higher than average share of employment are, Associate Professional & Technical, Sales & Customer Service and Elementary occupations. This is in keeping with the skills profile observed in the preceding sub-section.

⁸ This is as a result of older workers leaving the workforce as they retire who completed apprenticeships. It is not a reflection of trends in apprenticeships currently.

Figure 16: Occupational Level of those in Employment - 2008



Source: APS, 2008

The proportion of residents who are employed as managers and senior officials is higher in the Urban Boroughs than in Portsmouth and Southampton. Eastleigh and Fareham have the lowest proportion of employment in elementary occupations.

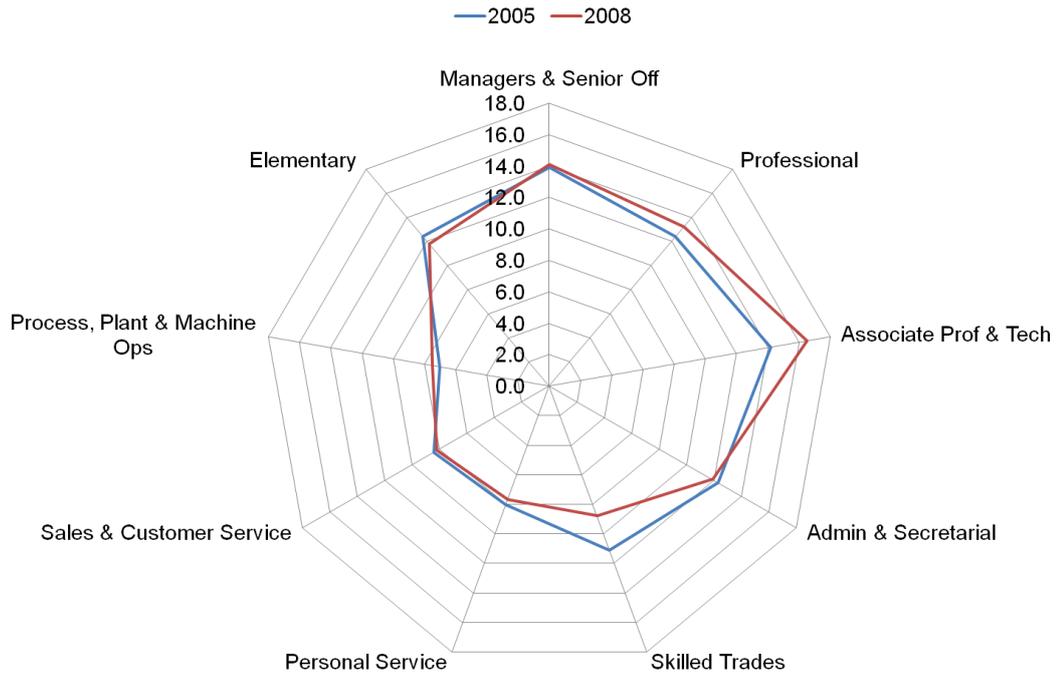
Figure 17: Proportion of Residents in Employment by Occupational Grouping, 2008

Occupation	Eastleigh	Fareham	Gosport	Havant	Portsmouth	S'hampton
Managers & Senior Officials	15.2	18.5	13.0	15.5	12.3	12.7
Professional	10.7	14.2	4.4	20.9	11.8	14.8
Associate Prof & Technical	21.3	14.4	17.4	10.9	16.9	16.8
Admin & Secretarial	14.2	11.0	15.3	7.6	12.6	11.1
Skilled Trades	11.5	7.7	7.7	9.6	9.4	7.4
Personal Service	5.6	7.4	15.1	4.6	7.7	7.8
Sales & Customer Service	6.5	10.5	8.3	6.6	9.0	8.0
Process, Plant & Machine Ops	6.4	7.3	4.9	8.4	7.1	9.0
Elementary	8.5	9.2	13.9	14.6	12.7	12.1

Source: APS, 2008

Between 2005 and 2008 the profile of the PUSH area has shifted towards higher level jobs. The percentage of the workforce who work in top three categories (Managers & Senior Officials, Professional, Associate Prof and Tech) has significantly increased over this period.

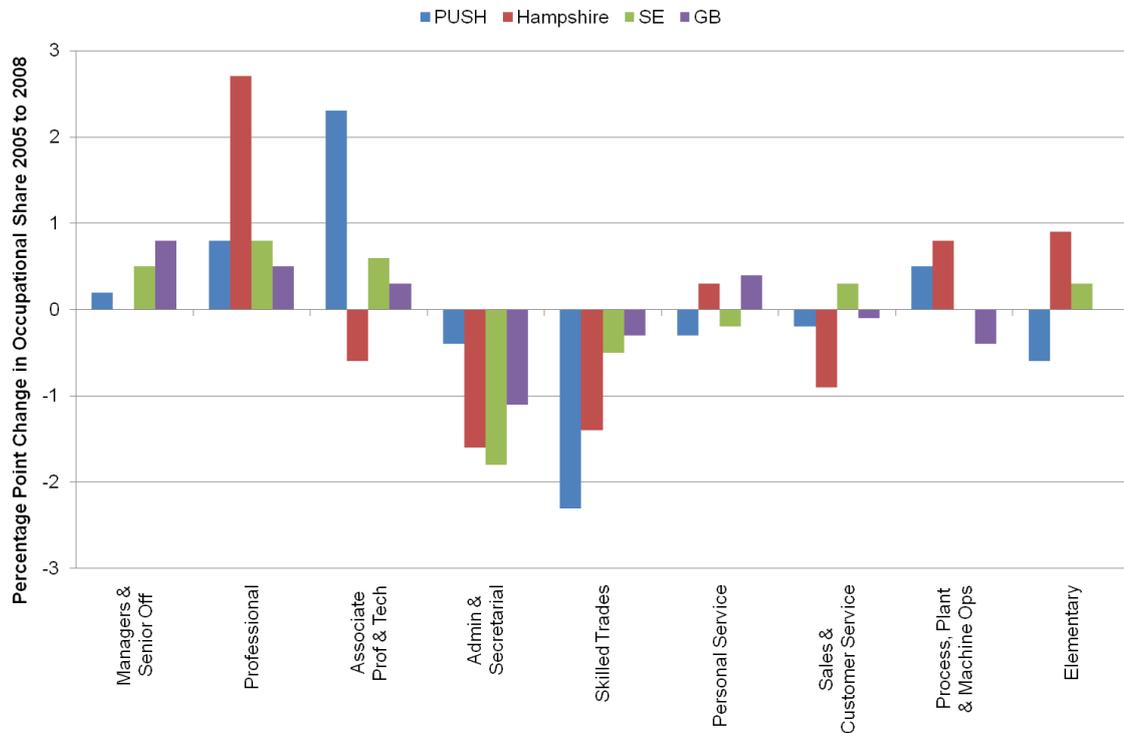
Figure 18: Comparison of PUSH Occupational Profile in 2005 and 2008



Source: APS, 2008

Although the share of workers in the highest three occupational categories has increased in PUSH, when compared with other areas we can see that the results are more mixed. Associate Prof & Technical occupations have increased the fastest relative to other areas, with an increase of over 2 percentage points, whilst other areas have remained mostly level or seen a decline. PUSH has seen an increase in Manager & Senior Officials but to a lesser degree than some of the comparator areas. The share of Professional occupations has increased at a similar level to SE and GB, but at a lower level than Hampshire. The largest decline in PUSH has come in the Skilled Trades occupational sector, a decline of more than 2 percentage points.

Figure 19: Change in Occupational Share 2005 to 2008



Source: APS, 2008

3.5 Wages

There are two main measures of employee earnings, resident wages, where earnings are allocated according to where the person lives and workplace wages, where earnings are allocated according to where the person works. For this analysis we have focused on the median average rather than the mean average as this is more representative of a typical worker in the economy.⁹

The Annual Survey of Hours and Earnings (ASHE) is a survey which measures average earnings of workers across a range of different industries and geographies. The results are presented at a Local Authority level and above. Due to the way in which the survey is calculated it is not possible to combine the individual LAs into a composite to represent the PUSH area. Therefore we present each of the six LAs which are fully included in PUSH separately.

Workplace wages are higher in the Cities area of PUSH than in the Urban Boroughs. This shows the importance of the Cities as hosts to well paid employment. Workplace wages in Portsmouth are the highest in the PUSH area and are above the national average. They have

⁹ The median average wage represents the wage of the 'midpoint' worker in an economy. The mean average is the sum of all wages paid to workers divided by the total number of workers. The mean average can easily be influenced by outliers i.e. a few workers earning many times more than the 'typical' worker can raise the mean average considerably.

grown by 34% since 2002 the largest increase of any LA in the PUSH area and faster than the national average. Workplace wages in Southampton are the second highest, with a total of £500 per week. Havant has seen strong wage growth of 31%, which means that average weekly wages are now higher than in the other Urban Boroughs.

Figure 20: Median Workplace Weekly Wages

	2002	2009	Change 2002 - 2009	% Change 2002 - 2009
Eastleigh	£358	£445	£88	25%
Fareham	£382	£448	£66	17%
Gosport	£372	£447	£76	20%
Havant	£358	£468	£110	31%
Portsmouth	£398	£534	£136	34%
Southampton	£421	£500	£79	19%
Hampshire	£415	£498	£83	20%
SE	£420	£514	£94	22%
GB	£392	£490	£98	25%

Source: Annual Survey of Hours and Earnings (ASHE), 2009

In contrast to workplace wages, resident wages are highest in some of the Urban Boroughs, and generally lower in the Cities. Eastleigh and Fareham have average resident wages of more than £500, with both areas being higher than the national average of £491. Gosport has seen strong growth in resident weekly wages, which are 40% higher in 2009 than in 2002.

Figure 21: Median Resident Weekly Wages

	2002	2009	Change 2002 - 2009	% Change 2002 - 2009
Eastleigh	£416	£518	£102	25%
Fareham	£430	£533	£103	24%
Gosport	£325	£454	£129	40%
Havant	£374	£464	£90	24%
Portsmouth	£380	£475	£95	25%
Southampton	£388	£442	£54	14%
Hampshire	£427	£526	£98	23%
SE	£435	£537	£102	23%
GB	£393	£491	£98	25%

Source: Annual Survey of Hours and Earnings (ASHE), 2009

Figure 22 clearly shows that workplace wages are higher than resident wages in both Portsmouth and Southampton. In Eastleigh and Fareham the opposite is true with resident wages being significantly higher than workplace wages. This would most likely be due to commuting patterns in and around the PUSH area. On average, the higher paid jobs in PUSH are in Portsmouth and Southampton but often these jobs are filled by workers who live outside the Cities.

Figure 22: Comparison of Workplace and Resident Wages, 2009

	Workplace	Resident	Workplace less Resident
Eastleigh	£445	£518	-£72
Fareham	£448	£533	-£85
Gosport	£447	£454	-£7
Havant	£468	£464	£4
Portsmouth	£534	£475	£59
Southampton	£500	£442	£58
Hampshire	£498	£526	-£27
SE	£514	£537	-£23
GB	£490	£491	-£1

Source: Annual Survey of Hours and Earnings (ASHE), 2009

4. Industrial Structure

This chapter of the report looks at the employment structure of PUSH, assessing how the profile of jobs in the area has changed over the last 10 years. A summary of more detailed sectoral analysis is also presented with further detail included at Appendix 2.

4.1 Summary

- PUSH has experienced employment growth below the levels of the benchmark areas, this is due in particular to poor performance of the cities which poses a challenge for PUSH.
- Growth has been concentrated in the service sectors.
- PUSH has failed to capture the same level of growth as benchmark areas in construction, education and health. However, it has performed well in hotels and restaurants and transport and communications sectors.
- PUSH has substantial specialisation in manufacturing and public administration and defence sectors. However, both have experienced net employment decline and there are risks of further decline in the future.
- Nevertheless, PUSH has real strengths in a range of advanced manufacturing sectors which present opportunities for the future. In particular aerospace, marine and defence are existing strengths and there are potential opportunities linked to environmental technologies which can link into existing expertise.
- PUSH generally exhibits an under-representation in sectors which have seen substantial growth and are expected to fuel future employment growth nationally and sub-regionally, including financial & business services and creative industries.

4.2 Employment Structure: Broad Sectors

In 2008 a total of 442,200 people were employed in the PUSH area. This is an increase of 28,000 workers from 1998, a growth of 7%. As described in section two of this report, the total rate of job growth in PUSH is lower than the SE and GB.

Employment growth generally has been strongest in service based sectors and parts of the public sector. The largest absolute growth in employment has been in the 'other business services'¹⁰ sector, with an additional 22,000 jobs being created between 1998 and 2008, a growth rate of 36%. 'Other personal services', 'education', 'health' 'hotels & restaurants' and 'transport & communications' have all grown by c 5,000 employees or more with the 'other personal services' sector increasing at a rate of 43%.

The 'distribution and retail' sector shows much more modest growth, but it is believed this is partly due to a change in the way data was collected in 2006 which has adversely affected reported employment in the retail sector in particular, potentially by as many as 6,000 employees.

¹⁰ The 'other business services' sector includes a broad range of activities including professional services, research and development, IT, estate agency, cleaning and security. The sector also includes labour recruitment and staff who are employed as agency workers, whatever sector they may actually work in, are recorded under the labour recruitment sub-sector for statistical purposes.

Employment decline has been seen most strongly across manufacturing sectors, with a total of 19,100 net job losses, a trend in keeping with the wider UK economy as a result of increased globalisation. Public admin & defence has also seen a decline in employment numbers with 3,100 net jobs being lost. This is due to over 9,000 job losses in the defence sector. Other sub-sectors such as general public services and public services related to law and order have seen employment increases reflecting recent patterns in public expenditure.

Figure 23: PUSH Employment Change 1998-2008

	1998	2008	Change 1998-2008	% Change
Extraction	200	100	Small -ve change	-28%
Manufacturing	64,300	45,200	-19,100	-30%
Utilities	2,000	1,900	-100	-6%
Construction	20,300	20,800	500	3%
Distribution & Retail	77,100	79,100	2,000	3%
Hotels & Restaurants	23,000	27,900	4,900	21%
Transport & Comms	21,500	26,600	5,100	23%
Financial Services	17,400	15,600	-1,800	-11%
Business Services	61,700	83,700	22,000	36%
Public Admin. & Defence	27,900	24,800	-3,100	-11%
Education	37,900	43,300	5,400	14%
Health	46,300	52,100	5,900	13%
Other Personal Services	14,800	21,100	6,300	43%
Total	414,300	442,200	28,000	7%

Source: Annual Business Inquiry, 2008

Figures 24 and 25 show sectoral employment changes across the sub areas of PUSH (in absolute and relative terms). It is apparent that the majority of manufacturing employment losses have come in the Cities and Urban Boroughs, with only a relatively small amount of losses from the Rural Fringe. A large decline in financial services employment in the Cities area has led to the employment losses across the PUSH area as a whole. The growth in the Urban Boroughs may well be a result of the displacement of jobs out of the Cities towards the M27 corridor as identified at section two of this report. There has been significant growth in business services employment across all of the areas, although it is most notable in the Urban Boroughs, again showing the strength of the M27 corridor. As stated previously the decline in Public Admin and Defence employment is largely related to the loss of defence employment, primarily in Gosport and Portsmouth.

Figure 24: Change in Employment in PUSH 1998 - 2008

	Cities	Urban Boroughs	Rural Fringe	PUSH Total
Extraction	Small +ve	Small -ve	Small -ve	Small -ve
Manufacturing	-8,600	-9,600	-900	-19,100
Utilities	-1,300	1,100	100	-100
Construction	-600	-900	2,000	500
Distribution & Retail	-4,000*	4,600	1,400	2,000
Hotels & Restaurants	3,100	1,800	100	4,900
Transport & Comms	900	3,500	600	5,100
Financial Services	-3,100	1,400	-200	-1,800
Business Services	5,800	13,000	3,200	22,000
Public Admin. & Defence	-2,900	-400	200	-3,100
Education	1,800	2,600	1,000	5,400
Health	3,300	1,500	1,100	5,900
Other Personal Services	2,500	2,000	1,900	6,300
Total	-2,900	20,500	10,400	28,000

Source: Annual Business Inquiry, 2008

* change in data collection date has adversely affected retail employment and therefore the scale of decline is likely to be heavily influenced by this data issue, rather than changes in the real economy.

The percentage change in employment by sector shows how each of the PUSH areas has performed relative to the others. Employment in business services has grown across all of the areas, although it has grown more slowly in the Cities than the Urban Boroughs and the Rural Fringe. Employment growth has also been slower in the Cities than elsewhere, in the transport & communications sector, the education sector and the other personal services sector.

Figure 25: Percentage Change in Employment in PUSH 1998 - 2008

	Cities	Urban Boroughs	Rural Fringe	PUSH Total
Extraction	10%	-59%	-79%	-28%
Manufacturing	-34%	-31%	-11%	-30%
Utilities	-85%	247%	53%	-6%
Construction	-8%	-9%	60%	3%
Distribution & Retail	-11%	15%	13%	3%
Hotels & Restaurants	27%	23%	2%	21%
Transport & Comms	8%	54%	21%	23%
Financial Services	-26%	37%	-11%	-11%
Business Services	18%	62%	40%	36%
Public Admin. & Defence	-16%	-4%	10%	-11%
Education	9%	20%	23%	14%
Health	11%	11%	29%	13%
Other Personal Services	33%	38%	98%	43%
Total	-1%	14%	20%	7%

Source: Annual Business Inquiry, 2008

As stated previously overall employment in PUSH has grown by 7%, a slower rate than employment in the comparator areas which have grown between 10% and 13% since 1998. There are no sectors in which PUSH has outperformed all of its comparator areas. However, employment growth in the hotels & restaurants, transport & communications, business services and other personal services sectors has been above or equal to employment growth in the SE and GB.

As we have seen, most of the net employment losses in PUSH have come in the manufacturing sectors, although the overall share of employment lost is not dissimilar to the comparator areas at approximately 30% of the 1998 workforce. Other sectors which have seen employment losses are financial services and public admin and defence, both of which have declined at a similar rate to the SE but performed significantly below the GB average. Other points of note include a relative failure of PUSH to capture growth in construction employment, good performance in the hotels and restaurants sector and good performance in the transport and communications sector. Interestingly both health and education, which are largely public sector driven sectors, have not seen the scale of employment growth witnessed in both the SE and GB¹¹. Overall employment growth has been weaker in PUSH than comparator areas.

Figure 26: Employment Change in Comparison to Hampshire, SE and GB

	PUSH Total	Hampshire	SE	GB
Extraction	-28%	-31%	-16%	-25%
Manufacturing	-30%	-27%	-31%	-33%
Utilities	-6%	98%	-20%	-18%
Construction	3%	7%	17%	15%
Distribution & Retail	3%	9%	-1%	2%
Hotels & Restaurants	21%	15%	22%	15%
Transport & Comms	23%	38%	3%	10%
Financial Services	-11%	-4%	-12%	3%
Business Services	36%	50%	33%	38%
Public Admin. & Defence	-11%	-27%	-14%	5%
Education	14%	15%	38%	34%
Health	13%	34%	28%	30%
Other Personal Services	43%	51%	35%	24%
Total	7%	13%	10%	10%

Source: Annual Business Inquiry, 2008

Slower employment growth in the public sector over the last 10 years means that PUSH is less reliant on the public sector in comparison to other areas than it has been in the past. Figure 27 shows that the proportion of total employment in the public admin & defence sector has fallen between 1998 and 2008 whilst the proportion of employment in the education and health sectors has increased but by less than the comparator areas. In 1998 PUSH had a greater proportion of employment in the education and health sectors than all benchmark

¹¹ There is some evidence of stronger growth in these sectors pre-1998 which may suggest this is a result of timing of investments in public services.

areas, and the joint highest proportion in the public admin & defence sector, when compared to Hampshire, the SE and GB. By 2008 the proportion of employment in the public admin & defence sector was still higher than elsewhere but PUSH ranked second highest in education and health sectors, with the gap to the other comparator areas much closer than it had been in 1998.

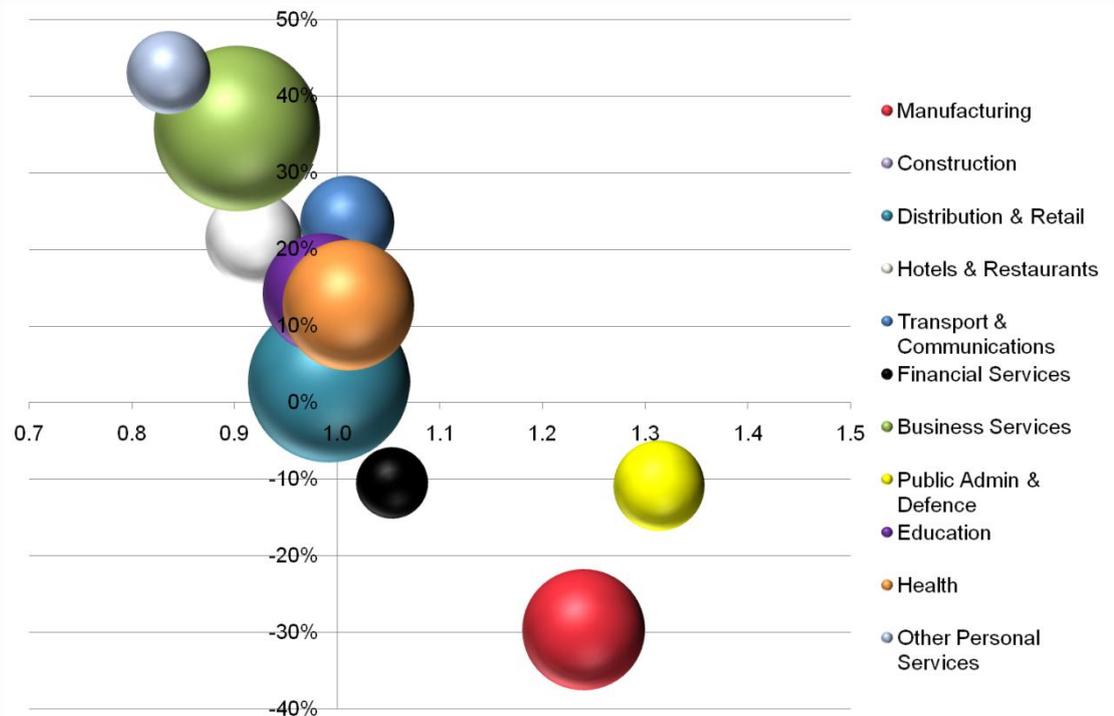
Figure 27: Proportion of Employment in the Public Sector

Sector	PUSH Total	Hampshire	SE	GB
1998				
Public Admin. & Defence	6.7%	6.7%	5.4%	5.7%
Education	9.2%	8.5%	7.9%	7.7%
Health	11.2%	8.2%	10.1%	10.5%
2008				
Public Admin. & Defence	5.6%	4.3%	4.3%	5.5%
Education	9.8%	8.6%	9.9%	9.4%
Health	11.8%	9.7%	11.7%	12.4%

Combining all of these pieces of information together we can map how the sectors in PUSH have performed and decipher how important these changes are to the PUSH economy. By comparing the relative importance of a sector in PUSH, with its relative importance in the SE, we can determine which sectors have a concentration of employment in the PUSH area. This is called the Location Quotient. Figure x maps the location quotient of each sector (along the x-axis), against the growth in the sector between 1998 and 2008 (along the y axis) and also the size of the sector in employment terms (the larger the bubble the more people who work in a sector). Mapping these factors together we can see that the circles in the upper righthand quadrant of the graph are those in which PUSH has both above average concentration and has seen employment growth.

Figure 28 shows that those sectors which have above average concentration in PUSH when compared with the SE have been declining in employment over recent years. This is a cause for concern as these traditional areas of employment strength are being eroded by shifting employment patterns. The sectors in which PUSH has seen employment growth tend to be sectors in which currently PUSH does not have a relative concentration, such as other personal services and business services. The ideal scenario for PUSH is to have more sectors in the upper right hand side of the graph indicating the sectors are relatively concentrated in the local area and are experiencing recent employment growth. The challenge for PUSH is to foster growth in areas that it is currently specialised as well as strengthen those sectors with growth potential which are not specialised within PUSH at present.

Figure 28: LQ vs SE



Source: Annual Business Inquiry, 2008

4.3 Detailed Sectors

Alongside the broad sectoral analysis of the economy set out below is a summary of analysis considering a series of more tightly defined sectors. The reason for selecting these sectors varies. In some cases these sectors are important because they employ a large number of workers in PUSH, whereas in other cases the actual employment numbers are relatively small but the GVA generated by the sector is high or the sector is highly concentrated in the sub-region. The selected sectors are:

- Advanced Manufacturing
- Aerospace
- Construction
- Creative Industries
- Environmental Technologies
- Financial & Business Services (including advanced business services)
- Marine
- Public Sector (including, defence, education and health)
- Retail
- Tourism and Leisure
- Transport, Storage and Logistics

Appendix 2 to this report sets out more detailed profiles on each of these sectors. In some cases these sectors are not easy to define in a way that can produce meaningful statistical information and therefore qualitative information from consultations has been used to supplement the analysis.

4.3.1 Advanced Manufacturing Sector

The advanced manufacturing sector is difficult to define for statistical analysis as activities within any of the manufacturing sub-sectors could be advanced, whilst others may not. A series of sub-sectors which are most likely to demonstrate high levels of advanced activities have been identified, this includes aerospace and elements of the marine sector which are reviewed separately as well. The data shows that PUSH has a high specialisation of advanced manufacturing activity, which is in keeping with a range of previous research. The urban boroughs are an area of particular strength for advanced manufacturing activity.

The advanced manufacturing sector generates high levels of GVA per worker and the local Universities provide research strengths to support the advanced manufacturing sector. However, SEMTA, the sector skills agency has identified a range of skills and workforce issues facing the sector, particularly the low levels of entrants to engineering related activities which could jeopardise its future growth. This is a key sector for PUSH given its high GVA potential and existing specialism. There is also a renewed support in national economic development policy for advanced manufacturing.

4.3.2 Aerospace

The aerospace sector is a sub-sector of the advanced manufacturing sector and also has some close links and shared supply chains with the marine sector, particularly related to defence based industries. In PUSH there are many companies of international importance that operate in the aerospace sector such as GE, EADS Astrium and Meggitt Avonics undertaking very advanced level research and development. The aerospace sector generates high levels of GVA per worker and is forecast by the UK government to be a significant growth opportunity. PUSH has a strong concentration in aerospace employment when compared to the SE average and is one of the most important locations for the sector in the UK. Portsmouth and the urban boroughs (especially Gosport) are particularly important locations for the sector.

4.3.3 Construction

The construction sector represents around 4% of employment in PUSH but has not experienced growth on the scale of the South East and GB. The sector is not particularly concentrated in PUSH but opportunities will arise from the growth ambitions of PUSH as the construction sector demand is very much reliant on the growth of the wider economy.

4.3.4 Creative Industries

The creative industries sector is another that is very difficult to define with creative skills running throughout the whole economy. Based on the DCMS definition the sector has seen strong levels of employment growth over the last ten years, with employment more than doubling over this time, albeit from a low base. GVA per worker is above the average GVA per worker for the whole economy and the sector has strong policy support. However, the sector is relatively under-represented in PUSH and other than a few well known exceptions (such as The Point at Eastleigh), the evidence gathered through consultations did not suggest PUSH is, or is soon to become, a major creative and cultural hub. Nevertheless, the creative and

cultural sector is expected to continue to grow and has an important role to play in shaping the place of South Hampshire. Creative skills will be vital to the wider economy as it continues to move to higher value activities.

4.3.5 Environmental Technologies

The environmental technologies sector is another which faces difficulties in definitions ranging from energy to waste to R&D, manufacturing and business services. The sector is more characterised thematically than by industries. However, based on the working definition adopted (see appendix 3 for full breakdown) there is evidence that the sector has high levels of GVA per worker. The sector has good growth prospects as the demand for renewable energy and green energy increases as well as a very high degree of public policy support. There are potential cross-overs in the manufacturing elements of the sector to the existing strength in advanced manufacturing within PUSH as well as opportunities in renewable energies that relate to existing marine strengths. There is a pending bid for PUSH to be identified as a Low Carbon Economic Area which coupled with existing HE strengths could generate substantial growth opportunities linked to the energy efficiency agenda. However, at present the sector is not particularly specialised in PUSH compared with the South East.

4.3.6 Financial & Business Services

The financial & business services sector has seen high levels of growth in both employment and GVA terms over the last ten years. It is also an important sector as it represents approximately 20% of all employment in PUSH. However, a smaller proportion of the total PUSH employment is in this sector than the SE. Only Southampton, Fareham and Winchester show any degree of specialisation and these are relatively minor. GVA per worker in business services, in particular advanced business services, are above average GVA per worker for the whole economy. There are strong levels of business services employment in many of the Urban Borough and the Cities within PUSH and some high profile companies including IBM, Skandia and Zurich. However, the cities have failed to secure levels of growth in line with the M27 corridor urban boroughs and there is evidence of relocations of major office occupiers from within these sectors to the M27. Ensuring the cities can drive future financial & business services growth is an important challenge for PUSH.

4.3.7 Marine

The marine sector is of particular importance to PUSH has many activities are related either directly or indirectly to activities in this sector. However, there are challenges to defining the sector for statistical purposes given the range of activities in the South Hampshire area which serve marine related markets (including retail, tourism, financial and business services etc). There is a long term history of the marine sector in PUSH through the naval activities based around Portsmouth, the port activities of Southampton and the leisure marine reputation of the Solent area as a whole. The sector includes advanced manufacturing and design (including defence and leisure and a range of supply chain activities including composites), leisure marine (including manufacturing, marina operation and associated retail and leisure activities) and transport marine (including commercial and passenger ports, cruise ships etc). GVA per worker in this sector is high with a strong concentration of employment in comparison to the average across the SE, particularly in the two cities. There are significant marine related research activities undertaken at the Universities within the region which are of benefit to the

sector. The defence strength in the area provides opportunities for both the marine and aerospace industries; however, consultees have reported significant risks around this in the future as part of the Strategic Defence Review. The growth in global trade also provides great opportunities for Southampton Port. The Solent Waterfront Strategy¹² highlights the importance of the marine sector in its entirety to the sub-region and its role nationally and internationally as a key marine location.

4.3.8 Public Sector

The public sector is one of the largest employment sectors in PUSH, representing approximately 27% of all employment. There are several important types of public sector employment in PUSH, including defence related activities, the Office for National Statistics, the Universities as well as the local and city councils and activities in the health and education sector. In the short term the pressure on public sector budgets could have implications on employment levels in many of these sub-sectors, particularly defence. Given that a large proportion of total employment is in the public sector this presents an important threat to the PUSH economy. However, in the longer term there is significant growth potential in the health and care sector linked to the ageing population.

4.3.9 Retail

The retail sector in PUSH is important due to the number of workers that it employs. However, the GVA generated per worker is below the whole economy average. Employment in this sector is spread throughout the sub-region. Portsmouth punches significantly below its weight in retail terms when national rankings are considered and major city centre redevelopment has been delayed as a result of the recession. As the economy recovers this presents a major growth opportunity for the sector, along with further planned investment to Southampton which already has a substantial retail offering.

4.3.10 Tourism and Leisure

Much of the tourism and leisure sector within PUSH is focused around the maritime heritage of the area and the waterfront cities of Southampton and Portsmouth. The ports in these two cities have a significant role bringing in tourists via the cruise/ocean liner/ferry business and developing general marine leisure tourism. There are also nearby national parks at the South Downs and New Forest which are important tourist destinations. However, it is often commented that the area needs to capitalise on its 'gateway' role providing onward travel via ferry/cruise ports in Portsmouth and Southampton. Overall the tourism sector in PUSH is probably underutilised and there are potential opportunities in this sector for PUSH to strengthen its offer.

4.3.11 Transport, Storage and Logistics

This sector is important as it supports the efficient working of many other areas of the PUSH economy. The docks and port activities are important drivers for this sector and there is growth potential linked to the increasing globalisation of the economy and increasing trade

¹² Solent Waterfront Strategy, Adams Hendry Consulting Ltd, WS Atkins and Marina Projects Ltd, December 2007.

flows. The sector generates high levels of GVA per worker and has seen strong employment growth for PUSH overall when compared to the SE and GB.

In summary the following charts show the GVA per worker and employment specialisation in each of the specific sectors being considered.

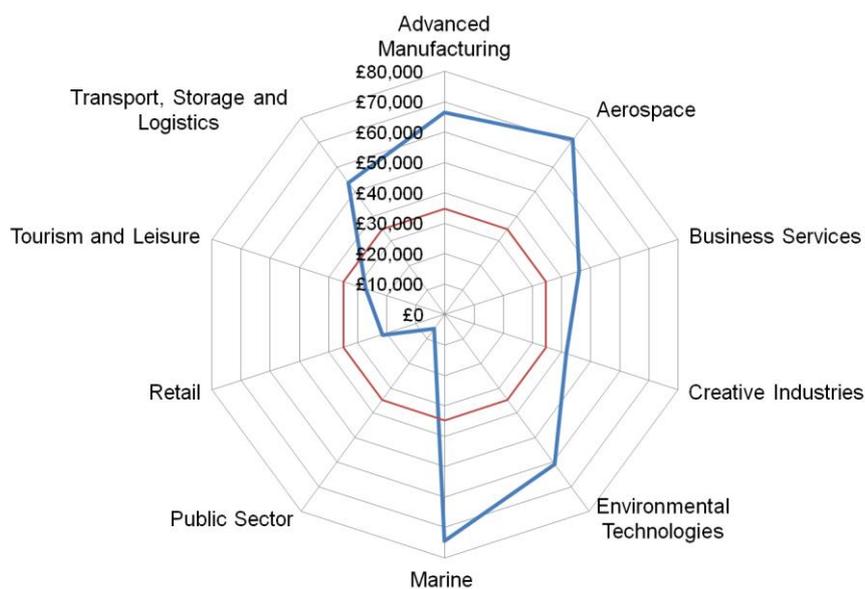
4.3.12 GVA per Worker

To calculate GVA per worker we have used data from the UK level, taken from the ABI 2007. Although more recent data is available for 2008 this is presented on a different sectoral breakdown than we have used to define sectors in this analysis. Therefore comparing these results would cause inconsistencies.

GVA per worker is highest in the marine and aerospace sectors both of which generate more the £70,000 of GVA per worker. The average GVA per worker for the whole economy is just under £35,000.

Some of the sectors, such as financial services and public administration, do not report GVA figures. In these cases they have been excluded from the calculations and GVA per worker estimations have been made on the remaining parts. If financial services sub-sector was included in the business services sector then it would be likely that the GVA per worker would be higher. The GVA per worker in other sectors are likely to be a good representation of their sectors given the definitions that we have used.

Figure 29: GVA per Worker by Sector Compared with the Whole Economy Average

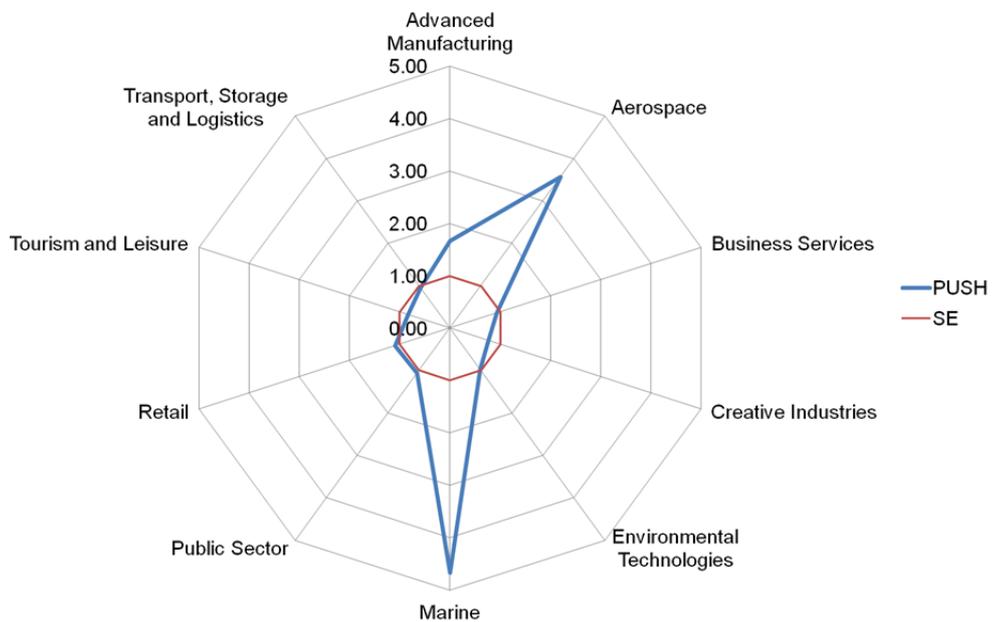


Source ABI 2007, data at a UK level.

4.3.13 Employment Specialisation

The chart below shows the relative specialisation in employment terms of the selected sectors. This very clearly demonstrates the strengths in aerospace and marine. A location quotient is calculated by dividing the proportion of total employment in a sector in the study area (PUSH) by the proportion of employment in that same sector in the benchmark area (SE). This then gives an indication of the relative concentrations of activity in the study area.

Figure 30: Location Quotients for Selected Sectors vs South East



Source ABI 2008

5. Business Base

In this section of the report we look at business creation, business failure rates and the stock of business in PUSH. This provides information on the business base of PUSH and an understanding of how entrepreneurial the area is.

5.1 Summary

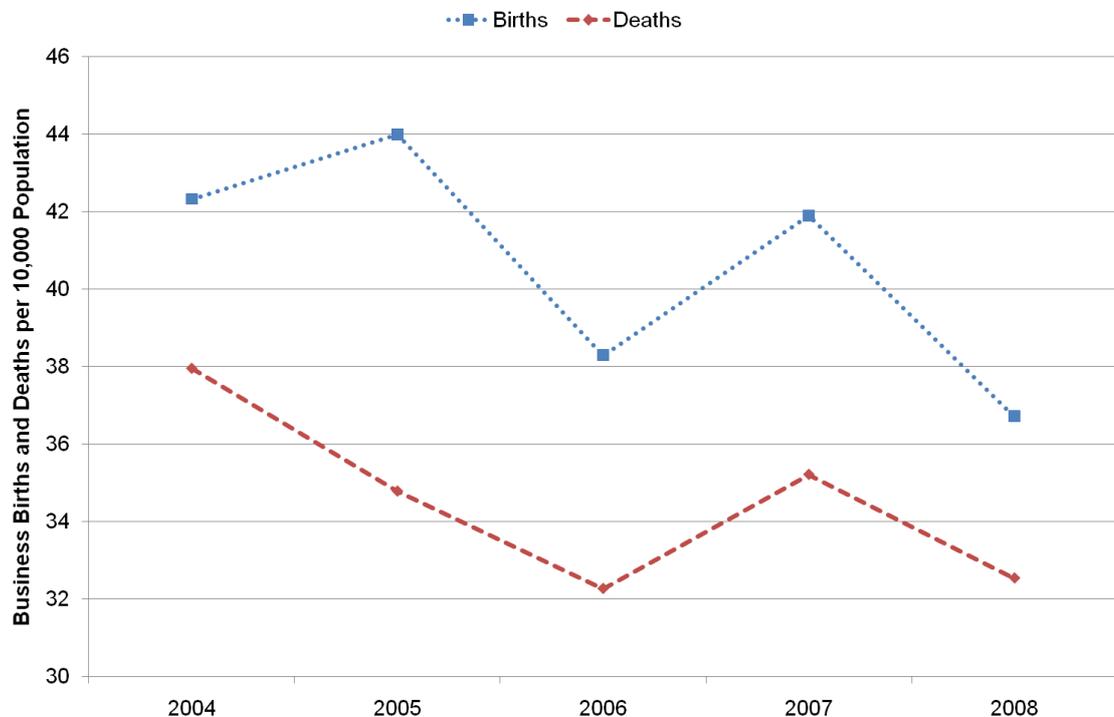
- The stock of enterprises in PUSH relative to the population is lower than all the benchmark areas, particularly Hampshire and the South East and no evidence of the gap closing.
- When considering other cities and highly urbanised areas this trend is not unusual, although there is still scope for improved performance in PUSH.
- The overall rate of business churn (births and deaths) is on a downward trend, however, the business base is increasing.
- ABI data on the business population indicates that the cities have experienced the slowest rate of growth in business population, a growth rate half that of the urban boroughs and rural fringe.
- The size structure of PUSH is broadly similar to that of the benchmark areas.
- The number of small businesses is growing much faster than large businesses in all parts of PUSH.
- However, large businesses, whilst accounting for less than 1% of the business population, are responsible for the employment of around one third of the workforce. This issue is even more acute in the cities.

5.2 Changes to the Business Base

The ONS produces 'Business Demography: Enterprise Births and Deaths' statistics as the primary source of data on business births, deaths and survival rates. This replaces the series 'Business start-ups and closures: VAT registrations and de-registrations' commonly known as VAT statistics. The main difference between the two measures is that the new ONS Business Demography series includes PAYE registered units. This means that the size threshold of business captured in the series is lower, therefore a more complete picture of the business start up activity is achieved. For this reason the number of businesses in the Business Demography series cannot be compared with the number of businesses in the VAT statistics series. Note that statistics for the Business Demography series are not available below Local Authority level, therefore in this section of the report we have used the six urban core LAs (Eastleigh, Fareham, Gosport, Havant, Portsmouth and Southampton) as the definition for PUSH.

In the PUSH area there has been a steady increase in the stock of businesses per 10,000 people. As Figure 31 shows the number of business births has fluctuated up and down but remains higher than the number of deaths. The number of business births peaked in 2005 with 44 births per 10,000 people, although it has since declined. The number of business deaths per 10,000 people has also declined over the period 2004 to 2008, with no signs of the impacts of the recession on the number of deaths in 2008. It is possible that the impact of the recession could be more clearly seen in the 2009 figures when they are released.

Figure 31: Business Births and Deaths per 10,000 Population, PUSH



Source: Business Demography, ONS, 2008

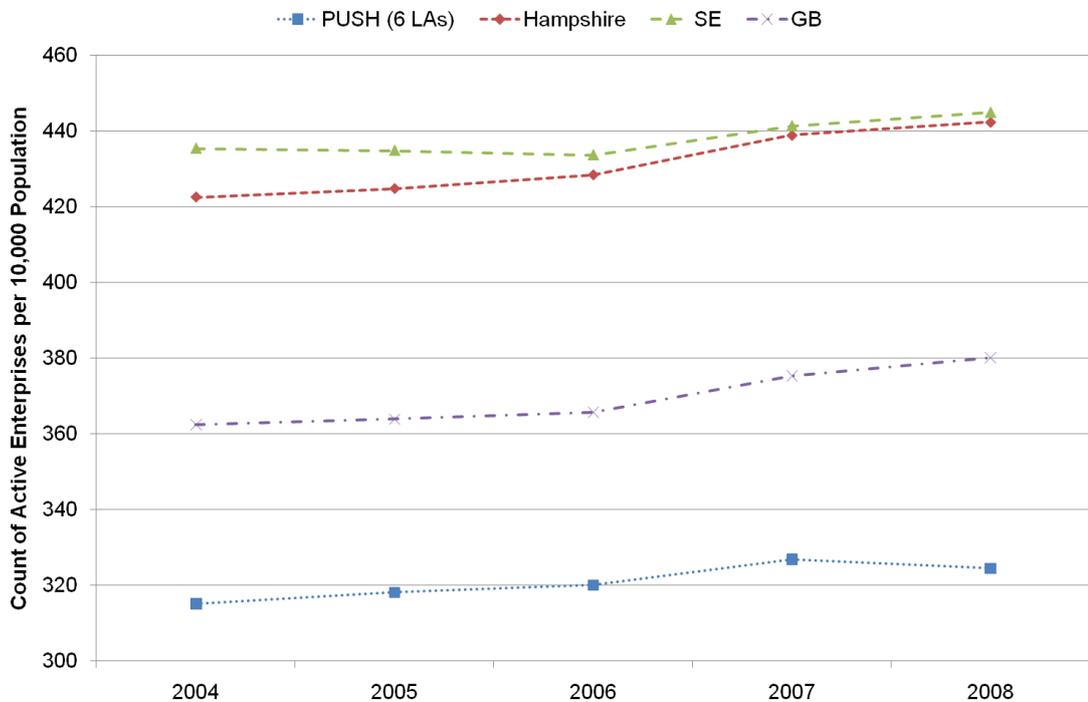
The relative stock of active¹³ businesses in the PUSH area has risen slightly since 2004, but it remains somewhat behind the performance of Hampshire and South East in particular. In fact the gap between the number of businesses per 10,000 people in PUSH and the SE remains at the same level in 2008 as in 2004, at 120 additional businesses in the SE. Given a PUSH population of approximately 860,000¹⁴ (for the 6 Urban Core LAs) this equates to an additional 10,300 businesses in PUSH to reach the same level of businesses per head as the SE.

Whilst the stock of businesses relative to population (324 per 10,000) is lower in PUSH than all benchmark areas this is not atypical for highly urbanised areas. The cities of Portsmouth (286) and Southampton (269) show even lower relative stocks. When comparing with other cities, all of the 'Core Cities' have business stocks above those in Southampton. Nottingham, Newcastle and Liverpool slightly below Portsmouth, Birmingham and Sheffield slightly above and Manchester, Leeds and Bristol, well above. The limitations of coastal location may partly affect these statistics, however, there is potentially an opportunity to increase levels of enterprise in line with some of these leading cities.

¹³ Note that the difference in the business birth and death rate does not necessarily equal the change in the number of active enterprises as it did with the VAT statistics. This is because the count of active businesses takes into account businesses that were active at any time during the year. Births and death counts also exclude the entry and exit from the business populations as a result of mergers, break-ups, split-offs and other restructuring. For more detail see the ONS Paper – Introducing the new Business Demography Statistics.¹³

¹⁴ Mid Year Population Estimates 2008

Figure 32: Count of Active Enterprises



Source: Business Demography, ONS, 2008

5.3 Business Size Structure

In this part of the report we focus on the number of businesses in PUSH, looking at how they breakdown by sizeband. The methodology used by the ABI counts businesses at separate locations as different data units, rather than counting them as part of a single larger business. The number of businesses as counted by the ABI is not directly comparable to the Business Demography count.

Figure 33 shows that the number of micro businesses (those with less than 10 employees) make up the vast majority of the business population. The overall size profile of businesses in PUSH is very similar to the profile of businesses across Hampshire, SE and GB, with a slightly smaller number of businesses in the micro (ie 1-10 employees) category than elsewhere.

Figure 33: Business Breakdown by Size, 2008

	1-10 employees	11-49 employees	50-199 employees	200 + employees	Total
PUSH Total	84.2%	12.2%	2.9%	0.7%	100%
Hampshire	86.4%	10.6%	2.4%	0.5%	100%
SE	86.6%	10.4%	2.5%	0.5%	100%
GB	85%	11.5%	2.8%	0.7%	100%

Source: ABI 2008

According to the ABI there are 39,100 businesses in PUSH in 2008. The largest proportion of these are in the PUSH Urban Boroughs, with approximately 17,000 businesses.

Figure 34: Number of Businesses by Sizeband, 2008

	1-10 employees	11-49 employees	50-199 employees	200 + employees	Total
PUSH Cities	11,700	2,000	500	100	14,400
PUSH Urban Borough	14,600	1,900	400	100	17,000
PUSH Rural Fringe	6,600	800	200	Less than 50	7,700
PUSH Total	32,900	4,800	1,100	300	39,100

Source: ABI 2008

Figure 35 shows the growth (or decline) of businesses by size category split by the internal areas of PUSH. It shows that the total businesses population in PUSH has grown by 27% between 1998 and 2008. The Cities have seen the smallest overall growth rate and is also the only area to see a decline in any of the size bandings. This data also shows the increasing importance of smaller business units with greater growth rates experienced among micro businesses in all parts of PUSH.

Figure 35: Change in Profile of Business by Size 1998-2008

	1-10 employees	11-49 employees	50-199 employees	200 + employees	Total
PUSH Cities	20%	-4%	2%	-8%	15%
PUSH Urban Borough	41%	12%	1%	12%	35%
PUSH Rural Fringe	34%	27%	17%	17%	32%
PUSH Total	31%	7%	4%	1%	27%

Source: ABI 2008

We have looked at the number of businesses in each sizeband, but it is also interesting to look at the number of employees that are reliant on the businesses in each size category. The table below shows that whilst the largest businesses make up less than 1% of the business stock, they account for around one third of all employment and are therefore critically important to the stability and sustainability of the PUSH economy. This is even more acute in the cities with almost 40% of employment in the largest firms but much less so in the rural fringe, a pattern that would be expected.

Figure 36: Number of Employees in Each Sizeband, 2008

	1-10 employees	11-49 employees	50-199 employees	200 + employees	Total
PUSH Cities	33,900	45,800	46,600	82,800	209,200
PUSH Urban Borough	38,200	43,200	40,600	50,300	172,200
PUSH Rural Fringe	16,800	17,900	17,000	10,300	62,000
PUSH Total	88,900	106,900	104,200	143,400	443,400

Source: ABI 2008

The shift in the number of employees by size category over the period 1998 to 2008 shows that the number of employees in the 1-10 employee category has grown by less than the number of businesses in that size category. For example figure 37 shows that the number of businesses in the Cities with 1-10 employees has grown by 20%, whilst the number of employees in the category has grown by 2%. This pattern also holds true for the Urban Boroughs and the Rural Fringe. This suggests that the growth in the number of workers employed in small businesses has not kept up with the growth in the number of small businesses itself and that the average size of businesses in this category has been decreasing.

Figure 37: Change in the Number of Employees by Sizeband 1998 – 2008

	1-10 employees	11-49 employees	50-199 employees	200 + employees	Total
PUSH Cities	2%	-4%	3%	-4%	-1%
PUSH Urban Borough	23%	-12%	6%	15%	13%
PUSH Rural Fringe	19%	27%	19%	17%	21%
PUSH Total	13%	7%	6%	3%	7%

Source: ABI 2008

We have seen that the number of businesses in the PUSH area has been increasing according to both the Business Demography and ABI measures. The ABI estimates that this growth has been more prominent in the Urban Borough and Rural Fringe areas than in the Cities area. Although the number of businesses has increased the overall count of active enterprises per 10,000 people is below the regional and national comparators.

6. Demographics and Deprivation

This section presents data on the population, demographic structure and deprivation across PUSH.

6.1 Summary

- Population growth in line with SE average and above GB average.
- Population is growing faster within the Cities than the urban boroughs or rural fringe.
- There has been substantial growth in the 20-24 and 60-64 age category. The growth in younger population is likely to relate to expansion of the universities and links to the higher levels of population growth experienced by the Cities. Among the older cohort it is likely to relate to the baby boomer generation moving through the population.
- Deprivation is concentrated in the two cities, however, there are still areas that experience deprivation in both the urban boroughs and rural fringe. Most notably in and round Gosport, Havant and to a lesser extent Eastleigh.
- In the cities, education & skills, crime are living environment are the domains that exhibit the greatest levels of deprivation.

6.2 Population

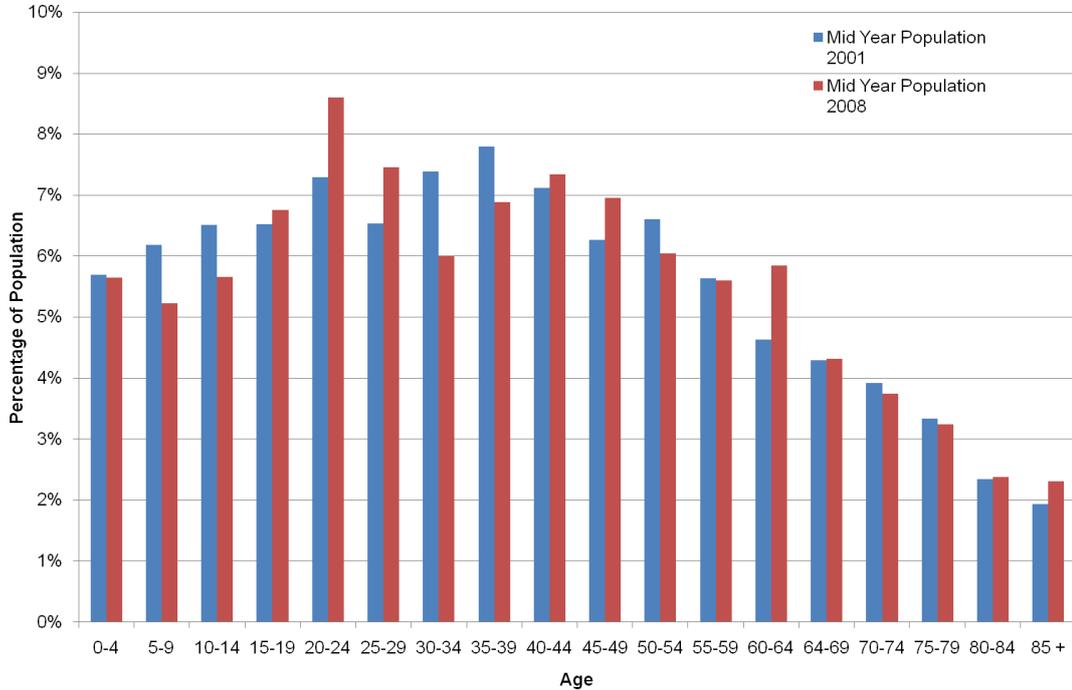
The total population of the PUSH area at the time of the last census (2001) was 989,600. This was estimated to only take into account the parts of the Rural Fringe which are within the boundaries of the PUSH definition. By 2008 the population of PUSH had grown to approximately 1,033,300, a total growth of 4.4%, based upon the 2008 Mid Year Population Estimates¹⁵. The population of the Cities has grown the fastest, an increase of 6.6% between 2001 and 2008. The Urban Boroughs and the Rural Fringe grew at 2.6% and 3.6% respectively. Overall population growth of 4.4% between 2001 and 2008 is equivalent to population growth in the SE which also grew at 4.4%, but faster than population growth across GB which grew by 3.8%.

Figure 38 shows the changes in the age structure of PUSH. There has been a considerable amount of population growth in the 20-24 age category and the 60-64 age category. The growth in the 20-24 age category is most likely to be related to student numbers given that the three major universities within PUSH have total student numbers of more than 60,000.¹⁶ Generally there has been a small movement in the population structure towards the older age groupings.

¹⁵ As the Mid Year Population estimates do not go below Local Authority level we assumed that the share of the 4 partially included Local Authorities (East Hampshire, New Forest, Test Valley and Winchester) within PUSH remained unchanged from the 2001 estimates. For example, if 18% of population within East Hampshire was in PUSH in 2001 then we have assumed that 10% of the 2008 Mid Year Population estimate were also in PUSH.

¹⁶ University of Southampton c. 24,000, University of Portsmouth c20,000 and Southampton Solent University c18,000

Figure 38: Profile of PUSH Age Structure



Source: 2001 Census, Mid Year Population Estimates 2008

6.3 Deprivation

We have looked at deprivation across the three areas; the Cities, the Urban Boroughs and the Rural Fringe based upon the Index of Multiple Deprivation (IMD) 2007. To do this we built up the geographic definitions for each of these areas based upon the Lower Layer Super Output Areas (LSOAs) such that they are consistent with definitions used elsewhere. On a few minor occasions the two definitions do not match exactly but this is the best fit given the information provided.

The IMD measures deprivation against a number of indicators. It is important to note that the indices measure deprivation and should not be used as a measure of affluence. For this reason we have focused on the LSOAs which fall in the within the worst 50% of all LSOAs in England.

Figure 39 shows that according to the overall deprivation index the Cities have a much higher level of deprivation than the Urban Core or Rural Fringe areas. For example 66% of LSOAs in the Cities area are in the worst 50% of LSOAs in England, meaning that the Cities area has above average levels of deprivation. The Urban Core has 28% of its LSOAs in the worst 50%, whilst the Rural Fringe has only 8%, meaning that overall deprivation in these areas is well below average levels across England.

Figure 39: Overall Deprivation

	Cities	Urban Boroughs	Rural Fringe
Worst 10%	8%	2%	0%
Between 10% - 20%	14%	6%	1%
Between 20% - 30%	10%	5%	1%
Between 30% - 40%	17%	7%	1%
Between 40% - 50%	17%	7%	5%
Total in worst 50%	66%	28%	8%
Remainder of LSOAs	34%	72%	92%

Source: Index of Multiple Deprivation, 2007

Looking at the LSOAs which fall amongst the 10% most deprived in England we can see that the pattern emerges with the Cities area being the greatest affected. This is particularly noticeable on the Education and Skills (18%), Crime (17%) and Living Environment (24%) indicators all of which score significantly above the expected average.

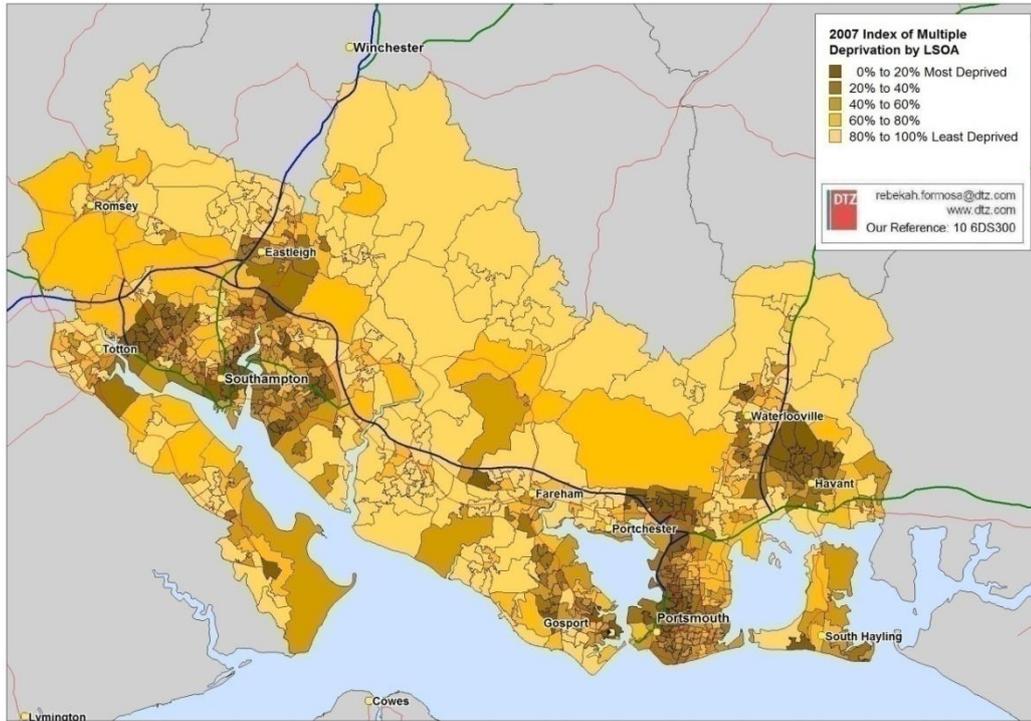
Figure 40: Percentage of LSOAs within the worst 10% LSOAs in England

	Cities	Urban Boroughs	Rural Fringe
Overall	8%	2%	0%
Income	7%	2%	1%
Employment	3%	1%	0%
Health Deprivation and Disability	5%	0%	0%
Education and Skills	18%	8%	2%
Barriers to Housing and Services	4%	5%	3%
Crime	17%	3%	0%
Living Environment	24%	4%	0%

Source: Index of Multiple Deprivation, 2007

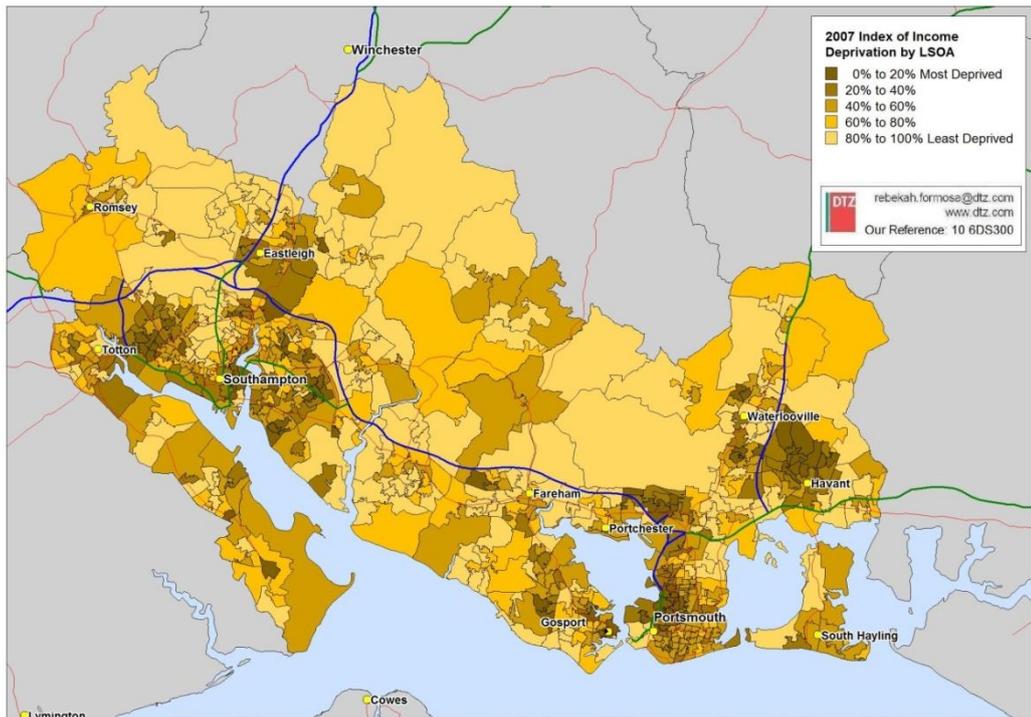
By mapping the overall index of deprivation across PUSH we can see that the most concentrated areas of deprivation are in and around Portsmouth and Southampton, with the darkest areas representing the most deprived areas. As well as the two cities there are also noticeable amounts of deprivation around Havant, Eastleigh and in Test Valley. Some areas of Gosport also have high levels of deprivation.

Figure 41: Overall Deprivation



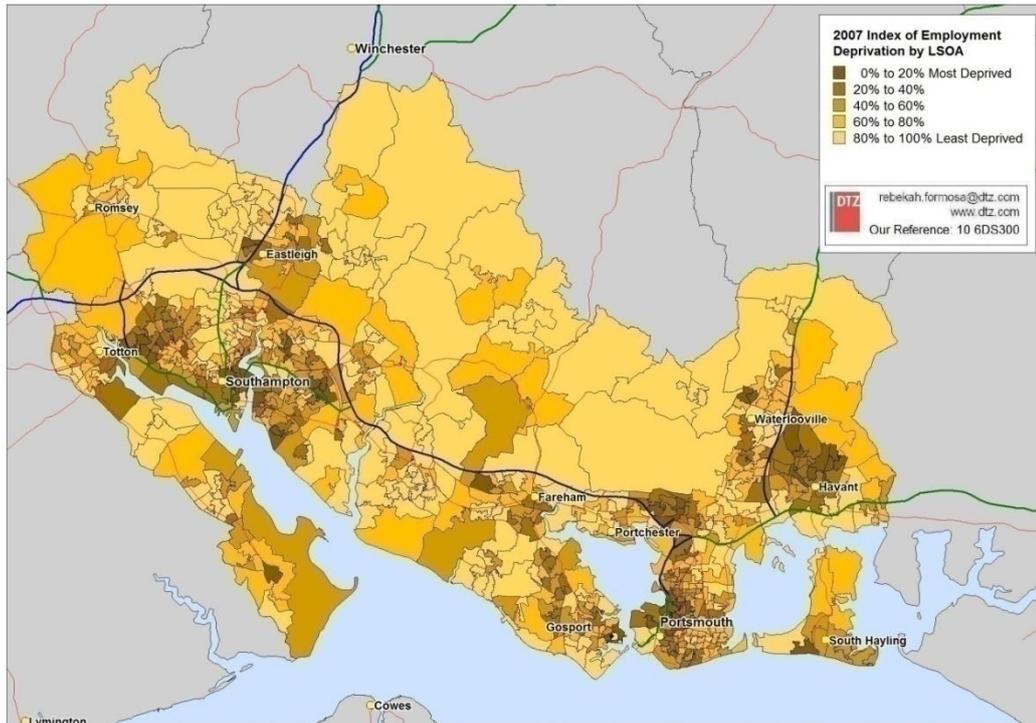
Income deprivation is most severe in Portsmouth, Southampton Havant and Test Valley. Income deprivation is lowest in the Rural Fringe.

Figure 42: Income Deprivation



Employment deprivation is most notable in Portsmouth, Havant and Southampton, with a few noticeable pockets in Eastleigh and Gosport.

Figure 43: Employment Deprivation



7. Baseline Projections

This section of the report sets out the results of the baseline projections for the PUSH economy developed by Oxford Economics. These are helpful to understand the implications of the recession on the future performance of the economy, rather than the backward looking analysis already presented. Inherent within the baseline modelling is an assumption that the public sector will undertake activity¹⁷ so they are not fully ‘policy off’ projections. However, they do not build in exceptional public sector activity which is substantially different to would be expected across the UK as a whole. Activity of this nature within the PUSH sub-region is a feature of the alternative trajectory set out in the following chapter and outlined within the Economic Development Strategy document.

The future projections contained within this section have been developed in the wake of a severe recession which has spanned much of the globe, not just the UK economy. New data has been emerging throughout the time period when these projections were developed. As far as is possible, the projections within this report take account of the latest releases of data including Oxford Economics’ Spring 2010 update to its forecasting models.

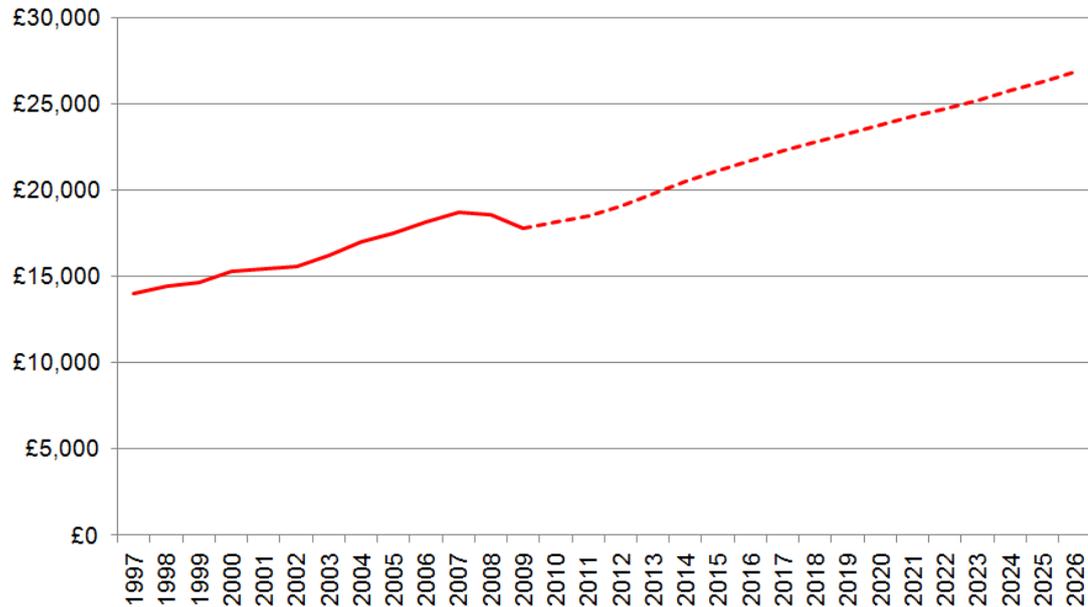
However, whilst the UK has emerged from recession there is still much uncertainty as to the exact patterns of future growth at a UK level, not least at a regional and sub-regional level. At any time, developing projections and forecasts is an imprecise science, and in reality, more of an art. At the current time the challenges are greater.

7.1 GVA

Gross Value Added (GVA) is a measure of economic output from an area. Figure 44 shows a time series of GVA for the PUSH economy. Evident on the chart is the dip in total GVA as a result of the recession (peak 2007) and a lengthy period before the economy is producing the same level of output as before the recession started (2012).

¹⁷ Cuts in public expenditure are factored in to the projections as far as is possible with current information.

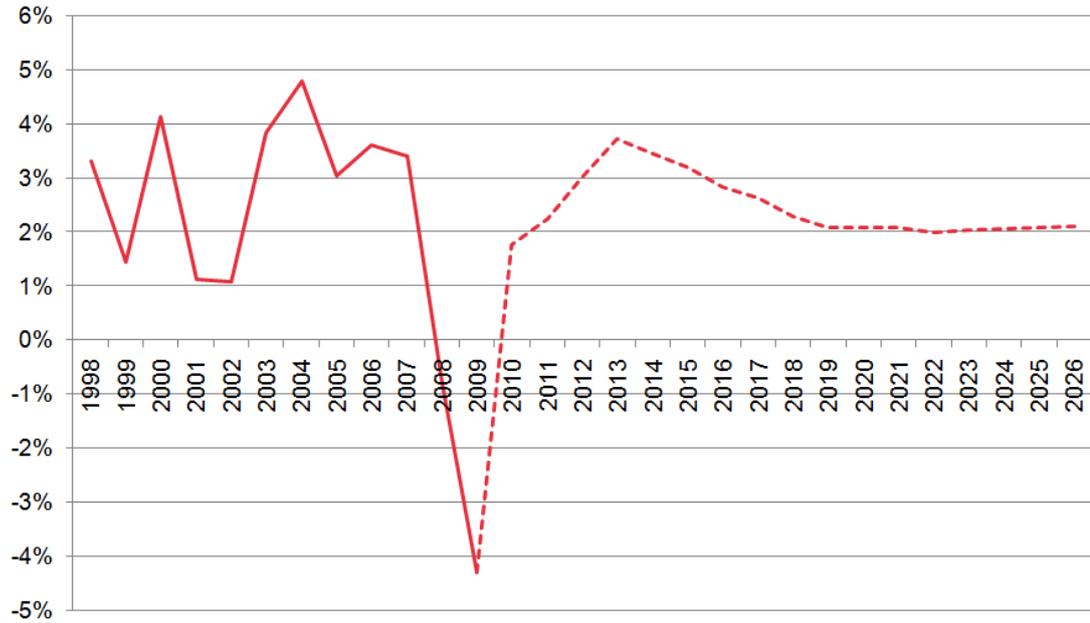
Figure 44: Total GVA in the PUSH Area (000's)



Source: Oxford Economics

However, it is not until we look at a chart of GVA growth rates that we can begin to see the full anticipated effects of the recession on the headline economic performance of the PUSH area. Figure 45 shows annual GVA growth rates. A number of issues are immediately evident from the chart. Firstly, growth rates are very volatile, particularly at sub-regional level. Therefore, whilst the forecasts appear relatively smooth, this is as a result of the modelling process and reflects long term average rates. In reality the rate will fluctuate more widely. Secondly, growth rates in the pre-recession period were high. 1998-2006 averaged 2.9% per annum. Thirdly, the short term effects of the recession are very clear with a very pronounced fall, with negative rates in 2008 and 2009. There is some growth projected in 2010, but well below pre-recession levels. Fourthly, rates of GVA growth from 2011-2016 are anticipated to be somewhat higher as slack in the economy is taken up. However, in the longer term, the trend rate of growth is projected to be around 2% per annum. This is a downward revision on previous estimates for the PUSH and UK economy and reflects the longer term adjustments anticipated within the econometric modelling process as a result of the recession. Over the period 2006-26 growth is projected at an average of 2% per annum well below the current PUSH target of 3.1%. Even excluding the recession period, the average annual GVA growth rate 2011-26 is projected at 2.5%, below PUSH target. This indicates that over the 2006-26 period there are some very large gaps between the current PUSH target and projected growth rates.

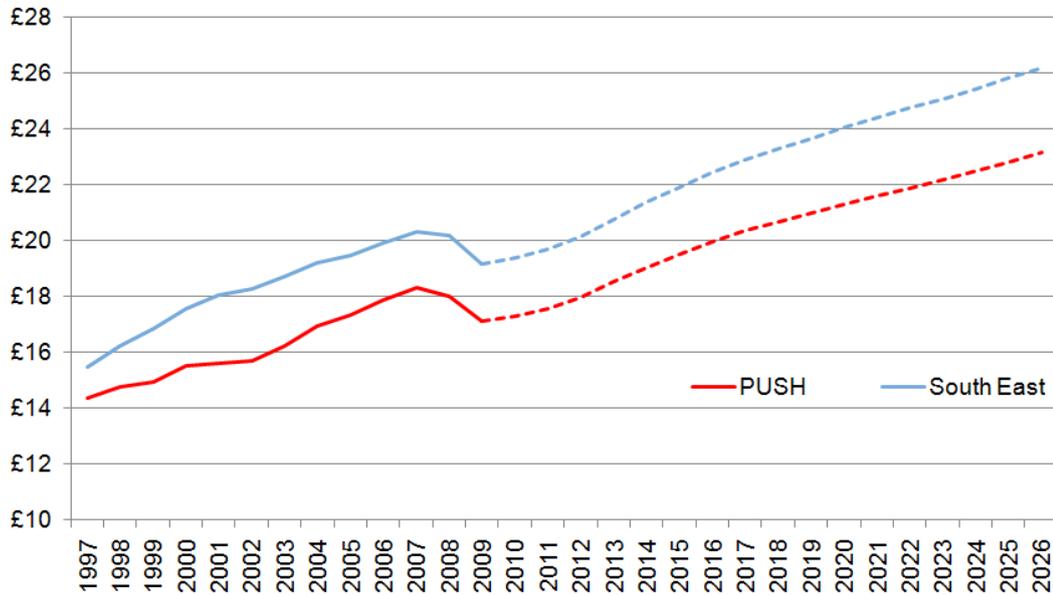
Figure 45: Annual GVA Growth Rate in the PUSH Area



Source: Oxford Economics

In response to the volatility in GVA growth rates, and the influence of external economic factors on PUSH GVA growth rates it was determined within the course of this research to move away from a focus on headline GVA growth rates towards a relative measure of performance which could take account of these external shocks. The decision was taken to consider GVA per capita as a better measure of performance, and to consider this relative to the South East region. Figure 46 shows currently a gap exists between the levels of GVA per capita in the PUSH area and the South East region. Whilst this gap has closed slightly through the first decade of this millennium the projections indicate that the gap will widen further without intervention.

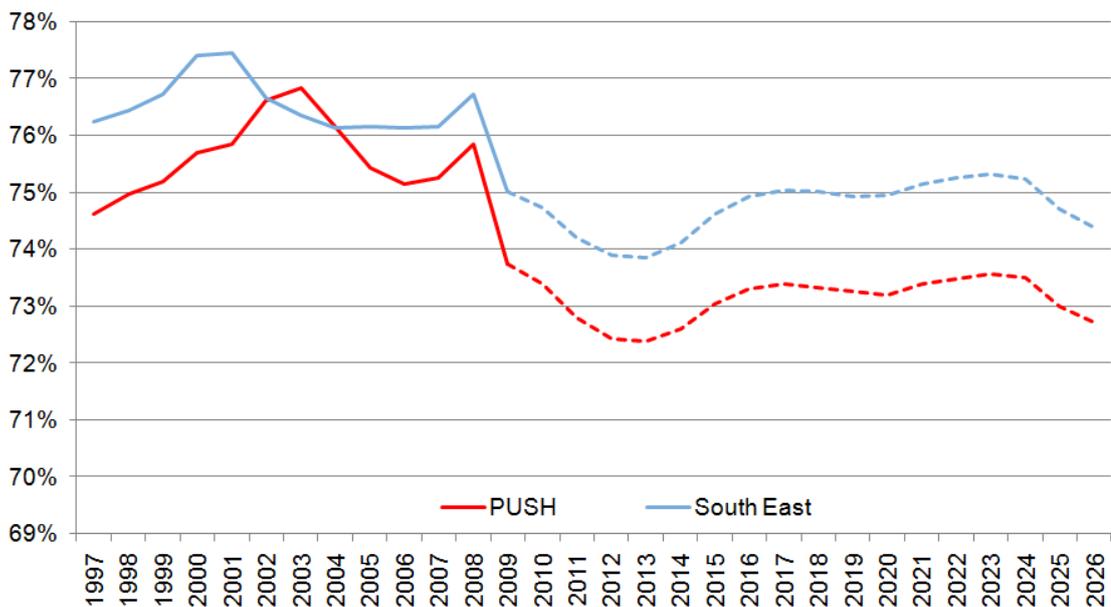
Figure 46: GVA per Capita for the PUSH Area Compared with South East (000's)



Source: Oxford Economics

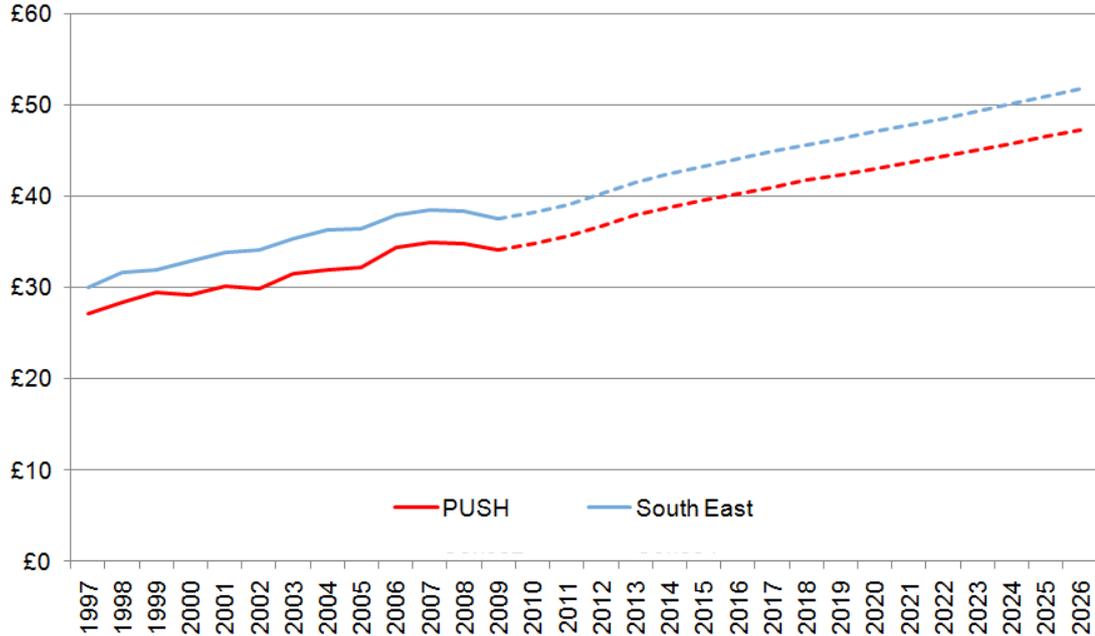
The Evidence Base report identifies that the poorer performance of the PUSH area relative to the South East is as a result of the twin issues of lower productivity and lower employment rates. The baseline projections indicate that these will continue into the future as shown in figures 47 and 48.

Figure 47: Resident Employment Rates for PUSH Area and South East



Source: Oxford Economics

Figure 48: Labour Productivity for PUSH Area and South East (000's)



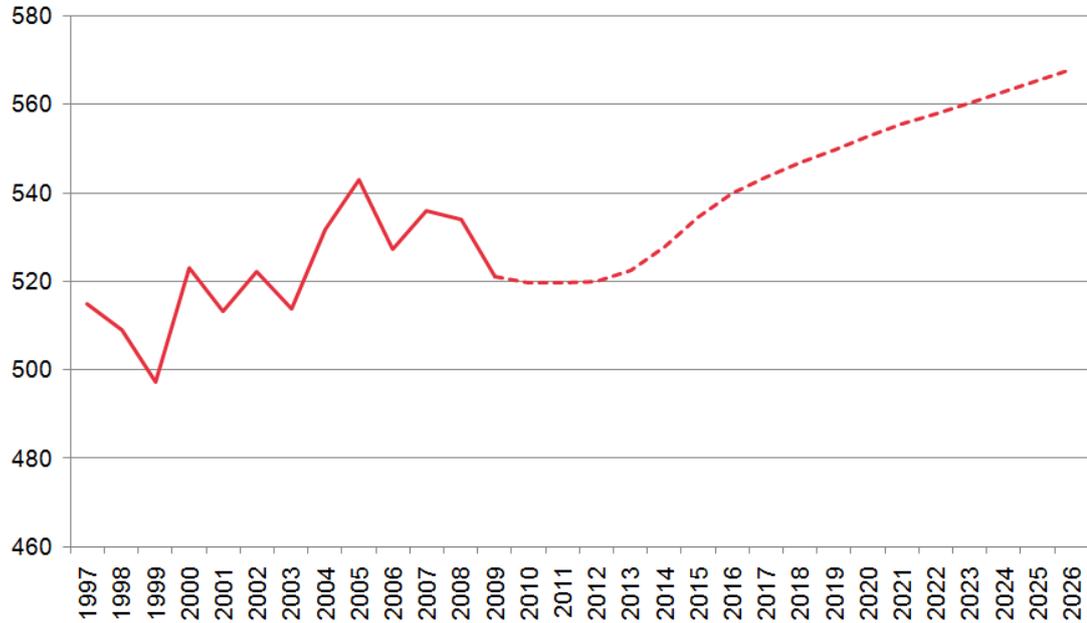
Source: Oxford Economics

In relative terms, therefore, PUSH will not close the gap with the South East under the baseline projections. In fact, the gap will widen against the key indicators of GVA per capita, productivity and employment rates.

7.2 Employment & Labour Market

Figure 49 charts the path of total employment. This again shows the impact of the recession although employment levels were already beginning to fall from 2005. The fall in employment as a result of the recession in the UK and PUSH has not been as sharp as many commentators anticipated at the outset. The pattern observed has been slightly different to previous recessions with employers retaining staff wherever possible and using more creative ways to reduce costs, such as short time working and pay cuts/freezes. However, whilst the fall in employment has not been as sharp, the retention of labour has created substantial capacity within the economy to absorb growth in demand without the need for additional recruitment. As such the period of recovery in GVA terms shown on earlier charts is not matched by employment. There is an extended period of level employment projected with the immediate pre recession level not reached until 2015. Employment is then projected to grow in the medium to long term. Over the period 2006-26 employment is projected to increase by around 41,000 jobs. Again, this is below the PUSH target level of 59,000 jobs.

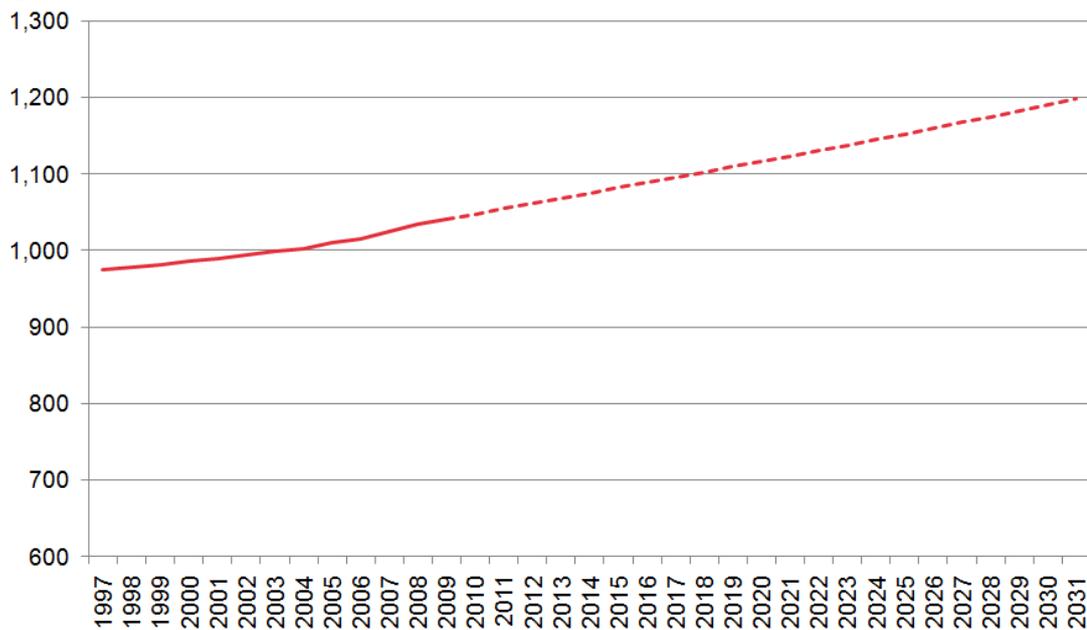
Figure 49: Total Employment in the PUSH Area (000's of employees)



Source: Oxford Economics

Yet the population is projected to continue to grow as a result of natural change (birth rates exceeding death rates) and migration flows into the sub-region. Figure 50 shows that over the period 2006-26 the population is projected to increase by around 145,000 persons. However, with the population continuing to grow and employment growth sluggish there are some challenges for the labour market.

Figure 50: Population Change in the PUSH Area ('000s of persons)

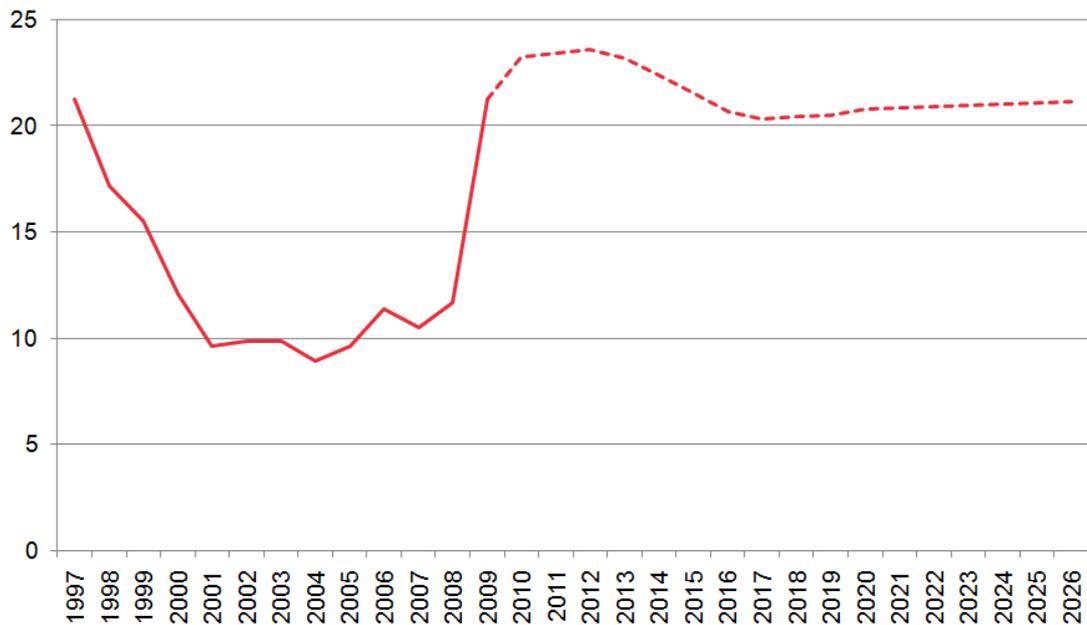


Source: Oxford Economics

Figure 51 shows the projected level of unemployment in the PUSH area. Again, the sharp rise associated with the recession is evident, and the shape of the curve mirrors the employment chart through the mid 2010s as employment growth is muted. There is some fall in the total level of unemployment to around 20,000 persons, but as a result of the combined population growth and slower employment growth unemployment settles at around the 20,000 persons mark, well above the levels experienced through the early and mid 2000's.

This also causes the lower employment rate as shown in figure 47, with the projections indicating lower proportions of the workforce in employment in the medium-longer term than has recently become the norm. Employment rates are also affected through the period as a result of rises in the female state pension age through the 2010's and for the whole population in the mid 2020's¹⁸.

Figure 51: Total Unemployment in the PUSH Area ('000s of persons)



Source: Oxford Economics

¹⁸ Since developing these projections it has been announced that the state pension age may rise earlier for men than included within the model. This would have the effect of reducing employment rates slightly as a result of increasing the total working age population.

8. Summary and Key Issues

GVA data (headline, per capita and per worker) have all shown signs of improvement in terms of closing the gap or halting the widening of the gap with the South East to some degree through the mid 2000's. However, there is some indication that the gaps are beginning to widen again. The baseline projections indicate that without intervention the GVA per capita gap with the South East will widen further.

In line with the previous evidence base, the performance gap continues to be created by both lower levels of employment and lower levels of productivity. This is in part driven by the structure of the economy, with higher levels of public sector employment, but also by the activities within sectors. This is evidenced by occupational and skills profiles which have lower concentrations of working age population in the highest order categories.

Nevertheless, there is some encouragement from the higher rate of growth of NVQ4+ qualifications in PUSH than the SE. However, there is more to be done to close the gap. Recent employment growth has reinforced PUSH's characterisation as an upper middle order economy, with growth in the Associate Professional and Technical occupations and strong performance on intermediate level skills.

Labour market participation continues to be below SE averages, although performance is good when compared against the UK. The area of significant concern is the cities, where participation is substantially lower than the urban boroughs and rural fringe. This is also evident in higher levels of deprivation. Encouragingly, levels of labour market participation in the cities are increasing.

Baseline projections show the productivity and employment gaps between South Hampshire and the SE widening further in the future.

The effects of recession can be seen in lower levels of GVA and higher unemployment. However, the full effects of the recession are yet to be seen in many official datasets. Anecdotal evidence suggests the PUSH area has weathered the recession storm relatively better than other areas. However, unemployment data does not support this conclusion, with rates tracking benchmark areas. Of more concern are the baseline projections which show higher levels of unemployment persisting into the long term.

Whilst unemployment has risen broadly in line with benchmark areas there is a specific risk in PUSH and other areas around youth unemployment. Young people typically make up around one third of claimant unemployed, and with the substantial rise in absolute levels of unemployment, a significant number (c6,000) 18-24 year olds are out of work. The key risk for PUSH is that without engaging this cohort in the workforce rapidly some may become disengaged for a longer period, or potentially forever. This will jeopardise the scale of the future workforce as well as risk adding a burden on public services and finances that would be best avoided.

The cities are under performing against a range of indicators, with employment declines as opposed to strong growth in the other sub areas (although this is in part created by a data anomaly). The anecdotal evidence of a drift of employment away from the cities to the M27 corridor is something that needs to be arrested. Comments from consultees reinforce the

need for regeneration and development of strong city centres that promote PUSH as a world class business location. Notwithstanding, the cities still deliver the greatest workplace based wages and host around half of the employment in PUSH.

Level of enterprise in PUSH persist below the benchmark areas, with business stocks relative to population almost 30% below Hampshire and South East averages. Whilst small and micro businesses predominate the total population of firms in PUSH, as with all benchmark areas, large firms are critically important to the economy, employing around one third of the sub-regional workforce.

PUSH has seen employment growth in service sectors in line with the general trend in the UK economy. However, it has not captured the scale of employment growth in the construction, education and health sectors experienced by benchmark areas. Stronger performance has been recorded in hotels and restaurants and transport and communications.

The manufacturing sector as a whole has experienced employment decline. However, PUSH has a very strong advanced manufacturing sector, particularly in relation to aerospace and marine industries which hold further opportunities for the future. The aerospace industry in South Hampshire is one of the most important in the UK and the marine cluster in the Solent is world renowned. PUSH has also seen solid growth in the environmental technologies sector which has the potential to become a strength in the future linking to the strengths in advanced manufacturing, aerospace and marine. Each of these sectors exhibits very high levels of GVA per worker and relates well to expertise within the sub-regions Higher Education Institutions. The presence of Southampton Port is a major driver of the transport and logistics sector which is recognised as a further potential growth area. However, there are ongoing skills needs in each of these sectors. PUSH has relatively weak concentrations of sectors showing the greatest employment growth, particularly financial and business services.



Appendix 1: PUSH Area Definition

A number of different geographical definitions have been used throughout this report. Wherever possible we have presented data for the three geographical areas in PUSH (Cities, Urban Boroughs and Rural Fringe) as well as a total for the whole PUSH area. These results have been compared with Hampshire County Council, SE and GB. Where relevant we have looked at the individual Unitary/Local authorities which make up the three parts of PUSH. If the data is not available below Unitary/Local authority level then we have defined PUSH as the six Unitary/Local authorities which are fully within the PUSH boundaries.

PUSH Cities Definition:

Portsmouth Unitary Authority
Southampton Unitary Authority

PUSH Urban Borough Definition:

Eastleigh Local Authority
Fareham Local Authority
Gosport Local Authority
Havant Local Authority

PUSH Rural Fringe Definition:

(As the Rural Fringe does not consist of complete Unitary or Local authorities we have defined the areas by Lower Layer Super Output Areas (LSOA))

East Hampshire

E01022588 : East Hampshire 013A
E01022589 : East Hampshire 013B
E01022590 : East Hampshire 013C
E01022607 : East Hampshire 013D
E01022608 : East Hampshire 013E
E01022606 : East Hampshire 014A
E01022611 : East Hampshire 014B
E01022613 : East Hampshire 014C
E01022614 : East Hampshire 014D
E01022609 : East Hampshire 015A
E01022610 : East Hampshire 015B
E01022612 : East Hampshire 015C
E01022628 : East Hampshire 015D
E01022629 : East Hampshire 015E

New Forest

E01023076 : New Forest 002A
E01023082 : New Forest 002B
E01023083 : New Forest 002C
E01023088 : New Forest 002D



E01023073 : New Forest 003A
E01023080 : New Forest 003B
E01023081 : New Forest 003C
E01023089 : New Forest 003D
E01023090 : New Forest 003E
E01023074 : New Forest 004A
E01023077 : New Forest 004B
E01023078 : New Forest 004C
E01023079 : New Forest 004D
E01023085 : New Forest 004E
E01023072 : New Forest 005A
E01023075 : New Forest 005B
E01023084 : New Forest 005C
E01023086 : New Forest 005D
E01023087 : New Forest 005E
E01023007 : New Forest 008A
E01023010 : New Forest 008B
E01023047 : New Forest 008C
E01023048 : New Forest 008D
E01023049 : New Forest 008E
E01023050 : New Forest 008F
E01023008 : New Forest 009A
E01023009 : New Forest 009B
E01023038 : New Forest 009C
E01023039 : New Forest 009D
E01023040 : New Forest 009E
E01023003 : New Forest 011A
E01023004 : New Forest 011B
E01023005 : New Forest 011C
E01023006 : New Forest 011D
E01023028 : New Forest 011E
E01023037 : New Forest 011F
E01023029 : New Forest 013A
E01023030 : New Forest 013B
E01023032 : New Forest 013C
E01023033 : New Forest 013D
E01023013 : New Forest 014A
E01023014 : New Forest 014B
E01023015 : New Forest 014C
E01023016 : New Forest 014D
E01023027 : New Forest 014E
E01023031 : New Forest 014F

Test Valley

E01023174 : Test Valley 010A
E01023175 : Test Valley 010B
E01023176 : Test Valley 010C
E01023207 : Test Valley 010D



E01023208 : Test Valley 010E
E01023209 : Test Valley 010F
E01023150 : Test Valley 011A
E01023151 : Test Valley 011B
E01023152 : Test Valley 011C
E01023206 : Test Valley 011D
E01023158 : Test Valley 012A
E01023191 : Test Valley 012B
E01023192 : Test Valley 012C
E01023193 : Test Valley 012D
E01023194 : Test Valley 012E
E01023200 : Test Valley 012F
E01023199 : Test Valley 013D
E01023170 : Test Valley 015A
E01023171 : Test Valley 015B
E01023172 : Test Valley 015C
E01023173 : Test Valley 015D
E01023210 : Test Valley 014A
E01023211 : Test Valley 014B
E01023212 : Test Valley 014C
E01023213 : Test Valley 014D
E01023214 : Test Valley 014E

Winchester

E01023275 : Winchester 011B
E01023276 : Winchester 011C
E01023277 : Winchester 011D
E01023220 : Winchester 012A
E01023221 : Winchester 012B
E01023222 : Winchester 012C
E01023223 : Winchester 012D
E01023272 : Winchester 012E
E01023273 : Winchester 012F
E01023245 : Winchester 013A
E01023271 : Winchester 013B
E01023283 : Winchester 013C
E01023284 : Winchester 013D
E01023285 : Winchester 013E
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E01023231 : Winchester 014B
E01023232 : Winchester 014C
E01023233 : Winchester 014D
E01023234 : Winchester 014E
E01023226 : Winchester 010A
E01023227 : Winchester 010B
E01023228 : Winchester 010C
E01023246 : Winchester 010E



Appendix 2: Sector Profiles

This appendix provides profiles of the selected sectors as summarised at section 4.3 of the main report. Profiles are presented in alphabetical order.

- Advanced Manufacturing
- Aerospace
- Construction
- Creative Industries
- Environmental Technologies
- Financial & Business Services (including advanced business services)
- Marine
- Public Sector (including, defence, education and health)
- Retail
- Tourism and Leisure
- Transport, Storage and Logistics

These profiles include in summary form:

- Sector definition
- Current position
- Key companies and assets
- Future prospects

Advanced Manufacturing

Definition

Defining the advanced manufacturing sector can be difficult as the sector does not match easily to Standard Industrial Classification (SIC) codes. This is largely because advanced manufacturing can occur in any of the core manufacturing sectors. Certainly the electronics and chemicals sectors are likely to contain a lot of advanced manufacturing but so might metals & engineering or transport equipment. As it is difficult to tell in each of these broad sectors how much activity is advanced and how much is less specialised, we have chosen the classes which we feel are most likely to include significant proportions of advanced manufacturing, but recognise that advanced manufacturing activity will occur outside of these sectors and equally, that some non advanced activities may well take place in the selected sectors. More details of the sector definition used are included in the Appendix 3. There is also some crossover between the advanced manufacturing sector and the aerospace and marine sectors, which are discussed in more detail in the relevant case studies.

Current Position

The manufacturing sector as a whole in PUSH employs some 45,000 people. On the basis of the definition used for this study currently there are 15,300 workers employed in advanced manufacturing in PUSH, representing approximately 3% of total employment. However, anecdotally it has been suggested that a greater proportion of the manufacturing activity in PUSH is advanced than is reflected by this analysis.

According to official data the advanced manufacturing sector like many other manufacturing sectors has seen a decrease in the number of people employed over recent years. It is impossible to unpick from the data whether this is a decline in lower value manufacturing employment or advanced manufacturing employment. There has been observed employment growth in both Winchester and Gosport and consultations indicated that there was ongoing expansion within advanced manufacturing firms in the sub-region. The sector remains an important sector in terms of GVA generation. The sector generates GVA per worker of £66,500, (UK level, ABI 2007) more than the average GVA per worker across the whole economy of £34,800. This represents a growth in GVA per worker in the advanced manufacturing sector of 53% since 1997. Over the same time period the whole economy GVA per worker has grown by 42%. Overall the sector exhibits growth in GVA whilst employment is in decline.

Figure A1: Employment in Advanced Manufacturing

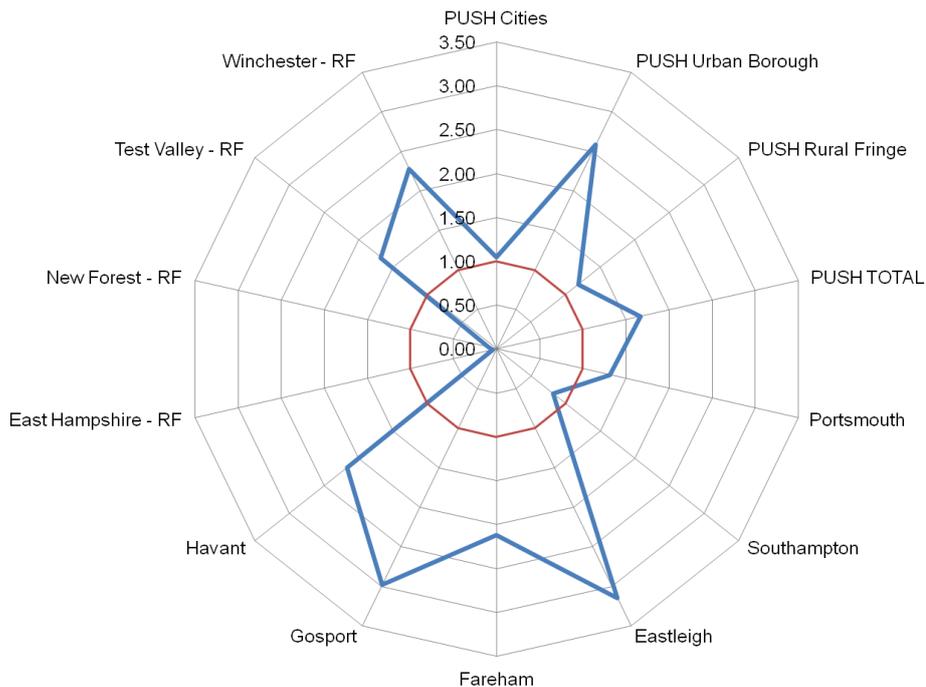
	1998	2008	Change 1998-2008	% Change 1998-2008
PUSH Cities	7,900	4,500	-3,400	-43%
PUSH Urban Boroughs	11,300	9,200	-2,100	-18%
PUSH Rural Fringe	1,300	1,500	200	15%
PUSH Total	20,600	15,300	-5,300	-26%
SE	111,900	77,300	-34,600	-31%
GB	710,500	485,000	-225,500	-32%

Source: DTZ and ABI 2008

There is some indication of an advanced manufacturing specialisation in PUSH, in particular in the Urban Borough areas. This is driven by strong specialities in all of the four constituent boroughs

(Eastleigh, Fareham, Gosport and Havant). Parts of the rural fringe, most notably in Winchester, also have a specialisation.

Figure A2: LQ Quotient vs SE



Source: DTZ and ABI 2008

Key Companies and Assets

Some of the key companies which operate in the Advanced Manufacturing sector in the PUSH area include:

- Exxon Mobile
- Chemring Group PLC
- GE Aviation Systems

This shows that there are internationally renowned companies located in the area. Qinetiq are another company which is located in the area and has an impact on the advanced manufacturing sector. Qinetiq conduct research testing on behalf of the Ministry of Defence and under the Maritime Strategic Facilities Agreement (MSCA) to provide strategic maritime facilities and capabilities, including the hydromechanic facilities at Haslar. This provides locally based research knowledge to businesses in both the advanced manufacturing and marine sectors.

There are advanced manufacturing related courses and research facilities at the University of Southampton and the University of Portsmouth which provide PUSH with strengths in this sector. Due to the areas long term relationship with marine and naval technologies there is an existing skills and knowledge base upon which the advanced manufacturing sector can be developed.



Skills issues are of particular importance to the advanced manufacturing sector due to the high level skills requirements that most businesses in this sector demand. The Science, Engineering and Manufacturing Technologies (SEMTA) sector skills agency has developed several action plans which are relevant to the advanced manufacturing sector. The action plan for the biosciences sector (ie pharmaceuticals) recognises that skills shortages are particularly acute for the sector and that fewer Universities are offering related subjects. The metals, electrical equipment and mechanical equipment action plan identifies that 20% of sites have hard to fill vacancies and that 70% of sites with skills gaps are technical engineering related.

The government has declared its support for the Advanced Manufacturing sector in the UK through the 2008 Manufacturing Strategy and the Department for Business Innovation and Skills' Advanced Manufacturing Strategy. Support has also been made available through the UK Innovation Investment Fund, which has made £150m of funding available which can be invested, along with private capital, in underlying technology funds to support the development of businesses in high value manufacturing.

Future Prospects

The advanced manufacturing sector is likely to continue to be important for the economy both nationally and sub-regionally as further pressure is placed on low value manufacturing from lower wage economies abroad. Therefore further emphasis will be placed on the development and support of advanced manufacturing.

One of the factors that will influence the success of advanced manufacturing in PUSH over the next few years will be ensuring that there are enough highly skilled workers, with skills relevant to the manufacturing sector. Providing the high quality infrastructure and a good location to do business will also be important. As PUSH has a strength of advanced manufacturing businesses related to the marine sector, there is a pressure to ensure that enough suitable sites are retained along the coastline, although it is recognised that not all advanced manufacturing companies would look for these types of sites.¹⁹ The advanced manufacturing sector is unlikely to employ large quantities of workers, although the quality of jobs will be high.

¹⁹ Solent Waterfront Strategy, Adams Henry Consulting Ltd

Aerospace

Definition

Our definition of the aerospace sector looks only at those jobs which are directly related to the manufacture of aircraft and spacecraft. Although this definition is already included in the advanced manufacturing sector definition, the aerospace sector is strategically important enough to the PUSH area that separate analysis is required. We are not looking at the aviation industry (ie airport related activity).

Current Position

The aerospace sector is one of the UK's highest value adding manufacturing sectors. It provides the UK with one of the largest exporting industries, with exports accounting for 69% of the sectors' sales in 2008.²⁰ In addition to employment supported directly by the aerospace sector there are strong supply chain links throughout the UK with many further jobs supported. The South East is one of the most important regions for Aerospace activity in the UK and within the SE region South Hampshire is one of two critical sub-regions, with the second centred on Farnborough.

Currently, there are 4,700 people employed in the Aerospace sector in PUSH. This represents approximately 1% of total employment. The GVA generated per employee in the Aerospace sector is £71,200, significantly above the average GVA per employee across the whole economy of £34,800. GVA per worker has increased by 34% over the period 1998 to 2007, increasing from £53,200 to £71,200. This highlights the important role that the aerospace sector could play in helping PUSH to achieve their economic growth targets.

Employment in the aerospace sector in PUSH has increased by 700 workers over the period 1998-2008. This represents strong employment growth in PUSH at a time when aerospace employment overall across GB has decline by around 3%. The majority of aerospace employment in PUSH is located in the Urban Boroughs with Fareham, Gosport and Eastleigh each employing between 800 and 1,200 workers.

Figure A3: Employment in Aerospace

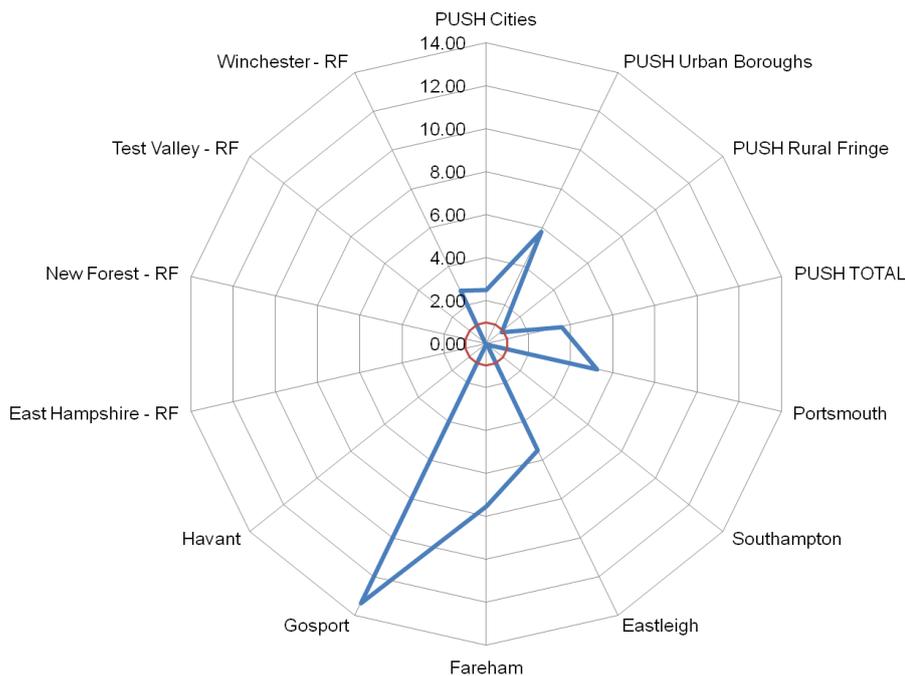
	1998	2008	Change 1998-2008	% Change 1998-2008
PUSH Cities	1,300	1,600	300	20%
PUSH Urban Boroughs	2,700	3,000	300	10%
PUSH Rural Fringe	-	200	200	3,900%
PUSH Total	4,000	4,700	700	17%
SE	13,300	11,100	-2,300	-17%
GB	104,900	102,000	-2,900	-3%

Source: DTZ and ABI 2008

²⁰ UK Trade and Investment website, Sectors Aerospace (Civil) Available at: https://www.uktradeinvest.gov.uk/ukti/appmanager/ukti/sectors?_nfls=false&_nfpb=true&_pageLabel=SectorType1&_aviqationPageld=/aerospace (Accessed 14.2.2010)

The location quotient diagram shows that Gosport has a very strong concentration of aerospace employment when compared to the SE. Fareham, Eastleigh and Portsmouth also has above average levels of employment concentrated in the aerospace sector.

Figure A4: Location Quotient vs SE



Source: DTZ and ABI 2008

Key Companies and Assets

Some of the key companies in the PUSH region who operate in the Aerospace sector include:

- Qinetiq - (design and manufacture of avionics, aerodynamic testing, simulation and training)
- Meggitt Avonics - (design and manufacture of flight deck avionics)
- GE
- EADS Astrium
- Vector Aerospace

Many of these, and others, are undertaking world leading activity. In particular, the EADS Astrium site in Portsmouth has a NASA designation which is site specific and will help to root the company in the sub-region.

The presence of the University of Southampton in the PUSH area provides some localised research capability which is of relevance to the aerospace sector. For example, the Aerodynamics and Flight Mechanics research group conducts research into fluid dynamics, aerodynamics and flight mechanics. The group maintains close connections to the aerospace industry and has achieved Defence and Aerospace Research Partnership (DARP) status in Rotorcraft Aeromechanics and Modelling of Simulation of Turbulence and Transition for Aerospace.



Future Prospects

Nationally the UK has a strong position with the Aerospace industry being second only to the US in size. There are significant growth opportunities in this sector as large export markets are developing such as China, India and Russia. An aerospace related subsector which has good growth prospects is that of Maintenance, Repair and Overhaul (MRO) as work is outsourced by airline operators. UK companies have a 17% share of the world MRO market, a larger share than the UK's share of the overall aerospace industry.²¹

According to the Science, Engineering and Manufacturing Technologies (SEMTE) sector skills council, there are several key issues in skill requirements across the UK at the moment. They are:

- Expanding the number of apprenticeships
- Retraining and Upskilling the existing workforce through programs such as Train to Gain
- Attracting the next generation of scientists and engineers through the apprenticeships program and the 'Engineers Make It Happen' campaign to encourage more students into Higher Education

Further to this, the SEMTE Action Plan for England in the Electronics, Automotive and Aerospace Industries, suggest that the provision of demand led training is a key issue. Due to staff turnover and forecast lower numbers of workers coming into the sector, there is a need to focus development on those already in the sector, through upskilling and progression to higher levels of skills, particularly at Level 4.²² To remain competitive in the future PUSH will need to encourage the retraining and development of its current workforce. It will also need to tackle issues of an aging workforce by ensuring an ongoing supply of new entrants to the sector.

There is potential for South Hampshire to further develop its role as a critical sub-region of the aerospace industry given the world class nature of some of its assets and key companies. Maximising links with the other key sub-regional centre focused in and around Farnborough would help to strengthen South Hampshire's overall position in the Aerospace sector.

²¹ UK Trade and Investment website: UK Aerospace Capability

<https://www.uktradeinvest.gov.uk/ukti/fileDownload/UKAerospaceCapabilityBrochure.pdf?cid=410111>

²² Action Plan For England, Automotive, Electronics and Aerospace sectors, SEMTE

Construction

Definition

The construction sector is easily defined by SIC codes.

Current Position

According to official sources there are an estimated 19,900 workers employed in the construction sector in PUSH. This represents approximately 4% of total employment. It is likely that the actual scale of employment in the construction sector will be higher as there will be many self employed workers who are not counted in the ABI estimates we have used.

Employment in the construction sector in PUSH has increased by 15% over the last ten years, growing by 160,800 jobs. This growth has been driven by employment increases in the Rural Fringe with the Cities and the Urban Boroughs actually seeing a decline in overall employment. As a result of this decline in the Cities and Urban Boroughs the overall construction employment growth in PUSH has been slower than employment growth in the SE and GB.

GVA per worker in the construction sector has grown by £25,000, over the period 1998 to 2007, increasing from £27,100 to £52,200. This represents GVA growth of 92% over this period. GVA per worker in the sector is higher than the whole economy average GVA per worker of £34,800.

Overall employment in the construction sector is related to the overall health of the economy, in times of economic prosperity construction employment will increase significantly as investment is made in regeneration and new builds. Equally in a recession construction based employment is likely to be one of the first sectors impacted. This can be seen to some extent at the GB level as construction employment in 2008 is approximately 20,000 jobs fewer than in 2007. However, employment in the construction sector in both the Cities and the Urban Boroughs had peaked during 2005 and has steadily declined since then, suggesting employment declines are not completely as a result of the recession.

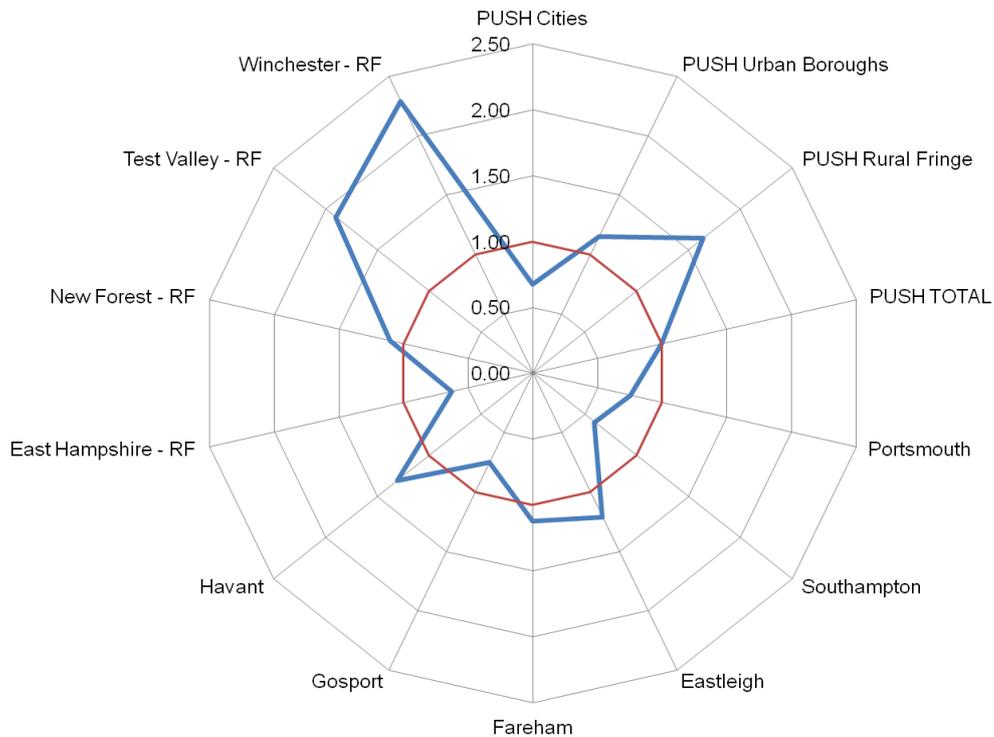
Figure A5: Employment in Construction

	1998	2008	Change 1998-2008	% Change 1998-2008
PUSH Cities	6,900	6,400	-600	-8%
PUSH Urban Boroughs	9,900	9,000	-900	-9%
PUSH Rural Fringe	2,600	4,600	2,000	77%
PUSH Total	19,400	19,900	500	3%
SE	144,400	169,600	25,200	17%
GB	1,108,000	1,268,800	160,800	15%

Source: DTZ and ABI 2008

The strongest concentration of construction employment is based in the Rural Fringe areas, in particular Winchester and Test Valley. Construction employment in the Urban Boroughs overall is higher than the average across the SE whilst construction employment in the cities is of a below average concentration.

Figure A6: Location Quotient vs SE



Source: DTZ and ABI 2008

Key Assets

The University of Portsmouth runs a postgraduate MSc Construction Project Management course which covers issues around the complex project management responses to social, economic, environmental and resource issues. The University of Portsmouth also runs undergraduate courses aimed at engineering students who wish to progress a career into civil engineering. The University of Southampton also runs several courses which cover civil engineering. Alongside the research and training undertaken by the Universities there are a plethora of practical and workplace training courses at local colleges throughout PUSH designed to give students a practical first step into the construction industry.

Future Prospects

The overall health of the construction sector is often related to the health of the economy. As investment begins to return to the commercial property market the demand for construction services will begin to recover. There may be some opportunities for businesses that provide services which make buildings more energy efficient as tougher rules are introduced requiring buildings and their occupiers to be more efficient.

The confidence of individuals in the strength of the housing market and the underlying economy will influence the extent to which residential markets use the construction industry. For example a home owner feeling unsure about their job or the wider economy may choose to postpone or cancel work improving their home, whereas in a time of rising house prices owners are more likely to spend on construction work if they feel that this will be reflected in the long term value of their property. The



likely restrictions on the public purse could have the effect of limiting the amount of large construction projects undertaken across the UK as central and local government focus on the critical expenditure only.

The scale of ambition within the PUSH EDS will have a direct influence on the construction sector and the demand it experiences in the future.

Creative Industries

Definition

The Department for Culture, Media and Sport (DCMS) defines the creative industries as ‘those industries which have their origin in individual creativity, skill and talent which have a potential for job and wealth creation through the generation and exploitation of intellectual property’. We have predominately based our definition of the creative industries sector on the DCMS definition used in the Creative Industries Mapping Document 2001.²³

However, the DCMS definition is not without problems. The difficulty with accurately measuring the creative industries sector is that the ABI only counts businesses registered for VAT. This excludes many small businesses and does not include the self employed, both of which have a strong representation in the creative industries sector. Also employment in the ABI is measured by the primary occupation of the business, so a graphic designer within a manufacturing company would be classified outside of the creative industries. This in itself demonstrates the importance of creative industry skills to support the economy more widely.

Current Position

According to the DCMS the creative industries sector in the UK had an average annual GVA growth rate of 4% between 1997 and 2006, compared to an average of 3% growth per annum for the whole economy.²⁴ Creative Industries employment grew by 2% per annum nationally faster than the whole economy growth rate of 1% over the period 1997-2007.

Employment in the creative industries sector in PUSH has more than doubled over the period 1998 to 2008, growing from 15,200 jobs to 32,200 jobs, an increase of 112%. There has been strong employment growth in all of the PUSH areas, with an additional 7,000 jobs in the Urban Boroughs being the largest increase. The overall level of creative industries employment growth in PUSH has been only a fraction slower than in the SE but has been significantly faster than employment growth across GB. GVA per worker in the creative industries sector has grown by £12,400, over the period 1998 to 2007, increasing from £29,300 to £41,700. GVA per worker in the sector is higher than the whole economy average GVA per worker of £34,800.

Figure A7: Employment in Creative Industries

	1998	2008	Change 1998-2008	% Change 1998-2008
PUSH Cities	7,800	14,600	6,900	88%
PUSH Urban Boroughs	4,600	11,600	7,000	152%
PUSH Rural Fringe	2,800	5,900	3,100	111%
PUSH Total	15,200	32,200	17,000	112%
SE	164,900	355,200	190,400	115%
GB	1,242,000	2,033,000	791,000	64%

Source: DTZ and ABI 2008

²³ Creative Industries Mapping Document, DCMS, 2001

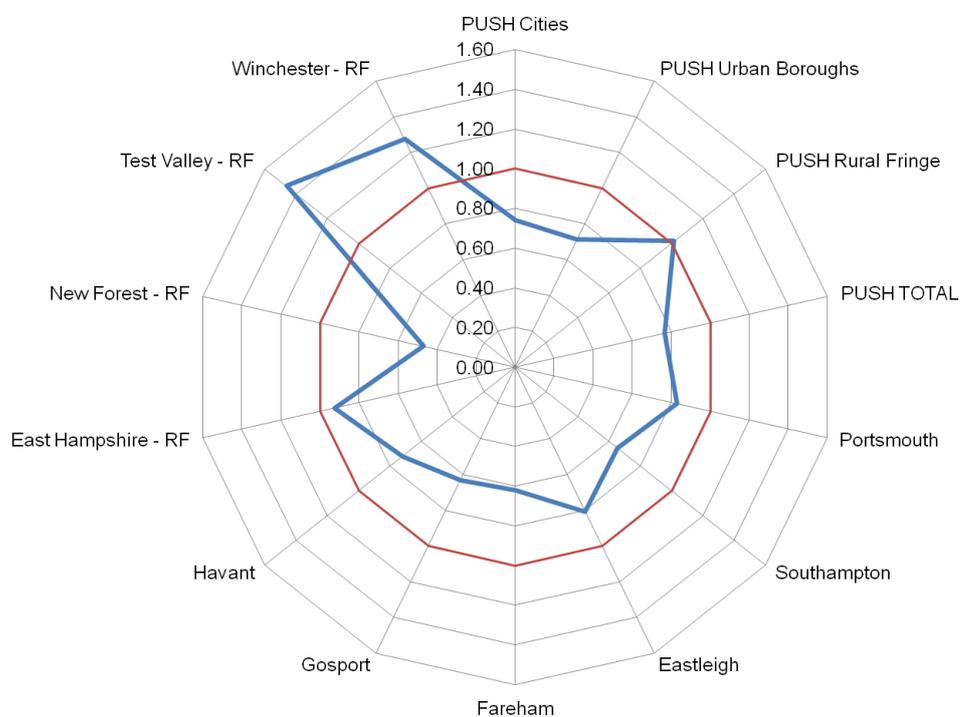
http://www.culture.gov.uk/reference_library/publications/4632.aspx, Accessed 26.2.10

²⁴ Creative Industries Economic Estimates Statistical Bulletin, Jan 2009

http://www.culture.gov.uk/images/research/Creative_Industries_Economic_Estimates_Jan_09.pdf, Accessed 26.2.10

The creative industries are not particularly specialised within PUSH. This aligns with responses to consultations undertaken to inform this study, which suggested the sector was relatively small scale and lacking critical mass. Notwithstanding, there was a desire to see it grow and develop, recognising the opportunities it could bring. The strongest concentration of creative industries employment is in the rural fringe, in particular the boroughs of Test Valley and Winchester. This is driven by relatively high levels of employment in architectural and engineering related activities.

Figure A8: Location Quotient vs SE



Source: DTZ and ABI 2008

Key Companies and Assets

At a local level, a study by TBR²⁵ identified the key strengths of the creative industries sector in PUSH to be in the following sub-sectors:

- Manufacture of television and radio receivers, sound or video recording or reproducing
- Manufacture of optical instruments and photographic equipment
- Entertainment activities

The majority of firms in the creative industries are very small. Important companies and organisations in the creative industries include:

- The Point
- A Space

²⁵ Businesses in Growth Sectors in South Hampshire, TBR, Mar 2008



A Space are an arts organisation who are based in Southampton who provide support for emerging artists and aims to support the long term development of their careers within the arts.

The four Universities in South Hampshire (including Winchester although it is outside of the PUSH boundary) have approximately 7,000 graduates every year from creative industry disciplines.²⁶ The University of Portsmouth was a key partner in establishing the Creative Industries Business Advice and Services (CIBAS) which assists local artists and creative businesses with one-to-one advice. The service works in partnership with many local, regional and national organisations such as the Arts Council, PUSH, Local Authorities and the Regional Development Agencies.

Future Prospects

The creative industries sector presents some opportunities for PUSH as the economy begins to recover post recession. Much of the creative industries sector has relatively low start up costs and low barriers to entry, with modern technology meaning that many people can start businesses from home or in cheap shared office space.

A study commissioned by local authorities and Arts Council England²⁷ found that the developing the creative economy in the Hampshire and Isle of Wight area would require a stronger infrastructure of specialist advice and support for businesses. This could look to develop closer links with other economic development areas such as tourism (exploiting the natural links between hospitality services and arts and cultural assets) or by providing value adding services for 'traditional' industries.

²⁶ Supporting Creative Industries and New Artists in Southampton and the Wider Push Sub Region - A Position Paper for The Arts Organisation Aspace, Mike Smith, April 2009

²⁷ Creative Returns, The Economic and Social Impact of Cultural Investments in Hampshire and the Isle of Wight, Local Authorities, Arts Council England, Jan 2008



Environmental Technologies

Definition

It is extremely difficult to define the environmental technologies sector and therefore there is no one consistent definition across studies and research groups. Many of the activities that form part of the environmental technologies sector are already sub-sectors in other parts of the industrial structure. Environmental technologies related activities and research might be part of the business services sector or advanced manufacturing. For example the manufacturing of wind turbines is an environmental technology related activity but it is also part of the advanced manufacturing sector. However a large part of these sectors will not be related to environmental technologies. Therefore we have focused on a narrower definition of the environmental technologies sector, predominately on activities relating to recycling and treatment of waste products and research and development activities relating to natural sciences and engineering. This makes the sector easier to define and avoid too much duplication with other sectors. Further details on the exact codes used to define this sector are available in Appendix 3.

Current Position

One of the key drivers of the environmental technologies sector recently has been the carbon emission reduction policies adopted by governments worldwide. The UK government has committed to reducing carbon emissions by 60% by 2050 (when compared to the 1990 levels). In order to meet this target there will need to be significant changes in the way that resources are consumed throughout the UK. One such way which has already been adopted is the more energy efficient use of existing resources, such as the recycling of waste products and the intelligent design of property to minimise energy requirements. These are areas which are likely to have a strong influence on employment in the environmental technologies sector. PUSH has already submitted a bid to be recognised as a Low Carbon Economic Area, which if successful would create a significant driver linked to the energy efficiency agenda.

Based our definition there are 16,700 workers employed in the environmental technologies sector. This represents about 4% of the total number of workers employed in the PUSH area.

Employment in the environmental technologies sector has increased by 56% between 1998 and 2008. During this time the number of workers employed in the sector has increased from 10,700 to 16,700, an increase of 6,000. The employment growth has been fairly evenly spread between the Cities, the Urban Boroughs and the Rural Fringe. Employment growth in the environmental technologies sector in PUSH has been strong when compared with growth levels in the SE and GB. Architectural and engineering activities make up approximately 40% of the environmental technologies employment in PUSH. The sub sectors which have seen the strongest employment growth over the period 1998 to 2008 include the recycling of non metal waste and scrap (800%) and metal waste and scrap (310%), albeit from a very low base, so the absolute increases in employment are fairly minimal. Transport activities (530%) and research and development related to natural sciences and engineering (222%) have also seen strong employment growth but from a stronger employment base in 1998.

GVA per worker in this sector is approximately £61,400, 75% higher than the average GVA per worker for the whole economy.²⁸ Over the period 1998-2007 GVA per worker in this sector grew by approximately 50%, during the same period GVA per worker for the whole economy grew by 42%.

²⁸ ABI 2007, Using UK level figures

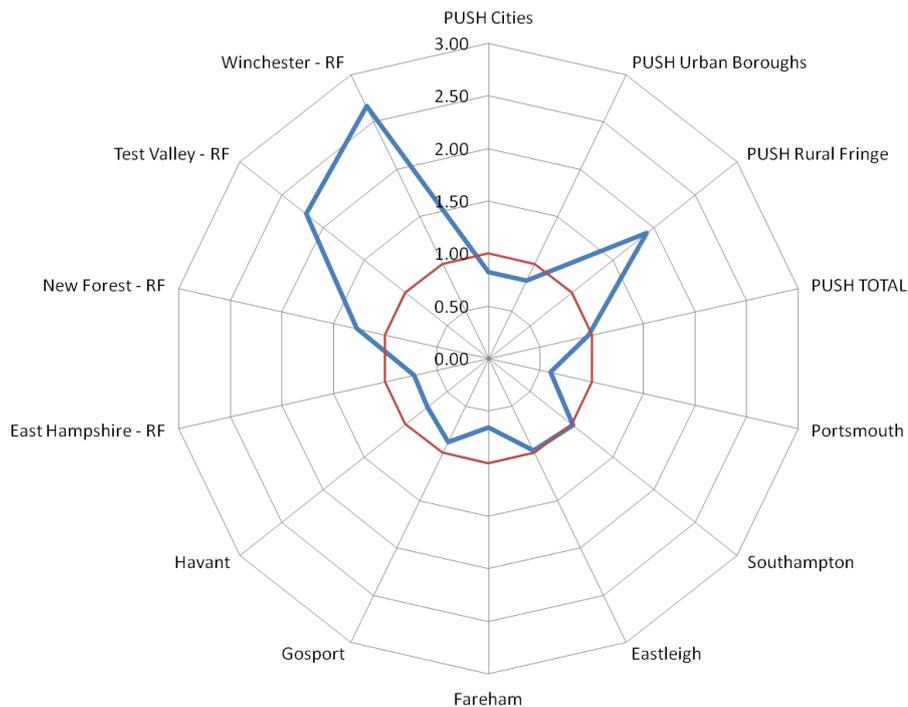
Figure A9: Employment in Environmental Technologies

	1998	2008	Change 1998-2008	% Change 1998-2008
PUSH Cities	4,100	6,700	2,500	61%
PUSH Urban Boroughs	4,000	5,500	1,500	37%
PUSH Rural Fringe	2,600	4,600	2,000	77%
PUSH Total	10,700	16,700	6,000	56%
SE	122,000	145,900	23,900	20%
GB	725,800	902,200	176,400	24%

Source: DTZ and ABI 2008

South Hampshire does not show a particular concentration in this sector at present overall, however there is a concentration in the PUSH Rural Fringe area, in particular the parts of Winchester and Test Valley. The Cities and Urban Boroughs areas have on average less employment in the environmental technologies sector when compared with the SE. The high level of employment in Winchester mainly relates to employment in the research of natural sciences/engineering and the architectural/engineering activities sub-sectors. High levels of employment in architectural/engineering activities also explains why Test Valley has a high employment density in the environmental technologies sector.

Figure A10: Location Quotient vs SE



Source: DTZ and ABI 2008



Key Companies and Assets

Consultations undertaken to inform this research identified real strengths to support this sector within the sub-regions HEIs, in particular the University of Southampton. The potential cross over with existing expertise in advanced manufacturing, aerospace and marine industries was also noted as a key opportunity for PUSH. Despite the recent closure of Vestas. It was also identified that the sub-region has natural assets that could be used to develop wind and tidal energy opportunities.

Future Prospects

The growth prospects of the environmental technologies sector are likely to be fuelled by the further development of the Green agenda. The Government has committed the UK to develop at least 15% of its energy from renewable sources by 2020. Given that in 2008 2.25%²⁹ of energy is generated from renewable sources, there is clearly a tremendous amount of growth potential. Furthermore the Government has stated its intentions to reduce carbon emissions by 60% by 2050, from its 1990 levels.

As part of the April 2009 budget the Government announced a funding package of approximately £1.4bn designed to bring forward offshore wind developments projects which are due to reach their financial close by the end of 2011. Further financial incentives to support the environmental technologies sector are likely as the sector is seen as an area where the UK could have a competitive advantage.

Recycling employment is also likely to increase as many landfill sites have reached capacity and there are no/very few proposals to replace them. Therefore the waste generated from domestic and commercial sources will have to be processed efficiently and recycled wherever possible. The PUSH area with its coastal location gives has plenty of scope to develop offshore wind technology. Furthermore there is a lot of existing maritime expertise that could easily be redeployed to the renewable sector, in particular marine renewable.³⁰

The Solent Area (including PUSH) has formed a partnership with universities and local industry to create a Low Carbon economic vision for the area. The vision focuses on creating jobs and businesses based around the natural strengths that the area possesses. This includes the environmental technologies and marine sectors. The aim is to secure conditions which enables growth to occur in these sectors and encourages more environmental technology based companies to the area on the back of the Low Carbon Economic Area (LCEA) branding. The acceptance of the LCEA status would give a boost to the environmental technologies sector.

²⁹ The UK Renewable Energy Strategy, HM Government

³⁰ Consultations with Marine South East

Financial and Business Services

Definition

The types of activities included in the financial and business services sector are wide ranging, including activities such as financial services, professional services, advertising, labour recruitment and call centres. The skills requirements of these jobs can vary significantly, as can the GVA generated from each of these sub-sectors. Therefore in our definition of financial and business services we have also developed a sub-definition titled 'advanced business services' which only looks at those parts of the sector which focus on higher skill levels.

Current Position

The financial and business services sector has been one of the fastest growing sectors over the last ten years in both employment and GVA terms. This has in part been driven by the rapid growth in financial services, which has had extremely high productivity levels. However, the recession has impacted heavily on the employment in the sector and damaged confidence in the sector from outside.

According to the latest employment figures, there are 99,300 workers employed in the financial and business services sector. This represents approximately 22% of total employment in PUSH. Of the 99,300 workers employed in the financial and business services sector in PUSH around 60% are employed in 'other business services'. This sub sector includes a wide range of activities such legal, accounting and architectural activities, but also labour recruitment³¹, industrial cleaning and call centre activities. Employment in the financial and business services sector has increased by 20,200 (26%) since 1998. This employment growth has predominately been delivered in the Urban Boroughs (14,400 of the 20,200 growth). This may in part reflect movement of jobs in the sector from the cities to emerging business locations along the M27 corridor. Financial and business services employment in PUSH has grown at roughly the same speed as the SE and GB. Looking at the sub-sectors of financial and business services we can see that the employment in the research and development sub-sector has been growing the fastest. Over the period 1998-2008 this sector saw employment growth of 219% at a PUSH level. Computer and related activities (140%), real estate activities (38%) and other business services (26%) also saw strong employment growth.

Official data on GVA per worker is not available for financial services. Oxford Economics estimate that in the PUSH area GVA in the financial services sector grew by 53% over the period 1998-2008. Over the same timeframe Oxford Economics estimate that business services GVA grew by 63%.

Figure A11: Employment in Financial and Business Services

	1998	2008	Change 1998-2008	% Change 1998-2008
PUSH Cities	44,100	46,900	2,700	6%
PUSH Urban Boroughs	25,000	39,400	14,400	58%
PUSH Rural Fringe	10,000	13,000	3,000	31%
PUSH Total	79,100	99,300	20,200	26%
SE	726,700	903,100	176,400	24%
GB	4,518,000	5,871,000	1,353,000	30%

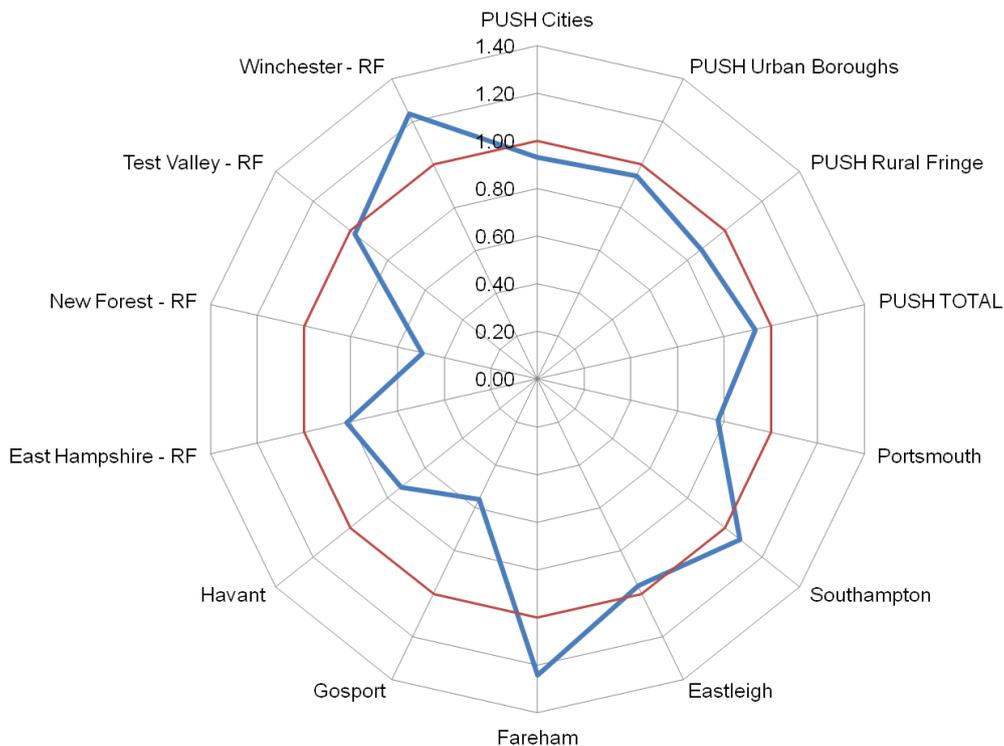
Source: DTZ and ABI 2008

³¹ This can include agency workers engaged in any sector of the economy so needs to be treated with some caution.

Employment in the Advanced Business Services sector was 30,700 in 2008 (7% of total employment). Between 1998 and 2008 employment grew by 11,900 an increase of 64%. This is significantly above the employment growth rate for business services of 26%, which is shown in Figure x.

Many of the Local Authorities which make up the PUSH area have a below average concentration of employment in the financial and business services sector when compared to the SE average. The two sub-areas which have the greatest concentration of financial and business services employment are Fareham Borough and the part of Winchester which falls within the PUSH boundaries. The LQ chart illustrates the different roles played by the two cities, with Southampton tending to be a more significant location for financial and business services, with Portsmouth predominating in manufacturing related activities. This is a pattern often observed in bicentric city regions.

Figure A12: Location Quotient vs SE



Source: DTZ and ABI 2008

Key Companies and Assets

Some of the major business services employers located in the PUSH area include:

- IBM
- Innovation Group
- Life
- Skandia
- Zurich Insurance Group



The marine cluster has been cited as a potential driver of business services, with the example of Lloyds Insurance relocation to the sub-region given as the prime example.

Future Prospects

Nationally and internationally governments are discussing the role of financial services within the economy. In the UK there has been a policy shift towards supporting the manufacturing sector more and restricting the worst excesses of the financial sector. Many areas of the financial services industry are already seeing returns to strong growth levels, partly as a result of the cheap credit issued by the government to try and limit the depth of the recession. However, national governments are discussing measures to restrict the freedom in which financial businesses have been operating which may limit the future growth potential of the sector.

Economic forecasts from Oxford Economics suggest that the financial services and business services sectors are likely to return to strong growth levels over the next few years, which will help to drive economic growth, but not to the same degree as we have seen over the last decade. For example, they estimate that GVA in financial services will grow by 49% between 2011 and 2021. GVA in business services is estimated to grow by 53% over the same period.

Marine

Definition

We have focused our definition of the marine sector on what we consider to be 'core' marine activities centred on the building and repair of water borne vessels (i.e. ships, boats, yachts etc) and activities relating to sea and water transport. We have considered further supply chain activities to be separate from the 'core' marine sector activities but recognise that they play an important role in supporting supply chain employment and GVA creation. We have adopted this methodology as it can be difficult to define the marine sector as many of the activities occur as sub-sectors of the sectors. For example some marine related activities may occur as part of the manufacturing sector, the public sector (marine related research undertaken at Universities), the transport sector (sea and coastal water transport), some elements of the business service sector (marine insurance) and others as part of the leisure and tourism sector (marinas, retail etc).

Current Position

According to our relatively narrow definition of the marine sector there are currently 9,100 workers employed in PUSH, about 2% of total employment. The sector has seen employment growth of 600 workers since 1998. A large percentage of the employment is concentrated in the Cities with 7,800 workers, approximately 85% of PUSH employment in this sector. The Cities region of PUSH has seen strong employment growth in the marine sector at a time when overall employment has been falling at both the SE and GB level. Both Portsmouth and Southampton have strong historical ties to the marine sector.

However, this understates the total importance of the marine sector to the PUSH economy, with some of the cornerstones of the PUSH economy lying in the marine sector. The Solent Waterfront Strategy which looked at a wider geographic definition took a broader view of the marine sector and indicated that the sector in its entirety was responsible for 18% of the sub-region's total economy, approximately 48,000 jobs when excluding the Portsmouth naval base and MOD activity, Fawley oil and petrochemical facility, tourism expenditure related to cruise visitors and educational establishments. This illustrates the critical importance of the marine market as a whole to the sub-region.

Figure A13: Employment in Marine

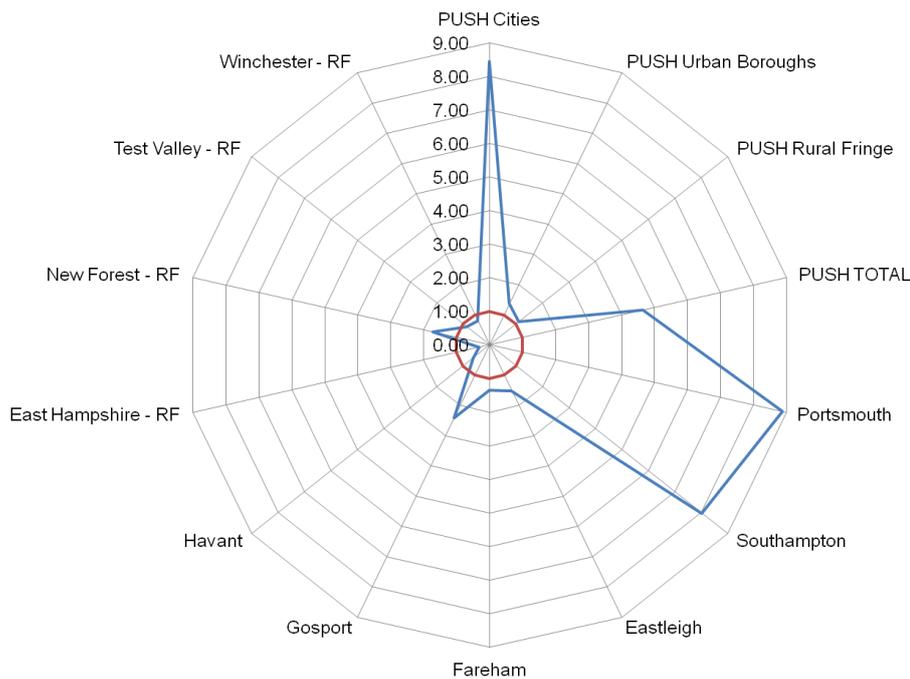
	1998	2008	Change 1998-2008	% Change 1998-2008
PUSH Cities	7,000	7,800	800	11%
PUSH Urban Boroughs	1,200	1,100	-100	-10%
PUSH Rural Fringe	300	300	–	3%
PUSH Total	8,500	9,100	600	8%
SE	19,700	16,500	-3,100	-16%
GB	83,900	80,600	-3,300	-4%

Source: DTZ and ABI 2008

Over the period 1998 to 2007 GVA per worker in the marine sector grew by 69%, increasing from £44,100 to £74,500. This compares favourably with GVA per worker growth for the whole economy of 42% over the same period. GVA per worker for the whole economy stands at £34,800.

Figure x shows the importance of the marine sector to Portsmouth and Southampton, as both cities have a strong concentration of employment in this sector. There is also a smaller concentration of employment in the marine sector in Gosport, which could be due to the defence activities based there.

Figure A14: Location Quotient vs SE



Source: DTZ and ABI 2008

Key Companies and Assets

The strength of the marine sector in PUSH is based upon three main areas of activity; the commercial port and cruise terminal at Southampton, the defence port and ferry terminals of Portsmouth and marine leisure activities on the River Hamble and at Portsmouth Harbour.³² The area benefits from excellent natural coastal resources and accessibility to the main trade routes in Europe and Asia. In fact in 2008, ports in England and Wales handled about 95% of the total volume of UK trade, and 75% of its value.³³

A study in 2007³⁴ estimated the importance of the Naval Base in Portsmouth to the PUSH economy as providing a total of almost 35,000 direct or indirect jobs. It was estimated that a total of 13,000 naval personnel in the area, almost 11,000 civilians directly employed by the MOD and other agencies and a further 10,700 jobs supported by household and supply chain expenditures. It was estimated that the minimisation of Naval activities at Portsmouth could lead to a loss of over 21,000 jobs from the sub-regional economy with the impact being felt most strongly in Portsmouth, Gosport and Fareham.

³² Solent Waterfront Strategy, Adams Henry Consulting Ltd

³³ Draft National Policy Statement for Ports, Department for Transport

³⁴ Socio Economic Impact Assessment of Portsmouth Naval Base, University of Portsmouth, 2007

The naval heritage of much of the PUSH coastline is a benefit that has attracted many of the key employers/ businesses to the area. Some of the larger employers include:

- HM Naval Base and Dockyard in Portsmouth
- Portsmouth and Southampton commercial ports
- Haslar Marina in Gosport
- Qinetiq
- BAE Systems Surface Ships (Previously Vosper Thornycroft)

The University of Southampton has several research facilities which are linked to the marine sector. The Wolfson Unit for Marine Technology and Industrial Aerodynamics provides testing services in ship and yacht design, through computer modelling, and tank and wind tunnel testing. The National Oceanographic Centre Southampton (NOCS) has a campus within the operational dock of the Port of Southampton. The NOCS's research remit is much broader than our fairly narrow definition of the marine sector, covering scientific and environmental research, but nevertheless it does provide some indication of the quality of research being undertaken in the local area. The University of Southampton hopes to develop a Maritime Centre of Excellence, with Lloyd's Register planning to move to the city in 2013.

The Warsash Maritime Academy, based at Southampton Solent University, provides training, consultancy and research related to international shipping and offshore oil industries. For example, they provide research into Maritime Human Factors, involving reducing accidents and improving safety. They are also involved in work examining the efficient use of space within a port, such as realigning existing berths, testing proposals for new berths and testing for specific combinations of meteorological conditions.³⁵

Much of the current marine based support³⁶ from the Government focuses around the research and commercialisation of renewable energy projects linked to the Government's aims to increase the amount of UK's energy which is derived from renewable sources. Typically this research is outside of our definition of the marine sector although there are some obvious areas of cross over between existing high quality manufacturing companies in the area and renewable technology products.

The marine sub-sector supports a diverse range of supply chain businesses as it does not always require highly specialised components.³⁷ This means that it can use suppliers of more general engineering equipment who in turn can supply many other sectors.

Future Prospects

The future prospects of the marine sector in PUSH could be influenced heavily by the extent of the Ministry of Defence continued presence in Portsmouth. Although the number of jobs directly supported by the Naval Base in Portsmouth has declined from its peak, there are a number of other supply chain and associated businesses which locate in the area, at least in part, because of the Naval Base. Any reduction in the MOD presence in Naval Docks in Portsmouth would put further pressure on those supply chain jobs. As with many manufacturing jobs there will be outside pressure on the sector from lower costs manufacturers abroad.

³⁵ <http://www.warsashacademy.co.uk/home.aspx>

³⁶ The Marine Renewables Proving Fund offers businesses a chance to bid for a share of £22m designed to accelerate commercial development of marine energy

³⁷ Consultations with Marine South East



The Government's Draft National Policy Statement for Ports³⁸ identifies that over the long term demand for cargo space in UK ports will significantly exceed current capacity. The policy references the Port of Southampton's plans to expand terminal capacity within their existing development site. Both Portsmouth and Southampton docks are likely to need to continue to adapt to compete for business with the development of larger cargo ships, battleships and cruiseliners. This could include updating facilities dockside as well as dredging and deepening approach channels to the docks themselves. Maintaining and improving transport links for the further transportation of cargo goods will be increasingly important.

Further constraints are put on the sector by the availability or non-availability of suitable coastal locations and water space. This is noted as being a potential problem for the Port of Southampton.³⁹ Balancing the competing demand for limited sites will be an issue which determines the future success of the sector in PUSH.

³⁸ Draft National Policy Statement for Ports, Department for Transport, Nov 2009

³⁹ Solent Waterfront Strategy, Adams Henry Consulting Ltd

Public Sector

Definition

The sector definition used includes all workers in public administration (including some defence related activities), education and health.

Current Position

Nationally the public sector is one of the largest employment sectors (7.2million jobs, 27% of all employment) and one which has seen significant growth over the last ten years (an increase of nearly 1.5million jobs, job growth of 25%).

Overall the public sector in PUSH currently employs 120,300 workers, approximately 27% of total employment. Employment in the Public Sector in PUSH has grown by 8,200 jobs an increase of around 7%. This is a much slower growth rate than in either the South East or Great Britain. Employment in the public sector in PUSH is predominately based in the Cities, with a total 69,600 jobs (57% of the PUSH total).

Overall employment increases in the public sector mask some of the changes in sub sector employment. Employment in the public administration and defence sector has declined by around 3,000 over the period 1998 to 2008 largely related to changes in the defence sector. At the same time employment in education and health & social work has grown by 5,400 and 5,900 respectively. However, this rate of growth is much lower than the SE and GB has experienced.

Oxford Economics have estimated that GVA in the public sector has grown by £240m over the period 1998-2008. This represents growth of 7%, the same as the rate of growth in employment.

Figure A15: Employment in the Public Sector

	1998	2008	Change 1998-2008	% Change 1998-2008
PUSH Cities	67,300	69,600	2,300	3%
PUSH Urban Boroughs	35,000	38,700	3,700	11%
PUSH Rural Fringe	9,800	12,000	2,200	23%
PUSH Total	112,100	120,300	8,200	7%
SE	790,300	960,600	170,300	22%
GB	5,747,000	7,208,000	1,462,000	25%

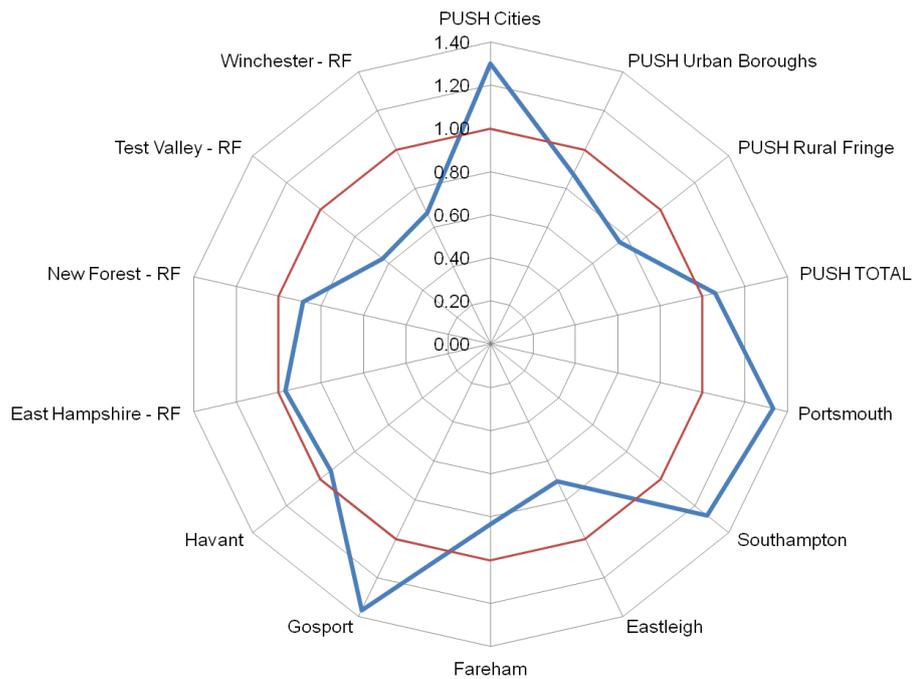
Source: DTZ and ABI 2008

Broadly employment in the public sector can be divided into three main areas; public administration and defence, education, and health and social work. In 2008 the health and social sector was the largest of these three employing just over 52,000 workers. The education sector employs 43,300 workers followed by the public administration and defence sector which employs 24,800 workers.

Employment in the public sector in PUSH is most concentrated in the Cities as shown in Figure x, where both Portsmouth and Southampton are above the SE average. This is not surprising given the fact that the cities tend to have larger administrative responsibilities, the presence of Universities and the NHS. Gosport Local Authority also has a significant level of employment in the public sector,

which reflects the concentration of defence activities undertaken in the borough but also the relative lack of private sector activity.

Figure A16: Location Quotient vs SE



Source: DTZ and ABI 2008

Key Employers

Some of the major public sector employers⁴⁰ in the PUSH area include:

- City Councils (Portsmouth and Southampton)
- NHS Trusts
- Universities (University of Southampton, Southampton Solent University and University of Portsmouth), FE Colleges and Schools
- Local Councils (Including, Eastleigh, Fareham, Gosport and Havant)
- National Air Traffic Services (Swanick, Fareham)
- Office for National Statistics (Titchfield, Fareham)
- Defence sector (Gosport, Portsmouth)

Future Prospects

The immediate future growth prospects of the public sector are likely to be hampered by two major facts. Firstly, the need to reduce public borrowing to reduce the budget deficit is likely to take hold over the next couple of years. Reports suggest that this could possibly take the form of a mixture of reduction in services and the pay restrictions. Secondly, the result of the General Election may have an influence on the government's strategic approach to the public sector investment and overall scale.

⁴⁰ Major Employers in the Public Sector, Hampshire County Council



One threat to public sector employment in the PUSH area would be if there were to be a reduced MOD presence in the Portsmouth Naval Base. Not only would this result in jobs losses as a direct result of the naval employment but it would threaten related supply chain and clustering activity. A study in 2007⁴¹ estimated the importance of the Naval Base in Portsmouth to the PUSH economy as providing a total of almost 35,000 direct or indirect jobs. It was estimated that a total of 13,000 naval personnel in the area, almost 11,000 civilians directly employed by the MOD and other agencies and a further 10,700 jobs supported by household and supply chain expenditures. It was estimated that the minimisation of Naval activities at Portsmouth could lead to a loss of over 21,000 jobs from the sub-regional economy with the impact being felt most strongly in Portsmouth, Gosport and Fareham.

The ageing population is likely to be the most significant driver of the health sector in the future, in terms of direct care based employment and the development of assisted living/ care technologies and products. Coupled with the growing markets around security/defence and environment/energy/climate change this provides a great opportunity linked to existing HE research strength and the advanced manufacturing business and skills base.

⁴¹ Socio Economic Impact Assessment of Portsmouth Naval Base, University of Portsmouth, 2007

Retail

Definition

The sector itself is well defined by the SIC and captures a wide range of different retail sectors.

Current Position

The profile of businesses in the retail sector in PUSH is similar to many other areas across the UK as there is a mix of national retailers and local businesses. The largest areas of concentrated retail are focused around the Westquay Shopping Centre in Southampton and the City centre area in Portsmouth in and around the Cascades shopping centre. All of the major urban areas have some kind of retail provision. Southampton is ranked 25th of all major UK retail centres. However, Portsmouth underperforms in retail terms with a ranking of 111th of 200. Major investment plans to redevelop Portsmouth City Centre have been delayed by the recession. When these go ahead Portsmouth is likely to move up the ranking substantially.

Current employment in the Retail sector in PUSH is 51,800. Employment in the PUSH area has grown by 4,000 workers over the period 1998-2008, an increase of 8%. This means that employment in the PUSH area has been growing marginally faster than in the SE or GB, which have grown at 5% and 6% respectively. Retail employment has grown fastest in the Urban Boroughs and the Rural Fringe, although the largest proportion of employment is still in the Cities area. A change in the way data is collected within the ABI appears to have had a major negative effect on retail employment statistics, particularly for the two cities and therefore this data should be treated with some caution.

Between 1998 and 2007 GVA per worker in the retail sector grew from £14,800 to £21,400, a total growth of 45%. Although GVA per worker is lower in the retail sector than for the whole economy, the sector is important due to the high number of workers that it employs.

Figure A17: Employment in Retail

	1998	2008	Change 1998-2008	% Change 1998-2008
PUSH Cities	22,000	22,600	600	3%
PUSH Urban Boroughs	20,100	22,400	2,300	11%
PUSH Rural Fringe	5,600	6,800	1,200	21%
PUSH Total	47,700	51,800	4,000	8%
SE	379,300	398,100	18,700	5%
GB	2,608,000	2,771,000	164,000	6%

Source: DTZ and ABI 2008

The profile of businesses in the retail sector in PUSH is marginally larger than the profile of businesses in retail across the South East. Between 1998 and 2008 the number of businesses in the retail sector has grown by 6% overall. This has been driven by a 7% increase in the number of businesses employing between 1-10 workers.⁴²

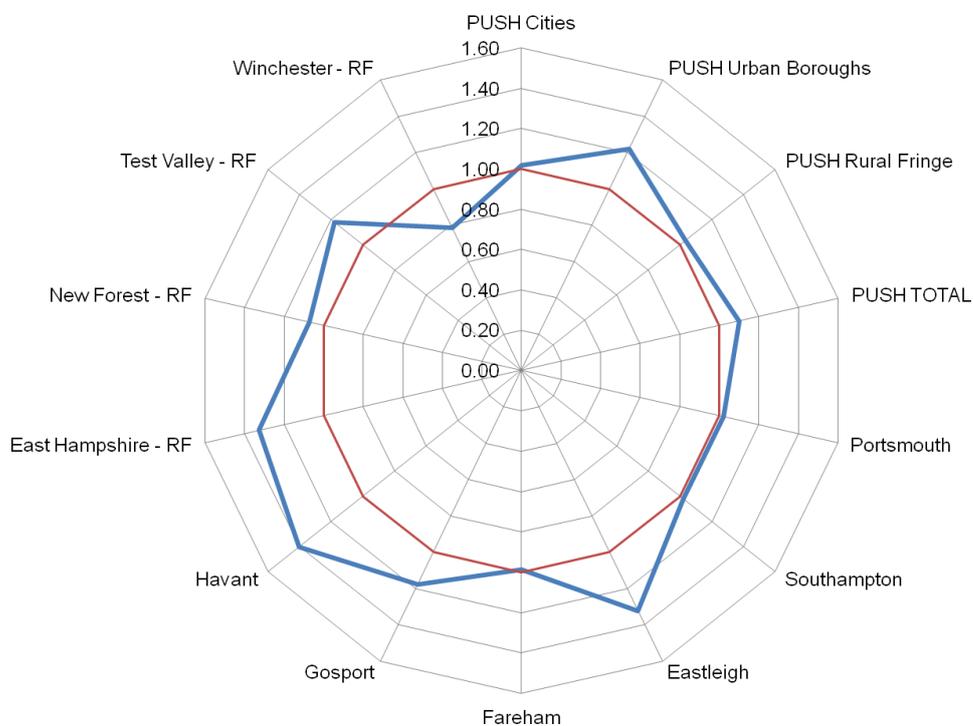
Recent years have seen an increase in the dominance of multi-platform retailers such as Tesco who provide a wide range of services from traditional food retailing to non-food and even financial services.

⁴² ABI Business Population Stats, 2008

However, there has also been a counter trend often driven environmental issues and desire to by local produce, which has seen some smaller independent retailers grow.

PUSH employment in the retail sector is marginally more concentrated than in the SE region. This is predominately driven by high levels of employment concentration in the Urban Boroughs. In addition some of the boroughs which make up the rural fringe also have a strong concentration of employment in this sector. Overall employment density in this sector is fairly even as the retail sector is predominately a function of the local population.

Figure A18: Location Quotient vs SE



Source: DTZ and ABI 2008

Key Companies & Assets

Some of the key assets for the sector include:

- West Quay Shopping Centre, Southampton
- Gunwharf Quays Shopping Centre, Portsmouth

Future Prospects

The retail sector is likely to see a continuation of recent trends towards the increased use of online retail. Skillsmart Retail, the sector skills council for retail, thinks that online retail will continue to grow as consumers get access to better functioning websites.⁴³ Verdict Research's analysis of online retailing suggests that the value of online retailing in the UK could reach £31bn by 2013, up from approximately £20bn today⁴⁴. This would represent an increase in online share of the total UK retail

⁴³ Clicks and Mortar Online Report June 2009, Skillsmart Retail

⁴⁴ UK Retail Futures, Verdict Research May 2009



market from between 7% currently to 10% by 2013. One impact of this shift is to change the requirements of the retail sector as businesses now have a greater demand for IT skills to develop and maintain their online stores. These services might be delivered in house or outsourced but there is need for the retail sector to access skills which have not traditionally been associated with the sector.

Tourism and Leisure

Definition

We have focused on a fairly narrow definition of the leisure and tourism sector focusing on activities relating to hotels, leisure activities such as museums and arts facilities and sporting activities. This definition has been chosen as the split of SIC codes does not match well with the wider leisure and tourism sector. We recognise that tourism sector has a lot of further knock on benefits in sectors such as catering, restaurants and transportation sectors, but have deemed these activities to be outside of our core definition. The number of jobs directly supported by the tourism and leisure sector in PUSH will be far outweighed by the number of additional jobs indirectly supported.

Current Position

In many ways the prosperity of the tourism and leisure sector is linked to the performance of the marine sector. The presence of a leisure marine industry on the south coast and focused around the Isle of Wight / Solent area provides many opportunities. The large number of cruises departing and arriving from the Port of Southampton is another positive characteristic of the local area. According to a cruise tourism study each cruise ship call into Southampton was worth £1m to the local economy in terms of direct and indirect expenditure by the cruise company, staff and passengers.⁴⁵ In contrast to the waterfront cities of Southampton and Portsmouth there is the historic city of Winchester and the recently established national parks of New Forest and South Down on the boundaries of the PUSH area. Consultations with Marine South East suggest that the leisure industry has been growing at 6-8% a year.

In 2008, 718,000 visitors from overseas came to Hampshire and the Isle of Wight.⁴⁶ This included those coming for holidays, business trips, visiting friends and relatives or other reasons such as studying. The number of visits was up on the previous year's figure of 597,000 (2007) but slightly down on the recent high of 731,000 (2006). Short term and day visits from inside and outside of the sub-region make up the majority of the core leisure tourism business. Business travel and conference/meeting market is important to the hotel industry throughout the sub-region contributing a significant proportion of overall tourism and leisure spending.

Employment in the tourism and leisure sector has increased by 33% between 1998 and 2008. Currently the sector employs 13,900 people with the largest share of employment in the Cities. Employment growth has been slightly faster than in the SE and GB. Although tourism and leisure sector supports 13,900 jobs directly, many other jobs are supported through associated activities such as catering and transportation.

GVA per worker in the tourism and leisure sector has increase from £17,200 in 1998 to £27,100 in 2007. This represents an increase in GVA per worker of 57%.

⁴⁵ Southampton Cruise Tourism, TTC International & Roger Tym & Partners, April 2005

⁴⁶ International Passenger Survey 2008, Office for National Statistics

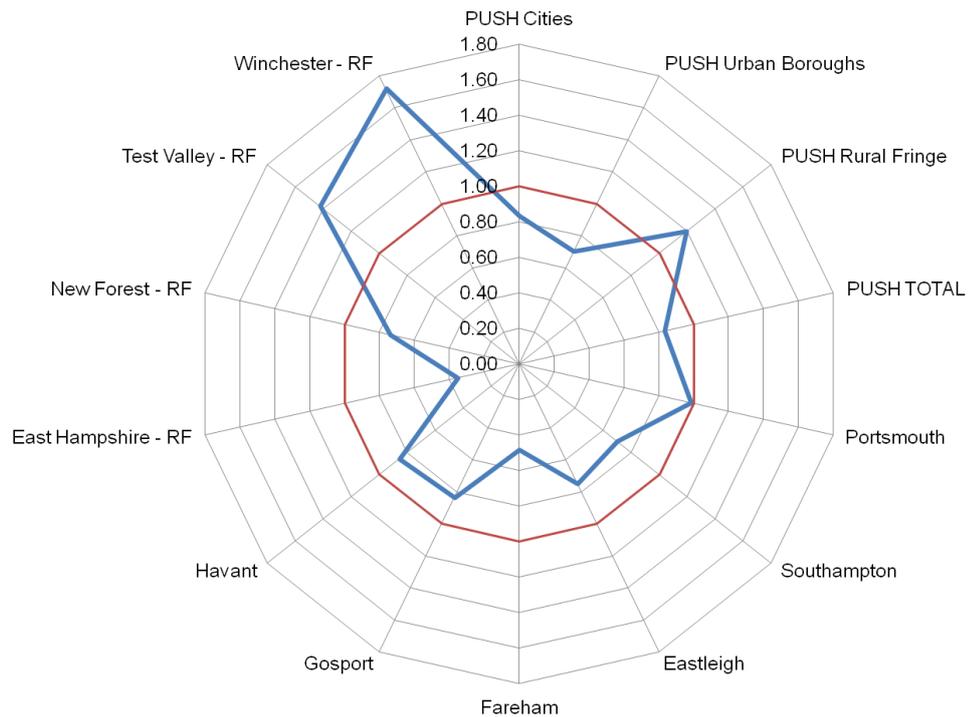
Figure A19: Employment in Tourism and Leisure

	1998	2008	Change 1998-2008	% Change 1998-2008
PUSH Cities	5,100	6,600	1,500	29%
PUSH Urban Boroughs	3,800	4,600	800	22%
PUSH Rural Fringe	1,600	2,800	1,200	73%
PUSH Total	10,400	13,900	3,500	33%
SE	109,900	141,200	31,300	28%
GB	787,200	961,500	174,300	22%

Source: DTZ and ABI 2008

Figure x below shows that Winchester and Test Valley areas within the rural fringe have a larger prevalence of tourism and leisure employment than the national average. Employment in the Cities and Urban Boroughs tends to be less concentrated in the tourism and leisure sectors.

Figure A20: Location Quotient vs SE



Source: DTZ and ABI 2008

Key Companies and Assets

Some of the key businesses and key assets in the tourism sector within PUSH include:

- Portsmouth’s historic dockyard and the maritime heritage in general
- Cruise Liner terminal in Southampton
- Spinnaker Tower
- Nearby historic city of Winchester



- Two national parks (New Forest and South downs) in close proximity to PUSH

Future Prospects

The future prospects of the tourism and leisure sector will in many ways rely on PUSH being an attractive place to visit. The South Hampshire coastline and the marine leisure industry which has built upon it will continue to provide a strong attractor for marine leisure activities.

The development of ever larger cruise ships will put pressure on the Port of Southampton to improve its facilities and maintain its position as the premier location for cruise ships stop offs along the South Coast.

Visit Britain's forecasts estimate that the number of visitors to Great Britain for the year 2009 was about 5% down on the total number for 2008, at just over 30 million visitors. They are forecasting that the number of visitors will rise slightly in 2010, by about 0.8%, as the global economy begins to recover.

Transport, Storage and Logistics

Definition

Defining the transport, storage and logistics sector is relatively straightforward as the sector is well matched to the SIC codes. In our definition of the sector we have included all transport activities, whether they are land, air or sea based, all cargo handling and storage activities, and all wholesale trade activities. Naturally there is some overlap with the marine sector when looking at sea based transport activities.

Current Position

In total 35,700 workers are employed in PUSH in the transport, storage and logistics sector. The transport sector overall employs approximately 9% of PUSH's total workforce. However, it is probable that the influence of the sector extends further with many other activities being supported indirectly. The region benefits from having two major ports (Portsmouth and Southampton) which are recognised as fulfilling important roles as 'international gateways', on the South Coast of England providing access to mainland Europe and international deep sea shipping routes.⁴⁷ A historic heritage as an important naval and dockyard site has helped to provide a skills base upon which developments can be made.

Employment in the sector has grown by 4,500 workers over the period 1998-2008. This represents an overall growth rate of 14%, faster than at the GB level (7% growth) and SE (-3% decline). This growth has been primarily driven by growth in the Urban Boroughs, in particular Fareham (+2,900 jobs) and Eastleigh (+1,200 jobs).

GVA per worker in the transport, storage and logistics sector has increased by 45% over the period 1998 to 2007. In 2007 GVA per worker was £53,500, considerably higher than the average GVA per worker for the whole economy of £34,800.

Figure A21: Employment in Transport, Storage and Logistics

	1998	2008	Change 1998-2008	% Change 1998-2008
PUSH Cities	16,000	15,000	-1,000	-6%
PUSH Urban Boroughs	10,100	15,300	5,200	52%
PUSH Rural Fringe	5,200	5,500	300	6%
PUSH Total	31,300	35,700	4,500	14%
SE	326,300	316,600	-9,700	-3%
GB	1,979,000	2,113,000	134,100	7%

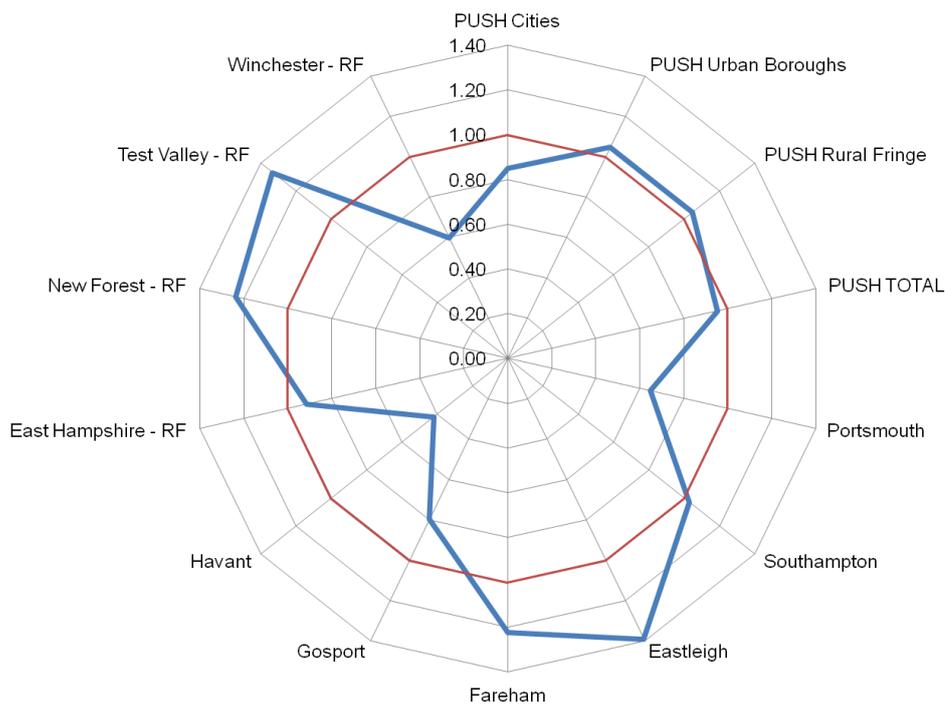
Source: DTZ and ABI 2008

The location quotient graph in Figure x shows that Eastleigh and Fareham borough have a relative strength in transport, storage and logistics employment. The parts of New Forest and Test Valley which fall into the PUSH definition are also well represented by transport, storage and logistics employment. It is interesting that the transport, storage and logistics sector in Portsmouth has lower concentration of employment than the SE, given that the presence of ferries at Portsmouth Harbour. However, the overall level of employment relating to sea and coastal water transport in Portsmouth is

⁴⁷ 'Delivering a Sustainable Transport System: The Logistics Perspective', Department for Transport, Dec 2008

significantly below Southampton. Employment relating to storage and logistics in Portsmouth is also relatively lower when compared with SE.

Figure A22: Location Quotient vs SE



Source: DTZ and ABI 2008

Key Companies and Assets

Some of the key businesses which operate in this sector in PUSH include:

- Carnival UK (Owns several cruise brands including P&O and Ocean Village)
- Brittany Ferries
- Sea France
- ABP
- First Group PLC (Bus and train travel)
- Redfunnel Ferries (Ferries to the Isle of Wight)

One of the key issues for businesses in the transport, storage and logistics sector relates to congestion on the road network. This limits the effectiveness of the sector as there are issues around the being able to deliver goods and services on time, as well as impacting upon commuting times for staff.

Future Prospects

As the economy expands and globalisation continues there is an expectation of continuing trade growth. This provides a major opportunity for the sub-region with the presence of the Port of Southampton.



Transport for South Hampshire (TfSH) have expressed their support for freight transport sector by identifying ways in which the freight and logistics sectors contribution sub regional economic development can be maximised. This involves securing investment in measures to best utilise the current transport network and support the provision of new capacity on road and rail corridors within the sub-region, which are critical to the operation of freight and logistics businesses, including access areas to port and dock areas.⁴⁸ TfSH also aims to improve the understanding of the role which freight and logistics sector plays in supporting a flexible and responsive service economy, arguing that an effective transport network is vital in support service sector growth.

The future prospects of the sector are limited by the traffic congestion across PUSH, with many roads already at or about to reach capacity. This puts a significant risk on the future growth potential of the sector.

TfSH strategy is based around a policy of, Reduce, Manage and Invest. This states that:

- Reducing the need to travel will limit the demand for resources, which will be done by maintaining the key role of the two cities, reducing car travel and increasing the use of public transport
- Managing the transport network to improve the capacity and to develop bus and rail networks where possible
- Invest in the current transport network to facilitate and support forecasted economic development, however there will be limits on how much additional traffic that the road networks will be able to accommodate

⁴⁸ 'Freight Strategy', Transport for South Hampshire (TfSH)



Appendix 3: SIC Definitions

Advanced Manufacturing

- 24.4: Manufacture of pharmaceuticals, medicinal chemicals and botanical products
- 30: Manufacture of office machinery and computers
- 32: Manufacture of radio, television and communication equipment and apparatus
- 33: Manufacture of medical, precision and optical instruments, watches and clocks
- 34: Manufacture of motor vehicles, trailers and semi-trailers
- 35.3: Manufacture of aircraft and spacecraft

Aerospace

- 35.3: Manufacture of aircraft and spacecraft

Construction

- 45.0: Construction

Creative Industries

- 17.71: Manufacture of knitted and crocheted hosiery
- 17.72: Manufacture of knitted and crocheted pullovers, cardigans and similar articles
- 18.10: Manufacture of leather clothes
- 18.21: Manufacture of workwear
- 18.22: Manufacture of other outerwear
- 18.23: Manufacture of underwear
- 18.24: Manufacture of other wearing apparel and accessories not elsewhere classified
- 18.30: Dressing and dyeing of fur; manufacture of articles of fur
- 19.30: Manufacture of footwear
- 22.11: Publishing of books
- 22.12: Publishing of newspapers
- 22.13: Publishing of journals and periodicals
- 22.14: Publishing of sound recordings
- 22.15: Other publishing
- 22.31: Reproduction of sound recording
- 22.32: Reproduction of video recording
- 22.33: Reproduction of computer media
- 52.48: Other retail sale in specialised stores
- 52.50: Retail sale of second-hand goods in stores
- 72.21: Publishing of software
- 72.22: Other software consultancy and supply
- 74.20: Architectural and engineering activities and related technical consultancy
- 74.40: Advertising
- 74.81: Photographic activities
- 74.87: Other business activities not elsewhere classified
- 92.11: Motion picture and video production
- 92.12: Motion picture and video distribution
- 92.13: Motion picture projection
- 92.20: Radio and television activities
- 92.31: Artistic and literary creation and interpretation
- 92.32: Operation of arts facilities
- 92.34: Other entertainment activities not elsewhere classified



92.40: News agency activities
92.72: Other recreational activities not elsewhere classified

Environmental Technologies (1992 SIC)

37.10: Recycling of metal waste and scrap
37.20: Recycling of non-metal waste and scrap
41.00: Collection/purification etc of water
45.24: Construction of water projects
45.32: Insulation work activities
51.57: Wholesale of waste and scrap
52.50: Retail sale: second-hand goods in stores
60.10: Transport via railways
73.10: Research: natural sciences/engineering
74.20: Architectural/engineering activities
74.30: Technical testing and analysis
75.13: Regulation: more efficient business
90.00: Sewage and refuse disposal etc
92.53: Botanical and zoological gardens etc

Financial and Business Services

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

And Advanced Business Services

65.11: Central banking
67.11: Administration of financial markets
67.12: Security broking and fund management
72.1: Hardware consultancy
72.21: Publishing of software
72.22: Other software consultancy and supply
73.1: Research and experimental development on natural sciences and engineering
73.2: Research and experimental development on social sciences and humanities
74.11 Legal activities
74.12: Accounting, book-keeping and auditing activities; tax consultancy
74.14: Business and management consultancy activities
74.2: Architectural and engineering activities and related technical consultancy
74.3: Technical testing and analysis
74.4: Advertising

Marine

35.11: Building and repairing of ships



35.12: Building and repairing of pleasure and sporting boats
61.10: Sea and coastal water transport
63.11: Cargo handling
63.22: Other supporting water transport activities
71.22: Renting of water transport equipment

Public Sector

75: Public administration and defence; compulsory social security
80: Education
85: Health and social work

Retail

52.1: Retail sale in non-specialised stores
52.2: Retail sale of food, beverages and tobacco in specialised stores
52.3: Retail sale of pharmaceutical and medical goods, cosmetic and toilet articles
52.4: Other retail sale of new goods in specialised stores
52.5: Retail sale of second-hand goods in stores
52.6: Retail sale of not in stores

Tourism and Leisure (1992 SIC)

55.11: Hotels and motels, with restaurant
55.12: Hotels and motels, without restaurant
55.21: Youth hostels and mountain refuges
55.22: Camping sites, including caravan sites
92.32: Operation of arts facilities
92.33: Fair and amusement park activities
92.34: Other entertainment activities nec
92.52: Museum activities etc
92.53: Botanical and zoological gardens etc
92.61: Operation of sports arenas and stadiums
92.62: Other sporting activities
92.71: Gambling and betting activities
92.72: Other recreational activities nec

And

(2003) SIC

55.10: Hotels
55.21: Youth hostels and mountain refuges
55.22: Camping sites, including caravan sites
63.30: Activities of travel agencies and tour operators; tourist assistance activities not elsewhere classified
92.32: Operation of arts facilities
92.33: Fair and amusement park activities
92.34: Other entertainment activities not elsewhere classified



- 92.52: Museum activities and preservation of historical sites and buildings
- 92.53: Botanical and zoological gardens and nature reserve activities
- 92.61: Operation of sports arenas and stadiums
- 92.62: Other sporting activities
- 92.71: Gambling and betting activities
- 92.72: Other recreational activities not elsewhere classified

Transport, Storage and Logistics

- 51.1: Wholesale on a fee or contract basis
- 51.2: Wholesale of agricultural raw materials and live animals
- 51.3: Wholesale of food, beverages and tobacco
- 51.4: Wholesale of household goods
- 51.5: Wholesale of non-agricultural intermediate products, waste and scrap
- 51.8: Wholesale of machinery, equipment and supplies
- 51.9: Other wholesale
- 60.1: Transport via railways
- 60.2: Other land transport
- 60.3: Transport via pipelines
- 61.1: Sea and coastal water transport
- 61.2: Inland water transport
- 62.1: Scheduled air transport
- 62.2: Non-scheduled air transport
- 62.3: Space transport
- 63.1: Cargo handling and storage
- 63.2: Other supporting transport activities
- 63.4: Activities of other transport agencies