

REPORT ON GREATER ESSEX ECONOMY

EXECUTIVE SUMMARY

January 2017



ESSEX
ECONOMIC
COMMISSION



EXECUTIVE SUMMARY

Key elements of the economic picture for Greater Essex are set out in this summary of the report.

1. Economic growth

Greater Essex vital to south east and the UK

Outside London, Greater Essex is the eighth largest economy in the UK and the fourth largest out of 13 counties in the South East and East Anglia.

Slower historic growth rate

Greater Essex growth rate of 0.6% a year between 2004 and 2014 was slower than UK average of 1.3% and the slowest amongst counties in South East and East Anglia.

Variable growth within county

Heart of Essex was the fastest growing growth corridor at 1.0% a year over the decade, and South Essex the slowest at 0.2% a year. Heart of Essex was the fastest growing area in the East of England over this period. Of the four corridors – Essex Haven Gateway, Heart of Essex, South Essex and West Essex – South Essex is the largest with 36% of Greater Essex GVA. Slow growth in Greater Essex over the decade has been hindered by total working hours remaining static rather than by unduly slow productivity growth (see section 4b in Executive Summary).

Growth forecast to be no higher than UK

Long term economic forecasts currently indicate that Greater Essex growth rate is forecast at around 2% a year over 20 years, much the same as UK. Aspirations for Greater Essex to be the fastest growing area outside London require an uplift in the long term growth rate to nearer 3% a year over the long term.

2. Sector performance

Fastest growing sectors across all four growth corridors in Greater Essex have been Information & communication, business services, real estate and public services.

Manufacturing is the only sector to show a decline across all growth corridors. Financial and insurance services had a mixed record across the county.

But growth slower than UK in many key sectors

- Nevertheless, over the 15 years to 2013, growth in Greater Essex has been slower than the UK average for five of the fastest growing sectors, which include information & communication services; professional, scientific and technical services; administrative and support services; real estate; and financial and insurance services.

- Greater Essex recorded the fastest growth in only three out of 20 sectors measured against four other counties and county groupings: these were health and social work; activities of households (mainly relating to renting of properties); and arts, entertainment and recreation. Greater Essex was ranked second in two further sectors.
- Slower growth meant that five of the seven fastest growing UK sectors were less strongly represented in the Greater Essex economy than in the UK economy in 2013.

Sectors offering opportunities for future growth include advanced manufacturing, low carbon and renewables, life sciences and healthcare, digital and creative services, financial and business services, and logistics.

3. New enterprises – start-ups and survival

Greater Essex leading UK on start-ups of new enterprises

Greater Essex had an average of 235 start-ups for each £1bn of GVA between 2009 and 2014, well ahead of the UK average of 175 and above other counties in the region and major metropolitan areas. Locally, Southend recorded the highest rate of 290 start-ups per £1bn of GVA.

But this is not delivering faster growth

Sectors with potential to generate high value added, such as professional, scientific and technical services figure prominently in start ups, but so far this has not fed through into faster growth.

Start-ups rising in Greater Essex

Start-ups in Greater Essex grew from just over 7,000 in 2009 and 2010 to over 10,000 in 2013 and 2014, making a total of over 50,000 for the six year period.

Survival rates above UK average

Survival rates for new enterprises in Greater Essex are slightly ahead of the UK average. After five years 43.0% have survived compared with 41.7% for the UK.

4a. Labour market

Employment spread across many centres

The spread of employment reflects the multi-centred nature of the county, with six larger centres, each with between 9% and 11% of employment, accounting for 59% of 870,000 people

employed. In four of the six authorities – Colchester, Basildon, Chelmsford and Southend – employment is concentrated around a single urban centre. In the other two authorities – Braintree and Thurrock – employment is spread across several towns.

Economic inactivity hot spots in east of county

Overall, economic inactivity rate of 20.0% for county is lower than 22.3% in the UK, but economic inactivity remains particularly high at 26.5% in Tendring and 25.1% in Maldon.

Participation rate below other counties

The share of people of working age in employment – is higher at 76.4% than the UK's 73.5%. Participation rate exceeds 80% in other counties in south east.

Fewer people in highest occupations

Some 42.5% are employed in the three highest of nine occupational levels in Greater Essex, slightly less than the 44.0% for the UK. This ranges from over 50% in higher level occupations in Brentwood and Maldon to less than 35% in Tendring and Thurrock.

4b. Productivity

Productivity levels well below some counties in south east

GVA per person employed is £52,300 in Greater Essex, slightly less than £53,300 in the UK and much lower than some parts of the South East: being over £70,000 in Berkshire and over £60,000 in Surrey, Buckinghamshire and Hampshire. Productivity levels in Greater Essex were in line with Kent and Norfolk and higher than Suffolk.

Productivity high in a few sectors

GVA per person employed in Greater Essex is highest in financial and insurance services, business services and construction.

Modest growth in productivity over decade

A rise of 0.6% a year in GVA per hour worked in Greater Essex between 2004 and 2014, was in line with UK's 0.5% and similar to other counties in region.

Combined with static working hours

Zero growth in total hours worked in Greater Essex compared with 0.8% a year rise for the UK and a 2.0% annual increase in London.

Resulted in low growth in real GVA

The 0.6% growth in GVA was below that of 1.2% for UK, and a range of 1.0% to 1.5% a year over decade for other counties in south east. Differential down to no growth in working hours.

5. Qualifications and skills

Progress in raising qualifications but gap with UK remains

The share of those reaching at least Level 4 in Greater Essex rose from 22% in 2005 to 29% in 2015; But this lags an increase from 27% to 37% for the UK. Share reaching Level 4 ranges from below 20% in Castle Point and Tendring up to 38% in Uttlesford.

Higher level occupation relative to qualification obtained

Compared to the UK, people in Essex are on average working at a higher level of occupation relative to the qualification obtained.

GCSE results better than England but A Levels worse

The 58% in Essex County achieving five or more GCSEs, including English and Maths, was above the England share of 54%. But Essex County's A-level points score of 210 was below 216 for England.

Improving flow of apprenticeships

The number of apprenticeships rose to 14,500 in 2014/15 Greater Essex. As a 0.8% share of local population this compares favourably with other counties in the region and only slightly less than the 0.9% average for England. Tendring, Basildon and Castle Point had the highest number of apprenticeships relative to local population.

6. Population, migration and commuting

Population of Greater Essex projected to rise by 20%

increase of 350,000, faster than the UK projected 15% growth rate. Under more cautious assumptions following the referendum, growth in Greater Essex population could be constrained to 15% over the period.

Higher share of over 65s especially in some coastal districts

Greater Essex 19.5% share of the 65+ age group in 2015 was higher than UK average of 17.8%, but lower than some counties including Norfolk, Suffolk and Sussex where the share of people 65+ was over 22%. In Tendring the 27% share of people 65+ is much higher as well as in Castle Point, Rochford and Maldon, where it is over 23%.

....and over 65s projected to remain above UK share in the long term. Population projections point to Greater Essex share of 65+ rising to 25.8% in 2039 remaining 1.5% ahead of the UK 24.3% share at that time.

Net inflow of internal migrants overall, with net outflow in 18-24 age group. All local authorities except Harlow saw net inflow of migrants during 2014/15. Largest inflows to Colchester, mostly of younger adults under 45, and to Tendring, mostly adults over 45. All authorities, except Colchester, saw a net outflow of youngest adults in the 18-24 age group.

Net outflow of commuters, nearly matched by inflows in some authorities. All local authorities saw a net outflow of commuters to work. Despite large numbers commuting into London six authorities – Basildon, Harlow, Uttlesford, Colchester, Chelmsford and Brentwood – each had between 88 and 99 commuters travelling into the borough to work for every 100 commuters going out.

7. Infrastructure

National Infrastructure Pipeline. At least 20 of over 700 larger projects in the National Infrastructure Plan are of direct benefit to Greater Essex, as well as other local investments, such as South East LEP transport projects, and upgrading of electricity and water supply networks.

Road and rail under pressure. Upgrading and improvements are planned on major arterial routes, which are already under pressure. Many projects do not yet have agreed funding, so timing of delivery is uncertain.

Seaports set for expansion. Development of logistics and distribution hubs at Port of Tilbury and London Gateway could bring many new jobs and raise the economic importance of the ports to the area.

Airports important to expanding traffic. London Stansted and London Southend both have pivotal roles in the expansion of air traffic in the South East of England.

Lack of suitable commercial space. Many local authorities report a shortage of suitable commercial space, particularly offices, of the right size and quality for new and growing businesses. This constrains the ability of Greater Essex

to attract, retain and grow the businesses that will generate faster growth to which the county is aspiring.

Broadband. Access to superfast broadband is improving, but coverage in Greater Essex on average lags other counties and metropolitan areas. This is due to sparser coverage in some areas such as Saffron Walden, Witham and Harwich.

Future shortfall in housing. Assessed need for nearly 180,000 new homes in Greater Essex over the 20 years to 2036 is at present matched by plans to supply 133,000, 74% of total required. Some authorities – Chelmsford, Harlow and Epping Forest – have plans that exceed local requirements. In other authorities, particularly in South Essex, there is a large shortfall.

8. Greater Essex as location for investment

Drivers for investment. Factors driving UK and foreign companies to invest in Greater Essex include proximity to London or the London-Stansted-Cambridge corridor; access to UK, European and international markets; and cost advantages around property and employment.

Challenges to address. Despite its advantages, the ability to attract more businesses to Greater Essex is constrained by lack of awareness and a shortage of suitable commercial workspace of the right size and quality.

9. Quality of life

Indicators of deprivation. Greater Essex has two local authorities amongst the 100 most deprived authorities in the UK (out of 326 in total): Tendring (49th) and Harlow (71st). By contrast, Brentwood (294th) and Uttlesford (297th) are among the least deprived.

Deprived neighbourhoods. Three quarters of the most deprived neighbourhoods in Greater Essex are concentrated in Tendring, Basildon and Southend. The same three authorities as well as Harlow have the most local neighbourhoods where incomes average less than £500 per week.

Households claiming out-of-work benefits. In Tendring, Basildon, Thurrock, Southend and Harlow, between 15% and 20% of children are living in households dependent on out-of-work benefits. In Uttlesford and Brentwood, the equivalent share of children is 5% and 6%, respectively.


KEY CHALLENGES TO ADDRESS

There are many positives for locating and developing businesses in Greater Essex: these include strong links and proximity to London and the London-Stansted-Cambridge corridors, international connectivity through airports and sea ports. The Essex Economic Commission has identified a number of key challenges that need to be addressed if Greater Essex is to strengthen and develop its capability to enable the establishment of start-ups, the expansion of existing businesses and the attraction of new businesses from elsewhere.

The key challenges include:

- 1. Raising skills and qualifications.** Businesses in Greater Essex face skill shortages and have difficulties recruiting people with the appropriate skills. Also, the share of people in higher level occupations is below the UK average. The challenge is to raise skill levels in occupations and industries where they will be required. It will also be important to continue to build levels of educational achievement in schools and in further and higher education.
- 2. Developing opportunity sectors and technologies.** An ongoing focus will be required in developing sectors such as advanced manufacturing, low carbon and renewables, life sciences and healthcare, digital and creative, financial and business services, and logistics. Opportunities are also present in the exploitation of new technologies being developed in Greater Essex, including automotive engineering and advanced manufacturing.
- 3. Improving transport infrastructure.** Key arterial road and rail routes are already under pressure, which will increase with rising population, expansion of housing in Greater Essex and expected growth of ports and logistics capacity, especially in South Essex. Investment that improves efficiency of traffic and enhances connectivity is key. Core aspects of connectivity will be strategic access to international airports and sea ports; links between major towns and cities; and locally within towns to facilitate economic activity, the ability of people to get to work and links to new housing developments.
- 4. Expanding availability of suitable workspace and commercial premises.** An inadequate supply of suitable commercial space for offices and factories is reported in many districts in Greater Essex. This is constraining opportunities to attract new business and facilitate the expansion of existing businesses. It may also discourage start ups. It will be important to review opportunities to expand commercial workspace, including new business parks, in order to increase the supply of suitable premises.
- 5. Supporting coastal districts.** Some coastal areas face particular challenges, for example, around lower educational and vocational attainment, high inactivity rate, more limited coverage of fast broadband and a larger presence of people in upper age groups. Specific measures to address the development of these areas need to be reviewed.

The Essex Economic Commission will be reviewing how best these challenges can be addressed, taking into account initiatives that are already in place.



This report is issued by:
Essex Economic Commission

Contact us:
economic.commission@anglia.ac.uk
www.essexgrowth.co.uk
01245 683524

Essex Economic Commission
Medbic 115, Anglia Ruskin University
Alan Cherry Drive, Chelmsford
Essex CM1 1SQ

Published January 2017

