West Sussex Economy Review – June 2008

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Executive Summary

- GVA in West Sussex increased from £8.4 billion in 1995 to £13.3 billion in 2005, although the *rate* of growth slowed down from 4.7 per cent in 2002 to 2.6 per cent in 2005.

- However, if we look at a slightly different measure of GVA growth – one which takes account of the effects of inflation – we find that growth slowed down much more markedly. Between 1995 and 2002 the average rate of GVA growth in West Sussex on this measure was 2.7 per cent per year. But from 2002 to 2005 the average rate of growth was just 0.4 per cent per year. Only three other sub-regional economies in the whole of the UK showed a slower rate of growth than West Sussex in this period.

- GVA per head in West Sussex increased from £11,700 in 1995 to £17,400 in 2005. But again, taking account of inflation, the rate of growth in GVA per head was very low: close to zero after 2002, with a small decline in 2005. The rate of growth in GVA per head in West Sussex was significantly lower than in all other sub-regional economies in the South East from 2002.

- Since 1995 GVA per head in West Sussex has declined relative to the regional and national averages. By 2005 it was around 10 per cent below the regional average and about 2 per cent below the national average.

- Sub-regional estimates of GVA or GVA per head are less accurate than national figures and therefore should be treated with some caution. There are significant differences between official GVA estimates, adjusted for inflation, and estimates from independent consultancies. For example, Experian's latest estimates show GVA per head in West Sussex expanding by 2.4 per cent per year between 2002 and 2005, compared to almost zero growth according to official figures adjusted for inflation.

- Employment is a more reliable indicator of economic performance at sub-regional level. Between 2002 and 2005 the number of employees working in West Sussex declined by 5.3 per cent (equivalent to around 18,900 employees). The Thames Valley also experienced employment decline in this period.

- A significant amount of the employment decline seen in West Sussex was due to a substantial fall in the number of employees in the Business Services sector. The sector saw a large drop in employment between 2002 and 2005 – equivalent to 27,200 employees. By contrast, employment in this sector grew by 8.3 per cent in the South East as a whole. Within the Business Services sector in West Sussex, the majority of the fall in employment was accounted for by 'Other' business activities – including accountancy, consultancy, advertising, recruitment agencies, secretarial services and call centres.

- All Districts in West Sussex saw a decline in employment in Business Services between 2002 and 2005, as did some of the most competitive sub-regional economies in the South East, such as Oxfordshire and parts of Berkshire.

- Sectoral employment data is less reliable than the estimates of total employment and ought to be treated with a degree of caution.

- A high concentration of private sector employment is often associated with a healthy and competitive economy. Within West Sussex there are significant differences in performance on this measure. Crawley is by far the most competitive local economy, with private sector employment accounting for around 86 per cent of total employment in 2005. Horsham and Adur also perform relatively strongly. By contrast, private sector employment is well below the West Sussex and even national averages in Chichester and Worthing, and has been declining since 2002.

- The West Sussex labour market appears to be strong, with economic activity and employment rates both above the regional average in 2005. However, the labour market is a 'lagging' indicator of economic performance, often only signalling problems when it is too late. By 2006, the economic activity rate in West Sussex had fallen below the regional average, while the employment rate had declined and unemployment increased.

- Employment rates vary significantly within West Sussex, being highest in Adur and Mid Sussex and lowest in Arun and Horsham. The variations can be explained by a combination of factors, including the structure of the local economy, location, and the skills profile of the population. This means that even relatively weak local economies can exhibit high employment rates. For example, the high employment rate in Mid Sussex is associated with a relatively high proportion of people holding an NVQ 4 or above, and proximity to Crawley and good transport links to employment opportunities elsewhere. Indeed, many parts of West Sussex see significant outflows of commuters to other parts of the county or region, or to London. Improving employment opportunities locally will help to strengthen the local economies of West Sussex.

- One of the main reasons for the low rate of GVA growth in West Sussex in recent years is likely to be the decline in employment in some of the largest and most productive sectors, such as financial and business services, manufacturing and transport and communications. Employment growth has been strongest in hotels and restaurants – which could suffer the effects of any slowdown in consumer spending this year and next – and in public services, which are likely to be affected by slower growth in public spending over the next three years.

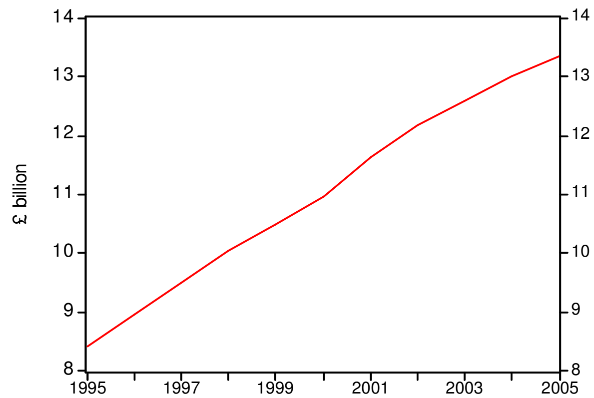
- West Sussex also performs less well on other measures of economic strength. Business start-up rates are below the regional average, and declined from 43 VAT registrations per 10,000 adult population in 2002 to 38 per 10,000 in 2005. The proportion of the working age population with higher level skills (NVQ 4 and above) was below the regional average in 2005, at 27.6 per cent compared to 29.5 per cent in the South East.

Output growth

West Sussex economy continued to expand over the past decade

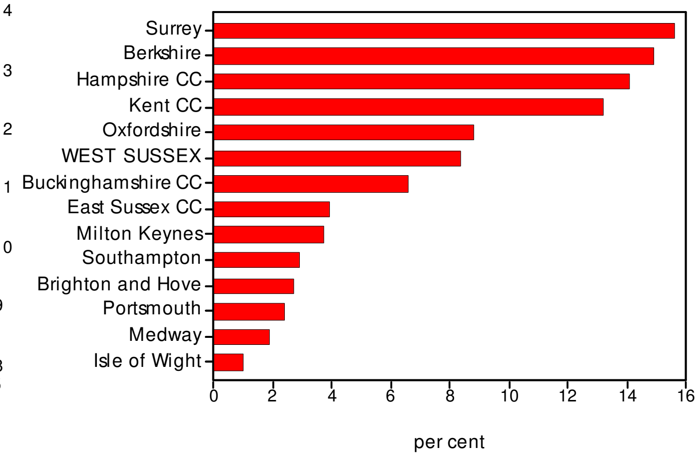
In cash terms the West Sussex economy was worth £13.3 billion in 2005. West Sussex output or Gross Value Added (GVA) expanded from £8.4bn in 1995 to £13.3bn in 2005 (Figure 1)[1]. The West Sussex Economy accounts for 8.4 per cent of the South East economy making it the 6th largest sub-regional economy, Figure 2.[2]

Figure 1: West Sussex economy continues to expand Gross Value Added (GVA) 1995-2005



Source: National Statistics 2007

Figure 2: Share of regional GVA - 2005

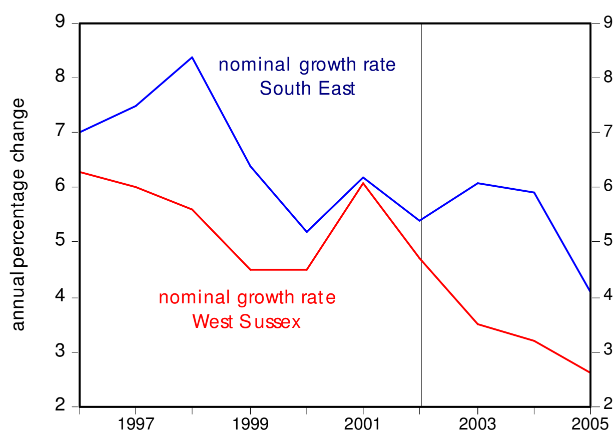


Source: National Statistics 2007

The rate of GVA growth slows down since 2002

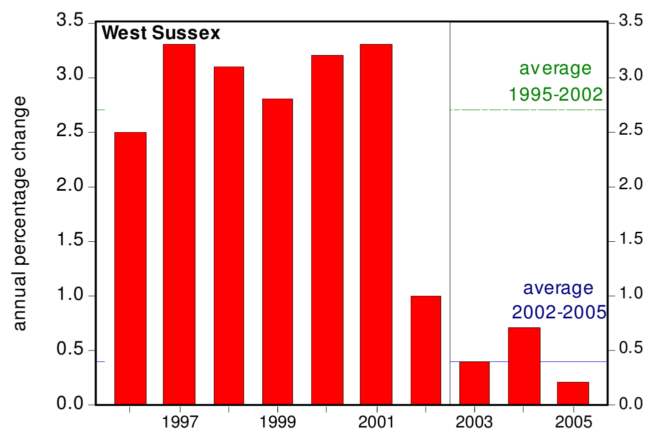
The pace of expansion based on the latest official data could appear reasonable but is misleading as it includes the impact of inflation. The latest official data shows the rate of GVA growth slowing down from 4.7 per cent in 2002 to 2.6 per cent in 2005 (Figure 3). The rate of growth could still look reasonable if compared to the national rate of growth as reported by the press.

Figure 3: West Sussex economy The pace of expansion looks reasonable ...?



Source: National Statistics 2007

Figure 4: ... inflation adjusted rate is a preferable approach when comparing growth over time ...



Source: National Statistics 2007

However, any analysis based on sub-regional data as published by National Statistics and compared to national growth rates reported in the national press is misleading since national growth rates are normally

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[1] Workplace based estimate (residence based GVA is not available at sub-regional level). The 2005 GVA data is an estimate and is likely to be revised in December 2008. The revisions to GVA estimates could impact on the 2003 and 2004 figures.

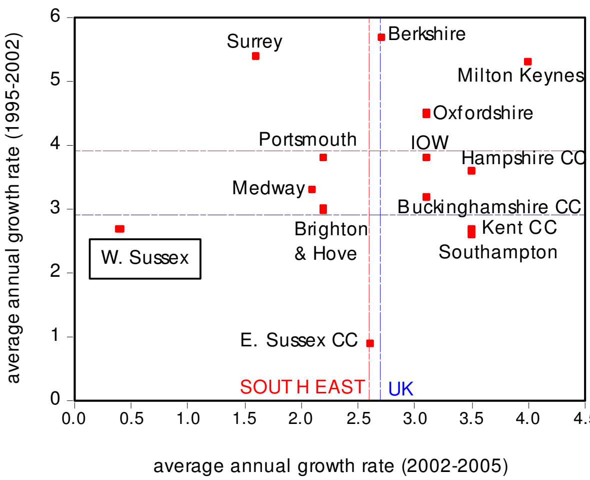
[2] Based on NUTS3 geographical classification.

reported in inflation adjusted term, while regional and sub-regional rates are reported in nominal terms (not adjusted for inflation). Hence, since the rates of growth as reported in Figure 3 include the actual change in output and the impact of changes in prices, any analysis based on nominal rates is misleading.[3]

Inflation adjusted rate shows GVA growth in West Sussex almost coming to a halt in 2005. The inflation adjusted rate of growth shows that GVA growth in West Sussex slowed significantly between 2002 and 2005.[4] Between 1995 and 2002 the average annual rate of growth in West Sussex was 2.7 per cent per annum. Over the past three years for which data is available the average rate of growth was just 0.4 per cent per annum (Figure 4).

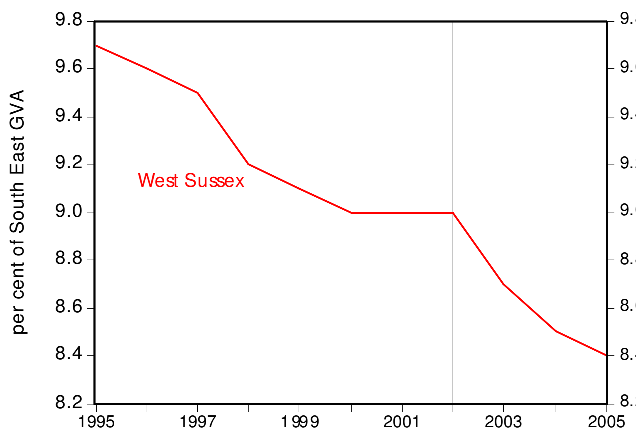
Since 2002 the rate of growth in West Sussex was the slowest in the region and the third slowest nationally.[5] As shown in Figure 5 (horizontal axis), the inflation adjusted rate of growth in GVA in West Sussex was not just well below the regional or national average but also well below the other sub-regions within the South East. Furthermore, the rate of GVA expansion since 2002 has been amongst the slowest nationally. Between 2002 and 2005 the West Sussex economy was the 129th fastest growing sub-regional economy nationally.[6] West Cumbria in the North West and Flintshire and Wrexham in Wales were the only sub-regions with an average rate of GVA growth below West Sussex. Slower rates of growth relative to other sub-regions within the South East have lead to a decline in West Sussex's share of regional output, from 9.7 per cent in 1995 to 8.4 per cent in 2005 (Figure 6).

Figure 5: Slowest inflation adjusted GVA growth rate within the South East since 2002 ...



Source: SEEDA estimate derived from National Statistics 2007 data

Figure 6: ... leads to declining share of regional GVA



Source: National Statistics 2007

West Sussex was not the only sub-region in the South East with lower rates of growth after 2002. Berkshire and Surrey in particular had the average rate of growth well below the 1995-2002 average (Figure 5). Slower growth in the two largest sub-regional economies has resulted in the South East growth rate being marginally below the national average between 2002 and 2005.

[3] When analysing changes in output over time Economists always use the inflation adjusted (real) rates of growth.
[4] Due to a lack of regional GVA deflator (GVA deflator is used to adjust nominal growth for changes in prices) GVA at regional and sub-regional level is published in nominal terms. To arrive at inflation-adjusted rates of growth for West Sussex we have used national GVA deflator.
Note: The national GVA deflator is used by the Department for Business and Regulatory Reform (BERR) to obtain inflation adjusted growth rates for English regions. The approach used in this paper is consistent with BERR analysis.
[5] The Financial Times have recently reported the fastest and the slowest growing sub-regional economies and the West Sussex was amongst the slowest growing economies between 2001 and 2005.
[6] Based on the NUTS3 definition of UK sub-regions.

GVA per head growth

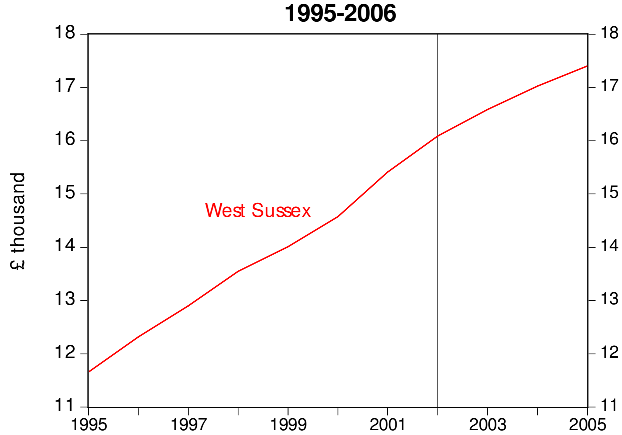
West Sussex GVA per head continued to expand over the past decade …

In cash terms GVA per head in West Sussex was some £5,700 higher in 2005 than in 1995. GVA per head in West Sussex expanded from around £11,700 in 1995 to £17,400 in 2005 (Figure 7). In 2005 GVA per head in West Sussex was higher than in Brighton & Hove, Kent & Medway, East Sussex and the Isle of Wight.[7]

… but the inflation-adjusted rate comes to a standstill.

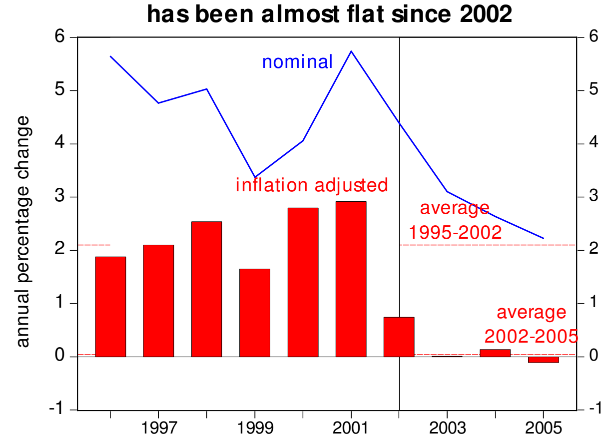
Inflation adjusted GVA per head growth rate slows down sharply from 2002. Between 1995 and 2002 GVA per head in West Sussex expanded by over 2 per cent per annum, however the average annual (inflation adjusted) rate of growth after 2002 was close to zero (Figure 8).

Figure 7: GVA per head continues to expand … 1995-2006



Source: National Statistics 2007

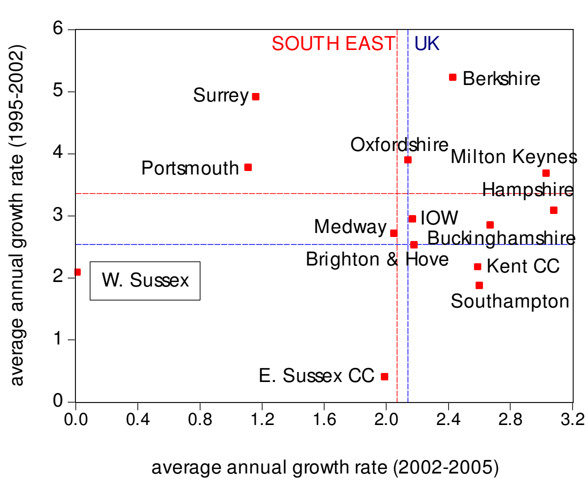
Figure 8: … but inflation adjusted rate of growth has been almost flat since 2002



Source: SEEDA estimates derived from National Statistics 2007 data

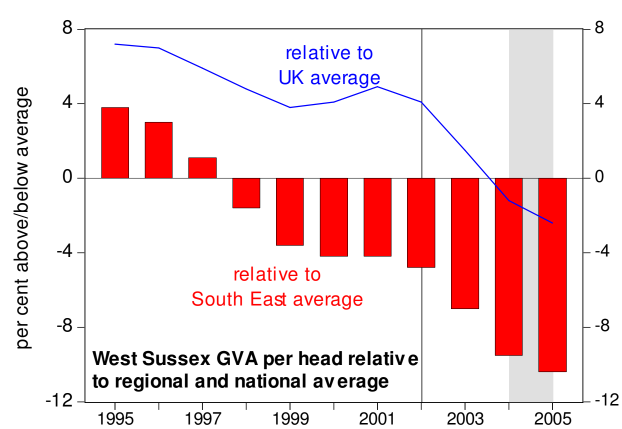
Not surprisingly the GVA per head growth rate in West Sussex was well below other sub-regional economies in the South East. Since 2002, the average rate of GVA per head growth in West Sussex was well below the rates of growth of other sub-regional economies. Hampshire and Milton Keynes were the best performing sub-regions, whilst the East Sussex economy expanded at a rate well above its past trend (horizontal axis in Figure 9).

Figure 9: Inflation adjusted GVA per head almost comes to a halt since 2002 …



Source: SEEDA estimate derived from National Statistics 2007 data

Figure 10: Slower growth leads to a decline relative to regional and national average



Source: National Statistics 2007

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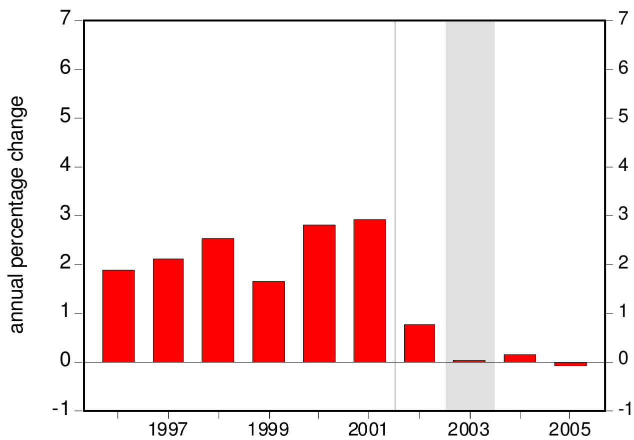
[7] GVA per head used in this paper excludes the impact of commuter income.

Slower growth has lead to a decline in GVA per head relative to the regional and national average. In 1995 GVA per head in West Sussex was around 7 per cent above the national average and even above the regional average (around 4 per cent above). In 2005 GVA per head in West Sussex was around 10 per cent below the regional average and around 2 per cent below the national average (Figure 10).

How accurate are these estimates of GVA per head growth?

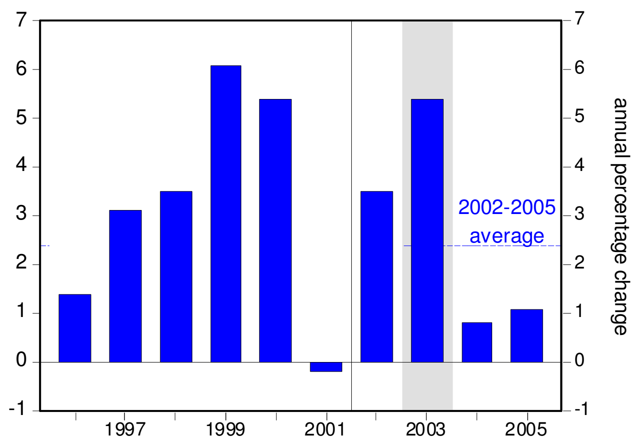
Experian Business Strategies 'real estimates' differ markedly from the inflation-adjusted estimates. The official estimates of regional and sub-regional GVA are less accurate than the national estimates and following the recommendations from the Allsopp Review, a new series (based on improved methodology) will be published in 2009/10[8]. Thus any sub-regional estimate has to be taken with a degree of caution.

Figure 11: Inflation adjusted GVA per head growth rates, West Sussex 1995-2005



Source: SEEDA estimates derived from National Statistics 2007 data

Figure 12: Real GVA per head growth rates West Sussex, 1995-2005 (Experian estimate)



Source: Experian Business Strategies 2008

A number of independent consultancies publish their own estimates (based on different methodology) and a simple comparison with the inflation-adjusted estimates shows some stark differences between the two. The latest estimates (adjusted for inflation) from Experian Business Strategies show GVA per head in West Sussex expanding by around 2.4 per cent per annum from 2002, a stark difference with the inflation-adjusted estimate based on the official data, which shows little growth (Figure 11 and Figure 12). There is a significant 'outlier' in the Experian estimate in 2003 showing a rate of growth of over 5 per cent against the inflation adjusted estimate of no growth.[9]

Obviously, an important issue for the policy makers at regional and sub-regional level is to understand the causes of slower growth in West Sussex and data on the number of employees working in the sub-region (workplace-based employment) could shed some light on the likely performance of West Sussex economy over the period.

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[8] The Allsopp review of statistics for monetary and wider economic policymaking published its Final Report on 31 March 2004. The Review's remit had two parts: to examine the provision of data required for regional economic policy making and to assess how well the provision of economic statistics captures structural change in the economy.

[9] These estimates are based on different approaches: the official (nominal) estimates are based on the income approach while Experian estimates are based on the output approach derived from their regional forecasting model. We're seeking further explanation from Experian in regard to their 2002-2005 estimates.

Employment change

A decline in employment within the sub-region …

Total number of people employed in the sub-region declines between 2002 and 2005. Employment is a more reliable indicator of economic performance at sub-regional level. The official estimates of workplace-based employment show a decline of 5.3 per cent in West Sussex or around 18,900 between 2002 and 2005.[10] Alongside West Sussex, the Thames Valley economy was affected by the slowdown to a greater extent than the other sub-regional economies. The workplace-based employment in Reading decline by around 7,300, Windsor and Maidenhead by around 3,200 and Bracknell Forest and Slough by around 1,500 respectively (Figure 13).

Within West Sussex, every district had seen a decline in workplace-based employment with Mid Sussex, Horsham and Chichester accounting for almost 4/5th of the total decline within the sub-region (Figure 14).

Figure 13: Total employment change, 2002-2005 (workplace-based employment)

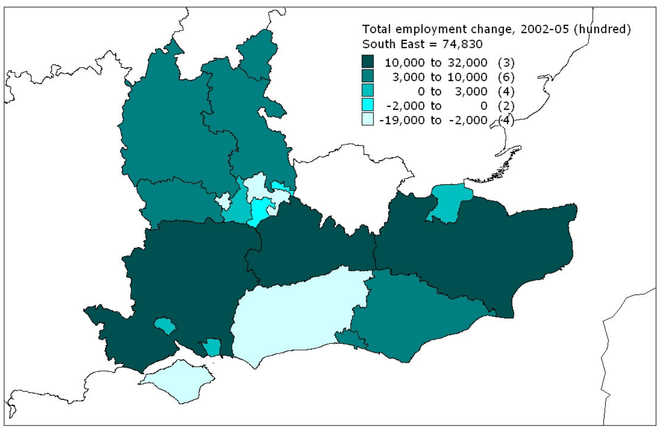
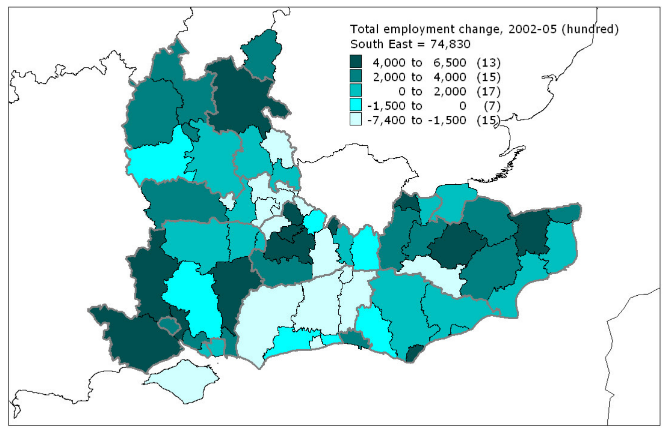


Figure 14: Total employment change by district 2002-2005 (workplace-based employment)



… appears to be driven by a decline in employment in business services?

A sharp decline in employment in some highly productive sectors and in particular in Business Services (Real estate, renting & business activities). Between 2002 and 2005 there was a sharp decline in employment in business services of around 27,200 followed by a further decline in manufacturing employment (-6,300), financial services and transport, storage and communications. Over the same period in the South East as a whole workplace-based employment in business services had increased by 8.3 per cent (Table 1). A sharper decline in business services employment in West Sussex was offset by strong employment growth in hotels & restaurants and public services (Table 1).

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[10] Source: National Statistics, Annual Business Inquiry.

Note: The 2003, 2004 and 2005 ABI data is based on 2003 CAS wards which differs from previous years ABI data which was built from 1991 census wards. This could give rise to discontinuities when comparing 2003 data with previous years. However, according to the UK Office for National Statistics this should make little if any difference at the sub-regional level (West Sussex on a CAS ward basis and on a census basis is much the same). Discontinuity largely affects the 2006 data. The industrial activity follows the Standard Industrial Classification 2003. The switch from SIC92 to SIC2003 will make very little difference to the classification of economic activity (SIC2003 is just a slightly updated version of SIC92).

The allocation to SIC codes can be fairly volatile as the main activity of an enterprise can be changed by a relatively small change in numbers of people employed on a given activity. Amalgamation of teams and internal re-organisation can swing the balance from one year to the next. For these reasons a **high degree of caution is needed when looking at sectoral changes** in employment.

Table 1: Workplace based employment, 2002 and 2005 (selected sectors)*

Section: Industry	West Sussex			% change		
	2002	2005	change	West Sussex	South East	England
D : Manufacturing	40,060	33,800	-6,260	-15.6	-15.2	-14
F : Construction	10,875	11,420	550	5.0	12.3	3.6
G : Wholesale & retail trade	61,260	63,810	2,550	4.2	-0.9	0.1
H : Hotels & restaurants	18,580	27,250	8,670	46.7	4.6	3.8
I : Transport, storage & communication	35,725	34,170	-1,560	-4.4	-5.5	1.4
J : Financial services	16,910	13,890	-3,020	-17.8	-15.2	-6.2
K : Real estate, renting & business activities	76,620	49,445	-27,175	-35.5	8.3	12.4
L : Public administration & defence	11,865	15,160	3,300	27.8	3.9	7.8
M : Education	27,360	28,415	1,055	3.9	11	11.7
N : Health and social work	38,430	41,365	2,935	7.6	12.1	13.6
Total	356,740	337,920	-18,820	-5.3	2.0	3.1

Source: National Statistics (Annual Business Inquiry) 2008
Note: * absolute figures might not add up (the figures have been rounded up to nearest five)

Over the period business services share of total employment in West Sussex had declined by 6.9 per cent, from 21.5 per cent in 2002 to 14.6 per cent in 2005 (Table 2). Business services was the largest employment sector in West Sussex in 2002. However, by 2005 its share of total employment had slipped behind the wholesale and retail trade sector.

Table 2: Employment share by sector, 2002 and 2005 (selected sectors)

Section: Industry	Employment share (%)		
	2002	2005	Change*
D : Manufacturing	11.2	10	-1.2
F : Construction	3	3.4	0.4
G : Wholesale & retail trade	17.2	18.9	1.7
H : Hotels & restaurants	5.2	8.1	2.9
I : Transport, storage & communication	10	10.1	0.1
J : Financial services	4.7	4.1	-0.6
K : Real estate, renting & business activities	21.5	14.6	-6.9
L : Public administration & defence	3.3	4.5	1.2
M : Education	7.7	8.4	0.7
N : Health and social work	10.8	12.2	1.4
Total	100	100	n/a

Source: National Statistics (Annual Business Inquiry) 2008
* see the footnote (10) on page 7

Lower employment across much of financial and business services and in particular in 'other' business activities. Between 2002 and 2005 employment had declined across much of financial and business services and in particular in the 'other' business activities (Table 3).[11]

[11] **Other business activities include**: Legal activities, Accounting, book-keeping and auditing activities; tax consultancy, Market research and public opinion polling, Business and management consultancy activities, Management activities of holding companies, Architectural and engineering activities and related technical consultancy, Technical testing and analysis, Advertising, Labour recruitment and provision of personnel, Investigation and security activities, Industrial cleaning, Photographic activities, Packaging activities, Secretarial and translation services, Call centre activities, Other business activities not elsewhere classified.

Table 3: Employment in Financial and Business Services

Section: Industry	2002	2005	Change*
65 : Financial intermediation, except insurance and pension funding	9,850	7,635	-2,215
66 : Insurance and pension funding, except compulsory social security	4,990	3,030	-1,960
67 : Activities auxiliary to financial intermediation	2,075	3,230	1,155
J. Financial Intermediation	16,910	13,890	-3,020
70 : Real estate activities	9,270	5,800	-3,470
71 : Renting of machinery and equipment without operator and of personal and household goods	2,145	1,525	-615
73 : Research and development	980	820	-165
K. Property, Renting, Research	12,390	8,145	-4,250
72 : Computer and related activites	9,995	5,475	-4,520
74 : Other business activities	54,230	35,830	-18,405
K. Business Services	64,225	41,300	-22,925

Source: National Statistics 2007, Annual Business Inquiry (ABI)
* see the footnote (10) on page 7

Given the significant changes in employment in private services, Experian GVA forecasts are likely to overstate the performance of the economy.

Business services were affected in every district in West Sussex and also in some of the most competitive sub-regional economies elsewhere in the South East. Employment in business services declined in every district in West Sussex, with Chichester and Mid Sussex accounting for over half of the decline in business services employment (Figure 15). Some of the most competitive sub-regional economies within the South East such as Oxfordshire, and parts of Berkshire (Reading and Maidenhead), also experienced lower employment in business services in 2005 than in 2002.

Figure 15: Employment change in Business Services by district, 2005-2005 (workplace-based employment)

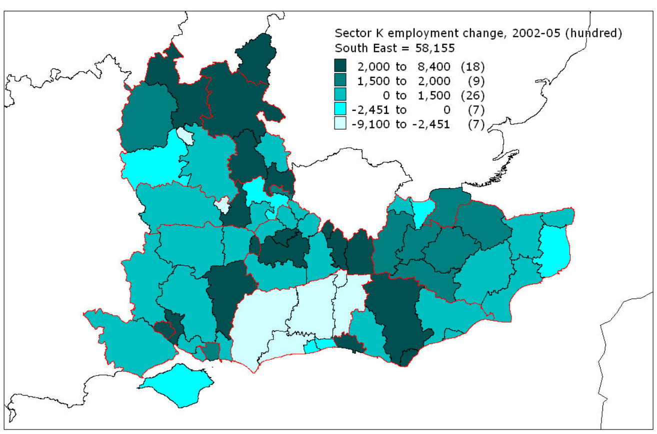
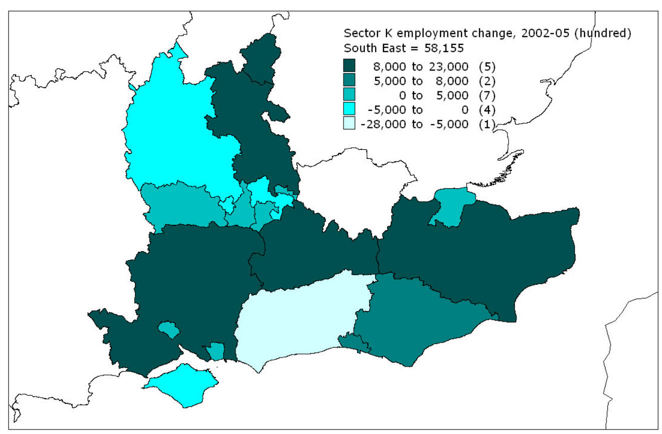


Figure 16: Employment change in Business Services 2002-2005 (workplace-based employment)



A decline in employment in some highly productive private sectors is the likely cause of slower GVA growth. The latest official workplace-based employment data shows that employment in West Sussex has declined in some of the largest and most productive sectors such as financial and business services, manufacturing and transport and communications (Table 2). On the other hand employment growth has been the strongest in hotels and restaurants and public services.

A decline in employment in higher productivity sectors is the likely cause of low GVA growth in West Sussex between 2002 and 2005. Given the current market turmoil associated with the credit crunch, which could turn into a consumer crunch, employment in construction, retailing and hotels and restaurants could be affected to a greater extent than employment in other sectors this year and in 2009.

Furthermore, slower growth in public spending over the next three years will provide less support to public sector employment.

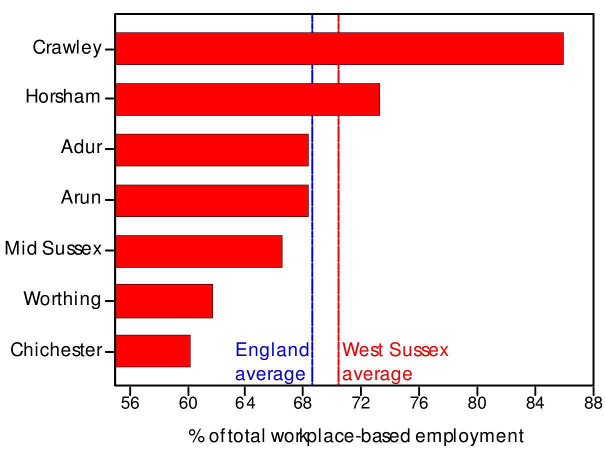
It appears that the economy has weakened over this period and that West Sussex residents could increasingly have to rely on employment opportunities elsewhere with the subsequent impact on a number of environmental factors (such as CO_2 emissions). An important factor is whether the slowdown affecting the economy between 2002 and 2005 was of cyclical nature or whether the economy is less competitive that it might appear.

How competitive is the West Sussex economy?

The strength of private sector activities is often associated with a healthy and competitive market economy.

There are significant disparities in private sector activities within West Sussex. A high concentration of private sector employment is often associated with a healthy and competitive economy. London and the South East have a significant share of private sector employment and are the most competitive regional economies in England. The same approach can be used in assessing the strength of sub-regional/local economies. Crawley is by far the most competitive local economy with private sector employment accounting for around 86 per cent of total employment in 2005. On the other hand in a number of districts the proportion of private sector employment is well below the West Sussex and even national average. Most notably, in Chichester (often seen as one of the most prosperous districts within the South East) and Worthing the proportion of private sector employment is well below the national average (Figure 18). Furthermore, between 2002 and 2005 there was a decline in the proportion of private sector activities in a number of districts within West Sussex. The proportion of private sector employment in Chichester declined by 7.4 per cent (a significant change over a short time horizon), while there were declines of 5.3 per cent in Mid Sussex and 3.5 per cent in Horsham.

Figure 18: Private sector employment, 2005 (% of total workplace-based employment)



Source: National Statistics (ABI) 2007

Figure 19: High-productivity private sector employment* 2005 (% of total workplace-based employment)

Source: National Statistics (ABI) 2007

Since total private sector employment includes some less productive private sector activities (such as hotels & catering), we obtain a better picture of the strength of private sector activities if we focus on some of the most productive sectors such as Manufacturing, Transport, Storage & Communications and Financial & Business Services (Figure 19). With close to 60 per cent of total employment in these sectors Crawley has by far the strongest economy, followed by Horsham and Adur. However, Adur has a significant proportion of lower value added manufacturing employment. The proportion of high-productivity employment in Chichester, Arun, Worthing and Mid Sussex is below the national average.

Obviously given the diverse nature of the economy some areas within West Sussex are likely to perform better. It is more likely that those areas with a greater share of private sector employment will perform better in terms of GVA and employment growth in the future. The latest forecasts (largely policy neutral forecast) of GVA per head growth show an average annual rate of growth of around 2.5 per cent in the

Gatwick Diamond between 2006 and 2016. The Gatwick Diamond is projected to have the second fastest growing GVA per head amongst the eight Diamonds for Investment and Growth in the South East.[12]

Strong labour market and skills profile as an indicator of a competitive economy?

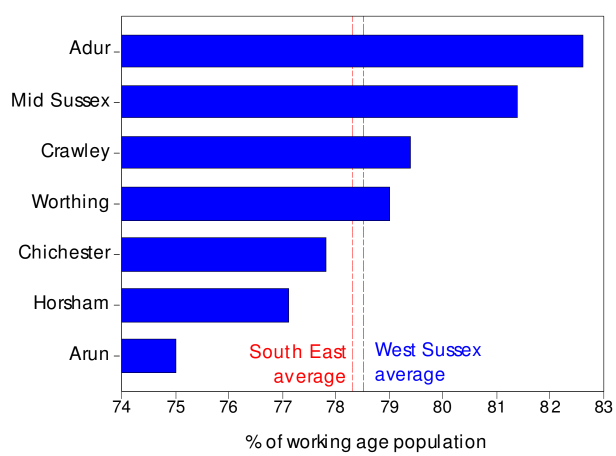
In 2005 labour market conditions were tighter in the West Sussex economy than across much of the region. The economic activity rate was close to 83 per cent, 0.7 points above the regional average; the employment rate was close to 80 per cent, also above the regional average and the unemployment rate stood at 3.8 per cent - equal to the South East average. All of the above could point towards a strong and competitive economy, however a simple focus on labour market performance could be misleading. The labour market is a lagging indicator of economic activity and because of commuting patterns it often says more about the strength of the neighbouring economies than about the economy under observation. Furthermore, the labour market indicators only signal problems when it is too late, which can be shown if we were to look at the 2006 data.

By the end of 2006 the economic activity rate in West Sussex was below the regional average and the employment rate had declined to 78.5 per cent (marginally above the regional average) and the unemployment rate had increased to 4.2 per cent.

Proportion of working age population with higher-level skills (NVQ4+) and no skills in West Sussex is below the regional average. At 27.6 per cent the proportion of the working age population with higher skills (NVQ4+) was below the regional average in 2005. Between 2005 and 2006 the South East figure increased from 29.5 per cent to 30.5 per cent and over the same period the West Sussex figure increased from 27.6 per cent to 29.7 per cent. The sub-region has a smaller proportion of its working age population with no skills compared to the regional average and a higher concentration of intermediate skills.

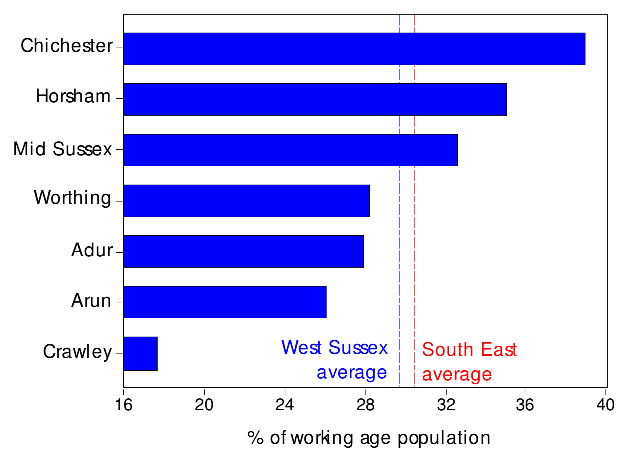
The labour market indicators often say more about the characteristics of the resident working-age population than about the strength of an economy. In 2006 the employment rate in Adur, Mid Sussex, Crawley and Worthing was above the regional and West Sussex averages (Figure 20). Given the relative weakness of these economies (except Crawley), high employment rates could appear rather surprising. However, the commuting patterns, location and skills profile are important factors here. The high employment rate in Mid Sussex is related to a high proportion of its working age population with NVQ4+ (higher skill levels) and its location (Figure 21). It benefits from close proximity to Crawley and transport links to other labour markets, most notably Brighton & Hove and London.

Figure 20: Employment rate, 2006



Source: National Statistics (APS) 2007

Figure 21: Skills - Working age population with NVQ4+, 2006



Source: National Statistics (APS) 2007

The proportion of the working age population with NVQ4+ is low in Adur and Worthing, however the employment rates are high because of the local demand for lower skills (from hotels & catering, retailing and health & social work sectors) within these economies and neighbouring Brighton & Hove.

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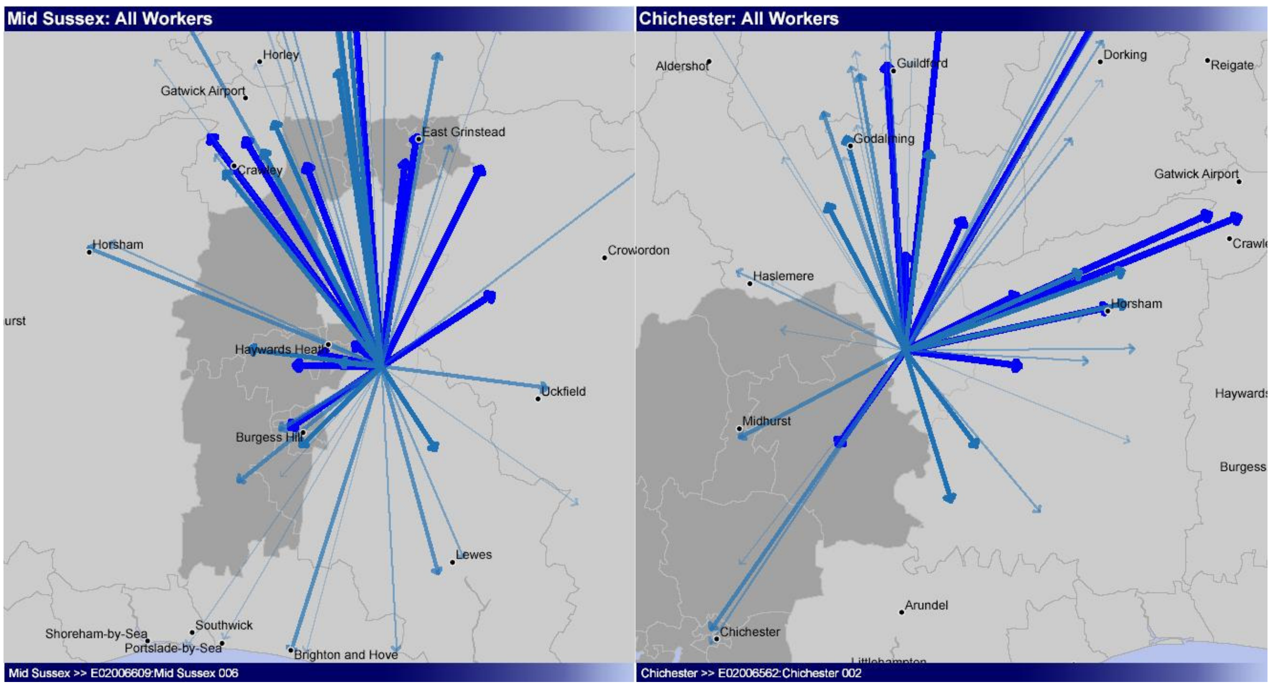
[12] The estimate is based on Experian Autumn 2007 district level forecasts (Experian Local Markets Database).

The structure of the local economy, location and skills profile of its working age population are the factors behind lower employment rates in Arun. Despite having the highest proportion of working age population with NVQ4+, the employment rate in Chichester is below the West Sussex and regional averages (Figure 20 and Figure 21). The weakness of private sector activities in Chichester and location are the most likely factors behind the lower employment rate.[13] On the other hand Crawley has the lowest proportion of working age population with NVQ4+, which implies that to meet the demand of its economy it has to rely on the influx of commuters and migrant labour from neighbouring labour markets or elsewhere within the region, the UK or abroad.

As the skills profile of the resident population in places such as Crawley improves, the commuters elsewhere in the sub-region (which are dependent on Crawley's job market) might increasingly have to compete for employment opportunities with its resident population for higher paid jobs. Thus, the focus within a number of districts within West Sussex ought to be on creating the necessary conditions to strengthen their local economies.

Figure 22: A snapshot of out-commuting patterns from within Mid Sussex and Chichester, 2001



Source: National Statistics 2008 (Commuter View, Middle Layer SOA, based on the 2001 Census)

Low business formation rates

Business formation rates in West Sussex are below the South East average. Between 2002 and 2006 VAT registrations per 10,000 residents in West Sussex had declined from 43 VAT registered businesses per 10,000 adult population to 38 businesses. Over the same period VAT registrations for the South East have marginally declined (from 44 to 43 VAT registered businesses per 10,000 adult population). Over the same period business density (business stock per 10,000 adult population) has marginally increased, from 438 (above the regional average) to 444 (+8 businesses). At regional level business density has increased from 437 businesses (below the West Sussex average) to 446 businesses (above the West Sussex average), an increase of 20 businesses per 10,000 adult population.

Low business start-up and business density rates amongst a number of coastal districts. Within West Sussex, it is the mainly rural areas of Mid Sussex, Horsham and Chichester that have the highest business start-up and business density rates, above the sub-regional and regional averages (Figure 23 and 24). High business density can create an impression of a vibrant economy. However, these areas tend to have high-start up rates amongst small enterprises and high concentration of small enterprises, which

[13] Infrastructure and connectivity are some of the most important enablers of economic growth at regional and local levels.

tend to provide fewer employment opportunities than larger enterprises. Crawley on the other hand has low business start-up rates and the lowest business density within the region. However, Crawley (alongside Reading) has one of the highest concentrations of large establishments in the South East.

Figure 23: Business start-up rates, 2006

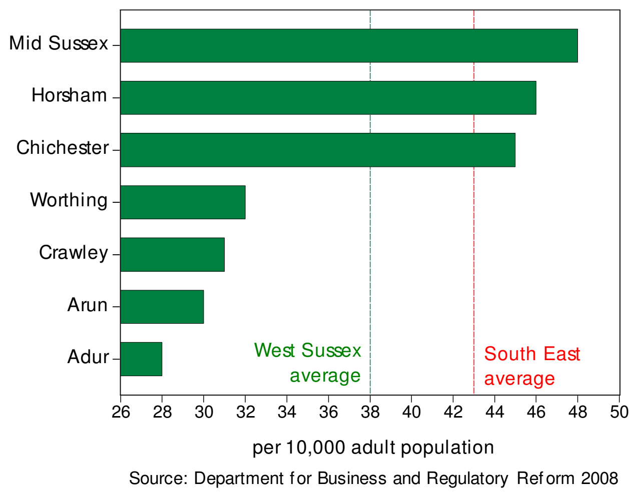
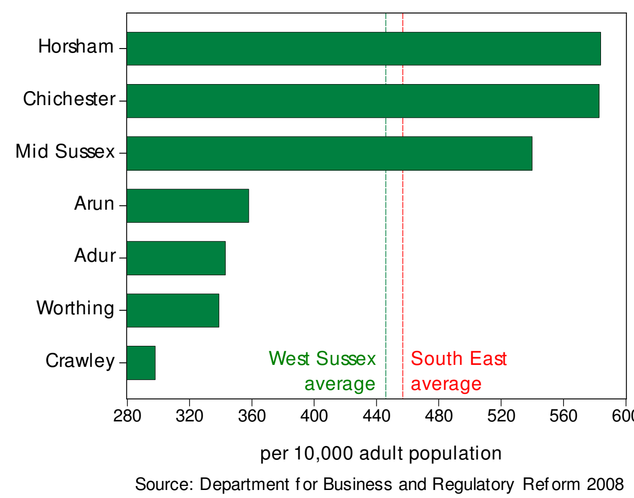


Figure 24: Business density, 2006



Alongside a low concentration of private employment, a number of coastal districts (such as Adur, Arun and Worthing) have low business start-up rates, well below the West Sussex average (Figure 23). Furthermore between 2002 and 2006, business start-up rates in Adur declined by 11 businesses and Arun by 6 businesses per 10,000 resident adult population.
These areas also have low concentrations of businesses (business density) and have seen a decline in business density between 2002 and 2006. Business density within West Sussex over this period declined in three districts: Chichester (-11 businesses), Arun (-9 businesses) and Worthing (-5 businesses per 10,000 resident adult population).

Concluding remarks

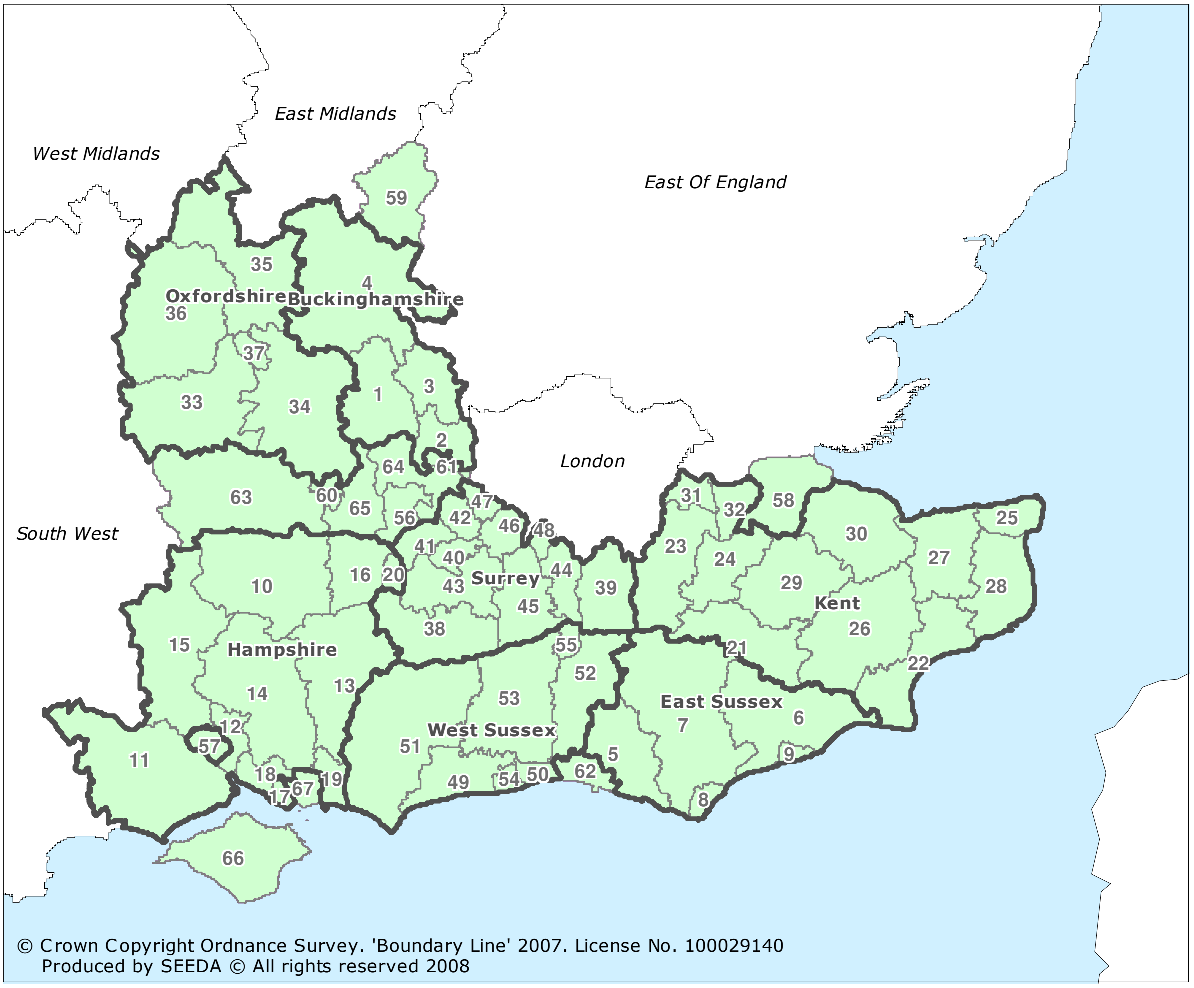
Time lags associated with the availability of regional and sub-regional data and data quality are some of the factors which make it difficult for policy-makers to assess any significant short-term changes in their economies. Whilst sub-regional (county) level labour market data is more timely, output (GVA) data is available with a lag of 24 to 36 months.

Monetary and fiscal policy, which are under the remit of national policy-makers, are the most appropriate tools for dealing with any cyclical downturn in the economy. Thus, most regional and sub-regional policy interventions are aimed at rectifying the impact of market failures over the medium to longer-term, implying that there is a time lag between the intervention and its impact on the ground.

The strength of private sector activities, business formation rates and investment in human and physical capital are some of the most important factors that determine the health of an economy. Whilst the more recent slowdown affecting the West Sussex economy could be simply a result of a cyclical downturn (a common feature of any economy) that also affected private services in a number of other sub-regions within the South East between 2002 and 2005, the relative underperformance of the West Sussex economy as measured by GVA per head and a number of other indicators since 1995 is a major concern. This is in particular true for a number of coastal economies, which seem to have experienced a decline in competitiveness over the past couple of years.

Demography is an important factor that affects regional and sub-regional competitiveness and the coastal economies are at a disadvantage when compared to areas such as Crawley. Over the past decade the coastal areas have seen an inflow of older people and an outflow of younger people to other areas within the region and in particular Brighton & Hove. Since demography impacts on business investment and in order to prevent a decline of the coastal economies it is necessary to create the right environment (accompanied by investment in transport and infrastructure), which would lead to higher business investment and greater employment opportunities for the resident population. Enhanced competitiveness of the coastal economies is also likely to lead to an improvement in a number of environmental indicators (such as CO_2 emissions) and is likely to lead to an improved quality of life for West Sussex residents.

Figure 25: South East England



1 - Wycombe
2 - South Buckinghamshire
3 - Chiltern
4 - Aylesbury Vale
5 - Lewes
6 - Rother
7 - Wealden
8 - Eastbourne
9 - Hastings
10 - Basingstoke & Deane
11 - New Forest
12 - Eastleigh
13 - East Hampshire
14 - Winchester
15 - Test Valley
16 - Hart
17 - Gosport
18 - Fareham
19 - Havant
20 - Rushmoor
21 - Tunbridge Wells
22 - Shepway
23 - Sevenoaks
24 - Tonbridge & Malling
25 - Thanet
26 - Ashford
27 - Canterbury
28 - Dover
29 - Maidstone
30 - Swale
31 - Dartford
32 - Gravesham
33 - Vale of White Horse
34 - South Oxfordshire
35 - Cherwell
36 - West Oxfordshire
37 - Oxford
38 - Waverley
39 - Tandridge
40 - Woking
41 - Surrey Heath
42 - Runnymede
43 - Guildford
44 - Reigate & Banstead
45 - Mole Valley
46 - Elmbridge
47 - Spelthorne
48 - Epsom & Ewell
49 - Arun
50 - Adur
51 - Chichester
52 - Mid Sussex
53 - Horsham
54 - Worthing
55 - Crawley
56 - Bracknell Forest
57 - Southampton
58 - Medway Towns
59 - Milton Keynes
60 - Reading
61 - Slough
62 - Brighton & Hove
63 - West Berkshire
64 - Windsor & Maidenhead
65 - Wokingham
66 - Isle of Wight
67 - Portsmouth

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