Regional Economic Engagement : Local Sector Briefing

Dorset: Economy & Sector Overview

Introduction

As resources develop, including proposals for an integrated and comprehensive impact model and data portal for the Dorset economy (to be built over the next year or two), BU intends to produce a series of "Local Sector Briefings". These reports will:

- Explain the structural characteristics and business trends facing companies in key sectors across Dorset and its hinterland.
- Provide a common basis for discussion of economic development issues between specialists in Dorset industries and other local partners.
- Constitute a third strand of BU's economic intelligence support to local businesses under its wider approach to "Regional Economic Engagement".

The first strand is the existing "Business Intelligence Review": a regular (currently quarterly) report that analyses the context and state of the local economy.

The second strand is the collection of "Local Economy Briefings" covering current "events", such as key local data releases, economic policy developments or other critical issues for local business. (Recent LEBs have focussed on June's EU referendum and the March UK Budget.)[1]

This report initiates the third strand – "Local Sector Briefings", setting out a broad picture of the local economy in largely structural terms. It provides a foundation for future reports analysing key aspects of particular sectors.

[1] See https://www1.bournemouth.ac.uk/about/our-regional-impact

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National & Regional Context

After the deep recession of 2008/9 and the subsequent long downturn (to 2014), the UK recovery over the last couple of years has been modest in terms of real GDP and productivity growth - at least, by historical standards.

Against this background, the SW regional economy has performed moderately well, with businesses being driven by competitive factors in micro markets and supply chains rather than macro trends based on growth, inflation, employment and trade.

The first table (below) shows the breakdown of SW regional output, as measured by Gross Value Added (GVA) and GVA per head, for 2014.

- The GVA measure shows Dorset's economy, (worth about £16bn per annum – with roughly half generated in Bournemouth and Poole and half in the rest of Dorset) to be:

  a) about half the size of West of England (City of Bristol, Bath and NE Somerset, North Somerset and South Gloucestershire) and HoSW (Devon and Somerset),

  b) two-thirds the size of Solent (Southampton-Portsmouth and their environs), and

  c) roughly equivalent in scale to Swindon and Wiltshire, and Gloucestershire.

SW Economy: Output in terms of GVA & GVA per head, 2014

LEPs	GVA (£bn)	GVA per head (£)	per head index (UK = 100)
Gloucestershire	14.9	24,342	98
West of England (Greater Bristol)	30.8	28,022	112
Cornwall & Isles of Scilly	9.5	17,278	69
Heart of SW (Devon & Somerset)	33.3	19,657	79
Swindon & Wiltshire	16.4	24,361	98
Dorset	**16.2**	**21,453**	**86**
SW total	121.1	22,234	91
Solent (Southampton plus)	25.3	24,286	97

Source: ONS

- The GVA per head indicator shows Dorset (at £21,453) to be 14% below the national average in terms of overall demographic productivity, ranking it fifth of the seven LEP areas shown. On this more representative, relative statistic, Dorset tends to underperform its neighbours in southern England (about twelve percentage points below Swindon and Wiltshire and eleven below Solent, though seven points higher than Devon and Somerset).

In terms of labour productivity, the Dorset LEP area recorded average GVA per hour of £28.10 in 2014 (£28.40 in the unitary authorities and £28.00 elsewhere). These figures compared with a SW average of £28.70 and a UK average of £31.00. In other words, Dorset labour productivity was 9.2% below average: (8.2% in Bournemouth and Poole and 9.7% in the rest of Dorset). On average, despite its ‘high spots’ in business and sector terms, Dorset has a relatively modest record on labour productivity – the key driver of future business success and household living standards.

The next table shows the SW employment breakdown across the main broad sectors. It reveals key characteristics of the almost 2.5 million jobs extant across SW England.

- The difference between column two (full-time employees) and column three (total employees) reveals the SW part-time element to be significant, especially in accommodation, distribution and public services.

- The differences between columns three (total employees) and four (total employment) show where proprietary working is important, particularly amongst farmers in agriculture.

- Production industries (the first three rows) account for 17.7% of total employment with only about half of that being in manufacturing.

- Finance and business-related services (rows eight, ten and eleven) amount to 17.5% of total employment – roughly equivalent to all of the production industries.

- Public services account for 27.3% of all employment.

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SW Economy: Employment ('000s) by Broad Sector 2014

	FT Employees	Total Employees	Total Employees
Resources (1)	43.8	53.4	98.2
Manufacturing	194.9	213.5	218.4
Construction	100.5	112.3	123.0
Distribution services (2)	221.5	385.3	404.8
Transport services	63.4	81.8	85.1
Accomm & food services	87.3	202.9	214.6
Info & Communications	59.3	70.8	72.0
Financial services	66.9	83.5	83.8
Property services	34.3	45.3	51.4
Business services	106.5	168.7	171.9
Professional services (3)	134.6	168.1	178.1
Public services (4)	363.6	670.9	677.1
Other services	47.9	97.1	100.9

(1) agriculture, fishing, forestry, mining, quarrying & utilities
(2) wholesale, retail & motor trades
(3) professional, scientific & technical services
(4) education, health & public administration.
Source: ONS. FT Emps = full-time employees.

Dorset's Labour Market

Bournemouth, Poole and the rest of Dorset employed 83,000, 79,900 and 162,000 respectively (altogether 13% of the SW total). Full-time employees represented 62.2%, 67.4% and 63.2% respectively of these totals whilst public employment was 16.1%, 15.1% and 18.1% respectively. Dorset has a typical job density (ratio of total jobs to workforce) of 0.84.

The following table shows the employment breakdown by Dorset local authority in 2014. All areas in Dorset have a strong part-time element. Outside the two main urban authorities, the public/private sector shares range widely: 12.2% public in Christchurch, 13.8% in East Dorset, 15.9% in North Dorset, 18.9% in Purbeck, 20.1% in Portland and Weymouth and 23.4% in West Dorset.

Dorset has nearly 760,000 residents, with about 453,000 in the 'potential' workforce (defined as those aged 16-64). Of these, 374,000 are economically active (i.e. 79% of the total - higher than GB average) with 362,000 employed: 304,000 as employees and 56,000 as self-employed. Unemployment is about 12,600 (3.4% - much lower than GB average).

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Dorset: Employment by Local Authority ('000s, 2014)

	FT Employees	Total Employees	Total Employees
Christchurch	12.6	19.0	19.6
East Dorset	19.7	30.6	31.8
North Dorset	15.3	23.6	24.6
Purbeck	11.0	16.8	17.5
West Dorset	29.6	47.0	49.1
Weymouth & Portland	10.1	18.8	19.4
Bournemouth	50.3	80.9	83.0
Poole	52.6	78.0	79.9

Source: ONS

In occupational terms, the next table shows that, in 2015, Dorset had a slightly lower than average share of 'top' jobs (the first three categories in table are 43% of the local total versus 44.4% for the GB average). In terms of qualifications, Dorset's has 35.3% of its workforce with NVQ4 and above compared with an average of 37.1% nationally.

Dorset: Occupational Structure 2015 (% of total)

Managers, directors & senior officials	11.2	Admin/secretarial	10.2	Sales/customer services	8.5
Professionals	18.8	Skilled trades	12.5	Process, plant, & machine ops	4.8
Associate prof/tech	12.8	Caring, leisure, other services	9.7	Elementary	11.2

Source: ONS - NOMIS

In broad sector terms, Dorset's breakdown of jobs is displayed in the table below. Dorset has a relatively high part-time element: 36.1% versus a 31.7% GB average. In quotient/share terms, Dorset is 'heavy' on manufacturing (9.1% of the Dorset total versus an 8.5% GB average), accommodation and food services (9.5% vs 7.1%) and the public sector (29% vs 27.4%). It is comparatively 'light' on transport (2.6% vs 4.5%) and finance and business services (19.7% vs 22.2%).

Dorset: Employee Jobs (2014, no.)

agric & mining	900	distribution	52,400	finan & business	62,100
energy & water	2,300	transport	8,200	Public	91,400
manufacturing	28,600	accom & food	30,000	other services	15,000
construction	15,500	info & comms	8,300	Total	314,700

Source: ONS - NOMIS

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Business Demography

In 2015, Dorset had over 30,500 enterprises (roughly one for every 25 residents) and 36,200 business units. Of the former, 88.7% were micro businesses (0 to 9 workers), 9.5% were small (10 to 49), 1.4% medium (40-249) and 0.3% large (250+). In terms of business units, 83.9% were micro, 13.3% small, 2.5% medium and 0.3% large.

Conclusion

Dorset's economy is "not too hot and not too cold". It has an employment and business structure similar to many other UK areas that have a mix of urban and rural characteristics. It has a spread of economic concentration that helps resilience, with some excellent sector leaders in dynamic and growing technologies and markets and some robust supply chains.

But, it is not "just right". In particular, its productive performance is sub-optimal, at best, partly reflecting a moderate rate of trade engagement and a modest rate of dynamic, overall investment. Moreover, there are risks in its ownership structure and its skills base, making it potentially vulnerable to 'shocks' in terms of the effects of global decision making on supply chain structures.

In summary, given its business and human demographics, Dorset could do better and might benefit from initiatives to support local development.

Bournemouth University

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'Futures'

This report has focused on overall economic characteristics. In future "Local Sector Briefings", we intend to compare this with the absolute and relative performance of particular industries against a background consensus that, for the foreseeable future, economic growth will remain constrained.

These reports will display a range of statistics and qualitative aspects, both between and within sectors, according to an ABCD framework of analysis in which firms or sectors are classified as:

- A = Anchors – crucial to current economic performance in terms of their contribution to output and jobs
- B = Beacons – 'shining a light' by displaying and disseminating best practice on current economic performance
- C = Catalysts – agents of constructive and/or destructive change, in terms of technical, product/service and market development
- D = Drifters – important but underperforming relative to potential on output, jobs and productivity

The following matrix displays a stylised 'Dorset' based on the ABCD and priority 'cluster' approaches to local economic development. (Future work intends to turn this into something more quantitative as well as qualitative.)

It provides a development framework with which to assess intervention choices and evaluate impact beyond standard measure of 'net additionality', recognising the dynamic nature of the ABCD approach: firms/sectors are able to be in more than one category at any one time and can shift across the framework through time.

Dorset: Stylised Local Development Matrix

Clusters	Anchor	Beacon	Catalyst	Drifter
Adv engineering	✔	✔	✔	
Creative & digital			✔	
Tourism & leisure	✔			✔
Health & social	✔			✔
Finance & business	✔	✔		
Education & research	✔	✔	✔	
Food & drink		✔		✔

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Raising productivity, in terms of both levels and rates of growth, is the ‘holy grail’ of regional economic development. Without it, firms may stagnate, real wages will stultify and living standards soften.

Starting from the assessment of this report that “it is good but could do better”, Dorset shows strengths and weaknesses that give it potential to sustain a higher economic performance whilst conserving its unique environment.

As they grow over time, BU’s regional intelligence functions will establish a common, qualitative evidence base for the county. This will complement the building of a quantitative Dorset Model of input-output relationships and impact assessment, as well as the holding of ‘round-table’ sessions with key spatial and sector partners.

Nigel F Jump, Professor of Regional Economic Development (May 2016)