The Hertfordshire Economy

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Hertfordshire Local Enterprise Partnership
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Hertfordshire’s Economic Outlook (1)

• Inspired by need to produce an accurate picture of the economy
• Evidence base that will improve understanding of the local economy
•Commissioned research to underpin this:
  ➢ The Hertfordshire Business Survey
  ➢ Strategic Employment Sites Report
  ➢ Inward investment Research
  ➢ Economic Cluster Studies
Hertfordshire’s Economic Outlook (2)

• Consultation will identify any other areas of research/investigation required
• Ongoing piece of work that will be updated
• Important starting point for LEP in order to identify key challenges
• Our best guess on future of economy and how we can influence it

Economic Trends

• Recession of the early 90s
• Strong growth in late 90s (21.8% ahead of UK by 2000)
• Mid 2000s slowdown and stalling
• Late 2000s Recession
• Even before this recession the economy was stalling
• In workplace productivity terms Hertfordshire began to fall behind benchmarked competitors…

**Question:**

To which counties/areas should we be comparing ourselves?
Private Sector Employment slowed in the lead up to recession

- Substantially lower private sector jobs growth than the majority of LEP areas
- One of only 10 LEP areas to experience negative private sector jobs growth
- 7 districts in bottom 20% for private sector jobs growth in England

Source: Local Future

Business base shrinking

- New business start-ups at lowest level since 2004
- Business deaths exceeded births for the first time in a decade
- Survival rate of businesses born in 2004 and still active in 2009 is less than 50%

Source: ONS business demography 2009 – published Dec 2010
Slide 5 has been subsequently revised to incorporate newly received LEP benchmarking data on Private Sector employment growth. The justification is that it presents a better picture of Hertfordshire's performance than the earlier slide which compared individual district's performance.

Joanna Morris, 13/07/2011
Loss of business and jobs is adding to numbers of people out of work and claiming benefit

- Claimant count increased by over 10,000 between Aug 1999 and November 2010

JSA Claimant Count in Hertfordshire

Hertfordshire’s Business Structure

- High levels of entrepreneurship but majority of SMEs (i.e. 70%) employ no additional staff
- More reliant on large firms than other areas
- 50% of net employment growth comes from 6% of SMEs with 10 or more employees (Source: NESTA)...
- …But under-represented in employment size bands where growth is generated

Source: ONS business demography 2009 – published Dec 2010
### Business Survey Jan/Feb 2011

<table>
<thead>
<tr>
<th>Issues</th>
<th>Thought Important</th>
<th>Thought being in Herts was Disadvantageous</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levels of congestion</td>
<td>72%</td>
<td>81%</td>
</tr>
<tr>
<td>Transport Costs</td>
<td>88%</td>
<td>37%</td>
</tr>
<tr>
<td>Cost of premises</td>
<td>77%</td>
<td>61%</td>
</tr>
<tr>
<td>Car Parking</td>
<td>75%</td>
<td>47%</td>
</tr>
</tbody>
</table>

Businesses were less concerned with staffing and skills issues in Herts

### Population Growth

Projected population in Hertfordshire 2008 to 2033 (Broad age groups)

Source: Office for National Statistics, 2008-based national population projections

Data published on 27th May 2010
Business

Summary

• Strong in growth sectors that are forecast to grow the most (to 2014):
  – R&D,
  – Business Services
  – Communications

• High entrepreneurship but increasing churn of business births and deaths

• World class research base (public and private)

• A high concentration of knowledge intensive businesses (highest in the East of England) and significant presence of foreign-owned companies

Future Challenges

• There are business concerns about premises costs, congestion, access to finance and high speed broadband (less about staffing and skills)

• The county appears to lack the depth of business angel and other network structures prevalent in other high performing areas

People

Summary

• Economic participation rates are higher than the national average - but are deteriorating

• Relatively few people on out of work benefits (though figure doubled during the recession)

• Generally a highly skilled workforce

• Workforce on average is well paid

• Jobs and skills match in Herts is broadly good

• Young people’s attainment is high

Future Challenges

• 25% of working age population do not have a level 2 qualification making it difficult for this group to participate in knowledge intensive activities

• Those on out of work benefits are difficult to draw into employment

• Qualification and earning levels vary geographically across the county

• Need for apprenticeships in right sectors and for all ages?
**Places**

**Summary**
- Herts in the centre of the London/Oxford/Cambridge triangle
- There is a significant infrastructure deficit in the county (£5bn to meet future development/economic growth to 2031 and meet historic deficits)
- The working age population will increase but so will the dependency ratio
- Hertfordshire faces a significant challenge in providing enough housing to satisfy projected demand
- Growth will result in increased pressure on land and other environmental resources

**Future Challenges**
- Herts appears to be losing out to comparator areas in performance and attraction as a place to work
- Herts needs new and improved infrastructure to achieve sustainable economic growth
- Need for a premier business park?
- By 2031 for every three people of working age there will be two “dependants”
- Over the next 20 years housing for an additional 100,000 households will be required to meet projected demand

**Key Issues**

Fundamental questions to ask:
- How do we challenge the issue of losing economic ground to our comparators?
- Do we want economic growth? If so,
  - Do we accept the need to prioritise/focus on:
    - Places?
    - Business size & Sectors?
    - Skills?
- How do we agree what we won’t do?
Next steps

• ‘Hertfordshire’s Economic Outlook’ will:
  – Inform the initial priorities of the LEP
  – Set the context for LEP Programme Boards
  – Check/challenge the current Economic Strategy

• Over to you:
  
  www.hertfordshirelep.com