Economy of Gloucestershire June 2014
(An overview)

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Gloucestershire County Council: Economic Overview of Gloucestershire

The UK economy appears to have developed some positive momentum after two years of near stagnation. Employment growth is boosting incomes, which is allowing spending to increase, which in turn is leading to higher output growth and more employment.

It is also too early to be sure about the medium-term sustainability of the economic recovery. As it is not yet based mainly on export and investment but built in large part on a renewed rise in household debt.

Introduction

Gloucestershire has a prosperous and resilient economy set within a highly attractive natural environment, which offers a high standard of living for local residents. The County is predominantly rural with two urban centres that serve as the main business and commercial heartland. The urban settlements are complemented by vibrant market towns that act as valuable employment hubs and key providers of services. The development of the County has been strongly influenced by connectivity to the Midlands and South West via the M5 corridor and to London and the South East via the M4 corridor.

The total output of the Gloucestershire economy was approximately £12.7 billion in 2012, representing 12% of the value of output in the South West and 1% of the UK economy. According to latest figures, GVA per head in Gloucestershire is £21,066, on a par with the UK (£21,674) but above the South West average (£19,023).

In terms of industrial activity the structure of the Gloucestershire economy broadly reflects national trends but with some important exceptions. There are approximately 30,000 businesses in the area supporting a well-qualified and highly skilled workforce of 291,500. In addition attrition rates are notably low with 88% of residents in Gloucestershire also working in the County.

Gloucestershire has a significant manufacturing sector - the largest sector in terms of output (20%), and the second largest sector in terms of employment (12%). This ratio of output to employment illustrates the high levels of productivity in manufacturing.

Health is the largest sector in terms of employment, contributing 12% of employment but only 8% of output. Other major sectors include public administration and defence (e.g GCHQ), education, construction and retail.

Although the manufacturing sector has shown a decline in the employment, output has continued to grow due to productivity gains. The professional, scientific and technical sector and business service sector has however, seen some of the highest rates of growth in output and employment but remain slightly under-represented in the County.

Labour Market

The health of the Gloucestershire labour market which deteriorated after the recession in line with national trends has recovered gradually to a position of strength reflected in 2013 by an employment rate of 77%, well above the national average of 71%. The unemployment rate (Annual Population Survey measure) was relatively low at 5% compared to 6% in the South West and 8% nationally. Similarly, the economic activity rate in the County was also high at 81%, compared with 79% for the South West and 77% nationally.

The claimant unemployment rate (based on an actual count) for Gloucestershire in May 2014 was at 1.8%, (the lowest since October 2008) compared to 2.7 nationally and 1.7% regionally. Although worklessness maybe less of a challenge than in other parts of the country there are however, still issues at County level that relate to youth unemployment and long term unemployment.

Although the claimant rate for young people is higher than for the working age population with 3.4% of 18-24 year olds in Gloucestershire claiming Job Seekers Allowance the number is decreasing. Over the last year the number of young claimants fell by just over a third and have now reduced from a third to a quarter of the working age unemployed claimants in the County. However, since February 2014 the proportion of 18-24 year olds claiming for more then six months showed an increase.

The proportion of the unemployed equating to 1,700 people who are very long-term unemployed (more than one year) mimicked the national and regional trends in that it rose in the last two years from 7% in June 2011 to 28% in Dec 2013 before dropping back to 25% in 2014. This hardening of long term unemployment, which can lead to a loss of skills and the motivation to work, is therefore an important issue as the labour market continues to recover.

There are still pockets of high unemployment in parts of the County where there are also challenges around deprivation and social inclusion. While as stated earlier, the unemployment rate in Gloucestershire is low compared with the national average, the County has 15 wards in which the unemployment rate is higher than the national average.

With higher than national average results at GCSE and A/AS levels and just over a third of working age residents qualified to degree level, the County has a well-qualified and highly skilled workforce. The occupational structure in the County reflects this high level of qualification and skill base with a higher than average proportion of professional occupations than at the regional and national level. In recent years employment in ‘professional and skilled occupations’ has increased while the ‘sales and customer service’ occupations showed the largest decline.

There is however, evidence of skills gaps and shortages in the County with some 77% of hard to fill vacancies due to a lack of skilled applicants compared to an English average of 74%. Also Gloucestershire had a higher than average proportion of Skill Shortage Vacancies in skilled trades occupations (23% compared with 17% nationally) and sales & customer service occupations (15% locally compared with 6% nationally).

Also, the proportion of employers reporting skill gaps in the County increased from 19% to 21% between 2007 and 2009 and the number of staff considered by those employers as not fully proficient also increased by 7,800 over the same period.

There is the challenge of retaining young qualified people in the area and indications that the number of residents going on to Higher Education has decreased, a situation reflected right across both the South West and England as a whole.

Business

In March 2013 there were 30,000 businesses in Gloucestershire, including a large SME community. The County has a marginally higher proportion of businesses employing less than five people (70%) compared to the UK average (68%) and there were approximately 100 businesses employing 250 or more people. While the majority of enterprises employ a small number of people, large enterprises (i.e. those that employ 250 or more employees) provide jobs for 50% of Gloucestershire’s workers, a figure that is lower than that for England (56%).

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There is a positive entrepreneurial culture in Gloucestershire, and businesses starting up have very high survival rates. The self-employment rate in September 2012 was 12%, above the national average (10%). In 2011, there were 67 new businesses per 10,000 working age population in Gloucestershire, broadly in line with the England average (69) but above the South West average (60).

The County also boasts very high rates of business survival, 94% of enterprises born in 2008 survived for one year, 79% survived for two years, and 64% survived for three years.

Export

Boosting exports is recognised in the national Plan for Growth as critical for the successful rebalancing of the UK economy. The greatest opportunities for companies are generally accepted to be in activities higher up the value chain where businesses need to be productive in order to compete in international markets.

Gloucestershire ranks highly in terms of the proportion of employment in ‘export intensive’ sectors including both manufacturing and tradeable services. In 2011, approximately 21% of employees worked in ‘export intensive’ sectors compared to the England average of 17.7%.

Prospects for Growth

The Gloucestershire Growth Statement - 2025 predicted a steady rise in employment between 2012 and 2025 partly driven by an increase in population; an average annual growth in employment of 0.8% amounting to the 33,800 additional jobs over the period; and an increase in productivity at an annual average growth rate of 2% leading to a £14.5 billion economy in 2025.

The highest quantum of employment growth is forecast in: health, business administration and support services, construction, and accommodation and food services while employment in the wholesale, manufacturing and education sectors is expected to fall.

High rates of GVA growth are forecast in ICT, property and business services (all key aspects of the knowledge-intensive service sector). The manufacturing sector is also forecast to grow and is expected to continue to be significant in terms of economic output relative to the rest of the UK.

In terms of the geographical location of expected growth, Cheltenham and Gloucester are predicted to be the main centres of growth while employment in the Forest of Dean is forecast to decline.

Growth sectors

The Strategic Economic Plan sets out ambitious plans to accelerate economic growth by focusing on key drivers of productivity and supporting growth in high value sectors. They include the nuclear-based power generation industry which has long been a feature of the Gloucestershire economy and the sector is likely to expand with Horizon Nuclear Power, a UK energy company based in Gloucester that is developing a new generation of nuclear power stations to help meet the UK’s energy needs; High tech manufacturing particularly relating to Aerospace and precision engineering and medical instruments and Knowledge intensive services including the finance and insurance sectors; the ICT sector (particularly digital media) and businesses in professional, scientific and technical activities.

While these sectors provide a focus, Gloucestershire will also offer a supportive environment for all businesses to move up the value chain regardless of which sector they are in. For example, there are opportunities for productivity growth in agriculture through agri-tech which has been identified by government as one of ‘eight great technologies’ needed to address the increasing demand for more efficient food production and land management. There are also a number of other sectors that will be important in terms of maintaining high rates of employment in the labour market including: construction, retail, tourism and leisure, health, education and public administration.

Maintaining economic growth in light of global and local issues such as the ageing workforce, retention of young qualified people, skill shortages in certain sectors and matching of skill supply and demand will present many challenges to future economic planning.