

# Policy and Research - Commissioning, Communities and Policy

## Derbyshire Economic Review - March 2018

### Introduction

This document gives a brief overview of the latest statistics and news on the Derbyshire<sup>1</sup> economy both in a national and local context. The report provides a 'snapshot' of the Derbyshire economy, to help inform the development and delivery of economic strategies in the area. It is primarily based on evidence available from the Derbyshire Observatory, which is a single information source for partners and organisations across the county. The update also provides information on an 'in focus' topic, in this edition: 'The Derbyshire Economy in 2018'.

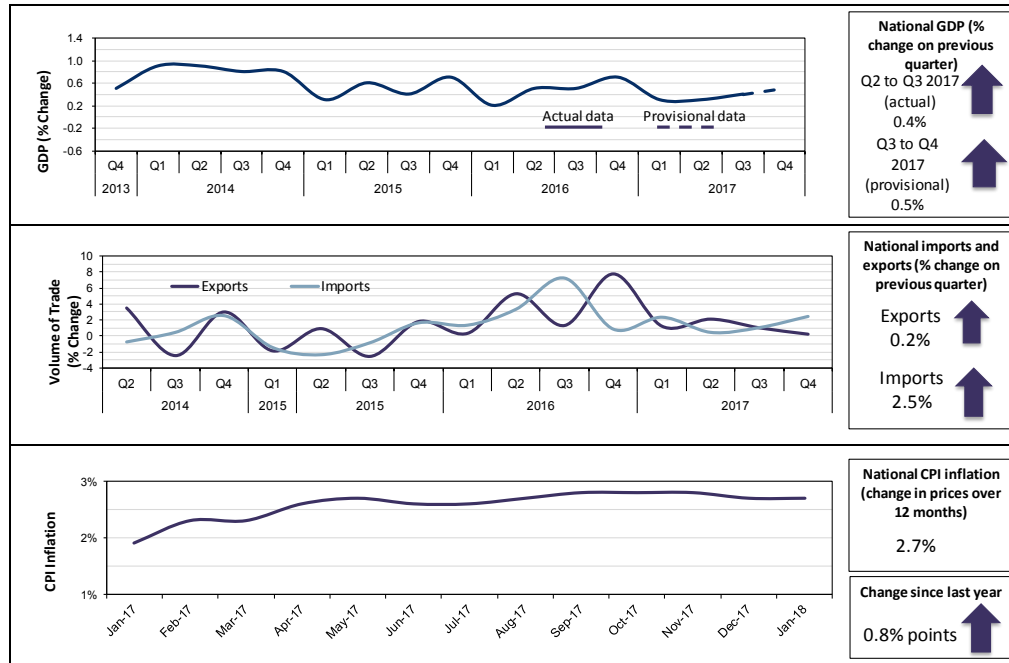
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### Overview

- The UK economy grew by 0.5% in the final quarter of 2017, which was better than had been expected. Output in both services and production increased by 0.6%, construction contracted for the third quarter in a row (-1.0%) whilst agriculture also declined (-0.4%).
- The annual Consumer Prices Inflation rate (including housing costs) currently stands at 2.7% for the 12 months to January 2018, unchanged on the previous month, with inflation having stabilised after a period of increase.
- The Derbyshire economy has shown a slight dip during quarter four of 2017, according to the East Midlands Chamber of Commerce's (EMCC) most recent Quarterly Economic Survey, as has the region. However, performance is still above that a year ago and the overall trend for the past 18 months remains upwards.
- The employment rate locally rose slightly from 77.6% to 78.1% in quarter three, taking the level to one of the highest points it has been in recent years and some 3.4% points higher than for England.
- The overall claimant count unemployment rate in Derbyshire, is currently 1.4%, some 0.5% points lower than the England rate. However, there remain eight wards where the rate is at or above 3.0%. These are Cotmanhay, Aysworth Road, Long Eaton Central, Larklands, and Derby Road in Erewash, and Rother, St Helens, and Loundsley Green in Chesterfield.
- The proportion of Derbyshire's JSA unemployment claimants who have been out of work for more than a year is 32.3%. The level has remained stable over the last quarter and the county figure remains some 2.4% points below the England figure.
- The youth unemployment rate in Derbyshire is 2.1%, the same as the England rate. The number of wards where the youth rate is more than double the national rate has dropped from nine to six this quarter with the highest rates being in Cotmanhay in Erewash (6.7%), and Rother (6.0%) and Old Whittington (5.9%) in Chesterfield.
- The average price of a house in Derbyshire is £170,60, over £72,700 lower than the average across England. The rate of annual house price growth in the county, which currently stands at 5.1%, has dipped below the national rate this quarter following six months when growth generally exceeded the England average.

## National Performance Indicators



According to provisional data, national Gross Domestic Product (GDP) is estimated to have increased by 0.5%<sup>2</sup> in the final quarter of 2017. This is better than had been expected, but the expansion of 1.8% for the year was the slowest since 2012. The dominant services sector increased by 0.6% compared with the previous quarter, although the longer-term trend continues to show a weakening in services growth. Production industries grew by 0.6%, boosted by the second consecutive quarter of strong growth in manufacturing (1.3%) on the back of a strengthening global and Eurozone economy and increased UK exports. Construction contracted for the third quarter in a row (-1.0%), whilst agriculture also declined (-0.4%). Growth has been patchy in some of the consumer facing sectors, e.g. hotels, catering, cinemas and the car industry, with spending power dented by weak wage growth.

Commentators are unsure how the UK economy will fare in 2018. The International Monetary Fund forecasts a growth rate of 1.5%, lower than the 2.7% for the US and 2.2% for the Eurozone. However, recent research by KPMG has identified that Britain's potential for future productivity and growth is higher than Germany, France, and the US.

In the fourth quarter of 2017, the total UK trade deficit (exports minus imports) widened by £3.8 billion to £10.8 billion due to the rise in exports (0.2%) being exceeded by the increase in imports (2.5%)<sup>3</sup>. Trade in goods was the biggest contributor to the gap widening, particularly related to fuel. Trade in services also contributed to the total trade deficit due to a larger increase in imports (1.3%) than exports of (0.1%). Considering 2017 as a whole, the trade deficit narrowed by £7.0 billion from the previous year to £33.7 billion due to export growth being higher than import growth.

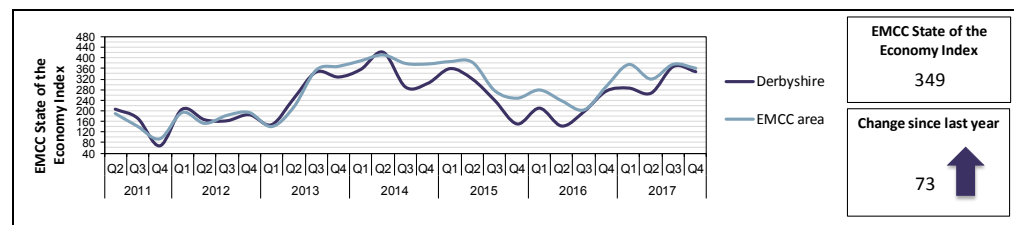
The annual Consumer Prices Inflation rate (including housing costs) currently stands at 2.7% for the 12 months to January 2018<sup>4</sup>, unchanged on the previous month with inflation having stabilised after a period of increase. Although petrol prices had risen by less than this time last year, the cost of entry to attractions such as zoos and gardens fell more slowly. After rising strongly since the middle of 2016, food price inflation now appears to be slowing. The impact on import prices due to the fall in sterling since the Brexit vote is beginning to pass through and inflation is predicted to fall in the year ahead.

The Bank of England's (BoE) Monetary Policy Committee voted unanimously to keep the UK interest rate unchanged at 0.5% in February<sup>5</sup>. However, the Bank has indicated that it is likely that it will raise the rate from as early as May and that this could also signal an acceleration in the interest rate over the next couple of years. The rate has been at historically low levels for a number of years now to provide stimulus to the UK economy post-recession. However, with inflation remaining relatively high, oil prices on the rise, and global economic conditions improving off the back improvement in the Eurozone, China and the US, the Bank has decided that now is the time to gradually withdraw the stimulus of low interest rates and bring the inflation rate down towards its target of 2%. The Bank has said that any negative economic impact from the ongoing uncertainty surrounding Brexit is likely to be countered by the rebound in other areas of the global economy. A rise in interest rates will be welcomed by savers but be a concern for families who have benefited from the availability of cheap credit over recent years. The BoE also highlighted the following national trends as at February 2018<sup>6</sup>:

- Consumer spending growth had changed little.
- Business services turnover had picked up slightly, manufacturing output had remained moderate and construction output growth had eased.
- Investment intentions remained positive.
- Finance remained readily available.
- Recruitment difficulties remained at elevated levels.

## Local Economic Context

### Business Conditions



The Derbyshire economy has shown a slight dip during quarter four of 2017, according to the East Midlands Chamber of Commerce's (EMCC) most recent Quarterly Economic Survey<sup>7</sup>, as has the region. However, performance is still above that a year ago and the overall trend for the past 18 months remains upwards. Although more firms than not reported that UK sales and orders were improving, the picture was less positive than the previous quarter. Additionally, performance in overseas markets, which has been a consistent sign of strength in recent quarters showed signs of cooling at the end of 2017. Despite this easing, more of the county's exporters than not reported improvements in overseas sales and orders. It will be important to keep track of performance in overseas markets in the year ahead as trade will be an important part of the Brexit negotiation in 2018. Firms also remain concerned with costs and over 40% are expecting prices to rise over the next three months. At a recent Chamber event one local exporter said that the cost of their raw materials had gone up by more than 20% since 2016 which had negated any exchange rate boost to their overseas sales.

Encouragingly, however, Derbyshire businesses are optimistic despite some of the prevailing uncertainties. Nearly 70% of local firms are expecting turnover to improve, a higher figure than for firms elsewhere in the region. There has also been improvement in investment by businesses. However, whilst firms have continued to recruit over the last quarter, around half encountered difficulties in obtaining suitably qualified staff. Additionally, there has been a decline in firms who are looking to expand their workforce over the next quarter.

## Local Economic Context

### Investment

Ten enquiries from firms seriously looking to invest in the county<sup>8</sup> were received between November 2017 and January 2018 by the Derbyshire Economic Partnership. This brings the year to date total to 42, considerably up on the 27 in 2016/17. The enquiries covered the logistics, automotive, medical, construction, rail and IT sectors.

Over the past quarter at Markham Vale North, a number of business developments have progressed from construction and fit-out stages to the operational stage. The Bilstein Group, a German automotive parts company recruited a number of staff ready to be operational at the start of January 2018. The food distribution company Gist Ltd completed the fit-out stage of the recently completed 90,600 sq.ft chilled food distribution facility in advance of the company becoming fully operational at the beginning of 2018. The fit-out of Great bear's second unit continues and the company are starting to recruit to the management posts for the 480,000 sq.ft logistics centre. Construction is progressing on a new development for a medical equipment supplier, which will comprise a 69,125 sq.ft. manufacturing facility with the option of a 51,000 sq. ft. extension. Construction is expected to be complete in July 2018 with a further twelve month fit-out period before becoming fully operational in July 2019.

On Markham Vale East, Catering Projects Ltd, a commercial catering equipment designer and installer, acquired a vacant 4,000 sq.ft unit in Waterloo Court, with the company expecting to be fully operational during 2018.

Planning approval has been granted for the construction of a 43,000 sq. ft. manufacturing and distribution unit on Markham Vale West, and subject to completing all necessary legal agreements construction will start in 2018.

A number of initial enquiries for potential developments across Markham Vale were also received during which have progressed to more detailed discussions.

## Local Economic Context

### Job Losses and Gains

The following job losses and gains information relates to Derbyshire (including Derby City), and is drawn from articles in the local press between November 2017 and January 2018.

### Job Losses

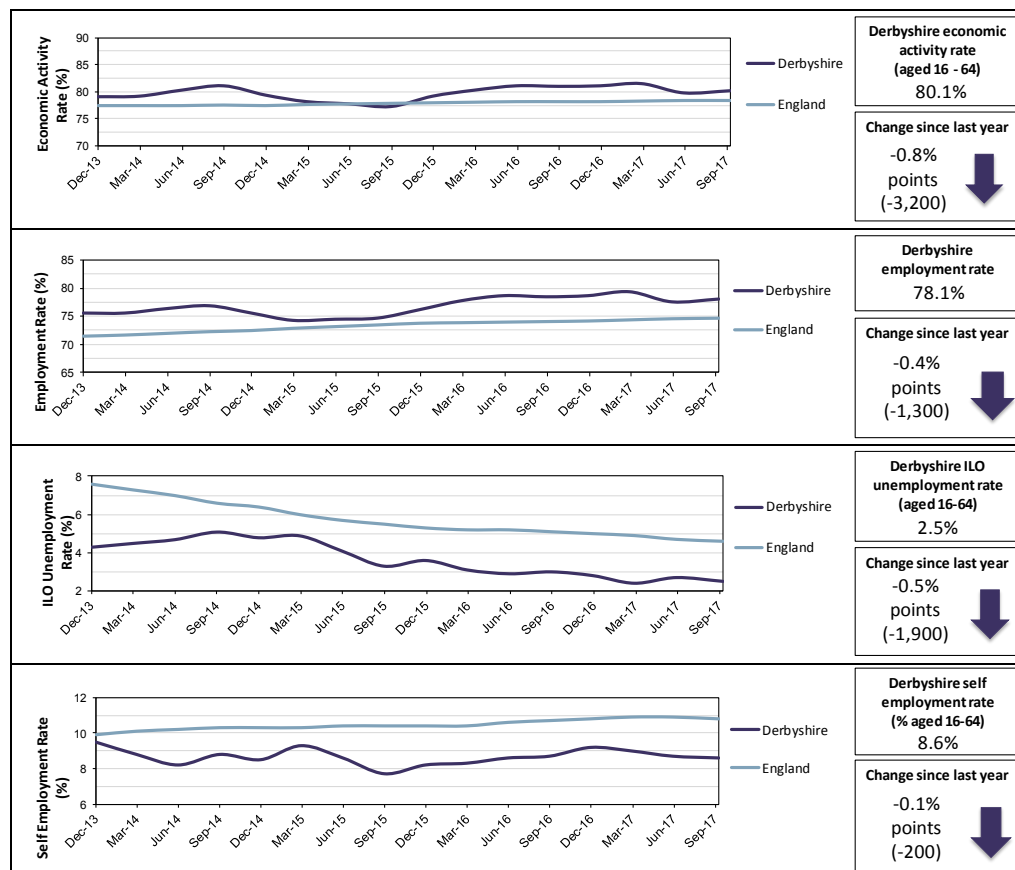
- In November 2017, 35 jobs were lost when the rail engineering company Rowlescourt Engineering, Somercotes, went into administration.
- Chesterfield insurance company Markerstudy, announced at the beginning of December that 30 jobs had been lost from its third party claims team. However, to minimise the number of redundancies, a further 19 people were redeployed in the first party claims team and Auto Windscreens, both based in Chesterfield.

### Job Gains

- At the beginning of January 2018, distribution and logistics firm Great Bear revealed up to 400 new jobs would be available at its new distribution centre at Markham Vale.
- Also supply chain specialist Gist revealed 200 new jobs would be available at its chilled warehouse and storage facility at Markham Vale.
- At the end of January, food company 2 Sisters announced it is creating more than 130 extra jobs at its Derby factory.
- Rolls-Royce revealed at the beginning of November that permission obtained to expand its Derby nuclear site will lead to 80 new jobs and safeguard 760 more.
- The Think services group, whose specialisms include recruitment and facilities management, opened in Heanor at the beginning of January with the intention to create 75 jobs over the next five years.
- Work started on building a new hotel in Chesterfield at the beginning of December that when completed will create 60 new jobs.
- At the end of December logistics firm ATL at Foston, announced the recruitment of 50 extra staff following completion of a new distribution centre.
- At the beginning of November Supermarket, Aldi, opened applications for its new Derby store, in order to recruit 40 staff.
- Long Eaton bed company Keen and Able held a recruitment day at the beginning of November to recruit 20 new members of staff.

## Labour Market

### Labour Market Participation



Source: Annual Population Survey, Oct 2016-Sep 2017, ONS (Nomis) © Crown Copyright.

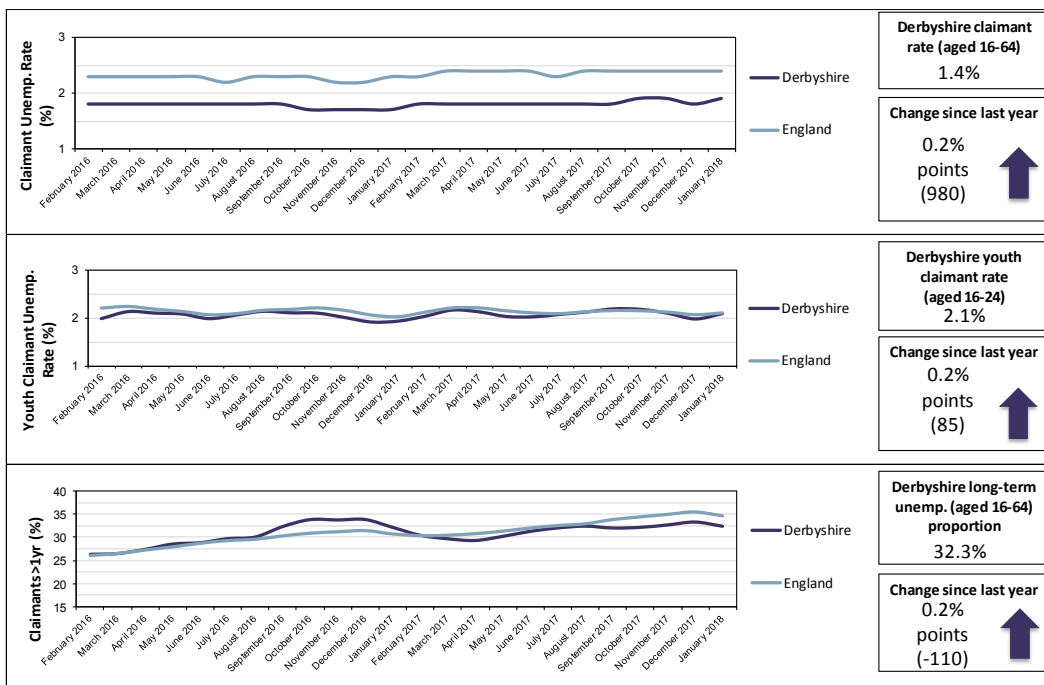
The employment rate<sup>9</sup> locally rose slightly from 77.6% to 78.1% in quarter three, taking the level to one of the highest points it has been in recent years and some 3.4% higher than for England. However, the figure of 377,000 for Derbyshire residents in work is still some 1,300 and 0.4% points lower than a year ago. Over the last year, Erewash and South Derbyshire have seen the biggest decline.

International Labour Organisation (ILO)<sup>10</sup> unemployment is regarded as the official measure of unemployment. This has continued to fall and stands at 2.5%, with 1,900 fewer people unemployed than a year ago, more than 2% points lower than nationally. With both employment and unemployment levels falling it suggests a

## Labour Market

shift away from the labour market into economic inactivity. This is evident with 3,900 fewer people being in the labour market and a dip in the economic activity rate from 80.9% to 80.1% in Derbyshire over the last year<sup>11</sup>.

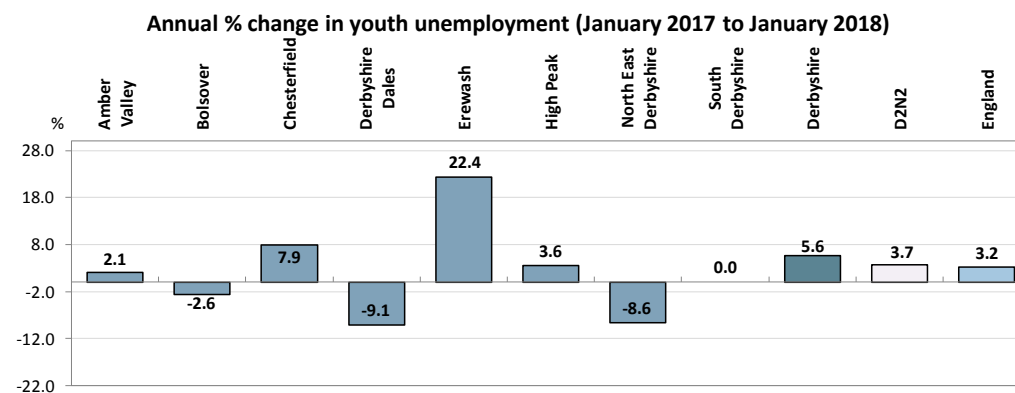
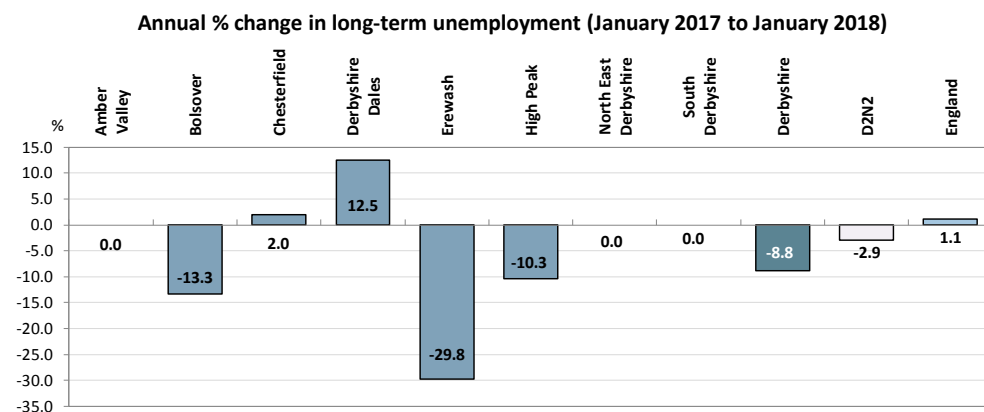
Self-employment levels have fallen very slightly this quarter, maintaining the shortfall with England of around 2% points.



The claimant count unemployment rate in Derbyshire, based on a count of all people claiming Jobseekers Allowance and out of work Universal Credit (UC), is currently 1.4% (6,880 residents), remaining 0.5% points lower than the England rate<sup>12</sup>. Following a prolonged period of decline, the rate in the county has been relatively stable since Spring 2015, although over the past year there has been a very slight increase. There remain eight wards where the rate is at or above 3.0%. These are Cotmanhay, Awsworth Road, Long Eaton Central, Larklands, and Derby Road in Erewash, and Rother, St Helens, and Loundsley Green in Chesterfield.

## Labour Market

The proportion of Derbyshire's JSA unemployment claimants who have been out of work for more than a year is 32.3%, or 1,140 residents. The level has remained stable over the last quarter and the county figure remains some 2.4% points below the England figure. However, with nearly a third of JSA claimants locally being long-term unemployed it shows that for some people securing employment is difficult even with employment rates being at a high level. Three districts have seen the number of long-term unemployed fall over the last year, the greatest being in Erewash (-29.8%). Two districts have seen increases with three seeing no change.



Derbyshire Observatory Link: <http://tinyurl.com/lea2012-unemploy>

**Source:** JSA (long-term) and claimant count (youth), January 2018, ONS (NOMIS) © Crown Copyright

**Note:** D2N2 is the Local Enterprise Partnership covering Derby, Derbyshire, Nottingham and Nottinghamshire



## Labour Market

The youth unemployment rate<sup>13</sup> in Derbyshire stood at 2.1% (1,595 people aged 16-24) in January 2018, the same as the England rate. As with total unemployment, the youth unemployment rate has been stable since Spring 2015, with the rate in Derbyshire just 0.1% higher than a year ago. Although the rate is similar there has been a rise of 5.6% in the actual number of youth unemployed in Derbyshire over the last year. Four districts have shown an increase in the number of young people out of work over this period, the most significant again being Erewash (22.4%). This is notable given that Erewash has seen the greatest decline in long-term employment over the last year. Three districts have seen a fall in youth unemployment with one seeing no change.

The latest data on recruitment activity by local firms shows that the Derbyshire labour market remains buoyant although local firms are less optimistic about the next quarter in terms of jobs<sup>13</sup>. Over the last quarter 60% of firms attempted to recruit with around half of these experiencing recruitment difficulties. Around a net 20% of local firms said that their workforce had expanded over the last quarter with the professional/managerial and skilled manual/technical occupations the areas of greatest recruitment difficulty.

With Derbyshire's population ageing it is vital that young people are equipped to contribute fully to the labour market. Employers locally are keen to demonstrate the range of opportunities that are available to prospective pupils and many are already working with schools on this. However, there will need to be continued development of the existing relationships between schools and employers under the government's recently published careers strategy. This outlines that by the end of 2020 each school is expected to offer the chance for young people to engage with an employer each year. The designated careers leaders for school and colleges detailed in the government's proposals will have an important role in this.

## Labour Market

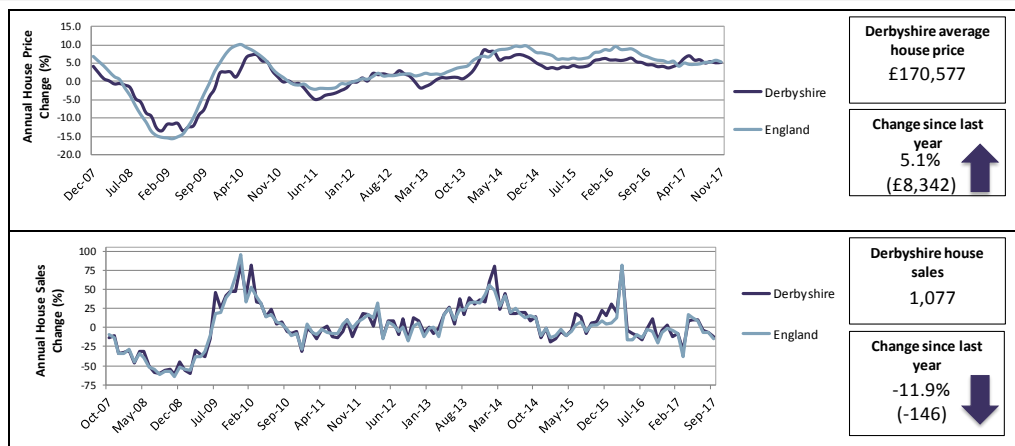
The table below provides data for some of the key benefits available.

Indicator	Number	Rate (%)		Annual change		Annual trend
		Derbyshire	England	Number	%	
Individual benefits (August 2017 except UC and JSA/sanctions*)						
Employment Support Allowance (ESA)	29,910	6.2	5.5	-140	-0.5	↓
- Long term claimants (1yr or more)	24,730	82.7	81.8	350	1.4	↑
- 18 to 24 year old claimants	2,360	7.9	7.2	-190	-7.5	↓
Lone Parent Income Support (LPIS)	3,970	0.8	1.0	-320	-7.5	↓
- Long term claimants (1yr or more)	2,820	71.0	72.8	-150	-5.1	↓
- 18 to 24 year old claimants	980	24.7	22.6	-160	-14.0	↓
Personal Independence Payment (PIP)/ Disability Living Allowance (DLA)	50,702	7.8	6.8	-364	-0.7	↓
Universal Credit (UC)	6,414	1.3	1.8	2,966	86.0	↑
JSA/UC sanctions	407	0.1	0.1	207	103.5	↑
Carers allowance - working age group	10,260	2.1	2.0	320	3.2	↑
Household benefits (November 2017 except benefit cap**)						
Housing Benefit claimants	45,029	13.2	16.2	-2,179	-4.6	↓
Households affected by removal of Spare Room Subsidy	4,777	10.6	8.1	-81	-1.7	↓
- 1 Bedroom	3,988	83.5	82.5	-60	-1.5	↓
- 2 or more bedrooms	789	16.5	17.5	-27	-3.3	↓
Benefit Cap	490	0.1	0.2	268	120.7	↑

**Source:** Department for Work and Pensions (DWP)/ONS (Nomis) © Crown Copyright.

**Notes:** \* UC January 2018 and JSA/UC sanctions October 2017, \*\* benefit cap October 2017.

In Derbyshire, 6.2% of working age respondents are claiming ESA, slightly above that for England. Of these, 82.7% have been claiming ESA for over 12 months. Lone parents claiming income support make up 0.8% of the working age population, with nearly a quarter being aged 18-24 and over 70% claiming for more than a year. The proportion of residents 16+ claiming a PIP/DLA stands at 7.8%. The number of UC claimants in the county has risen to 6,414, increasing by 2,966 over the last year as claimants are transferred across from other benefits. Over the last year there has been a significant increase in the number of people claiming JSA/UC who have had their benefit stopped or reduced through sanctions. This is likely to reflect the transition from JSA to UC including differences in the UC sanctions regime. There are 10,260 people locally claiming working age carers allowance, a slight increase on the year before. Over 45,000 (13.2%) Derbyshire households are claiming housing benefit, with around 4,800 affected by removal of the spare room subsidy<sup>15</sup>. There has been a significant increase in the number of households affected by the benefit cap, linked to the lowering of the threshold at the end of 2016.



Source: UK House Price Index, ONS and Land Registry, November 2017, © Crown Copyright

The average price of a house in Derbyshire was £170,600 in November 2017, which is over £72,700 lower than the average across England. The rate of annual house price growth in the county, which currently stands at 5.1%, has dipped below the national rate this quarter following six months when growth generally exceeded the England average. However, the pattern across the county is varied. In five districts house price growth is above the England average, with Derbyshire Dales and Chesterfield leading the way at 8.0% and 7.6% respectively.

The last year has seen a slight slowing in national house price growth with stagnant wage growth and ongoing economic uncertainties dampening demand. Additionally, there has been a significant slowing in London where annual growth has dropped sharply over the past 18 months as a result of the increasing unaffordability of homes there. This is resulting in some rebalancing of the UK housing market with the West and East Midlands leading the way with annual growth rates of 7.2% and 6.4% respectively. Despite the UK's slow growth in 2017, commentators predict that house prices will continue to grow in 2018, albeit modestly, as high employment rates and relatively cheaper mortgage rates continue to generate demand. A shortage of homes coming onto the market is also resulting in demand, with both Derbyshire and England experiencing a fall in house sales over the last quarter.

## The Derbyshire Economy in 2018

DCC's Policy and Research team is analysing the latest economic information about the county to update the Derbyshire Local Economic Assessment (LEA) 2014. This 'in-focus' summarises the key points emerging from the analysis to paint a picture of the local economy in 2018.

### Overview

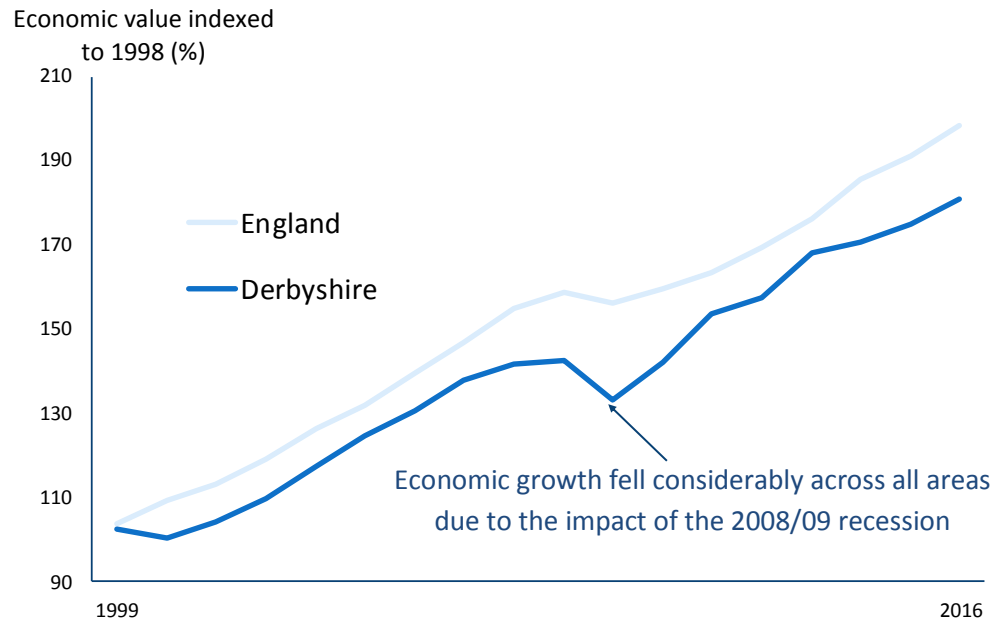
The county's economy has performed well since the last LEA, showing positive growth across all key economic indicators. Derbyshire's economy has grown by 15.0% over the last four years, just below the national growth rate of 17.1%<sup>16</sup>. However, productivity, or the amount of economic value per hour worked, has grown at almost double the national rate since 2014<sup>17</sup>. Additionally, the latest business data shows that for the fourth year in a row more businesses were formed than closed in the county, whilst the county's employment rate has continued to increase. It now stands at 77.9%, above the England average of 75.1%<sup>18</sup>. Qualification levels are also improving with more of Derbyshire's working age residents now qualified to degree level or above than in 2014, although the 2.7% point increase is slightly down on the 4.2% for England<sup>19</sup>.

### Economic growth and productivity

The value of Derbyshire's economy has improved over recent years as shown on the chart opposite. The county's economy is now worth £14.9 billion and there has been significant growth since the peak of the downturn in 2009. Since the last LEA nearly £2 billion has been added to the local economy. The sectors contributing most over this period have been the distribution, transport, accommodation and food (£0.8 billion) and manufacturing (£0.5 billion) sectors. Professional services (£0.3bn) and real estate (£0.2bn) have also shown solid growth.

Productivity measures how efficient an economy is and is defined as the total value of goods and services produced relative to the amount of hours worked. There is much focus at the moment on the UK's productivity with commentators discussing the UK's 'productivity puzzle'. This relates to the fact national productivity growth has been relatively low since the economic downturn of 2008/09. Although the economy has picked up, productivity has not got back to the pre-recession level of growth. UK productivity is thought to be more than 15% lower than it would have

## Change in economic growth-1998-2016



been if the recession hadn't have taken place, compared with less than 10% across the rest of the G7 countries<sup>20</sup>. There are a number of possible reasons for this.

Firstly labour hoarding, with firms unable or unwilling to lay off workers, either because of minimum staffing levels required to keep the business going or because they believed the weakness in demand to be temporary. Whilst positive for workforce employment levels it could have contributed to the downward pressure on productivity. Another possibility is that during this time UK firms held back on investment in plant and machinery. Productivity is a fundamental issue as productivity improvement can help firms to pay higher wages. The Government's recently produced industrial strategy places a premium on innovation, investment and skills to drive improvement.

Since the last LEA 2014, productivity has improved by 15.6% in the county compared to 8.2% across England. However, there remains a gap with the latest figures showing that Derbyshire workers generate £30.30 per hour in output, £2.80 less than the England average. Productivity is higher in South and West Derbyshire than East Derbyshire, with the figures being £31.10 and £29.00 respectively. Analysis of

the county's productivity raises an important question, namely is it possible to close the gap with England and if so how? Attracting more productive firms to the county or changing the focus of existing businesses may be possibilities.

### Earnings

Despite a gradual growth in the level of earnings, the average weekly wage in Derbyshire of £530 remains below that for England<sup>21</sup>. Residents in Derbyshire earn 5% less than the national average and those employed by a Derbyshire business earn 11% less. This reflects the lower skilled employment structure of the county and the travel by some residents out of Derbyshire to work to secure higher wages, for example to Derby, which has amongst the highest wages of any local authority outside of London and the South East.

### Employment structure

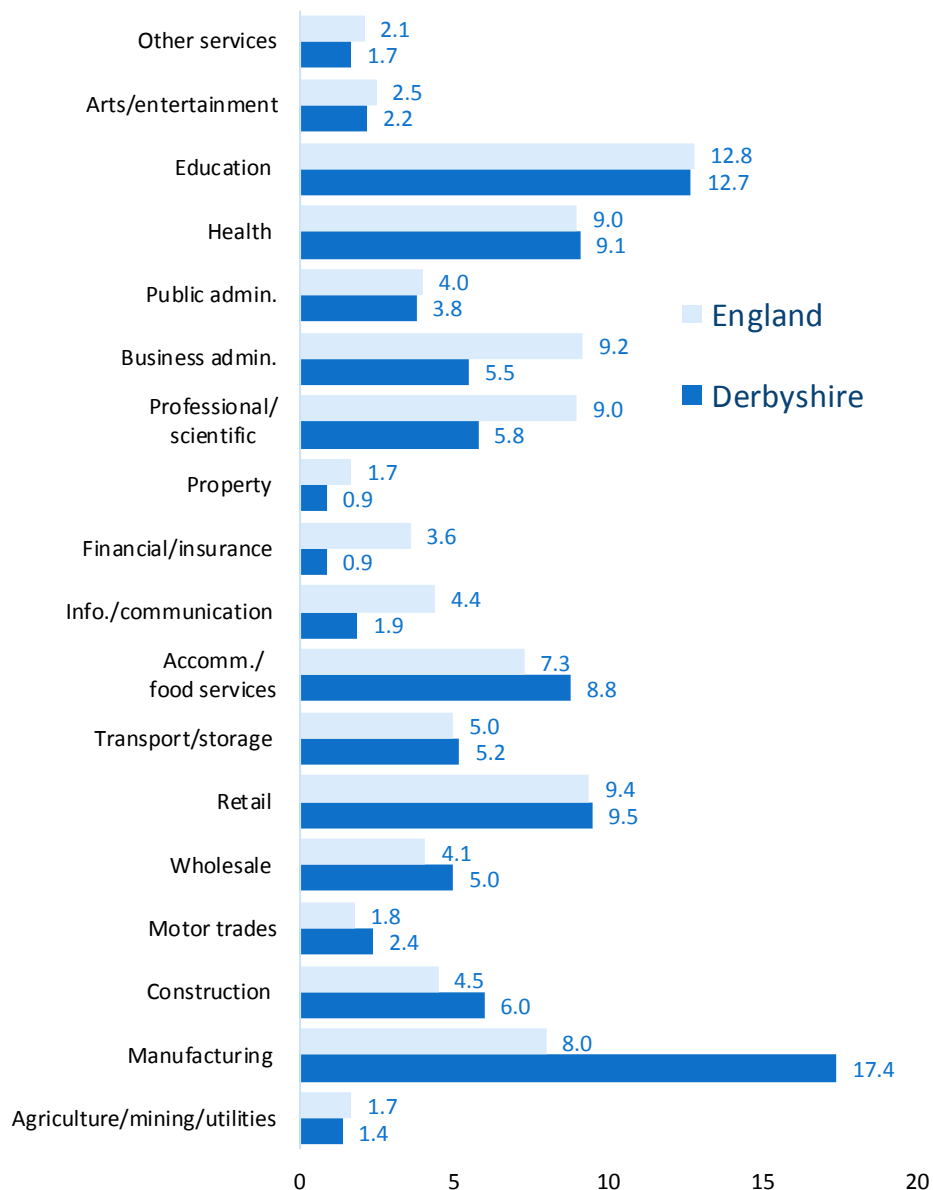
There are over 290,000 people employed in the county's firms with nearly 60% of employees working in just five sectors. Manufacturing remains the largest employment sector in the county at around 17% of employment, with metals and metal products and food and drink being the two biggest components. Other significant employment sectors are education (12.7%), retail (9.5%), health (9.1%) and accommodation & food (8.8%)<sup>22</sup>.

Tourism is the UK's fastest growing employment sector and in addition to accommodation and food, covers entertainment, cultural and recreational activities. Locally the sector employs nearly 23,000 full-time equivalents and in 2016 around 32 million visitors came to Derbyshire<sup>23</sup>, contributing more than £1.6 million to the economy. Nearly 75% of the income was directly to tourism related businesses, and over 25% was indirect income generated by firms involved in the supply chain, such as food producers. Since the last LEA, the visitor economy has performed well locally with a rise of nearly 1.5 million visitors, growth of £70 million in visitor spend and a 2.3% rise in employment in the sector.

The Derbyshire economy has a significantly different profile to that nationally as shown on the following page. The key difference is in manufacturing where the level of employment is more than double that nationally. Other differences are linked to the relatively smaller service sector locally, for example business administration services which encompasses areas such as employment agencies and building facilities employment. Alongside this, the level of employment in professional



### Employment by sector (%)



services, such as management consultancies and accountants is lower in the county. Following a dip in 2013, the employment pattern locally has been relatively close to the national trend over the last three years and, encouragingly, the last year has seen the biggest increase in employment over recent years, with more than 11,000 new employees in the county. However, across the districts, there has been a mixed picture with four districts seeing employment growth and four a fall since 2012.

Across the employment sectors, the accommodation and food sector has seen the greatest rise in employment levels over the last four years with around 9,000 more employees. Other sectors which have grown strongly are construction, with a recent pick up in housebuilding a factor, and the professional, scientific & technical sector, which have both expanded by 3,500 workers. However, the education sector has been particularly hit, with nearly 11,000 jobs lost as has public administration where there are 4,500 fewer employees.

Over the next 15 years Derbyshire's employment levels are forecast to increase by around 3%<sup>24</sup>. Although lower than the national forecast of 8% this is still nearly an extra 10,000 jobs. Although many service sectors are forecast to grow, the largest growth in employment is predicted to be in residential and social care, with an additional 3,500 (17.2%) employees by 2030, reflecting the demands of an ageing population. Three other sectors are forecast to see rises of more than 2,000 employees; retail (+2,900), public administration & defence (2,500) and wholesale (2,100). Manufacturing sectors dominate areas where large declines are predicted, the largest being for non-metallic mineral products (-2,900).

### Entrepreneurship

In 2017, there were just under 30,000 businesses in the county<sup>25</sup>. Whilst the number has declined over the last year, generally since 2012 Derbyshire has seen a steady increase in the number of businesses. The bulk of businesses are micro-businesses employing less than 10 employees with fewer than 100 large firms locally.

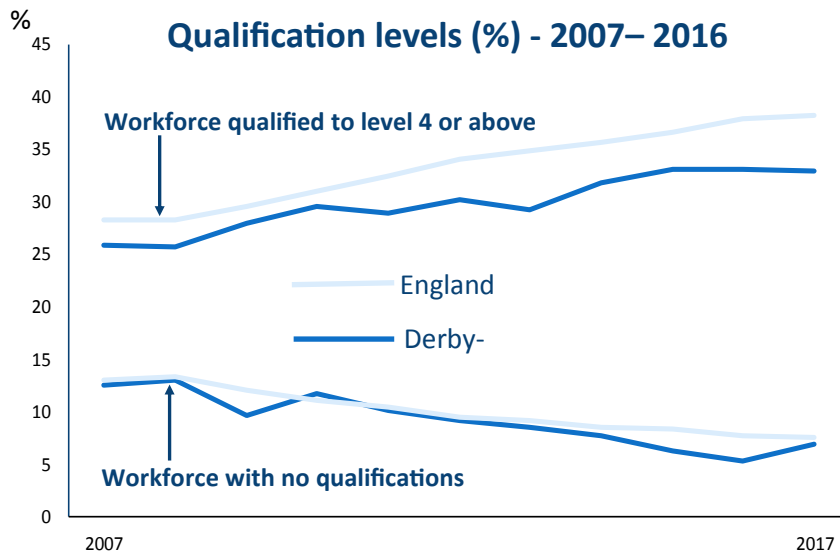
Levels of entrepreneurship are on the rise. In the years immediately following the recession, there were more businesses closing than being created. However, each of the last four years has seen business creation exceed business closure, with the latest figures showing 3,505 new firms compared with 2,965 business closures<sup>26</sup>. However, the county has a lower start up rate than elsewhere in England at 11.7%

compared with 15.0%. Despite this, new businesses are succeeding. Business survival rates in Derbyshire are consistently higher than across England. Given that entrepreneurship levels are lower in Derbyshire but business survival rates are higher, it raises the question of how business start-up rates might increase locally without compromising the county's strength in business survival.

### Skills

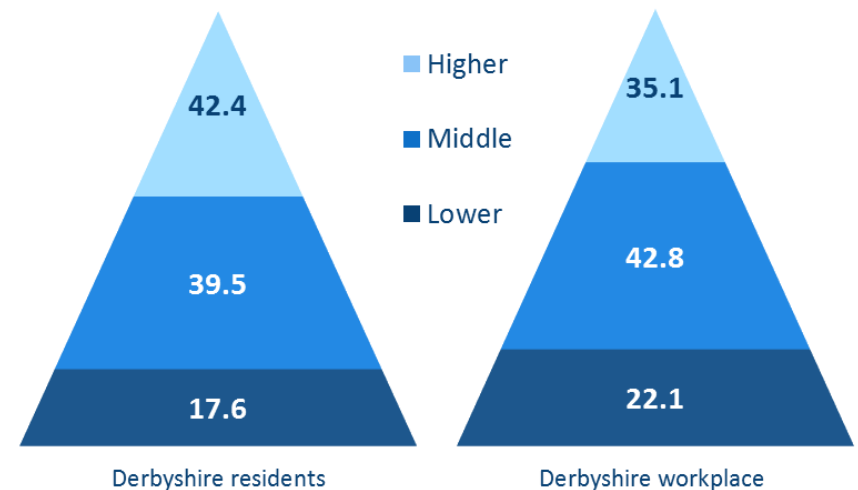
If new businesses are to be created and existing ones grow they need to have the right mix and levels of skills now and in the future. Importantly the county's skill base is improving. Over the last four years, the proportion of the workforce with degree level qualifications has improved by more than 2.7% points and now 33.0% of the workforce has a degree level qualification or above<sup>27</sup>. There is however much variation with Derbyshire Dales (47.4%) having nearly double the number of people qualified to level 4 or above compared with Bolsover (25.8%).

Whilst more people are getting better qualified, fewer people are also reporting that they don't have a qualification. The county has fewer people qualified to higher levels than the national average but also lower levels without a qualification. The county's strength is mid-range with greater numbers of people having their highest level of qualification at levels 1,2 or 3 than across England.



Skills are a key element to raising productivity. The occupational profile of Derbyshire's residents that follows shows that there are currently 42.4% of them working in higher level occupations<sup>28</sup>. This is higher than the 35.1% of people within the county's firms who are in higher level jobs and suggests an oversupply of higher level skills locally with many skilled individuals travelling outside of the county for work. This raises the question of whether Derbyshire has the right mix of higher level skills needed by the county's firms or whether there is a need to attract greater numbers of higher value employers into the area to help retain greater numbers of well qualified residents.

### Occupational profile of Derbyshire residents and firms (%)



### Young people

GCSEs remain an important indicator of the potential of young people. The number of young people locally is falling and with the population ageing it is vital that young people are equipped to contribute fully to the labour market. The GCSE attainment 8 score at age 16 in Derbyshire is slightly below the England average of 46.4, with the average score per pupil of 45.6 placing Derbyshire in the mid-range of English local authorities<sup>29</sup>. Additionally, Derbyshire's performance for English and maths is slightly lower too. These results tie in with recent national research highlighting that social mobility is an issue in some parts of the county<sup>30</sup>.

95% of the county's pupils progress into education, employment or training beyond key stage 4 and encouragingly the county is performing well on apprenticeships<sup>31</sup>. This is a key area for the Government with apprenticeship reforms aiming to better support the skills needs of businesses. Recent data shows that 11% of young people locally were progressing into the apprenticeship programme, nearly double that nationally. Apprentices are also doing well locally, with the number of people achieving an apprenticeship qualification increasing by 16.6%, more than double that nationally, between 2001/12 and 2015/16.

## Conclusion

The county's economy has areas of strength and areas that need further development. The Derbyshire Economic Strategy Statement, which sets the strategic direction for economic development in the county, is about to be reviewed and will need to draw on some of the opportunities and challenges. The findings in the quarterly Derbyshire Economic Review, and also the Derbyshire Local Economic Assessment which is being updated and will explore a wider range of factors, will also be of relevance to the strategic frameworks for planning which aim to meet the infrastructure needs of a growing economy.

The Derbyshire economy is becoming more productive. It is also diverse with some important sector clusters including manufacturing, a growing visitor economy, as well as above average representation in the smaller sectors of construction and transport, storage & wholesale. It benefits from a central location and connectivity in road, rail and air transport, with HS2 being a potential catalyst for economic growth locally. Once businesses have been established they appear to thrive in the county. The county also has strength in intermediate skills although higher skill levels are improving. However, there is a need to boost productivity further, improve business start-up rates, improve results for young people and social mobility, and retain more of the county's highly qualified residents who currently commute outside of the county.

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## End Notes

<sup>1</sup>Data for Derbyshire in the review does not include Derby City unless otherwise stated.

<sup>2</sup>Gross Domestic Product (GDP) Preliminary Estimate, Quarter 4 2017, Office for National Statistics (ONS) © Crown Copyright.

<sup>3</sup>Statistical Bulletin, UK Trade, December 2017, ONS © Crown Copyright.

<sup>4</sup>Statistical Bulletin, Consumer Price Inflation (CPI), January 2018, ONS © Crown Copyright.

<sup>5</sup>Bank of England, Monetary Policy Committee Decision, February 2018.

<sup>6</sup>Bank of England Agents' Summary of Business Conditions, February 2018.

<sup>7</sup>East Midlands Chamber of Commerce, Quarterly Economic Survey, Q4 2017.

<sup>8</sup>Derbyshire Economic Partnership, 2016-2017.

<sup>9</sup>The employment rate is the percentage of the working age population (age 16-64) who are employed.

<sup>10</sup>ILO unemployment is regarded as the official measure of unemployment. It has a much wider definition than the claimant count of unemployment and includes people who are out of work and claiming Jobseekers Allowance or Universal Credit (UC) as well as those who are actively looking for work but not necessarily claiming unemployment related benefits. The ILO defines the unemployed as people who are without work, are available to start work within the next two weeks, and have actively sought work within the previous four weeks. This is used in the Annual Population Survey and is not compatible with claimant count unemployment.

<sup>11</sup>The economic activity rate is the percentage of the working age population (age 16-64) who are employed or International Labour Organisation (ILO) unemployed.

<sup>12</sup>Claimant count unemployment is derived from administrative data generated by the system of benefits paid to people who are out of work. It is a different definition and measure of unemployment than the ILO unemployment noted above. Additionally, claimant count unemployment published by the ONS now includes Universal Credit claimants as well as Jobseekers Allowance claimants. This is now the headline measure of unemployment. Data for the youth unemployment rate is based on the Claimant Count and that for long-term unemployment is still based on Jobseekers Allowance claimants.

<sup>13</sup>Youth unemployment relates to people aged 16-24. The rates at ward level are unofficial and have been calculated using population figures from the 2015 Mid-Year Population Estimates.

<sup>14</sup>East Midlands Chamber of Commerce, Quarterly Economic Survey, Q3 2017.

<sup>15</sup>Housing benefit spare room subsidy is shown as a % of those households claiming housing benefit.

<sup>16</sup>Regional Gross Value Added (Balanced) by Local Authority, 2016, ONS, © Crown Copyright.

<sup>17</sup>Sub-Regional Productivity 2016, ONS, © Crown Copyright.

<sup>18</sup>Annual Population Survey, Jan 2016-Dec 2017, ONS, © Crown Copyright.

<sup>19</sup>Annual Population Survey, Jan 2016-Dec 2017, ONS, © Crown Copyright.

<sup>20</sup>International comparisons of UK productivity (ICP), 2016, ONS © Crown Copyright.

<sup>21</sup>Annual Survey of Hours and Earnings 2017, ONS, © Crown Copyright.

<sup>22</sup>Business Register and Employment Survey, 2016, ONS, © Crown Copyright.

<sup>23</sup>STEAM data for Derbyshire (excluding Derby), 2016, Global Tourism Solutions (UK) Ltd.

<sup>24</sup>Employment forecasts, Cambridge Econometrics for the Midlands Engine, November 2015.

<sup>25</sup>UK Business Activity Size & Location 2017 & Business Demography 2016, ONS, © Crown Copyright.

<sup>26</sup>Business Demography, 2016, ONS, © Crown Copyright.

<sup>27</sup>Annual Population Survey, Jan 2016-Dec 2017, ONS, © Crown Copyright.

<sup>28</sup>Annual Population Survey, Jan 2016-Dec 2017, ONS, © Crown Copyright.

<sup>29</sup>Key stage 4 attainment SFR01 - 2016-17, Department for Education, © Crown Copyright.

<sup>30</sup>State of the Nation 2017: Social Mobility in Great Britain, Social Mobility Commission.

<sup>31</sup>Key stage 4 destination measures 2015/16 destinations, Department for Education, © Crown Copyright.

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Policy and Research Division  
Commissioning, Communities and Policy  
Derbyshire County Council  
County Hall  
Matlock  
Derbyshire  
DE4 3AG  
Email: [research@derbyshire.gov.uk](mailto:research@derbyshire.gov.uk)