

# Thurrock EDS: progress against priority areas

The 2007 Economic Development Strategy (EDS) set out a number of key economic challenges for Thurrock. These related to areas such as jobs growth, skills and employment and enterprise performance.

In line with the previous EDS, our updated analysis shows that Thurrock boasts some clear economic strengths and opportunities, as well as a number of challenges. To make sure the Council is in the best position to focus attention (and resources) on the most pressing issues, it is important to map out the key changes brought about since the previous EDS. This should help the Council to consider how successful previous interventions have been and to assess how relevant these key economic challenges remain.

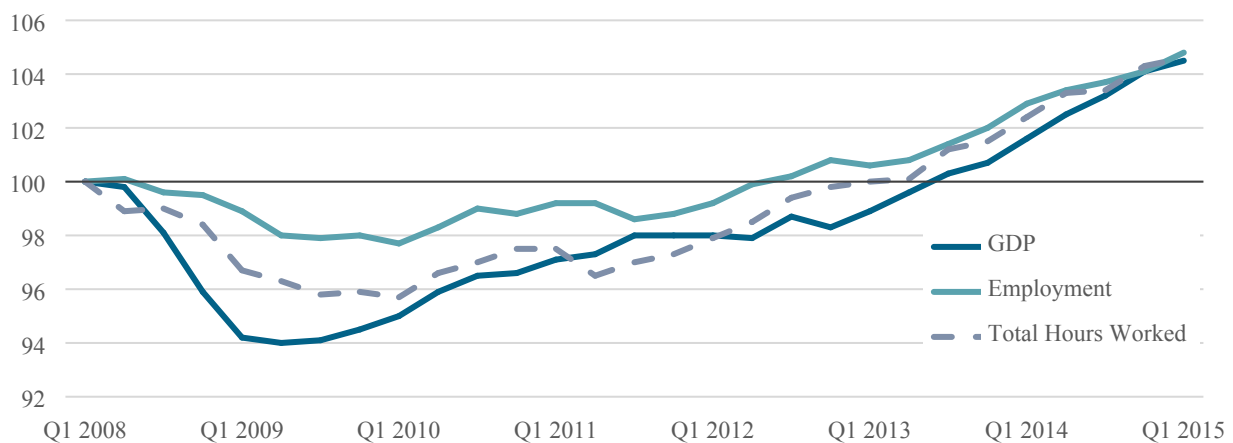
This note sets out performance in relation to each of the key economic challenges for Thurrock identified in 2007 for which data is readily available. It should also be noted that this period has been marked by one of the most severe economic downturns on record.

## National economic context

During the 2008 to 2009 economic downturn UK Gross Domestic Product (GDP) fell by around 6% and did not return to its pre-downturn levels until mid-2013. The number of people employed also fell following the downturn, but by just 2.3%.<sup>1</sup> With employment proving more resilient than GDP, the UK produced less output on average per worker employed, indicating a significant decline in the UK's productivity (output per hour worked).

**Figure 1: Index of GDP (chained volume measure), employment and hours since Quarter 1 (Jan to Mar) 2008, seasonally adjusted**

*Index, Q1 2008 = 100*



Source: ONS

<sup>1</sup> ONS (2015) - GDP and the Labour Market – Q2 2015 Quarterly Update

In recent periods economic performance has picked up. With unemployment falling towards pre-recession levels for most workers (youth unemployment remains elevated) and signs of rising pay growth in recent data, evidence of a tightening labour market has started to emerge.

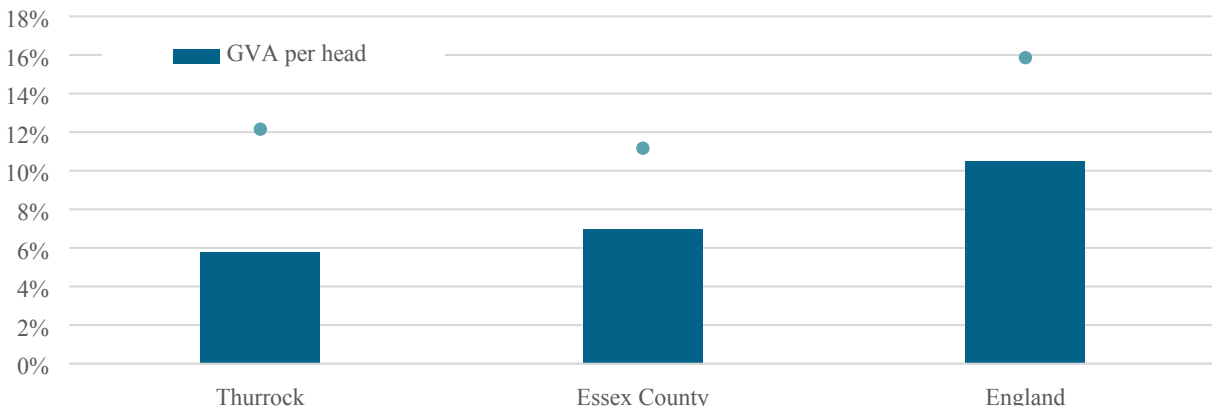
## Thurrock's economic performance

### Output

The Thurrock economy was worth around £2.8bn (unadjusted for inflation and local price variations) in 2013, equivalent to £17,300 per head of population - 12.2% below the Essex County average of £19,700 and 28.2% below the England average of £24,100.

As **Figure 2** shows, growth in economic output (GVA<sup>2</sup>) has been below average in recent years. Between 2007 and 2013, nominal GVA growth was relatively similar in Thurrock (12.2%) and Essex County (11.2%), but below the England average (15.9%). And, taking into account population change, growth in nominal GVA per head in Thurrock (5.8%) was significantly lower than for both Essex County (7.0%) and England (10.5%) during this time.

**Figure 2: Percentage change in nominal GVA and GVA per head 2007-2013**



Source: ONS

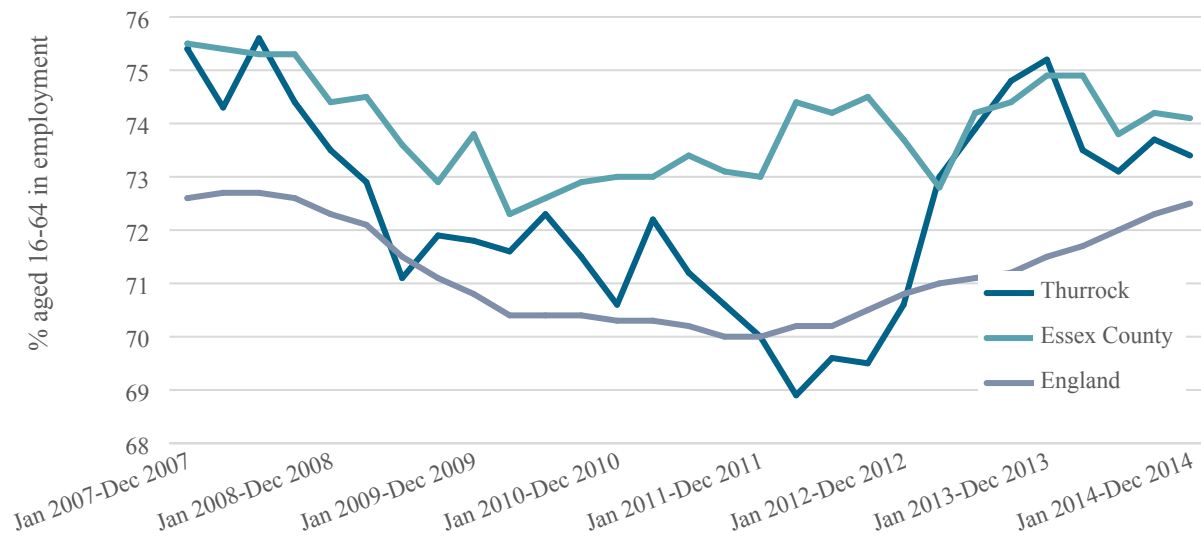
### Employment

As **Figure 3** shows, in-line with national trends, Thurrock saw its local employment rate decline after the economic downturn in 2007/08 – falling from 75.4% of residents in 2007, to just 70.0% of working age residents in 2011. However, following a sharp rise in 2012/13, the employment rate has settled considerably above the national average. In the 12 months to December 2014, 73.4% of working age residents in Thurrock were in employment - above the England (72.5%) average and only slightly below the rate for Essex County (74.1%).<sup>3</sup>

<sup>2</sup> Gross Value Added (GVA) is a measure of the increase in the value of the economy due to the production of goods and services. It is measured at current basic prices, which include the effect of inflation, excluding taxes (less subsidies) on products (for example, Value Added Tax). GVA plus taxes (less subsidies) on products is equivalent to Gross Domestic Product (GDP).

<sup>3</sup> ONS (2015) Annual Population Survey

**Figure 3: Employment rate (% of residents aged 16-64 in employment)**



Source: ONS APS

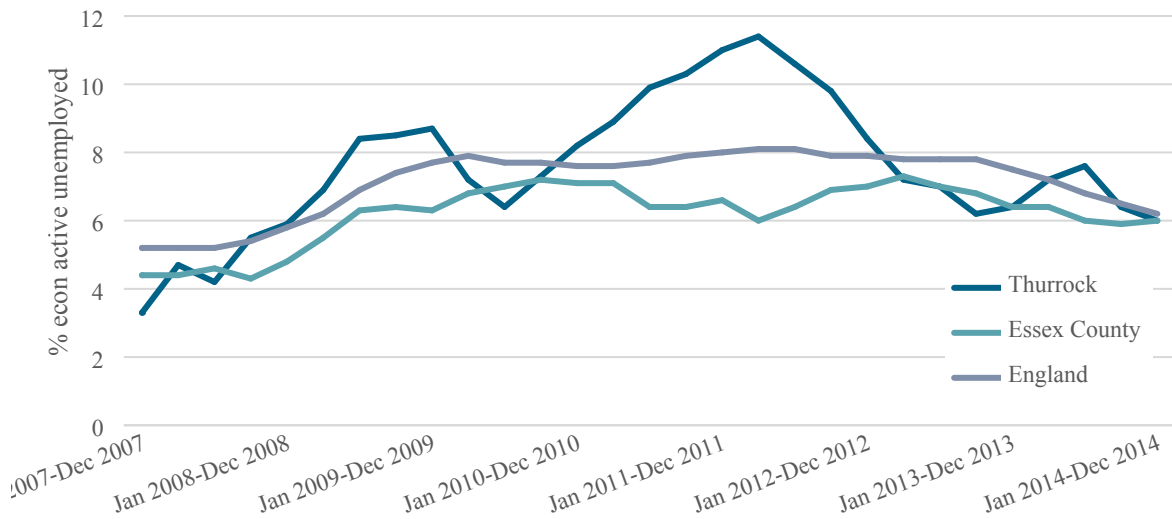
In total, there were 76,600 working age residents in employment in Thurrock in the 12 months to December 2014. Despite a fall in the last year, the *number* of residents in employment is estimated to have increased by 4,500 or 6.2% between 2012 and 2014, and 1,400 or 1.9% between 2007 and 2014.<sup>4</sup> At the same time, the employment *rate* remains 2.0 percentage points below 2007 levels (indicating that population growth has outpaced employment growth).

### Unemployment

In keeping with employment trends, the unemployment rate in Thurrock rose sharply after the onset of the economic downturn, peaking at 11.4% of economically active residents in Thurrock in the 12 months to March 2012 (9,400 people). It has tended to decline since then. In the 12 months to December 2014, 6.0% of economically active residents in Thurrock were unemployed (5,000 people). The unemployment rate is now in-line with the rates for Essex County (6.0%) and England (6.2%) as a whole. At the same time, unemployment remains significantly above pre-recession levels (3.3% of economically active residents in 2007, or 2,600 people).

<sup>4</sup> ONS (2015) Annual Population Survey

**Figure 4: Unemployment rate (% of economically active residents aged 16+)**



Source: ONS APS

## Thurrock’s EDS priorities

### “The need for new employment”

The 2007 EDS stated that: “The overarching challenge for Thurrock is to create new jobs” and included a headline target to create 26,000 more jobs in the local economy by 2021. An increase in job opportunities was considered vital to the Thurrock’s “economic, social and environmental sustainability”, particularly in light of the area’s growing population.<sup>5</sup> **Table 1** outlines in more detail the potential for jobs growth in key industrial sectors, as set out in 2007.

**Table 1: Potential employment growth in Thurrock 2007-2021**

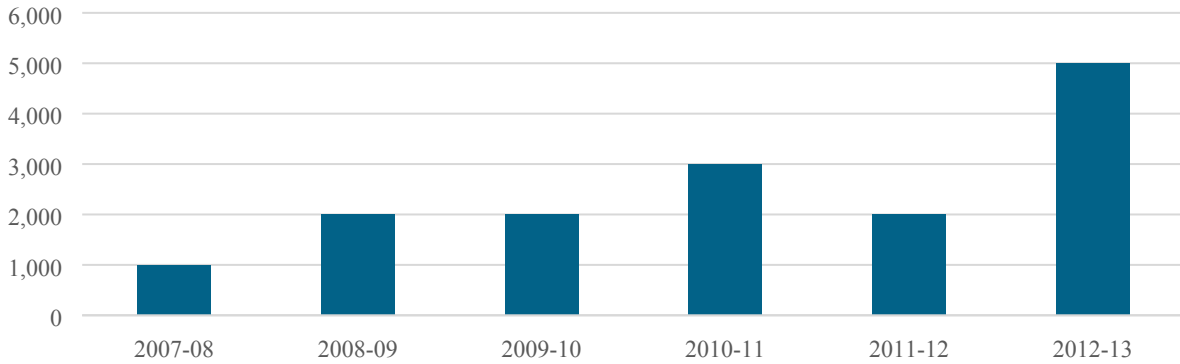
<b>‘Core’ Sectors</b>	
Port, Logistics and Transport	10,000
Retail	3,000-11,000
Construction	1,300
<b>Total: core sectors</b>	<b>14,300 - 22,300</b>
<b>‘Opportunity’ Sectors</b>	
Business Services	2,000
Recreation & Leisure	1,800
Environmental Tech, Recycling and Energy	1,000-1,500
Creative Industries	1,000
Public Sector Services	2,000
<b>Total: opportunity sectors</b>	<b>7,800 - 8,300</b>
<b>Total</b>	
<b>Total: overall</b>	<b>22,100 – 30,600</b>

Source: Thurrock Economic Development Strategy 2007

<sup>5</sup> Thurrock Economic Development Strategy (2007)

As **Figure 5** shows, between 2007 and 2013, there was an increase of 5,000 jobs in Thurrock (from 63,000 to 68,000). Extrapolating trend growth from 2007-2013 would see an increase of 11,800 jobs by 2021.<sup>6</sup> This would be short of the 2007 target, although recent investments in the local economy (e.g. London Gateway, Port of Tilbury, Lakeside) may offer potential for faster jobs growth in the coming years.

**Figure 5: Jobs growth in Thurrock 2007-2013 (cumulative)**



Source: ONS Jobs Density

Moreover, putting Thurrock’s jobs growth in a wider context, it is evident that the area has performed relatively well in relation to many other parts of the country since 2007. **Figure 6** shows the percentage change in workforce jobs between 2007 and 2013. As can be seen, London was the region that saw the highest growth in workforce jobs at 13.4%.<sup>7</sup> However, at 7.9%, Thurrock saw a significantly higher rate of jobs growth than the South East (3.7%) and Eastern (3.5%) regional averages.<sup>8</sup> This was also above the rate of jobs growth in both neighbouring Essex County (5.5%) and nationally (3.8%).

**Figure 6: % Jobs growth 2007-2013**



Source: ONS Jobs Density

<sup>6</sup> ONS (2015) Jobs Density

<sup>7</sup> This is one of the defining trends since 2007: while the economic recovery has been relatively ‘jobs rich’, jobs growth has been heavily focused on London. England has seen total jobs rise by around 1.01m from 2007-2013 (from 26.6m to 27.6m) – with 635,000 of these jobs (62.9%) created in London. Source: ONS (2015) Jobs Density

<sup>8</sup> ONS (2015) Jobs Density

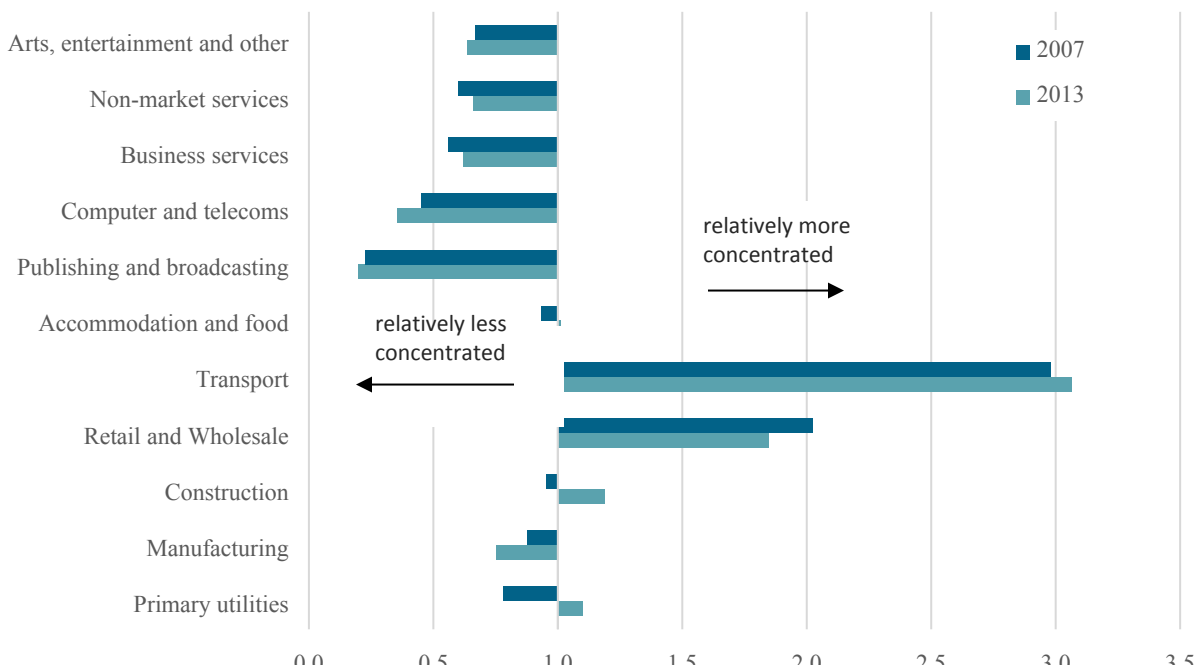
Without a significant uplift in job creation in the coming years, Thurrock does not appear to be on track to meet the 26,000 jobs target by 2021. However, when compared to regional and national economic performance, jobs growth has been comparatively strong in recent years.

**“A relatively unbalanced employment base”**

The EDS acknowledged that the Thurrock economy has historically been driven by the presence of several large sectors which have dominated the business base in employment terms, particularly: transport; logistics; port functions; and retail. The EDS set out the challenge to diversify the economy to be “less dependent upon a relatively narrow range of sectors”. At the same time, increased diversification could not be at the expense of the area’s “core sectors”.<sup>9</sup>

To establish how successful Thurrock has been in diversifying its economy, **Figure 7** sets out a detailed sectoral analysis of local employment, based on location quotients.<sup>10</sup>

**Figure 7: Location Quotient, 2007 and 2013 (vs UK)**



Source: East England Forecasting Model

As the chart shows, between 2007 and 2013 Thurrock’s industrial structure remained somewhat uneven: that is to say, within the local economy there remain particularly strong concentrations of employment in a few key areas of activity and a relatively low share of employment in most other industrial groups. More specifically, compared to the national (UK) average:

<sup>9</sup> The core employment growth sectors were the sectors already strong in Thurrock, generating natural growth and employment. The opportunity employment growth sectors were sectors less established, where future growth would need to be induced by partners - Thurrock Economic Development Strategy (2007)

<sup>10</sup> A location quotient (LQ) is a ratio that compares an area to a larger reference area according to some characteristic or asset. It can reveal what makes a particular area “unique” in relation to the national average. An LQ of greater than one implies relative concentration of employment (compared to the UK average); an LQ of less than one implies a relative lack of concentration in a given sector.

- There is a particularly high concentration of employees in the transport grouping, and this has become more concentrated since 2007 (LQ of 3.1 in 2013, up from 3.0 in 2007).
- The share of employees in retail and wholesale was also very high, with an LQ of 1.8 (although, down from 2.0 in 2007), while construction has become more important to the local economy since 2007 (LQ of 1.2, up from 1.0 in 2007).
- Employment is less concentrated in most other sectors, most significantly in the higher value-added business services and computer and telecoms sectors. These sectors had LQ's in 2013 of 0.6 and 0.4 respectively. This has not changed significantly since 2007.

#### **Why does the concentration of industries matter?**

To an individual, it matters because the pattern of geographical concentration of industries influences the economic opportunities available in the area in which they live. For example, a potential employee faces a very different labour market in Thurrock to other parts of Greater Essex.

To policy makers, the geographical concentration of economic activity matters because it may have an impact on the potential for economic growth in the economy (depending on the sectors). Economic inequalities can also result from an uneven economic geography.

#### **“A relatively weak skills base”**

The 2007 EDS highlighted a relatively low level of higher level qualifications in the Thurrock labour force, particularly with regards to Level 3 qualifications and above. It also noted relatively low rates of progression from secondary school to further and higher education (FE and HE) and called for a “platform for uplift” in the quality of the local skills base, ensuring these are relevant to the business base.<sup>11</sup>

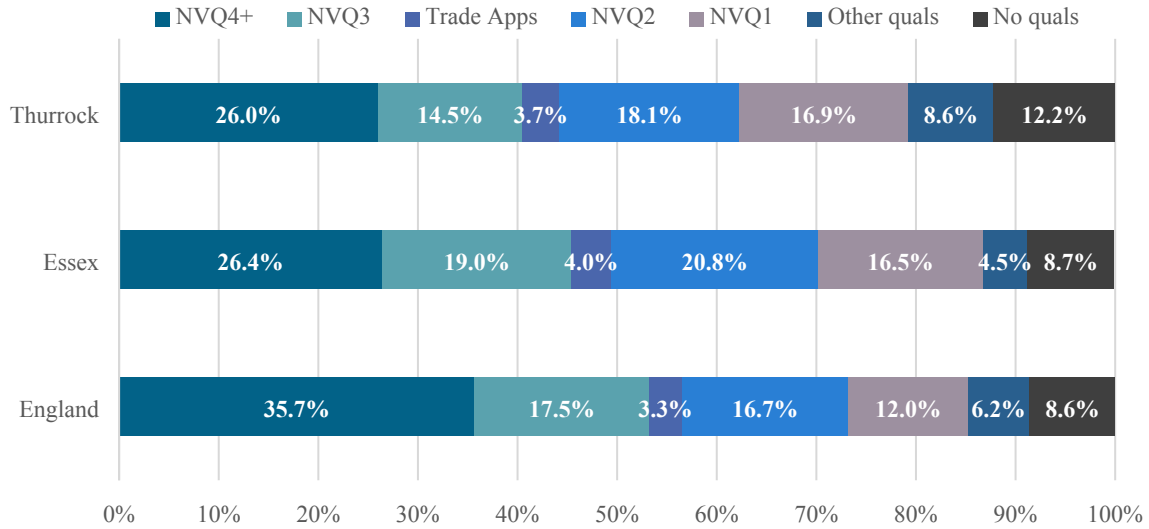
#### **Adult skills**

Looking at data for 2014, Thurrock still has relatively low proportions of residents who are qualified at NVQ Level 3 and above – 40.5% of working age residents in 2014, compared to 53.2% nationally.<sup>12</sup> There is also a relatively high proportion of working age adults with low or no qualifications, including 12,600 Thurrock residents aged 16-64 with no qualifications – making up 12.2% of working age residents, compared to just 8.6% nationally.

<sup>11</sup> Thurrock Economic Development Strategy (2007)

<sup>12</sup> ONS (2015) Annual Population Survey

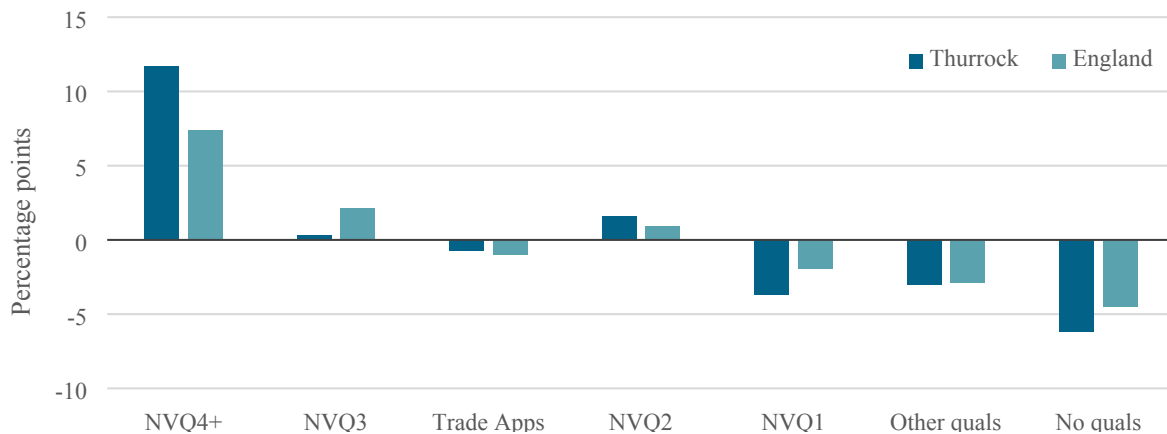
**Figure 8: Qualifications profile 2014 (% residents aged 16-64 by highest level of qualification)**



Source: ONS APS

However, there have been considerable **improvements in qualifications attainment in recent years**. Between 2007 and 2014 there was a significant shift towards attainment at the highest qualification levels (NVQ3 and above) among working age residents, and away from qualifications at the lowest levels (NVQ1 and below). In total there are 14,200 more working age residents qualified at Level 3 and above in 2014 than in 2007, and 10,500 fewer residents aged 16-64 whose highest level of qualification is at NVQ Level 1 or below (including 'other qualifications'). While these trends have also taken place nationally, they have been particularly marked in Thurrock - as **Figure 9** shows.

**Figure 9: Change in % of residents aged 16-64 by qualification (pp, 2007-2014)**



Source: ONS APS

This matters because if Thurrock's residents are to benefit from the jobs available in the local economy, they need to have in-demand skills. And employment rates vary significantly by qualification level: 84.4% working age residents qualified at NVQ4+ were in employment in 2014, compared to 63.1% of those qualified at NVQ1 and below (including 'other qualifications').<sup>13</sup>

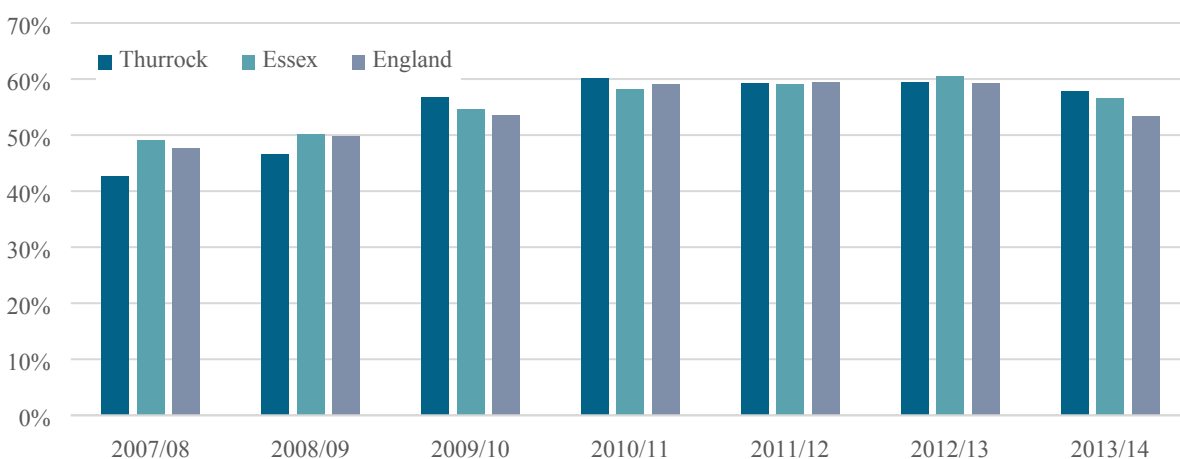


### Education attainment

One contributory factor to improving adult skills is improvements in education performance in Thurrock at GCSE level. In 2013/14, 57.9% of key stage 4 students in Thurrock achieved 5 A\*-C grades at GCSE including English and maths. This was above the Essex County (56.5%) and England (53.4%) averages.<sup>14</sup>

As **Figure 10** reveals, this is a significant improvement on local performance in 2007/08, when only 42.6% of KS4 students in Thurrock achieved 5 A\*-C grades at GCSE including English and maths. It should also be noted that figures for 2013/14 are not directly with earlier years due to major education reforms (which could explain the small decline in performance in the most recent year).<sup>15</sup>

**Figure 10: Percentage of pupils at the end of Key Stage 4 achieving at GCSE and equivalents (5 A\*-C grades including English & maths)**



Source: Department for Education

### Destinations of school leavers

Looking at the destinations of students following A Levels or other level 3 qualifications (in the key stage 5 cohort), 71% of Thurrock students continued, or remained, in an education or employment destination in 2012/13, in-line with the national rate.

**Table 2: Percentage of students, in 2011/12, who entered an A Level or other Level 3 qualification, going to, or remaining in, an education or employment destination in 2012/13 (state-funded)**

Area	Thurrock	Essex	England
<b>Sustained education or employment/training destination</b>			

<sup>13</sup> ONS (2015) Annual Population Survey

<sup>14</sup> Department for Education (2015) Performance Tables

<sup>15</sup> In particular, two major reforms have been implemented which affect the calculation of key stage 4 (KS4) performance measures data in 2014: Professor Alison Wolf's Review of Vocational Education recommendation; and, An early entry policy to only count a pupil's first attempt at a qualification.

Sustained education destination	54.0%	59.0%	64.0%
Sustained Employment and/or Training destination	16.0%	12.0%	6.0%
Education/employment/training combination destination	1.0%	1.0%	1.0%
<b>Percentage not recorded in the measure</b>			
Destination not sustained	12.0%	8.0%	9.0%
Destination not sustained / recorded NEET	3.0%	3.0%	2.0%
Activity not captured in data	14.0%	17.0%	18.0%
UCAS acceptance for deferred entry	---	3.0%	3.0%

Source: Department for Education

Looking more closely though, a relatively low proportion of Thurrock students went on to a sustained education destination (54% compared to 64% for England). Although there was an improvement on 2009/10, when 51% of Thurrock students were registered in a sustained education destination,<sup>16</sup> a relatively high proportion of students did not have a sustained destination or were recorded as Not in Employment Education or Training (NEET).

More specifically, 310 people aged 16-18 were Not in Employment Education or Training in Thurrock at the end of 2014, 5.2% of the people in this age group known to the authority, compared to 4.6% for Essex County.<sup>17</sup>

**“A relatively limited educational offer”**

The 2007 EDS identified that Thurrock did not offer “significant breadth in availability and delivery of FE and HE”. The strategy sought to support the development of an education and learning offer that was strong in both depth and breadth.

**UCAS applications**

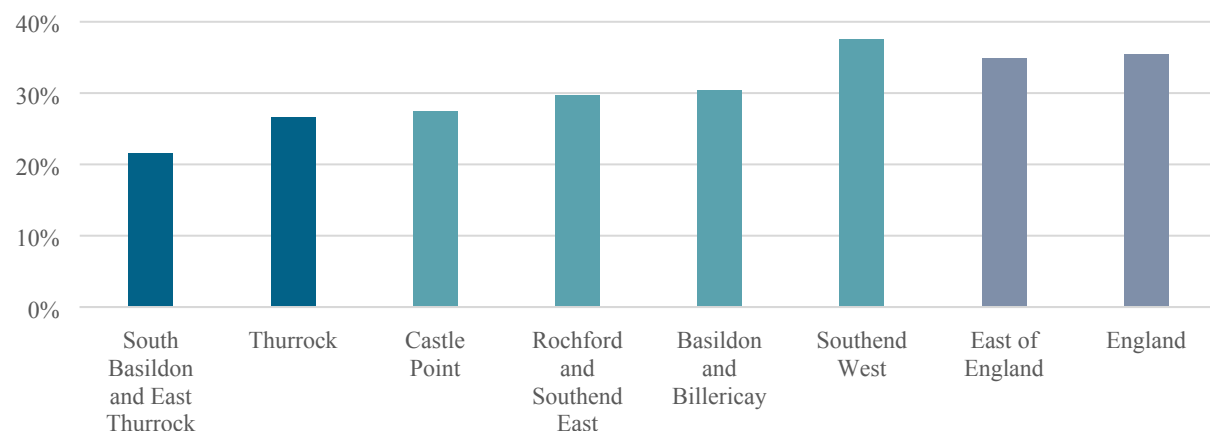
There continues to be a relatively low proportion of young people going on to Higher Education. **Figure 11** shows 18 year old application rates for the parliamentary constituencies in South Essex compared to the East of England and England averages. It shows a significant variation within the South Essex, with the lowest application rates among 18 year olds in South Basildon and East Thurrock (21.6%) and Thurrock (26.6%). This was far below the England average of 35.4%.

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<sup>16</sup> Department for Education (2012) destinations of key stage 4 and key stage 5 pupils.

<sup>17</sup> Department for Education (2015) NEET data by local authority

**Figure 11: January deadline application rates in 2015 for UK 18 year olds**



Source: UCAS Analysis and Research

### Apprenticeships

There has also been an expansion in the number of apprenticeships, reflecting national trends. Compared to 2007/08, there was a 120% increase in the number of apprenticeship starts in 2013/14. Apprenticeships play an important role in matching skills to business and employer needs.

**Table 3: Apprenticeship starts in Thurrock, by level**

Year	Intermediate	Advanced	Higher	Total starts*
2007/08	370	180	0	540
2008/09	400	190	0	600
2009/10	480	180	0	670
2010/11	810	340	0	1,150
2011/12	870	390	0	1,270
2012/13	770	520	20	1,310
2013/14	750	410	30	1,190
2014/15	650	450	30	1,130
<b>Change 2007/08 – 2014/15</b>	<b>280</b>	<b>270</b>	<b>30</b>	<b>590</b>
<b>% Change 2007/08 – 2014/15</b>	<b>75.7%</b>	<b>150%</b>	<b>n/a</b>	<b>109.3%</b>

\* Rounding may mean intermediate + advanced + higher ≠ total starts.

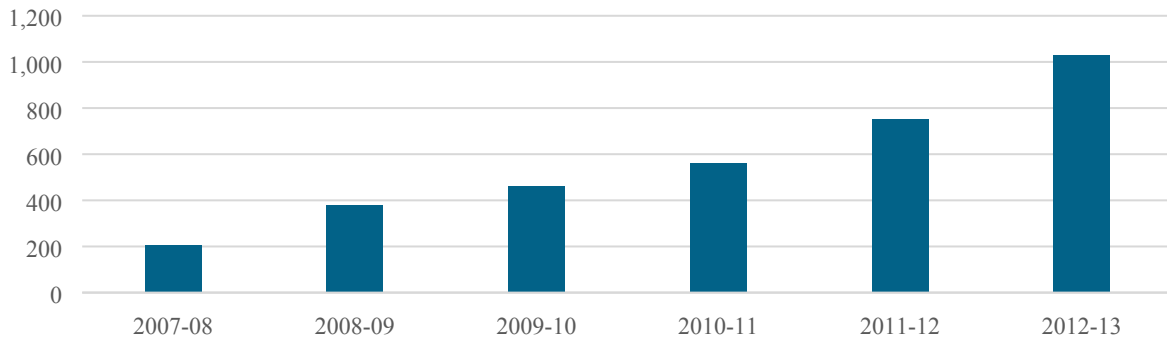
Source: BIS FE data library: apprenticeships

### “A relatively low rate of enterprise”

The 2007 EDS pointed towards low but improving rates of enterprise formation in Thurrock, combined with relatively high rates of business failure. The challenge set out in the EDS was to facilitate higher rates of sustainable business formation by building on an improving enterprise base and supporting Thurrock businesses to grow, develop and diversify.

Thurrock has seen considerable growth in active enterprises in recent years. Using data from the ONS Business Demography series, the number of active enterprises registered in the local area increased by 1,030 from 2007-2013.<sup>18</sup> The number of Thurrock based enterprises increased throughout the period, even during the recession, and has picked up further in recent years.

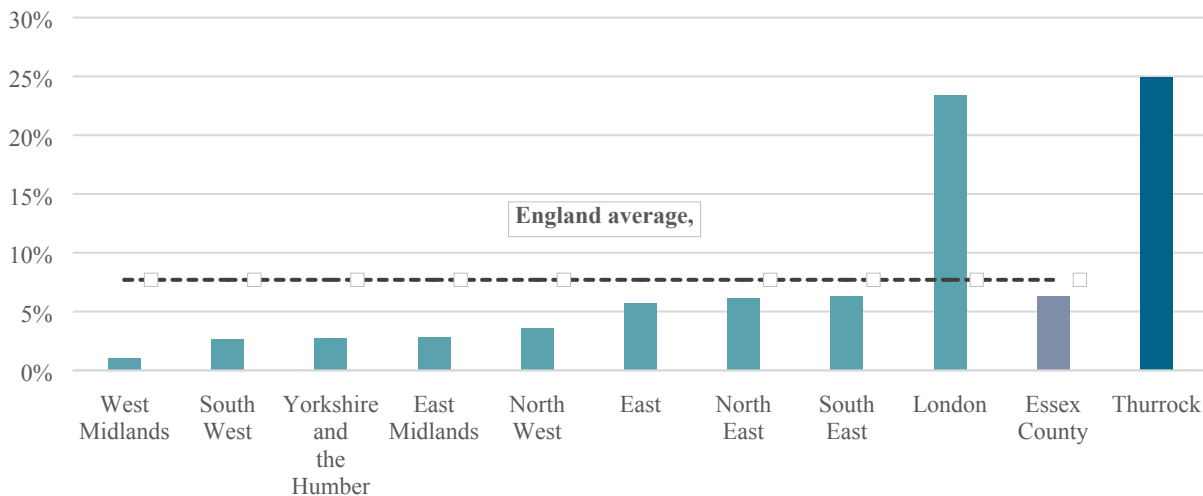
**Figure 13: Active enterprise growth in Thurrock 2007-2013 (cumulative)**



Source: ONS Business Demography

The extent of Thurrock success in growing its business base can be seen when comparing local performance with other areas of the country. At 25.0%, Thurrock saw a higher rate of business growth in between 2007 and 2013 than for any region in England, including London (23.4%). This was also significantly above the Essex County (6.3%) and national (7.7%) averages.

**Figure 14: % growth in active enterprises 2007-2013**

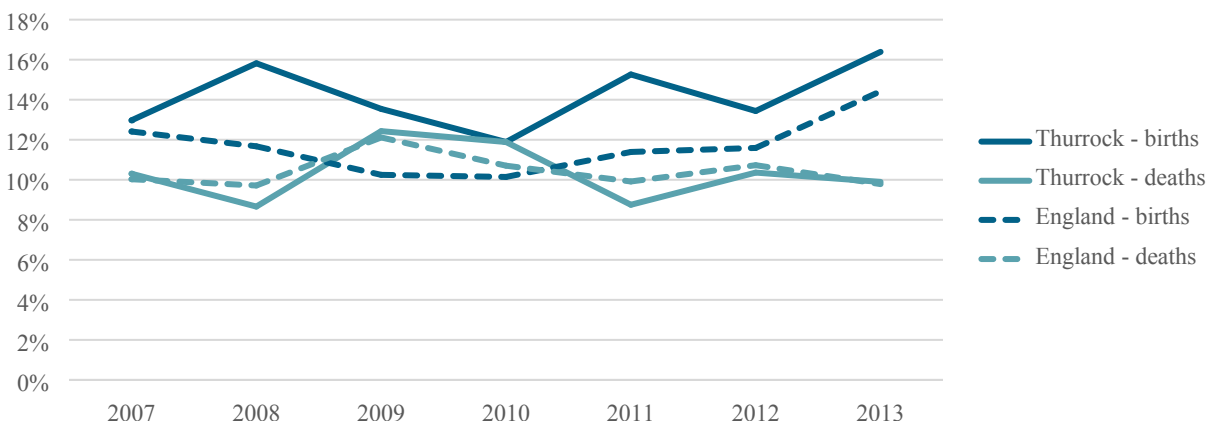


Source: ONS Business Demography

**Figure 15** (overleaf) illustrates in more detail the nature of business performance, showing Thurrock consistently outperforming the national average in terms of new business registrations between 2007 and 2013, while the rate of business failures was marginally below the national average in most years (with the exception of 2009-2010).

<sup>18</sup> ONS (2015) Business Demography. Note: this definition of an active business is based on activity at any point in the year, whereas ONS Business Counts is based on an annual snapshot at a point in time.

**Figure 15: Business births and deaths 2007-2013 (% of active enterprises)**



Source: ONS Business Demography

Looking more closely at business survival, as **Table 4** shows, survival rates in Thurrock worsened following the economic downturn, but have generally improved since the recession. Of all of the VAT registered businesses registered in 2011, nearly three-quarters (74.8%) were still trading in 2012. This was significantly above the 24-month survival rates for businesses born in 2008 and only marginally below the England average (75.5%). At the same time, this was still lower than the rate for businesses born in Thurrock in 2007 (79.4%), suggesting there remains scope for survival rates to improve further.

**Table 4: Survival rates of businesses born since 2008, Thurrock and England (%)**

Year of birth / age in years	Thurrock						England					
	2007	2008	2009	2010	2011	2012	2007	2008	2009	2010	2011	2012
1 year	94.4	92.7	92.6	89.0	93.7	94.7	95.4	92.1	90.9	86.8	93.1	91.1
2 year	79.4	73.7	72.1	75.2	74.8	--	81.3	73.9	73.9	72.5	75.5	--
3 year	57.9	53.3	58.2	57.8	--	--	62.9	57.9	59.7	57.1	--	--
4 year	48.6	43.8	48.4	--	--	--	51.9	48.8	48.9	--	--	--
5 year	42.1	37.2	--	--	--	--	44.4	41.2	--	--	--	--

Source: ONS Business Demography.

A wider range of metrics, available only at LEP level, shows the South East LEP area having a proportion of 15.8% of its businesses being 'fast-growing', compared to the national average of 16.0%.<sup>19</sup>

**“A number of infrastructure constraints”**

Complimenting this, Thurrock has generally seen growth in business space. The EDS called it “imperative” that Thurrock was able to offer quality, sustainable and flexible sites offering opportunities for future growth and development.<sup>20</sup> Between 2007 and 2012, Thurrock saw an increase of:

- 86,000 m<sup>2</sup> of industrial floorspace;

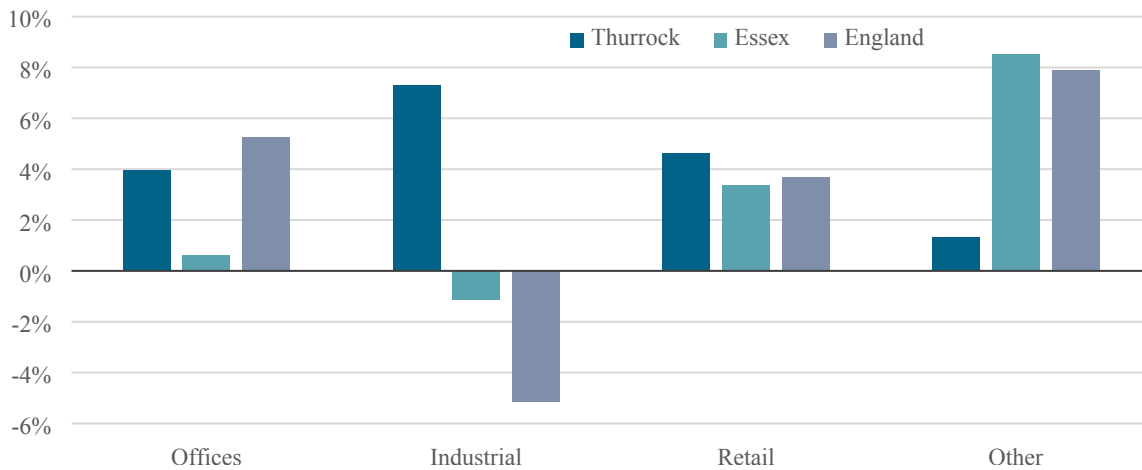
<sup>19</sup> Enterprise Research Centre (2015) Growth Dashboard – June 2015.

<sup>20</sup> Thurrock Economic Development Strategy (2007)

- 19,000 m<sup>2</sup> of retail floorspace;
- 3,000 m<sup>2</sup> of office floorspace; and
- 1,000 m<sup>2</sup> of 'other' floorspace

As **Figure 16** shows, compared to national trends, there has been particularly strong growth in industrial and retail space since 2007, reflecting major investments in the local area. This suggests that Thurrock may have gone some way to rectifying the issue of inadequate provision since 2007, although this data does not reveal anything about the quality and suitability of floorspace being provided. It also indicates that the growth in office lagged behind the England average during this period.

**Figure 16: % change in business floorspace, by type (2007-2012)**



Source: VOA