

# State of the D2N2 Economy 2016 – Summary Report



# Key Findings Summary

## Introduction

The D2N2 Strategic Economic Plan (SEP) was published in March 2014, setting out the Local Enterprise Partnership's vision for a more prosperous economy, with 55,000 additional private sector jobs by 2023. The strategic objectives set out in the SEP were informed by the comprehensive review of the D2N2 economy provided by the first State of the Economy report, produced in 2013.

Much of the data on which the analysis was based related to the 2010-2011 period, when the national economy was beginning to emerge from recession. However, this had yet to translate into improved economic indicators in D2N2.

Much has changed in the economy since that time, and there have been significant policy developments and changes in the economic context, not least the recent referendum vote for the UK to leave the European Union.

More recent economic data is now available and, whilst the D2N2 partners do not intend to refresh the Strategic Economic Plan at this stage, it is important to take stock of progress and consider the implications of recent economic performance for future economic priorities and objectives.

The State of the Economy report 2016 updates the economic evidence base for the LEP area and highlights the impact of interventions supported by D2N2 LEP and how these are supporting economic and employment growth.

The full report presents key economic data from a range of sources to provide an overview of the D2N2 economy, and highlights the key issues for the future suggested by the economic trends.

This summary document highlights the key findings, and presents an overview of the past year's performance against each of D2N2's Key Performance Indicators, as well as the longer-term trajectory.

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<sup>1</sup> The visitor economy; construction; creative & digital industries; transport and logistics; transport equipment manufacturing; food and drink manufacturing; life sciences and low carbon.

## Key Findings

D2N2 has made good progress against most of its key performance indicators (covering economic, social inclusion, health and sustainability metrics) over the past year. Economic performance in particular has been strong, with indicators including output per worker, the employment rate, the number of private sector jobs, and the percentage of businesses surviving for three years all registering an improvement over last year's position.

Performance across the eight priority sectors which will drive the growth of the D2N2 economy<sup>1</sup> has been mixed. Employment in the transport equipment manufacturing sector continues to grow, and construction has seen a 15% increase in employee numbers over the past year, as the recovery from recession continues. However, other sectors have experienced falls in employment, or employment remaining stable. The sectors vary considerably in terms of the number of people they employ, the GVA they generate and their growth potential, and have a variety of skills and support needs. Detailed sector overviews are included in the full report.

Looking over the longer term, whilst there remains a significant performance gap with the national average on some indicators, D2N2 has made progress since the recession with:

- A **significant increase in the number of private sector jobs** within the D2N2 economy, which has offset the decline in public sector employment. Nearly 81% of all jobs in D2N2 are in the private sector, compared to 75% four years ago;
- An **employment rate that now exceeds the pre-recession peak**, with nearly 990,000 D2N2 residents of working age in employment, an increase of nearly 60,000 over the past four years;
- **GVA growth that has slightly outpaced the national average**, and has been faster than that recorded in any other core city LEP area;

- **Nearly 70,000 businesses** across the D2N2 area, a 5% increase since the recession, with growth in key sectors including professional, scientific and technical services and administrative and support services (e.g. business services)
- A **narrowing of the gap in skills levels** between D2N2 and the England average, with the proportion of the working age population with no qualifications no longer above the national average.

The data also highlights both ongoing and new challenges including:

- **No narrowing of the productivity gap**, which measures the value of the output produced by a worker in D2N2 compared to that produced by an average worker in England as a whole;
- **Continuing high levels of unemployment and economic inactivity** in some communities, and **an increase in the number of Employment and Support Allowance** claimants, which more than offsets the fall in the number claiming unemployment-related benefits;
- A **continuing under-supply of new homes**, with the growth in the number of dwellings continuing to be well below that required to meet the forecast increase in the number of households in D2N2.

## D2N2 Interventions

The D2N2 LEP has funded and supported a range of interventions to address these challenges. Whilst still in their early stages of implementation, the first 13 projects supported through the Local Growth Fund (LGF) are expected to create over 38,000 jobs over the next 15+ years, adding up to £1.8bn to D2N2's GVA.

Many of the LGF investments are creating a new economic infrastructure in D2N2, with development sites unlocked and new sites for commercial and housing growth being developed. The approved LGF projects will deliver nearly 6,500 homes, with a further 11,500 to be supported by LGF projects yet to be approved. Enterprise Zone sites across D2N2 will add to this momentum by providing high quality locations for sector-specific business growth.

The D2N2 Growth Hub has been operational for over one year, providing a one-stop shop to link D2N2's businesses to high quality advice on issues ranging from training to access to finance. Over 2,400 businesses have been supported to date.

D2N2 LEP has also been active in tackling skills issues, launching a Providers Charter to ensure a skills and training system which is aligned to employer needs and responds to changing demands; providing the strategic direction for the Skills Support for the Workforce programme, which delivered work-related training to over 6,500 employees in D2N2; and funding a number of major investments in the skills infrastructure, including the Chesterfield Centre for Higher Level Skills, the Vision University Centre in Mansfield, and the Nottingham Skills Hub, which will transform the delivery of skills and training in all three areas.

## Implications

The economic analysis indicates a number of key opportunities and challenges for D2N2, including:

- A need to **improve productivity levels throughout the business base**, through increased innovation, competition and a continued shift towards higher value added activities;
- A corresponding requirement to **continue the growth in the proportion of workers with higher level skills**, and ensure the skills system responds flexibly to changing skills needs within the workplace;
- The importance of **ensuring that all residents are supported to fulfil their potential in the labour market**, both to ensure social inclusion and cohesive communities, and also to overcome a potential tightening of the labour market as unemployment falls and the working age population ceases to grow.

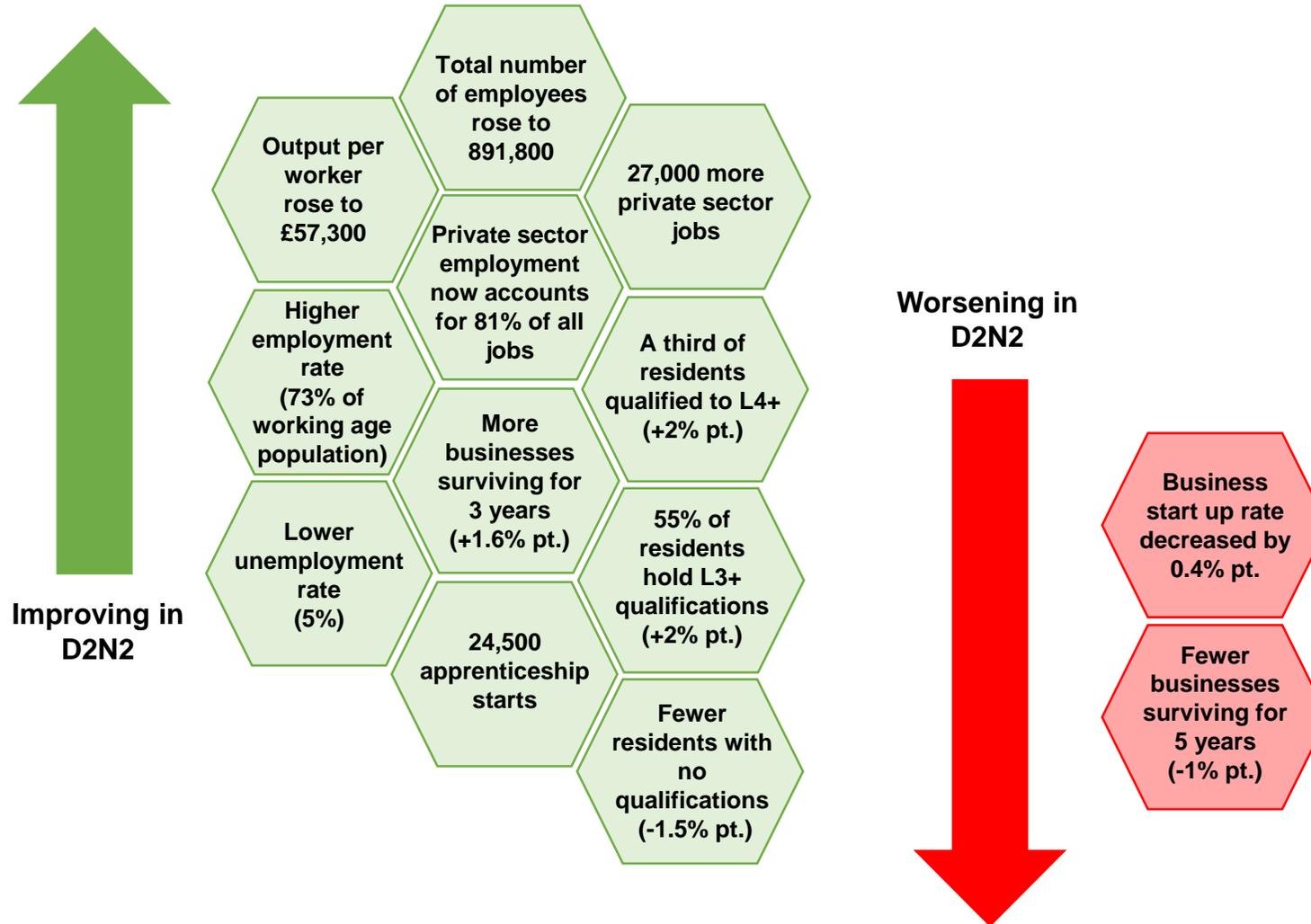
The analysis also indicates that D2N2 can build on its strengths and good recent performance in key areas including:

- **Reinforcing existing sector strengths**, which provide opportunities to strengthen employment growth and improve productivity levels;
- **Supporting the continued growth of the service sector** and particularly its capacity to provide productive, higher skilled jobs.

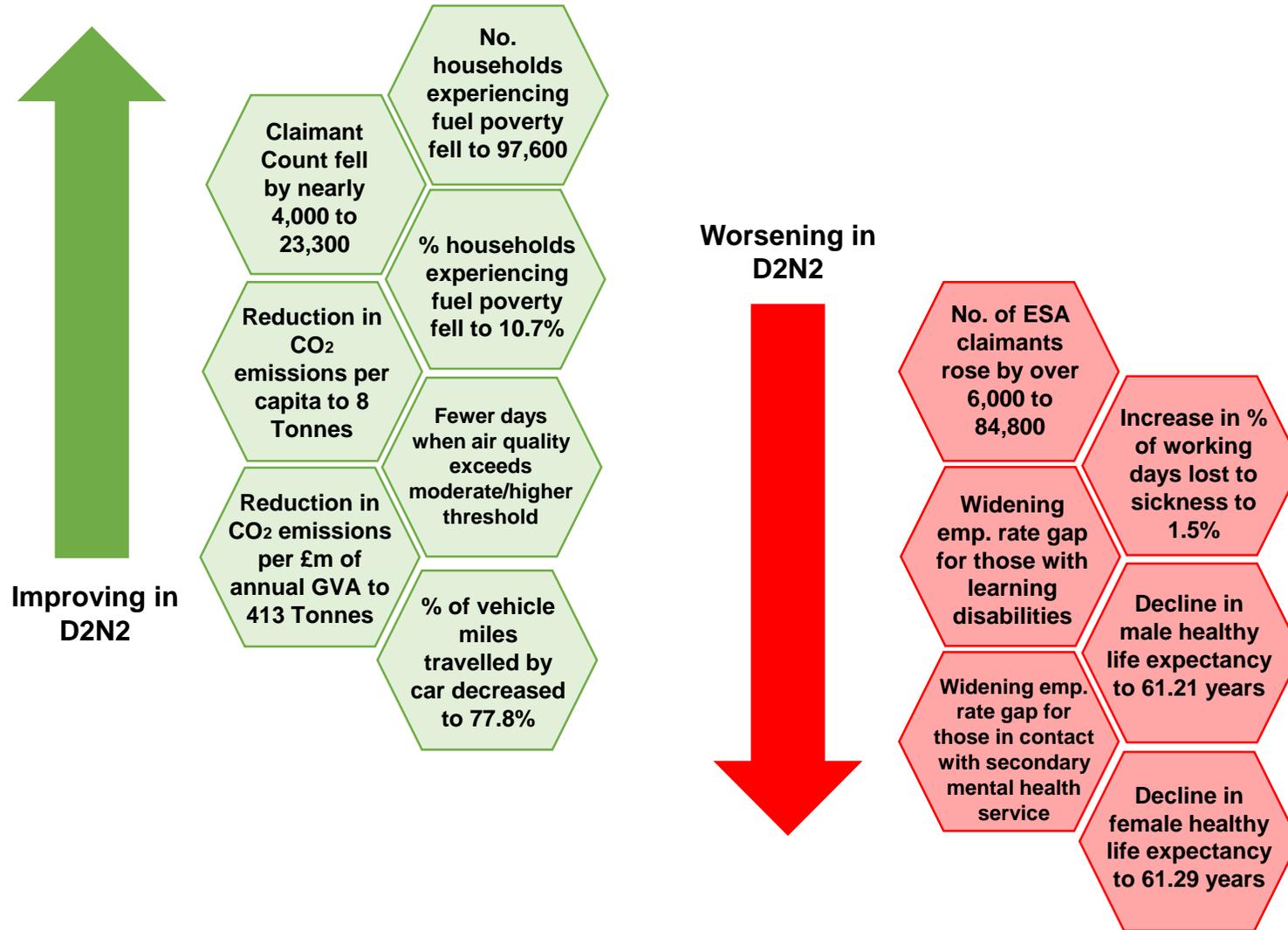
The State of the Economy report provides partners with a starting point for discussion about the future direction of the D2N2 economy, and the priorities for investment in coming years.

## Key Performance Indicators

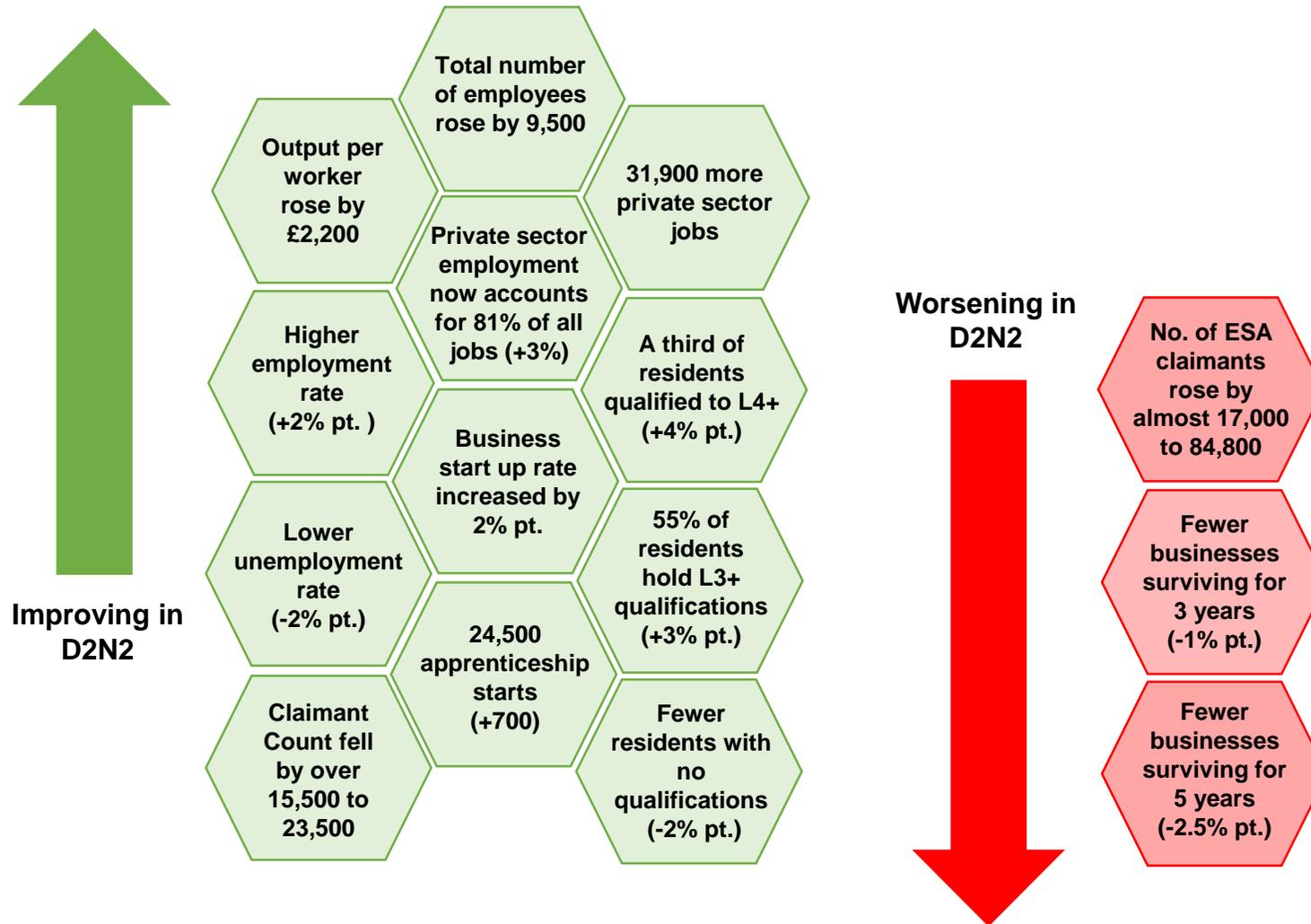
D2N2 Progress against key economic performance indicators over the past year



## D2N2 Progress against health, sustainability and social inclusion performance indicators over the past year



## Longer-Term Trajectory: Progress against economic indicators over the past three years



## Appendix 1: D2N2 Key Performance Indicators – Supporting Information

### D2N2 Performance on Key Economic Indicators

	D2N2			National	
	Previous year position	Latest position	Past year: Direction of travel	Latest position	Past year: Direction of travel
GVA per FTE, £	56,800 <sup>1</sup>	57,300	+500/ +0.9%	67,300	+650/ +1%
Total employees	872,100 <sup>2</sup>	891,800 <sup>3</sup>	+19,700/ +2.3%	24,299,900	+739,100/+3.1%
Private sector employees (No.)	694,100 <sup>2</sup>	721,300 <sup>3</sup>	+27,200/ +3.9%	20,093,200	940,600/ +4.9%
Private sector employees (%)	79.6 <sup>1</sup>	80.9 <sup>3</sup>	+1.3 %pt.	82.7	+1.4% pt.
Economically active employment rate (%*)	93.3	95.1	+1.8% pt.	94.7	+1.1% pt.
Working age unemployment rate (%*)	6.7	4.9	-1.8% pt.	5.3	-1.1% pt.
Business start up rate (%)	13.1	12.7	-0.4% pt.	14.0	-0.4% pt.
Business 3 year survival rate (%)	58.5	60.1	+1.6% pt.	60.4	+3.3% pt.
Business 5 year survival rate (%)	43.2	42.2	-1% pt.	41.8	+0.6% pt.
Working age pop. with L4+ qualifications (%)	31.1	33.2	+2.1% pt.	36.7	+1% pt.
Working age pop. with L3+ qualifications (%)	53.5	55.3	+1.8% pt.	57.1	+0.6% pt.
Working age pop. with no qualifications (%)	9.7	8.2	-1.5% pt.	8.4	-0.2% pt.
Apprenticeship starts (No.)	20,750	24,530	+3,780/ +18.2%	494,200	+59,600/+13.7%

Key: 1: Revised upwards since 2015 report produced. 2: Revised downwards since 2015 report produced. 3: Provisional data, likely to be revised when next BRES data is released (September 2016).  
Sources: Annual Population Survey, Business Register and Employment Survey, Business Demography, Regional Accounts, Skills Funding Agency.  
\*The employment and unemployment rates are based on those living within the D2N2 area, regardless of where they work.

**GVA per FTE:** GVA per FTE in D2N2 remains at 85% of the national average. Productivity has been increasing and D2N2 has performed well over the past five year period, with the fastest increase in GVA per head of all the core city LEPs. However, the increase in GVA per FTE worker has not kept pace with the national increase, although the gap in performance has narrowed over the past year.

**Employees:** D2N2 has recorded a rapid increase in employee numbers over the past year, contributing towards the achievement of the 55,000 jobs target. However, the increase has not kept pace with the growth in employee numbers seen nationally.

*NB - The jobs estimate is likely to be revised when the next BRES data is released (last year the revised figure was nearly 15,000 lower than the initial provisional estimate).*

**Private sector employees:** The provisional data suggests a rapid increase in the number private sector employees in D2N2, +27,200 (3.9%). However, this is still lower than the level of growth experienced

nationally (4.9%). The proportion of total employment accounted for by the private sector in D2N2 (80.9%) remains below the England average (82.7%).

*NB - The private sector employees estimate is likely to be revised when the next BRES data is released (last year the revised figure was nearly 5,000 lower than the initial provisional estimate).*

**Employment rate amongst the economically active population:** D2N2's economically active employment rate (95.1%) is above the national average (94.7%). Amongst the whole working age population, the employment rate has risen to 72.9%, the highest level recorded, although this is one percentage point below the England level (73.9%).

**Unemployment rate:** Mirroring the trends in employment, the unemployment rate in D2N2 (4.9%) has fallen by 1.8% over the past year. The rate is now below the national average and has fallen more rapidly over the past year.

**Business start up rate:** There are fewer business start ups as a proportion of the existing business base in D2N2 compared to the national rate (12.7% compared to 14.0%). The start-up rate has fallen in D2N2 over the past year, mirroring the national position.

**Business 3 year survival rate:** D2N2 has had high rates of business survival in recent years. The latest data show that 60.1% of new businesses survive for three years, an increase since the previous year (+1.6% points). However, the national increase has been greater (+3.3%), meaning that D2N2's 3 year survival rate is now below the England average.

**Business 5 year survival rate:** A higher proportion of businesses survive for five years in D2N2 compared to the national average (42.2% and 41.8% respectively). However, D2N2 has seen a slight fall in the proportion of businesses surviving for 5 years over the past year, whilst nationally the 5 year survival rate has increased.

**Working age population with a L4+ qualification:** Fewer of the working age population in D2N2 have higher level skills compared to the national average. There has been progress in the D2N2 area against this indicator over the past five years and in the last year the percentage increase has been twice as large as that seen nationally, continuing the trend of narrowing the gap in skills levels.

**Working age population with a L3+ qualification:** Fewer of the working age population in D2N2 are qualified to Level 3 or higher compared to the national average. Over the last year, the proportion of the workforce with these skills has increased more quickly than the national average.

**Working age population with no qualifications:** The proportion of the working age population with no qualifications in D2N2 (8.2%) is now lower than the national average (8.4%). This reflects a faster fall in the number of working age people with no qualifications in D2N2 than nationally over the past year (-1.5% compared to -0.2%).

**Apprenticeship starts:** D2N2 has seen an increase in apprenticeship starts over the past year. The increase has been greater than that experienced nationally (18.2% compared to 13.7%).

## D2N2 Performance on Health and Sustainability Indicators

	D2N2			National	
	Previous year position	Latest position	Past year: Direction of travel	Latest position	Past year: Direction of travel
*Claimant Count (No.)	27,220	23,295	-3,925/-14.4%	613,060	-43,500/-6.6%
ESA Claimants (No.)	78,660	84,810	+6,150/ +7.8%	1,941,050	+111,250/+6.1%
Working days lost due to sickness, %	1.4	1.5	+0.1% pt.	1.6	+0.1% pt.
Gap in employment rate between those with learning disability and overall employment rate, %pt.	64.5	67.5	+3% pt.	66.9	+1.9% pt.
Gap in employment rate between those in contact with secondary mental health services and overall employment rate, %pt.	62.8	64.2	+1.4% pt.	66.1	+1.4% pt.
CO <sub>2</sub> emissions per capita, Tonnes	8.1	8.0	-0.1	6.7	-0.2
CO <sub>2</sub> emissions per £m of annual GVA, Tonnes	426	413	-13	274	-23
Vehicle miles by cars, %	78.3	77.8	-0.4% pt.	78.3	-0.4% pt.
Days air quality exceeds 'moderate' or higher thresholds across D2N2 sites <sup>2</sup> , No. days per site	8.75	7.25	-1.5	-	-
<p>* Claimant count indicator replaces the previous indicator – JSA claimants – to reflect the switch from JSA to Universal Credit</p> <p><sup>1</sup> Based on measures at four sites in D2N2 – Chesterfield, Chesterfield Roadside, Nottingham Centre, Ladybower – and 83 sites nationally.</p> <p>Source: DWP, Public Health Outcomes Framework Data, Public Health England, DECC, ONS regional Accounts, Department for Transport, DEFRA.</p>					

**Claimant Count:** the claimant count provides an estimate of the number of people receiving either JSA or Universal Credit as a result of unemployment. The number has fallen by nearly 4,000 over the past year, a much greater fall in percentage terms in D2N2 (-14.4%) than has been recorded nationally (-6.6%).

**ESA claimants:** the number of people claiming Employment and Support Allowance has continued to rise in D2N2, with an increase of 6,150 over the past year, taking the total to nearly 85,000. The rate of increase has been faster in D2N2 (+7.8%) than nationally (+6.1%). The increase in ESA claimants is greater than the fall in the Claimant Count.

**Working days lost due to sickness:** The percentage of total working days lost due to sickness in D2N2 is slightly lower than in England as a whole (1.5% compared to 1.6%). Both D2N2 and England have seen the percentage of working days lost to sickness rise by 0.1% since the previous data period.

**Learning disability employment rate gap:** This indicator measures the difference in employment rates between the working age population as a whole, and those with a learning disability. Those with a learning disability are much less likely to be employed than the wider population, with a gap of 67.5 percentage points between the two rates. The gap has widened by 3 percentage points over the past year, indicating that employment amongst the general population is rising more quickly than amongst

those with the learning disability. The gap is wider in D2N2 than in England as a whole, and has widened more sharply over the past year.

**Secondary mental health services employment rate gap:** This indicator measures the difference in employment rates between the working age population as a whole, and those who are in contact with secondary mental health services. Those in contact with secondary mental health services are much less likely to be employed than the wider population, with a gap of 64.2 percentage points between the two rates. The gap has widened by 1.4 percentage points over the past year, indicating that employment amongst the general population is rising more quickly than amongst those who are in contact with secondary mental health services. The gap is slightly narrower in D2N2 than in England as a whole.

**CO<sub>2</sub> emissions, tonnes per capita:** CO<sub>2</sub> emissions per head of population have fallen slightly in D2N2 over the past year. They remain significantly higher than the national average, reflecting the nature of economic activity within the LEP area, and have fallen slightly more slowly than in England as a whole.

**CO<sub>2</sub> emissions, tonnes per £m of GVA:** CO<sub>2</sub> emissions per £m of GVA are also significantly higher in D2N2 than nationally. Emissions per £m of GVA have fallen over the past year, but again the decline has been lower than that seen nationally.

**% of vehicle miles by car:** The share of total vehicle miles travelled by car is lower in D2N2 than nationally, and there has been a slight decline over the past year.

**Air quality:** There has been a fall in the number of days on which air quality exceeds the moderate or higher thresholds at sites across D2N2 over the past year.

## D2N2 Performance on Social Inclusion Indicators

	D2N2			National	
	Previous year position	Latest position	Past year: Direction of travel	Latest position	Past year: Direction of travel
Male healthy life expectancy at birth, years	61.55	61.21	-0.34	63.27	-0.09
Female healthy life expectancy at birth, years	61.33	61.29	-0.05	63.95	-0.15
Household experiencing fuel poverty, No.	125,308	97,580	- 27,728/ -22%	2,282,579	+64,421/ +3%
Households experiencing fuel poverty, %	14.2%	10.7%	-3.5%	10.5%	0%

Sources: Public Health Outcomes Framework Data, Public Health England.

**Male healthy life expectancy at birth:** The healthy life expectancy of a male born in D2N2 has fallen slightly over the past year, and remains below the England average. D2N2 has experienced a greater decline than that seen nationally.

**Female healthy life expectancy at birth:** Female healthy life expectancy has also declined, although the decline has been smaller in D2N2 than nationally. Females in D2N2 have a shorter healthy life expectancy than in England as a whole.

**Number of households experiencing fuel poverty:** The number of households experiencing fuel poverty in D2N2 has fallen significantly over the past year, by nearly 28,000 households, or 22%. This contrasts with the national position, where the number of households experiencing fuel poverty has risen by 3% over the same period.

**Percentage of households experiencing fuel poverty:** The percentage of total households experiencing fuel poverty has fallen, but remains slightly above the national average. However, the gap has closed considerably over the past year.