5 ECONOMIC DRIVERS OF DEMAND

5.01 Demographic changes within an area engender the need for different levels and types of housing provision. However the economic development of an area can be of equal importance in driving change in housing markets. This section analyses the recent economic performance of the PUSH area against the benchmark areas and how changes have influenced and interacted with demographic and socio-economic changes.

Key Points

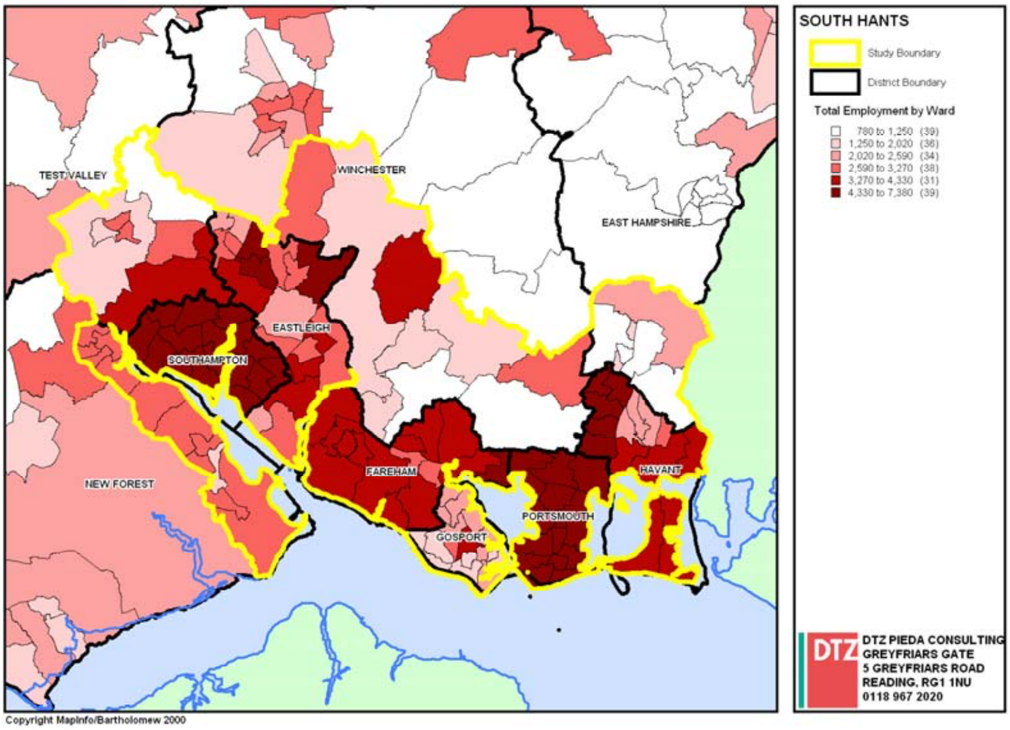
- Employment in the PUSH area has grown by over 21% since 1995, higher than growth regionally (19%), and nationally (14%).
- The largest industry in the PUSH area is Distribution, Hotels and Restaurants which has seen a 12% increase since 1998. Employment in the sector currently stands at 112,000. Public administration, education & health is also a significant sector, however the PUSH Area has seen an overall fall in employment in this sector since 1998.
- The fastest growing sector in the PUSH area is Other Services which has witnessed a 56% rise in employment (from 14,700 jobs in 1998 to 23,000 in 2003).
- In 2001 there was a lower proportion of Managers & Senior officials and Professional occupations than regionally, however there was a higher proportion of process, plant & machine operatives and elementary occupations. This indicates that there is a lower proportion of higher wage occupations in the PUSH area than within the region. Indeed, wages are lower in the PUSH area than nationally and regionally.
- GVA per worker in the PUSH area,at £32,100 in 2001, was below the regional benchmark of £34,767 and the national average of £33,032.
- The Eastern area has seen the steepest growth in total GVA, whilst the Western area's growth falls below the South East's growth rate after 1998. The strong economic performance of Fareham has made a particularly strong contribution to economic performance in the Eastern sub-regional pole.
- Workplace-based pay is higher than residence-based pay in the PUSH area. This suggests that people commute in to the PUSH area in order to receive higher wages than they would otherwise. This pattern is mirrored in the Eastern area, which has much lower average Workplace and Residence wages than the average for the PUSH area.
- The Western area has higher residence-based wage figures than workplace based figures, suggesting that some of the local working population commute out of the area to find higher paid work. Both measures of local wages are higher in the Western area than for the PUSH area as a whole.

Employment

5.02 There are currently 419,000 jobs within the PUSH area. Between 1995 and 2003 employment in the PUSH area has grown by over 21%, higher than growth regionally (19%), and nationally (14%). The rise in employment within the PUSH area is equivalent to a rise of 73,500 jobs over the period.

5.03 Figure 5.1 below illustrates the total distribution of employment within the PUSH area. High employment densities in Portsmouth, Havant and Southampton are evident, encompassed by significantly lower densities in Eastleigh, Gosport and Winchester.

Figure 5.1: Total Employment Distribution within the PUSH Area

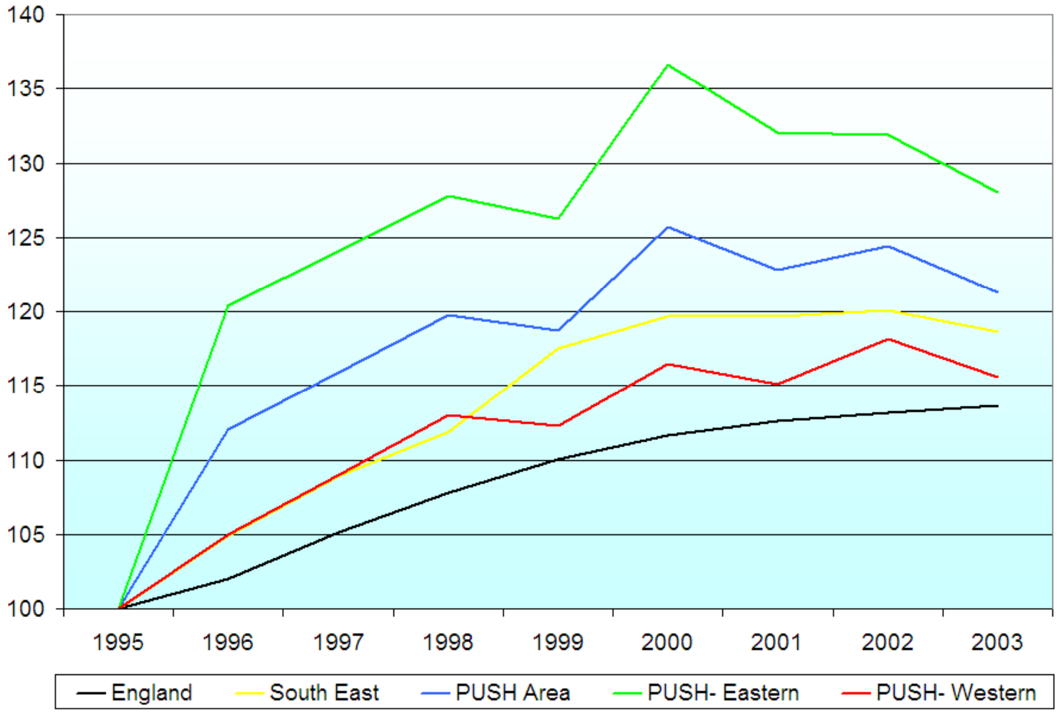


5.04 Figure 5.2 highlights the rapid employment growth experienced in the Sub-Region between 1995 and 2003. Total employment in South Hampshire has risen by around 20% over this period, fuelled by particularly robust growth in the Sub-Region's Eastern pole. The expansion in the employment base of South Hampshire has been higher than both the regional and national benchmarks, which grew by 18% and 13% respectively.

5.05 Overall, employment growth experienced in the Eastern area over the period was 28% (12% higher than the growth seen in the Western area), equivalent to 44,300 jobs. However, the employment base in the Eastern area has been historically low (largely due to influences such as the downsizing of MoD interests) which generates the higher overall recent employment growth rate. This manifests itself in the current levels of employment in South Hampshire, which are higher in the Western than the Eastern pole. Employment in the Eastern and Western areas currently stands at 202,000 and 217,000 respectively. As with population, therefore, there is a rough balance of numbers employed within each of the Sub-Region's poles.

5.06 The growing employment base and demand for labour in South Hampshire has been a central factor in the large observed rise in its population base and total household numbers. Rising employment levels create strong signals to mobile households to relocate to an area, thereby heightening demand pressures on the area's housing stock. If the housing stock fails to expand with similar velocity, long-term economic growth is undermined, as the economy is unable to satisfy its labour requirements.

Figure 5.2: Total Employment Growth between 1995 and 2003 - Ward



Source: ABI
Note: 1997 Figures for all PUSH Areas are based on DTZ estimate.

5.07 Employment growth within South Hampshire has principally been concentrated within service sector activities, with manufacturing related activities displaying a sharp contraction in the number of people employed. Table 5.1 presents the sectoral composition of the total growth in the employment base of South Hampshire. The largest industry in terms of employment in the area is distribution, hotels and restaurants. Employment in the sector currently stands at 112,000, and has seen a 12% increase since 1998. Public administration, education & health is also a significant sector, however the PUSH Area has seen a slight fall in employment in this sector since 1998 (although employment has risen from 2001 onwards).

Table 5.1 Employment Growth by Broad Sector 1998-2003 - Ward

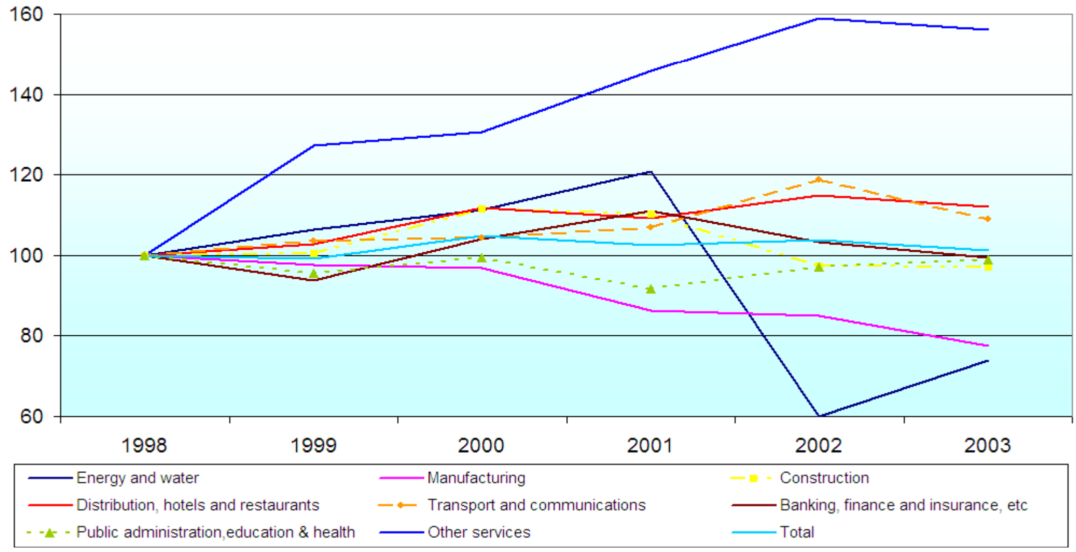
PUSH- Total Area	1998	1999	2000	2001	2002	2003
Industry						
Energy and water	2,200	2,300	2,400	2,600	1,300	1,600
Manufacturing	64,200	62,600	62,200	55,400	54,600	49,800
Construction	20,200	20,300	22,600	22,300	19,700	19,600
Distribution, hotels and restaurants	99,900	102,600	111,600	109,000	114,800	112,000
Transport and communications	21,500	22,300	22,500	23,000	25,600	23,500
Banking, finance and insurance, etc	79,000	74,000	82,300	87,800	81,600	78,600
Public administration, education & health	111,900	106,900	111,300	102,500	108,700	110,700
Other services	14,700	18,800	19,200	21,500	23,400	23,000
Total	413,700	409,900	434,100	424,200	429,800	418,800

Source: ABI

5.08 The fastest growing sector in the PUSH area is Other Services, which has exhibited a 56% rise in employment over the period (from 14,700 jobs in 1998 to 23,000 in 2003). Energy and water has seen a radical decline in employment, although the sector is relatively small in terms of numbers employed. Manufacturing has witnessed a steady fall in employment since 1998 mirroring national trends, falling from 64,200 to 49,800 (a fall of 22%). The employment base of South Hampshire has therefore undergone significant restructuring over recent years, with a move away from manufacturing and into higher value added service sector activities.

5.09 Figure 5.3, below, illustrates percentage changes in employment by sector within the PUSH area between 1998 and 2003.

Figure 5.3: Employment Growth in Broad Sectors within the PUSH area - Ward



Source: ABI

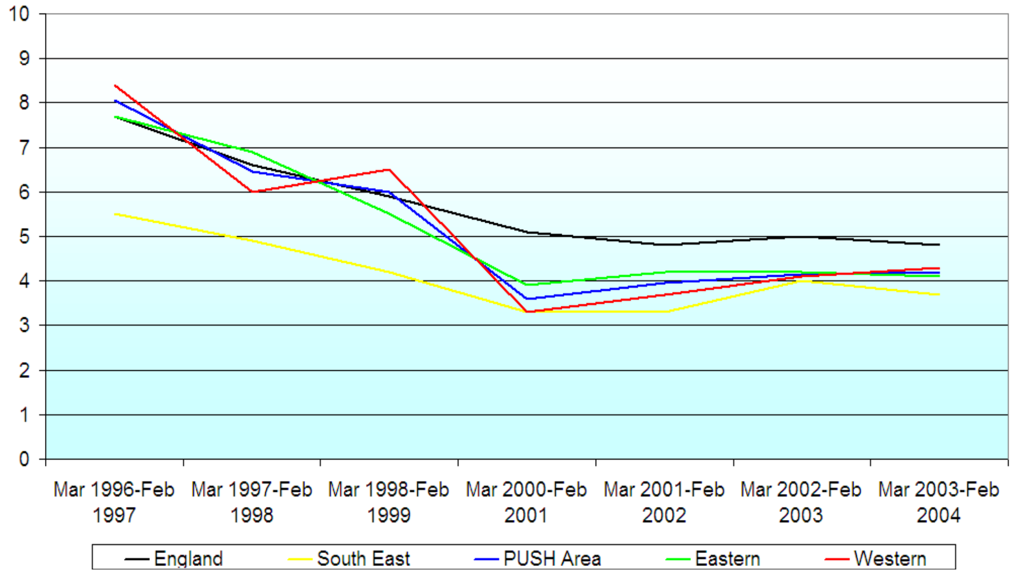
Unemployment

5.10 Together with changes in employment it is also important to consider unemployment. Rises in unemployment will contribute to the number of people in need of affordable housing provision, as people are no longer able to afford to pay market rents or mortgage repayments, while robust employment growth can bring the economically inactive back into the labour market, increase social aspirations and reduce the need for affordable housing provision.

5.11 Figure 5.4 below illustrates that since March 1996 unemployment has fallen overall within the PUSH area and the benchmark areas. However, South Hampshire has historically suffered from significantly higher rates of unemployment than the South East regional average, particularly in its Eastern Pole. Overall, the Sub-Region's decline in unemployment more closely resembles that observed nationally than regionally.

5.12 However, since 2000/2001 unemployment has risen slightly in the PUSH area. Within the Eastern area unemployment has remained fairly constant since 2000/2001, and has remained above that observed in the Westerrn pole, although the Western side of the PUSH area has witnessed a gradual rise in the unemployment rate more recently. Whilst not necessarily cause for alarm, the slight increase in recent unemployment in South Hampshire contrasts with the continuous fall in unemployment within the South East over the same period.

Figure 5.4: Rate of Unemployment within the PUSH Area 1996-2004 - District



Source: Labour Force Survey/District level data for 6 LAs wholly covered

5.13 Table 5.2 presents absolute numbers of unemployed within each of the benchmark areas between 1996 and 2004. Over this period, absolute numbers of unemployed fell in the PUSH area by 14,000 (from 32,000 to 18,000). The sharpest fall in unemployment in the PUSH area was observed during the late 1990s. More recently, however, the number of unemployed has begun to rise. Between 2000 and 2004, unemployment crept up by 2,000, principally due to rises in the Western pole of the Sub-Region as opposed to the Eastern pole where unemployment remained constant. However, overall, despite having a larger absolute employment base, the Western area has continually maintained a lower number of unemployed than the Eastern Pole, as outlined in Table 5.2.

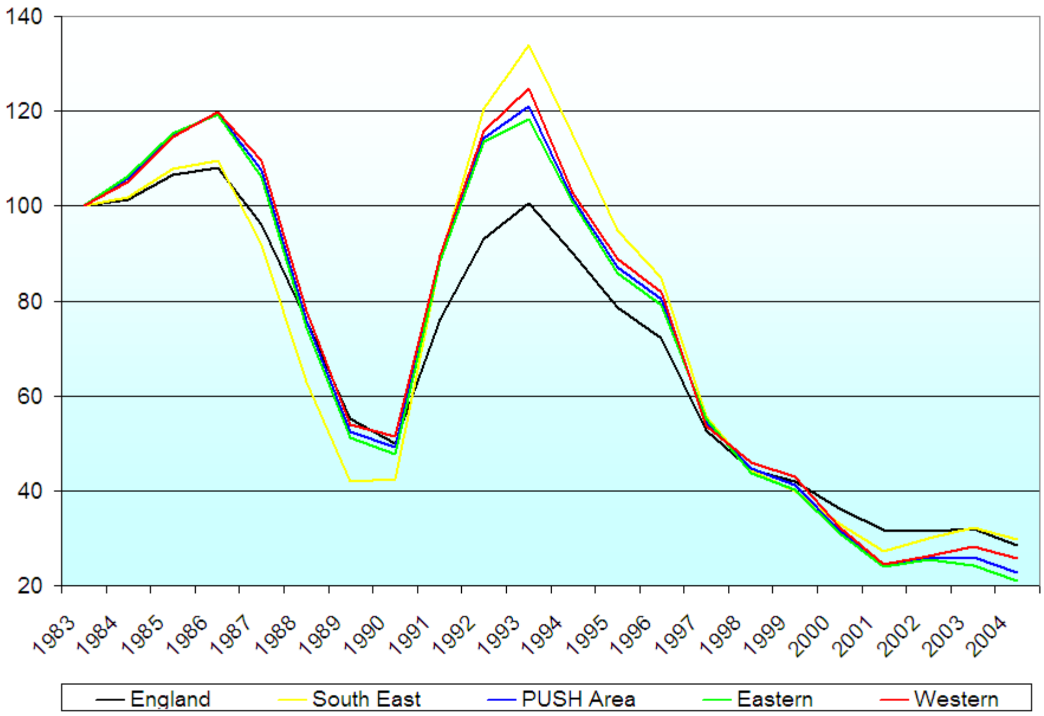
Table 5.2: Number of Unemployed 1996-2004 – District

	England	South East	PUSH Area	Eastern	Western
Mar 1996-Feb 1997	1,820,000	221,000	32,000	18,000	14,000
Mar 1997-Feb 1998	1,566,000	199,000	27,000	17,000	10,000
Mar 1998-Feb 1999	1,399,000	173,000	24,000	13,000	11,000
Mar 2000-Feb 2001	1,228,000	136,000	16,000	10,000	6,000
Mar 2001-Feb 2002	1,167,000	136,000	17,000	10,000	7,000
Mar 2002-Feb 2003	1,218,000	167,000	18,000	10,000	8,000
Mar 2003-Feb 2004	1,188,000	157,000	18,000	10,000	8,000

Source: Labour Force Survey/District level data for 6 LAs wholly covered

5.14 When analysing unemployment it is also important to take into consideration the rate of the claimant count (all persons receiving unemployment benefit) as it is possible for the unemployment rate to appear to fall, but the claimant count to rise due to classification changes in how one is defined as unemployed. However, as reflected in Figure 5.5, the claimant count in South Hampshire has declined continuously throughout the late 1990s and early 00s. Over the entire period the claimant count in South Hampshire has fallen to its lowest level since 1983, despite rising sharply between 1990/1 and 1993/4 due to the recession in the national economy. Yet, due to historically high levels of unemployment in South Hampshire, the proportional reduction in the claimant count masks the comparatively high levels of unemeployment which still exist in the sub-region, particularly when compared with the South East.

Figure 5.5: Indexed Claimant Count, 1983 – 2004 District

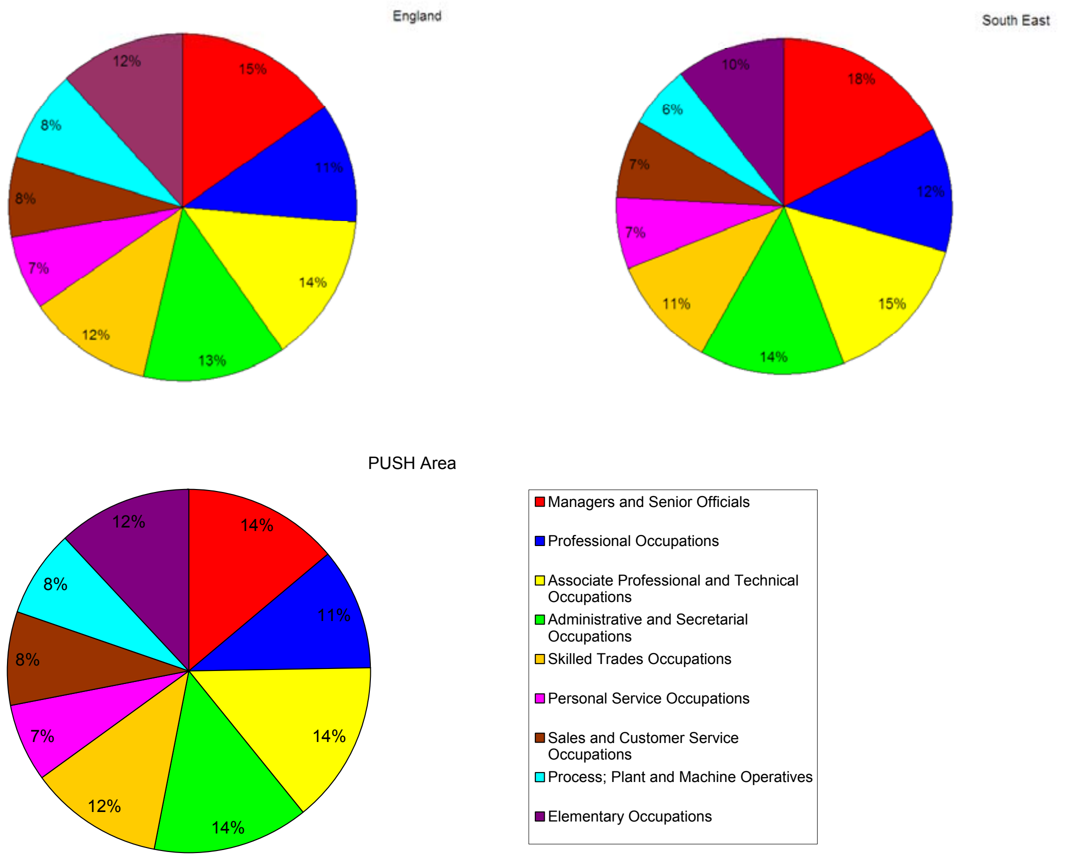


Source: Claimant Count/ District level data for 6 LAs wholly covered

Occupational Structure

5.15 As illustrated in Figure 5.6, the occupational structure within the PUSH area bears a close resemblance to both the regional and national occupational composition. However, in 2001 there was a lower proportion of Managers & Senior officials and Professional occupations within South Hampshire than regionally and a marginally higher proportion of process, plant & machine operatives and elementary occupations. This suggests that South Hampshire has a comparatively higher concentration of its labour force employed in lower wage sectors than the South East.

Figure 5.6: Occupational Breakdown in PUSH Area 2001, Compared to England and South East - Ward



Source: Census 2001

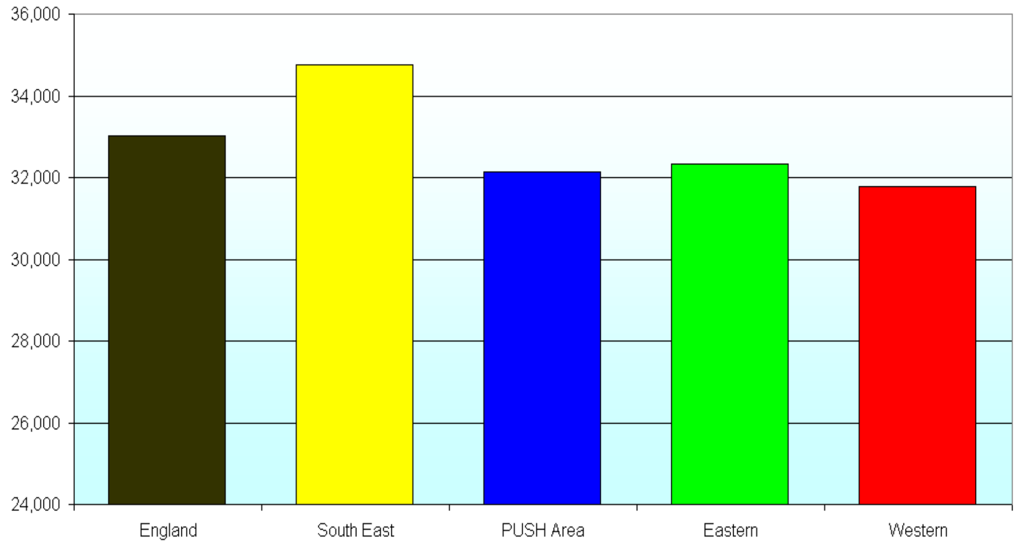
Productivity and Output

Wealth and Productivity

5.16 Gross Domestic Product and Gross Value Added are both key measures of the output generated within an area. Assessing GDP or GVA per head of a resident population is a useful benchmark for measuring the economic health and wealth of an area and is a common proxy used for the measurement of productivity. For the purposes of this section, we have used nominal GVA figures, based on ONS data.

5.17 GVA per worker in the PUSH area, at £32,100 in 2001, was below the regional benchmark of £34,767, and the national average of £33,032. The Eastern side of the PUSH area had a slightly higher GVA per worker than the Western side (£32,300 compared to £31,800).

Figure 5.7: Nominal GVA Per Worker 2001 - District



Source: ONS / DTZ Research / District level data for 6 LAs wholly covered

5.18 In terms of GVA per worker, therefore, South Hampshire is significantly outperformed by the regional and national benchmarks. The concentration of activities in lower wage sectors in the sub-region drive the low observed GVA per worker and underlie the perspective that South Hampshire is currently 'punching below its weight' in the regional economy. The table below (Table 5.3) shows nominal GVA per worker between 1995 and 2001. GVA per worker has risen in the PUSH area from 30,200 in 1995 to 32,100 in 2001, an increase of around 7%, while GVA per worker rose by around 20% in the South East and England over the same period.

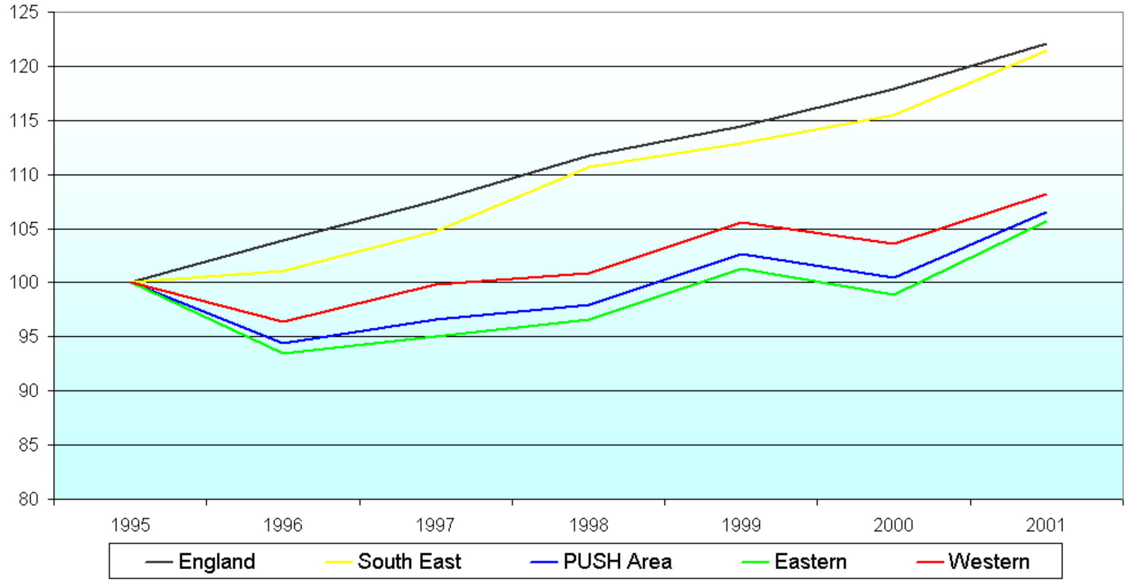
Table 5.3: Nominal GVA per Worker – District

GVA per Worker (£s)							
(£m)	1995	1996	1997	1998	1999	2000	2001
England	27,056	28,112	29,093	30,242	30,967	31,887	33,032
South East	28,632	28,950	29,988	31,705	32,331	33,071	34,767
PUSH Area	30,178	28,501	29,158	29,572	30,989	30,320	32,142
Eastern	30,585	28,593	29,081	29,549	30,985	30,263	32,329
Western	29,365	28,318	29,310	29,619	30,997	30,435	31,768

Source: ONS / DTZ Research / District level data for 6 LAs wholly covered

5.19 Figure 5.8 illustrates indexed nominal GVA per worker from 1995 to 2001 and again highlights South Hampshire's restricted worker productivity growth. Although South Hampshire has moved into higher value added service sector activities it has also retained a dependency on lower wage activities that has constrained its productivity growth when compared with the national and regional economy. This pattern largely reflects the impact that the occupational structure (presented above) has had on the South Hampshire economy and underlies the low wage rates currently experienced within the Sub-Region.

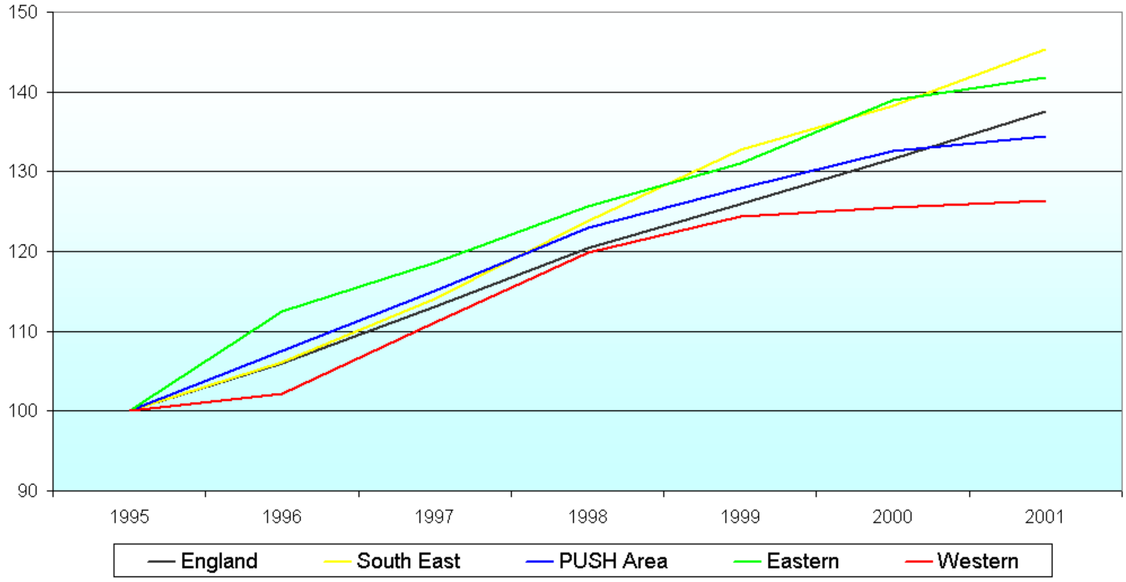
Figure 5.8: Nominal GVA Per Worker 2001 - District



Source: ONS / DTZ Research / District level data for 6 LAs wholly covered

5.20 Figure 5.9 presents the indexed total GVA change in each of the benchmark areas. As it does not take into account the population growth within each area it provides a useful proxy for the growth in wealth in each area. It can be seen that total GVA growth in the PUSH area has been much the same as that seen at a national level, but growth was below that at a regional level. The Eastern area has seen the steepest growth in total GVA, with total growth approaching that displayed in the whole of the South-East.

Figure 5.9: Indexed Change in Total Nominal GVA 1995-2001 - District



Source: ONS / DTZ Research / District level data for 6 LAs wholly covered

Income

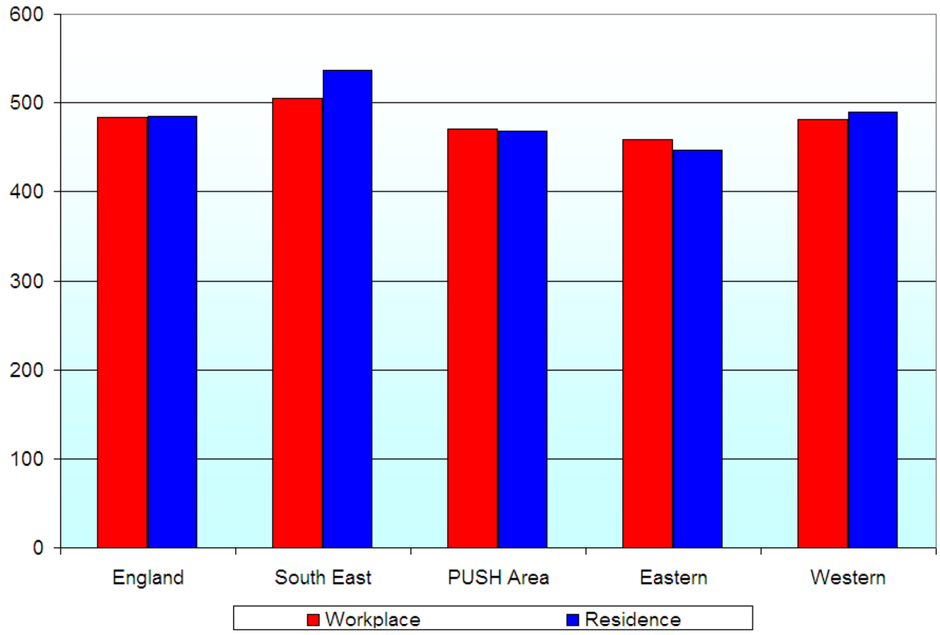
5.21 The chart and table below (Table 5.4 and Figure 5.10) present gross weekly pay by workplace and residence. The average pay, by both workplace and residence, in the PUSH area is lower than the average pay in England and the South East. The fact that workplace pay is higher than residence pay would suggest that people from other areas commute into the PUSH area for higher paid work. This is also true for the Eastern area, which incidentally has much lower average workplace and residence wages than the Western area. The Western area appears to function differently, with higher residence based wages, indicating that residents commute out of the area to find higher paid work.

Table 5.4: Gross Weekly Pay 2003 - Ward

	Workplace	Residence
England	483	485
South East	505	537
PUSH Area	470	468
Eastern	459	447
Western	482	490

Source: New Earnings Survey

Figure 5.10: Average Weekly Wages by Workplace and Residence 2003 (£) -Ward



Source: New Earnings Survey