

Chapter 9

Conclusions

The Economic Sub-Region

- 9.1 The functional economic geography presented in this assessment has included consideration of a wide area beyond the city boundary. The majority of reliable data is only available at the local authority level, therefore the primary focus remained within the Derby City boundary.
- 9.2 Regional studies such as the DaSTS¹ agglomeration study and emda's Regional Evidence Base² have previously considered the extent to which the three cities in the East Midlands are connected. The general conclusion is that they remain as independent economic entities, largely due to evidence of low commuting levels between the three cities. Anecdotal evidence suggests that business links are strong between Derby/shire and Nottingham/shire and the 'Planes Trains and Automobiles' study, undertaken in 2009, highlighted extensive supply chain linkages between Derby and the surrounding area.
- 9.3 The large scale of investment in Derby's infrastructure over the past decade has helped to boost its market potential and improve aspirations within the city. This investment, along with indigenous industry strengths, gives Derby the opportunity for a strong economic recovery post recession.

Local Enterprise Partnerships

- 9.4 In June 2010 the Coalition Government announced the abolition of the Regional Development Agencies, to be replaced by Local Enterprise Partnerships (LEP). At the time of this draft, Derby was included within a proposed Derby, Derbyshire, Nottingham & Nottinghamshire LEP. Specific functions of these new partnerships will be defined following the White Paper in November 2010 but it should offer Derby an opportunity to maximise potential investment, tackle public sector job losses and expand its private sector economy in line with the national growth agenda.
- 9.5 The Centre for Cities have suggested that Derby should look to pursue an economic strategy that capitalises on existing strengths and is outward-looking and open to new opportunities rather than relying on its traditional industries. The LEP will be important to developing this approach³.

¹ Developing a Sustainable Transport Strategy

² The East Midlands in 2009, Chapter 10 Spatial Economy

³ Shifting Gears: Safeguarding Derby's Economic Growth, Centre for Cities, Oct 2010.

The Strength of Derby's Economy

- 9.15 Derby's economy continues to show steady progress and is performing well across a number of key economic indicators. Derby has the highest full-time workplace wages of any city outside of London. Levels are significantly higher than both the regional and national averages. The high wage levels can mainly be attributed towards the significant cluster of advanced manufacturing and hi-tech engineering firms in Derby, most notably the global brands of Rolls Royce and Bombardier.
- 9.16 GVA is frequently used to measure the health of the economy. In terms of GVA per head, Derby has seen a continued increase over the last ten years which is above regional and national averages. This reflects the sectoral composition and the export led hi-end manufacturing and engineering companies in particular. GVA represents the productivity of the economy which is key as higher productivity contributes to improved wage levels, greater employment opportunities and a more vibrant economy.
- 9.17 There has been significant development and investment in Derby in recent years, most notably in the retail and cultural offer as well as in transport and Further Education. In correlation with this investment there has been an increase in the levels of private sector employment as a ratio of total employment. This demonstrates increasing private sector confidence which is paramount to Derby's future economy as it should lead to further investment and more public and private sector partnerships such as Lightspeed Derby. Furthermore, this relative increase in private sector employment is in line with the Coalition Government's plans to rebalance the economy. It can only be positive for Derby if this rebalance has begun already.
- 9.18 Derby also contains a younger than average demographic profile. It is a diverse population with a large number of people from ethnic minority backgrounds with around 180 nationalities represented throughout the city. This demonstrates an economic strength for Derby. It represents a labour market that is diverse and flexible which presents significant opportunities for remaining competitive and for continued growth. This diversity can bring about a wider skills set but also generate higher levels of creativity leading to innovation and higher productivity.

Constraints

- 9.19 Despite the positive progress, Derby's economy demonstrates a number of signs of weakness, with the most notable being an over reliance on advanced manufacturing and a few very large employers, in particular Rolls Royce. Although it is highly unlikely that Rolls Royce would relocate away as they and their supply chain is embedded in Derby, the fact that similar examples and shocks have been experienced elsewhere needs to be acknowledged. Risks such as decreasing Government financial support, movement towards lower

wage locations and a decline in employment levels due to technological changes cannot be ignored⁴.

- 9.20 Business start-ups are low and in some part this can be attributed to the over-reliance and the embedded nature of the suppliers to Rolls Royce and Bombardier making it difficult for new businesses in this sector to establish themselves. The flip side being that once established local businesses demonstrate high levels of long-term survival, again this could be attributed partly to the relationships with the larger employers.
- 9.21 Derby also suffers from a high proportion of residents with no/low qualification levels and conversely businesses are reporting high levels of skill gaps. The Chamber of Commerce business survey suggests that manufacturers are part of this problem with one in five companies in this sector⁵ struggling to recruit skilled manual and technical workers. This ultimately means that people are recruited from outside of Derby and the highly skilled jobs and associated wealth is lost to elsewhere. This can be demonstrated by the lower levels of resident earnings and that over half of 'professional' jobs are taken by non-Derby residents.

Impact of the Recession

- 9.22 The economic downturn is not only impacting on most towns and cities in the UK but also across the globe. Despite this the differing sectoral make up of localities and the readiness and adaptability of these areas means places will be affected in different ways and to a greater or lesser extent.
- 9.23 Rail is heavily dependant upon Government investment and as such is likely to be effected by public sector cuts. At present it appears that Thameslink and Crossrail are going to continue which presents significant opportunities for Derby. However, the decreased public sector spending, possibility of Bombardier not being awarded either contract, alongside the other risks outlined above make it a very real possibility that Derby could suffer significant job losses in this sector.
- 9.24 Across the country it is estimated that around 500,000 public sector jobs will be lost in the next 6 years. Although research by Centre for Cities suggests that Derby is less vulnerable than a lot of other cities it is still estimated that around 3,000 jobs will be lost, which is by no means insignificant. Looking further forward, there are likely to be 9 to 10,000 cuts across Derbyshire. This closely reflects the functional economic geography and as such these people will be competing for the same jobs as residents of Derby. Bearing in mind that the majority of these other areas have a higher skills base than Derby suggests that unemployment Derby could be hit harder than the surrounding areas.

⁴ For example, employment levels in manufacturing in Derby have decreased by 15% in recent years

⁵ Although it must be noted that this is across the whole of Derbyshire

High Growth Firms and Industries

9.25 The Coalition Government is aiming to 'rebalance the economy' by reducing public sector employment whilst increasing the role of the private sector. However, as pointed out in a recent Centre for Cities report⁶ this is by no means straightforward. There are three key headlines within this report that future economic development and strategy planning in Derby needs to consider:

- Manufacturing will not be a major source of future private sector jobs growth so government should manage its expectations about a manufacturing renaissance;
- Not everywhere can have a powerful creative, advanced manufacturing or green industries cluster so cities should be more realistic about their aspirations for future jobs growth in these areas; and
- Most new private sector jobs come from a small number of firms so government should consider increasing its focus on these 'high growth firms' if it wants to maximise private sector growth.

9.26 Knowledge based economies are the aim for most cities because of the associated skills, wages and wider benefits to the local economy. The high end manufacturing firms within Derby are vital to the city's knowledge economy. However, as stated throughout the LEA, Derby suffers from an over reliance on advanced manufacturing and a few very large employers, in particular Rolls Royce. Therefore, although it is important that Derby continues to utilise the R&D activities within this sector the city could also look to diversify its sectoral composition.

9.27 Linked closely to the need to develop the knowledge economy is the challenge of boosting entrepreneurialism in Derby. Both self-employment and business start up rates are low. Knowledge, innovation and entrepreneurial activity are closely linked.

9.28 There are two major constraints that Derby faces in relation to developing its knowledge economy. Firstly, knowledge workers are generally highly skilled. Derby suffers from a high level of residents with no qualifications, therefore there is the likelihood that knowledge industries would be recruiting outside of the city. Secondly, Derby has been described as inward looking or insular. Innovation and knowledge breeds much more easily in outward looking economies.

⁶ Firm Intentions: Cities, Private Sector Jobs & the Coalition, September 2010

Moving Forward and Maximising Opportunities

- 9.29 It is clear that Derby has a very strong manufacturing and engineering cluster which drives the local economy and generates a significant proportion of the wealth. However, it is evident that a lot of this wealth is being lost to other areas. Derby benefits from a good proportion of affordable housing. However, to retain a greater share of this wealth and attract more 'professional' workers to reside within Derby's local authority boundary there is a need for a greater housing offer that is more suitable for higher earners and families. In turn, higher income households usually demand a greater quality of life. The recent investment in cultural, recreational and retail opportunities needs to be maintained. For example, although Westfield has significantly boosted the local retail offer, Derby is still capturing less than a third of the catchment area within 15-30mins away.
- 9.30 For good reason Derby has focussed significant resource on their advanced manufacturing and engineering strengths in order to maximise these opportunities. However, this has led to an over reliance on these sectors. The Centre for Cities have suggested that Derby should look beyond the city boundary to maximise new opportunities.
- 9.31 In order to stimulate much needed entrepreneurial activity, Derby needs to produce higher levels of innovation, which will in turn help to diversify the sectoral composition. The city will not achieve this by remaining largely insular. *"It is important to be outward looking – external orientation is crucial to innovation and that strong local links can be a barrier to learning from outside."*⁷
- 9.32 There continues to exist pockets of deprivation in Derby which are persistently and mainly found in three wards. Residents in these neighbourhoods are unable to grasp a lot of the opportunities presented by Derby's strengths (i.e. aerospace and rail) due to lacking the appropriate skills. There are however, other opportunities that exist within the City but many of these communities are inter-generational workless and as such are disconnected from the labour market. Jobs will continue to be lost to non-Derby residents if these issues are not addressed directly. Nationally, it appears that the attention of employment support agencies naturally shifts towards the highly skilled and recently out of work as a lower level of intervention is required to get them back into work, thus making it even more difficult for those from deprived communities to access employment. However, it is obvious that both groups require different types of support and for Derby it is important that they continue to deliver programmes and interventions at areas most in need and that improved pre-employment training is supported for those out of work.

⁷ Simmie, J, Carpenter, J, Chadwick, A, Martin, R. (2008) History Matters. Path dependence and innovation in British Cities. National Endowment for Science, Technology and the Arts (NESTA) taken from the Centre for Cities report: Shifting Gears, Oct 2010