



# Mid Essex Economic Futures



University of the  
West of England

## **The Mid-Essex Economic Futures Assessment**

### **Executive Summary**

Submitted to:

Braintree District Council, Brentwood District Council,  
Chelmsford Borough Council and Maldon District Council

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## **1. Terms of reference**

In October 2005, Chelmsford Borough Council, Maldon District Council, Brentwood District Council and Braintree District Council (referred to subsequently as the Mid Essex Councils) retained the University of the West of England, Bristol to undertake an appraisal of the local economy and provide an assessment of the future outlook. More specifically, the following were to be provided:

- An audit of the strengths and weaknesses of the sub-regional economy and consideration of future opportunities and threats;
- An examination of the relationship between projected employment growth and housing provision as envisaged in the East of England Draft Economic Strategy and Regional Spatial Strategy;
- Projections of employment land requirements
- Consideration of the current and future influence of London on the Mid Essex economy and issues of competitiveness with other sections of the London Arc;
- An assessment of the economic impact of Stansted Airport expansion and continuing development along the M11 corridor;
- Discussion of the opportunities offered by the regeneration of the Thames and Haven Gateways;
- An examination of the contribution of small businesses in various sectors and districts and the adequacy of provisions for support;
- The impact of recent transport infrastructure investment;
- Consideration of a number of other issues including the influence of land and property markets, education and skills and the outlook for town centre retailing.

The team conducting this research are Professor Martin Boddy and Dr. Ian Smith from the Faculty of the Built Environment and Dr. Donald Webber, Peter Cullen and Anthony Plumridge from the Local Economy Research Unit, Bristol Business School. Any enquiries concerning this report should be addressed to Anthony Plumridge.

## **2. Executive Summary**

### **2.1. Productivity**

Productivity is a major concern for the region, not least because the East of England Development Agency (EEDA) considered a target for 2021 of moving into the top 20 EU regions in terms of productivity per resident<sup>1</sup>. It is also considered that a high level of productivity enhances competitiveness and underpins an economy's ability to generate high living standards for employees and residents. In this report, productivity is explored in two ways:

- looking at the productivity of Essex as a whole
- investigating the productivity of individual firms in Mid Essex

Essex productivity levels are at around the average for the UK as a whole, ranked 72 out of 133 areas.<sup>2</sup> The East of England is currently 28<sup>th</sup> in the EU regional productivity rankings. Breaking into the top 20 EU regions would have required moving between the South East region, currently in position 22 in the EU and 2<sup>nd</sup> in the UK and London, currently in 5<sup>th</sup> position in the EU and top in the UK. Clearly Essex could not have continued to languish at 72 out of 133 county areas if the region was to have climbed to 2<sup>nd</sup> out of the 12 UK regions. If the region still wishes to significantly increase productivity, Mid Essex will need to improve its ranking.

In the light of the above, it is important to be able to assess productivity in the four Council areas of Mid Essex and suggest what can be done to make improvements. We were able to access data on the productivity and other features of a sample of some 270 firms in Mid Essex and compare them with firms in the rest of the UK, the East of England as a whole and a number of nearby competing areas. Our findings were as follows:

- Firms in all four Council areas were around the average for the UK as a whole
- There is a unique advantage in locating in the London arc – firms are 8% more productive than might otherwise be expected.

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<sup>1</sup> This is measured by calculating the value of all goods and services produced in the region and subtracting the value of all associated purchases of supplies and services imported into the region. The result, known as Gross Value Added (GVA) is then divided by the number of residents to give productivity per resident.

<sup>2</sup> NUTS3 areas, the smallest area for which reliable data is regularly available. The rankings here are based on 2002 data.

- There is a unique disadvantage associated with location in the Norwich area firms are 13% less productive than might otherwise be expected.
- In Mid Essex, **Brentwood** firms appear most productive, followed by **Chelmsford**, **Braintree** and then **Maldon**. However the differences between the four Council areas are not significant.

There are some clear indications as to what would improve the average productivity of firms in Mid Essex:

- Increasing the skills of those currently employed or self-employed.
- Increasing investment in new technology
- Encouraging high productivity firms to locate in the area. Construction, financial services and property firms have the highest level of productivity in Mid Essex. American owned firms also have high productivity.

There are also measures that would help to achieve the regional target of increasing the productivity per resident:

- Increase the proportion of the population economically active and increase employment to match.
- Decrease the proportion of employees commuting out of the area to work.

## 2.2. Employment

An important focus of this assessment is future employment patterns in Mid Essex. To a significant extent, any forecast of future employment will be based on an understanding of the current structure and recent trends. Table 2.21 below summarises the composition of employment in 2003, broken down by 9 major sectors.

**Table 2.2.1      Employment – 9 sector composition**

Employment % 2003	Braintree	Brentwood	Chelmsford	Maldon
Agriculture support/fishing and forestry	2.2	0.6	2.1	4.6
Mining and extraction	0.1	0.0	0.2	0.1
Manufacturing	17.7	9.3	7.7	17.3
Utilities	0.1	0.2	0.6	1.9
Construction	7.2	7.5	6.7	9.9
Distribution	24.6	24.2	23.8	25.4
Transport	4.0	5.7	4.6	3.7
Financial & business services	17.8	28.2	22.1	15.6
Government, Health, Education etc.	26.3	24.3	32.3	21.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: NOMIS

There is a clear difference between **Braintree and Maldon**, strong in manufacturing and weak in financial and business services, and **Brentwood and Chelmsford** where the reverse is the case. This is likely to reflect the need for lower value added activities within manufacturing to be located where premises costs are lower.

The four Council areas have shown remarkable employment growth over the last five years, well above the UK average:

**Table 2.2.2      Employment growth 1998 - 2003**

	Total employment 2003	Employment growth	Employment growth %
Braintree	48280	7314	17.9
Brentwood	30414	4092	15.5
Chelmsford	79071	16064	25.5
Maldon	19279	3703	23.8

Source: NOMIS

In order to forecast future employment growth, it is helpful to identify those sectors that have been most responsible for increases in jobs in recent years. It is also desirable to break down employment into more sectors than the nine shown in Table 2.2.1. In most of our work we have used 30 sectors. Table 2.2.3 below shows those sectors where employment has increased most. They are ranked according to the number of additional jobs between 1998 and 2003 in Mid Essex as a whole.

**Table 2.2.3 Additional employment 1998 to 2003**

Sector	Braintree	Brentwood	Chelmsford	Maldon	Mid Essex
Other business activities <sup>3</sup>	2772	1206	2726	894	7598
Education	1136	816	2658	580	5190
Construction	800	435	2533	855	4623
Hotels and restaurants	590	590	1823	369	3372
Retail trade	1535	-72.0	973	675	3111
Health and social work	936	1042	754	118	2850
Post and telecommunications	769	769	547	-18	2067
Public sector	166	-422.0	1803	64	1611
High tech services	187	129	972	156	1444
Financial Services	409	-590.0	1423	-80	1162

Source: NOMIS

The pattern of job increases is broadly similar across all four Council areas but there are some differences, most obvious being the decline in Financial Services, the Public Sector and Retail in **Brentwood**.

It would be misleading just to consider the expanding sectors. Table 2.2.4 below shows those sectors where employment has declined in Mid Essex.

**Table 2.2.4 Reductions in employment 1998 to 2003**

Sector	Braintree	Brentwood	Chelmsford	Maldon	Mid Essex
High tech manufacturing	-1068	-117	-451	-207	-1843
Wholesale trade	104	27	-953	-21	-843
Transport manufacture	-265	-217	-74	-95	-651
Transport	-300	-375	292	-116	-499
Utilities	1	-377	-126	18	-484
Publishing, printing and media	-305	130.0	-181	-8	-364
Manufacture of metals	-310	-54	-80	163	-281

Source: NOMIS

One unusual factor about employment in Mid Essex is the importance of small firms, especially in **Braintree and Maldon**. In Great Britain as a whole, small firms (up to 10 employees) account for over 83% of the number of firms but less than 21% of employment. **Maldon** exhibits the most stark contrast with GB. The smallest firms accounted for 34% of employment as opposed to just 21% in GB in 2003. In **Braintree**, the share of employment accounted for by the largest firms (more than 200 employees) is very low, barely 15% compared with 30% for GB.

<sup>3</sup> Other Business Activities comprises business and professional services.



### 2.3. Labour Market

Analysis of data on the labour market suggests the following:

- Mid-Essex has a tight labour market with high employment rates and low unemployment rates.
- There is evidence of higher than average self-employment rates especially in the northern and eastern part of sub-region.
- There appears to be a problem in retaining young workers.
- The indigenous labour force is relatively well qualified (especially in south of sub-region) but the workplace population is relatively unqualified. This is evidence of a skills mismatch and the absence of the 'knowledge economy'.
- With the exception of **Brentwood**, the sub-region has relatively high levels of containment for the workplace population although there are high levels of out-commuting especially for more highly qualified labour.
- Working from home has been on the increase, in particular within **Chelmsford and Braintree** – working from home accounts for around 10% of the working age population in employment.
- Relative to the South East Region, the Mid-Essex area seems not to have an affordability issue when seen in relation to the earnings of residents and current mortgage rates. This is driven by the fact that large numbers of workers commute into London where average earnings are significantly higher than for the labour force that works in Mid-Essex. For resident workers who also work in the Mid-Essex sub-region, housing affordability issues are much more acute.

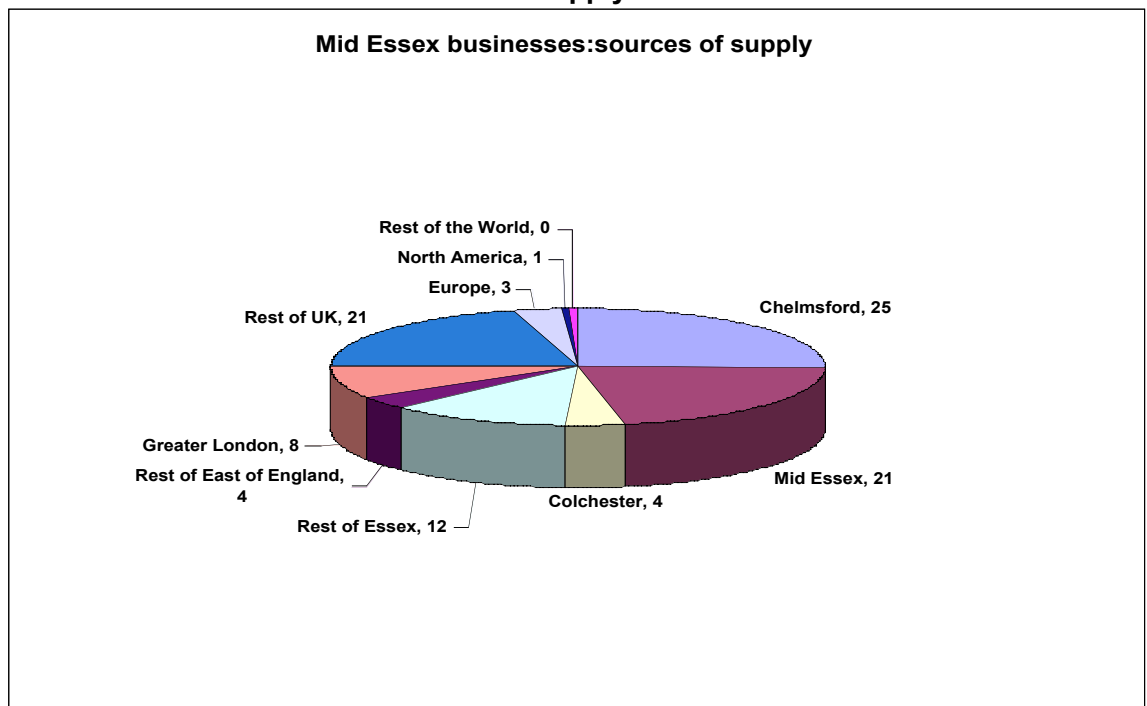
## 2.4. The location of markets and sources of supply.

### 2.4.1. Sources of Supply

In order to decide on development options under a sustainability agenda, it is important to understand the geographical distribution of business markets and supply chains. Further, an essential characteristic of the local economy is the extent to which it is self-contained as opposed to being part of a wider economy dependent on the rest of the region or the UK. This will determine the degree of dependence on outside factors for employment and income growth and the extent to which attempts to stimulate these will bring benefits to the sub-region rather than being dissipated over a much wider area.

To measure the pattern of business links, a representative sample of some 150 businesses were surveyed to identify the source area for supplies and services and the location of their main markets. The findings from the survey are summarized in the two charts below.

**Chart 2.4.1 Location of sources of supply**



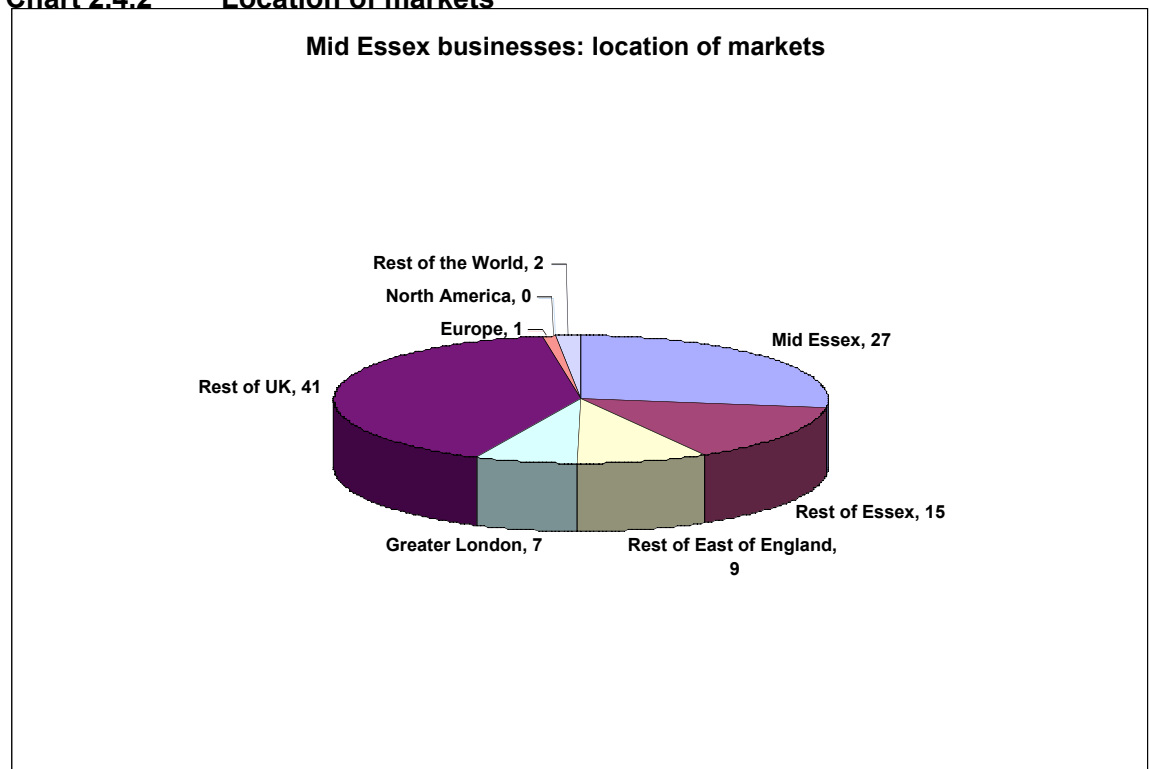
Source: Business Survey

The chart shows the predominantly local nature of supply chains: Mid Essex firms obtained some 62% of services and supplies from Essex based suppliers and 46% from within Mid-Essex itself. This represents a relatively high level of self-containment. Beyond the County, twice the value of supplies came from Greater London than from the rest of the East of England region. Supplies obtained direct from overseas (rather than through a locally based importer) were insignificant.

#### 2.4.2. The location of Markets

Markets were more dispersed than sources of supply, as can be see from Chart 2.4.2. below. Even so, Essex accounted for over 40% of sales, a surprisingly high figure compared with other regions. London was not an important source of business for local firms, although indirectly the capital is likely to be more critical to the prosperity of Mid Essex than the figures suggest. Some sales may be to other local firms, but these firms might sell to a London market. Export markets were insignificant as a direct source of sales

**Chart 2.4.2 Location of markets**



Source: Business survey

## 2.5. Employment land use in Mid Essex

- Within the sub-region, **Chelmsford** is the most important centre for office and retail space in this period with Braintree the most important centre for factory space.
- The sub-region splits between **Chelmsford and Brentwood**, where office and retail space dominate the stock of commercial premises both in terms of the number of properties and in terms of floor space, and **Braintree and Maldon**, where it is factory floor space dominates the existing stock.
- The key trends for the period 2000-04 suggest that significant amounts of office space have been developed in **Chelmsford** whilst change in retail floor space has concentrated in **Brentwood**. In addition there has been a significant growth in warehouse and distribution space in **Chelmsford**. **Maldon** has experienced some large increases in office space in percentage terms but this remain relatively small in terms of the amount of floor space recorded.
- In terms of availability, the current market situation appears to be one where there is enough office space for expected demands over the next few years. However the market for industrial space incorporating distribution, warehousing and factory units is relatively tight especially in connection to start up units.
- In the period 2000-04, **Chelmsford** has been the location that has experienced highest levels of development control pressure and in which the highest number of schemes have been completed. This pressure has been highest in relation to industrial (B2-B8) and major retail scheme development.
- **Braintree** is the local authority area with the highest level of planning applications outstanding suggesting that there are blockages in the development process in the north of the sub-region.
- Overall development pressure appears to be aimed at rural areas rather than the existing urban areas but developers are experiencing difficulty in converting planning applications into development within rural areas of the sub-region.

- Property agents consider that there is a shortage of land for development in the area. This is most likely to be linked to warehouse and distribution development since there appears to be sufficient office space available.
- Property agents tend to look to the expansion of Stansted Airport and the state of the London economy as gauges to the economic prosperity of mid-Essex.

## **2.6. Strengths and Weaknesses**

The main strengths of Mid Essex include

- An environment offering residents a good quality of life
- A diverse and broadly based economy, with strong representation of growing sectors
- Proximity to London
- Proximity to appealing recreational landscapes
- Proximity to Stansted
- A well qualified residential labour force
- High rates of business formation
- A strong small firm sector
- A university in Chelmsford
- A good record of inward investment
- Competitiveness with the rest of the London arc.

The main weaknesses include

- A perceived shortage of development land and distribution space
- Increasing congestion
- A large proportion of residents with the highest skills commute out of the region to work.
- There is a tendency for young people to leave the area, especially graduates.

## 2.7. Forecasts and Aspirations

There is an important distinction between a forecast, the most likely outcome at some future date, and an aspiration, such as the East of England regional target of being in the top 20 EU regions in terms of Gross Value Added per resident by 2021. In the employment forecast in this report, we consider a “Business as Usual “ (BAU) forecast, the most likely employment outcome in 2021 assuming no change in policy and a continuation of long established trends. The tendency of the national economy to maintain a long run growth rate of some 2.5% provides a basis for such a forecast.

Although reliable actual figures for employment in the four Council areas are not available for 2004 and 2005 at the time of writing, they are available for the region as a whole. These show the growth in employment easing in 2004 and coming to an end in 2005. In our BUA forecast, it is assumed that Mid Essex districts follow a similar trend. It is also assumed that there is no employment growth in 2006. Two consultants have recently provided forecasts for Essex<sup>4</sup> and the region as a whole<sup>5</sup>. The growth rate in our BUA forecast is based on these studies but updated to take into account actual employment to 2005 and the assumption of no growth in 2006. The forecast is summarized below:

**Table 2.7.1 Business As Usual employment forecast**

Employment	2001	2005	2021	2021-2001	2021-2005
Braintree	45029	49981	53309	8281	3328
Brentwood	29157	31084	33153	3996	2070
Chelmsford	69761	81841	87290	17529	5449
Maldon	18587	20357	21713	3126	1356
Total	162534	183263	195466	32932	12203

Source: ARUP 2002, Bone Wells 2002, NOMIS, ONS, author's calculations

The BUA forecast does not take into account opportunities and threats that might well affect employment growth over the fifteen years. These are considered below. The impact of these factors and a policy of encouraging employment growth are taken into account in the Enhanced Growth (EG) forecast provided in the conclusion to this Summary.

## 2.8. Opportunities and Threats

<sup>4</sup> ARUP for Essex County Council and Southend, November 2002. This gives employment forecasts to from 2001 to 2015 for all District Councils in Essex.

<sup>5</sup> Bone Wells Ltd. for the East of England region, October 2002. This gives employment forecasts to from 2001 to 2021 for all sub-regions as a whole.



The BUA forecast does not take into account opportunities and threats that might well affect employment growth over the fifteen years. These are considered below.

#### **2.8.1. High growth sectors**

Past trends and future projections suggest that the following sectors will grow relative to the rest of the local economy:

- Construction
- Education
- Financial Services
- High tech services
- Other Business Services
- Post and telecommunications
- Retail
- Transport
- Health and Social Work

The way in which enhanced growth in these sectors is used as a basis for an enhanced growth employment and employment land forecast is described in the Conclusion below.

#### **2.8.2. Economic drivers and infrastructure developments**

Interviews with key leaders and property agents rated the importance of a number of factors in influencing the future of the Mid Essex economy. The Olympics and the expansion of Stansted airport were seen as major influences while Thames Gateway, Haven Gateway and Crossrail were not. Accordingly, detail studies were undertaken of the two major factors.

**Stansted** is considered to have an impact on Mid Essex in three ways:

- Excellent access to Europe will make surrounding commercial centres attractive locations for UK headquarters of Europe focused businesses. Within Mid Essex, this will affect Chelmsford and Braintree in particular.
- An important distribution corridor between Stansted and Haven Gateway will attract businesses making extensive use of air and sea freight.
- There may be some increase in demand for modestly priced overnight accommodation reflecting the dominance of low cost airlines using Stansted.

**The Olympics** are not considered likely to have a profound effect on the Mid-Essex economy. Any development that is stimulated in Mid Essex will have to be warranted by subsequent uses. There is likely to be increased demand in the Construction sector in the years up to 2012.

Although Haven Gateway was not considered a major economic driver for Mid Essex, it is likely to further increase pressure on the construction sector, certainly up to 2016.

#### **2.8.3. Environment and sustainability**

Environmental constraints suggest policies of encouraging residents to work near to where they live and encouraging businesses to source supplies and market products locally.

#### **2.8.4. Labour and skills**

The tendencies for young workers to move out of the area and for those with higher skills to commute to London contribute to a tight labour market. There is a need to provide more highly paid and knowledge intensive employment to reduce these tendencies.

#### **2.8.5. Inward investment and employment land**

The rapid growth in employment in recent years has resulted in labour and employment land shortages which threaten to discourage further inward investment.

#### **2.8.6. Housing and infrastructure**

If it proves difficult to generate jobs which appeal to commuters, housing provision will have to expand to keep pace with employment growth.

There is increasing evidence of traffic congestion. Enhanced employment growth will only be achieved if infrastructure and public transport are improved in parallel.

#### **2.8.7. Social and cultural issues**

It is important that Mid Essex provides the social and cultural capital that will encourage young well qualified people to stay in the area, that will engender the atmosphere conducive to thriving enterprise, especially in knowledge intensive,

new technology and creative sectors and will provide the setting that encourages well paid commuters to stay in the area to work

## 2.9 Conclusions

Exploiting opportunities and avoiding threats should lead to enhanced employment growth. Following the approach taken by other consultants, we have modified the BUA forecast to arrive at an enhanced growth forecast. This EG forecast reflects the following factors:

- Faster growth in key sectors
- Even greater expansion in Construction up to 2012
- **Braintree** and **Chelmsford** employment growing faster than the rest of Mid Essex due to Stansted expansion.

The EG forecast is as follows:

**Table 2.9.1 Enhanced Growth forecast**

<b>Employment</b>	<b>2001</b>	<b>2005</b>	<b>2021</b>	<b>2021-2001</b>	<b>2021-2005</b>
Braintree	45029	49981	59904	14876	9923
Brentwood	29157	31084	33299	4142	2215
Chelmsford	69761	81841	93643	23882	11802
Maldon	18587	20357	22109	3523	1752
Total	162534	183263	208956	46422	25693

This represents a considerable increase in employment in 2021 than anticipated for Mid Essex in the regional Enhanced Growth employment projections. They suggests some 17,000 additional jobs for Chelmsford, Maldon and Brentwood in 2021 compared with 2001. We project some 32,000 additional jobs for these districts. However, some 16,000 of these were created between 2001 and 2005. Thus there is a closer match between the forecasts in terms of additional jobs created between 2005 and 2021.

Providing an adequate labour supply will necessitate the following:

- Increasing the employment rates of the existing population (especially in relation to economic activity rates);
- Reducing commuting out of the sub-region;
- Increasing commuting into the sub-region; and,
- Increasing the working age population through in-migration (and the house-building that follows in the wake of such a policy).

A range of additional employment land projections have been estimated, depending on the intensity of land use. The central estimates under the EG forecast suggest that only **Brentwood** will encounter difficulties in providing adequate land. However, if land use is not intensive and the employment densities resemble typical greenfield rather than urban development patterns, then **Braintree** and **Chelmsford** will need to find more than three times more employment land than envisaged in the County Structure Plan.