



**Community
Foundation**
Tyne & Wear and Northumberland



County Durham and Darlington's Vital Issues 2017

Local economy

1 Local economy

1.1 Overview

The North East economy has suffered serious knocks in the past few decades, from the mass closure of pits and steelworks in the 1980s to the mothballing of Redcar steelworks in 2015. There have also obviously been good news stories, including Nissan at Sunderland and Hitachi at Newton Aycliffe, but the region still has ground to make up to recover economically, and Brexit creates added uncertainty for businesses reliant on exports to Europe.

Since the Tees Valley Combined Authority (TVCA) was formed and devolution of some financial responsibilities agreed, it has developed a comprehensive Strategic Economic Plan which sets out plans for and targets for: business growth; research, development, innovation and energy; education, employment and skills; place; culture; and transport and infrastructure.

County Durham is within the NELEP area, which chose not to go down the devolution route, so has less local control of financial resources. The County Durham Economic Partnership has set out its 'Altogether Wealthier' vision for the county, this being '*to shape a County Durham where people want to live, work, invest, visit and enable our residents and businesses to achieve their potential*'.ⁱ The plan focuses on five measures of success: employment rate; Gross Value Added (GVA); number of businesses; household disposable income; and reducing the number of LSOAs in the Index of Multiple Deprivation's top 20% employment domain from 168 to 65.

Most of the issues focused on in these two strategies are covered elsewhere in this report. This section will focus on GVA and business development and growth.

1.2 Productivity

The usual measure of business productivity is the Gross Value Added, which is the measure of the value of goods and services produced in an area, industry or sector of an economy.

Table 53 - Regional gross value added (income approach) at current basic prices, 2015ⁱⁱ

Area	Gross Value Added (£m)	GVA per head (£)	GVA per head index (UK = 100)	Growth in GVA on year (%)	Growth in GVA per head on year (%)	Share of national GVA
County Durham	8,042	15,475	61.0	2.1	1.7	0.5%
Darlington	2,591	24,585	97.0	5.8	5.7	0.2%
North East	49,677	18,927	74.7	3.0	2.8	3.1%
England	1,433,164	26,159	103.2	3.0	2.1	88.7%
Great Britain	1,616,212	25,549	100.8	2.9	2.1	100.0%

The NE region provides 3.1% of the whole country's GVA. Of this, 0.5% is produced in County Durham and 0.2% in Darlington (Table 53, above). However, looking at the GVA £ per head of population, Darlington outperforms the regional norm, with £24kpa which is 30% higher than the NE average, and within 4% of the national average. By contrast, County Durham's average GVA per head is less than £15.5k,

18% short of the regional average and only 60% of the national average. The 2015 County Durham GVA was also growing more slowly than the average, meaning it is likely to lag even further behind, where the Darlington growth rate was twice the national average, suggesting Darlington will have exceeded the national average by now.

1.3 Employer types

The sector and hours worked can have a big influence on the terms and conditions an employee receives. Table 54 shows the split of public / private and full-time / part-time workers in the Tees Valley.

Table 54 - Employees by public / private sectorⁱⁱⁱ

	Full time employees			Part time employees			Total employees		
	Public	Private	All	Public	Private	All	Public	Private	All
County Durham	13%	55%	68%	9%	23%	32%	22%	78%	100%
Darlington	15%	52%	67%	9%	24%	33%	24%	76%	100%
North East	14%	54%	68%	8%	24%	32%	22%	78%	100%
UK	11%	58%	69%	7%	24%	31%	18%	82%	100%

More people work in the public sector in the NE region than the UK average, and this is true of both County Durham, and, even more so, Darlington. In the recent period of austerity this has big implications for job security and wage rates, with many posts being cut (especially at local authorities) and those who stay in work facing pay caps and pay freezes.

In most parts of the UK, the proportion of people working in the public sector fell between 2010 and 2015, however, this was not true of Darlington.

Table 55, below, provides a snapshot of the way the private/public split has changed over the past five years.

Table 55 - No of businesses by size (number of employees), 2012-16^{iv}

		Private sector				Public sector			
		Micro (0-9)	Small (10-49)	Medium (50-249)	Large (250+)	Micro (0-9)	Small (10-49)	Medium (50-249)	Large (250+)
Co Durham	2012	10,050	1,140	200	30	35	10	10	5
	2016	11,695	1,310	240	25	65	10	20	5
	diff	16%	15%	20%	-17%	86%	0%	100%	0%
Darlington	2012	2,240	305	40	15	5	5	10	5
	2016	2,715	300	45	15	5	5	10	5
	diff	21%	-2%	13%	0%	0%	0%	0%	0%
North East	2012	48,635	6,265	1,060	220	100	15	55	65
	2016	58,960	7,005	1,185	240	190	55	110	55
	diff	21%	12%	12%	9%	90%	267%	100%	-15%
England	2012	1,630,820	169,590	28,460	6,320	3,625	845	1,675	1,330
	2016	1,969,960	192,990	31,925	7,390	5,985	1,510	2,780	1,110
	diff	21%	14%	12%	17%	65%	79%	66%	-17%

In Darlington, there has been no change to the numbers of public sector employers in any of the size categories. However, in County Durham there has been a massive

increase in the number of micro-entities in the public sector, and a doubling of the number of medium-sized entities. This may be a result of an increasing number of public sector functions being 'floated off' into quasi-autonomous units as larger organisations are disaggregated and broken up.

By contrast, the data shows that in the private sector, five of the large employers in County Durham have gone (either shrinking below the threshold, moving location, or closing/merging). There has, however, been growth in the number of micro, small and medium entities, meaning that overall the number of private sector businesses grew by 1,850.

In Darlington, there was also growth in micro and medium sized businesses, increasing the number of employers by 475, or 18%.

However, although this all sounds very positive, neither area achieved the levels of growth achieved nationally, with businesses in every category growing, giving an overall growth rate of 20%.

1.4 Industrial sectors

There have been no significant changes in the NE in general, nor in County Durham. However, in Darlington there have been shifts away from manufacturing, retail and information and communications, and increases in business administration and support services and education^v.

1.5 Business start-ups and survival

The NE region has a reputation for being not as entrepreneurial as the rest of the country, and Table 56 bears this out, with a lower rate of new business formation than elsewhere in the country. Small businesses can often be the lifeblood of a community, meeting local needs, providing opportunities for local employment, and supporting other businesses and organisations. This is particularly true of social enterprises, which are often founded to meet a specific local need, addressing market failure where the private sector has withdrawn from a section of the market because it is not profitable enough.

Table 56 – business start-ups and success^{vi}

Area Name	Bus & enterprise: score (2015)	closure rate (2015)	formation rate (2015)	survival rate: 12 mths (2015)	survival rate: 24 mths (2015)	survival rate: 36 mths (2015)	Businesses: per 000 pop (2016)
County Durham	91.52	8.94	12.48	92.67	75.44	59.36	38.14
Darlington	93.38	10.2	12.79	93.83	77.78	61.43	45.83
North East	96.18	9.65	13.57	92.28	74.7	60.43	39.55
Great Britain	100	9.48	14.44	92.25	75.15	59.39	56.58

The overall business 'score' given in table 56 gives an indication of the success of new and existing business in the area. It takes into consideration an area's business formation rate, number of enterprises, number of failing businesses, and change in total number of businesses. On this basis, both Darlington and County Durham are performing below par for the NE region, and for the country as a whole. Looking at

the number of businesses per head of population, this is very low for County Durham, though higher than the regional average for Darlington.

The business start-up and survival rates may give a clue as to why this is the case.

In both areas, the business formation rate is lower than the regional and national average, meaning that fewer new businesses are being started here than elsewhere. However, of those businesses that do start, the survival rates at 12, 24 and 36 months are all at or higher than the national average, and higher in Darlington than County Durham.

The issue therefore appears to be that historically there were fewer, larger businesses in the NE region, and that now not enough people are choosing to start new businesses. The fact that survival rates are high suggests that it's purely the number of start-ups that is the current issue, rather than the quality of the start-ups or of the support available to them.

Where people do have an idea for a business, one of the key barriers to taking this step is access to finance. The new Enterprise Allowance scheme includes access to loan finance, but the eligibility criteria are strict, and anyone with a poor credit history will not be able to use this, or other mainstream lender, to access the finance needed to cover set-up and working capital costs.

This suggests that there may be a role for philanthropy in encouraging the start-up of new businesses, including social enterprises, and in providing grant or loan finance to support new businesses. Other local businesses could also support new enterprises through practical support such as use of meeting rooms or other space, as well as mentoring and specialist skills such as marketing and finance advice.

Potential roles for philanthropy

- The continued austerity measures and pay caps / freezes will hit those areas with the highest levels of public sector employment hardest, suggesting that Darlington will be harder hit than County Durham and action may be needed to support public sector workers.
- If larger employers close or make significant redundancies, there may need to be swift action to provide job clubs, retraining opportunities, and foodbanks to meet immediate needs.
- Business start-ups can provide local employment and services and meet community needs. Social enterprises often set up in areas where commercial businesses will not or cannot. Rates of start-up are lower in Darlington and County Durham than elsewhere in the country, so additional support could be provided to encourage people to consider starting new enterprises in their local area.
- Providing financial support for the costs of setting up new businesses, either as grants or easy access loans.

- Encouraging other businesses to support start-ups through practical support and advice / mentoring.

References

ⁱ **County Durham Economic Partnership (2017)** *State of the County, February 2017*, downloaded from: <http://www.countydurhampartnership.co.uk/media/20118/State-of-the-County-Report-2017/pdf/CDEPStateoftheCountyReport2017.pdf> 7/7/17 14:25

ⁱⁱ **NOMIS (2016)** *Regional Gross Value Added 2015*, ONS, downloaded from: <https://www.nomisweb.co.uk/query/construct/submit.asp?forward=yes&menuopt=201&subcomp=26/6/17> 17:23

ⁱⁱⁱ **Office for National Statistics (2016)** *Business Register and Employment Survey, 2015*, downloaded from: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/businessregisterandemploymentsurveybresprovisionalresults/2014revisedand2015provisional> 18/5/17 14:40

^{iv} **Office of National Statistics (2016)**, *UK Business Counts - Enterprises*, generated from: <https://www.nomisweb.co.uk> 19/6/17 08:38

^v **Office of National Statistics (2016)**, *Business Register and Employment Survey*, generated from: <https://www.nomisweb.co.uk> 19/6/17 08:33,

^{vi} **GTA Analytics (2017)** *Business and Enterprise score*, created at: [http://gt-placeanalytics.org/placeanalytics/\(S\(mj0ftoeqlwqmlq55dmp00fyb\)\)/paweb/ShowAllIndicators.aspx?spatialLevel=18&indicators=42,41,215,217,218,219,46](http://gt-placeanalytics.org/placeanalytics/(S(mj0ftoeqlwqmlq55dmp00fyb))/paweb/ShowAllIndicators.aspx?spatialLevel=18&indicators=42,41,215,217,218,219,46), 4/7/17 10:09

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