

THE > EAST



NEWANGLIA

Local Enterprise Partnership
for Norfolk and Suffolk

Economic Strategy
Evidence Report



INTRODUCTION

Our region's continued economic success will be built upon our people, our businesses and our communities. This evidence report brings together data across all of these themes and will inform the development of our new Economic Strategy for Norfolk and Suffolk.

The Economic Strategy will present an ambitious vision for the future of Norfolk and Suffolk, building on this robust evidence base. We have used a range of data sources and intelligence to ensure that the strategy has a balanced focus between the trends in the past, whilst planning for the future needs of our region.

It is the work of local authorities, businesses and New Anglia Local Enterprise Partnership; working together to drive forward a single vision for our region. We know that by working together, we can

be more impactful and that's what the Strategy will help us to do.

This common evidence base will be used by all partners and it will help to underpin and shape work on other strategies and plans across Norfolk and Suffolk.

This evidence report will be used to inform a range of consultation events during summer 2017. An updated version will be published with the new Economic Strategy for Norfolk and Suffolk in autumn 2017.

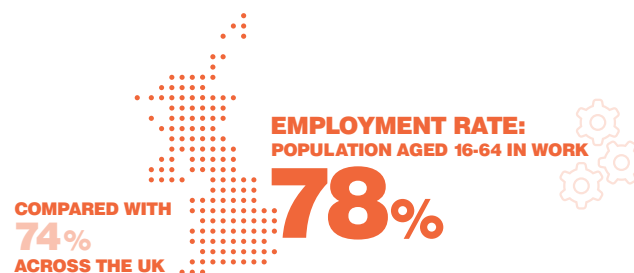
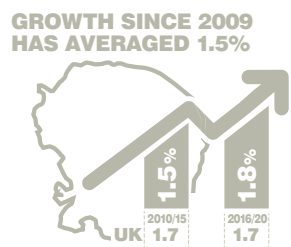
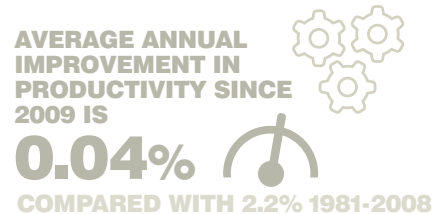
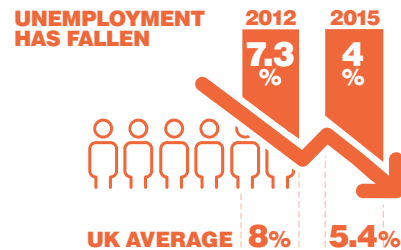
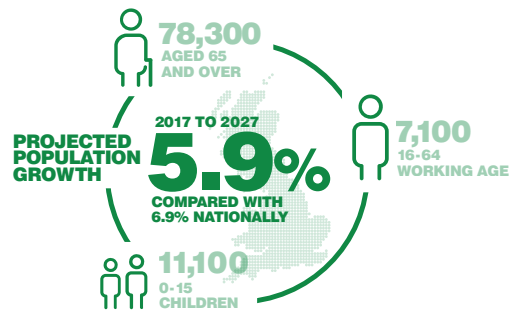
The evidence base will continue to evolve once the Economic Strategy has been published and it will be regularly updated.



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ECONOMIC PROFILE AT A GLANCE



ELDERLY DEPENDENCY RATIO

3.2  **PEOPLE OF WORKING AGE FOR EVERY RETIRED PERSON 2005**

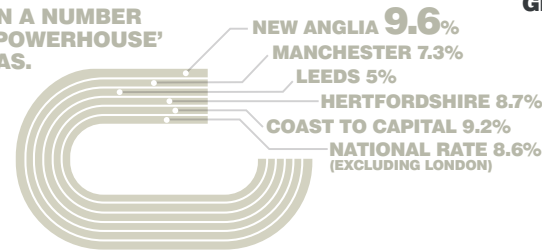
2.6  **PEOPLE OF WORKING AGE FOR EVERY RETIRED PERSON 2015**

2.1  **PEOPLE OF WORKING AGE FOR EVERY RETIRED PERSON BY 2027**

GROWTH HAS BEEN

FASTER

THAN A NUMBER OF 'POWERHOUSE' AREAS.



GROWING VISITOR



ECONOMY

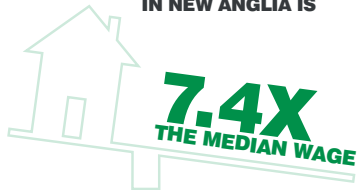
EMPLOYS 19,970 PEOPLE



45% SURVIVAL RATES OF START-UPS FROM 2010 TO 2015, ABOVE THE UK AVERAGE OF 41%

AFFORDABILITY RATIOS ARE HIGH AND ABOVE THE NATIONAL AVERAGE;

7.4 IN THE NEW ANGLIA AREA TO 7.7 ACROSS ENGLAND - THIS MEANS THE MEDIAN HOUSE PRICE IN NEW ANGLIA IS



DEMAND AND SUPPLY FOR HOUSING



DEMAND 2016
758,400 DWELLINGS



SUPPLY 2016
749,300 DWELLINGS



MICRO-SIZED/BUSINESSES HAVE ACCOUNTED FOR

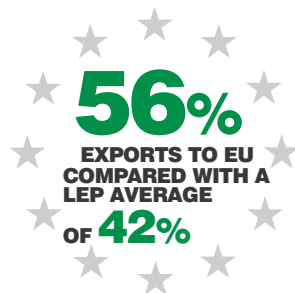
83%

OF ALL NEW BUSINESSES SINCE 2011



ICT SECTOR WORTH

£1.4BN



| MICRO (0 TO 9) | SMALL (10 TO 49) | MEDIUM-SIZED (50 TO 249) | LARGE (250+) |
|------------------------|------------------------|--------------------------|------------------------|
| BUSINESSES 88.3 | BUSINESSES 9.9 | BUSINESSES 1.5 | BUSINESSES 0.3 |
| EMPLOYMENT 30.0 | EMPLOYMENT 13.5 | EMPLOYMENT 10.6 | EMPLOYMENT 45.8 |
| TURNOVER 19.3 | TURNOVER 13.3 | TURNOVER 13.0 | TURNOVER 54.4 |

PRIVATE SECTOR BUSINESS ONLY



3% LOCAL ENTERPRISE RATES IN DECLINE,

CONTRACTING BY 3% SINCE 2013 COMPARED WITH A



9% INCREASE NATIONALLY

WAYS OF WORKING
14% SELF EMPLOYED
86% EMPLOYEES

COMPARED TO UK
13%
87%

COMPARED TO UK
31%
69%

CONTRACTED HOURS OF WORK
34% PART TIME & TEMPORARY
66% FULL TIME



EXECUTIVE SUMMARY

PEOPLE, DEMOGRAPHY AND SKILLS

With 1.6 million residents the New Anglia area has a large and established population base, being the 13th most populous LEP area (out of 38) in England. Though historically fast-growing the pace of change has eased in recent years, with population growth since 2005 – though still positive – lagging behind the national equivalent, having outpaced it by double in the 25 years previous.

The local area also has an increasingly ageing population, with one of the highest shares (4th out of 38 LEP areas) of those of retirement age (65+) in the country. With deaths now exceeding births in Norfolk and Suffolk, the two counties are wholly reliant and largely successful in attracting inward migration (both domestic and international) to sustain population growth and an accessible working age population.

In terms of educational attainment, the average student in Norfolk and Suffolk will typically underperform relative to regional, national and international peers throughout their school life. Take-up and attainment in more rigorous and in-demand STEM subjects is low, whilst progression on to higher education, though increasing, is also below national and regional averages. Positively though, participation in education remains high,

with a much stronger vocational and non-academic take-up and attainment in the two counties.

However, such underperformance and low rates of progression has contributed towards a workforce with a much lower skill profile than the national equivalent; for instance, only 36.7% of the workforce in Norfolk and Suffolk are educated to NVQ Level 4, in contrast to 42.9% across the rest of the UK. Despite this, the skill levels of the local workforce are rapidly improving, with those qualified to a first-degree level (i.e. graduates) increasing in number by 58% over the past 10 years. This trend is expected to continue at an unbridled pace in the future; by 2024, almost half of the workforce (46.7%) will be qualified to NVQ Level 4 in the two counties.

EMPLOYMENT, JOBS AND EARNINGS

There are currently a record number of people actively engaged in the local labour market, with some 81.5% of the working age population in Norfolk and Suffolk reporting to be economically active (compared with 78% across the rest of the UK). Accompanying this, in a further reflection of the robustness of the local labour market, are record high levels of employment (78.2%, against a UK average of 73.8%), whilst unemployment has

also been driven down to pre-recession rates (4%, against a UK average of 5.4%). In total, since 2009 an additional 51,100 residents have moved into employment across Norfolk and Suffolk.

This unprecedented recovery and overall strength of the local labour market has been supported by buoyant jobs growth, with an additional 56,600 jobs created in the two counties since 2009, (an increase of 7.7%). This has near enough been in line with the rate of job creation across the rest of the UK, (which has increased by 7.8%) though it appears the two counties have failed to tap into the wider 'Eastern engine', which has driven jobs growth of 9.5% across the region since 2009.

There have, however, been some challenges and implications associated with the fact the majority of new jobs growth in Norfolk and Suffolk has largely been embedded in typically low-paying industries and activities. These now account for well over half (52.5%) of all jobs in the two counties, a significantly higher share than the national average (47.4%). The sharp 15.5% increase in such low-paying jobs in Norfolk and Suffolk since 2009 is ahead of the 9% increase across the rest of the UK and forecasts suggest such industries and activities will continue to be a significant jobs driver locally.

The 'gig-economy' and its flexible approach to work also appears to be making some inroads in the local economy. Since the recession, a third of all new jobs in the two counties have been driven by the self-employed (double its actual share of total jobs), whose numbers have increased by 18.3% since 2009, whilst part-time and temporary roles have represented 20% of all new jobs in Norfolk and Suffolk since 2009, slightly ahead of the national average of 15%. There have been some concerns over the involuntary nature of such work, plus potential lack of employment rights and poor work conditions.

The above trends have, however, contributed in part to the unprecedentedly sluggish wage growth evident in the two counties during the recovery. In fact, for the average employee in Norfolk and Suffolk, whether full-time or part-time, resident-based or workplace-based, earnings are still below those that were experienced before the recession. This has led to some to refer to a 'lost decade' of wage growth. This pattern has been repeated at almost every income level except for, contrary to perception, the lower end of the wage spectrum, which has seen some of the fastest earnings growth locally.

ECONOMIC GROWTH, PRODUCTIVITY AND LIVING STANDARDS

The New Anglia area is currently the 13th largest LEP area economy (out of 38), contributing some £35.5bn of GVA to UK plc across agriculture, production, manufacturing and services. Growth in the local economy since the recession has been robust, expanding by 10% in real terms since 2009, meaning the local economy is growing faster than a number of 'powerhouse' areas, including Greater Manchester and Leeds as well as established London growth corridors such as Hertfordshire and Coast to Capital.

During this time, headline level growth in Norfolk and Suffolk has been consistently driven by a buoyant services sector, which has been in near-constant acceleration since 2011 and now accounts for some 83% of economic activity (this is up from 68% in 1981). When taking a longer term perspective of the growth and trajectory of the Norfolk and Suffolk economy though, it is apparent that despite a relatively solid recovery, it is growing at a markedly slower rate in its current growth cycle compared with historic ones. In fact, annualized average growth currently stands at 1.5%, down from 5.2% in the 1980s and 2.6% in the 1990s-early 2000s.

This slower pace of growth is partly attributable to the low and slowing efficiency (i.e. productivity) in which such goods and services are being produced locally, which is currently compounded by two different 'puzzles'. One is a 'puzzle' relating to poor domestic productivity relative to advanced economy peers and the other refers to the near non-existent growth in productivity since the 2008 financial crisis. In fact, productivity performance has been unprecedentedly weak during the current recovery, with the average annual improvement in productivity since 2009 in Norfolk and Suffolk a minute 0.04%, markedly below the historic pre-crisis average of 2.2%. This has exacerbated some of the long-standing productivity gaps between local, national and international peers, with the average worker in Norfolk and Suffolk some 32% less productive than their US equivalent, and between 33% and 40% lower than their French and German equivalent respectively.

The cost of these 'puzzles' are significant and increasing; if the average Norfolk and Suffolk worker had followed their trend rate of productivity growth, GVA would be almost 19% higher than what it is now, equivalent to an additional £6.7 bn. This would equate to a decade of good growth, whilst almost 150,000 jobs would be required for a similar boost. Matching the productivity of the average US state meanwhile would raise the New Anglia area's GVA

by an incredible 40%, or in the region of a £13 bn boost.

This poor productivity performance has been felt widely throughout the local economy, most evidently in living standards. For the average person in Norfolk and Suffolk, living standards are still marginally below what they were experiencing before the recession. If the two counties' productivity was able to correct itself to its pre-crisis trends, living standards would be roughly 16% higher than what they are now, equivalent to an additional £4,000 for every person. Forecasts estimate living standards in Norfolk and Suffolk will only pass their pre-recession peak in 2018, more than a decade since they first started to contract.

OUR BUSINESS BASE AND ITS CHARACTERISTICS

Norfolk and Suffolk currently has a large and diverse business population of 61,000 independent enterprises, with a further 12,000 national and international enterprises operating sites locally (e.g. stores, plants, warehouses etc). Of these independent enterprises, 60,300 operate within the private sector, and since 2011 there has been a 'business boom' locally with a net increase of 5,600 private sector enterprises, a boost of 10%. This is some of the fastest growth on record, though it remains well behind the 23% increase at the national level.

Some 88% of private sector enterprises locally are micro-sized, meaning there are 53,200 businesses locally that employ between zero and nine people, with a further 80% of these estimated to have no employees at all (other than the owner). Since 2011, micro-sized enterprises have represented 83% of all new businesses in Norfolk and Suffolk. Despite this concentration of smaller businesses, characteristics and performance can vary significantly by size. Despite accounting for the overwhelming majority of private sector enterprises, micro-firms represent only 19% of output in the region and 30% of all employees. In contrast, large businesses (250+ employees) in the region account for about half of all employment and turnover.

But this is not to say firm-level performance exclusively correlates to size, with growth and dynamism, and a lack of it, evident across all echelons of the corporate sector. Recent analysis of the productivity 'puzzle' at a firm level has pointed towards a 'long-tail' of low (and slowing) productivity in companies of all sizes, holding back the economy's growth potential. In contrast to this 'long-tail' are a small number of 'frontier firms' (i.e. with high, and increasing productivity levels) rapidly pulling away, triggering a widening dispersion in the distribution of productivity across companies over time. However, these 'frontier

firms' appear to be in much lower density locally, with the number of high-growth firms in the two counties accounting for only 6.4% of all businesses, compared with 7.6% nationally. Similarly, the number of 'scale-up' companies account for only 0.2% of business stock, compared with 0.4% nationally.

However, this does not mean the local economy is incapable of producing such 'frontier firms'. The area has seen the second-fastest growth in the number of high-growth firms in the country, with their totals increasing by 62% since 2012, almost double the 32% rate at the national level, boosting Norfolk and Suffolk up from the foot of the 'high-growth' tables. And though ultimately it comes from a very low base, it does reaffirm the potential for businesses in Norfolk and Suffolk to thrive and operate in the local ecosystem, and be the 'frontier firms' of the future.

ENTERPRISE, INNOVATION AND COMPETITIVENESS

Within Norfolk and Suffolk, enterprise rates are remarkably low considering the relative size and strength of its economy across other indicators. Of the 60,000 independent enterprises in Norfolk and Suffolk in 2015, only 10.8% of these were 'start-ups'; nationally, this rate was 14.3%. Despite record levels of enterprise across much of the UK, locally rates are still well below those experienced before the recession. This ranks the local area as one of the worst-performing nationally for enterprise and business formation (37 of 38 LEP areas), despite an ongoing enterprise 'boom' throughout much of the UK.

Accompanying these low levels of enterprise are high and increasing survival rates of local start-ups; of the 4,500 businesses formed in the local economy in 2010, 45.4% survived to 2015, well ahead of the national average of 41.4%. Though largely a positive and testament to the resilience and success of local businesses, when coupled with below average business creation, it can indicate a lack of healthy business churn (i.e. the rate at which new businesses leave and enter the economy). When ranked against other LEP areas, the New Anglia area is again 37 of 38 for business churn, and significantly below (and diverging with) national rates.

If Norfolk and Suffolk had theoretically displayed the same levels of enterprise as the national average since 2009, it would have seen an additional 14,000 start-ups, generating a potential 31,000 additional jobs, delivering an economic boost in the region of £1.4 bn. Low levels of enterprise also feed through into local attitudes and approaches to innovation; survey-based data positions Norfolk and Suffolk businesses as amongst the least engaged in innovation in the UK. Between 2010 and 2012, only 14% of active enterprises in the two counties introduced a new or significantly improved product or service, ranking the area joint 36th out of 38 LEP areas.

However, local businesses perform slightly better against Research & Development (R&D) spend, which is the actual process that enables the knowledge or technological discovery which supports innovation. Though only 12% of firms reported undertaking R&D, their spend amounted to an impressive £641 million, or 1.9% of GVA, compared with 1.2% nationally. As a percentage of economic output, Norfolk and Suffolk's R&D spend ranks 12th of all LEP areas. This indicates that local research and innovation is highly concentrated, clustered around and driven by a small number of (predominantly large) companies and research assets (e.g. universities, public agencies). But despite these assets, it appears the all-important

diffusion of knowledge and innovation collaboration is muted; only 16% of firms in Norfolk and Suffolk reported collaborating for innovation purposes, ranking the area again amongst the lowest-performing LEP areas.

TRADE, INVESTMENT AND OVERSEAS CAPITAL

Exploiting its advantageous geographic position, Norfolk and Suffolk retains a strong commercial relationship with the rest of the world, whether it is through the £2.9bn of goods it exports every year, the 89.6m tonnes of goods that enter or leave its shorelines, the 4,300 jobs created by foreign direct investment, or the 84,800 international residents living and working in the two counties.

A top level analysis of Norfolk and Suffolk's £2.9bn worth of goods exports highlights the region's strong trading relationship with the European Union, with 55.6% of the local area's exports to the EU, compared with a national average of 42.0%. However, as a whole the local area has comparatively low exports per job compared with other areas, with the £4,300 export value per job about 46% of the LEP average, placing it 30th of 38 LEP areas.

In contrast to its exporting performance, Norfolk and Suffolk does entertain increasing and

high levels of foreign direct investment (FDI). Between 2013-15, the local area was successful in attracting 40 high-value, high-impact FDI projects, creating 4,300 jobs and safeguarding a further 1,500 (almost double the respective LEP averages of 2,100 and 900). In fact, when looking at the total number of jobs created and jobs safeguarded by FDI projects, Norfolk and Suffolk was the 5th most successful destination in the country (out of 38) for FDI.

There is also a much higher level of dependency on migrant labour in Norfolk and Suffolk, with the share of non-UK residents in the local labour market currently standing at a record high of 10.9%, marginally ahead of the national average of 10.8%. Since 2009, the number of non-UK residents from Europe in employment has almost quadrupled, compared to doubling across the rest of the UK. This means that a substantial amount of the New Anglia area's net increase in employment has come from those not born in the UK.

■ LAND USE, HOUSING AND INFRASTRUCTURE

Norfolk and Suffolk has some of the most diverse landscapes in the UK. Largely rural in nature, it is dominated by farmland, woodland and the coast. It has a collection of small market towns

and villages and a number of more urban areas such as Bury St Edmunds, Great Yarmouth, Ipswich, King's Lynn and Norwich – the only city in the LEP area. Jobs tend to be concentrated on the major population centres, but Norfolk tends to have greater clustering of jobs, whereas Suffolk has employment spread more evenly across its geography. Growth in jobs has focused on Norwich, Ipswich and Bury St Edmunds.

Three distinct areas of population density exist: Ipswich–Stowmarket; Norwich and its surrounding areas; and Great Yarmouth–Lowestoft. The effect of Cambridge's growth can be seen, as much housing growth is clustering along transport routes to the city. Volumes of house sales track about the national average, but the percentage of this which is new build homes is disproportionately low. Delivery of new housing in both counties is significantly behind the housing targets articulated in local plans and demand for housing is outstripping supply. Demand for housing is expected to rise by 22% to 2039 across the area. Norfolk's property prices are at or below the UK median, while Suffolk's are largely above it. The affordability of homes in areas popular with second home owners and tourists is particularly poor in coastal areas of North Norfolk and Suffolk. Those on lower incomes are particularly affected as they face affordability ratios significantly below UK averages.

Commercial property has been – and remains – relatively affordable, though price pressure is building in areas of increasing demand and slowing supply. On the face of it, both Norfolk and Suffolk have more allocated sites for commercial development than that required. But many of these sites are affected by deliverability issues, needing further infrastructure to open up the site for development, which is difficult to forward fund. And as it is difficult to provide evidence of demand for commercial space, it is hard to get developers to spec-build commercial space.

Improvements to infrastructure are not only necessary to open up development sites, but also to provide links back to the rest of the country. Investment in connectivity and infrastructure is vital for an area's economic growth and productivity. Superfast broadband coverage is approaching 95% in both counties, but take up of superfast is poor. Meanwhile, our transport connections need to be future proofed to maintain the economy's competitiveness. Basic utilities, such as water and electricity, are vital inputs into our economy but are also affected by shortages and delays in roll-out.

POPULATION OF
1,626,900
IN 2015

POPULATION HAS GROWN BY
16.6% SINCE 1981



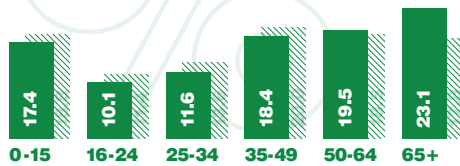
ABOVE THE
NATIONAL
AVERAGE OF **7.1%**

7% SINCE 2005



BELOW THE
NATIONAL
AVERAGE OF **7.8%**

POPULATION AGE PROFILE **2015**



■ NEW ANGLIA LEP AREA ▨ UK

STEM
SCIENCE
TECHNOLOGY
ENGINEERING
MATHS
UPTAKE

27%

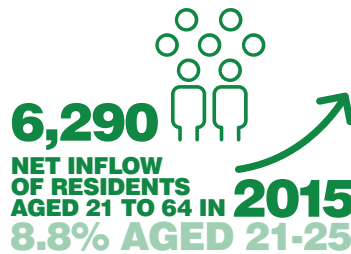
COMPARED WITH
30%
NATIONALLY

APPRENTICESHIP
UPTAKE
NORFOLK & SUFFOLK **7%**

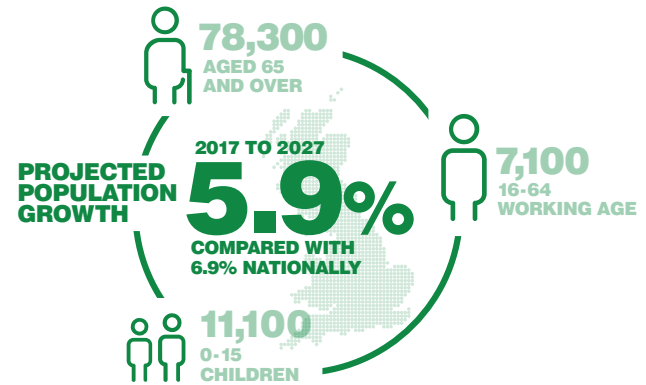
WORKING AGE POPULATION



BELOW UK
AVERAGE OF **63.3%**



APPRENTICESHIP UPTAKE
NORFOLK & SUFFOLK **7%**
ABOVE NATIONAL
AVERAGE OF **6%**



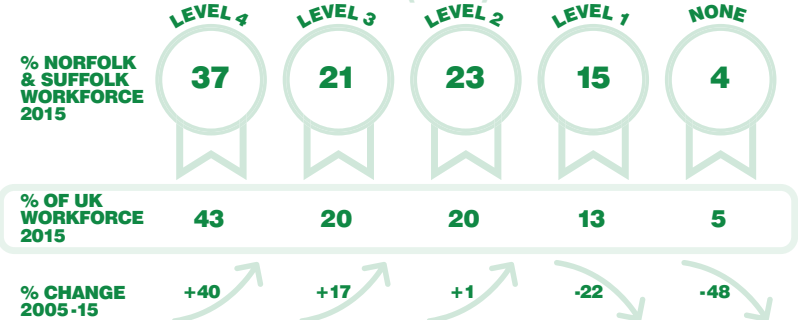
ELDERLY DEPENDENCY RATIO

3.2 PEOPLE OF WORKING AGE FOR EVERY RETIRED PERSON **2005**

2.6 PEOPLE OF WORKING AGE FOR EVERY RETIRED PERSON **2015**

2.1 BY 2027 PEOPLE OF WORKING AGE FOR EVERY RETIRED PERSON **BY 2027**

NVQ QUALIFICATION LEVEL (2015)



PEOPLE, DEMOGRAPHY AND SKILLS

Vital to the success and size of any economy is a strong and sustainable supply of human capital (i.e. workers and their associated skills and experience). In an increasingly globalised world, human capital is becoming an ever more competitive and dynamic resource and is vital to driving productivity gains and growth in businesses and institutions.

At the headline level, the New Anglia area has a large, diverse and growing population base (the quantity element of human capital), though local residents are often less highly skilled and educated compared to large parts of the UK (the quality element).

However, human capital in the two counties now stands at an important juncture, with a number of risks, challenges and opportunities associated with trends such as an ageing population, uncertainty around migration, ever-increasing skills gaps and shortages, and educational underperformance relative to global peers.

PEOPLE AND DEMOGRAPHY

The structure and flow of people in an area is a vital determinant of both the structure and flow of its economy. Beyond providing a sustainable labour supply, people shape the very markets we use to define our economy. The New Anglia area has a large and established population base, which though historically fast-growing has seen a slower pace of change over the past decade, with an increasingly ageing population presenting its own challenges and opportunities.

The New Anglia area currently has a large and established population base, with an estimated **1,626,900 residents in 2015**. This makes the New Anglia area the **13th most populous LEP** (out of 38). Of these 1,626,900 residents, **800,700 are male (49%)**, and **826,200 are female (51%)**, an **identical gender split to the national average**.

Figure 1.1. shows the distribution of the resident population across the two counties, with the **strongest clusters around Greater Ipswich and Greater Norwich**. Other **notable population centres** include **King's Lynn and Bury St Edmunds** in the west and **Lowestoft and Great Yarmouth** in the east of the two counties.

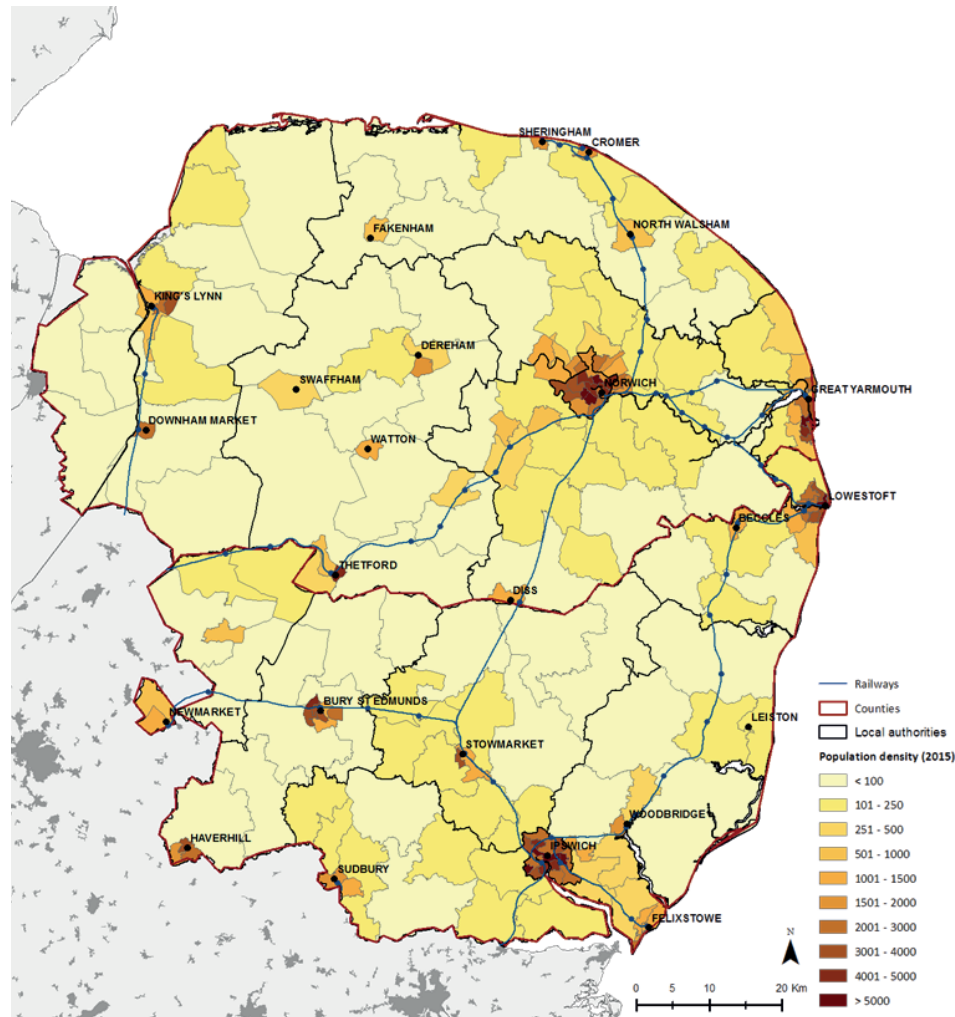
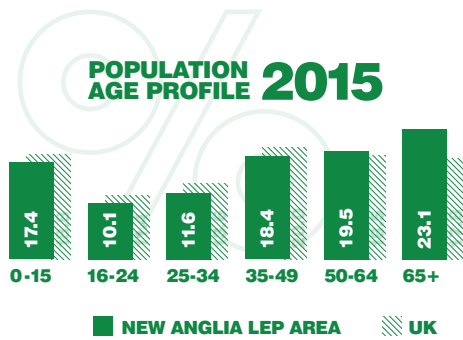


Figure 1.1 – Population density across Norfolk and Suffolk, 2015

POPULATION OF
1,626,900
IN 2015



POPULATION HAS GROWN BY 16.6% SINCE 1981



ABOVE THE NATIONAL AVERAGE OF 7.1%

7% SINCE 2005



BELOW THE NATIONAL AVERAGE OF 7.8%

PEOPLE, DEMOGRAPHY AND SKILLS

Figure 1.2 – Age profile of New Anglia area residents relative to UK, 2015

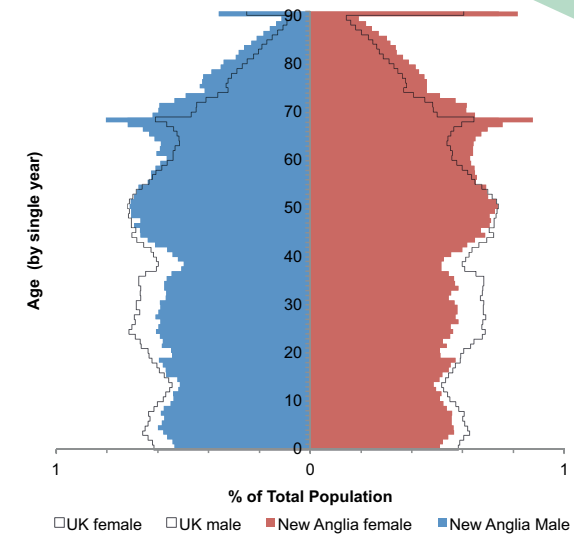


Figure 1.2 highlights the age profile of the New Anglia area resident population relative to the UK average. **Nearly every age group under-50 is under-represented in Norfolk and Suffolk**, with a **particular gap in the prime-age workforce of 20-35 year olds**. They make up only 18.3% of the population compared with 21.5% across the rest of the UK, with inward migration critical to sustaining its current levels.

In contrast to the above, the New Anglia area has a **high and increasing number of over 65s relative to the rest of the country**, at 23.1% of the population, compared with 17.8% nationally – which is the **fourth highest out of all 38 LEP areas**. Equally, the area also has a **higher number of 50-65 year olds** (19.5%, compared with the UK's 18.5%).

Within Norfolk and Suffolk, this population make-up remains broadly the same, with the only notable exception being Norwich, which has a bulge of younger residents (owing largely to its universities and education offering). In many of the more rural authorities, such as North Norfolk, the upper bulge (50+) can be even more pronounced.

Despite this older age profile, the local areas population base has been historically dynamic and fast growing: **between 1981 and 2005, Norfolk and Suffolk's population expanded by an impressive 216,200 people, an increase of 16.6%**, which was significantly faster than the growth taking place across the rest of the country (7.1%) and in the East of England (14.6%).

However, of late **the rate of population growth in the two counties has slowed significantly** compared with its historic performance; between 2005 and 2015, the local population increased by 7%, compared with a 7.8% increase nationally and 9.2% across the region. This is also **the slowest population growth of any LEP area in the greater South East, and in the lower third of all LEPs**.

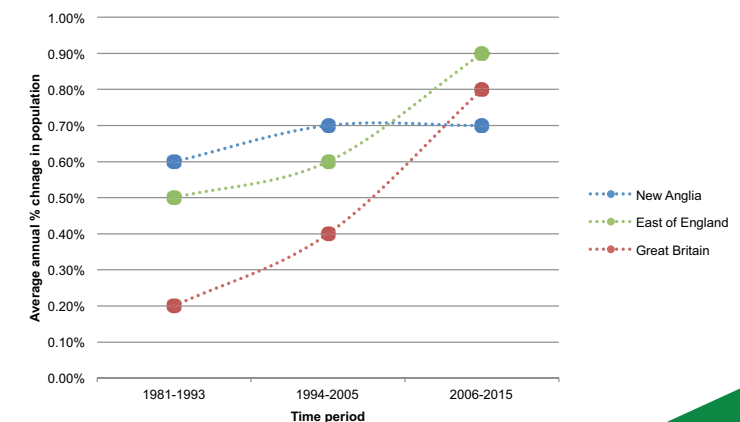


Figure 1.3 – Population growth in the New Anglia area relative to peers, 1981-2015

ELDERLY DEPENDENCY RATIO



The age profile of this growth is also revealing; during this time, **the number of people aged 65 and above has increased by more than the rest of the population** (77,900 more people aged 65 and above, compared with 28,300 more people aged under 65).

This **phenomenon is relatively unique to Norfolk and Suffolk and the trend is not replicated at the national level**, where growth in the 65-plus age group (1.94 million) has been around three quarters of the growth in those under 65 (2.63 million).

At 26.2%, **growth in the number of those aged 65-plus since 2005 has been much stronger than the national average** (20.7%), with the age group now accounting for 23.1% of all residents, up from 17.2% in 1981.

Meanwhile, the increase in numbers of young (0-20) and working age people (21-64) has been weaker than the national average, increasing by only 0.2% and 2.6% respectively between 2005 and 2015 (the national averages were almost triple these rates, at 0.7% and 6% respectively).

Young and working age people now account for 76.9% of Norfolk and Suffolk's population, down from 82.8% in 1981.

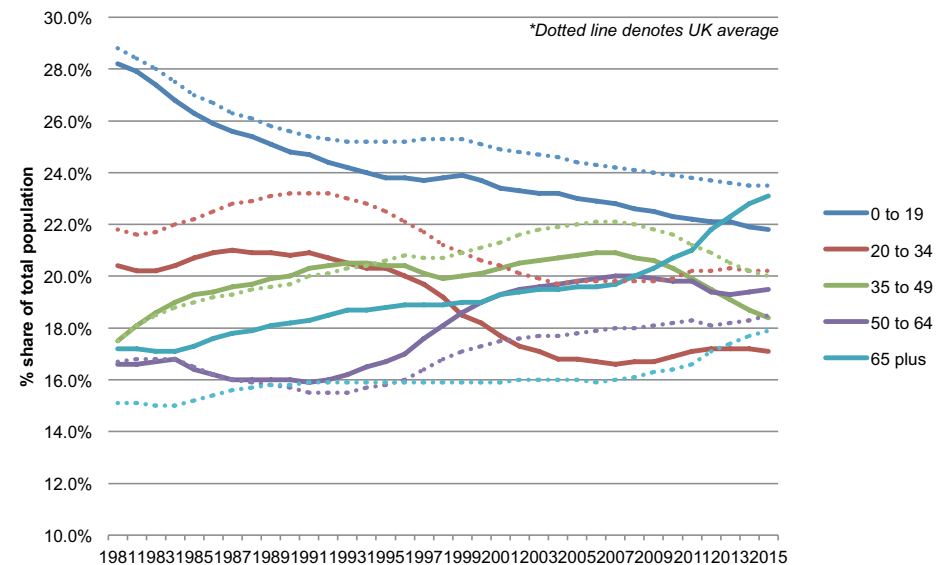


Figure 1.4 – Share of the New Anglia area population by age group, 1981-2015

This has also seen the ratio of working-aged people to those of retirement age decline, making New Anglia the fourth lowest of all 38 LEP areas. In 2015, there were an estimated 2.6 people of working age for each person of

retirement age – down from 3.2 a decade ago and below the national average of 3.5. Though this trend is repeated across the UK, it is much more pronounced in Norfolk and Suffolk.

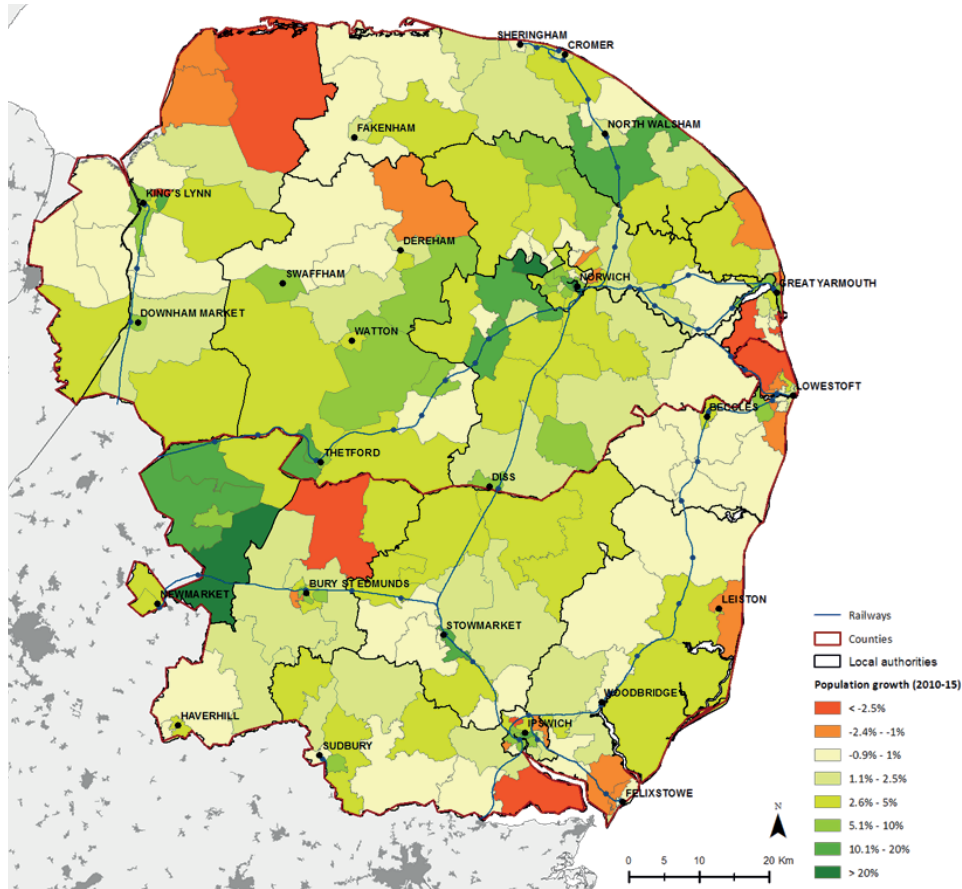


Figure 1.5 – Population growth across the New Anglia area, 2010-15

At a more localised level, population change has varied widely. The graphic (above) illustrates in detail changes in population across the New Anglia area since 2010. There has been especially notable **population growth** along the two respective **corridors connecting Greater Ipswich to Cambridge** and **Greater Norwich to Cambridge**.

Meanwhile, **population contractions** during this time appear to be most **pronounced in periphery coastal areas**, possibly as older populations are

not replaced or are replaced with high second home populations.

However, **a slow or declining headline population does not always equate through every age group**. For example, the number of young and working-aged people in Waveney has fallen by 1,200 and 3,700 respectively. But at the same time, the number of people aged 65 and over has increased by 5,100.

Only **three local authority districts have**

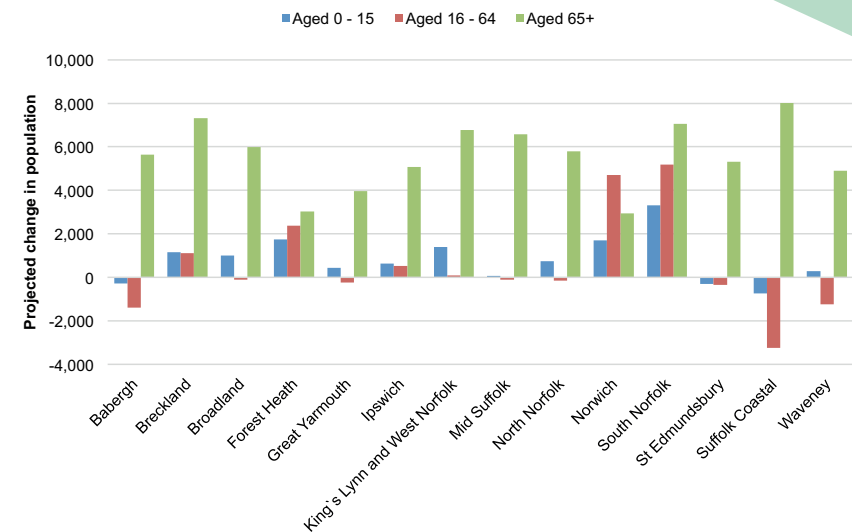
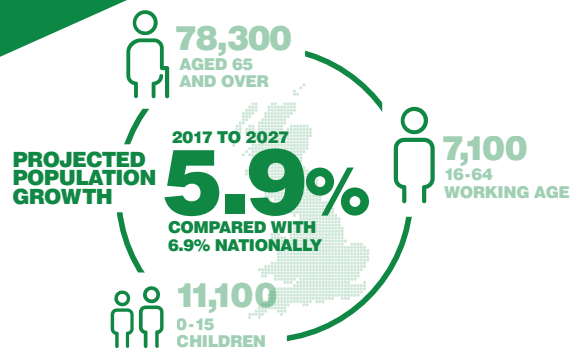


Figure 1.6 – Population change across local authority districts, 2005-15

witnessed an increase in the population of **young and working-aged people by more than their older population; Forest Heath, Ipswich and Norwich**. In particular, Ipswich and Norwich have seen strong growth in the number of working-aged people (+6,700 and +9,000 respectively). Only these three districts had ratios of working-age population to retirement age population at or above the national average (Forest Heath 3.5, Ipswich 4.0, and Norwich 4.6).



ELDERLY DEPENDENCY RATIO



Similar patterns of growth are expected over the next 10 years; between 2017 and 2027, the New Anglia area's population is projected to increase by some 96,600 people – an increase of 5.9%. This again is muted compared with historic averages, and is some way below the 6.9% growth projected nationally, indicating a continued slowing of population growth in Norfolk and Suffolk relative to the national average.

Alongside this, further ageing of the population is predicted, with **the number of people of retirement age expected to grow more than four times as fast as the rest of the population** (78,300 more people aged 65 and over and 18,200 more aged under 65).

Notably, **there is expected to be very little growth in the number of people of working age** (0.7%, or only 7,100 people). In fact, in Suffolk, the number of working age people is expected to fall by 0.8%. Nationally, growth in the number of working-aged people is expected to be much stronger, at around 6.9%.

Unsurprisingly, this is expected to cause the **ratio of working-aged people to those of retirement age to decline further**, to 2.1 in

2027. This is projected to be lower than in all neighbouring areas and the national average.

MIGRATION FLOWS AND COMPONENTS OF POPULATION CHANGE

Beyond the natural flow of births and deaths, the inward and outward flow of people, both domestically and internationally, has an ever increasing role in shaping and growing our population. Currently, the New Anglia area

is **reliant on a strong level of inward migration to maintain the growth and utility of its population base and a strong and sustainable labour supply**, with its impact and importance varying across different age profiles and geographies.

Over the year to 2015, there was a gross inflow of some 92,700 people into Norfolk and Suffolk. 89% of these were domestic inflows - (i.e. they had arrived from elsewhere in the UK) - whilst the remaining 11% were from international locations.

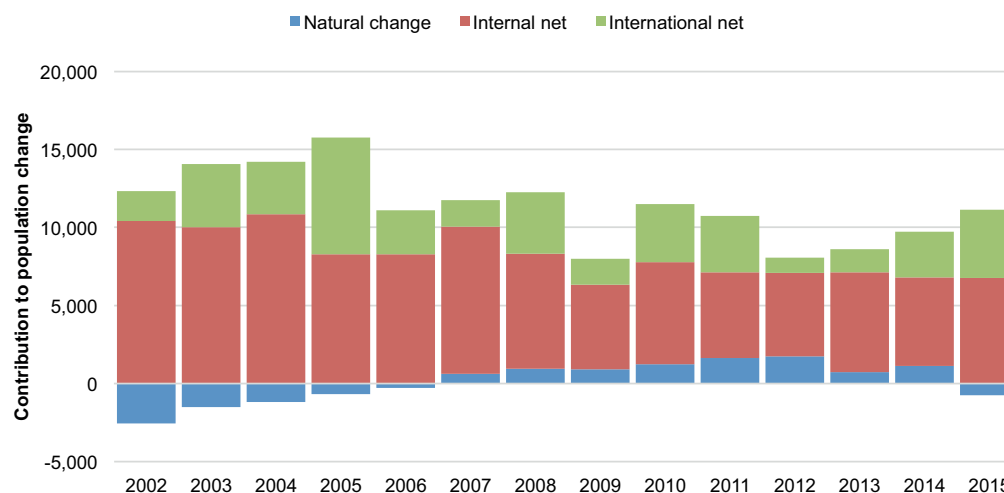


Figure 1.7 – Components of population change across the New Anglia area, 2002-15

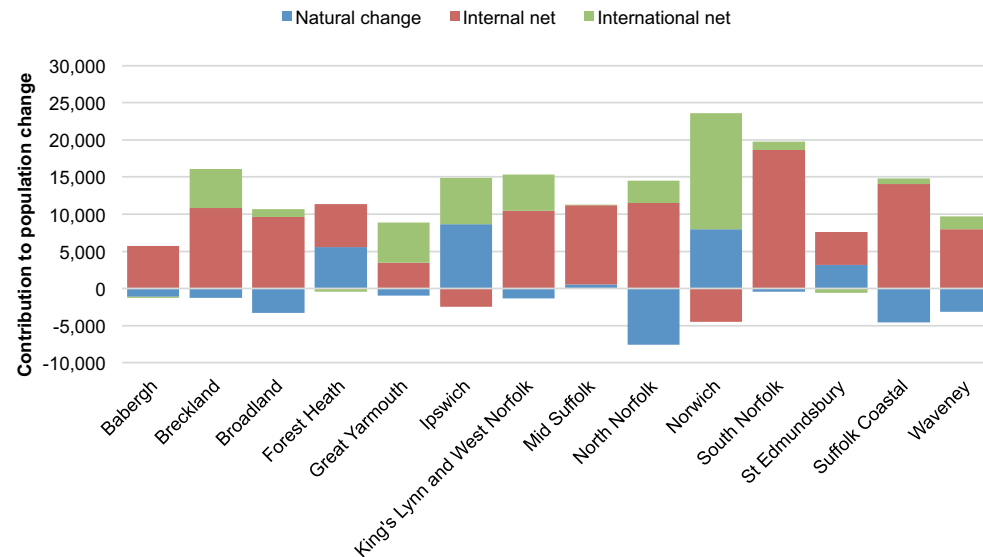


Figure 1.8 – Components of population change in local authority districts, 2002-15

During the equivalent time period, some 81,500 people left Norfolk and Suffolk, the vast majority of whom (93.4%) went on to locations elsewhere in the UK.

This presents a net inflow of some 11,100 people into Norfolk and Suffolk during the year to 2015. With deaths exceeding births in the two counties for the first time since 2006, this meant **net migration accounted for all of the population growth in Norfolk and Suffolk**, compared with a **65% share nationally and 72% share across the region**.

This pattern has held relatively constant since 2002, **with internal migration being the main contributor to population change in the local area**. However, domestic outflows

have increased substantially during this period, resulting in a slightly slower paced – but still increasing – net inflow.

Population **change as a result of international migration has fluctuated year on year, but has always remained positive**. However, the inflow of people who are not UK nationals is likely to be understated owing to moves from elsewhere in the UK (such as London) being counted as domestic flows (for a more detailed profile of the local areas international workforce, please refer to the Trade, Investment and Overseas Capital chapter).

Interesting to note also is the relationship between an increase and high levels of internal migration (particularly international migration)

in driving a substantial increase in births and therefore natural change in the population.

For instance, within Norfolk and Suffolk, 4 years of above average migration (domestic and internal) over 2002-05 was followed by a substantial reversal and increase in natural population change. Likewise, since the easing of inward migration since 2012, natural population change has again slowed and finally turned negative over 2015.

Such trends and the importance of migration flows to population growth and levels varies across the area; for instance, since 2002 **the population of North Norfolk has almost wholly been sustained by inward migration (especially internal)**.

Ipswich and Norwich meanwhile, due to their younger age profile, **are the only areas to see a net outflow of people to other parts of the UK, but retain significantly higher natural population flows** (births minus deaths).

International migration is also highest in these urban areas (Norwich especially, swelled by its university offering), whilst the largely rural authorities of **Breckland, Great Yarmouth and King's Lynn also maintain above average levels of international migration**.

6,290
NET INFLOW
OF RESIDENTS
AGED 21 TO 64 IN 2015
8.8% AGED 21-25

The age profile of Norfolk and Suffolk's inward migration is also revealing, especially in the context of its overall age profile. In the year up to 2015, unsurprisingly, the area sees a **large net outflow of residents aged 18-20, with the vast majority of these going to university towns and cities** (even in Norwich, despite its large inflows of students, net migration of younger persons is still negative).

However, interestingly, **Norfolk and Suffolk see a net inflow of some 556 residents between the ages of 21 and 25**, the vast majority of which are from university towns and cities. This pattern is repeated again for those aged 26-34, with a net inflow of some 575 residents.

Positive net migration of this age group is rare for areas outside Greater London and its commuting corridors and is a positive indicator for the two counties, indicating the increased attractiveness of the area to young adults.

It also provides a vital strengthening and sustainable supply of labour, in both qualitative and quantitative terms. For instance, those aged between 25-39 are much more likely to be highly skilled (48%), than other age groups (38%).

As shown above, this pattern is also fairly evenly

distributed across the area, as opposed to being concentrated in likely commuting areas. Even periphery and ageing coastal areas, such as Waveney and North Norfolk, share this pattern.

However, despite these increasingly positive signals, the vast **majority of net migration into the local area comes from those aged over 35**, who account for 75% of all net migration into Norfolk and Suffolk.

Those aged over 55 in particular account for 58% of all net migration, despite representing only 36% of the resident population. This is also over double the regional rate of 21%. Many of these will already be, or fast-approaching, retirement age.

The incidence of family moves also appears to be low in the two counties, contrary to perception. Only 21% of net migration is accounted for by those aged 14 and under compared with 46% regionally – indicating those adults that do move in to Norfolk and Suffolk are typically older individuals and couples and not younger/established families, relative to the regional average.

In terms of origins and destinations, **much of the inflow of those aged 35-plus is from**

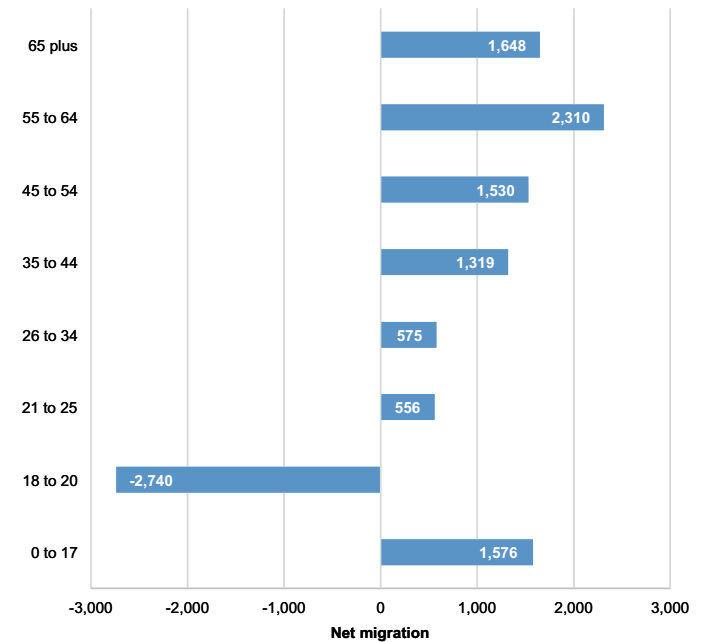


Figure 1.9 – Net migration to/from Norfolk and Suffolk by age group, 2015

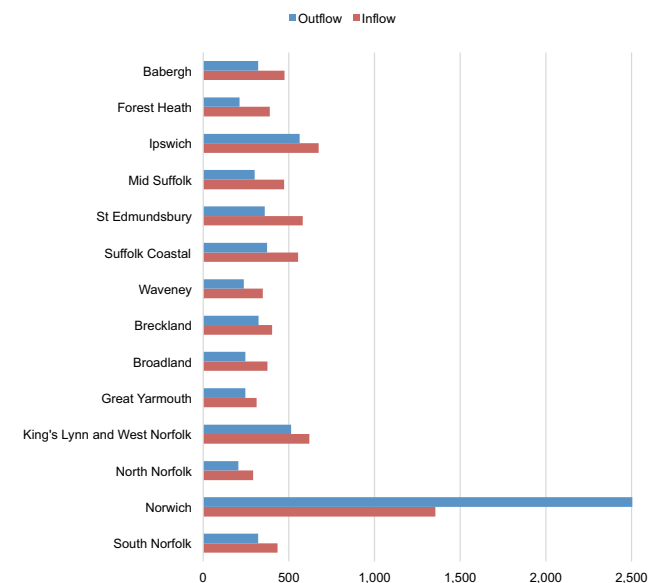
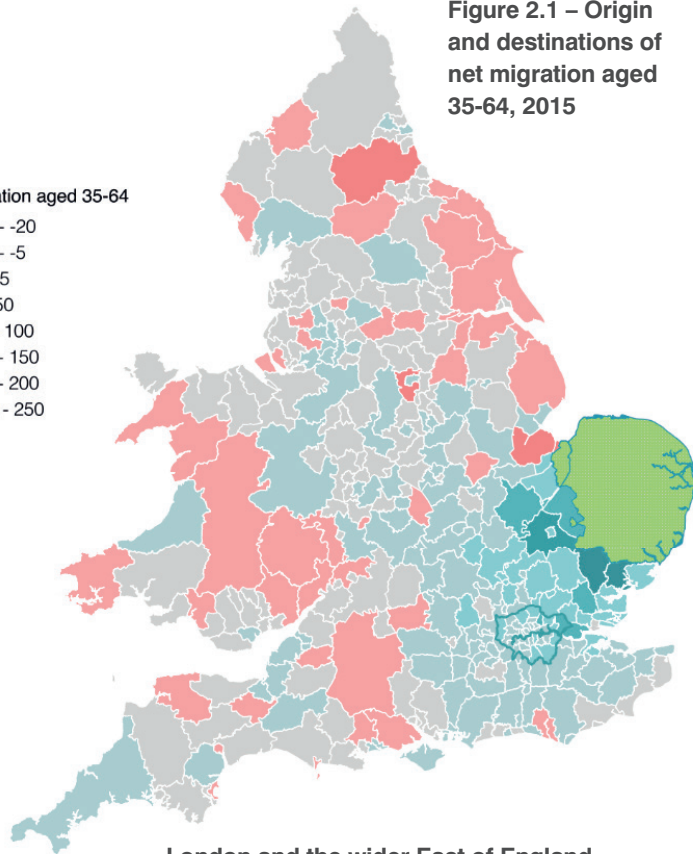


Figure 2.0 – Net migration by local authority districts for 21-25 age group, 2015

Figure 2.1 – Origin and destinations of net migration aged 35-64, 2015

Net migration aged 35-64



London and the wider East of England.

Norfolk and Suffolk receive significant inflows from neighbouring districts in north Essex and Cambridgeshire, as well as a large amount of inflow from North London and neighbouring districts.

This **may indicate more established households moving out of the tighter housing markets around Cambridge and Great London into the local area.** Though some will continue to work in their former destination, many appear

to enter the local workforce, as reflected by relatively low and static commuter flows (see the Employment, Jobs and Earnings chapter).

The net outflows of adults from Norfolk and Suffolk meanwhile is relatively inconsistent and doesn't correlate with any known linkages, with notable concentrations focused around mid-Wales and the North East.

QUALITY OF LIFE AND DEPRIVATION

Norfolk and Suffolk's **population typically commands a very high quality of life, often amongst the highest in the country.**

This can be shaped by a number of factors, both economic and non-economic, many of which will be observed in greater detail in later chapters. Alongside this, the area retains **some concentrated pockets of quite severe deprivation**, which have the ability to harm economic growth and living standards and inhibit the role and engagement of such deprived residents in the economy.

Norfolk and Suffolk has some of the highest levels of life satisfaction in the country, with the average resident when asked "Overall, how

satisfied are you with your life nowadays? Where 0 is 'not at all satisfied' and 10 is "completely satisfied" responding with a mean score of 7.63.

This places the New Anglia area as the **joint-6th highest ranking LEP for life satisfaction**, ahead of Greater Cambridge and Greater Peterborough, the South East and London LEP areas. It was also **ahead of the national average** of 7.53.

The area in particular has a high incidence of residents reporting 'Very High' (scoring 9-10 in the above metric) life satisfaction – 29.4% of the population compared with 27.5% nationally.

There is a slightly lower rate of the population reporting 'Low' (scoring 0-4) life satisfaction - 5% of the population, compared with 5.4% nationally.

However, age profile may play some part in these higher levels, with those aged 65 plus a tenth more likely to report 'Very High' levels of life satisfaction than those aged 64 and under.

Despite this relatively high quality of life, the area also retains pockets of deprivation – which are, similarly, shaped by both economic and non-economic factors – with some localised areas amongst the most deprived in the UK.

Though fewer parts of the local area are classified in the most and least deprived quintiles, some 12.9% of lower super output areas (LSOAs – a type of statistical geography) in Norfolk and Suffolk are in the most deprived fifth nationally.

The bulk of the New Anglia area is classified in the moderate deprivation quintiles, with 31.3% falling in the middle fifth of areas in England.

This particular measure ranks the New Anglia area as the **18th most deprived LEP** (of 38), and the **most deprived LEP area in the greater South East**.

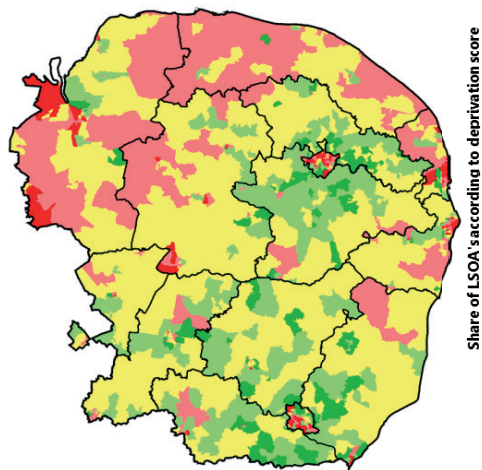


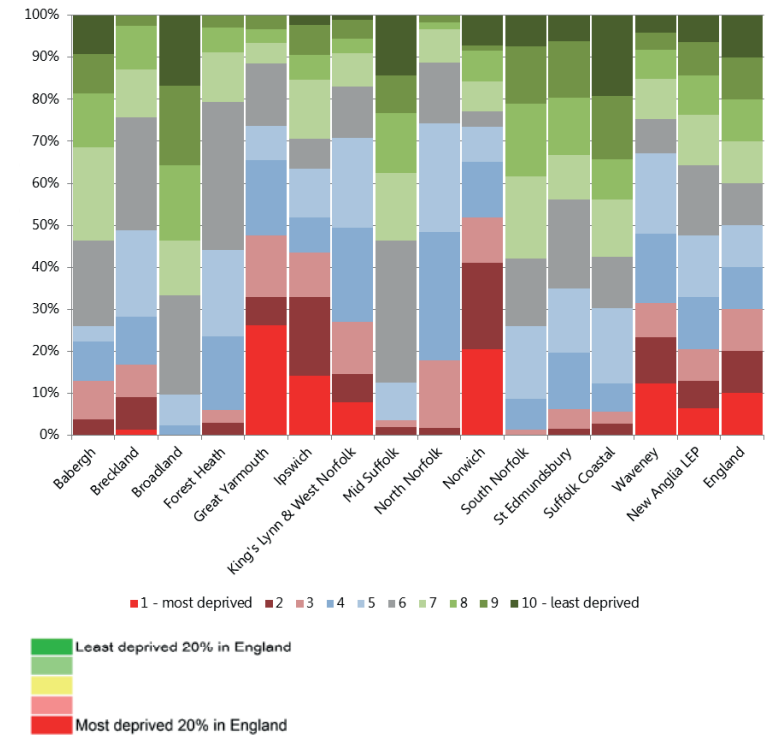
Figure 2.2 – Deprivation scores across the New Anglia area, 2015

This relative **deprivation is also inconsistently spread across the area**; Broadland, Mid Suffolk and Suffolk Coastal for instance have significantly below average relative deprivation levels, while Norwich, Ipswich, Great Yarmouth and Waveney have significantly above average.

There **appears to be no specific spatial pattern to deprivation in Norfolk and Suffolk** with both rural and urban, coastal and inland showing respectively high and low levels of deprivation.

SKILLS AND EDUCATION

Improving skills is critical for growth, and it is one of the most important determinants of quality human capital in an economy. In tandem with the wider labour market and economy, the demand for skills is changing and rapidly evolving. Within Norfolk and Suffolk – and the wider UK – school attainment has historically lagged behind peers, whilst the provision and adaption of certain key skills has been weak, opening up skill shortages in particular industries and regions. Despite this, the area retains some innovative and nationally-renowned skills assets, an active and



increasingly aspirational student population and an engaged employer base.

Young people's skills and qualifications

Throughout their school life, the **average student in Norfolk and Suffolk will typically underperform** relative to regional, national and international peers.

At **Key Stage 2** (ages 7-11) for instance, in 2015/16 **attainment levels for reading, writing and mathematics** in Norfolk and Suffolk were all some way **below regional and national averages**.

Attainment was particularly poor in **mathematics**, with on average only **6 out of 10 pupils** in the New Anglia area **achieving the expected level**, compared with 7 out of 10 in England.

Writing aptitude was also some way behind the national average, though local students were shown to be closer to national average in reading aptitude, behind the national average by only 2% and 3% in Norfolk and Suffolk respectively.

This underperformance carries on through to **Key Stage 4** (ages 14-16); when measured as a percentage of pupils achieving 5+ A*-C grades (including English and mathematics) Norfolk and Suffolk's **attainment has been consistently below the national and regional averages for the past 7 years**.

In fact, over 2015/16, the percentage of pupils achieving 5+ A*-C (including English and mathematics) in Suffolk stood at 53.7% while in

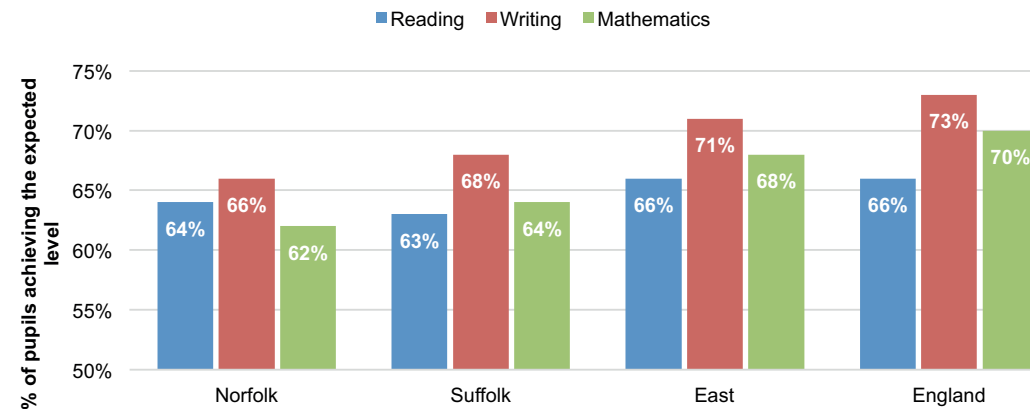


Figure 2.3 – Key Stage 2 attainment relative to peers, 2015-16

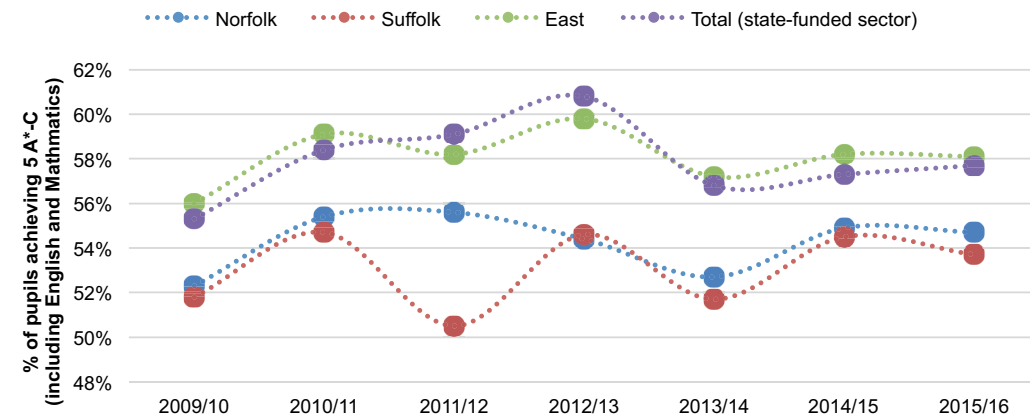


Figure 2.4 – Key Stage 4 attainment relative to peers, 2009-16

APPRENTICESHIP UPTAKE
NORFOLK & SUFFOLK **7%**

ABOVE NATIONAL AVERAGE OF **6%**

Norfolk it was slightly higher at 54.7%. This was some 4% and 3% adrift of the national average of 57.4% (for the state-funded equivalent).

When ranked by Local Education Authority both are in the lower third for performance, with Suffolk placed 119th and Norfolk 108th (out of 151 authorities). These positions have been held relatively constant over the past 5 years, with no significant change in the two counties.

Compared with other LEP areas, **New Anglia was ranked as the 9th worst performing LEP for GCSE attainment** over 2014/15. It was also the lowest ranked LEP area outside of the Midlands and the North East.

The above should also be placed in the global context of the UK's school-based attainment, which is widely regarded as poor by advanced economy standards; its position in the OECD's Programme for International Assessment (PISA) for instance is middle-ranking, lagging behind top performers such as Singapore and Finland, but also trailing countries such as Vietnam, Poland and Estonia.

This skills deficit, relative to national and international peers, **has the potential to harm the global competitiveness of Norfolk and**

Suffolk businesses and its economy, whilst potentially stunting inclusive growth and productivity gains.

Positively though, the **vast majority of New Anglia area students do go on to sustained education, employment or training post-16**, at rates broadly similar to the national average (93% in Norfolk, 95% in Suffolk and 94% nationally for those leaving 2015/16).

Those going into **apprenticeships accounted for 7% of all school leavers in Norfolk and Suffolk, compared with 6% nationally** highlighting their slightly higher appeal and density locally.

However, those that do enter the workplace before they are 18 often struggle to adapt successfully, **with two-fifths of all employers in Norfolk and Suffolk stating 16 year old school leavers were 'poorly' or 'very poorly' prepared for work.**

Of those going into sustained education, most

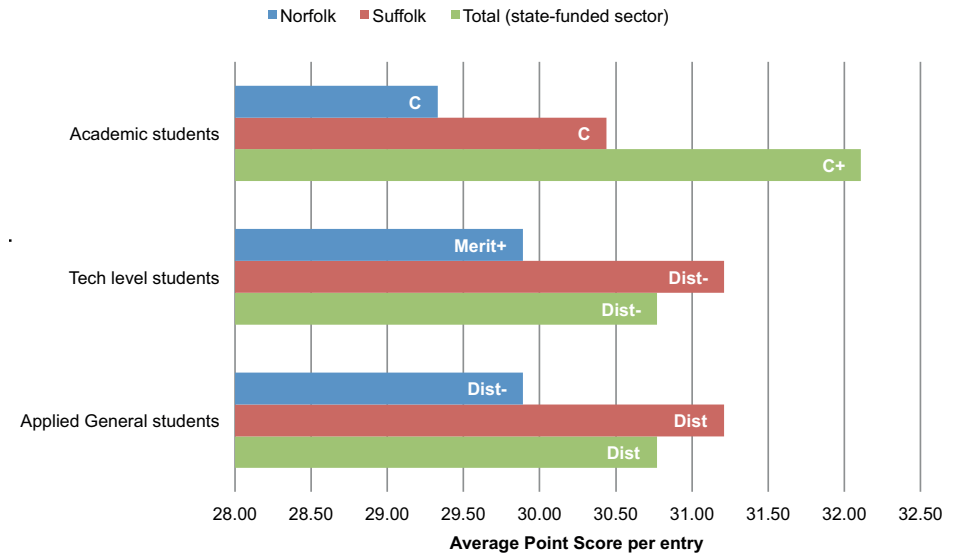


Figure 2.5 – Key Stage 5 attainment relative to peers, 2015-16

(59%) enter conventional, full time A-level routes, a slightly lower incidence than the national average (63%), reflecting the vocational and non-academic intensity locally.

Positively, performance post-16, though mixed, does come across slightly better compared with previous measures. For instance, over 2015/16, despite the attainment of Academic students (i.e. sixth form and conventional A-level routes) remaining some way behind national averages, the **attainment of Tech level and Applied General students** (i.e. college and vocational provision) **was**

SCIENCE
TECHNOLOGY
ENGINEERING
MATHS
UPTAKE
COMPARED WITH
27%
30%
NATIONALLY

much stronger, and in Suffolk actually exceeded the national average.

This reaffirms **a stronger non-academic take-up and post-16 offer in the two counties**, especially compared to large parts of the country. This is also an offer which is more in line with the (often-envied) skills systems in advanced economy peers such as Germany and France.

However, **entrance on to more rigorous, transferable and in-demand STEM subjects at this level appears to be lower** in Norfolk and Suffolk; only 27.1% of entries post-16 were in STEM subjects locally, compared with 29.5% nationally. This placed New Anglia as the **joint-7th lowest ranked LEP for STEM take-up** post-16.

Subject areas which did display **significantly higher take-up locally compared with national rates include General Studies** (double the national average), other **Communication Studies** (a third higher), **Art and Design, and Psychology** (both a tenth higher).

Interestingly, **other sciences** are the **only STEM-related subject to exceed national take-up locally**, at almost double the national rate, possibly due to veterinary and agricultural focused qualifications locally.

Positively, in terms of participation, the **percentage of students moving into sustained education or employment on completion of Key Stage 5 is similar to the national average** (87% in Norfolk, 89% in Suffolk and 88% nationally).

Employers are also more likely to be satisfied with the capabilities of a student with post-16 qualifications in the workplace, though **a third still felt 17 and 18 year old school leavers were ‘poorly’ or ‘very poorly’ prepared’ for work.**

There is also a much **lower incidence of students going on to higher education** (i.e. university) in Norfolk and Suffolk; in 2016, only 40% of students moved on to higher education upon completion of Key Stage 5, compared with 48% nationally.

This **rate is also increasing at a much slower pace compared with other areas, with the total share of Norfolk and Suffolk students entering higher education increasing by only 3% and 2% respectively over the past 8 years, half of the 7% increase** across the rest of the country.

In total, **over the academic years 2012-14,**

25,260 Norfolk and Suffolk residents aged 18-19 went on to pursue a higher education, representing 34.5% of all residents within that age bracket, well below the regional average of 42.0%. A remarkably high 41.3% of these chose to study at institutions within the two counties, which was a much higher retention rate than neighbouring LEP areas such as Greater Cambridgeshire (33.7%), Greater Lincolnshire (33.2%) and Hertfordshire (23.2%).

At the same time, **institutions in the two counties welcomed 16,650 students aged 18-19, resulting in a net outflow of 8,610 students** i.e. more students left the two counties than those that came in to study. This explains a substantial part of Norfolk and Suffolk’s negative outflow of people aged under 20 (and also Norwich’s significant inflow, given its two universities).

**PEOPLE,
DEMOGRAPHY
AND SKILLS**

Despite the negative outflow of young people, many will opt to stay close to Norfolk and Suffolk. Popular destinations include London, Essex, Cambridgeshire and Lincolnshire. A number of Northern and Midland university towns also feature highly.

In terms of subjects and disciplines, positively **Norfolk and Suffolk do see a good number of young people go on to study STEM subjects at university.** Over 2008-09 to 2013-14, **23.2% of all Norfolk and Suffolk 18-19 year olds entering higher education studied a STEM-related subject.** This take-up was in line with neighbouring Greater Cambridgeshire (23.2%), and marginally above Greater Lincolnshire (22.7%) and Hertfordshire (22.4%).

In line with the rest of the UK, **the vast majority (54.8%) of Norfolk and Suffolk residents going on to higher education will study an arts, humanities or social sciences related degree.** Clinical subjects (nursing and medicine) make up the next largest share (16.9%), whilst only 5.1% will go on to study a modern foreign language.

However, only **9.6% of Norfolk and Suffolk residents undertaking a STEM-related**

degree will choose to do it at a local institution, compared to 46.5% of those studying arts, humanities or social sciences degrees. Likewise, only 20.2% of students (from any destination) attending institutions in Norfolk and Suffolk will study a STEM subject, compared to 29.2% in Greater Lincolnshire and 29.8% in Hertfordshire.

Despite its increasing popularity and accessibility, this pursuit and opportunity for higher education is quite unevenly spread across the two counties. As Figure 2.8 shows, there are areas with a significant

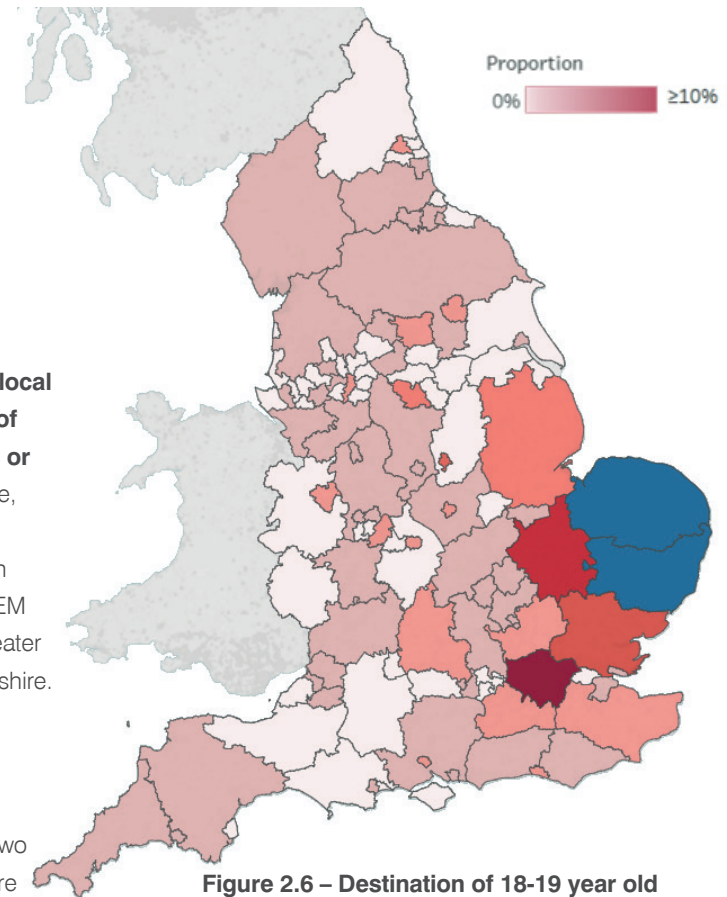


Figure 2.6 – Destination of 18-19 year old university-goers from Norfolk and Suffolk, 2012-14

| Subject area | Share (of total university-goers) | Retention rate | Most popular external location |
|--------------------------------------|-----------------------------------|----------------|--------------------------------|
| Arts, humanities and social sciences | 54.8% | 46.5% | London (8.2%) |
| Clinical subjects | 16.9% | 61.1% | London (7.6%) |
| Modern foreign languages | 5.1% | 33.1% | London (9.8%) |
| STEM subjects | 23.2% | 9.6% | London (6.1%) |

Figure 2.7 – Subject shares and retention rates of 18-19 year old university-goers from Norfolk and Suffolk, 2012-14

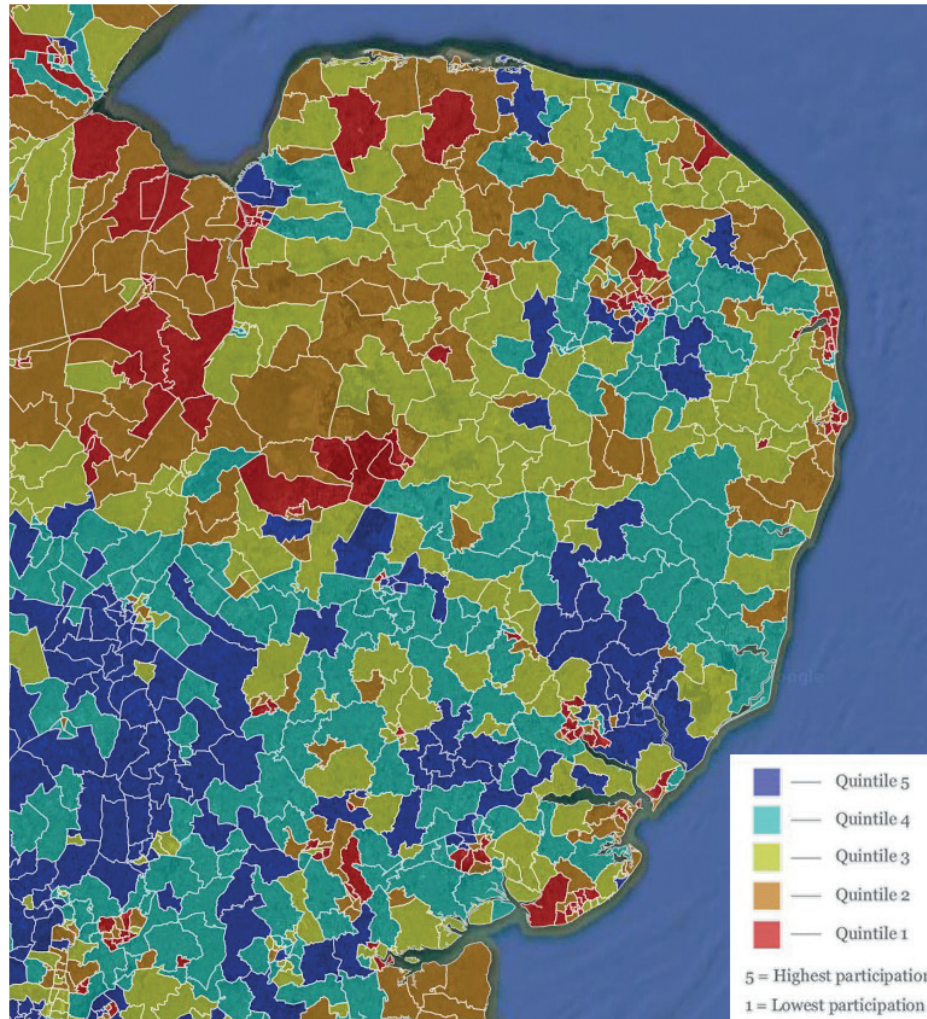


Figure 2.8 – Higher education participations rates, 2012-14

under-representation of students accessing higher education, particularly in the west and east of Norfolk, and concentrations within and around Ipswich and Norwich.

This broadly follows the patterns of deprivation in the two counties, which unsurprisingly reaffirms the notion that **those**

from disadvantaged backgrounds are considerably more unlikely to go on to higher education and achieve higher-level qualifications.

There were, however, more positive signs in parts of Suffolk, especially north of Ipswich and in the south and west of the county, and in areas

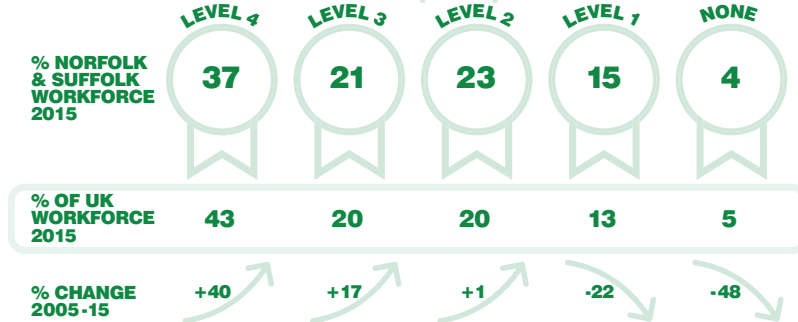
around greater Norwich, with participation rates well in line with and above national averages.

Opening up the accessibility and quality of further and higher education for those from disadvantaged backgrounds is a critical component of enabling more inclusive growth and also driving up the skills levels of the local workforce.

Skills and qualifications in the New Anglia economy

When considering the above analysis, it is therefore unsurprising to see that the workforce in Norfolk and Suffolk **has a lower-skill profile compared with to the UK equivalent.**

NVQ QUALIFICATION LEVEL (2015)



For example, there is a **significantly lower proportion of workers educated to NVQ4 in Norfolk and Suffolk**; in 2015, only 36.7% of the local workforce commanded such qualifications, compared with 42.9% nationally.

There is also a higher share of workers at the opposite end of the skills spectrum, with those at only NVQ Level 1 accounting for 14.6% of the workforce, compared with 12.9% nationally.

The local workforce does, however, have an above-average share of NVQ2 and 3 qualifications, testament largely to the higher incidence of non-academic and vocational attainment and lower rates of progression into higher education.

Taking a more detailed perspective shows that there is particular under-representation in higher-

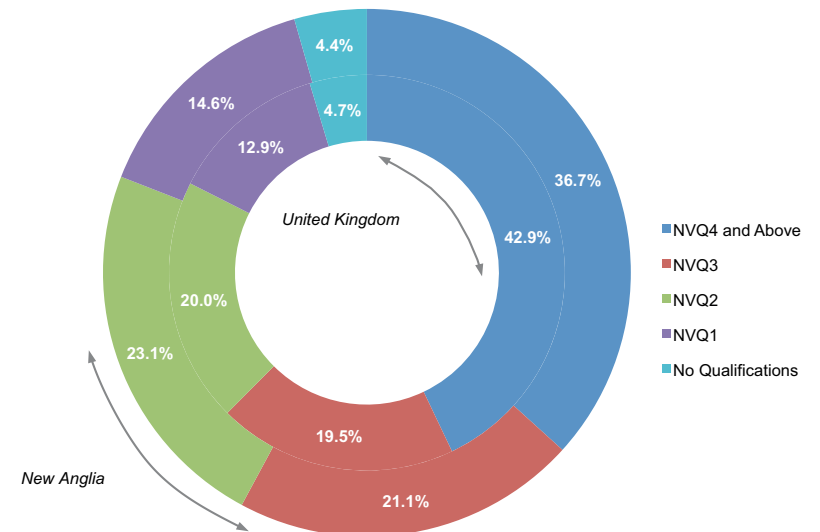


Figure 2.9 – Skill level of the New Anglia area as a percentage of the workforce, 2015

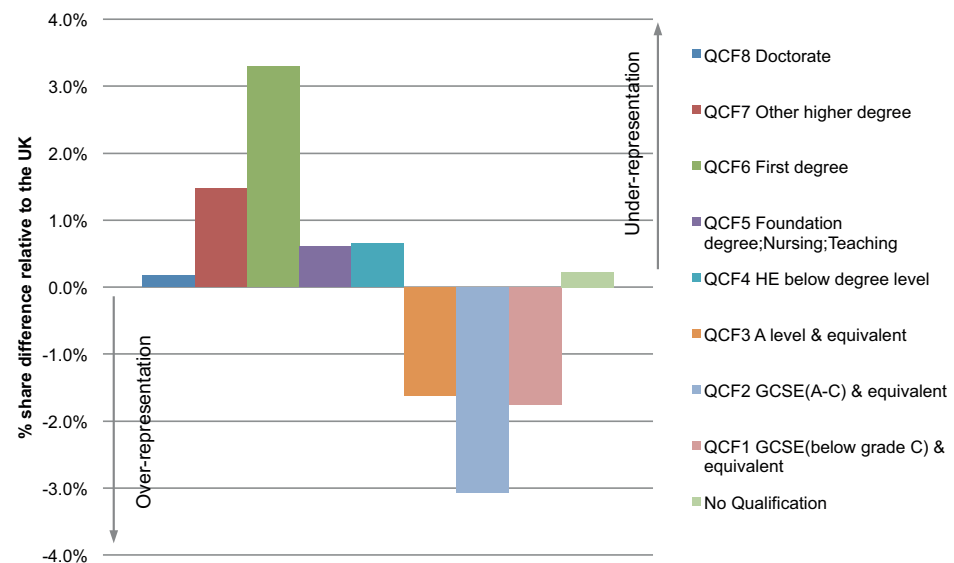


Figure 3.0 – Over/under-representation of qualifications in the New Anglia area workforce relative to national average, 2015

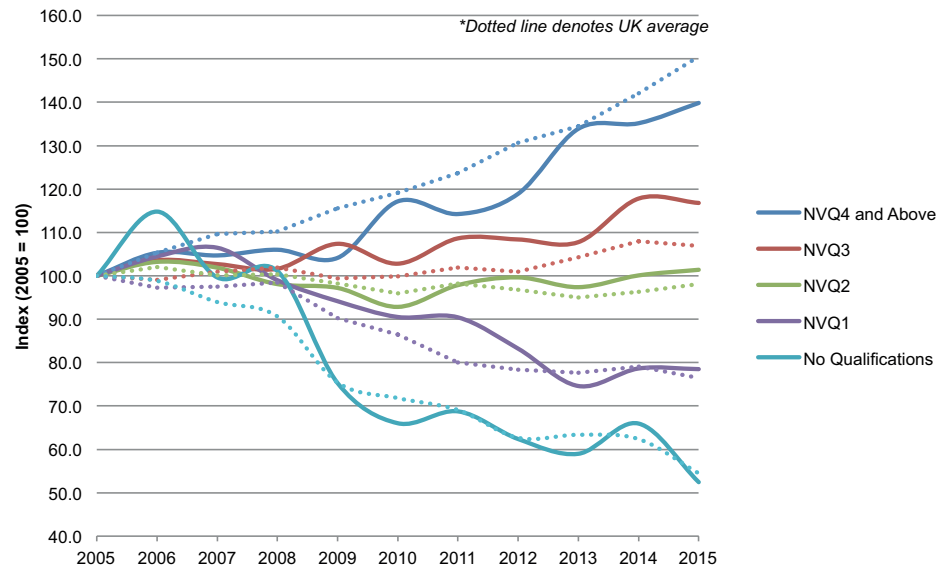


Figure 3.1 – Change in the skill level of the New Anglia area workforce, 2005-15

level qualifications, especially first degrees, as a share of the workforce in Norfolk and Suffolk. Interestingly though, the share of doctorate qualified workers (1.1%) is only marginally below the national average (1.2%).

The share of those that are only qualified to GCSE and equivalent, however, is considerably higher than the national average (42% compared with 37% nationally). A further half of these are qualified below the pass-rate at GCSE (and its equivalent).

Reassuringly though, and indicative of the high levels of participation in education locally, the New Anglia area workforce has a lower

proportion of workers with no qualifications compared to the national average.

Despite this, **the skill levels of the workforce in Norfolk and Suffolk are rapidly improving**, as it becomes increasingly better qualified, with providers and students **responding to employer demands** for a more highly-skilled workforce, whilst employers themselves look to upskill and re-educate their current workforce.

For example, **over the past 10 years** (2005-15), the number of **workers qualified to NVQ4 has increased by some 40%** in the two counties, despite the workforce expanding by only 6% during this time.

In particular, those **qualified to a first-degree level** (i.e. graduates) has **increased by 58%**, which when combined with low residential participation rates indicates a potential 'brain gain' in the two counties.

Likewise, **those that report having no qualifications has halved** over this time, with an ever-increasing share of the local workforce becoming qualified to a recognisable level (the majority of which would have been through in-work training and skills provision).

Similarly, those in the workforce with **below the pass rate at GCSE** (and its equivalent) have **decreased by 20%** during the same time, testament again to an ever more highly skilled workforce.

These rates of change have broadly been in line with the national average, though Norfolk and Suffolk have retained a slightly higher (and increasing) share of the workforce qualified between NVQ2 and 3 and a slightly slower increase of NVQ4 qualified workers.

This direction of change is expected to continue at an unbridled pace in the future; **by 2024, almost half of the workforce (46.7%) will be qualified to NVQ4** in Norfolk and Suffolk, a 10% increase on its current share of 36.7%.

By this time, **graduates** (including first degree and postgraduates) **will account for 33.7% of all jobs** in the two counties, in contrast to its 25.8% share at the moment.

In fact, there will be a net increase of 98,000 jobs in the two counties between now and 2024 which will command a higher degree or qualification of some kind, an increase of 33.8% on current levels (at the same time, the total number of jobs is set to increase by only 5.2%).

Likewise, **by 2024, only 1.6% of the workforce locally will have no qualifications at all** – this is almost a tenth of what the share was in 2001 (10.4%).

In essence, **the New Anglia area workforce will be more highly skilled than ever before**, boosted by an ever-increasing share of those with a higher education qualification.

Skills shortages and employer perspectives

However, an increasingly better-qualified workforce does not necessarily mean there is, or will be, a perfect alignment of skills in the local labour market – **currently, there exists some quite significant (and increasing) skill shortages and misalignment** in particular industries and areas.

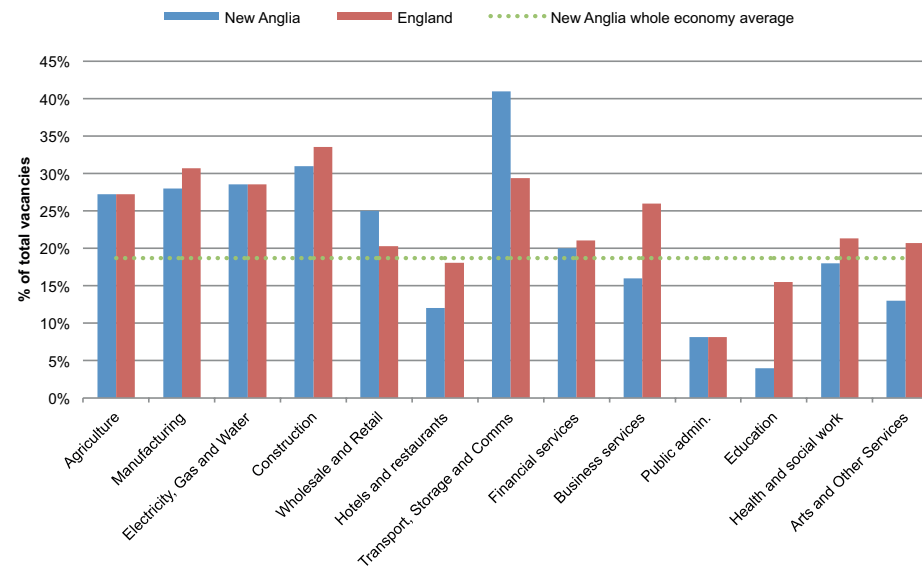


Figure 3.2 – Skills shortage vacancies in the New Anglia area by industry, 2015

For instance, **in 2015 some 3,700 vacancies** – or 18.6% of all employer vacancies in Norfolk and Suffolk - **went unfilled due to a lack of suitably skilled applicants**. This could have **cost the local economy an estimated £170 million**.

A further **7,200 vacancies** – or 36.1% of all employer vacancies in Norfolk and Suffolk - **were regarded as ‘hard to fill’** by local employers.

Skills were again regarded as the leading determinant of such vacancies - directly accounting for 32% of all hard to fill vacancies in the two counties - though this was below the national average of 37%.

Interestingly, Norfolk and Suffolk employers

regard suitable work experience (or a lack of) as the next most significant determinant, explaining 21% of hard to fill vacancies locally, compared with 16% nationally.

Overall, it appears the incidence of **skills shortages in Norfolk and Suffolk are much lower than in other parts of the country**.

For instance, the **share of vacancies going unfilled locally because of skill shortages (18.6%) is below the national average (22.6%)**, and in fact was the 6th lowest of all 38 LEP areas.

In fact, as a share of all employers, **only 4% reported having a skills-shortage vacancy**

in 2015, below the national average of 6%, and the **joint-lowest of all 38 LEP areas**. The area also had the 10th lowest share of hard to fill vacancies amongst LEP areas.

This indicates that **employers in Norfolk and Suffolk are amongst the most satisfied in the country in terms of the skill level of available applicants**, despite local students performing below average across conventional skills attainment matrices.

However, it should be emphasised the number of **skills shortage vacancies fluctuates from industry to industry**, with the local area having especially pronounced shortages within skilled and technically demanding industries.

For instance, almost half (41%) of all vacancies in both transport and logistics and digital and communications went unfilled in Norfolk and Suffolk, compared with 29% nationally.

Within manufacturing and construction, 28% and 31% of all vacancies respectively went unfilled due to skills shortages, though these were both below the national average for each industry. The wider wholesale and retail trades were the only other industry group to have a higher incidence of skills shortages relative to the

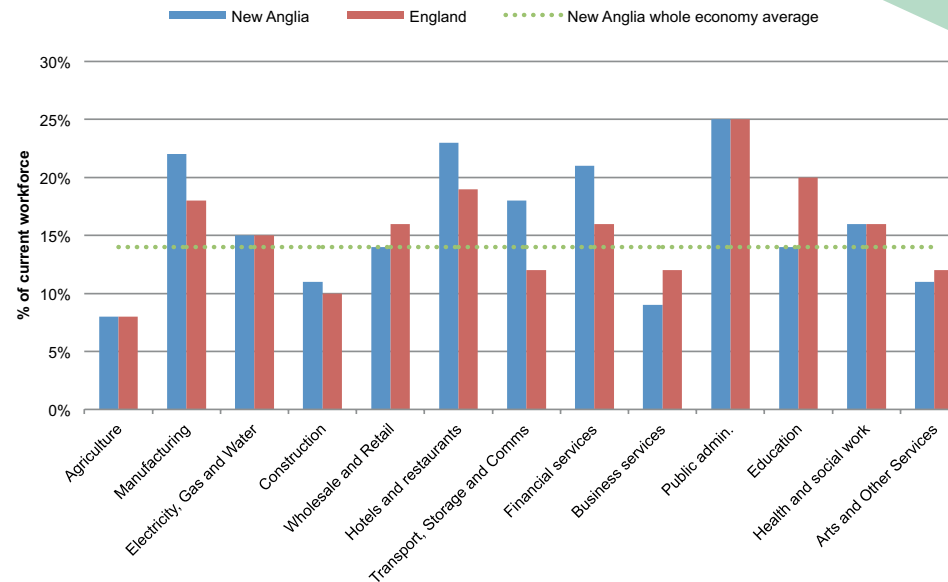


Figure 3.3 – Skills gaps in the New Anglia area by industry, 2015

national average, with a quarter of all vacancies going unfilled compared with 20% nationally.

However, vacancies are only one interaction of skills within the labour market, with deficiencies and shortages evident within organisations and existing staff; so-called 'skills gaps'. For instance, **around 6,600 employers**, 14% of all employers in Norfolk and Suffolk, **admit to having skills gaps (i.e. existing staff that are not fully proficient)** in their role. This **equates to around 22,400 employees**, or 3.5% of the workforce in the two counties.

63% of employers suffering from such skills

gaps felt it had a negative impact on how their business performs, whilst a further 45% will primarily respond by simply increasing the workload of other, more proficient employees.

Similar to skills shortages, the incidence of such gaps varies from industry to industry and shows a slightly different pattern to that of skill shortage vacancies. For instance, hotels and restaurant trades account for the highest incidence of skills gaps, with almost a quarter (23%) of its employers in Norfolk and Suffolk having a staff member not proficient in their role.

This is closely followed by manufacturing,

with 22% of employers in the industry reporting skills gaps, compared with only 18% nationally. Transport and communications again features highly, substantially ahead of national averages (18% versus 12%).

Financial services (21%) and health and social care (16%) make up the remaining industries that have an above average incidence of skills gaps, at rates in line with and above the national average.

Despite such gaps, it does appear that within the wider national context, Norfolk and Suffolk again has a much lower incidence of skills gaps relative to national and regional peers. For instance, as a share of the total workforce, the local area has the joint-lowest incidence of skills gaps of 38 LEP areas, with only 3.5% of the workforce not proficient in their role (below also the national average of 5%).

This again indicates a workforce that, despite being amongst the lower end of the skills spectrum in the UK, is amongst the most aligned to the needs and demands of its employers. However, substantial skills shortages and gaps do exist in the two counties and are particularly acute in certain industries and activities, occasionally at rates above the national average.

This is especially notable in typically higher value

and higher growth industries (e.g. ICT, digital, finance and manufacturing), whose potential moving forward may be tempered by a lack of suitably qualified and able staff.

Some caution should also be urged in translating trends from such employer-based surveys. They are also only a snapshot in time, and are very difficult to project forward and use as a gauge of employer readiness for future labour market changes.

But it is apparent employers have recognised some of these challenges and are increasingly proactive about overcoming skill shortages and ensuring the work-readiness of local students. For instance, **in 2014 almost half (42%) of all employers in the two counties entertained a student on work experience, which was the 4th highest rate of 38 LEP areas.**

Moreover, some **21% of employers locally have entered a local school and offered some kind of work inspiration, which was the 6th highest rate of 38 LEP areas.** Such initiatives highlight a proactive and engaged employer base in the skills system in Norfolk and Suffolk and one that is keen to see a step change in skills levels locally.

Lifelong learning, in-work training and apprenticeships

In 2015, **some 2,000 students and graduates entered sustained employment in the Norfolk and Suffolk labour market, a 0.3% share of a 780,000 person-strong workforce.** This highlights the fact that any initiative aiming to deliver significant change and improvement in skill levels locally should also account for the 99.7%, and not solely focus on addressing only young people's attainment and capabilities.

Labour market and demographic trends also reiterate the need for a holistic approach to driving and adapting skills and technical expertise. Norfolk and Suffolk's current workforce for instance is likely to work much longer than those before it, **with the average retirement age for current workers expected to be 67, compared to 59 for current retirees.** The average worker is also likely to go through a multitude of different careers and industries in their lifetime. **Compared to the historic 'job for life' model, the current worker is expected to go through nine different jobs in their professional career,** highlighting the

importance of transferable and adaptable skills and capabilities.

Related to this is the fact **longer-term economic trends, such as automation, outsourcing and digitisation, will see up to 18,840 jobs disappear by 2024 in traditional, labour-intensive occupations in Norfolk and Suffolk.** Re-skilling and re-integrating such displaced persons will also require a concerted effort. The above trends are also accompanied by a fast-moving and rapidly-changing world of work, particularly with the permeation of technical, digital-based skills and an increasing emphasis on softer, customer and client-facing aptitude.

To satisfy some of this demand, apprenticeships have emerged as a popular, cost effective work-based training programme. Apprenticeships aim to be designed around the needs of employers and offer the opportunity for workers to gain fully-recognised qualifications. They are not just for school-leavers, and can be used by businesses to employ new staff, as well as develop current employees.

Within Norfolk and Suffolk, **apprenticeship numbers surged in the years after the**

recession, with 67,500 apprenticeships created in the two counties between 2011 and 2016. However, government interventions and reforms to funding have caused reductions in the numbers starting an apprenticeship, with a differing impact across age groups. **It is expected that the introduction of the levy and new standards will also reduce the numbers participating** in 2016/17.

Looking at the period from 2011/12 to 2015/16, the number of 16-18 starts has increased year on year in Norfolk (and also in Suffolk with the exception of 2012/13). The 19-24 starts across New Anglia were adversely affected by the changes to funding in 2013/14 across the whole country. With the exception of this year, starts have remained broadly constant in Norfolk and have gradually reduced in Suffolk. The 25+ starts were greatest in 2011/12 and declined in both counties as government policy sought to focus attention on the under-25's. Since apprenticeships of all ages emerged as a priority, the numbers have recovered but have still not yet hit the highs seen in 2011/12.

The number of Intermediate (Level 2) starts has been declining steadily since 2011/12, with the exception of 2013/14 where government policy

encouraged those 24+ to take Level 2, as Level 3 or above required a loan. This artificially pushed up the number of starts in that year as individuals and employers looked for something they could access that would still be free of charge.

Advanced (Level 3) Apprenticeships have increased to their highest level in 2015/16, when ignoring the reduction that was caused as a result of government policy in 2013/14. Higher and Degree level Apprenticeships were a relatively new concept in 2011/12. Again with the exception of the 2013/14 year, there has been constant and significant growth in every year since 2011/12. This is expected to grow further in the coming years as the levy encourages businesses to train existing staff in their organisations through an apprenticeship.

Sectorally, the Health and Social Care sector has led the growth in both counties since 2011/12, with other service industries like retail (that includes Hospitality) and business administration also delivering high numbers. Higher value, more technically demanding apprenticeships, such as advanced manufacturing and engineering, ICT, construction and agri-tech have seen lower and

slower delivery despite acute skills shortages and gaps within such sectors.

Some businesses will rely on providing training and workforce development independent of formal government policy and frameworks. In 2015 for instance, **65% of all employers in Norfolk and Suffolk engaged their staff in some kind of training (excluding apprenticeships)**, which was in line with the national average of 66%. Up to half of such training was through digital platforms and e-learning, whilst there was a roughly even split between training that was provided on or off job.

Such training **provided opportunities for some 406,000 employees** within the Norfolk and Suffolk workforce, who **received on average 7.5 training days throughout the year**. This was some way **above the national average of 6.8, and was in fact the 9th highest total out of 38 LEP areas**, reflecting a largely active and engaged employer base in terms of training and workforce development. Impressively, some 19% of local employers had also reported collaborating with another employer for training and skills development.

Training intensity varies across industries, with

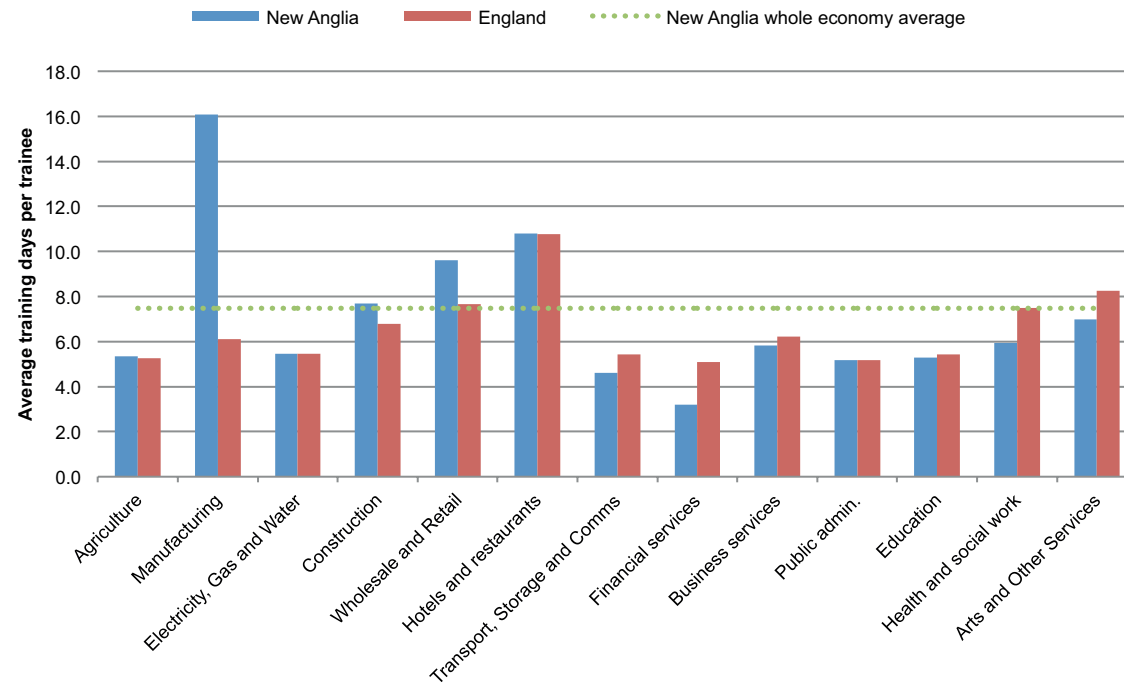


Figure 3.4 – Average training days per trainee in the New Anglia area by industry, 2015

Norfolk and Suffolk manufacturers leading the way with an impressive 16.1 training days per trainee in 2015; almost three times the amount provided by manufacturers elsewhere in the country. The local construction trade also features highly, at 7.7 training days per trainee, which is again above the national equivalent.

Two customer service facing industries, wholesale and retail and hotels and restaurants, also provide above-average training for its

workforce, at 9.6 and 10.8 training days per trainee respectively. However, the remainder of Norfolk and Suffolk's services industry, including finance, ICT and digital and health and social work, provide less training days than the national equivalent, and less than the 7.5 average for the area as a whole.

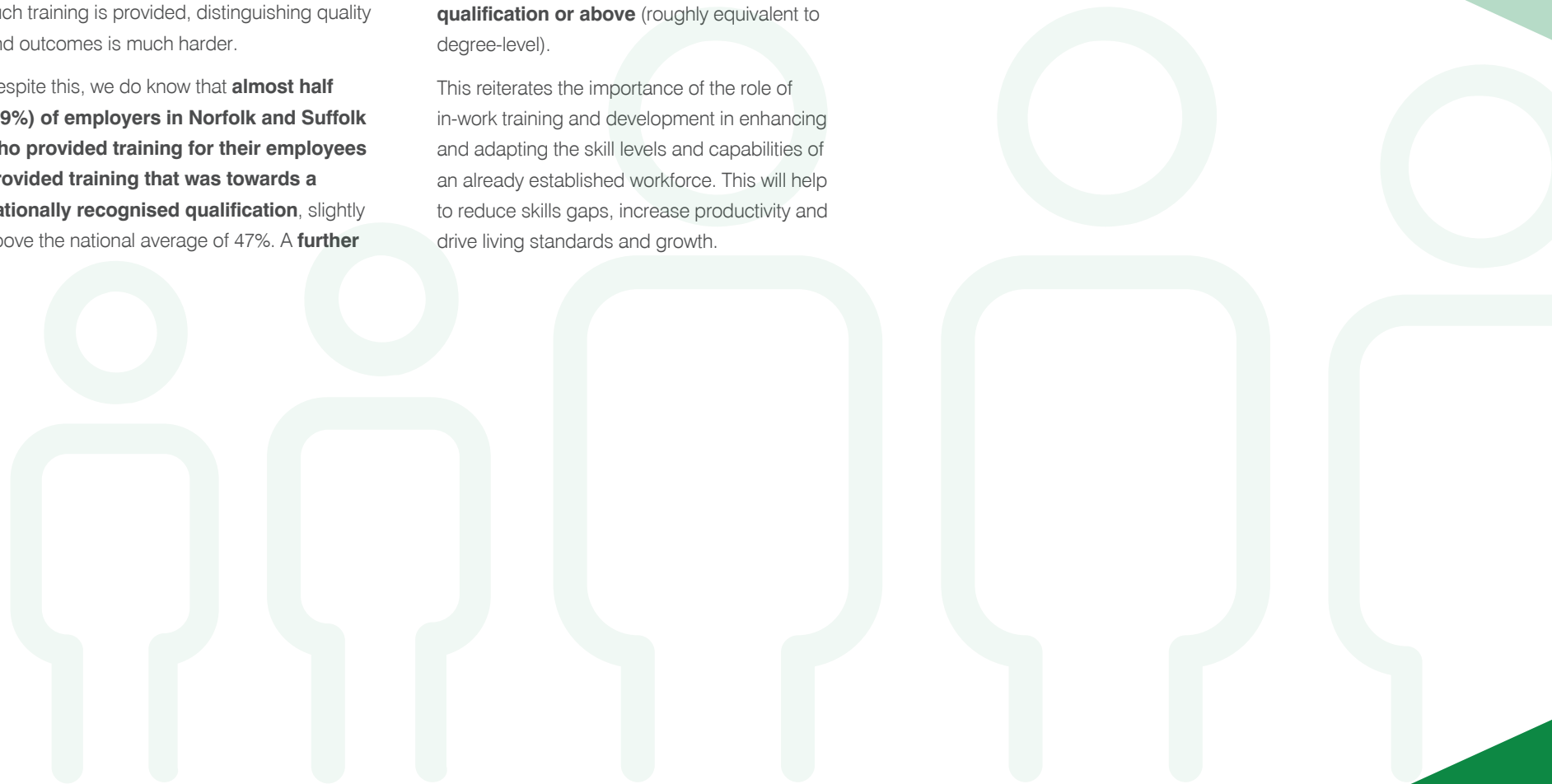
However, much like the data related to skills shortages, the employer-based surveys used to draw such data can be volatile and are only

a snapshot in time. Likewise, though it is easy to ascertain the quantity and intensity at which such training is provided, distinguishing quality and outcomes is much harder.

Despite this, we do know that **almost half (49%) of employers in Norfolk and Suffolk who provided training for their employees provided training that was towards a nationally recognised qualification**, slightly above the national average of 47%. A **further**

17% of such employers sent employees on training courses working towards a Level 4 qualification or above (roughly equivalent to degree-level).

This reiterates the importance of the role of in-work training and development in enhancing and adapting the skill levels and capabilities of an already established workforce. This will help to reduce skills gaps, increase productivity and drive living standards and growth.



82%

OF WORKING POPULATION

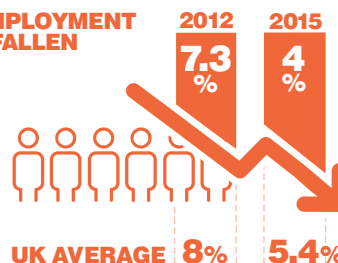


IN WORK OR ACTIVELY
LOOKING FOR WORK



ABOVE UK RATE OF **78%**

UNEMPLOYMENT
HAS FALLEN



AGE 65+ IN EMPLOYMENT

2009
18,700

2015
35,500

89%
INCREASE

COMPARED TO **55%** UK AVERAGE

EMPLOYMENT RATE:
POPULATION AGED 16-64 IN WORK

78%

COMPARED WITH
74%
ACROSS THE UK

GROWTH
IN FULL-TIME
EARNINGS

6%



COMPARED TO **3%** UK AVERAGE

EMPLOYMENT IN
LOW PAYING INDUSTRIES

53% NEW ANGLIA LEP
47% UK



AVERAGE FULL-TIME
EARNINGS

£598.9

BELOW UK AVERAGE OF **£643.9**



AVERAGE PART-TIME
EARNINGS

£196.6

BELOW UK AVERAGE OF **£215.9**

WAYS OF WORKING

14% SELF EMPLOYED

86% EMPLOYEES

COMPARED TO UK

13%

87%

COMPARED TO UK

31%

69%

CONTRACTED HOURS OF WORK

34% PART TIME & TEMPORARY

66% FULL TIME

EMPLOYMENT, JOBS AND EARNINGS

By enabling the changing employer demands for production and growth to be met by the sustainable supply of suitable and quality human capital, competitive employment and jobs growth can be secured.

The New Anglia area currently has a resilient, flexible and accessible labour market, with record high levels of activity and employment outpacing regional and national averages. Jobs vary across a diverse range of occupations, industries and activities, reflecting the different skills, capabilities and experiences of the local workforce.

However, the region's labour market, like those in many advanced economies, is rapidly changing and evolving, with a number of risks, challenges and opportunities having the potential to—and indeed already—changing how our labour markets work and function.

82%

OF WORKING POPULATION



IN WORK OR ACTIVELY
LOOKING FOR WORK

↑ ABOVE UK RATE OF 78%

ECONOMIC ACTIVITY, WORKLESSNESS AND UNEMPLOYMENT

Economic activity measures the foremost interaction of a population in the labour market, whether it is those actively involved in the labour market (be it through employment or looking for a job), or those not involved in the labour market, whether willingly (i.e. students, or retired) or unwillingly (such as long-term sick or disabled). Unsurprisingly, higher rates of economic activity ensure a more productive use of human capital, contributing to a stronger economy, higher productivity and lower levels of inequality, exclusion and deprivation.

There are currently **record high levels of economic activity in the labour markets** of Norfolk and Suffolk (that is, people in employment or actively looking for employment), equating to 81.5% of the working age population, which is not only an increase on the previous year's record, but comfortably ahead of the national (78%) and regional (81%) averages.

When broken down by gender, **87.2% of working age males in the two counties are economically active, in contrast to 75.8% of**

all females, though both remain ahead of their respective national averages (83.3% and 72.8%).

However, these rates are undergoing remarkably different trajectories, with male activity steadily decreasing from its record highs of 93% in the early 1980s, whilst female rates have rocketed from lows of 57% during the same period.

In fact, since 1981, **the number of economically active females** in Norfolk and Suffolk **has increased by 68%, compared with 17% for males**. Almost three-quarters of the net increase in economic activity during this time has come from females moving into the labour market.

In contrast to the economically active, **those that are not actively involved in the labour market** (both willingly and unwillingly, short-term or long-term) **account for 18.5% of the working age population** in Norfolk and Suffolk. This again is a record rate – **a record low** – and markedly lower than historic averages, such as 25% in the early 1980s. This is also lower than the rates shown nationally (22%) and regionally (19%), further emphasising the two counties' robust labour market.

Before the recession, the rate of inactivity was

relatively constant, rarely shifting from around 21% between 1990 and 2008. Since 2011 however, there has been a noticeable and quite unprecedented decrease in those classed as economically inactive.

This indicates that **an increasing number of people are moving into the labour market who have previously been out of it** (and some of these may have been out of it for substantially long periods of time – i.e. the structurally inactive).

Unsurprisingly, as a share of the working age population, **males have much lower rates of inactivity** in Norfolk and Suffolk (12.5%) **compared with females** (24.2%). Both of these rates again **outperform the respective national averages** (16.7% and 27.2%).

As a result of increasing economic activity, **working age female inactivity has almost halved since 1981** (when rates were 43.3% - that is, almost half of all females were not involved in the labour market). **Male inactivity has steadily increased** during the same period and is around a third higher than what it was 30 years ago.

There are a number of reasons why a person

may choose (though not always willingly) to be economically inactive. Currently, those that are looking after their home or family account for the largest proportion - just over a third (30.5%) – and the vast majority (93%) of these are female.

The next largest share is accounted for by those who are long-term sick or disabled (27.5%), of which both male and females are relatively evenly represented (47% versus 53%).

When compared with national averages, Norfolk and Suffolk retains a much higher share of those looking after their home and family (30.5% versus 24.7%). This is exclusively accounted for by females, 43% of whom will cite such reasons for inactivity, against a national rate of 35.5%.

The area also has an above average share of long-term sick or disabled (27.5% versus 25.7%), whilst students – unsurprisingly – are under-represented relative to national shares.

Reassuringly, those citing other reasons (including the problematic ‘discouragement’ from the labour market), are some way below the national average.

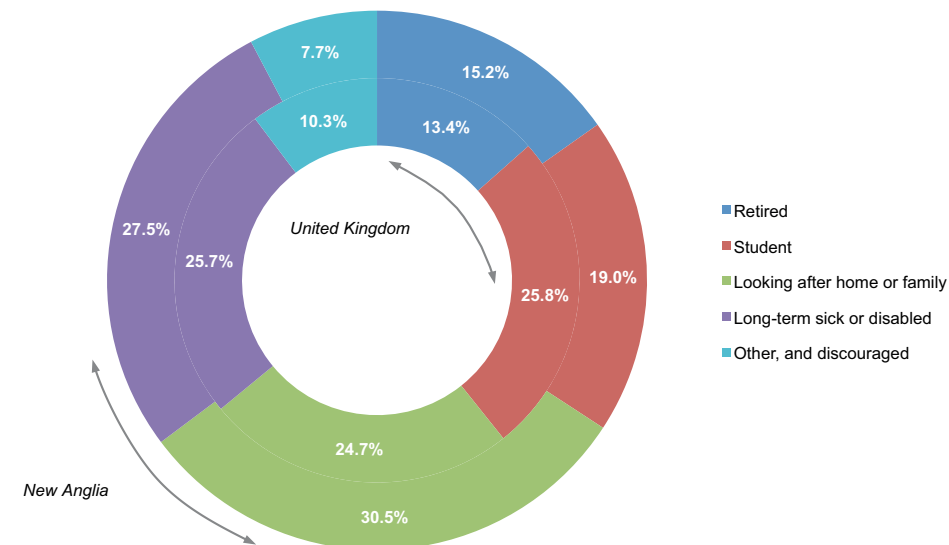


Figure 3.5 – Reasons for economic inactivity (for those of working age) in the New Anglia area, 2015

It is estimated that **66.3% of those that are economically inactive** in Norfolk and Suffolk **are not currently looking for a job** (i.e. are structurally inactive). This is slightly below the national rate of 68.4%, indicating a marginally higher share of residents who are involuntarily inactive.

The recent and pronounced drop in inactivity has also been felt very differently across respective demographic groups. For instance, **the number of inactive working age residents reporting to be in full time education has increased quite substantially** (+50%), over the past 15 years (2001-15). This pace of change is in line with the national average and highlights the increased higher and further education offer locally.

Those looking after home or family has remained relatively constant during this period, though has decreased sharply in recent years, driven by females moving into the labour market.

Notably, **there has been a marked increase in those reporting to be long-term sick or disabled** locally, contrary to national patterns and since 2012 an additional 8,500 residents have cited such reasons for their inactivity.

It is clearly evident that **the largest drop in inactivity has been accounted for by those under-65 who were formerly retired**. After quickly leaving the labour market at the first signs of the recession (whether voluntary or forced), from 2010-11 there has been a pronounced shift downwards in inactivity, as a large number of ex-retirees have re-entered the labour market.

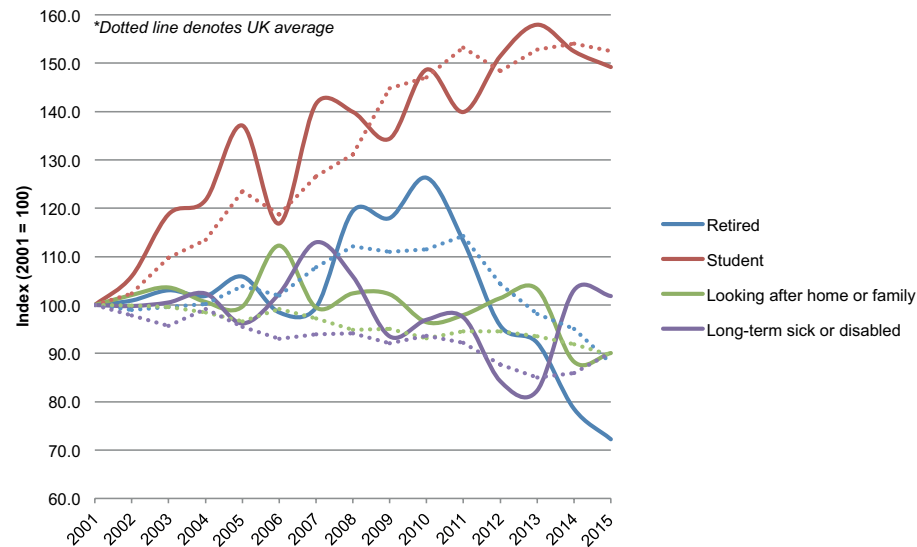


Figure 3.6 – Change in reasons for economic inactivity (for those of working age) in the New Anglia area, 2001-15

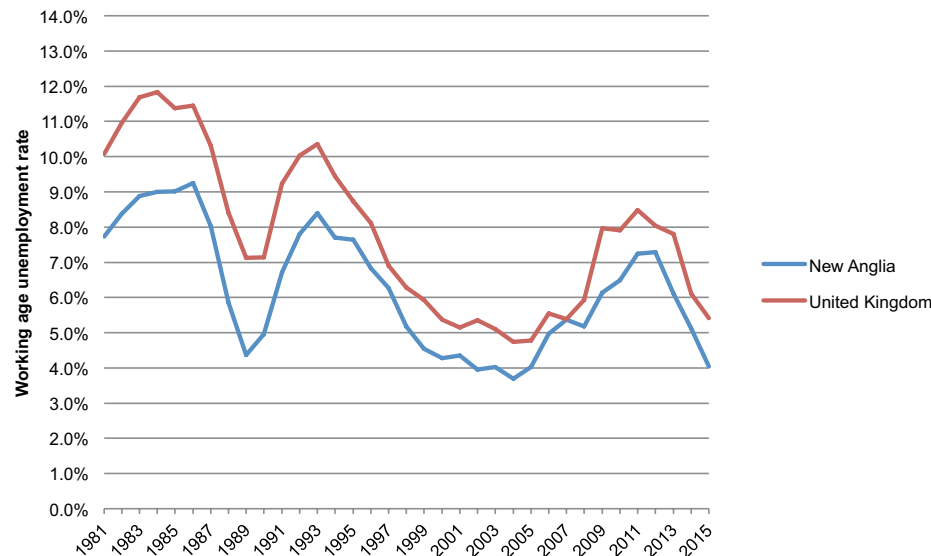
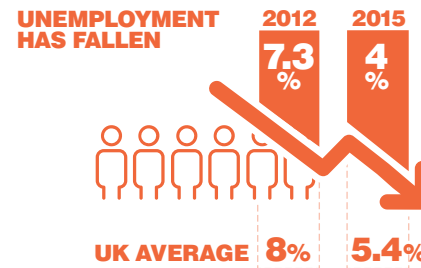
This local pattern is even more pronounced than national rates, with the number of working age retirees halving between 2010 and 2015, almost double the national average. This is especially true for females in Norfolk and Suffolk, who have accounted for 94% of retirees moving away from inactivity.

The vast majority of these will have returned straight into employment, which accounts for 96% of all those economically active in Norfolk and Suffolk. The remaining 4% are made up

by those actively seeking employment (i.e. the unemployed).

Currently, **those actively looking for work (the unemployed)** numbered only 31,500 in 2015 across the two counties. This is almost half its peak at in 2012, and is its **lowest recorded total since 2005**.

When taken as a share of the economically active working age population, as of 2015 the New



**Figure 3.7 –
Unemployment
rate (16-64) in the
New Anglia area,
1981-2015**

Anglia area has an **unemployment rate of 4%**. Though not a record low this is comfortably within its natural lower rate of unemployment and some way below national (5.4%) and regional averages (4.3%).

This is also **amongst the best performing rates of any advanced economy**, with unemployment in Norfolk and Suffolk currently lower than a host of international peers, such as Germany (4.5%), the United States (5.1%) and the Eurozone average (10.7%).

This is despite the local economy recovering from one of the most severe recessions on record. In fact, unemployment largely reacted counter-current to expected trends and remained stubbornly low compared with previous recessions. Its peak of 7.3% in 2012, for instance, pales in contrast to the 8.4% rate in the early 1990s, and 11.7% in the early 1980s.

This was largely because wage flexibility cushioned the shock of the recession; the dramatic and continued drop in real wages

after the crisis meant it was more affordable for firms to retain and rehire staff this time around. Resultantly, unemployment remained subdued compared with the (relatively speaking) 'lighter-touch' recessions before it.

The vast majority of those that were made redundant during the latest recession have since been able to find work and by 2015, only 20.7% of unemployed in the region were long-term unemployed (i.e. out of work for 12+ months).

This was well below the national rate of 29.5% and almost half the historic peak of 37.5% during the early 1990s recession. With long-term unemployment being incredibly destructive from an economic and social point of view, the local economy has been boosted by such rates remaining comparatively low.

However, the **rate of long-term unemployment does still remain some way ahead of pre-recession rates**, and there is a risk – particularly among males – that a small number of such long-term unemployed have moved out of the labour market altogether (i.e. the discouraged).

It is also apparent that the last recession varied in its impact across different demographic groups. For instance, males were more likely than females to be workless, and this is still the case with a **working age unemployment rate of 4.5% for males and 3.6% for females.**

Those that are young (aged 16-24) are much more likely than any other age group to be experience worklessness and in 2011 **accounted for 4 out of 10 all unemployed** in Norfolk and Suffolk. This was despite the group representing only 15.6% of those in the labour market at this time.

At its peak, the youth unemployment rate in Norfolk and Suffolk stood at 19.5%, which was the highest rate since comparable records began in the early 1990s. At this time, over a quarter (25.2%) of economically active males were unemployed.

Youth unemployment is particularly debilitating, as it often comes when a person is most able to build, absorb and develop skills and experience in the workplace. Not experiencing this can have longer-term repercussions, and has been shown to increase the risk of inequality, exclusion and poverty later in life.

Despite this, the rate of youth unemployment in

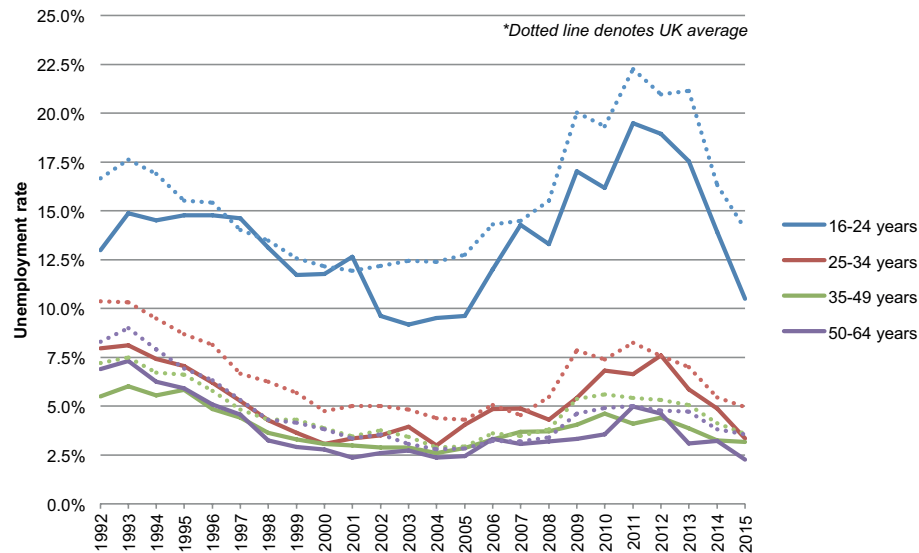


Figure 3.8 – Unemployment rate by age group in the New Anglia area, 1992-2015

Norfolk and Suffolk has eased significantly over recent years and currently stands at 10.5%, in line with pre-crisis rates and below also the national average of 14.1%.

Since 2011, some 11,000 young people have moved out of unemployment in the two counties, a decrease of 47%, in contrast to 37% nationally.

In total, young people moving back into employment in Norfolk and Suffolk have

delivered an estimated £0.6 billion boost to the regional economy since 2011, and have the potential **to deliver a further £0.4 bn** if young people's workless rates dropped to the average of other age groups..

Between now and 2020, overall **unemployment is set to decrease further, though at a much slower rate than experienced previously,** with unemployment in Norfolk and Suffolk already reaching its natural lower bound.

EMPLOYMENT, JOBS AND EARNINGS

**EMPLOYMENT RATE:
POPULATION AGED 16-64 IN WORK**

78%

**COMPARED WITH
74%
ACROSS THE UK**

Abnormally **low rates of unemployment can be problematic for some employers**, particularly those who are reliant on quick and easy access to available labour.

As a whole though, the **Norfolk and Suffolk economy will continue to show largely healthy and resilient levels of unemployment**, though this should not dissuade efforts of getting particular demographic groups, such as the young, disadvantaged and discouraged, back into work.

EMPLOYMENT AND JOBS

At the intersection of labour supply and demand sits employment and job creation, which are also two of the most widely used markers of labour market strength and dynamism. Though closely related and used interchangeably, there is a conceptual difference between employment and jobs; the former measures only people, thus the total number of jobs will always be higher than those that are employed (as people can have more than one job). Factored into this also is that employment data exclusively refers to residents (who can commute out of a region to a job).

EMPLOYMENT AND THE RESIDENT LABOUR MARKET

The New Anglia area currently has a **strong and resilient resident-based labour market**, with some 788,400 of its residents actively engaged in employment in 2015. When taken as a share of the working age population, this gives the New Anglia area an employment rate of 78.2%.

This is a **record level of employment** in the two counties, eclipsing the previous peaks of

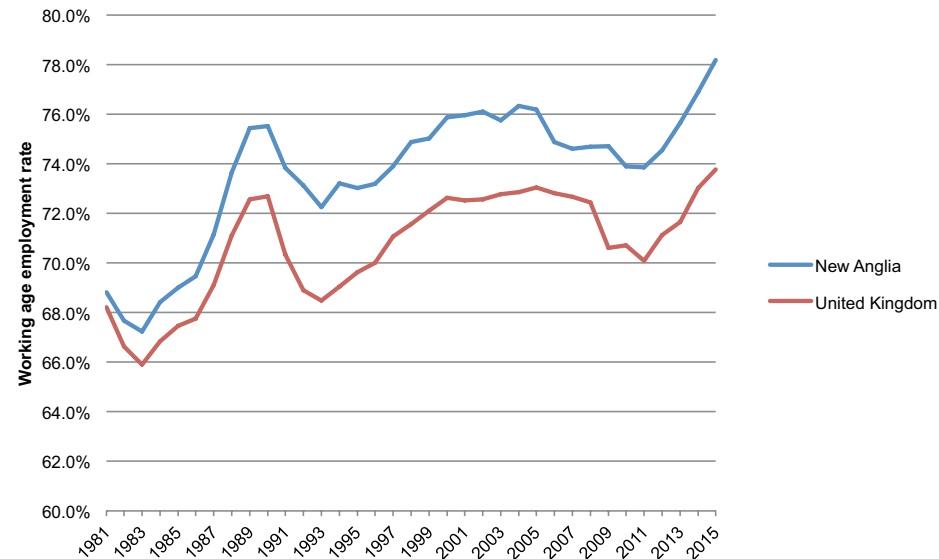


Figure 3.9 – Employment rate (16-64) in the New Anglia area, 1981-2015

76.3% in 2004 and 75.5% in 1990. This means that more people than ever before are in some kind of work in Norfolk and Suffolk.

This rate also **compares favourably with the UK average** of 73.8% and the East of England average of 77.6%. In total, since 2010 an additional 49,000 residents have moved into employment in the two counties.

It is also comfortably ahead of pre-recession rates, reflecting the rapid and quite

unprecedented recovery of the labour market in light of the debilitating recession over 2008-09.

In fact, much like unemployment, rates of employment did not contract as severely as first envisaged, as employers took advantage of flexible wages to secure larger amounts of labour.

Despite this, employment did enter a relative period of sluggishness between 2008 and 2012, as employers, though retaining labour, showed subdued signs of hiring.

Since 2012 though, **the labour market** in Norfolk and Suffolk **has been in almost constant acceleration**, with employment rates jumping by 4 percentage points over just three years.

Much like wider economic activity and participation though, employment prospects vary widely by age and gender. For instance, 83.4% of working age males are in employment in Norfolk and Suffolk, in contrast to 73% of females, largely explained by the differing rates of economic activity aforementioned.

Despite this, males, unlike their female counterparts, are not currently experiencing record levels of employment; the 83.4% rate in 2015 is some way behind its peak of 88% in

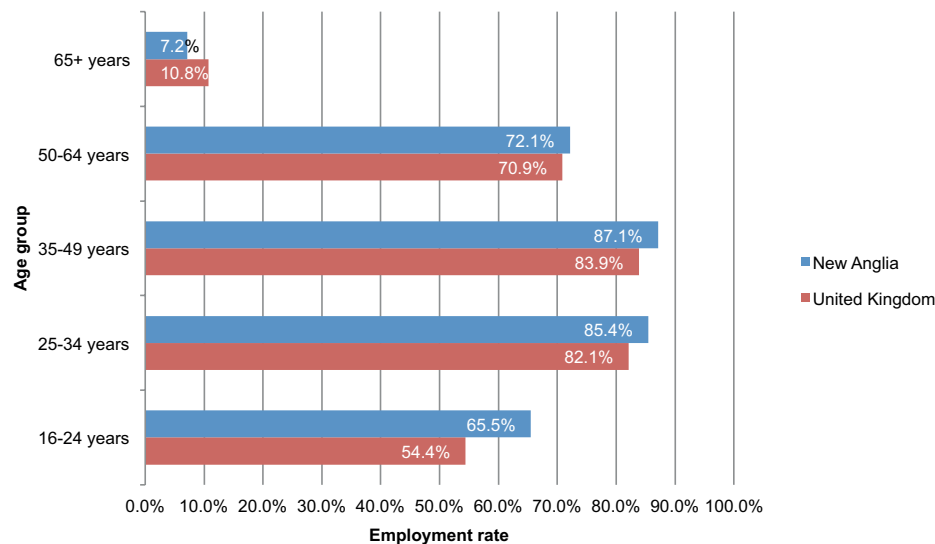


Figure 4.0 – Employment rate by age group in the New Anglia area, 2015

1989. Despite this, they continue to account for the lion's share (53.3%) of employment.

Females meanwhile **have been entering the labour market at an exponential rate over the past 30 years**, with current employment rates surging from just 52.7% in 1981. Since 2010, of the 49,000 residents in Norfolk and Suffolk moving back in to employment, just over half (52.7%) were female.

Unsurprisingly, those of prime working age are the most likely to be in employment in Norfolk and Suffolk, with rates pushing close to 90% for those aged between 25-49 in 2015. This age group also accounts for well over half (53%) of all employment locally.

The **employment rate of those aged under 24 is substantially higher** in the two counties **than the rest of the UK**, by around 10 percentage points. Though reflecting the lower rates of

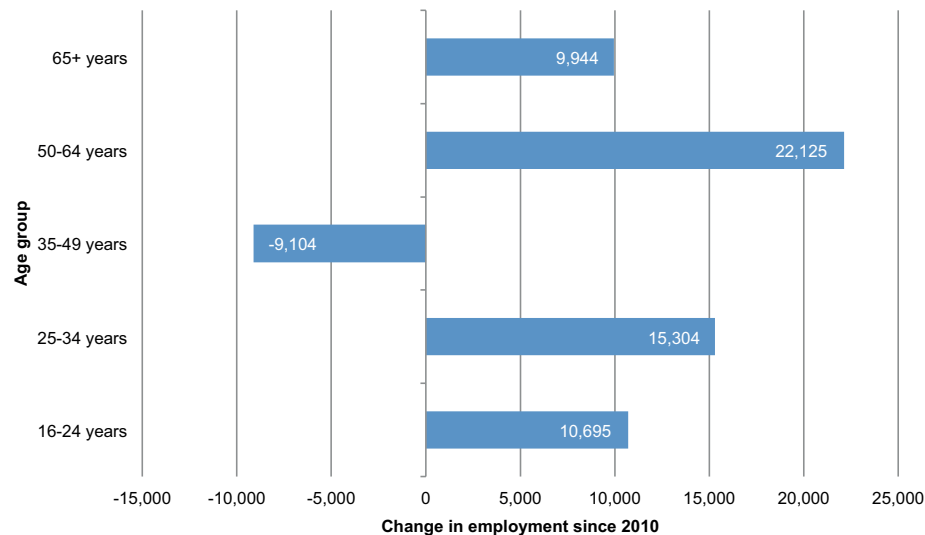


Figure 4.1 – Change in employment by age group in the New Anglia area, 2010-15

continued full time education locally, it does emphasise the high levels of participation in the local labour market .

Interestingly, the **employment rate for those aged 65 and over is lower compared with the rest of the UK** - the only time the New Anglia area's employment rate underperforms relative to the national average - potentially because of its higher share of inactive retirees.

Much like the population, the New Anglia area's **resident workforce has a slightly older age profile than the national average**; around 34% are aged over 50, compared to 30% across the rest of the UK.

The number of residents aged over 50 in work has also surged since 2010, with their numbers increasing by 13.8% in Norfolk and Suffolk, compared with 6.6% for the rest of the labour market.

In particular, **the number of residents aged over 65 in employment has almost doubled during this time**. When combined with decreasing levels of economic inactivity within retirees, this indicates a greater share of those of retirement age are continuing on in employment, or are returning to it having previously been retired.

Over two-thirds of the net increase in employment since 2010 is attributable to those aged over 50. However, this pattern is not unique to the local area and is a trend repeated nationally.

The pattern is especially evident with females, who themselves have accounted for almost two-thirds of the net employment change of those aged over 50. In fact, of the additional 29,700 females in work since 2010, 71% have been aged over 50. The above trends mean that those **aged over 50 now account for 34% of all resident employment in Norfolk and Suffolk**, up from 23% in 1995 and ahead of the national rate of 30%.

It is likely this rate will continue to increase, with an ageing population and increased economic activity amongst older generations contributing

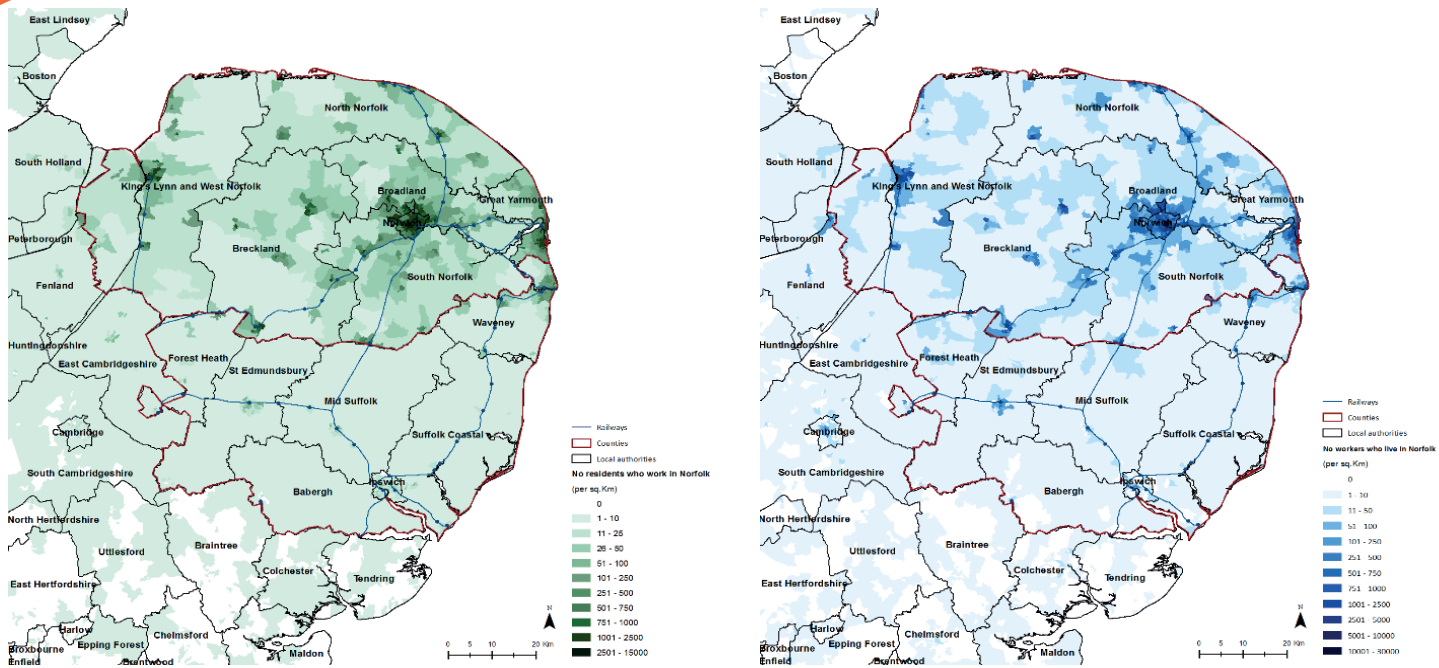


Figure 4.2 – Where Norfolk residents work (left-hand side) and where Norfolk workers live (right-hand side), 2011

to a burgeoning labour market for those over 50, historically a time when many would think about winding down their careers.

This has – and will continue – to present challenges and opportunities for the local economy, not least around areas such as skills, productivity, pay and welfare.

Nevertheless, with a currently higher share of older workers, it appears the local area is ahead of the curve in enabling a labour market that is accommodative of its ageing population. This, amongst other things, will be one of the most

important steps in contending and working with an unprecedentedly ageing population.

COMMUTING PATTERNS AND LABOUR MARKET CONTAINMENT

Commuting forms an important part of Norfolk and Suffolk’s labour market, with a large number of people commuting into, within, and out of the two counties for work.

Current estimates (2015) indicate that the local area has a net outflow of workers; there are in the region of 20,700 people commuting out of

the two counties above those that commute in.

This presents a commuting rate (taken as a share of all resident employment) of -2.6%, which is below the regional average of -5.4%. This means that, compared with the wider East of England region, net out commuting is of much lower intensity locally; around half that of areas such as Essex, Cambridgeshire and Hertfordshire.

These rates, though volatile, have remained relatively constant over time, indicating that there has not been a substantial increase in those commuting out of the two counties relative to

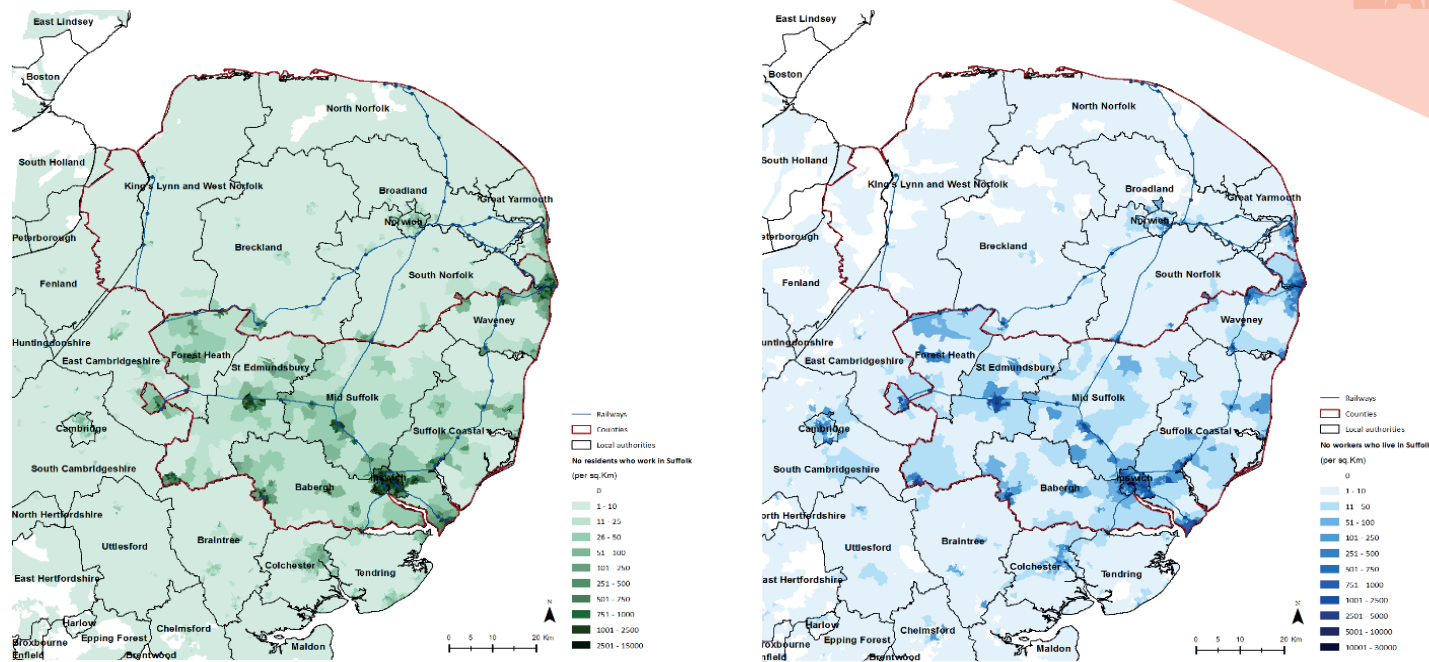


Figure 4.3 – Where Suffolk residents work (left-hand side) and where Suffolk workers live (right-hand side), 2011

those commuting in and that the local labour market continues to remain relatively self-contained.

As Figure 4.2 demonstrates, **Norfolk particularly is highly self-contained for both in and out-commuting**. There is some movement to Bury St Edmunds, Ipswich, and to some extent Cambridge, however this is relatively limited.

Meanwhile, the area covering Lowestoft and Great Yarmouth sees a higher level of in/out commuting than other areas - unsurprising

given that these two towns are the only major population centres on the Norfolk or Suffolk borders and both have major energy sectors.

There appears to be minimal commuting to/from London and its periphery in Norfolk.

Unsurprisingly, Suffolk is slightly less self-contained than Norfolk, with reasonable levels of commuting to Cambridge and Colchester, with significantly higher commuting to, rather than from, Cambridge.

Commuting generally follows rail and road networks into Essex and Cambridge, whilst

there is also a notable commuting relationship between Lowestoft and Great Yarmouth.

Although higher than Norfolk (unsurprising due to proximity), Suffolk still has relatively low levels of commuting to London, not least when compared to areas such as Essex and Cambridgeshire.

WAYS OF WORKING
14% SELF EMPLOYED
86% EMPLOYEES

COMPARED TO UK
13%
87%

COMPARED TO UK
31%
69%

CONTRACTED HOURS OF WORK
34% PART TIME & TEMPORARY
66% FULL TIME

WORKPLACE EMPLOYMENT AND JOBS

In 2015, there were an estimated **789,200 jobs based in Norfolk and Suffolk** representing a diverse range of industries, activities and geographies. This results in local jobs density (i.e. the share of jobs relative to the working age population) of 0.81, in line with the regional and national average (less-London) of 0.81 and 0.80 respectively.

The **vast majority (85.8%) of jobs** in the two counties **are conventional employer-contracted roles**, with the remainder being accounted for by the self-employed. This presents a self-employment rate of 14.2%, slightly higher than the national average of 13.1%.

A further **33.7% of all jobs** in the two counties **are part-time** (i.e. working less than 30 hours per week), which is a slightly higher incidence than the national average (30.8%). Likewise, **3% of all jobs** in the two counties **are filled by 'double-jobbers'**, some way **below the national average** of 8%.

Spatially, these jobs are relatively evenly represented across the two counties and in line with known population centres. Notable clustering

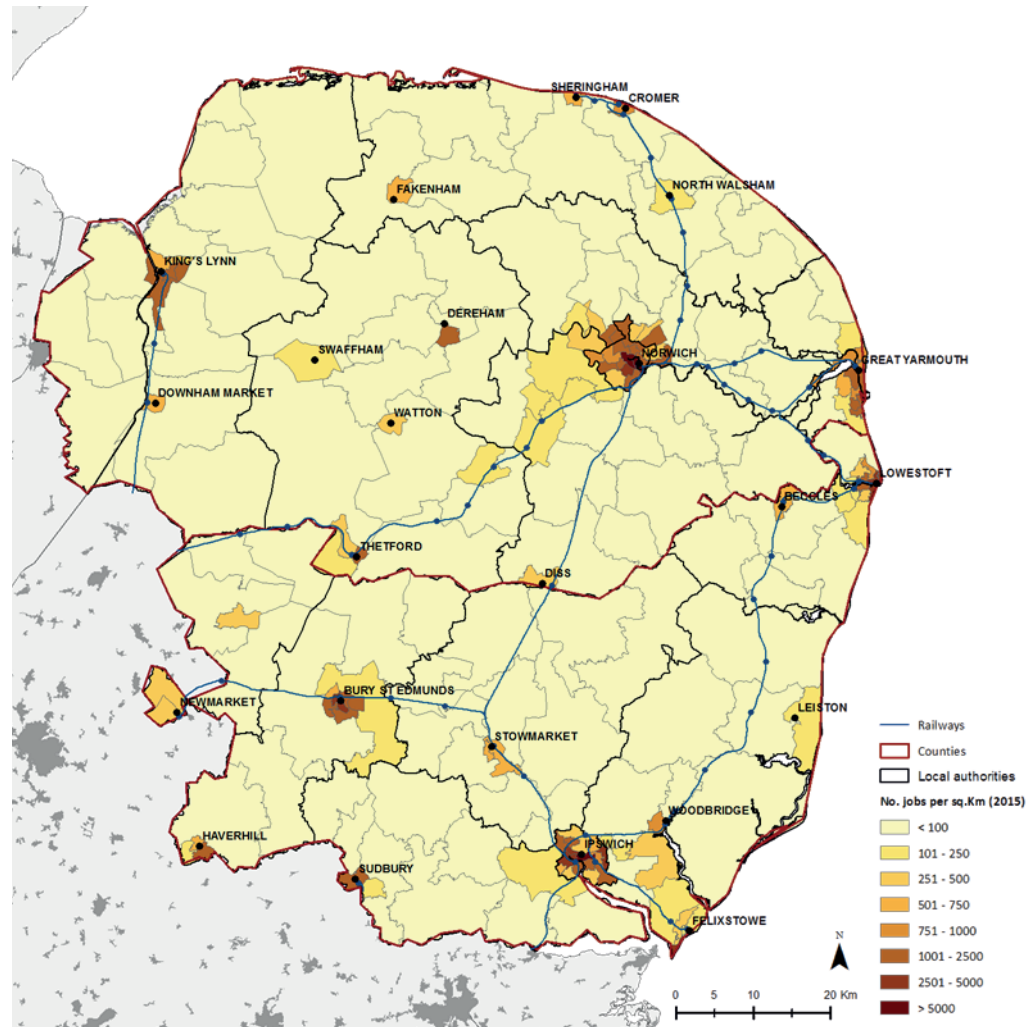


Figure 4.4 – Jobs per sq.km across the New Anglia area, 2015

is evident in and around Greater Ipswich and Greater Norwich, as well as Bury St Edmunds, King's Lynn and Great Yarmouth and Lowestoft in the east.

Since the recession, much like the wider resurgence of the labour market, job creation in Norfolk and Suffolk has rebounded strongly. After shedding 49,400 jobs over the course of the recession (2006-09), there has since been a net increase of some 56,600 jobs in the two counties, or growth of 7.6%.

This increase, however, is slightly slower than the rate of job creation across the rest of the UK, (which has seen an increase of 8.1%) and it also appears the two counties have failed to tap into the wider 'Eastern engine', which has driven jobs growth of 10.1% across the region since 2010.

Despite this, the **average annual jobs growth** of 1.3% since 2010 is **ahead of the local area's long term average** of 0.9%. This relatively strong growth compared to historic averages has **largely been attributed to the idea of greater labour market flexibility**, (i.e. it has become easier and more cost effective for firms to access, employ and retain labour).

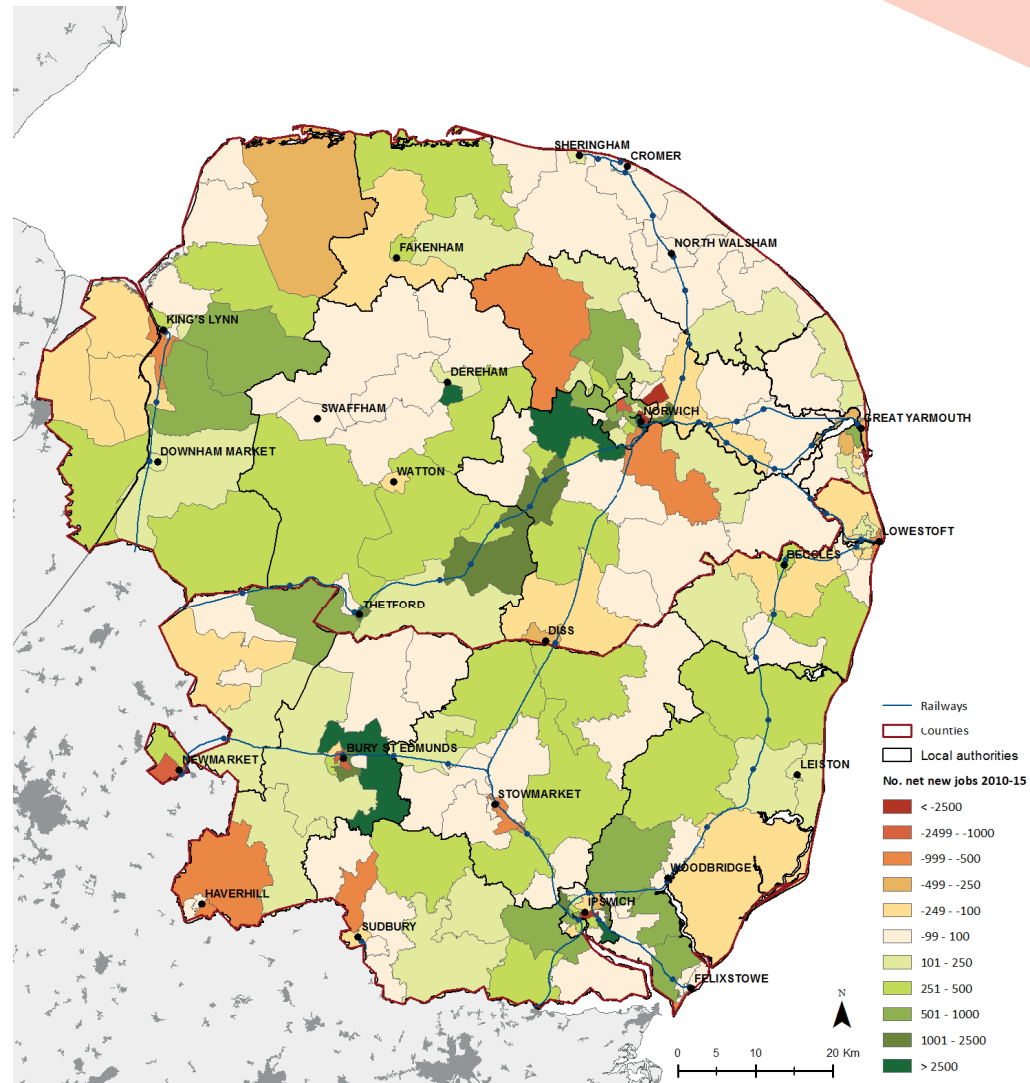


Figure 4.5 – Jobs growth across the New Anglia area, 2010-15

The **growth in jobs locally has been diverse and spatially well spread**, with many parts of the two counties benefiting from a resurgent labour market. There has been particularly notable jobs growth to the southwest of Greater Norwich, following its wider corridor along the A11 towards Cambridge.

Likewise, Bury St Edmunds and its periphery have also experienced an above-average pick-up in jobs, though pockets of neighbouring Newmarket, Haverhill and Stowmarket have seen sluggish growth/contractions during the same time, despite robust population growth.

Greater Ipswich has also seen some solid increases in jobs totals, which has been especially pronounced on its periphery, along its A12 and A14 corridors, both north-south and east-west.

To some extent, both Ipswich and Norwich have displayed some signs of a 'doughnut effect', whereby some city/town centre employment has moved out, or has been replaced by employment focused on 'out of town' business parks and workspaces.

Sectorally, **jobs growth has almost exclusively been driven by a dominant services sector**, which has added 61,500 jobs since 2010 (an increase of 9.7%), and now **accounts for 88% of all jobs** in Norfolk and Suffolk, up from 72% in 1981.

At a more granular level, **the majority of this jobs growth has been concentrated in typically lower-value and lower-paying customer and client-facing services**. This

has most notably been led by a buoyant commercial and building services sector (encompassing commercial cleaning, security, cooking, etc.) which has accounted for 3 in 10 additional jobs in Norfolk and Suffolk since the recession.

The local area's ageing population also appears to have impacted on the labour market, with above average jobs growth in human health and social care activities. A buoyant tourism

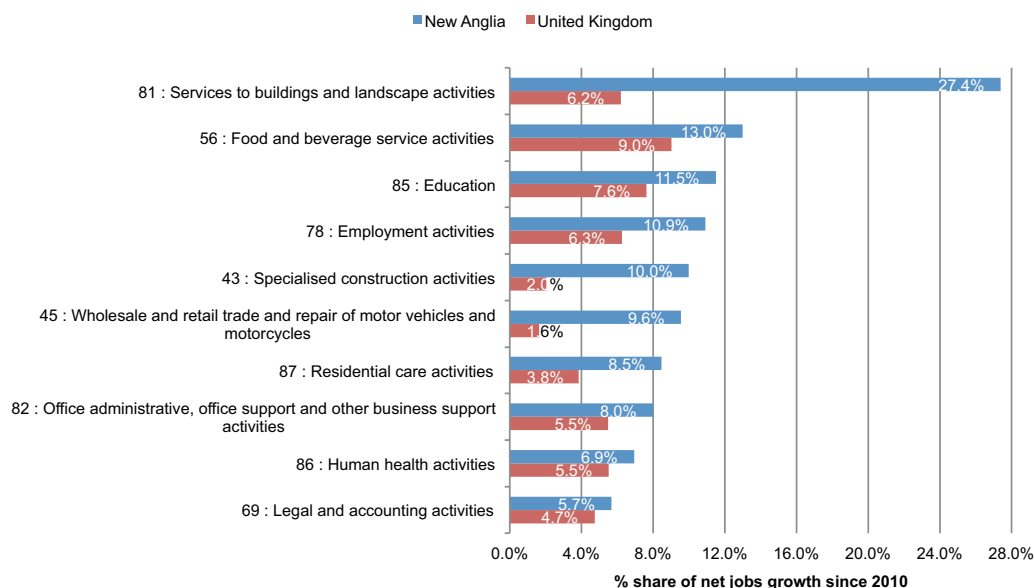


Figure 4.6 – Top ten 2-digit SIC industries for jobs growth 2010-15

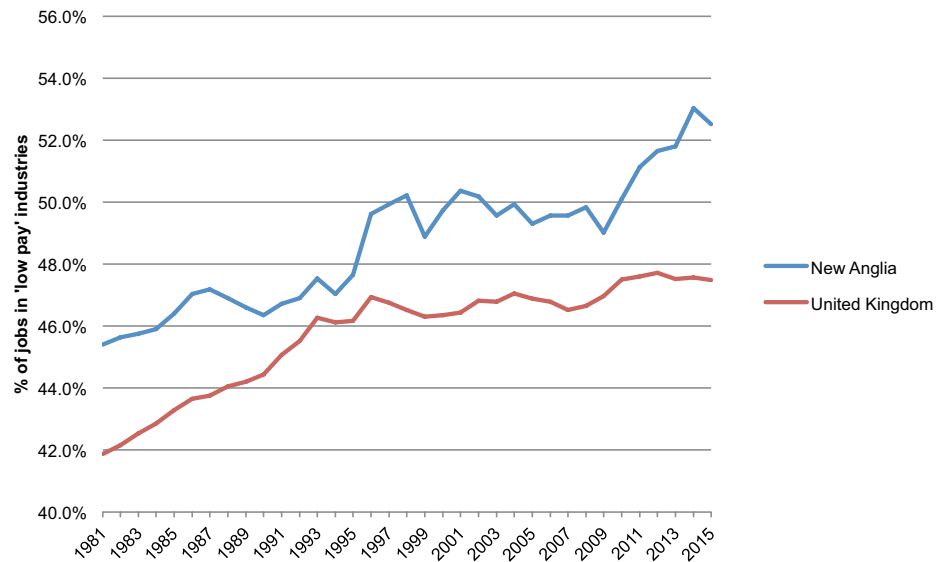


Figure 4.7 – Share of jobs in ‘low pay’ industries, 1981-2015

industry is also evident, again creating jobs at rates substantially ahead of the national average.

Law and accounting was one of the only traditionally higher value industries to appear in the top 10 job growth sub-sectors in Norfolk and Suffolk. Beyond this, the New Anglia area has largely failed to tap into some of the UK’s dominant higher value services growth (such as wider professional services, ICT/digital, fin-tech, etc.)

As a whole though, the **rapid recovery and growth in jobs has undoubtedly been good news for the local economy**, helping to contribute to record levels of employment and low unemployment, and bringing people out of difficult circumstances – and the risk of long-term worklessness – into employment.

However, there are undoubtedly some challenges and implications associated with the fact the majority of this jobs growth in Norfolk

EMPLOYMENT IN LOW PAYING INDUSTRIES
53% NEW ANGLIA LEP
47% UK

and Suffolk has largely been embedded in typically low paying industries and activities (as shown in figure 4.7).

In fact, the share of workplace employment in low paying industries (defined as industries paying, on average, less than the whole economy average) has surged since the recession and now accounts for well over half (52.5%) of all jobs in the two counties.

This is a significantly higher share than the national average (47.4%) and the sharp 12.6% increase in such jobs in Norfolk and Suffolk since 2009 is in contrast to the gentler 8.1% increase across the rest of the UK.

However, alternative data, which looks at the occupation of particular jobs within industries, indicates a more equitable spread (though still erring to the lower end) in term of the quality of such jobs, which, though within lower-paying industries, are of slightly higher occupational value and skill level.

For instance, occupational jobs growth is more evenly spread between traditionally higher and lower paying roles. These range from higher value, technically demanding technological, scientific, engineering and managerial roles, to lower value, service-oriented caring, sales and admin roles.

Though the largest (almost four-tenths) share of net jobs growth since the recession has been in lower-paying, softer-skilled care and service professions, the next largest share has been accounted for by corporate managers and directors and business and public service associates (over a fifth).

Longer term evidence suggests that across the occupational labour market there is an 'hourglass' trend in action. This is where **jobs growth is accumulating at opposite ends of the labour market spectrum (i.e. within both technically-**

demanding, higher-skilled roles), as well as **lower value, customer and client facing** trades and occupations.

Middle-skilled trades and labour-intensive roles meanwhile **are in relative decline**, largely due to being professions that are the **most susceptible to automation, digitisation and outsourcing**.

The recent recession seems to have accelerated these trends – competitive firms require the best employees (in terms of knowledge and experience), but have also been attracted to a more cost effective pool of lower-skilled labour.

Within Norfolk and Suffolk though, current levels of occupational employment (reflecting its skill profile) err towards traditionally lower-skill, lower

paying roles when compared with the national average (Figure 4.7).

The local area also retains a lower-share of high skill and managerial occupations (though significant growth is forecasted), whilst middle skill and labour intensive occupations are over-represented.

Moving forward, **the labour market is set to show a continuation of this 'hourglass' trend**. Both **high skill and service-intensive occupations are set to lead the way in growth** in Norfolk and Suffolk, as middle skill and labour-intensive occupations continue to decline.

Between now (2015) and 2026, the New Anglia area **economy is expected to see an overall net increase of some 50,000 jobs**. This 6.3%

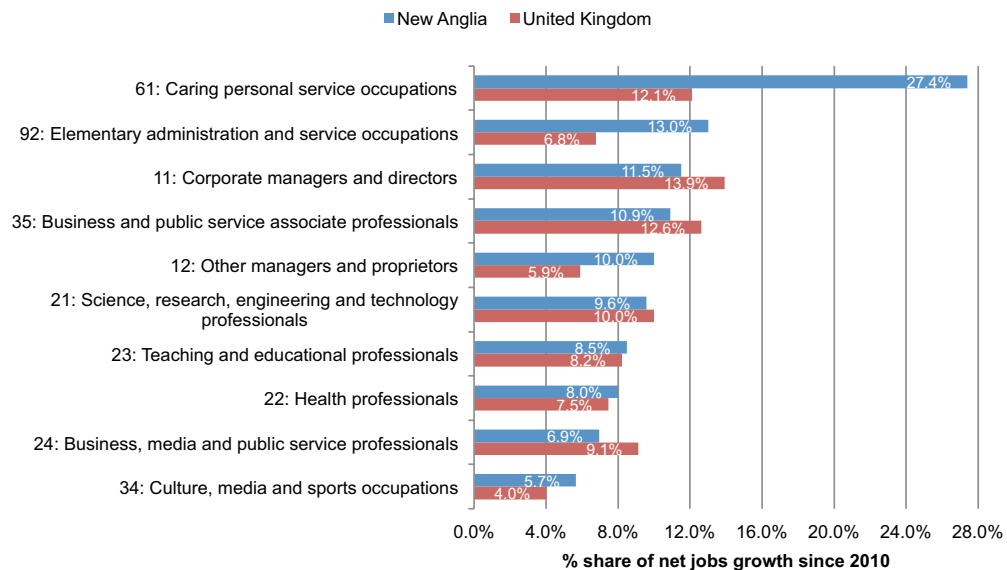


Figure 4.8 – Top ten 2-digit SOC occupations for jobs growth 2010-15

EMPLOYMENT, JOBS AND EARNINGS

WAYS OF WORKING COMPARED TO UK
14% SELF EMPLOYED 13%
86% EMPLOYEES 87%

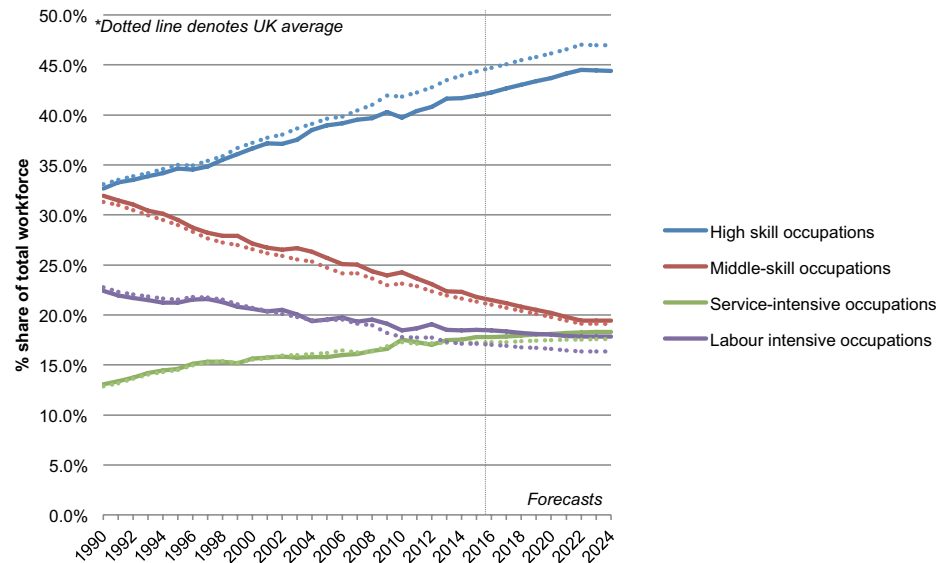


Figure 4.9 – Share of the New Anglia area workforce by occupation group, 1990-2024

pace of growth is much faster than the UK average of 4.6%, and in line with the wider 'Eastern engine' (6.5%).

Services are again expected to drive much of this additional jobs growth, with strong jobs creation across health and care (13,000), hotels and restaurants (11,700) and business services (7,300) in particular.

It appears the New Anglia area will continue to fail to significantly tap in to some of the forecasted higher value growth in advanced, 'white-collar' services such as ICT/digital, finance, professional services and life/research sciences.

This means that some of the challenges and implications around growth being driven by lower paying, lower value industries will

continue into the future, with up to two-thirds of all jobs in Norfolk and Suffolk by 2036 expected to be in 'low pay' industries.

Reflecting the ongoing upskilling of the labour market across all industries though, it is expected almost half (44.4%) of all jobs in the New Anglia area will be in high skill or managerial occupations by 2024, up from only a 32.6% share in the early 1990s.

Middle skill and labour intensive occupations meanwhile will see their collective share of jobs decrease to 37.3% over the same timeframe, down from 54.3% in the early 1990s. Re-skilling and integration of these workers will be of particular importance to avoid instances of structural employment.

The above trends are also likely to pose some particular challenges for other indicators and factors, such as pay (through polarisation of high and low paying roles), productivity (through increased employment in typically lower value industries) and skills (through polarised demand for technical, highly skilled roles to softer-skilled service and creative focused roles).

However, it should not dissuade from the strength and robustness of the local labour market and its continued ability to create market-led jobs, providing a strong foundation for more quality-oriented jobs growth in future.

SELF-EMPLOYMENT AND GIG-WORKING

As seen previously, self-employment and temporary working is of slightly higher intensity in Norfolk and Suffolk, accounting for around 43.1% of all workplace employment, compared with 39.8% across the rest of the UK.

Since the recession, a third of all new jobs in the two counties have been driven by the self-employed (double its actual share of total jobs), whose numbers have increased by 18.3% since 2009.

This increase is almost triple that of conventional employer-contracted roles (6.2%), and also slightly faster than increase taking place across the rest of the UK(18.2%).

Some of this may be reflective of the increasing appeal and accessibility of the ‘gig-economy’, which supports freelance, temporary and flexible work, often in services-oriented roles.

Further analysis shows that almost the entire self-employment ‘boom’ locally has been in service-facing activities, the majority of which are accommodative of the gig-working phenomenon.

Especially notable in Norfolk and Suffolk is a **substantial increase of those self-employed in business services, which has accounted for 5 out of 10 net new self-employed jobs** in the two counties since 2009. Some of this may be because of former employees in the industry being re-contracted as self-employed.

Growth in many of these sub-sectors has been pronouncedly ahead of UK averages and is in noticeable contrast to the traditional sub-sectors perceived to dominate self-employment, such as construction, retail, household services, etc.

Though some of this surge in self-employment

has been criticised for being involuntary (i.e. a last resort because of a lack of available conventional work elsewhere), research shows that only 16% of those self-employed in the UK attributed their role to involuntary reasons.

The **‘gig-economy’ is also increasingly evident in employer-contracted roles.** Part-time and temporary roles have represented 20% of all new jobs in Norfolk and Suffolk since 2009, slightly ahead of the national average of 15%.

Again, there is notable growth in sectors and activities accommodative of gig-working, such as food and tourism, business services and agency working.

Though slightly more secure than freelance work, employer-contracted gig-working has also been criticised for its involuntary nature, lack of employment rights and poor work conditions.

Yet, despite the gig-economy’s relative boom in recent years, it should be recognised the

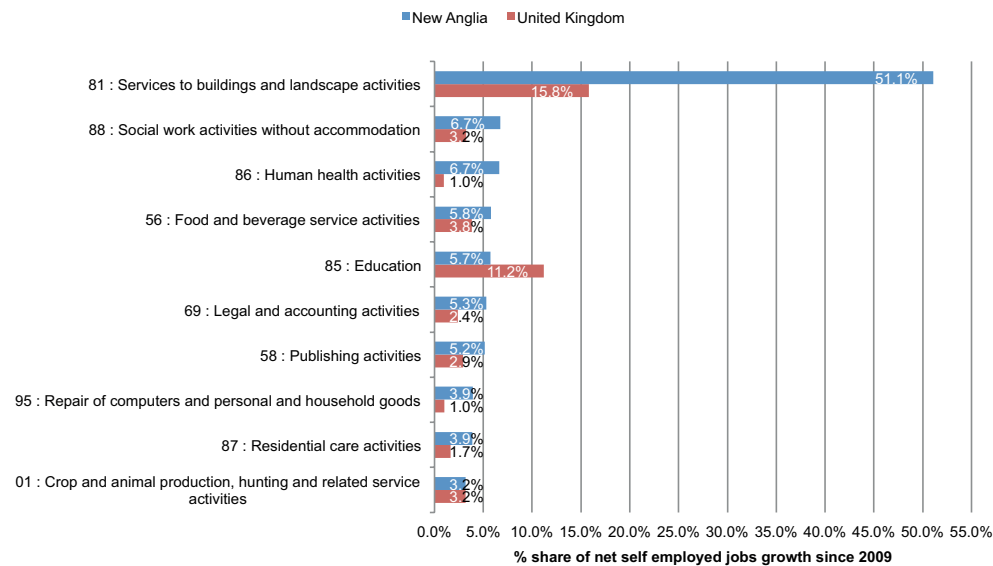


Figure 5.0 – Top ten 2-digit SIC industries for self-employment jobs growth 2009-15

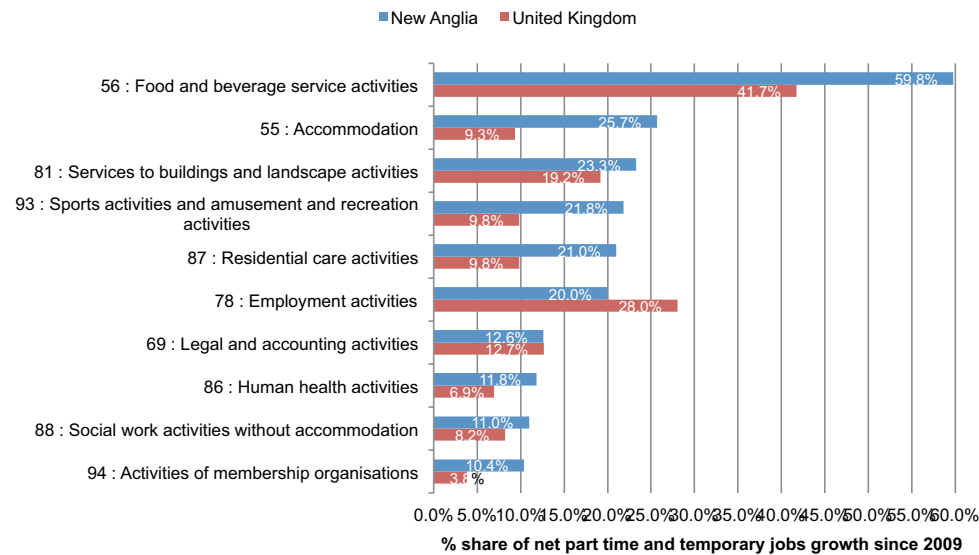


Figure 5.1 – Top ten 2-digit SIC industries for part-time and temporary jobs growth 2009-15

vast majority of jobs growth (60%) in Norfolk and Suffolk has been in conventional employer-contracted roles, of which a further 80% have been full-time positions.

Likewise, the share of self-employment and part-time and temporary working has, as a whole, decreased since 2009, the first time it has shown sustained decreases since the early 2000s.

This highlights that gig-working, at least in the case of Norfolk and Suffolk, is more a case of

changing the way freelancers and part-timers work, rather than being a radical new way of working in itself.

However, its role and rapid growth potential – as well as associated challenges and opportunities – is something that must be appreciated and understood, especially in light of its increasing appeal, accessibility and scrutiny.



AVERAGE FULL-TIME EARNINGS
£598.9

BELOW UK AVERAGE OF £643.9

EARNINGS AND INCOME

Earnings are broadly the cost (or wage) employers are willing to pay for the service of an employee. It further reflects the interaction of the supply of human capital with employer's demands, with higher quality human capital typically commanding a higher wage rate. Data is presented as gross (i.e. accounting for overtime and bonuses) and before any taxable deductions have been made. Much like employment and jobs, there is also an important distinction to be made between wages on a residence and workplace basis. Rather than using the mean average, the statistically preferred definition of the median average is used here, to remove the distortionary effect of very high and very low earners.

Currently (in 2016), the median resident in Norfolk and Suffolk in full time employment commands a gross weekly wage of £503.8. This is around 94% of the UK equivalent of £538.7, and is lower-middle ranking (24th out of 38) when compared with other LEP areas.

However, for the median person in full time workplace employment in Norfolk and Suffolk (i.e. with a job based in the two counties, though not necessarily a resident), the gross weekly

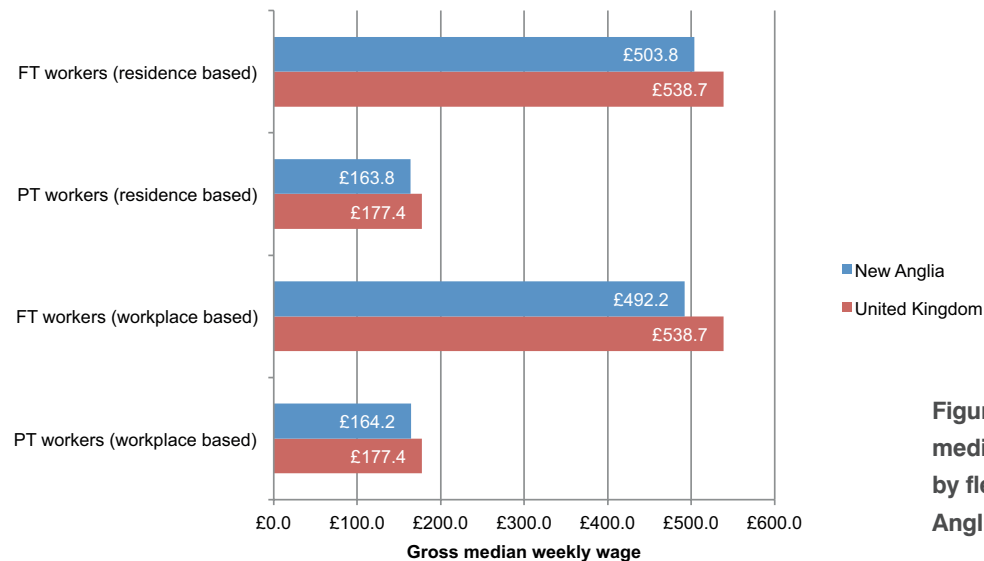


Figure 5.2 - Gross median weekly wages by flexibility in the New Anglia area, 2016

wage drops to £492.2. This is only 91% of the UK equivalent, and is the 13th lowest of 38 LEP areas, and the lowest in the greater South East.

This reflects that local residents who commute out of the region, though small in number, typically travel to much higher-paying jobs (some of which won't even be captured in the median figures), whilst those jobs that are located in Norfolk and Suffolk are largely – though by no means exclusively – concentrated in lower paying industries and occupations.

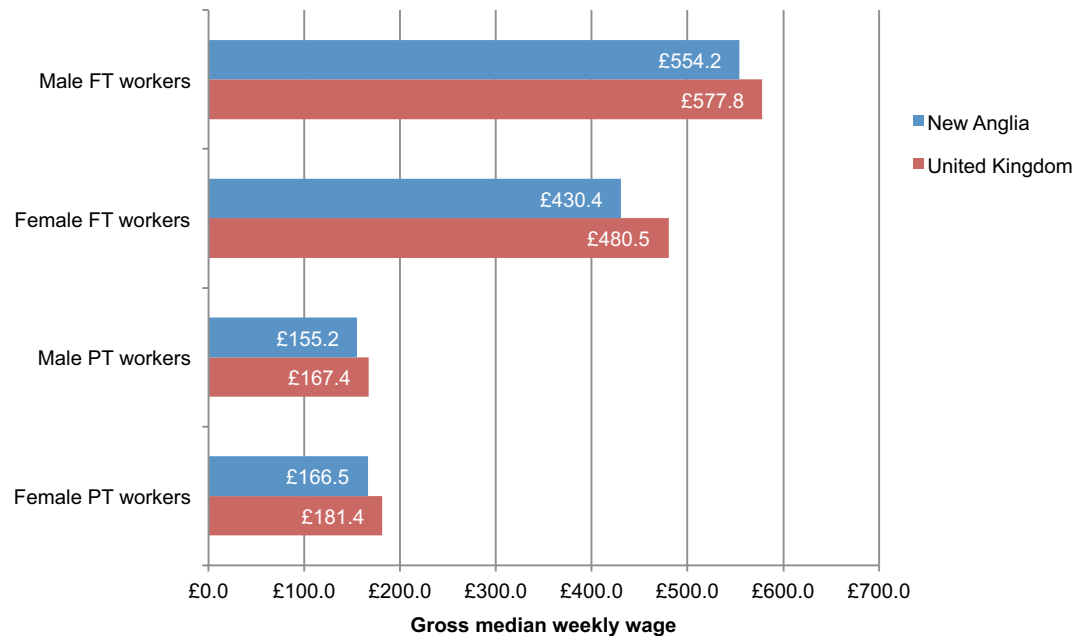
For the median local resident in part-time employment, the gross weekly wage of £163.8 is 92% of the UK equivalent, a slightly larger gap than 94% for the full-time equivalent. This is also the 4th lowest of all LEP areas, indicating the density of part-time activity in Norfolk and Suffolk in lower paying industries and occupations.

The **gender pay gap is also** evident in the earnings of residents in Norfolk and Suffolk. On average, in 2016 **the median male in full time employment could expect to earn 29% more than females** in the two counties. This is a larger pay gap than that evident across the rest of the UK, where it currently stands at 20%, and is the **7th largest gender pay gap in England** (out of 38 LEP areas).

However, **this pay gap is reversed when analysed on a part-time basis, with the median female expected to earn 7% more than their male counterparts when working part-time**, in line with the national average of 8%. This is likely explained by females' higher propensity for part-time and flexible working, particularly within higher-paying roles and occupations, when compared to males.

It should be emphasised though that the above

Figure 5.3 – Gross median weekly wages by gender and flexibility in the New Anglia area, 2016



analysis of the gender pay gap is unadjusted, in that it doesn't account for external factors such as personal choice, occupational roles, education or working hours which can vary drastically between genders. Such factors can account for a large part of the gender pay gap, e.g. the impact of females going on maternity leave.

However, even when these external factors have been adjusted for, there is still a quite substantial gender pay gap, with estimates ranging between 5-10% for the UK. It reflects that, despite significant progress, there is still gender discrimination and inequalities in the labour market.

And though this gap is being reduced over time in real terms - in 2002, the gap stood at 37% in

the two counties, 8 percentage points higher than what it is now - at its current rate it would take up to 60 years to equalise the local gender pay gap, in unadjusted terms.

In contrast to the gender pay gap, **the local area does perform slightly better than the UK average in overall wage distribution and equality**; the ratio between the average weekly wage of residents at the 10th and 90th percentile for instance is 3.22 (i.e. those at the 90th percentile earn 3.22 times those at the 10th) compared with 3.42 nationally.

Over time this gap in real terms, though volatile, has closed, and is now at its lowest level since the early 2000s. In fact, contrary to perception, some of the fastest earnings growth locally has been embedded

towards the lower end of the wage spectrum since the recession.

For instance, since 2014, full-time wages have grown by 7.8% in real terms for those at the 10th percentile in Norfolk and Suffolk, comparing favourably to the 4.9% increase for the median average and 4.7% for those at the 90th percentile.

In particular, **the introduction of the National Living Wage (NLW) in April 2016 has contributed to a significant drive upwards at the bottom of the wage distribution.** Despite some vocal warnings, there have also been no signs of employment contracting at this end of the wage spectrum in light of the increase.

So far, those at the 10th percentile are the only income group to have seen their earnings eclipse their pre-crisis levels – even the earnings of those at the 90th percentile, though averaging full-time weekly pay of £971.9 (compared to £300.9 at the 10th percentile), are comparatively worse off than what they were a decade ago.

In fact, any positive progress at the lower end of the wage spectrum should not detract from the UK's (and the local area's) dismal wage growth since the 2007-08 financial crisis, particularly for median earners.

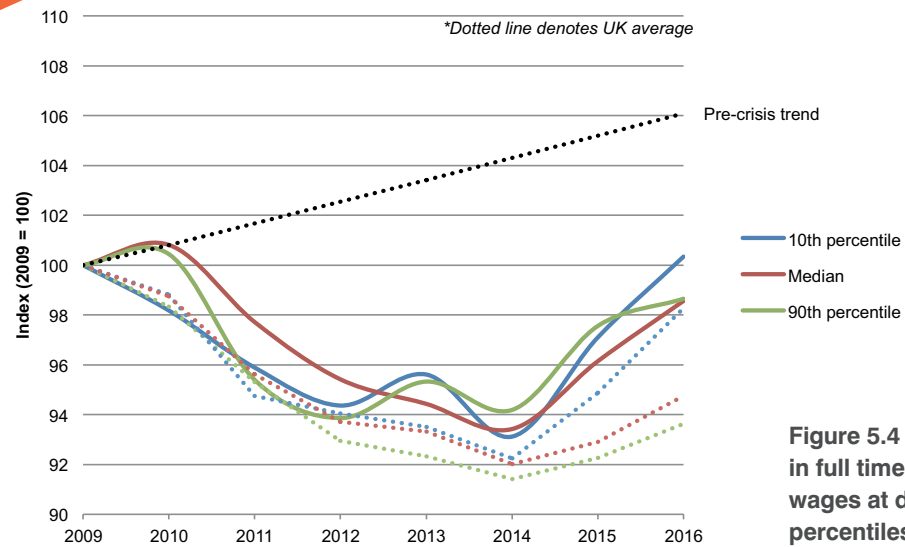


Figure 5.4 – Real growth in full time weekly wages at different percentiles, 2009-16

For instance, for the median employee in Norfolk and Suffolk, whether full-time or part-time, resident-based or workplace-based, earnings are still below those that were experienced before the recession; this had led to some to refer to a 'lost decade' of wage growth.

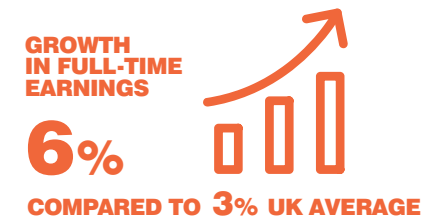
This phenomenon is historically unprecedented and wholly unique to the UK; in fact, only one Eurozone country has experienced more subdued wage growth than the UK since the financial crisis – Greece. The UK's overall contraction of 10.4% in real wages since 2007 pales in contrast to increases of 14% in Germany and 11% in France.

As can be observed in later chapters, this sluggish growth has impacted on and been felt across a wide range of other economic factors, such as living standards, productivity and overall growth.

The fact wage growth has remained so subdued despite an unprecedentedly tight labour market continues to confound economists and policy makers, with the financial crisis triggering a seemingly 'abnormal' relationship between the two.

A number of explanations have been put forward to explain this poor performance, ranging from lower wage expectations from workers, increased employer bargaining, rapid employment growth in low-paying industries and non-existent improvement in productivity.

Though **Norfolk and Suffolk has similarly suffered from such sluggish wage growth, it has performed slightly stronger than the UK average; currently median full time wages are only 1.2% below their pre-crisis peak, compared with 5.5% for the UK equivalent.**



Likewise, **since 2014 - when wages first showed signs of accelerating - median full time wages have increased by 5% in the two counties, which is almost double the 3% increase across the rest of the UK.**

However, for the **median Norfolk and Suffolk resident in full-time employment, earnings are still below what they were over 10 years ago** (a 'lost decade'), and are around 8%, or £45, behind their pre-crisis trend.

Likewise, for those local **residents in part-time employment, median wages are still around 12% below their pre-crisis peak, compared to only 4% for the UK equivalent.**

This reaffirms the notion of a lost decade of wage growth for the vast majority of people and sheds some light on why many residents feel no better off in the economy, despite the recovery and growth of the wider labour market.

Future prospects for any substantial growth in wages remain limited, despite an ever-tightening labour market, reaffirming earnings to be one of the first and ongoing victims of the 2008 financial crisis.

13TH
LARGEST LEP AREA ECONOMY
OUT OF 38



CONTRIBUTES
£35.5BN
TO UK PLC



PROJECTED GVA GROWTH
GROWTH SINCE 2009
HAS AVERAGED 1.5%



83%
SERVICES SECTOR
EXPECTED TO ACCOUNT FOR 86%
OF GROWTH BY 2036



THE AVERAGE WORKER IS
4% LESS PRODUCTIVE
THAN UK EQUIVALENT.

4%



AVERAGE ANNUAL
IMPROVEMENT IN
PRODUCTIVITY SINCE
2009 IS

0.04%
COMPARED WITH 2.2% 1981-2008



MATCHING
PRODUCTIVITY
OF UK AVERAGE
WOULD INCREASE
GVA BY ALMOST
£3 BILLION



2018
BY 2018 LIVING STANDARDS
WILL RECOVER TO THE SAME
LEVEL AS THEY WERE IN 2006.

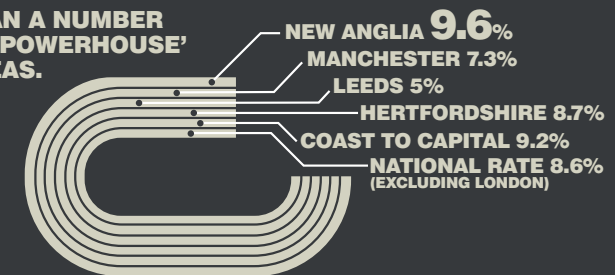


14%
LIVING STANDARDS
14% BELOW
THE UK AVERAGE



GROWTH HAS BEEN
FASTER

THAN A NUMBER
OF 'POWERHOUSE'
AREAS.



ECONOMIC GROWTH, PRODUCTIVITY AND LIVING STANDARDS

Understanding how much and how well an economy produces goods and services is an important part of any macroeconomic framework, and can help to reveal the quality, distribution and components of growth and economic progress in a single, headline measure.

Currently, the New Anglia area is the 13th largest sub-regional economy in England, contributing some £35.5bn to UK plc across agriculture, production, manufacturing and services.

However, the pace and efficiency at which these goods and services are produced is comparatively low and slowing, whilst there are also concerns about how the benefits of growth are distributed and more widely felt.



ECONOMIC VALUE AND GROWTH

Sub-regionally, economic activity and growth is monitored and measured by the Gross Value Added Income (GVA I) approach, which accounts for the income of agents throughout the economy, ranging from employees, the self-employed, to businesses and government. Importantly, like any good measure of economic output, GVA deducts intermediate consumption from final totals, preventing value being double counted through the production chain.

The New Anglia area is currently the 13th largest LEP area economy (out of 38), contributing some £35.5bn of GVA to UK plc. It is also the **2nd largest predominantly rural economy**, behind only neighbouring Cambridgeshire. If **Norfolk and Suffolk were an EU member state, they would still have an economy larger than 16 other member states.**

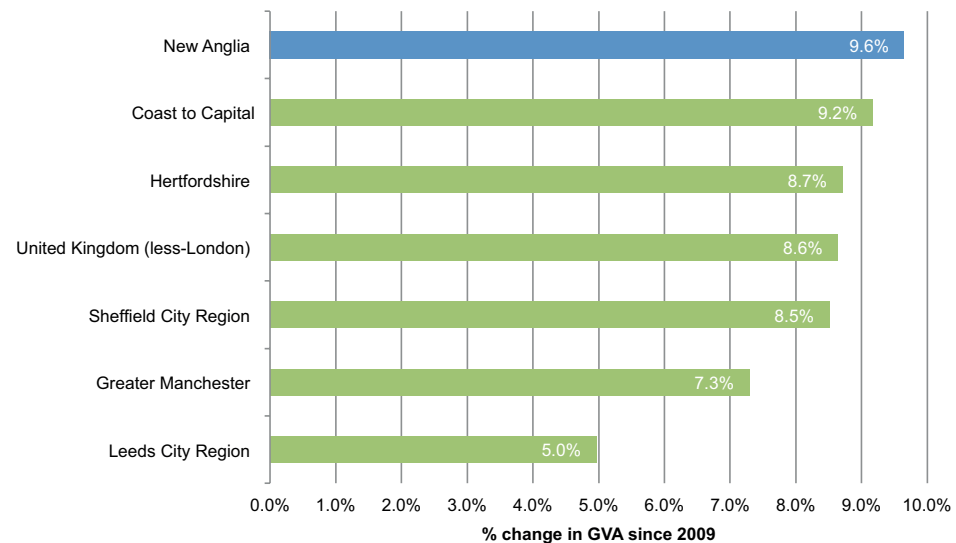


Figure 5.5 – Real GVA growth in the New Anglia area compared with peers, 2009-15

Over the course of the 2008-09 recession the local economy contracted by some 6%, compared with 4% across the rest of the UK, largely because of the local area's higher share of economic activity in 'crisis-scarring' industries such as finance, insurance and real estate.

Since 2009 though, the New Anglia area economy has responded reasonably well (not least when considering the depth and far-reaching impacts of the financial crisis), building on solid jobs growth to expand by 10% in real terms since 2009.

GROWTH HAS BEEN
FASTER
THAN A NUMBER
OF 'POWERHOUSE'
AREAS.

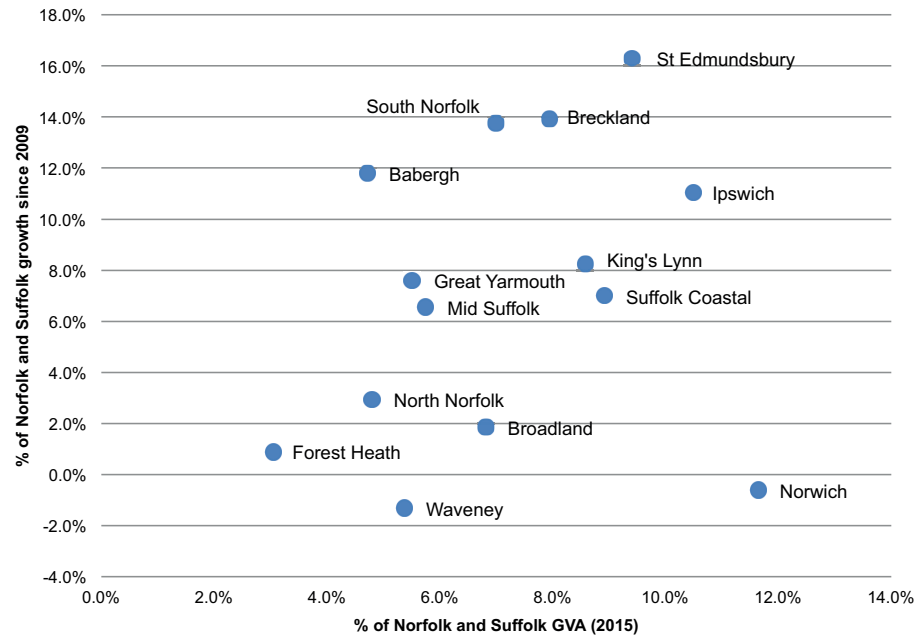
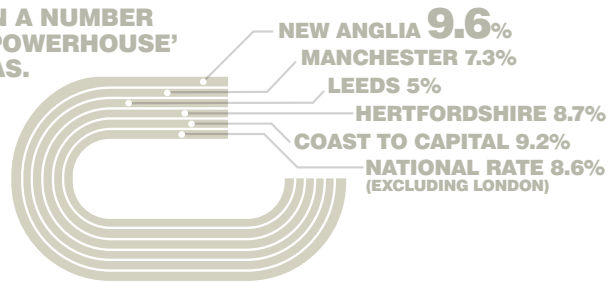


Figure 5.6 – Real GVA growth (2009-15) and share of GVA (2015) by local authority district

This means the local economy is growing faster than a number of 'powerhouse' areas, including Greater Manchester and Leeds, as well as established London growth corridors such as Hertfordshire and Coast to Capital. The local economy is also accelerating faster than the national average (excluding London).

Within Norfolk and Suffolk, there is also a broad range in which the pace of growth is taking

place locally, highlighting the dynamism and mix of local economies and markets. However, it should be emphasised the relative reliability of the data decreases with increased spatial precision, whilst political boundaries are not always reflective of functional economic areas.

Much like jobs growth, it appears the **Greater Ipswich and Greater Norwich urban areas, as well as their respective growth**

ECONOMIC GROWTH, PRODUCTIVITY AND LIVING STANDARDS



SERVICES SECTOR EXPECTED TO ACCOUNT FOR 86% OF GROWTH BY 2036

corridors towards Cambridge, have driven a considerable amount of the growth over the past 6 years.

During this time, headline level growth in Norfolk and Suffolk has been consistently driven by a buoyant services sector, which has been in near-constant acceleration since 2011 and now accounts for some 83% of economic activity (this is up from 68% in 1981).

Though production (including manufacturing) and primary agriculture still retain a significant ability to influence growth, as seen in 2010-11 and 2014, their performance has been somewhat mixed since 2012, with no significant positive or negative momentum.

These primary and secondary industries now account for 17% of economic activity, down from 32% in 1981, reflecting the local economy's ongoing shift towards a service-oriented offer.

At a more granular level, similar to jobs, GVA growth has almost exclusively been clustered around customer and client facing service industries, ranging from higher value, 'white-collar' professional services (such as law, accounting, consultancy and real estate) to lower value, sales and admin focused wholesale/retail, leasing and business services.

However, there is not an exclusive correlation between the sectors influencing jobs and GVA growth, with a higher density of professional service activities influencing GVA growth than what there was for jobs growth. This reflects the higher value nature of the activities within this industry.

The increasing strength of the local area's

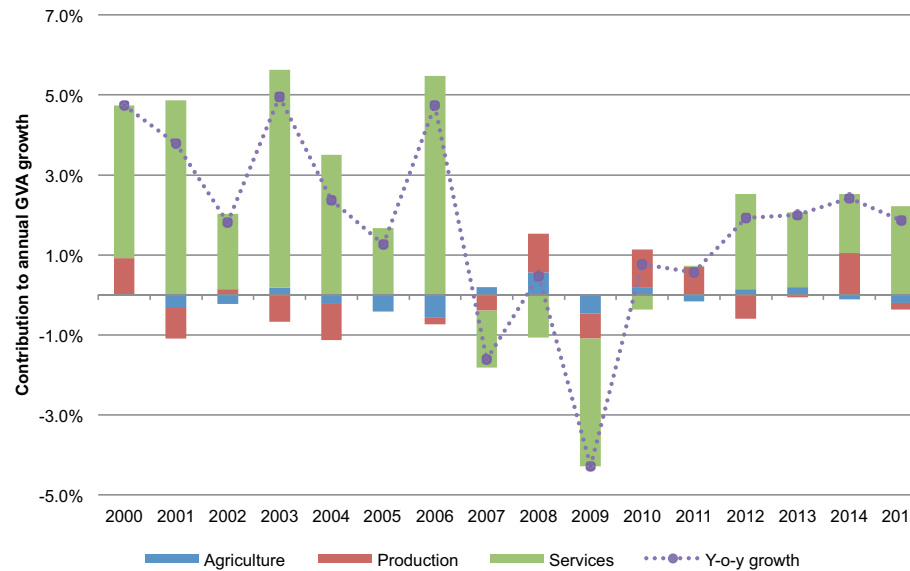


Figure 5.7 – Industry contributions to real GVA growth in the New Anglia area, 2000-15

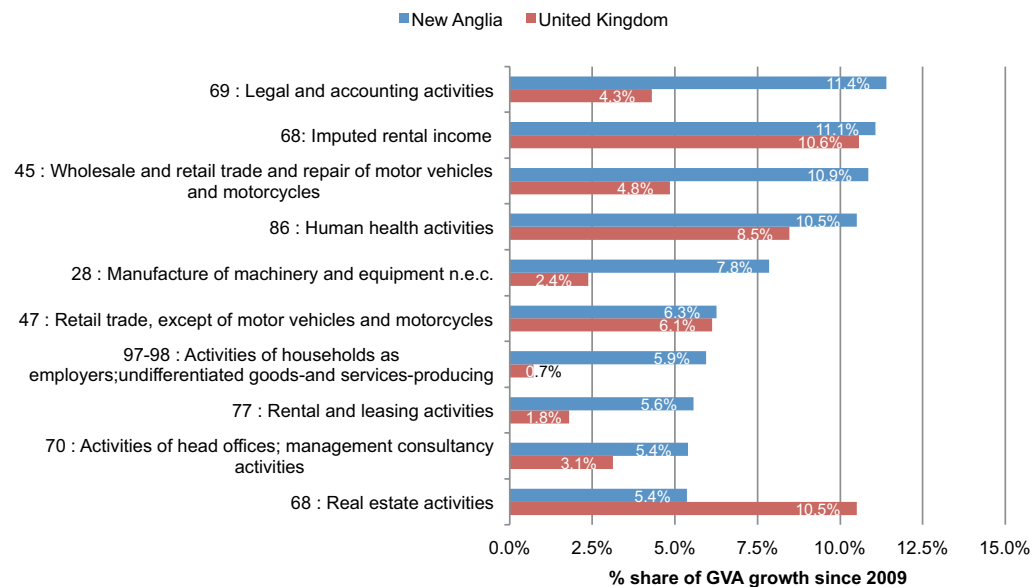


Figure 5.8 – Top ten 2-digit SIC industries for GVA growth in the New Anglia area 2009-15

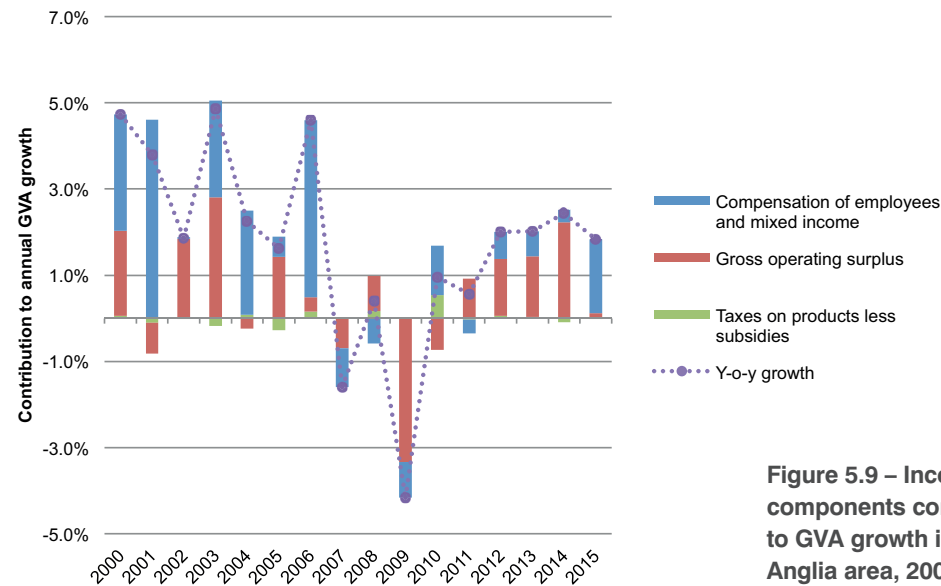


Figure 5.9 – Income components contribution to GVA growth in the New Anglia area, 2000-15

professional law and accounting offer is further emphasised, with its growth share in Norfolk and Suffolk around three times that elsewhere in the UK. Head offices and management consultancy firms have also driven growth at almost double the rate taking place nationally.

Despite the preponderance of service-oriented industries, a number of manufacturing-based sub-sectors have been able to exert significant growth pressures, not least around machinery and automotive, with growth around three times that taking place nationally.

In total, these top 10 growth generating sectors have contributed to a combined £2.5 bn of net

GVA growth since 2009, and have expanded by almost 27% in real terms during this time.

In terms of the contribution to growth of agents in the economy, that of employees' earnings (compensation of employees and mixed income i.e. wages, pensions, bonuses, self-employed profits etc.) has eased and is running at almost half of its pre-recession rate.

In contrast to this, the gross operating surplus (broadly the income of corporations and capital functions) has remained reasonably buoyant and has accounted for an increasing share of growth since the recession.

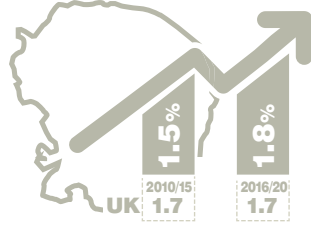
This indicates increasing amounts of

growth locally are being generated and distributed in company earnings and capital income. This, in accounting terms at least, explains why the UK (and indeed the New Anglia area) is one of a few western economies to experience a 'payless recovery', that is despite national income (GVA) rebounding, average employee incomes have not.

When taking a longer term perspective of the growth and trajectory of the Norfolk and Suffolk economy, it is also apparent that, despite a relatively solid recovery, it is growing at a markedly slower rate in its current growth cycle (2010-15) compared with historic ones. In fact, annualised average growth currently stands at 1.5%, down from 5.2% in the 1980s and 2.6% in the 1990s-early 2000s.

Over the long run, this has contributed to an increasingly challenging environment for many residents, businesses and public institutions. This slowdown is endemic throughout the UK and a number of advanced economies: waning productivity, adverse demographic trends, diminished rates of innovation and even statistical mismeasurement are but some of the diverse range of factors that have been put forward to explain the phenomenon.

PROJECTED GVA GROWTH GROWTH SINCE 2009 HAS AVERAGED 1.5%



Some regard it as the 'new normal' (i.e. a structural issue), whilst others believe it is a temporary, albeit severe, legacy of the global recession. Notwithstanding the cause, it appears to be having a greater impact locally, reflected by the fact the New Anglia area used to be a provincial leader in growth and has since been caught up and overtaken by regional and national comparators.

Looking forward, growth in the two counties is set to remain robust, though below historic averages, with a forecasted 1.8% annual average rate of growth between now and 2020.

This is marginally ahead of the of the 1.7% rate taking place at the national level, indicating the potential for the local economy to recover to its historic pace of growth relative to peers. However, this is still well below the economy's historic growth rate of 3.2%.

Services are set to continue dominating economic activity and between now and 2036 are expected to account for some 86% of all

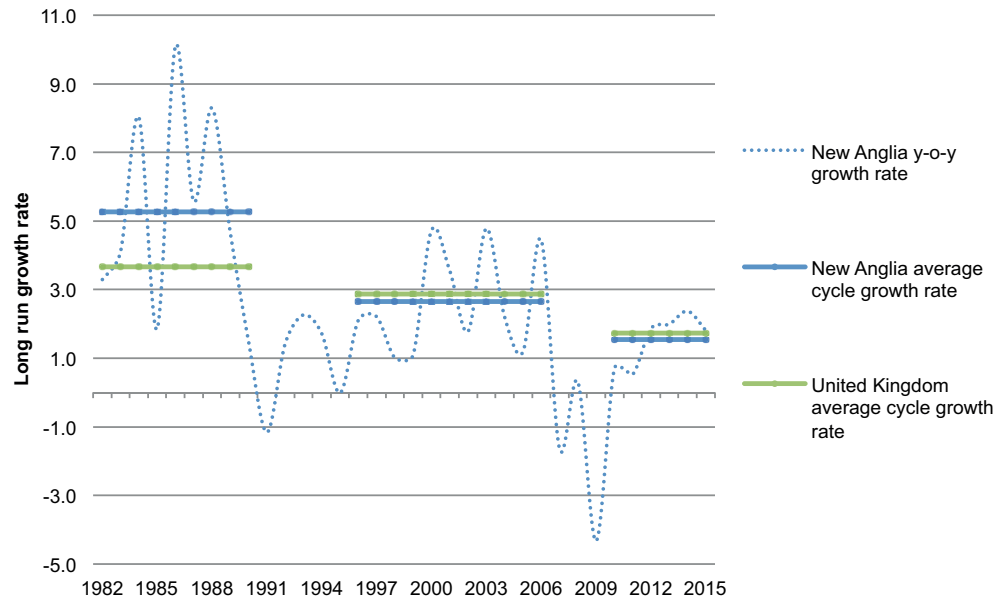


Figure 6.0 – Long term GVA growth rate in the New Anglia area relative to peers, 1981-2015

economic growth in Norfolk and Suffolk. Despite this, the services share of the economy is set to remain relatively constant, highlighting potential productivity gains throughout the primary agriculture and production sectors.

PRODUCTIVITY AND ECONOMIC EFFICIENCY

Broadly speaking, productivity is a measure of how much economic output (i.e. GVA) is generated for a unit of input (be it labour, capital,

ECONOMIC GROWTH, PRODUCTIVITY AND LIVING STANDARDS

AVERAGE ANNUAL IMPROVEMENT IN PRODUCTIVITY SINCE 2009 IS **0.04%** COMPARED WITH 2.2% 1981-2008

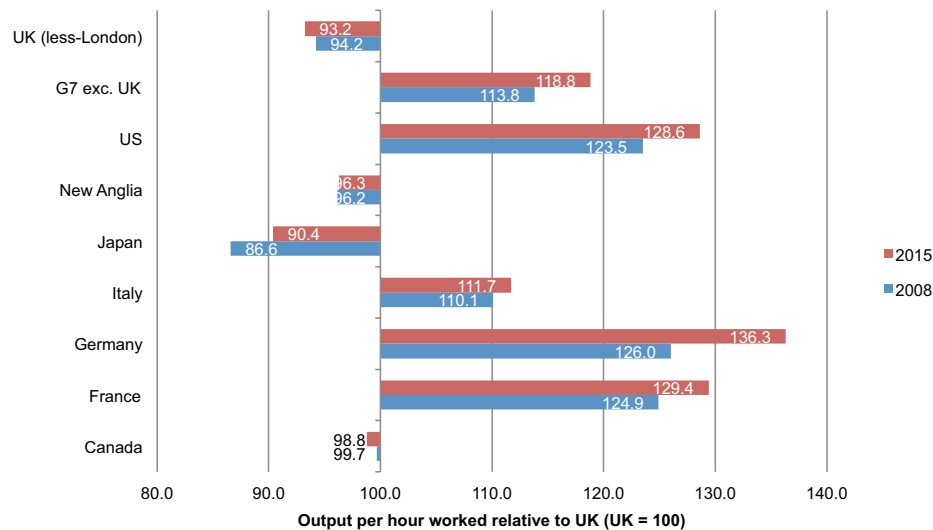


Figure 6.1 – Productivity (output per hour) in the New Anglia area relative to peers, 2008-15

or both). The importance of productivity is well recognised, not least when it comes to securing long term economic growth and better living standards; “Increasing productivity is the clearest way to drive up living standards, secure economic growth and ultimately, close the fiscal deficit.” Essentially a rare economic win-win, improving the standard of living from a governmental, commercial and consumer perspective, it is widely seen that though “productivity isn’t everything...in the long run it is almost everything.”

The UK’s (and the New Anglia area’s) productivity performance has been unprecedentedly weak during the current recovery; for instance, average annual improvement in productivity since 2009 in Norfolk and Suffolk has been a minute 0.04%, markedly below the historic pre-crisis average of 2.2%.

According to the Bank of England, the UK’s (and the New Anglia area’s) poor **productivity performance** (and thus its ability to influence

THE AVERAGE WORKER IS 4% LESS PRODUCTIVE THAN UK EQUIVALENT.



and enhance economic growth and living standards) is **compounded by two different ‘puzzles’**;

One is the ‘puzzle’ relating to the UK’s poor productivity relative to its advanced economy peers (such as the United States, Germany and France), which began to open up in the mid-1990s.

The other ‘puzzle’ refers to the near non-existent growth in productivity since the financial crisis. The reason they are referred to as ‘puzzles’ is that, despite extensive comment and debate, no significant cause or answer has been identified.

Currently, the average worker in Norfolk and Suffolk is some 4% less productive than the UK equivalent. However, this **gap is reversed when removing London from the UK totals**, with the **average New Anglia area worker being around 3% more productive**. The area is also ranked as the **15th most productive**

LEP economy (out of 38), and some 20% more productive than the least productive equivalent.

However, the picture deteriorates quite significantly when drawing international comparisons; New Anglia's current rate of productivity is roughly 32% lower than the US average, 40% lower than the German average and 33% lower than the French average. Even the worst-performing US state has superior productivity to that of New Anglia's.

This can be even more acute on an industry basis, with US manufacturers some 45% more productive than the UK average. Not only does this limit potential economic growth and prosperity, it also harms the international competitiveness and agility of the UK economy and the businesses within it.

Since 2008, the **productivity of the average worker in Norfolk and Suffolk has improved by a lowly 1.2%**, which though marginally **ahead of the UK average of 1.1%**, is below the G7 average of 5.5%, and well behind the 15.2% increase during the equivalent period before the financial crisis.

Localised rates vary quite significantly, reflecting the dynamics of different economic areas, with

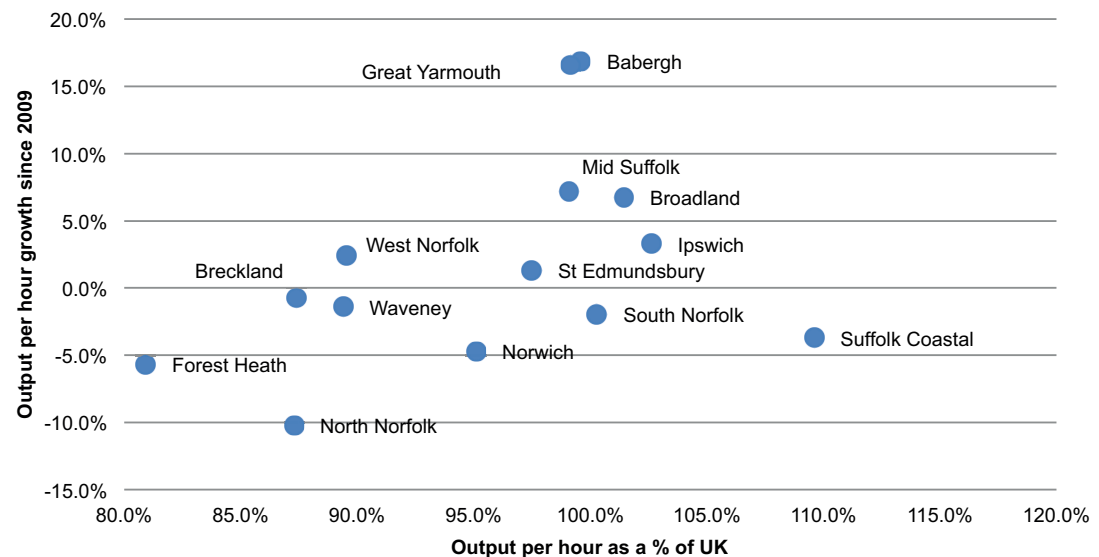


Figure 6.2 – Productivity growth (2009-15) and productivity relative to UK average (2015) by local authority district

productivity levels ranging from 81% of the national average in Forest Heath to 110% of the national average in Suffolk Coastal (as emphasised previously though, caution should be urged when drawing conclusions from such localised data, with productivity being notoriously volatile and difficult to measure precisely at such a detailed level.)

Though sectoral mix has some role in lower levels of productivity in Norfolk and Suffolk (i.e. the local area's over-representation in typically low-productivity industries and activities), when adjusted for sectoral composition, despite improving, productivity is still lower than the national average.

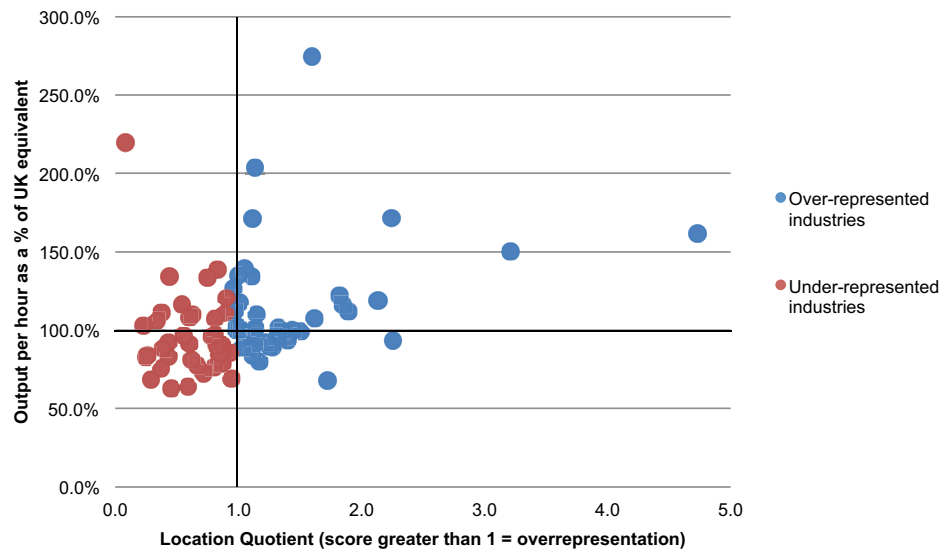


Figure 6.3 – Productivity levels across industries in the New Anglia area, 2015

This suggests the gap overwhelmingly sits within sector challenges rather than actual sector composition, with – as demonstrated in the Business Characteristics chapters – firm-level productivity performance varying widely within and across sectors.

Attributing sectoral compositions to low productivity also neglects the fact that some of Norfolk and Suffolk's most productive sectors are the ones it is over-represented in. As shown in Figure 6.3, the majority of sectors Norfolk and Suffolk are over-represented in are more among its most productive relative to the UK average.

However, there is evidence that a **substantial amount of employment growth since the recession has been within industries that are both low value and less productive relative to the UK**, though this is unable to explain a reasonable part of either 'puzzle' locally.

But it is through the second 'puzzle' - the largely non-existent growth in productivity post-2008 - in which the gaps between the UK, New Anglia and its international peers have continued to widen.

Though the UK is not alone in experiencing a productivity slowdown, it is unique in that it started much earlier and has been much more pronounced than its international peers; in a way, it has been a pacesetter in the global productivity slowdown.

The lowly 1.1% improvement in productivity since 2008 means that the average UK worker is some 17.6% less productive than if they had followed their pre-crisis trend; within Norfolk and

AVERAGE ANNUAL IMPROVEMENT IN PRODUCTIVITY SINCE 2009 IS

0.04%

COMPARED WITH 2.2% 1981-2008



Suffolk this opens up to 18.8%, reaffirming the fact the second 'puzzle' is having a greater hold locally. In fact, average annual productivity growth in Norfolk and Suffolk since 2008 is a lowly 0.04%, markedly below its historic pre-crisis average of 2.2% and the **UK equivalent of 0.25%**.

Though the second productivity 'puzzle' is embedded across a number of different industries and activities, it is most evident within the wider services sector, which in Norfolk and Suffolk remains some 22% behind its pre-crisis trend, after being in almost constant acceleration in the decades leading up to the crisis.

Production (including manufacturing) meanwhile, has almost hugged its pre-crisis trend year-on-year, driven by strong gains in high-end manufacturing (automotive and machinery, electronics and advanced materials) and food and drink production. Before this however, sectoral productivity growth had been near enough static since the mid-1990s. Because of the near non-existent improvement in productivity at the headline level, growth locally and across much of the UK, has almost exclusively been down to more people working and working

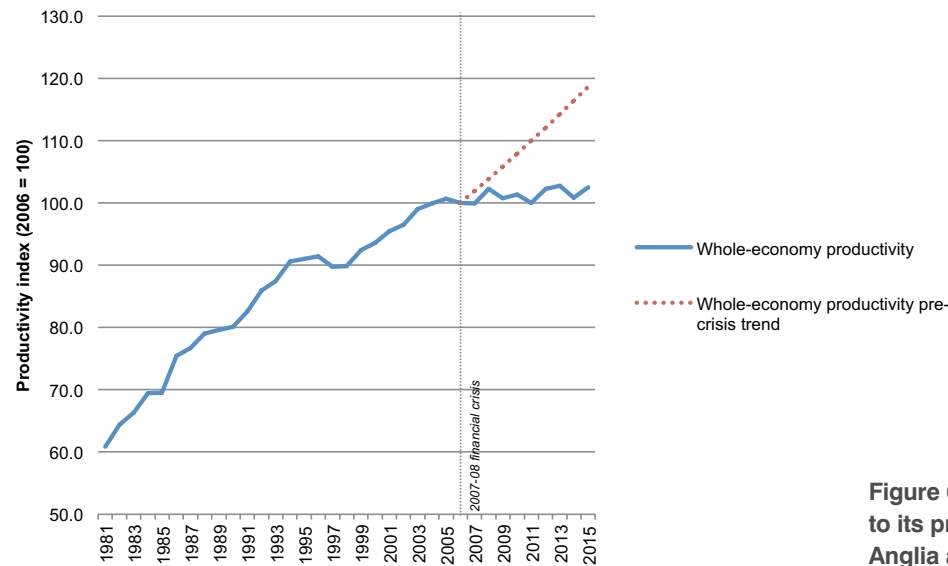


Figure 6.4 – Productivity relative to its pre-crisis trend in the New Anglia area, 1981-2015

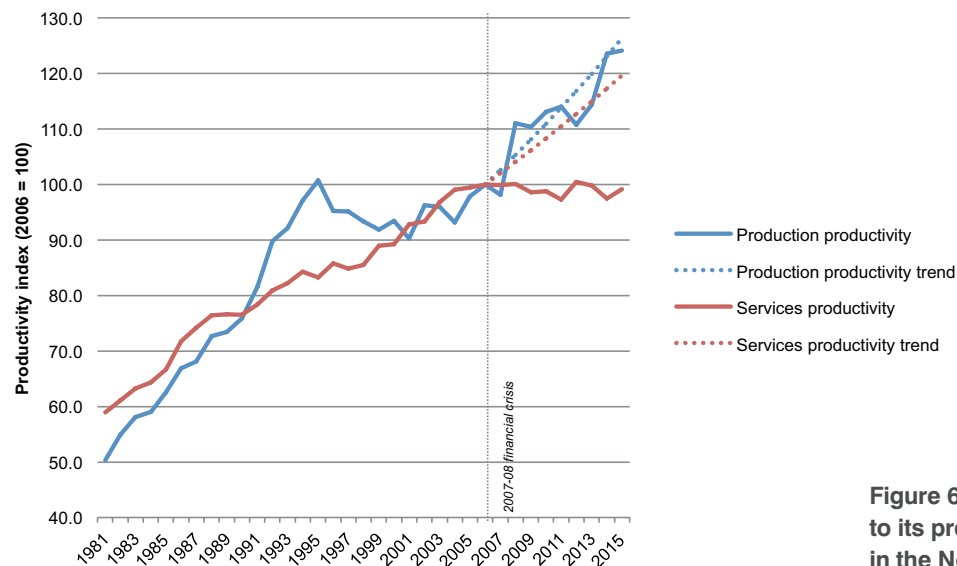



Figure 6.5 – Productivity relative to its pre-crisis trend by industry in the New Anglia area, 1981-2015

ECONOMIC GROWTH, PRODUCTIVITY AND LIVING STANDARDS


MATCHING PRODUCTIVITY OF UK AVERAGE WOULD INCREASE GVA BY ALMOST £3 BILLION

for longer, rather than any improvements to efficiency or production processes.

Longer term, this can be an unsustainable and restrictive approach to growth and can create imbalances in the economy, such as a record employment high rate but unprecedentedly low wage growth.

Compounding the above analysis is the fact there appears to be no one or two factors, or solutions, to the UK's poor productivity performance. In fact, it is largely accepted that there is a multitude of factors, some of which were accelerated and embedded by the financial crisis, contributing to the UK's languishing productivity and subdued economic growth. The Bank of England has grouped some of the candidate explanations that have been used to explain the productivity puzzle, in the UK and internationally. These include:



The Bank acknowledges that many of these hypotheses are, in any case, complementary explanations, and all lend some weight to explaining the current 'global' productivity puzzle without singularly offering an overriding solution or answer. Further research is also required to gauge which of these are having a greater hold locally.

Every year since the recession, forecasts have

consistently overstated expected productivity growth, reaffirming the now structural nature of the slowdown and the need for what may be marginal, longer-term solutions. The reward however would be considerable if either 'puzzle' were to be 'solved'.

If the average Norfolk and Suffolk worker had followed their trend rate of productivity growth, GVA would be almost 19% higher than what it is now, an additional £6.7 billion. This is equivalent to a decade of good growth, whilst almost 150,000 jobs would be required for a similar boost.

The £6.7 bn increase would equate to an additional £4,100 for every person in the two counties. It has taken almost two decades to increase by the same amount.

Utilising research from the Centre for Cities, this would raise the New Anglia area's fiscal contribution, currently £11.2 bn, by an estimated £2.5 bn.

Matching the productivity of just the UK average would increase GVA by 8%, almost £3 bn in Norfolk and Suffolk. Around 60,000 jobs would be required for a similar boost.

Matching the productivity of the average US state would raise the New Anglia area's GVA by an incredible 40%, or in the region of £13 bn (which is roughly the current size of the Tees Valley economy).

13TH

LARGEST LEP AREA ECONOMY
OUT OF 38



LIVING STANDARDS

National income per capita is a widely recognised and easy to use proxy for gauging broad living standards over time. By simply allocating gross national income (i.e. the economy, GVA) to the overall population, broad interpretations of wealth and income of individuals in an economy can be made. Its high degree of correlation against indicators such as earnings, life expectancy, education and wellbeing reaffirms its relative strength and usability as a composite indicator. The below figure demonstrates the relative correlation between high life satisfaction and GVA per capita in the UK.

Within Norfolk and Suffolk, GVA per capita tells a slightly different story to that of overall GVA. Despite being the 13th largest LEP economy, when ranked on a per capita basis the area drops to 21st, though it does remain the 2nd highest ranked predominantly rural economy and quite considerably better off than other LEP comparators, such as Greater Lincolnshire and Heart of the South West.

Living standards are currently around 14% below the UK average, though this is reduced to a marginal 3% when removing the impact of

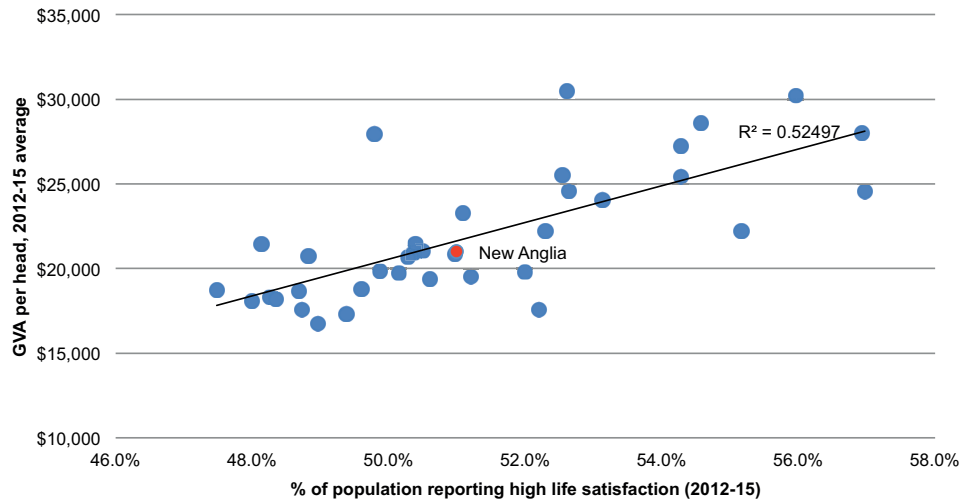


Figure 6.6 – Life satisfaction relative to living standards across LEP area, 2012-15

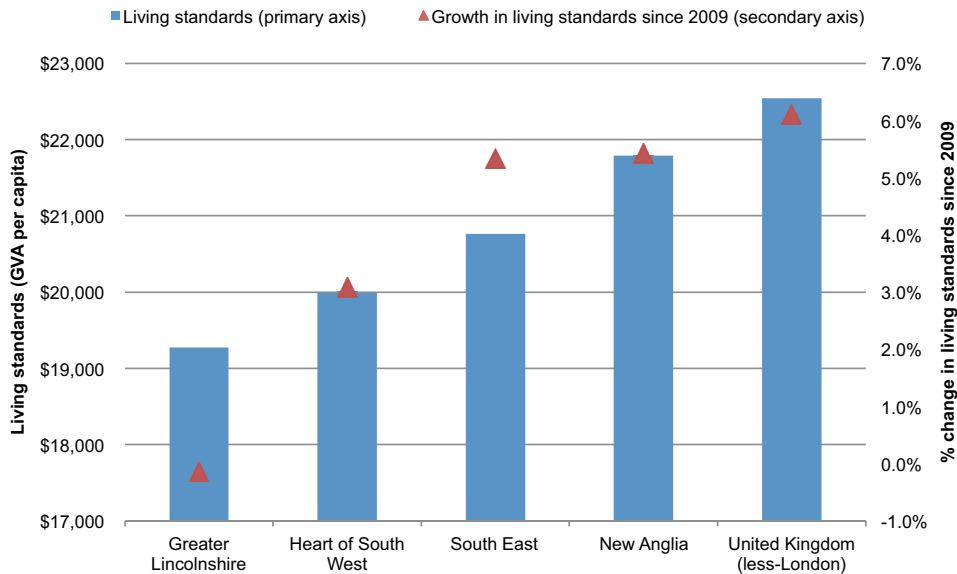


Figure 6.7 – Living standards in the New Anglia area relative to peers (2015), and their change since 2009

ECONOMIC GROWTH, PRODUCTIVITY AND LIVING STANDARDS

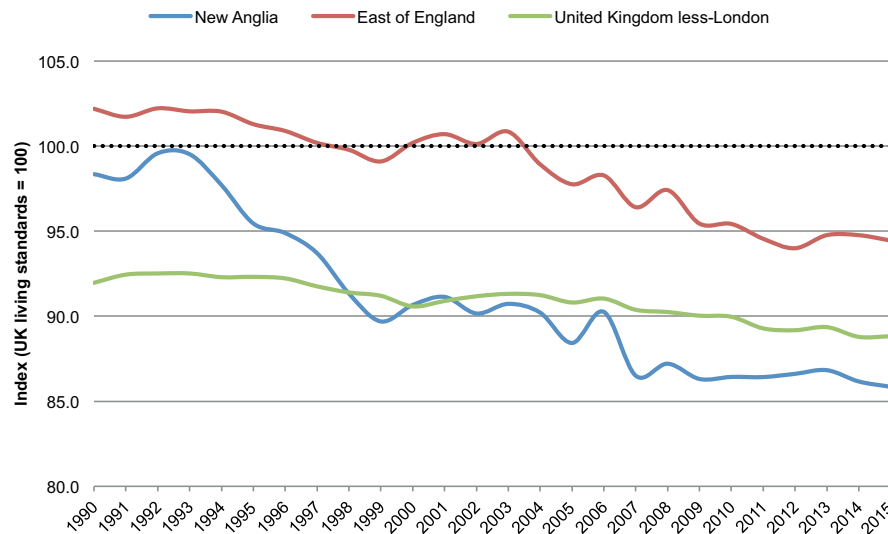


Figure 6.8 – Living standards in the New Anglia area relative to peers, 1990-2015

14%
LIVING STANDARDS
14% BELOW
THE UK AVERAGE

London on the national average (further highlighting London’s distortionary effect).

The actual growth in GVA per capita (i.e. growth in living standards), has

remained stubbornly low in real terms, recovering at its slowest rate on record. The average annual increase of 0.8% since 2010 is significantly below Norfolk and Suffolk’s pre-recession historic average of 2.6%, though growth in the past couple of years has recovered to a healthier range of 1.5 - 2% and the local area has still seen bigger increases than 23 other LEP areas.

The UK has been relatively unique amongst advanced economies in this ‘hollowing out’ of living

standards, testament largely to the near-non-existent productivity and wage growth post-recession.

Indeed, the 9.5% contraction in living standards over the course of the recent recession (which is in stark contrast to the 1.5% reduction during the early 1990s) emphasises the sheer scale and task of the required recovery. In fact, **per capita income in Norfolk and Suffolk still remains roughly 5% below its pre-recession peak**, despite it being almost a decade since it started to contract.

This means that **for the average person** in Norfolk and Suffolk, **living standards are still marginally below what they were experiencing before the recession**.

Beyond these more recent trends, Norfolk and Suffolk has also **experienced a much longer**

term ‘decoupling’ of living standards compared with regional and national peers, as reflected in Figure 6.7.

During the 1980s and early 1990s, local per capita income stood consistently within 5% of the national average, almost matching it in the early 1990s.

Since the mid-1990s, the gap has near enough increased year-on-year to its current 15% opening. Before the financial crisis, the local area closely tracked the non-London national average by 1-2%, though even this gap has since reversed.

If Norfolk and Suffolk’s living standards had theoretically followed their pre-recession path, they would be roughly 16% higher than what they are now, the equivalent of a £7 billion boost to the local economy, or an additional £4,000 for every person.

Forecasts estimate living standards in Norfolk and Suffolk will finally eclipse their pre-recession peak

in 2018, over a decade since they first started to contract. This does, however, have the potential to be lengthened if productivity continues to remain sluggish.

2018
BY 2018 LIVING STANDARDS WILL RECOVER TO THE SAME LEVEL AS THEY WERE IN 2006.



61,000

INDEPENDENT ENTERPRISES



NUMBER OF **LARGE-SIZED** BUSINESSES HAS INCREASED BY 30% SINCE 2011

76%



OF BUSINESSES HAVE NO EMPLOYEES AT ALL OTHER THAN THE OWNER.

| MICRO (0 TO 9) | SMALL (10 TO 49) | MEDIUM-SIZED (50 TO 249) | LARGE (250+) |
|---------------------------|---------------------------|-----------------------------|---------------------------|
| BUSINESSES 88.3 | BUSINESSES 9.9 | BUSINESSES 1.5 | BUSINESSES 0.3 |
| EMPLOYMENT 30.0 | EMPLOYMENT 13.5 | EMPLOYMENT 10.6 | EMPLOYMENT 45.8 |
| TURNOVER 19.3 | TURNOVER 13.3 | TURNOVER 13.0 | TURNOVER 54.4 |

PRIVATE SECTOR BUSINESS ONLY



MICRO-SIZED/BUSINESSES HAVE ACCOUNTED FOR

83%

OF ALL NEW BUSINESSES SINCE 2011



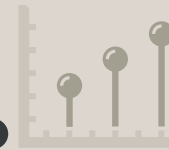
SECOND-FASTEST GROWING AREA FOR **HIGH-GROWTH FIRMS** IN UK

62% SINCE 2012 COMPARED TO 32% UK AVERAGE

MICRO £81,195 SMALL £125,257 MEDIUM £154,811 LARGE £150,866

PRODUCTIVITY PER EMPLOYEE BY BUSINESS SIZE

6.4%



UK 7.6%

OF ALL BUSINESSES ARE **HIGH GROWTH FIRMS**, COMPARED WITH 7.6% UK AVERAGE

OUR BUSINESS BASE AND ITS CHARACTERISTICS

It can be easy to forget that underneath the aggregated datasets and indicators there are thousands of businesses, ranging in size, activity, value and potential, delivering and shaping the very outputs we use to benchmark the progress and success of our economy. Whether it is creating jobs, driving productivity, generating new products and ideas, or providing fiscal revenue, businesses are at the heart of economies and growth.

Norfolk and Suffolk currently has a large and diverse business population of 61,000 independent enterprises. Since 2011 there have been an additional 6,200 enterprises established in the two counties, which is the strongest growth on record. However, the performance across enterprises can vary quite significantly, with an ever-increasing number of businesses unable to deliver the growth needed to drive forward the local economy.



61,000
INDEPENDENT ENTERPRISES

OUR BUSINESS BASE AND ITS CHARACTERISTICS

Within Norfolk and Suffolk there are currently an estimated 61,000 independent enterprises, with a further 12,000 national and international enterprises operating sites locally (e.g. stores, plants, warehouses etc.)

Of these independent enterprises, **60,300** operate within the private sector. Since 2011, there has been a 'business boom' locally with a **net increase of 5,600 private sector enterprises**, a boost of 10%, which is some of the fastest growth on record, though this remains well behind the 23% increase at the national level.

Of these 60,300 private sector enterprises, some 88% are micro-sized, meaning there are 53,200 businesses locally that employ between zero and nine people. 76% of businesses are estimated to have no employees at all (other than the owner).

Though the number of micro-sized firms is marginally below the 89% rate nationally, Norfolk and Suffolk retain a slightly higher share of small

76%



OF BUSINESSES HAVE NO EMPLOYEES AT ALL OTHER THAN THE OWNER.

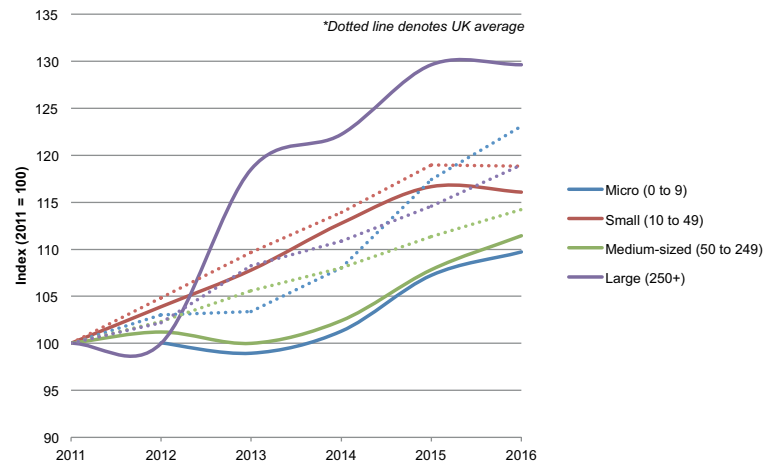


Figure 6.9 – Change in private sector business stock in the New Anglia area by size, 2011-16

(10-49 employees) businesses, a potential by-product of its lower business churn.

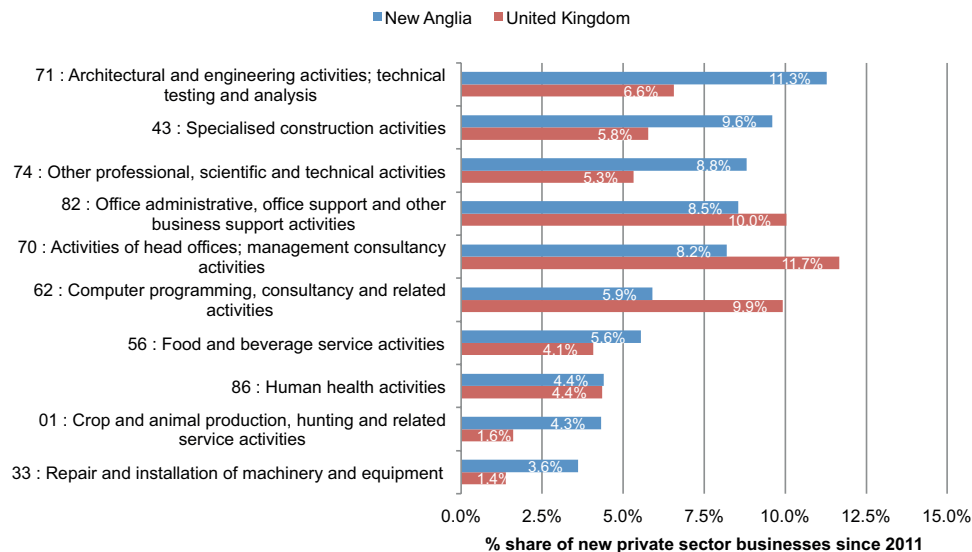
This means that **Small and Medium-sized Enterprises (SMEs), account for 99.7% of all private sector businesses** in Norfolk and Suffolk, in line with the national average.

Unlike the national picture, the fastest growth in business stock locally has actually taken place not within start-ups and micro sized businesses (increased 10%), but within more established enterprises, such as those employing upwards of 50 people (increased 14%).

Though this highlights the low, and declining rates of enterprise in the two counties, it could also point to a potentially strong (largely domestic) inward investment offer, with an ever increasing number of established businesses moving to and operating within Norfolk and Suffolk. This provides an important avenue for job creation, competitiveness and business activity.

Despite this rapid increase in the number of larger businesses, micro-sized enterprises continue to represent the majority of the private sector population in Norfolk and Suffolk and

Figure 7.0 – Top ten 2-digit SIC industries for growth in private sector business stock in the New Anglia area, 2011-15



have accounted for 83% of all new businesses since 2011, though this is lower than the 91% commanded at the national level.

Sectorally, **growth in active enterprises has been driven almost exclusively by those in services-oriented activities**, particularly those most accommodative of self-employment and 'gig' working.

Of particular note locally is the relative growth taking place across white-collar, professional services. However, in light of the limited jobs growth in these sectors, this suggests a dominant self-employment trend locally.

In total, **service-oriented enterprises now account for some 83% of all private sector businesses** in Norfolk and Suffolk and nationally have **contributed to 96% of all start-ups** since the recession.

Making use of data for the East of England region, it is apparent firm characteristics and performance can vary significantly by size. Though accounting for the vast majority of private sector enterprises, micro-firms represent only 30% of output in the region and 19% of all employees. In contrast, the few hundred large businesses (250+ employees) in the East of England account for over half of all employment and turnover.

Unlike international peers (such as the US and Germany), the UK has a relative dearth of mid-sized firms; in fact within the region they only account for 11% of employment and 13% of output (an even lower incidence than national rates.)

MICRO-SIZED/BUSINESSES HAVE ACCOUNTED FOR 83% OF ALL NEW BUSINESSES SINCE 2011

SMALL **£125,257** MEDIUM **£154,811** LARGE **£150,866**

PRODUCTIVITY PER EMPLOYEE BY BUSINESS SIZE

Germany's well-regarded 'Mittelstand' (i.e. mid-sized businesses) for instance (which accounts for an impressive 20% of the country's employment and 40% of exports) has been both a fundamental part and driver of the country's economic success.

The UK's disproportionate reliance elsewhere, particularly on very small businesses - who are likely to stay small and undistruptive - has presented some challenges, not least around productivity, pay and longer term growth. Medium and larger-sized firms typically display much higher (at least 3x) productivity levels (and are more likely to reward this through higher pay) than smaller businesses, aided by economies of scale amongst other factors.

Despite this, it appears the UK's own mid-sized firms are beginning to make some in-roads in the economy and within the region the cluster has accounted for some of the fastest growth in employment, output and overall businesses numbers, as seen in Figure 7.1. Though this may be from a low base, it reaffirms the growth potential of this corporate phenomena and its centrality in supporting more competitive and forward-thinking economies.

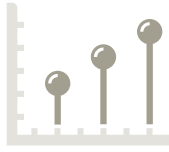
Average annual % change since 2012 in

| | Employment | Output | Businesses |
|--------------|------------|--------|------------|
| No employees | 2.1% | 4.3% | 2.4% |
| 1 | -3.6% | 0.2% | -3.3% |
| 2-4 | 1.2% | 5.8% | 2.5% |
| 5-9 | 1.0% | 3.5% | 1.0% |
| 10-19 | 3.1% | 4.7% | 3.1% |
| 20-49 | 3.6% | 5.7% | 3.6% |
| 50-99 | 1.7% | 2.9% | 1.7% |
| 100-199 | 4.0% | 6.8% | 4.0% |
| 200-249 | 7.0% | 4.0% | 6.0% |
| 250-499 | 2.1% | 3.0% | 2.5% |
| 500 or more | 1.1% | 0.5% | 3.4% |
| Total | 1.7% | 2.3% | 2.2% |

Figure 7.1 – Business related performance by size in the East of England, 2012-16

But this is not to say firm-level performance exclusively correlates to size, with growth and a lack of it evident across all echelons of the corporate sector. For instance, recent analysis of the productivity 'puzzle' at a firm level has pointed towards a 'long-tail' of low (and slowing) productivity in companies of all sizes, holding back the economy's growth potential.

In contrast to these 'laggards' are a small number of 'frontier firms' (i.e. with high, and increasing productivity levels) who are rapidly pulling away, triggering a widening dispersion in the distribution of productivity across companies over time.

6.4%  **UK 7.6%**
OF ALL BUSINESSES ARE HIGH GROWTH FIRMS, COMPARED WITH 7.6% UK AVERAGE

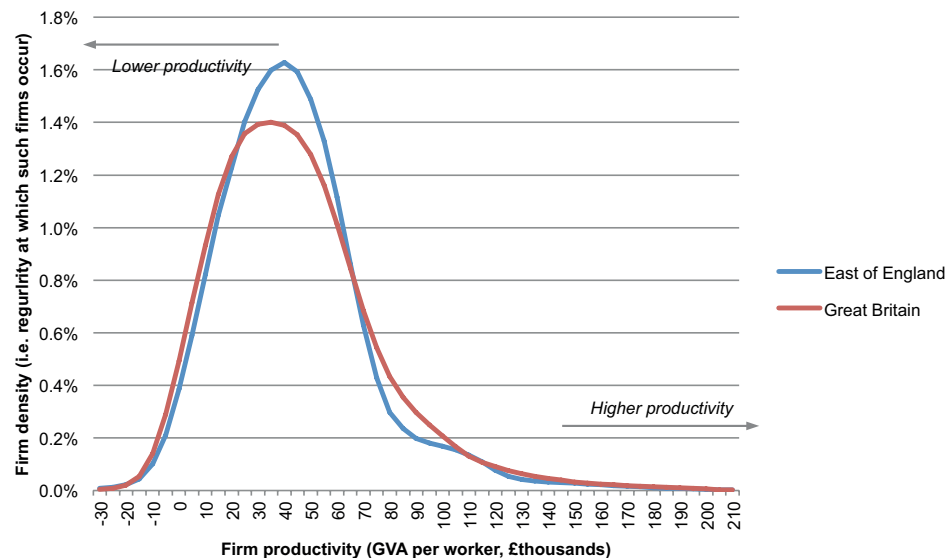


Figure 7.2 – Distribution of firm-level productivity (output per worker) in the East of England, 2015

The above figure, using East of England data, represents this relationship, showing a long, thin upper tail of high-productivity firms and a short, fat lower tail of low-productivity firms. This shape means that **for more than half the firms in the region, productivity is lower than the average by at least 50%.**

A comparison of the UK with other advanced countries suggests that both the degree of dispersion in productivity performance is larger in the UK and has widened more than in other countries.

Within the East of England region (which includes Norfolk and Suffolk) this trend appears to be even more pronounced, with a higher density of low-medium productivity firms and a lower density of high and very high productivity firms.

When compared to other UK regions, the East of England is surprising given that, despite being one of the strongest sub-regional economies, it has some of the highest density of low-medium productivity firms (i.e. the 'long-tail').

The Bank of England estimates around one-third of companies in the UK have seen no increase in productivity throughout this century – a 'long-tail' of companies, the majority of whom are unaware of the fact. Were the dispersion in firm performance narrowed to its international competitors' levels, the aggregate productivity gap between the UK and its peers would be all but extinguished.

Alternative data reiterates the likelihood of Norfolk and Suffolk having a low-incidence of 'frontier firms', especially when placed in the context of the East of England's performance.

For instance, the number of high-growth firms (defined as firms with 10+ employees recording average growth of 20% in employment per annum) in the two counties is only 6.4% of all businesses, compared with 7.6% nationally. Similarly, the number of 'scale-up' companies (using a similar definition but accounting also for growth in turnover) is only 0.2% of business stock, compared with 0.4% nationally.

However, this does not mean the local economy is incapable of producing such 'frontier firms'; the area has seen the second-fastest growth in the number of high-growth firms in the country,



**SECOND-FATEST
GROWING AREA FOR
HIGH-GROWTH FIRMS IN UK**

**62% SINCE 2012 COMPARED TO
32% UK AVERAGE**

with their totals increasing by 62% since 2012, almost double the 32% rate at the national level, boosting Norfolk and Suffolk up from the foot of the 'high-growth' tables.

Though ultimately from a very low base, it does **reaffirm the potential for businesses in Norfolk and Suffolk to thrive and operate in the local ecosystem, and be the 'frontier firms'** of the future. By enabling and supporting such firms to scale-up and grow, not just start up and survive, a more competitive, productive and growth-enabling economy can be achieved.

**APPROACHES AND ABILITY TO
FINANCE AND INVESTMENT**

A key determinant of a firm's ability to scale up and grow is access to credible and sustainable forms of finance. Even before the 2008 financial crisis, access to finance in the UK was regarded as a considerable restraint on a business's ability (especially those that are small) to consider their next stage of growth and invest for the future. This issue has been exacerbated since the

financial crisis and has created an increasingly difficult corporate finance environment for a large number of businesses, particularly those that are of SME size, harming potential growth and productivity gains throughout the wider economy.

While the **supply of credit to UK households has generally been robust in recent years, there are concerns about the supply of credit to businesses**, especially those in the non-financial sectors.

Over the past two decades, the supply of credit to financial and real estate companies has boomed then contracted, though lending volumes to these sectors remain roughly 160% above their 1997 level. By contrast, lending to non-financial and non-real estate companies expanded much less over the same period (by roughly 66%), whilst lending to the manufacturing sector was just under £37 billion at the end of 2016, 17% below its 1997 level.

Research suggests that **tight credit supply, exacerbated by the recession, may have been one of the causal factors in reducing growth in the UK** – the firms faced with a contraction in credit supply typically experienced

a reduction in labour productivity, wages and the capital intensity of production.

While credit conditions have improved in recent years, both for SMEs and large firms, some types of firm have not benefited, especially small and riskier firms seeking growth financing – in line with longstanding evidence of the system's shortcomings in financing productive investment and supporting long-term growth.

This may be a plausible (though not the sole) factor behind the 'long-tail' of companies aforementioned, with smaller companies unable to access the necessary finance required for scaling up their businesses from merely 'getting by'.

Though credit is not the sole avenue for financing growth, firms in Norfolk and Suffolk have traditionally been dependent on bank finance; a recent report by the British Business Bank (BBA) showed that SMEs in the East of England, which make up the vast majority of firms in Norfolk and Suffolk, raised only £0.4bn from equity markets in 2015, compared with £2.2 bn from bank lending.

Compared with international peers, the equity market is relatively small and unrecognised by a large number of businesses (especially SMEs),

in the UK. This type of finance, which is typically most accommodative of innovative, disruptive but potentially riskier businesses, is beginning to make some in-roads, but is still muted outside of London and the South East.

For instance, in the past three years, the East of England region, which accounts for 9% of the UK's economic activity, has represented only 4% of its equity finance and this is despite the Cambridge phenomenon.

The wider East of England region is still the lowest ranked region (below Wales, Northern Ireland and the North East) for equity investment cases as a share of the business population (0.13 cases per 1,000 businesses) and less than half the national average (0.27 cases per 1,000 businesses).

MANAGEMENT PERFORMANCE AND FIRM LEADERSHIP

Good management and leadership are vital to the success of a business, and can deliver visible benefits to a firm's performance. Even if a business has ample funding, capital and employees, without good management it is unable to be a good business. One possible explanation that has been put forward for the

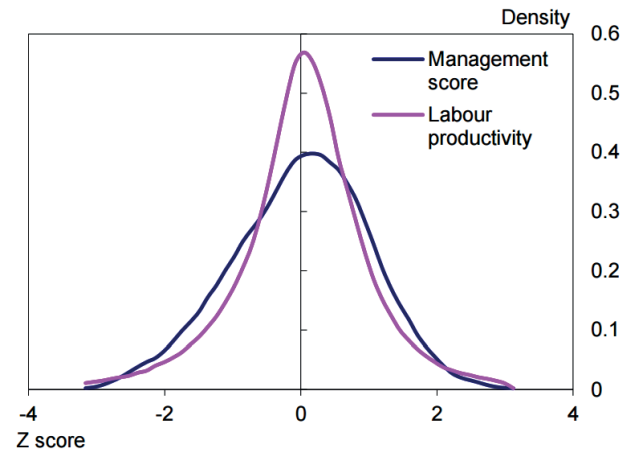


Figure 7.3 – Relationship between management practices and productivity, 2002-14 (UK only)

UK's 'long-tail' of companies with low and slowing productivity is poor management practices, with **UK firms on average more poorly managed than those in the US and Germany.**

Figure 7.3 suggests (a lack of) management quality is a plausible candidate explanation for the UK's 'long-tail' of companies; there is a statistically significant link between the quality

of firms' management processes and practices and their productivity.

And the effect is large - one standard deviation improvement in the quality of management raises productivity by, on average, around 10%. This suggests potentially high returns for policies which improve the quality of management within companies.

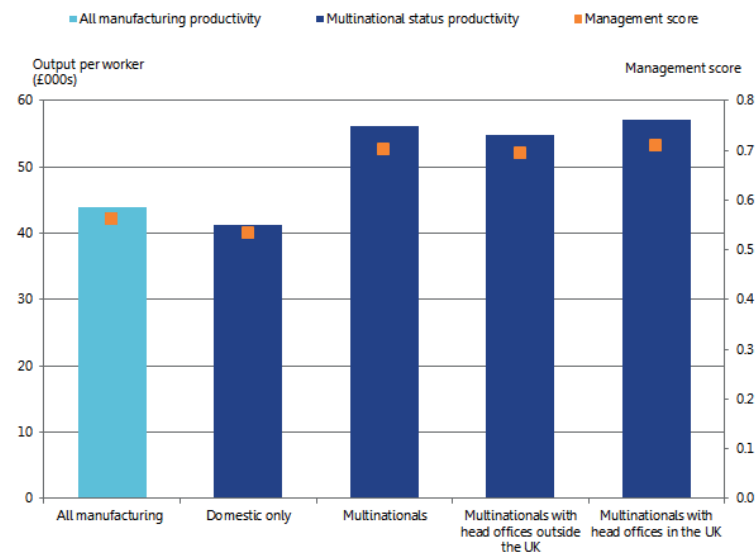
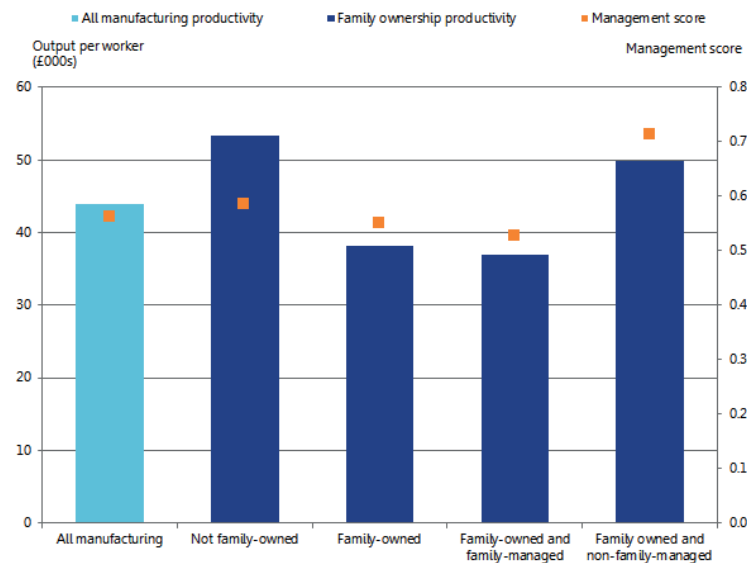


Figure 7.4 – Relationship between management practices and productivity across different ownership structures (family ownership left, foreign ownership right), 2015 (Great Britain manufacturing industry only)

Research indicates **poor management practices are most pronounced in sectors where competition is weak and skills levels are low and in businesses that are predominantly small and family-owned and managed.** Figure 7.4 demonstrates this causality (across a panel of manufacturing firms), and also highlights the positive managerial and productivity gains in foreign-owned firms.

When accounting for these trends, it is highly **probable Norfolk and Suffolk has a higher (and potentially increasing) density of poorly-managed, poorly-led businesses,** not least when considering the area's over-representation in small, family-owned, low skill businesses.

Furthermore, of the 30,400 **employers in Norfolk and Suffolk** that arranged in-work training for their employees in 2015, **only 35% provided any kind of management or supervisory training.** This was **below the national average of 37%,** and was in fact the **joint-10th lowest** out of 38 LEP areas.

10.8%
ENTERPRISES WERE START-UPS COMPARED WITH 14.3% UK IN 2015



45%
SURVIVAL RATES OF START-UPS FROM 2010 TO 2015, ABOVE THE UK AVERAGE OF 41%



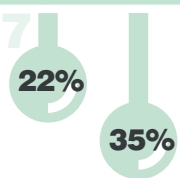
IF ENTERPRISE RATES HAD BEEN THE SAME AS THE UK SINCE 2009:

ADDITIONAL 14,000 START-UPS — **GENERATING 31,000 ADDITIONAL JOBS** — **£1.4 BILLION GVA**



NUMBER OF LOSS MAKING FIRMS INCREASED FROM 22% TO 35% SINCE 1997


1997 **22%** — 2017 **35%**




48 **BUSINESSES CREATED PER 10,000 RESIDENTS BELOW UK AVERAGE OF 72**



BUSINESS CHURN RATE OF 19%
COMPARED WITH UK AVERAGE OF 24%




3% LOCAL ENTERPRISE RATES IN DECLINE, CONTRACTING BY 3% SINCE 2013 COMPARED WITH A 9% INCREASE NATIONALLY




GROWTH IN SCIENCE AND R&D EMPLOYMENT HAS ACCELERATED BY 50% SINCE 2007 COMPARED WITH 19% UK AVERAGE

2007 — 2017



12% **OF FIRMS UNDERTAKING R&D, SPENDING £641 MILLION 1.9% OF GVA, COMPARED WITH 1.2% NATIONALLY**



+14% OF FIRMS INTRODUCING NEW OR SIGNIFICANTLY IMPROVED PRODUCTS OR SERVICES COMPARED TO THE LEP AVERAGE OF 20%



16% **OF FIRMS COLLABORATE FOR INNOVATION COMPARED TO THE LEP AVERAGE 23%**



ENTERPRISE, INNOVATION AND COMPETITIVENESS

As one of the only non-physical core factors of economic production (alongside land, labour and capital), enterprise and innovation are crucial to securing long-term economic growth and prosperity. Even with an affluent, highly skilled, resource-abundant economy, without stimulating these critical growth factors, full economic potential would not be reached.

Norfolk and Suffolk has historically displayed much lower rates of enterprise compared with national and regional peers, whilst the intensity of innovation is poorly spread, all contributing to lower levels of inter-firm competitiveness. Physical barriers, such as connectivity, finance and skills shortages play some part, but so do cultural and social attributes, such as attitudes to risk, opportunism and long-termism.

By continuing to stimulate and support enterprise and innovation, the New Anglia economy will be able to remain at the forefront of a competitive, fast-moving and disruptive global economy, developing and embracing new, globally-recognised products, ideas and processes.

10.8%

ENTERPRISES WERE START-UPS COMPARED WITH



14.3% UK IN 2015

ENTERPRISE AND BUSINESS CREATION

Enterprise, or entrepreneurship, is the process of designing, launching and running a new business, providing a particular product, process or service. New businesses drive job creation, innovation and resource allocation and are a vital enabler of vibrancy and competitiveness in economies large or small. Within the right environment, these start-ups can grow and evolve to become the agile, innovative and disruptive firms of the future.

Within Norfolk and Suffolk, enterprise rates are remarkably low considering the relative size and strength of its economy across other indicators. Of the 60,000 independent enterprises in Norfolk and Suffolk in 2015, only 10.8% of these were 'start-ups'; nationally, this rate was 14.3%.

Despite record levels of enterprise across much of the UK, locally, rates are still well below those experienced before the recession.

This ranks the local area as **one of the worst-performing for enterprise and business formation**, despite an ongoing enterprise 'boom' throughout much of the UK. Only one other LEP area, the North East, is ranked lower for



Figure 7.5 – Resident enterprise rates in the New Anglia area relative to peers, 2004-15

enterprise and within Norfolk and Suffolk more localised rates can be significantly lower, with no local authority areas currently eclipsing the national rate.

This is largely due to the resident population having much lower entrepreneurialism intensity compared with the rest of the country.

Despite booming shortly after the recession, **local enterprise rates** are in decline, contracting by 3% since 2013 compared with a 9% increase across the UK.

Though lower levels of enterprise are often evident in rural economies (even in Cambridgeshire, despite the Cambridge phenomenon), it is especially pronounced in Norfolk and Suffolk and has emerged as a longer term, structural issue.

Accompanying these low levels of enterprise are remarkably high and increasing survival rates of local start-ups; of the 4,500 businesses formed

3% LOCAL ENTERPRISE RATES IN DECLINE,

CONTRACTING BY 3% SINCE 2013 COMPARED WITH A

9%

INCREASE NATIONALLY

48 **BUSINESSES CREATED**

PER 10,000 RESIDENTS
BELOW UK AVERAGE OF 72



45%
SURVIVAL RATES
OF START-UPS FROM 2010 TO 2015,
ABOVE THE UK AVERAGE OF 41%

NUMBER OF
LOSS MAKING FIRMS
INCREASED FROM 22% TO 35% SINCE 1997

1997 2017

22% 35%

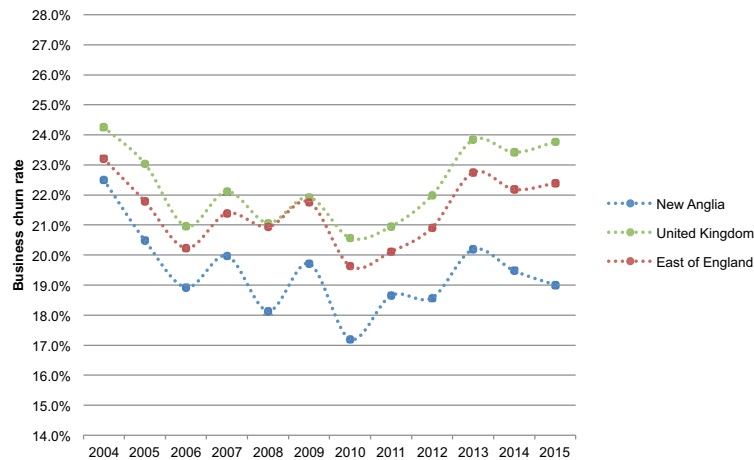


Figure 7.6 – Business churn rates in the New Anglia area, 2004-15

estimates this was responsible for some 15% of the short run productivity ‘puzzle’, although it may have prevented significant job losses as the start of the financial crisis.

Though such trends may not be having a substantial negative impact on headline economic performance, it may be more of a case of ‘what if’ rather than ‘what has been’. Healthy levels of enterprise and business churn are at the heart of economic growth, supporting a diverse range of economic drivers and disruptors. It can also assist in an efficient allocation of resources, such as capital and labour and contributes to healthier, more resilient economies.

in the local economy in 2010, 45.4% survived to 2015, well ahead of the national average of 41.4%. This can be even higher in more localised areas, such as in Breckland and Babergh, where rates were 50%.

Though largely a positive and testament to the resilience and success of local businesses, when coupled with below average business births, it can also indicate a lack of healthy business churn (i.e. the rate at which new businesses leave and enter the economy) and a static, un-dynamic business environment, especially within more localised markets.

Again, when ranked against other LEP areas, the New Anglia area **is 37th out of 38 for business churn**, and significantly below (and diverging with) national rates. This low churn is counter-current to expected trends; low and slowing business dissolutions especially are in stark contrast to the number of loss making firms, which have increased from around 22% to 35% of all businesses since 1997.

This has largely been attributed to the concept of ‘lender forbearance’, which is believed to be harming productivity and productivity gains within businesses. The Bank of England

BUSINESS CHURN RATE OF 19%
COMPARED WITH UK AVERAGE OF 24%

IF ENTERPRISE RATES HAD BEEN THE SAME AS THE UK SINCE 2009:

ADDITIONAL
14,000
START-UPS

GENERATING
31,000
ADDITIONAL JOBS

£1.4
BILLION
GVA

In fact, if Norfolk and Suffolk had theoretically displayed the same levels of enterprise as the national average since 2009, it would have seen an additional 14,000 start-ups. This would have had the potential to generate some 31,000 additional jobs, delivering an economic boost in the region of £1.4 billion. Naturally, these figures would have the potential to increase even further depending on the quality and scale-up ability of the theoretical businesses in question, which can be where the greatest reward lay.

RESEARCH AND INNOVATION

Innovation is the process of delivering something new and valuable to the market and without it businesses and economies are unable to be competitive. It isn't just about new products and technology - the more glamorous side of the business - innovation also includes new processes, new business systems and new management methods, all of which have an important impact on productivity and hence growth; indeed some estimates place upwards of 50-80% of growth

since the Industrial Revolution being attributable to innovation and technological change.

Survey-based data positions Norfolk and Suffolk businesses as amongst the least engaged in innovation in the UK. Between 2010 and 2012, **only 14% of active enterprises in the two counties introduced a new or significantly improved product or service, below the LEP average of 19%** and ranking the area joint 36th out of 38 LEP areas.

Of these firms, only 31% delivered a product or service that was new to market, rather than new to business, almost half the LEP average, and the joint-lowest rate of all LEP areas.

And despite scoring slightly better for firms undertaking

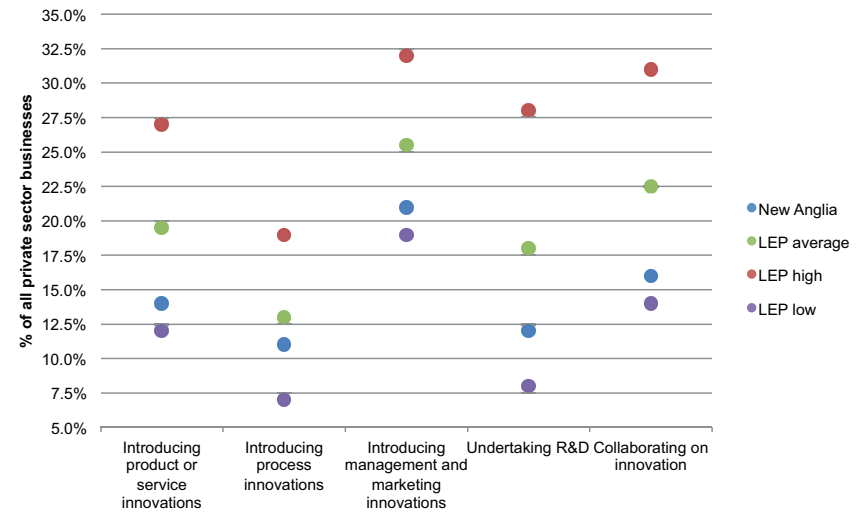


Figure 7.7 – Innovation performance in the New Anglia area relative to other LEP areas, 2010-12

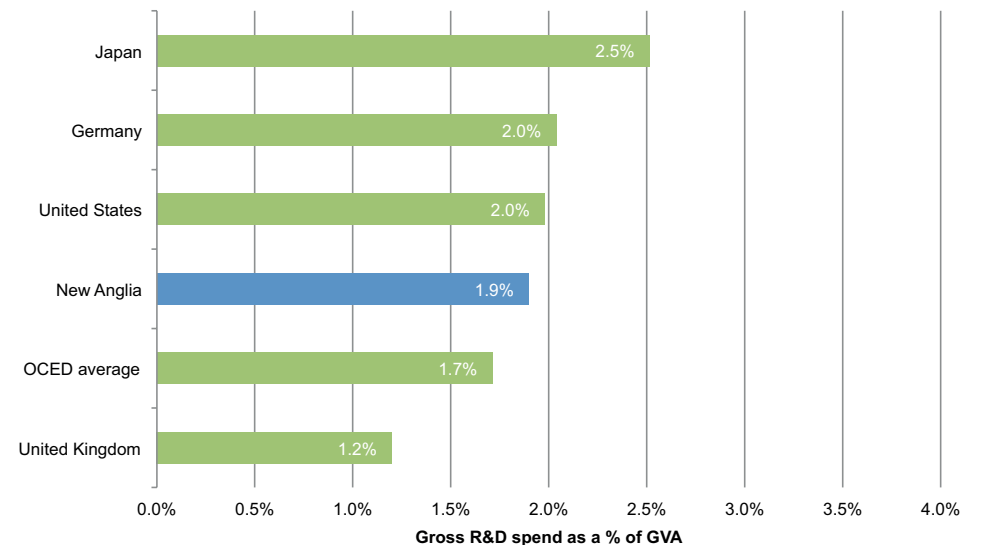
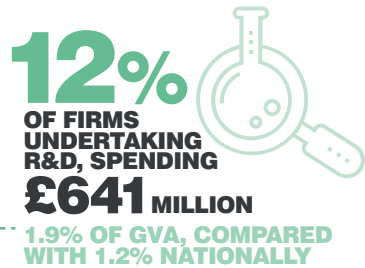


Figure 7.8 – R&D spend as a % of GVA in the New Anglia area relative to international peers, 2013

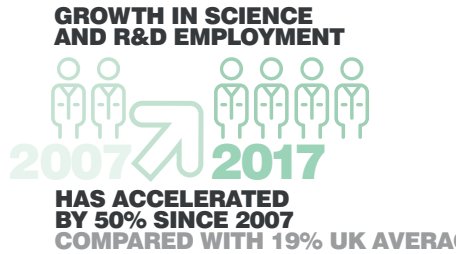


process innovation (where it was placed 23rd of 38 LEPs, its highest ranking in the survey), the share of local firms innovating in strategic and marketing purposes locally was again amongst the lowest in the UK.

However, the area does perform slightly better when measured by Research & Development (R&D) spend, which is the actual process that enables the knowledge or technological discovery which supports innovation. Though only 12% of firms reported undertaking R&D, their spend amounted to an impressive £641 million, or 1.9% of GVA, compared with 1.2% nationally.

In fact, as a percentage of economic output, Norfolk and Suffolk's R&D spend ranks 12th of all LEP areas, ahead of places such as London, the South East and Greater Birmingham and Solihull, and in line with advanced economy peers. Growth in science and R&D employment has also accelerated by a staggering 50% since 2007, compared with 19% nationally.

This impressive performance indicates that local research and innovation is most likely highly concentrated, clustered around and driven by a small number of (predominantly large) companies and institutions (e.g. universities, public agencies).



But despite these assets, it appears the all-important diffusion of knowledge and innovation collaboration is also muted. Only 16% of innovating firms in Norfolk and Suffolk reported collaborating for innovation purposes, compared with say 31% in Oxfordshire, ranking it again amongst the lowest-performing LEP areas.

Innovation collaboration with government and institutions, as a whole, is also quite low; the take up of Innovate UK grants between 2010 and 2015 placed the LEP area 33rd out of 38 LEP areas, in terms of the level of grant funding secured per job.

However, industry performance varies with the local area performing slightly better in securing innovation funding across Bioscience (14th of all LEPs for grant value per job), Sustainable Agri-food (15th), Low Impact Buildings (15th) and Electronics and Photonics (17th).

However, the above analysis should also be placed within the context of the UK's research and innovation performance, which historically lags behind that of fellow advanced economies.

While the UK is widely regarded to excel in terms of the quality and impact of research (although not necessarily the quantity, with relative R&D spend below most G7 peers), it comes across worse than other countries at commercialising ideas.

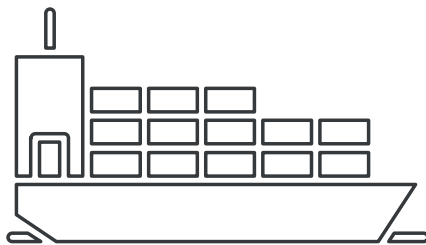
ENTERPRISE, INNOVATION AND COMPETITIVENESS



A standard measure of innovation output (i.e. commercialisation) is patent filings and approvals and the UK is below the OECD average in patents per person and lagging some way behind many advanced economy peers.

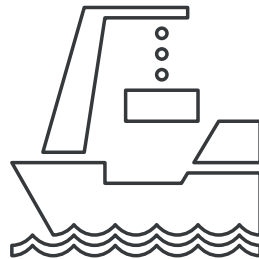
Locally, the LEP area ranks 18th out of 38 LEPs for the number of patents held per resident, though this is most likely understated due to patents rarely being registered at the company site and instead at the head office e.g. BT and John Innes.

However, when referencing the above data and anecdotal evidence, there is a potential commercialisation gap between the region's globally-renowned R&D assets and process, and its innovation outputs.



£2.9BN

OF GOODS EXPORTED EVERY YEAR



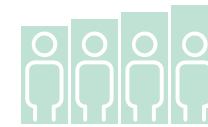
89.6
MILLION
TONNES

OF GOODS PASS THROUGH LOCAL PORTS EVERY YEAR



5,800

JOB'S CREATED/SAFEGUARDED BY FDI,



FOURTH
HIGHEST

SHARE OF 38 LEP AREAS

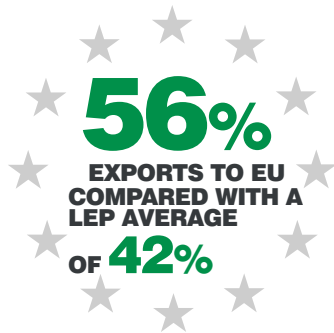
0.43

FOREIGN-OWNED PROPERTIES PER 1000 PEOPLE



COMPARED WITH LEP AVERAGE

0.64 PER 1000 PEOPLE



84,800

INTERNATIONAL RESIDENTS WORKING AND LIVING IN THE TWO COUNTIES



77% FROM EU

66% **MACHINERY AND TRANSPORT** AND

62% IS EXPORTED MORE TO NON-EU COUNTRIES

WORTH £910M



CHEMICALS EXPORTS WORTH £738M

71% HEAVILY RELIANT ON EU TRADE



AS ARE

63% EXPORTED TO EU

FOOD AND LIVE ANIMALS WORTH £479M

EXPORT INTENSITY: PRICE OF EXPORTS PER JOB

£4,300



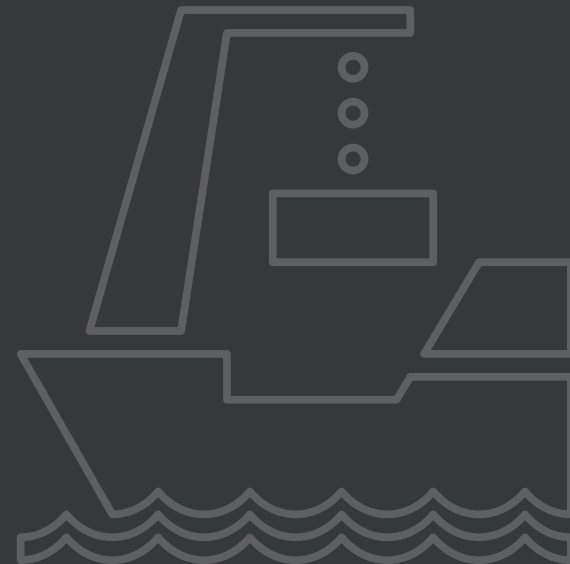
COMPARED TO THE LEP AVERAGE **£9,200**

TRADE, INVESTMENT AND OVERSEAS CAPITAL



In an ever-more globalised world, trade, investment and overseas linkages are becoming an increasingly important avenue and enabler for economic growth and prosperity. No successful modern economy has developed without harnessing economic openness, whether it is through international trade, investment, or the flow of people.

Exploiting its advantageous geographic position, Norfolk and Suffolk retains strong links with the rest of the world, whether it is through the £2.9bn of goods it exports every year, the £89.6m tonnes of goods that enter or leave its shorelines, or the 84,800 international residents living and working in the two counties.



56%
EXPORTS TO EU
COMPARED WITH A
LEP AVERAGE
OF **42%**

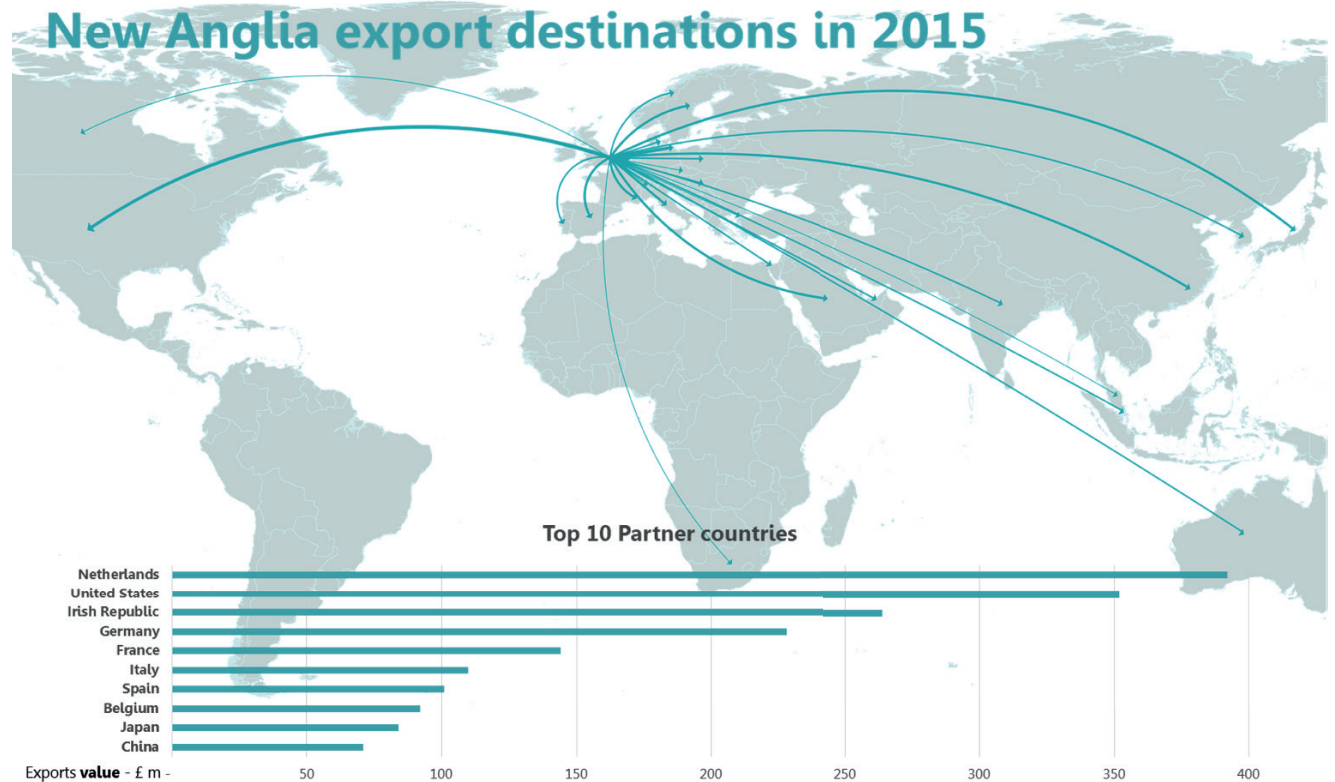
TRADE AND EXPORTING

| LEP area | Export value per job | % of total exports to EU |
|--|----------------------|--------------------------|
| New Anglia | £4,300 | 55.6% |
| Coast to Capital | £7,900 | 46.3% |
| Heart of the South West | £4,200 | 56.0% |
| Greater Cambridge and Greater Peterborough | £7,700 | 49.5% |
| LEP Average | £9,200 | 42.0% |

Figure 7.9 – Intensity and destination of exports in the New Anglia area relative to peers, 2015

A top level analysis of Norfolk and Suffolk's exports highlights the region's strong trading relationship with the European Union. Of the £2.9 billion worth of goods that were exported by local businesses in 2015, 55.6% were to destinations within The EU, which is significantly higher than the LEP average of 42.0%.

The **country with the largest share of Norfolk and Suffolk exports is also its closest international neighbour, the Netherlands**, which accounted for 13.5% of all goods exports in 2015. A close second is the **United States**,



which has strong trade links with the **Eastern region and represented 12.2% of goods exports from Norfolk and Suffolk.**

But despite the global platform on which Norfolk and Suffolk exporters operate, the two counties have **comparatively low export value per job compared with other LEP areas. Its £4,300 export value per job is far lower than Coast to Capital and GCGP LEP areas**, whilst also being only slightly above the Heart of the South West LEP.

Indeed, its **overall export per job figure is 46% of the LEP average, and ranks the New Anglia area 30th out of the 38 LEP areas** with regard to the value of exports per job.

**EXPORT INTENSITY:
PRICE OF EXPORTS PER JOB**
£4,300
COMPARED TO THE LEP AVERAGE £9,200

This could indicate a much lower exporting intensity within local firms (i.e. there is a low

TRADE, INVESTMENT AND OVERSEAS CAPITAL

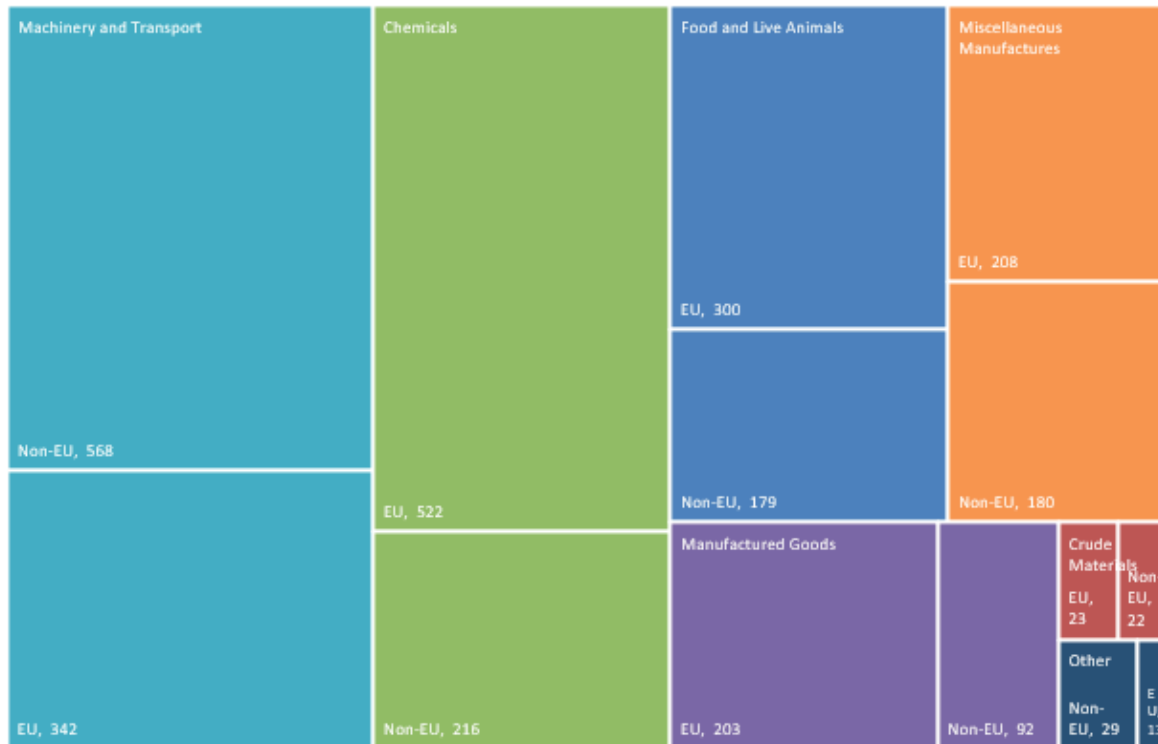


Figure 8.0 – Product category and destination of exports in the New Anglia area, 201

share of firms that actually export) - though **Norfolk and Suffolk actually have a similar share of firms that export compared to the LEP average** (5.1% vs 5.2%).

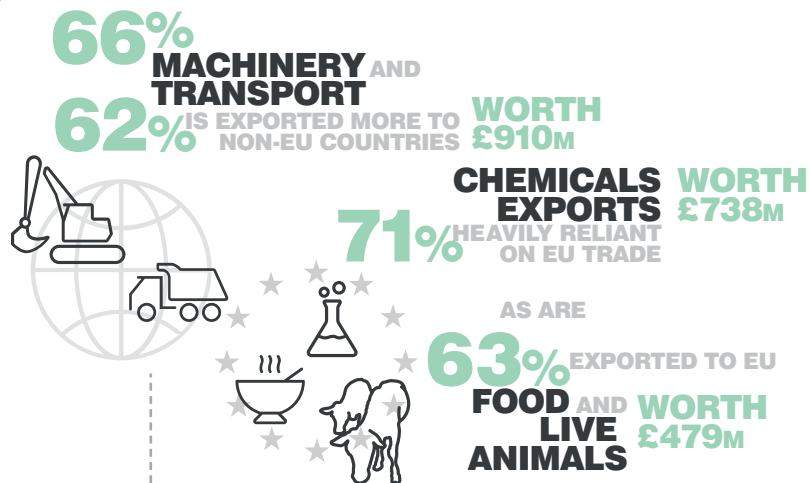
It could therefore be that the **firms that do export from Norfolk and Suffolk are potentially small in stature (at least in employment terms)**, though global in their operations. Though this is more in line with the model in other advanced economies, such smaller firms are often more susceptible to

slowdowns and other obstacles that are rife within global trade.

Low export value per job could also be explained by the fact **the local area has a higher share of lower value exports compared to other LEP areas, reflecting its often lower position within global value chains**. For instance, there is a much lower share of high value added exporting activity, such as in electronics and tech, aviation and aerospace, medicinal goods and crude oil and materials.

This is demonstrated in figure 8.0, which reveals the product categorisations of Norfolk and Suffolk's goods exports. The **advanced agri, food and drink sector dominates the two counties' exporting performance**, with machinery and transport (including tractors), chemicals (including fertilisers and other agrochemicals) and food and live animals accounting for almost three-quarters of all goods exports locally.

Though high in volume, and often exported directly from local ports such as Felixstowe, Ipswich and Great Yarmouth, **these bulk items, particularly the latter two, are often lower in value than other goods exports**. Therefore, there may be some reward in moving local companies up the value chain to process and refine these goods domestically.



The figure also demonstrates the extent to which different exporting industries rely on the EU, with varying levels of significance. Interestingly, **the export of machinery and transport is more reliant on non-EU countries**, perhaps reflecting global demand for agri-food solutions, whilst **chemical exports are heavily reliant on EU trade, as are food and live animals.**

But exporting has a much wider impact on the economy than just the goods and services that are produced and traded. As research from the Bank of England concluded, exporting firms - operating in fast-moving and globally competitive markets - are often more innovative, have better management and invest more in their machinery and workforce.

| LEP area | Total FDI projects, 2013-15 | Jobs created by FDI, 2013-15 | Jobs safeguarded by FDI, 2013-15 | Jobs created/safeguarded per FDI project |
|--|-----------------------------|------------------------------|----------------------------------|--|
| New Anglia | 40 | 4,342 | 1,495 | 146 |
| Coast to Capital | 52 | 955 | 1,046 | 38 |
| Heart of the South West | 31 | 1,063 | 378 | 46 |
| Greater Cambridge and Greater Peterborough | 65 | 1,258 | 212 | 23 |
| LEP Average | 49 | 2,104 | 922 | 62 |

Figure 8.1 – FDI projects and value in the New Anglia area relative to peers, 2015

It is therefore unsurprising that exporting firms are, on average, a third more productive than those that are not. Moreover, engaging more firms in exporting can help to correct the UK’s widening trade deficit, supporting more stable and sustainable rates of growth in the long run.

FOREIGN DIRECT INVESTMENT (FDI)

Norfolk and Suffolk displays a good recent record of attracting FDI into the region, which has helped to support and create investment, jobs, growth and productivity improvements in the local economy. Over 2013-15 for instance, **the New Anglia area entertained a total of**

40 successful FDI projects, which helped to create some 4,300 jobs, and safeguard a further 1,500.

Though the number of projects was low compared to a LEP average of 49 (placing the New Anglia area 19th out of 38 for total FDI cases), it appeared **the local area was successful in attracting higher value, higher impact FDI projects**; the number of jobs created (4,300) and safeguarded (1,500) by projects in Norfolk and Suffolk were almost double the respective LEP average of 2,100 and 900.

In fact, when **looking at the total number of jobs created and safeguarded, Norfolk**

and Suffolk was the 5th most successful destination in the country (out of 38) for FDI, attracting more investment rich-FDI projects than large parts of England, including 'powerhouse' areas such as Leeds, Oxfordshire, Thames Valley Berkshire, Hertfordshire and Greater Cambridgeshire Greater Peterborough.

Large scale FDI projects within sectors such as Energy, Environment and Infrastructure (38% of all projects) and Advanced Engineering and Manufacturing (40% of all projects) ensured the two counties have the second-highest ratio of jobs created/safeguarded per individual FDI project in the country.

Much like exporting, Norfolk and Suffolk is slightly more reliant on the European market for its FDI, with the overwhelming majority of projects launched from companies based in the EMEA (60% of all projects, compared to a national average of 40%), with those from Asia Pacific and the Americas increasing their share but still limited compared to other parts of the country (28% and 13% respectively).

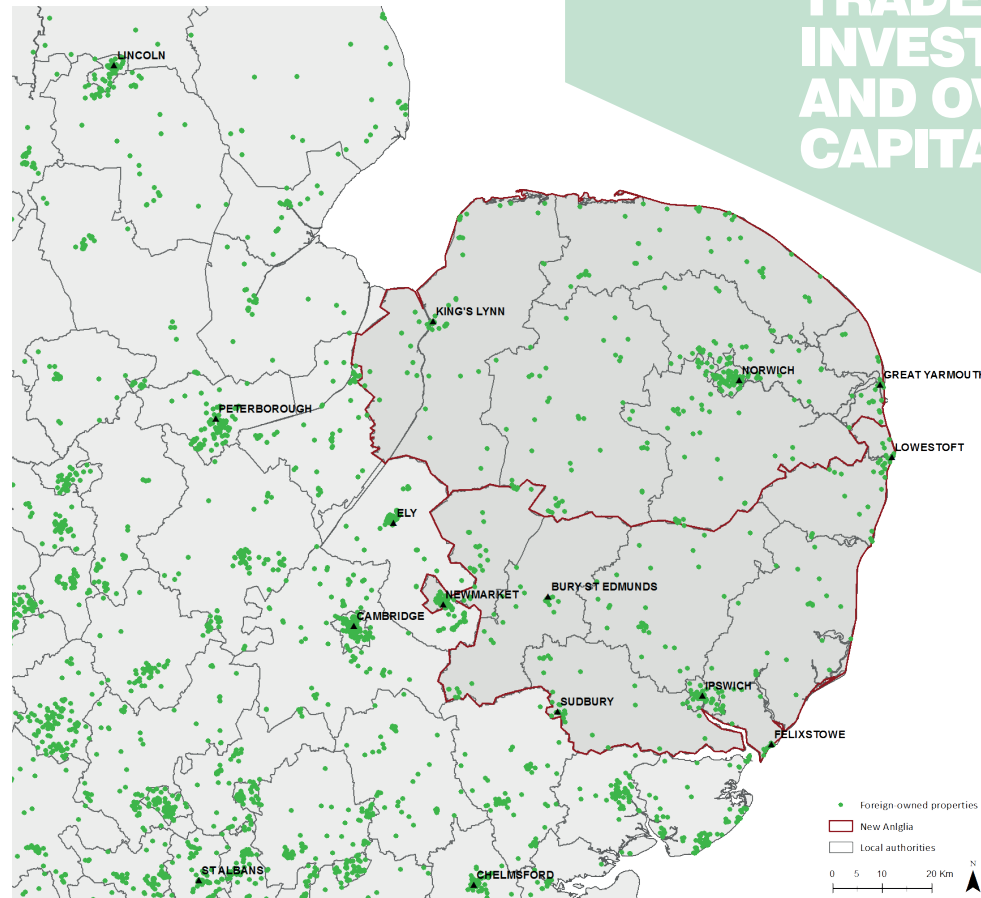


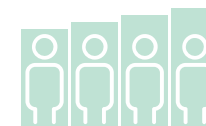
Figure 8.2 – Ownership of foreign properties by overseas companies (represented by green dot), 2015

Despite this recent success, the overall share of foreign economic activity in the wider Norfolk and Suffolk economy appears relatively limited and unevenly spread across the two counties.

As Figure 8.2 shows, Norfolk and Suffolk does not have a high density of foreign-owned properties when compared with the wider East of England. This is, however, to some extent explained by the clustering of foreign-owned property in towns and cities.

5,800

JOBS CREATED/SAFEGUARDED BY FDI,



**FOURTH
HIGHEST
SHARE OF 38 LEP AREAS**

There is, however, a quite noticeable concentration of foreign-owned companies around Norwich, which appears to be the main focus of FDI in the region (0.86 foreign-owned companies per 1000 people). Other smaller but nonetheless important concentrations can be found in Ipswich (0.68 foreign-owned companies per 1,000 people) and Newmarket (Forest Heath has 1.38 foreign-owned companies per 1,000 people).

Conversely, despite their economic links to Europe through shipping and energy respectively, the areas of Felixstowe and Great Yarmouth (0.32 foreign-owned companies per 1,000 people) appear to be less attractive to foreign investment than expected.

Their ports, shipping and energy specialisms would be expected to incentivise foreign ownership; however, this seems not to be the case. On the other hand Newmarket, with its pre-eminent role in horse racing, has a large number of foreign-owned properties in its area.

Beyond delivering significant economic benefits through investment and job creation, FDI also has a less overt impact on economies and businesses. For instance, according to the Bank of England, foreign-owned firms "...invest more

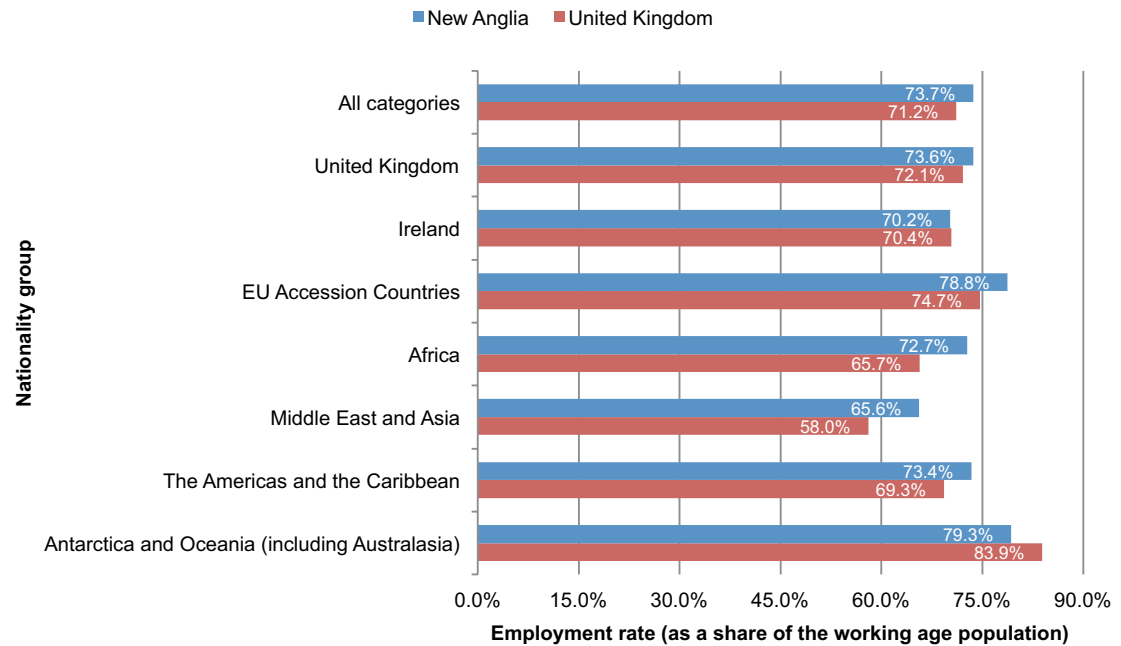


Figure 8.3 – Employment rates across the New Anglia area by country of birth, 2011

in R&D; they are better managed, and they collaborate with other organisations and promote the diffusion of ideas.”

It is therefore unsurprising that their analysis of 40,000 UK companies indicated that foreign-owned firms tend to be 50% more productive than the domestic equivalent. Likewise, productivity growth is also stronger, exceeding 30% within foreign-owned firms, compared to a domestic average of 16%.

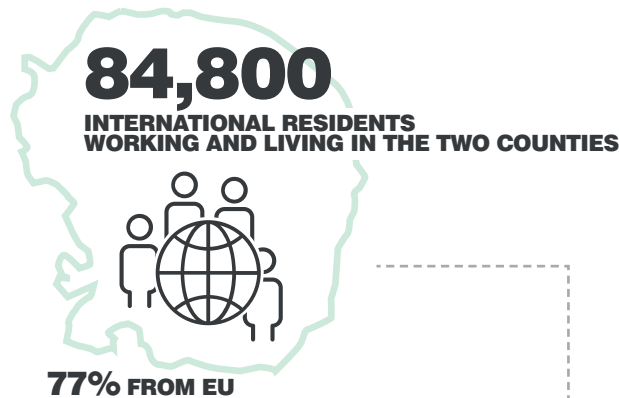
MIGRANT WORKFORCE

At the time of the 2011 Census, 70,100 residents, **or 9.7% of Norfolk and Suffolk’s working age population, were born outside of the UK,**

which was **almost half the England average** of 17.2%.

This placed the New Anglia area as having the 22nd highest share of non-UK working age residents. This means that as a whole and relative to large parts of England, the local area has not been as reliant on migrant labour within its labour supply.

Of the non-UK population within Norfolk and Suffolk, the largest group were from Europe, at almost a half of the non-UK population (44.7%), which was substantially more than the national average of 31.2%. This was also the 9th highest share of 38 LEP areas, indicating a **higher dependency on EU labour** within migration flows.



This group was followed by those from the Middle East and Asia, at almost one fifth of all non-UK residents (21.2%, significantly less than the national average of 35.5%), whilst those from the Americas and the Caribbean (16.3%) was almost double the national average of 8.2%, reflecting the sizable US armed forces population locally.

Those from Europe are amongst the most likely to be actively engaged in the labour market; **of the 33,300 European residents (excluding Ireland) in Norfolk and Suffolk in 2011, 78.8% were in active employment**, higher than both the domestic equivalent (73.6%) and the equivalent nationality elsewhere in England (74.7%).

Non-UK residents from Ireland, Africa and the Middle East and Asia meanwhile **are less likely to be in employment** than the domestic equivalent, **though over two-thirds** of all residents from these countries **are still actively engaged** in the labour market.

Only those non-UK residents from Ireland and Oceania are less likely to be in employment in Norfolk and Suffolk compared to their equivalent elsewhere in England. These are the only nationality groups which have lower

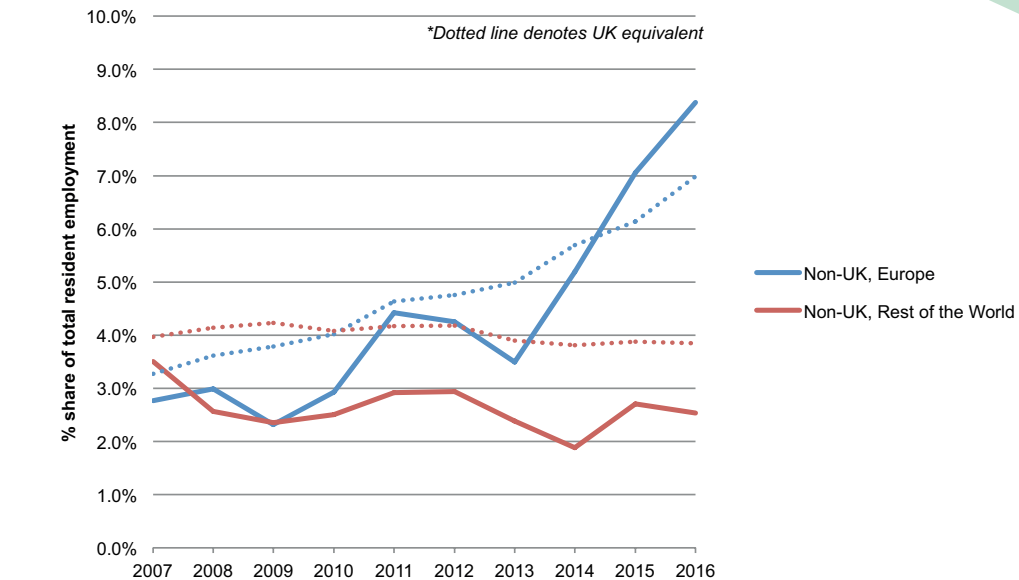


Figure 8.4 – Share of non-UK labour in the New Anglia area resident workforce, 2007-16

employment rates locally compared to elsewhere in the country.

Census data however, though revealing, only provides a narrow snapshot in time. Alternative data suggests that the interaction of overseas labour in the labour market has increased at an almost exponential rate over recent years.

For instance, between 2009 and 2016, an additional 50,600 non-UK residents in Norfolk and Suffolk have entered employment. As

of 2016, there was an overall 84,800 non-UK residents in employment locally, equating to 10.9% of the local resident workforce.

The additional 50,600 non-UK residents in employment since 2009 equates to an increase of 147.9%, which is almost over three times the increase taking place across the rest of the UK (46.7%).

The share of non-UK residents in the local labour market, currently standing at a record high

TRADE, INVESTMENT AND OVERSEAS CAPITAL

of 10.9%, is marginally ahead of the national average of 10.8%. This is the first time that the local area has had a higher share of migrant workers in its workforce compared to the rest of the UK.

In particular – and as reflected in the census data – the local area has a much higher reliance on labour from Europe, who account for 8.4% of the resident workforce, compared to 7% across the UK.

Since 2009, the number of non-UK residents from Europe in employment has almost quadrupled, compared to doubling across the rest of the UK. This means that a substantial amount of the New Anglia area's net increase in employment has come from those not born in the UK.

The impact and importance of overseas labour can also vary significantly by industry. For instance, **over a quarter** (25.6%) of the resident workforce in Norfolk and Suffolk **employed in manufacturing is from countries outside of the UK**. This is almost double the share across the rest of the UK.

Agriculture also has a high reliance on overseas labour (particurlaly from Europe), accounting for over a fifth (20.6%) of all resident

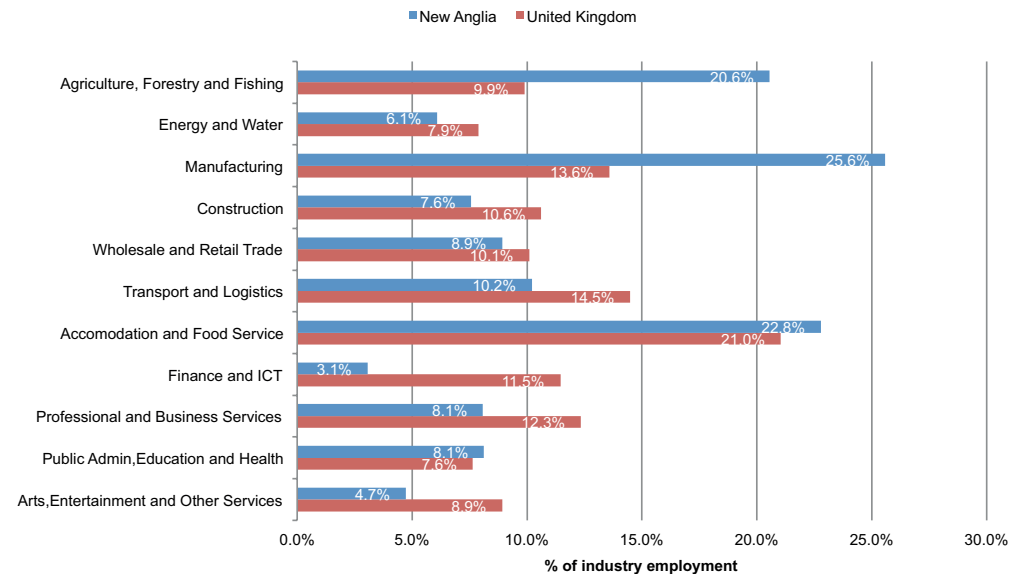


Figure 8.5 – Share of non-UK labour by industry in the New Anglia area resident workforce, 2016

employment. Like manufacturing, this is double the share shown elsewhere in the UK. It is also possible that, with the seasonal nature of such work, these numbers may be understated.

Accomodation and food service (loosely covering tourism-related industries) **also have a higher reliance on overseas labour** than elsewhere in the UK, at almost a quarter (22.8%) of the workforce. Similarly, like agriculture, the

seasonal nature of such work may undercount peak totals.

Transport and logistics also retain a high share of overseas labour, at a tenth (10.2%) of all employment locally. However, this is a slightly lower incidence than the national average.

In total, these four industries account for almost half (48.4%) of all of the non-UK employment in Norfolk and Suffolk and are typically, though not

exclusively characterised by traditionally lower-skill, labour-intensive, lower-paid roles.

Public admin, education and health employers are also slightly more reliant than elsewhere in the UK on overseas labour. This is likely due to the size and expected demand in the sector locally, as well as the sizeable overseas armed forces presence.

In some higher value service activities though – such as finance and ICT and professional services - the local area is relatively under-represented in terms of overseas labour, especially relative to the national average.

In total, it is **estimated that those non-UK residents** in Norfolk and Suffolk that were **in employment generated an estimated £3.9 billion for the local economy in 2016** (this is gross, and assumes they were as productive as the economy average).

There is also **no credible evidence to suggest such workers have displaced domestic employees** and there is only **limited evidence that demonstrates the supply of overseas labour has depressed wages** locally.



SUPPLY OF AFFORDABLE NEW BUILD HOUSING COMPARED TO **13%** ENGLAND AVERAGE



RATIO OF NEW BUILD HOUSE SALES TO 1,000 RESIDENTS, UK AVERAGE **1.5** TO 1,000 RESIDENTS

DEMAND AND SUPPLY FOR HOUSING



DEMAND 2016
758,400
DWELLINGS



SUPPLY 2016
749,300
DWELLINGS




HOUSE SALES RATIO
18.2 TO 1,000 RESIDENTS, NORFOLK AND SUFFOLK, UK AVERAGE **15.2** TO 1,000 RESIDENTS



22%
PROJECTED DEMAND FOR HOUSING TO RISE BY 22% TO 2039 ACROSS EAST OF ENGLAND

AFFORDABILITY RATIOS ARE HIGH AND ABOVE THE NATIONAL AVERAGE;

7.4 IN THE NEW ANGLIA AREA TO 7.7 ACROSS ENGLAND - THIS MEANS THE MEDIAN HOUSE PRICE IN NEW ANGLIA IS



7.4X
THE MEDIAN WAGE



AVERAGE COMMERCIAL PROPERTY PRICES £49.90/m²
COMPARED TO ENGLAND AVERAGE £60.50/m²



MEDIAN PROPERTY PRICES 2016

- NORFOLK £191,700
- SUFFOLK £204,400
- ENGLAND £218,300

LAND USE, HOUSING AND INFRASTRUCTURE

Alongside labour, land and its use has historically been regarded as one of the core components of economic production. Businesses need space to operate and grow and people need homes to raise their families. Good infrastructure is needed to connect homes and workplaces and to transport goods around the area efficiently in order to use resources effectively and to minimise impact on the environment.

Norfolk and Suffolk has some of the most spatially diverse landscapes in the UK, dominated by farmland, woodland and the coast, a collection of small market towns and villages to more urban areas such as Bury St Edmunds, Great Yarmouth, Ipswich, King's Lynn and Norwich - the only city in the LEP area.

Moving forward, there are a number of challenges associated with allocating and enabling the right type and amount of development in the right place. This must respond to the needs and aspirations of businesses and residents, while ensuring the environment is protected and enhancing the region's attractiveness, accessibility and affordability.

NARRATIVE POINTS AND SUPPLEMENTARY ANALYSIS

LAND USE - THE STRUCTURE OF THE MARKET

Norfolk and Suffolk sees the **strongest concentrations of jobs in its major population centres**. As the map right demonstrates, the areas with the highest proportion of jobs to population are clustered around the towns of Bury St Edmunds, Ipswich and the very centre of King's Lynn plus the city of Norwich. All of the top 10 MSOAs with the highest proportion of jobs were located in these towns.

In terms of local authority areas, Norwich has around 1.56 people per job, with St Edmundsbury at 1.8 and Ipswich at 1.92. These compare to those with the lowest proportion of jobs, notably, North Norfolk (3.17 people per job), Waveney (2.85 people per job) and King's Lynn and West Norfolk (2.82 people per job).

An analysis of population to jobs ratios also illustrates spatial differences between Norfolk and Suffolk. **Norfolk has more areas with**

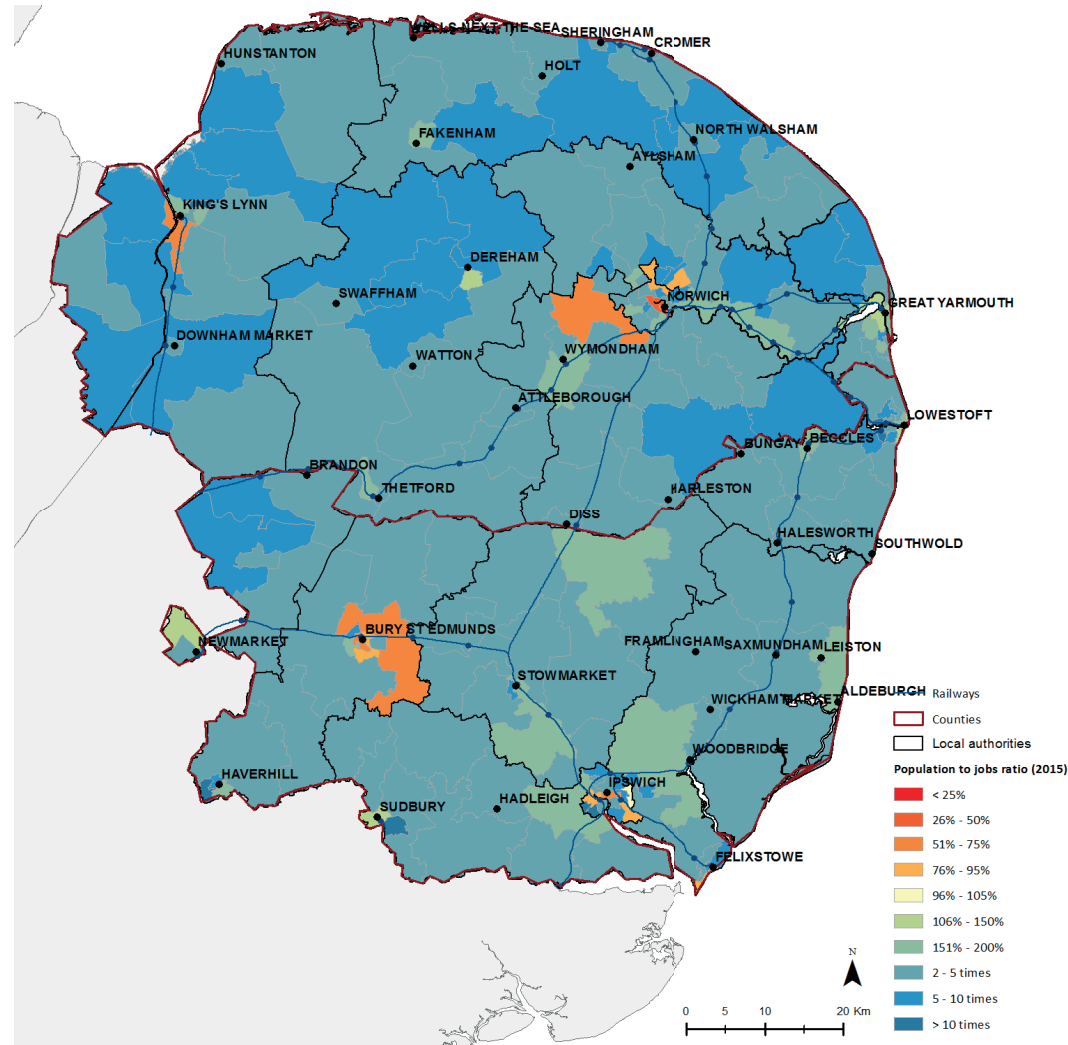


Figure 8.6 – Population to jobs ratio across the New Anglia area, 2015

very high proportions of jobs to population (dark orange), as well as more areas with high ratios of population to jobs (dark blue). Indeed, **Norfolk has higher levels of clustering of jobs in Norwich and a particularly low proportion of jobs compared to population in the west of the county**. Interestingly the

county has 2.46 people per job including Norwich, with this rising to 2.75 people per job excluding Norwich.

This compares to **Suffolk, which not only has fewer high density employment areas, but also has jobs and population more evenly spread** across the county. This means Ipswich

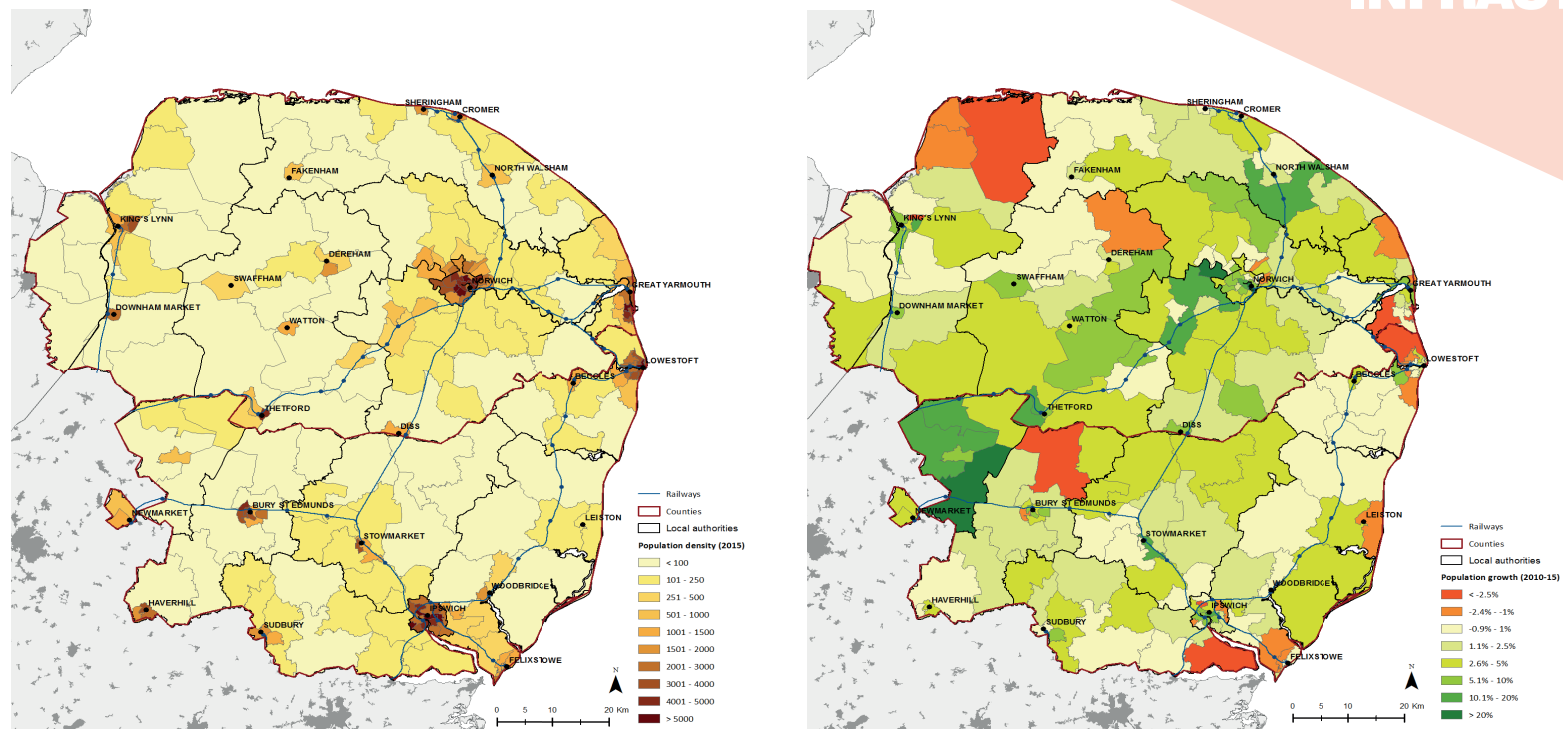


Figure 8.7 – Population density (left hand side, 2015) and population growth (2010-15) across the New Anglia area

(1.92 people per job) has significantly fewer jobs per person relative to Norwich (1.56 people per job), with jobs spread more broadly across Suffolk as a whole. This means that the Suffolk average with Ipswich's population per job is 2.35, compared to without Ipswich at 2.48 – a difference far lower than in Norfolk.

CHANGING TRENDS

Population density similarly reflects an economy which has a number of different employment and residential centres. As the population density map highlights, **Norwich and Ipswich's status as the major urban centres** of Norfolk and Suffolk are reflected in their population densities and the relative density of their surrounding areas. Meanwhile, Lowestoft and Great Yarmouth also have relatively high levels of density, supplemented by the less concentrated towns of

Bury St Edmunds, Haverhill and King's Lynn. In short, there seem to be **three main centres of population density in Norfolk and Suffolk: Felixstowe-Ipswich-Stowmarket, Norwich and its surrounding areas and Great Yarmouth-Lowestoft.**

The spatial differences within Norfolk which are identifiable in job-population ratios are also manifested in population density. Notably, much of Norfolk's dense areas are clustered around Norwich and Great Yarmouth, with the west of

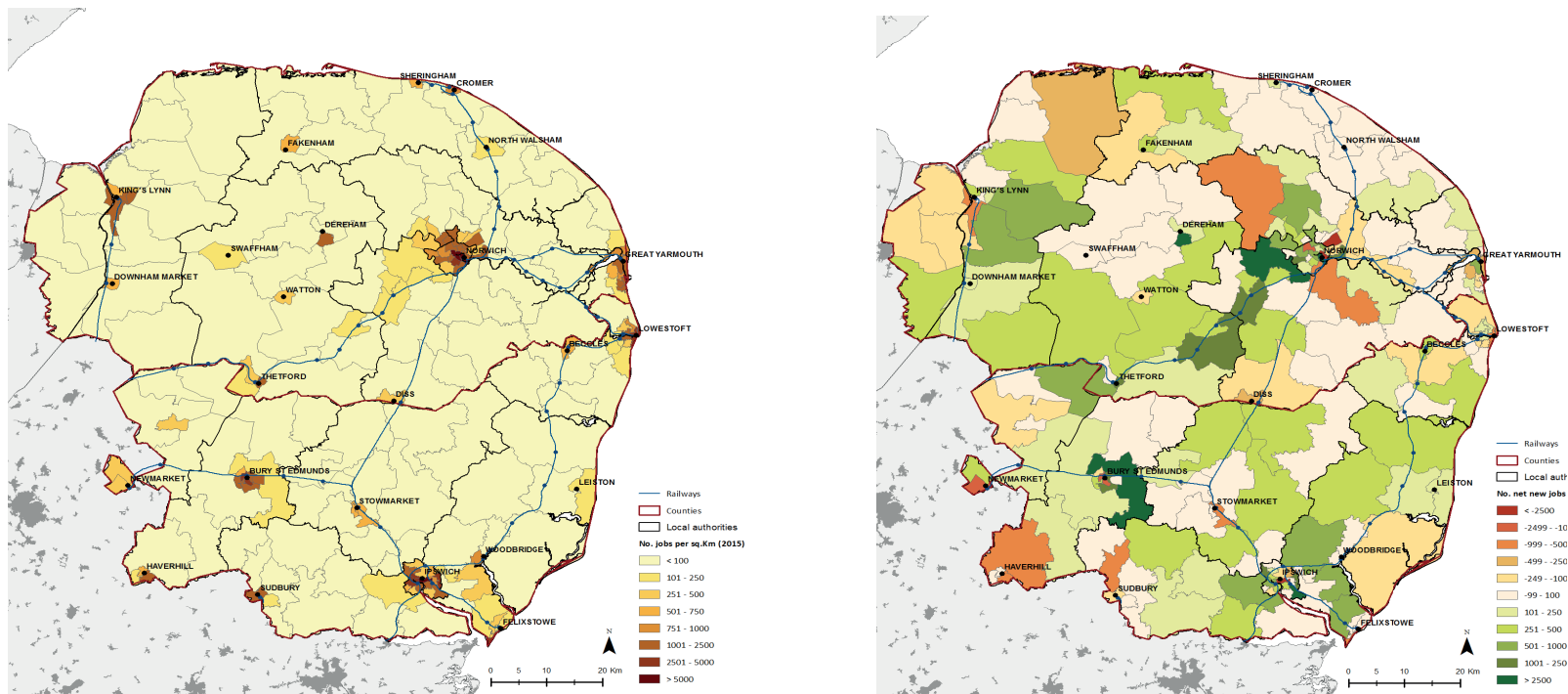


Figure 8.8 – Jobs density (left hand side, 2015) and jobs growth (2010-15) across the New Anglia area

Norfolk significantly less dense. Although Suffolk has clusters around the south of the county and Ipswich, it is generally more diffuse.

An analysis of how population has changed over the past five years seems to highlight the growing influence of **Cambridge's economy on Norfolk and Suffolk's population, as well as Norwich's strength**. The **train lines from Ipswich and Norwich to Cambridge have seen considerable population change**, largely as a result of planned growth, with growth

at over 10% in Red Lodge near Newmarket (on the Ipswich to Cambridge line) and along the south west corner of Norwich (on the Norwich to Cambridge line).

Indeed, much of the area along the major travel routes to Cambridge and Norwich more generally has seen reasonable (over 2.5%) growth. On the other hand, the area in and around Lowestoft-Great Yarmouth has seen considerable population decline (-2.5%) in certain areas, whilst parts of Ipswich and the surrounding area have also seen low or

negative population growth, which is rare compared to many large urban areas in the region.

As is the case for population density, **jobs density in Norfolk and Suffolk is generally clustered around major towns and its city**. Norwich, King's Lynn and Great Yarmouth all have dense areas of over 1,000 jobs per square km, whilst there are also dense employment pockets in Ipswich. As was the case for population, there are additional pockets of jobs density in the smaller urban areas of Sudbury, Bury St Edmunds, Lowestoft and Haverhill.

LAND USE, HOUSING AND INFRASTRUCTURE

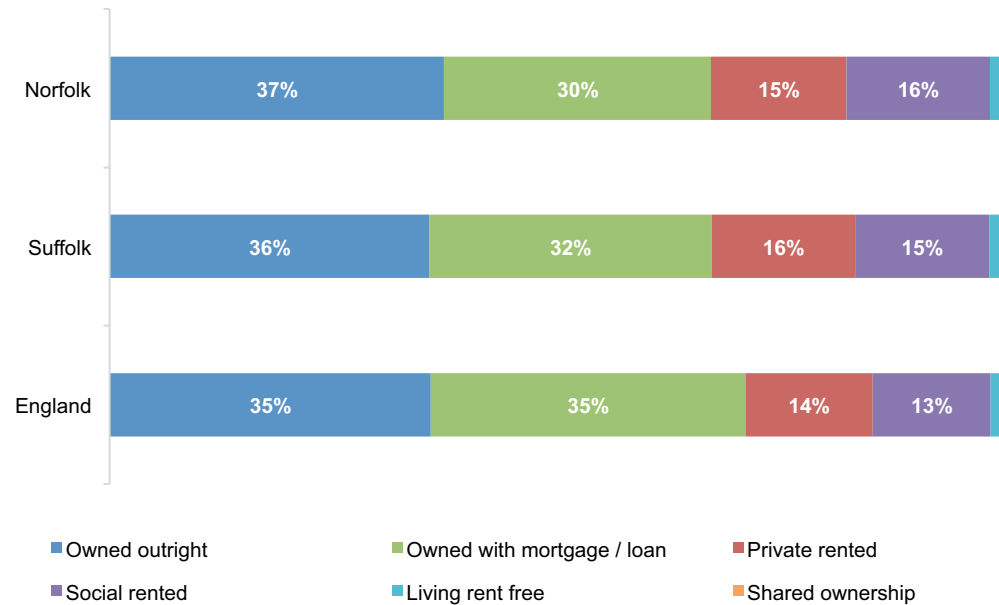


Figure 8.9 – Ownership structure of dwellings in the New Anglia area, 2011

Meanwhile, an analysis of jobs change highlights emerging trends that appear to be working simultaneously with population growth. In particular, **the south west of Norwich has seen considerable jobs growth over the past 5 years of over 2,500 jobs** in one area, developing alongside concurrent population growth in this area. Equally, the area around **Ipswich has also seen considerable jobs growth to sit alongside housing growth.**

Another interesting area is in the west of Suffolk. As reflected in the jobs-population ratio map, Suffolk Business Park to the east of **Bury St Edmunds has added over 2,000 jobs over the past 5 years, emerging as a considerable employment centre.** This has happened whilst jobs in towns in the far west of the county have declined, near Haverhill, Sudbury and Newmarket.

THE HOUSING MARKET – DEMAND, SUPPLY & AFFORDABILITY

In terms of tenure, the majority of dwellings in Norfolk and Suffolk are owner occupied, while around 31% are either social or privately rented.

7.3% of Norfolk dwellings are owned by the authorities (vs. 7.0% average in England) and another 8.6% are provided by private registered providers such as housing associations (HA). In Suffolk councils own 7.6% of all dwellings, with 7.2% being owned by HA. **This means around 15.9% of the total stock in Norfolk and 14.8% in Suffolk is affordable housing provided either by local authorities or housing associations, which compares to 18% nationally.**



HOUSE SALES RATIO

18.2 TO 1,000 RESIDENTS, NORFOLK AND SUFFOLK,

UK AVERAGE **15.2** TO 1,000 RESIDENTS

The remaining dwellings (84% in Norfolk and 85% in Suffolk) are privately owned and mainly owner occupied, though 16% and 15% respectively were rented on the private market, compared to the 14% national average. Ownership with mortgage or loan is slightly lower in both Norfolk and Suffolk compared to England: 29.7% and 31.5% vs. 34.6%.

Both **Norfolk and Suffolk have comparatively active housing markets, with total house sales per 1,000 residents generally tracking above the national and East of England averages.** This reflects the overall economic strength and resilience of the area.

Compared to the East of England, national and Suffolk areas, the most recent (2016) results for Norfolk are noteworthy because the rate of decline from the previous year is not as large, indicating an increased level of activity in the Norfolk housing market.

RATIO OF NEW BUILD HOUSE SALES

1.5 TO 1,000 RESIDENTS,

UK AVERAGE 1.5 TO 1,000 RESIDENTS



Whilst the overall housing market is active, **sales of newly built homes across the two counties are lower than the rest of the East of England, Suffolk especially, where rates have been below the national average since 2012.**

This may reflect a dampened enthusiasm from property investors within the county for new-built properties, or just a potentially smaller market of new-build customers in general.

The most recent (2016) level of newly built sales for Norfolk appears to be bucking the declining trends seen in other areas. Local conditions supported the demand for more new homes in Norfolk and, given the broad area and similar characteristics, this could be linked to the availability of supply.

Indeed, the **delivery of dwellings in Norfolk and Suffolk has generally not met housing targets and delivery has fallen below identified requirements.** This has contributed in part (though not exclusively) towards house pricing, affordability and home ownership issues in parts of the two counties.

Between **2001 and 2016, almost 91,000 new homes have been completed in New Anglia.**

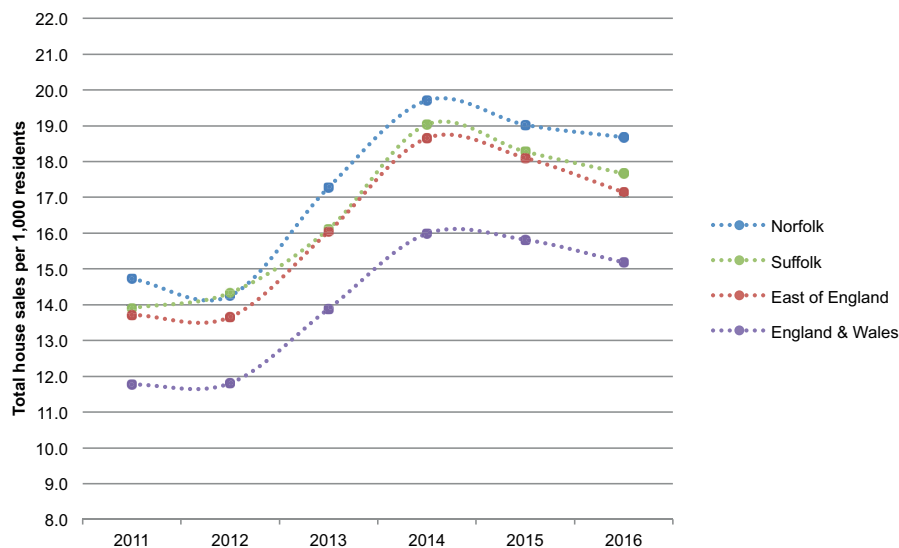


Figure 9.0 – Total house sales per 1,000 residents (2011-2016) in the New Anglia area

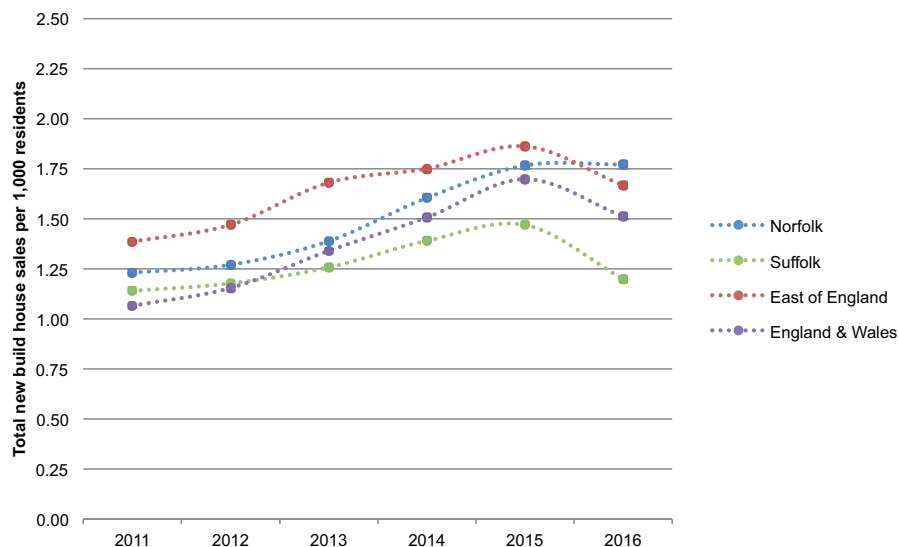


Figure 9.1 – New build house sales per 1,000 residents (2011-2016) in the New Anglia area

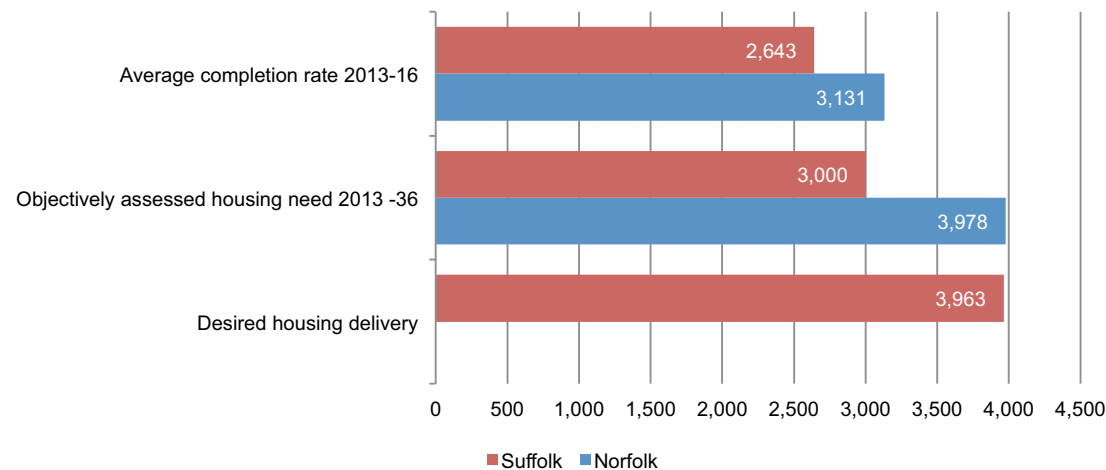


Figure 9.2 – Actual completion rate vs. targets – annual dwellings built, Norfolk and Suffolk

Broadly speaking, housing delivery rates in Norfolk and Suffolk have reflected trends across the whole of England.

Since 2014 rates of housing delivery in Norfolk have increased at a faster rate than in Suffolk, and rates have fluctuated more widely in Suffolk. However, at a county-wide geography level, fluctuations in housing delivery are just as likely to be as a result of a confluence of large sites commencing or completing as they are a reflection of the local or national economy.

Over the two counties, **insufficient dwellings**

have been delivered to meet objectively assessed need (OAN). Further consideration of the relationship between demand arising from household growth/population change, existing unmet demand and aspirational demand (i.e. over and above ‘need’) is under way. Current OAN estimates are 3,078 dwellings per annum in Suffolk and 3,978 per annum in Norfolk, based on the evidence which underpins local plans.

It is apparent that the **2007-08 financial crisis had a severe contractionary impact on**

housing delivery within Norfolk and Suffolk. Historically, **Norfolk and Suffolk has built new houses at a faster rate than the rest of the country and this trend still holds today,** with around 30 dwellings completed per 10,000 residents in the two counties compared to 25 across the rest of the country.

Since the **height of the financial crisis (2007-08) though, the delivery of new dwellings**

relative to the resident population has contracted by 32% in Norfolk and 40% in Suffolk, compared to a gentler 23% across the rest of the country. This indicates that the housing 'bubble' post-2000 was more acute in Norfolk and Suffolk (the latter, particularly so) compared to large parts of England.

Positively, both counties have seen uplift in housebuilding rates from around 2013-14 onwards – particularly in Norfolk – at a slightly faster rate than the rest of the country. But the contraction in housebuilding during the recession and ensuing recovery cost the two counties an estimated backlog of 18,000 dwellings. This, in part, has contributed to the opening up of acute affordability and home ownership issues.

Actual build out rates in Norfolk and Suffolk have also slowed over the same timescale; over 2016-17, there were 14% more dwellings started than completed in Norfolk and Suffolk, compared to a national average of 9%. This indicates that housebuilding in Norfolk and Suffolk is slow to accelerate once permission has been granted and construction started.

It is also apparent that housebuilding is on a longer term downward trajectory, even in

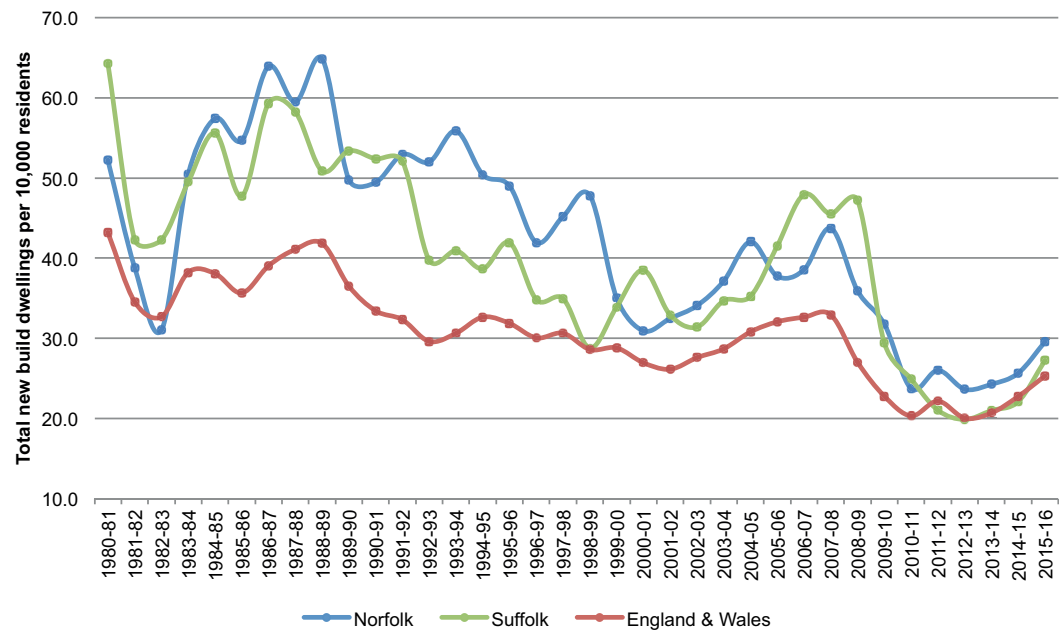


Figure 9.3 – Permanent dwellings completed per 10,000 residents in Norfolk, Suffolk and England, 1980-2016

light of a growing population. Certainly, as we have seen previously, Norfolk and Suffolk does not require the same levels of housebuilding as seen historically (e.g. the 8,500 in 1986-87, over double the 2008-16 average of 4,100) due to a slowing in the growth of its population and the decline in property demolitions and clearings.

Nevertheless, relative to the actual population, housebuilding rates are still around half that of what they were in the 1980s, and a third lower than the average in the 1990s, though current rates are gently increasing towards those experienced during the latter.

DEMAND AND SUPPLY FOR HOUSING



DEMAND 2016
758,400
DWELLINGS



SUPPLY 2016
749,300
DWELLINGS

Demand is still generally outstripping supply with a lack of affordable and suitable dwelling stock, such as dwellings that are affordable to buy or rent; lifetime homes or homes suitable for 'first time buyers'; and specialist housing.

And it is expected that over the next 20 years an ageing population will increase demand for suitable homes as well as supported and specialist housing, while the lack of good quality affordable housing stock will further increase pressure on younger people and families.

The population across Norfolk and Suffolk will increase at a slightly slower rate than general trends, but grow relatively older compared to national averages. With the proportion of people aged 65 or over increasing, under-occupancy of homes by older people is likely to continue to go up as well.

Household numbers overall will increase as the population grows and more people live in smaller and single occupancy households.

These changes **indicate that the demand for dwellings in East Anglia will rise by 22% by 2039.**



22%

**PROJECTED DEMAND
FOR HOUSING
TO RISE BY 22% TO 2039
ACROSS EAST OF ENGLAND**

HOUSING PRICES AND AFFORDABILITY

Norfolk and Suffolk has a diverse property market, with the issues facing the country around housebuilding and affordable housing also affecting the area. However the **most distinctive feature emerging** from an analysis of 2016 median house prices is the difference between Norfolk and Suffolk. "As shown in figure 9.4 on the following page" **50% of Suffolk's MSOAs have house prices above the UK median** (represented in green), in contrast to **Norfolk**, which has **more areas where property prices are either at the UK median (white) or below it (pink/red).**

Meanwhile, the area also has **considerable levels of spatial inequality in house prices below the county level.** With greater volume of smaller, terrace and semi-detached homes than other areas, the county towns of Ipswich (80% of UK median) and Norwich (84% of UK median), for example, broadly see property prices below the UK median, whilst their surrounding areas, particularly popular coastal and market towns, see prices above the UK median.

Most notable though, are the towns of King's

Lynn, Great Yarmouth and Lowestoft. These towns have at least one MSOA where prices are below 50% of UK median. Indeed, of the 10 MSOAs with the lowest house prices (below 62% of UK median), half are in Great Yarmouth. Also notable is the lower value area shared between Forest Heath and Breckland, which include the towns of Brandon and Thetford.



As noted through local housing assessments, the second home housing market creates an additional economic impact on property prices in the area. This is most evident in the area to the east of Waveney and north of Suffolk Coastal, and along the North Norfolk coast.

Both of these areas have significantly higher house prices than their surrounding areas, which reflects the impact of second homes and, potentially, holiday lettings on their local property markets. The challenge economically is how to mitigate and obtain benefits from this market and the related local expenditure.

In terms of affordability, as mentioned previously, local wages tend to be below the national average across both Norfolk and Suffolk. However, lower overall house prices ensure that affordability in the two counties is significantly better than both regional and national averages.

In fact, across Norfolk and Suffolk, the median house price is around 7.4x the median income, which is a much lower house price to income ratio than across the Eastern region (8.2), and elsewhere in

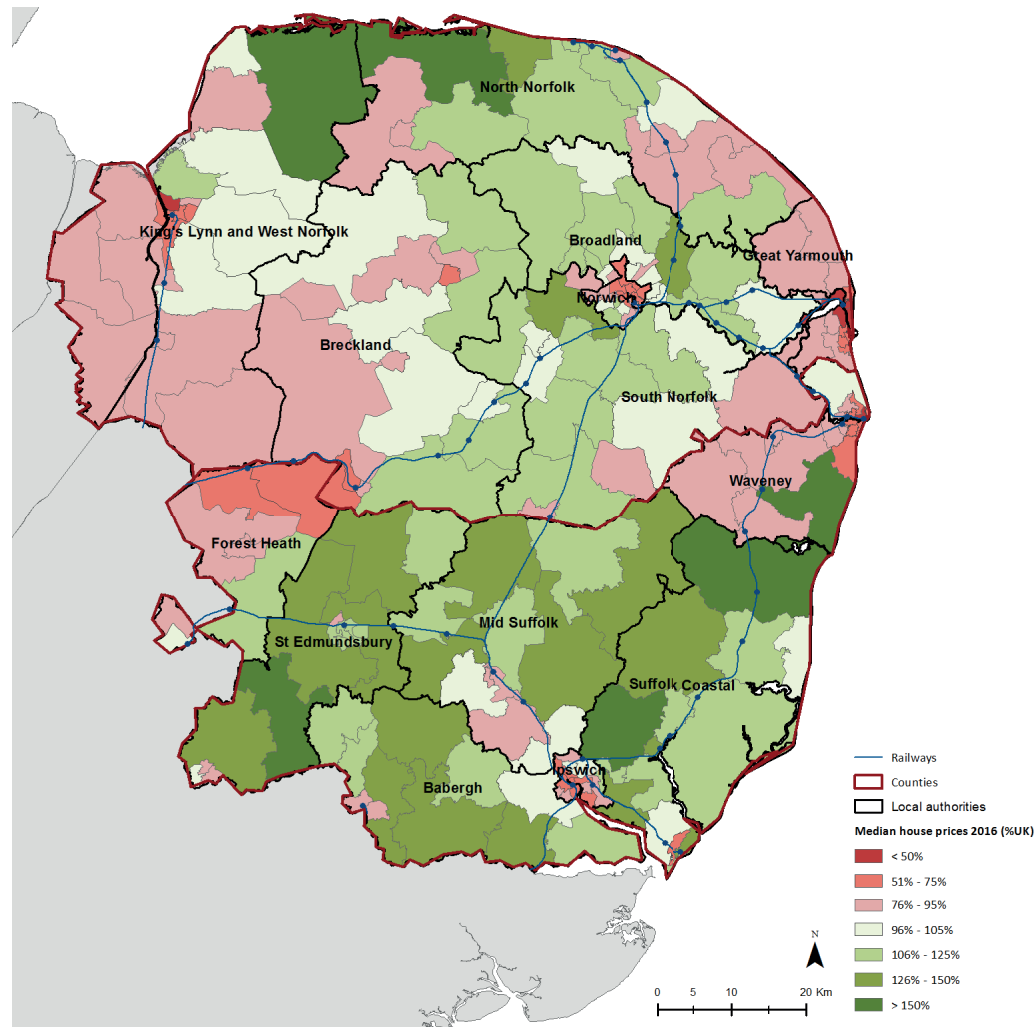
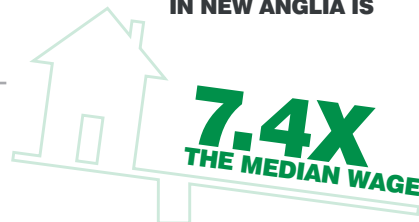


Figure 9.4 – Median house prices across the New Anglia area (as percentage of UK median), 2016

AFFORDABILITY RATIOS ARE HIGH AND ABOVE THE NATIONAL AVERAGE;

7.4 IN THE NEW ANGLIA AREA TO 7.7 ACROSS ENGLAND - THIS MEANS THE MEDIAN HOUSE PRICE IN NEW ANGLIA IS



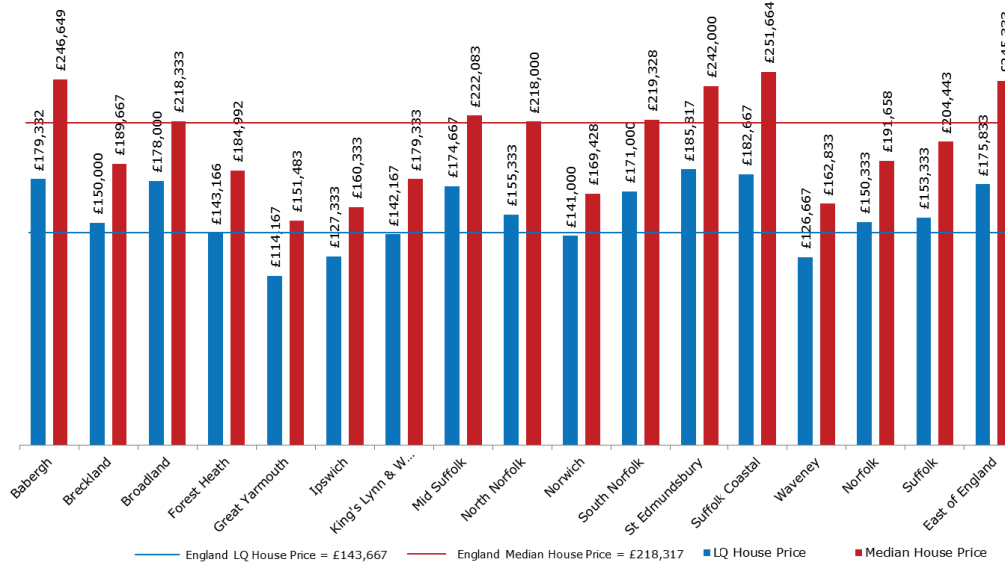


Figure 9.5 – Lower quartile and median house prices across the New Anglia area, 2016

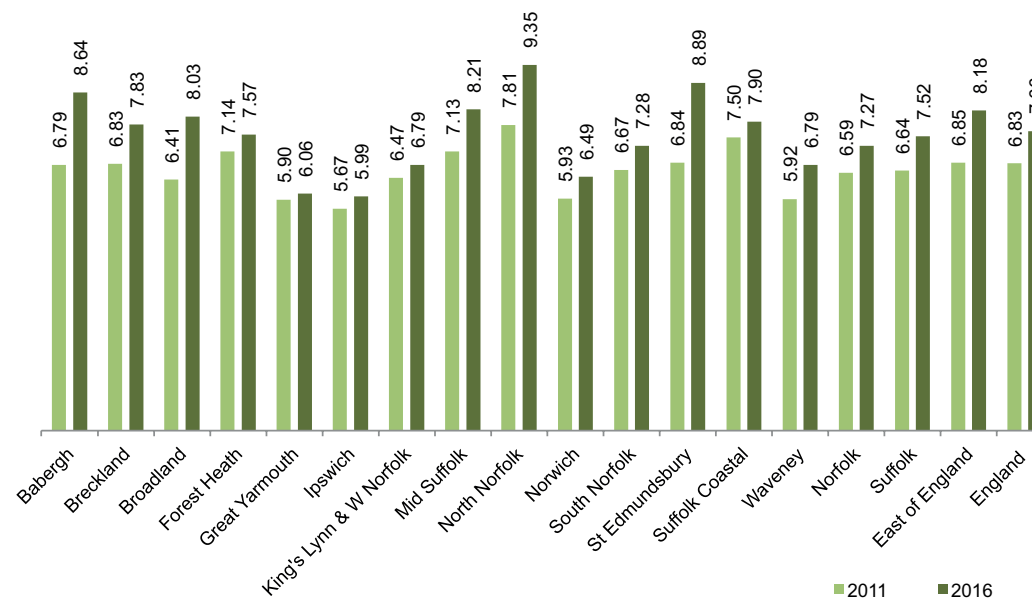


Figure 9.6 – Median house price to median income ratio across the New Anglia area, 2011-16

England (7.7). However, as demonstrated in Figure 9.6, more localised rates can vary significantly.

Affordability issues are particularly acute for those on lower incomes (as shown in Figure 9.7), with lower quartile house price to income ratios for Norfolk and Suffolk not only worse compared to the national average, but also worse than the median house price vs median income ratios in the two counties.

This means that housing is least affordable for those residents in the lowest 25% income bracket. This is exacerbated by a limited supply of affordable housing in the local market, as is demonstrated by research later in the chapter.

Furthermore, **recent trends highlight that house prices have risen at a faster pace than the England average in parts of Norfolk and Suffolk**, with particularly noticeable increases in west and south Suffolk, as well as the Greater Norwich periphery and south west Norfolk. Only two local authority areas, Great Yarmouth and Waveney, have seen lower quartile house prices increase at a slower rate than the national average.

While mortgage costs have fallen, rents have risen faster than earnings over the past 10 years. They are forecast to rise by around 90% in real terms between 2008 and 2040 – more than twice as fast as incomes.

In 2016, much like house prices, median annual rent in both Norfolk and Suffolk was just below the national average, while lower quartile annual rent was somewhat above the England average.

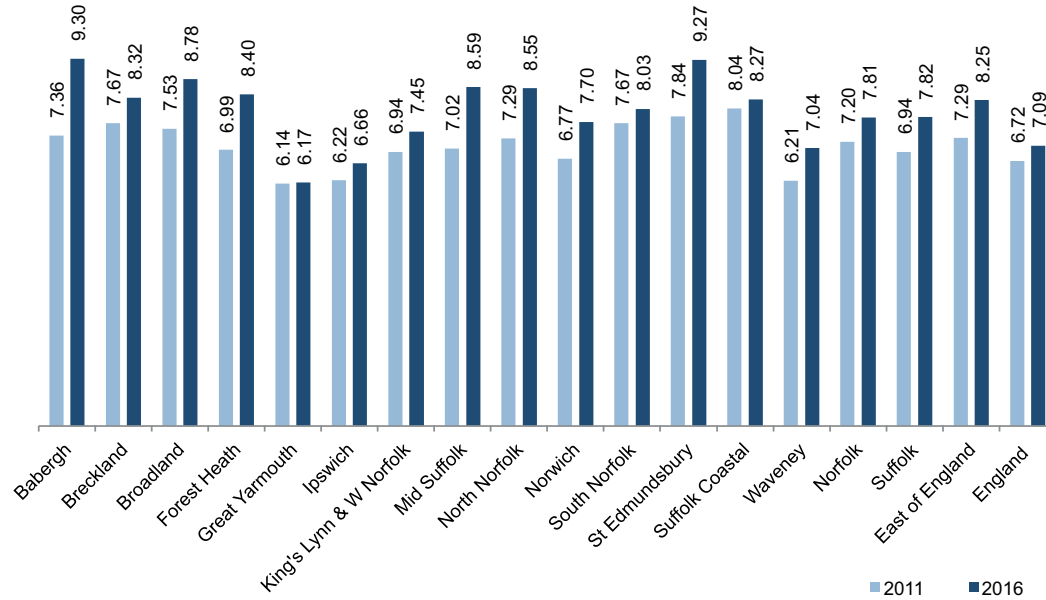


Figure 9.7 – Lower quartile house price to lower quartile income ratio across the New Anglia area, 2011-16

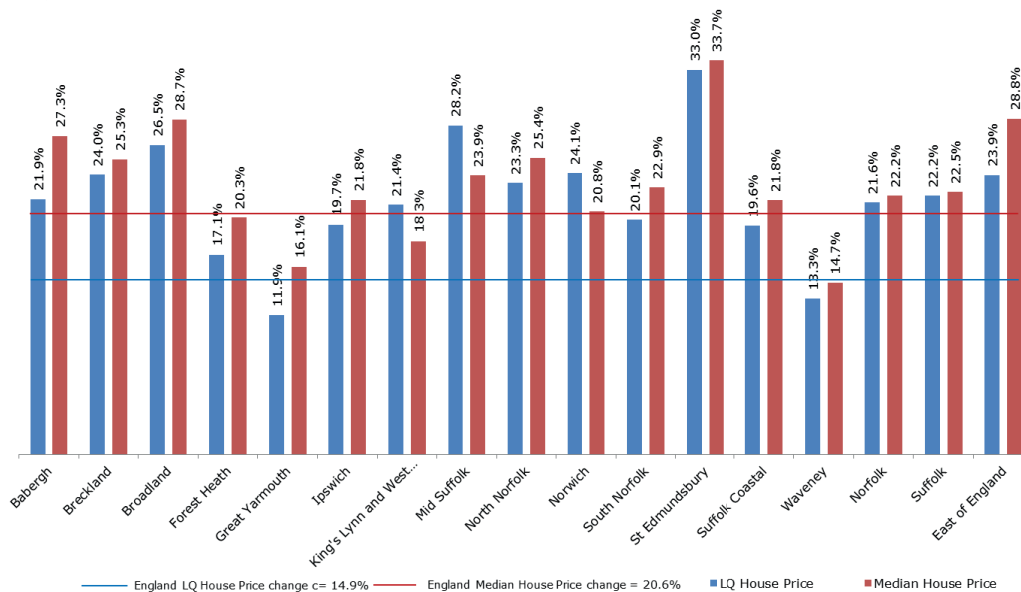


Figure 9.8 – Percentage change in house prices across the New Anglia area, 2011-16

| | Lower quartile Rent | Median Rent |
|------------------------------|---------------------|-------------|
| Babergh | £6,600 | £7,800 |
| Breckland | £6,300 | £7,200 |
| Broadland | £6,780 | £7,800 |
| Forest Heath | £7,800 | £10,800 |
| Great Yarmouth | £5,400 | £6,120 |
| Ipswich | £5,940 | £6,900 |
| King's Lynn and West Norfolk | £5,940 | £6,900 |
| Mid Suffolk | £6,600 | £7,800 |
| North Norfolk | £5,820 | £6,900 |
| Norwich | £6,300 | £7,200 |
| South Norfolk | £6,600 | £7,200 |
| St Edmundsbury | £7,200 | £8,700 |
| Suffolk Coastal | £6,300 | £7,500 |
| Waveney | £5,400 | £6,300 |
| NORFOLK | £6,000 | £7,140 |
| SUFFOLK | £6,360 | £7,620 |
| ENGLAND | £5,940 | £7,800 |

Figure 9.9 – Lower quartile and median annual rent across the New Anglia area, 2011-16

On average, **just less than 30% of median income is spent on rent in Norfolk and Suffolk. Those on lower incomes (in the lowest 25%) spend just over 30% of their income on rent.** This is in line with the conditions nationally.

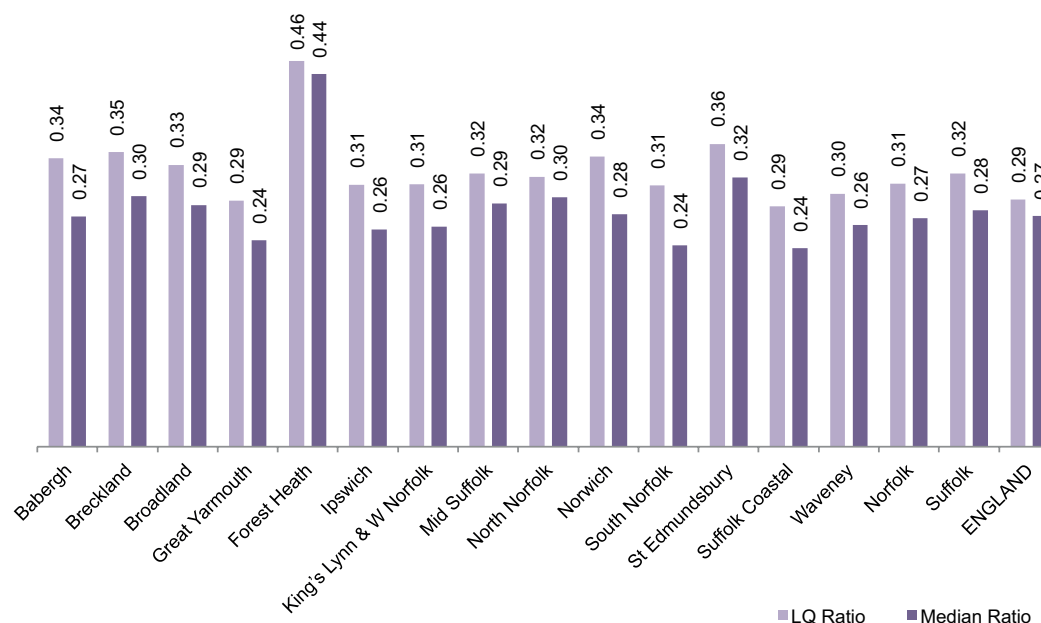


Figure 10.0 – Private rent to income ratios (lower quartile and median) across the New Anglia area, 2016

The graph above shows that both lower quartile and median rent are considerably higher in Forest Heath. This district is the location for two of the largest United States Airforce bases in the country, which influences the size and type of homes within the private rented market. Based on the samples used for the data, some 27% of

homes rented in Forest Heath have four or more bedrooms, compared with 9% nationally.

Given the **recent trend in rising house prices, the already higher than average house price to income ratios in Norfolk and Suffolk are set to get worse**, particularly in rural areas. Mortgage costs are likely to increase, as interest



SUPPLY OF AFFORDABLE NEW BUILD HOUSING COMPARED TO 23% ENGLAND AVERAGE **13%**

rates will probably rise from current historic lows, furthermore, rental costs may rise to offset tax changes affecting landlords.

This means, that **ever fewer younger people and families are likely to be able to afford good quality housing** suitable to their needs. This is likely to further affect the formation of younger households. **By 2030, 40% of all under-40s in Norfolk and Suffolk are forecast to be living back at home with parents and 70% of 25-34 year-olds will be living in private rented sector accommodation** by 2037.

And though the supply of all dwellings across the market was significantly impaired due to the far reaching impact of the financial crisis, affordable housing was the one of the first and most noteworthy casualties. The **delivery of affordable housing relative to the resident population contracted by a sharp 76% within Norfolk and Suffolk, over double the 36% contraction for the overall market.**

This was also a much **deeper contraction than the national equivalent of 43%**, with Norfolk and Suffolk now delivering less affordable dwellings than the rest of the country despite

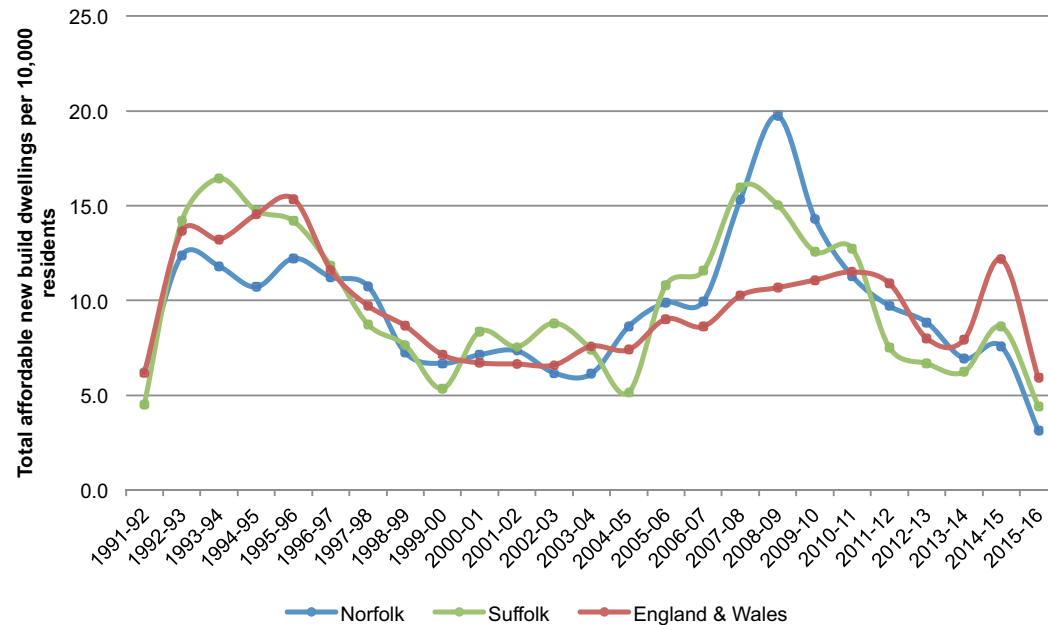


Figure 10.1 – Permanent affordable dwellings completed per 10,000 residents in Norfolk, Suffolk and England, 1991-2016

exceeding or matching it for much of the past two decades. In 2016, **13% of new dwellings in Norfolk and Suffolk were classed as affordable, compared to a national average of 23%**. This was also below the long run historic average of 28%.

Overall, it is expected that the continued lack of affordable housing – especially in light of low and slowing incomes – will have a significant knock-on effect into all areas of life. Over the next 20 to 50 years, fewer and fewer people will have significant housing equity or adequate pension funds.



**AVERAGE
COMMERCIAL
PROPERTY
PRICES £49.90/m²**

**COMPARED
TO ENGLAND
AVERAGE £60.50/m²**

THE COMMERCIAL PROPERTY MARKET IN NORFOLK AND SUFFOLK

As is common in most LEP areas, **Norfolk and Suffolk follows a trend of the highest commercial property values per square metre (sqm) being based in urban areas.**

Thus, Ipswich and Norwich clearly have higher commercial property values than their surrounding areas (as shown by the darker colours on figure 10.2), and considerably more than most of the surrounding countryside.

Norwich has an average value of £81.4 per sqm, whilst Ipswich's average value is £67.7 per sqm. This compares favourably with the area's average of £49.9 per sqm. However, there are still interesting pockets of higher commercial prices around Lowestoft and, unsurprisingly, Felixstowe. The Norwich-Great Yarmouth corridor also has interesting levels of high commercial property prices.

Another trend is the association between high growth/expensive areas and high value of a sqm of commercial property. The areas around **Sudbury, Newmarket and Haverhill** all have **comparatively expensive commercial property compared to most other similar**

LAND USE, HOUSING AND INFRASTRUCTURE

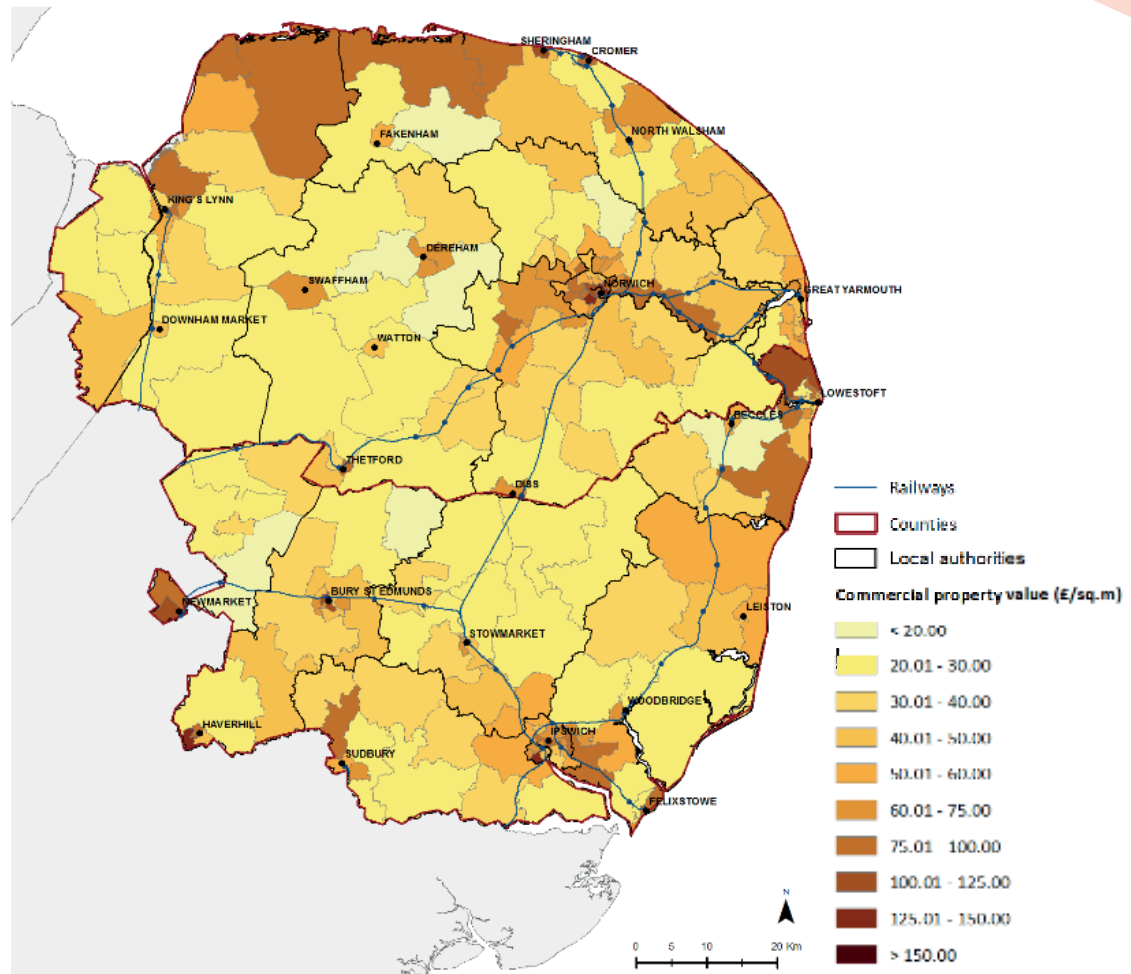


Figure 10.2 – Value of a square metre of commercial property across the New Anglia area, 2017

sized settlements in Norfolk and Suffolk, with these areas **also having experienced job losses** (as detailed in the previous section).

This, combined with their relatively high house prices, is a **significant indication that employment space in these areas is at risk.**

This may be attributed to housing demand in Cambridgeshire spilling over into west Suffolk and associated pressure on commercial land.

A similar pressure seems to exist on the north coast of Norfolk (including Burnham Market, Cromer and Wells) and the east coast of Suffolk (Aldeburgh, Southwold), as well as along the River Yare. The buoyant tourism market – particularly within retail – as well as limited supply (especially in light of housing demand) seems a likely contributor to the expensive commercial property market in these places.

Commercial property prices, however, also reveal potential growth areas for Norfolk and Suffolk. The area **south west of Norwich**, having undergone considerable population and jobs growth over the past few years, **still has lower commercial property prices that could accommodate further growth. Bury St Edmunds has more affordable commercial**

property prices relative to Norwich and Ipswich, despite having undergone considerable recent growth, though certain price pressures (particularly in retail) are increasingly evident.

In terms of supply, local authorities have in the past allocated land and sites for commercial development. These allocations typically cover large areas of land and in almost all cases it could appear that there is more land allocated for commercial space than for which there is demand. However, in reality the supply of land is far more complicated and a better mechanism for appraising the true local supply is required. Such a mechanism exists in the housing market through the National Planning Policy Framework but no such system currently exists for employment land supply.

Many of the employment sites allocated in local plans are constrained and have significant delivery issues requiring large up-front costs for infrastructure installation. There is a need to de-risk construction for a developer with assistance for opening up sites.

Allocated sites tend to be large and suitable for build out of an entire industrial estate, whereas much of the demand for commercial space is

by SMEs and micro-SMEs which dominate the business base of Norfolk and Suffolk, with just as many businesses dispersed throughout the rural areas as are found in urban areas.

Demand for commercial space in the SME community is for the rental of appropriate premises rather than for commercial land which still needs to be built out. Accordingly, the planning process of calculating the amount of land needed and the allocation of sites does not reflect the actual need in the commercial market and so more emphasis on deliverability is required.

The viability of building new commercial workspace is more marginal than housing development. As land costs increase the viability of developing commercial space becomes stretched even thinner and as a result developers are largely unwilling to speculatively build workspace. This results in a skewed delivery rate that has been interpreted as an indicator of demand, but delivery rate and demand are different indicators.

The current supply of units is ageing, with poor energy performance, increasing maintenance demands and an inability to adapt to the needs of modern businesses. The replacement of

existing units is becoming a larger problem as they reach their natural end of life.

The tightening of commercial space vacancy rates (with the exception of Great Yarmouth, no doubt due to the downturn in oil prices over 2014-15) is an indicator that there is current unmet demand for appropriate premises.

Incubation space across Norfolk and Suffolk is oversubscribed. Many companies that would ordinarily have moved out to grow on space remain as incubator tenants for many years, as grow on space simply does not exist, or not on affordable or practical terms. Hethel Innovation Centre near Wymondham is currently 95% occupied, similarly Suffolk Enterprise Centre in Ipswich is also at 99.6% occupancy rates.

In parts of the two counties, property agents report that commercial units are typically let within 6 weeks of marketing commencing, and that there is usually strong interest from businesses, with the highest bidder or the business able to move the quickest obtaining the lease. This indicates a seller's market for commercial space and a need for more choice and opportunity in the market. It also highlights the issue that land is not always required, but premises.

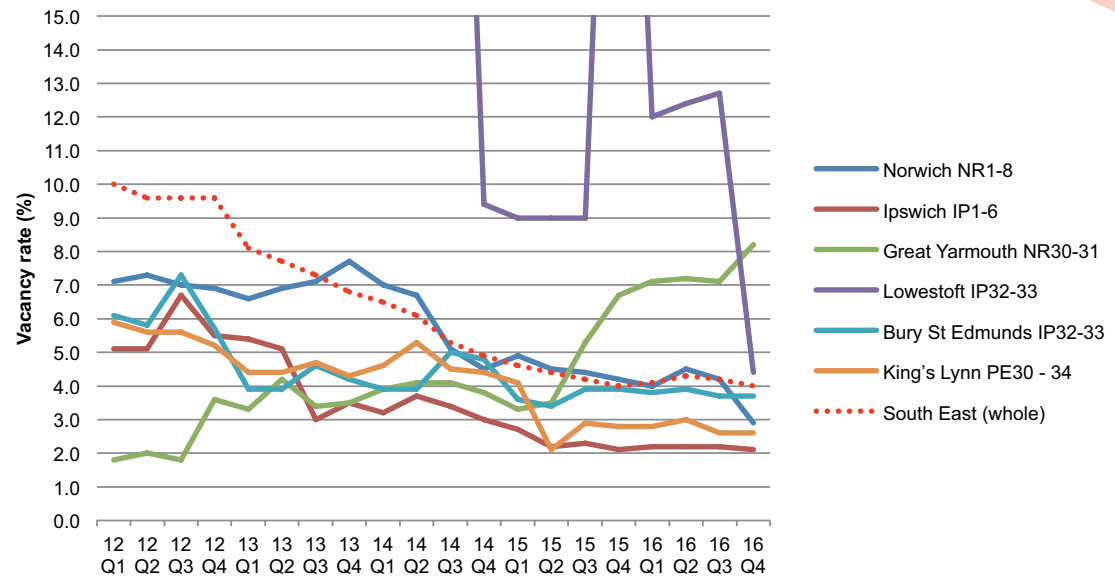


Figure 10.3 – Commercial property vacancy rates across the New Anglia area, 2012-2016

INFRASTRUCTURE AND CONNECTIVITY

Norfolk and Suffolk has a diverse economy with significant economic assets and sectoral clusters. The business base is also characterised by being predominantly made up of SMEs. Coupled with its diverse urban, rural, and coastal geography, connectivity is essential to improving productivity and economic growth.

Our transportation networks are key to the economy of Norfolk and Suffolk. Whether by road, rail, air, water or digital means, these networks link businesses to businesses, raw materials to manufacturers, goods to markets and people to their workplaces. Accessible, reliable and resilient networks help make us competitive, sustain growth, facilitate inward investment, encourage innovation and enable the realisation of new opportunities.

Digital Connectivity

Since the start of Government intervention to increase the roll-out levels of broadband, both Norfolk and Suffolk have taken advantage of measures to improve broadband coverage and download speeds. The initial contract under the BDUK framework, signed in December 2011, took Suffolk to 85% superfast fibre coverage by September 2015, and Norfolk to 80%.

Both counties are now undertaking a second roll-out, part funded by BDUK, which will see Suffolk reach 96% coverage by 2019, and Norfolk 95%.

The Government's Mobile Infrastructure Project aims to improve mobile phone coverage and is expected to deliver coverage to an additional 60,000 homes and businesses across the UK. In Norfolk and Suffolk, roll-out of this initiative will be along the A143 corridor between Great Yarmouth and Haverhill, as well as other "not spots".

Transport

Every one of Norfolk's and Suffolk's businesses, residents and visitors relies upon our transport networks for their day-to-day activities whether it's getting to work, doing the shopping, forging new partnerships, or delivering crops, raw materials or finished products.

The area's ports are crucial to the economy of the UK facilitating import and export, whilst the region's airports provide fast connectivity to destinations across the UK, Europe and beyond. Rail links Norfolk and Suffolk's towns and city to London, the Midlands and the north and the highway network provides key arteries to the north, south and west as well as linking all local communities.

Over the coming years there are a number of global trends which will present various challenges for Norfolk and Suffolk and its economy. Whilst diverse in nature they will to varying degrees have an impact. These are:

- **Demographic challenges** – a growing and ageing population, impacts of net migration and the ongoing trend of urbanisation
- **Social change** – the rise of the 'sharing' economy and growth in expectations of 'immediacy'
- **Environmental focus** – impacts of climate change, scarcity of resources and the role of renewable energy
- **Economic shift** – the rise of the 'gig' economy, the pre-fabrication of assets and the development of 'new' business models

- **Political landscape** – devolution of decision making, impacts of globalisation and protectionism of markets
- **Technology change** – digitisation, connectivity and automation, low emission propulsion and the sharing of assets.

With these anticipated changes in mind, future network requirements and priorities can be broadly summarised as follows:

- **International** – access to international markets is particularly important to growth sectors
- **National** – connectivity to London and Cambridge and to national markets via east-west connections is important for most business-to-business activity. Connectivity to distribution centres is important
- **Regional** – connectivity between urban areas will increase regional economic mass
- **Local** – potential dispersal of economic activity may mean that urban radial routes may become less important. Potential increase in demand will need better network management. New housing, especially in Greater Norwich, will need new transport infrastructure in the short term

- **Rural and coastal** – focus on maintenance and renewals, with some enhancements at pinch-points and where new micro-clusters are developed.

In planning for the future it is important to consider that we are on the cusp of significant technological change, particularly in transportation, with emerging agendas such as connectivity, automation, propulsion and sharing all potentially disrupting existing networks and services as well as the way in which customers engage with them.

Predicting change with absolute certainty is difficult, especially considering the rapid developments expected. Norfolk and Suffolk's transport strategy considers that by 2030:

- the development of a digitally connected transport network will be well under way
- customers will have significantly improved access to information to allow them to make more informed and dynamic choices with regards to when and how they travel and when they can access opportunities without leaving the home. This will include reliable home and remote working

- while autonomous vehicles will be available it is expected that these will be a small proportion of the overall fleet. The paradigm change in commerce and people's travel habits that are expected through autonomous vehicles will occur later.

Future transport networks must be agile to future change, fundamentally they should be reliable and resilient to serve the region for generations to come and importantly, realise partners' economic aims to benefit all.

Utilities

Utilities, be it gas, water, or electricity, are the basics which must be in place for economic growth to occur. The individual districts and boroughs' local infrastructure plans capture the major infrastructure enhancements that are required to meet planned growth. Unfortunately, coverage of these plans is not comprehensive so it is not possible to do a bottom-up build of infrastructure needs.

In general terms for Suffolk:

- **Water** – growth has already been allowed for by the relevant water companies
- **Gas** – for most areas no major infrastructure

enhancement has been identified except in Suffolk Coastal, where major re-enforcement of the gas infrastructure is required

- **Electricity** –substation and cabling work will be required by the UK Power Network across Suffolk
- **Waste** – no major enhancements are required except within Suffolk Coastal, which needs an additional Waste Transfer Station or the expansion of the new site planned for Bury or East Ipswich
- **Waste Water** - Enhancement required to waste water treatment and network both for new residential areas and new employment areas.

A planning and infrastructure framework is being developed for Suffolk, which will set out the infrastructure required for delivering planned growth and beyond.

For Norfolk:

- **Water** – growth has already been allowed for by the relevant water companies
- **Waste water** – significant work has been identified in Norwich and its environs including a new North East truck sewer

and sewerage upgrades. In the King's Lynn Borough Council area sewerage improvements are required as well as several surface water storage schemes. Further schemes are also required in Wymondham, Attleborough and Downham Market

- **Power** – In Norwich the current grid system is close to capacity, and existing grids will require enhancement prior to new substations being developed. In King's Lynn and Wisbech network reinforcement is required, while in Snetterton a lack of power supply is holding back commercial development. In addition, a new substation is proposed as part of Thetford's urban extension, while both

Wymondham and Hapton in South Norfolk require replacement transformers

- **Flood risk** – two schemes to improve flood defences at the coast at Great Yarmouth and between Eccles on Sea to Winterton on Sea which together are estimated to cost over £55 million. Flood defence schemes are also in the pipeline for North Norfolk, such as the Bacton Sandscaping Scheme
- **Green infrastructure** – A range of green infrastructure plans have been identified across the county to meet the needs arising from existing and emerging growth pressures.



7.4X
THE MEDIAN WAGE



ICT SECTOR WORTH
£1.4BN



ADVANCED AGRICULTURE, FOOD
AND DRINK GENERATES

£3.6BN PER ANNUM

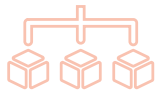
1,760

FINANCIAL AND INSURANCE BUSINESSES
EMPLOYING

29,200 PEOPLE



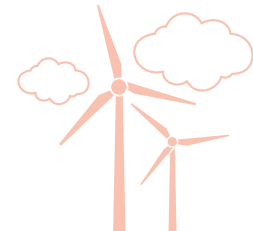
TRANSPORT,
FREIGHT AND
LOGISTICS
EMPLOYS 48,700 PEOPLE



AND IS WORTH
£2.3BN
TO THE ECONOMY

GROWING VISITOR ECONOMY

EMPLOYS **19,970** PEOPLE



ENERGY SECTOR
DIRECTLY
EMPLOYS

8,000
PEOPLE



9,000

CONSTRUCTION BUSINESSES
EMPLOYING
70,700 PEOPLE



73M TOURIST TRIPS
TO NORFOLK AND SUFFOLK



LIFE SCIENCES SECTOR
HAS A GVA OF

£88,400
PER HEAD



GVA OF ADVANCED
MANUFACTURING SECTOR IS **£5.1M**

SECTORS AND SUPPLY CHAINS



An important aspect of the modern economy in an increasingly globalised world is specialisation. Economic specialisation can be based on a number of factors such as historical strengths, skills base, infrastructure, culture, etc, with an understanding of a region's economic strengths paramount to facilitating future economic growth. Any economic strategy must therefore incorporate a rigorous understanding of sectoral strengths/specialisation if trying to drive jobs growth and productivity improvements in an area.

Areas where there are more jobs relative to the UK are tourism, agriculture and finance, with a number of other cross-cutting strengths associated with manufacturing, ports and logistics and business services. This lack of reliance on a single sector is likely to make the economy more resilient in the event of major sectoral disruption or de-location. However, it also means that a successful economic strategy cannot focus on boosting productivity and jobs in one or even a couple of particular sectors. Instead, it must be cross-cutting, seeking to support innovation in diverse activities (such as in digital) that can deliver productivity enhancing benefits across all, particularly traditional, sector categorisations.

A HIGH LEVEL OVERVIEW

A high level comparison between Norfolk and Suffolk and the rest of England (excluding London) demonstrates the **diverse nature of the local economy, with no top-level areas of particular over or under-representation.**

This, in part, has helped to **ensure the resilience of the local area to economic shocks over the past 30 years**, particularly those that have impacted specific sectors or activities. This is in contrast to other rural or industrially dependent LEPs, with Norfolk and Suffolk having an economic makeup which is fairly similar to the rest of southern England (excluding London).

Indeed, the only major differences between the sectoral mix of England (excluding London) and Norfolk and Suffolk is within information and communication (loosely capturing digital and ICT), and – unsurprisingly given its historic presence – primary agriculture, forestry and fishing.

Information and communication composes 3.6% of Norfolk and Suffolk's GVA compared with 5.7% for England excluding London, whilst agriculture, forestry and fishing composes 2.8% of its GVA compared with England excluding London's 0.7%. Although Norfolk and Suffolk lag neighbouring

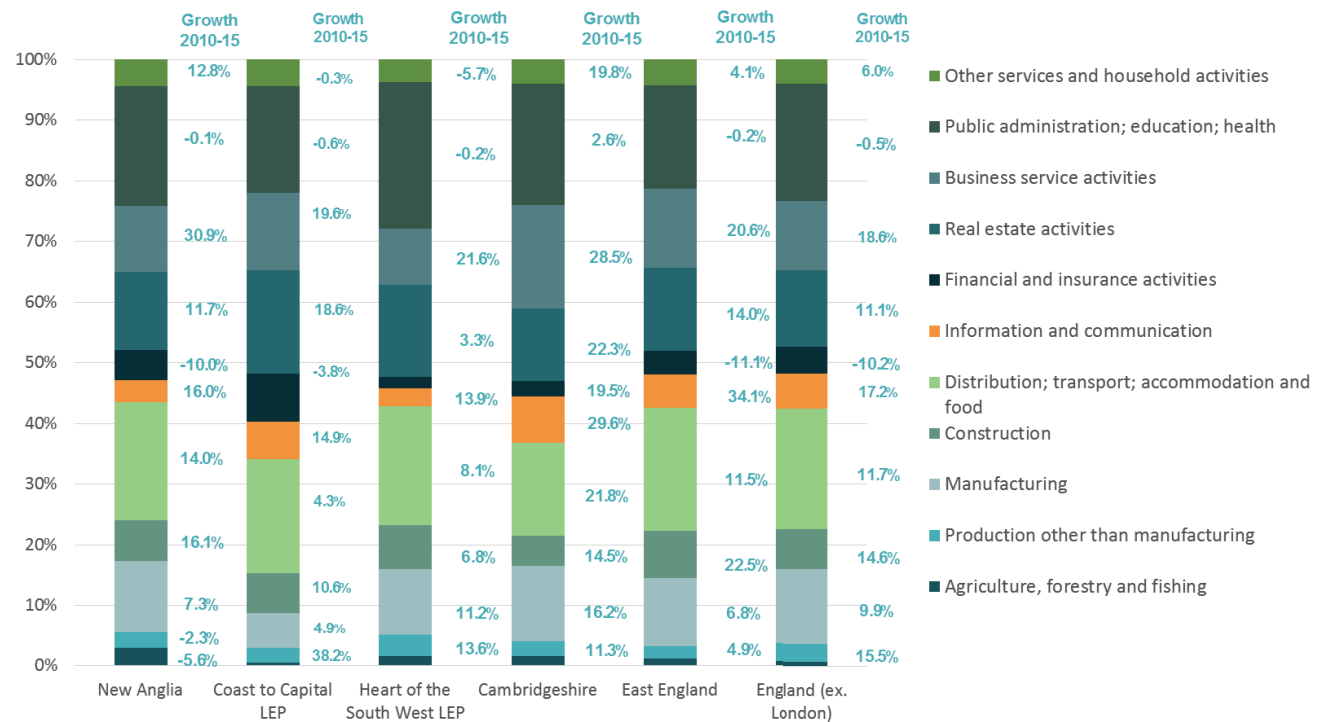


Figure 10.4 – GVA structure and growth in the New Anglia area relative to peers, 2010-15

GCGP on information and communication in particular, this is hardly surprising given the latter's tech success focused on Cambridge.

An analysis of recent change in industries over the past five years also elucidates the direction of the New Anglia area's economy. As Figure 10.4

demonstrates, **financial and insurance activities are a relative strength of the economy**, at 5% of GVA relative to England excluding London's 4.5%. This ensures New Anglia has the 10th largest financial sector of 38 LEP areas, and the largest in the East of England. Although the industry has

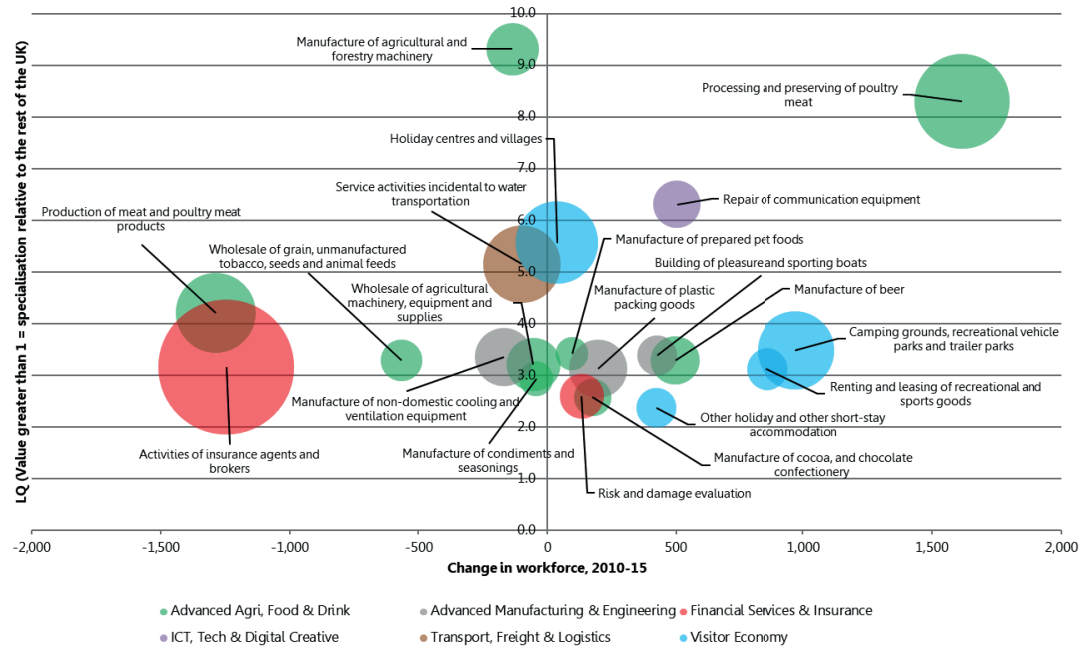


Figure 10.5 – 5-digit SIC LQs and change over time for industries with over 500 employees, 2010-15

declined by 10.0% over the past 5 years between 2010 and 2015, this followed the trend in England as a whole (decline of 10.2%).

Business service activities have been a significant growth driver during the same period. Growth of 30.9% between 2010 and 2015 is substantial and at a much higher rate

than the national average of 18.9%. This growth in business services jobs can be explained by a combination of growth in higher value, professional, scientific and technical activities (36.3% growth) and typically labour-intensive, lower-paying admin and support services (43.7%).

Distribution, transport, accommodation and

food also retain a significant share of local economic activity, at around 19.4% of GVA. This diverse grouping broadly covers tourism related activities, as well as transport and logistics. This sector has also seen buoyant growth, expanding by 14.0% since 2010 against a national average of 11.7%

Like many economies across the UK, **the local area also has a large public admin, education and health sector**, accounting for a fifth of all GVA. The slight contraction in the GVA of these activities (-0.1% since 2010) is almost exclusively down to the ongoing decline of public sector employment locally, a trend replicated across the rest of the UK. However, compared to some rural economies - particularly those in the north and Midlands - the reliance on the public sector to generate economic activity in Norfolk and Suffolk is relatively low.

Despite the ongoing shift of the local economy towards a service-based economy, **manufacturing and production still retains a significant share of economic activity** (14.6%), even if employment in the sector is decreasing. However, growth locally has been slightly more subdued than the rest of the country since 2010.

Despite the diverse and relatively balanced nature of the Norfolk and Suffolk economy at the top level, the **area does still retain significant, world-leading specialisms in a number of activities.**

Figure 10.5 on the previous page demonstrates these specialisms **using Location Quotients (LQs), which is a recognised statistical technique to demonstrate concentrations and specialisms within economic geographies.**

This particular analysis looks at the top 20 most specialised activities within Norfolk and Suffolk (defined by 5-digit SIC code and for industries with more than 500 jobs, so as to reduce statistical noise and outliers).

To read the LQ; the size of the bubble represents the size of the workforce within the sector or activity. Its position along the horizontal axis shows whether its workforce has grown (will be to the right of 0) or shrunk (will be to the left of the 0). The bubble's position along the vertical axis denotes the specialism of the industry relative to the rest of the UK. An LQ above 1 shows a greater specialism than most parts of the UK. Anything above 2 shows a level of high-specialisation.

Replicating this technique for Norfolk and Suffolk shows **particular industrial strengths and**

comparative advantages in: advanced agriculture, food and drink (green circles), **financial services and insurance** (red circles), **tourism** (blue circles), **advanced manufacturing and engineering** (grey circles), **ICT, tech and digital creative** (purple circle) **and transport, freight and logistics** (brown circle).

Though some of these will be unsurprising for those that are familiar with the area, the sheer number of different sectors that are represented, and the range of activities within these, is further testament to the industrial diversity of the Norfolk and Suffolk economy.

SECTOR DASHBOARDS

ENERGY

| | Norfolk and Suffolk | East of England region |
|---------------------------------------|---------------------|------------------------|
| GVA | £1.0bn | £2.2bn |
| <i>% of total</i> | 3.1% | 1.7% |
| Jobs | 8,000 | 20,200 |
| <i>% of total</i> | 1.0% | 0.7% |
| Businesses | 420 | 1,470 |
| <i>% of total</i> | 0.7% | 0.6% |
| GVA per job | £126,000 | £110,600 |
| <i>% of total</i> | 311.0% | 260.6% |
| Growth in GVA since 2010 | -£0.0bn | -£0.3bn |
| <i>% change</i> | -3.1% | -12.2% |
| Increase in jobs since 2010 | 100 | -300 |
| <i>% change</i> | 1.5% | -1.6% |
| New businesses since 2010 | 110 | 480 |
| <i>% change</i> | 34.9% | 48.0% |
| Productivity growth since 2010 | -4.5% | -10.8% |

Norfolk and Suffolk has global all-energy expertise, with over 50 years' experience in the oil and gas sector, nuclear new build, the world's largest windfarms in development off its coast and a competitive, internationally facing renewables supply chain and support industry.

The industry has a highly skilled workforce of 8,000, which generates £1 billion for the local economy (around half of the energy cluster in the East of England region). Economic activity is high value, with GVA per job over three times that of the average job in the two counties. However, the sheer breadth of the sector means official statistics are likely to under-represent its true strength and impact, with an expansive and interconnected supply chain employing thousands more and generating billions across the region.

With massive growth potential and increasing supply chain opportunities, the sector has an ever-increasing capacity to deliver and innovatively respond to the growing demand from UK plc for more and cleaner energy, whilst delivering high value growth and employment opportunities.

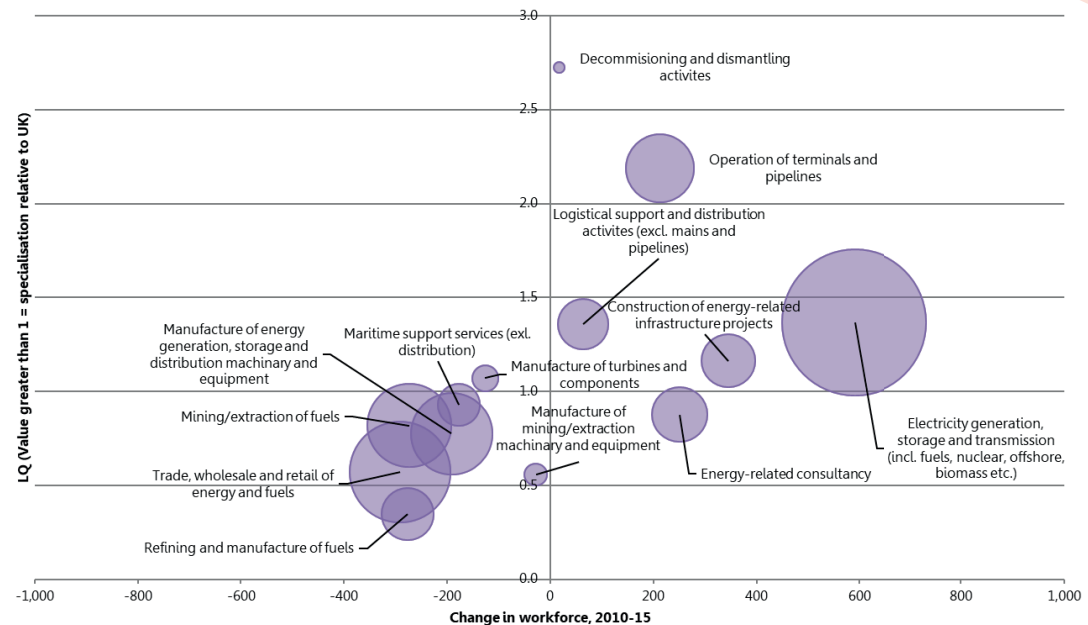


Figure 10.6 – Specialisations (LQ) in the Norfolk and Suffolk energy sector, 2015

Specialisations and clusters

Beyond the impressive scale of the sector, the energy sector in Norfolk and Suffolk's demonstrates clear comparative advantages in a number of specialised activities. Electricity generation, storage and transmission for instance has a high specialisation relative to the rest of the UK (LQ of 1.4) and is also a considerable and

growing, employer (approx. workforce of 2,600, increasing by 600 since 2010).

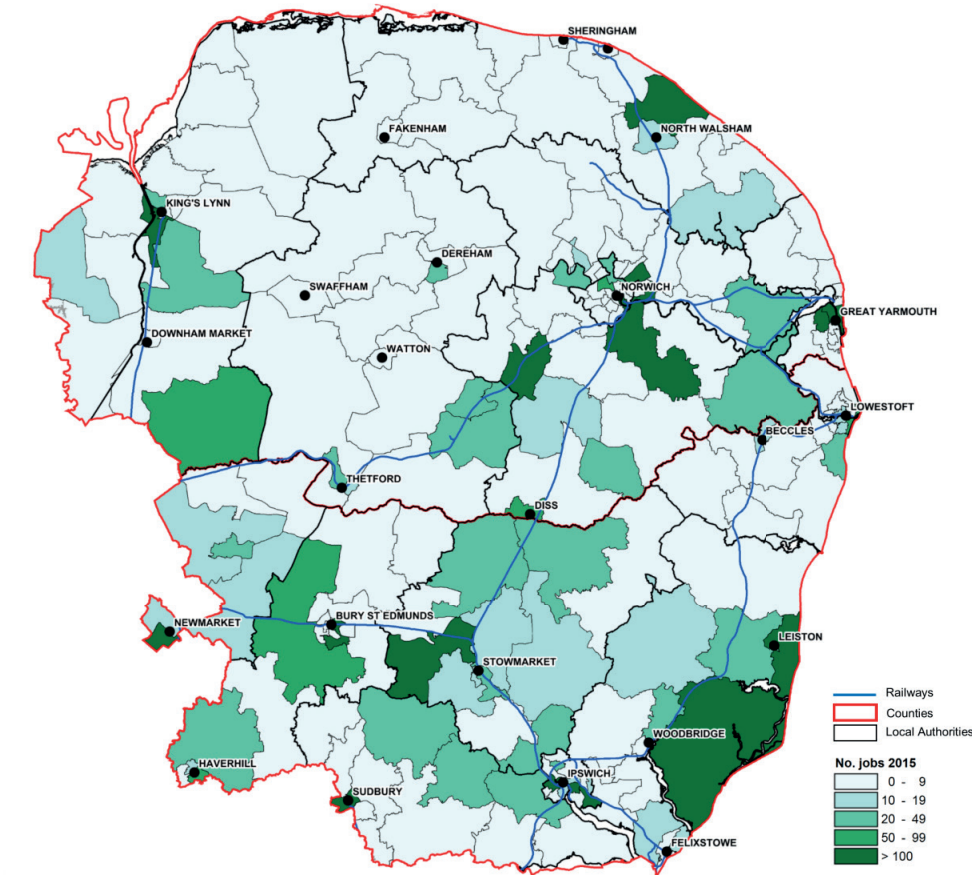
This particular sub-sector reflects Norfolk and Suffolk's internationally-recognised and diverse range of energy assets, including:

- 50 years of nuclear generation and innovation with Sizewell A (decommissioned) and Sizewell B on the Suffolk coast

- The dramatic growth in offshore wind sparked by the Scroby Sands windfarm in 2004, followed by Sheringham Shoal, Greater Gabbard, London Array, Gunfleet Sands and Galloper windfarms coming on stream
- Considerable solar, onshore wind and biomass resources throughout the two counties
- And pioneering community led generation facilities, with schemes such as the Smarter Norwich project and Pixie Energy.

The operation of terminals and pipelines (LQ of 2.2 and a growing workforce of 600) captures another energy asset, centred on Bacton gas terminal in North Norfolk which services the Southern North Sea (SNS) gas basin as well as the interconnector to mainland Europe. The terminal currently hosts Shell, Perenco, Engie, Interconnector and National Grid operations.

The extraction and refining of fuels, including gas and oil, is also a significant employer locally (workforce of 1,200), though its fortunes have taken a downward trajectory with the dramatic collapse in global oil prices post-2014. This has pulled down the headline growth of the overall energy sector locally (-3.1% in output



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Figure 10.7 – Energy sector clusters in Norfolk and Suffolk, 2015

since 2010), though when excluding oil and gas extraction, growth in the output of the sector has been a buoyant 12%, highlighting its local dynamism.

A nascent decommissioning and dismantling sector is also building a reputation locally (LQ of 2.7), whilst logistical support and distribution activities (excluding mains and pipelines) are both growing and becoming increasingly

specialised. Energy-related consultancy has also experienced rapid growth since the recession, with notable clustering in Ipswich and Norwich, alongside existing trade and wholesale activities.

Less-represented activities in the sector locally sit largely within the international and highly-specialised energy supply chain, including the refining and manufacture of fuels, the

manufacture of mining/extraction machinery and equipment and the manufacture of energy generation, storage and distribution machinery and equipment.

Spatially, there is notable clustering of the sector along the coast in Suffolk (particularly around the nuclear cluster servicing Sizewell), Great Yarmouth and Waveney (servicing the offshore

wind and oil and gas industry) and North Norfolk (around Bacton gas terminal).

Beyond the all-energy coast, the sector also has a visible representation in Ipswich and Greater Norwich – servicing the respective clusters in nuclear and offshore – as well as King's Lynn and West Norfolk, alongside parts of mid and west Suffolk.

With significant strengths in agri-bio tech, food and the microbiome, bioinformatics and industrial biotech, Norfolk and Suffolk's life sciences sector is home to innovative, high-tech businesses and research institutions with close links to the food, health, ICT and agriculture sectors.

The billion pound sector has a highly skilled workforce of some 10,000 across the two counties. Economic activity in the sector is very high value, with the average GVA per job in the sector over twice that of the average job in the two counties.

With growth in the sector outpacing that of regional peers (including the globally-competitive Cambridge cluster) and the rest of the Norfolk and Suffolk economy (12.0% vs. 8.9%), the sector is entering an exciting new phase. The new £76m Quadram Institute, due to open at Norwich Research Park in 2018, underpins the investment and innovation in the sector locally.

There are also innovative new developments in areas such as soil health and the role of soil organisms in agriculture as well as the environment and human health. If the

LIFE SCIENCES AND BIOTECH

| | Norfolk and Suffolk | East of England region |
|---------------------------------------|---------------------|------------------------|
| GVA | £0.9bn | £5.9bn |
| <i>% of total</i> | 2.8% | 4.5% |
| Jobs | 10,000 | 65,700 |
| <i>% of total</i> | 1.3% | 2.1% |
| Businesses | 660 | 2,540 |
| <i>% of total</i> | 1.1% | 1.0% |
| GVA per job | £88,400 | £90,200 |
| <i>% of total</i> | 218.2% | 212.6% |
| Growth in GVA since 2010 | £0.0bn | -£0.3bn |
| <i>% change</i> | 12.0% | -4.2% |
| Increase in jobs since 2010 | 100 | 1,200 |
| <i>% change</i> | 1.0% | 1.8% |
| New businesses since 2010 | 160 | 470 |
| <i>% change</i> | 30.9% | 22.4% |
| Productivity growth since 2010 | 10.9% | -5.9% |

world-class R&D base can be adequately commercialised, this sector presents a good opportunity for growth.

Specialisations and clusters

The local life sciences and biotech sector demonstrates clear comparative advantages in a number of specialised activities. The manufacture of fertilisers, pesticides and other agrochemicals is amongst the most concentrated of these. Though a small employer (approx. workforce of 500), it is over four times as specialised in Norfolk and Suffolk than the rest of the country (LQ of 4.1). The sector reflects the commercial overlap and expertise with the wider agri-tech and advanced agri, food and drink sector locally.

This is also evident in the local specialisation of support activities for agri-biotech (workforce of 900, LQ of 1.2), capturing a diverse range of business activities supporting research, innovation and commercial application in the wider agri-biotech sector. One of the globally renowned clusters such activities are supporting is Norfolk and Suffolk's equine and animal sciences sector. With a workforce of some

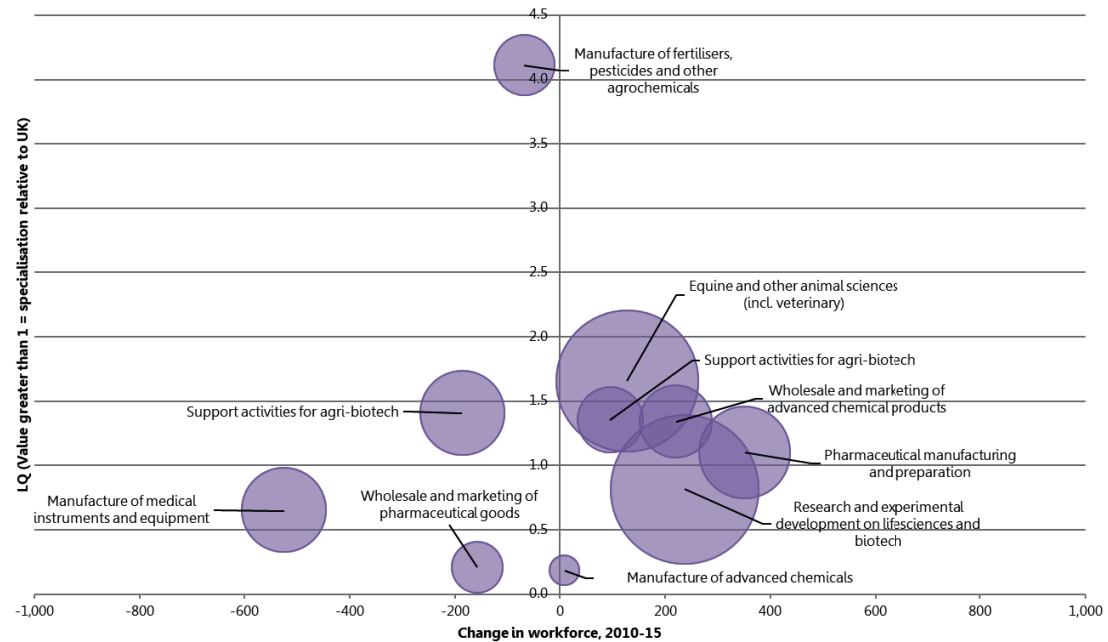


Figure 10.8 – Specialisations (LQ) in the Norfolk and Suffolk life sciences and biotech sector, 2015

2,500, the sector is clustered around the historic home of horseracing, Newmarket and exploits its advantageous proximity to the Cambridge cluster as well as the numerous stud farms, stables and trainers in the town.

The local area also has a growing research and experimental development presence, with some 2,700 scientists, researchers and support staff driving research and innovation across the sector

locally. Centred on Norwich Research Park (NRP) - comprising UEA, John Innes Centre, Earlham Institute, Quadram Institute, The Sainsbury Laboratory and Norfolk and Norwich University Hospital – the world-leading research base is at the forefront of global food and health research.

Highly commercial and value added activities are also present locally. Pharmaceutical manufacturing and preparation, for instance, has

SECTORS AND SUPPLY CHAINS

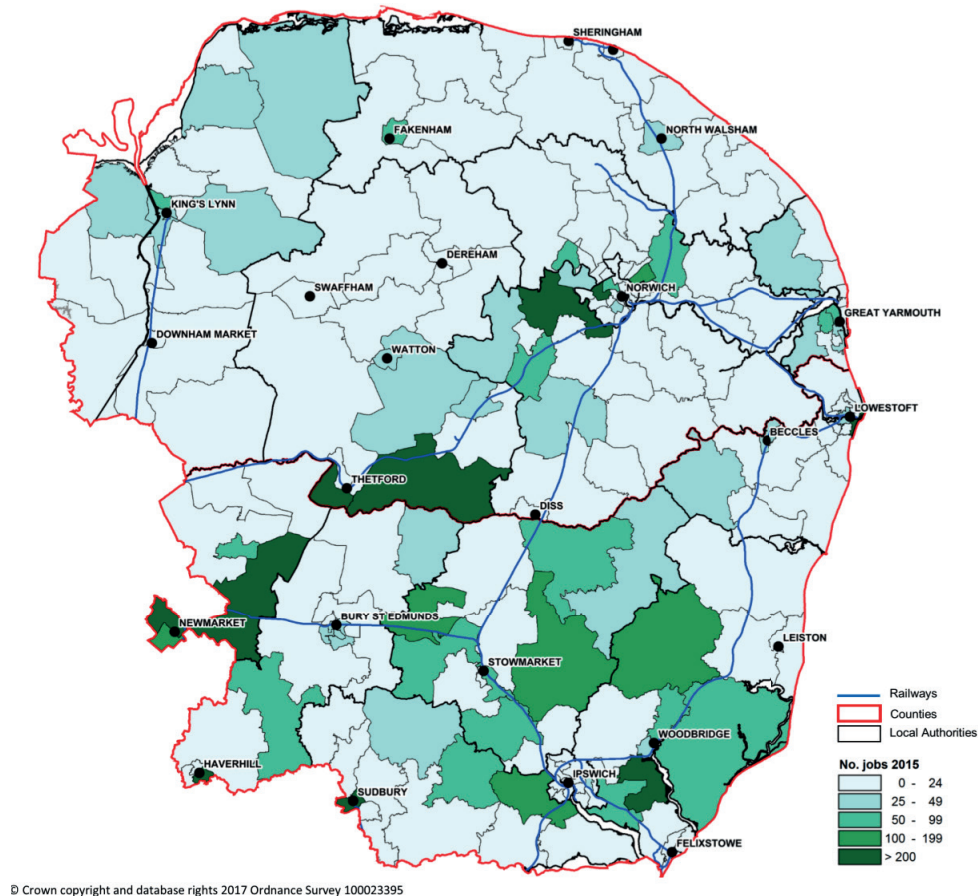


Figure 10.9 – Lifesciences and biotech sector clusters in Norfolk and Suffolk, 2015

a 1,000 strong workforce, with an impressive GVA per job of £571,300 – around 14 times that of the average job in the two counties. Some of the less-represented activities in the sector locally include the dedicated manufacturing of advanced chemicals and medical instruments (the latter of which has contracted quite significantly locally), as well as the marketing, wholesale and distribution of pharmaceutical and advanced chemical products.

The sector has good spatial representation across much of the two counties, particularly in Suffolk. Notably, there is a growing and increasingly concentrated cluster along the A11 growth corridor down to Cambridgeshire, branching out from NRP in the west of Norwich, down past Thetford and its strong pharma and medical goods presence and through Newmarket and its globally-recognised equine cluster.

Beyond these locations, there is also a notable presence in parts of west Suffolk, such as Haverhill and Sudbury, where international pharma and medical goods firms have based their operations, such as Sanofi and Philips Avent. The sector is also evident in parts of Mid Suffolk and the area surrounding Ipswich, largely reflecting its agricultural past and transition towards advanced agri-tech and agri-biosciences.

There is also a highly concentrated cluster in Lowestoft, centred on the HQ of the Centre for Environment, Fisheries and Aquaculture Science (CEFAS). This is the UK's most diverse centre for applied marine and freshwater science and research, providing innovative solutions for the aquatic environment, biodiversity and food security.

ICT, TECH AND DIGITAL CREATIVE

| | Norfolk and Suffolk | East of England region |
|---------------------------------------|---------------------|------------------------|
| GVA | £1.4bn | £8.8bn |
| <i>% of total</i> | 4.5% | 6.8% |
| Jobs | 24,400 | 151,800 |
| <i>% of total</i> | 3.1% | 4.9% |
| Businesses | 4,320 | 28,130 |
| <i>% of total</i> | 7.2% | 11.6% |
| GVA per job | £58,100 | £58,000 |
| <i>% of total</i> | 143.6% | 136.7% |
| Growth in GVA since 2010 | £0.1bn | £1.3bn |
| <i>% change</i> | 9.8% | 17.7% |
| Increase in jobs since 2010 | 1,900 | 24,000 |
| <i>% change</i> | 8.5% | 18.8% |
| New businesses since 2010 | 290 | 5,430 |
| <i>% change</i> | 7.3% | 23.9% |
| Productivity growth since 2010 | 1.1% | -0.9% |

Norfolk and Suffolk has recognised tech clusters centred on Norwich's fast-growing digital creative hub and the world-leading centre of innovation in communications technology at Adastral Park and Innovation Martlesham near Ipswich. With businesses at the forefront of digital innovation and strengths in telecoms, cyber security, quantum technology, Internet of Things and UX design, the sector is also a high value, fast-growing component of the Norfolk and Suffolk economy.

With a workforce of 24,400 and a £1.4 billion contribution to UK plc, the sector is a significant asset in its own right, but also imperative in supporting productivity growth and technical innovation across all sectors, with notable linkages with agri, food and drink, life sciences and biotech and finance and insurance locally. It is estimated a further 35,000 digital technicians and engineers are active in such external industries, more than doubling the size of the digital tech workforce.

The sector is well placed to grow, with its high growth capacity captured in the fact the average digital tech worker in Norfolk and Suffolk is more productive than the regional equivalent – which includes Cambridge. With the potential to drive value across sectors, there is significant opportunity in areas of specialisation such as in agri-tech (big data, IoT, AI), advanced manufacturing (IoT/ Industry 4.0), ports and logistics (blockchain, AI) and finance (AI, big data, fin-tech products).

Specialisations and clusters

Despite its impressive scale and growth potential, the digital tech sector is still relatively nascent and developing within Norfolk and Suffolk, with a diverse breadth of activities but few nationally-scalable specialisms, not least when compared with the rest of the Eastern region. But this not to say it doesn't retain some clear and developing comparative advantages relative to the rest of the country.

Information and communications technology is the most highly specialised activity locally (LQ of 1.0), and also a significant employer (approx. workforce of 6,900) and value generator (£0.7bn

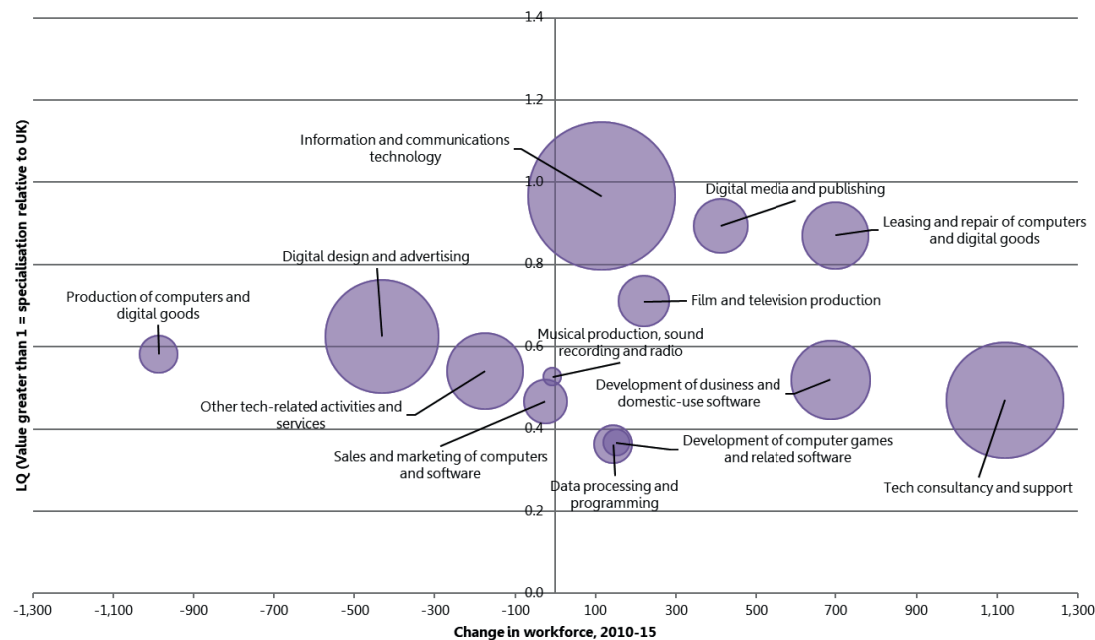


Figure 11.0 – Specialisations (LQ) in the Norfolk and Suffolk ICT, tech and digital creative sector, 2015

GVA, with a very high GVA per job of £95,600). Centred on Adastral Park in Martlesham - which is at the forefront of global telecoms innovation – the cluster is home to BT Labs Global Research and Development HQ and a growing body of 100 high-tech companies, including Huawei, Cisco, Ericsson and Tech Mahindra.

Tech consultancy and support, as well as business and domestic use software production, have been the two most significant job creators and growth drivers within the sector (6,300 employees, +1,800 since 2010), though an LQ of 0.5 shows they are still to develop a precise specialisation relative to the rest of the country.

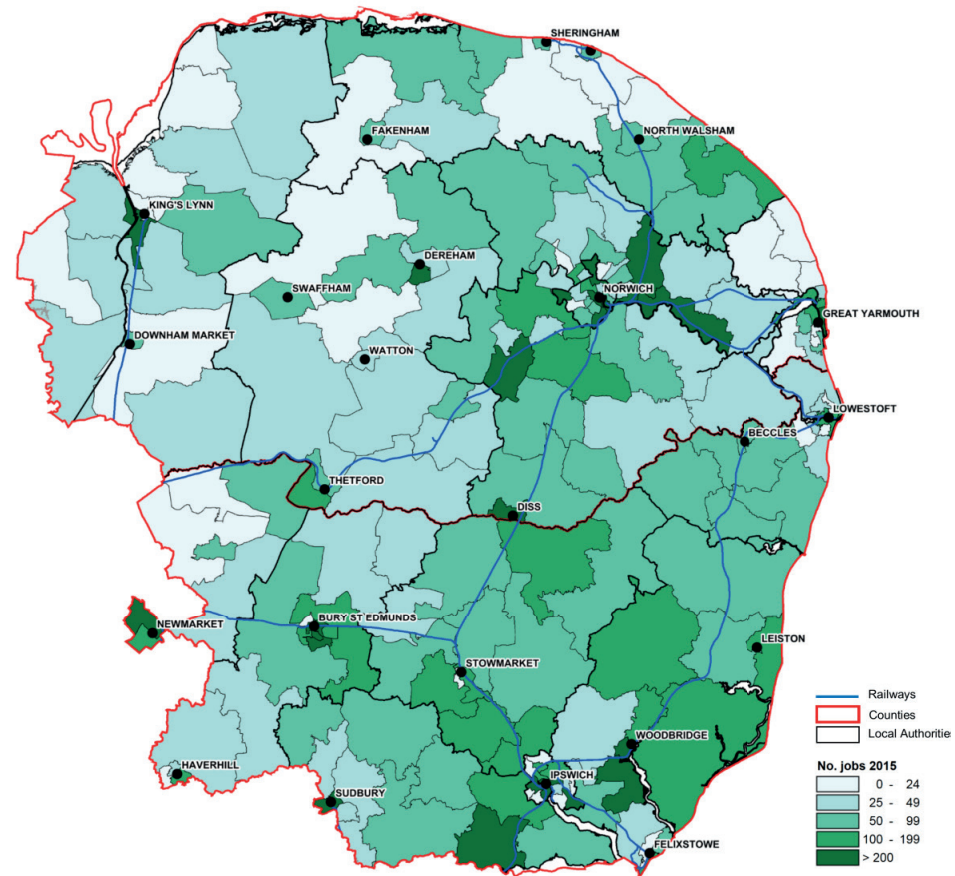
Despite this, the sector captures some award winning and disruptive local digital businesses, such as Rainbird, EPOS NOW and Further.

The two counties' vibrant and fast-growing digital creative sector is also evident in the data, with digital media and publishing (the second most specialised activity after ICT), and digital oriented film, television, music and sound recording all growing and creating jobs in the past five years (2,000 employees, +600 since 2010). Alongside this is a large digital design and advertising sector, centred on Norwich and Ipswich, employing 4,100 persons, though growth in the sector has failed to live up to its pre-crisis momentum.

Compared to the rest of the country, data processing and programming activities are under-represented in Norfolk and Suffolk, as are the development of computer games and related software (though the latter is very fast growing, doubling in size since 2010). The production of computers and related digital components locally continues to contract, in line with the rest of the country, due to the ongoing impact of outsourcing and offshoring.

Spatially, the sector is well represented across the two counties, though – unsurprisingly – is most densely concentrated in urban areas. Greater Norwich and Ipswich and the surrounding area share the most recognised clusters in the two counties, the former with its specialisms in tech and digital creative and the latter in ICT and tech-related research and consultancy.

In the west of the two counties, particularly in Newmarket, Bury St Edmunds and King's Lynn, there are also notable concentrations of digital tech businesses, many exploiting the advantageous proximity to the Cambridge cluster. Stowmarket and Diss, both on the mainline to London and within 1hr 30 mins of the city, have also seen a noticeable clustering of activity.



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Figure 11.1 – ICT, tech and digital creative sector clusters in Norfolk and Suffolk, 2015

ADVANCED AGRI, FOOD AND DRINK

| | Norfolk and Suffolk | East of England region |
|---------------------------------------|---------------------|------------------------|
| GVA | £3.6bn | £9.2bn |
| <i>% of total</i> | 11.1% | 7.1% |
| Jobs | 79,000 | 224,300 |
| <i>% of total</i> | 10.0% | 7.3% |
| Businesses | 8,310 | 19,550 |
| <i>% of total</i> | 13.9% | 8.0% |
| GVA per job | £44,900 | £41,100 |
| <i>% of total</i> | 111.0% | 96.9% |
| Growth in GVA since 2010 | £0.1bn | £0.4bn |
| <i>% change</i> | 3.2% | 4.0% |
| Increase in jobs since 2010 | -1,500 | -7,200 |
| <i>% change</i> | -1.9% | -3.1% |
| New businesses since 2010 | 490 | 1,320 |
| <i>% change</i> | 6.2% | 7.3% |
| Productivity growth since 2010 | 5.1% | 7.3% |

Built on centuries of expertise, innovation and application, the advanced agri, food and drink sector in Norfolk and Suffolk is home to an advanced and nationally significant farming sector, globally renowned food and drink companies in Europe and a world-leading research base centred on Norwich Research Park (NRP).

Despite accounting for only 2% of the UK's population, Norfolk and Suffolk represents 11% of its agricultural output, which is more than any other LEP area. Taking advantage of an innovative and growth enhancing agri-tech sector, the productivity of farm-based agriculture in the two counties is twice that of the UK average.

Alongside this competitive farming sector are a host of nationally and internationally significant food and drink companies producing globally-recognised brands and products, including Kettle Chips, Britvic, Greene King, British Sugar, Birds Eye and Purina. Alongside supporting distribution, wholesale and retail activities, the total agri, food and drink sector in Norfolk and Suffolk has a workforce of 79,000 and generates £3.6 billion for UK plc.

There is a growing interest in UK food and drink products overseas, and the sector is taking an increasingly international outlook. In addition, expertise and intellectual property relating to agri-tech can be exported globally. Bringing together traditional players (ICT, machine learning, automation, materials science, satellite technology) into agriculture and horticulture through innovative partnerships will increase the level of innovation in the sector.

Specialisations and clusters

Advanced agri, food and drink displays some of Norfolk and Suffolk's most specialised clusters, with clear comparative advantages in a diverse range of activities. The manufacture of sugar in Norfolk and Suffolk, which is excluded from the above graph due to its considerable specialisation (LQ of 18.5, double the chart limit of 9.0) - is amongst the most concentrated; in fact, an estimated 43.4% of sugar production in the UK takes place in Norfolk and Suffolk, underpinned by a number of British Sugar facilities using often locally produced sugar beet.

The manufacture of malt, beers and ciders is also highly specialised (LQ of 4.4), driven by globally-recognised brands and products such as Greene King, Adnams, St Peter's, Muntons and Woodforde's. With a workforce of 1,900 and an economic value of £0.4 billion, the sector is also amongst the fastest growing within the wider food and drink industry, expanding by 68.3% in real terms since 2010.

The processing, production and preservation of meat is also highly specialised relative to the rest of the UK (LQ of 3.7), and is also a considerable employer (approx. workforce of 8,300), not

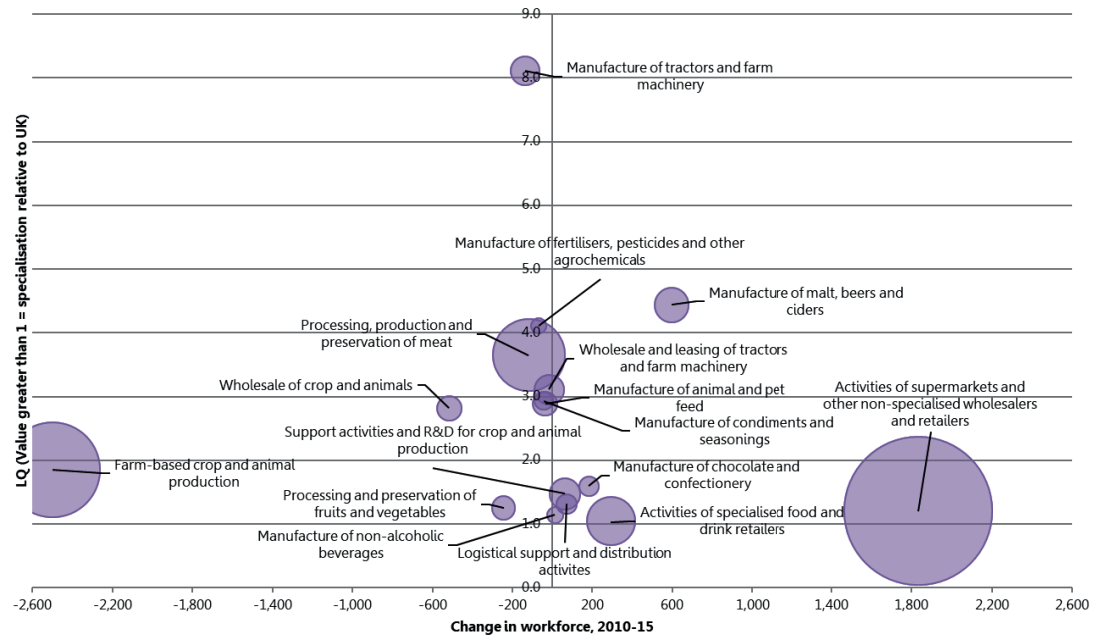


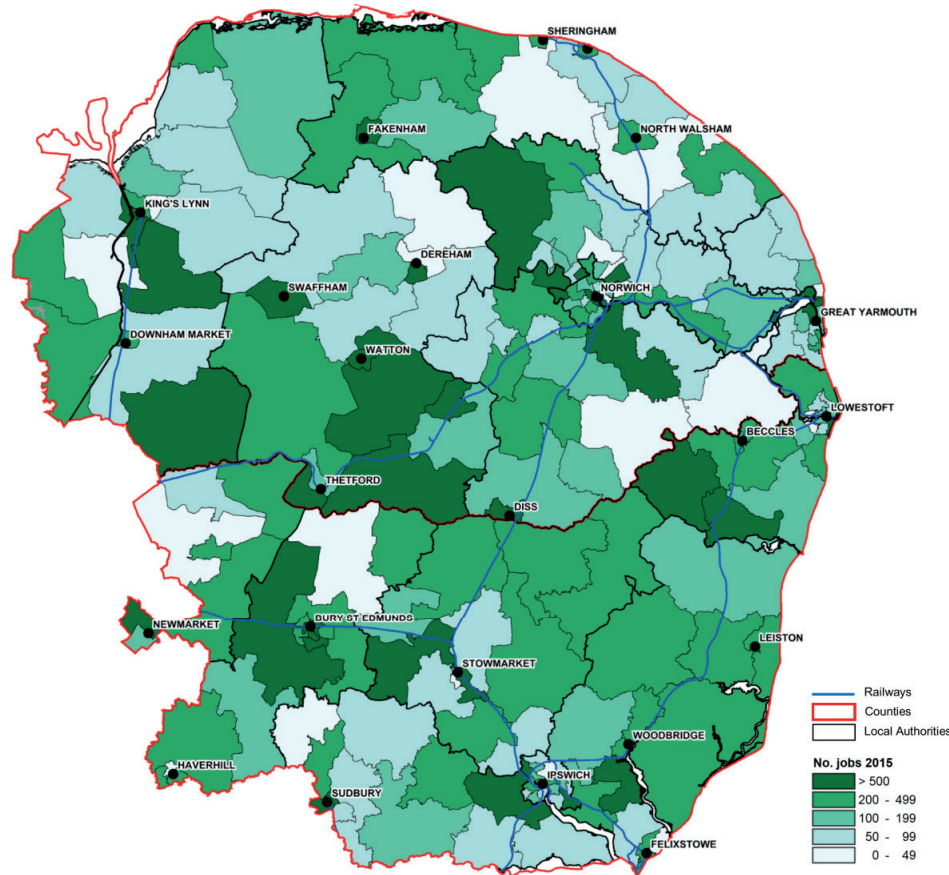
Figure 11.2 – Specialisations (LQ) in the Norfolk and Suffolk advanced agriculture, food and drink sector, 2015

least in rural areas. The poultry meat sector in particular is highly concentrated locally, with Norfolk and Suffolk accounting for 19.4% of all poultry production in the UK, spearheaded by supermarket supplying firms such as Bernard Matthews, Gressingham Duck and 2 Sisters.

But the sector also accounts for the wide and

varied supply chain that goes into supporting the growing, collection, processing and production of food and drink products. The manufacture of tractors and farm machinery locally is highly specialised (LQ of 8.1) and with an evident comparative advantage, supported by a highly skilled workforce of

SECTORS AND SUPPLY CHAINS



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Figure 11.3 – Advanced agriculture, food and drink sector clusters in Norfolk and Suffolk, 2015

1,400. Other inputs, such as the manufacture of fertilisers, pesticides and other agrochemicals, the manufacture of food and drink production machinery and equipment and the wholesale and leasing of tractors and farm machinery, all contribute to the comparative strength and high productivity of the sector.

Finally, the front-end of the sector is represented by a diverse mix of boutique and nationally-

operating wholesalers and retailers. The activities of supermarkets and other non-specialised wholesalers and retailers has been a considerable job creator in the two counties (+1,800 jobs since 2010), with a workforce now tallying 34,000. The wholesale of crop and animals (LQ of 2.8) has a workforce of 1,100 and provides a vital market-facing presence for farmers and producers across the two counties.

Activities of specialised food and drink retailers - covering boutique and traditional sellers - is still a considerable and growing employer (workforce of 3,900, +300 since 2010), despite competing with supermarkets and other non-specialised competitors.

The sector is amongst the most balanced in terms of its spatial representation across Norfolk and Suffolk. Despite an evident and valued presence in rural and semi-rural areas, the sector also has notable concentrations in and around urban areas, particularly market towns, such as Bury St Edmunds, Stowmarket, Thetford, Sudbury, King's Lynn and Diss.

Certain growth corridors are also evident, often reflecting their historical legacy in food and drink production. The Stowmarket, Orwell and Greater Norwich food and drink clusters are particularly evident, which in part contributed to these areas being amongst the first Food Enterprise Zones (FEZ) in the country.

DEFRA currently withholds farm-based employment data at a localised level. These persons (around 18% of the total workforce) are therefore excluded from the above graphic and so the density of rural employment will likely be under-represented.

VISITOR ECONOMY – TOURISM AND CULTURE

| | Norfolk and Suffolk | East of England region |
|---------------------------------------|---------------------|------------------------|
| GVA | £2.3bn | £10.3bn |
| <i>% of total</i> | 11.1% | 7.9% |
| Jobs | 89,100 | 323,300 |
| <i>% of total</i> | 11.3% | 10.5% |
| Businesses | 7,050 | 24,850 |
| <i>% of total</i> | 11.8% | 10.2% |
| GVA per job | £26,000 | £32,000 |
| <i>% of total</i> | 64.3% | 75.3% |
| | | |
| Growth in GVA since 2010 | £0.4bn | £1.6bn |
| <i>% change</i> | 14.5% | 18.9% |
| Increase in jobs since 2010 | 10,700 | 49,500 |
| <i>% change</i> | 13.7% | 18.1% |
| New businesses since 2010 | 540 | 2,440 |
| <i>% change</i> | 8.3% | 10.9% |
| Productivity growth since 2010 | 0.8% | 0.7 % |

Norfolk and Suffolk is a successful tourism destination, evidenced by a thriving visitor economy which attracts some 5m overnight visitors annually. In fact, East Anglia is the 6th most valuable tourism industry in the UK, behind only Greater London, Scotland, Surrey and West Sussex and Greater Manchester, attracting £5.2 billion of spending on tourism-related goods and services. Beyond this, it is also a vital employer,

accounting for 11.3% of Norfolk and Suffolk's workforce (more than any other sector) and generating £2.3 billion per annum.

The area has traditional holiday destinations including the North Norfolk Coast, Great Yarmouth, Southwold, Aldeburgh and Felixstowe together with unique natural assets such as the Broads National Park, the Brecks, and Areas

of Outstanding Natural Beauty. It also has the home of horseracing at Newmarket and important heritage sites such as Norwich (England's most complete medieval city) and Sutton Hoo in East Suffolk.

There is also a vibrant cultural sector which boasts award-winning theatres, major international festivals such as Aldeburgh and Norwich, England's first UNESCO City of Literature. The cultural and heritage sector and natural landscape play a unique role in creating the 'sense of place' that makes the area a great place to live, work, learn, invest and do business in.

SECTORS AND SUPPLY CHAINS

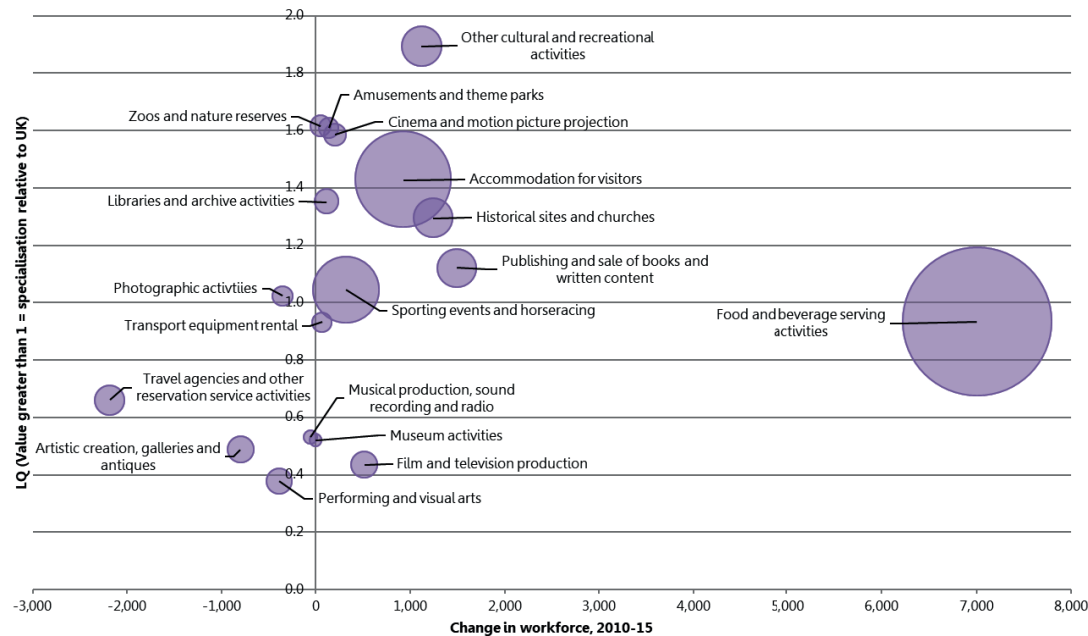


Figure 11.4 – Specialisations (LQ) in the Norfolk and Suffolk tourism and culture sector, 2015

Specialisations and clusters

Despite the sector operating in a globally competitive market, the visitor economy in Norfolk and Suffolk is home to a recognised and specialised offer. The strength and variety of the local culture and recreational sector in particular is evident in the concentration of activities such

as amusements and theme parks; zoos and nature reserves; historical sites and churches; libraries and archives; and cinemas and motion picture projection. These activities account for 6,700 jobs and almost half (44.4%) of the local cultural and leisure sector.

On the tourism side, accommodation for visitors

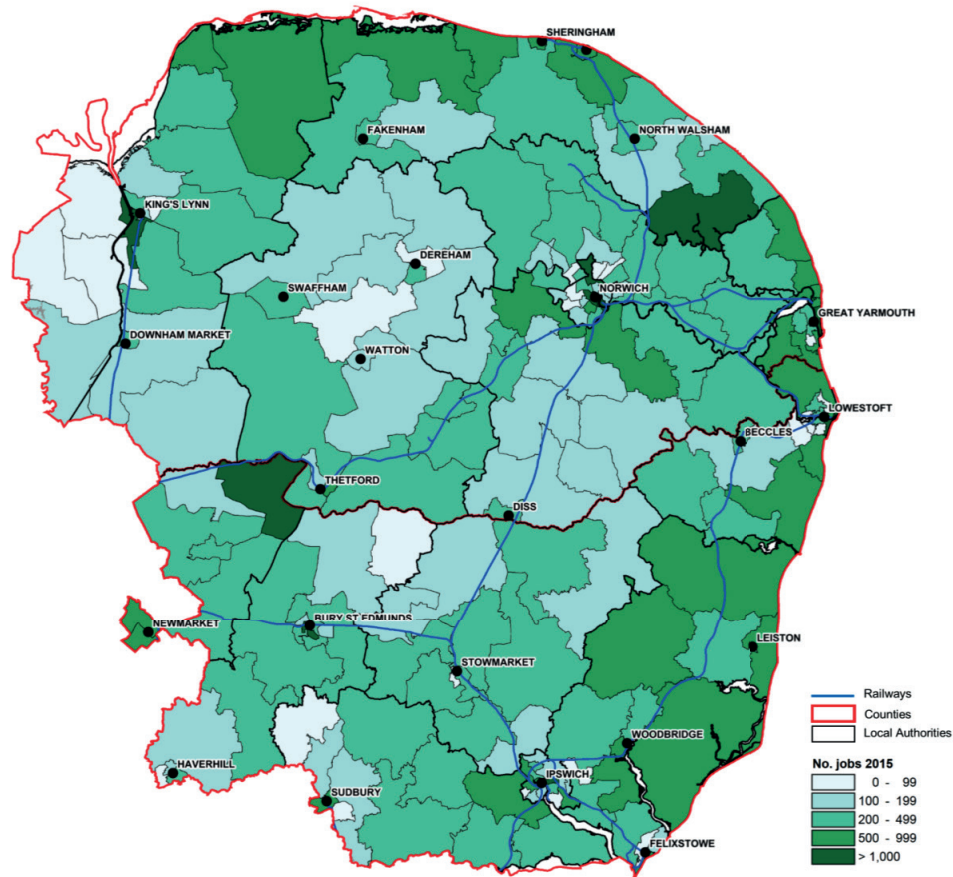
is a considerable employer and value generator (approx. workforce of 16,300, worth £0.4 billion). The majority of economic activity within this sub-sector locally is accounted for by hotels and similar accommodation (54.7%), though this much lower than the 81.2% share across the rest of the UK. Typically low-spend displacement venues such as holiday centres and villages (21.4% of economic activity, compared to a national average of 5.5%) and camping grounds and caravan parks (18.2%, national average of 7.5%) are particularly over-represented in Norfolk and Suffolk relative to the rest of the country.

Food and beverage service activities - capturing restaurants, cafes, bars and nightclubs - accounts for the largest share of the sector, with a workforce of 38,200 and an economic value of £0.7 billion. It is also the fastest growing, expanding by 26.8% in real terms and adding 7,000 jobs since 2010, exploiting the increasing numbers of visitors to the two counties. Making use of fresh and organic local produce and suppliers, Norfolk and Suffolk has some 73 restaurants and eateries featured in the Michelin Fine Dining Guide (2017).

Sporting events and horseracing are also another specialised part of Norfolk and Suffolk's

tourism and recreational offer, bringing visitors and spend to the region whilst also providing some 7,800 jobs for the two counties. Centred on Newmarket, as the historic headquarters of horseracing, it also includes courses elsewhere in the two counties (Great Yarmouth and Fakenham). Other sporting events and venues also captured include the two counties' professional football clubs (Ipswich Town and Norwich City), as well as racetracks and stadiums (Snetterton, Foxhall, Mildenhall) and a host of associated attractions and activities.

Less-represented or nascent activities within the local tourism offer are those often related to typically higher value, higher spend artistic creation and performing arts, such as film and television production; musical production, sound recording and radio; performing and visual arts; and artistic creation, galleries and antiques. Such activities account for only 8.6% of economic activity within the local visitor economy, almost half the national share of 15.3%. Despite this, the efforts of institutions such as Snape Maltings, Norwich's Theatre Royal, Writers' Centre Norwich and the Norfolk and Norwich Festival are catering to the growth in this sector and building the artistic brand of Norfolk and Suffolk.



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Figure 11.5 – Tourism and culture clusters in Norfolk and Suffolk, 2015

The above graphic provides a spatial overview of the visitor economy in Norfolk and Suffolk. Most notable is its consistent representation along the 500 miles of coastline, stretching from Felixstowe in south east Suffolk to Hunstanton in north west Norfolk. This captures some of the two counties' most famous and historic holiday destinations, including Aldeburgh, Southwold, Lowestoft, Great Yarmouth, Cromer and Wells-next-the-Sea.

But this is not to say the visitor economy in Norfolk

and Suffolk is exclusively focused on the coast. The Broads National Park, to the east of Norwich, provides a vibrant and diverse visitor economy cluster reaching out from Greater Norwich towards the coast. South Suffolk and the 'Wool Towns', as well as Thetford Forest (to the west of Thetford), are other notable clusters. Newmarket, Bury St Edmunds and King's Lynn have also had success in developing a strong visitor offer, capitalizing on the reach of historic Cambridge.

FINANCIAL SERVICES AND INSURANCE

| | Norfolk and Suffolk | East of England region |
|---------------------------------------|---------------------|------------------------|
| GVA | £2.1bn | £8.1bn |
| <i>% of total</i> | 6.7% | 6.2% |
| Jobs | 29,200 | 124,200 |
| <i>% of total</i> | 3.7% | 4.0% |
| Businesses | 1,760 | 9,460 |
| <i>% of total</i> | 2.9% | 3.9% |
| GVA per job | £73,300 | £65,200 |
| <i>% of total</i> | 181.1% | 153.5% |
| Growth in GVA since 2010 | -£0.0bn | £0.2bn |
| <i>% change</i> | -1.8% | 2.7% |
| Increase in jobs since 2010 | 600 | 22,800 |
| <i>% change</i> | 2.1% | 22.5% |
| New businesses since 2010 | 170 | 1,660 |
| <i>% change</i> | 10.7% | 21.2% |
| Productivity growth since 2010 | -3.8% | -16.1% |

Norfolk and Suffolk is home to one of the largest financial services and insurance clusters in Europe, with a growing start-up scene building on a heritage going back 200 years. Strategically located near to London, the cluster benefits from close proximity to other hubs of financial and business activity, with only an hour separating some local businesses and the 'Square Mile' in London.

Not only does the sector provide a significant number of high value jobs – 29,200 to be exact, individually worth an estimated £73,300 – it is also a major driver and enabler of the economy outside of the direct industry, whether it is supporting ideas and innovation in the local digital tech and ICT cluster, or funding and investing in leading-edge life sciences and biotech research.

The industry is embracing new technology, connecting with extraordinary talent, uncovering breakthrough innovations and developing financial technologies fit for the future. Firms like Aviva are increasingly looking at disruptive and emerging technologies, investing in artificial intelligence and machine learning. These new technologies are transforming the sector and Norfolk and Suffolk, with their strengths in ICT and digital, are perfectly placed to capitalise on this transformation.

Specialisations and clusters

Norfolk and Suffolk's comparative advantage in finance sits clearly within the wider insurance and support industry, which accounts for an estimated 53.7% of finance-oriented output locally (this share is almost double the 30.4% elsewhere in the UK). Insurance agents and brokers are the most valuable (9,200 person workforce worth £0.4 billion) and specialised activity locally (LQ of 3.2), capturing firms that are engaged in the selling, negotiating or soliciting of annuities and insurance and reinsurance products.

The actual development and management of insurance and reinsurance products is also well represented locally, with a particular specialism in general/non-life insurance and reinsurance, which employs some 1,600 highly skilled persons in Norfolk and Suffolk. Ancillary support for the sector also makes up a substantial part of its local presence, such as in risk and damage evaluation (LQ of 2.6 and a workforce of 1,000), a small but highly-specialised function servicing the wider industry.

Closely related to this are more general activities auxiliary to insurance, capturing the remaining

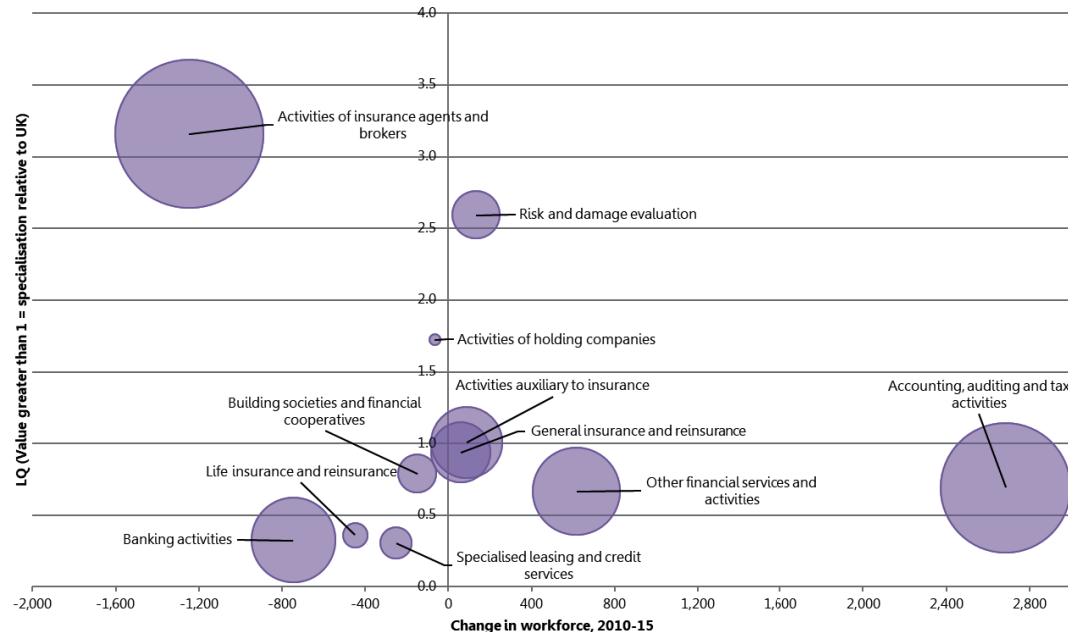


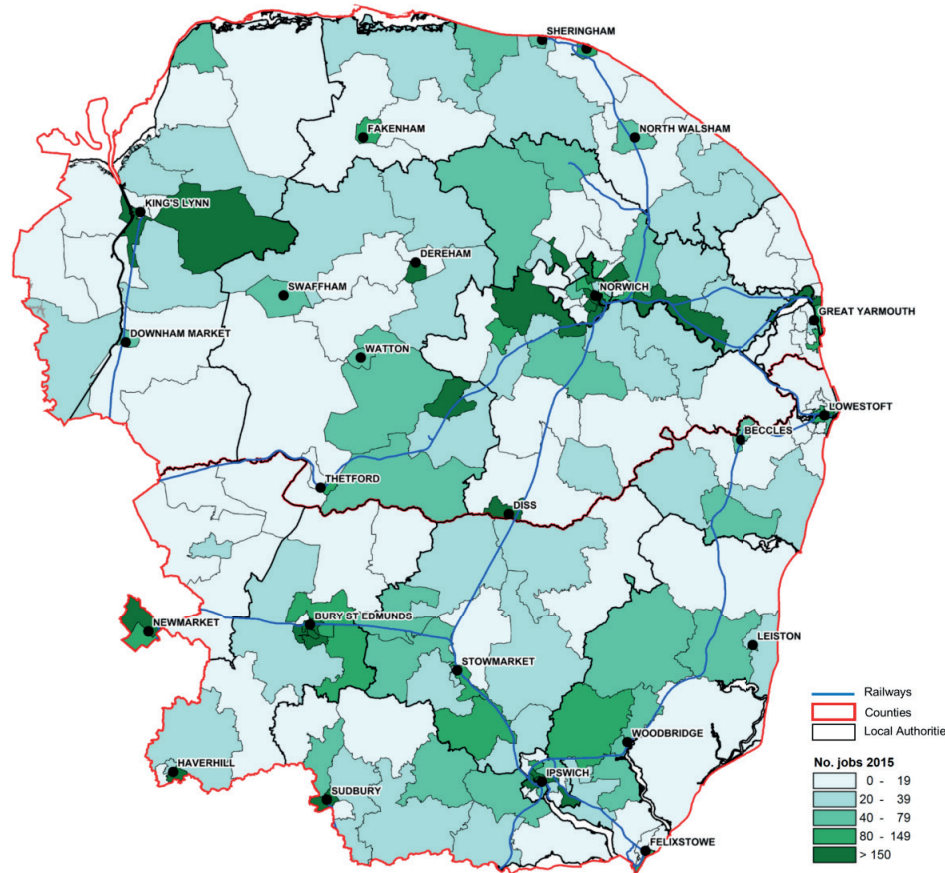
Figure 11.6 – Specialisations (LQ) in the Norfolk and Suffolk financial services and insurance sector, 2015

support functions and services – such as marketing, customer service and actuarial support – that all help underpin the billion-pound sector in Norfolk and Suffolk and its host global firms including Aviva, Marsh and Moneyfacts in Norwich and Willis Towers Watson and AXA in Ipswich.

Beyond insurance, one of the most significant and fastest growing specialisms within the

local financial services sector is accounting, auditing and tax activities. The local cluster, centred on Ipswich and Norwich, accounts for an impressive 7,100 jobs and a £0.4 billion economic value. The sector is home to international firms such as PwC, Grant Thornton and KPMG, alongside a host of regional and sectoral specialists, all supporting the needs and aspirations of local businesses.

SECTORS AND SUPPLY CHAINS



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Figure 11.7 – Financial services and insurance clusters in Norfolk and Suffolk, 2015

Growth in the sector is particularly impressive, with the sector adding 2,700 jobs and expanding by 79.6% in real terms since 2010.

Components of the sector that are under-represented in Norfolk and Suffolk are largely unsurprising, given the competition and nearby proximity to the financial brand of London. These include fund management and

investment activities; specialised leasing and credit services; and the trading of commodities and securities (LQ's all below 0.4). Though banking activities and building societies are considerable employers locally (with a workforce of 3,700), it appears their presence does not reach beyond conventional household and business support functions.

The financial services and insurance sector within Norfolk and Suffolk is amongst its most highly concentrated spatially. The most notable and focused cluster is that of Greater Norwich, which has been a base for the financial industries for over 200 years. Originally concentrated in the city centre, growth in the sector has since spread to out some of the business parks surrounding the city.

The presence of the sector is also visible within Ipswich, particularly within its central business district, which is a short walk from the railway station and the one hour direct line to London Liverpool Street. King's Lynn, Newmarket and Bury St Edmunds also have noticeable clusters, containing a mix of locally-focused services and highly specialised activities e.g. bloodstock and equine insurance in Newmarket.

TRANSPORT, FREIGHT AND LOGISTICS

| | Norfolk and Suffolk | East of England region |
|---------------------------------------|---------------------|------------------------|
| GVA | £2.3bn | £9.8bn |
| <i>% of total</i> | 7.3% | 7.6% |
| Jobs | 48,700 | 188,400 |
| <i>% of total</i> | 6.2% | 6.2% |
| Businesses | 3,880 | 15,030 |
| <i>% of total</i> | 6.5% | 3.9% |
| GVA per job | £47,900 | £52,300 |
| <i>% of total</i> | 118.2% | 123.1% |
| | | |
| Growth in GVA since 2010 | £0.4bn | £2.1bn |
| <i>% change</i> | 21.5% | 26.7% |
| Increase in jobs since 2010 | 5,500 | 22,200 |
| <i>% change</i> | 12.6% | 13.3% |
| New businesses since 2010 | 390 | 2,500 |
| <i>% change</i> | 11.0% | 20.0% |
| Productivity growth since 2010 | 7.8% | 11.8% |

With the UK's largest container port at Felixstowe on the premier EU/ Asia route, the transport, freight and logistics sector within Norfolk and Suffolk plays an underpinning role in the smooth running and overall success of UK plc. Alongside this, it is a multi-billion pound industry with a growing workforce of 48,700.

Beyond handling over 40% of national container traffic, the Port of Felixstowe is also undergoing

significant investment and expansion, with capacity expected to grow by an additional million containers by 2025. Alongside Felixstowe are other maritime assets, such as Great Yarmouth and Lowestoft, which have a vital role to play in supporting the local food and drink and offshore energy sectors.

Supporting the region's ports is a thriving and specialised logistics and support sector, ranging

from supply chain management, engineering and servicing, to handling and packaging. Beyond ports and logistics, the region is also developing a dedicated aviation cluster around Norwich Airport, with the recently opened International Aviation Academy - in collaboration with KLM engineering - a specialist centre for aircraft overhaul and maintenance.

With demand in the sector continuing at an unbridled pace, Norfolk and Suffolk's transport and logistics sector has a vital role to play as the country enters a new and evolving position in global trade and investment.

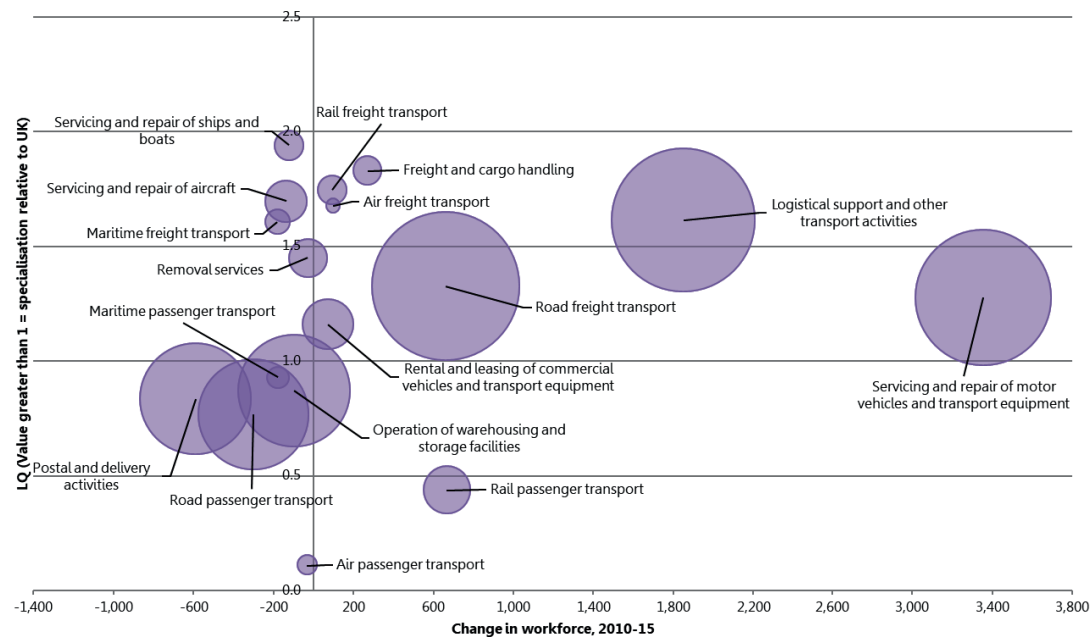


Figure 11.8 – Specialisations (LQ) in the Norfolk and Suffolk transport, freight and logistics sector, 2015

Specialisations and clusters

Despite the size and breadth of the transport, freight and logistics sector in Norfolk and Suffolk, it is evident that the sector has particular, internationally acknowledged strengths and comparative advantages. The servicing and repair of ships and boats for instance is highly

specialised in Norfolk and Suffolk (LQ of 1.9), with the niche sector providing vital support and expertise to the global maritime sector. Unsurprisingly, the actual operation of maritime freight vessels is also highly concentrated (LQ of 1.7) locally, employing a small but skilled and high value workforce of 800.

The bulk of employment in the wider transport industry (workforce of 9,600) is accounted for within the road freight transport sector, which plays a vital role in connecting the goods and products of local factories, offices, stores or homes with the rest of the country and the world. Reflecting strong employment demand from the sector, it has seen around 700 additional jobs created since 2010.

But some of the fastest growth has been within the vast and specialised logistical support network and other transport activities, whose workforce of 8,900 has increased by 1,900 since 2010. The sector captures a diverse range of activities underpinning the multi-billion pound industry, helping to ensure that the right items, in the right quantity, are at the right place at the right time.

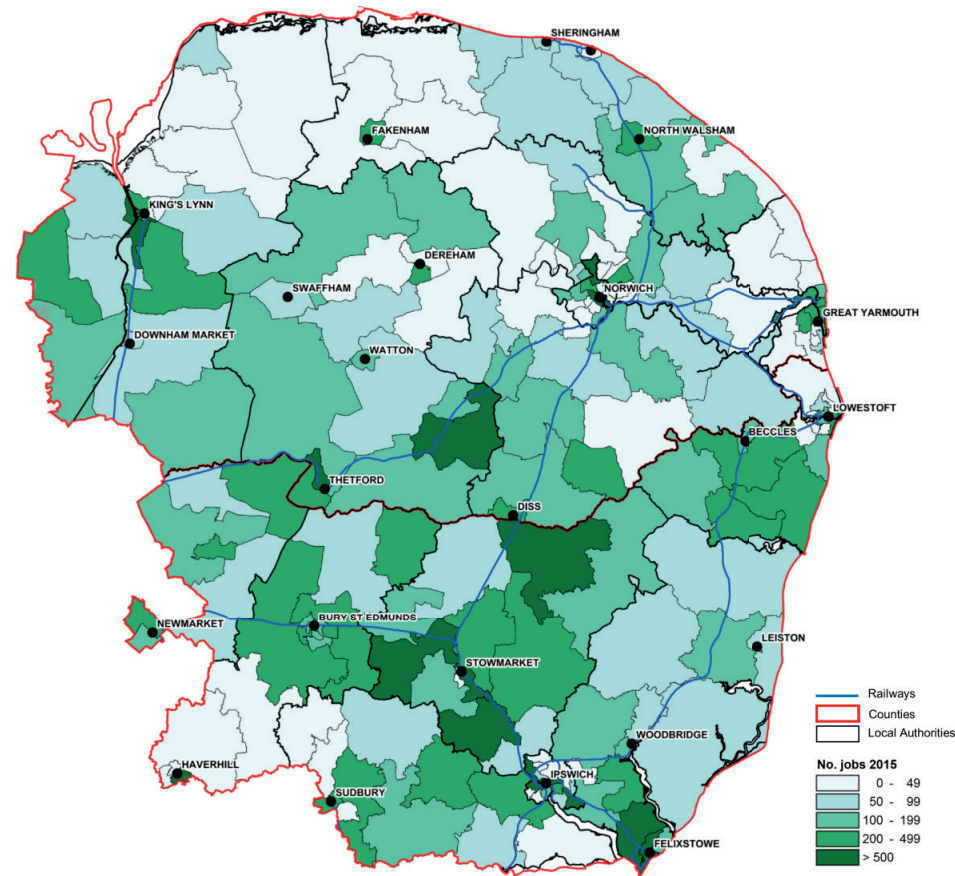
It is also apparent Norfolk and Suffolk's strength is in much more than just maritime and road transport. Rail (LQ of 1.8) and air (LQ of 1.7) freight transport are also niche specialisations within Norfolk and Suffolk, with the former focused on Felixstowe - which is home to Britain's largest container rail terminal - whilst the latter - despite limited air freight facilities in Norfolk and Suffolk - reflecting the two counties'

global brand of transport excellence, whilst also exploiting the close proximity to Stansted's growing freight presence.

It is apparent that the local strength in aviation is within the servicing and repairs of aircraft (LQ of 1.7, workforce of 800), which is clustered around Norwich Airport and the respective military airbases, particularly Mildenhall and Lakenheath in west Suffolk. The increased reputation of the specialised sector was reflected in the recent opening of the Aviation Academy in Norwich, which is a specialist centre for aircraft overhaul and maintenance.

Compared to the rest of the UK, relative areas of under-representation sit predominantly within passenger transport, whether by road, rail, water or air, reflecting the low population density and rurality across much of the two counties. Interestingly, despite the strength and concentration of the freight sector locally, the operation of warehouses and storage facilities is slightly under-represented, though still provides some 5,500 jobs for the local area.

The transport, freight and logistics sector in Norfolk and Suffolk is evidently clustered in and around Felixstowe and along the main transport corridors branching out from the port. The most notable



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Figure 11.9 – Transport, freight and logistics clusters in Norfolk and Suffolk, 2015

of these is the A14 corridor – the main arterial route to the Midlands and beyond – capturing dense concentrations of activity around Ipswich, Stowmarket and Bury St Edmunds in particular.

The A11 has similar – though not as concentrated – levels of activity, particularly around Mildenhall (alongside some aviation support), Thetford and Attleborough. The Norwich aviation cluster to the north of the city is also present. King's Lynn in the

west of Norfolk also has a notable concentration, reflecting its strategic location along the A47 and its access to the Midlands and the North.

On the Norfolk/Suffolk border, the area around Diss and Eye is also another recognised cluster, with a high number of haulage firms and affordable storage and warehousing. The south of the county also has some notable concentrations, particularly along the A1071 through Hadleigh and towards Sudbury.

CONSTRUCTION AND DEVELOPMENT

| | Norfolk and Suffolk | East of England region |
|---------------------------------------|---------------------|------------------------|
| GVA | £3.2bn | £14.9bn |
| <i>% of total</i> | 10.1% | 11.4% |
| Jobs | 70,700 | 298,300 |
| <i>% of total</i> | 9.0% | 9.7% |
| Businesses | 9,000 | 15,030 |
| <i>% of total</i> | 15.1% | 10.2% |
| GVA per job | £45,400 | £52,000 |
| <i>% of total</i> | 118.2% | 117.7% |
| Growth in GVA since 2010 | £0.5bn | £2.6bn |
| <i>% change</i> | 21.5% | 20.8% |
| Increase in jobs since 2010 | 3,900 | 22,200 |
| <i>% change</i> | 5.8% | 10.7% |
| New businesses since 2010 | -220 | 2,440 |
| <i>% change</i> | -2.4% | 10.9% |
| Productivity growth since 2010 | 11.0% | 9.2% |

Norfolk and Suffolk's strong economy and attractive location for housing has driven economic success in the construction and development sector, with significant levels of skilled employment across all construction-related industries.

The sector has developed an emerging specialism in modern construction and sustainable design, with the Fabric First Institute

at Easton & Otley College. It is also one of the local area's most significant employers, with a workforce of approximately 70,700 spread across the two counties, supporting some 9,000 independent businesses.

With a large number of new homes required to support the growth and prosperity of the local economy, the sector in Norfolk and Suffolk is exploring how new technologies and practices

like 3D printing, robotics, and modular construction could stimulate innovation and increase productivity. The Industry is ready to tackle the challenges and be proactive, piloting new approaches to housebuilding, such as custom and self-build.

Specialisations and clusters

The construction and development sector in Norfolk and Suffolk is universally strong, explained in part by the large geographic area and robust housing market in the two counties. Despite this, a number of niche specialisms exist; an interesting one of these is the construction of infrastructure and utility projects (LQ of 1.8, workforce of 4,000). Some of this captures the demands of a growing energy sector (e.g. offshore, nuclear, grid etc), though the majority is within road and rail projects, of which there has been significant investment of late.

The general construction of resident buildings is both highly concentrated (LQ of 1.4) and growing in Norfolk and Suffolk, after contracting severely during the recession. The sector – which accounts for the large number of businesses employed in general residential construction activities (rather than a niche component) – has added some 3,300 jobs since 2010, increasing its overall workforce to 14,200. The general construction of commercial buildings is also a niche specialism in the two counties (LQ of 1.3), with a growing workforce of 4,100, many of whom work on projects throughout the region and country.

Other specialised activities within the sector locally

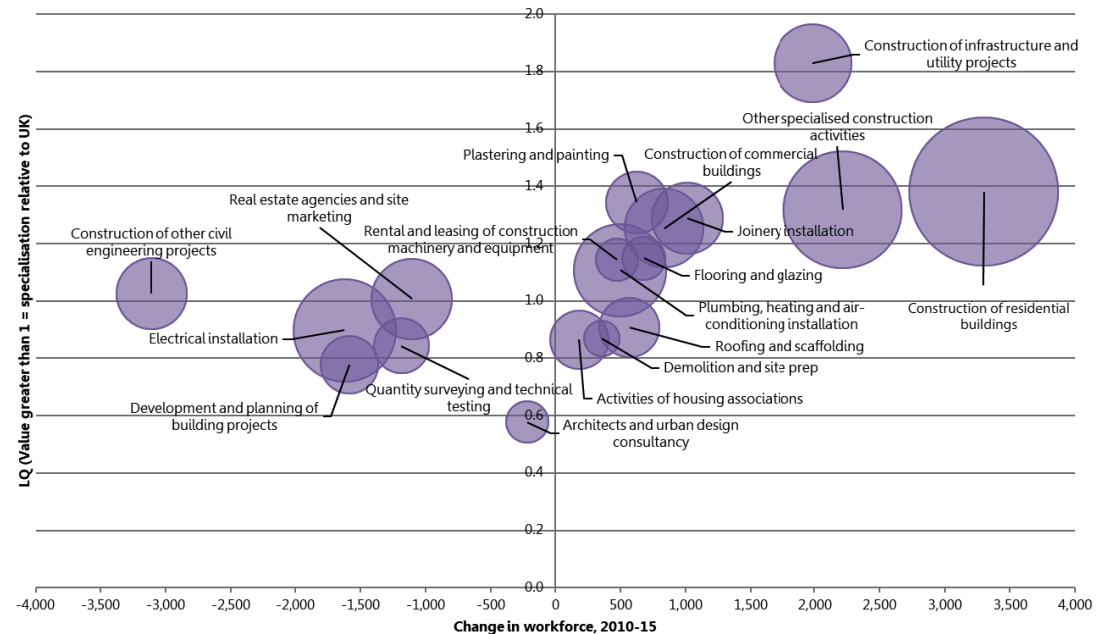
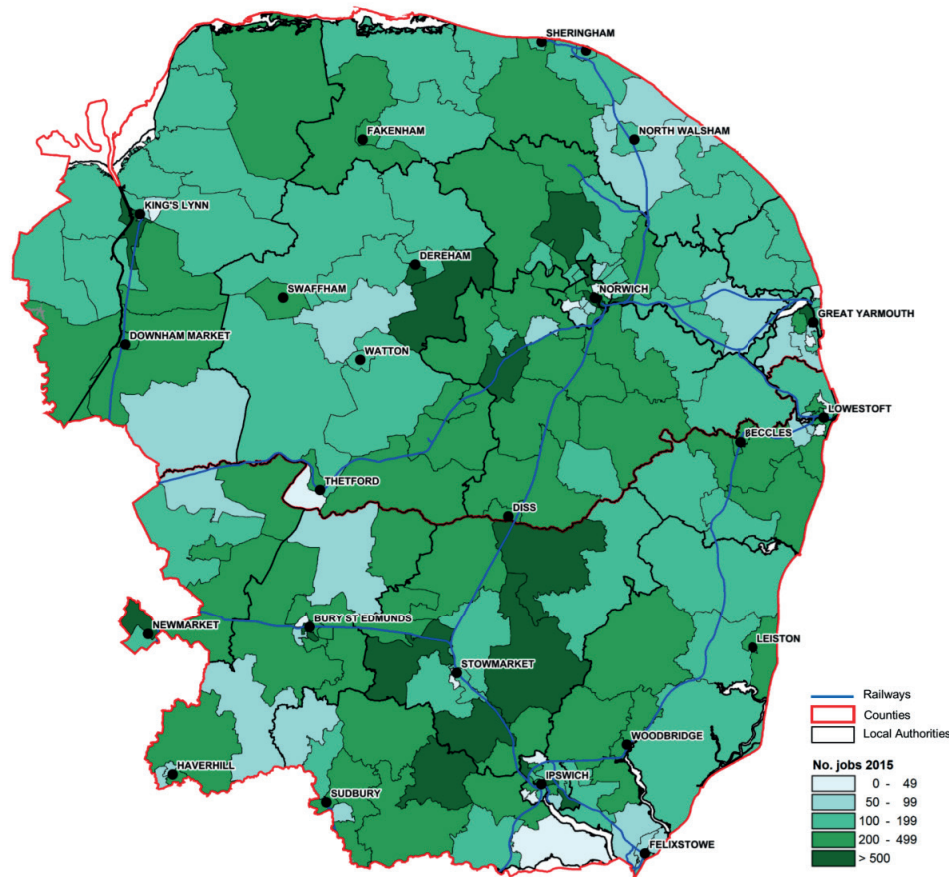


Figure 12.0 – Specialisations (LQ) in the Norfolk and Suffolk construction and development sector, 2015

include dedicated and skilled building trades, such as plumbing, heating and air-conditioning installation; plastering and painting; joinery installation; flooring and glazing; and roofing and scaffolding. Almost half of the construction workforce (30,900) in Norfolk and Suffolk works in dedicated building trades such as those listed above, many of whom are sole traders or working within small businesses.

The sector within Norfolk and Suffolk has a slightly lower density of office-based/‘white

collar’ activities associated with the trade when compared to the UK average. This includes activities such as the development and planning of building projects; quantity surveying and technical activities, architects and urban design consultancy; and real estate agencies and site marketing. Interestingly, such trades haven’t seen as much growth as the front-end of the industry, though this may be explained by their slower contraction and thus recovery in the wake of the financial crisis.



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Figure 12.1 – Construction and development clusters in Norfolk and Suffolk, 2015

Given the fact the trade is largely focused on local markets and customers, it is therefore unsurprising that it is one of the most spatially balanced sectors within Norfolk and Suffolk. Ipswich and Norwich have a particular clustering of activities with significant office-based, ‘white

collar’ functions, including companies such as Kier MG, RG Carter, Jacksons, MLM and Concertus.

However, the impact of the sector can be found in almost any corner of the two counties, particularly close to significant population clusters and/or housing market activity. Interestingly, the sector

has a notable presence in the centre (and highly rural part) of the two counties. This may reflect a commercial decision to remain within reach of a larger market area, but could also reflect a lack of another dominant, particularly skilled industry in these areas.

ADVANCED MANUFACTURING AND ENGINEERING

| | Norfolk and Suffolk | East of England region |
|---------------------------------------|---------------------|------------------------|
| GVA | £5.1bn | £21.7bn |
| <i>% of total</i> | 16.1% | 16.7% |
| Jobs | 84,500 | 322,300 |
| <i>% of total</i> | 10.7% | 10.5% |
| Businesses | 5,920 | 22,900 |
| <i>% of total</i> | 9.9% | 9.4% |
| GVA per job | £60,500 | £67,500 |
| <i>% of total</i> | 149.5% | 159.0% |
| Growth in GVA since 2010 | £0.4bn | £1.4bn |
| <i>% change</i> | 8.5% | 7.0% |
| Increase in jobs since 2010 | -3,100 | 2,000 |
| <i>% change</i> | -3.5% | 0.6% |
| New businesses since 2010 | 300 | 1,560 |
| <i>% change</i> | 5.3% | 7.3% |
| Productivity growth since 2010 | 12.4% | 6.4% |

The advanced manufacturing and engineering sector in Norfolk and Suffolk reflects – and taps into – the area’s diverse economic strengths, with links into the supply chain of specialisms across agriculture and food production, aerospace and aviation, transport and automotive, pharmaceuticals and life sciences, as well as energy.

It is a significant and growth delivering sector

in its own right; its highly skilled and high value workforce of 84,500 and economic value of £5.1 billion places it amongst the largest of Norfolk’s and Suffolk’s industries. Though employment may be declining in net terms, the sector is at the forefront of innovations in efficiency and productivity, which is helping to boost the national and international competitiveness of the sector.

With overall growth in the sector exceeding that of regional peers – including Cambridge, Essex and Hertfordshire – the sector is well placed to deliver significant value added growth in the future, and support the innovation and research required to deliver improvements in productivity and an increase in living standards.

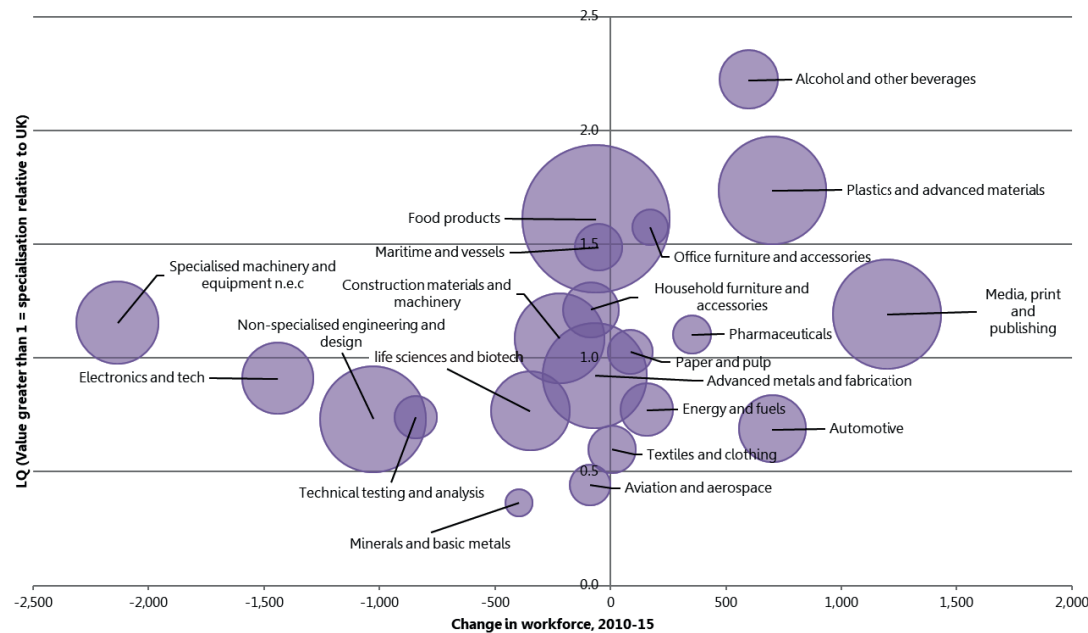


Figure 12.2 – Specialisations (LQ) in the Norfolk and Suffolk advanced manufacturing and engineering sector, 2015

Specialisations and clusters

The advanced manufacturing and engineering sector in Norfolk and Suffolk has a diverse range of strengths and specialisms, with employment growth and productivity enhancing techniques delivering robust growth across many disciplines.

Unsurprisingly, food and drink production accounts for a significant - though by no means exclusive - share of the sector locally. With a combined workforce of 16,700 generating £1.4 billion, it is also fast-growing, expanding by 17.6% in real terms since 2010. Nationally and

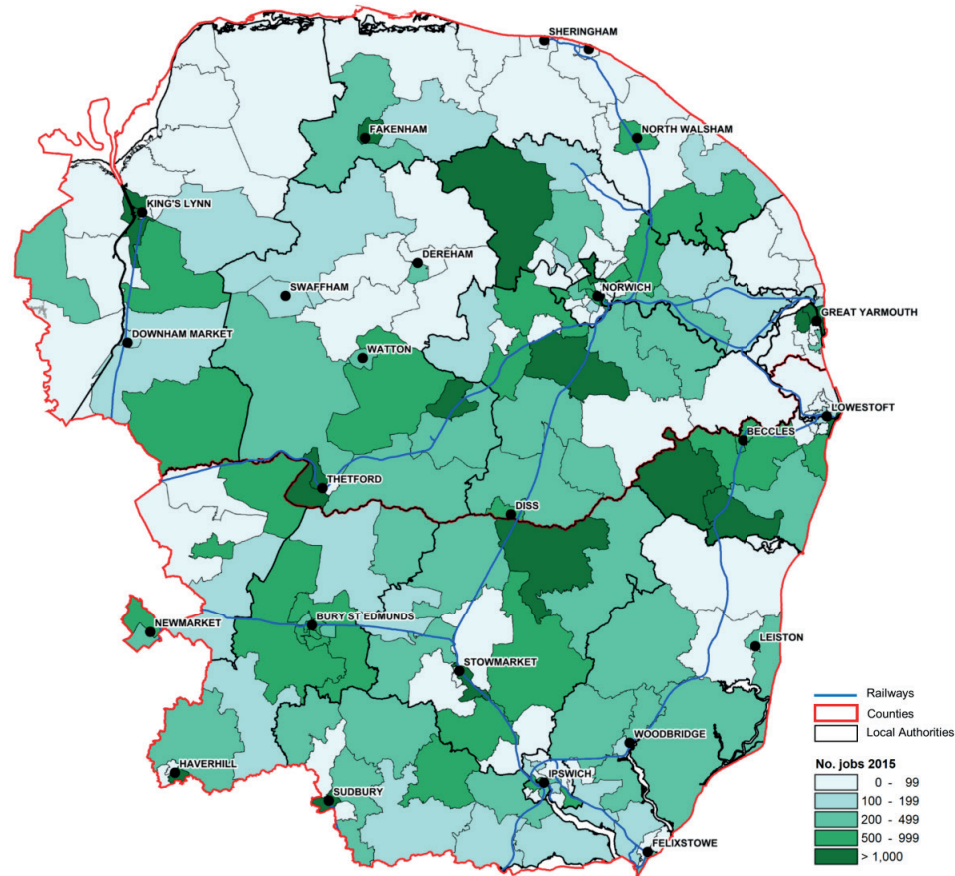
internationally competitive, output per job in the sector is a third higher than the equivalent elsewhere in the country.

Excluded from the above figure is the manufacture of tractors and agricultural, food and drink machinery, whose LQ of 5.0 means it is the most specialised component of Norfolk and Suffolk's advanced manufacturing sector, supporting 1,600 high value jobs. Companies including PMC Harvesters, Claydon Drills, Shelbourne Reynolds and GT Bunning cater to the needs of farmers, food and drink producers across the UK and indeed the world.

Another highly specialised and large and growing subset within the sector locally is the manufacture of plastics and advanced materials (LQ of 1.7). With an increasing workforce of 7,600 generating £0.5 billion, it is the second most significant specialism behind food and drink in employment and output terms. Reflecting the strength and reputation of the local maritime sector, the manufacturing of ships and vessels (LQ of 1.5) is also a highly concentrated activity, particularly within leisure and sporting craft.

The two counties also have a growing and increasingly specialised automotive sector, underpinned by companies such as Lotus Cars, Multimac and bf1 systems, with the 3,000 strong workforce making Norfolk and Suffolk the second most significant automotive cluster in the region behind Luton. The aviation and aerospace sector is also making inroads in Norfolk and Suffolk, with a highly skilled workforce of 1,200 clustered around Norwich Airport and the recently opened International Aviation Academy.

Other specialised activities within Norfolk and Suffolk's manufacturing portfolio includes the manufacture of office furniture and accessories; media, print and publishing; and the manufacture of specialised machinery and equipment n.e.c. Pharmaceutical manufacture and life sciences and biotech is also becoming an increasingly specialised part of the sector locally, whilst branching out into other fields (such as food and drink, advanced materials and electronics and tech) through shared research and innovation.



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Figure 12.3 – Advanced manufacturing and engineering clusters in Norfolk and Suffolk, 2015

The sector is spatially characterised by its tendency to cluster in outer-urban and semi-rural areas, with market towns such as Bury St Edmunds, Stowmarket, and Haverhill in Suffolk and King's Lynn, Fakenham, and Thetford in Norfolk having particularly notable clusters of advanced manufacturing activity, each often reflecting individual strengths and specialisms (e.g. energy in Great Yarmouth, food and drink in Bury St Edmunds, pharma and chemicals in Haverhill, etc).

The strength of the A11 corridor as an advanced manufacturing cluster is also apparent, with particularly notable activity – driven by a vibrant automotive sector – south west of Norwich, with clustering also in Thetford, Mildenhall and Newmarket. Also located along this corridor is Hethel Engineering Centre, a regional hub for innovation and technology which also caters to the growing demand for incubation space in the sector.



GLOSSARY AND COMPENDIUM OF DATA SOURCES

| | |
|--------------------------|---|
| Business churn | The rate at which businesses enter (start-up) and leave (dissolution) the economy. Taken as a share of all active businesses in the reference year. |
| Business/firm/enterprise | The terms are interchangeable. To be statistically classed as a business etc, an entity must be registered for VAT or PAYE. Will include private, public and third sector entities, unless specified otherwise. |
| Dwelling | Statistically defined as any residential unit registered for council tax. Will therefore include vacant properties, etc. |
| East of England | Refers to the former GOR region, comprising the historic counties of Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk and Suffolk. |
| Employment rate | This refers to the share of the population in employment (whether 16-64, 16+ etc.). The International Labour Organization definition of employment is used throughout this document. |
| Gig-working/gig-economy | A term used to refer an approach to employment characterised by the prevalence of short-term contracts or freelance work as opposed to permanent jobs. |
| Gross Value Added (GVA) | As measured by the GVA(l) approach, which accounts for the income of agents throughout the economy, ranging from employees, the self-employed, to businesses and government. |
| Hard-to-fill vacancies | Vacancies that employers have been unable to fill, due to a diverse range of reasons (e.g. skills, infrastructure, geography, etc.) |
| Higher Education | Refers to an institution/provider that offers any qualification at Level 4 and above. |
| High-growth firms | This uses the OECD definition, which includes 'continuing firms' with at least 10 employees at the beginning of a three year period, and which record average growth of 20% in employment per annum over this period. |
| Job | Different to employment, as a person can have more than one job. Will include full-time/part-time, employee/self-employed roles, unless specified otherwise. Only available on a workplace basis. |
| Key Stage 2 (KS2) | The legal term for the four years of schooling in maintained schools in England and Wales normally known as Year 3, Year 4, Year 5 and Year 6, when pupils are aged between 7 and 11. |

| | |
|--|---|
| Key Stage 4 (KS4) | The legal term for the two years of school education which incorporate GCSEs and other exams in maintained schools, normally known as Year 10 and 11, where pupils are aged between 14 and 16. |
| Key Stage 5 (KS5)/ Post-16 | The legal term for the two years of school education which incorporate A-Levels and other exams in maintained schools, where pupils are typically aged between 16 and 18. |
| Lender forbearance | A financial term, which refers to a special agreement between the lender and the borrower to delay a foreclosure. |
| Local enterprise partnership (LEP) | Voluntary, independent partnerships between local authorities, government and businesses set up in 2011. There are currently 38 in England. |
| Local unit | Effectively a business, but refers specifically to stores, workshops, factories etc. which are part of a larger independent enterprise, but not independent themselves (e.g. a high street chain store). |
| Location quotient (LQ) | A location quotient (LQ) is an analytical statistic that measures a region's industrial specialisation relative to a larger geographic unit (usually the nation). |
| LSOA | Lower layer super output area. A geographical unit introduced with the 2001 Census of Population, each covering between 1,000-3,000 people. |
| MSOA | Middle layer super output area. A Census geographical area containing between 5,000 and 15,000 people. |
| Net change | The difference between values over a certain time period or reference case. If an economy creates 20 jobs but loses 10 over the same period, there has been a net positive change of 10 jobs. |
| Productivity | Refers to the efficiency at which goods and services are produced by inputs in the production process (e.g. labour, capital). Labour productivity is the primary measure in this report, unless stated otherwise. |
| R&D spend | Research and development (R&D) is the actual process that enables the knowledge or technological discovery which supports innovation. The spend refers to the gross amount firms allocate towards this. |
| Resident workforce/resident employment | The resident workforce/employment refers to those that live in an area and are in employment but don't necessarily work in that area (i.e. commute out). |

| | |
|--------------------------------|---|
| Scale up | Using a similar definition to high growth firms (see above) but accounting also for growth in turnover. |
| Self-employed | Working for oneself as a freelance or the owner of a business rather than for an employee. Includes both VAT and/or PAYE registered self-employed. |
| Service industries | Generally refers to those industries that provide a service, rather than producing a specific good or commodity. Statistically defined as SIC07 sections F through to T. |
| SIC code | Standard Industrial Classification code. These are used by government and statistical agencies to classify the type of economic activity in which a company or other type of business is engaged. This report uses the SIC07 classification, down to the 4-digit level. |
| Skills shortage vacancies | Hard-to fill vacancies (see above) that are primarily attributable to a lack of suitably skilled applicants. |
| Start-up | An independent enterprise registered for VAT or PAYE in the previous twelve months of the reference period. |
| STEM | Refers to the academic disciplines of science, technology, engineering and mathematics. Analysed at the post-16 level within this report. |
| Stickability | The ability of economic value to stay in a certain area e.g. through its impact on wages, profits and employment etc. |
| Unemployment rate | This refers to the share of those economically active that are actively looking for employment (whether 16-64, 16+ etc). The International Labour Organization definition of unemployment is used throughout this document. |
| Workforce/workplace employment | Closely related to the resident workforce, this is not a definition of jobs, but refers to all those that are employed in workplaces within a certain area (i.e. those both resident and in-commuters). |
| Working age population | Statistically defined as those aged 16-64 years. Those aged over 65 are often referred to as 'of retirement age'. |

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