

economy and employment

Hertfordshire's economy is still fundamentally strong despite the recession

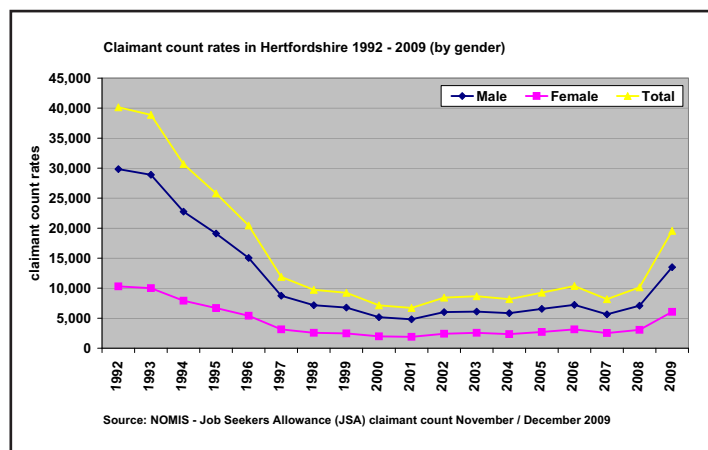
Output has been falling in many economies and unemployment has been increasing around the world. Hertfordshire has not been immune, as is shown most clearly by the rapid rise in the number of people claiming unemployment-related benefit.

Change in Gross Value Added

Gross Value Added is a key indicator of the economy. Broadly the same as Gross Domestic Product, which is only used at national levels, it is the difference between the value of goods and services produced and the inputs used in production. 2008 was a pivotal year for the UK and world economies, with many countries entering recession. In Hertfordshire estimated GVA shrunk by 0.1%, a slightly worse performance than that of the East of England, where it grew by 0.2%, and of the UK, where the growth was 0.9%.

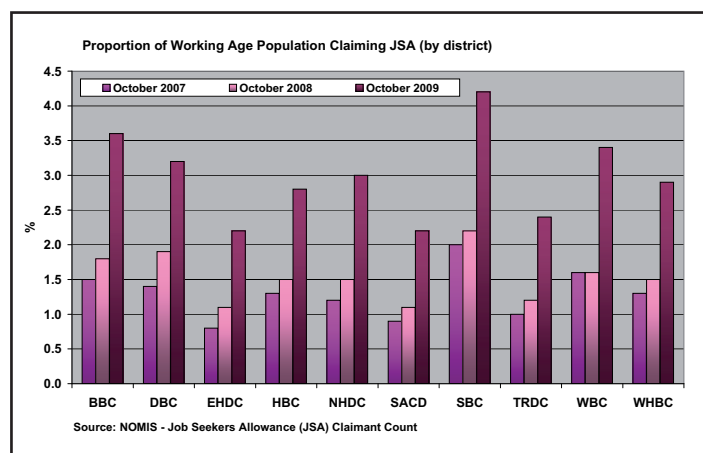
Job Seeker's claimant counts 1992-2009

The clearest indication of the recession in Hertfordshire has been the rise in the number of people claiming benefits. In October 2009 the county's claimant count was 19,565. This represents a 93% increase on a year previously which in turn was 24% higher than in October 2007. As can be seen from the graph, this represents a rapid reversal of fortune. After the early '90s recession the number of claimants reduced rapidly. But since 2001 the position had been tending to get worse, until 2007 saw a rapid improvement. Unfortunately this was rapidly reversed as a consequence of the 2008 'credit crunch' and the recession in western economies which followed.



Unlike in the 1990s, when Hertfordshire's defence and aerospace industries were hard hit, the increase in the number of claimants in the county over the last year has not been far out of line with that in the East of England (70%) and the UK (62%). Between October 2008 and October 2009 the equivalent 1.4% of the working age population was added to the Hertfordshire claimant count, lifting the proportion from 1.5% to 2.9% (in England the equivalent addition was higher – 1.6%).

Since October 2007 the claimant count has increased markedly in all districts. Stevenage, with traditionally the highest proportion in the county, has fared worse with an increase of two percentage points since October 2008. This brought the proportion to 4.2%, level with that of the UK as a whole. The other districts with higher unemployment in 2007, Broxbourne and Watford, have also fared particularly badly. At the other extreme East Herts, St Albans and Three Rivers have seen very high rates of increase in their claimant counts but remain the lower unemployment areas of the county.



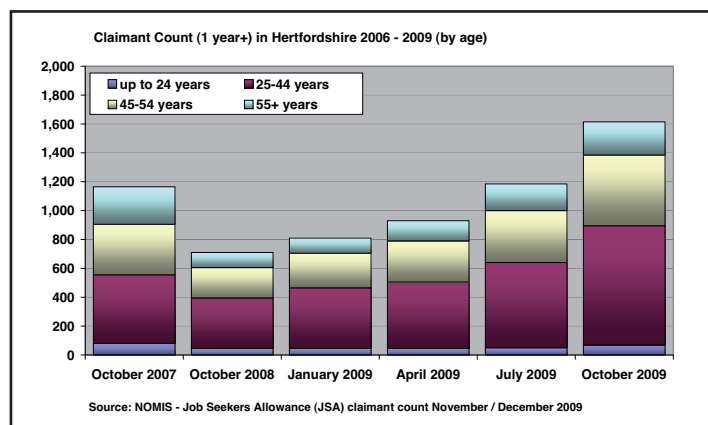
The claimant count only picks up those people eligible for Job Seeker's Allowance or National Insurance credits. As such it does not fully reflect the level of unemployment. This is best estimated by the Annual Population Survey which indicated that unemployment stood at 25,200 on average in the period April 2008 to March 2009. This means the 16+ unemployment rate was 4.4%. However, just as the claimant count has increased since then, we can expect the current level of unemployment to be much higher.

Long term claimant count

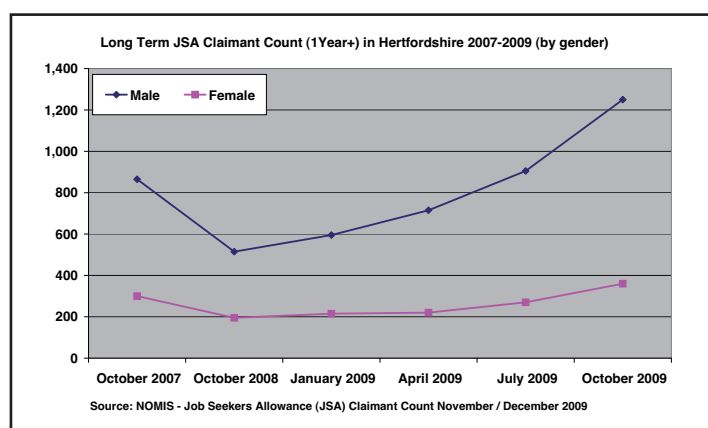
At November / December 2009 the total number

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claiming Job Seeker's Allowance (JSA) for over a year was 1,615 or 8.3% of all claimants. There has been a substantial increase among all age bands, most evidently among the 25-44 year old group, the numbers in which have risen by 136% in a year.



The gender breakdown of the October 2009 long term claimants shows males dominating: with 3.5 males to every female. The figures are 1,250 males and 360 females. This ratio has been increasing. Since October 2008 the increase has been 85% among females and 143% among males.



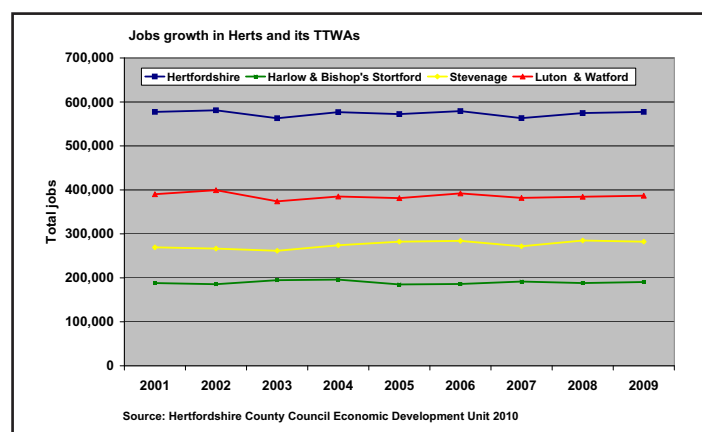
Change in employment

Employment can be measured in various ways. The most comprehensive recent figures at the local level are those which are published alongside jobs density figures (used to show the balance between employment opportunities and people of working age in various localities). These combine information from the Annual Business Inquiry on employee jobs and from the household-based Annual Population Survey on self-employment. The most comprehensive, timely information at the regional level is the civilian Workforce Jobs series which in addition draws on

Short-term Employer Surveys, STES. This is available quarterly. For the purpose of monitoring progress against the East of England Plan's jobs targets for the Annual Monitoring Report all the above information has been combined to provide the best estimate of jobs in March 2009. For Hertfordshire this is 577,400. This is 2,600 more than in March 2008. This is a creditable performance, given the recession but it should be noted that this is a measure of jobs, including part-time jobs, and not of people in employment. Also, the long term trend in jobs in Hertfordshire is relatively flat with only 100 more jobs being recorded in March 2009 than in March 2001 before the start of the East of England Plan. This means that the county has made virtually no progress towards its 68,000 job growth target for 2021.

Travel to Work Areas (TTWAs) covering most of Hertfordshire are three north-south corridors: Harlow & Bishop's Stortford; Stevenage; and Luton & Watford. For the purpose of the following estimates, Dacorum, Hertsmere, Luton, St. Albans, Three Rivers and Watford 'belong' to 'Luton & Watford'. Similarly Central Bedfordshire, North Herts, Stevenage and Welwyn Hatfield belong to 'Stevenage' and Broxbourne, East Herts, Harlow and Uttlesford 'belong' to 'Harlow & Bishop's Stortford'. On this basis it is clear that only the Stevenage TTWA has experienced sizeable employment growth (12,800 jobs). This appears to have been located to the north and south of this corridor - in Central Bedfordshire and Welwyn Hatfield.

Only a small part of Hertfordshire is included in the London Travel to Work Area but about a quarter of Hertfordshire-resident workers commute to London. It is therefore worth noting that job growth in London over the period has also been modest - 55,598 or 1.2% over the eight-year period.

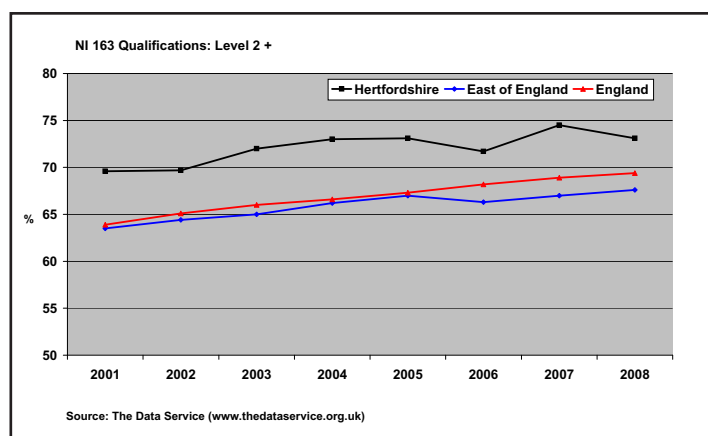




Qualification levels

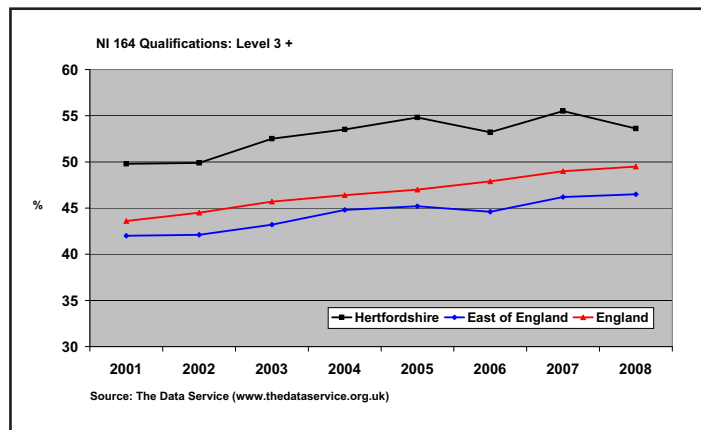
A well-educated, highly skilled workforce is critical to an area's success in the modern economy. Hertfordshire has traditionally produced and attracted highly skilled people. It is therefore pertinent to ask whether, with the general improvement in qualification attainment, the latest estimates suggest that Hertfordshire's skill levels are still relatively high or whether other parts of the country are catching up or overtaking the county. The Annual Population Survey provides estimates based on qualification levels. Some of these are used in National Indicators which are discussed below.

NI 163 is the proportion of the population aged 19 to 59 for women and 19 to 64 for men qualified to Level 2 or higher (including estimated equivalents). Level 2 is equivalent to 5 GCSEs at A*-C. It is estimated that in Hertfordshire 73.1% were qualified to this level in 2008. While this is lower than the estimate for 2007, the graph below clearly shows an improving trend. The county has maintained its lead relative to the rest of the region, but has not matched the rate of improvement in the rest of England. Nevertheless, even if the trend since 2001 were to continue Hertfordshire would still maintain its lead for decades.

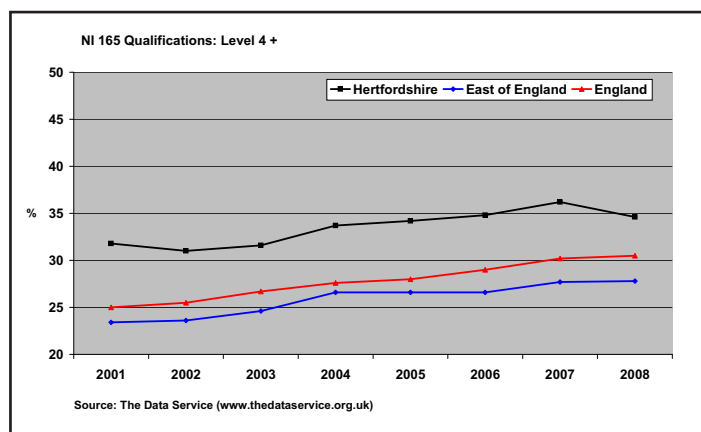


NI 164 is the proportion of the population aged 19 to 59 for women and 19 to 64 for men qualified to Level 3 or higher (including estimated equivalents). Level 3 is equivalent to 2 A-levels at grades A-E. It is estimated that in Hertfordshire 53.6% were qualified to this level in 2008. While again this is lower than the estimate for 2007, the graph clearly shows an improving trend. The county has maintained its lead relative to the rest of the region, but has not matched the rate of improvement in the rest of England.

Nevertheless, on the basis of the trend since 2001, Hertfordshire's lead looks secure.



NI 165 is the proportion of the population aged 19 to 59 for women and 19 to 64 for men qualified to Level 4 or higher. Level 4 is equivalent to an HND. It is estimated that in Hertfordshire 34.6% were qualified to this level in 2008. While this is lower than the estimates for 2006 and 2007, the graph below clearly shows an improving trend. The county has maintained its lead relative to the rest of the region, but has not matched the rate of improvement in the rest of England. Nevertheless, as with Level 3, on the basis of the trend since 2001, Hertfordshire's lead looks secure.



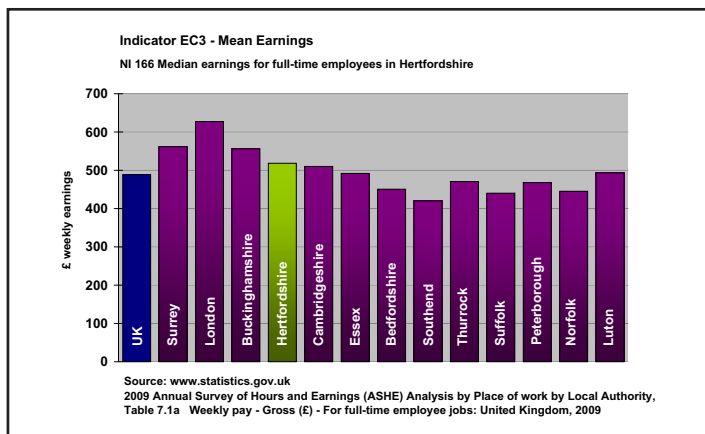
Median¹ earnings

NI 166 is the median gross full-time weekly earnings of people working in the area. This figure does not include income from annual bonuses, is unaffected by the pay for higher earners, and does not take into account the earnings of out-commuters. In Hertfordshire the figure at £518.30 is considerably lower than the residence-based one of £577.50,



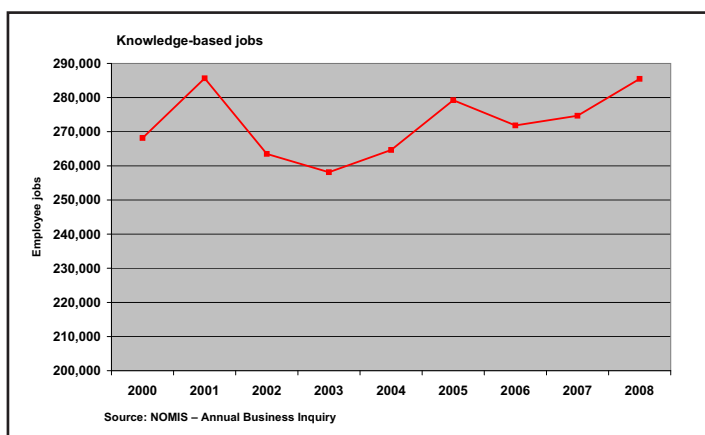
suggesting that out-commuters earn more than residents working in Hertfordshire.

The county's workplace-based figure of £518.30 continues to lead the East of England and to trail London (£627.40), Surrey (£561.90) and Buckinghamshire (£556.10) among its neighbours.



Knowledge-based jobs

Estimates from the Annual Business Inquiry indicate that in Hertfordshire in 2008 there were 285,486 jobs in knowledge-based industries and services² (56.7% of the total) compared to a revised estimate of 274,690 for 2007, an increase of 10,796.



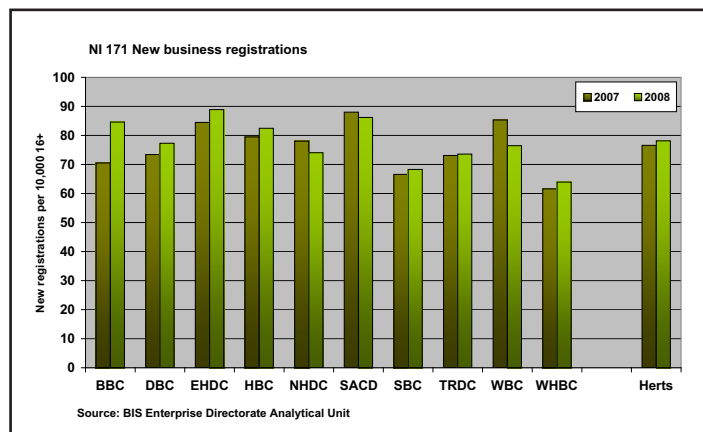
This is both the highest number and highest proportion ever recorded in the county. The increase is largely due to the 'other business services' sector. Within this sector the most important contributions to growth have come from 'industrial cleaning' and 'investigation and security activities'. They are deemed 'knowledge-based' because of the overall characteristics of the broader sector rather than because of the nature of these activities. The performance of what have been regarded more

promising knowledge-based sectors has not been so good. There are now 44% fewer jobs in telecommunications than at the 2001 peak, and 20% fewer in computer and related activities than at the 2000 peak. Along with those in the 'other business services' sector, jobs in the other major sectors of 'health and social work' and 'education' were at or near historic high points in 2008.

New business registrations

This indicator is a gauge of entrepreneurial activity levels. This year we are using **NI 171** which takes into account not only VAT-registered businesses but also those registered for Pay As You Earn. Neither is a direct measure of business start up as not all new businesses need register for VAT or employ anyone.

In 2008 the rate of new business registrations increased for Hertfordshire, having increased in most districts. The pattern would appear to be of districts with lower rates to be catching up with those with higher rates and the latter to be falling back. This is most evident in the case of Broxbourne, which in 2008 out-performed the county. A notable exception is East Herts which, although already strong, has improved to rank among the top performers in the UK outside Inner London. In all districts the rate is well above the England and regional rates. Hertfordshire's 2008 figure of 78.1 per 10,000 residents aged 16+ is even higher relative to these comparators than it was in 2007. Hertfordshire already has more registered businesses in relation to its population, and the county's lead relative to England and the region is increasing.



1 Relating to or constituting the middle value in a distribution

2 For a full definition of knowledge-based industries and services see www.oecd.org