OEO Briefing Paper No.3 –
Recent Changes in the Oxfordshire Economy

Oxfordshire Economic Observatory

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CONTENTS

INTRODUCTION

This briefing paper provides an update on recent key changes in the Oxfordshire economy. The paper is intended to complement and update other recent work in profiling the county's economy, including the document An Economic Profile of Oxfordshire, prepared by the County Council in 2004 with assistance from OEO, and the Economy Theme Paper prepared in early 2005 by the Oxfordshire Community Partnership as part of the Understanding Oxfordshire 20:20 work (Understanding Oxfordshire – Theme Paper 4: How is the Economy Doing?).

The discussion of data in this paper is structured into the following broad topics, which for ease of comparison are the same as those used in the Oxfordshire Economic Profile document:

- Population Centres
- Economic Performance
- Economic Structure
- Key Sectors
- Workforce
- Travel
- Housing

The focus within each of these areas has been to identify any new data that has become available since the preparation of the earlier documents. Secondary data on most key economic indicators is updated on an annual basis, so the opportunity has been taken to look at changes during the last 12 months. However, in order to place these recent changes within a wider context, the main emphasis in this paper is on medium-term trends within the county, typically looking at change over the last 5-6 years (dependent on the availability of data). This provides an insight into the overall trajectory of the Oxfordshire economy in recent years, across a range of key indicators. Wherever possible, comparisons are made with trends in the rest of the South East region. The results show not only the current strengths of the Oxfordshire economy, but also reveal some causes for concern in relation to recent economic performance.

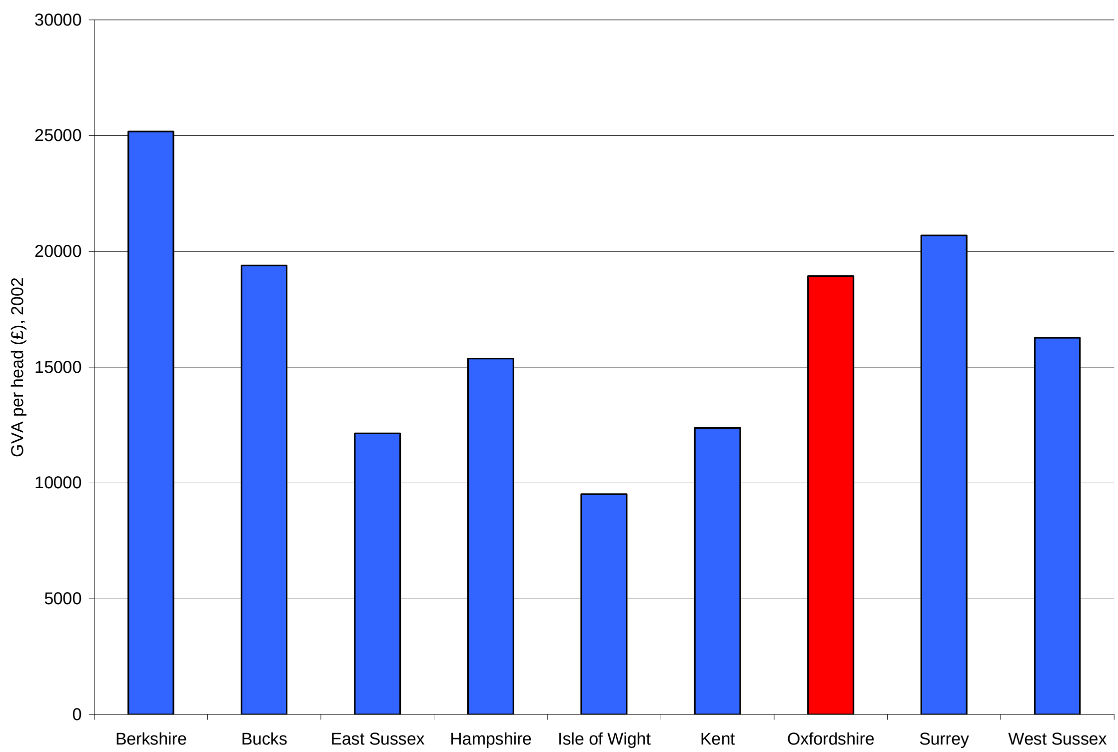
POPULATION CENTRES

Updated population estimates for 2004 are not due to be released by the Office for National Statistics (ONS) until September 2004, so there is little new to report here in relation to population trends in Oxfordshire. However, new data has recently been published on the relative importance of rural and urban settlements in the county. Analysis of 2001 Census data using the newly devised *Rural and Urban Area Classification 2004* reveals that 39% of Oxfordshire's population lives in rural settlements. These are defined as settlements with a population of less than 10,000. The comparable figure for the South East region is only 22%, so these results demonstrate the particular importance of rural issues to Oxfordshire, such as declining service provision and housing affordability, compared with other parts of the South East.

ECONOMIC PERFORMANCE

The level of Gross Value Added (GVA) per head is widely regarded as the best measure of the overall performance of an economy. GVA per head measures the total value of an economy's output, adjusted to allow for its population size so that valid comparisons can be made between different areas. New estimates of GVA per head were published by ONS in December 2004, updating the figures to 2002 and providing revised estimates for each year since 1995. The latest estimates show that GVA per capita in Oxfordshire was £18,900 in 2002. This was 13% higher than the South East average (£16,800) and 21% higher than the English average (£15,600). Amongst the nine counties in the South East, Oxfordshire's GVA per head was ranked fourth highest in 2002, behind Berkshire, Buckinghamshire and Surrey (Figure 1).

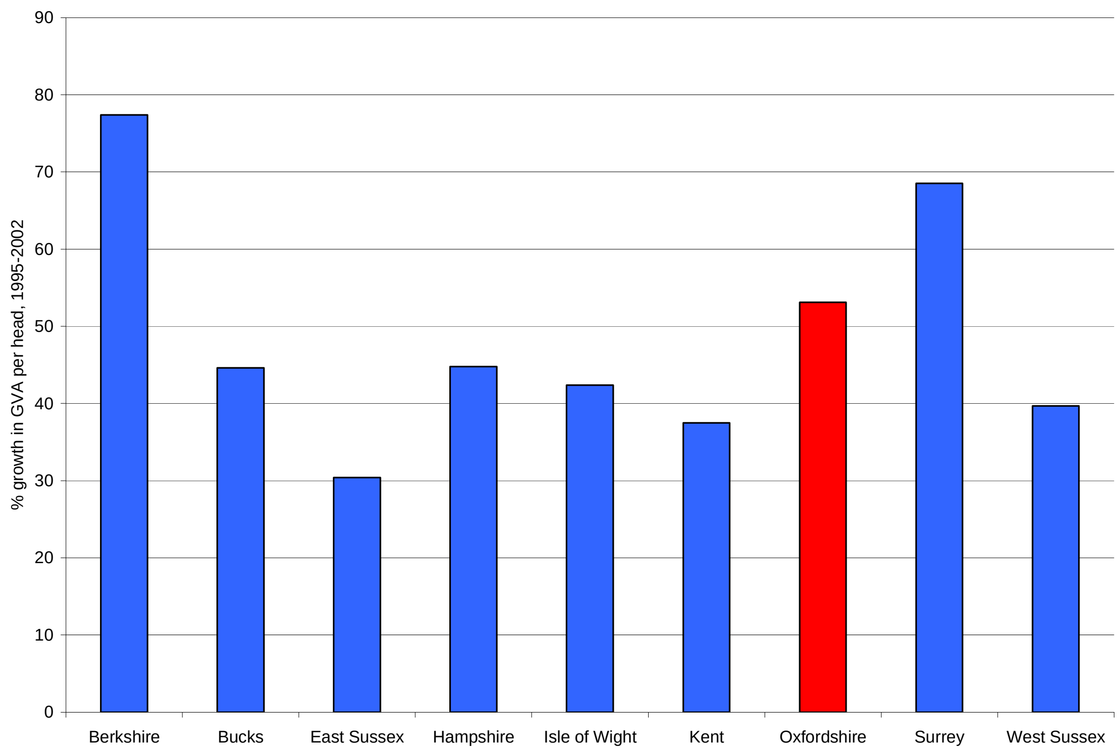
Figure 1 – Gross Value Added per Head, 2002



Source: ONS, Revised GVA Estimates for NUTS3 Areas, December 2004

Between 1995 and 2002, GVA per head in Oxfordshire increased by 53%. Although this was slightly above the average for the South East region (50%), it was significantly below the growth experienced in the region's top performing counties, Berkshire (77%) and Surrey (68%) (Figure 2).

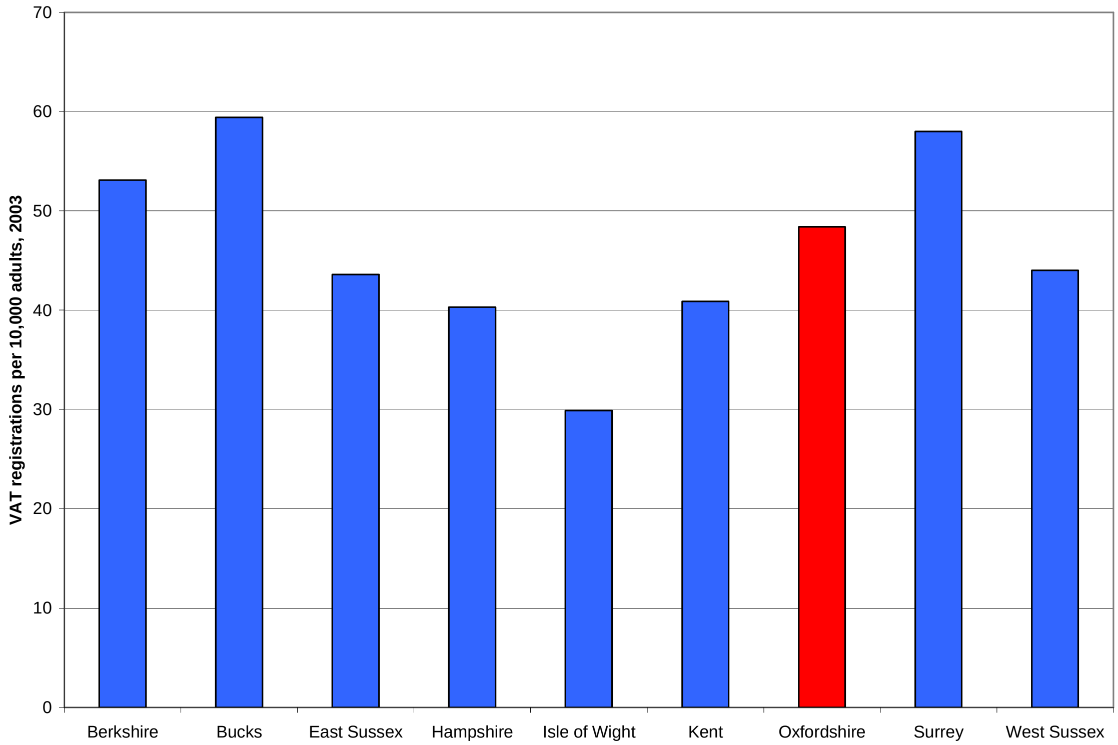
Figure 2 – Percentage Growth in Gross Value Added per Head, 1995-2002



Source: ONS, Revised GVA Estimates for NUTS3 Areas, December 2004

The annual number of businesses registering for VAT provides a measure of the rate of new business formation in an economy. VAT registration data is now available for 2003; the relevant data is shown in Figure 3. Again, this compares Oxfordshire with the other counties in the South East. In order to compare areas of different size, the figures are adjusted for population size and are expressed as the number of new VAT registrations per 10,000 adult persons. Oxfordshire's performance is above both the South East and English averages, with 48.4 VAT registrations per 10,000 adults in 2003, compared with 46.7 in the South East and only 41.8 in England. However, Oxfordshire is ranked only fourth highest amongst the nine South East counties, falling behind Berkshire, Buckinghamshire and Surrey.

Figure 3 – VAT Registrations per 10,000 Adults, 2003

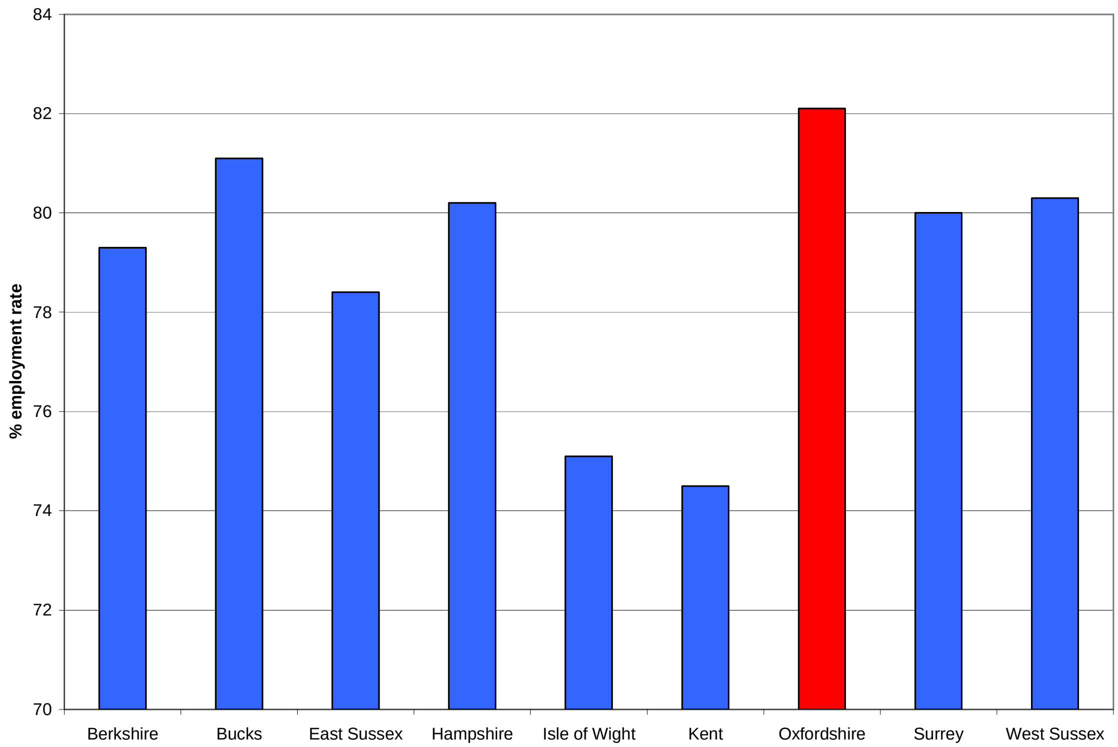


Source: Small Business Service and ONS, Mid-Year Population Estimates

The employment rate is another useful indicator of an area's overall economic performance. It measures the proportion of the working age population who are in employment, including the self employed. The most recent data available shows the position in 2003, and the results are summarised in Figure 4. Amongst the nine South East counties, Oxfordshire is the top performer on this indicator, with an employment rate of 82.1% in 2003. This compares with an average for the South East of 78.9% and an English average of only 74.6%.

However, overall employment growth in Oxfordshire has been relatively sluggish in recent years. The number of employees working in the county increased by only 2.8% in the five years between 1998 and 2003. This compares with average employment growth of 6.4% in the South East region and 5.4% in England as a whole. Oxfordshire's job growth over this period was one of the poorest in the region, as Figure 5 clearly shows. The county's high employment rate suggests that one of the reasons for its relatively poor recent employment growth might be a slower growth in population than some of its neighbouring South East counties. However, this does not appear to be the case. Oxfordshire's population increased by 3.1% between 1998 and 2003, compared with average growth in the South East of only 2.4%.

Figure 4 – Percentage of Working Age Population in Employment, 2003



Source: ONS, Local Area Labour Force Survey (NOMIS)

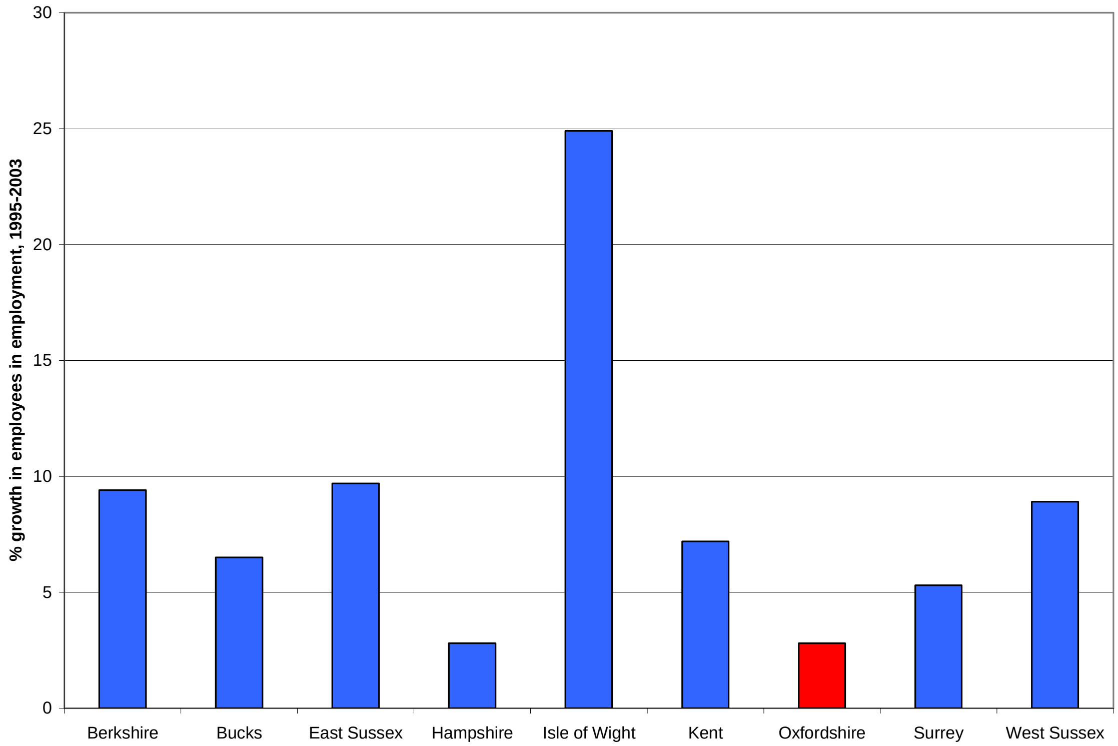
ECONOMIC STRUCTURE

The broad structure of the county's economy has changed little since the preparation of the Oxfordshire Economic Profile document. However, the latest Annual Business Inquiry data for 2003 provides an updated picture of recent employment trends in key sectors of the Oxfordshire economy. Changes in employment levels in the county across 13 key sectors are shown in Figure 6, covering the five year period between 1998 and 2003.

The main employment growth sectors in Oxfordshire over this period were education and health, with a net gain of 16,500 jobs. However, these employment gains were partly offset by job losses in public administration and defence (a net loss of 4,050 jobs). Significant job losses were also experienced in the county's manufacturing and construction sectors. Figure 6 suggests that the Oxfordshire economy has become more dependent on public sector employment in recent years. The relatively poor employment growth recorded in Oxfordshire's business services sector is a potential cause for concern, given that this has been one of the fastest growing sectors in the South East and nationally. However, there are doubts about the robustness of some of the

Annual Business Inquiry data for this sector, particularly in relation to the published figures for employment in research and development activity in Oxfordshire, which show a substantial fall in employment levels between 2002 and 2003. Further discussion on this point is provided in the next section.

Figure 5 – Percentage Growth in Employees in Employment, 1998-2003

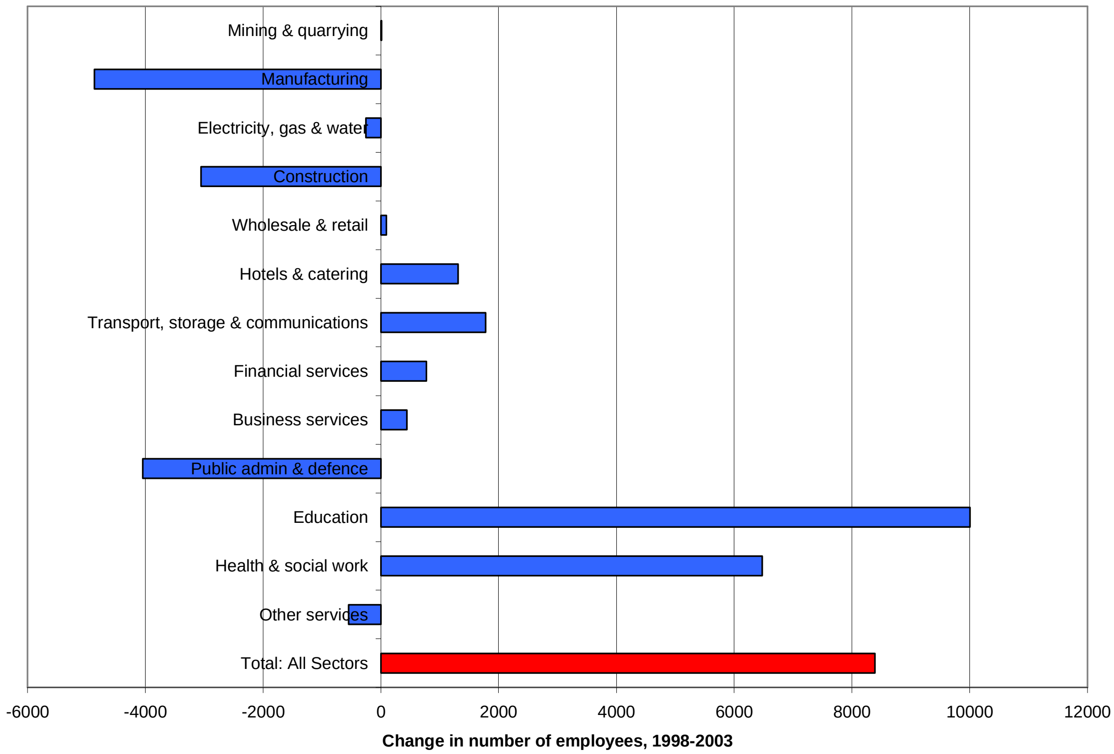


Source: ONS, Annual Business Inquiry (NOMIS)

KEY SECTORS

The Oxfordshire Economic Profile document provides a detailed discussion of some of the key sectors in the county's economy, and it is not intended to duplicate this information here. However, it is possible to update some of the material presented in the Economic Profile. Brief comments are provided below on recent employment trends in the following key sectors: agriculture, printing and publishing, the motor industry, education and health. Employment trends in knowledge intensive services, one of the fastest growing sectors in the national economy, are also examined.

Figure 6 – Change in Number of Employees in Oxfordshire by Industry Sector, 1998-2003



Source: ONS, Annual Business Inquiry (NOMIS)

Agriculture

Data from the June 2004 DEFRA Agricultural Census indicates that there are currently around 4,700 people employed in the agricultural sector in Oxfordshire, including farmers and managers, but excluding casual labour. This represents a reduction of 7% during the five years since June 1999, when the workforce was just over 5,000. The loss of agricultural employment in Oxfordshire has been similar to the experience elsewhere in the South East (an average employment decline of 7%).

Within Oxfordshire's agricultural workforce, there has been a marked shift towards part-time employment during the last five years. In 1999, 59% of farmers, managers and employees were working on a full-time basis, but this proportion had fallen to only 48% by 2004. Again, these changes mirror those taking place in the agricultural sector at regional and national levels.

Printing and Publishing

Employment in Oxfordshire's printing and publishing sector has declined in recent years, falling from around 7,200 in 1998 to 6,600 in 2003. This reduction reflects declining employment levels in the printing sector; employment in the publishing sector was broadly stable over the period, accounting for 4,600 jobs in the county in 2003. It should be noted that this latter figure excludes software publishing, which accounted for a further 260 jobs in the county.

Motor Industry

The latest Annual Business Inquiry (ABI) data reveals that employment in car manufacturing in Oxfordshire declined from 5,900 in 1999 to 4,500 in 2003. However, these figures are likely to understate the importance of the motor industry to the county, since the ABI data fails to adequately capture employment in the cluster of motorsport companies in Oxfordshire; the figures also exclude employment in the wholesale distribution of motor vehicle parts.

Education

The education sector is one of Oxfordshire's major employers and has been one of the main sources of job growth in the county's economy in recent years. In 2003, just over 37,000 people were employed in the sector in Oxfordshire, with around half of these (18,400) employed in higher education. Education accounted for 12.1% of all employees working in the county, compared with an English average of only 9.0%. Between 1998 and 2003, the number of employees working in the education sector in Oxfordshire increased by 10,000. Almost all of this increase (9,000 extra jobs) was accounted for by higher education. The sector was the largest contributor to net employment growth in Oxfordshire over this five year period (see Figure 6).

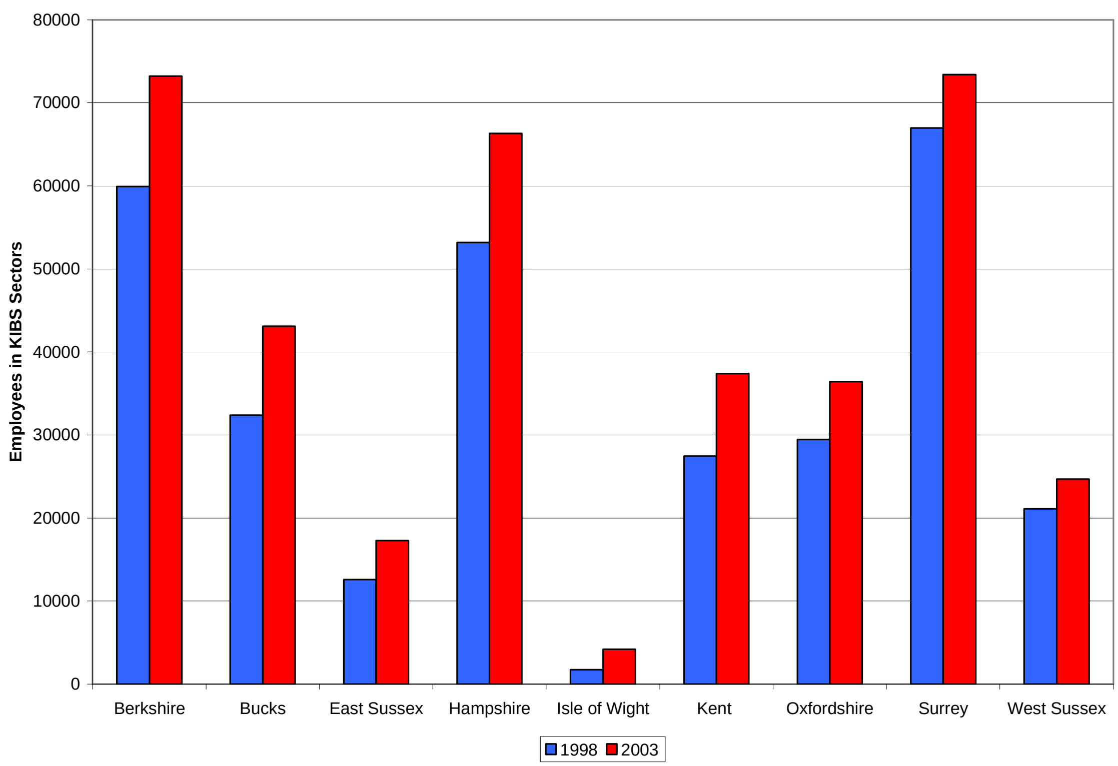
Health

The health sector provided 21,200 jobs in Oxfordshire in 2003, representing 6.9% of all employees in the county. This is similar to the English average (7.1%), although the sector has grown much faster in Oxfordshire in recent years than nationally. Between 1998 and 2003, the sector experienced a net gain of 4,700 jobs in Oxfordshire; this was an increase of 28% and compares with average health sector employment growth in England of only 18%. Employment within the county is concentrated heavily in Oxford City; the health sector accounted for 14.4% of Oxford's employment in 2003.

Knowledge Intensive Services

Knowledge intensive service activities have been one of the fastest growing employment sectors in the national economy during the last decade. Figure 7 shows recent employment trends in these activities, comparing Oxfordshire with the rest of the South East; the figures refer to employment change in a mix of service sector activities collectively known as knowledge intensive business services, or KIBS for short. These are primarily business-to-business services with a high knowledge component and include activities such as IT and related computer services, architectural/engineering and related technical consultancy, accountancy, legal services, business/management consultancy, market research and advertising. Certain higher order financial services and real estate activities are also included as KIBS. Research and development (R&D) activity would also normally be included in a definition of KIBS; however, the available employment data on R&D is not considered to be sufficiently robust and this activity is therefore excluded from the figures quoted here. The Appendix provides a full list of the activities defined as KIBS.

Figure 7 – Employment Growth in Knowledge Intensive Business Services, 1998-2003



Source: ONS, Annual Business Inquiry (NOMIS). For definition of KIBS sectors, see Appendix

Employment in KIBS activities in Oxfordshire increased from around 29,500 in 1998 to 36,400 in 2003. This represents growth of 24% in a five year period, and is very similar to average KIBS job growth in the South East as a whole (23%). However, Oxfordshire again lags some way behind the region's top performing counties, with faster KIBS growth experienced in East Sussex (37%), Kent (36%), Buckinghamshire (33%), Hampshire (25%) and the Isle of Wight (145% growth, albeit from a very low base).

WORKFORCE

This section presents updated information on average earnings, unemployment and school exam attainment. Employment trends in Oxfordshire have already been discussed above in the section on Economic Performance.

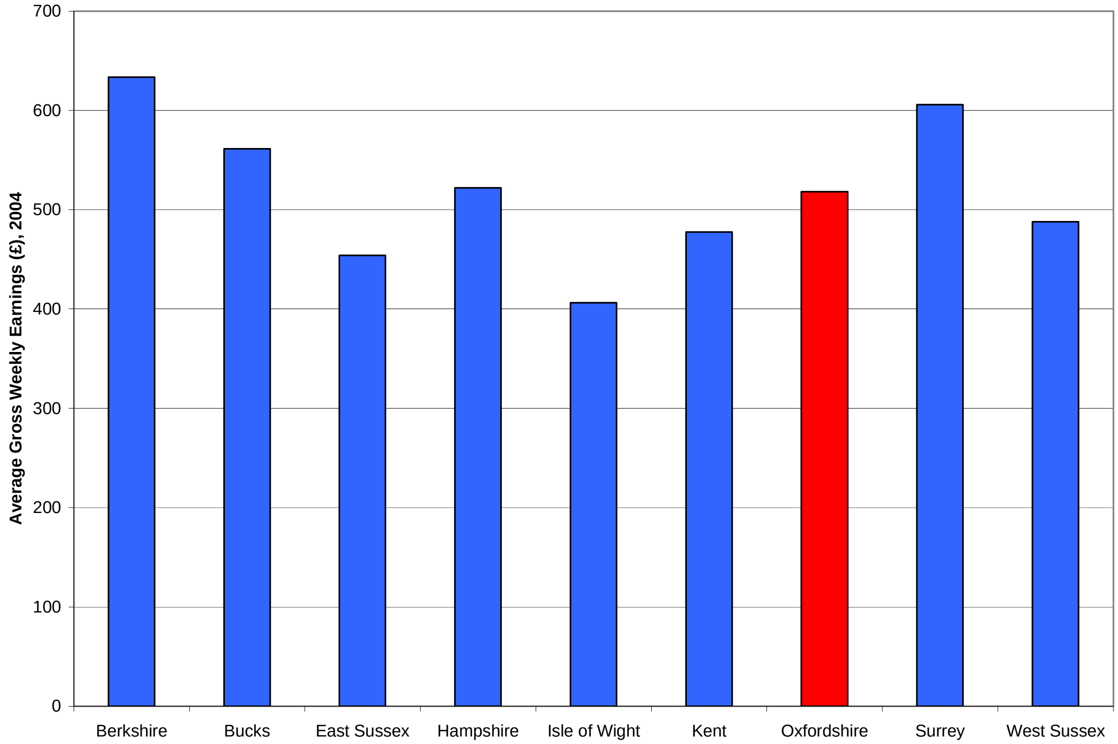
Average Earnings

Average gross weekly earnings for full-time employees working in Oxfordshire were £518.20 in 2004. This is 3% below the South East average (£535.50) and only just above the English average (£515.50). Oxfordshire is ranked only fifth highest of the nine South East counties, behind Berkshire (£633.40), Buckinghamshire (£561.30), Hampshire (£522.00) and Surrey (£605.90) (Figure 8). Residence-based earnings in the county are significantly higher (£565.40) and much closer to the regional average (£568.30). This indicates the important role of commuting to employment centres outside Oxfordshire in sustaining the county's high household income levels. Between 1998 and 2004, average workplace-based earnings in Oxfordshire increased by 29%. This rate of increase was very similar to the South East (30%) and English averages (29%).

Qualifications

The Oxfordshire Economic Profile document, using data for 2003, notes the relatively poor and variable GCSE exam performance in the county. The latest results for 2004 confirm this overall picture; in fact, the county's relative position has deteriorated since 2003 (Figure 9). Only 51.2% of pupils in Oxfordshire gained 5 or more GCSE passes at grades A*-C in 2004, compared with an English average of 53.7%. Amongst the 19 local education authorities in the South East, Oxfordshire's GCSE results were ranked equal 12th (where a rank of 1 indicates the best results). The county was ranked 10th highest LEA in the South East in 1998, so its relative performance has worsened slightly over this period.

Figure 8 – Average Gross Weekly Earnings for Full-Time Employees (Workplace-Based), 2004



Source: ONS, Annual Survey of Hours & Earnings

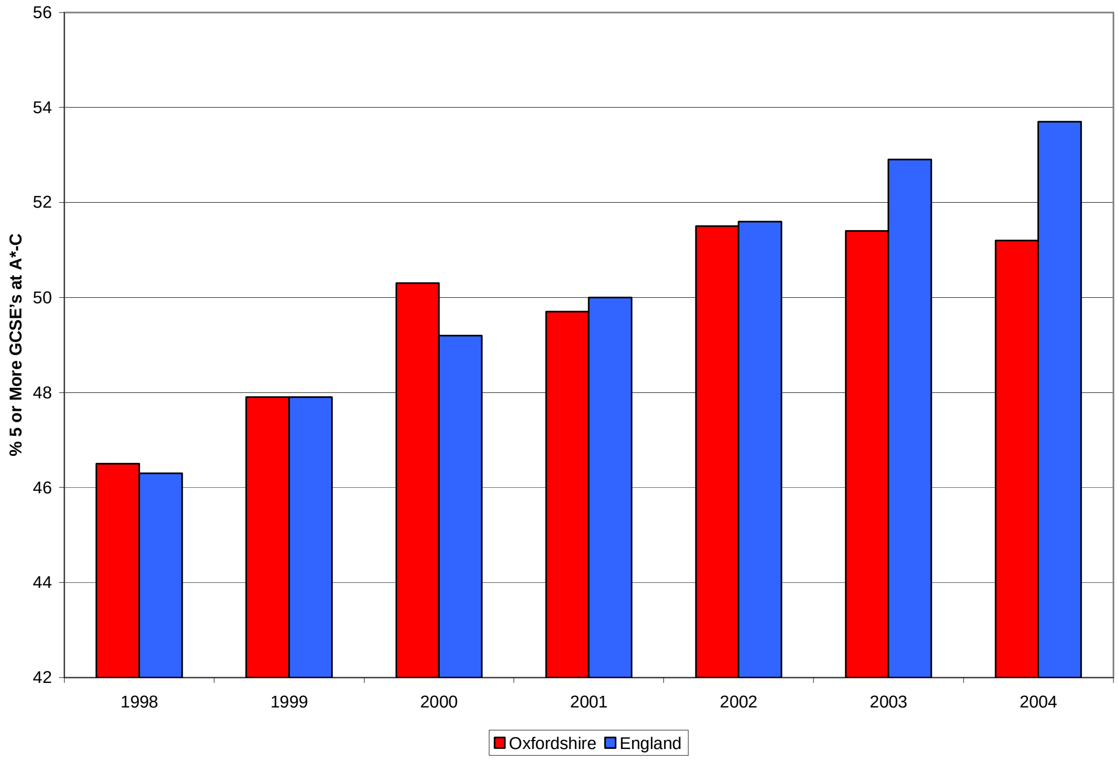
Claimant Unemployment

The latest monthly claimant count data for May 2005 reveals that unemployment in Oxfordshire, as measured by the number of people claiming Job Seekers Allowance (JSA), is currently at very low levels. Only 1.0% of the county's working age population were out of work and claiming JSA in May 2005, compared with an average of 1.4% in the South East and 2.3% in England. Oxfordshire's claimant unemployment rate has been relatively stable for the last five years, as Figure 10 shows.

TRAVEL

Most of the data on travel to work patterns in the county is derived from the 2001 Census, and it has not therefore been possible to provide updated information on these issues here. Readers are referred to the discussion in the Oxfordshire Economic Profile document.

Figure 9 – Percentage of Pupils Gaining 5 or More GCSE's at A*-C, 1998-2004



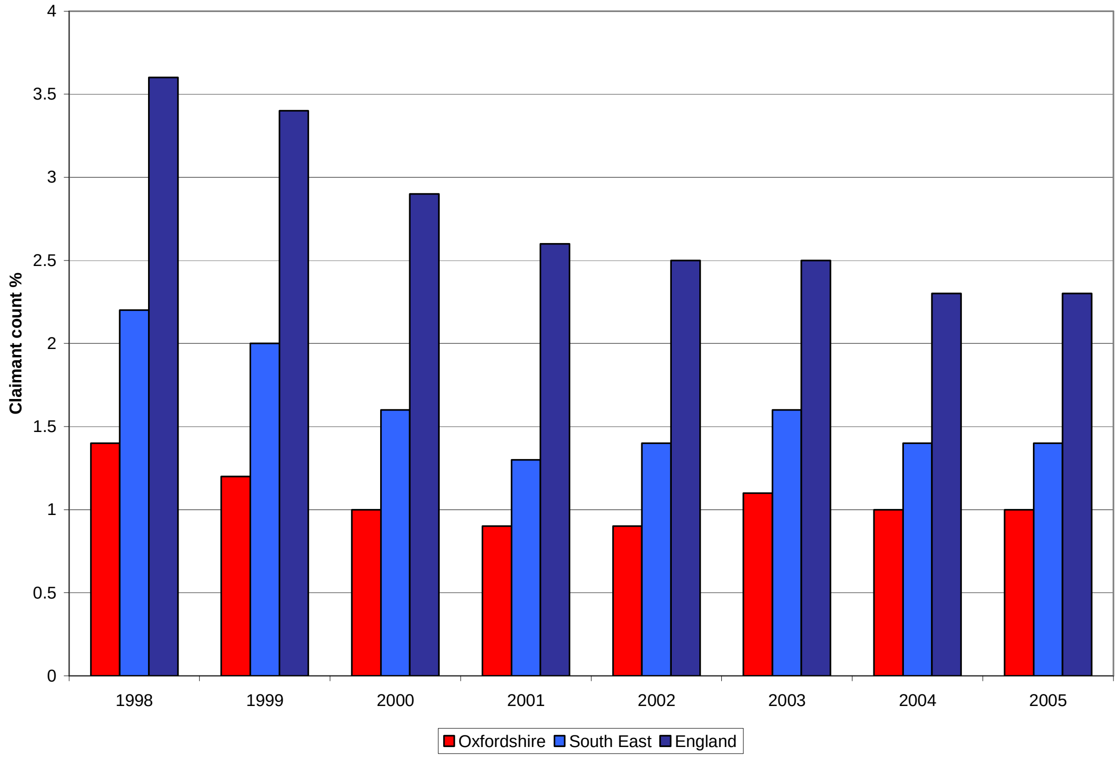
Source: Department for Education & Science, School Performance Tables

HOUSING

Housing affordability is one of the key issues facing the Oxfordshire economy, and house price information updated to the start of 2005 is presented here. In the first quarter of 2005, the average house price in Oxfordshire was £249,700. This was 13% higher than the South East average (£221,500) and 36% above the English average (£183,500). These house price differentials have increased since 1998, when Oxfordshire prices were 11% above the South East average and 31% above the English average.

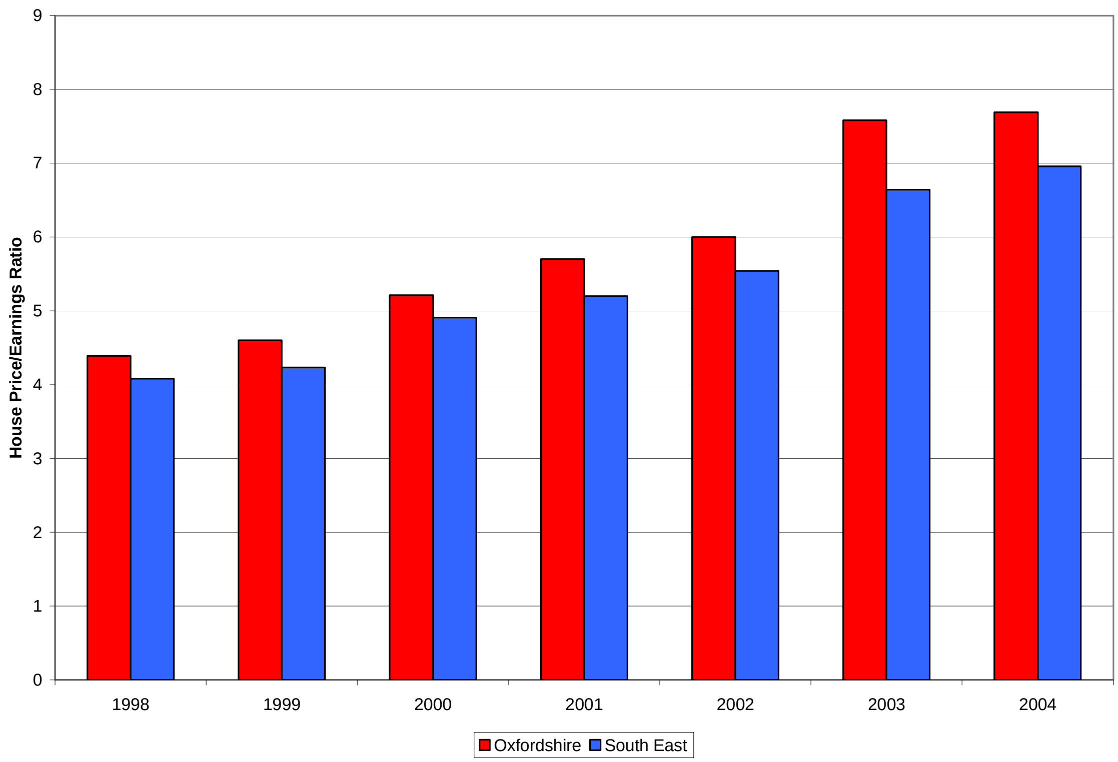
Figure 11 compares the relationship between average house prices and earnings levels in Oxfordshire. This provides a crude measure of the affordability of owner occupation for people working in the county. Data for the first quarter of 2004 reveals that the average price of a semi-detached property in Oxfordshire was 7.7 times average full-time earnings, compared with 6.6 in the South East and 5.7 in England and Wales. Affordability in the county has worsened significantly since 1998, as Figure 11 shows.

Figure 10 – Claimant Unemployed as Percentage of the Resident Working Age Population, May 1998 to May 2005



Source: ONS, monthly claimant count data (NOMIS); figures are for May of each year

Figure 11 – Average Price of a Semi-Detached House Compared with Average Annual Full-Time Earnings



Source: Land Registry house price data (for first quarter of each year); ONS, Annual Survey of Hours & Earnings

APPENDIX

Knowledge intensive business services (KIBS), discussed in the section on Key Sectors, are defined as including the following 2003 Standard Industrial Classification (SIC) categories (and their equivalents in the 1992 version of the SIC):

65.11 – Central banking
65.23 – Other financial intermediation not classified elsewhere
67.11 – Administration of financial markets
67.12 – Security broking & fund management

70.31 – Real estate agencies
70.32 – Management of real estate on a fee or contract basis

72.10 – Hardware consultancy
72.21 – Publishing of software
72.22 – Other software consultancy & supply
72.40 – Data base activities
72.60 – Other computer related activities

74.11 – Legal activities
74.12 – Accounting, book-keeping & auditing activities; tax consultancy
74.13 – Market research & public opinion polling
74.14 – Business & management consultancy activities
74.20 – Architectural & engineering activities & related technical consultancy
74.30 – Technical testing & analysis
74.40 – Advertising
74.87 – Other business activities not classified elsewhere