

## Annex 2- BUSINESS PROFILE

To ensure the engagement with businesses in Dacorum provides the optimal opportunity to gather intelligence and enable the council to effectively communicate with local businesses, it is important that there is an agreement of which businesses we should target.

To enable us to agree on the focus we also need to agree upon the criteria how we select these businesses. The criteria could include:

- Value of businesses i.e. from a high value sector offering high payment and requiring high skills.
- Global importance
- High exporter/innovation activities
- Key sector – need to agree what these are
- High Growth and a scale up

To understand the existence of business clusters, emerging sectors and the competitive edge of the economy, a deep dive into the current business landscape is needed.

### ***Dacorum Business Profile***

Dacorum have 7405 micro businesses (1 – 9 employees) 91.53%, 545 small businesses (10 – 49) 6.74%, 105 medium businesses (1.3% and 35 large businesses (250+) 0.43%.

### **Employment Sector performance 2015 - 2019**

The **largest employment sector** in regards to employment is Wholesale and Retail with 13000 jobs but with a reduction in employment of nearly 8%. This will have reduced further as a result of the Pandemic and is a very vulnerable sector.

The **fastest employment growing sector** is Financial and Insurance Services with 1250 jobs and an employment growth of nearly 40%.

Other **high employment growth sectors** are;

- Professional and Scientific with 8000 jobs and employment growth of 33%
- Transportation and Storage with 5000 jobs and employment growth of 25%

The **sector reducing most employment** 22%, is Manufacturing with 3000 jobs.

The **sector with the biggest concentration of jobs and forming a distinct cluster** is Information and Communication with an Employment Location Quotient<sup>1</sup> of 1.14 (anything over 1 is above UK average, so more jobs within this sector compared to other areas) with 5000 jobs but with 0% employment growth. The high LQ shows the competitive advantage of this sector in Dacorum. Transportation and Storage is the only other sector with a higher LQ than 1 in Dacorum (1.04) making these two sectors what sets Dacorum apart from other areas.

Amongst the sectors with the lowest representation and LQ in Dacorum are:

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<sup>1</sup> Location quotient (LQ) is a way of **quantifying how concentrated a particular industry, cluster, occupation, or demographic group is in a region as compared to the nation**. It can reveal what makes a particular region “unique” in comparison to the national average

- Human Health and Social work LQ 0.5
- Accommodation and Food Services LQ 0,6
- Arts and Entertainment LQ 0.76

However all the above low LQ sectors have relatively high employment growth around an average of around 17% so have future potential.

The **Film and TV sector** is seen as an opportunity sector but needs to be seen in relation to its economic value to the District. In 2020 there were 155 companies in the sector in Dacorum (NOMIS) with only 275 employees. Compared to Watford with only 65 companies but 920 employees and Three Rivers with 100 companies and 744 employees. The high number of companies in Dacorum in relation to the low number of employees, indicates that most are micro businesses compared to Watford and Three Rivers with fewer larger companies. However there are future plans to expand the sector in Dacorum with Bovington Studios and thus also increase the employment opportunities.

There needs to be some caution when attributing a sector specification to a company, For example, is Amazon a retailer, distribution or a tech company? It all depends on the company sees itself and how it has registered the company. To get a true picture Real Time Industrial Classifications can be used. This uses an algorithm to find companies key words how they describe themselves and then produce datasets that are representative of technologies, functions and services. Doing this would better describe the makeup of business sectors in Dacorum.

Due to limited resources we need to agree a clear focus for the engagement and which companies/sectors will give us the maximum outcomes in relation to raising the economic wellbeing of Dacorum residents. It is clear that some companies and sectors produce more economic value for local residents in the form of sustainable employment, higher salaries and opportunity to upskill and progress within the company. These companies invest in technology and recruits a smaller but highly skilled workforce. On the other side of the spectrum, there are companies and sectors who offer low paid and insecure employment, with a larger workforce but little investment in technology and therefor low demand for a skilled workforce. Both have a place in the local economy but with a limited capacity to engage with all, the council will have to decide its focus.

There is also the need to understand what businesses need to become successful and contributing to residents' economic wellbeing. For ex a Tech company requiring a highly skills workforce will need support to access this and in turn residents need to have the skills to access the opportunities. A low value business needs support to develop its business by adopting new technologies rather than relying on cheap labour and as a result being able to offer better paid employment. In the case of the Manufacturing sector, it is clear to see that many companies within the sector have adopted technology which has enabled them to reducing the low skilled jobs and reducing their workforce.

Dacorum has a job density of 1.16 (i.e. 1.16 jobs per resident) and far higher than UK average of 0.86 so is well placed to accept reduction in low skilled jobs and the support of companies adopting new technologies. However it needs to be noted that in December 2020, there were 5,000 Dacorum residents without qualifications and reliant on the low value/ unskilled jobs. The Council also needs to support these residents to access new skills.

**For discussion and to be considered;**

The **IT and Communication** sector forms a distinct cluster offering highly skilled jobs. In 2019 there were 1115 businesses and the highest Business LQ of 3.14 but with a relatively slow growth of new companies 2.74% and a 0 % growth in employment. There is a risk that this cluster will stall its growth and importance to Dacorum.

One sector to highlight is the **Transportation and Storage sector**. Between 2015 and 2019 it had a 33% reduction in employment but a growth in business formation, nearly 40% and the highest business growth sector in Dacorum. The assumption is as the sector has adopted new technologies it will require less staff but better skilled staff. However the drastic reduction in employment compared with the raise in new companies is a worrying development and needs to be considered from a land use perspective and the employment intensity of any developments.

It is clear that Dacorum, together with other areas in Herts, have become attractive to the film industry as a location and several studios have been developed. However there needs to be a realistic view in regards to the impact of the **Film/TV industry** has locally. In many cases it brings little new employment and this is especially true for Dacorum, who mostly have micro businesses in the sector and slow employment growth. A discussion is needed to relate the resources allocated to support this sector, against the economic impact it can bring for local residents. It is also worth noting that the job intensity is low when developing studios, taking up considerable space in relation to the employment it produces.

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