

D2N2 Strategic Economic Plan

Business demography

January 2018

Introduction

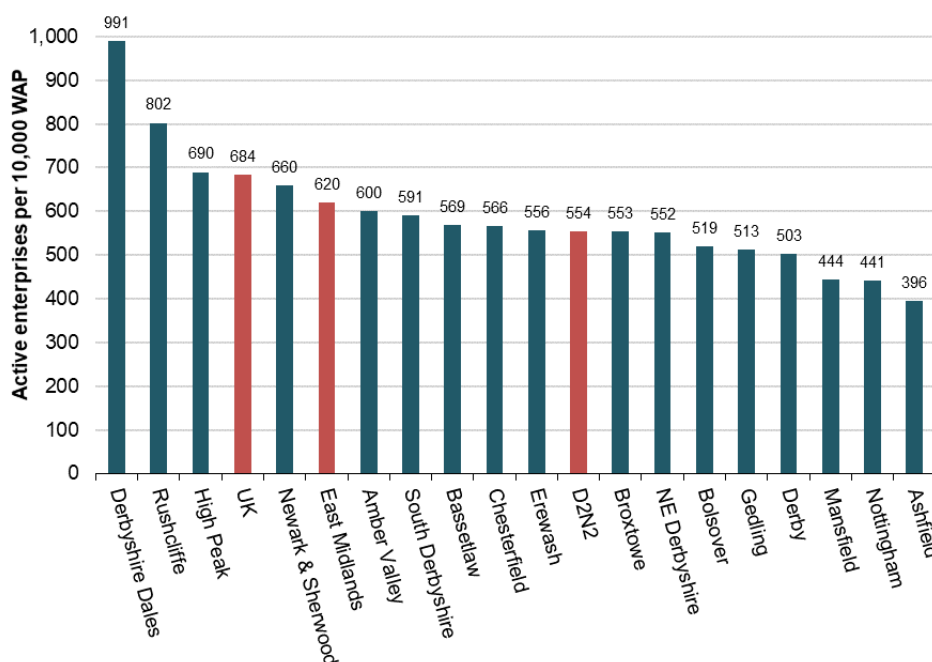
To inform the development of the Strategic Economic Plan, this note considers the size and scale of D2N2's business base. It looks at business stock and density (including the relationship between business stock and GVA), as well as the composition of the business base by employment size band and business starts, deaths and survival rates.

Overall business stock and density

In 2016, there were around **76,000 active enterprises** in D2N2, a quarter of which (around 18,000) were located in the two cities of Derby and Nottingham. The area's overall 'business density' – measured by the number of active enterprises per 10,000 of working age population – is substantially lower than the UK figure, and somewhat lower than that of the East Midlands (554 per 10,000, compared with 684 and 620 respectively). This relative shortfall has been consistent over time.

However, within D2N2, there is considerable local divergence. The lowest business densities are in Ashfield, Mansfield and Nottingham; the highest in Rushcliffe and Derbyshire Dales:

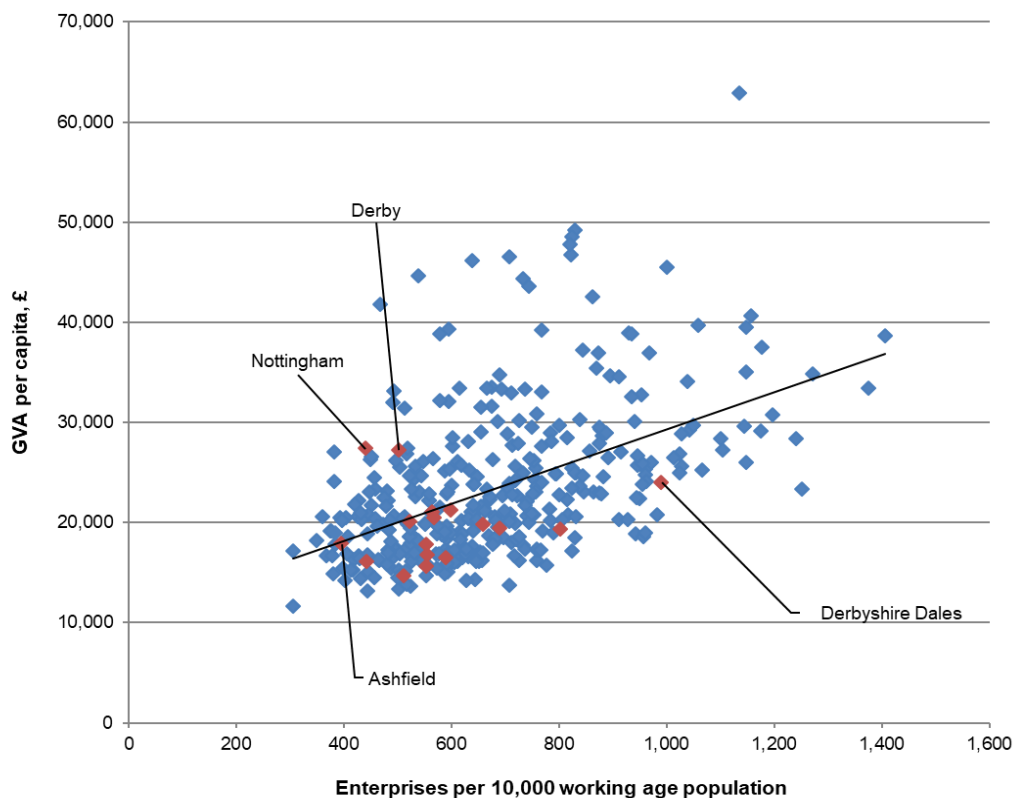
Figure 1: Business density, 2016



Source: ONS, Count of Active Enterprises, 2016

Looking across the UK, there is a correlation between business density and GVA per capita, as indicated in Figure 2: in D2N2, Ashfield performs particularly poorly on both measures (the lower end of the spectrum is dominated by post-industrial districts). Both Derby and Nottingham have low business densities relative to their per capita GVA, suggesting that a higher proportion of economic activity is accounted for by larger businesses or branches of national and international firms¹.

Figure 2: Business density and per capita GVA (2016), UK local authority districts (D2N2 districts highlighted)



Source: ONS, GVA (Balanced) by local authority (2016); ONS, Count of Active Enterprises (2016). Data excludes Isles of Scilly, the Cities of London and Westminster, and the central London Boroughs of Camden, Islington, Kensington & Chelsea and Tower Hamlets

Change in stock

Between 2011 and 2016, the number of active enterprises in D2N2 increased by 15% (approximately 9,900 enterprises). Within D2N2, all districts experienced growth in the enterprise stock. However, the rate of growth was somewhat slower than in the UK as a whole or the East Midlands (21% and 18% respectively). Growth was higher than the UK average only in Derby, Nottingham, Broxtowe and Rushcliffe².

¹ A number of other core cities show a similar pattern.

² The data also show very high growth in Bolsover, but this appears to be a data anomaly

Enterprise survival rates, births and deaths

After five years, around 44% of those businesses in D2N2 established in 2011 were still operational, approximately the same as the UK and East Midlands survival rates³. Within D2N2, survival rates were somewhat higher in Rushcliffe, Broxtowe and High Peak.

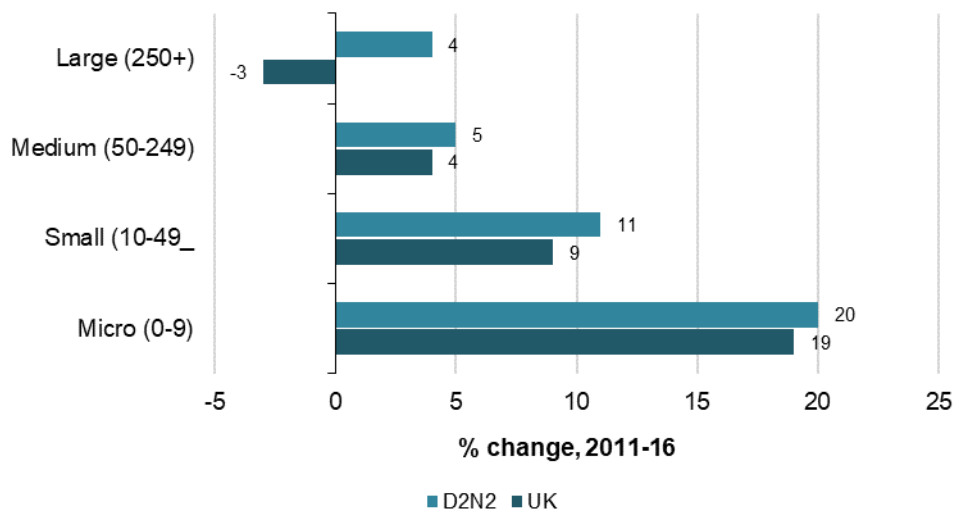
In 2016, enterprise births accounted for around 13% of the overall business stock, with deaths accounting for around 10%. Both the birth and death rates were marginally lower than the UK average. Within D2N2, birth and death rates are broadly similar across districts, although birth rates are a little higher in Derby and Nottingham than elsewhere.

Business size

As elsewhere in the country, D2N2's business stock is dominated by smaller employers. Around 82% of local businesses employ nine or fewer employees (compared with a national figure of 84%), with micro businesses enjoying a somewhat smaller share of the business stock in Ashfield, Chesterfield, Derby, Mansfield and Nottingham than in other parts of D2N2.

In the five years to 2016, growth was fastest among micro businesses, with some reduction in the presence of larger firms⁴. This is consistent with a long-term national trend, which has seen a steady rise in the number of micros.

Figure 3: Change in business stock by employment size band, 2011-16



Source: ONS, Local Business Count

Large businesses

While large employers account for a small part of the business base, firms with over 250 employees account for around 45% of all employment (and 53% of turnover) in the East

³ It should be noted that 'survival' refers to businesses that remain in separate existence: there will be some successful firms that have not 'survived' as separate businesses, but have been acquired or merged

⁴ Note that a reduction in the number of large businesses may indicate employment downsizing within firms, rather than necessarily a loss of individual businesses

Midlands⁵. This data is not published for D2N2 or for other geographies at sub-regional level. However, a further breakdown of large firm data in D2N2 shows that there were 335 large businesses in the area in 2017, of which 35 employed over 1,000 people each. Of these, ten were in the manufacturing sector, the largest number of very large manufacturing businesses of any LEP area in England⁶.

Implications for the Strategic Economic Plan

The data presented in this note suggests that the stock of enterprises in D2N2 is *relatively* small, growth in stock has been slower than in the UK as a whole, and ‘churn’ (the rate of births and deaths) has been more limited.

It is likely that in Derby and Nottingham, the lower enterprise stock may be partly explained by the presence of larger businesses: several larger cities show a similar pattern of relatively high GVA and relatively low enterprise density (although enterprise growth rates in the majority of other core cities have been higher than in Derby or Nottingham). However, dependence on a small number of larger employers does not necessarily apply to D2N2 as a whole.

Nationally, there is a correlation between enterprise density and GVA. Given D2N2’s low enterprise density, which is extreme in parts of the area, there is likely to be a case for increasing the scale of the business stock through entrepreneurship and inward investment, and for encouraging ‘micro’ businesses to scale up, as part of a wider strategy aimed at supporting productivity and economic growth. This should also assist in building the resilience of the economy to further loss of employment from larger businesses.

⁵ BEIS, Business Population Estimates for the UK and Regions (2017),

⁶ UK Business Counts, local units

Annex A: Data

Table A-1: Active enterprises

	Total (2016)	Density (per 10,000 WAP)	% change in active enterprise, 2011-16
Amber Valley	4,605	600	9
Ashfield	3,080	396	10
Bassetlaw	3,995	569	13
Bolsover	2,535	519	34
Broxtowe	3,890	553	25
Chesterfield	3,695	566	13
Derby	8,120	503	20
Derbyshire Dales	4,125	991	3
Erewash	3,970	556	10
Gedling	3,685	513	11
High Peak	3,965	690	9
Mansfield	2,990	444	13
Newark & Sherwood	4,790	660	11
NE Derbyshire	3,315	552	6
Nottingham	10,005	441	22
Rushcliffe	5,645	802	22
South Derbyshire	3,750	591	15
D2N2	76,160	554	15
East Midlands	183,370	620	18
UK	2,833,965	684	21
Comparator LEPs			
Coventry & Warwickshire	40,075	696	21
Leicester & Leicestershire	43,895	667	24
Sheffield City Region	60,950	522	21
Selected core cities			
Bristol	20,305	655	28
Birmingham	42,640	590	40
Leeds	32,405	632	31
Liverpool	15,890	480	33
Manchester	25,780	674	60
Newcastle	9,110	449	19
Sheffield	17,890	473	17

Source: ONS, Business Demography 2016

Table A-2: Enterprise survival rates

	5 year (2011 birth)	3 year (2013 birth)	1 year (2015 birth)
Amber Valley	46	65	93
Ashfield	40	64	94
Bassetlaw	44	63	93
Bolsover	38	63	99
Broxtowe	49	68	90
Chesterfield	38	64	92
Derby	42	61	91
Derbyshire Dales	45	61	89
Erewash	40	61	94
Gedling	45	58	94
High Peak	49	67	91
Mansfield	41	62	92
Newark & Sherwood	44	63	92
NE Derbyshire	44	63	91
Nottingham	41	56	88
Rushcliffe	49	71	92
South Derbyshire	41	63	93
D2N2	44	63	93
East Midlands	44	62	92
UK	44	61	90
Comparator LEPs			
Coventry & Warwickshire	47	62	92
Leicester & Leicestershire	46	63	91
Sheffield City Region	42	60	93
Selected core cities			
Bristol	44	62	90
Birmingham	39	57	90
Leeds	44	61	88
Liverpool	39	52	90
Manchester	40	55	89
Newcastle	43	56	87
Sheffield	42	59	90

Source: ONS, Business Demography 2016

Table A-3: Enterprise births and deaths (2016)

	Births		Deaths	
	Number	% of active enterprises	Number	% of active enterprises
Amber Valley	490	11	460	10
Ashfield	390	13	280	9
Bassetlaw	550	14	380	10
Bolsover	455	18	310	12
Broxtowe	495	13	410	11
Chesterfield	450	12	420	11
Derby	1,205	15	945	12
Derbyshire Dales	375	9	365	9
Erewash	470	12	370	9
Gedling	440	12	335	9
High Peak	440	11	365	9
Mansfield	410	14	310	10
Newark & Sherwood	565	12	435	9
NE Derbyshire	335	10	325	10
Nottingham	1,480	15	1,300	13
Rushcliffe	625	11	545	10
South Derbyshire	490	13	350	9
D2N2	9,700	13	7,900	10
East Midlands	24,600	13	19,400	11
UK	414,400	15	328,000	12
Comparator LEPs				
Coventry & Warwickshire	5,585	14	4,355	11
Leicester & Leicestershire	6,710	15	4,585	10
Sheffield City Region	8,815	14	7,035	11
Selected core cities				
Bristol	2,920	14	2,585	13
Birmingham	9,200	22	5,500	13
Leeds	4,820	15	3,700	11
Liverpool	2,670	18	2,055	14
Manchester	6,445	25	3,755	15
Newcastle	1,265	14	1,245	14
Sheffield	2,525	14	2,125	12

Source: ONS, Business Demography, 2016

Table A-4: Share of business stock by employment size band, and change 2011-16

	Micro (0-9)		Small (10-49)		Medium (50-249)		Large (250+)	
	% 2016	Change 2011-16	% 2016	Change 2011-16	% 2016	Change 2011-16	% 2016	Change 2011-16
Amber Valley	83	13	14	7	3	0	<1	0
Ashfield	77	11	17	4	3	20	<1	-20
Bassetlaw	82	12	15	10	5	18	1	-25
Bolsover	84	**	14	**	3	-5	<1	0
Broxtowe	83	15	14	10	2	5	<1	0
Chesterfield	79	14	17	8	3	17	<1	0
Derby	80	21	16	5	4	8	1	0
Derbyshire Dales	87	7	11	12	4	-7	<1	-50
Erewash	82	13	15	8	1	4	<1	-50
Gedling	85	12	12	5	3	0	<1	-50
High Peak	85	12	12	22	2	5	<1	0
Mansfield	78	10	18	-2	2	4	<1	0
Newark & Sherwood	83	9	14	9	4	4	<1	0
NE Derbyshire	85	11	13	9	3	-18	<1	0
Nottingham	77	16	18	0	2	0	1	6
Rushcliffe	87	16	10	-1	5	19	<1	0
South Derbyshire	86	16	12	15	2	-6	<1	0
D2N2	82	16	14	9	3	4	<1	-3
East Midlands	83	18	13	10	3	4	<1	-1
UK	84	18	13	11	3	5	<1	4

Source: ONS, UK Business Counts (Local Units) (**Some Bolsover data omitted, as data appear to be inaccurate)

Table A-5: Large businesses in D2N2 by employment size band and sector

	250-499	500-999	1000+	Total large businesses
Mining, quarrying, utilities	5	0	0	5
Manufacturing	35	15	10	55
Construction	10	5	0	10
Motor trades	0	0	0	0
Wholesale	5	0	0	5
Retail	40	5	5	45

	250-499	500-999	1000+	Total large businesses
Transport & storage	20	5	0	30
Accommodation & food service	5	0	0	5
Information & communications	5	5	0	10
Financial & insurance	5	0	0	5
Property	5	0	0	5
Professional, scientific & tech	15	0	0	20
Business admin	25	15	5	40
Public admin	20	0	5	25
Education	15	5	5	25
Health	20	10	5	35
Arts, entertainment & culture	5	0	0	5
Total	230	70	35	335

Source: UK Business Counts (local units). Numbers in total column may not sum due to rounding