institute for employment studies

research

Summary Report

Greater Brighton Business Survey 2019 – Summary Report

Prepared for: Greater Brighton Economic Board

Greater Brighton

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Prepared by: June Wiseman, Director and Emma Osborne, Associate Director, BMG Research; and Tony Wilson, Director, Institute for Employment Studies

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www.bmgresearch.co.uk

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Registered in England No. 2841970

Registered office:

BMG Research
Beech House
Greenfield Crescent
Edgbaston
Birmingham
B15 3BE UK
Tel: +44 (0) 121 3336006

UK VAT Registration No. 580 6606 32

Birmingham Chamber of Commerce Member No. B4626

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1 Introduction

In December 2018, the Greater Brighton Economic Board (GBEB) commissioned BMG Research and the Institute for Employment Studies (IES) to conduct the 2019 Greater Brighton Business Survey. This Summary Report presents headline findings from interviews with 1,502 private sector businesses between April and June 2019.

The survey focused on businesses with and without employees and related to the establishment at which the respondent was based. Interviewing establishments ensures that firms headquartered elsewhere are included in the survey. The report refers to 'establishments' rather than 'businesses' throughout as in these cases, respondents are not responding for their whole business. Survey data has been weighted so that it is representative of the Greater Brighton area.

The first section summarises the business profile of Greater Brighton, followed by sections presenting findings organised around the five themes set out in the 2018 Greater Brighton Strategic Priorities – for a growing, modern economy that is international, creative, connected, talented and resilient.

Where appropriate, the 2019 data is compared with the 2014 Greater Brighton and West Sussex Business Survey. However the 2014 survey was undertaken in a wider geographic area, did not include businesses without employees and covered different areas of questioning. The data is also compared to published national surveys where appropriate. Given differences between these surveys, comparisons should be considered as indicative.

Among the most important findings set out in this summary report, the survey finds that:

- Jobs growth is strongest in larger firms and among innovators – emphasising the importance of prioritising creativity and innovation
- Firms are optimistic for the future – with 35% expecting growth and 11% decline
- Firms in a number of priority sectors and those aiming for growth are more likely to trade with the EU or employ EU nationals – and so appear to be most exposed on EU exit
- Relatively few exporters have sought support to do so - with awareness highest for DIT and Chambers, but one in five unaware of any sources of help
- Innovation activity appears to be relatively high – driven in particular by collaboration with others rather than formal 'R&D'
- Economic uncertainty appears to be acting as a significant brake on innovation
- Local transport is a significant concern – particularly congestion and parking
- Virtually all respondents felt that being in Greater Brighton had benefits – in particular as an attractive area with good market access, transport links and broadband
- Most firms do not want to move, and those that do invariably want to stay in the region

The findings emphasise the need for a carefully calibrated approach that speaks to the specific needs of employers with different sizes, sectors and locations. Specific implications for the Board and its members are set out at the end of each section.

2 The Greater Brighton business profile

Key findings

- **Most establishments are very small – with 86% employing ten or fewer people**
- **The 3% that employ more than 50 people account for 44% of the workforce**
- **Jobs growth is strongest in larger firms and among innovators – emphasising the importance of prioritising creativity and innovation**
- **Firms are optimistic for the future – with 35% expecting growth and 11% decline**

2.1 Establishment sizes and sectors

Overall, 86% of establishments have fewer than ten employees, with 22% having none. Medium and large establishments (50 or more employees) account for 3% of all establishments but employ 44% of the workforce. This is broadly similar to national trends, and emphasises the importance of engaging and influencing larger employers.

The most common reported sectors are professional, scientific and technical industries (19% of establishments) and wholesale/ retail (17%). The latter also accounts for around 18% of all employment, although the professional/scientific/technical sector only employs 8%. There is a similar picture on construction, which accounts for 11% of establishments but 4% of employees. Conversely, administrative/ support services account for 12% of employment in the City Region but just 8% of establishments.

Sector composition is similar to the national picture. The main sectors over-represented in Greater Brighton are professional/ scientific, information/ communication, and retail. Conversely construction, transport and education are somewhat under-represented.

A number of 'priority' sectors were identified by GBEB which cut across traditional sectors and are either areas of particular importance to the city region economy or represent where innovation and technology are at the forefront of growth.[1] Just over a third of establishments (36%) identified with one of these descriptions. A quarter (25%) of those with no employees described themselves as in the creative industries; while 13% of those with 50 or more employees identified with health and life sciences.

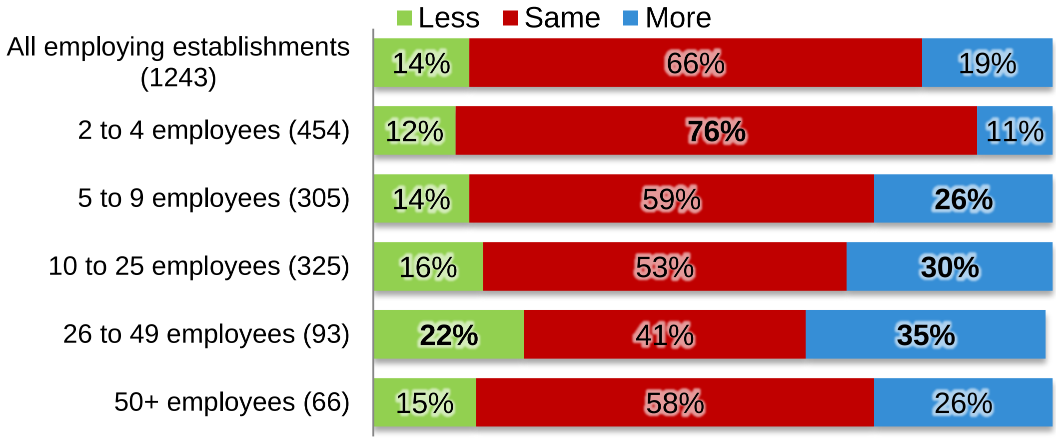
2.2 Years established, business growth and performance

The large majority of establishments have been trading for more than 10 years (69%), while just one in seven (14%) have traded for five or fewer. There are a significantly higher proportion of long-established sites in Mid Sussex (76% for more than 10 years), while Adur and Crawley were both more likely to have newer establishments.

The majority of establishments reported no change in the size of their workforce in the last 12 months. Those that did report changes were more likely have grown (19%) rather than shrunk (14%). As the figure below shows, larger establishments are generally more likely to report workforce growth, with smaller establishments more likely to stay the same.

[1] These are: technology intensive; creative industries; health and life sciences; environmental technologies and services; and visitor economy.

Figure 1: Change in workforce in the last 12 months, by size (all with employees)



Unweighted sample bases in parentheses

Bold font signifies a statistically significantly higher figure compared with the average minus the sub-group tested; *percentages in italics signify a statistically significantly lower figure than average minus the sub-group tested*

At a sector level, administrative/ support services (28%), manufacturing (26%) and finance/ insurance (26%) are more likely to report employment growth – this is reassuring, as these are priority areas within the city region. Firms that have innovated are also more likely to have grown than those that have not (24% compared to 15%) – again emphasising the value in prioritising innovation.

Education (23%), transport/ logistics (21%) and real estate[2] (21%) were all more likely to report declining workforces.

Looking ahead, establishments are generally optimistic for the future – with 35% anticipating growth and 11% anticipating decline. A somewhat smaller proportion (24%) expect to see their workforces grow, which given the very high level of employment in the City Region suggests that recruitment and retention pressures may continue to be felt by businesses.

Within the City Region, establishments in Worthing are most likely to be aiming for growth (72%) while 'rapid growth' is cited by more establishments in Crawley than elsewhere (12%). Growth ambitions are more often expressed by larger establishments, with smaller ones more likely to both aim and expect to stay small.

When asked about obstacles and difficulties, most frequently mentioned was EU exit (by 17%) – covered in section 7. Competition, including online, was mentioned by 11% and by one in five of those in wholesale/ retail (21%) and in finance/ insurance (22%). One in five (21%) in arts/ entertainment/ recreation mentioned lack of demand, while business regulations were commonly identified within real estate (23%) and construction (11%).

Implications for the Greater Brighton Economic Board

The Greater Brighton business base is well-established and diverse. These findings emphasise the value of trying to drive change for larger employers, who account for most employment and are most likely to be targeting growth, and they reiterate the importance of trying to stimulate innovation. However, while firms are generally optimistic, there appears to be a need to stimulate appetite for growth among smaller firms.

[2] Includes Real Estate Operators, Agents & Managers, Operators of Buildings etc

3 International

Key findings

- **At 19%, the proportion of firms that export is broadly in line with national data**
- **Firms in information/ communications, manufacturing and environmental services appear to be most exposed on EU exit, as are those aiming for rapid growth**
- **Priority sectors are more likely to import and to export, including to the EU**
- **Relatively few exporters have sought support to do so - with awareness highest for DIT and Chambers, but one in five unaware of any sources of help**
- **Very few non-exporters intend to start, mainly due to a lack of products/ services**

One in five establishments state that they **export** internationally (19%), similar to the UK SME average (20%). Those within manufacturing (55%), information/ communications (48%) and professional/ scientific/ technical (30%) all indicate higher than average levels of exporting. A further positive is that a number of priority sectors are more likely to export – 34% of technology intensive, 36% in creative industries and 29% within the visitor economy.

The majority of exporters serve other EU countries (88% - slightly higher than national data) and a quarter only export to the EU. This suggests a relatively high exposure to risks of EU exit. However as a proportion of all establishments, only 6% are heavily reliant on the EU. At sector level, one in five in information/ communications (22%) and manufacturing (18%) are reliant on EU markets, as are 15% of those in environmental technologies/ services.

There is some evidence of a shift away from the EU as an export destination, with one in four exporters (27%) expecting to change locations as a result of EU exit.

Very few exporters (15%) have sought support in the last three years. The best-known sources were DIT (known by 68% of exporters) and local and national Chambers of Commerce (61% and 56%). Fully one in five exporters (21%) were not aware of any support.

Virtually no 'non-exporters' have plans to start doing so, with 61% stating they do not have any goods or services to export. However this figure is lower than comparable national data, and was most common among those in 'non-tradable' sectors. For those in sectors more likely to export, company size was also often reported as a limiting factor.

A quarter of establishments (26%) directly **import** goods or services. One in five import from the EU. This rises significantly within priority sectors: to 47% for technology intensive, 34% for creative industries, 39% for environmental services and 29% for the visitor economy.

Just 12% of importers intend to change suppliers as a consequence of EU exit. This may reflect that firms have alternative suppliers, or a general lack of planning and preparation.

Implications for the Greater Brighton Economic Board

The survey sample gives us an opportunity to reach out to those exporters who are most reliant on exports – particularly in priority sectors – and those either unaware of or not accessing support. The survey also reiterates the value of working through known and trusted sources, like Chambers, but also the significant challenges in stimulating firms to want to export. For most non-exporters, the case for doing so still needs to be made.

4 Creative

Key findings

- **Just over two in five establishments have innovated in the last three years**
- **Collaboration with others – rather than formal 'R&D' – appears to drive innovation**
- **Economic uncertainty appears to be acting as a significant brake on innovation**

Just over two in five establishments have innovated in the last three years (42%), most commonly with their goods and services (34%) rather than processes (23%). Much innovation is taking place within establishments without 'R&D' functions – emphasising the value in mainstreaming innovation support alongside wider business support.

Product and service innovation is most common within information/ communication (46%), arts/ entertainment/ recreation (46%) and professional/ scientific/ technical (40%), and increases with establishment size. SME innovation is broadly in line with national data.

Innovation is higher among those reporting recent employment growth (43%) but also those reporting employment decline (46%). This shows that while innovation is associated with success, at a firm level innovation can lead to labour saving and therefore job loss. However, even where this is the case, if innovation drives productivity and growth this should lead to new jobs being created elsewhere.

Innovation activity appears to be highly reliant on collaboration, particularly with other businesses. Two thirds (66%) of innovators have collaborated with others in the last three years, with 44% collaborating with other firms, 25% with an industry body and 19% with a university or research institute. Collaboration was most common in Brighton & Hove (71%), Lewes (73%) and Adur (75%).

Take-up of financial support appears to be very low – with just 5% reporting having received tax credits and 1% support from Innovate UK. Facilitating networking and knowledge sharing would appear to offer the most significant opportunities to encourage firms to innovate.

The most common reason given for not innovating was having a traditional product (48% of non-innovators). However around one in six (17%) cited economic uncertainty, most commonly among EU exporters and from those in creative, hospitality and wholesale/ retail establishments. This suggests that economic factors are acting as a significant brake on productivity and growth. 15% cited a lack of financial resources, rising to 30% of manufacturers and 23% in wholesale/ retail.

Implications for the Greater Brighton Economic Board

These findings emphasise that innovation support needs to be part of the mainstream business offer. In particular this should seek to stimulate collaboration between businesses, alongside sector bodies and with universities. This could include for example: focusing on innovation in business networking activity, e.g. through local Chambers; encouraging sharing of practice between areas within Greater Brighton; and encouraging greater engagement with University support, particularly outside of Brighton & Hove, Adur and Lewes.

The findings also suggest that there may be value in taking more targeted, sector level approaches on issues around finance and the capability/ capacity to innovate.

5 Connected

Key findings

- **Four fifths report local transport concerns – particularly congestion and parking**
- **More than a quarter of firms believe that transport issues are affecting recruitment and business growth – with higher responses in Worthing and Crawley**
- **Two third have superfast or ultrafast broadband, and satisfaction is generally high**

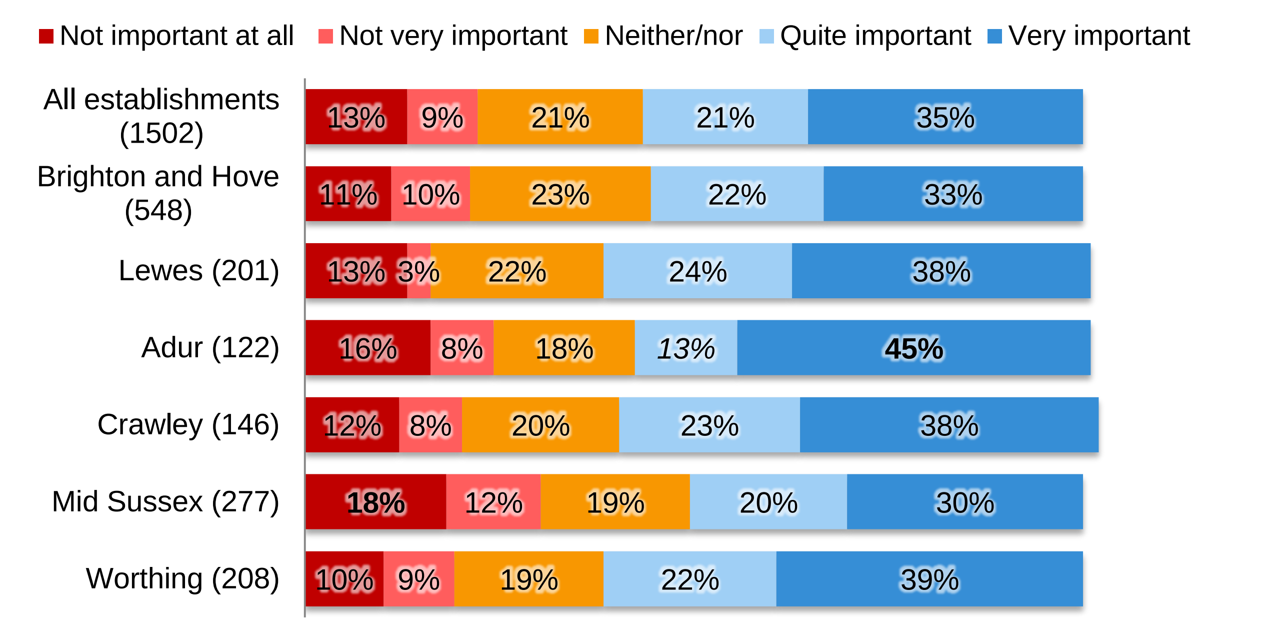
A very high proportion of establishments (81%) report concerns around **local transport**. Traffic congestion (55%) and the cost and availability of parking (55%) predominate.

As expected, particular roads were singled out – with Adur and Worthing identifying the A27; the A259 important in Lewes and Adur; the A23/M23 and M25 identified in Crawley and Mid Sussex; and the A22, A24 and roads into/ through Brighton & Hove all featuring.

There were lower levels of concern about rail and bus services, reiterating that commuting by public transport is less common than road use. However, 44% of Brighton & Hove establishments reported issues around rail reliability, and one in five (19%) of those in both Lewes and Mid Sussex reported concerns around bus frequency.

Transport infrastructure is important everywhere, but there is some variation by locations. Nearly half (45%) of Adur establishments report transport to be very important while 30% of those in Mid Sussex consider it not to be important.

Figure 2: Importance of transport infrastructure to the business, by local authority



Unweighted sample bases in parentheses *Don't knows 1%-3% not shown*

Bold font signifies a statistically significantly higher figure compared with the average minus the sub-group tested; percentages in italics signify a statistically significantly lower figure than average minus the sub-group tested

By sector, those in transport and logistics (82%) or in wholesale/ retail (68%) are most likely to consider transport infrastructure to be important to their business.

There is evidence that transport issues are affecting business performance. Just over a quarter (28%) of establishments report that transport is a constraint on growth and recruitment. This rises to 35% of those in Worthing reporting it a growth constraint, and 39% of those in Crawley reporting that it impedes recruitment.

At sector level, those in hotels/ restaurants, construction, transport/ logistics and wholesale retail are all more likely to report that poor transport affects their growth or their recruitment (or both).

On **digital access and usage**, two thirds of establishments report having either superfast (60%) or ultrafast (4%) broadband, while around one in six reported having standard broadband (16%) and only 3% reported no broadband.

Among those with less than superfast, nearly half (46%) said that this was because they did not need it. However this likely largely reflects the sectors of respondents, with superfast take-up much lower among those in primary industries, transport/ logistics, hotels/ restaurants and wholesale/ retail. Just over one in four overall (29%) reported that superfast was not available at their location, while one in ten (10%) reported that it was too expensive.

Reasons for not taking up ultrafast broadband were not explored, but given that this is only widely available through cable, and that just 5% of establishments reported receiving broadband that way, it likely reflects a combination of supply and demand factors (as well as inertia in changing suppliers). The recent rollout of Hyperoptic services in Brighton & Hove, and greater availability of 5G in future, may well stimulate further take-up.

Satisfaction with broadband varied by type of connection, but overall 73% of establishments are satisfied while one in six (17%) are dissatisfied – rising to one in four of those with standard broadband via a telephone line.

Implications for the Greater Brighton Economic Board

These findings suggest that the Board is right to continue to prioritise upgrades and improvements to local (within the city region) transport infrastructure, and in particular local congestion. The survey also reiterates that concerns are often very locally rooted, and suggest that addressing parking issues in particular should be a priority. Transport impacts appear particularly pronounced for some sectors, so there may be value in exploring the scope for measures to address issues for specific industries.

Encouraging other and more sustainable forms of transport should play an important part in this, although the findings suggest that take-up of these is currently low – likely reflecting issues around availability, reliability and cost.

It appears that most firms that 'need' superfast broadband have access to it and are broadly happy with it. Looking forward, increasing the supply and affordability of ultrafast should in turn drive its take-up. There may also be a case for a more targeted approach, to focus in particular on those sectors making most current use of superfast. Once ultrafast infrastructure has been deployed, work will need to be done with businesses to ensure that the investment in ultrafast and 5G can lead to business growth.

6 Talented

Key findings

- **Two fifths of those recruiting have experienced difficulties**
- **One in five firms employ EU nationals, higher than comparable national data**
- **Only one in seven firms have offered apprenticeships – with wide variation by sector**
- **Future demand for apprenticeships looks unlikely to significantly change**

Two-fifths of all establishments (42%) report having tried to **recruit** in the last 12 months, rising to 52% of those with employees and 96% of those with 50 or more staff. Two fifths of those recruiting (40%) have experienced difficulties. This is 17% of all establishments, and over a quarter of those in hotels/ restaurants, administrative/ support services, education and health. Difficulties were more common among those aiming for growth.

The most common reason given for recruitment problems was the right skills (27%) followed by applicants' attitudes, motivation or personalities (18%). Skills shortage vacancies were reported by one in six (16%) of those that had sought to recruit. These issues were most common in manufacturing, and least common in hotels/ restaurants.

One in six establishments with hard to fill vacancies have increased recruitment spending and/ or used new methods (18%). Fewer (15%) reported upskilling their existing workforce. One in five report doing nothing, although this falls to 8% of those with 50 or more staff.

One in four (25%) reported employing non-UK nationals, with most (19%) employing EU nationals. This is higher than comparable national data (18% and 13% respectively). Employment of non-UK nationals is most prevalent in Brighton & Hove and Crawley, within larger establishments and in hotels/ restaurants, administrative/ support services and health. Nearly half (45%) felt that EU exit would have a negative impact on their business.

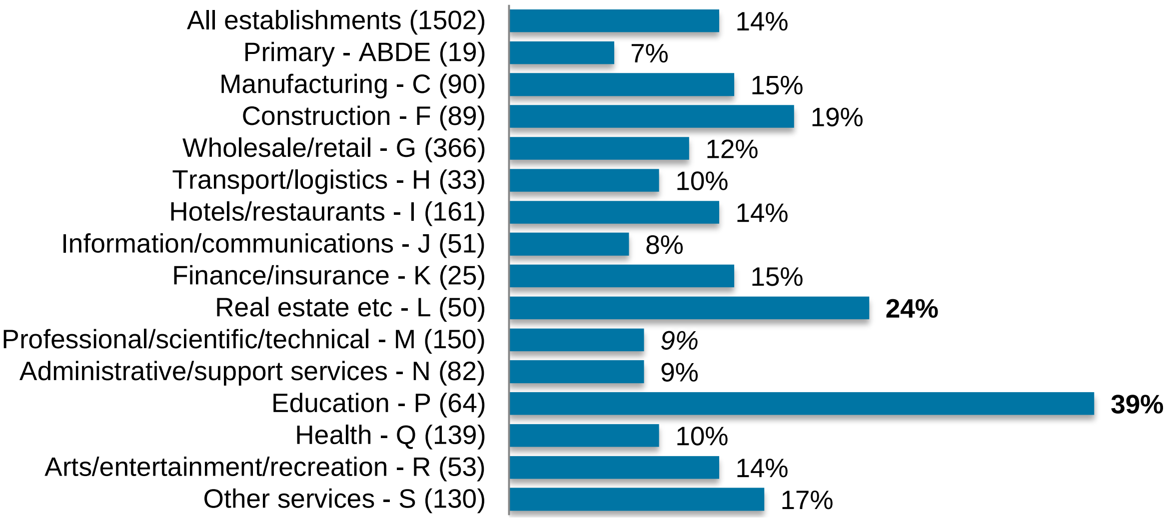
On the face of it **training** incidence is very high, with more than four-fifths (84%) reporting having trained their workforce in the last year. However, this often reflects 'compliance' training for Health and Safety (72% of those that trained) or induction (60%), or job-specific training (80%) which would often comprise low level, on-the-job learning. Just under a third reported delivering training for a qualification or in leadership and management.

Only one in twelve establishments (8%) currently employed an **apprentice**, while a further 6% have done so in the last two years – rising to 43% of those with 50 or more employees. The most frequently cited reasons for doing so were to develop staff within the business (27%) or meet skills needs (26%). Eighteen per cent did so to support young people or the community, while relatively few (8%) reported doing so on cost grounds.

The main reasons for not employing apprentices were having no need (29%), no suitable jobs or being too small (both 19%). Very few reported issues around affordability, knowledge, complexity or suitability – although complexity was cited by 14% of larger employers and 11% of those that had previously employed apprentices but did not do so now, suggesting that there would be value in addressing this for these groups specifically.

By sector, those within education (39%) and real estate (24%) are most likely to have employed an apprentice – as set out below.

Figure 3: Proportion of establishments that have employed apprentices in the last two years, by sector (all establishments)



Unweighted sample bases in parentheses

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On current plans apprenticeship take-up is unlikely to significantly change, with one in six (17%) stating it is likely that they will take on new apprentices in the next two years.

Just 3% report paying the Apprenticeship Levy, which is consistent with reported firms sizes. Just over half (56%) of respondents did not know how much of this had been used, but of the remainder half (50%) have maximised their Levy funding within their business while just over a quarter (28%) have passed at least some of it down the supply chain.

Nearly half (47%) report offering **opportunities to young people and education leavers**, rising to 77% of those with 50 or more staff. One third (35%) offer work experience or work tasters, while one in ten (10%) are active with local schools. There would appear to be scope to increase the extent of these activities. There may be a need to raise awareness of apprenticeships as career change and/or career development opportunities for older workers, which is particularly important for an aging workforce. Those that deliver training are more likely to employ education leavers, as are innovators, those targeting growth and those with skills shortages.

Implications for the Greater Brighton Economic Board

Recruitment difficulties appear to remain pronounced, particularly for key sectors and often driven by issues around skills, motivation and the availability of workers in a tight market. This suggests action in three areas: to improve general vacancy matching services, particularly for larger employers; to ensure that those further from work are able to join the labour market; and working with employers to ensure that EU national obtain settled status.

Employer training may well increase in response to the tighter market, but alongside this the survey reiterates the value of continued work with colleges, training providers, universities and employer bodies to increase both demand and supply.

On apprenticeships, the survey suggests that action is needed to raise demand – including by addressing issues for those previously doing so, encouraging levy payers to pass funds through supply chains, and targeting non-levy paying medium sized firms in key sectors.

7 Resilient

Key findings

- **Virtually all respondents felt that being in Greater Brighton had benefits – in particular as an attractive area with good market access, transport links and broadband**
- **The most common disadvantages were around costs, congestion and housing**
- **EU exit is viewed as more negative than positive, but there is significant uncertainty – and views of longer term impacts are less negative**
- **Most firms do not want to move, and those that do invariably want to stay in the region**

The survey found very favourable views on Greater Brighton as a **place to live and work**, with 93% of establishments reporting benefits. Two thirds (65%) cited the attractiveness of the area, while more than half saw benefits in its market access, transport links and broadband coverage. Just over half of establishments (56%) reported disadvantages, most commonly related to the cost of living or housing (12%), congestion and parking (9% and 7%) and costs of premises (8%).

On **EU exit**, more view this as negative than positive both in the short term (-31%) and long term (-12%). However there is high uncertainty, and one third feel that it will have no direct impact.

Reasons for holding negative views are typically around it leading economic issues, uncertainty, loss of customers or loss of supplier. Those that export or import are more likely to anticipate negative impacts, as are manufacturers and those in administrative/ support services.

Respondents with positive expectations are most likely to do so due to a belief that it will reduce restrictions on their business, that their business can only get better, or that it will lead to improvements in the economy.

One in seven establishments (14%) report that they are likely to **relocate** within the next five years, while three fifths (61%) are very unlikely to do so. Two thirds (64%) of those seeking to relocate intend to do stay within their local authority, and only a very small minority are likely to re-locate outside of Sussex.

The most common reasons for relocation are due to anticipated expansion (27%) or wanting a cheaper site (19%). A higher proportion of those in creative industries and in technology intensive businesses report being likely to relocate, as are those aiming for rapid growth.

Implications for the Greater Brighton Economic Board

The survey confirms the Board's view that Greater Brighton is considered a great place to live and work, and provides useful evidence that can be used in marketing it as a destination.

For firms already here, almost all intend to stay, and those that are moving invariably wish to do so within the city region. This reiterates the value in facilitating movements between local areas. There continues to be a need to provide high-quality move on space to facilitate the growth of key sectors.

Environmental sustainability was not raised by respondents in any significant numbers. More work may be needed in encouraging greater consideration and action on this.

On EU exit, the findings confirm that those more exposed to European markets or workers are concerned about its impacts. However the high uncertainty and even apathy among many firms suggests that there is still work needed in explaining how to prepare for and manage impacts.