

# Firm Migration

London Borough of Richmond



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## Firm Migration

London Borough of Richmond

Prepared by TBR's Economic Research Team

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## 1 Executive Summary

In September 2013 the London Borough of Richmond (LBR) commissioned TBR to undertake this investigation into firm migration over the period 2006 to 2012.

The specific objective posed by the Council was to assess the scale, nature, cause and likely impacts of the migration of firms within LBR and the effect this will have on the long term economic health of the borough. We were also asked to answer specific questions posed by the council associated with the migration of firms.

To analyse firm migration into and out of the LBR, TBR employed its own longitudinal data source, Trends Central Resource (TCR). TCR is similar in structure to that of the Inter Departmental Business Register (IDBR), but in addition covers business activity below the VAT threshold. However, as TCR has greater coverage of small firms than official statistics, the figures in the report may differ from those in other publications.

The project was designed to be undertaken in two phases; the first being a desk-top analysis of firm migration and the second involving direct contact with businesses. This document reports on phase one only.

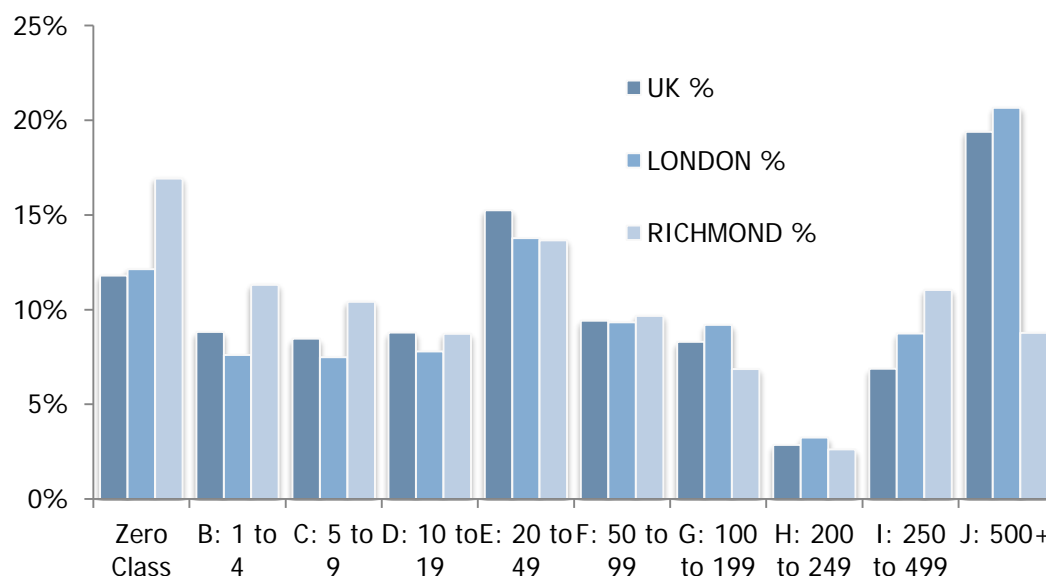
### 1.1 Richmond in Context

Geographically, Richmond is a mid-sized outer London Borough. However, much of its area is taken up by park land that includes Richmond, Bushy, Kew and Hampton Court Parks. Other attractions include Hampton Court, Twickenham stadium and the London Wetlands Centre.

In 2012, there 19,200 firms in LBR with a workforce of 82,600 and an output of around £5billion<sup>1</sup>. The borough's economy has been affected by the recession and has still to recover to its pre-crisis size.

A defining feature of the borough's economy is the contribution of the self-employed and micro-businesses, see Figure 1.1 below. This indicates that proportionally more of the borough's employment is in small firms (up to 9 employees) compared to both London and the UK. We may infer from this that much of the employment space is likely to be small and that a number of people may work from home.

Figure 1.1: Employment % by firm size (2012)



<sup>1</sup> These figures reflect the wider coverage and the population of 19,200 firms differs significantly from the 10,600 found in other publications.

Source: TBR, 2013 (Ref, W3: C5)

Comparisons with nearby Merton, Harrow and Sutton are useful as they are of similar size in terms of employment, but output and firm numbers differ significantly leading to major differences in productivity and firm size. These factors characterise the nature of the local economy.

**Table 1.1: Comparator boroughs**

Local Authority Name	Firms	Employment	Output (£ms)	Productivity (£k per emp)	Size (Emp per firm)
Richmond upon Thames	19,200	82,600	£4,988	£60.39	4.3
Sutton	15,100	81,800	£4,148	£50.71	5.4
Merton	17,500	82,800	£3,705	£44.75	4.7
Harrow	25,200	82,300	£3,802	£46.20	3.3

Source: TBR, 2013

## 1.2 Performance of the local economy

Richmond's economy is taking some strain. Over the period 2006 to 2012 it has lost firms and jobs and productivity has fallen. Across the two main Components of Change; firm start-ups and closures and firm migration, the results are disappointing with closures exceeding start-ups on a 1.4:1 ratio and out migrators outstripping in migrators at 1.2:1. The data on employment, output and productivity follow the same pattern. Only continuing businesses have shown progress in generating jobs, increasing output and becoming more productive.

## 1.3 Questions posed within the brief

The brief posed a series of specific questions, which the report addresses.

*Assess the scale, nature, cause and likely impacts of the migration of firms into and out of the LB Richmond and the effect this may have on the long term economic health of the borough.*

The overall effect of migration has generally been a negative one for the London Borough of Richmond. The net effect of migration has been to reduce the number of businesses, employment, output and productivity. Overall this equates to a shrinking economy and diminishing capacity to generate wealth.

As a key sector, the business service sector in LBR is shrinking, with businesses migrating out of this sector being a important factor. This sector is unlikely to return to previous levels if businesses do not remain in LBR or more start-ups or inward migrators are generated.

*Is there a particular pattern of spatial provision which is driving inward and outward migration?*

The rest of London and proximate parts of Surrey represent the main sources and destinations of inward and outward migrators.

Within the borough, Twickenham and Richmond are the main sources of both out and in migration.

*To what extent is Richmond dependent on migration for its vitality?*

On the whole, continuing businesses, start-ups and closures are the main drivers of LBR's economic performance, with migration playing a lesser role. However, business migration becomes more significant once factors such as firm size, output and productivity are considered, particularly when the characteristics of inward and outward migrators are not matched.

As indicated above, Richmond's economy has shrunk over the seven year period to the end of 2012. Achieving net in migration will certainly help in halting and reversing the decline in the local economy.

### *What is the pattern of inward migration?*

Business services is by far the largest sector within Richmond, unsurprisingly it also has the greatest proportion of inward migrators. However, the sector is responsible for disproportionately more in migration than its share of the population would suggest. Table 1.2 below provides additional context by comparing each sector's share of firm population and in migration.

**Table 1.2: Comparison of in migration and firm population**

Sector	Proportion of in migrating firms	Proportion of firm population
Leisure	2%	3%
Tourism & hospitality	4%	2%
Scientific & technical	19%	6%
Retail	3%	11%
Creative	2%	4%
Business services	42%	33%
Other	28%	41%
Total	100%	100%

Source: TCR, Ref: WTS1:S9

Thus the business services sector is responsible for 42% of in migrating firms while only representing 33% of the firm population. The table provides an indication of those sectors for which migration is most significant. Clearly scientific and technical is most over represented in that it has over three times more impact on firm in migration than the population as a whole.

### *Who are the owners of these firms and where are they located?*

Inward migrators are predominantly independently owned and come from other London boroughs and the South or England. However, UK or foreign owner companies bring in proportionally more employment and output as 'corporate-owned' businesses tend to be more productive.

### *Where are the firms locating that leave Richmond?*

Outward migrators usually migrate to other London boroughs or local authorities in the South of England.

The most popular London borough that business relocate to is Westminster.

### *What impact do these changes have on:*

#### *Employment*

In migration has brought just over 5,200 jobs to the borough, while out migration has resulted in over 7,700 jobs being lost. Overall, nearly 2,500 jobs have been lost as a result of firm migration.

#### *Skills Needs*

The data do not provide any specific indications other than that business services has been the prime source of lost jobs. Typically, as around three quarters of all jobs in business services are at associate professional and above this would suggest that a large number of 'high quality' jobs have been lost.

#### *Productivity*



Overall, out migrators tend to be marginally larger and more productive than in migrators. This would indicate that migration has been a drag on productivity. Continuing firms have raised their productivity and their larger numbers have meant that the impact has been muted.

### *Local economic strength*

Firm migration, along with firm churn (star-ups and closures) has had a negative impact on Richmond's economy. Continuing firms have created 900 jobs and increased output by over £430 million, yet the net effects of migration and churn mean that the economy in 2012 was smaller in terms of firms, employment and output than in 2006.

## 1.4 Recommendations for future study

For the next stage of this two-stage project, we put forward a number of recommendations:

- **Efforts are needed to reinvigorate the economy** of Richmond. Inward investment, business retention and start-ups all offer potential for improvement. Understanding the 'Richmond offer' will be key to this, so further work is needed to understand why firms are attracted to the borough and why they leave.
- **Undertake stage two** of the research which involves interviewing decision makers within businesses that have either moved into the borough or who have moved out.
- **Stage two should focus on:**
  - **Businesses in sectors where migration is a more prevalent** phenomenon (e.g. business services, scientific & technical...), rather than on sectors where it is a less common occurrence (e.g. tourism and hospitality).
  - **Business services as it is clearly a key sector** for LBR's economy. However, the sector is shrinking and outward migration is removing employment, output and productivity from the borough. **Both inward and outward migrators** need to be spoken to in order to understand their motivations and experiences after moving.
  - The **creative sector** in LBR is one of national significance. Yet the inward migrators in this sector tend to have a lower output and productivity than those already established in LBR. Again **both inward and outward migrators** should be contacted.
  - **Inward migrators with UK or foreign ownership** bring with them larger workforces, output and productivity. It is recommended that some of **these firms be contacted** as they are evidence of inward investment into LBR's economy.
  - **Hounslow** features in the top five list source of inward migrators across all three metrics; firms, jobs and output. It would be worthwhile investigating the motives for this relocation to Richmond and if this has been a positive experience for the businesses.
  - Firms which move **into or out of Central London** are likely to see their **costs change significantly**, so a number of these businesses should be spoken to about their reasons for moving.
- The interviews need to investigate a **range of factors** such as: transport; access to transport links; availability of skills; the cost and quality of premises and any subjective factors, such as prior knowledge or the ambience of the borough.
- The interviews should also explore the **decision making prior to the move**: the basis of the choice to move; the factors considered; the point of no-return and whether anything could have altered the decision.
- Likewise **experiences post move** need to be explored to establish the extent to which expectations associated with the move have been met and the impact on the business itself.

- Effort should be given, prior to the survey, to thinking about what the **ideal positioning of the borough and its key centres** should be. Phase two then provides an opportunity to test the extent to which this ideal is already being met and what the potential is for improvement.
- Both outward and inward migrators need to be questioned about the **role of the local authority** and what part it can and should play in attracting and retaining businesses.

Details of any targeting of specific businesses will be undertaken at the next stage when a programme of interviews is proposed.

## 2 Introduction

### 2.1 Aims and objectives

The London Borough of Richmond (LBR) contracted TBR to investigate the extent and nature of firm migration into and out of the borough.

The specific objective posed by the Council was to assess the scale, nature, cause and likely impacts of the migration of firms within LBR and the effect this will have on the long term economic health of the borough.

It was intended that the study would also assist in helping LBR achieve a better focus for their work on business retention, inward investment, and the requirement for certain types of employment sites to back up the policy of protecting employment land.

In particular, they wanted answers to the following:

- Is Richmond losing firms that it would prefer not to lose – looking at size and industrial sector?
- If able to identify these firms, what might it be able to do to mitigate the change?
- Equally, is Richmond gaining firms contributing to strengths or addressing gaps?
- Is there a particular pattern of spatial provision which is driving inward and outward migration? Any indication of any Richmond hotspots or problem areas – e.g. companies leaving particular industrial estates or town centres due to lack of suitable expansion space?
- What impact do these changes have on:
  - Employment
  - Skills Needs
  - Productivity
  - Local economic strength
- To what extent is Richmond dependent on migration for its vitality?
- What is the pattern of inward migration?
- Who are the owners of these firms and where are they located?
- Where are the firms locating that leave Richmond?

It was originally envisaged that the study would include a number of face to face interviews with a representative sample of companies in the borough to provide an indication of what the critical factors are that affect their location or relocation decisions, e.g. premises, staff, new suppliers, grant incentives by other areas; etc. Following discussions, it was agreed that the work should be split into two parts:

1. An initial desk based study that investigated the nature and extent of change within the borough and which focused on firm migration. This stage should be informative of itself while providing a platform for the next element to involve direct contact with businesses.
2. Having carried out the analysis of firm migration, a cohort of in and out migrating firms would be contacted and interviewed about their motivations to move and the extent to which these have been met.

### 2.2 Glossary of terms

To aid readers we present working definitions for a number of technical terms used in the report.

**Output/Gross Valued Added (GVA)** – GVA is a measure output. In economics it is the value of goods and services produced by a firm or firms within an area, industry or sector of an economy. As a measure of economic output it is linked to Gross Domestic Product (GDP). It is calculated using financial figures from TBR's database, specifically; profit before tax, employment costs and depreciation. To minimise the use of technical jargon, the term output, rather than GVA, is used throughout the report.

**Business Starts** – Business starts are new businesses and are also referred to as start-ups and births. Analysis of business starts is useful in that it gives an insight into local entrepreneurship and the pace at which an economy is reinvigorating itself. Likewise, an area with a high business start-up rate should give businesses confidence that it's a place where they can survive and prosper.

**Business Closures** – As it suggest this is the opposite of business starts. These firms are also referred to as firm deaths. Analysis of closure data offers an understanding of the extent to which an area is conducive for conducting business. Overall, a high rate of business closures suggests an area is one where firms find it difficult to survive and prosper, indicating an environment which may not be attractive for business.

**Business Migration** – In this report, business migration is defined as the process of an actively trading business re-locating from one physical location to another. Overall, this report is concerned with the migration of business from one local authority to another, with a distinct focus on understanding the effect on the economy of Richmond.

**Importance** – A sector is important if it employs a significantly larger proportion of the workforce or generates a greater output than other sectors.

**Location Quotient (LQ)** – This is used to assess the prevalence of an economic activity within a defined location. It is calculated by dividing the proportion of firms or employment with an area and comparing this to a reference, e.g. England or the UK. LQs are typically used as a proxy to assess the strength of an economic activity or cluster.

**Significance** – This uses the LQ score (see above) to determine whether a location contains a significant grouping of a particular economic activity. An LQ score of 1.25 or above signifies that there is a significant presence within an area.

**Zero class companies** – these are business with no employees other than the principal and so include the self-employed.

## 2.3 Methodology

### 2.3.1 Components of Change Analysis

One of the main methods of the reports was to use components of change analysis.

Components of change analysis is used to help explain the underlying drivers of change in an economy. The standard components of change measured in this analysis include:

1. New business starts (firm births) within an area
2. Business closures (firm deaths) within an area
3. The change in the continuing business base (i.e. firms that survive the period) within an area

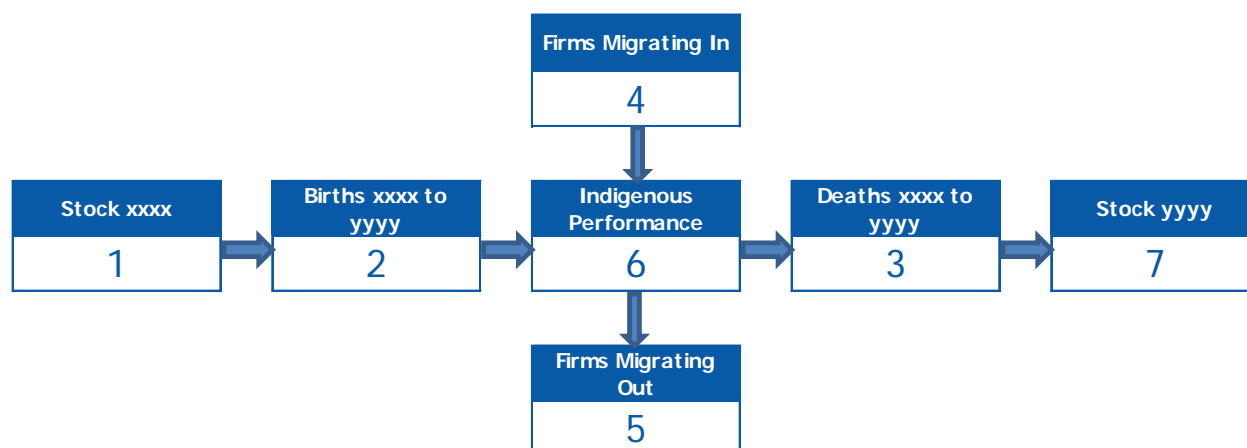
Using TCR, our longitudinal business database, TBR is able to factor in an additional component of change, often not included in this kind of analysis:

4. Business migration, both into and out of an area

Businesses can relocate if they feel it would be beneficial for them, and an area's ability to attract and retain businesses is an important characteristic of its economy. Because the analysis considers the 'spatial mobility' of businesses as well as looking at other components of change in an area's economy, this report provides a complete picture of how the Richmond's economy has changed for key sectors.

Figure 2.1 shows how migration and the other components come together to change the business stock, employment and economic output (GVA) from one year to the next and the steps are explained over the page.

Figure 2.1: Components of Change



1. Start with the business stock, employment and economic output for an earlier year
2. Add in the business starts between the earlier and current year
3. Take away the business closures between the earlier and current year
4. Add in firms migrating to the area between the earlier and current year
5. Take away firms migrating from the area between the earlier and current year
6. Add in the performance of the continuing businesses (this could be positive or negative in terms of employment and economic output; by definition, it is always zero for businesses). Continuing firms are those that are in the economy at the start of the period (xxxx) and are still there at the end (yyyy)
7. This leaves the business, employment and economic output for the current year

The analysis allows detailed insights into the changes in an economy, identifying whether a particular component of an economy is driving change. For example, an area could be seen as extremely attractive for engineering businesses and recent growth might be attributed to a surge of inward migrants.

For the Components of Change (CoC) models we use ungrossed data from our business database TCR (see below). Thus the analysis is based on actual firms and takes no account of those firms which exist but have not been captured within TCR. Firms with fewer than 10 employees are the most likely to have been missed out, so the overall impacts on employment and output will be relatively small. This use of ungrossed data for the Components of Change analysis means that there will be discrepancies between the total stock of firms used here and in the general narrative which uses grossed data, i.e. compensates for the firms missing from TCR.

### 2.3.2 TCR

The primary data source used for all analysis presented in this research is TBR's own unique longitudinal database, Trends Central Resource (TCR). TCR is one of the most extensive bodies of information on UK enterprise. It was developed by TBR following original research demonstrating the role of small firms in job creation, undertaken 25 years ago for the Department of Trade & Industry. TCR currently contains data on nearly 3 million live firms and organisations in the UK, together with historical information on a further 5 million organisations going back to the 1970s.

For each firm on the database, TCR records historic details of size and performance, business activity, ownership structures, executives, type of entity, start-up year and, perhaps most important for this study, location. This information is held as a seamless time series.

TCR has superior coverage compared with official sources, such as the Inter Departmental Business Register (IDBR). The IDBR only covers VAT and PAYE registered businesses, which means that a

significant proportion of sole traders and micro businesses are not counted. This is because many very small businesses have low turnover and therefore are not required to register for VAT. They are also not required to submit full accounts to Companies House, meaning they are quite often missed by monitoring databases.

TCR has better coverage of this 'missing tier' of non-VAT businesses, as well as excellent coverage of firms employing over 5 people. To account for gaps in coverage, TBR's Observatory team carries out a weighting exercise on TCR in order to produce a view which reflects the whole economy. This is achieved by comparing TCR against the Business Population Estimates (BPE) produced by the Department for Business, Innovation & Skills (BIS) in order to determine a set of weighting factors to apply to TCR<sup>2</sup>.

Because the IDBR is used as the basis for surveys of employment, it means that official employment counts are also missing those firms that operate below VAT and PAYE thresholds. As a result, TCR employment counts are generally higher due to this extended coverage of micro firms which are not included in official figures.

GVA estimates from TCR are calculated using different indicators to those used in official sources. TCR uses a combination of profit, remuneration and depreciation whereas official sources also take in to account tax revenues. In addition to this official sources are based on aggregate data (often from business surveys) rather than TCR's firm-level data. There are several methods through which GVA can be calculated and ONS publish a number of different estimates at national level.

### 2.4 Structure of document

The document comprises seven sections. The **first** provides a summary of the project, the key findings, conclusions and recommendations. Section **two** presents an introduction to the report and includes details of the project brief and method used. Section **three** is the first substantive element and seeks to position the Richmond economy within that of the capital. Section **four** considers how the Richmond economy has performed over the period 2006 to 2012. It introduces the Components of Change model and goes on to investigate the nature of change over this time frame. Section five moves on to investigate change at the level of individual sectors. The sectors were identified by the client as being important locally. In section six, we consider what implications there may be for skills should firm migration change the size and profile of the sectors. Finally, in section **seven** the findings are drawn together in a set of conclusions that seek to address the questions posed in the brief and recommendations are made for the second stage of the assignment.

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<sup>2</sup> Some analysis, such as firm migration, requires unweighted data, as such all analysis in this report is based on unweighted data. It still covers some of the non-VAT element, approximately one third.

### 3 Richmond in Context<sup>3</sup>

In this section we review the Richmond economy as a whole within its context as a London Boroughs and then by its sectoral constituents.

#### 3.1 Size in relation to London

Geographically, Richmond is a mid-sized outer London Borough. However, much of its area is taken up by park land that includes Richmond, Bushy, Kew and Hampton Court Parks. Other attractions include Hampton Court, Twickenham stadium and the London Wetlands Centre.

Table 3.1: The Borough economies of London

Rank	Local Authority Name	FIRMS	EMPLOYM ENT	Output (£ms)	GVAPH (£ks)	% Firms	% Emp	% Output
1	Westminster	89,600	694,200	£49,183	£70.85	11.5%	15.0%	18.9%
2	City of London	27,400	378,200	£39,544	£104.56	3.5%	8.2%	15.2%
3	Camden	48,600	338,200	£20,353	£60.18	6.2%	7.3%	7.8%
4	Tower Hamlets	23,500	174,900	£12,621	£72.16	3.0%	3.8%	4.8%
5	Islington	32,000	213,200	£11,363	£53.30	4.1%	4.6%	4.4%
6	Southwark	23,000	202,000	£9,829	£48.66	2.9%	4.4%	3.8%
7	Hammersmith & Fulham	21,400	145,200	£7,726	£53.21	2.7%	3.1%	3.0%
8	Hounslow	18,700	128,500	£7,596	£59.11	2.4%	2.8%	2.9%
9	Hillingdon	21,700	152,600	£7,169	£46.98	2.8%	3.3%	2.8%
10	Barnet	44,600	145,500	£6,918	£47.55	5.7%	3.1%	2.7%
11	Kensington & Chelsea	18,400	121,700	£6,283	£51.63	2.4%	2.6%	2.4%
12	Croydon	26,400	139,500	£6,203	£44.47	3.4%	3.0%	2.4%
13	Lambeth	19,500	118,800	£5,456	£45.93	2.5%	2.6%	2.1%
14	Bromley	25,900	114,800	£5,157	£44.92	3.3%	2.5%	2.0%
15	Ealing	24,800	128,800	£5,029	£39.05	3.2%	2.8%	1.9%
16	Richmond upon Thames	19,200	82,600	£4,988	£60.39	2.5%	1.8%	1.9%
17	Brent	22,600	103,000	£4,605	£44.71	2.9%	2.2%	1.8%
18	Hackney	20,100	89,800	£4,596	£51.18	2.6%	1.9%	1.8%
19	Sutton	15,100	81,800	£4,148	£50.71	1.9%	1.8%	1.6%
20	Enfield	21,700	105,500	£4,142	£39.26	2.8%	2.3%	1.6%
21	Wandsworth	22,900	104,000	£4,094	£39.37	2.9%	2.2%	1.6%
22	Harrow	25,200	82,300	£3,802	£46.20	3.2%	1.8%	1.5%
23	Merton	17,500	82,800	£3,705	£44.75	2.2%	1.8%	1.4%
24	Kingston upon Thames	14,100	84,200	£3,238	£38.46	1.8%	1.8%	1.2%
25	Havering	18,000	84,000	£3,075	£36.61	2.3%	1.8%	1.2%
26	Bexley	15,300	76,900	£2,917	£37.93	2.0%	1.7%	1.1%
27	Redbridge	22,000	76,100	£2,822	£37.08	2.8%	1.6%	1.1%
28	Greenwich	13,400	69,600	£2,583	£37.11	1.7%	1.5%	1.0%
29	Newham	14,000	72,500	£2,557	£35.27	1.8%	1.6%	1.0%
30	Waltham Forest	15,500	63,000	£2,438	£38.70	2.0%	1.4%	0.9%
31	Haringey	15,800	62,100	£2,409	£38.79	2.0%	1.3%	0.9%
32	Lewisham	14,200	58,700	£1,913	£32.59	1.8%	1.3%	0.7%
33	Barking & Dagenham	8,400	51,100	£1,885	£36.89	1.1%	1.1%	0.7%

Source: TBR, 2013 (Ref, W3:S1)

As can be seen from Table 3.1 above it ranks mid table in terms of output (16/33), lower in terms of firms (20/33), lower still in terms of employment. This suggests a relatively small economy (by

<sup>3</sup> This section using grossed data from the TCR business database

employment), populated by small but very productive businesses. This chimes with an intuitive assessment of a prosperous borough located within southwest London.

Comparisons with Merton, Harrow and Sutton are useful as they are of similar size in terms of employment, but output and firm numbers differ significantly leading to major differences in productivity and firm size. These factors characterise the nature of the local economy.

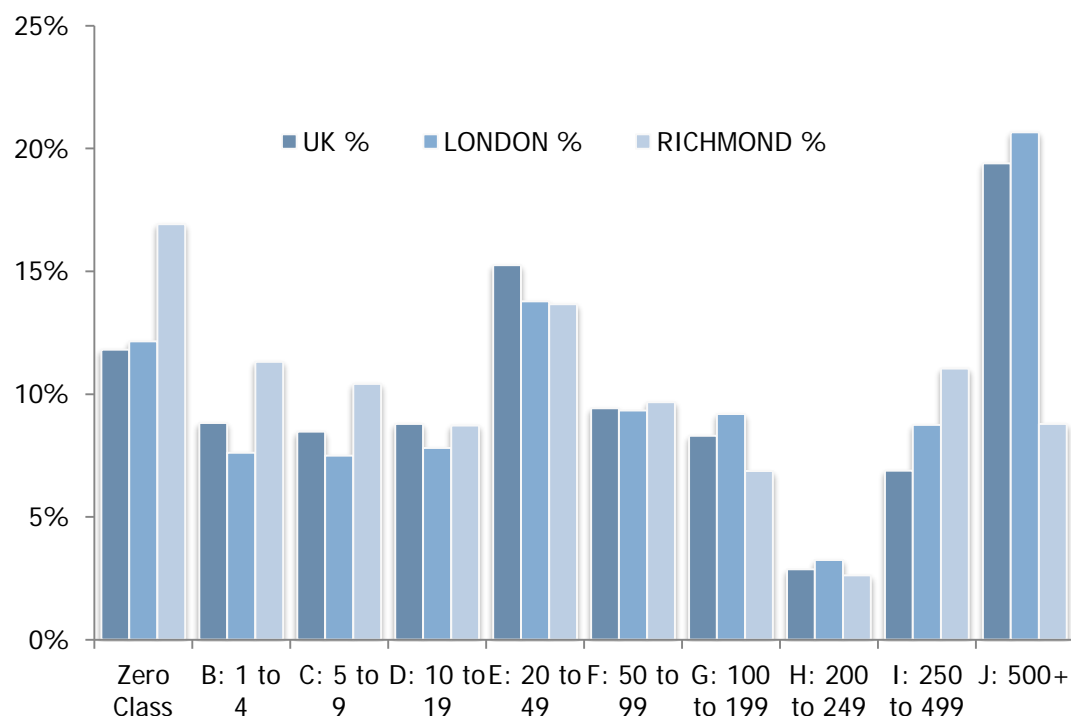
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Sutton	15,100	81,800	£4,148	£50.71	5.4
Merton	17,500	82,800	£3,705	£44.75	4.7
Harrow	25,200	82,300	£3,802	£46.20	3.3

Source: TBR, 2013

A defining feature of the borough’s economy is the contribution of the self-employed and micro-businesses, see Figure 3.1 below. This indicates that proportionally more of the borough’s employment is in small firms (up to 9 employees) compared to both London and the UK. We may infer from this that much of the employment space is likely to be small and that many people work from home.

Figure 3.1: Employment % by firm size (2012)



Source: TBR, 2013 (Ref, W3: C5)

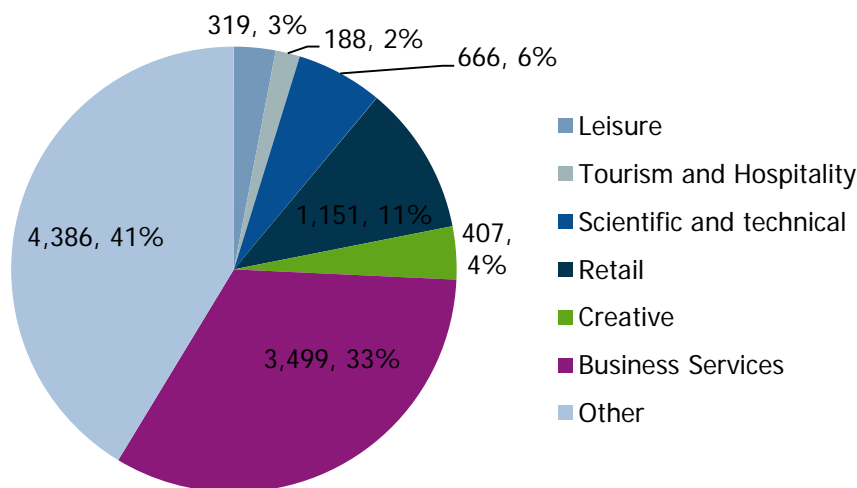
These zero-class (no employees) and micro-business (up to 9 employees) are important contributors of output to LBR’s economy, with 33% of the economy’s £4.8billion generated by these firms. The comparable figure for London is 28%.



### 3.2 Sectoral breakdown

Richmond’s economy has been segmented into seven key sectors for the purposes of this assignment. Six of these were identified as target sectors by LBR and the remaining economic activity has been incorporated into a single grouping. Please see section 9.1 on page 48 for definitions.

Figure 3.2: Composition of Richmond economy



Source: TBR, 2013

To understand the nature of the sectors we compared their importance and significance. Importance considers the quantum of employment and output at the local level, while significance makes reference to the distribution of activity across the country (using location quotients or LQs).

Sectors with high importance cannot be ignored as they are too large. Significant sectors may offer opportunities for growth or some form of specialisation.

As we can see from Table 3.3 below, business services is both important (very high levels of output and employment) and significance (LQ > 1.25). Conversely, creative is certainly significant (LQs >> 1.25) but only marginally important.

Table 3.3: Importance and significance of LBR’s sectors (2012)

Sector	Importance				Significance	
	Employment	Output (£m)	% Total Emp	% of total output	Employment	Output
Leisure	2,938	£53	4.0%	1.5%	1.64	1.06
Tourism and Hospitality	2,011	£74	2.7%	2.1%	1.07	1.13
Scientific and technical	5,509	£364	7.5%	10.1%	0.99	0.85
Retail	7,435	£235	10.1%	6.5%	1.15	0.94
Creative	3,167	£233	4.3%	6.5%	2.89	3.08
Business Services	19,287	£1,626	26.1%	45.3%	1.48	1.48

Source: TBR, 2013 (Ref, W1: S2)

In summary:

- **Business Services is the key sector**, with both a high level of importance and significance.
- **Retail is important to LRB's economy with a large workforce and high output**, but the significance is of a lesser degree and similar to that of the UK.
- **Scientific and technical businesses are an important component of LBR's economy**, but this sector is of lower significance.
- **The creative sector in LBR is highly significant**, both in terms of its employment and output. However, the creative sector is of lower importance and contributes a lot less than, for example, business services.

## 4 Change to the Richmond Economy (2006 to 2012)

In this section we seek to identify and consider the nature of change to the Richmond economy over the period 2006 to 2012. This incorporates the recessionary watershed of 2008 to (approximately) 2010.

### 4.1 Components of Change

We employ the Components of Change model to demonstrate the key elements that go to make up a local economy. These include:

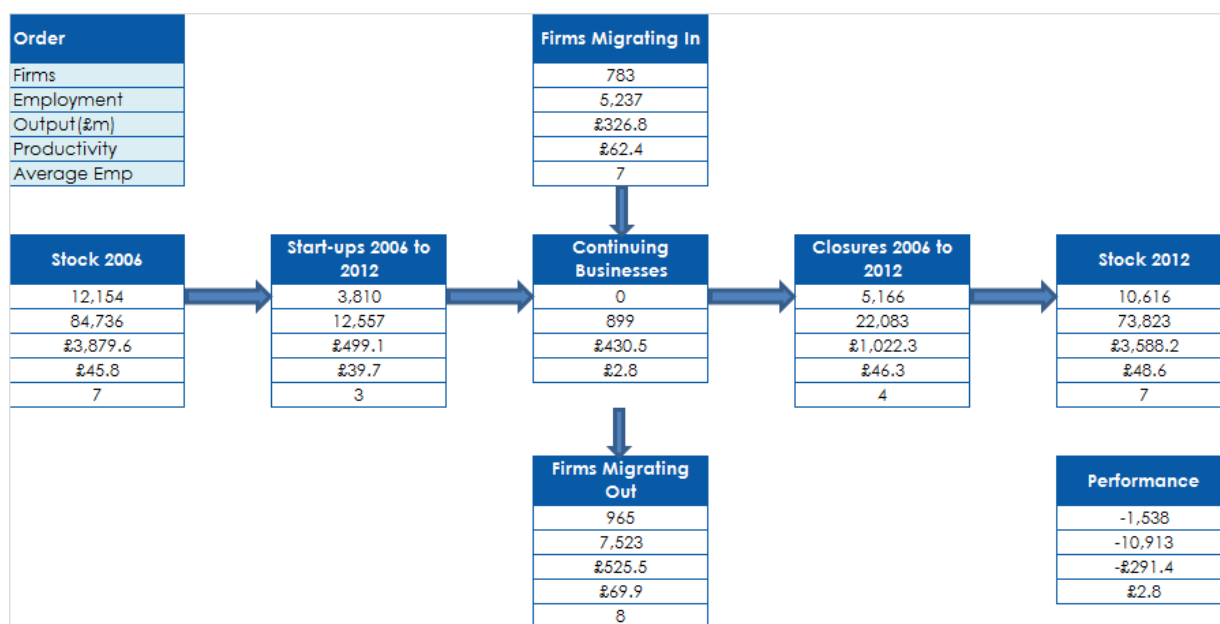
- Firm start ups
- Firm closures
- Firms migrating in
- Firms migrating out
- Continuing firms

**Stock 2006** describes the key measures in terms of firm numbers, employment, output etc as of 2006. Likewise **stock 2012** sets out the position as of 2012.

Figure 4.1 should be read from left to right and top to bottom in order to establish the changes that have taken place between 2006 and 2012. Thus:

$$\text{Stock 2006} + \text{Starts} + \text{Continuing firms} - \text{Closures} + \text{In migrators} - \text{Out migrators} = \text{Stock 2012}$$

Figure 4.1: Components of Change Richmond 2006 to 2012<sup>4</sup>



Source: TCR, Ref: WTS1:S5

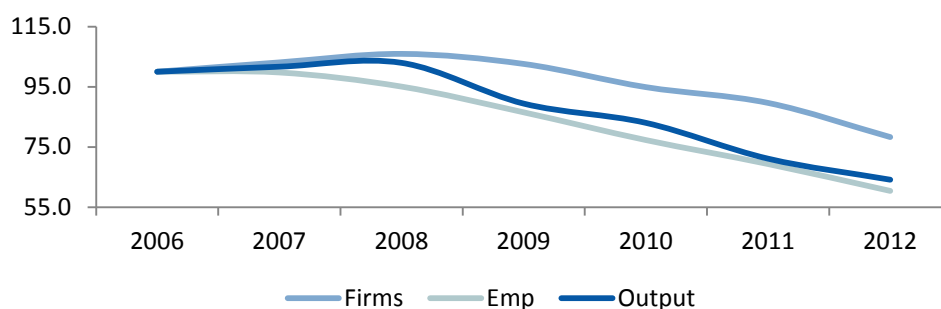
Immediately it can be seen that firm closures have exceeded start-ups and that there have been more firms migrating out than moving in, resulting in the firm stock shrinking from 12,154 in 2006 down to 10,616 in 2013. This equates to the number of firms reducing by over two percent every year.

<sup>4</sup> It should be noted that Components of Change diagrams are based on one starting point and one finishing point. They illustrate the changes within an economy over a given period. For example, the above example will not capture businesses that started after 2006 and closed before 2012. This could represent a significant number as around 30% of businesses close before they achieve five years' of trading.

## Change to the Richmond Economy (2006 to 2012)

The actual performance over time is also demonstrated graphically in Figure 4.2 below, which shows employment and output falling even faster than the number of firms. Furthermore, there is no evidence of the trend reversing or stabilising in recent years.

Figure 4.2: Indexed performance of LB of Richmond Economy since 2006



Source: TCR, Ref: WTS1:S1

The evidence above is of concern and suggests that Richmond's economy is performing poorly and that efforts are needed to halt the decline.

Having considered the economy overall, we review each of the components in detail.

### 4.2 Starts/closures

Over the period 2006 to 2012, albeit difficult economic period, LBR's Economy has shrunk.

The period is proving difficult for businesses, with nearly 50% of the business stock of 2006 no longer operating, i.e. nearly half of all the businesses that were in existence in 2006 have ceased trading. This is above the rate for England, which stands at 40%. Note that the vast majority of these are very small firms which fold soon after being set up.

Replenishment of the business stock through new start-ups is proving a challenge. New firm formation is lagging closures resulting in a fall in the overall business population. The situation is exacerbated as the firms which close tend to be larger than the new starts leading to a faster loss of jobs and economic output.

### 4.3 Continuing firms

Businesses that have survived the period are performing well, generating additional (899) jobs and increasing their output (£431million).

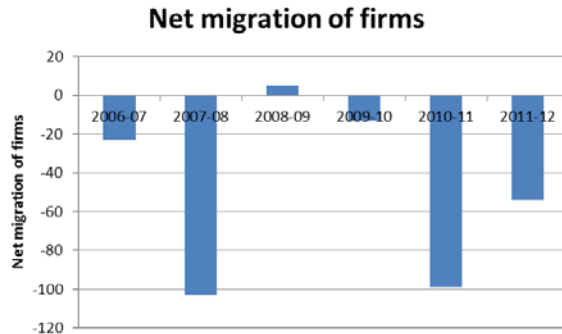
This suggests that the strongest businesses have survived the recession and even been able to grow.

### 4.4 Migrating firms

Firms that migrate are 'captured' on their way into the economy as in migrants, or on their way out as out migrants.

## 4.4.1 Overall contribution of migration

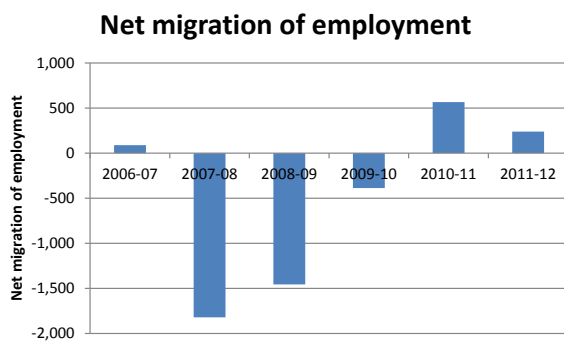
Figure 4.3: Outward migration by business size



In all but one year there has been net outward migration by businesses from Richmond. In two periods 2007/8 and 2010/11 there was a net loss of around 100 businesses. Firm migration has accounted for a loss of over 180 firms, nearly 2,500 jobs and £450m in output.<sup>5</sup>

Currently, migration is actively contributing to shrinking LBR's economy by depleting the business base, and so reducing employment and output.

Figure 4.4: Outward migration by business size



However, recent trends in migration have been positive for employment, with the net effect of migration positively contributing to LBR's workforce. As the number of firms moving out is still greater than the number moving in it suggests that the businesses moving in are larger than those that are leaving. Thus firm migration is having the effect of increasing the pool of 'larger' firms.

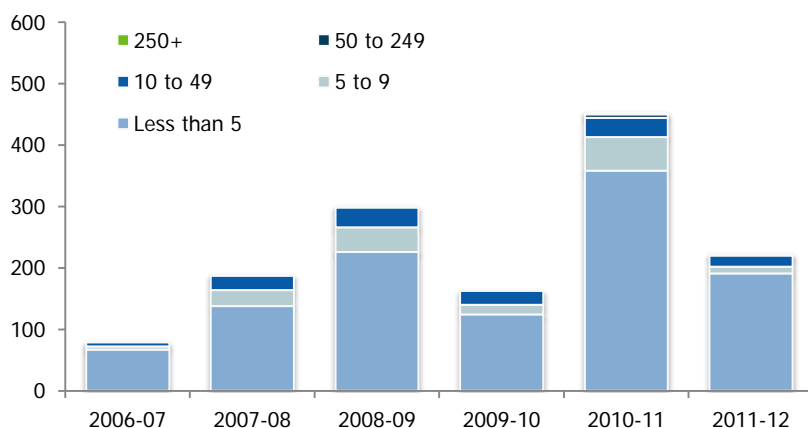
### 4.4.1.1 Size

Understanding the size of businesses moving into or out of the local economy is important not only of itself, but also as a possible indicator of why this is happening. For instance, if out migrators tend to be of a certain size, it may reflect a lack of suitable accommodation.

<sup>5</sup> These figures are only for firms that existed in 2006 and still alive in 2012

# Change to the Richmond Economy (2006 to 2012)

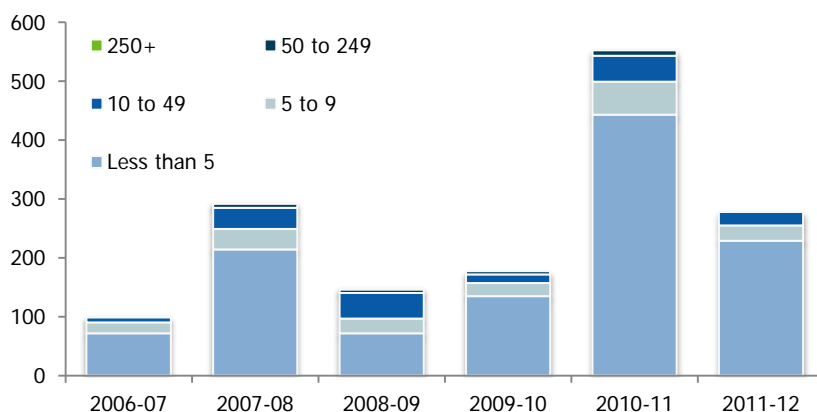
**Figure 4.5 - Inward migration by business size**



Migration in and out of LBR's economy is predominantly undertaken by small businesses (5 or fewer employees per firm). That small firms are relatively more mobile is unsurprising given the relatively simple logistics, greater availability of premises and general distribution of businesses towards small firms.

Source: TCR, Ref: WTS2:S7a

**Figure 4.6: Outward migration by business size**

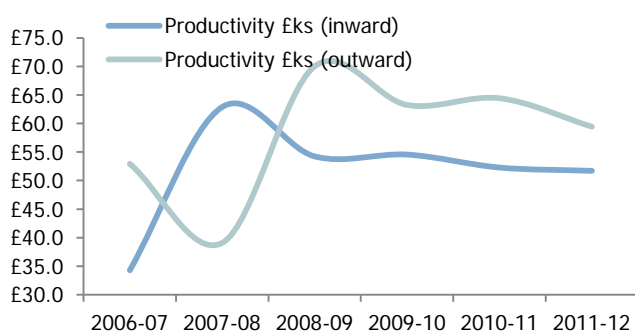


However in reviewing firm size, there is a discernable difference between the two groups in that medium sized firms (50 to 249 employees) make up a larger proportion of the firms which move.

Source: TCR, Ref: WTS2:S7b

## 4.4.1.2 Productivity

**Figure 4.7: Productivity of firms that migrate**



Since 2008 companies that migrated out of LBR's economy tended to be more productive than companies that migrated into the economy. However, there appears to be a gradual reduction in the distance between the two lines suggesting convergence. While this cannot be stated with any certainty from the data, the shapes of the two lines are similar with out migration leading in migration by about 12 to 18 months.

Figure 4.8: Difference in productivity between in and out migrators

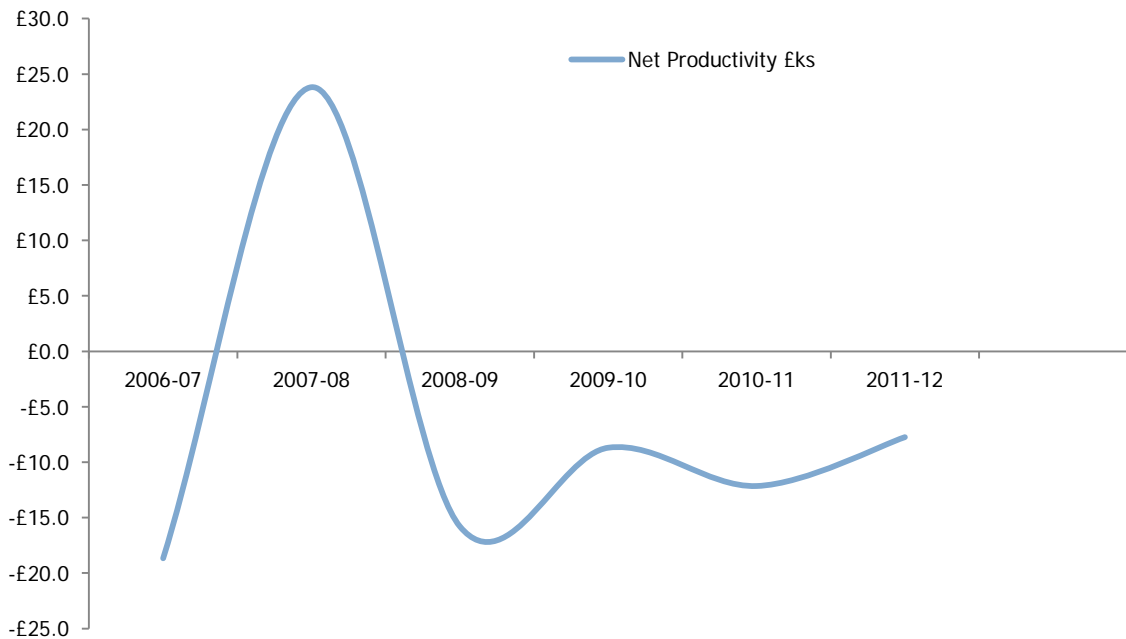


Figure 4.8 allows the difference in the curves to be viewed more clearly. There is now a difference of around £8k per head in the productivity between outward and inward migrators. This is an improvement from the £20k per employee position in 2008/9.

If migration is to be a positive contribution to the economy of LBR, then the deficit of productivity needs to be reversed. This can be achieved by attracting businesses with greater levels of productivity than currently being attracted and by retaining those 'continuing firms' which demonstrate high levels of productivity.

## 4.4.1.3 Sources of in-migrators/Destinations of out-migrators

In this sub-section we analyse the sources of in migrators and destinations of out migrators.

Figure 4.9: Sources of inward migrating firms by percentage (firms, employment & output)

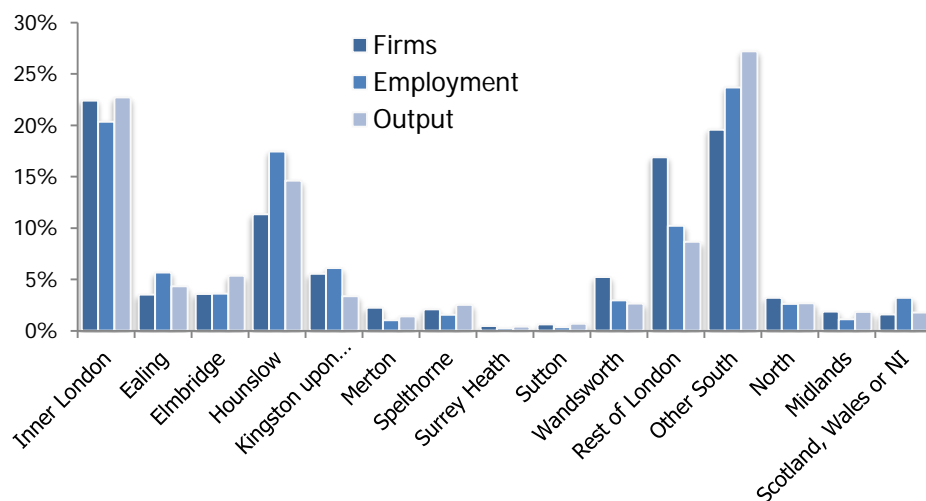


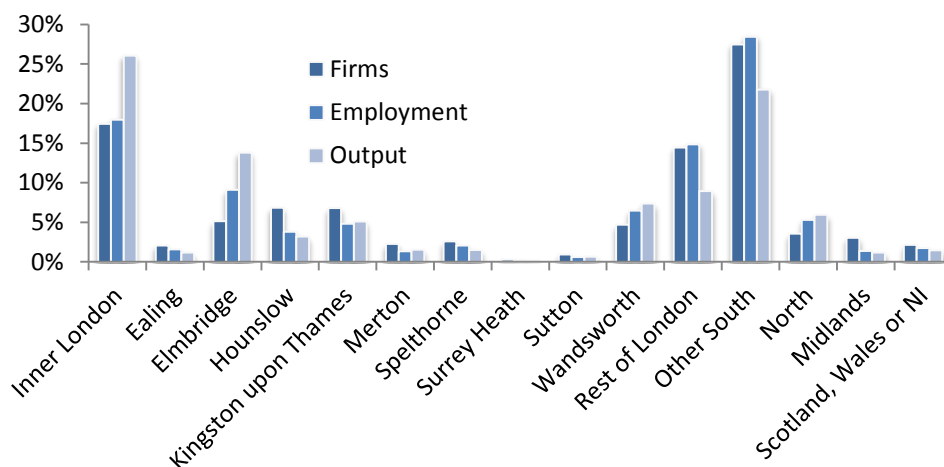
Figure 4.9 presents two main points:

London and the South are the key sources of businesses locating into Richmond. This is as expected. In terms of individual boroughs; Hounslow, Kingston, Ealing and Wandsworth are equivalent to the rest of Inner London.

The three key metrics (firms, employment and output) are not completely correlated reflecting a wide range of businesses and sectors.

We can see that the Rest of London provides a relatively large proportion of firms, yet their economic contribution is relatively modest. Conversely, Other South delivers firm that are proportionally larger and more productive in terms of output.

Figure 4.10: % of outward migration by destination (firms, employment & output)



Businesses leaving Richmond have either relocated within London or Southern England. Of note is the relative productivity of firms moving into Inner London compared to those that go to Other South. Those



## Change to the Richmond Economy (2006 to 2012)

firms staying in London are significantly more productive than those that leave the capital. This is expected as businesses have to maintain a minimum level of productivity in order to pay the costs associated with an inner London location.

**Table 4.1: Top destinations of outward migrators (firms, emp & output)**

Top Destinations	Firms	Employment	Output (£ks)	Productivity (£ks)
Westminster	64	551	£60,494	£110
Hounslow	61	258	£11,923	£46
Elmbridge	60	688	£5,513	£8
Kingston upon Thames	59	265	£18,332	£69
Hammersmith & Fulham	41	196	£12,495	£64
Spelthorne	35	244	£9,544	£39

Source: TCR 2013

Westminster is the most popular destination area for relocating outside of Richmond. It is notable that these companies have a larger average size workforce, and have a high output and productivity. This suggests that companies are reaching a certain level of success in Richmond, then deciding to relocate to into Westminster.

In addition, high output and productive businesses are migrating to Inner London. This suggests that these companies have obtained a level of success and confidence to relocate into Inner London.

**Table 4.2: Top sources of inward migrators (firms, emp & output)**

Top Sources	Firms	Employment	Output (£ks)	Productivity (£ks)
Hounslow	86	1216	£91,663	£75
Westminster	67	335	£16,181	£48
Kingston upon Thames	44	273	£9,173	£34
Hammersmith & Fulham	34	224	£12,396	£55
Elmbridge	34	233	£13,013	£56
Spelthorne	22	91	£3,450	£38

Source: TCR 2013

Hounslow and Westminster are the two most popular local authorities were businesses are attracted to relocating into Richmond. Those ones migrating from Hounslow also are firms with high productivity that is above Richmond's average productivity per worker.

**Table 4.3: Net Impact of Migration by local authority (firms, employment & output)<sup>6</sup>**

	Net Firms	Net Employment	Net Output (£ks)
Westminster	3	-216	-£44,312
Hounslow	25	958	£79,740
Elmbridge	-26	-455	£7,500
Kingston upon Thames	-15	8	-£9,160
Hammersmith & Fulham	-7	28	-£100
Spelthorne	-13	-153	-£6,093

<sup>6</sup> The green shading represents the top 5 local authorities for each variable (i.e. firm, employment and output). The table does not represent all the sources/destinations associated with migration to/from Richmond. The table cuts off any local authority that has less than 5 business migration to Richmond.

## Change to the Richmond Economy (2006 to 2012)

Wandsworth	0	-279	-£7,550
Camden	10	-6	-£9,773
Merton	2	-47	-£1,415
Southwark	-5	-118	-£10,228
City of London	-4	-51	-£2,500
Ealing	14	162	£5,244
Runnymede	-9	10	£9,847
Croydon	-11	-22	-£1,931
Barnet	-2	-15	-£2,161
Islington	0	-50	-£4,051
Harrow	-8	-29	-£1,060
Mole Valley	-6	99	£3,367
Windsor and Maidenhead	-8	-3	£747
Lambeth	0	-120	-£1,419
Hillingdon	0	-542	-£14,766
Guildford	-4	20	£2,092
Sutton	-7	-53	-£2,163
Waverley	-3	-3	-£78
Hackney	7	111	£8,688
Woking	-4	-61	-£2,577
Wokingham	-4	-34	-£2,791
Chichester	-4	-6	-£383
East Hampshire	-4	-13	-£936
Bracknell Forest	-4	-35	-£1,487
Reigate & Banstead	-3	-6	-£176
Enfield	-3	-34	-£1,796
Brighton & Hove	-2	0	£178
Surrey Heath	-2	-52	-£874
Wycombe	-3	-13	-£177
Epsom and Ewell	-2	-17	-£117
Kensington & Chelsea	29	118	£4,522
Hart	-3	61	£2,726
New Forest	-4	-20	-£1,310
Rushmoor	-4	2	-£331
Bromley	-3	-6	-£136
Bristol	-3	-30	£486
Horsham	-4	54	£2,835

Source: TCR 2013

### 4.4.1.4 Ownership

The vast majority of inward and outward migrators are independent companies, with 90% of business migration in and out of LBR conducted by independent businesses.

However, migrating businesses with either a UK or Foreign parent proportionally punch above their weight in terms of employment and output. Foreign owned firms never account for more than 5% of the number of businesses which migrate. Yet, they consistently account for more than 5% of the employment and output associated with firm migration.

From Table 4.4 and Table 4.5 below we see that foreign-owned firms are consistent with the wider firm migration pattern, in that outward migrating firms tend to be marginally larger, generate more output and are more productive than inward migrating companies. However, UK-owned firms seem to buck the trend in that in migrators are slightly larger, generate more output, and are more productive than out

migrators. Independent businesses appear to be more variable. Clearly, the overall figures for output and employment are a product of the number of firms moving and the characteristics of the average firm.

**Table 4.4: Analysis of inward migrators by ownership**

Ownership	Averages			% of Inward Migrators		
	Output (£ks)	Productivity (£ks)	Firm Size	Businesses	Employment	Output
Foreign	£932.13	£49.40	18.9	3.3%	10.6%	9.9%
UK	£919.12	£50.76	18.1	7.3%	22.8%	22.0%
Independent	£232.31	£53.98	4.3	89.4%	66.5%	68.1%

Source: TCR, Ref: WTS2:S6a

For a country breakdown of UK and foreigner partner ownership of inward migrators please see the appendix (section 9.3).

**Table 4.5: Analysis of outward migrators by ownership**

Ownership	Averages			% of Inward Migrators		
	Output (£ks)	Productivity (£ks)	Firm Size	Businesses	Employment	Output
Foreign	£1,282.62	£67.55	19.0	3.25%	12.38%	14.25%
UK	£799.12	£44.98	17.8	6.36%	22.63%	17.36%
Independent	£221.43	£61.72	3.6	90.39%	64.99%	68.39%

Source: TCR, Ref: WTS2:S6b

#### 4.4.1.5 Sources and destinations of migration within LBR

Having established the impact of firm migration and where these businesses come from or go to, we explore where they locate within Richmond itself.

We can see that there are 'hot spots' in Teddington and Richmond. Other areas that appear attractive to inward migrators include; Kingston, Twickenham, the Hamptons, and Upper Richmond Road West. It should be noted that in order to give a sense of relative 'importance' the maps are based on employment rather than firm numbers.

**Figure 4.11: Distribution of the inward migrators**

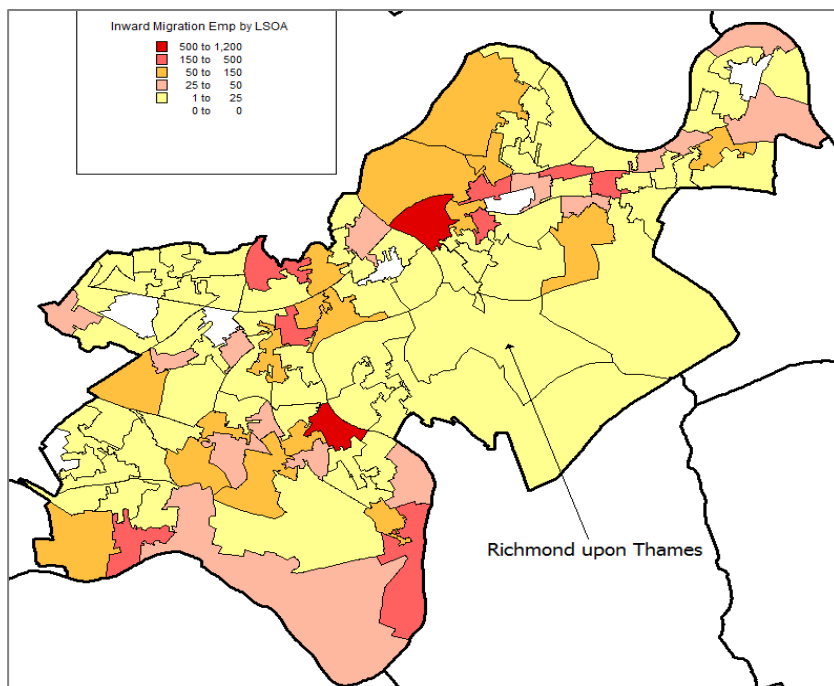
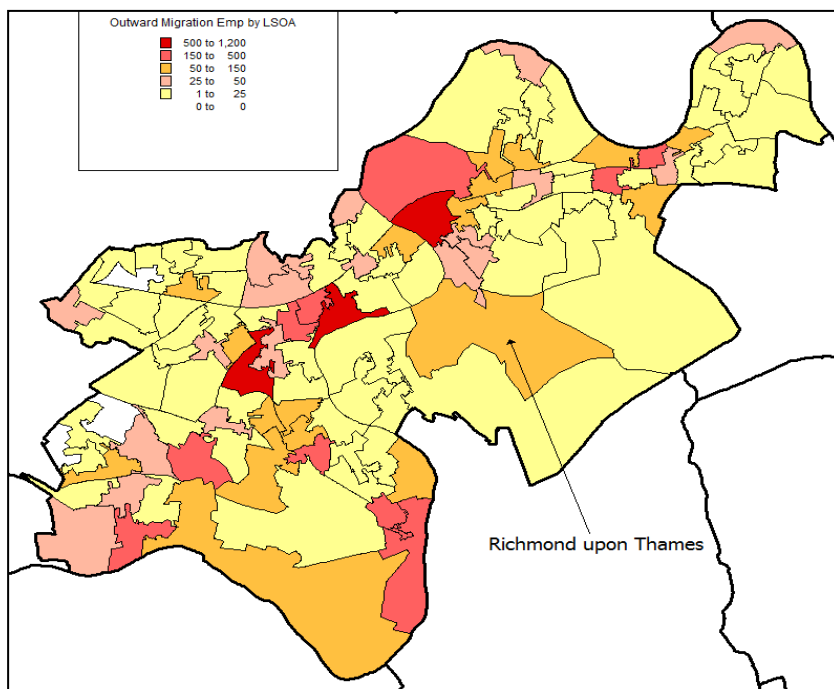


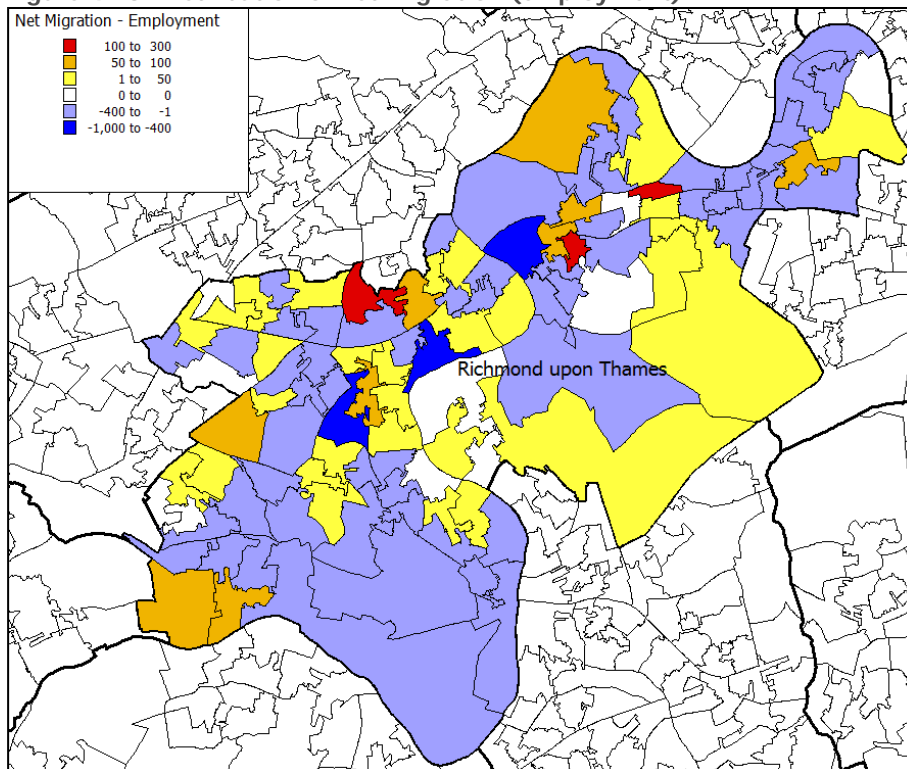
Figure 4.12 shows the distribution of where the employment of the out migrating companies was based. Again Richmond is one of the hot spots along with Twickenham and the Staines Road.

**Figure 4.12: Distribution of the origin of outward migrators**



To enable comparison we generated a map of net migration, which is presented as Figure 4.13 below.

Figure 4.13: Distribution of net migration (employment)



The locations in red represents the locations experiencing the greatest net in migration, whereas those in dark blue have suffered most from out migration. Richmond and Twickenham have fared least well overall. The areas to the west of Rugby Road, south of Sheen Road and south of Lower Richmond Road were the few that managed to attract significant levels of net employment (i.e. more than 100 jobs).

Figure 4.14 below provides an indication of the distribution of both in migrating (blue) and out migrating (amber) businesses.

Figure 4.14: Sample showing individual in and out migrators



In summary, the characteristics of firms that migrate into and out of Richmond are presented in Table 4.6: Characteristics of migrating firms

Table 4.6: Characteristics of migrating firms

Characteristics of firms that migrate
1. <b>Age:</b> in migrators tend to be marginally older (3-14 years) than out migrators (9 years or younger).
2. <b>Size:</b> Out migrators are generally slightly larger with seven staff on average compared to in migrators with six employees.
3. <b>Location:</b> Both sets of migrators tend to stay local with inner London and Surrey being the key sources of in migrators or destinations for out migrators.
4. <b>Ownership:</b> Both in and out migrators are usually independently owned businesses.
5. <b>Output:</b> Out migrators (£520k per firm) are generally more productive than in migrators (£327k per firm).

## 8.1 Employment land study

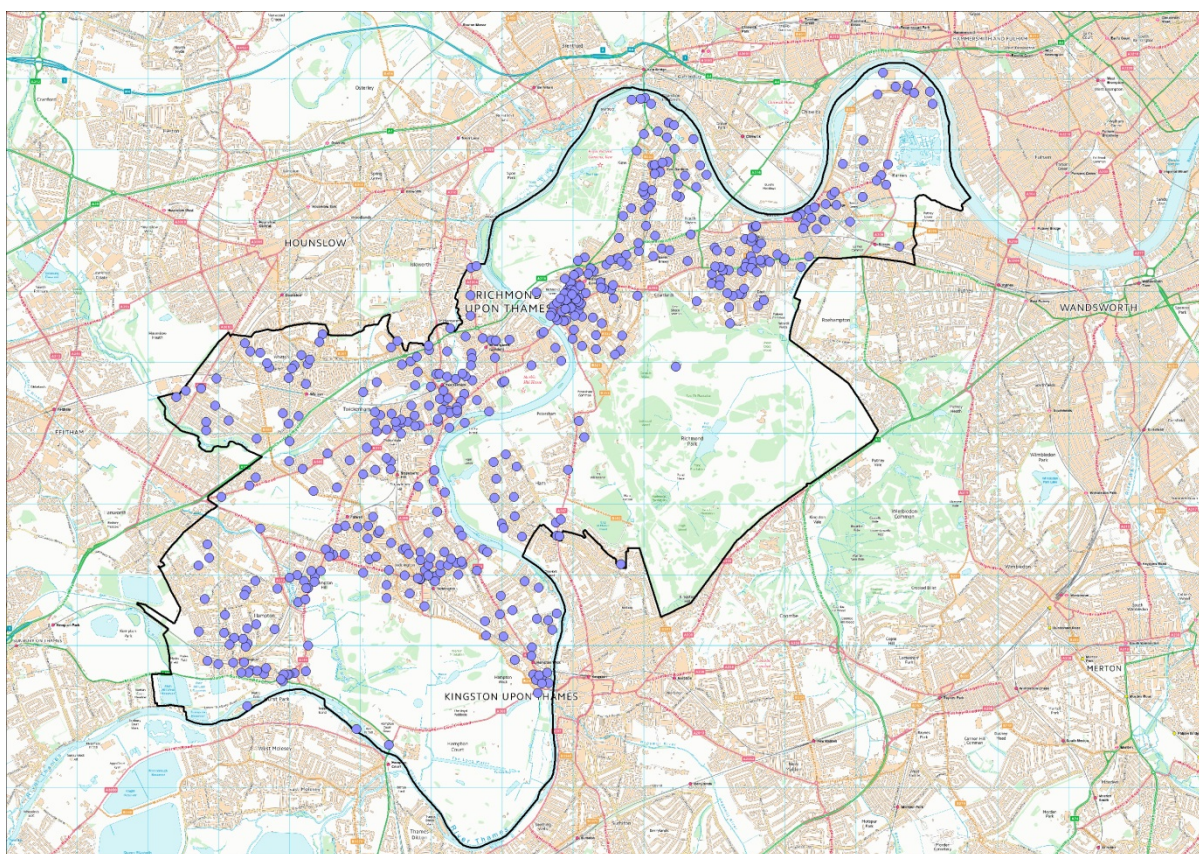
Earlier in 2013, LBR commissioned Peter Brett Associates and Ramidus to undertake an employment land review. We have reviewed this report and make some observations below.



The PBA/Ramidus work assessed over 73 sites across the borough, with Richmond, Teddington, Twickenham and their environs/fringes identified as the key locations. These, to a greater or lesser degree, reflect the pattern of inward migration with concentrations showing in these areas. The report indicates some suitability for Grade A space though Town Centre offices appear to be the norm.

Our analysis of firm size is confirmed with growth being identified in single worker businesses (TBR uses the term zero employee class businesses). The underperformance of the local economy compared to the capital's is also consistent with our findings.

**Figure 4.15: Locations of inward migration**



Source: TBR 2013

The forecasts for growth at 0.1% per annum are very modest. However, the analysis here suggests that this may be overly optimistic if the past seven years are to be repeated. As expected the greatest demand will be for office space and some very limited industrial units.

Bearing in mind the sectoral make-up of the local economy and its recent performance, B class space is likely to see the highest levels of activity with a mix of out migrators and firm closures making space available with inward migrators and new start-ups generating demand. With the economy contracting and as premises become available, more landlords may be attracted to take advantage of the recent legislation and look to change use to residential.

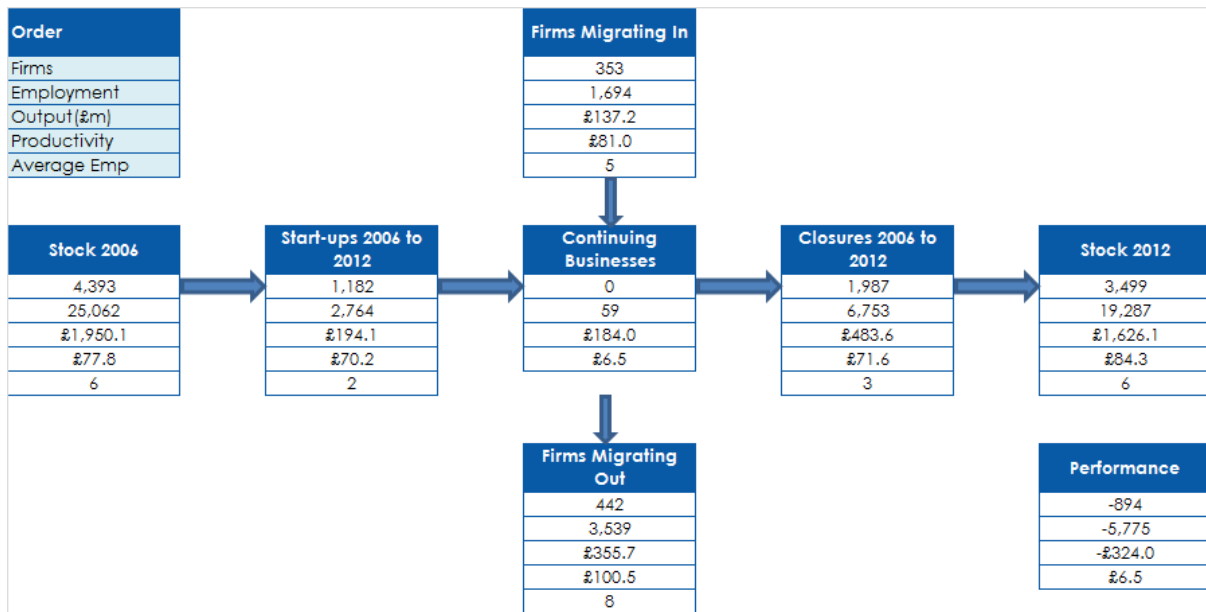
Overall we would surmise that the key property constraint facing Richmond is unlikely to be the quantum of space, rather it will be the nature, quality and cost will be most critical to the prospects for growth.

## 5 Firm migration within the Sectors

In section 5 we present the Components of Change for each of the six target sectors identified as important by LBR.<sup>7</sup>

### 5.1 Business Services

Figure 5.1: Components of Change - business services



#### 5.1.1 Firms

Business services is one of the key sectors of LRB's economy, contributing a large proportion of business stock, employment, and output. It is also the sector where business migration has its greatest impact.

Overall the sector has shrunk by nearly 900 firms. While migration has contributed to this reduction, the main impact has been the high level of firm closures compared to start ups.

#### 5.1.2 Employment

Net out migration has had a significant negative effect on employment. At present, for every two jobs lost to out migration only 1 job is being replaced by inward migration.

#### 5.1.3 Size

Outward migrators (average size 8 employees) tend to be significantly larger than in migrators (average size 5 employees).

#### 5.1.4 Output

Migration has contributed to reducing the output of LBR's economy, with £355m of output being lost to outward migration. This has only been replaced with £137m by inward migrators.

#### 5.1.5 Productivity

It appears that the businesses leaving the borough are highly productive (£100k per employee – comparable to the City's average of £105k and London's £57k). These are being replaced by companies that are better than average (£81 k per employee), but still significantly less productive than those that

<sup>7</sup> Please see appendix for sector definitions



are leaving. This suggests that firm migration is 'reducing the quality' of the business service sector in Richmond.

### **5.1.6 LQ**

Business services in LBR are of national significance, both for employment (1.48) and output (1.48). However, the impact of migration will be to reduce both its importance and significance.

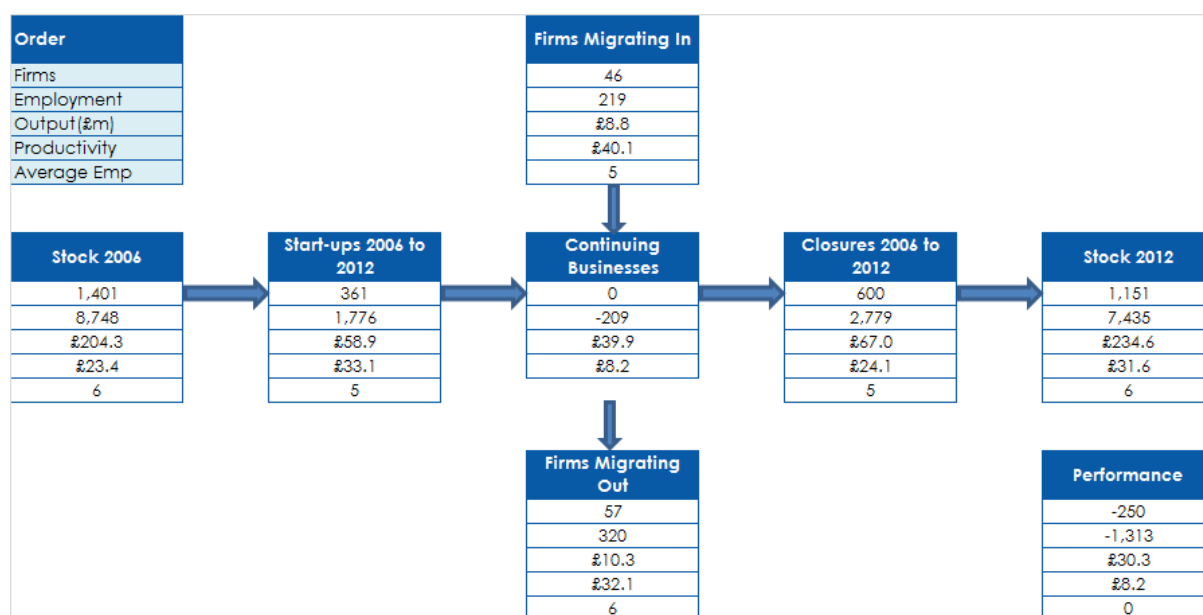
### **5.1.7 Conclusion**

As a key sector in LBR's economy, business services are currently experiencing a difficult time. One of the main impacts of business migration has been the departure of high calibre business service firms to be replaced by fewer firms which are both smaller and less productive.

To maintain the strength of business services in LBR, high calibre businesses need to be retained and others attracted in.

## 5.2 Retail

Figure 5.2: Components of Change - retail



### 5.2.1 Firms

The retail sector has shrunk over the period 2006 to 2012, in that 250 firms and over 1,300 jobs have been lost. However, output has increased, as has productivity.

Firm migration has had a relatively small impact on the retail sector, especially compared to starts and closure. This is likely due to the nature of the sector, where businesses are more likely to open branches if they wish to enter into a particular economy, rather than relocating the business. Likewise, branch closures will be counted as firm closures.

### 5.2.2 Employment

The retail sector has also shrunk in terms of its workforce. However, the decrease is less dramatic than the number of business closures, which suggests that small businesses have found it most difficult to survive the recession.

### 5.2.3 Size

Outward migrators are slightly larger than the inward migrators, which explains why the net effect of migration is to shrink the retail workforce.

### 5.2.4 Output

Despite being smaller, the inward migrators are bringing in a higher average output.

### 5.2.5 Productivity

LBR is also attracting more productive retail companies into its economy than the ones it is losing through relocation.

The combined higher output and productivity of inward migrators of retail companies indicates LBR is attracting a higher calibre of retail companies than the ones that are relocating elsewhere. This is clearly a positive sign.

### 5.2.6 LQ

For employment, has risen to 1.15 from 1.10, so retail has marginally increased its significance in terms of employment and is a slightly larger employer than on average across the UK. However, the output LQ at only 0.94 implies that the retail offer is rather muted and not particularly robust.

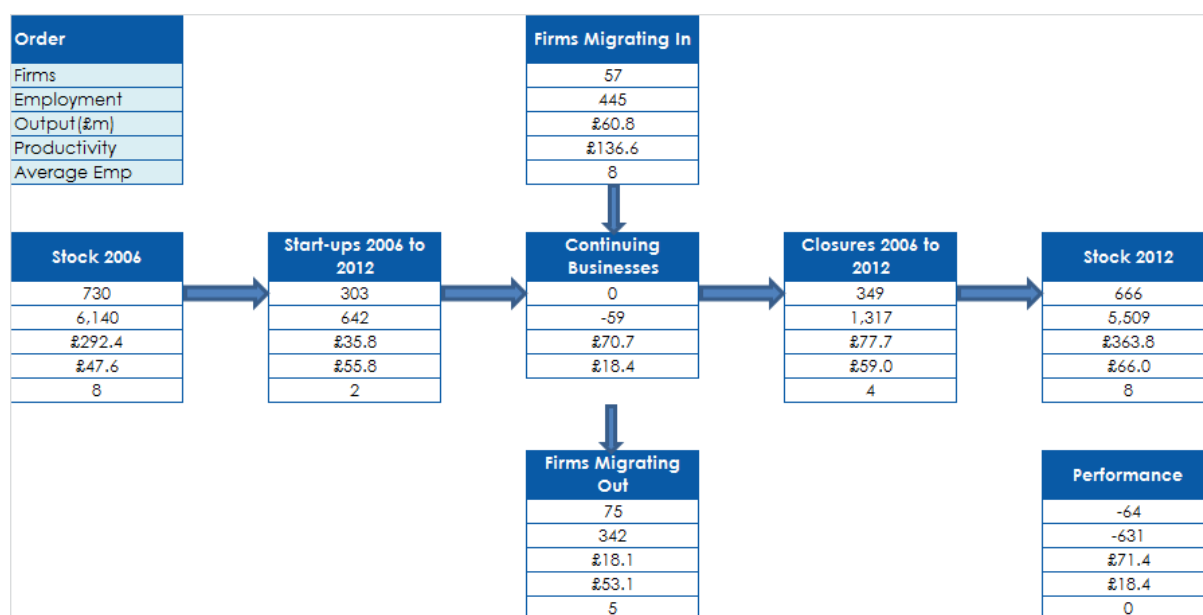
### 5.2.7 Conclusion

The data indicate two things:

1. Richmond is not a major regional or national retail centre in terms of employment.
2. Overall migration has had relatively little impact compared to start-ups and closures.

### 5.3 Scientific and technical

Figure 5.3: Components of Change - scientific & technical



#### 5.3.1 Firms

LBR's scientific and technical sector has faced difficulties over the study period and has yet to return to pre-crisis levels. Nearly 9% of the firm stock was lost between 2006 and 2012.

The analysis on firm migration delivers some interesting results.

#### 5.3.2 Employment

Overall employment is down by 630, or over 10%.

However, migration positively contributed to the sector's workforce by adding over 100 jobs. This contrasts to the net loss of 675 from closures less start-ups.

#### 5.3.3 Size

The scientific and technical businesses that LBR is attracting are larger than the ones it is losing, which is a positive sign.

#### 5.3.4 Output

Firm migration has delivered a noticeable uplift in output, with inward businesses bringing in three times the output than those that left.

#### 5.3.5 Productivity

Migration is bringing in highly productive scientific and technical businesses into the local economy.

#### 5.3.6 LQ

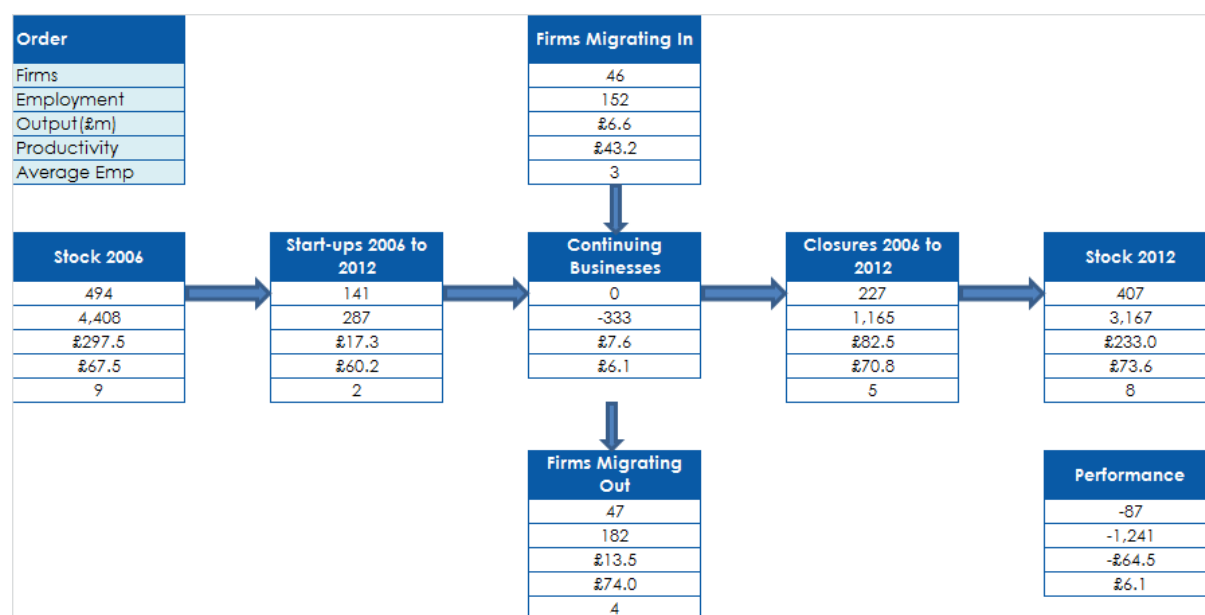
Has risen to 0.99 from 0.87, so scientific and technical has marginally got stronger in terms of employment and is on par compared to UK. In addition, the output LQ has increased, but only to 0.85. Thus the scientific and technical is below what would be expected across the UK and certainly less productive than would be expected for a London borough.

### 5.3.7 Conclusion

Business migration is having some positive effects for the scientific and technical sector in LBR in that it is attracting firms that are more productive than the average. However, the sector is less strong than would be expected.

## 5.4 Creative

Figure 5.4: Components of Change - creative



### 5.4.1 Firms

The net effect of migration on the business stock of the creative sector has been neutral and so not a factor in the overall reduction in the business stock by 25%. The current trend has been one of a balanced 'churn rate', with almost every business relocating out of the economy being replaced with one entering the economy.

### 5.4.2 Employment

Creative businesses that leave Richmond are larger than the ones that arrive resulting in a loss of jobs.

Firm closures have caused the loss of over 1,100 jobs, whereas start-ups have generated fewer than 300, resulting in a net loss of over 800. This represents a net loss of nearly 20%.

### 5.4.3 Size

Business migration in the creative sector is also contributing to the reduction the average firm size of the creative businesses in LBR. At present, for every 3 jobs being 'created' by inward migration there are 4 jobs being lost by businesses relocating elsewhere.

### 5.4.4 Output

Migration is reducing the overall output of LBR's creative sector. Those firms leaving LBR are ones with high output and being replaced by inward migrators with lower levels of output.

### 5.4.5 Productivity

Outward migrators are significantly more productive than in migrators. This is diminishing the calibre of creative businesses in the borough.

### 5.4.6 LQ

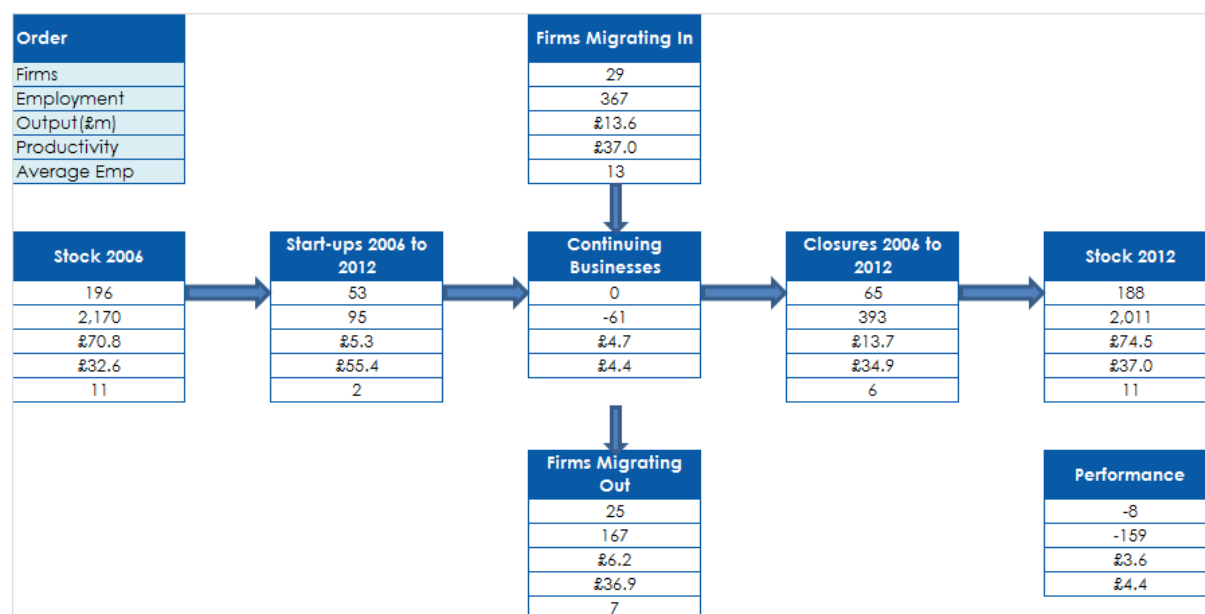
The creative sector in LBR is of national significance, both for employment (2.89) and output (3.08). However, the significance of the sector has decreased and sector has experienced a notable shrinkage.

### 5.4.7 Conclusion

The main effect of migration for the creative sector has been a story of losing high calibre businesses to other destinations. Further work is needed to understand why productive firms are leaving and why so many firms are closing if Richmond is to retain a creative sector of significance.

## 5.5 Tourism & Hospitality

Figure 5.5: Components of Change - tourism & hospitality



### 5.5.1 Firms

Tourism and hospitality has largely held its own over the period 2006 to 2012. Overall firm numbers have fallen by only 8, though these represent over 150 jobs.

Migration yielded a net gain of four businesses. However, as with retail, migration in this sector is likely to be of less importance as businesses are more often tied to locations with their type of workspace (e.g. hotels, pubs, restaurants etc).

### 5.5.2 Employment

Migration has been a large and positive contributor to the sector's workforce. For every job being lost to outward migration it was being replaced by 2.2 jobs from inward migration.

### 5.5.3 Size

Migration is bringing in larger (13) than average (11) companies to the sector. Moreover, those that leave are smaller (7) than average.

### 5.5.4 Output

Migration is positively contributing to growing the output of the sector. For every £1 of output, being lost because of outward migration, inward migrators are adding £2. In migrators generated more than twice the output of all the start-ups.

### 5.5.5 Productivity

Inward and outward migrators in this sector have a similar level of productivity. Indicating a similar level of calibre of workforce associated with those leaving and entering into the economy.



### **5.5.6 LQ**

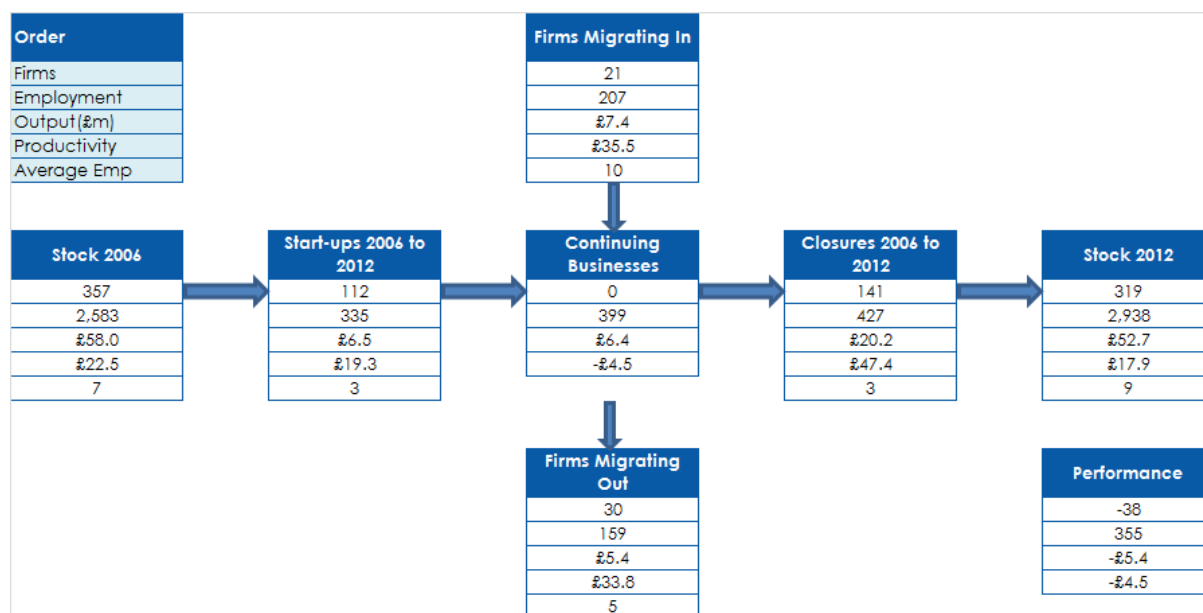
The tourism and hospitality sector in LBR has been able to increase its national significance, both for employment (1.07) and output (1.13). This suggests that the sector locally is resilient and capable of withstanding major shocks

### **5.5.7 Conclusion**

The impact of business migration on the tourism and hospitality has general been a positive one. Inward migration has brought in larger businesses with higher output. It has also close to replacing employment lost to closures.

## 5.6 Leisure

Figure 5.6: Components of Change - leisure



### 5.6.1 Firms

The business stock of in the leisure sector has decreased by nearly 11% over the period. Migration has been a contributing factor to the decrease, but played a lesser role than the effect of business closures.

### 5.6.2 Employment

In contrast to firm numbers, employment in the leisure sector has grown and migration has contributing to this increase. This possibly points to some form of consolidation, especially as more jobs were lost to firm closures than were generated by start-ups.

### 5.6.3 Size

In migrators (10 employees) are twice the size of out migrators (5).

### 5.6.4 Output

In migrating firms have added more output to the sector than that of new start-ups. Business migration brought in more output into LBR's economy than that added to the economy by start-ups.

### 5.6.5 Productivity

Overall productivity has fallen from £22.5 thousand per employee to less than £18 thousand per employee. This is low and suggests that the jobs are poorly paid and/or largely part time.

Firms which moved, either in or out, were much twice as productive as those which stayed. The data provides no indication as to why, but we may deduce that the sector diverse and that there is no single business model, though many would appear to be operating at the margin.

### 5.6.6 LQ

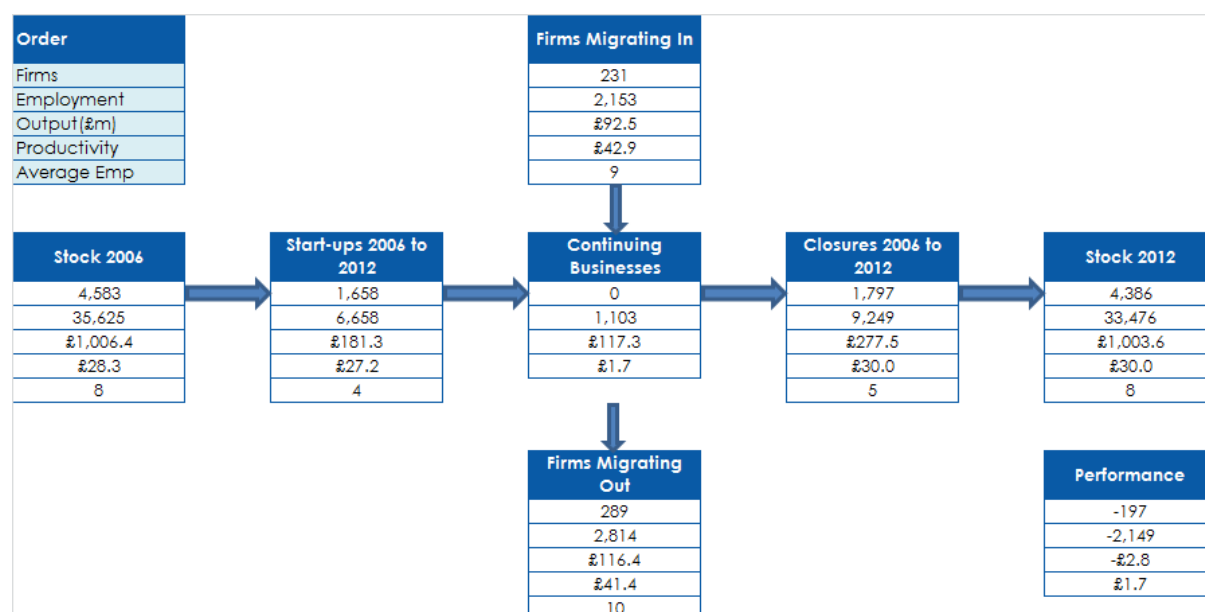
LBR's employment in the leisure sector is of national significance (1.64), i.e. 64% more than the national average and that this is up from 1.36. However, its significance in output has from 1.09 to 1.03. This reinforces the suggestion that a significant proportion of the sector is merely surviving.

### 5.6.7 Conclusion

Business migration in the leisure sector is generally making a positive contribution to the sector. However, the positive contribution is being negated by the impact of business closures in the sector. The sector has grown in terms of employment (355 jobs) but output has fallen (£5.4 million), suggesting a sector that is currently experiencing difficulty in the post-recession environment and in need of change. As the leisure sector is tied to discretionary spending, one potential hope for improving the sector would be that people might have more disposable income as the economy recovers and grows. This would enable them to spend more on 'non-essential' commodities, such as those available in the sector.

## 5.7 Other

Figure 5.7: Components of Change - other activities



### 5.7.1 Firms

Business stock in other sectors has remained relatively stable over the period, with most closures being replaced with start-ups and most outward migrators being replaced with inward migrators.

### 5.7.2 Employment

Employment has decreased in the other sectors, with closures and outward migrators removing more jobs from the LBR economy than being generated by start-ups, inward migrators and continuing businesses.

### 5.7.3 Size

One of the reasons for the decrease in the workforce is that the average firm size of outward migrators is slightly larger than inward migrators.

It is also notable that outward migrators are larger (9 employees) than the average size of the business stock (8 employees). This might suggest that once businesses reach a certain size they find it necessary, or attractive, to leave the borough.

### 5.7.4 Output

Output in other sectors in LBR's economy has remained relatively stable. The main reason for this is that continuing businesses have been able to increase their output to counter the net loss to migration.

### 5.7.5 Productivity

Inward and outward migrators in other sectors have a similar level of productivity to each other.

### 5.7.6 Conclusion

At present, business migration of other sectors is removing firms, employment, and output from LBR's economy. The negative effects of migration have generally been offset by the improved performance of continuing businesses.

## 6 Skills

In this section we seek to understand some of the skills implications associated with the sectors identified by LBR. The analysis involves identifying the key occupations of the sectors and is set out in Table 6.1 below.

The Annual Population Survey (2011) was used for the analysis.<sup>8</sup>

**Table 6.1: Occupational Group by Sector**

Occupation Group	Business Services	Creative	Leisure	Retail	Scientific and technical	Tourism and hospitality
01. Managers & Senior Officials	19%	10%	15%	16%	13%	15%
02. Professional Occs	28%	26%	12%	6%	51%	2%
03. Associate Professional & Technical	27%	51%	26%	7%	15%	4%
04. Admin & Secretarial	15%	5%	17%	6%	8%	7%
05. Skilled Trades Occs	2%	2%	5%	3%	6%	17%
06. Personal Service Occs	1%	1%	8%	0%	0%	6%
07. Sales & Customer Service Occs	3%	2%	5%	50%	2%	5%
08. Process, Plant & Machine Operatives	1%	1%	1%	3%	2%	3%
09. Elementary Occs	4%	3%	12%	8%	1%	41%

Source: TCR, Ref: WTS3:C11

The skills requirements of the bespoke sectors are, to a certain extent, determined by the most popular occupational groups.

- All of the sectors are required to give training that will meet the needs of managers and seniors officials.
- Professional occupations are most prevalent in the scientific & technical, creative and business services sectors.
- Elementary occupational skills training is required mostly in tourism and hospitality.
- The majority of the workforce in the retail sector will require skills training tailored to sales & customer service occupations.

### 6.1 Popular Occupations by Sector

Further analysis involved looking at the most popular occupations held in the bespoke sectors in London. The analysis was carried out at four digit standard occupational classification (SOC) level and provides greater insights into the specific skills needs of the sectors.

The main findings were:

- Business Services
  - People with consultancy and analyst skills are in greatest demanded by the business service sector in London. Nearly 10% of the business service sector workforce are employed as financial and investment analysts and advisers, management consultants and business analysts.
- Creative
  - Art officers, producers, and directors are the most commonly held occupations (14%) in the creative sector. It is likely these types of occupations require technical and sector specific training, rather than generic education.
  - Journalists and newspaper and periodical editors is another common occupation in the creative sector (12%). These are also occupations that require specific training.
- Leisure

<sup>8</sup> London was used as the sample size was too small to only focus on LBR.

- Sport instructor is the most commonly held occupation (11%) in the sector.
- Leisure and sport manager is also a popular occupation in the leisure sector (6%).
- It is likely that these occupations will involve training that includes transferable skills and not just those that are sector specific.
- Retail
  - On third of London's retail jobs are classified as sales and retail assistants. Cashiers and checkout operators form the next group (7%). It is likely there will be significant overlaps in terms of skills requirements between the two occupation groups.
- Scientific and Technical
  - Computer science and other more in-depth computer skills training is likely to be required by businesses in the scientific and technical sector, with 12% of the workforce in London being employed as programmers and software development professionals.
- Tourism & Hospitality
  - Elementary skills are required by the tourism and hospitality sector. Nearly 30% of the sector's workforce in London is employed as kitchen and catering assistants or waiters/waitresses.
  - Trained Chefs are also in demand, with 9% of jobs in the sector in London being classified as chefs.

## 7 Conclusions and recommendations for future study

Clearly, Richmond's economy is taking some strain. Over the period 2004 to 2012 it has lost firms and jobs and productivity has fallen. Across the two main Components of Change; firm start-ups and closures and firm migration, the results are disappointing with closures exceeding start-ups on a 1.4:1 ratio and out migrators outstripping in migrators at 1.2:1. The data on employment, output and productivity follow the same pattern. Only continuing businesses have shown progress in generating jobs, increasing output and becoming more productive.

### 7.1 Questions posed within the brief

*Assess the scale, nature, cause and likely impacts of the migration of firms into and out of the LB Richmond and the effect this may have on the long term economic health of the borough.*

The overall effect of migration has generally been a negative one for the London Borough of Richmond. The net effect of migration has been to reduce the number of businesses, employment, output and productivity. Overall this equates to a shrinking economy and diminishing capacity to generate wealth.

*Is there a particular pattern of spatial provision which is driving inward and outward migration?*

The rest of London and proximate parts of Surrey represent the main sources and destinations of inward and outward migrators.

Within the borough, Twickenham and Richmond are the main sources of both out and in migration.

*To what extent is Richmond dependent on migration for its vitality?*

On the whole, continuing businesses, start-ups and closures are the main drivers of LBR's economic performance. However, business migration is a significant component of change, especially as firms which migrate tend to be larger than either start-ups or closures.

As indicated above, Richmond's economy has shrunk over the seven year period to the end of 2012. Achieving net in migration will certainly help in halting and reversing the decline in the local economy.

*What is the pattern of inward migration?*

In migration is dominated by business services, unsurprising in that it is by far the largest of all the sectors, however to provide context, Table 7.1 below, compares each sector's share of firm population and in migration.

**Table 7.1 - Comparison of in migration and firm population**

Sector	Proportion of in migrating firms	Proportion of firm population
Leisure	2%	3%
Tourism & hospitality	4%	2%
Scientific & technical	19%	6%
Retail	3%	11%
Creative	2%	4%
Business services	42%	33%
Other	28%	41%
Total	100%	100%

Source: TCR, Ref: WTS1:S9

Thus the business services sector is responsible for 42% of in migrating firms while only representing 33% of the firm population. The table provides an indication of those sectors for which migration is most



significant. Clearly scientific and technical is most over represented in that it has over three times more impact on firm in migration than the population as a whole.

*Who are the owners of these firms and where are they located?*

Inward migrators are predominantly independently owned and come from other London boroughs and the South or England. However, UK or foreign owner companies bring in proportionally more employment and output.

*Where are the firms locating that leave Richmond?*

Outward migrators usually migrate to other London boroughs or local authorities in the South of England.

*What impact do these changes have on:*

### *Employment*

In migration has brought just over 5,200 jobs to the borough, while out migration has resulted in over 7,700 jobs being lost. Overall, nearly 2,500 jobs have been lost as a result of firm migration.

### *Skills Needs*

The data do not provide any specific indications other than that business services has been the prime source of lost jobs. Typically, as around three quarters of all jobs in business services are at associate professional and above this would suggest that a large number of 'high quality' jobs have been lost.

### *Productivity*

Overall out migrators tend to be marginally larger and more productive than in migrators. This would indicate that migration has been a drag on productivity. Continuing firms have raised their productivity and their larger numbers have meant that the impact has been muted.

### *Local economic strength*

Firm migration, along with firm churn (start-ups and closures) has had a negative impact on Richmond's economy. Continuing firms have created 900 jobs and increased output by over £430 million, yet the net effects of migration and churn mean that the economy as of 2012 is smaller in terms of firms, employment and output than in 2006.

## 7.2 Recommendations for future study

For the next stage of this two-stage project, we propose these recommendations:

- **Efforts are needed to reinvigorate the economy** of Richmond. Inward investment, business retention and start-ups all offer potential for improvement. Understanding the 'Richmond offer' will be key to this, so further work is needed to understand why firms are attracted to the borough and why they leave.
- **Undertake stage two** of the research which involves interviewing decision makers within businesses that have either moved into the borough or who have moved out.
- **Stage two should focus on:**
  - **Businesses in sectors where migration is a more prevalent** phenomenon (e.g. business services, scientific & technical...), rather than on sectors where it is a less common occurrence (e.g. tourism and hospitality).
  - **Business services as it is clearly a key sector** for LBR's economy. However, the sector is shrinking and outward migration is removing employment, output and

- productivity from the borough. **Both inward and outward migrators** need to be spoken to in order to understand their motivations and experiences after moving.
- The **creative sector** in LBR is one of national significance. Yet the inward migrators in this sector tend to have a lower output and productivity than those already established in LBR. Again **both inward and outward migrators** should be contacted.
  - **Inward migrators with UK or foreign ownership** bring with them larger workforces, output and productivity. It is recommended that some of **these firms be contacted** as they are evidence of inward investment into LBR's economy.
  - **Hounslow** features in the top five list source of inward migrators across all three metrics; firms, jobs and output. It would be worthwhile investigating the motives for this relocation to Richmond and if this has been a positive experience for the businesses.
  - Firms which move **into or out of Central London** are likely to see their **costs change significantly**, so a number of these businesses should be spoken to about their reasons for moving.
- The interviews need to investigate a **range of factors** such as: transport; access to transport links; availability of skills; the cost and quality of premises and any subjective factors, such as prior knowledge or the ambience of the borough.
  - The interviews should also explore the **decision making prior to the move**: the basis of the choice to move; the factors considered; the point of no-return and whether anything could have altered the decision.
  - Likewise **experiences post move** need to be explored to establish the extent to which expectations associated with the move have been met and the impact on the business itself.
  - Effort should be given, prior to the survey, to thinking about what the **ideal positioning of the borough and its key centres** should be. Phase two then provides an opportunity to test the extent to which this ideal is already being met and what the potential is for improvement.
  - Both outward and inward migrators need to be questioned about the **role of the local authority** and what part it can and should play in attracting and retaining businesses.

Details of any targeting of specific businesses will be undertaken at the next stage when a programme of interviews is proposed.

## 9. Appendix

### 9.1 Sector definitions

#### Sectors and SIC Definitions

Sector	SIC	SIC description	
Retail	47	Retail trade, except of motor vehicles & motorcycles	
Scientific and technical	7112	Engineering activities and related technical consultancy	
	72	Scientific research and development	
	26	Manufacturing of computer, electronic and optical products	
	21	Manufacturing of basic pharmaceutical products and pharmaceutical preparations	
	20	Manufacturing of chemicals and chemical products	
	74.1	Specialist design	
	6201	Computer Programming activities	
	6202	Computer Consultancy activities	
	6209	Other Information and computed service activities	
	74.9	Other professional and technical activities	
	22-30	Various manufacturing	
	Creative	58	Publishing activities
		74.2	Photography
		59	Motion picture, video and television programme production, sound recording and music publishing activities
60		Programming and broadcasting activities	
Tourism and hospitality	90	Creative, arts and entertainment activities	
	55	Accommodation	
	56	Food	
	79	Travel agency, tour operator and other reservation service and related activities	
Leisure	93	Sports activities and amusement and recreation activities	
	92	Gambling and betting activities	
	91	Libraries, archives, museums, and other cultural activities	
Business Services	64	Financial service activities, except insurance and pension funding	
	65	Insurance, reinsurance and pension funding	
	66	Activities auxiliary to financial services and insurance activities	
	68	Real estate activities	
	69	Legal and Accounting Activities	
	73	Advertising and market research	
	82	Office administration, office support and other business support activities	
	95.1	Repair of computers and communication equipment	
	61	Telecommunications	
	63	Information service activities	
	78	employment agencies	
	74.3	Translation services	
	70	Head offices and management consultancy	
53	Postal		
Other	7111	Architectural Activities	
	6203	Computer facilities management activities	
	01	Crop and animal production, hunting and related service activities	
	02	Forestry and logging	

	03	Fishing and aquaculture
	05	Mining of coal and lignite
	06	Extraction of crude petroleum and natural gas
	07	Mining of metal ores
	08	Other mining and quarrying
	09	Mining support service activities
	10	Manufacture of food products
	11	Manufacture of beverages
	12	Manufacture of tobacco products
	13	Manufacture of textiles
	14	Manufacture of wearing apparel
	15	Manufacture of leather and related products
	16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials
	17	Manufacture of paper and paper products
	18	Printing and reproduction of recorded media
	19	Manufacture of coke and refined petroleum products
	23	Manufacture of other non-metallic mineral products
	24	Manufacture of basic metals
	25	Manufacture of fabricated metal products, except machinery and equipment
	27	Manufacture of electrical equipment
	28	Manufacture of machinery and equipment n.e.c.
	29	Manufacture of motor vehicles, trailers and semi-trailers
	30	Manufacture of other transport equipment
	31	Manufacture of furniture
	32	Other manufacturing
	33	Repair and installation of machinery and equipment
	35	Electricity, gas, steam and air conditioning supply
	36	Water collection, treatment and supply
	37	Sewerage
	38	Waste collection, treatment and disposal activities; materials recovery
	39	Remediation activities and other waste management services
	41	Construction of buildings
	42	Civil engineering
	43	Specialised construction activities
	45	Wholesale and retail trade and repair of motor vehicles and motorcycles
	46	Wholesale trade, except of motor vehicles and motorcycles
	49	Land transport and transport via pipelines
	50	Water transport
	51	Air transport
	52	Warehousing and support activities for transportation
	75	Veterinary activities
	77	Rental and leasing activities
	80	Security and investigation activities
	81	Services to buildings and landscape activities
	84	Public administration and defence; compulsory social security
	85	Education
	86	Human health activities
	87	Residential care activities
	88	Social work activities without accommodation
	94	Activities of membership organisations
	96	Other personal service activities

	97	Activities of households as employers of domestic personnel
	98	Undifferentiated goods- and services-producing activities of private households for own use
	99	Activities of extraterritorial organisations and bodies

### Disaggregation of Computer Programming, consultancy and related activities

#### Technical

Sector	SIC	SIC description
Scientific and technical	6201	Computer Programming activities
	6202	Computer Consultancy activities
	6209	Other Information and computed service activities

#### Non-technical

Sector	SIC	SIC description
Business Services	6203	Computer facilities management activities



## 9.2 Maps of firms that have migrated

Figure 9.1: Previous locations of outward migrators

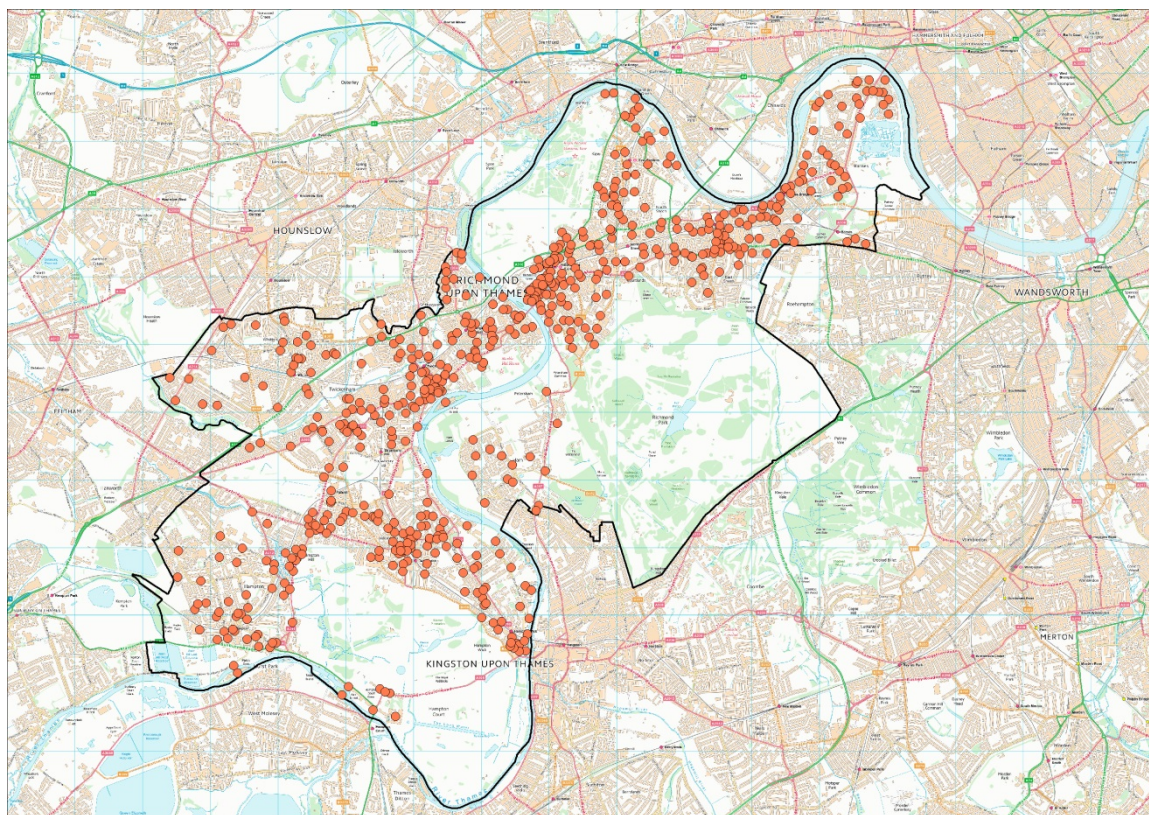
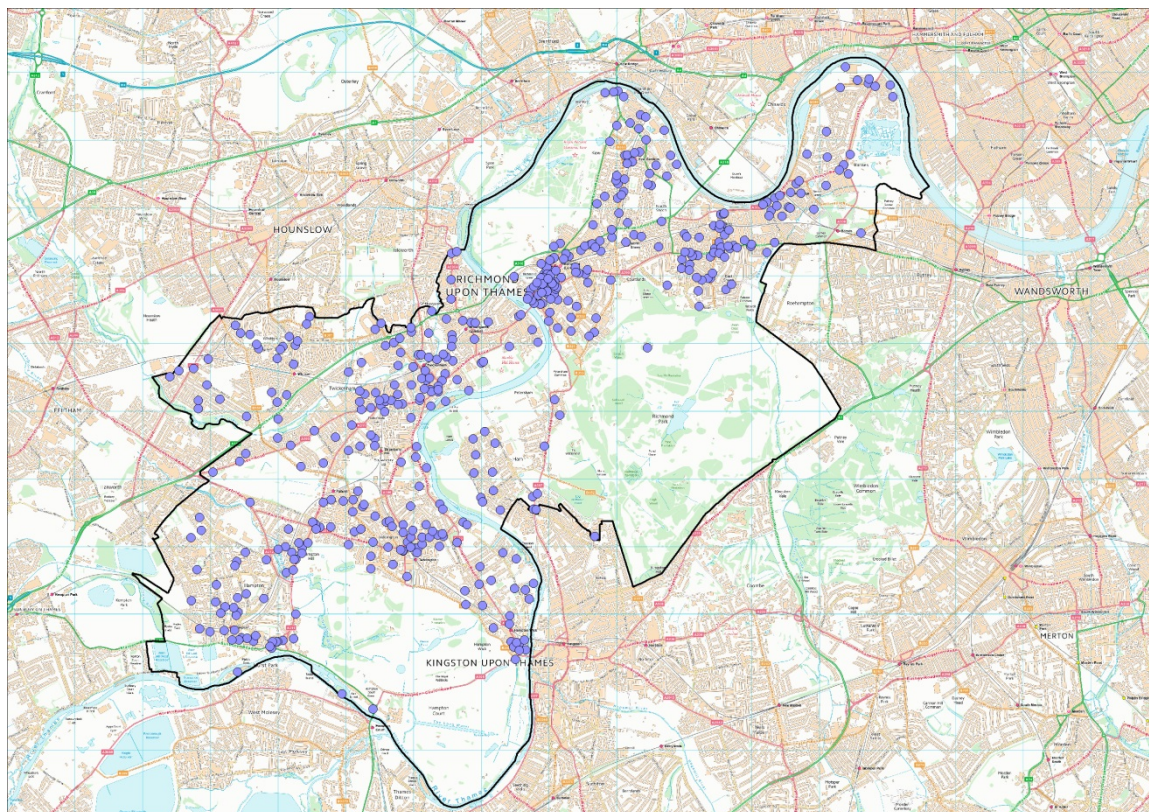


Figure 9.2: Locations of inward migrators





### 9.3 Parent Country of Inward Migrators into Richmond

Country	Firms	Employment	Output (£ks)	Productivity (£ks)	Average Size
England	91	2088	£98,547	£47	23
United States Of America	25	531	£48,704	£92	21
Netherlands	5	48	£3,515	£73	10
Japan	4	158	£22,720	£144	40
Switzerland	3	44	£4,468	£102	15
Norway	3	33	£22,038	£668	11
Belgium	3	3	£374	£125	1
Australia	3	14	£1,563	£112	5
Germany	2	401	£3,616	£9	201
Wales	2	53	£3,526	£67	27
Cayman Islands	2	42	£1,945	£46	21
Luxembourg	2	31	£679	£22	16
Italy	1	5	£505	£101	5
Mauritius	1	3	£213	£71	3
Virgin Islands (UK)	1	1	£209	£209	1
Belarus	1	1	£55	£55	1
Sweden	1	6	£630	£105	6
New Zealand	1	4	£688	£172	4
Bermuda	1	29	£1,537	£53	29
Ireland (Republic Of)	1	211	£21,100	£100	211
France	1	49	£3,724	£76	49
Russia	1	17	£34	£2	17
Scotland	1	85	£3,230	£38	85
<b>Grand Total</b>	<b>156</b>	<b>3857</b>	<b>£243,620</b>	<b>£63</b>	<b>25</b>