

# Shropshire Professional & Business Services Sector

October 2018



# Shropshire Professional Services at a Glance



**10,000** employees

**6000** additional employees since 2010

**60%** of all job growth in Shropshire attributable to professional services since 2010

Worth **£305 million** (GVA)



**2,060** enterprises (registered for VAT or PAYE)

**40%** of jobs in head office activities and management consultancies

**Legal & accounting and engineering and architecture** also support more than **2,000** employees



**Strongly over-represented in veterinary activities**

**27%** employment growth forecast by 2016 with GVA growth projected at **93%**

## Shropshire Context

Shropshire is one of the most rural and sparsely populated local authorities in the country, with less than one person per hectare compared with more than four persons per hectare in England. The size of the county (319,736 hectares) is approximately ten times that of all inner London Boroughs put together. The population stands at 317,500 people (2017), having grown by almost 13,000 since 2010.

Generally, Shropshire is an affluent location, with low levels of deprivation and minimal unemployment. Economic activity rates are high and the working age population tends to be well qualified.

Shropshire offers a very high quality of life, with a rich natural, historic and cultural heritage. Levels of pollution are low, as are crime rates. It has excellent schools (89% rated outstanding or good by Ofsted as of August 2016), a strong FE offering and the scope of HE provision is also strengthening.

Like many rural areas, the population is ageing, with approaching one in four people aged 65 or over. Since 2011, the Shropshire population of traditional working age (16-64) has been in decline, and it now represents just 60% of the total population. By 2037, this percentage will have declined to 52%.

The large retired population, combined with high out-migration amongst the 16-19 age band, is exerting pressure on the labour market and is causing an upward shift in the age profile of the workforce. This is impacting on the skills pool within the County and succession planning is becoming an issue in some industry sectors.

Despite this, Shropshire's business base is relatively stable and experiences less churn than many other localities. This means that survival rates are good (with 68% of businesses surviving past three

years compared with 60% nationally), and staff retention is likewise high.

Shropshire's industrial make-up is strongly linked to its rurality, with agriculture, other land-based and ancillary sectors as well as tourism all strong contributors to the economy. Micro businesses dominate, with more than nine out of ten businesses employing less than 10 people. Other key employment sectors include health, education, retail and manufacturing and Shropshire is also over-represented in motor trades and construction. Shropshire is under-represented in private sector services such as professional, scientific and technical and finance and insurance.

## Professional Services– National Context

Professional services is a broad market which encompasses a wide range of occupations which provide support to businesses across the whole gamut of industries. Sub-sectors include legal services, audit, accounting, management consultancy, advertising and market research, architects and engineering as well as specialised research and development. Most of these sub-sectors are knowledge-intensive, support a highly qualified workforce and are highly geographically mobile.

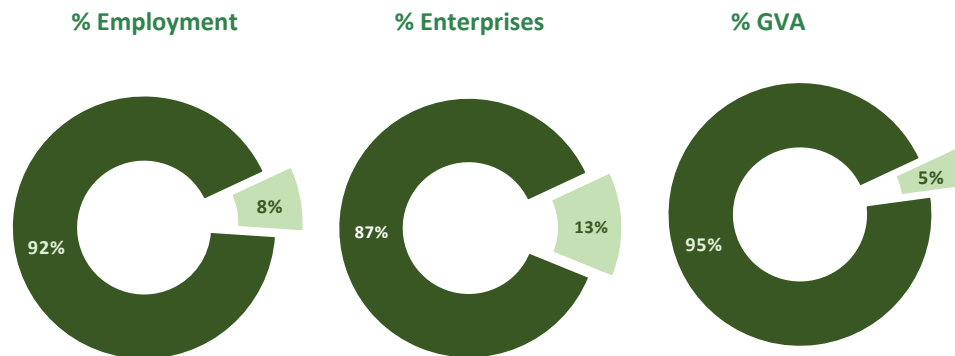
Nationally, the UK hosts some top international firms, especially in the accountancy, management consultancy and legal sub-sectors. However, most businesses are small and medium sized enterprises (SMEs) and while many are located in cities and large towns, the sector represents an important employer and generator of economic value across rural locations as well.

Around 10% of firms in the professional services sector export, which is in line with the average across all sectors. This proportion increases to 35% in the scientific research and development sub-sector and to over 18% in the advertising and market research sub-sector.

## Shropshire's Professional Services Sector

10,000 people were employed in Shropshire's professional sector in 2017. This is the equivalent of 8% of all jobs in the county. There are 2,060 enterprises (registered for VAT or PAYE) operating in the sector (13.1% of all enterprises) and together these contribute 4.8% to Shropshire GVA.

### Professional Services Contribution to the Shropshire Economy



Source: Business Register of Employment, 2017 ONS © Crown Copyright 2018, IDBR, Oxford Economics

The contribution made by professional services companies to the Shropshire economy is marginally smaller than it is nationwide. Nationally, businesses in this sector account for 8.4% of employment, 17.8% of enterprises and make a 8.4% contribution to GVA. In the West Midlands, professional services account for 7.1% of employment, 15.1% of enterprises and 6.3% of GVA. Within the context of the regional professional services industry, Shropshire accounts for 5.5% of employment, 6.4% of business enterprises and 4.1% of GVA.

## Employment

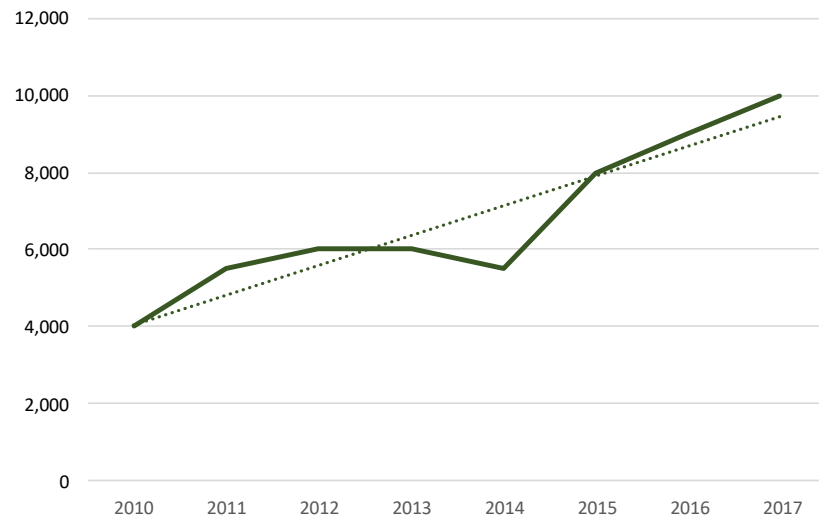
The number of jobs in Shropshire's professional services sector has risen by 150%, or by 6,000 people since 2010. This compares with an increase of 67% regionally and 30% growth nationally. Faster growth in Shropshire means that the relative contribution of the professional services sector is edging closer to the national average.

Employment in the Professional Services Sector 2010-2017			
	Employment	% Annual Change	Index, 2010 = 100
2010	4,000	-	100.0
2011	5,500	+37.5%	137.5
2012	6,000	+9.1%	150.0
2013	6,000	+/-0.0%	150.0
2014	5,500	-9.3%	137.5
2015	8,000	+45.5%	200.0
2016	9,000	+12.5%	225.0
2017	10,000	+11.1%	250.0

Source: Business Register of Employment, 2017, ONS © Crown Copyright 2018

The following chart shows that while the overall trend in the professional services sector shows steady growth, there have been strong fluctuations in employment levels since 2010. Employment levels rose strongly in 2011, fell back in 2014 but rose strongly again in 2015. Growth was sustained in both 2016 and 2017.

## Employment Growth in the Professional Services Sector, 2010-2017

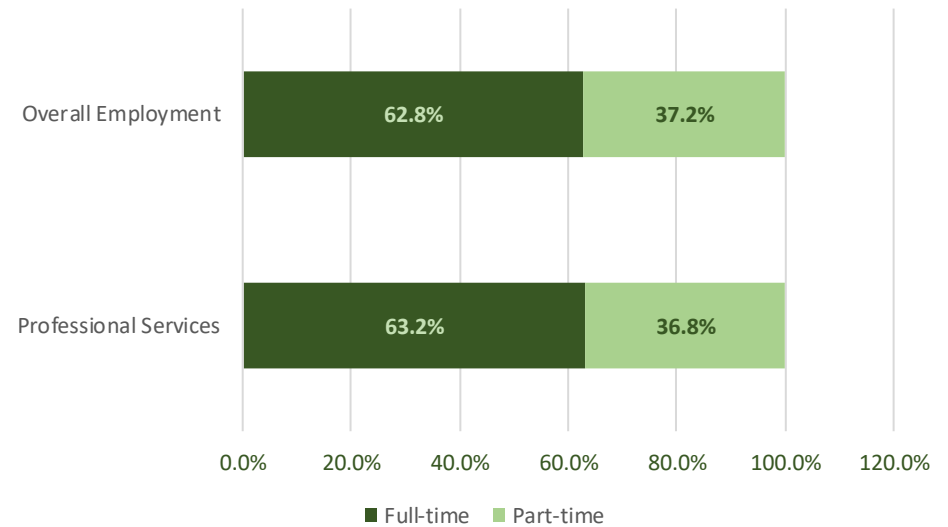


Source: Business Register of Employment, 2017, ONS © Crown Copyright 2018

The professional services sector has shown much stronger growth in employment terms than the overall Shropshire economy, which expanded by 10,000 jobs, or by 8.7% between 2010 and 2017. This means that 60% of the net gain in jobs in Shropshire has been within professional services. The share of all jobs attributable to the sector has advanced from 3.5% to 8%.

Part-time employment in Shropshire is prevalent, accounting for more than a third of overall jobs. The split between part and time and full-time employment in the professional services sector is similar, as illustrated in the chart following. Nationally, part-time employment accounts for a much lower share in the professional services sector, with four fifths of jobs full-time.

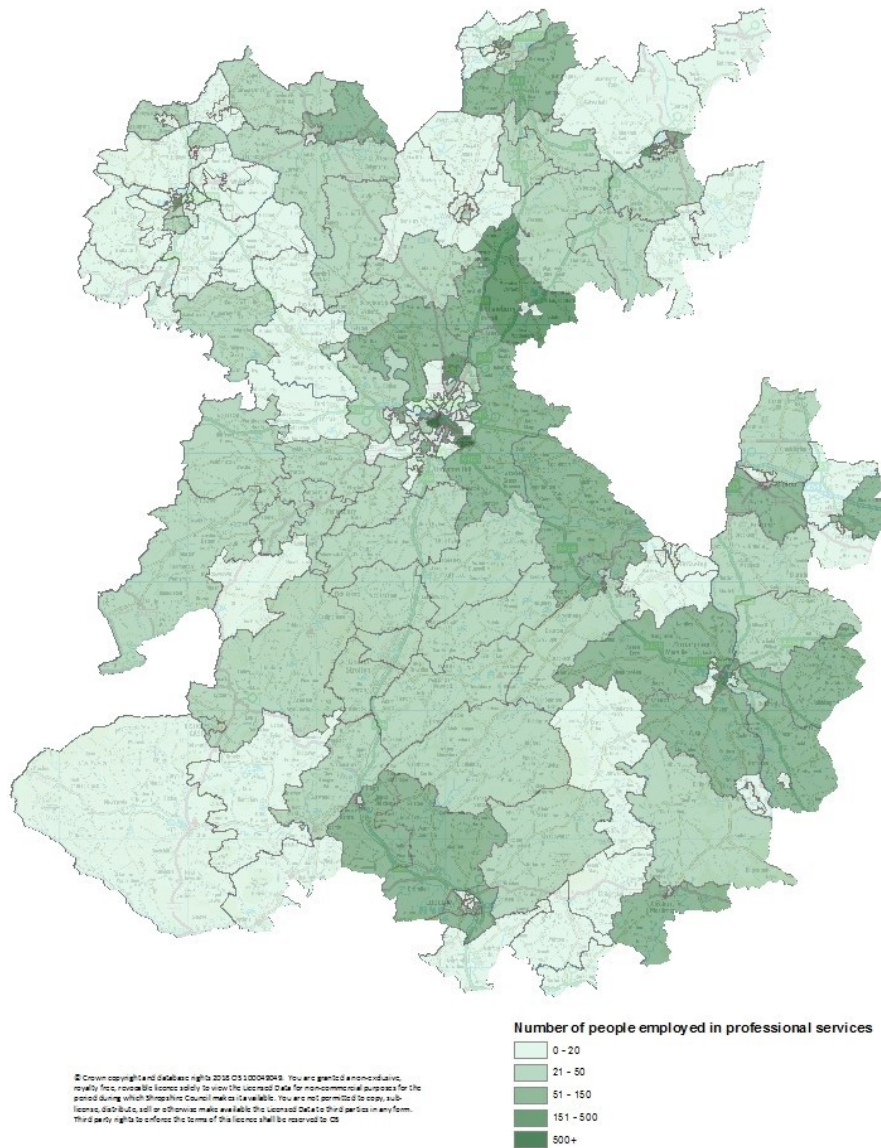
## Breakdown between Full-Time and Part-Time Employment, 2017



Source: Business Register of Employment, 2017, ONS © Crown Copyright 2018

The following map shows where in Shropshire employment in the professional services sector is located. It is clear that there are clusters of employment in Shrewsbury and around the other key market towns.

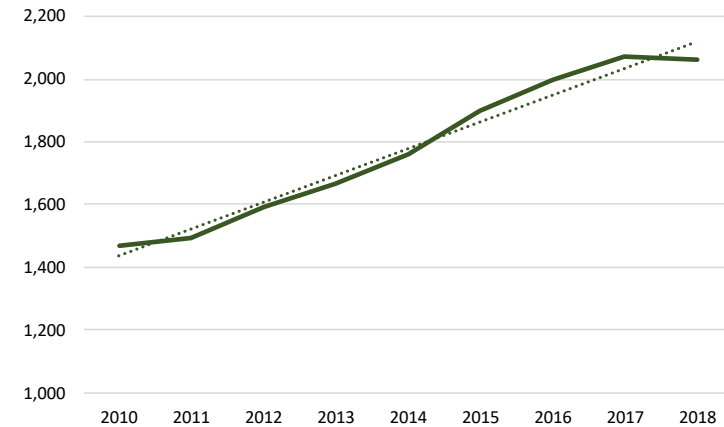
## Employment Density in the Professional Services Sector, 2017



## Business Counts

Official statistics suggest that there are 2,060 enterprises operating in Shropshire in the professional services sector. This compares with 1,470 businesses operating in 2010 – consequently, the number of operators has risen by 590 (+40%). Growth has tailed off since 2016.

### Growth in the Number of Professional Services Enterprises, 2010-2018

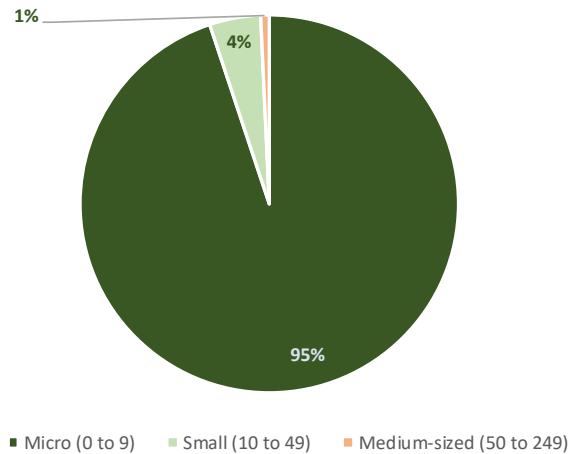


Source: IDBR 2018, ONS © Crown Copyright 2018

The number of enterprises in the sector has risen but this rise has been slower than employment growth in the sector. This means that the average size of businesses has increased - from 2.7 employees in 2010 to 4.8 in 2017. This compares with an average of around 7 employees for all Shropshire businesses.

The vast majority of enterprises have less than 10 employees (95% of the total). An additional 4% have between 10 and 49 employees. There are 15 enterprises with between 50 and 249 employees. No businesses in the sector have more than 250 employees.

## Breakdown of Professional Services Enterprises by Size, 2018



Source: IDBR 2018, ONS © Crown Copyright 2018

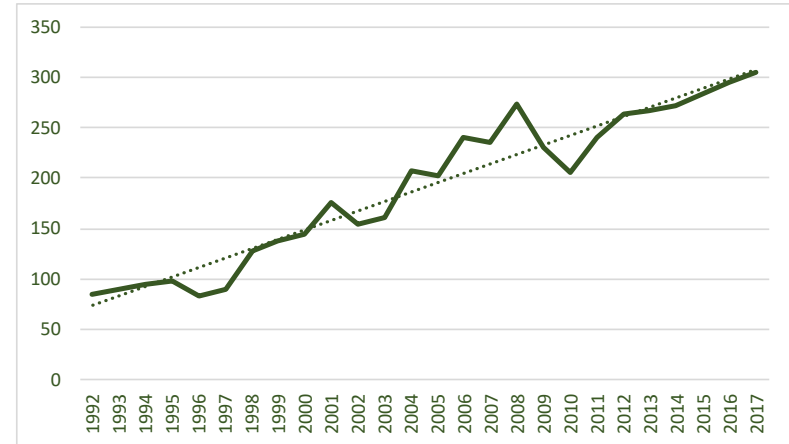
As well as enterprises which are captured by official statistics, there are also a number of smaller companies which operate below the VAT or PAYE thresholds. According to the business directory Mint there are 2,257 professional services businesses in Shropshire (October 2018).

### Gross Value Added

The professional services sector made a GVA contribution of £305 million<sup>2</sup> to the Shropshire economy in 2017. This is the equivalent of about 4.8% of the economy's total worth. The value of the sector has increased threefold over the last quarter of a century.

<sup>2</sup> Based on forecasts prepared by Oxford Economics

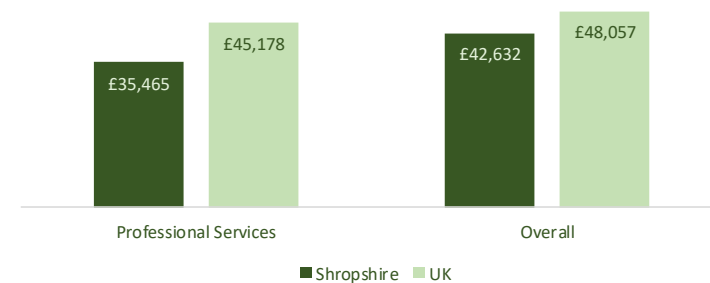
## Growth in Professional Services GVA, 1991-2017



Source: Oxford Economics

GVA per Shropshire employee job is lower in the professional services sector than the average per job, at approximately £35,465 compared with £42,632. This is £7,167, or 16.8% less. However, compared with the national average, GVA per job is lower —21.5% lower for jobs in professional services (£9,713 less) and 11.3% lower for jobs on average.

### GVA per Job, 2017



Source: Oxford Economics

## Sub-Sectors

The following table shows the professional services sub-sectors in which employment in Shropshire is concentrated. More than 40% of jobs are in head office activities (which includes management consultancies) while a further fifth are in legal and accounting and architectural and engineering activities. Smaller numbers are employed in scientific research & development, advertising & market research, other professional services or within veterinary activities.

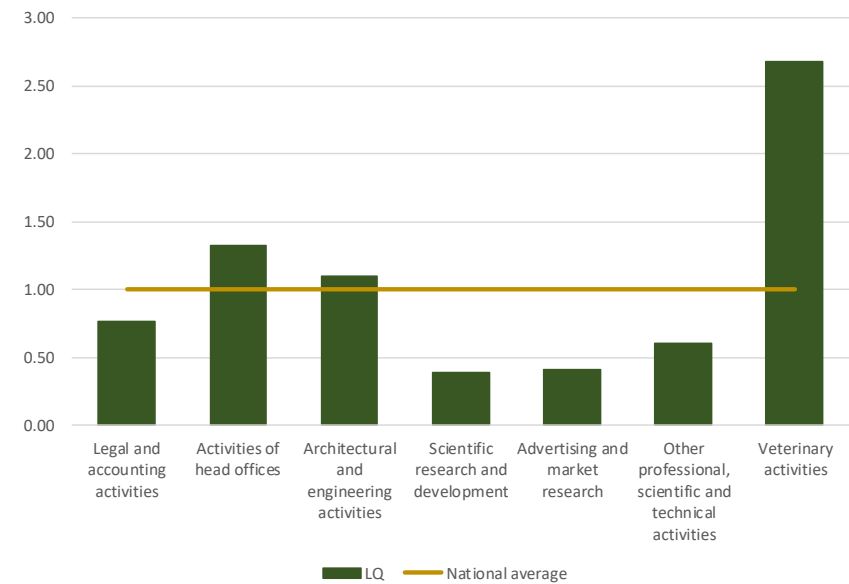
Breakdown of Professional Services Employment by Sub-Sector, 2017		
	Jobs	%
Legal & Accounting	2,000	20.6%
Activities of Head Offices	4,000	41.2%
Architectural & Engineering	2,100	21.9%
Scientific Research & Development	200	2.1%
Advertising & Market Research	300	2.8%
Other professional services	500	4.6%
Veterinary Activities	700	6.7%

Source: Business Register of Employment, 2016, ONS © Crown Copyright 2018

Note: All numbers rounded to the nearest 100, percentages based on unrounded figures

Compared with the national professional services sector, Shropshire is strongly over-represented in veterinary activities and also has above average levels of employment in head office activities and in architecture and engineering. Shropshire has comparatively low employment in scientific research and development and in advertising and market research.

## Relative Importance of Professional Services Sub-Sectors<sup>3</sup>



Source: Business Register of Employment, 2017, ONS © Crown Copyright 2018

Within the legal and accounting sub sector, employment is split between:

- Legal activities: 1,000 employees
- Accounting , bookkeeping and auditing: 1,100 employees

Within the activities of head offices sub sector, employment is split between:

- Head office activities: 1,900 employees
- Public relations and communications activities: 100 employees
- Business & management consultancy activities, 2,100 employees

<sup>3</sup> Location Quotient calculated by dividing the relative importance of each sector in Shropshire by the national average



Within the architecture and engineering sub sector, employment is split between:

- Architectural activities: 200 employees
- Engineering activities and related technical consultancy: 1,500 employees
- Technical testing & analysis: 400 employees

Within the scientific research and development sub sector, employment is split between:

- Research and experimental development on biotechnology: <100 employees
- Other research and experimental development on natural sciences and engineering: 100 employees
- Research and experimental development on social sciences and humanities: <100 employees

Within the advertising & market research sub sector, employment is split between:

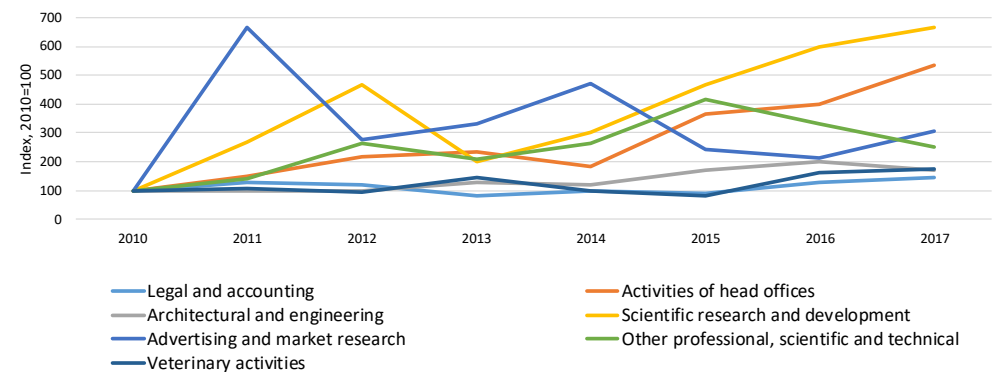
- Advertising agencies: 200 employees
- Media representation: <100 employees
- Market Research and public opinion polling: <100 employees

Within the other professional, scientific and technical activities sub sector, employment is split between:

- Specialised design activities: 100 employees
- Photographic activities: <100 employees
- Translation & interpretation activities: <100 employees
- Other professional, scientific and technical activities nec: 400 employees

Since 2010, jobs have been created in all sub-sectors of the professional services sector. However, the greatest increase has been within activities of head offices, with strong growth in head offices activities and business and management consultancies contributing to an overall increase in employment in the sub-sector of 3,300 (+433%). 900 additional jobs were created in the architectural and engineering sub-sector, of which 700 were in engineering. Significant numbers of jobs were also created in the legal and accounting activities sector (+600). In percentage terms, fastest growth was in scientific research and development (+567%), albeit from a low base. Lowest growth in percentage terms was in legal and accounting activities (+45%), architecture and engineering (+70%) and veterinary activities (+73%).

**Growth in Professional Services Sub-Sectors, 2010-2017**



Source: Business Register of Employment, 2017, ONS © Crown Copyright 2018

## Top Companies

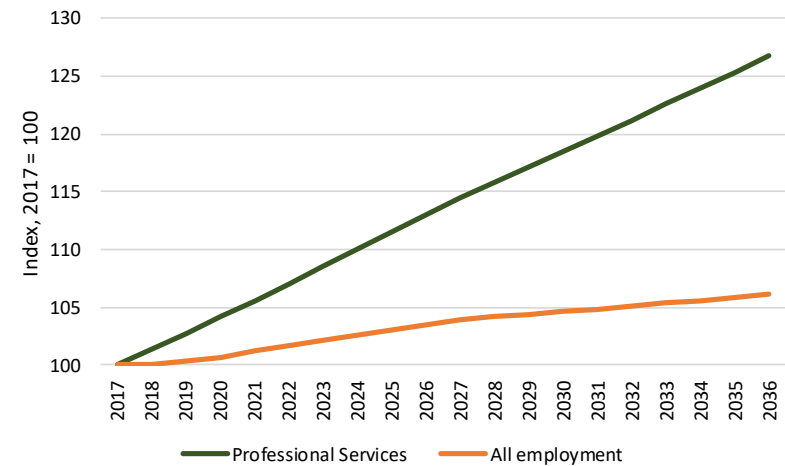
Despite the prevalence of small businesses in the professional services sector, there are some sizeable employers. In the legal and accounting sub-sector, Premier Medical, Terry Jones and Lanyon Bowdler all operate. In activities of head offices, WSP is amongst the largest management consultant. The largest scientific research and development business is Smithers Rapra.

## Growth Prospects

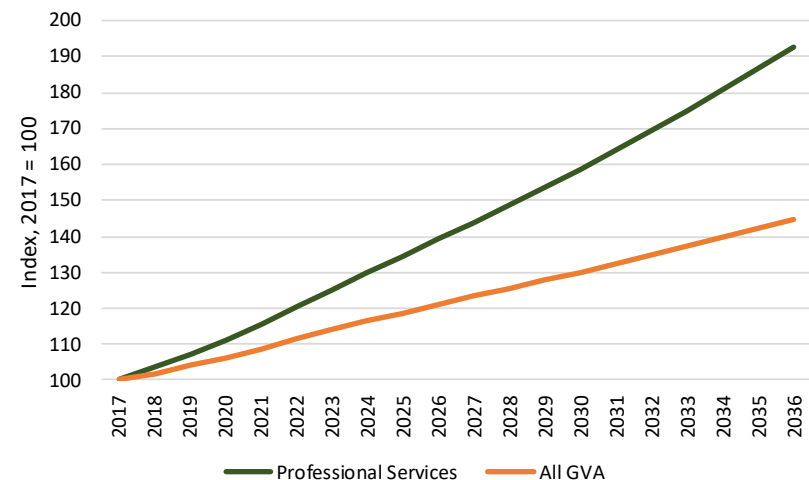
Employment in the professional services sector in Shropshire is forecast to expand more rapidly than overall employment in the county, at a rate of about 27% between 2017 and 2036, compared with 6% growth across all sectors. This represents an annual gain of about 120 jobs. Jobs in the sector are likewise expected to rise in the West Midlands albeit at a slightly slower pace (+19%). Meanwhile, nationally jobs in the sector are forecast to grow by 24%.

It is anticipated that jobs created will be at the higher value end of the scale. As a result, the increase in sector value is forecast to outstrip employment growth. The projected GVA worth of the sector in Shropshire is expected to reach £587 million by 2036. This represents growth of +93% (against +45% for the overall Shropshire economy). Both the regional and national professional services sectors are forecast to grow quickly—by 82% and by 91% respectively.

## Forecast Growth in Professional Services Employment, 2017-2036



## Forecast Growth in Professional Services GVA, 2017-2036



Source: Oxford Economics