East Sussex Business Survey: Economic Development & Skills Team

Theme Paper 1

Enterprise 2008

1.0 Introduction

1. This document is one of a series of four theme papers based on the 2008 East Sussex Business Survey, a survey of nearly 1,000 local businesses undertaken in February 2008. The survey provides a baseline assessment of business issues and concerns in the county and is intended to inform strategic and operational planning undertaken by East Sussex County Council and local partners.

2. Each theme paper explores in detail an area of particular interest for economic development in East Sussex. In addition to presenting the results of the 2008 survey, the papers draw on additional sources including the results of the 2007 East Sussex Business Survey, local and regional strategies and published research documents.

3. The four papers in the series are:

    1. **Enterprise** – providing an overview of East Sussex business' economic outlook and business constraints
    2. **Skills** – highlighting the employment, skills and training issues affecting East Sussex
    3. **Transport** – investigating the importance of public and private transport issues in business growth and behaviour
    4. **Accommodation** – exploring the role of the stock of business premises in East Sussex in business decisions

4. There is also a separate paper focusing on the survey methodology which fully explains the approaches used to conduct the 2008 survey.

5. Although the full public administration, education & health sector is included in some benchmarking statistics, it should be noted that the East Sussex Business Survey interviewed only non-public sector establishments within education, health & social care.

6. This paper includes a dedicated section on business growth and outlook in three regeneration areas in East Sussex; namely Hastings & Bexhill, the 'Hailsham, Polegate & Eastbourne 'triangle' and Newhaven.

7. These regeneration areas do not fit neat administrative boundaries, meaning that local intelligence is often dominated by one part of the area over another (e.g. data for Hastings as a Local Authority area is more widely available than data for the sub-district area of Bexhill), or is for a much wider area. The 2008 East Sussex Business Survey included sample boosts in order to provide robust top line results at a sub-district level.

8. The interviews for this year's survey were conducted in February and March 2008 during a period of heightened uncertainty in the global economy following the collapse of the sub-prime mortgage market in the United States. In his March budget, Alastair Darling, the Chancellor of the Exchequer, revised his growth forecasts for the UK economy downwards but was still criticised by some commentators for being too optimistic[1].

9. Businesses in **East Sussex** remain relatively optimistic, although their growth expectations are lower than in 2007. Most businesses expect their staffing to remain stable, whilst the proportion expecting a reduction in staff numbers has not changed significantly (3% in 2008 and 4% in 2007).

2.0 Enterprise in East Sussex

2.1 East Sussex Businesses

Key findings and messages

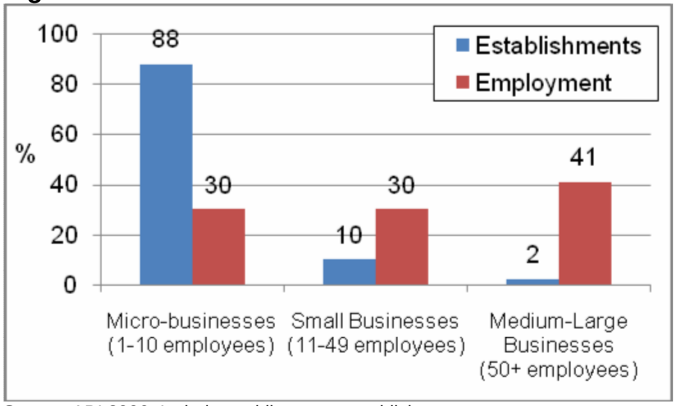
Finding	Message
Although micro-businesses account for the vast majority of the East Sussex business population, a small number of medium and large businesses account for a significant proportion of employment.	Securing business engagement with economic development or business growth strategies will need both mass market and individualised approaches.
East Sussex has a lower than average proportion of businesses in some key growth sectors such as business and financial services	Economic development for the county requires a focus on Inward investment and new sector creation as well as business retention and growth.

[1] http://news.bbc.co.uk/1/hi/uk_politics/7291841.stm. Accessed 03/04/08

10. National Statistics Annual Business Inquiry (ABI) suggests there are around 22,400 businesses in **East Sussex**[2] employing more than 166,200 people. In addition, there are around 41,000 self-employed people working in the county[3].

11. Around 88% of the county's businesses are micro-businesses employing 1-10 staff. However, businesses with more than 10 staff employ 71% of the workforce (Figure 2.1).

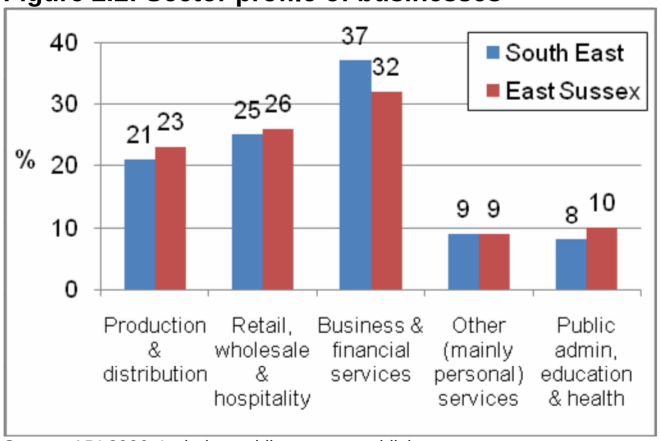
Figure 2.1: Size of businesses in East Sussex



Source: ABI 2006. Includes public sector establishments.

12. The sector profile of **East Sussex's** businesses is quite different from that of the South East as a whole. The county has significantly fewer businesses in the broad business & financial services sector and more in the retail, wholesale & distribution and public administration, education & health sectors (see Figure 2.2).
13. **Wealden** is the only district in the county with a higher than average proportion of businesses in the business & financial services sector. **Hastings and Eastbourne** both have higher proportions of retail, wholesale & hospitality businesses while Rother has a slightly higher than average proportion of production & distribution businesses.

Figure 2.2: Sector profile of businesses



Source: ABI 2006. Includes public sector establishments.

2.2 Business Dynamics

Key findings and messages

Finding	Message
Whilst starting from a low base, business and employment growth in the business and financial sector has been strong and above the regional trend.	The direction of travel at county level in terms of economic restructuring seems positive.
	Further investment and regeneration activity is likely to be required for Hastings.

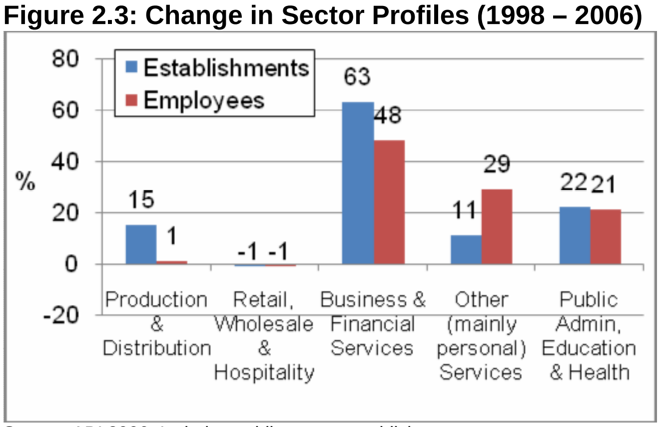
Suggested actions

1. Review inward investment, business support and regeneration activities to discover what, if anything, has been most effective in supporting the restructuring of the economy towards growth industries.
2. ESCC, Hastings BC and partners to evaluate the effectiveness of recent regeneration activity whilst continuing to actively seek further funding for Hastings.

14. The ABI also suggests that the business base in **East Sussex** grew slightly between 2005 and 2006 (by around 1% or 280 businesses). Since 1998, the business base has grown by 21% (nearly 4,000 businesses).

15. Figure 2.3 below, shows that the business & financial services sector has seen the most dramatic growth both in terms of business numbers (+63% or 2,800 businesses between 1998 and 2006) and employment (+48% or 8,000 people over the same period). Whilst these growth rates have exceeded regional levels, the county has started from a relatively low base in this sector.

Figure 2.3: Change in Sector Profiles (1998 – 2006)



Source: ABI 2006. Includes public sector establishments.

16. Every district in the county has seen an above (regional) average increase in business & financial services sector business stocks. However,

[2] This figure refers to all establishments, excluding the self-employed
[3] Self-employed figure from the Annual Population Survey September 2007.

employment increases in the sector have been below the county average in **Hastings**.

17. Despite relative strengths in retail, wholesale & distribution, both **Eastbourne and Hastings** have seen below average growth in business stocks and employment in this broad sector, with both the number of businesses and employment falling in **Hastings** (by 5% and 9% respectively).

18. Interestingly, the stock of production & distribution businesses in **East Sussex** has also grown over the period 1998-2006 (by 15%), although employment in the sector has remained broadly stable. This suggests that the average size of business in this sector is getting smaller. **Rother and Wealden** are exceptions to this rule and have both seen increases in employment in production & distribution.

19. Overall, the growth in both business stocks and employment was relatively strong in **Eastbourne, Rother and Wealden** over the period 1998-2006 and significantly above the average for the South East as a whole.

20. However, **Hastings** saw below average growth in business stocks and employment over the same period.

21. Whilst business stocks in **Lewes** grew by 20% between 1998 and 2006, employment grew by only 7% (compared with 13% across East Sussex as a whole).

2.3 Market Opportunities

Key findings and messages

Finding	Message
Many East Sussex businesses report a broadly positive outlook although managers in the business and financial services sector are slightly more likely to expect a decline in market opportunities	In February and March of 2008 there were few signs of the credit crunch affecting local businesses. However this may be just a question of time if consumer spending continues to fall.
Business in Hastings Borough and Lewes District are less likely to be optimistic than businesses in the rest of the county.	As between a third and a half of businesses serve local markets, poor business growth can be both a symptom and partial cause of regeneration issues.

Suggested actions

1. Business support providers should be encouraged to prepare focused support for local businesses to survive the economic downturn.
2. A particular emphasis should be on business and scenario planning, market diversification and managing finances and cash flow.

22. The 2008 East Sussex Business Survey asked local businesses how they saw the markets for their products and services developing. Despite the economic climate at the time of the survey, four in ten businesses (42%) reported that the market for their products or services had grown over the previous 12 months and nearly half expect their markets to grow in the next 12 months (Figure 2.4).

Figure 2.4: Market opportunities

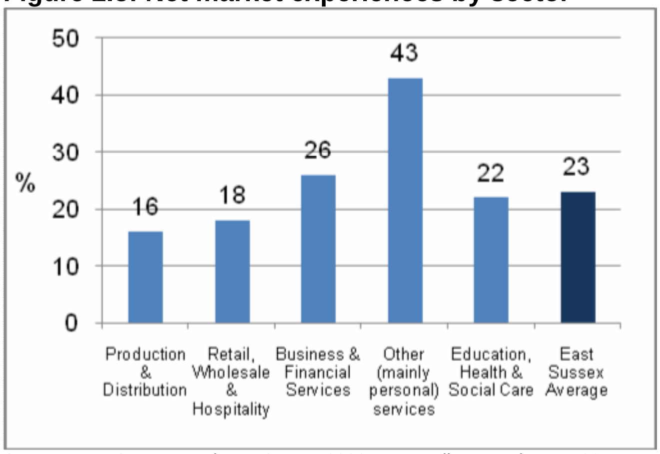
	Experience - last 12 months	Expectations - next 12 months
Growing	42	48
Stable	36	33
Declining	19	16
Net Balance (growing - reducing)	**23**	**32**

Source: East Sussex Business Survey 2008. Base = All respondents 825.

23. Figure 2.4 also highlights that net perceptions of growth in market opportunities (the proportion of businesses with growing market opportunities minus the proportion reporting a decline) are more positive in terms of future expectations than recent experience. This is actually quite common in business surveys and reflects in part a level of 'natural' optimism amongst business owners and managers.

24. Net perceptions of the growth in market opportunities over the last 12 months are positive for all sectors and sizes of business in **East Sussex** and are highest for the other (mainly personal) services sector (see Figure 2.5 below).

Figure 2.5: Net market experiences by sector



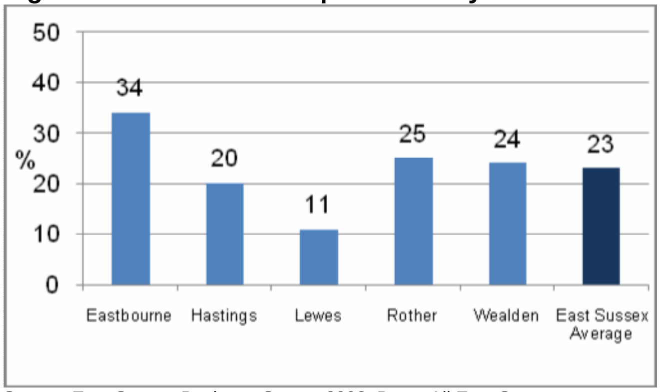
Source: East Sussex Business Survey 2008. Base: All respondents = 825; Production & Distribution = 191, Retail, Wholesale & Hospitality = 315, Business & Financial Services = 119, Other (mainly personal) Services = 67, Education, Health & Social Care = 132.

25. The (non-public) education, health and social care sector has the highest net balance in terms of future expectations. Although net expectations were close to the all industry average, owners and

managers in the business & financial services sector were *slightly* more likely to expect a decline in market opportunities over the next 12 months, perhaps reflecting their closer relationship with current uncertainties in international financial markets.

26. Interestingly, there are significant differences in business perceptions of market opportunities past and future at a local level. These differences are over and above those that might be expected from the profile of businesses by sector at a local level. Figure 2.6 shows that the market opportunities net balance is significantly higher than average for **Eastbourne** and lower than average for **Lewes.**

Figure 2.6: Net market experiences by district



Source: East Sussex Business Survey 2008. Base: All East Sussex Unweighted - total = 825. Eastbourne = 166, Hastings = 165, Lewes =147, Rother = 195, Wealden = 152.

27. Net balances for future market opportunity growth show a similar pattern. Whilst the town of **Lewes** itself may be a relatively stable economy, the district includes significant areas in need of regeneration, particularly around Newhaven.

28. The 2007 East Sussex Business Survey noted that between a third and a half of all businesses serve a predominantly local market.

2.4 Workforce Dynamics

Key findings and messages

Finding	**Message**
Four out of ten businesses have filled new positions in the last 12 months, many more than are likely to have seen a net increase in staff.	Businesses are constantly redefining job roles and internal structures. Whilst this means there are many job opportunities for new entrants and returners, they need to be flexible in the way they can apply their skills.
Given its size profile, a low proportion of businesses in the production and distribution sector have filled new positions.	Manufacturing industries in particular are continuing to come under pressure from international competition.

Suggested actions

1. ESCC works with schools and other learning providers to ensure not only that learners develop generic skills, but that they can apply their technical skills in a range of different situations.
2. Business support providers continue to work with the manufacturing sector to move to higher value added markets to ensure their future competitiveness.

29. Four out of 10 businesses in **East Sussex** report that they have filled new positions in the last 12 months. Only 20% of businesses reported a net increase in staff in the 2007 survey. It therefore seems unlikely that there has been a dramatic increase in recruitment, rather that the term “new posts” does not always mean a net increase in staff. For example, some employees leave and are not replaced or their job roles are redesigned before replacements are recruited.

30. Just over a quarter of businesses filled more than one new position in 2008. The average number of posts filled by businesses with new positions was 3.6, equivalent to around 18,000 new positions across all private sector businesses in **East Sussex**[4]**.** Businesses with more than 10 employees were much more likely to have filled new positions, with 70% of these businesses filling two or more positions (Figure 2.7).

Figure 2.7: Businesses filling new positions

	Micro-businesses (1-10 employees)	**Other businesses (11+ employees)**	**East Sussex Average**
1 post (%)	16	10	15
2+ posts (%)	19	70	27
At least 1 post (%)	**35**	**80**	**42**

Source: East Sussex Business Survey 2008: Base: All respondents = 825, micro-businesses = 565, other businesses = 255.

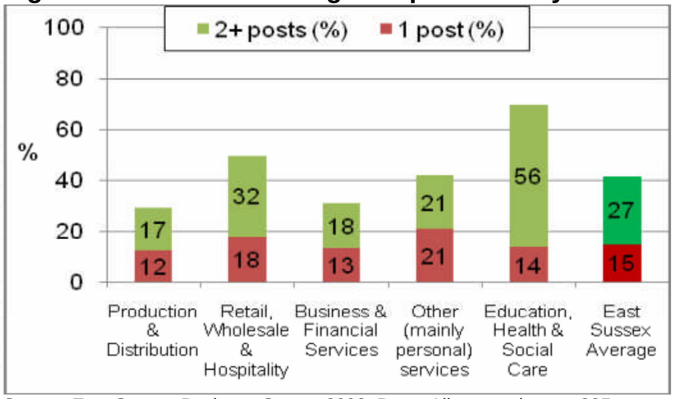
31. For micro-businesses, recruiting new staff is a major step that increases costs by a significant proportion and therefore happens relatively infrequently.

32. Figure 2.8 shows recruitment by sector, with the education, health & social care and retail, wholesale & hospitality sectors most likely to have filled new positions in the last 12 months. However, this pattern may be explained in part by the relative size profile of businesses within each sector. The production & distribution, business & financial services and other (mainly personal)

[4] Note that the creation new positions does not necessarily mean a net increase in staff

services sectors all have higher than average proportions of micro-businesses.

Figure 2.8: Business filling new positions by sector

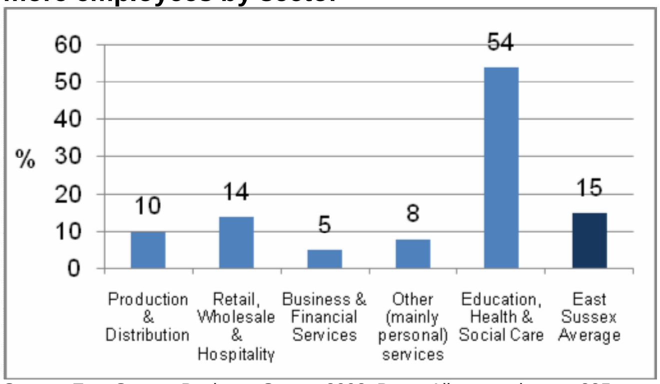


Source: East Sussex Business Survey 2008. Base: All respondents = 825; Production & Distribution = 191, Retail, Wholesale & Hospitality = 315, Business & Financial Services = 19, Other (mainly personal) services = 67, Education, Health & Social Care = 132.

33. The size profile of non-public sector businesses in education, health & social care is not widely known. Most benchmarking datasets include public sector organisations in this broad sector that also tend to be large organisations.

34. However, as shown in Figure 2.9, the 2008 East Sussex Business Survey suggests that even when we exclude public sector organisations, there are many businesses in this sector with 11 or more employees and high numbers of businesses with 11-49 employees. A significant proportion of private and charitable sector schools, nurseries and care homes are likely to fall within this category.

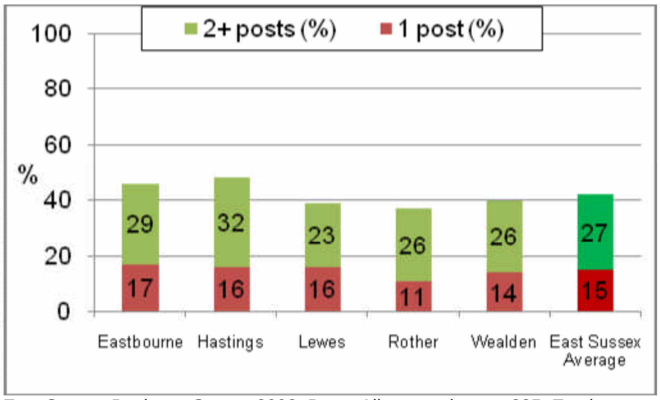
Figure 2.9: Proportion of businesses with 11 or more employees by sector



Source: East Sussex Business Survey 2008: Base: All respondents = 825; Production & Distribution = 191, Retail, Wholesale & Hospitality = 315, Business & Financial Services = 19, Other (mainly personal) services = 67, Education, Health & Social Care = 132. Note: Public Sector establishments are not included.

35. Businesses in **Hastings and Eastbourne** were slightly more likely to fill new positions over the last 12 months (Figure 2.10).

Figure 2.10: Business filling new positions by district



East Sussex Business Survey 2008. Base: All respondents = 825, Eastbourne = 166, Hastings= 165, Lewes = 147, Rother = 195, Wealden = 152.

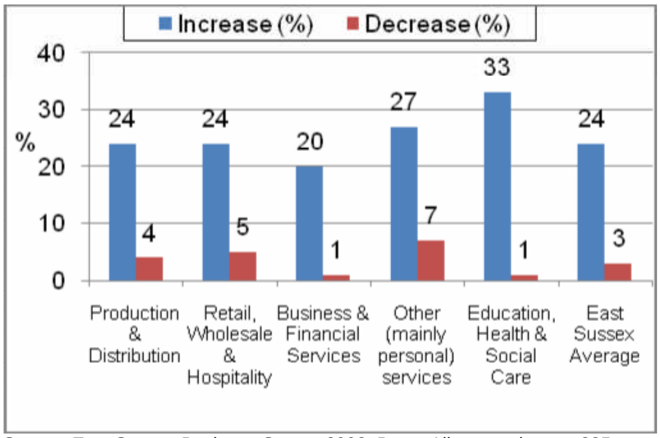
36. Once again, this may in part reflect the sector and size profile of these districts. For example, **Hastings** has a lower than average proportion of micro-businesses (85% compared with 88% across East Sussex).

37. However, we noted above that businesses in **Eastbourne** in particular are more likely to report growing market opportunities than those in other districts. The 2007 East Sussex Business Survey also highlighted that four out of five businesses in **East Sussex** mainly recruit from within 10 miles of their location.

38. Around one in four **East Sussex** businesses expect to increase their staffing levels over the next 12 months. Future staffing expectations were significantly higher in the 2007 survey (when 30% expected a net increase in staffing levels over the coming year).

39. Once again, businesses with 11 or more staff and those in the education, health & social care sector are most likely to expect an increase in staffing levels (Figure 2.11 below).

Figure 2.11: Staffing expectations – next 12 months



Source: East Sussex Business Survey 2008. Base: All respondents = 825. Production & Distribution = 191, Retail, Wholesale & Hospitality = 315, Business & Financial Services = 119, Other (mainly personal) services = 67, Education, Health & Social Care = 132.

2.5 Constraints on Growth

Key findings and messages

Finding	Message
The top three constraints identified by East Sussex businesses are related to costs.	Managing costs effectively is an issue where many of the county's businesses may benefit from more support.
After cost issues business journey times is the next most significant constraint and transport infrastructure, parking and roadworks are a significant concern for many.	Businesses feel negative about the transport infrastructure in East Sussex and suggest it is a significant constraint on their growth potential.
Almost one in ten businesses employs staff from the new EU accession states (e.g. Poland) and many employ more migrant workers than they did 12 months previously.	The true extent of skill shortages and gaps in the county may have been underestimated and become more apparent if the flow of migrant workers continues to decline or even reverses.

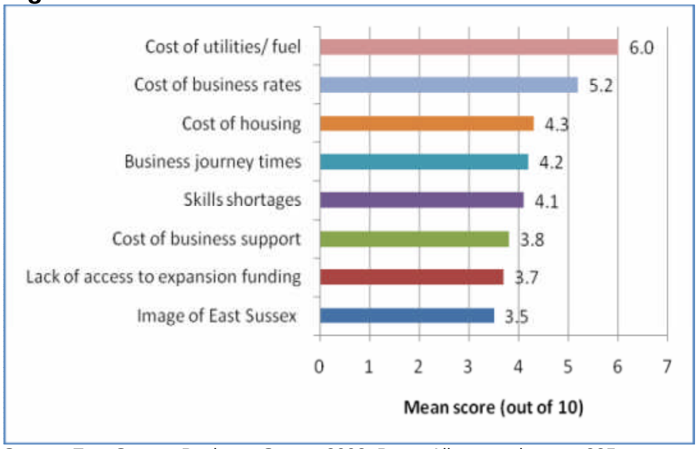
Suggested actions

1. Business support needs to focus not only on managing costs more effectively but also on moving to higher value added markets. UK businesses will always be at a competitive disadvantage internationally if they compete on costs.
2. Addressing transport infrastructure issues may help to support business growth. However, encouraging businesses to try to overcome these problems through adapting their working practices may also be important.
3. Ensure businesses are aware of initiatives such as Train to Gain designed to help them to develop workforce skills in response to skills shortages and gaps.

40. The 2008 East Sussex Business Survey asked businesses to score a list of 8 potential constraints on their business on a scale from 1-10, with 10 representing a very significant constraint leading to substantial negative effects on the business.

41. Figure 2.12 shows that the cost of utilities and fuel was viewed as the most significant constraint on the list, followed by the cost of business rates.

Figure 2.12: Business constraints – mean scores



Source: East Sussex Business Survey 2008. Base: All respondents = 825.

42. Given recent increases in fuel prices, the cost of utilities and fuel is obviously a topical issue. It is perhaps less clear whether these cost increases are changing business behaviours.

43. The cost of business rates as an issue may be elevated to an extent because the survey was introduced as being conducted on behalf of East Sussex County Council. Many businesses may associate the word council with business rates.

44. The issue of skill shortages is dealt with in more detail in another East Sussex Business Survey theme paper (Skills 2008). However, just 14% of businesses in the survey reported that they had current vacancies and only 6% had vacancies that were hard to fill. Nevertheless, 8% of businesses highlighted that they employ staff from the new EU accession countries in Eastern Europe (e.g. Poland, the Czech Republic etc). Of these businesses, 43% indicated that they had more Eastern European staff than a year ago (compared with just 12% who had fewer).

45. In addition, 30% of businesses reported that their staff need to improve their skills in order to carry out their roles as their employer would wish.

46. Figure 2.13 identifies the types of businesses most affected by each of the 8 constraints (with higher than average mean scores).

Figure 2.13: Businesses most affected

Constraint	Most affected
Cost of utilities/fuel	- With fast growing *or* declining markets - 11+ employee businesses
Cost of business rates	- With fast growing *or* declining markets - Education, health & social care - Retail, wholesale & hospitality - 11+ employee businesses
Skill shortages	- With fast growing markets - Those filling new positions - 11+ employee businesses
Cost of housing	- With declining markets - Businesses in Wealden
Business journey times	- Production & distribution - Businesses in Wealden
Cost of business support	- 11+ employee businesses
Access to expansion funding	- With fast growing markets - Education, health & social care
Image of East Sussex	- Other (mainly personal) services

Source: East Sussex Business Survey 2008. Base: All respondents = 825.

47. The actual scores for each constraint varied quite widely. With the exception of the costs of utilities, fuel and business rates, around a third of businesses gave scores of 1 out of 10 whilst in each case at least 1 in 6 businesses gave the constraint a score or 8 or more.

48. When asked if there were any other constraints that would score ten out of ten[5], 10% businesses identified transport infrastructure as a significant constraint (see Figure 2.14)

Figure 2.14: Other significant constraints

Constraint	% identifying an unprompted constraint	% of all businesses
Transport infrastructure/ parking/ roadworks	30	10
Legislation /red tape/ planning permission	22	7
Lack of government/ council funding	8	3
Lack of customers/ clients	5	2
Cost of supplies/ wages for staff/overheads	5	2
Levels of taxation	5	2
Waste disposal	4	2
Space constraints/ lack of commercial space available/ suitable premises	4	1
General economy/ global economy	3	1
Competition	3	1
Interest rates/ the housing market	2	1

East Sussex Business Survey 2008. Base: All respondents = 825. Those identifying an unprompted constraint = 280.

49. This is equivalent to 30% of those identifying an additional constraint. Transport issues are described in greater detail in the East Sussex Business Survey paper on transport.

3.0 Enterprise & Regeneration

3.1 Hastings and Bexhill

50. Together, Hastings and Bexhill represent an important development area within East Sussex, attracting significant regeneration investment. However, some important differences exist between these two towns.

Business profile

51. As shown in Figure 3.1, Bexhill is smaller than Hastings but its economy (in terms of numbers of businesses and jobs) has grown at a faster rate over the last three years. Employment in the town has expanded at a rate that is not only greater than in Hastings but also above average for East Sussex as a whole.

[5] This question was entirely unprompted. Respondents were free to name any other issues they considered to act as an important constraint on their business.

Figure 3.1: Businesses and employment – Bexhill, Hastings and East Sussex

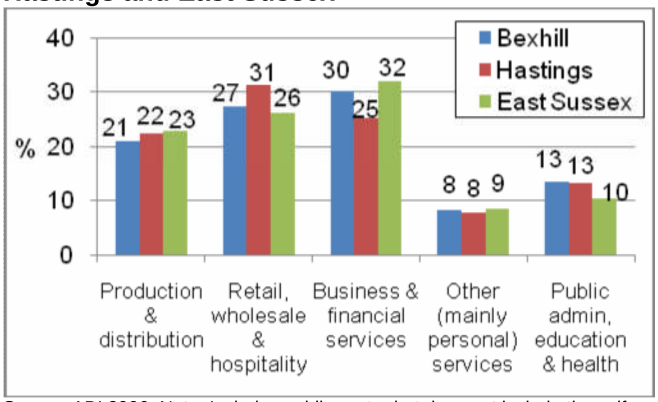
	No. of businesses	Change 2003-2006	No. of jobs	Change 2003-2006
Bexhill	1,300	+9%	11,300	+8%
Hastings	2,900	+3%	29,500	0%
East Sussex	22,400	+10%	166,200	+4%

Source: ABI 2006. Note: Includes public sector but does not include the self employed

52. Differing trends in business and employment growth may reflect differences in the sector profiles of the two towns. Figure 3.1 illustrates that Bexhill more closely reflects the profile of East Sussex as a whole than Hastings. In particular, it has a higher proportion of businesses in the business & financial services sector. Across the South East this sector has experienced greater growth in both business numbers and employment than any other in recent years.

53. Figure 3.2 also highlights the importance of the retail, wholesale & hospitality sector in Hastings, which is not replicated in Bexhill.

Figure 3.2: Sector profile comparison – Bexhill, Hastings and East Sussex



Source: ABI 2006. Note: Includes public sector but does not include the self employed.

54. Despite differences in the *sector* profiles of Hastings and Bexhill, both have a lower proportion of micro businesses than East Sussex as a whole (85% compared with 88%). This may reflect the greater incidence of public administration, education & health establishments in these two areas compared with the county average.

Outlook and challenges

Opportunities and constraints – Similarities and differences

Hastings	Bexhill
Compared with the East Sussex average, Hastings businesses have....	Compared with the East Sussex average, Bexhill businesses have....
• More positive market expectations • Fewer housing related constraints	• More positive market expectations • More 'access to expansion funding' constraints

Source: East Sussex Business Survey 2008. See Annex I for full breakdown of results.

55. The net perceptions[6] of businesses in Hastings and Bexhill with respect to their market over the past 12 months show little difference from the East Sussex average (+20 in Hastings and +23 in Bexhill compared with +23 across East Sussex). However, in both Hastings and Bexhill, expectations of growth in market opportunities over the *coming* 12 months are significantly more positive than the county average (+38 in Hastings and +39 in Bexhill compared with +32). It is possible that this may reflect regeneration activities in the area.

56. The extent to which Hastings and Bexhill businesses are affected by possible constraints is broadly in line with businesses across East Sussex as a whole. However, Hastings businesses are less likely than those in Bexhill or across East Sussex to consider 'the cost of housing' to be a constraint for them (average rating of 3.7 out of 10 compared with 4.4 and 4.3 in Bexhill and across East Sussex). This reflects findings from the 2007 East Sussex Business survey suggesting that the town's relatively low house prices represent one of Hastings' greatest strengths.

57. In contrast, Bexhill businesses are more likely to believe 'access to expansion funding' is a constraint that could affect them over the next 12 months (average score of 4.4 compared with 3.7 across East Sussex and 4.0 in Hastings). This may suggest that Bexhill businesses would like to respond to growing markets through investing to develop their business but face difficulties in doing this.

[6] The % of businesses stating they have faced a growing market minus the % facing a declining market

Staff issues – Similarities and differences

Hastings	Bexhill
Compared with the East Sussex average, Hastings businesses have.... • More positive staffing expectations • Greater creation of new positions • More vacancies	Compared with the East Sussex average, Bexhill businesses have.... • More positive staffing expectations • Greater need for staff skills improvement

Source: East Sussex Business Survey 2008. See Annex I for full breakdown of results.

58. Expectations regarding future staff numbers are slightly more positive in both Hastings and Bexhill than the average for all East Sussex, with 32% and 27% believing that they will have more staff in the next year compared with 24% across East Sussex.

59. Hastings businesses are more likely to have vacancies than Bexhill businesses or the East Sussex average (17% compared with 13% and 14% respectively). They are also more likely to have filled new positions (48% compared with 41% and 42%). As the profile of businesses by size is similar in Hastings and Bexhill, the difference between the two towns may be a reflection of their differing sector profiles. Hastings has a greater proportion of businesses in the retail, wholesale & hospitality sector where staff turnover is higher than in many other sectors.

60. It appears that businesses in both Hastings and Bexhill are more likely to believe that staff need to improve their skills than the East Sussex average (37% compared with 30%).

3.2 Hailsham, Polegate & Eastbourne

61. The Eastbourne/ Hailsham triangle is currently a focus of regeneration efforts in East Sussex. As with Hastings and Bexhill, some important differences exist across this regeneration area and these are explored below.

Business profile

62. While expansion in both business numbers and employment in Eastbourne over the past three years has been in line with the average across East Sussex, Hailsham & Polegate show a below average rate of business growth but an above average rate of growth in employment (Figure 3.3). This suggests that compared with East Sussex and Eastbourne, in Hailsham & Polegate the expansion of *existing* businesses has been more important in employment growth than the creation of *new* businesses.

Figure 3.3: Businesses and employment – Hailsham & Polegate, Eastbourne and East Sussex

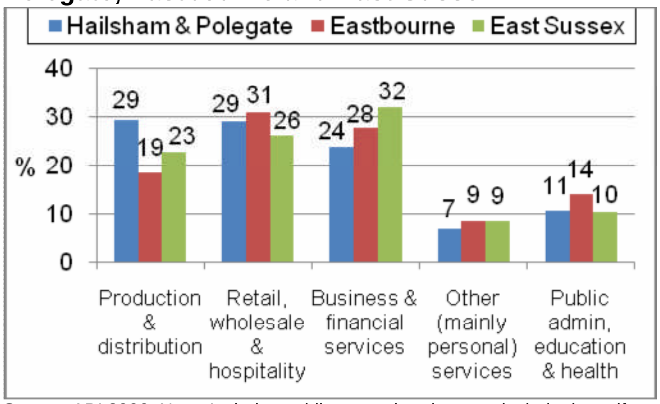
	No. of businesses	Change 2003-2006	No. of jobs	Change 2003-2006
Hailsham & Polegate	1,400	+6%	10,400	+10%
Eastbourne	3,400	+10%	38,100	+4%
East Sussex	22,400	+10%	166,200	+4%

Source: ABI 2006. Note: Includes public sector but does not include the self employed

63. Figure 3.4 highlights the greater importance of the production & distribution sector in Hailsham & Polegate compared with both Eastbourne and East Sussex as a whole. The proportion of production & distribution businesses found in Eastbourne is only around two thirds the level found in Hailsham & Polegate. Conversely, compared with both Eastbourne and East Sussex, Hailsham & Polegate have a relatively low level of business & financial services establishments.

64. The area is similar to Eastbourne in terms of its high proportion of businesses in the retail, wholesale & hospitality sector but it does not share Eastbourne's above average level of public administration, education & health establishments.

Figure 3.4: Sector profile comparison - Hailsham & Polegate, Eastbourne and East Sussex



Source: ABI 2006. Note: Includes public sector but does not include the self employed

65. Micro-businesses are more common in Hailsham & Polegate than in Eastbourne (86% compared with 83%) but still less common in Hailsham & Polegate than across East Sussex as a whole (88%).

Outlook and challenges

Opportunities and constraints – Similarities and differences

Eastbourne	Hailsham & Polegate
Compared with the East Sussex average, Eastbourne businesses have....	Compared with the East Sussex average, Hailsham & Polegate businesses have....
• More positive market experiences • More positive market expectations • Fewer constraints related to the cost of housing	• More constraints related to the cost of business rates

Source: East Sussex Business Survey 2008. See Annex 1 for full breakdown of results.

66. Section 2 highlighted the particularly positive nature of Eastbourne businesses' perceptions of both their market opportunities over the past year and their expectations for the coming year (net perceptions of +34 compared with an East Sussex average of +23 for experiences and +48 compared with +32 for expectations). However, these strongly positive feelings do not appear to extend to neighbouring Hailsham & Polegate, where both past and future market perceptions are much closer to the all East Sussex average than the Eastbourne figures (+26 for experiences, +34 for expectations).

67. Interestingly, owners and managers in Eastbourne appear less likely to feel that they suffer from some key constraints on their business than those in Hailsham & Polegate. 'The cost of housing' stands out in particular with an average score of 4.0 compared with 4.5 in Hailsham & Polegate and 4.3 across Sussex as a whole. Business journey times also appear to represent less of a concern compared with Hailsham & Polegate (average score of 4.0 compared with 4.4).

68. Further, businesses in Hailsham & Polegate are more likely to consider themselves to be constrained by the cost of business rates than those in Eastbourne and the East Sussex average (5.6, 5.3 and 5.2 respectively).

Staff issues – Similarities and differences

Eastbourne	Hailsham & Polegate
Compared with the East Sussex average, Eastbourne businesses have.... • More positive staffing expectations • Greater creation of new positions	In terms of staff issues, Hailsham & Polegate are in line with the East Sussex average.

Source: East Sussex Business Survey 2008. See Annex 1 for full breakdown of results.

69. Reflecting their strongly positive views of their market opportunities, Eastbourne businesses are more likely than average to have filled new positions in the past year and to expect the number of staff they employ to increase over the coming year (46% compared with 42% filling new positions, 31% compared with 24% expecting staff numbers to increase). Again, this situation is not replicated in Hailsham & Polegate (39% have filled new positions, 23% expect increased staff numbers).

70. The relatively low incidence of skills shortages as a constraint in Eastbourne is particularly interesting in light of the importance of recruitment (either past or expected) to businesses in this district. It is interesting to note that both vacancies and skills *gaps*[7] are equally common in Eastbourne and Hailsham & Polegate as across East Sussex as a whole.

3.3 Newhaven

71. Newhaven has been identified as the location for a number of proposed regeneration activities including transformation of the port area and development of employment sites.

72. The business base in the area is currently small (around 500 businesses). However, between them these businesses account for around 5,500 jobs. As shown in Figure 3.5, Newhaven has not enjoyed the same level of growth in business numbers or employment over the last three years as East Sussex as a whole, with the total number of jobs in the area actually declining by 2%. Further, a 7% growth in business numbers only relates to a net increase of around 40 establishments over this period, due to the low level of businesses in the area in total.

[7] Where businesses believe members of their existing workforce need to improve their skills

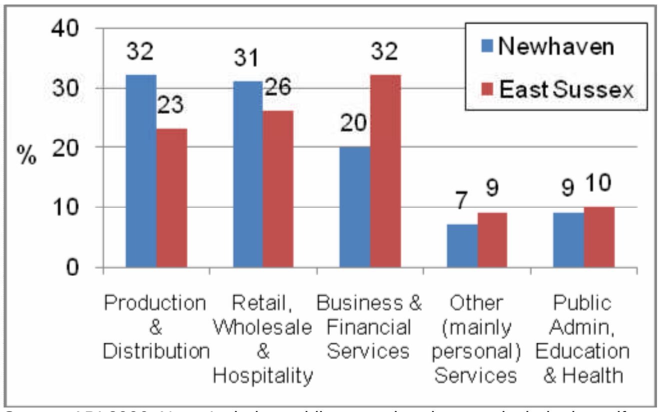
Figure 3.5: Businesses and employment – Newhaven and East Sussex

	No. of businesses	Change 2003-2006	No. of jobs	Change 2003-2006
Newhaven	500	+7%	5,500	-2%
East Sussex	22,400	+10%	166,200	+4%

Source: ABI 2006. Note: Includes public sector but does not include the self employed.

73. Figure 3.6 illustrates how the profile of Newhaven's businesses by sector differs from the East Sussex average. Particular differences can be seen in the proportion of businesses in the production & distribution and business & financial services sectors. In Newhaven, production & distribution accounts for nearly a third of all businesses while only around one in five establishments are in business & financial services. Across East Sussex, the reverse is true (23% of businesses in production & distribution, 32% in business & financial services). Newhaven also has an above average proportion of businesses in the retail, wholesale & hospitality sector[8] this probably relates to 'wholesale'.

Figure 3.6: Sector profile comparison – Newhaven and East Sussex



Source: ABI 2006. Note: Includes public sector but does not include the self employed.

74. Micro businesses are less common in Newhaven than across East Sussex as a whole (83% compared with 88%).

Outlook and challenges

Opportunities and constraints

Newhaven
Compared with the East Sussex average, Newhaven businesses have.... • More negative market experiences • More constraints related to the image of East Sussex

Source: East Sussex Business Survey 2008. See Annex 1 for full breakdown of results.

75. Compared with the East Sussex average, Newhaven businesses appear less or equally likely to be affected by most of the potential business constraints covered in the 2008 East Sussex Business Survey. The main exception to this is the image of East Sussex, which Newhaven businesses are more likely to consider a constraint than businesses across the county as a whole (3.9 compared with 3.4).

76. Although they are more likely to have experienced a stable or declining market over the past 12 months, Newhaven businesses are no less likely than average to have filled new positions in the past year.

77. Newhaven businesses are considerably more negative in their perceptions of their market opportunities over the past year than businesses based elsewhere in East Sussex. The 'net balance' of perceptions in the area is just +10 compared with +23 for all East Sussex businesses. Compared with the county average, Newhaven businesses are both less likely to have enjoyed a growing market (38% compared with 42%) and more likely to have faced a declining market (28% compared with 19%). This is likely to be partly down to the dominance of the production/ distribution sectors in the area coupled with the beginnings of the credit crunch

78. Interestingly however, perceptions of market opportunities in the coming year are in line with the East Sussex average (35% compared with 32%). This may reflect optimism linked to regeneration plans for the area.

[8] Note that this is a "top level" broad sector categorisation. Newhaven has an above average proportion of businesses *across all* this sector taken as a whole but may be weaker than average in terms of some elements.

Annex I. Hastings and Bexhill

Market Opportunities

	Hastings	Bexhill	East Sussex
Net experience	20	23	23
Net expectation	38	39	32
Base	*165*	*158*	*825*

Filling New Positions

	Hastings	Bexhill	East Sussex
At least 1 post	48	41	42
1 post	16	11	15
2+ posts	32	30	27
Base	*165*	*158*	*825*

Staffing Expectations

	Hastings	Bexhill	East Sussex
Increase	32	27	24
Decrease	3	5	3
Base	*165*	*158*	*825*

Constraints - Scores

	Hastings	Bexhill	East Sussex
Cost of utilities/fuel	6.2	6.1	6.0
Cost of business rates	5.2	5.5	5.2
Skills shortages	4.2	4.3	4.1
Cost of housing	3.7	4.4	4.3
Business journey times	3.9	3.9	4.2
Cost of business support	3.7	3.8	3.8
Access to expansion funding	4	4.4	3.7
Image of East Sussex	3.6	3.5	3.5
Base	*165*	*158*	*825*

Recruitment Difficulties

	Hastings	Bexhill	East Sussex
Vacancies	17	13	14
Base	*165*	*158*	*825*

Skills Gaps

	Hastings	Bexhill	East Sussex
% with staff needing to improve	37	37	30
Base	*165*	*158*	*825*

Annex II. Eastbourne – Hailsham - Polegate

Market Opportunities

	Eastbourne	H & P	East Sussex
Net experience	34	26	23
Net expectation	48	34	32
Base	*166*	*130*	*825*

Filling New Positions

	Eastbourne	H & P	East Sussex
At least 1 post	46	39	42
1 post	17	12	15
2+ posts	29	27	27
Base	*166*	*130*	*825*

Staffing Expectations

	Eastbourne	H & P	East Sussex
Increase	31	23	24
Decrease	4	5	3
Base	*166*	*130*	*825*

Constraints - Scores

	Eastbourne	H & P	East Sussex
Cost of utilities/fuel	6	6.1	6.0
Cost of business rates	5.3	5.6	5.2
Skills shortages	3.9	3.8	4.1
Cost of housing	4	4.5	4.3
Busness journey times	4	4.4	4.2
Cost of business support	3.9	3.8	3.8
Access to expansion funding	3.9	3.6	3.7
Image of East Sussex	3.3	3.5	3.5
Base	*166*	*130*	*825*

Recruitment Difficulties

	Eastbourne	H & P	East Sussex
Vacancies	15	12	14
Base	*166*	*130*	*825*

Skills Gaps

	Eastbourne	H & P	East Sussex
% with staff needing to improve	30	28	30
Base	*166*	*130*	*825*

Annex III. Newhaven

Market Opportunities

	Newhaven	East Sussex
Net experience	10	23
Net expectation	34	32
Base	*62*	*825*

Filling New Positions

	Newhaven	East Sussex
At least 1 post	42	42
1 post	13	15
2+ posts	29	27
Base	*62*	*825*

Constraints - Scores

	Newhaven	East Sussex
Cost of utilities/fuel	6	6.0
Cost of business rates	5.2	5.2
Skills shortages	4	4.1
Cost of housing	3.9	4.3
Business journey times	4.2	4.2
Cost of business support	3.5	3.8
Access to expansion funding	3.9	3.7
Image of East Sussex	3.9	3.5
Base	*62*	*825*