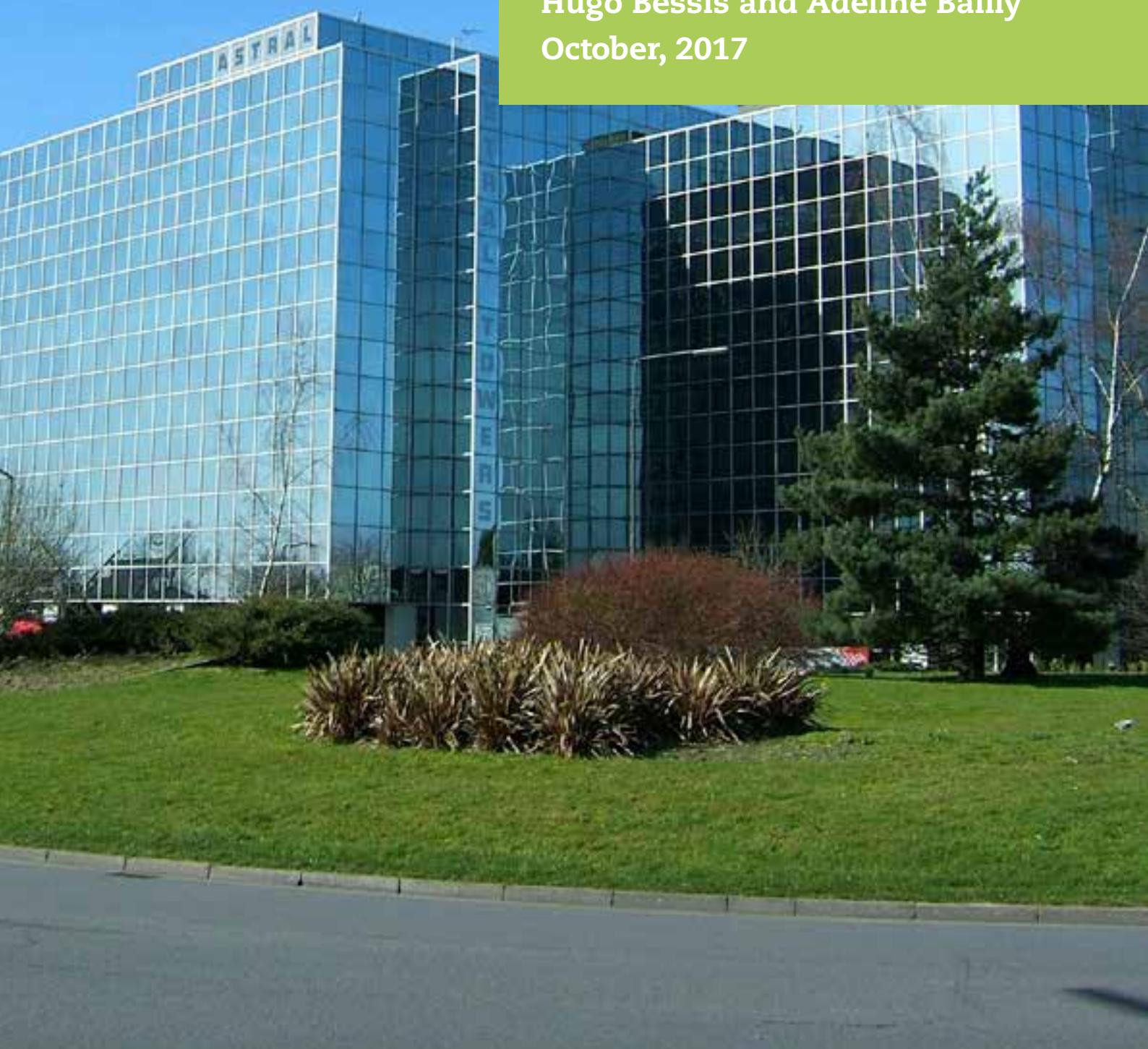


The Economic Geography of the Gatwick Diamond

Hugo Bessis and Adeline Bailly
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Executive Summary

The Gatwick Diamond is not only one of the South East's strongest economies, but also one of the UK's best performing areas. But growth brings with it a number of pressures too, which need to be managed to maintain the success of the area. This report measures the performance of the Gatwick Diamond relative to four comparator areas in the South East, benchmarking its success and setting out some of the policy challenges for the future.

The Gatwick Diamond makes a strong contribution to the UK economy. It performs well above the national average on a range of different economic indicators, such as its levels of productivity, its share of high-skilled jobs, and its track record of attracting foreign investment. It also outperforms most of the comparator areas used in this report. The one consistent exception to this is the Thames Valley area, which includes Reading, and this area is likely to be the Gatwick Diamond's strongest competitor outside of London when it comes to attracting investment in the future.

As is the case with other economies around the UK, the Gatwick Diamond is made up of many different parts, and these parts play different roles in its economy. In terms of jobs, Crawley makes the largest contribution, led by the large concentrations of jobs in the Manor Royal business district and neighbouring Gatwick Airport. Other areas, such as Horsham, Leatherhead, Reigate, Burgess Hill and Epsom, also make strong contributions.

Within this, the very centres of the Gatwick Diamond's urban areas don't appear to be making as large a contribution as they could otherwise be doing. This is a distinction between the area and the comparators of Thames Valley and the South East Midlands (which includes Milton Keynes), where the centres of Reading and Milton Keynes have a large number of high-skilled jobs in their cores. So while the Diamond's business parks play a big role in the success of the economy, its urban centres have the potential to help increase the number of job opportunities available to residents in the area.

To maintain its strong performance in the future, the challenge for the Gatwick Diamond will be to continue to attract investment in higher-skilled jobs. A key element of this will be to make sure there is a supply of high quality office space in the areas where it is needed. The Diamond's existing and planned business parks will need to continue to meet the on-going demand of firms to locate there. However there is also a clear requirement to attract the additional investment necessary to improve the central areas of the Gatwick Diamond's largest urban areas to attract investment from those companies that prefer a central location.

The success of the Gatwick Diamond also brings with it pressures, as is the case in other successful economies. The first of those is the supply of adequate employment land. Permitted Development Rights appear to be exacerbating this by incentivising landlords to convert commercial space into residential. If growth is not to be constrained, it is essential that the area maintains an adequate supply of employment land.

The second is the cost of housing. One of the key strengths of the area is its large number of high-skilled workers, which makes it very attractive to those businesses that want to come and invest. The rising cost of housing may make the area less attractive to workers in the future, with knock on impacts on the ability to attract further business investment and create more high-skilled jobs. This means that continuing to make sure there is a sufficient supply of new homes – while noting the planning constraints that the greenbelt creates – will be important to help manage the affordability challenge that the area faces and make sure that it continues to remain an attractive place for businesses to invest, create jobs and grow the economy.

The third pressure is the need to ensure that there is an adequate supply of workers with the skills required to sustain economic growth. Part of this requirement could be met by seeking to encourage a greater proportion of Gatwick Diamond residents to work closer to home. Currently more work elsewhere than do the residents of any other comparator area. For example, 23% commute to London, whereas only 12% of residents in the Thames Valley do so. Equally, part of the requirement could be met by capitalising on the continuing expansion of Gatwick Airport. The emerging new Gatwick Airport Surface Access Strategy and the results of the Gatwick Growth Board Infrastructure Study will identify many transport and infrastructure improvements that are likely to have a major impact on the area's economy. Improving connectivity will expand the realistic travel-to-work area, enhancing the availability of necessary skills. It will also likely strengthen the Gatwick Diamond as a place to do business by improving business connections to potential customers and suppliers.



Introduction

The ability of places to attract and retain businesses and support their growth is crucial to ensure they can provide the right set of jobs for those living in and around them. As older industries decline and new industries emerge, the challenge for places is to continually adapt to manage this change and grow their economies.

This research looks at how successful the economy of the Gatwick Diamond has been at doing just that. To do so, the analysis compares the Gatwick Diamond with four other comparator areas, all located in the Greater South East (see Box 1), which have been selected because of their similar size and proximity to London.

The paper is organised in three main parts. Firstly, it does a benchmarking analysis of the Gatwick Economy in the context of the comparator areas. Then it delves into more detail on the geography of jobs within the Gatwick Diamond, looking at the role that different parts of it play and how this differs to the geography of jobs in the comparator areas. Finally, it examines the dual role that the Gatwick Diamond plays as an economy in its own right and as a provider of workers to London, investigating the implications this has for skills and housing in the area.

Box 1: The Gatwick Diamond and its four comparator areas

The **Gatwick Diamond** is a business-led partnership in the Coast to Capital Local Enterprise Partnership area and includes the districts of Crawley, Epsom & Ewell, Horsham, Mid Sussex, Mole Valley, Reigate & Banstead and Tandridge. It covers several towns, including Crawley, Horsham, Haywards Heath, Burgess Hill, East Grinstead, Leatherhead, Epsom, Dorking, Oxted, Reigate and Redhill.



In this analysis, the Gatwick Diamond is compared with four comparator areas, which have been selected for their geographical and economic proximity to the Gatwick Diamond. These areas are **Enterprise M3**, **Greater Medway**, the **South East Midlands LEP (SEMLEP)** and the **Thames Valley Berkshire LEP**.



The analysis looks at the distribution of economic activity below the local authority level. For the purpose of this work, several small-scale areas have been used:

- In every comparator area, the **default small-scale unit of analysis is the middle super output areas (MSOA)**. These areas have been defined by the ONS based on a population criterion, rather than a jobs one, and so do not reflect clusters of economic activity.
- In the Gatwick Diamond specifically, some of these MSOAs have been combined to more finely cover the **main towns** as employment areas. The boundaries of these towns are based on MSOA boundaries.
- In every comparator area, a city centre has been defined to allow for finer-grained local comparisons. Those city centres voluntarily cover a very restricted area, so they only capture the economic activity of cities' densest areas. City centres have been defined by combining several ONS workplace zones, which allows us to obtain very small and precise geographies.





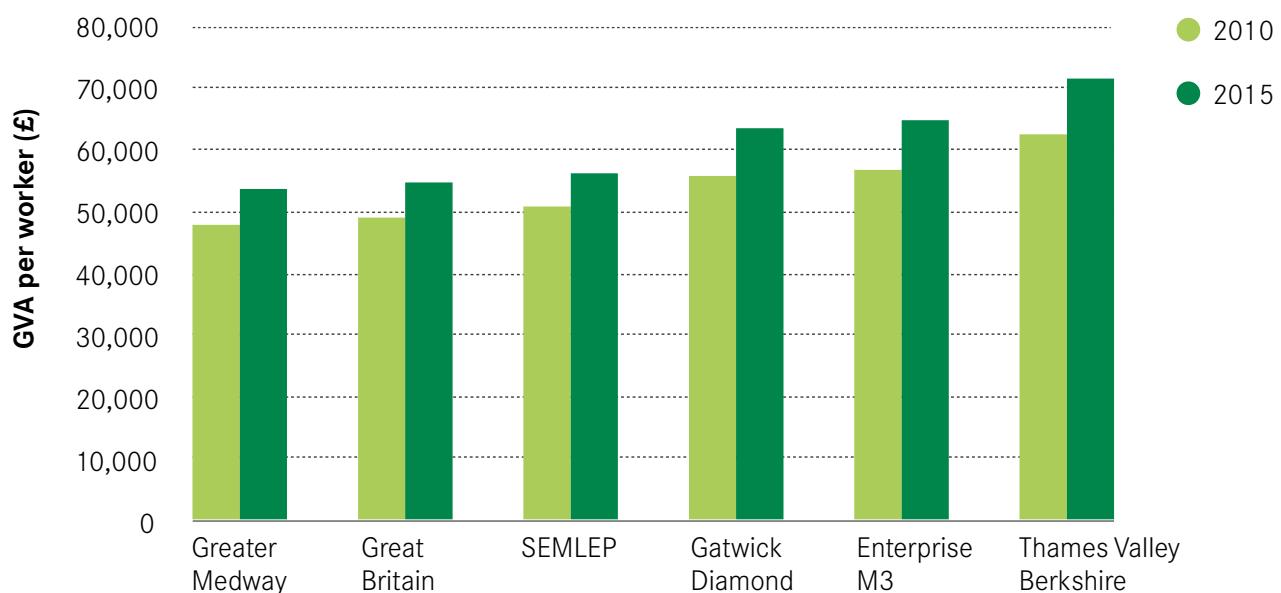
The performance of the Gatwick Diamond economy

In order to assess the relative strengths and weaknesses of the Gatwick Diamond, this section measures up the performance of the area against both the British average and the four comparators on a range of economic indicators.

The Gatwick Diamond has a productive, service-based economy

In 2015, **the Gatwick Diamond had a total gross value added (GVA) of £24 billion**. This accounted for almost 10 per cent of the GVA of the South East region. Productivity was also very high. As Figure 1 shows, at £63,500 per worker, the area was 16 per cent more productive than the British economy as a whole – above the SEMLEP (£56,200 per worker) and close to Enterprise M3 (£64,800 per worker). It was, however, less productive than the Thames Valley area, which at £71,600 of output for every worker was one of the most productive areas of the UK.

Figure 1: GVA per worker, 2010 and 2015



Source: ONS

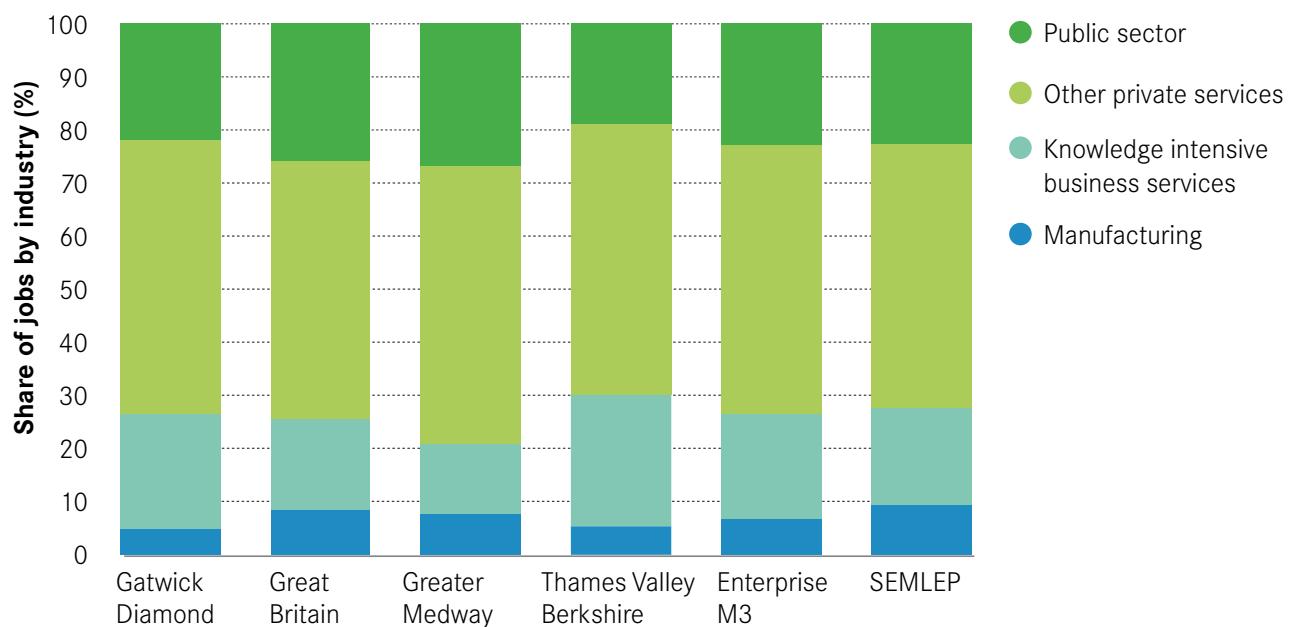
Productivity has grown at an above-average rate: between 2010 and 2015, it increased by 13.9 per cent in the Gatwick Diamond, higher than the Great Britain average (11.6 per cent). The level of growth was close to Enterprise M3 (14.3 per cent) and Thames Valley Berkshire (14.5 per cent).¹

¹ Productivity growth is expressed in nominal value.

This strong productivity performance is good news for the Gatwick Diamond. Productivity increases are what drive economic growth in the long term and increase standards of living. While the UK as a whole continues to grapple with poor productivity levels, the data above shows that this is not a problem that extends to the Gatwick Diamond area.

As in most of the economies in the Greater South East, **the Gatwick Diamond is characterised by a strong service sector**. In total, **73 per cent of the jobs were service jobs**, while manufacturing accounted for less than 5 per cent and the public sector for 22 per cent. Figure 2 below shows the broad industrial make-up of the Gatwick Diamond against comparator areas.

Figure 2: Jobs by industry, 2015



Source: ONS, Business Structure Database

Most comparator areas have a very similar industrial structure to the Gatwick Diamond's, with a high share of services and a low share of manufacturing. But there are still some noticeable differences.

For instance, the economy of the SEMLEP is more manufacturing-oriented (almost 10 per cent of the jobs in the SEMLEP are in manufacturing, against 4.7 per cent in the Gatwick Diamond) and it has a smaller share of private knowledge service jobs (18.3 per cent of jobs against 21.7 per cent in the Gatwick Diamond). On the other hand, the Thames Valley Berkshire LEP is considerably more specialised in private knowledge services, with 24.8 per cent of the jobs in this sector. Greater Medway is more heavily reliant on public service jobs. Finally, Enterprise M3 has the most similar economy to the Gatwick Diamond, with about the same share of jobs in manufacturing, knowledge services and public sector jobs.

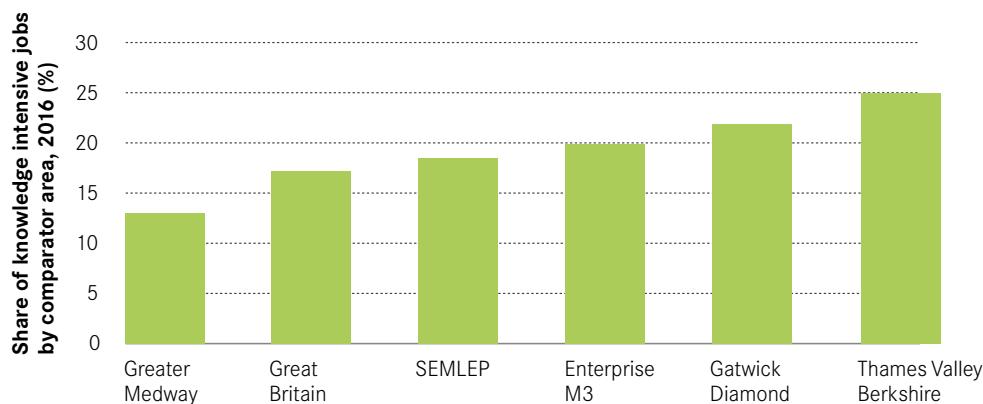
Looking in finer-grained detail shows that there are also some differences in the type of services in which each area specialises. As a result of Gatwick Airport the Gatwick Diamond has a large share of jobs in transport and storage (7 per cent), equal to the SEMLEP but considerably higher than the Thames Valley Berkshire (4 per cent). On the other hand, jobs related to information and communication services – such as activities related to publishing, broadcasting and computer programming – only account for 5 per cent of all jobs, considerably lower than both Enterprise M3 (7 per cent) and the Thames Valley Berkshire (14 per cent).

The Gatwick Diamond has a high share of knowledge intensive jobs, although growing at a slow pace

The UK economy has specialised in ever-more knowledge-based activities in recent years as it has exploited its competitive advantage in this type of activity. This is likely to become ever more the case in the future as it looks to compete with other developed nations. These places that have been best able to attract knowledge-based activities in the past have been best able to respond to globalisation, and this is likely to continue to be the case in the coming decades just as it has in the previous ones.

The Gatwick Diamond has a large share of knowledge intensive business services (KIBS) jobs in its economy. As Figure 3 shows, they account for 21.7 per cent of the total jobs, coming second only to the Thames Valley Berkshire LEP (24.8 per cent).

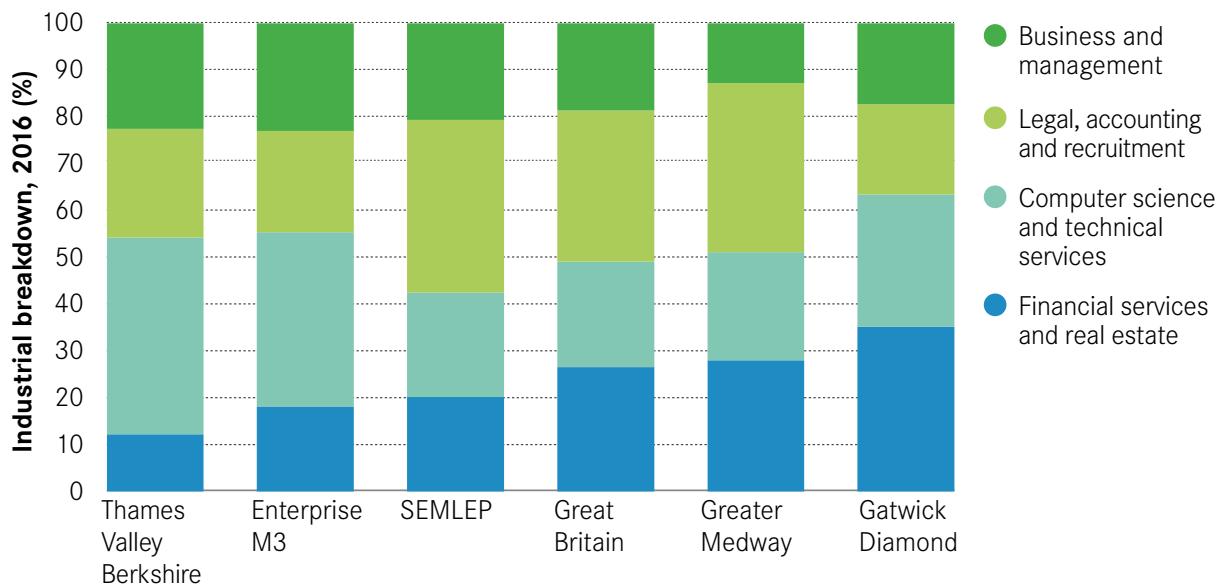
Figure 3: Share of KIBS jobs, 2016



Source: ONS, Business Structure Database

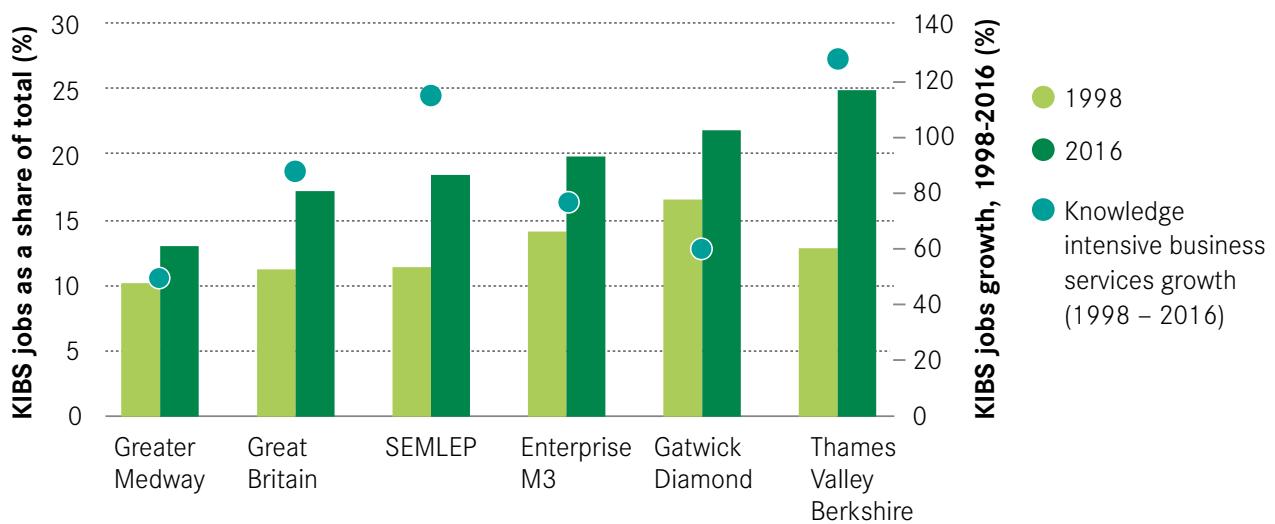
Breaking KIBS jobs down shows some interesting variations between the areas.² The Gatwick Diamond has been particularly successful at attracting financial services and real estate activities, where it has the highest share of these jobs of all comparator areas and double the share of those in Thames Valley Berkshire (see Figure 4). Computer science and technical services are also strongly represented in the Gatwick Diamond, accounting for 28.3 of all KIBS jobs, although most of these jobs are related to technical testing, engineering and architecture activities. This is above the British average (22.6 per cent), the SEMLEP (22.3 per cent) and Greater Medway (23.1 per cent), but below Enterprise M3 (37.2 per cent) and the Thames Valley Berkshire (42 per cent). Where it tends to be underrepresented is in legal, accounting and recruitment and businesses and management activities - it has the smallest share of legal, accounting and recruitment of all comparators. The location preferences between these different activities varies, with some preferring city centre locations while others prefer out of town sites. The next section will look at this in more detail.

² For a definition of KIBS sub-categories, see Annex 1

Figure 4: KIBS jobs by type of industry (2016)

Source: ONS, Business Structure Database

This specialisation in knowledge-intensive service sectors is not recent. As shown in Figure 5, in 1998 the Gatwick Diamond had the highest share of KIBS jobs of all areas, accounting for 16.6 per cent of total. In comparison KIBS accounted for 12.9 per cent of total jobs in the Thames Valley Berkshire LEP, and 11.3 per cent in the SEMLEP.

Figure 5: KIBS and total jobs growth (1998-2016)

Source: ONS, Business Structure Database

But KIBS jobs growth has been slower in the Gatwick Diamond than the UK average and every other comparator except Greater Medway. Over the past 18 years, the number of KIBS jobs grew by 60 per cent, compared to 77 per cent in Enterprise M3 and 127 per cent in the Thames Valley Berkshire LEP. This means that the Gatwick Diamond has been overtaken by the Thames Valley Berkshire in terms of share of KIBS jobs, and has been caught up by Enterprise M3 and the SEMLEP.

While overall the Gatwick Diamond still has a large part of its economy in knowledge services, the slower

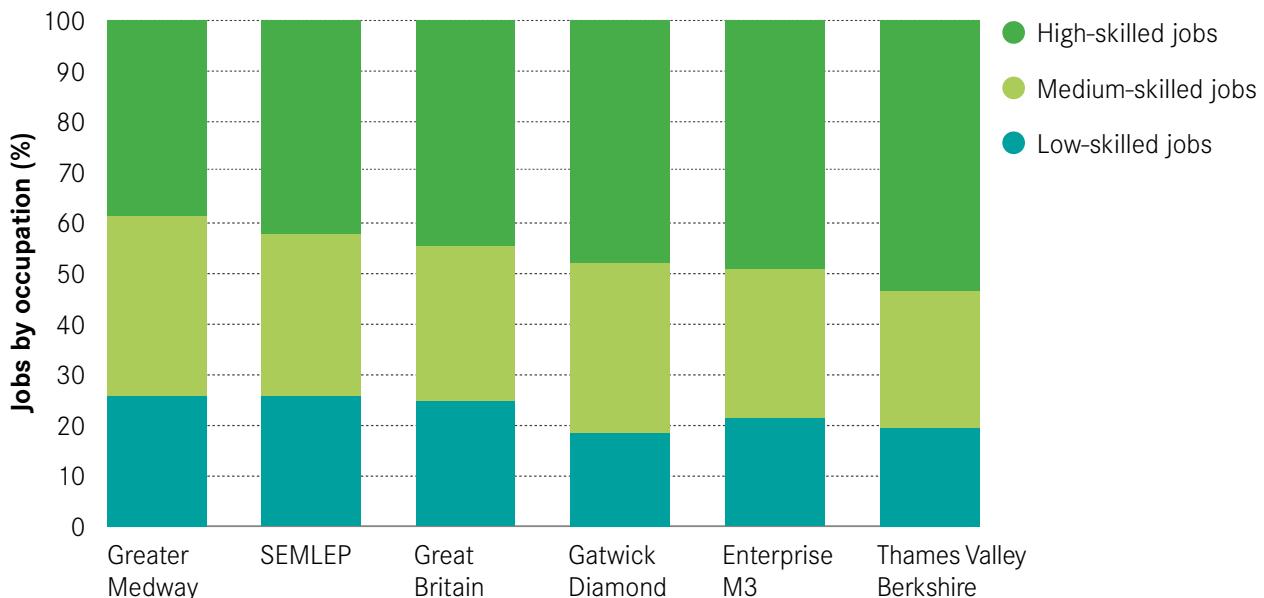
growth of these services compared to Thames Valley Berkshire in particular raises questions around barriers to growth to this type of activity, and the potential implications it has for future performance.

Jobs are highly skilled and offer high wages

Consistent with its industrial structure, the Gatwick Diamond has a high share of high-skilled jobs³ – these jobs account for 48 per cent of total jobs. As shown in Figure 6 this is considerably more than Greater Medway (39 per cent) and the SEMLEP (42 per cent), but slightly lower than Enterprise M3 (49 per cent) and the Thames Valley Berkshire (54 per cent). The share of high-skilled jobs is a good indicator of the type of activities that companies – regardless their industry – offer in a specific area. Indeed a high number of managers, scientific researchers or business professionals indicates the location of higher value, knowledge-based activities, such as R&D or headquarters locations.

In turn the share of low-skilled jobs is low – about 19 per cent of all jobs.⁴ This is lower than all comparator areas. In contrast in the SEMLEP and Greater Medway where around 26 per cent of jobs are low-skilled jobs.

Figure 6: Jobs by occupation

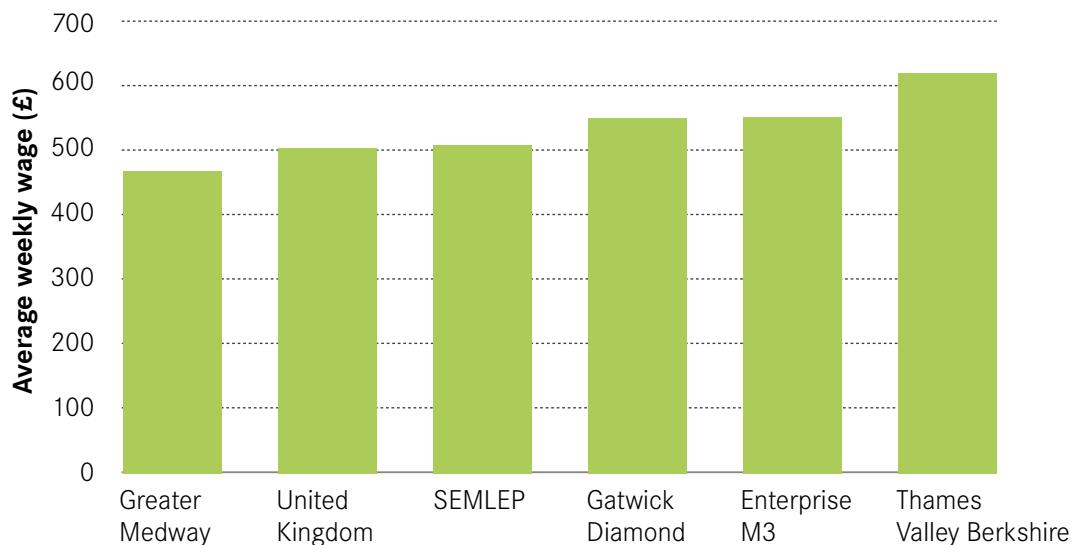


Source: NOMIS, 2015

This high number of high-skilled jobs is reflected in the average wages on offer across the areas. The average weekly wage for a Gatwick Diamond worker was £572 in 2016, higher than the UK average of £525. This was about the same as Enterprise M3 (£574), but considerably lower than the Thames Valley Berkshire LEP, where average weekly wages were £645 (Figure 7). This once again suggests that Thames Valley Berkshire has been more successful at attracting in higher-paid jobs in recent years.

³ This refers to ONS SOC2010 categories 1: managers, directors and senior officials, 2: professional occupations, 3: associate professional and technical occupations.

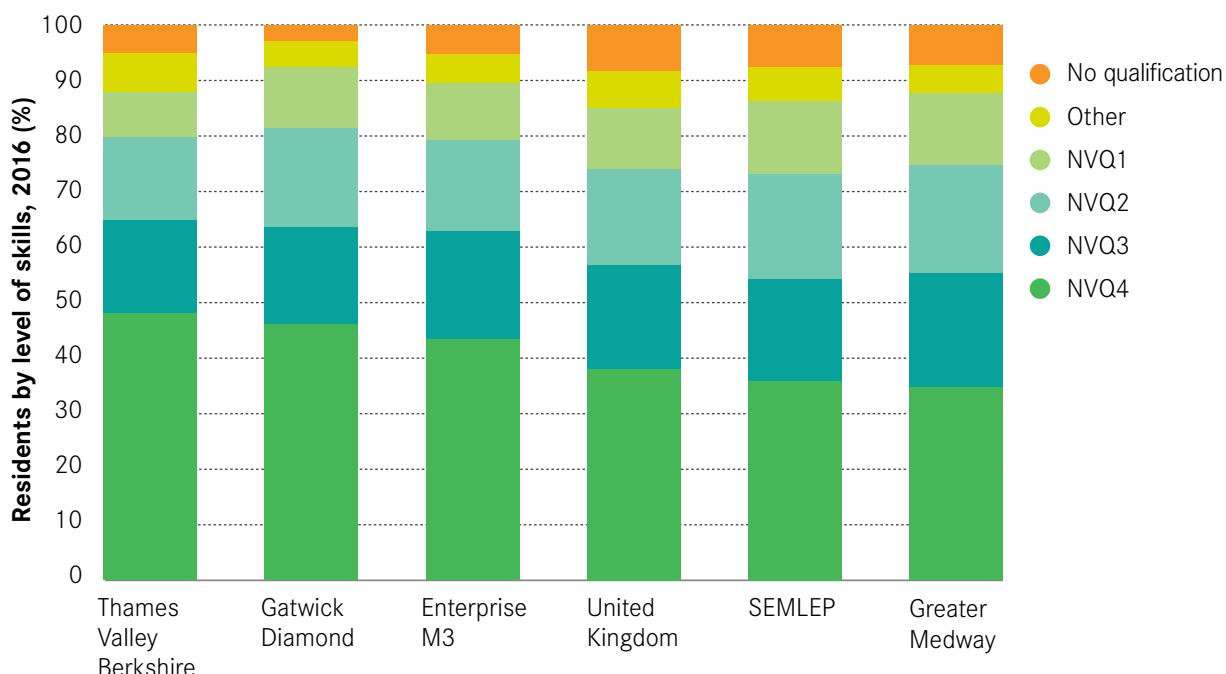
⁴ This refers to SOC2010 categories: 7: sales and customer service occupations, 8: process, plant and machine operative, 9: elementary occupations.

Figure 7: Average workplace weekly wage, 2016

Source: Annual Survey of Hours and Earnings, 2016

Residents tend to be highly qualified

Having a highly skilled workforce is an important component in attracting high-skilled businesses to an area. The Gatwick Diamond performs well on this measure – high qualification levels in the Gatwick Diamond are above average when compared to the other comparator areas and the rest of the UK, and low qualification levels are below average.

Figure 8: Residents by skills level, 2015

Source: Annual Population Survey, 2016

As shown in Figure 8, in 2016, 46 per cent of the Gatwick Diamond working age population held NVQ4+ qualifications or equivalent (equivalent to a degree or higher), compared to 38 per cent at the national level. This was just below the Thames Valley Berkshire, where 48 per cent of the population was highly educated. In comparison, 36 per cent of residents in SEMLEP had a degree and 35 per cent in Greater Medway.

Conversely, the share of residents with no qualifications was the lowest of all areas, with only 2.9 per cent of the population falling into this category, compared to 5 per cent in the Thames Valley Berkshire and 7.5 per cent in the SEMLEP. In the UK overall, 8.3 per cent of the working population had no qualifications.

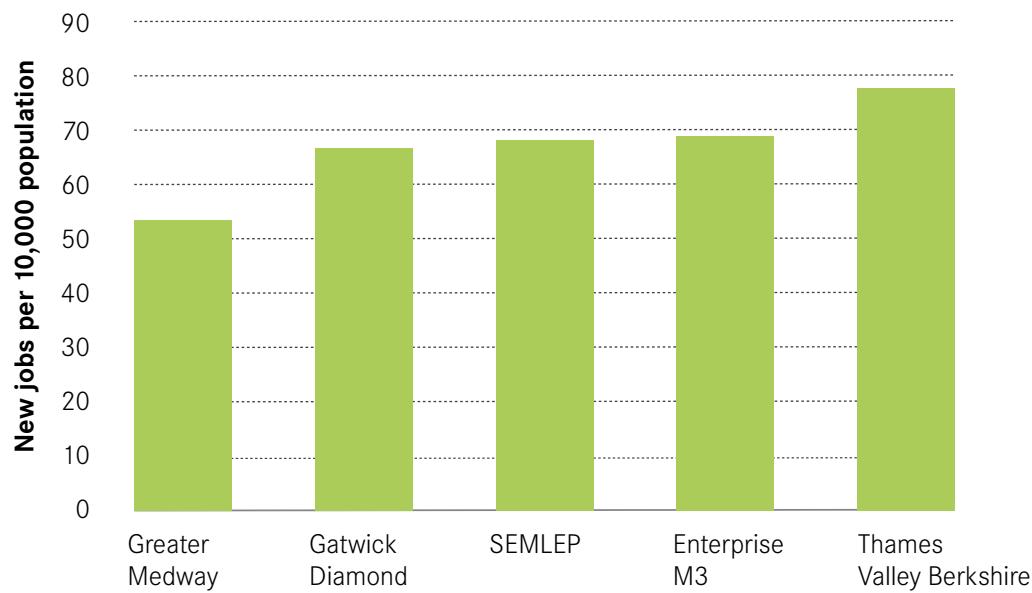
New business creation is high too

Both the total number and creation of new businesses is suggestive of the dynamism of an economy. Again, the Gatwick Diamond performs well on these measures.

In terms of total businesses, there were 479 businesses per 10,000 residents in 2015. This was relatively similar to that of the Thames Valley Berkshire (480 businesses per 10,000 residents), but lower than Enterprise M3 (501 businesses per 10,000 residents). However both Greater Medway and the SEMLEP had fewer businesses per capita, with respectively 344 and 407 businesses per 10,000 residents.

The number of business start-ups in 2015 was relatively high too, with 67 new businesses per 10,000 residents (Figure 9). This was about the same as the SEMLEP and Enterprise M3, and considerably higher than the UK average (59 new businesses per 10,000 inhabitants). Thames Valley Berkshire was once again the strongest performer on this measure.

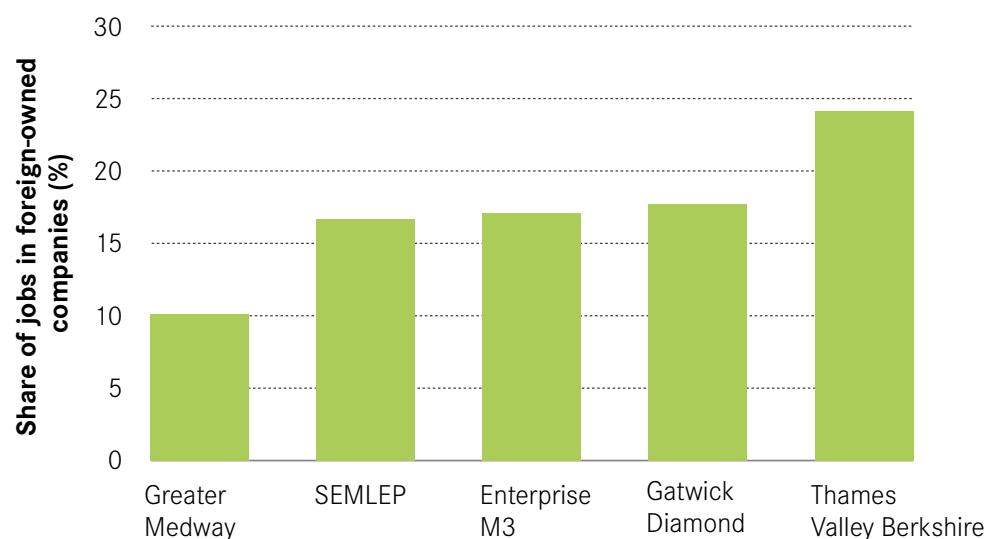
Figure 9: New firms per 10,000 population, 2015



Source: Nomis, UK business count, 2015

And it has been successful at attracting foreign investment

The Gatwick Diamond's economy is attractive to foreign investors. In 2016, 18.5 per cent of the area's workers were employed by a foreign-owned company (Figure 10). This was slightly higher than the British average (17.8 per cent) and above all comparator areas except the Thames Valley Berkshire. This suggests that the area has had a strong track record in attracting investment from abroad.

Figure 10: Share of jobs in foreign-owned companies, 2016

Source: ONS, Business Structure Database

Summary

Overall, the Gatwick Diamond has a very strong economy, and consistently outperforms the national average on a range of indicators. This reflects its success at being able to attract more knowledge-based activities to the area. That said, while it is much stronger than the Greater Medway economy, and similar to the Enterprise M3 economy, the Thames Valley area in particular tends to be a stronger performer, indicating there is scope for improvement. The following section investigates the reasons for this by looking at the geography of jobs within Gatwick Diamond and its comparator areas.



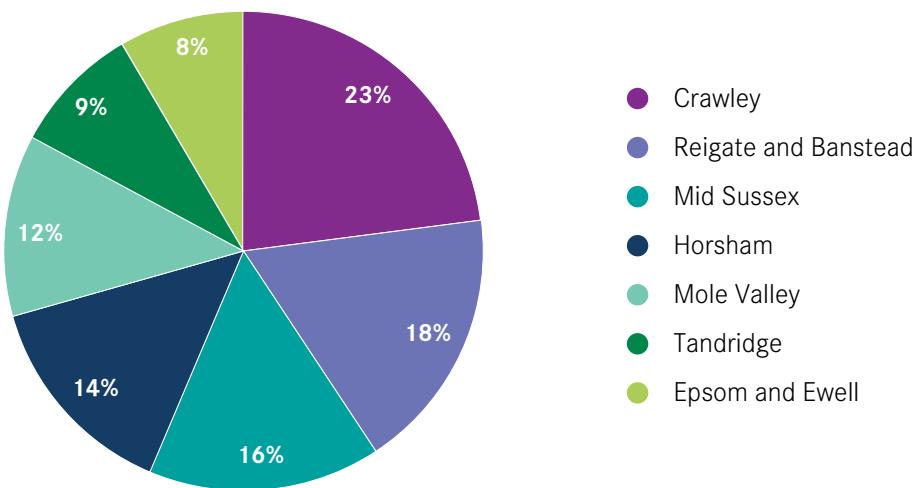
The geography of jobs in the Gatwick Diamond

Different parts of a local economy play different roles within it – some are centres of employment, others are centres of population, while others have little of either. This section looks at the distribution of jobs across the Gatwick Diamond to better understand the geography of its economy and within it, the roles that different places play.

Where jobs are located across the Gatwick Diamond

The economy of the Gatwick Diamond is highly concentrated in Crawley. On a local authority basis, Crawley is home to the largest share of the area's jobs – as Figure 11 shows, over one in five jobs is located in Crawley district, followed by the districts of Reigate and Banstead (18 per cent) and Mid Sussex (16 per cent).

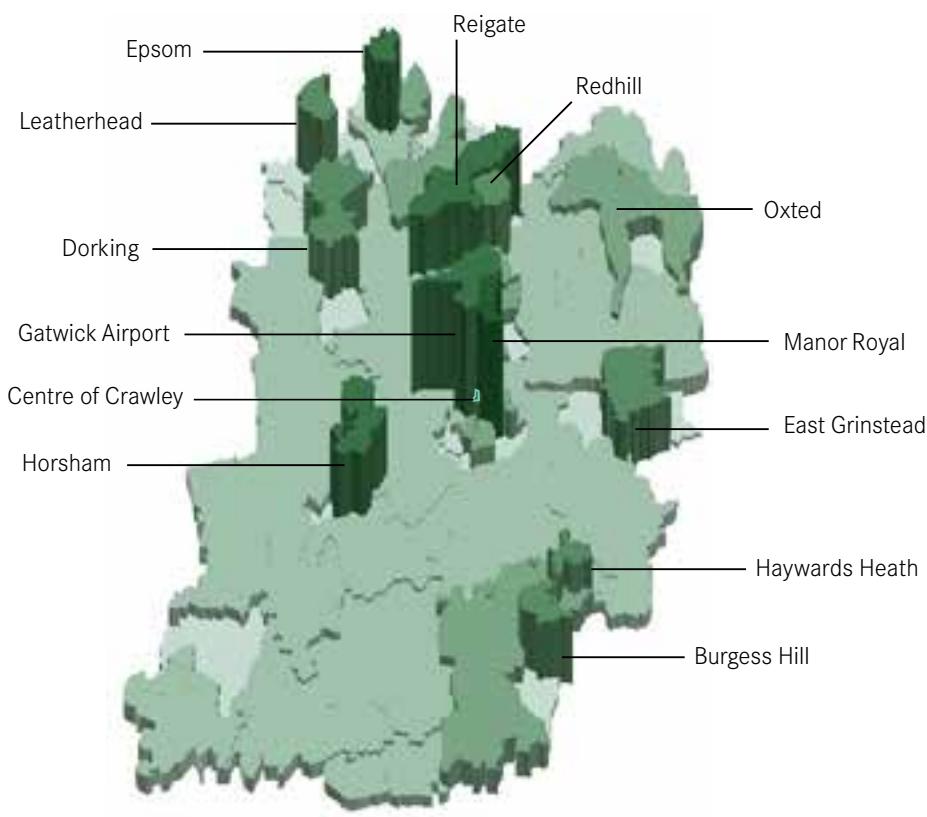
Figure 11: The distribution of jobs across the local authorities of the Gatwick Diamond



Source: ONS, Business Structure Database

There is greater variation still when looking below the local authority level. Figure 12 shows the location of jobs across the whole of the Gatwick Diamond at a lower geography, revealing the economy to be ‘spiky’, with jobs concentrated in specific areas.

As can be seen, the areas that include Manor Royal and Gatwick Airport both had by far the largest concentration of jobs, with each having close to 25,000 jobs based within them. This means that each area accounted for 6.5 per cent of the total number of jobs in the Gatwick Diamond, despite covering one per cent of the land.

Figure 12: Total jobs by wider towns, 2016⁵

Wider town	Employment	Share of total employment (%)
Crawley LA	87,400	22.9
Area of Manor Royal	24,900	6.5
Area of Gatwick Airport	24,900	6.5
Centre of Crawley	8,900	2.3
Horsham	19,600	5.2
Epsom	17,400	4.6
Reigate	15,200	4.0
Leatherhead	14,600	3.8
Burgess Hill	14,200	3.7
Redhill	13,900	3.7
Dorking	11,300	3.0
East Grinstead	10,700	2.8
Haywards Heath	10,300	2.7
Oxted	5,200	1.4

⁵ The default geography used in this map is MSOAs. However MSOAs that cover main towns have been merged to avoid arbitrary cuts in towns' employment pools. For more details see Box 1.

Looking at other large concentrations in more details shows that:

- The rest of the Crawley area accounted for a further 37,600 jobs. Within this the centre of Crawley was home to 8,900 jobs on its own.⁶
- Horsham was the third largest employment area, with 19,600 jobs. Within the town 62.6 per cent of jobs were located in the area that covers the centre of Horsham. In contrast, the areas that include Parsonage Business Park and Broadlands Business Park both had around 3,000 jobs, meaning they accounted for around one-third of all jobs in Horsham town.⁷
- Broadly similar in size to Horsham, **Epsom** had around 17,400 jobs, with close to 70 per cent of these jobs located in the area that covers the town centre. A similar picture is seen in **Reigate** (home to around 15,000 jobs), where 70 per cent of the jobs were located in and around the town centre, while 30 per cent were in the area that covers Albert Road North estate.
- **Leatherhead, Burgess Hill** and **Redhill** follow, with respectively 14,600, 14,200 and 13,900 jobs. Contrary to other areas, the area that covers Victoria Business Park in Burgess Hill had more jobs than the central area (about 7,800 against 5,600). In Redhill, however, the area that covers the town centre had slightly more jobs than the area that encompasses Holmethorpe Industrial Estate, Foxboro Park and Kingsfield Business centre.

Overall this shows that jobs are not only concentrated in specific towns, but that within towns the largest job concentrations are usually to be found in the central areas, rather than in the surroundings.

As in the Gatwick Diamond, the geography of the comparator areas is ‘spiky’ too, with jobs concentrated in specific areas. Three interesting points can be highlighted.

First, there is a greater degree of concentration of jobs in the Gatwick Diamond than in the other areas. One third of all jobs in the Diamond were concentrated in only 2.3 per cent of the land area, led by the concentrations at Manor Royal and the airport. By comparison, in Greater Medway, a third of jobs were clustered on 7.7 per cent of the land, and in the Thames Valley Berkshire, they covered 13.5 per cent of the land.

Second, the main central areas play relatively different roles in each geography. For instance the city centres of Milton Keynes and Reading, in the SEMLEP and the Thames Valley Berkshire respectively, accounted for the greatest share of jobs of any area in their economies. As Figure 12 shows, the centre of Crawley, which accounted for 2.3 per cent of all jobs in the Gatwick Diamond, played a much smaller role, as did the centre of Aldershot in Enterprise M3 and the centre of Chatham in Greater Medway.

Finally, like the Gatwick Diamond, a number of business parks made a significant contribution. In Enterprise M3, the area that covered Solent Business Park and its surroundings, near Winchester, was the largest employment site. In the SEMLEP, the area that covered Brackmills Industrial Estate was the third largest employment area, with 2.6 per cent of all jobs. In the Thames Valley Berkshire, several business and industrial parks made relatively large contributions, such as Newbury and its surroundings, which covers Greenham Business Park (4 per cent of jobs altogether), Slough Trading Estate (4 per cent), and Green Park Business Park near Reading (2.8 per cent).

⁶ See box 1 for a definition of the centre of Crawley.

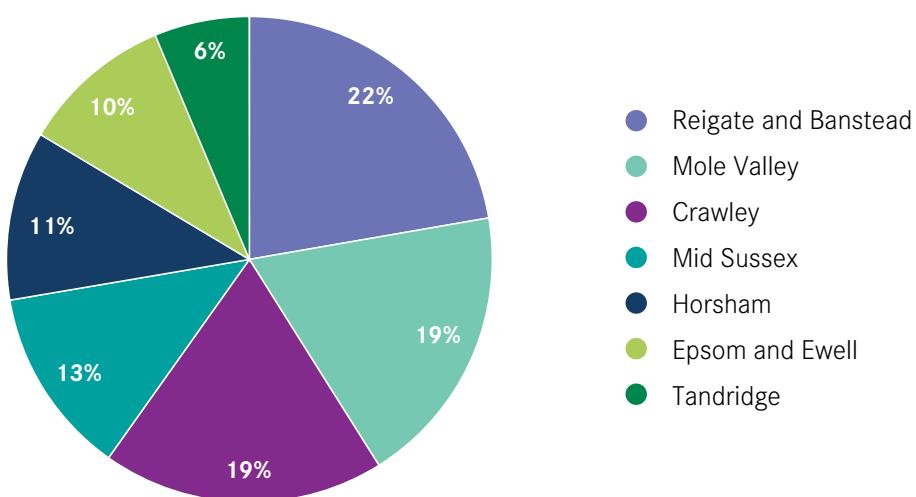
⁷ The remainder of the jobs are located in the western part of Horsham.

KIBS jobs are more concentrated in a few places

This geography of total jobs however hides differences between the locations of different industries. In particular, **the location of knowledge-based services jobs, whose importance was discussed in the previous section, follows a slightly different pattern to the rest of jobs.**

At the local authority level, the geography of knowledge intensive business services (KIBS) jobs does not reflect the geography of all jobs. As Figure 14 shows, Reigate and Banstead had the highest share of these jobs, with 22 per cent of all the KIBS jobs in the Gatwick Diamond, followed by the Mole Valley (19 per cent). Crawley local authority, despite being the largest local authority in terms of all jobs (with 22.9 per cent of all jobs), accounted for 19 per cent of the Diamond's KIBS jobs.

Figure 13: The distribution of KIBS jobs across the local authorities of the Gatwick Diamond

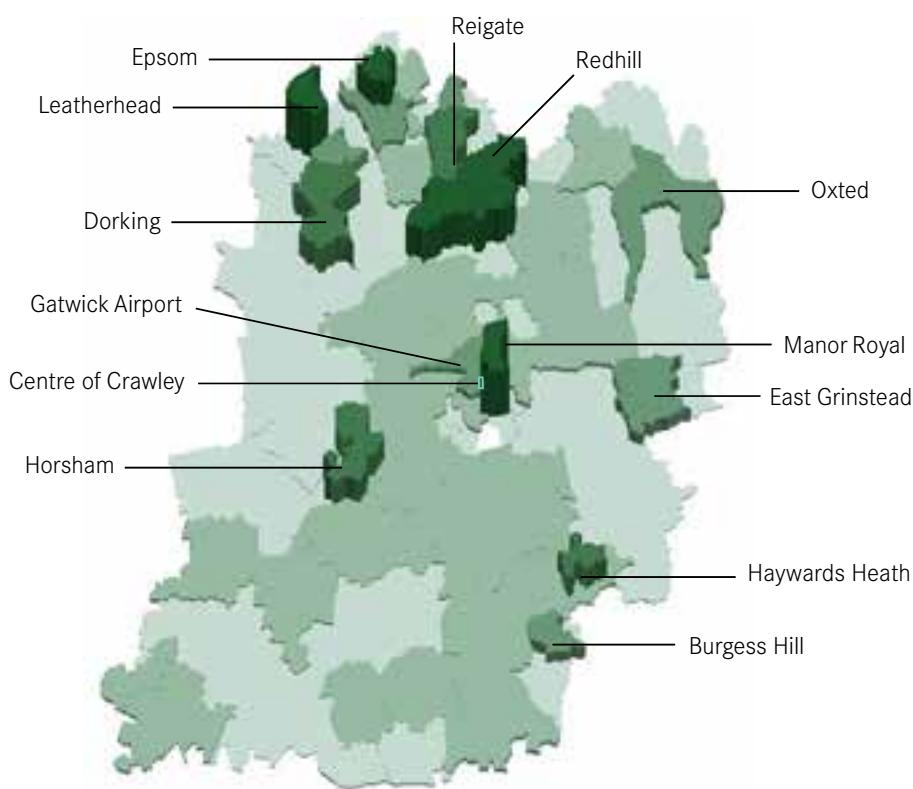


Source: ONS, Business Structure Database

Looking once again below the local authority level shows that KIBS jobs are even more concentrated than total jobs. Half of knowledge-intensive jobs are located in just 3.3 per cent of the land area, and Figure 15 sets out what the geography of jobs looks like. There are a number of things to note.

Firstly, the majority of these jobs are clustered in the north of the Diamond, reflecting the larger share of jobs in the Mole Valley and Reigate and Banstead local authorities.

Secondly, the areas that cover **Manor Royal** and **Leatherhead** accounted for the largest number of KIBS jobs. Both areas had around 6,600 knowledge intensive services jobs, which represented about one in ten KIBS jobs in the Gatwick Diamond.

Figure 14: KIBS jobs by wider town⁸

Source: ONS, Business Structure Database

Wider town	KIBS jobs	Share of total KIBS (%)
Crawley LA	14,600	18.8
Area of Manor Royal	6,600	8.5
Area of Gatwick Airport	1,200	1.5
Centre of Crawley	3,900	5.1
Leatherhead	6,700	8.6
Redhill	4,900	6.3
Epsom	4,900	6.3
Reigate	4,700	6.1
Horsham	4,300	5.6
Dorking	3,500	4.5
Haywards Heath	3,000	3.9
Burgess Hill	1,800	2.4
East Grinstead	1,800	2.3
Oxted	1,100	1.4

These two areas were followed by the towns of **Redhill, Epsom, Reigate** and **Horsham**, with around 4,300 to 4,900 KIBS jobs in each (accounting for around 6 per cent of Gatwick Diamond's KIBS jobs each). Smaller KIBS jobs concentrations were found in Dorking (4.5 per cent of total KIBS jobs), Haywards Heath (3.9 per cent), Burgess Hill (2.4 per cent) and East Grinstead (2.3 per cent).

⁸ The default geography used in this map is MSOAs. However MSOAs that cover main towns have been merged to avoid arbitrary cuts in towns' employment pools. For more details see Box 1.

In each of these towns except Epsom, the central and densest area had a larger number of KIBS jobs than the surrounding areas that cover business parks and industrial estates. In Redhill for instance, 70 per cent of knowledge intensive jobs were located in the central area, while the area that covers Holmethorpe Industrial Estate, Foxboro Park and Kingsfield Business Centre accounted for the remaining 30 per cent. In Horsham, 24 per cent of knowledge intensive jobs were located in Parsonage and Broadlands business parks, against 72 per cent in the town centre. In Burgess Hill, Victoria Business Park was home to around 32 per cent of knowledge-intensive jobs, while the rest were located in the town centre.

Finally, the centre of Crawley had a relatively large number of knowledge-intensive services jobs (3,900 jobs), accounting for 5.1 per cent of the Gatwick Diamond's KIBS jobs. While this was more than the towns of Dorking, Haywards Heath or Burgess Hill, it was lower than the towns of Epsom, Redhill, Reigate and Horsham. But this is still notable given the geographical definition used: as explained in Box 1, the centre of Crawley as defined in this report is a very tightly bounded geographical area, much smaller in size than other areas.⁹ The fact that such a small area is home to a high density of knowledge-intensive jobs suggests that it might provide attractive fundamentals to businesses.

Looking at comparator areas shows similar trends. First, town and city centres tend to see a larger concentration of KIBS jobs than they do for all jobs.

- In Greater Medway, the centre of Maidstone accounted for 15.1 per cent of the area's KIBS jobs, much higher than its 6.4 per cent share of all jobs. At 4.2 per cent, Chatham city centre had the second highest share of KIBS jobs.
- In the SEMLEP, the city centre of Milton Keynes accounted for 12 per cent of KIBS jobs (compared to 4.7 per cent of all jobs), while the centres of Aylesbury Vale and Northampton were also in the top areas for KIBS, each accounting for 3.3 per cent of the SEMLEP KIBS jobs.
- In the Thames Valley Berkshire, the city centre of Reading accounted for 7.8 per cent of the area's KIBS jobs (compared to 4.9 per cent of all jobs), followed by the centre of Slough (4.4 per cent of the Thames Valley KIBS jobs).
- In Enterprise M3, the centre of Woking had the highest share of KIBS jobs in the area (4.7 per cent), compared to 2.1 per cent of all jobs. However this was not significantly higher than the area of Solent business Park (3.8 per cent), Guildford town centre (3.4 per cent) and Basingstoke town centre (3.3 per cent).

Second, the largest job areas, in terms of total jobs, are not necessarily those with the highest number of knowledge-intensive jobs.

- In the Thames Valley Berkshire, the area covering the Young Industrial Estate and Thatcham Business Village, despite being one of the largest employment areas, only accounted for 1.4 per cent of all KIBS jobs. Similarly, Slough Industrial Estate – which had more jobs than the city centre – had a lower share of KIBS jobs (2.2 per cent and 4.4 per cent respectively). On the contrary, the area of the Winnersh Triangle business park had the third highest number of KIBS jobs in the Thames Valley (4.2 per cent, after Slough city centre) despite being a relatively small employment area (2 per cent of all jobs).
- In the SEMLEP, the town centre of Aylesbury only accounted for 1.5 per cent of all jobs but had the third largest cluster of KIBS jobs (3.3 per cent of all KIBS jobs). This said, the large employment area of Brackmills Industrial Estate, was also one of the biggest location for KIBS jobs (2.7 per cent of all KIBS jobs).

⁹ The centre of Crawley as defined here has a footprint of 0.34 km² (35 hectares). For a definition of the centre of Crawley see box 1.

- In Enterprise M3, the centre of Woking accounted for the largest share of KIBS jobs (4.7 per cent) despite not being the largest employment area. Similar to Brackmills, Solent Business Park was a large KIBS area as well as a large overall employment area.

Overall this broadly shows three different types of employment areas: city and town centres (which usually account for a large share of total jobs and a large share of KIBS jobs), business and industrial parks with a high concentration of KIBS jobs (such as Manor Royal in the Gatwick Diamond, Brackmills Industrial Estate in the SEMLEP and Solent Business Park in Enterprise M3), and business and industrial parks with a low concentration of KIBS jobs (such as Thatcham Business Village and Young Industrial Estate in Thames Valley Berkshire, and Victoria Business Park in Gatwick Diamond).

Why do we see this happen?

Different places across the UK offer different attributes to businesses. Rural areas tend to offer access to countryside and cheap land, but they struggle to offer companies large numbers of potential workers from which to recruit. Unlike rural areas, the suburbs of and hinterlands around urban areas do offer access to large numbers of workers. Urban centres also offer access to a large number of workers, but in addition they also offer density, which gives them access to clients, collaborators and even competitors. Of course there are downsides to this type of location too, such as restrictions on space and potential issues around congestion.¹⁰

Where individual businesses choose to locate depends on how they value the different attributes that different places offer. Manufacturing businesses, for example, require access to a lot of land, which is constrained in urban areas. At the same time, they require access to lots of workers, which means they tend to prefer either a suburban or hinterland location. Even within this we see a split – lower-skilled manufacturing businesses look for cheap land and access to large numbers of lower-skilled worker, meaning that they tend to prefer suburban or hinterland locations in the North. Meanwhile high-skilled manufacturers need access to lots of high-skilled workers, and so tend to be based in the Greater South East.¹¹

More knowledge-based services activities tend to put a greater emphasis on density. This is because of the benefits that density brings, namely the ability to access information provided through face-to-face interaction with clients, collaborators and competitors which increases their productivity (known as ‘knowledge spillovers’).¹² And work by Centre for Cities has shown how this preference has increased in recent years, with KIBS jobs increasingly concentrating in Britain’s most successful city centres.¹³ Box 2 gives two specific examples of where this has happened in the Gatwick Diamond.

¹⁰ Swinney P (2017), Why don't we see growth up and down the country? London: Centre for Cities.

¹¹ Serwicka I and Swinney P (2016), Trading Places: Why firms locate where they do, London: Centre for Cities; Serwicka I and Clayton N (2017) Trading Places: The role of cities in delivering the industrial strategy, London: Centre for Cities.

¹² Graham D (2007) Agglomeration Economies and Transport Investment, Journal of Transport Economics and Policy 41 (3).

¹³ See, for example, Swinney P and Sivaev D (2013) Beyond the high street: Why our city centres really matter, London: Centre for Cities.

Box 2: The relocation of Grant Thornton and PwC¹⁴

The professional services firms Grant Thornton and PwC have both moved their operations from Manor Royal and the airport respectively to the centre of Crawley in recent years. The reasons given by both businesses were very similar – access to the train station to serve their wider regional markets was important, but this was complimented by a number of other reasons, such as access to the hub of business services firms present in the centre, networking opportunities and the greater access to local amenities, which is likely to help with staff attraction and retention.

“There is clearly a lot of investment happening in the town centre. With all the new developments, excellent transport links and easy access to Gatwick airport, Crawley is a vibrant town with great potential for businesses. We are proud to be based here and a part of a thriving business community.”

Nick Jones, Office Senior Partner for PwC’s Gatwick office

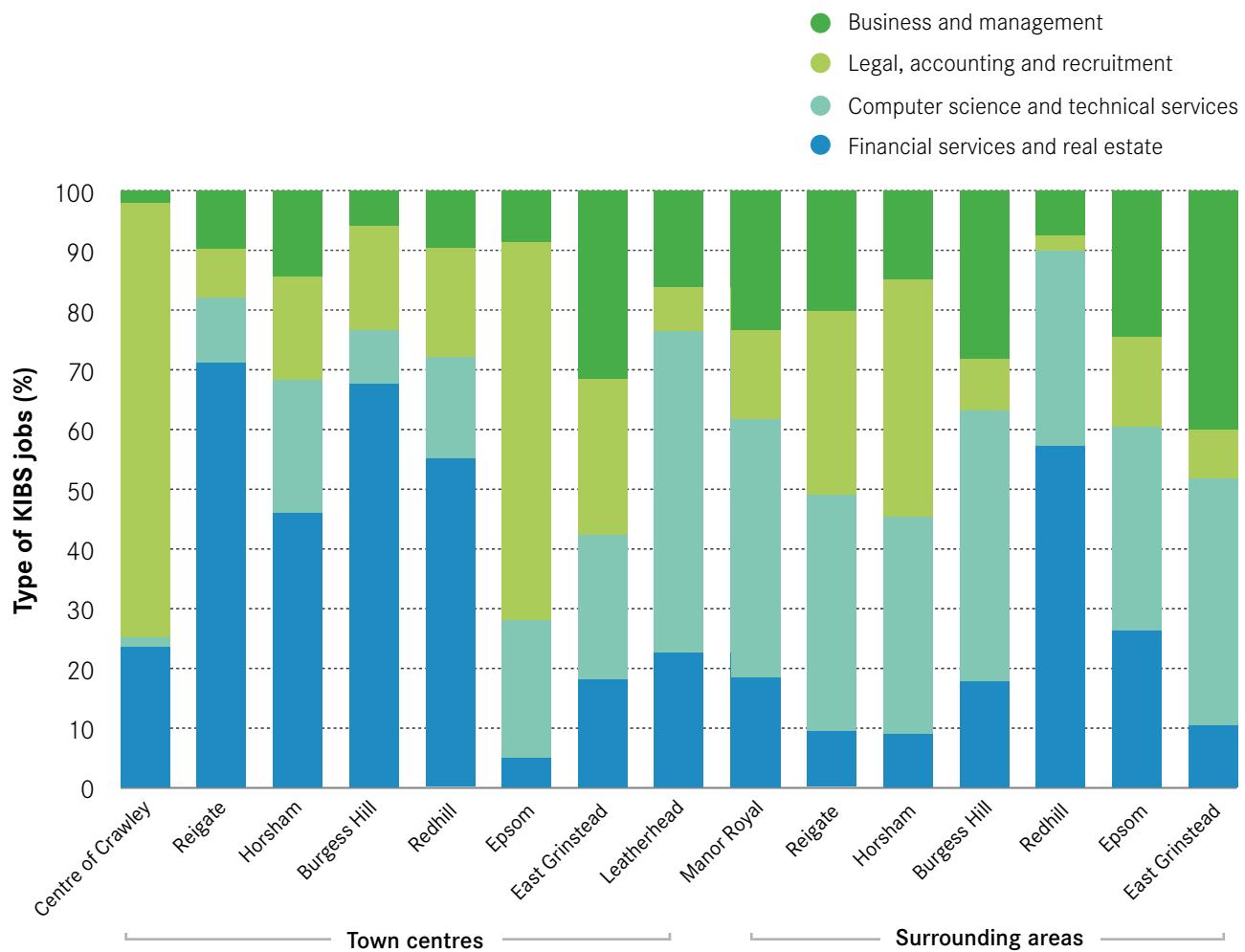
Density in the Gatwick Diamond is by far the highest in the centre of Crawley. At 260 jobs per hectare, this was far larger than the central area of Epsom and the area of Manor Royal (the areas with the second and third highest densities) at 67 and 42 jobs per hectare respectively. In the comparator areas, every city centre had more than 70 jobs per hectare. In particular, Reading had a higher job density than the centre of Crawley with 305 jobs per hectare, whereas Milton Keynes had a lower density (155 jobs per hectare).

Figure 14 of course shows that density does not fully explain the geography of KIBS jobs in the Gatwick Diamond. But a further breakdown of the types of KIBS activities across the Diamond points to why this may be the case. Figure 15 separates KIBS activities into four groups for some of the areas where KIBS jobs are concentrated in the Gatwick Diamond.¹⁵

As can be seen, there tends to be a difference in the types of KIBS jobs found in the centres of the Diamond’s towns compared to their surrounding areas. In most town centres, the majority of knowledge-intensive firms operate in financial services and real estate and legal, accounting and recruitment activities. On the other hand, areas outside of these urban cores tend to be more specialised in computer science and technical services, as well as a relatively higher share of business and management activities.

14 Source: Interviews.

15 For a definition of KIBS see Annex 1.

Figure 15: Share of KIBS jobs by area, 2016¹⁶

Source: ONS, Business Structure Database

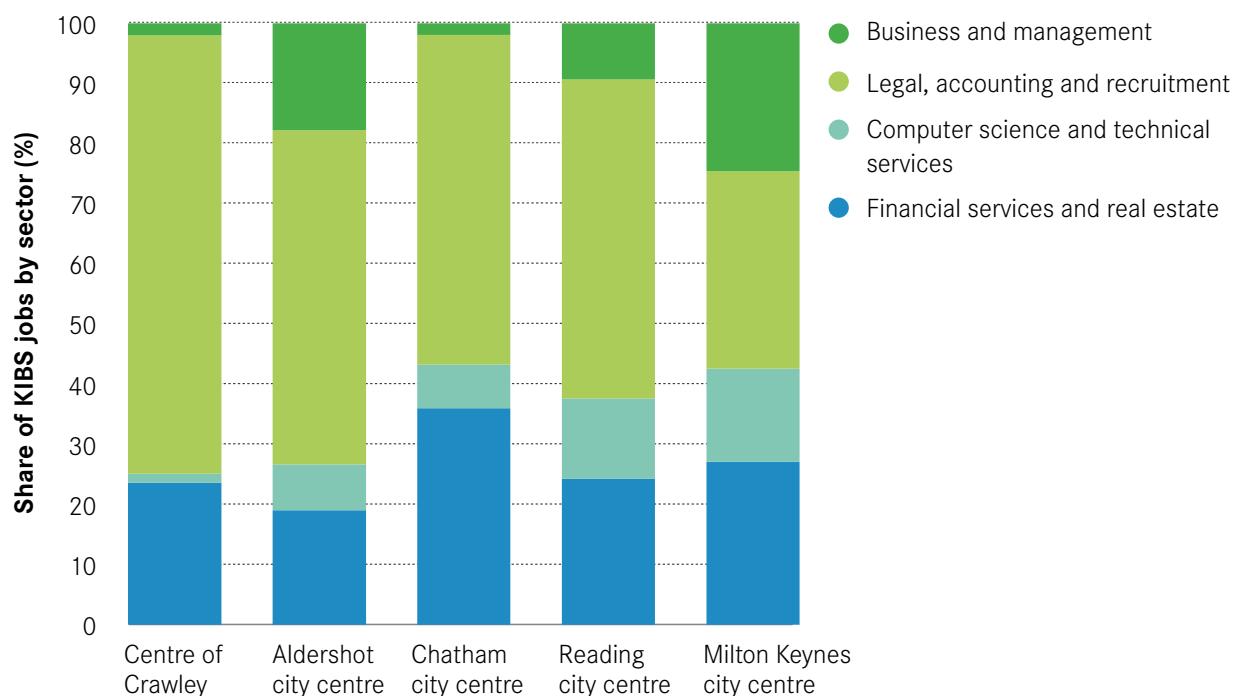
This suggests that in aggregate, firms in legal, accounting and recruitment, and in financial services and real estate, tend to look for both high-skilled workers and density. But the data suggests that density is less important to business and management and computer science and technical firms. For the latter this may be explained by the nature of their activities – given that these businesses are more likely to look to patent their activities, the ability to share information with other companies in a dense environment is not likely to be as high a priority as for those businesses that look for city centre locations.

Although the centre of Crawley has a different KIBS composition to other town centres in the Gatwick Diamond – particularly its greater shares of legal, accounting and recruitment – it is much more similar to the city centres of the comparator areas. As shown in Figure 16, every city centre had a large share of legal, accounting and recruitment activities, as well as financial and real estate services – while computer science and technical services are less present. But the difference comes in the diversity of KIBS jobs: while almost three in four KIBS jobs in the centre of Crawley were in legal, accounting and recruitment, this was considerably less in every other city centre.

¹⁶ The MSOA geography does not allow Leatherhead to be broken down the same way as other towns.

This suggests that while the centre of Crawley plays a similar role to comparator areas' city centres, it has not been as successful as the city centres of Milton Keynes and Reading at attracting a broader range of KIBS jobs.¹⁷ The wider diversity of activities found in these city centres can also be explained by their relative size: the centres of Reading and Milton Keynes had 9,400 and 18,900 KIBS jobs respectively, whereas the centre of Crawley only had 3,900 KIBS jobs. However it exceeded the centres of Chatham and Aldershot (1,500 and 900 KIBS jobs respectively).

Figure 16: Type of KIBS jobs by city centre, 2016



Source: ONS, Business Structure Database

Another element can explain the location of KIBS jobs. As noted earlier, there is a particular clustering of these businesses in the north of the Diamond, which is likely to be driven by the access to a large high-skilled labour force. Such locations allow easier recruitment from the very large number of potential workers living in London: looking at commuting patterns, of all the Gatwick Diamond workers who lived in the Greater London Authority in 2011, two thirds worked in one of the three local authorities of Reigate and Banstead (29 per cent), Epsom and Ewell (21 per cent) and Mole Valley (16 per cent), all in close vicinity to London. On the other hand, only 2.6 per cent of London residents who worked in the Gatwick Diamond had a job based in Mid-Sussex, and 1.9 per cent in Horsham.

The wider benefits of a strong-performing city centre

Beyond their ability to attract investment from KIBS businesses, strong city centres have other benefits for the wider economy:¹⁸

¹⁷ Previous work by Centre for Cities has shown the growing role that city centres are playing in the national economy because of the benefits they offer to more knowledge-based jobs. See Serwicka I and Swinney P (2016) Trading Places: Why Firms Locate Where They Do, London: Centre for Cities.

¹⁸ Swinney P and Sivaev D (2013) Beyond the high street: Why our city centres really matter, London: Centre for Cities.

The first is that **they have a knock on impact on the high street**. Large concentrations of jobs in urban centres pulls in commuters on a daily basis, which in turn creates a market for retailers, bars and restaurants. The second is that **they are more easily served by public transport**. This is particularly important for lower-skilled people who are more likely to be reliant on public transport to get to work. And it also has environmental implications – it reduces the requirement for private transport.

Summary

The constituent parts of the Gatwick Diamond all make important but different contributions to its economy. The area containing Manor Royal and Gatwick Airport is the engine room of the economy, being home to the greatest share of jobs, but other areas including Horsham, Leatherhead, Reigate and Epsom are also sizable parts of the whole.

Looking at knowledge-intensive jobs in particular, it is clear that each of these locations provides different benefits for firms. This explains why the type of knowledge-intensive activities differs across different types of location.

Among knowledge-intensive locations, the centre of Crawley is an interesting case: it attracts a certain number of knowledge-based service industries, but it is still relatively small in size, both when compared to other places in the Gatwick Diamond and to city centres elsewhere. In addition, despite having a broadly similar industrial structure to other areas' city centres, its knowledge-based services activities were dominated by law and accounting in 2016. Its small size and relative lack of diversity suggests that the area has not been as attractive to businesses as other more successful city centres in the comparator areas.



The residents and workers of the Gatwick Diamond

As noted earlier, the availability of skilled workers is likely to be a big factor in attracting and retaining high-skilled businesses. This section looks at where the residents and workers of the Gatwick Diamond live and work, looking at the implications this has for skills and housing.

Workers and residents: two distinct populations

Because of its location between London and the coast, the Gatwick Diamond experiences large daily population flows – whether this is inflow of workers (coming to work in the Gatwick Diamond) or outflow of residents (leaving home in the Gatwick Diamond to work elsewhere). In 2011, about 100,400 workers commuted to the Gatwick Diamond, while some 112,900 Gatwick Diamond residents went to work outside of the area.¹⁹ This makes the Gatwick Diamond a point of daily crossover between different types of populations.

Figure 17: Flow of workers to and from the Gatwick Diamond



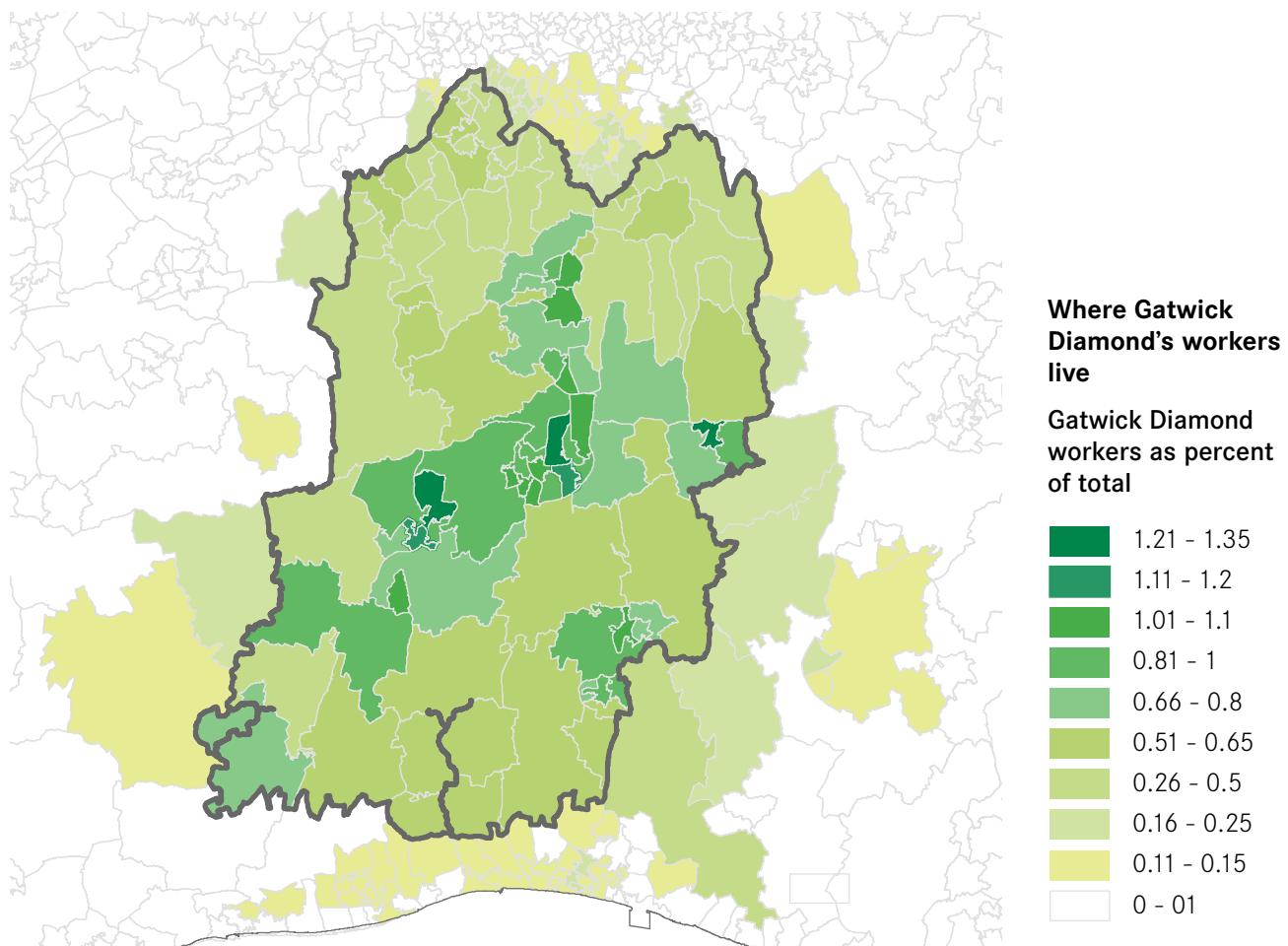
¹⁹ These figures do not match the jobs figures shown earlier because of the different data sources and time periods used.

Commuting patterns for workers and residents

More than one in three workers come from outside the Gatwick Diamond. This makes the Gatwick Diamond the most reliant on an external workforce among all comparator areas. Enterprise M3 and the Thames Valley Berkshire experience similar levels of in-commuting, Greater Medway and the SEMLEP tend to be more self-contained, with 21 and 19 per cent of workers respectively living outside the respective areas.

As shown in Figure 18, the reach of the Gatwick Diamond is relatively limited. Those who commute in tend to live very close to the border, although it is interesting to note that a sizeable number of people commute from South London and Brighton, despite having access to a large number of local job opportunities. This is a positive for the area, likely reflecting the good job opportunities available within the Diamond.

Figure 18: Origin of Gatwick Diamond's workers



Source: ONS, Census 2011

At the local authority level, the largest inflow of workers from outside the Gatwick Diamond came from Brighton and Hove (10,600 workers, or 3.6 per cent of the total workforce), followed by the London boroughs of Croydon (10,300 workers / 3.5 per cent) and Sutton (9,300 workers / 3.2 per cent). In total 37,400 London (GLA) residents came to the Gatwick Diamond to work, accounting for 37 per cent of external commuters and 13 per cent of the total Gatwick Diamond's workforce.

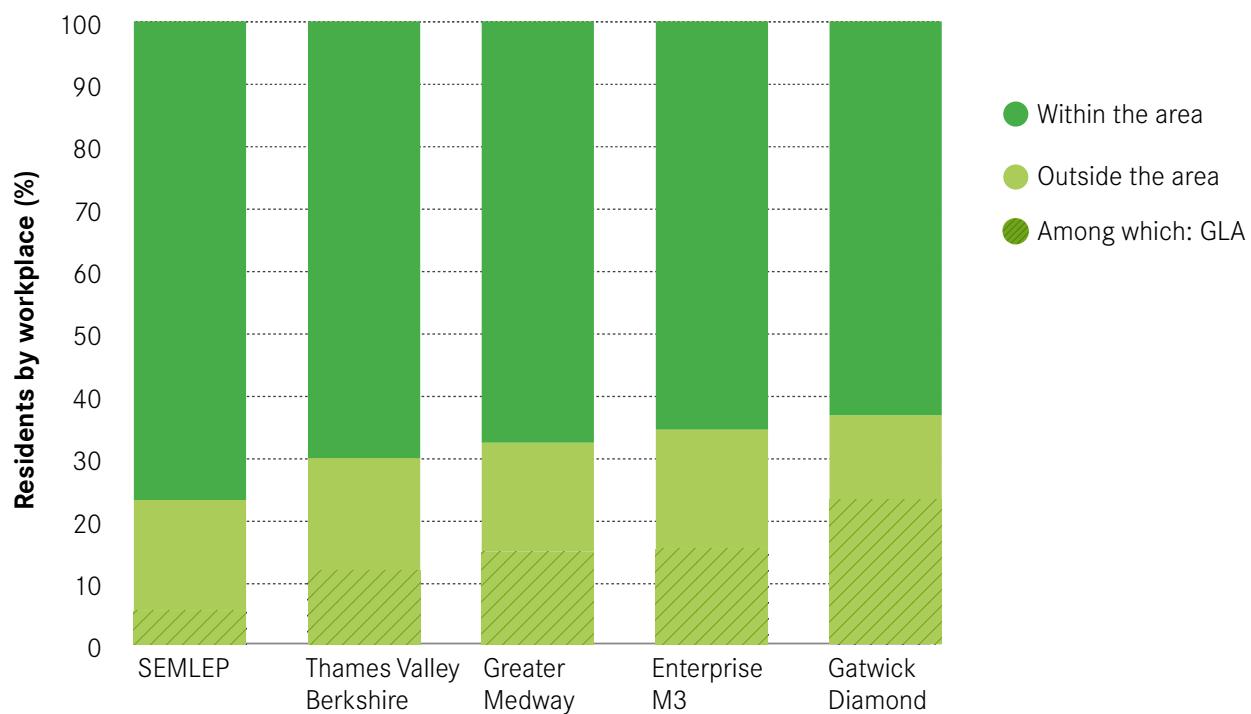
The destination of those external commuters reflected the geography of jobs in the Gatwick Diamond, and underlines the importance of good transport links between these sites and areas outside of the Diamond. Manor Royal attracted the largest share of commuters (9 per cent of all Gatwick Diamond commuters), followed by the area covering the airport (7.4 per cent) and Leatherhead (7.2 per cent). The centre of Crawley had a much weaker pull, being the destination of 1.4 per cent of inward commuters.

On the other hand, workers that also lived in the Gatwick Diamond were not as mobile. Among the Gatwick Diamond workers who also lived in the Gatwick Diamond, two thirds lived and worked in the same local authority.

On the resident side, more than one in three Gatwick Diamond residents were working elsewhere.

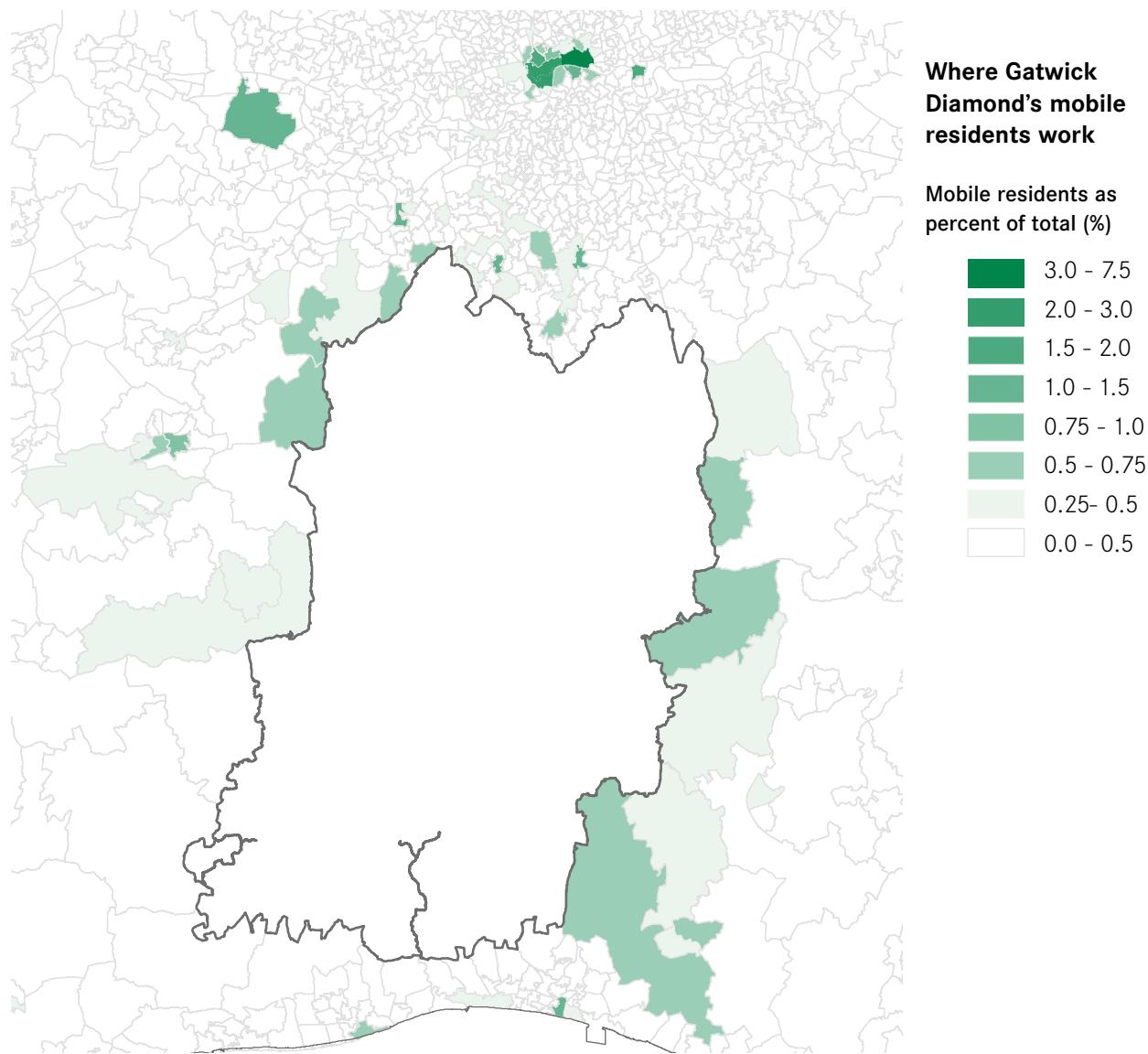
In 2011, 36.8 per cent of residents commuted to work outside of the Gatwick Diamond. As shown in Figure 19, this was the largest outflow of residents among all comparator areas. In Enterprise M3, 34.5 per cent of residents worked elsewhere, while it was much lower at 23.2 per cent in the SEMLEP.

Figure 19: Residents by place of work, 2011



Source: ONS, Census 2011

The main workplace destination outside the Gatwick Diamond was by far London, with almost one in four of Gatwick Diamond's working residents (23 per cent) working in the capital. In particular, Westminster was the local authority outside the Gatwick Diamond with the highest number of working Gatwick Diamond residents, accounting for 6.2 per cent of all working residents. Croydon and Sutton also had a high share of Gatwick Diamond residents in their workforce (2.3 per cent and 2.4 per cent). This predominance of commuting to London is clearly visible in Figure 20.

Figure 20: Destination of Gatwick Diamond residents outside the area

Source: ONS, Census 2011

This meant that the pull of London on the Gatwick Diamond was much greater than for the other comparator areas. For instance only 15 per cent of the working residents of Greater Medway, and 12 per cent of the Thames Valley Berkshire LEP's worked in London, despite these two areas also being close and well connected to the capital.

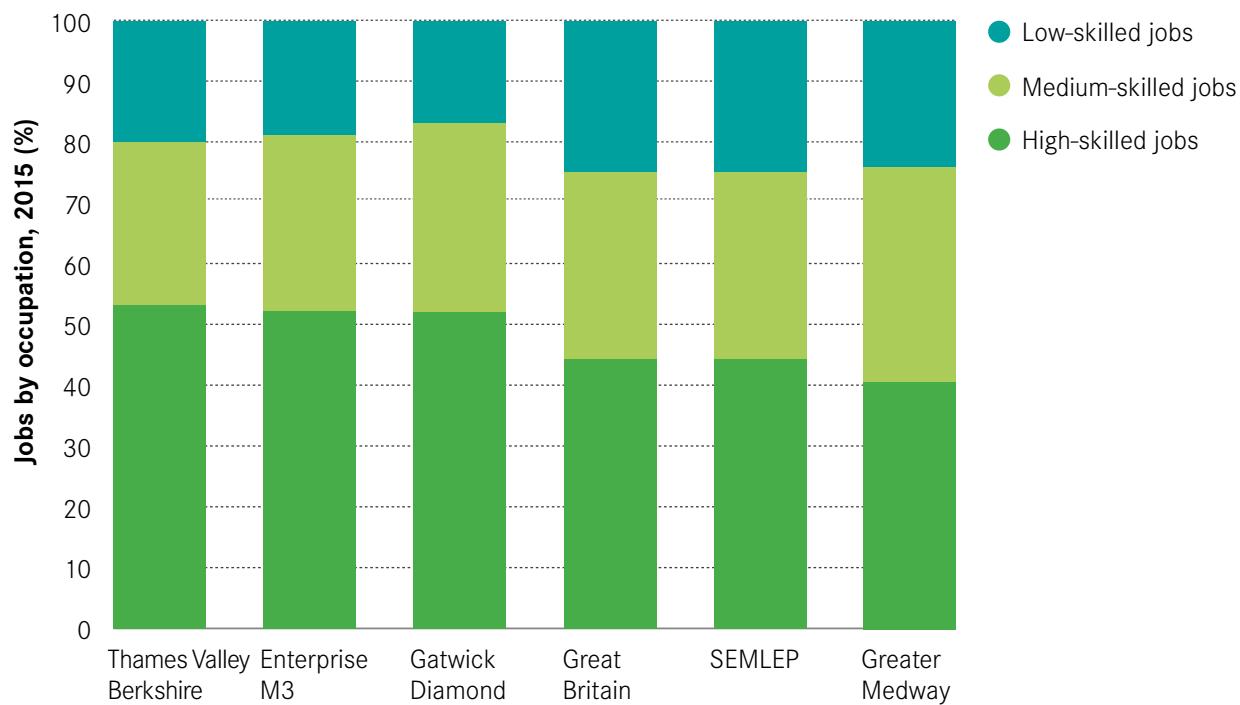
Occupations and pay of the Gatwick Diamond residents and workers

A large proportion of Gatwick Diamond's residents occupy high-skilled positions.²⁰ As shown in Figure 21, in 2015 they represented 52.2 per cent of all residents, above the British average of 44.5 per cent. This was slightly lower than the Thames Valley Berkshire and Enterprise M3, which respectively had 53.4 and 52.3 per cent of their population employed in high skilled jobs.

²⁰This refers to ONS SOC2010 categories 1: managers, directors and senior officials, 2: professional occupations, 3: associate professional and technical occupations.

However the share of residents in low-skilled occupations was the lowest of all areas, with 16.7 per cent of residents occupying such positions.²¹ Comparatively low-skilled residents represented 18.8 per cent of Enterprise M3 population, and 19.9 per cent of Thames Valley Berkshire's.

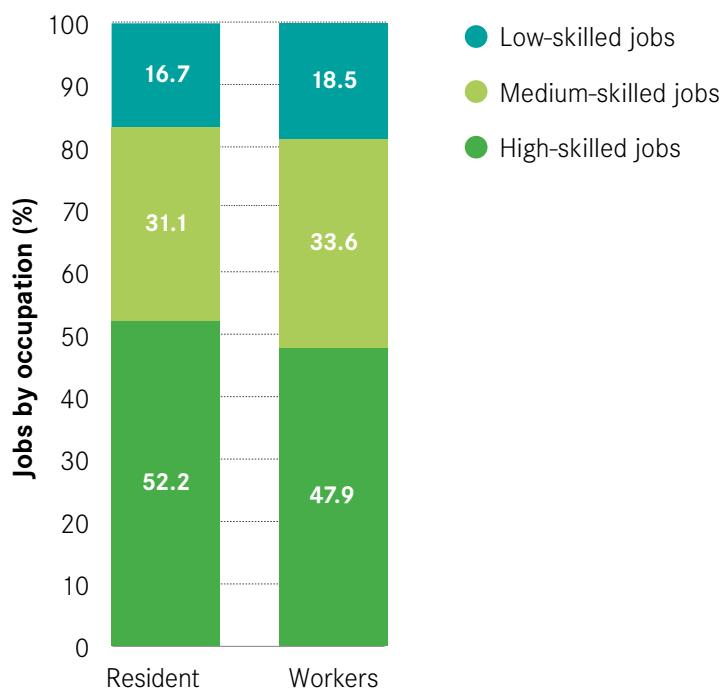
Figure 21: Residents by job occupation



Source: ONS, Annual Population Survey

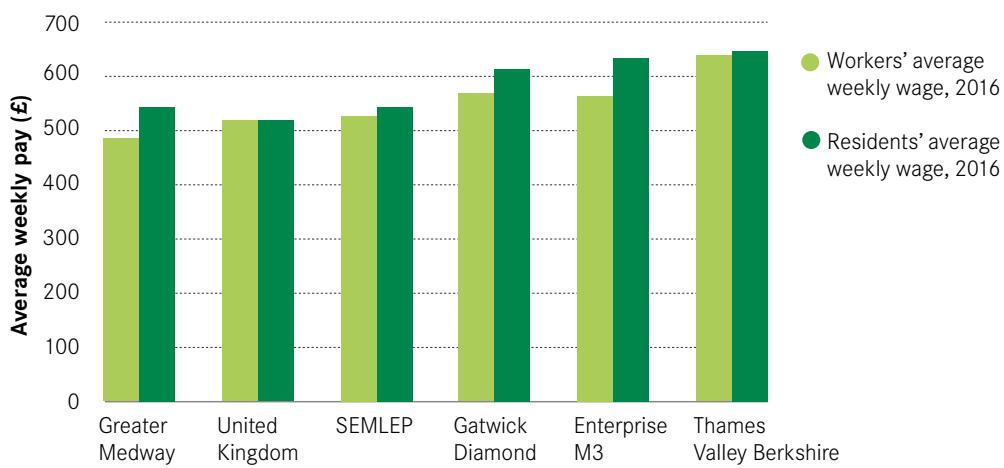
Overall, the share of high-skilled jobs occupied was higher among residents than workers (Figure 22). 47.9 per cent of workers were high-skilled, compared to 52.2 per cent of residents. Although it is not very large, this difference still reflects that more high-skilled residents must work outside the area than high-skilled non-residents commute into the Gatwick Diamond.

²¹ This refers to SOC2010 categories 7: sales and customer service occupations, 8: process, plant and machine operative, 9: elementary occupations.

Figure 22: Jobs by occupation, residents and workers

Source: ONS, Annual Population Survey – Resident and Workplace Analysis

This difference is also reflected in wages. Within the Gatwick Diamond, resident wages were on average 8 per cent higher than workers' (£619 against £572). But as Figure 23 shows, this was common across the comparator areas, with high wages in London likely to be driving up resident wages in neighbouring places.

Figure 23: Residents and workers average weekly wages, 2016

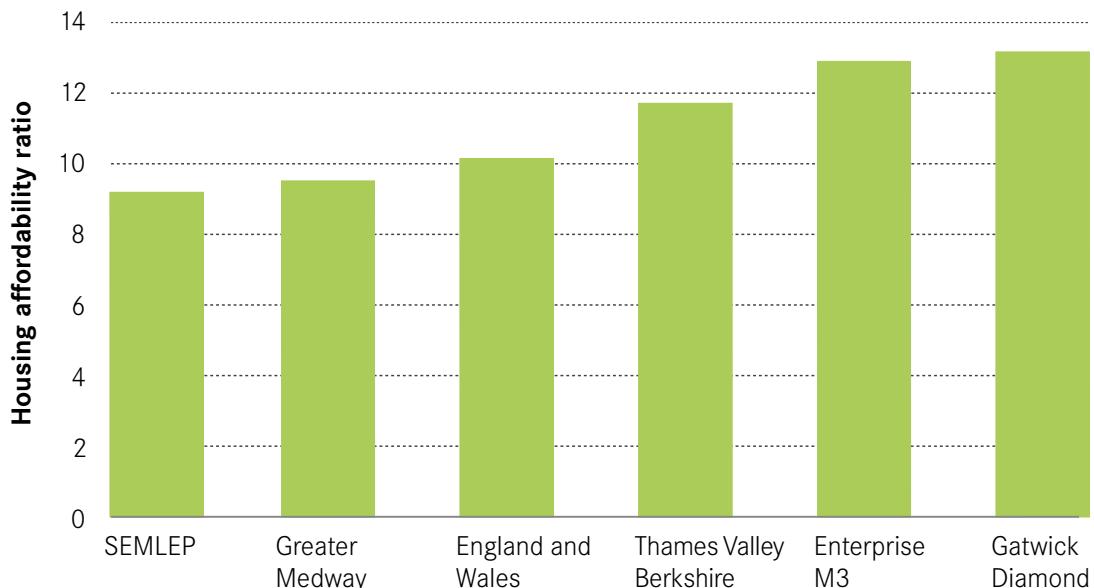
Source: ONS, Annual Survey of Hours and Earnings

These disparities have implications for housing

The relative cost of housing is likely to be a factor in the success of an area at attracting and retaining workers. The data shows that this is a key challenge for the Gatwick Diamond.

In terms of housing, the Gatwick Diamond is the least affordable of all the comparator areas, with house prices more than 13 times higher than the annual resident wage (see Figure 24)²². This is 1.4 points higher than in the Thames Valley Berkshire and 4 points higher than in the SEMLEP.

Figure 24: Housing affordability ratio



Source: HM Land Registry, Price Paid Data; ONS, Annual Survey of Hours and Earnings (Resident analysis)

Yet as described previously, a large proportion of the Gatwick Diamond's residents work elsewhere, leading to great variations in their salaries. This means that the affordability of housing differs for those residents who work in Gatwick Diamond and those who work elsewhere.

Figure 25 below shows housing affordability of Gatwick Diamond's residents according to their place of work. The main destination of residents commuting to London is Westminster and the City – more than 6 per cent of all Gatwick Diamond's residents worked in this area. And the average weekly wage in the borough of Westminster and the City of London was £943 in 2016, 53 per cent higher than the average worker's wage in the Gatwick Diamond. For these workers, living in the Gatwick Diamond is only 8.7 times their annual salary, which is even lower than the British average. This is likely to make the Gatwick Diamond area a relatively attractive place for these workers to live.

²² Housing affordability compares house prices with resident annual earnings. It gives an indication on how many years of salary an average resident would need to purchase a home.

Figure 25: Affordability ratio by work place, 2016

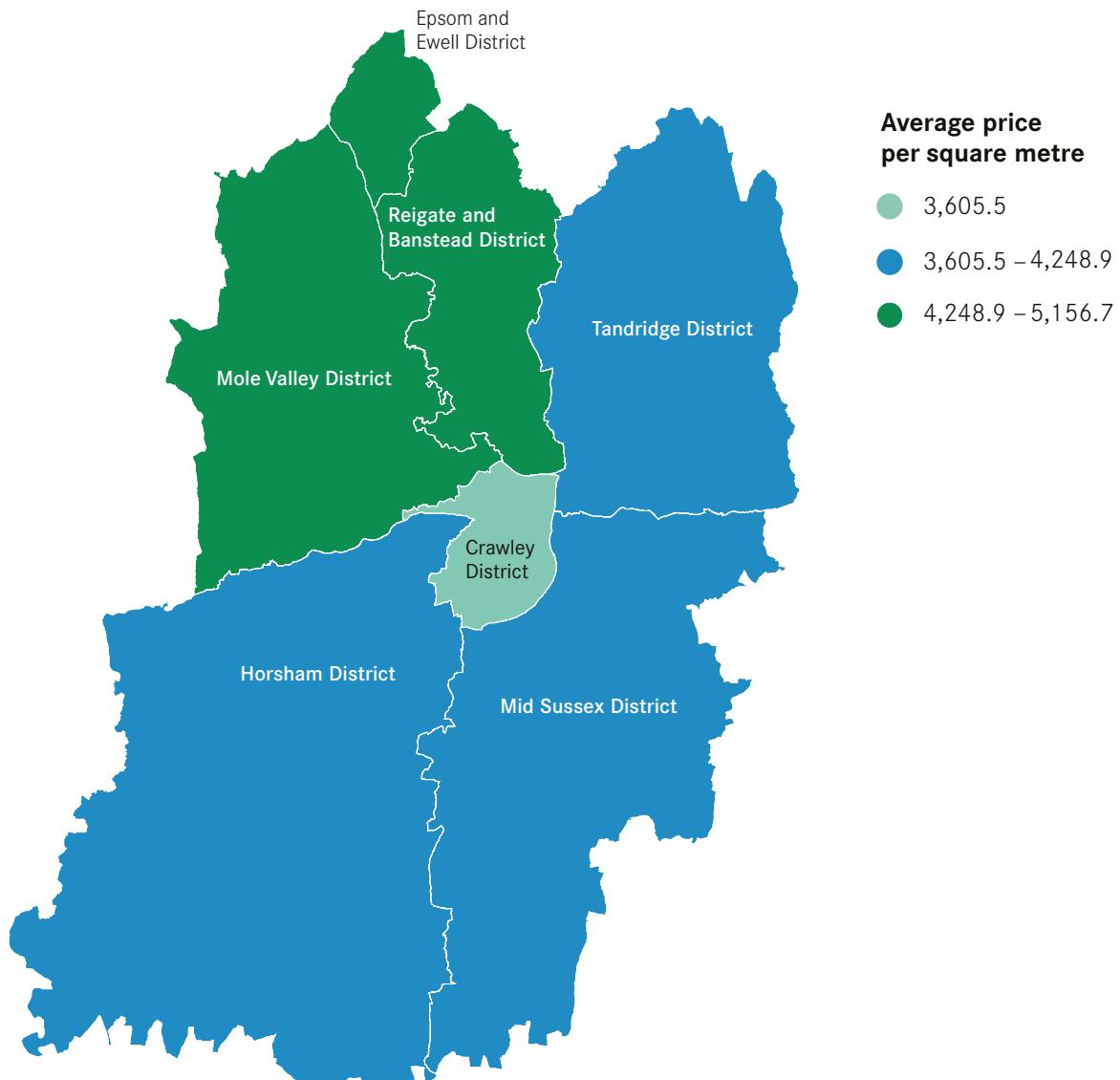
Source: HM Land Registry, Price Paid Data; ONS, Annual Survey of Hours and Earnings (Resident analysis); Census 2011

On the other hand, living in the Gatwick Diamond is considerably less affordable for those who work in Brighton and Hove, for whom the average house price is 17 times higher than the average annual salary.

Looking at the migration patterns in and out of the Gatwick Diamond show the demographics of Londoners, to whom the area is particularly attractive. Between 2009 and 2015, the Gatwick Diamond attracted a net inflow of 25,500 people of all ages, suggesting that it is an attractive place to live. Within this, there was a large net inflow of people aged 31–45 to the Gatwick Diamond, with an accompanying inflow of those aged 0 to 7. Most of the people came from London (in particular south and south-west London), as well as Brighton and Hove. Comparatively, the Gatwick Diamond lost a large part of its population to the South Coast and the South West of England.

These patterns suggest that the area is attracting young families from London as they look for more space, and commuting patterns suggest that a number of them are likely to continue to work in London. The relatively higher affordability of the area makes it an attractive choice for London workers to live. This provides a particular housing challenge. The Gatwick Diamond is relatively cheap for these people because of the wages they earn in London. But demand to live in the area pushes up housing costs for those who live and work there.

This demand is reflected in the varying nature of house prices across the Diamond. Figure 26 shows the cost of housing per square metre across the Gatwick Diamond, to take account of differing house sizes. It shows that the average house price per m² was considerably higher in the north than in the south. In Epsom and Ewell and Mole Valley, the house price per m² was above £5,000, and it was close to £4,600 in Reigate and Banstead. Tandridge followed with houses being sold at around £4,200 per m², above Mid-Sussex and Horsham (about £4,000 per m²). Meanwhile Crawley had the lowest house price per m², at £3,600.

Figure 26: Average house price per m² by local authority

Source: HM Land Registry, Price Paid Data; DCLG, Energy Performance Certificate Register

This poses a challenge to the Gatwick Diamond. Given both the economic strength of London and the acute nature of the capital's housing crisis, the appeal of the Gatwick Diamond for London workers is likely to persist. In doing so this is likely to push up house prices in the area further, making it more unaffordable to those who work in the Diamond. Given that the supply of workers is an important factor in attracting and retaining businesses in the Diamond, failing to deal with the growing unaffordability of housing may make the area less attractive to business investment in the future, with implications for economic growth.

Competition for space – the role of Permitted Development Rights

As well as pushing up the cost of housing, high demand is also likely to create pressure to convert commercial space to residential space, something that has been made easier through the introduction of Permitted Development Rights (PDR).

Permitted Development Rights (PDR), which simplifies the process to convert commercial space into residential, appears to be causing particular pressures in the Gatwick Diamond.

According to DCLG planning application statistics, in the past three years 31 per cent of all PDR applications in the Gatwick Diamond concerned non-residential to residential conversions, while the remaining of the applications were mostly related to home extensions. This was considerably higher than in England as a whole, where conversions only concerned 18 per cent of PDR applications, but also higher than any comparator area. In Enterprise M3 for instance, conversions accounted for 26 per cent of PDR applications, and in the Thames Valley Berkshire this was only 19 per cent.

In total more than 60 per cent of these applications went through in the Gatwick Diamond – which equals to almost 400 agreed conversions between April 2014 and April 2017. This represents 1.9 per cent of all the Gatwick Diamond non-residential properties, a slightly higher share than in other comparator areas. In the SEMLEP for instance, the total number of agreed PDR conversions to residential represented 1.3 per cent of all non-residential units.

Within the Gatwick Diamond, more than half of all the applications for conversions to residential were submitted to the local authorities of Horsham and the Mole Valley, while Crawley and Epsom and Ewell both received the lowest number of applications for conversion (7.7 and 6.6 per cent of all Gatwick Diamond's PDR applications for conversions).

PDR could act as a constraint on economic growth by reducing the number of commercial properties available to current or potential businesses, therefore increasing prices and restraining growth. This has become an issue in other high demand areas, and has led a number of authorities – particularly those in central London – to seek exemption from PDR.



Conclusions and policy recommendations

The Gatwick Diamond is a strong performer in the UK economy. It performs well above the national average on a range of different economic indicators, such as its levels of productivity, its share of high-skilled jobs, and its track record at attracting in foreign investment.

Even when comparing its performance to a number of comparators in the Greater South East, the Gatwick Diamond does well. Only the Thames Valley consistently outperforms the Gatwick Diamond, and this area is likely to be the Gatwick Diamond's strongest competitor outside of London when it comes to attracting in investment in the future. The one exception has been the growth in knowledge-based services jobs, where the Diamond has had the slowest growth of all comparators since 1998.

Different parts of the Gatwick Diamond make different contributions towards this success. Crawley has the largest concentration of jobs, and this is driven by Manor Royal and Gatwick airport, which account for 12 per cent of jobs despite occupying only one per cent of land. Behind these two sites, a number of other areas also make important contributions to the Gatwick Diamond economy, both in terms of total number of jobs and the different activities they undertake.

Compared to the Thames Valley and South East Midlands Areas, a noticeable difference is the contribution that the city centres make in the respective areas. The city centres of both Reading and Milton Keynes account for the highest shares of jobs in their respective areas despite covering very small parts of the total land area. No urban centre within the Gatwick Diamond plays such a role to the same extent. So while the Diamond's business parks play a big role in the success of the economy, its urban centres have the potential to help increase the number of job opportunities available to residents in the area.

The success of the Gatwick Diamond also brings with it pressures, as is the case in other successful economies. This report highlights two clearly – the pressures of Permitted Development Rights to convert commercial space into residential in areas where there is high demand for both, and costs on housing, driven both by the success of the Diamond and its close proximity to London and its appeal as somewhere to live for those looking to commute into the capital.

To sustain its success, the Gatwick Diamond will need to continue to attract in investment in high-skilled activities as it has in the past. This leads to three main policy recommendations:

1. Continue to expand the supply of office space in the areas where it is most needed

A key challenge for successful economies is to continue to supply the commercial space that companies looking to invest in the area will need. In the area's most successful business parks more land will need to be given over to commercial development where required.

A particular challenge will be to improve the contribution that the very centres of the Diamond's largest urban areas play in the wider economy. Wider work by Centre for Cities has shown that knowledge-based businesses are increasingly favouring dense locations because of the benefits that they provide to their businesses. While the urban centres of the Gatwick Diamond have not traditionally been large centres for office activities, improving their attractiveness as places to do business will make the Diamond more competitive at attracting in those businesses that are looking for a dense location.

Again, the provision of Grade A office space will be required to do this, underpinned by other investments in public realm and transport connections, as part of a strategy to improve the contribution that these areas make.

2. Continue to expand the housing offer

As well as jobs, workers also look for the right kind of space when they are looking to either remain in or move to a new area. The Gatwick Diamond's dual role of both being a home for London workers as well as a strong economy in its own right has made it one of the least affordable places to buy a home in the country. This has knock-on implications for the ability of the area to attract and retain workers, which in turn will alter the appeal of the area to new business investment.

To counter this, the Gatwick Diamond needs to continue to make sure there is a supply of a range of new homes. While noting the planning constraints that the greenbelt creates, this will be important to help manage the affordability challenge that the area faces and make sure that it continues to remain an attractive place for businesses to invest, create jobs and grow the economy.

3. Improve transport connections into the Gatwick Diamond from the surrounding area

A key element of why businesses choose to locate in certain places comes down to whether they have access to the workers they need to recruit. The high-skilled workforce of the Gatwick Diamond is likely to be one of the main reasons why it has been so successful in recent years.

Good transport connections into the area surrounding the Gatwick Diamond increase the number of potential employees for a business. Combined with an expansion of the housing offer within the Diamond, improvement of transport connections should also be undertaken to expand the pool of workers who may look to find employment within the area.

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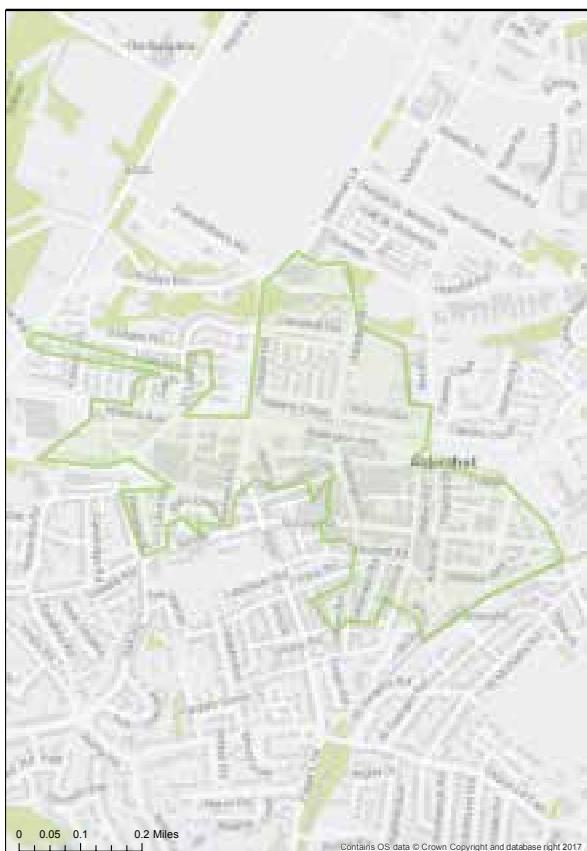
Annex 1: KIBS definition

This definition uses the SIC 2003 classification:

SIC 2003 Code	SIC 2003 Name	KIBS category	Broader category
65	Financial intermediation, except insurance and pension fund	Financial services and real estate	Professional
66	Insurance and pension funding, except compulsory social security	Financial services and real estate	Professional
67	Activities auxiliary to financial intermediation	Financial services and real estate	Professional
7011	Development and selling of real estate	Financial services and real estate	Professional
7032	Management of real estate on a fee or contract basis	Financial services and real estate	Professional
7210	Hardware consultancy	Computer and technical services	Technical
7221	Publishing of software	Computer and technical services	Technical
7222	Other software consultancy and supply	Computer and technical services	Technical
7230	Data processing	Computer and technical services	Technical
7240	Data base activities	Computer and technical services	Technical
7411	Legal activities	Support business services	Professional
7412	Accounting, book-keeping and auditing activities; tax consultancy	Support business services	Professional
7413	Market research and public opinion polling	Business and management services	Professional
7414	Business and management consultancy activities	Business and management services	Professional
7415	Management activities of holding companies	Business and management services	Professional
7420	Architectural and engineering activities and related technical consultancy	Computer and technical services	Technical
7430	Technical testing and analysis	Computer and technical services	Technical
7440	Advertising	Business and management services	Professional
7450	Labour recruitment and provision of personnel	Support business services	Professional

Annex 2: City-centre boundaries²³

Aldershot



Chatham



Milton Keynes



Reading



²³ The centre of Crawley is presented in box 1.



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