

Long Finance Symposium

"When would we know our financial system is working?"

“Firm Migration - The Neglected Component Of Change”

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Acknowledgements

- Colleagues at TBR, especially Andrew License and Dr Mark Edward in helping develop the approach
- Dr Laura Davison and her team at the Corporation of London for being pathfinders

Starting point

- A desire to understand local economies in order to effect change – encourage growth
- An acknowledgement that economies are dynamic rather than static

Alternative perspectives of local economies

1. An overall entity to be investigated by attempting to disaggregate it based on survey data – the standard approach
2. A population of individual businesses that we track through time

Measuring Change - Traditional (macro) approach

- Start with Headlines, and consider the difference between two points in time, metrics:

- Firms
- Employment
- Output

- Start-ups (firm births)
- Closures (firm deaths)

Headlines for the
City 2008 to 2012:

Firms: - 2,361
Employment: - 5,041

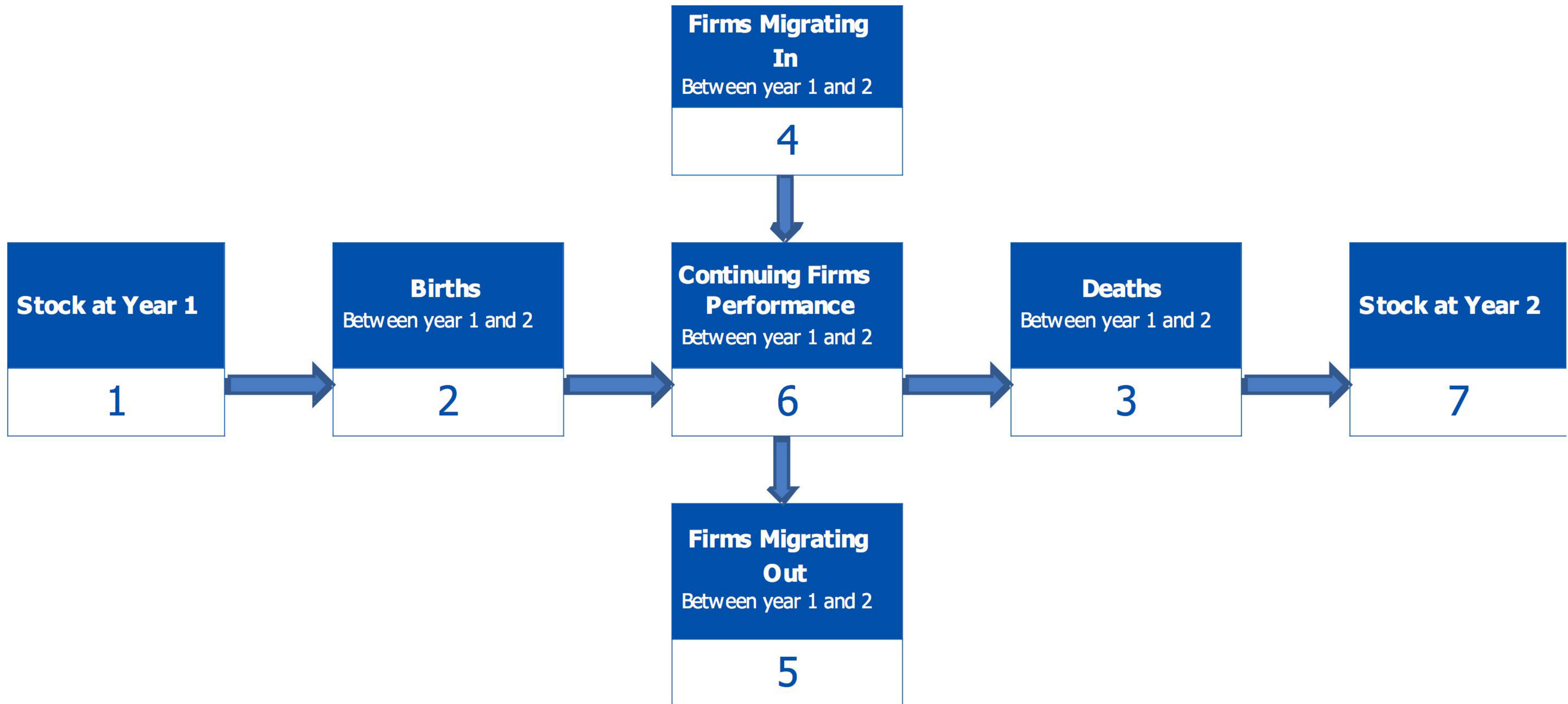
- Challenges

- The only dynamics?
- How to disaggregate births, deaths from the rest?
- Where does foreign direct investment (FDI) fit in?
- Not fully satisfactory

The Alternative - Components of Change

- Firm Births
- Firm Deaths
- Continuing Firms (survivors)
 - Those that are present at the start and end of the period under review
- Firm Migration – the neglected component
 - In migrators that move into a (location) during the period
 - Out migrators that leave during the period

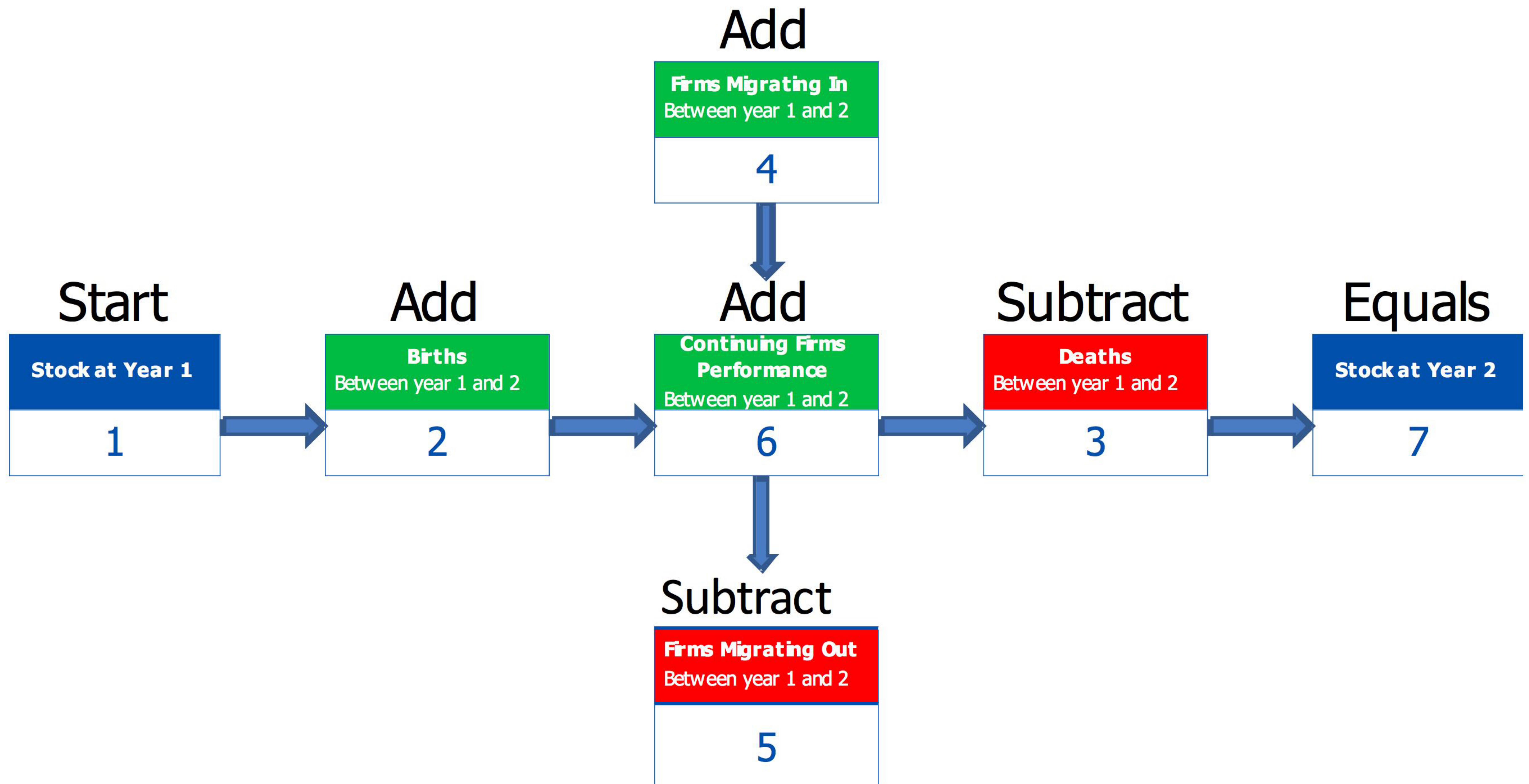
Or



The Maths

- The economy at Year 1
- Add firm births between Year 1 and Year 2
- Subtract firm deaths
- Add any changes from continuing firms
(employment and output not firm numbers)
- Add In migrators
- Subtract Out migrators
- Equals the economy at Year 2

Together



A Worked Example – City 2008 - 12

Order
Firms
Employment
Output (GVA) (£m)
Productivity (GVAPH)
Emp per firm

Firms Migrating In
2,679
60,156
£6,525.2
£108.5
22

Stock 2008
20,109
370,493
£35,793.3
£96.6
18

Births 2008 to 2012
4,316
41,322
£4,202.1
£101.7
10

Continuing Businesses
0
3,588
£1,056.3

Deaths 2008 to 2012
6,903
63,487
£6,126.9
£96.5
9

Stock 2012
17,748
365,452
£38,453.9
£105.2
21

Births/Deaths
Firms: - 2,587
Jobs: - 22,165
Output: - £1,925m

Firms Migrating Out
2,453
46,620
£2,996.1
£64.3
19

Net Migration
Firms: + 226
Jobs: + 13,536
Output: + £3,529m

Discussion

- A new paradigm for assessing the dynamism of local economies? No longer just births and deaths
- Gets under the skin of headline analysis:
 - The dynamics of change and role of starts ups and in migration as factors of revitalisation – or decline
 - Enables further investigation into the proposition of place and motivations of firms
 - Can explore other factors such as the property offer
- Does intra-country firm migration represent a zero sum game with winners and losers...?
 - But how do firms perform after they move?
- What role mergers and acquisitions?

Many thanks for your attention

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