

# **Warwickshire's Local Economic Assessment**

## **Key Issues Paper: Data Analysis**

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## Executive Summary

### ***Overall economic performance presents a mixed picture...***

Warwickshire is the biggest contributor to the sub-regional economy, and plays a significant role in the economic output of the West Midlands. The county has seen growth on a par with England over the period 1995 to 2006, and in recent years has seen significantly stronger rates of growth than either the sub-region or the national average. This growth has been largely driven by business and financial services, construction and public services – all sectors that have been (or will be) particularly affected by the current economic downturn.

While growth in total economic output for Warwickshire has been strong, relative performance of the county (in terms of GVA per head of person) has been less so. On this measure, the county has seen slightly below English average growth rates (5% compared to 5.1%), meaning the gap between the two has increased slightly over the period 1995-2006. Looking at the factors that affect relative economic performance, it appears that Warwickshire suffers from net out-commuting and lower than average productivity. Moreover, levels of productivity appear to be reducing over time.

An exploration into the identified drivers of productivity identified an interesting conundrum. The county performs strongly on all the indicators used to examine the drivers, leading to the conclusion that the sum of parts does not appear to be greater than the whole. This issue clearly needs further research and investigation, but some early thinking suggests that some of this difference can be explained by a significant north/south variation in the economy. The south of the county performs very strongly on some of the indicators used to consider the drivers of productivity (particularly enterprise and skills) which disproportionately affects the county figures, while at the same time productivity and economic output maybe significantly lower in the north of the county.

### ***Warwickshire has seen strong business growth...but more muted employment growth...***

Warwickshire has experienced significantly higher than the national average growth in its business base (growth of 2.8% per annum compared with 1.7% for England). This has been particularly in business and financial services, distribution and transport, and the utilities sectors. However, there has been much more muted growth in employment within the county, with a slightly lower than average growth rate (0.8% p.a. compared with 0.9% for England). All areas of the county saw lower than average growth relative to England between 1998 and 2005, but since then all but Rugby have seen an improvement in there position.

The growth in employment has broadly mirrored that of the business base (i.e. growth in business and finance, distribution and transport), but also growth in construction and other services. The county has seen above average declines in manufacturing employment, reflecting the above average concentration of employment that Warwickshire has historically had in this sector. The divergence in business and employment growth therefore highlights a focus on micro and small businesses, and an analysis of business size confirms this. The county has significantly lower average size of business (9.6 employees compared to an England average of 10.9), and this has fallen significantly over the past 10 years. Of particular concern is Nuneaton & Bedworth that has seen below average increases in all sizebands, and the lack of growth in larger businesses within Rugby Borough.

Supply of readily available land in the county presents a real concern, particularly within the North/South corridor where we expect to see growth concentrated in the future. The lack of

suitable and readily available land within Nuneaton & Bedworth has been highlighted as a particular issue, making it hard to translate good interest in the area into actual investments.

***The county has some clear specialisms...***

Warwickshire has a number of sector specialisms and concentrations. A strong presence in Motor Vehicles is well recognised, but the county also appears to have comparative advantage in the business and finance sectors (particularly in the south of the county), land transport (particularly in the north of the county) and, interestingly, the utilities (energy & water) sector. The county also has a strong presence in nearly all of AWM's business clusters, apart from High Value Added Consumer Products. Warwickshire would appear to have particular strengths in ICT, Media, Specialist Business Services, and more moderate concentrations in environmental technologies and building technologies.

***While employment is high, pockets of worklessness persist...***

Warwickshire has a high employment rate, but the proportion of the whole population that is of working age is lower than average. Moreover, population forecasts suggest that while the county's overall population is expected to grow strongly, the proportion that are of working age will continue to fall – increasing the dependency ratio, which will create significant economic opportunities and challenges in the future.

The county has a higher than average proportion of people employed in higher level occupations, but an analysis of workplace occupations would suggest significant out-commuting by this group (which could account for lower than average productivity levels highlighted above).

While Warwickshire has below average levels of people claiming out-of-work benefits and unemployment rates, there are parts of the county that have high and entrenched levels of worklessness. Moreover, the analysis shows that the gaps between the best and worst areas in the county have increased in recent years, suggesting that support available has not helped those in the most deprived areas.

Research into the make-up of out of work benefits highlights the high levels of people claiming Incapacity Benefit in the county, the large majority of whom have health related issues. The links, therefore, between the health sector and employment support programmes is critical and an area that requires further research.

***Generally high levels of qualifications, but significant variation across the county...***

Overall, Warwickshire performs well with respect to indicators on qualification attainment levels, but Nuneaton & Bedworth underperforms on higher levels skills, and North Warwickshire underperforms on Level 2 qualifications. Given the links between skills and employment, and the forecast changes in occupation structure and business demand in the future, this places these areas in a more vulnerable position.

Qualification levels have clear links to employment and earnings, and therefore employment and skills are critical to issues surrounding poverty – particularly child poverty. Low income and socio-economic circumstances also strongly affect life chances, with clear evidence to show that children in families with low skills and low incomes are less likely to achieve good qualifications themselves, leading to a vicious cycle.

Employment, skills and deprivation also have wider social impacts on health, crime and social cohesion more generally which is worthy of greater research.

***More research and consultation is clearly needed***

This initial analysis has collated and summarised much of the data and evidence that we already knew, and in many instances poses more questions than it answers! Development of the document has therefore created a list of areas where further research, investigation or data is required to help fill our gaps in understanding. However, even more crucial is the need to begin a series of conversations, debates and workshops with key partners to help explain why the data is telling the story that it is, using local knowledge and first hand experiences. This is where the real benefits of a *local* economic assessment will be found, and will allow us to build an informed and well-understood evidence base which can be used to pro-actively shape future policies, initiatives and strategies.

## 1. Introduction

While the formal duty on upper tier local authorities to undertake a Local Economic Assessment (as set out in the Local Democracy, Economic Development & Construction Bill) will not come into force until April 2010, Warwickshire County Council has decided that some early work should be undertaken to highlight and analyse the key issues facing the local economy, identify gaps in knowledge and understanding to help focus future research activity, and provide a starting point in the consultation process required to develop the full Economic Assessment.

This paper provides the detailed analysis of the data, while an accompanying summary document highlights the key messages and important issues for consideration in the full Local Economic Assessment and details the future research programme.. This analysis focuses on the underlying, structural elements of Warwickshire's economy, and seeks to explore general dynamics and trends rather than the situation at a given point in time. However, we also clearly need to understand the impacts of the current recession, which may also give us a different insight to the general workings of the economy. The impact of the recession on Warwickshire will therefore be in a separate, more focussed paper.

This paper begins by exploring the functional economic geography that Warwickshire operates within, which will be used as a basis to inform the rest of the analysis. We will then move on to consider the overall performance of the economy in terms of output and productivity; then look at the business base in more detail; and finally consider employment (and unemployment), skills and derivation.

## 2. Functional Economic Geographies

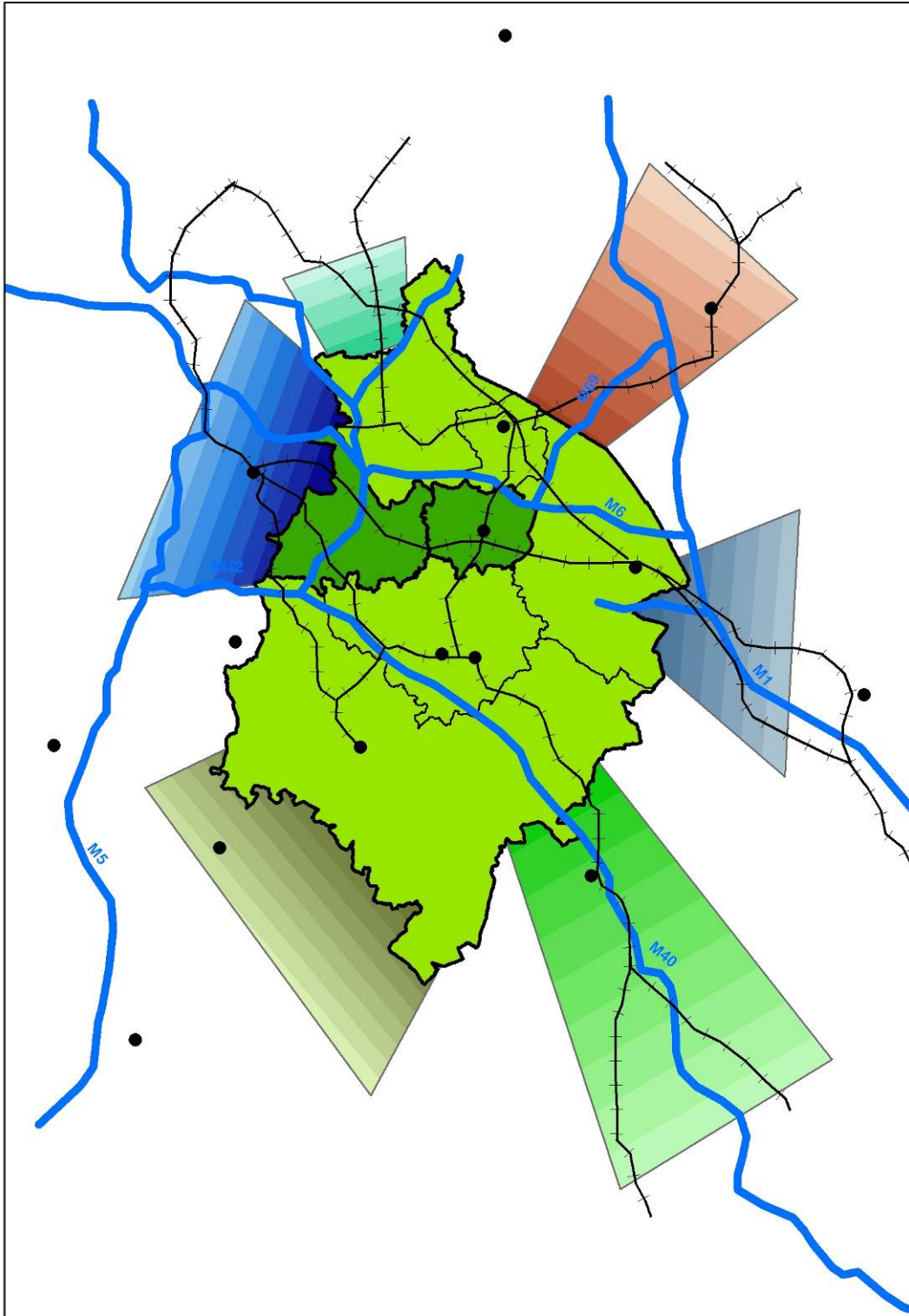
It is clear that Warwickshire's economy is not neatly self-contained within the administrative boundary of the local authority. What happens in other areas outside Warwickshire impacts on our economy, and vice-versa. However, it is equally clear that it is not as simple as drawing a larger boundary around the county. Different parts of Warwickshire have different relationships with different areas, and the functional linkages can change depending on what issue you are looking at (i.e. particular business sectors, housing markets, retail offers, etc.).

Some additional research on functional geographies is currently being undertaken by the West Midlands Regional Observatory, which is expected to be completed in November 2009. This may provide additional intelligence to help further develop our understanding on this issue. However, in the interim, we have taken a two step approach to identifying the functional economic geography for Warwickshire:

- 1) Building a "core" functional area using the substantial research undertaken by the LGA, which identifies areas that have high degrees of self-containment across a basket of indicators (travel to work patterns, housing market areas, and four key business sectors)
- 2) Using local knowledge to refine, expand and identify sub-functional areas for particular activities or areas.

The result of this approach is shown in Figure 1 below.

### **Figure 1: Initial thinking on Warwickshire's functional economic geography**



*Source: Warwickshire Observatory*

The core area of Warwickshire's functional economic geography is the Coventry-Solihull-Warwickshire sub-region, which presents a high degree of self-containment on a number of indicators. However, beyond this core area a number of different parts of the region have spheres of influence that clearly go beyond this boundary but are more local in nature (i.e. the whole sub-region does not necessarily share this relationship). These local spheres of influence are indicated on the map and should be regarded as indicative and more permeable

than which can be shown by lines on a map (it is not to say that the relationship is only within the tight confines of the shapes on the map, just that these are indicative of the main areas of influence that we need to be aware of).

The core functional area will therefore be used as a benchmark with which to consider Warwickshire's relative performance and overall contribution. The spheres of influence are clearly not discrete and bounded areas and its is therefore hard to access relevant data that could be used to assess performance of this wider area. Rather, it is important that we consider these sub-functional areas when considering particularly local issues.

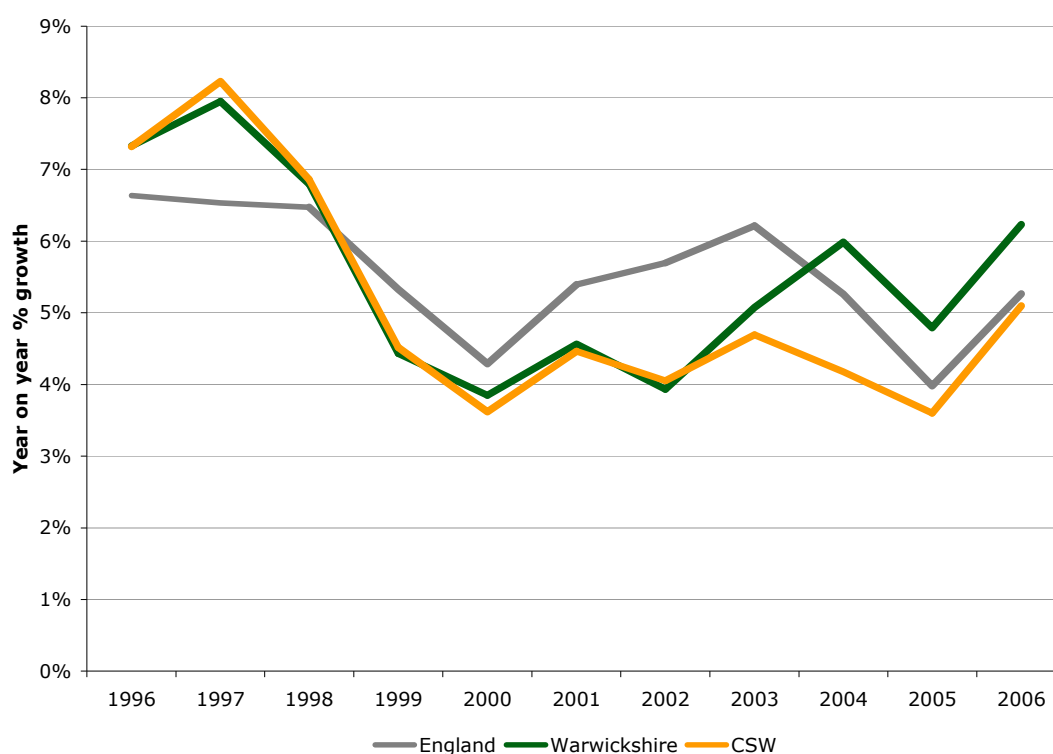
### 3. Warwickshire's overall economic performance

#### 3.1 Total Economic Output

In 2006 (the latest data available), Warwickshire's economy was worth £9,568million. This is just under half (49.3%) of the total output of the core functional economic area of Coventry, Solihull & Warwickshire (£19,467m), and nearly 11% of total regional output. Of all fourteen upper tier local authority areas within the West Midlands, Warwickshire is the third largest contributor to the regional economy (behind Birmingham and Staffordshire).

Since 1995, the average annual growth rate of Warwickshire's economy has been broadly the same as for England as a whole (5.53% p.a. compared to 5.55% p.a.), while the sub-region as a whole has seen slightly lower levels of growth (5.14%). However, over that period, there have obviously been variations in performance, as shown in Figure 2 below.

**Figure 2: Year on Year Growth Rates of Gross Value Added**



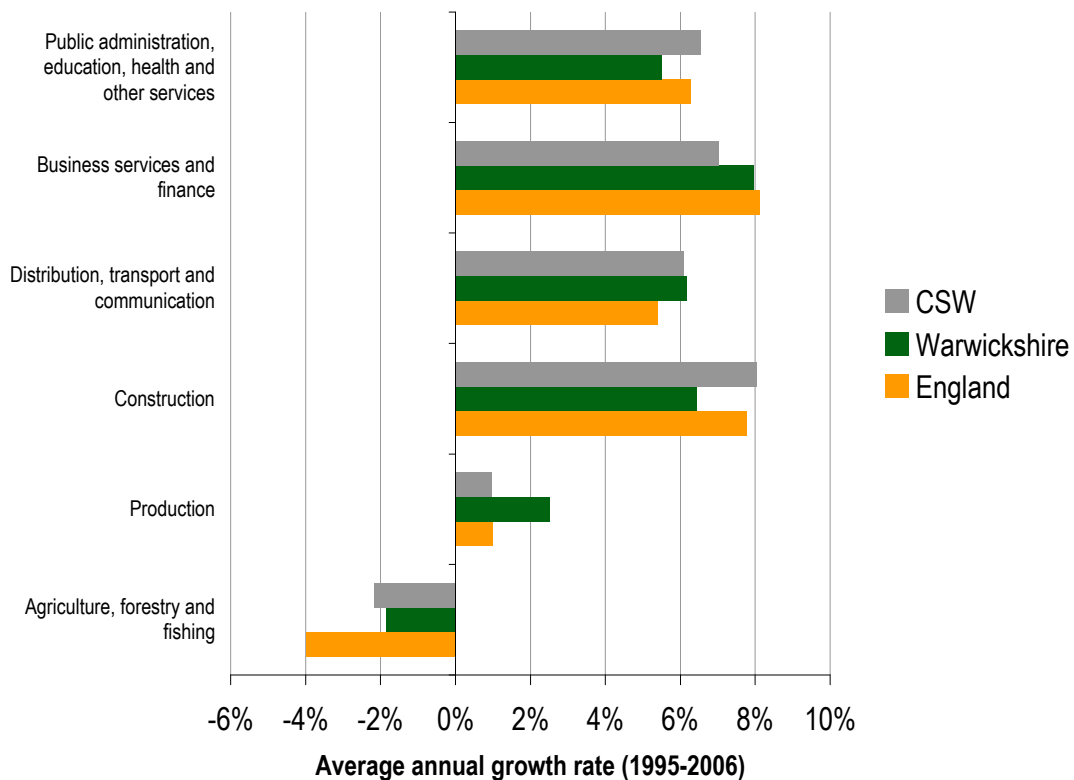
Source: ONS

One can see that in the late 1990's, Warwickshire and the Sub-Region saw stronger than England average growth, but in the early part of this decade saw weaker than average growth. Since 2003, Warwickshire has seen a divergence from the overall sub-regional growth rate, growing at levels greater than the England average.

Figure 3 shows the contribution to this growth by broad sectors of the economy. Over the whole period in question, growth in Warwickshire has been driven by the same sectors as for England as a whole (Business & Financial Services, Construction and Public Services). It is interesting to note that Warwickshire has seen larger than average growth in Production and Distribution & Transport, and lower than average growth in Construction and the Public Sector (which is different to the sub-region as a whole). Looking at the period of strong growth

between 2003-2006, the growth has been particularly driven by Business & Financial Services (average annual growth in that period of 8.9% compared to 6% for England) and the Public Sector (7.2% compared to 6.2%). Given that these two sectors are probably going to be particularly affected by the current economic downturn (either immediately or in the medium term due to cuts in public spending), one can imagine that the county could see much lower rates of growth in the coming years.

**Figure 3: Sectoral contribution to growth in economic output (1995-2006)**



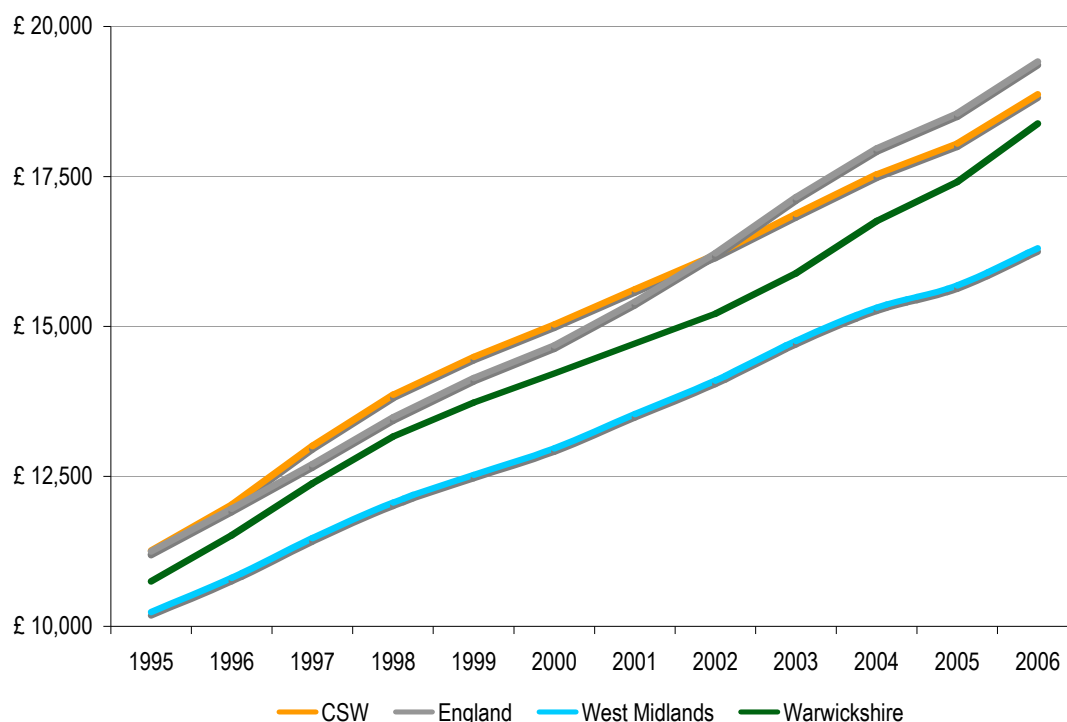
Source: ONS

### 3.2 Relative economic performance

So far, we have considered absolute performance in terms of economic output. However, it is also important to look at relative performance. In other words, given the size and growth of our population and business base, are we performing as well as other areas? The standard measure of relative economic performance is gross value added<sup>1</sup> per head of population (GVA per capita). Warwickshire’s performance, and that of the wider core functional sub-regional economic area, on this measure is shown in Figure 4 below.

<sup>1</sup> Gross Value Added (GVA) essentially measures the value of the output of an economy (i.e. goods and services), less the value of inputs used in the production of that output – i.e. the value added by the economic process.

**Figure 4: GVA per head (1995-2006)**



Source: ONS

It is clear that on this measure, Warwickshire consistently *underperforms* relative to England and the wider sub-region. In terms of rates of growth on this measure, Warwickshire has experienced levels slightly below England (growth of 5.0% p.a. compared to 5.1% p.a.), which has seen the gap to slowly increase over the period. On the other hand, Warwickshire has seen slightly stronger average annual growth in GVA per capita than the wider sub-region (4.8% p.a.), and the gap between the two is a little smaller in 2006 than in 1995 (although the gap did widen in the early part of this decade). The West Midlands has seen consistently sluggish growth in GVA per capita, leading to the £10bn (and rising) output gap identified in the Regional Economic Strategy.

Variation in performance between areas on GVA per head can be explained by looking at four key factors:

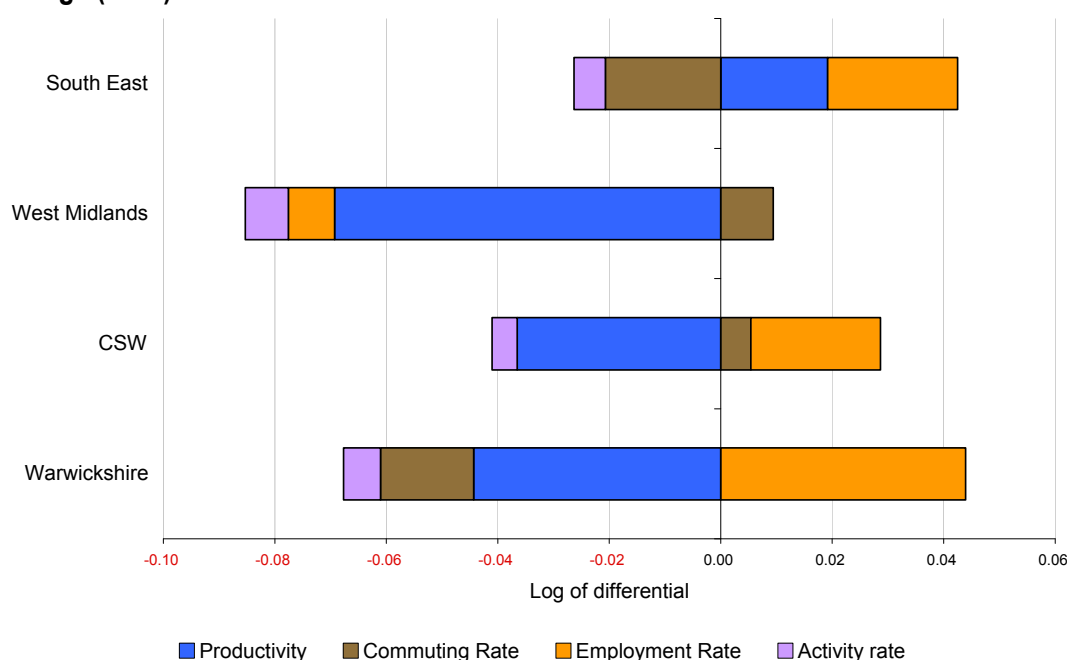
- **Productivity** – a measure of how efficiently and effectively goods and services are produced, usually per unit of labour. The standard calculation for productivity is therefore total GVA divided by the number of jobs filled in a local area.
- **Employment rate** – the proportion of people of working age in an area that are in employment. Generally, the more people in employment, the more output is created.
- **Community rate** – the ratio between the number of jobs filled in an area and the number of people from that area that are in employment. Therefore, high inward commuting takes place when the workplace based labour force is larger than the residence based labour force. Areas that experience strong levels of in-commuting will naturally have higher levels of GVA per head as more output is being generated compared to a relatively smaller resident population. As a result of in-commuting, most large cities/urban areas generally have higher levels of GVA per head while rural

areas generally have lower levels.

- **Levels of economic activity** – measures the proportion of the population that is participating in the labour force. Areas that have high levels of worklessness and economic inactivity, and areas that have a relatively older (or indeed younger) population have lower participation rates which, in turn, depresses levels of economic output.

An equation can be created that identifies the relative contribution of each of these four factors to local GVA per head in comparison to the UK average. The solutions to this equation are shown in Figure 5 below, using data for 2006.

**Figure 5: Factors explaining the differences in GVA per head performance from England average (2006)**

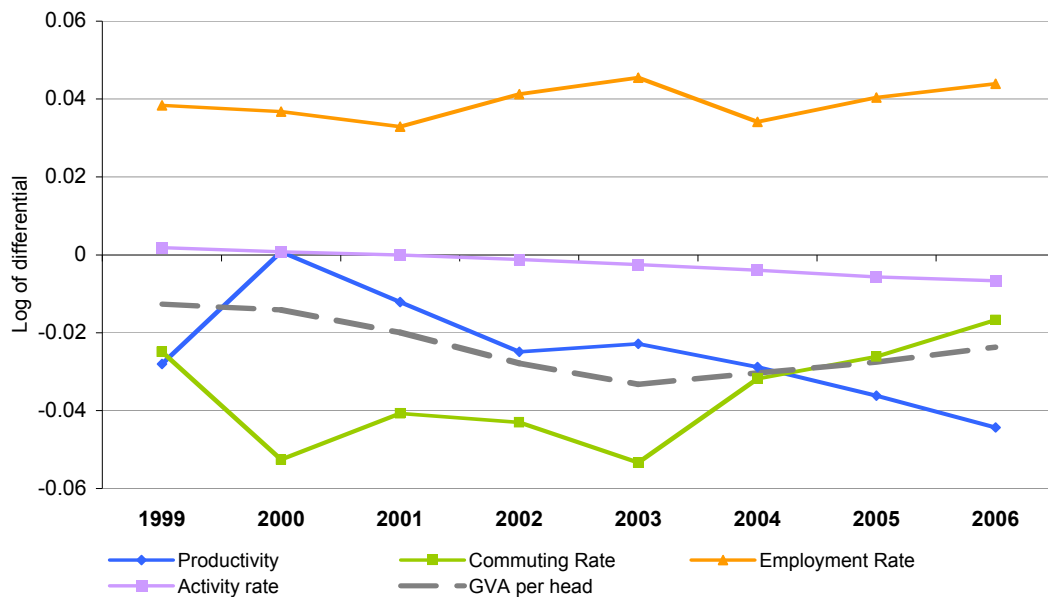


Sources: ONS, APS & ABI

This analysis shows that while Warwickshire's GVA per head figures are enhanced by a strong employment rate, this is more than outweighed by net out-commuting and lower than average productivity. Warwickshire also has slightly lower than England average activity rates, largely due to an older than average population. One can see that while out-commuting affects Warwickshire, this problem disappears (as to be expected) within the wider functional economic area of CSW.

The extent to which these contributory factors have changed over time is shown in Figure 6. The positive impact of Warwickshire's strong employment rate has remained fairly constant, while levels of economic activity have slowly worsened as a result of demographic changes. Commuting levels appear to have improved over recent years, although further research into this suggests that rates of out-commuting in Warwickshire have not reduced, but rather the number of jobs within the county (and thereby in-commuting) has increased at a faster rate, resulting in levels of *net* out-commuting reducing. The big concern from this analysis is that productivity is a key issue for Warwickshire (and indeed the sub-region as a whole), and that this has been getting relatively worse over the past 6 years.

**Figure 6: Changes over time of factors affecting Warwickshire's GVA per head differential with England**



Sources: ONS, APS & ABI

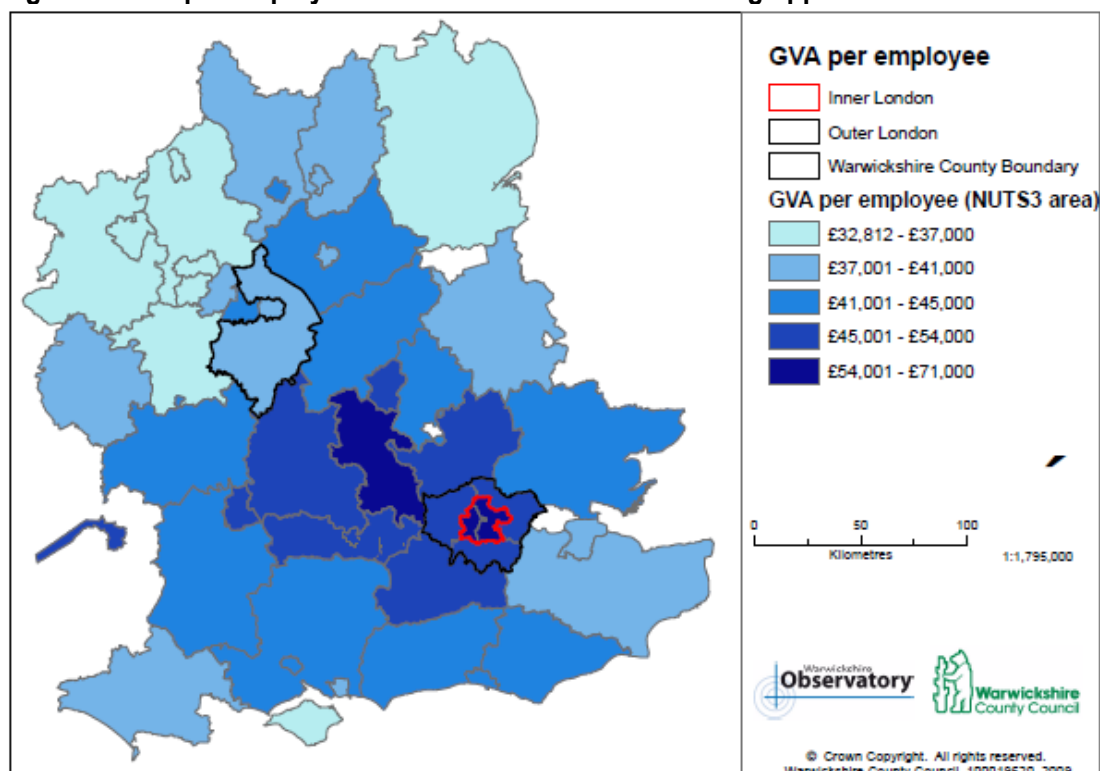
Further analysis into productivity levels within Warwickshire is therefore necessary.

### 3.3 Productivity

Productivity is generally measured through GVA per employee (i.e. total economic output for an area divided by the number of jobs<sup>2</sup>). GVA per employee in Warwickshire in 2006 was £39,043 compared to £43,242 for England as a whole. This translates to a productivity gap of just over £1bn (i.e. if people working in Warwickshire were as productive as the English average, our economy would generate an additional £1bn in output). It is interesting to note that if you exclude the influence of central London, the average GVA per employee for England falls to £40,535 – making the difference much smaller, but still significant. Regardless, comparison of Warwickshire’s levels of productivity compared to surrounding areas shown in Figure 7 below shows that, while the county performs relatively well compared to other parts of the West Midlands, it does not perform so well when compared to other parts of the country.

<sup>2</sup> Note on GVA per hour worked

**Figure 7: GVA per employee in West Midlands & surrounding upper tier authorities**



HM Treasury have identified five key drivers of productivity – enterprise, skills, innovation, investment and competition<sup>3</sup>. An analysis of Warwickshire’s relative performance with respect to these drivers may provide some explanation as to the county’s lower than average productivity.

- **Enterprise** – data is available on the numbers of new businesses registering for VAT and/or PAYE for the first time. On this measure, Warwickshire as a whole performs well, with a rate of 70.4 new businesses per 10,000 population in 2007, compared to the English average of 64.2<sup>4</sup>.
- **Skills** – data is available on attainment of qualifications at a variety of different levels. Given that productivity is strongly correlated with higher level skills, we will focus on attainment rates of Level 4 qualifications (equivalent to a degree or equivalent). On this measure, Warwickshire again performs well with 33.3% of working age individuals in the county with such a qualification, compared to the English average of 30.2%. [source] It is of course likely that well-skilled residents of Warwickshire actually work elsewhere in the sub-region (Coventry or Solihull) and beyond, and the variation between resident’s average earnings and average workplace earnings in Warwickshire supports this hypothesis. However, data on the functional economic area suggests that the CSW sub-region is reasonably well self-contained in terms of travel to work, has above average higher level skill rates, but still performs below average on the measure of productivity detailed above. This suggests that this driver, at the county level, cannot really explain the relative under-performance.
- **Innovation** – there is no direct data that we can use to measure levels of innovation within Warwickshire’s economy. However, a reasonable proxy is the proportion of

<sup>3</sup> Productivity in the UK series, HM Treasury

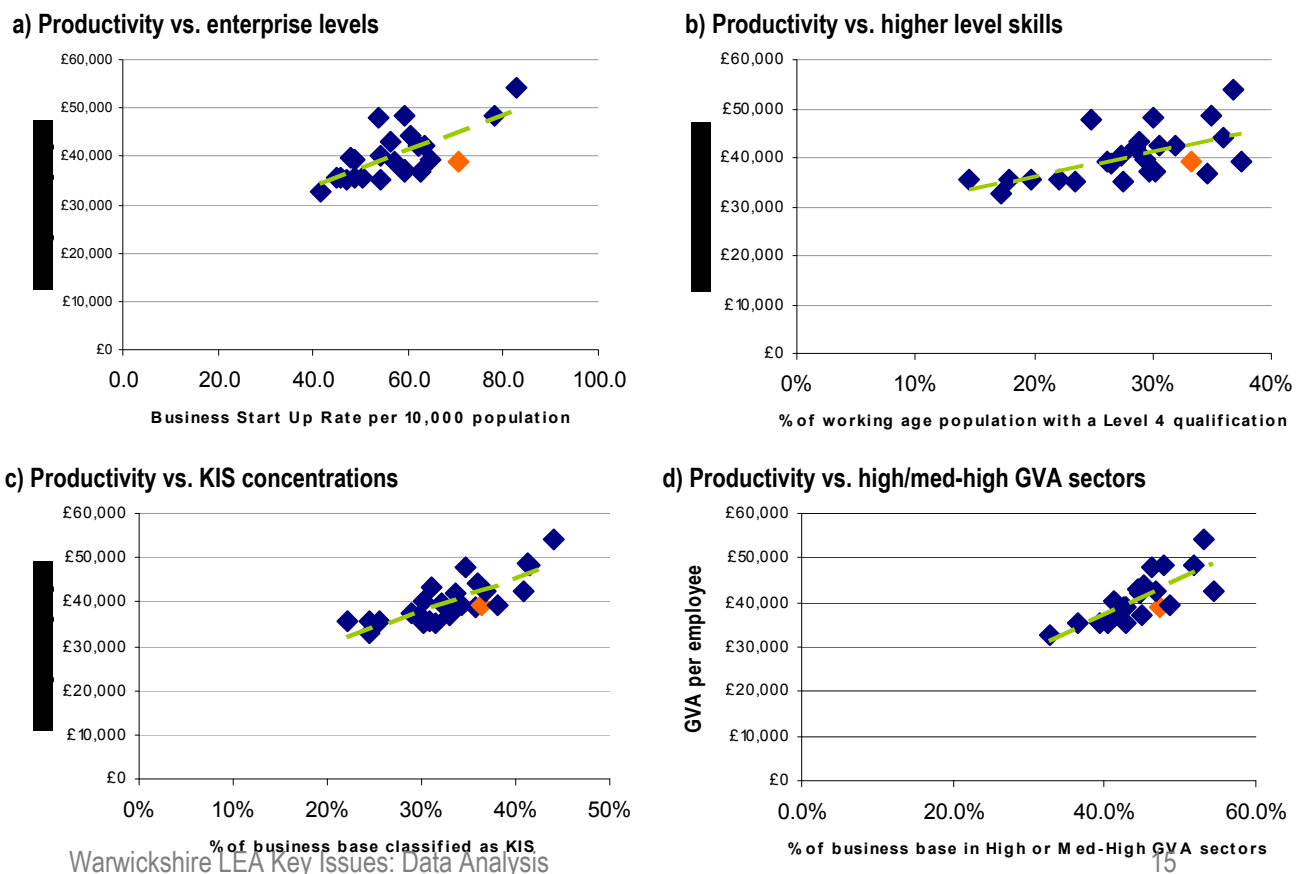
<sup>4</sup> Source: BIS

knowledge intensive businesses located within the area, on the assumption that it is these businesses that are likely to be the more innovative. In 2007, Warwickshire had the same proportion of knowledge intensive service businesses as England as a whole (36.1% of the business base). If this is expanded to include high and medium-high technology manufacturing businesses, Warwickshire performs slightly above the English average (38.3% compared to 37.8%).

- Investment & Competition** – again, there is no direct data that can be used to measure these two drivers. However, a potential proxy to show the levels of competitiveness in the local economy is the proportion of high GVA generating business sectors within the area. The West Midlands Regional Observatory have used national data to categorise 25 sectors into low, medium-low, medium, medium-high, and high GVA generating sectors. If we focus on the more productive businesses, and look at the proportion of all businesses that are categorised as either “High” or “Medium-High” GVA producing sectors, then we see that 47.3% of Warwickshire’s businesses fall under this definition, while the England average is 45.6%.

One can see that on all these indicators used to look at the drivers of productivity, Warwickshire *outperforms* England as a whole, but yet we have seen that in terms of measured productivity (through GVA per employee figures) the area *underperforms*. It could of course be that the indicators we have used are poor measures of the drivers of productivity. However, looking at comparable data for West Midlands and surrounding upper tier local authorities, one can see that there does seem to be a relatively good correlation between performing well in these indicators and having high levels of productivity (see Figure 8). Highlighted in each of these four graphs is Warwickshire’s position (in orange). It is clear that on all of these indicators, Warwickshire seems to be below the linear average trend line (green line). In theory, given our good performance in these indicators, we should have a higher level of productivity. The sum of the parts does not appear to be greater than the whole.

**Figure 8: Correlation of drivers of productivity with productivity performance**

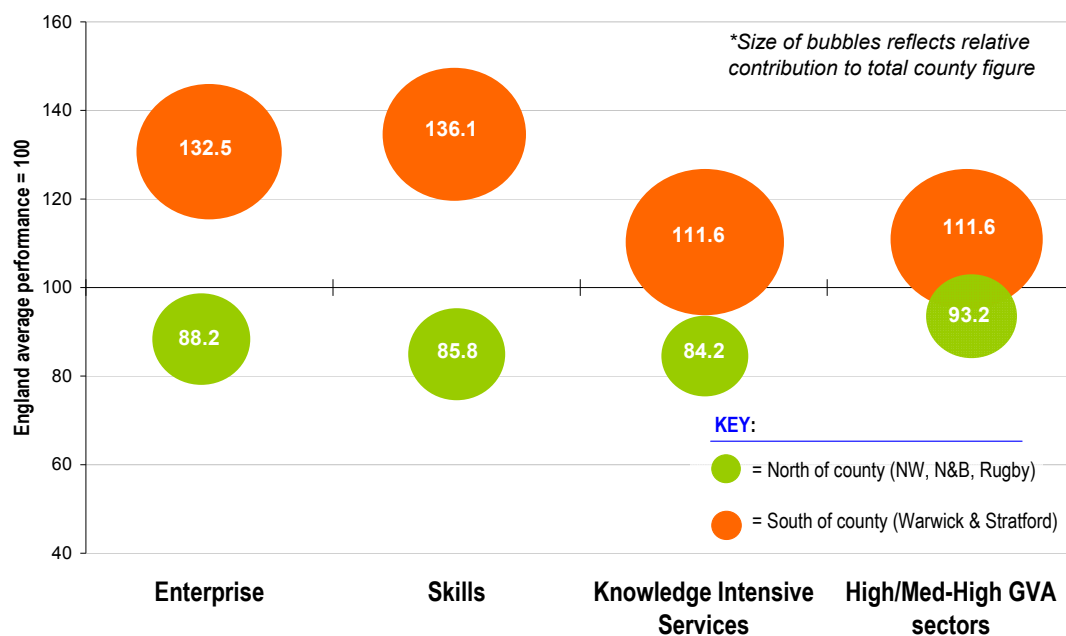


### 3.4 Explaining relative under-performance

Why Warwickshire seems to present this conundrum of good performance on these indicators but underperformance on productivity is therefore difficult to explain and is something that needs to be researched further in advance of our full Local Economic Assessment. It is unlikely that there is indeed a single reason, and will probably be caused by multitude of different factors. Some ideas include:

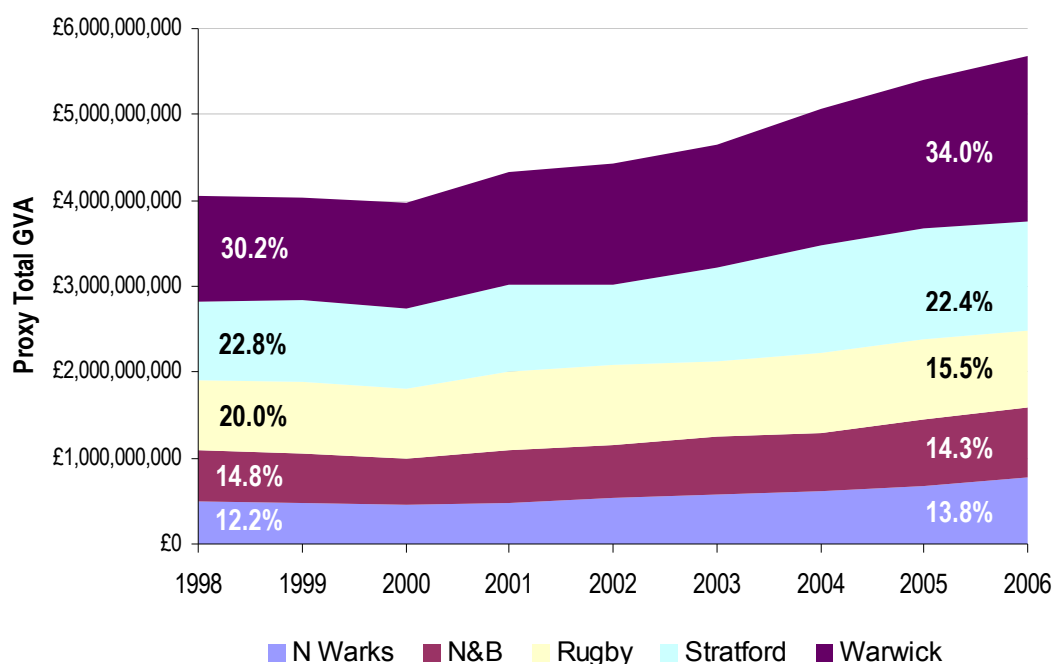
- The over-performance on the indicators on the drivers of productivity are overly inflated by very high levels in the south of the county (Warwick and Stratford-on-Avon Districts). These areas see much higher than England average performance, and contributes the lions share to the total county totals (Figure 9 below). This contribution is generally disproportionately to their size – for instance, the south accounts for 64.5% of all Knowledge Intensive Service businesses in the county, but only 57% of the total business base. The area accounts for 48% of Warwickshire’s working age population, but has 60% of the residents with a Level 4 qualification or above.

**Figure 9: Variation in contribution to the drivers of productivity across the county**



- At the same time, it is likely that the county’s overall levels of productivity are suppressed by relatively low contribution to total GVA from some parts of the county, particularly Nuneaton & Bedworth. Data on GVA is not available below county level, so this hypothesis cannot be proven directly. However, one can use a proxy measure of GVA using average earnings of employees in a local area (based on the assumption that businesses pay their employees an amount that is related to the value they add to the company). Clearly, this only covers one “factor of production” that businesses use to generate output, so this measure will under-value total economic output in an area (proxy GVA usually accounts for around 60% of measured GVA). Over time, however, this proxy measure does seem to reasonably consistently track actual GVA, so it can provide a useful indicator of progress. The contribution of the five District/Boroughs to total Warwickshire proxy GVA is shown in Figure 10 below. One can see that south Warwickshire accounts for more than half of total proxy output in the county, and that growth over the past few years has largely been concentrated in Warwick District.

**Figure 10: Proxy GVA contributions by District/Borough**



Source: WCC

This analysis is further supported by a consideration of sectoral profile in terms of GVA contribution for the five districts & boroughs. Table 1 below shows the relative distribution of the business base in each area under five categories of GVA contribution. Those highlighted in red show particular areas of concern (either high concentrations of low GVA contributing sectors or low concentrations of high GVA sectors), while those highlighted in green show relatively strong positions. Again, one can see the strength of south Warwickshire in terms of high GVA output.

**Table 1: Sectoral profile in terms of GVA contribution by District/Borough**

GVA contribution	N Warks	Nun & Bed	Rugby	Stratford	Warwick	England
Low	32.2%	39.2%	36.5%	32.3%	32.2%	35.4%
Med-Low	9.7%	8.7%	8.4%	10.4%	10.1%	11.2%
Med	14.9%	13.0%	9.7%	6.7%	6.3%	7.7%
Med-High	41.3%	37.3%	43.6%	48.7%	48.8%	43.0%
High	1.8%	1.8%	1.6%	1.7%	2.4%	2.6%

Source: ABI

- We cannot also overlook the “London effect”. The map shown in Figure 7 above highlighted how levels of productivity in areas seem to increase the closer they are to London. Proximity to the capital may therefore provide certain benefits to these areas which helps push up levels of productivity. This is an area that requires further research.

#### **Areas for further research:**

- Further research into determinants and drivers of productivity at the local level
- Further investigation into innovation and creativity within the economy; and the role of inter-business trading and networks to exploit new ideas
- Impact of transport connectivity and productivity
- Relationship between housing and economic output
- Investigation into the use of rateable value data to explore market demand and variance in productivity in local areas
- Future forecasts for GVA growth (Integrated Policy Model)
- Future scenarios and impacts on economic growth in county
- Implications and opportunities from a low carbon economy
- The “London” effect
- Agglomeration effects and the impact/prospect of a two-tier economy

### **3.5 Conclusion**

Warwickshire is the biggest contributor to the sub-regional economy, and plays a significant role in the economic output of the West Midlands. The county has seen growth on a par with England over the period 1995 to 2006, and in recent years has seen significantly stronger rates of growth than either the sub-region or the national average. This growth has been largely driven by business and financial services, construction and public services – all sectors that have been (or will be) particularly affected by the current economic downturn.

While growth in total economic output for Warwickshire has been strong, relative performance of the county (in terms of GVA per head of person) has been less so. On this measure, the county has seen slightly below English average growth rates (5% compared to 5.1%), meaning the gap between the two has increased slightly over the period 1995-2006. Looking at the factors that affect relative economic performance, it appears that Warwickshire suffers from net out-commuting and lower than average productivity. Moreover, levels of productivity appear to be reducing over time.

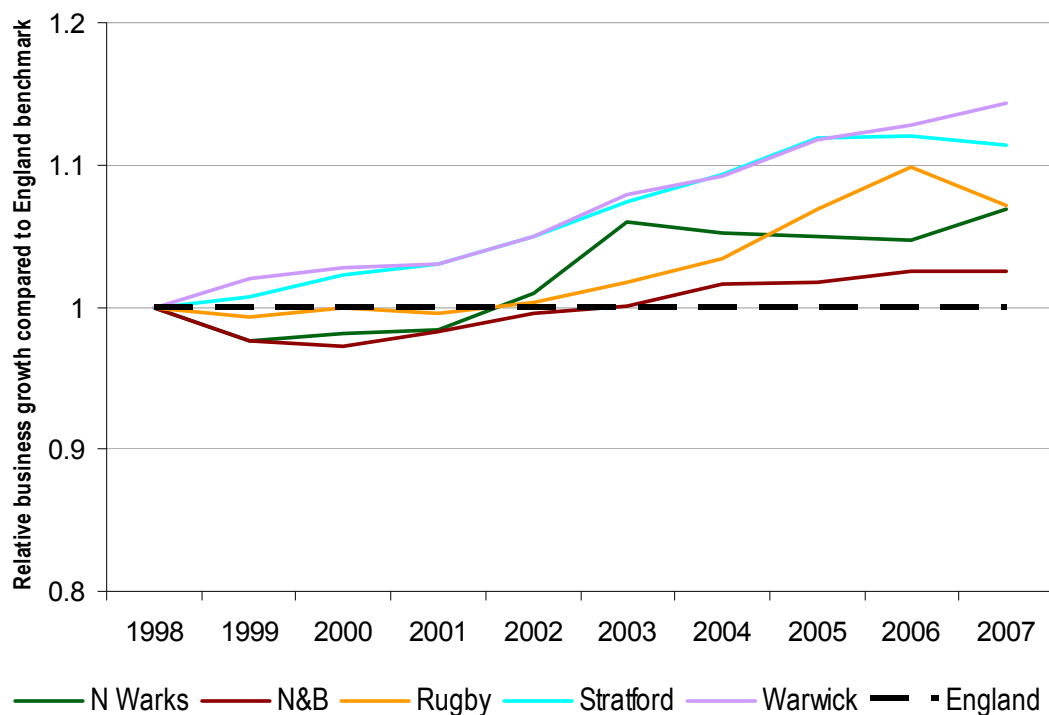
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## 4. The Business Base of Warwickshire

### 4.1 Business Stock

In 2007, there were 26,024 businesses based within Warwickshire<sup>5</sup>. We have comparable data going back to 1998. Over that period, the county has seen significantly stronger growth than average, growing by 2.8% p.a. compared to just 1.7% p.a. for England as a whole. All parts of the county have seen above average growth, although the south of the county has seen the strongest growth and Nuneaton & Bedworth borough the relative weakest, as shown in Figure 11 below.

**Figure 11: Relative growth in business base by district (England = 1)**

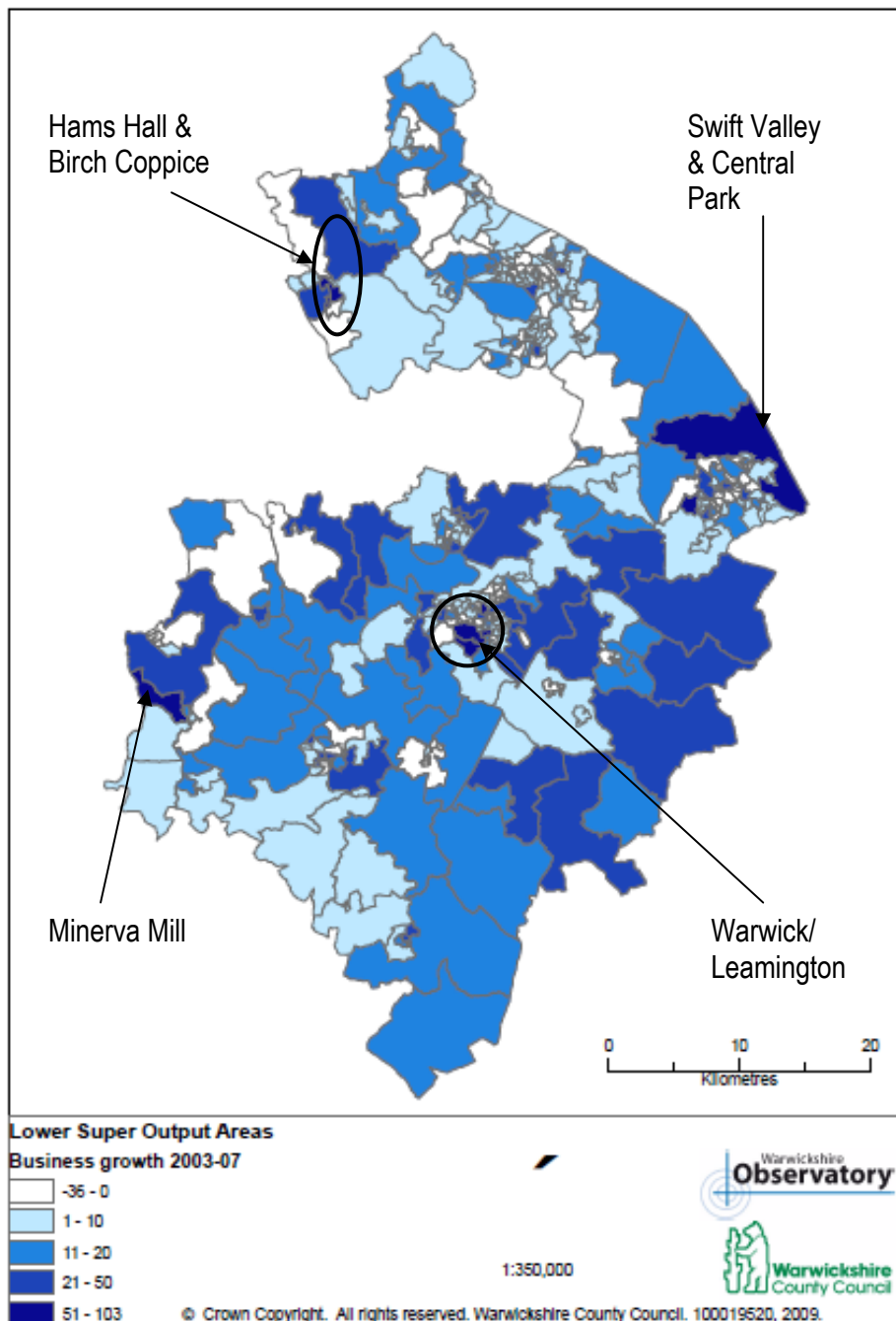


Source: ABI

The map in Figure 12 below shows in more detail where this growth has occurred, highlighting the general strength of Warwick and Stratford Districts, but also hot-spots in Rugby, Coleshill and Hams Hall.

<sup>5</sup> Source: Annual Business Inquiry (ABI)

**Figure 12: Actual business growth (number of new units) by LSOA**



The structure of Warwickshire’s business base, and how it has changed over time, is shown in Figure 13 below. Currently, the business base is dominated by the banking and finance sector, which accounts for 37% of all businesses (above the English average of 34% of businesses), overtaking Distribution, Hotels & Restaurants which is now the second largest category (26% of all businesses, slightly below the average of 27%).

**Figure 13: Structure of Warwickshire's business base (1998 and 2007)**

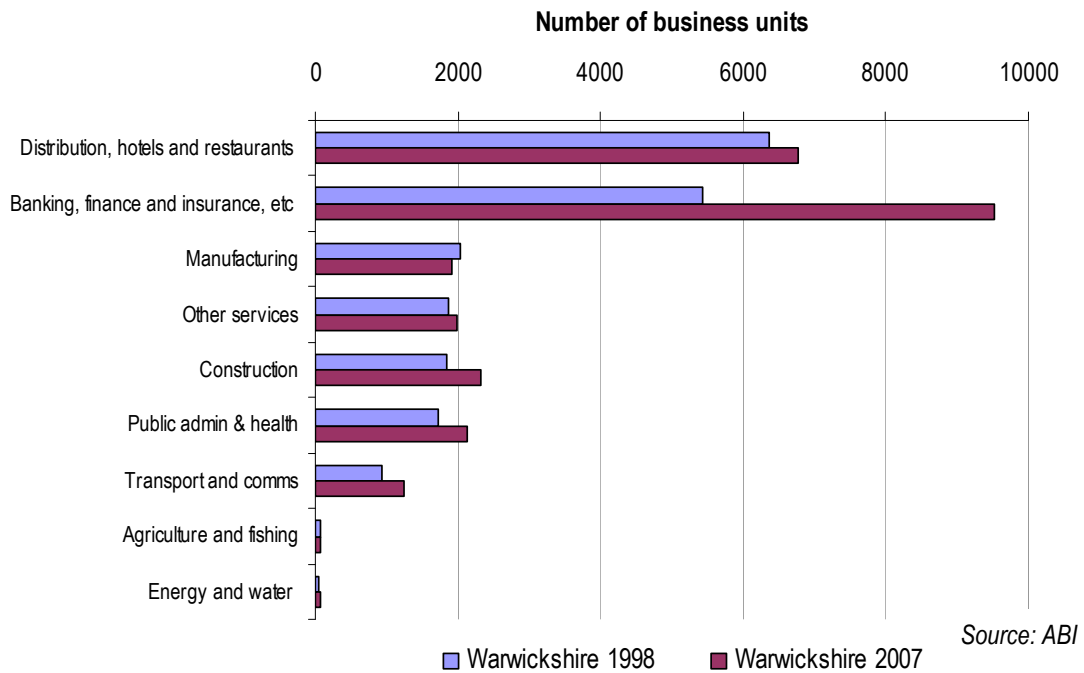
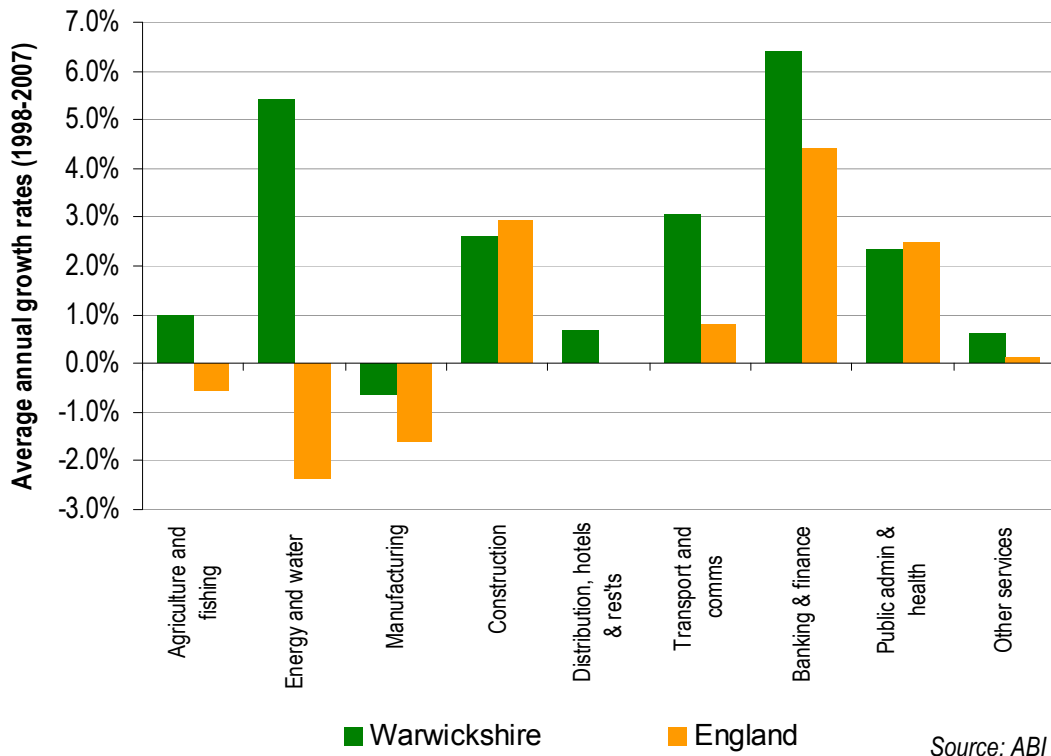


Figure 14 below shows the average annual growth rates for these sectors over the period in Warwickshire compared to England as a whole. One can see that in nearly all sectors, Warwickshire saw stronger growth than England – the exceptions being construction and public administration & health. While Warwickshire did see a reduction in the size of the manufacturing base, this was a smaller contraction than that seen across England as a whole.

**Figure 14: Average annual growth rates of business numbers by sector (1998-2007)**



Warwickshire has a clear locational advantage in terms of transport & distribution given its central position and good access to the strategic transport network. A number of key developments, such as Hams Hall, Birch Coppice and Bermuda Park have provided good bases for these types of companies. The strength of the Banking & Finance (which incorporates business and professional services) is a little harder to explain, but is probably a function of the environmental and quality of life offer that the county (particular Warwick & Stratford where this growth has been mainly focussed) and the access to the business market based on the relatively central position (access to both the South East, and the metropolitan area of the West Midlands, and even up to Manchester). The high growth in energy and utilities is interesting, and requires further research.

## 4.2 Employment levels

A similar analysis can be undertaken looking at employment levels (rather than business numbers) which presents a slightly different picture. In 2007, it is estimated that these 26,024 businesses employed a total of 249,784 people, giving an average business of 9.6 employees. This is significantly lower than the English average of 10.9 employees, and has been falling at a faster rate than the national trend (a 16% reduction in average size from 11.4 to 9.6 compared to a 6.9% fall for England as a whole from 11.7 to 10.9). This is perhaps explained by a reduction in some of the very large employers in the county over this period (i.e. the closure of the Peugeot Ryton plant, Pottertons, Ford Foundry, G.E.C. etc.), and a high level of new business start-ups employing relatively few people (see section below).

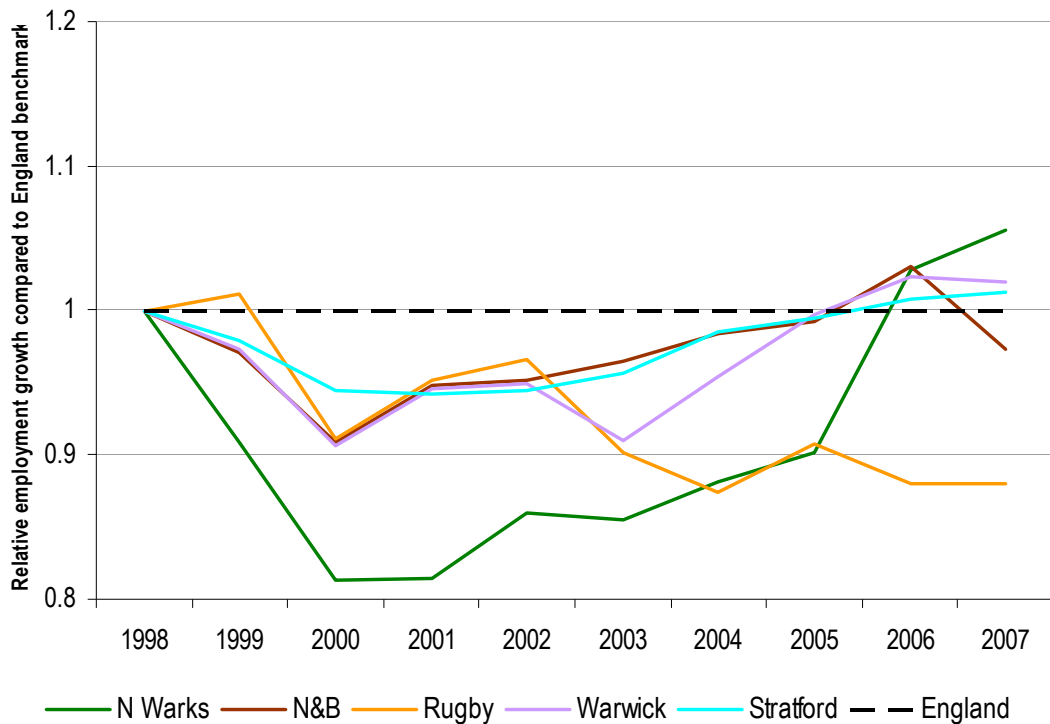
A more detailed look at employment densities across different sectors in Warwickshire suggests that we generally have smaller than average business size across the board. The main exceptions would appear to be in the various manufacturing and production based businesses (i.e. rubber & plastics, metals and machinery) and we also have a slightly above average size for 'Transport, Communication and Distribution' (an average of 17 employees per business, compared to an England average of 15.3). However, this figure appears to be skewed by much higher average size of such businesses in North Warwickshire (29 employees), while others, including Rugby (13.7) have generally smaller businesses. Sectors that seem to have particularly smaller average sizes in Warwickshire include Education (23.5 compared to 39.7); Health & Social Work (17.6 compared to 23.5); Paper & Printing (4.6 compared to 11.3) and Financial Intermediation (10.5 compared to 19.8)<sup>6</sup>.

Warwickshire has therefore seen a much more muted increase in employment than business numbers, with average annual growth in employment between 1998-2007 being 0.8% (compared to 0.9% for England as a whole). Looking across the districts, all areas saw below average employment growth until 2005, since when all but Rugby have experienced stronger than average growth (although Nuneaton & Bedworth only saw one year of above average growth) – see Figure 15 below. The strong improvement in North Warwickshire's position since 2001 can largely be attributed to the development and take up of units on the Hams Hall and Birch Coppice sites. While Birch Coppice will see some expansion, there are limited opportunities for the future as regional planning policy restricts the development of new employment land in that area (despite a large potential supply of land as detailed below). Rugby is of particular concern, seeing significantly below average (at an increasingly faster rate) than the England average.

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<sup>6</sup> All figures relate to 2007

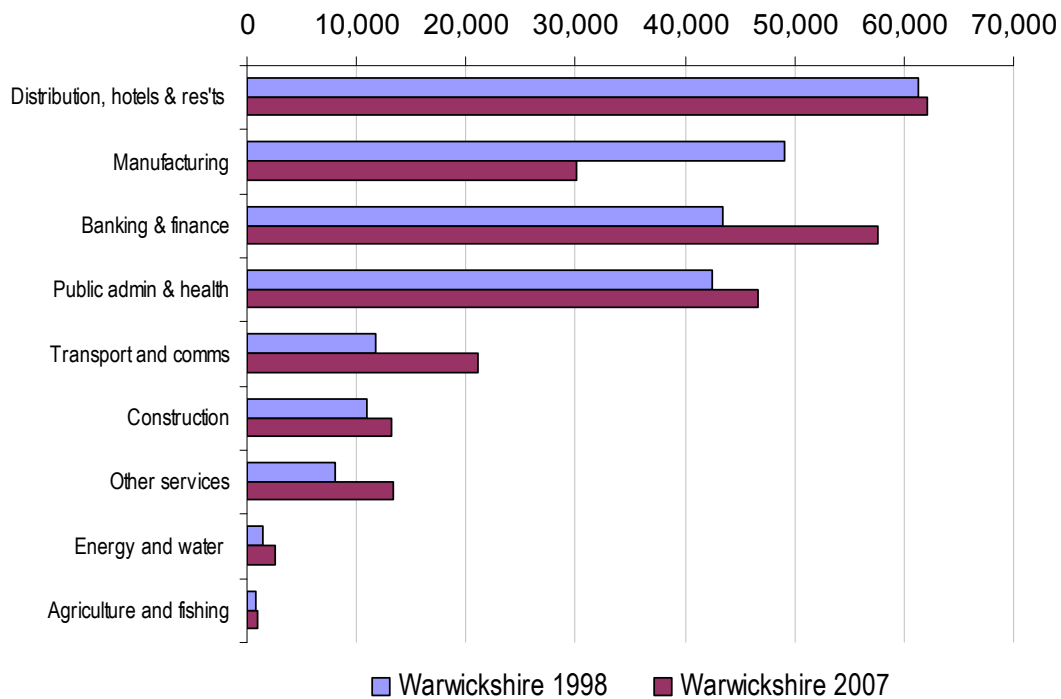
**Figure 15: Relative growth in employment by district (England = 1)**



Source: ABI

A look at the sectoral distribution of this employment, and how it has changed over time, highlights some interesting variations to that seen for the business base above (see Figure 16 below). Whilst Banking & Finance has seen strong growth; the Distribution, Hotels & Restaurants sector continues to be the largest employer in the county (25.1% compared to the England average of 23.5%). Public Administration & Health is a significant employer despite a relatively smaller share of the business base, and employment in Manufacturing is still significant (12.2% of all employment, compared to the national average of 10.6%).

**Figure 16: Structure of Warwickshire's employment base (1998 and 2007)**

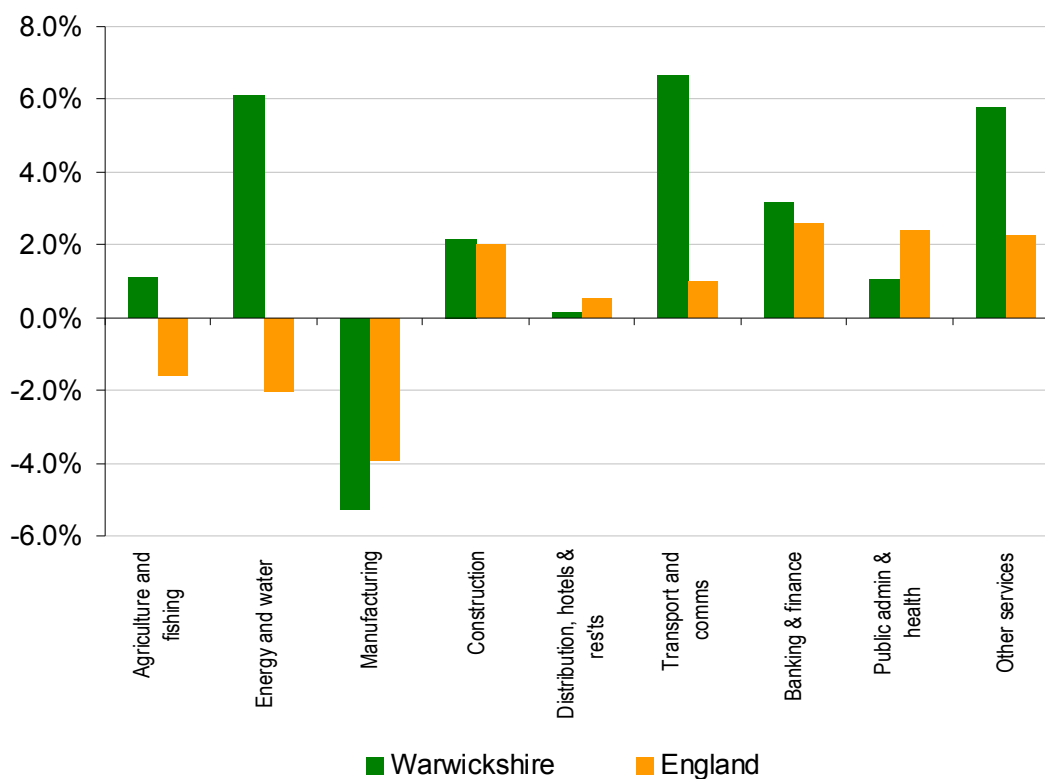


Source: ABI

Figure 17 below looks at the average annual growth rates in employment by sector. One can see that Warwickshire has seen particularly strong relative growth in employment in the Energy & Water sector (although in reality this accounts for just 1% of current total employment in the county); Transport & Storage; and Other Services. The rest are largely in line with the England average, although it is interesting to note much more sluggish growth in employment in Public Administration & Health than the national average, and (as probably to be expected given our historic strong base) a larger than average reduction in manufacturing employment.

The growth in the Transport & Storage sector is very much in line with that seen for businesses above, and underlines the county's locational advantage that is a strong attractor for this sector. The growth in Other Services is a little more difficult to unpick. More detailed analysis suggests this is largely driven by strong growth in "Sporting Activities" and the unhelpful catch-all term "Other service activities". There is no immediate explanation for Warwickshire's relative strong performance in this area and further research is probably required. While the county has seen slightly stronger than average growth in employment in Business & Finance, this is less than the growth in business numbers shown in Figure 14 above, suggesting the growth is probably concentrated in small/micro businesses and self-employment.

**Figure 17: Average annual growth rates of employment by sector (1998-2007)**



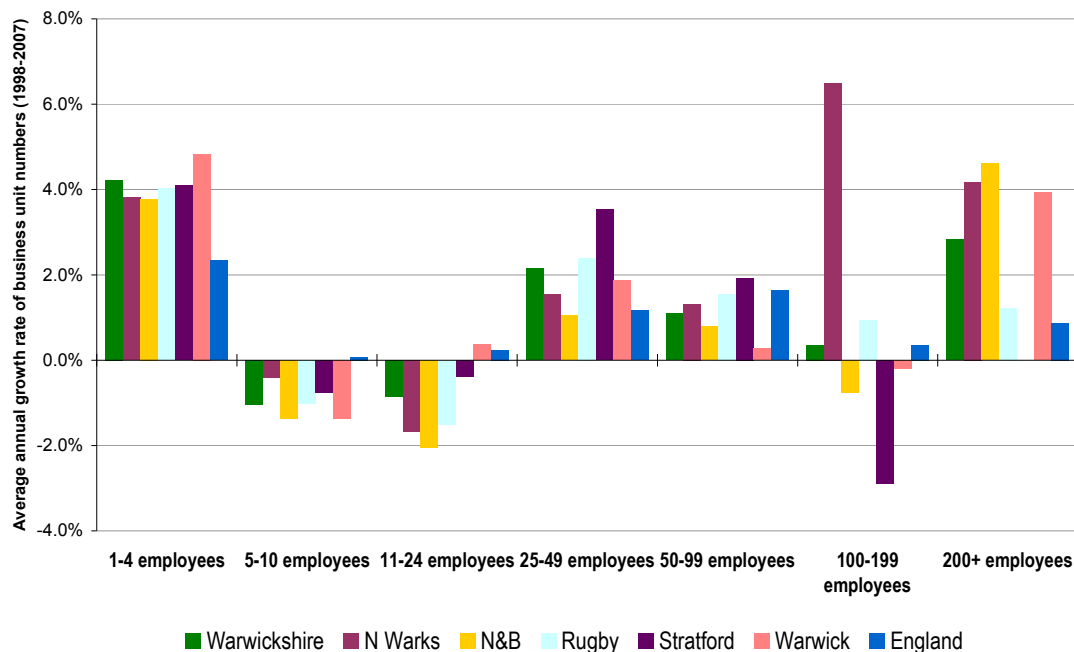
Source: ABI

To further investigate the apparent dichotomy between stronger than average business growth, but more muted increases in employment numbers, Figure 18 presents analysis of business growth by different sizebands. One can see that Warwickshire as a whole has seen stronger than average growth in micro-businesses (1 to 4 employees), reflecting the relative strength of the county in new business start-ups (see section below). Micro-businesses account for 73% of all employment in Warwickshire, more than the England average of 71%, which helps explain some of the difference. Moreover, the county has seen a average *reduction* in the number of businesses employing 5 to 10 and 11 to 20 employees, a lower than average growth in those employing 50 to 99 staff and (slightly) in those employing between 100 and 200. The county has seen stronger growth in larger businesses (more than 200 employees) – although the total number of these businesses is fairly small (162 businesses in this category in 2007, compared with 126 in 1998). These changes, and the slighting higher proportion of people employed in micro-businesses, probably explains this variance in business and employment growth, and accounts for the general lower average size of businesses in Warwickshire.

Looking specifically at the five districts/boroughs, while they generally follow the same pattern as for the county as whole, there are some interesting differences worth highlighting. North Warwickshire has seen particularly strong growth in larger size businesses, and this can probably be explained through the development of the Hams Hall and Birch Coppice sites. Nuneaton & Bedworth has generally seen lower growth (or faster than average reductions) across all sizebands, highlighting some potential structural concerns with the local economy and issues around land availability (see section below). While Nuneaton & Bedworth has seen strong growth in the largest size category, we believe this is due to the Bermuda Park development. This is now nearly full, and without similar sites brought forward in the future this

might undermine the creation of employment opportunities in the longer-term. While Rugby has generally seen stronger than average growth in the different categories, it has seen faster than average reductions in businesses employing 5 to 10 and 11 to 20 employees, which accounts for 21% of all employment in the Borough (which is about average). While this is not unique in the county, Rugby has not had as strong growth in the bigger business categories as experienced in other areas (notably North Warwickshire and Nuneaton & Bedworth), which may explain the relative underperformance in employment growth in this area.

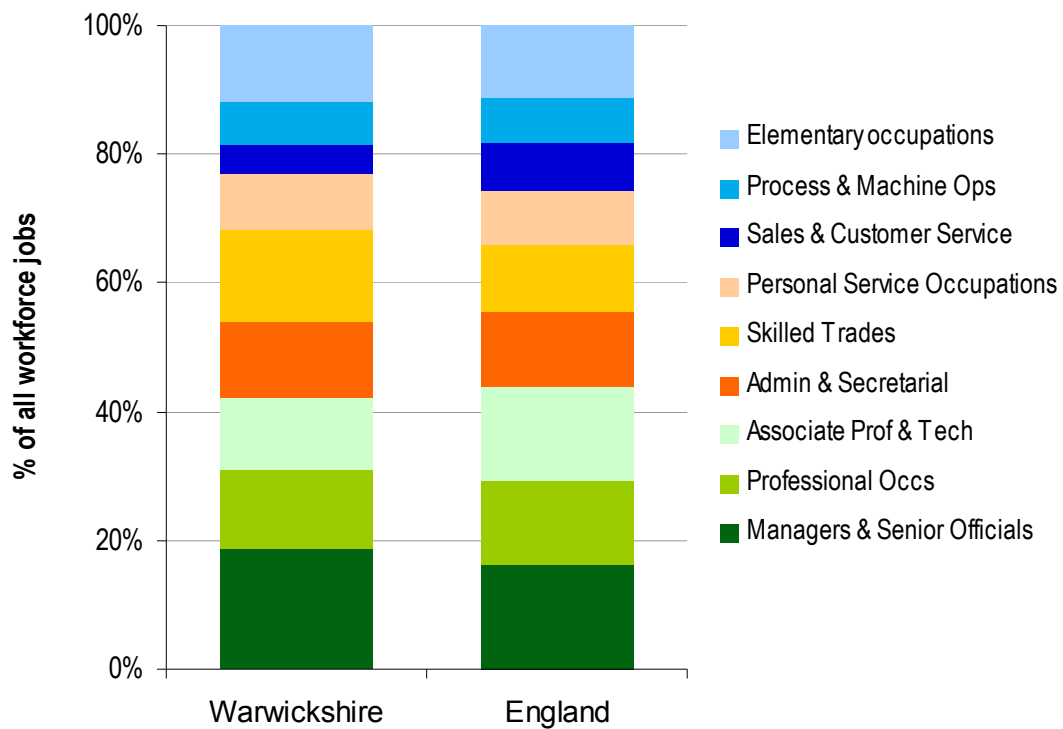
**Figure 18: Business growth by employee size (1998-2007)**



Source: ABI

It is also useful to consider the types of occupations that exist within Warwickshire's employment base. Using something called the Standard Occupational Classification, jobs can be classified into nine major headings. These can be aggregated into higher level jobs (Managers & Senior officials; professional occupations; and associate professional and technical occupations), middle level jobs (administrative & secretarial occupations; skilled trades; and personal service occupations); and lower level jobs (sales & customer service occupations; process & machine operatives; and elementary occupations). Figure 19 below looks at the proportion of employment within the county by these nine categories compared to England as a whole. One can see that Warwickshire has a slightly smaller than average share of employment within the higher level occupations (42.2% compared to 43.9% of all jobs); smaller than average numbers in the lower level occupations (23.3% compared to 25.8%), and a larger than average share in the middle-ranked occupations.

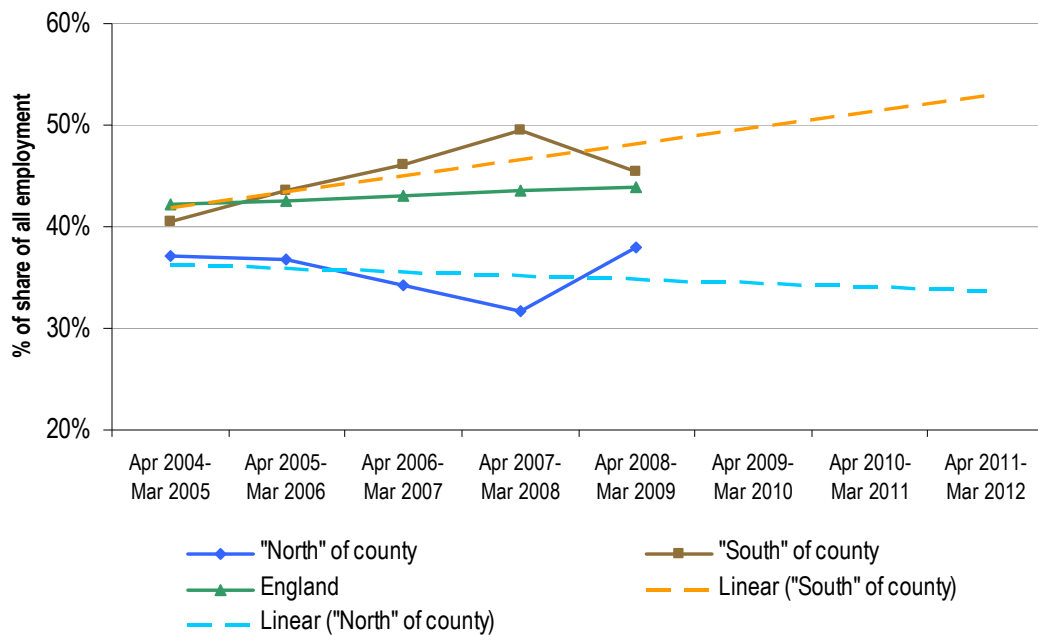
**Figure 19: Occupational type of jobs within Warwickshire & England (Apr 2008-Mar 2009)**



*Source: Annual Population Survey*

Looking at the dynamics of change in this occupational structure over time, Warwickshire has seen a stronger than average increase in higher-level occupations, rising from 38.8% of all jobs in 2004/05 to 42.2% in 2008/9 (compared to growth from 42.2% to 43.9% for England as a whole). Therefore, while the county still slightly underperforms on this key measure of a knowledge economy (i.e. theory suggests that those economies with a large share of knowledge intensive occupations will be more productive), it is quickly closing this gap. There is marked variation, however, across the county. Generally, the south of Warwickshire (Stratford and Warwick districts) has a higher and increasing share of employment in higher level jobs; while the north of the county (North Warwickshire, Nuneaton & Bedworth and Rugby districts) have a lower and decreasing share in these occupations. This is shown in Figure 20 below (with trend lines projecting forward), and highlights the relative attractiveness of different parts of the county for higher level (and probably, therefore, higher value added) occupations. This is a key issue, showing the increasing disparities in terms of the nature and substance of local economic development across the county.

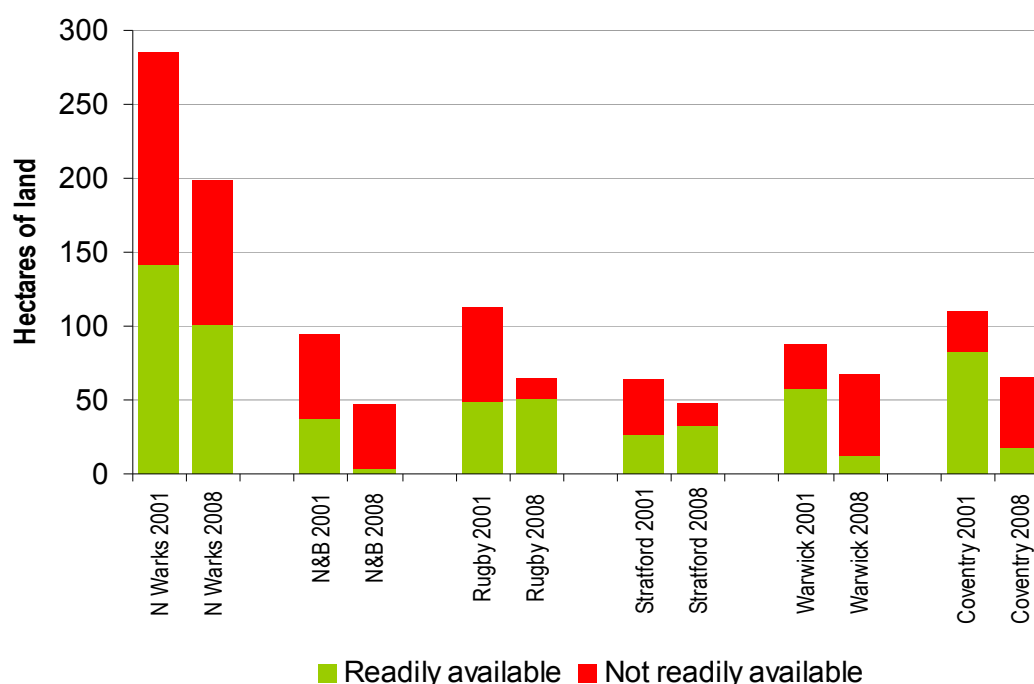
**Figure 20: Change in % share of higher level occupations 2004/5 to 2008/9**



### 4.3 Land capacity constraints

The growth of the business base and employment opportunities is obviously directly related to the availability of land in the local area for economic activity. This is particularly important for larger businesses (micro businesses can potential make use of spare capacity in existing developments). Figure 19 below looks at the supply of employment land, distinguishing between that which is readily available (no major problems of physical condition, no major infrastructure problems, on the market with a willing seller) and that which is not readily available (has major problems of physical condition, major infrastructure problems, not on the market or owner not willing to sell). This shows the availability of land that has enabled growth across the county, and particularly the large amounts of land in North Warwickshire. There has been, and continues to be, a reasonable supply of land (both readily and not readily available) in Rugby, so this does not appear to be a constraint that could perhaps have explained the sluggish growth in employment in the Borough. Conversations with Warwickshire Investment Partnership has highlighted the difficulties in finding suitable larger sites for interested investors and developers, despite continued interest in the area. The data for 2008 highlights a significant lack of readily available land in Nuneaton & Bedworth, suggesting that this capacity constraint for economic growth in Nuneaton & Bedworth will continue to increase over the coming years. Indeed, looking to the future, the sub-regional development plan focuses housing and employment growth largely on the North/South Corridor of Nuneaton-Coventry-Warwick/Leamington. However, it is these three areas that are facing a particular shortage of readily available land, which could significantly impact upon future economic growth in sustainable locations.

**Figure 21: Supply of Readily and Not Readily Available Land (2001 and 2008)**



Source: RELS Annual Monitoring Reports (2007 and 2008)

#### 4.4 Sectoral specialisms

This section considers the extent to which Warwickshire (or parts of the county) have particular concentrations of types of businesses that would suggest some form of specialisation or comparative advantage compared to other areas. This will be considered by looking at individual sectors (using the Standard Industrial Classification system), and groups of sectors in common areas/markets by using Advantage West Midlands' identified business clusters.

Location quotients (LQ) are used to highlight any particular concentrations of activity. Location quotients measure the density of businesses/employment in a particular sector for an area compared to a benchmark – in this case, England. If Warwickshire has a higher than average proportion of businesses or employment in a particular sector, it will have a value greater than 1. A smaller than average proportion results in a value less than 1. Table 2 below looks at both business and employment location quotients. It is important to consider both as we might find we have very few businesses in a particular sector, but that they employ a lot of people – or vice-versa. For ease of reading, only those sectors with a weak, moderate or high location quotient have been highlighted. Also included are the number of businesses or employees in each sector, some may be particularly small in relation to the overall business or employment base.

**Table 2: Location Quotients for Business Units and Employment levels by Sector (2007)**

Sector (2 digit SIC code)	Business Units	Employment Levels
	LQ	LQ
40 : Electricity, gas, steam and hot water supply	2.75	1.55
34 : Manufacture of motor vehicles, trailers and semi-trailers	2.06	3.89
41 : Collection, purification and distribution of water	1.84	1.97
35 : Manufacture of transport equipment	1.76	0.96
62 : Air transport	1.65	0.07
28 : Manufacture of fabricated metal products, except machinery and equipment	1.53	1.68
29 : Manufacture of machinery and equipment not elsewhere classified	1.52	1.90
27 : Manufacture basic metals	1.46	1.19
80 : Education	1.30	0.88
10 : Mining of coal and lignite; extraction of peat	1.29	14.94
01 : Agriculture, hunting and related service activities	1.28	0.46
60 : Land transport; transport via pipelines	1.19	1.30
74 : Other business activities	1.13	1.17
31 : Manufacture of electrical machinery and apparatus not elsewhere classified	1.13	0.80
33 : Manufacture of medical, precision and optical instruments, watches and clocks	1.10	0.75
93 : Other service activities	1.10	1.26
30 : Manufacture of office machinery and computers	1.09	1.02
23 : Manufacture of coke, refined petroleum products and nuclear fuel	1.09	0.06
64 : Post and telecommunications	1.08	1.50
50 : Sale, maintenance and repair of motor vehicles and motorcycles; retail sale of automotive fuel	1.08	1.21
70 : Real estate activities	1.03	0.87
55 : Hotels and restaurants	1.02	1.20
63 : Supporting and auxiliary transport activities; activities of travel agencies	1.01	1.79
72 : Computer and related activities	1.01	1.40
71 : Renting of machinery and equipment without operator and of personal and household goods	1.01	2.06
51 : Wholesale trade and commission trade, except of motor vehicles and motorcycles	0.96	1.33
91 : Activities of membership organisations not elsewhere classified	0.95	1.14
26 : Manufacture of other non-metallic mineral products	0.94	1.93
45 : Construction	0.92	1.13
32 : Manufacture of radio, television and communication equipment and apparatus	0.91	1.98
25 : Manufacture of rubber and plastic products	0.87	1.08

Source: ABI

As to be expected, Warwickshire has strong location quotients in both business units and employment for the manufacture of motor vehicles, highlighting our strong specialisation in this area (in common with the wider functional economic area). This is true for all areas of the county apart from Rugby, with the north of the county having a significant clustering of businesses, while Stratford and Warwick have relatively high concentrations of jobs in this sector. The county also has moderately strong specialisation in manufacturing of metal products, basic metals and machinery – again highlighting our general manufacturing strengths. This is largely focussed in Nuneaton & Bedworth and Rugby, with moderate presence in North Warwickshire as well. Renting of machinery has a strong employment LQ for the county, although this is not really reflected by business concentrations. This is driven by high LQs in North Warwickshire and Stratford in particular, with some contribution for Warwick District.

Perhaps of more surprise is our apparent localised specialisation in utilities. The electricity, gas, steam and water supply sector has the strongest business location quotient in the county and moderate concentrations in employment levels as well. Linked to this is also relatively strong performance in the collection, purification and distribution of water. The employment LQ in these two sectors is driven by high concentrations of employment in Warwick District, and the business LQ by Warwick and North Warwickshire. North Warwickshire also has very high LQs in mining (a business LQ of 11.35 and an employment LQ of 103.8), which gives the county in turn high levels even though there is no real presence elsewhere in Warwickshire.

Land transport has moderate LQs for the county, but has strong business LQs in North Warwickshire, Nuneaton & Bedworth and moderate in Rugby. Employment in this sector is particularly strong in North Warwickshire (employment LQ of 3.78), and moderate in Nuneaton & Bedworth and Rugby. The north of the county is also strong in the post and telecommunications sector, although across the county this specialisation is somewhat moderated.

The south of the county has good concentrations of both business and employment in business services, computer and related activity and real estate. This is driven by strong performance in the south of the county, particularly Warwick district. The hotels & restaurants sector has a higher employment LQ than business one in the county, and the highest employment LQs can be found in Rugby Borough and Stratford District.

Air transport highlights the anomalies that can sometimes occur through Location Quotient calculations. The county would seem to have a reasonably strong concentration of businesses in this sector (LQ of 1.65), but this is a small sector and so just 26 businesses in the county gives it a high value. The level of employment in this sector is, however, very small both in absolute terms (just 0.03% of all employment in the county) and relative to the sector generally (an employment LQ of just 0.07).

The second approach to specialisation is consideration of Warwickshire's business and employment base in respect to the ten "Business Clusters" that has been identified by Advantage West Midlands as priority areas through the Regional Economic Strategy. Table 3 below looks at business and employment concentrations in this sector, and average growth rates, in comparison to the West Midlands this time (rather than England as these have been identified as regional priorities). The LQ's are again classified as weak, moderate and strong, and growth rates in excess of the regional average have also been highlighted.

**Table 3: Location Quotients and Growth Rates for AWM Business Clusters**

AWM Cluster	Warwickshire			WM
	Business LQ	Employment LQ	Average Business Growth Rate (2003-2007)	Average Business Growth Rate (2003-2007)
Building Technologies	0.99	1.16	3.8%	2.8%
Environmental Technologies	0.92	1.38	2.9%	1.7%
Food & Drink	0.83	0.84	3.0%	0.5%
HVACP	0.64	0.43	-1.5%	-4.4%
ICT	1.25	1.49	2.0%	-0.2%
Media	1.20	1.32	-0.8%	-0.2%
Medical Technologies	1.03	1.22	3.4%	0.1%
Specialist Business Services	1.23	1.39	10.5%	10.0%
Tourism & Leisure	1.06	1.23	1.1%	1.2%
Transport Technologies	0.93	1.08	-2.0%	-2.6%

Source: ABI

One can see that Warwickshire is generally strong on all the identified clusters, with the exception being High Value Added Consumer Goods (HVACP). The county has above regional average concentrations in both business numbers and employment levels in five of the identified clusters, the majority of which have also seen stronger than average growth. Our particular strengths would appear to be ICT, Media (despite a small reduction in business numbers) and Specialist Business Services. Business and employment in these sectors is generally concentrated in Warwick and Stratford Districts – Warwick particularly for ICT and Specialist Business Services, and Stratford for Media. Rugby also has a concentration of ICT businesses, although less so in employment terms.

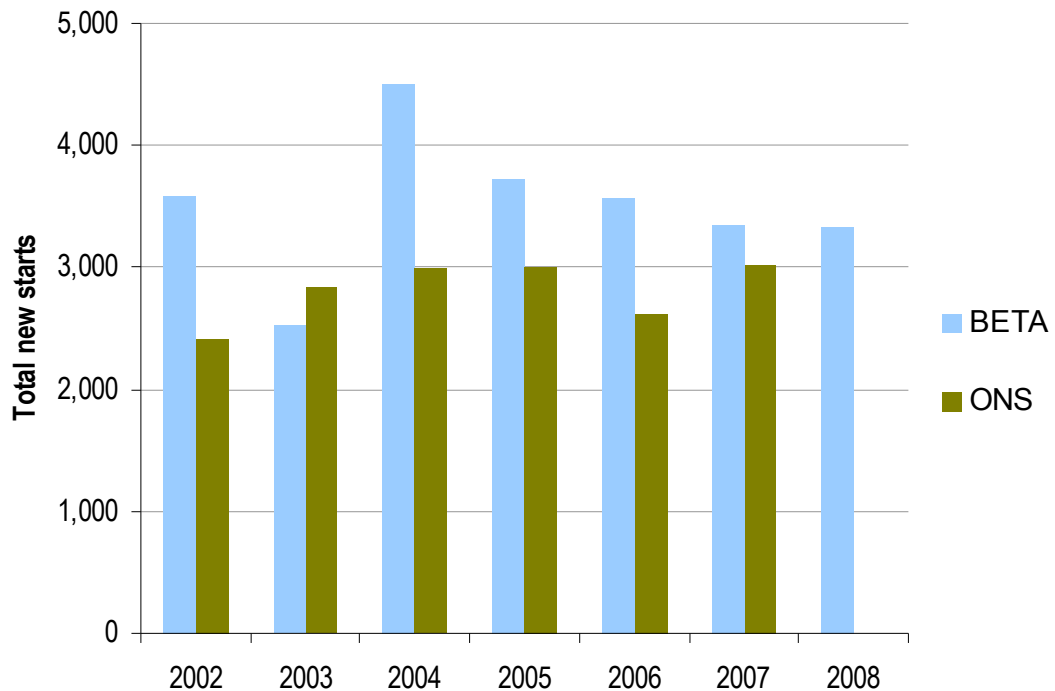
We have moderately strong employment concentrations in Environmental Technologies (focussed mainly in Rugby and Warwick) and Medical Technologies (Warwick and possibly North Warwickshire, although this requires further verification of the data), and both have seen significantly stronger than regional average growth rates.

More localised specialisations with respect to the clusters can be seen in Transport Technologies for North Warwickshire and Nuneaton & Bedworth; and Building Technologies in North Warwickshire and Rugby (with moderate concentrations of employment in this sector in Stratford).

#### 4.5 Business Start-Ups

We have two sources of data to look at new business starts – 1) data from ONS Business Demography publication, which records the number of businesses registering for VAT and/or PAYE for the first time; and 2) data from a private sector supplier – The BETA Model – which draws on data from Experian's National Business Database. The second source of data includes small and micro businesses, and hence often shows higher numbers than the official source. Figure 20 below shows data for total business starts in Warwickshire, using both data sources.

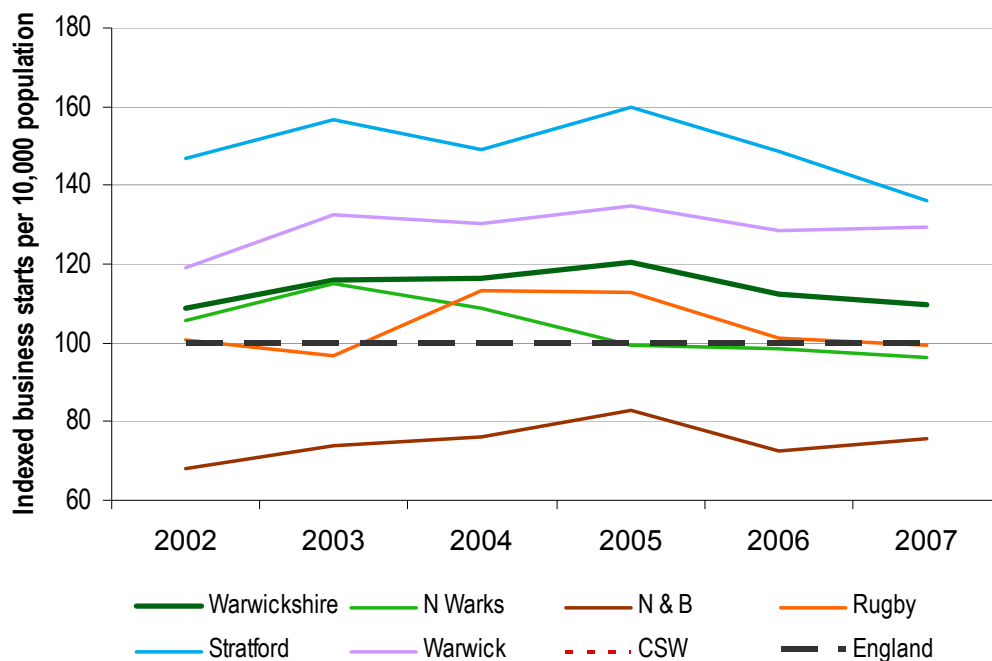
**Figure 22: New Business Starts in Warwickshire**



Sources: BIS and BETA Model

One can see that, with the exceptions of a low in 2003 and a high in 2004, the general average for data from the BETA model is around 3,300 new starts a year, and from ONS the average is a little under 3000. Figure 21 below uses the ONS data to look at our relative performance in start-up rates by looking at the number of new starts per 10,000 population.

**Figure 23: Business starts per 10,000 population (England=100)**

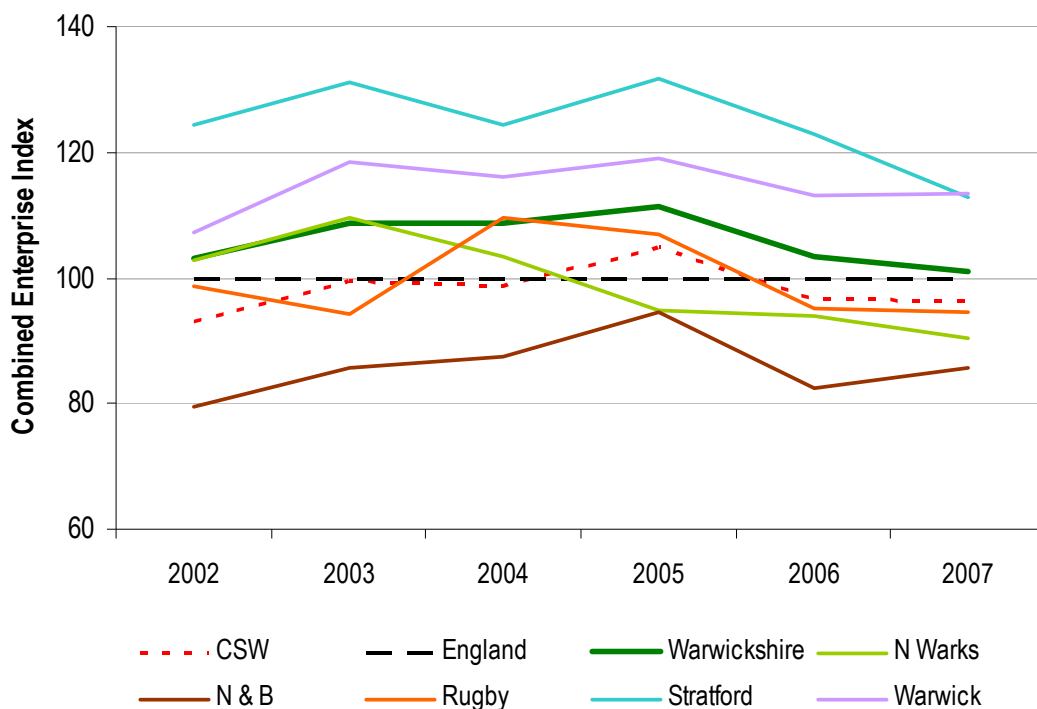


Source: BIS

While we can see that all areas essentially follow the same broad pattern (which presumably follows economic cycles), it is clear that there is significant variance across Warwickshire. The county as a whole consistently has stronger performance than the England and sub-regional average (which are fairly close together). Rugby and North Warwickshire under-perform compared to the Warwickshire average (which is inflated by the very strong start-up rates in Warwick and particularly Stratford) although these are still in line with the national and sub-regional average. Nuneaton & Bedworth, however, significantly under-performs and the large difference between this area and the rest of the county requires further research and investigation. More detailed research on business start-ups in more localised deprived areas would also be useful.

Business starts relative to population as shown above often discounts the possible agglomeration benefits from existing concentrations of businesses – i.e. do areas that already have high numbers of existing businesses help create more market opportunities for new business starts. Urban areas therefore often have higher birth rates of businesses (number of starts as a percentage of the existing business stock), while rural areas often perform better on population based measures. To overcome this, the West Midlands Regional Observatory have developed an Enterprise Index, which combines these two elements on a 50/50 basis. This is shown in Figure 24 below. One can see that the general picture does not change, with Warwick and Stratford still performing well above average, and Nuneaton & Bedworth significantly below (although better than when just looking at new businesses per 10,000 population suggesting some agglomeration benefits). Including Birth Rates, however, has made Rugby and North Warwickshire score less well than that shown in Figure 23 above.

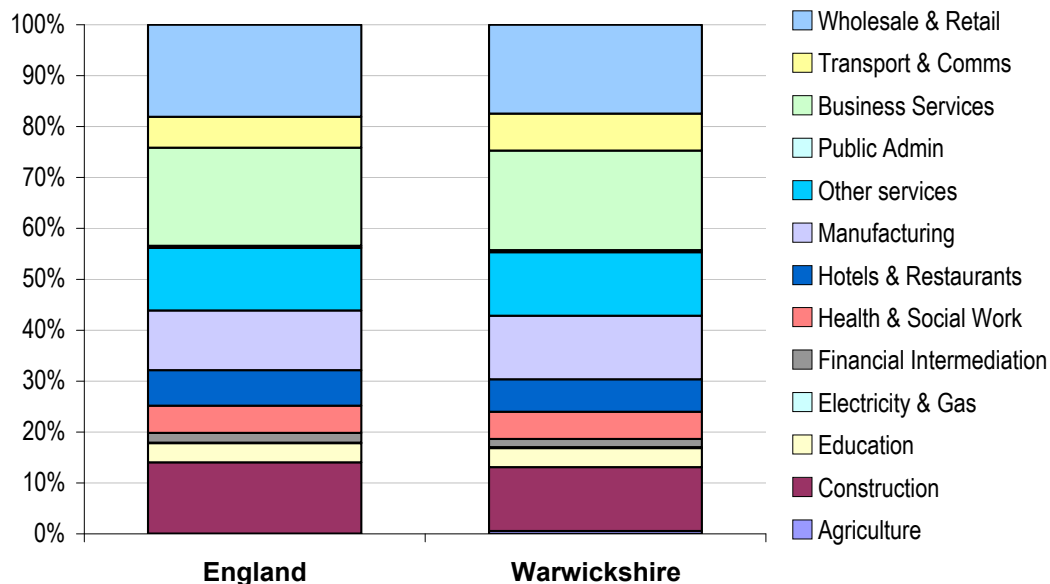
**Figure 24: Combined Enterprise Index (England=100)**



Sources: BIS & ABI

Looking at the sectoral distribution of these start-ups, Figure 25 presents data for 2008 for Warwickshire in comparison with England. One can see that Warwickshire is broadly the same as for England – there is a slightly larger share of start-ups in Manufacturing (12.5% of the county’s start-ups in 2008 compared to 11.7% for England) and Transport & Communications (7.3% compared to 6.1%); and a slightly lower share of start-ups in Construction (12.6% compared to 14.0%) and Hotels & Restaurants (6.4% to 7.0%).

**Figure 25: Distribution of business start-ups by sector (2008)**



Source: BETA Model

Table 4 below presents variation in the distribution of start-ups across the five districts/boroughs, with key differences from the England average highlighted.

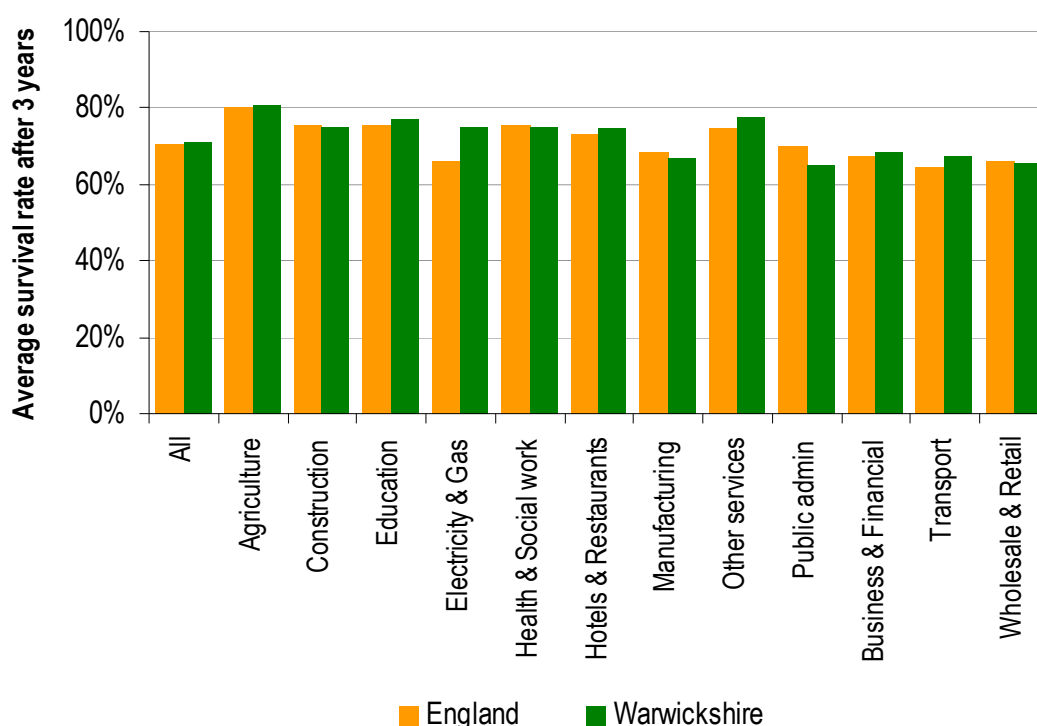
**Table 4: Sectoral distribution of start-ups by district/borough (2008)**

Sector	England	North Warks	Nun & Bed	Rugby	Stratford	Warwick
Agriculture	0.0%	5.0%	2.8%	7.1%	2.5%	0.0%
Construction	14.0%	14.4%	15.7%	10.5%	11.5%	10.9%
Education	3.8%	2.9%	5.1%	3.0%	3.7%	3.3%
Electricity & Gas	0.1%	0.3%	0.0%	0.0%	0.6%	0.0%
Financial Intermediation	1.9%	0.8%	1.2%	2.0%	2.2%	1.3%
Health & Social Work	5.3%	5.0%	4.2%	4.6%	4.6%	7.0%
Hotels & Restaurants	7.0%	4.5%	5.1%	8.4%	6.2%	6.3%
Manufacturing	11.7%	16.5%	14.1%	11.4%	10.1%	11.6%
Other services	12.4%	13.1%	12.4%	11.6%	10.4%	13.8%
Public Admin	0.4%	0.3%	0.7%	0.7%	0.3%	0.1%
Business Services	19.2%	13.6%	16.1%	18.9%	21.6%	21.0%
Transport & Comms	6.1%	8.9%	6.7%	4.8%	6.9%	8.2%
Wholesale & Retail	18.1%	14.9%	15.7%	16.8%	19.5%	16.5%

Source: BETA Model

Survival rates of new business starts in Warwickshire are broadly in line with the national average. The average survival rate of new businesses after three years is 71.2% in Warwickshire compared to 70.5% for England as whole. Across the county, Nuneaton & Bedworth and Rugby have the highest survival rates (72.1% and 72.0% respectively), while North Warwickshire has the lowest (68.6%). There is some variance across the different sectors, with Agriculture, Construction, Education and Other Services seeing higher survival rates than average; and Manufacturing, Business & Financial, Transport and Wholesale & Retail having generally lower than average survival rates. These are all broadly in line with the England average, as shown in Figure 26 below. The main differences would appear to be Warwickshire has a higher survival rate for Electricity & Gas businesses than average (although these a relatively few businesses); and a lower than average survival rate for Public Administration.

**Figure 26: Average three year survival rates of new business starts by sector**



Source: BETA Model

## 4.6 Inward Investment

Warwickshire Investment Partnership is the County Council's inward investment service, and provides data on levels and types of enquiries and investments made. Over the past 4 years (2005/6 to 2008/9), Warwickshire Investment Partnership has received just over 3,600 enquiries about investment opportunities. An analysis on these enquiries provides a useful insight into private sector demand and market signals.

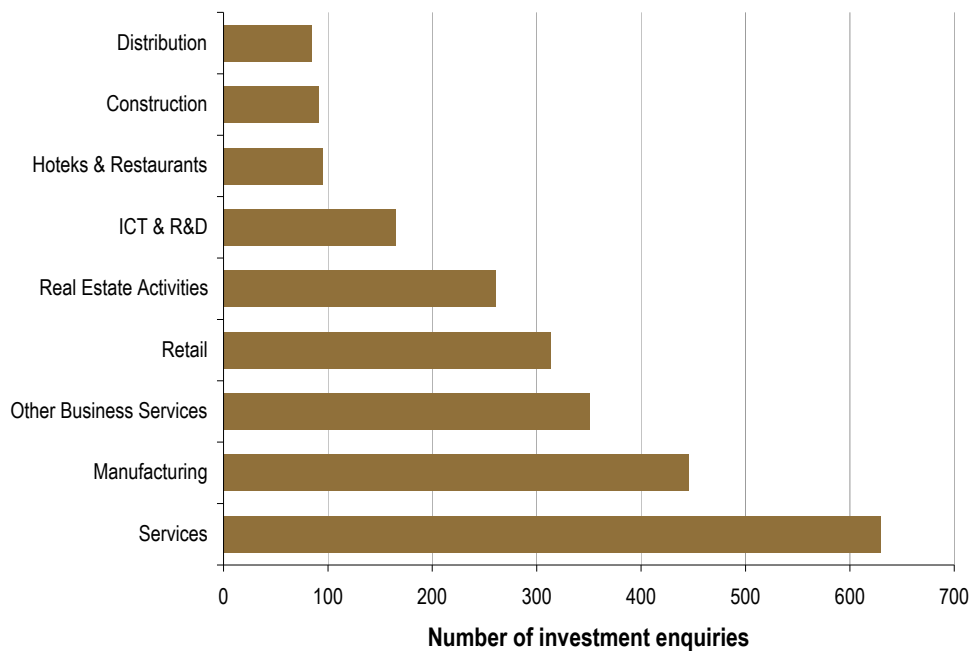
The largest reason behind these enquiries over the past 4 years has been for new business start-up activity (31.7%), highlighting the strength of enterprise activity in the county. Following this (and excluding those just seeking information), expansion of existing premises was the second largest reason (19.2%), relocation within the county third (13.4%), and relocation from

without the county fourth (12.7%). This suggests a strength in indigenous economic growth and activity, which research has highlighted as being most important in sustainable economic development.<sup>7</sup>

Figure 27 below shows the distribution by sector of these enquires. The service sector accounts for the largest proportion, in line with recent national trends. Enquiries by the manufacturing sector is also strong, highlighting the county's particular strength in this area. Business services (including real estate activities and ICT) also account for a large proportion of enquiries, again confirming Warwickshire's (particularly the south of the county) specialisation in this area. Interestingly, Distribution accounts for a small proportion which is interesting given Warwickshire apparent strength in this area as highlighted above.

Finally, in terms of the preferred location of businesses making enquiries, Warwick district has consistently been the most popular area and, over the past 4 years, has accounted for 25% of all enquiries. This confirms the relative strength of this area within the county, and indeed sub-region. Interesting, however, Nuneaton & Bedworth is the second most popular (20.2%), which seems to contradict some of the findings highlighted above. It should be noted, however, that it has been difficult to translate this into actual investments, largely due to the lack of readily available sites for medium to large size businesses. Therefore, while the data shown in this section suggests that Nuneaton & Bedworth, relatively speaking, has under-performed (particularly in comparison to other parts of the county), there does appear to be a reasonable level of latent demand that could be exploited in the future.

**Figure 27: Sectoral distribution of inward investment enquires (2005/6 to 2008/9)**



Source: WIPS

<sup>7</sup> "Inward & Indigenous Investment", Manchester Independent Economic Review (2009)

#### **Areas for further research:**

- Business starts, business growth and business survival in deprived areas of the county
- Improved understanding of the drivers that make Warwickshire attractive to certain sectors – particularly clusters, business services, and energy/utilities. [Private sector consultation]
- Further investigation into the competitive advantages and market failures/barriers within the local economy
- Business to business networking and trading
- Further investigation into land constraints and business growth/market demand
- Forecasts for sectoral growth and implications for different parts of the county
- Future scenarios and implications for Warwickshire's business base, particularly within a global economy
- Relationship between housing and business growth
- Explore drivers behind falling average business size

#### **4.7 Conclusions:**

Warwickshire has seen strong growth in its business base, significantly higher than the national average (growth of 2.8% per annum compared with 1.7% for England). The county has seen particular growth in business and financial services, distribution and transport, and the utilities sectors. However, there has been much more muted growth in employment within the county, with a slightly lower than average growth rate (0.8% p.a. compared with 0.9% for England). All areas of the county saw lower than average growth relative to England between 1998 and 2005, but since then all but Rugby have seen an improvement in their position.

The growth in employment has broadly mirrored that of the business base (i.e. growth in business and finance, distribution and transport), but also growth in construction and other services. The county has seen above average declines in manufacturing employment, reflecting the above average concentration of employment that Warwickshire has historically had in this sector. The divergence in business and employment growth therefore highlights a focus on micro and small businesses, and an analysis of business size confirms this. The county has significantly lower average size of business (9.6 employees compared to an England average of 10.9), and this has fallen significantly over the past 10 years. Of particular concern is Nuneaton & Bedworth that has seen below average increases in all sizebands, and the lack of growth in larger businesses within Rugby Borough.

Supply of readily available land in the county is also of a concern, particularly within the North/South corridor where we expect to see growth concentrated in the future. The lack of suitable and readily available land within Nuneaton & Bedworth has been highlighted as a particular issue, making it hard to translate good interest in the area into actual investments.

Warwickshire has a number of sector specialisms and concentrations. A strong presence in Motor Vehicles is well recognised, but the county also appears to have comparative advantage in the business and finance sectors (particularly in the south of the county), land transport (particularly in the north of the county) and, interestingly, the utilities (energy & water) sector. The county also has a strong presence in nearly all of AWM's business clusters, apart from High Value Added Consumer Products. Warwickshire would appear to have particular strengths in ICT, Media, Specialist Business Services, and more moderate concentrations in environmental technologies and building technologies.

The county has high business start-up rates in all areas apart from Nuneaton & Bedworth (which requires further, more detailed and localised research) and slightly above average survival rates.

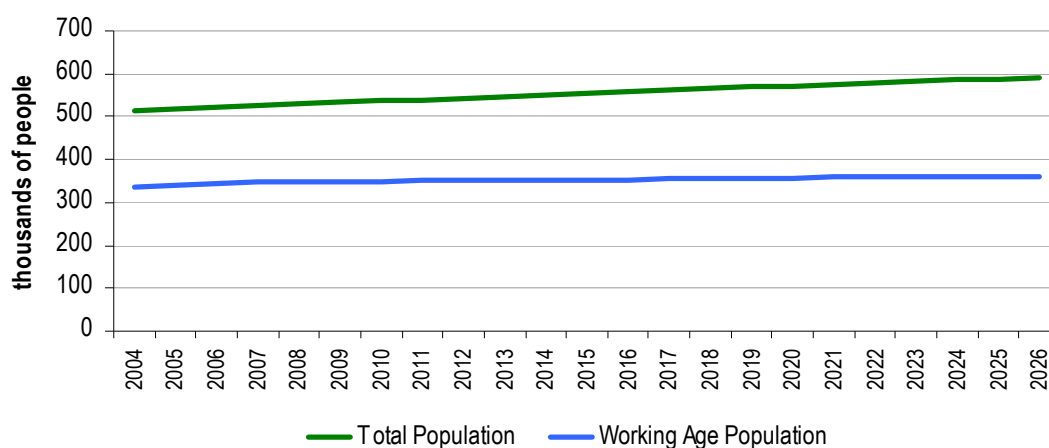
## 5. Employment, Unemployment and Deprivation

### 5.1 Population, employment & occupation

This section is about the residents of Warwickshire. In 2007, there were 526,700 people living within the county, 321,900 (61.1%) are of working age and, of these, 79.2% (271,800) are in employment. This higher than the national average (74.2% of the working age population for England as a whole in 2007), and Warwickshire has historically always had a higher than average employment rate.

Population projections for the future suggest that Warwickshire's population will continue to grow, but that the proportion of people who are of working age will gradually fall as the population ages (see Figure 28 below). This will create some economic problems with respect to the supply of labour and reduced levels of local economic activity, but also opportunities with respect to the provision of goods and services to an ageing population.

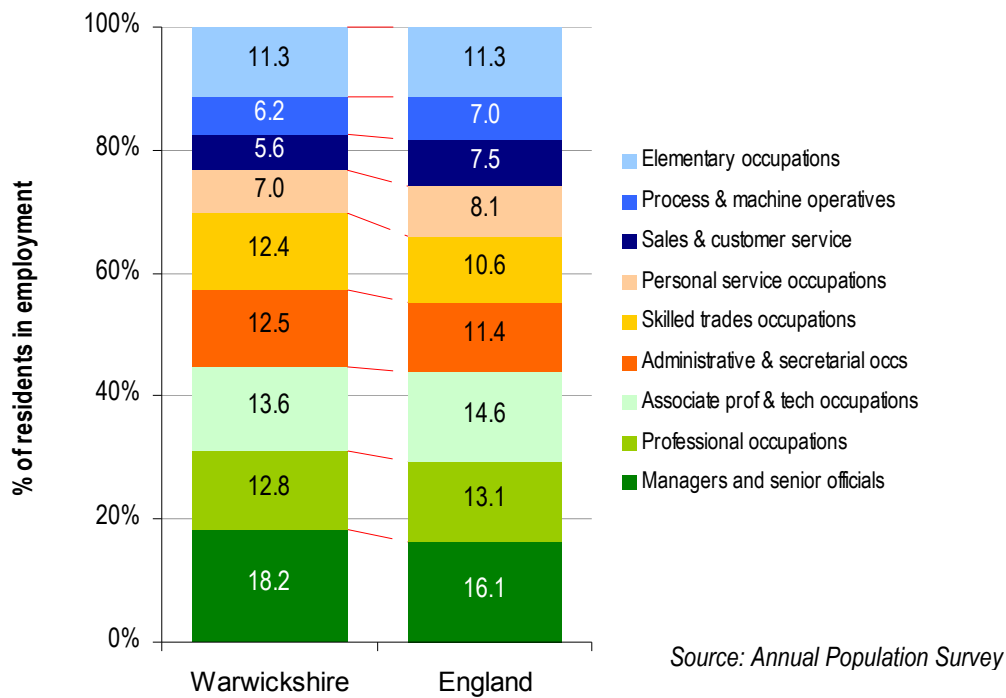
**Figure 28: Population projections for Warwickshire**



Source: ONS

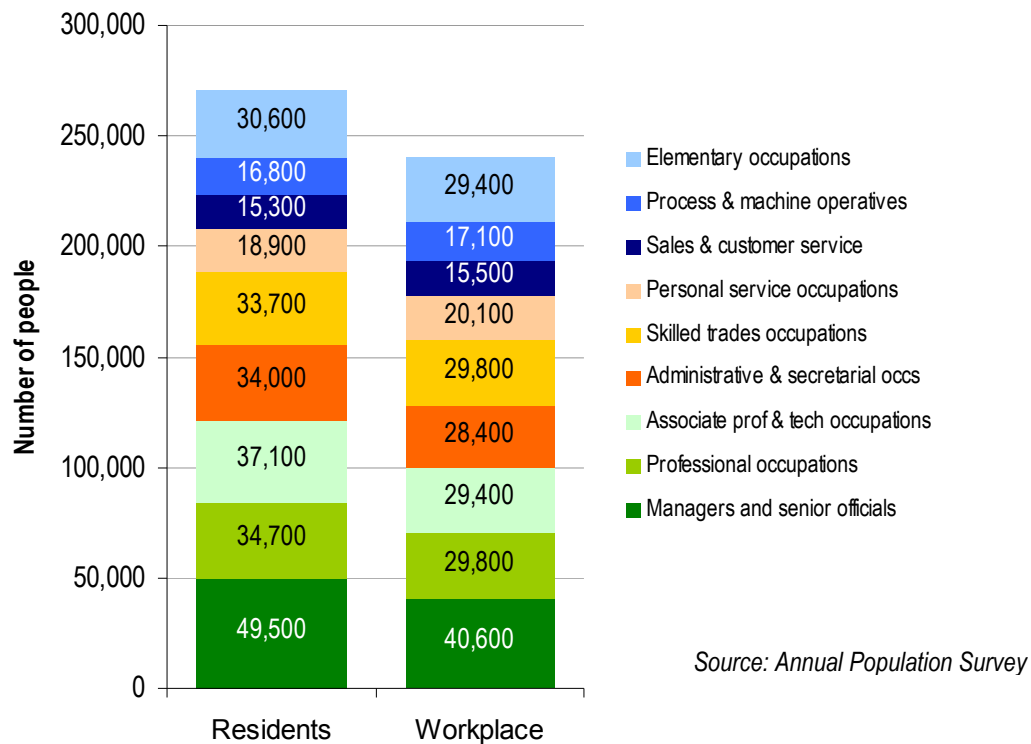
Figure 29 below shows the types of occupations that employed residents of Warwickshire have compared to the English average. The county has a greater proportion in higher level jobs (managers & senior officials, professional occupations, and associate professional and technical occupations) – 44.6% of all employed residents compared to the average of 43.8% - and a lower proportion in lower level occupations (sales & customer services, process & machine operatives and elementary occupations) – 23.1% compared to 25.8%.

**Figure 29: Occupational type of employed residents (2008)**



If we compare resident occupations with the types of jobs that are available within the county, one can see a clear mismatch – particular for higher level occupations – as shown in Figure 30 below.

**Figure 30: Comparison between resident and workplace occupation types (2008)**



The disparity in total numbers highlights the existence of out commuting, as identified in Section 3 above. This data suggests that it is residents that work in higher level occupations who are more likely to commute, whereas there is reasonably parity between lower level resident occupations and employment within the county. Further research into commuting flows (particularly relating to occupation type) is therefore needed.

## 5.2 Unemployment & worklessness

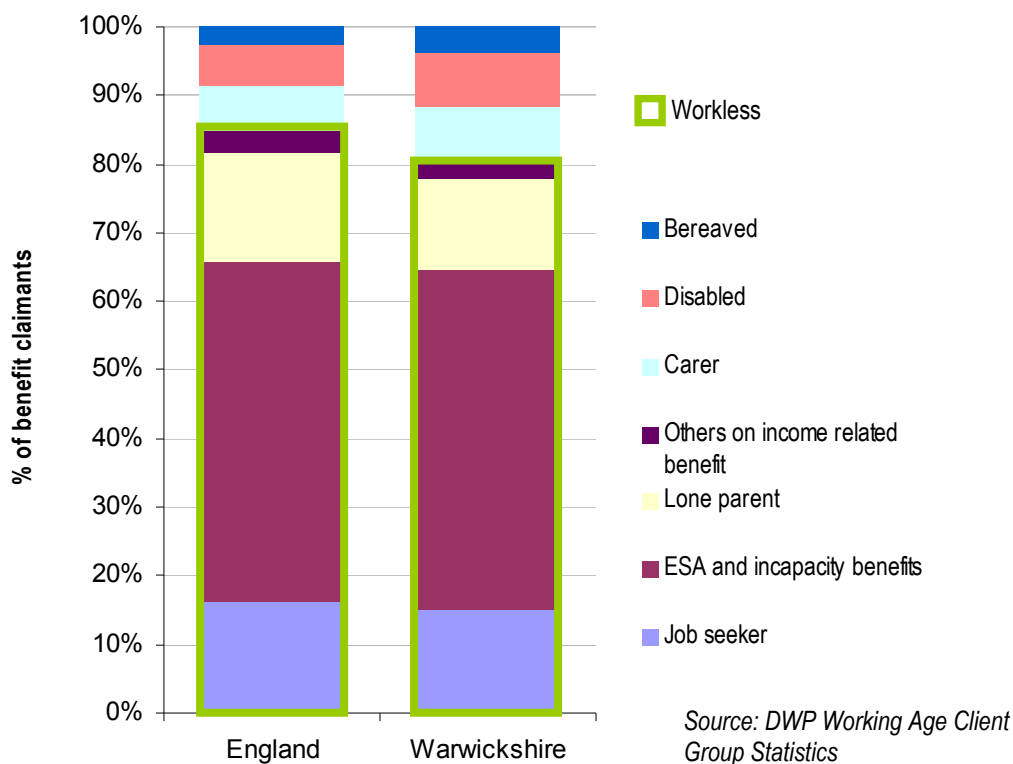
Of those residents that are of working age but are not in employment, we can analyse data for those that are claiming benefits<sup>8</sup>. Clearly, the number of claimants of benefits has increased significantly over the past year as a result of the recession. This paper will focus on analysing the underlying 'trend' conditions that exist within the economy during economically stable times. The impact of the recession on Warwickshire's economy will therefore be the subject of a separate paper. As a result, for this section we will use data from the period Jan 2000 to Aug 2008, and will seek to use average or relative figures rather than absolute numbers.

Using data from the Department of Work & Pensions, we can analyse the breakdown of benefit claimants by type. Figure 31 below shows the average percentage breakdown of total benefit claimants for the period 2002 to 2008, comparing Warwickshire to England. These average figures are fairly consistent throughout that period for all benefit claimant types apart from Jobseekers Allowance, which understandably varies more due to economic conditions and seasonal fluctuations (the average figure for JSA claimants in Warwickshire is 15.3%, with a high of 18.2% and a low of 13.2% in this time period).

### Figure 31: Breakdown of benefit claimants (average between 2002-2008)

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<sup>8</sup> Those not claiming benefits may be people in full-time education or training, early retirees, not needing benefits or looking for work, or people looking for work but not claiming benefits for whatever reason.



One can see that Warwickshire follows a very similar pattern to England as a whole. Those claiming Jobseekers Allowance and Lone Parents are slightly lower than average, whereas Carers and Disabled are slightly greater. However, it is clear that Incapacity Benefit is the largest contributor to benefits claimants, and the proportion of Warwickshire claimants is almost identical to the UK as a whole (49.4% compared to 49.7% respectively).

Government policy in recent times has become focussed on those claiming out-of-work benefits – i.e. those claiming benefits as a result of not being able to work for a particular reason. This group (often regarded as “workless” rather than unemployed) is made up of people claiming Jobseekers Allowance, Incapacity Benefit, Lone Parents Allowance and ‘Other’ out of work related benefits, and is the focus for the main employment related National Indicator (NI152), which is included within Warwickshire’s Local Area Agreement. The “workless” grouping is highlighted in green in Figure 28, and constitutes 80.4% of all benefit claimants on average in Warwickshire, compared to 84.8% for England. Over the period 2002 to 2008, this equated to an average of 8.6% of the working age population in Warwickshire, significantly lower than the England average of 11.9%.

While worklessness occurs across the county, there are particularly high concentrations in particular areas – particularly within the more urban areas of Nuneaton & Bedworth, Rugby, and Warwick/ Leamington . An analysis of workless rates within wards across the county over the period 2000 to 2008 highlights how the worst performing areas have, by and large, always been the worst areas. A small number of wards consistently appear in the worst ten over this period, and eight out of ten have been in this list constantly since 1999. The most common worst ten wards over this period on average had a workless rate of 20.3% of the working age population (compared to the county average of 8.6%, and a rate of just 4.9% in the top ten best performing wards). The worst ten wards account for nearly a quarter of all workless within the county (23%), but just 12% of the total working age population.

The Economic Development & Enterprise Block of the LAA have identified 28 Priority Wards for worklessness, which were developed by a mixture of the worst quartile of wards in the county on worklessness plus the worst performing wards in each district/borough (if not already included). Figure 32 below presents a map highlighting the worst ten (on average) wards in the county over the period 2000-2008, and the 28 Priority Wards.

**Figure 32: Best, worst and priority wards with respect to worklessness**

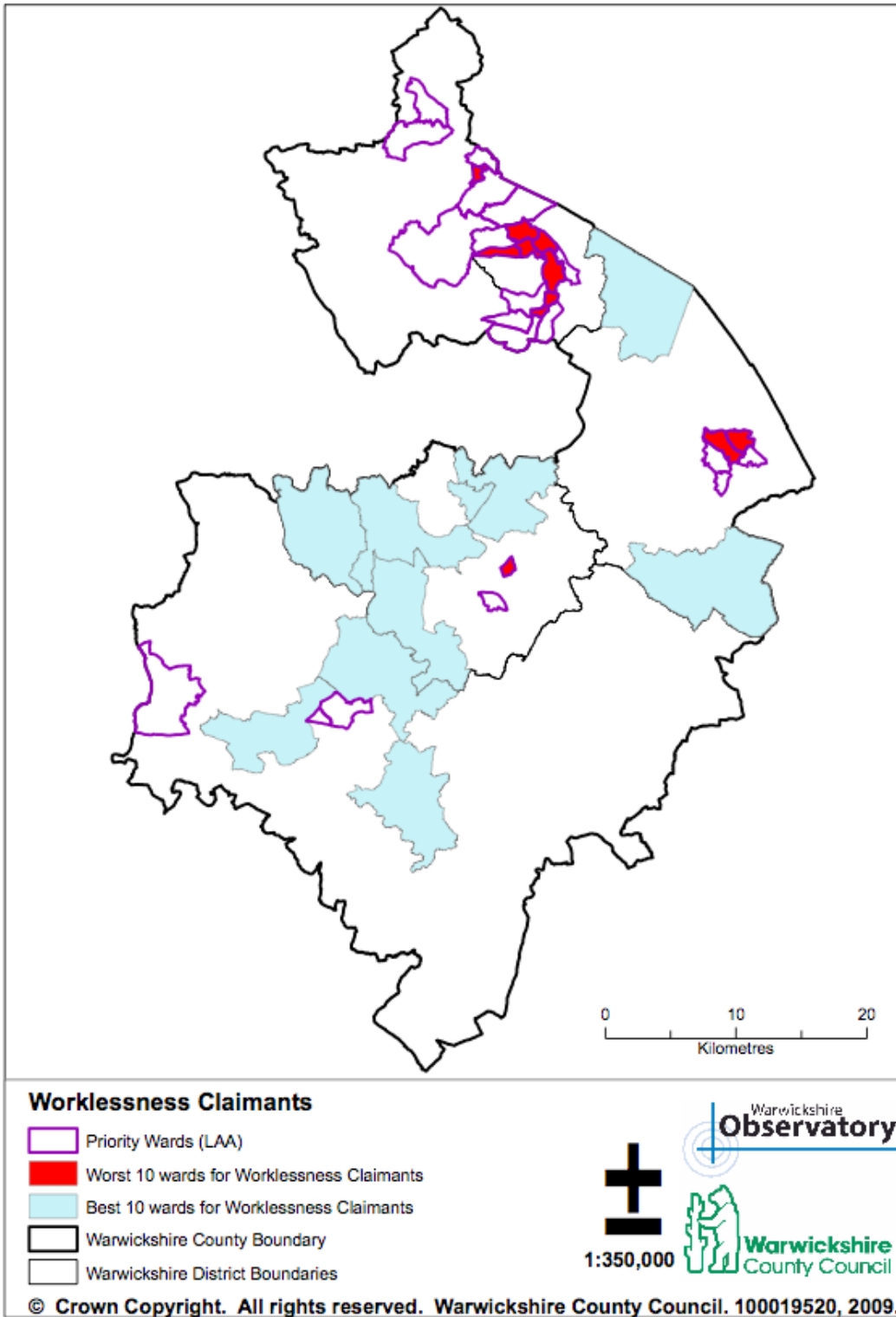
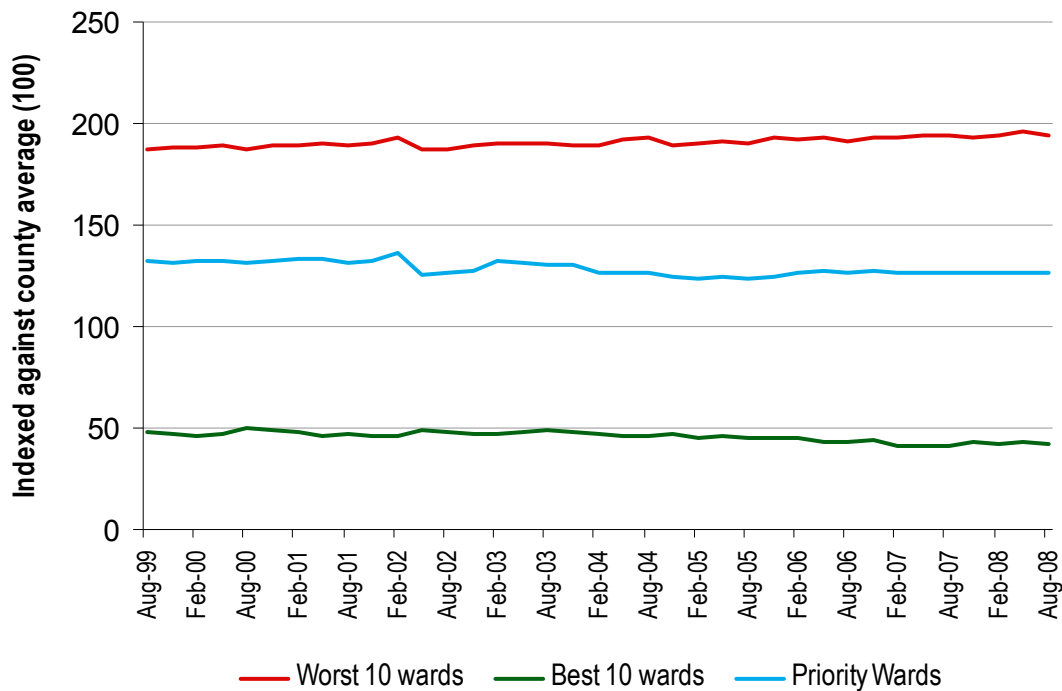


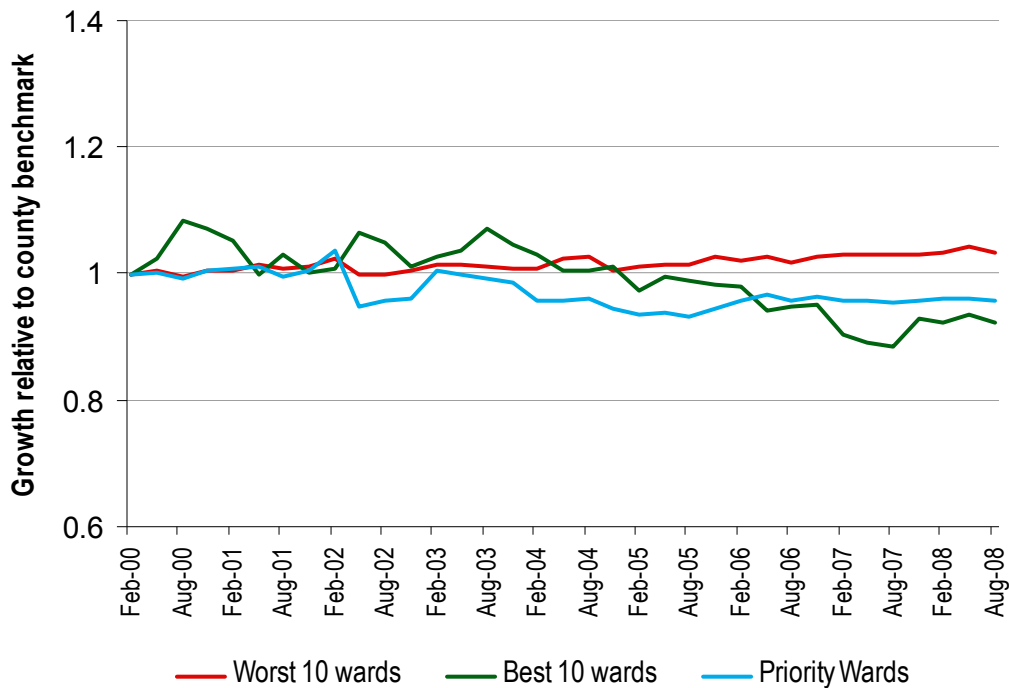
Figure 33(i) below looks at the worklessness rates in the worst ten wards, best ten wards and the 28 Priority Wards over the period Aug-99 to Aug-08, indexed against the county average. One can see the large divergence between the best and worst, but also the fact that the levels have barely changed over the period. Looking more closely at the rates of change in these areas, Figure 33(ii) looks at the how the rates for these areas have changed relative to changes in the county average (i.e. a value greater than 1 suggests that the area has seen an increase in worklessness faster than the county average, and vice-versa). This highlights the stubborn persistence of worklessness in the worst 10 wards, and the gradual improvement (relative to the county as a whole) in the best 10 wards. The gap has therefore widened, and it suggests that support that has been available for workless individuals has been more successful in our already better performing areas. The Priority Wards show more of a mixed picture – they actually performed relatively better than the best 10 wards between 2002-2006, and overall have seen less growth in worklessness than the county average. This suggests that outside of the worst 10 wards, the Priority Wards have probably seen above average improvements in worklessness.

**Figure 33(i): Worklessness rates indexed against Warwickshire average (100)**



Source: DWP Working Age Client Group for small areas

Figure 33(ii): Relative change in worklessness rates compared to County benchmark (1)



Source: DWP Working Age Client Group for small areas

Further research into these worst performing areas and any common features that may explain persistently high levels of worklessness is required. We also intend to investigate population movement in more detail, looking to see if these areas have high levels of churn or whether the local population is fairly stable. The typologies of deprived areas approach will be used in this future research.

There are slightly more males who are workless than females (roughly 55% to 45%), although the contribution of the four different components does vary quite significantly. Unsurprisingly, the overwhelming majority of lone parents are female, and this benefit equates to 31% of the female workless total. In contrast, relatively more males are claiming Jobseekers Allowance compared to females (roughly a 70:30 split). The relative share of incapacity claimants to the workless total for males and females is more even, although slightly higher for males.

In general terms, the spread of worklessness over the various different age groups is fairly even relative to the size of the population cohort (i.e. there are most workless people in the middle to older age groups, but then these are the largest groups in the population as a whole). However, there is variation by the different benefit component. Younger people (under 25's) are more likely to be claiming JSA and lone parents allowance, and less likely to be claiming Incapacity Benefit. The older the age group, the more likely that the workless population will be claiming Incapacity Benefits (i.e. just one in five workless people aged under 25 will be claiming IB, rising to 3 in 5 for people aged 55-64).

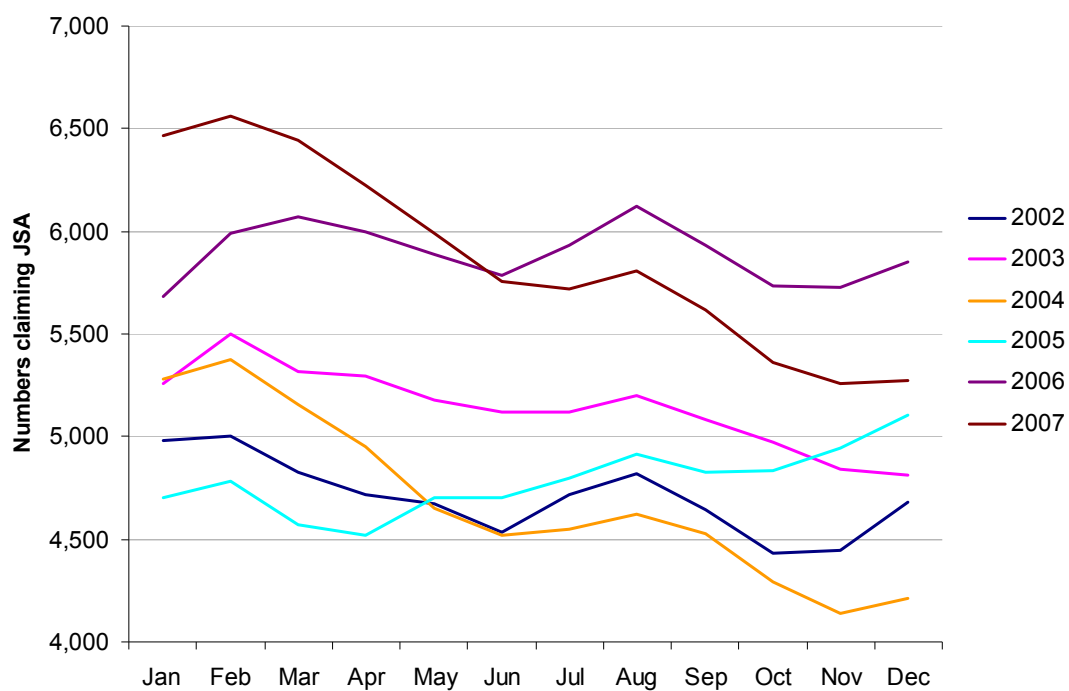
In terms of duration on benefits, the vast majority of people claiming JSA leave the register for one reason or another before 12 months. Only 12.1% of JSA claimants have been receiving benefits for more than one year, with most (76%) claiming for less than 6 months. However, duration on Incapacity Benefits and Lone Parents Allowance is much longer – 85% of IB claimants, and 74% of lone parents, have been receiving benefits for more than one year.

Using a more detailed analysis of a small selection of benefit claimants<sup>9</sup>, we can understand a little more about the types of conditions that are common for Incapacity Benefit claimants. The most common condition (38% of claimants) are “mental & behavioural disorders”, followed by musculoskeletal problems (19%) and diseases of the nervous system (7%).

We can look in more detail at unemployment (as measured by people claiming Jobseekers Allowance – JSA), which as mentioned above is more variable. We can also get more detailed and regular data on JSA claimant numbers than the wider DWP benefits data discussed above. In “normal” periods, JSA claimant numbers is subject to seasonal fluctuation – with numbers generally rising in January (as workers hired for the Christmas period are generally laid off) and August (as students leaving education sign on). This is shown in Figure 34 below.

The average number of JSA claimants in Warwickshire over the period 1999-2007 was 5,300, equating to about 1.7% of the working age population. This compares to the England average in this period of 2.6% of the working age population. The largest proportion of JSA claimants are located in Nuneaton & Bedworth (on average 31% of all Warwickshire JSA claimants are located within Nuneaton & Bedworth), and the smallest in North Warwickshire (12%) and Stratford (14%). The distribution of JSA claimants across the five districts is shown in Figure 35 below.

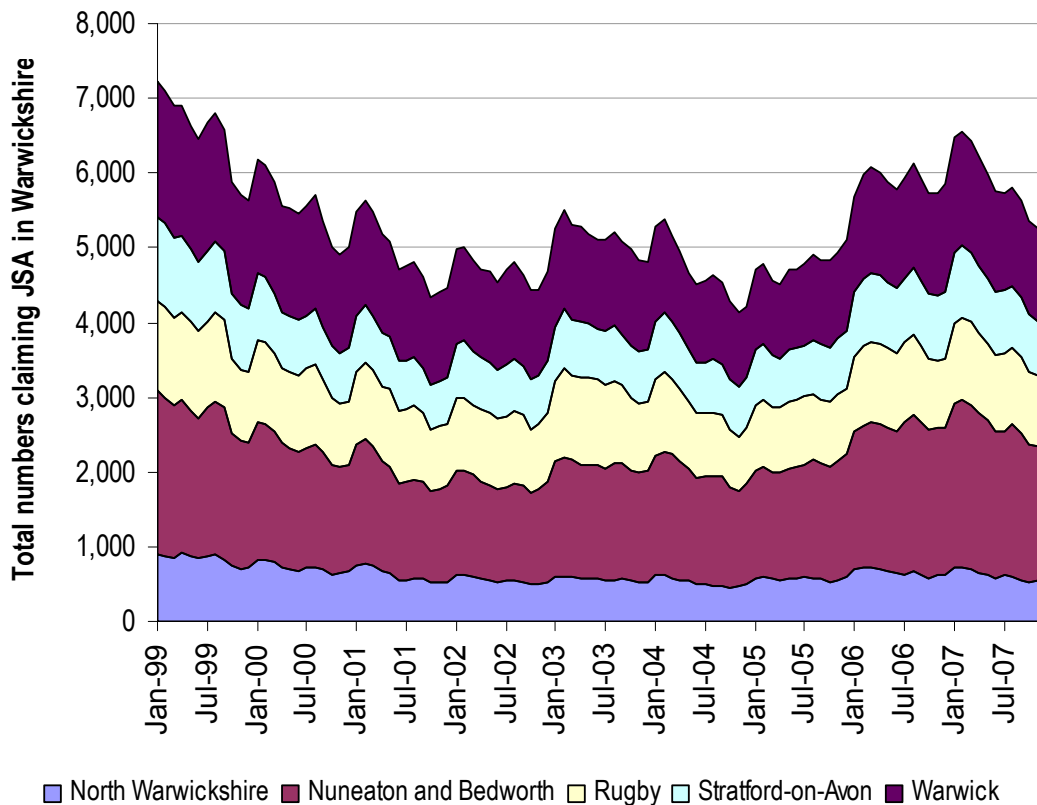
**Figure 34: Normal variations in JSA claimants in Warwickshire (2002-2007)**



Source: JSA Claimant Count (NOMIS)

<sup>9</sup> DWP 5% Sample data (Aug 08), NOMIS

**Figure 35: Distribution of JSA claimants across the District/Boroughs**



Source: JSA Claimant Count (NOMIS)

Again, looking at ward level data highlights a number of areas that have persistently high levels of unemployment and consistently rank as the worst performing wards in the county in terms of unemployment. Four wards (Wem Brook, Crown, Newbold and Abbey) have featured in the worst 10 wards in all of the 65 months looked at (2005-2009). Benn and Bede wards featured in 64 out of 65 months, and Brownsover South 63 times. The worst ten wards on average over the period 2004-2007 had an average unemployment rate of 3%, compared to 1.7% for the county and 0.9% for the best 10 wards. Again, this data has been indexed against the county average (Figure 36(i)) and relative change in the best and worst ten wards has been compared to the county benchmark (Figure 36(ii)). As with worklessness data, one can see that over the period in question, the gap appears to have widened, with the worst areas of the county seeing a growing concentration of unemployment. In contrast to the data for worklessness, however, it seems that the broader set of Priority Wards has seen a greater increase in unemployment compared to the more entrenched worst ten (who have higher overall rates), and it is here where we have seen the gap widening the most.

Figure 36(i): Indexed JSA claimant rates to County average (2004-2007)

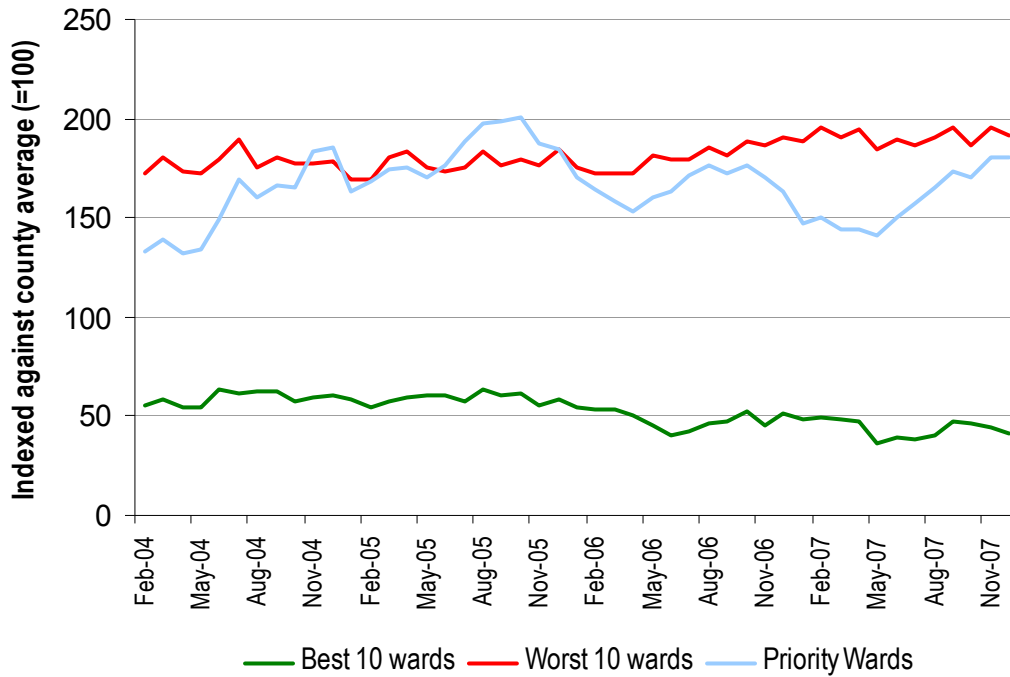
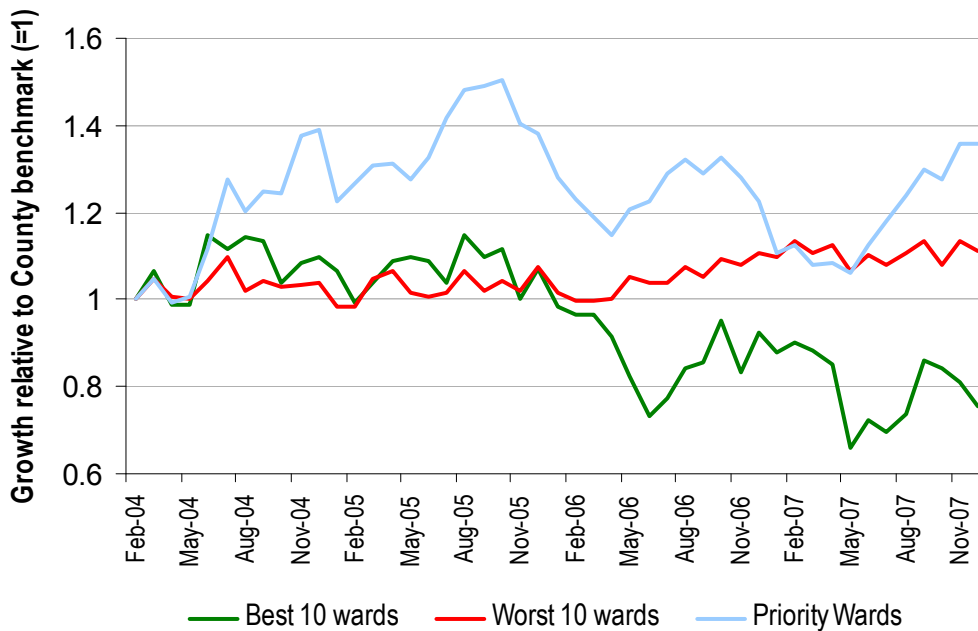


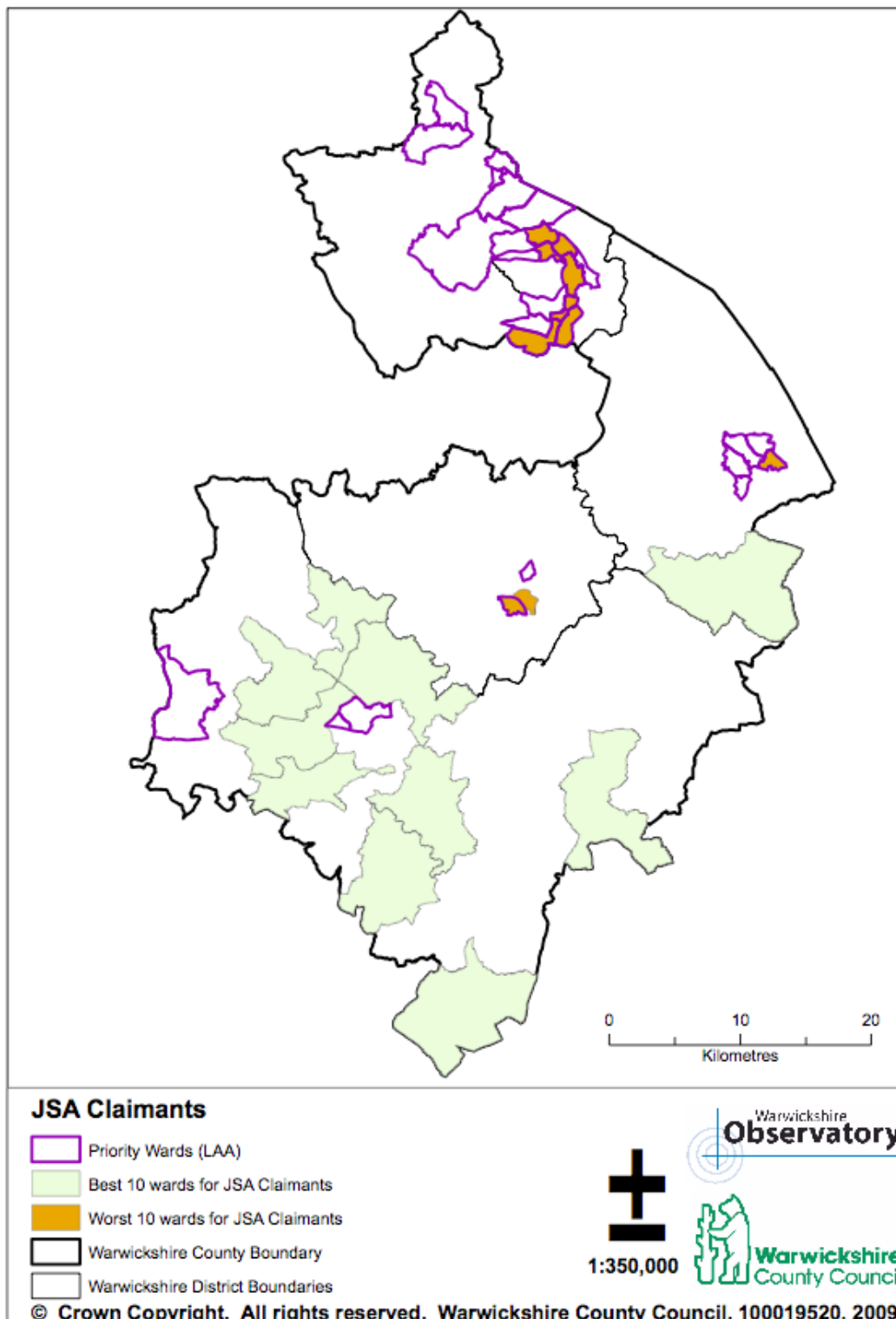
Figure 36(ii): Relative change in JSA claimant rates compared to County benchmark



Source: JSA Claimant Count (NOMIS)

The map shown in Figure 37 below highlights the location of these worst ten and best ten wards, along with the Priority Wards, showing a similar (but not exactly the same) picture as for worklessness.

Figure 37: Best, worst and priority wards with respect to JSA claimants



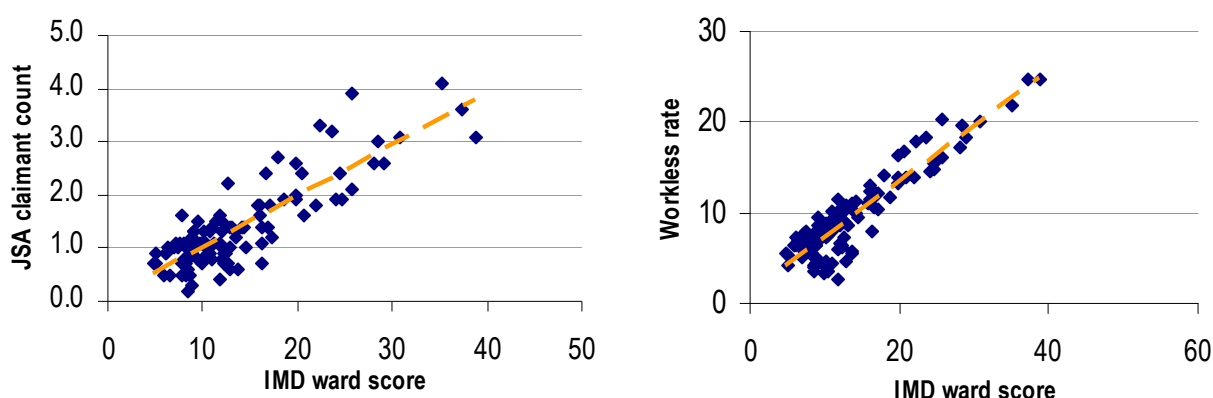
In terms of the average age breakdown of JSA claimants, Warwickshire has a slightly lower proportion of young people (18-24 year olds) than England as a whole (28% compared to 30%), and a slightly greater proportion of older people (over 50) – 20% compared to 16%. However, this is probably more a reflection of the slightly different demographics of

Warwickshire than any significant variance. With respect to the duration of JSA claimants, Warwickshire has a higher proportion of people claiming for less than 13 weeks (49.1% of all claimants compared to 46.5% on average), and a lower share of people claiming for over one year (13.2% compared to 14.5%), reflecting a generally more buoyant labour market.

Looking at notified previous occupations of individuals claiming JSA, there is a slightly higher proportion of claimants from higher level occupations (i.e. managers, professional and technical occupations), and slightly lower in middle and lower level occupations, which again is more of a reflection of the general occupation type of residents highlight in Figure x above than any significant variance.

There is, unsurprisingly, a clear correlation between areas of disadvantage and deprivation and areas with high levels of unemployment and worklessness. Figure 38 below plots data on wards from the 2005 Index of Multiple Deprivation and JSA claimant rates and Worklessness rates from mid-2005. One can see a reasonable correlation with unemployment, and a very clear correlation with levels of worklessness.

**Figure 38: Unemployment and Worklessness compared with Deprivation**



Sources: IMD, JSA Claimant Count, DWP Client Group

The degree to which the areas of deprivation and high levels of worklessness and unemployment are comprised of a stable population is a key issue and one that requires further research. In other words, are the concentrations of worklessness the same people (highlighting the ineffectiveness of current policies and initiatives to successfully engage and work with them), or do these areas see high levels of population churn? Research has shown that deprived areas can be classified into different typologies depending on the type and nature of population churn, and this is an area that needs further research ahead of the full LEA.

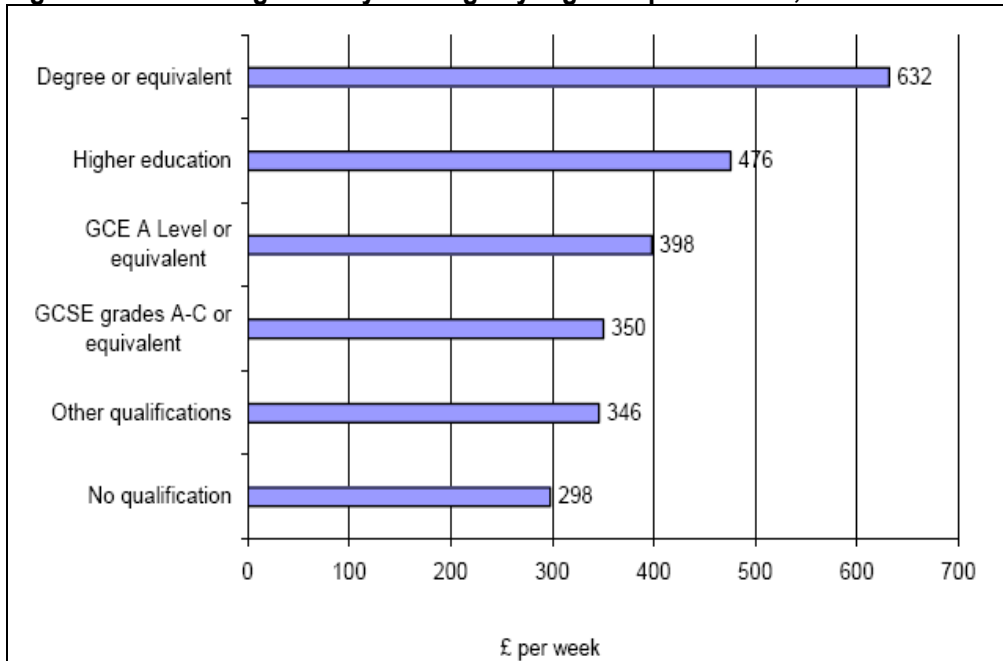
### 5.3 Qualifications & Skills

Qualification and skill levels are important for individuals and the local economy more widely for three key reasons:

1. Increased qualifications are related to employability and earnings. Individuals with higher level qualifications are much more likely to be in employment (an average employment rate of 88% compared to just 50% for those with no qualifications [see Table x below]). Skill levels are also strongly related to the quality of employment, as

measured by average income. On average every additional year of education leads to around a 9% increase on wages, and a man with a degree can earn up to 67% more than an unqualified worker. The average weekly wage for each level of qualification is shown in Figure 39 below.

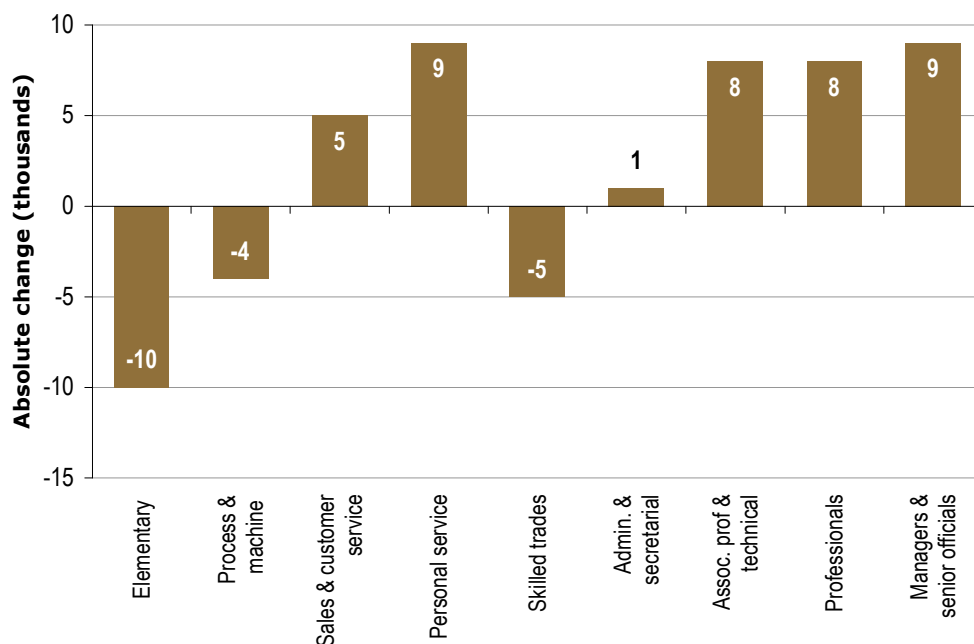
**Figure 39: UK average weekly earnings by highest qualification, 2003**



Source: Labour Force Survey, ONS

2. Higher level qualifications in a local economy is strongly correlated with improved productivity and economic output (GVA) – see Figure 8b in Section 3 above.
3. Looking to the future, projections for employment show a marked increase in demand for more highly qualified individuals, and a reduction in the need for people with low or no qualifications. Forecasts for occupational change in the sub-region (shown in Figure 40 below) show a marked increase in the demand for higher skilled occupations, and a significant decrease in the demand for low skilled ones.

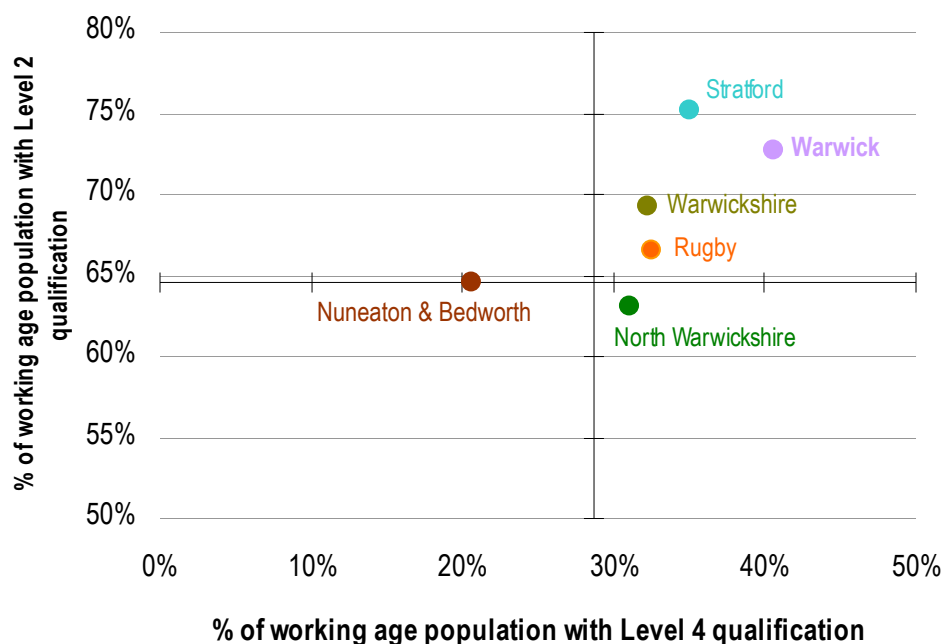
**Figure 40: Forecast absolute occupational change in Coventry & Warwickshire (2004-2014)**



Source: IER Working Futures II

Data on qualification levels within the residents of Warwickshire is only available down to district/borough level. Figure 41 presents a comparison of the five district & boroughs, and Warwickshire's overall average position with respect to Level 4 qualifications (equivalent to a degree and recognised as a critical level of qualification as we increasingly move into a knowledge economy) and Level 2 qualifications (equivalent to five GCSE's grade A\*-C, and increasingly regarded as the minimum required by employers). The axis are set to mirror the England average (i.e. where they cross is the average position for England with respect to both indicators). Anything above the horizontal axis shows better than average performance with respect to Level 2 qualifications, and anything to the right of the vertical axis is above average performance on Level 4 qualifications.

**Figure 41: Level 2 and Level 4 qualifications compared to England average (2008)**



Source: APS (Jan-Dec 2008)

One can see that generally, the county performs above average on both indicators. Nuneaton & Bedworth, however, stands out as being significantly below average on higher level qualifications, while North Warwickshire is slightly below average with respect to Level 2 (and indeed is particularly below average with respect to no qualifications, with 16.2% of the working age population with no qualification compared to an England average of 12.3%). The potential impact this has on overall productivity was discussed in Section 3 above, but this will also inevitably impact on employability, earnings and future vulnerability as highlighted above. The relatively lower skills in Nuneaton & Bedworth and North Warwickshire can go some of the way to explaining the generally higher than average unemployment and workless figures in these areas, and the greater concentration of deprived areas. Looking ahead, these two areas also face significant challenges in contributing to the knowledge based economy and without further interventions could become increasingly left behind as we continue to see the development of a two-tier economy.

Skill levels (as measured by qualification attainment) is strongly correlated with employment rates. Put simply – the higher the level of qualification that you have, the more likely you are to be in employment. This can be shown in Table 5 below:

**Table 5: Employment rate<sup>1</sup>: by sex and highest qualification, 2003**

United Kingdom	Percentages		
	Males	Females	All
Degree or equivalent	90	85	88
Higher education	87	84	86
GCE A Level or equivalent	81	73	78
GCSE grades A-C or equivalent	80	73	76
Other qualifications	78	65	71

No qualification	57	44	50
All	79	70	75

1 The percentage of the working age population in employment.

Source: Labour Force Survey, Office for National Statistics

This probably goes a long way in explaining variation in employment, unemployment and worklessness rates across the county, with higher unemployment concentrated in those parts of the county with lower than Warwickshire average skill levels.

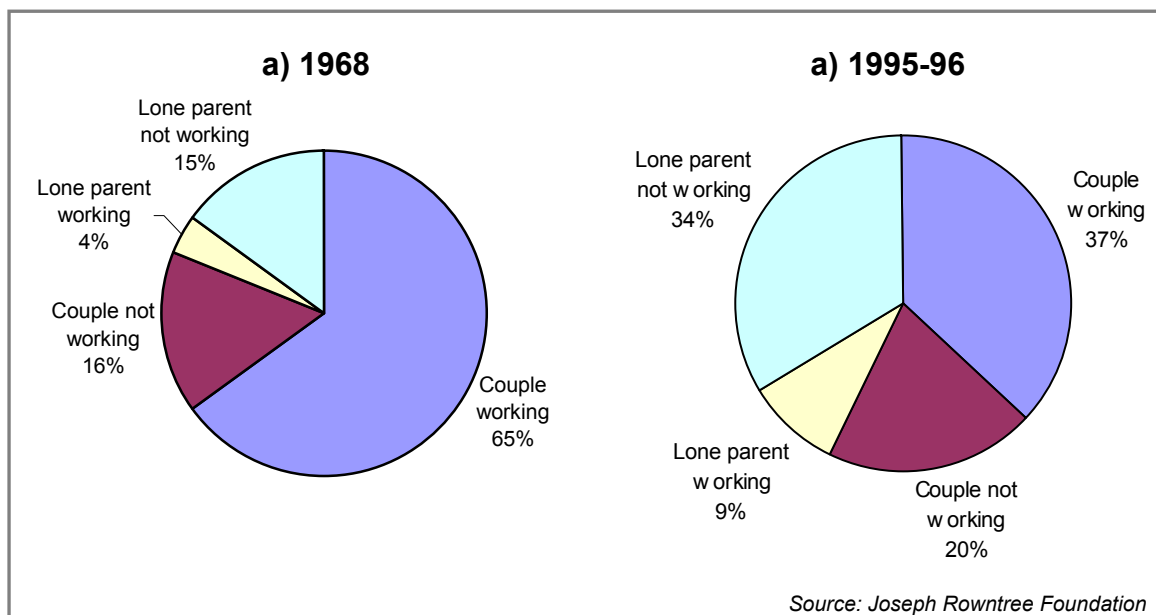
Further research and information is required on skill/qualification levels, particularly from an employer's perspective. Information from the 2009 Regional Skills Assessment and National Employers Skills Survey (available end 2009/early 2010) should provide a useful evidence base to draw on, but additional local research may also be necessary.

## 5.4 Wider impact of employment and skills

### Child poverty

The growth in child poverty within the UK over the past 30 years or so is closely linked to the growth in the number of children living in families with no-one in work. As shown in Figure 42 below, workless families accounted for over one-half (54%) of all poor children in the mid 1990's, compared with just under a third (31%) in the late 1960's. For those poor children with families in work, the clearly low wage levels (which, as shown above, is largely linked to skill levels) will be the predominant factor.

Figure 42: Distribution of child poverty by family type



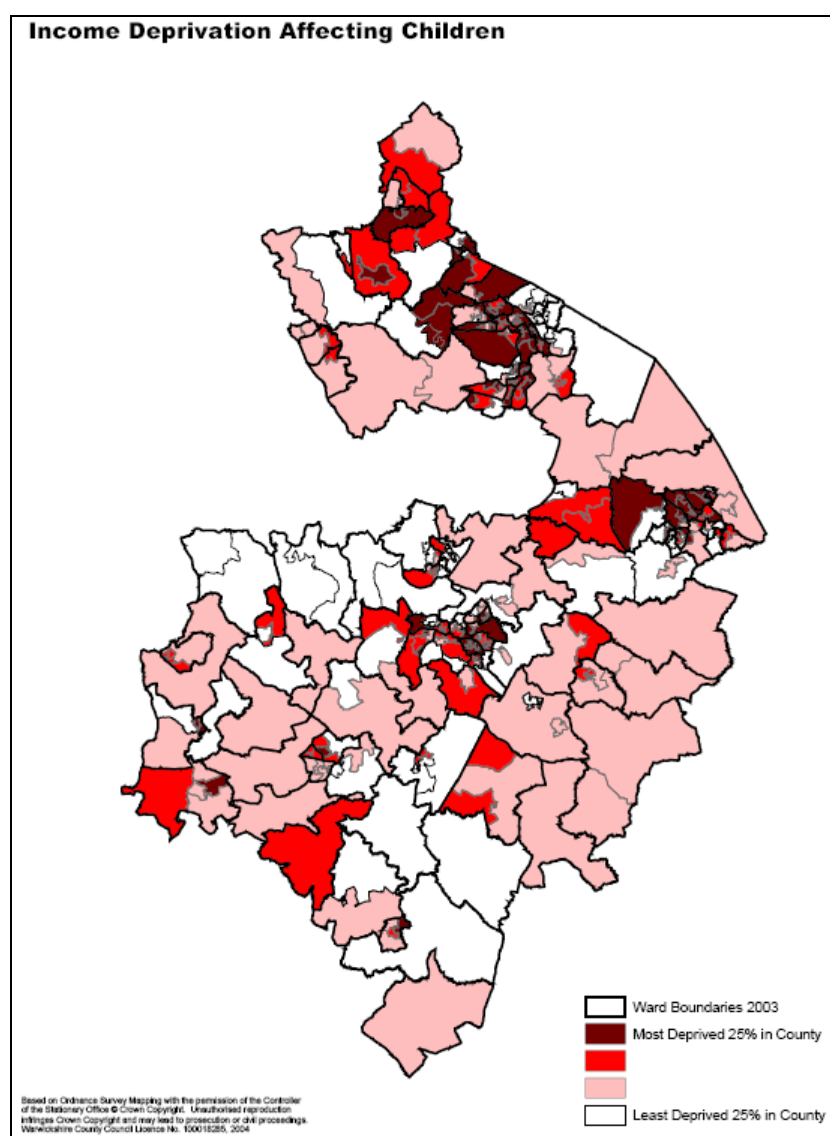
Particularly significant in this is the rise of lone parents, especially those not in work. The proportion of lone parents benefits claimants is highest in Nuneaton & Bedworth, and lowest in Stratford-on-Avon.

It is clear that employment is the main mechanism for tackling child poverty, and this has been the main thrust of Government policy since 1997. Of course, just as important as employment *per se*, is the quality of employment in terms of wage levels. The need to address this area – and help make work pay in terms of enabling individuals to be better off in employment – is the rationale for the Working Families Tax Credit. However, this is a resource intensive approach and should be used in conjunction with effective training and education programmes to help raise wage levels for individuals in entry level jobs beyond the need for such support.

Distribution of child poverty (defined as children living in a household claiming income support or whose income is less than 60% of the national average) is shown in the map in Figure 43 below. One can see a particular concentration in the north of the county, especially in Nuneaton & Bedworth. Indeed, 34 of the 83 most deprived areas in the county for income deprivation affecting children can be found in Nuneaton & Bedworth, and 14% of dependent children in that district live in a household with no-one in employment. This rises to 32.5% in the Camp Hill ward – the highest in the county.

There are clearly direct links between skills & qualifications, and the levels and quality of employment. Lack of employment predominantly (and low paid employment to some degree) is the principle factor behind child poverty. Investment in skills (both for current adults with dependent children, but also those in the formal education system who will be the parents of the future), coupled with suitable employment support mechanisms, will therefore clearly have a direct impact on tackling child poverty. Moving forward, linking the work undertaken on the full Local Economic Assessment and forthcoming requirement for Child Poverty Assessments is critical.

Figure 43: Income deprivation across Warwickshire



Source: IMD 2004/Warwickshire Observatory

### ***Educational attainment***

There is evidence to suggest that low income levels can have a significant impact on the educational attainment of children, and therefore low skills can have a cyclical and self-reinforcing pattern. Economic modelling<sup>10</sup> looking at the relationship between family income and educational attainment (controlling for family background and heterogeneity) also found a positive, direct relationship. A one-third reduction in income from the mean (around £140 per week, £7,000 per annum) reduced the probability of a child getting no A-C GCSEs by around 4% on average. The probability of a child in the 90<sup>th</sup> percentile of income distribution (i.e. the best off) was double that of a child in the 10<sup>th</sup> percentile (0.27 compared to 0.18).

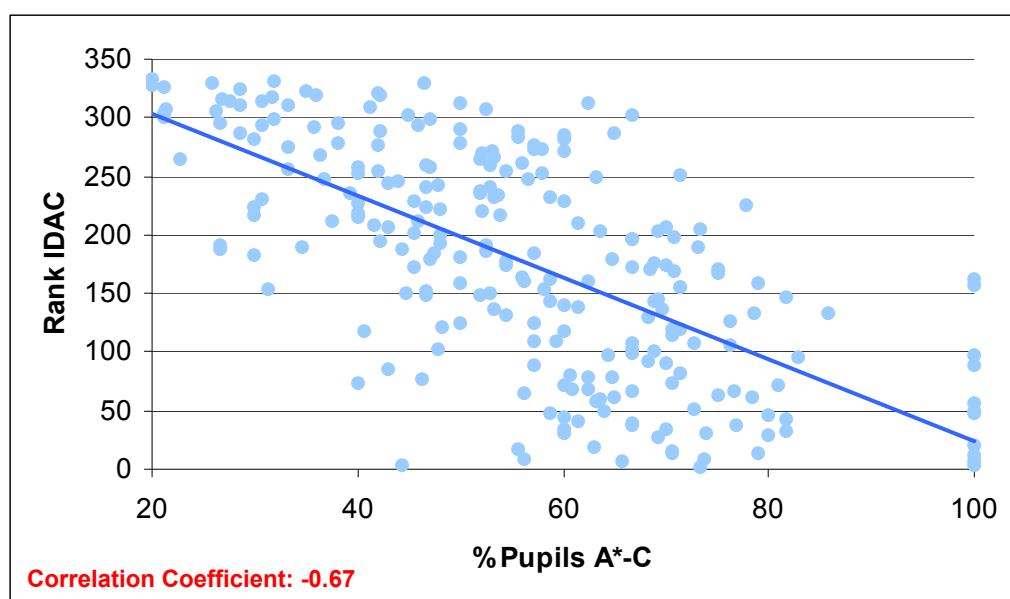
<sup>10</sup> "Family Income & Educational Attainment"; Blanden, J. & Gregg, P., 2004

A comprehensive study by University College London and Kings College London<sup>11</sup> looking at social background, location and exam scores at 11 and 15 found that a child's social background is the crucial factor in academic performance<sup>12</sup>. In affluent areas, the study found that, on average, 67% of 11 year olds achieve level 5 in national English tests and 94% of 15-year olds achieve 5 or more passes at GCSEs at grade C or above. Conversely, of the children growing up in deprived areas, only 13% could expect to get the top level 5 in national English tests, and 24% will achieve the benchmark of 5 GCSEs at Grade C or above.

Research tracking the progress of 15,500 children born between 2000 and 2002 (the "millennium cohort study") found that, in a series of vocabulary tests, three year old sons and daughters of graduate parents were found to be 10 months ahead of those from families with few educational achievements. Overall, the study found that "better cognitive scores were achieved by children from families with two working parents who were highly educated and had higher incomes".<sup>13</sup>

Figure 44 below looks at the relationship between geographic areas (super output areas) with low GCSE attainment levels and the levels of child poverty (income deprivation affecting children) found in those areas. The analysis shows a good correlation<sup>14</sup> between the two data sets, suggesting that low income and poor educational attainment are closely related.

**Figure 44: Correlation between income deprivation and GCSE scores across super output areas in Warwickshire (2006)**



Source: Warwickshire Observatory

<sup>11</sup> Source: Guardian, 28<sup>th</sup> February 2006

<sup>12</sup> Equally, a schools performance in terms of league table position is more influenced by the class background of its pupils, rather than its teachers or the way it is run.

<sup>13</sup> "Millennium Cohort Study: Second Survey", Centre for Longitudinal Studies, June 2007

<sup>14</sup> The correlation coefficient for this data is -0.67 (where -1 equals a perfect negative correlation and 0 means that there is no relationship at all between the two data sets)

There is also evidence that childhood poverty can affect later labour market outcomes. Young people in low income households at age 16 are more likely to be unemployed in their early 20's than young people from higher income households and those that are in work are disproportionately observed at the lower end of the earnings distribution. At age 26, young adults in the 1970 British Cohort Survey experience an earnings penalty of 9% if they were brought up in a household with an income below half the average (after controlling for educational attainment). [Source: "From Childhood Poverty to Labour Market Disadvantage", Mcknight, A., LSE]

A study by the Joseph Rowntree Foundation<sup>15</sup> also confirmed this, finding that "those with disadvantaged or "delinquent" [i.e. had been with the police or had played truant at school] backgrounds fare badly in terms of earnings and employment chances as young adults, even at the age of 33".

### **Health**

There is anecdotal evidence of the link between employment and improved health. This is a subject that requires further research for the full LEA.

### **Crime & Social cohesion**

There is also some anecdotal evidence of links between areas with high (or increasing) unemployment / reduced employment opportunities and increase in crime, particularly anti-social behaviour. The links with social cohesion more generally have not been considered significantly in the past, and both are areas worthy of greater research and exploration in preparation for the full LEA.

#### **Areas for further research:**

- Population churn in areas of high unemployment / worklessness
- Developing and applying typologies of deprived neighbourhoods concept
- Role of housing in unemployment / worklessness – potential "sorting effect" of the (social?) housing market
- Links between affordable transport options and areas with high unemployment/worklessness
- Improved understanding of travel to work patterns by occupation
- Evaluation into previous employment support programmes in Warwickshire and elsewhere
- Links between employment and health, crime and social cohesion
- Skill needs / shortages (National Employers Skills Survey? Private sector consultation?)
- Future scenarios / forecasts – skill requirements, impacts on employment/unemployment and areas of Warwickshire
- Links between housing, earnings, skills and productivity

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<sup>15</sup> "Child Poverty and its consequences", Joseph Rowntree Foundation, March 1999 (ref: 389)

## **Conclusions:**

Warwickshire has a high employment rate, but the proportion of the whole population that is of working age is lower than average. Moreover, population forecasts suggest that while the county's overall population is expected to grow strongly, the proportion that are of working age will continue to fall – increasing the dependency ratio, which will create significant economic opportunities and challenges in the future.

The county has a higher than average proportion of people employed in higher level occupations, but an analysis of workplace occupations would suggest significant out-commuting by this group (which could account for lower than average productivity levels highlighted in Section 2 above).

While Warwickshire has below average levels of people claiming out-of-work benefits and unemployment rates, there are parts of the county that have high and entrenched levels of worklessness. Moreover, the analysis shows that the gaps between the best and worst areas in the county have increased in recent years, suggesting that support available has not helped those in the most deprived areas.

Research into the make-up of out of work benefits highlights the high levels of people claiming Incapacity Benefit in the county, the large majority of whom have health related issues. The links, therefore, between the health sector and employment support programmes is critical and an area that requires further research.

Overall, Warwickshire performs well with respect to indicators on qualification attainment levels, but Nuneaton & Bedworth underperforms on higher levels skills, and North Warwickshire underperforms on Level 2 qualifications. Given the links between skills and employment, and the forecast changes in occupation structure and business demand in the future, this places these areas in a more vulnerable position.

Qualification levels have clear links to employment and earnings, and therefore employment and skills are critical to issues surrounding poverty – particularly child poverty. Low income and socio-economic circumstances also strongly affect life chances, with clear evidence to show that children in families with low skills and low incomes are less likely to achieve good qualifications themselves, leading to a vicious cycle.

Employment, skills and deprivation also have wider social impacts on health, crime and social cohesion more generally which is worthy of greater research.