

**Economic and Employment Issues affecting North Warwickshire.
Summary from the Coventry and Warwickshire Economic Assessment.**

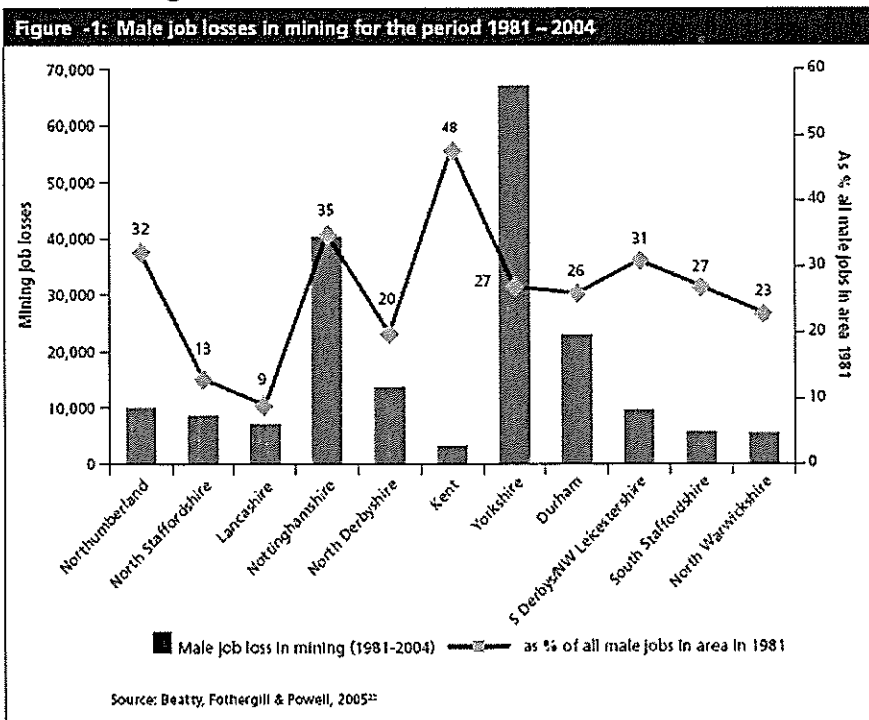
1.0 An overview to North Warwickshire

1.1 North Warwickshire is generally rural in nature, with a population of 62,000 (approx) and is predominantly rural in character with three market towns and 25,600 residential properties. It covers an area of 28,505 hectares and is served by 380 kilometres of rural roads and 192 kilometres of urban streets and roads that include strategic routes such as A5, A38, A446, A4091, A51, A4097, A45 and A452. The Borough is excellently located at the centre of England, with direct access to motorways and the wider strategic road network, good quality rail access with rapid transport links to Coventry, Birmingham and London.

1.2 It is located on the edge of the West Midlands region, and borders the East Midlands region with close relationships with Tamworth, Nuneaton and Bedworth and Hinckley. The southern part of the Borough has similar relationships and links to Coventry and Solihull/Birmingham. Work undertaken by Warwickshire Observatory also identified that the northern part of North Warwickshire has stronger connections in terms of commuting flows, housing markets, retail and leisure activities with the wider Birmingham sub-region. The western side of the Borough acts as a gateway to both the NEC and Birmingham International Airport.

2.0 Local Factors

2.1 The area has a long and significant economic history, which has had an impact on the current performance of the local economy. The Warwickshire Coal Field cuts across the Borough, flowing from Atherstone to Nuneaton and into north Coventry before sinking deeply underground. This led to coal mining and associated industries growing rapidly in during the Industrial Revolution but , following the decline of the industry, left the Borough with a legacy of old mining sites and settlements with localised unemployment, economic and social issues. Over the period 1981 to 2004 Job losses in the industry accounted for approximately a quarter or more of all male jobs in the North Warwickshire coalfields area. See fig 1 below;



Specialised manufacturing (hats) also once flourished in Atherstone but has now also declined leaving a legacy of industrial buildings, some of which have been redeveloped or re-used, others still derelict.

2.2 A study by Beatty, Fothergill and Powell (2005) showed that, of the jobs lost in coalfield areas over the period 1981–2004, approximately 60 per cent have been replaced by jobs in other industries and services. Although this growth was not fast enough to offset the loss of mining employment (and particularly male employment) in the former coalfield areas as a whole, in some areas including North Warwickshire total employment increased over the period 1984-97.

2.3 Due to the good road links to the motorway network, industry and warehousing facilities have expanded over recent years, such as; Gorsey Lane and Station Road Industrial Estates at Coleshill, The Channel Tunnel Rail Freight Terminal, BMW engine plant, Sainsbury's, Bird's Eye Walls, Chubb and Exel Logistics at the National Manufacturing and Distribution Centre at Hams Hall, near Coleshill. Using the regeneration opportunities made available by the presence of brownfield ex-mining sites not far from Junction 10 of the M42, the 400 acre Birch Coppice Business Park and Kingsbury Link logistics sites were developed. Further along the A5 at Atherstone are the industrial parks at Holly Lane and Carlyon Road, headquarters to Aldi, TNT, BHS and 3M.

2.4 Nevertheless, despite these changes the industrial legacy is still clearly apparent in the strong variation in economic performance across the whole Coventry and Warwickshire sub-region.

3.0 Current Economic Performance

3.1 The overall wealth and prosperity of local areas can be compared by dividing estimates of the total economic output of an area by the number of residents living there (known as GVA per head of population). On this measure, North Warwickshire performs reasonably well, falling within the top third of areas nationally and 2nd sub-regionally. It should be noted that GVA data for the sub-region is only available up to 2008, and so does not yet include the impact of the recession.

3.2 This overall performance does hide individual pockets of deprivation which spatially very much reflect the location and legacy of decline in the traditional industries, concentrated in those wards. The Borough also performs poorly when compared with the local authority districts to the south of the sub-region, highlighting a north/south divide across the sub-region.

3.3 A composite index of overall economic competitiveness of all local authority districts, undertaken by the Centre for International Competitiveness, further confirms this significant variation (see Table A).

Table A: Sub-regional ranking in the UK Competitiveness Index 2010

Area	Position (out of 379)	Quintile (1st=best, 5th=worst)
Coventry	228	4th
North Warwickshire	119	2nd
Nuneaton & Bedworth	317	5th
Rugby	94	2nd
Stratford-on- Avon	52	1st
Warwick	46	1st

(Courtesy of Coventry-Warwickshire LEA)

3.4 The Coventry & Warwickshire Economic Assessment explored a number of potential causes and drivers of this sub-regional variation, but the underlying reason is the industrial legacy of these poorer performing areas, which is manifested in three key ways:

1) Economic structure & clustering:

Clustering is the effect where similar or related businesses concentrate within a particular geographic area because there are productivity gains to be achieved by being close together through supply chain links, improved access to appropriately skilled labour & lower recruitment costs. Clustering is often regarded to be a positive but can also have a potential negative effect by maintaining a presence in the “wrong” type of businesses, locking out other types of business from that area or discouraging high value industries them from locating in an area with a concentration of lower value industries, this is likely to attract similar businesses which demand a similar workforce. Although this can help sustain the existing business base it can limit attempts at diversification and the development of new economic pathways.

North Warwickshire Borough has generally avoided the negative impact of clustering through significant new investment. The development of two large and successful employment sites – Birch Coppice and Hams Hall – has driven significant new business and employment growth (particularly around the transport and logistics sector) and substantially increased overall economic output. However, the flexible delivery of industrial and commercial uses on these sites has avoided a purely logistic focussed development approach, including some manufacturing (as noted above), although the Boroughs accessible, central location does bring pressure on available sites from Logistics based service industries. Nevertheless, the benefits and attractiveness to the logistics sector of North Warwickshire’s central location and accessibility is acknowledged.

2) Unemployment, worklessness and deprivation: There are significant concentrations of people out of work in the more deprived parts of North Warwickshire, generally found in the neighbourhoods and communities that were

based around, or strongly linked to, the mining and large scale manufacturing industries of the past.

In particular, the mechanics of the housing market – both in terms of the provision and availability of social housing (which are higher in these areas than the average) and the generally lower cost of housing in these neighbourhoods – helps concentrate unemployed, low skilled and low paid individuals into certain areas, which can accentuate the issues and problems of deprivation.

Evidence suggests that the most deprived areas of the Borough have not been improving, and that there is a steady concentration of our more vulnerable residents (who often face multiple barriers to employment) into these neighbourhoods. This will continue to limit the economic growth potential of these areas, and make it harder to attract the businesses and investment that could help drive these areas (and residents) onto a new economic path.

3) Role & function of different areas and commuting patterns:

The Coventry-Warwickshire LEA (C&WLEA) notes that while North Warwickshire has been successful in generating a large number of new employment opportunities over the past 10 years, these have largely been filled by people from outside of the area – and largely outside the sub-region (the biggest flows are from Birmingham to the west, and Staffordshire to the north). While this has helped increase overall economic output, the residents of North Warwickshire have not necessarily benefited, and the broad competitiveness of the area remains fairly low (see Table A).

3.5 The C&WLEA notes that the aggregate effect of this significant variation of economic performance is that the sub regional economy as a whole under-performs relative to the national average. While the weaker parts of the sub-regional economy clearly limit overall economic performance, analysis in this LEA highlights that weak productivity is a common issue across the whole sub-region –

3.6 The main contributory factors of this lower than average productivity has been found to be:

- Lack of growing businesses within the sub-region. Potential under-representation of “high-growth” businesses, which have been shown to drive employment and productivity growth.
- Signs that the sub-region could do more to better exploit its innovation assets by improving the diffusion and enhancing spill-over effects of innovative activity across the whole economy.
- The likely impact of negative clustering, as a result of historic path dependencies in the northern parts of the sub-region helping sustain lower value economic activity.
- Relatively poor transport connectivity along the north-south corridor.
- Lack of higher level skills in the northern part of the sub-region, which may be constraining productive capacity – probably caused by a relative lack of appropriate housing and higher level employment opportunities.
- While the sub-region has reasonable presence in higher value, knowledge intensive businesses and sectors, these have not been growing at the same rate as the rest of national economy.

4.0 Economic performance, Comparison with the sub-region

4.1 Two-thirds of sub-regional economic output comes from Warwickshire, and one-third from Coventry. Over the time period where data is available (1995-2008), total GVA has increased by 86.5%. This compares to growth of 99.1% for England as a whole,

suggesting that the sub-regional economy as a whole is underperforming relative to the national economy. However, this overall sub-regional figure does mask some significant variation particularly in northern Borough's such as North Warwickshire

4.2 Although North Warwickshire saw significant investment in the two large employment sites (Hams Hall and Birch Coppice) over the past 10 years, which has led to strong growth – particularly in the transport & distribution sector, it has been affected in recent years by a loss of a number of significant local manufacturing or service businesses, including Avondale Caravans, CommaTech Holdings, Heuden Plant Hire and ONS Gears in Atherstone, InalfaUK at Kingsbury Link and Silver Knight in Arley.

4.3 Significant rises in those applying for jobseekers allowance were noted during the periods affected by these closures, particularly 2008/9. Some sites noted above still remain vacant in 201. There appears to be limited market interest in their purchase/redevelopment in their current use and form and these sites may provide the opportunity for considering/accommodating broader types of employment uses or services. This will have the benefit of widening employment choice, opportunities and could address other issues affecting the borough such as the need to accommodate services addressing the health and social care needs of an ageing population.

4.4 An analysis of annual growth rates of GVA by the CWLEA for the wider sub-region over the period (1996-2008) highlights the decline in economic performance and forthcoming impact of the recession, as growth rates across the board fall significantly.

4.5 Comparing levels of wealth and prosperity in local economies, using GVA per head of population (i.e. total GVA divided by the number of people living in that area) have also been estimated for each of districts of Warwickshire by the Centre of International Competitiveness. The table below presents the estimated GVA per head for each area for 2007, and their rank when compared to all 379 localities within the whole of the UK. North Warwickshire performs well compared with the sub-region Districts and in the top 20% of all local areas in the UK. See Table B below;

Table B

Local Area	GVA Per head (2007)	Rank (out of 379)
Coventry	£18,848	139
North Warwickshire	£23,633	60
Nuneaton & Bedworth	£13,282	306
Rugby	£18,878	136
Stratford-on-Avon	£20,256	110
Warwick	£24,126	54
Warwickshire	£19,963	n/a

4.6 To understand these figures, the C&WLEA looked in more detail at the four main four explanatory factors that can affect local variation in GVA per head:

● **Productivity**

– a measure of how efficiently and effectively goods and services are produced, usually per unit of labour.

● **Employment rate**

– the proportion of people of working age in an area that are in employment.

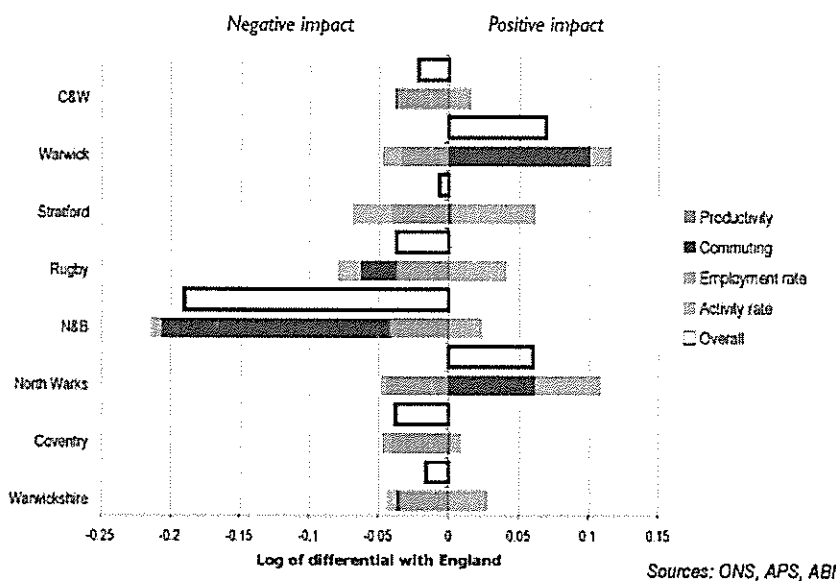
● **Commuting –**

– 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 resident based labour force. Areas that experience strong levels of in-commuting will naturally have higher levels of GVA per head.

● **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 population have a lower participation rate, which depresses levels of economic output. See Figure 2;

Figure 2: Explaining variation in local GVA per head (2007)



4.7 From this analysis, you can see that the two areas in the sub-region that have higher than England average GVA per head (Warwick and North Warwickshire) both benefit from significant in-commuting, which pushes up their local rates. North Warwickshire benefits from in-commuting from Birmingham, Tamworth and Nuneaton.

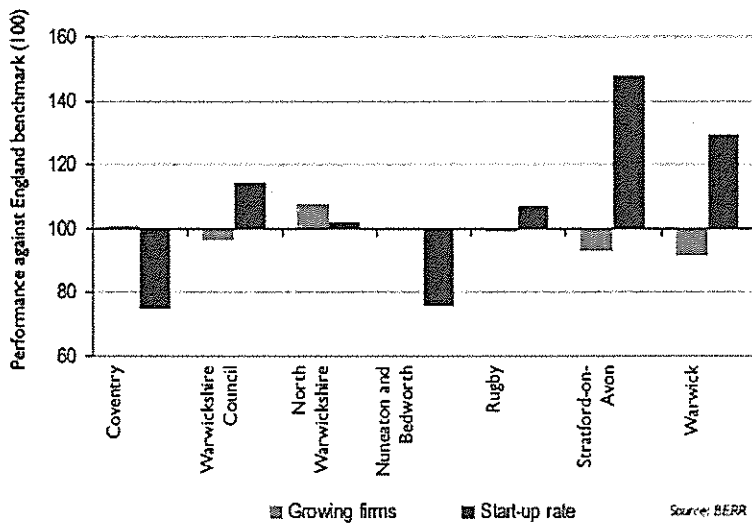
5.0 Business Growth and Start Up

5.1 Between 1998-2008, the total stock of businesses in the sub-region has increased by 26%, while the England average is just 19%. However, North Warwickshire growth was marginal. Growth/performance of these businesses has been slightly better however the Borough again performs poorly when compared with the south of the sub-region.

This slow growth is supported by data on performance outputs from Business Link West Midlands. In 2007/08 Business Link note only 2 Business start ups (with Business Link assistance), in Arley and Coleshill North wards.

Figure 3 below compares new business start-up rates with the proportion of businesses experiencing employment growth.

Figure 3: Average start-up and business growth rates, 1998-2008 (Indexed to England (100))



5.2 Lack of growth in the business base has constrained total employment growth. The sub-regional increase in employment over the period 1998-2008 was just 7% compared to an England average of 9.1%. This suggests that economic growth in the sub-region in the past ten years has been driven by an increasing number of smaller businesses. While this increases total economic output (more business activity means more total GVA), it does not really increase productivity (GVA per employee).

5.3 National research has shown that just 6% of all businesses are identified as being “high-growth”, and these have accounted for more than 50% of all employment growth in the economy. These high-growth businesses can be found in all types of sectors, but are generally more than five years old and are typically larger businesses. Investment by such businesses in North Warwickshire has been focussed primarily at Hams Hall and Birch Coppice, with the new OCADO On-line Retail development set to deliver further growth in the future. As the CWLEA notes the sub-region is underrepresented in terms of these high-growth businesses, and would benefit from increased attention and support given to them.

6.0 Levels of Vacancies in Existing Employment Estates.

The picture across the Borough also varies and to a greater or lesser extent mirrors to Historic industrial Legacy already mentioned. A large number, though not all, of the Boroughs’ employment estates (identified and/or allocated for employment uses in the Local Plan) reflect the location of ex-mining and manufacturing uses. To the south of the Borough the location of Hams Hall and Gorsey Lane in Coleshill reflect previous energy utilities uses and their rail supply areas (Coal/Gas electricity generation).

The Borough has undertaken an assessment of current vacancies (2011) within these estates, with some comparison available from earlier assessments undertaken in 2008. The following table indicates the disparity that exists even within the Borough boundaries;

7.0 Investment:

7.1 Physical investment in land and premises is also a stronger driver of economic and productivity growth. The strong growth of North Warwickshire’s economy over the past ten years (business stock increased by 23%, employment increased by 25%) and the second highest GVA per head rates in the sub-region can largely be attributed to the development

of the two large employment sites in the Borough – Birch Coppice and Hams Hall (the latter of which includes BMW's engine plant, the company's sole manufacturing location for the production of four-cylinder petrol engines for both BMW and MINI).

8.0 Innovation:

8.1 The role and importance of innovation in driving economic growth has been long recognised, driving improvements to productivity, increasing competitive advantage, and creating new market opportunities. The CWLEA looked in more detail at local innovation systems and their presence within the sub-region. It is clear from the information available that there are few if any "Innovation Assets" in North Warwickshire, the nearest identified being at MIRA on the A5 at Hinckley.

8.2 The role of cultural and creative industries in helping drive innovative activity has also been noted in research literature on the subject, and while the sub-region has a reasonably strong presence in this sector, more could perhaps be done to develop this area of the economy and improve links between these creative businesses and the wider economy.

8.3 The south of the sub region is seen to perform much better in this area. There is clearly the need to promote better linkages and opportunities to these assets, through business and university/college collaborations to avoid North Warwickshire losing out in the opportunities both for improving employment skill bases and encouraging high quality industries/businesses.

9.0 Challenges and Opportunities

9.1 As the economy moves forward, emerging from the recession, the Borough and the sub-region faces a number of challenges and opportunities. The historical legacy in North Warwickshire, compared with the more modern and diversified economy in the south, has clearly help lead to significant variation in growth patterns and overall economic performance and which still needs to be addressed. Indeed, forecasts for future population, employment and economic growth continue to point to a stronger performance in the south, and weaker in the north.

9.2 An analysis of economic resilience undertaken for the CWLEA REPORT, which looks at measures of adaptability and vulnerability, highlights the fragility of North Warwickshire. With an ageing population, increased pressures on land availability (and hence prices) in the more prosperous areas, and continued globalisation and increased competition, all create risks to growth in the future.

9.3 Opportunities also exist to exploit the inevitable transition to the low carbon economy in the sub-region. Recent research has suggested that the sub-region generally, and Coventry particularly, has a strong presence in "low carbon opportunities" sectors. The renaissance of the manufacturing sector within the sub-region provides a real platform for strong future economic growth. However, this is not guaranteed, and local partners operating through the new Local Enterprise Partnerships will need to help create the conditions for this growth; and effectively address the weaknesses, such as the north/south transport links, creating links and partnerships with the innovation centres. The more rural character of North Warwickshire also provides more opportunities to deliver low carbon energy solutions, both small and large scale that may not be deliverable or viable in the more urban parts of the sub-region.

10.0 Transport Connectivity:

10.1 While the Borough and sub-region has good external transport links, based on its location on the strategic transport network (links to the M40, M42, M6, M1; West Coast mainline; Birmingham International Airport); the level of connectivity could be improved – particularly along the north-south corridor. The CWLEA notes there are poor transport links between North Warwickshire and the south (Warwick and Stratford districts), despite the clear functional economic geography that exists. This increases costs to business, and may well be limiting business co-operation and positive “clustering” effects that seem to be operation within the wider city region area, reinforcing the “north-south” divide.

11.0 Skilled workforce:

11.1 A skilled workforce can clearly improve the productive capacity of individual businesses and the local economy as a whole. Similarly lack of skills and educational attainment will limit the potential for job seekers to access the employment opportunities available, particularly where the accessibility of an area such as North Warwickshire enables easy inward commuting from large surrounding urban areas.

11.2 To assess skill levels a proxy measure that is often used are the levels of educational qualifications within the local population. If we look at the proportion of the population that has at least a degree or equivalent qualification (termed a Level 4 or above qualification) North Warwickshire suffers from lower levels of educational attainment when compared with the sub-regional and national average. North Warwickshire (24.3%) compared to the England average of 32% (2009 data) and Coventry & Warwickshire sub-region with 31.3% of the population with a Level 4 or higher qualification. The variation again highlights the north/south variation in economic performance.

12.0 Key Factors to Lower Growth

12.1 From the CWLEA analysis it can be surmised that the key contributory factors to North Warwickshire lower growth are:

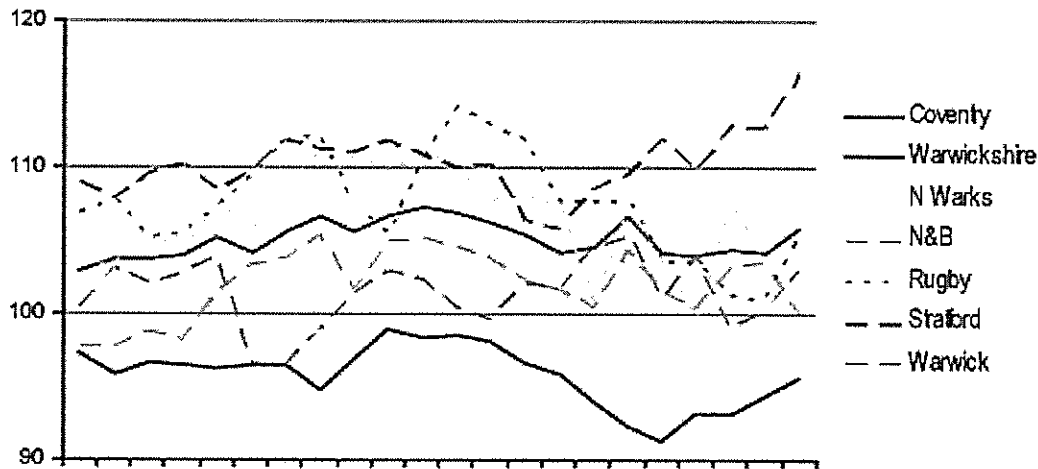
- o Lack of growing businesses, and particularly in those areas that have seen the strongest new business start-up rates. Potential under representation of “high-growth” businesses, which have been shown to drive employment and productivity growth.
- o The lack of and poor access links to innovation assets identified in the sub-region. This discourages diffusion of innovative activity across the whole economy.
- o Relatively poor transport connectivity along the north-south corridor, which may limit the effective density of the city-region and reduce clustering/agglomeration effects.
- o Lack of higher level skills which may be constraining productive capacity and employment opportunities locally
- o the lack of higher value, knowledge intensive businesses and sectors, compared with the national and sub-regional picture.

13.0 Population and Employment Issues

13.1 It is estimated that in 2009, there were just under 850,000 people living in the sub-region. Whilst overall, the population of Coventry & Warwickshire has grown close to the England average (growth of 5.3% since 1999 compared to the national average of 5.6%), the south of the sub-region (Warwick and Stratford Districts) have seen significantly faster growth (10.6% combined). North Warwickshire, however, has seen very muted growth population (2.4% combined).

13.2 Nearly three-quarters of working age residents in the county (74.7%) were in employment in the year to March 2010, compared to just over two-thirds (67.4%) in Coventry. Over the past ten years (including the recession), the county and North Warwickshire Borough have generally seen higher than average employment rates with a slight upward trend, see Figure 4 below. There have, nevertheless, been some localised impacts in North Warwickshire following loss of particular employers/manufacturing sectors (see above).

Figure 4: Employment rate in Coventry & Warwickshire over time



Source: APS

Additional section on historical legacy areas in some wards continuing to buck this trend

13.3 As is the case across the region, employment has been negatively impacted by the recession. Indeed, 1,400 jobs were lost in North Warwickshire between 2006 and 2009. Despite this, **resident employment** is projected to increase too marginally above 2006 levels by 2026, with growth beginning to take off slowly in 2011. Work undertaken by SQW Consulting and CE for the WMRA modelled three growth scenarios, known as 'Baseline' (GVA growth slower than UK average), 'Convergence' (GVA growth rate catches up with UK average) and 'Austerity' (reduction in public sector employment and growth).

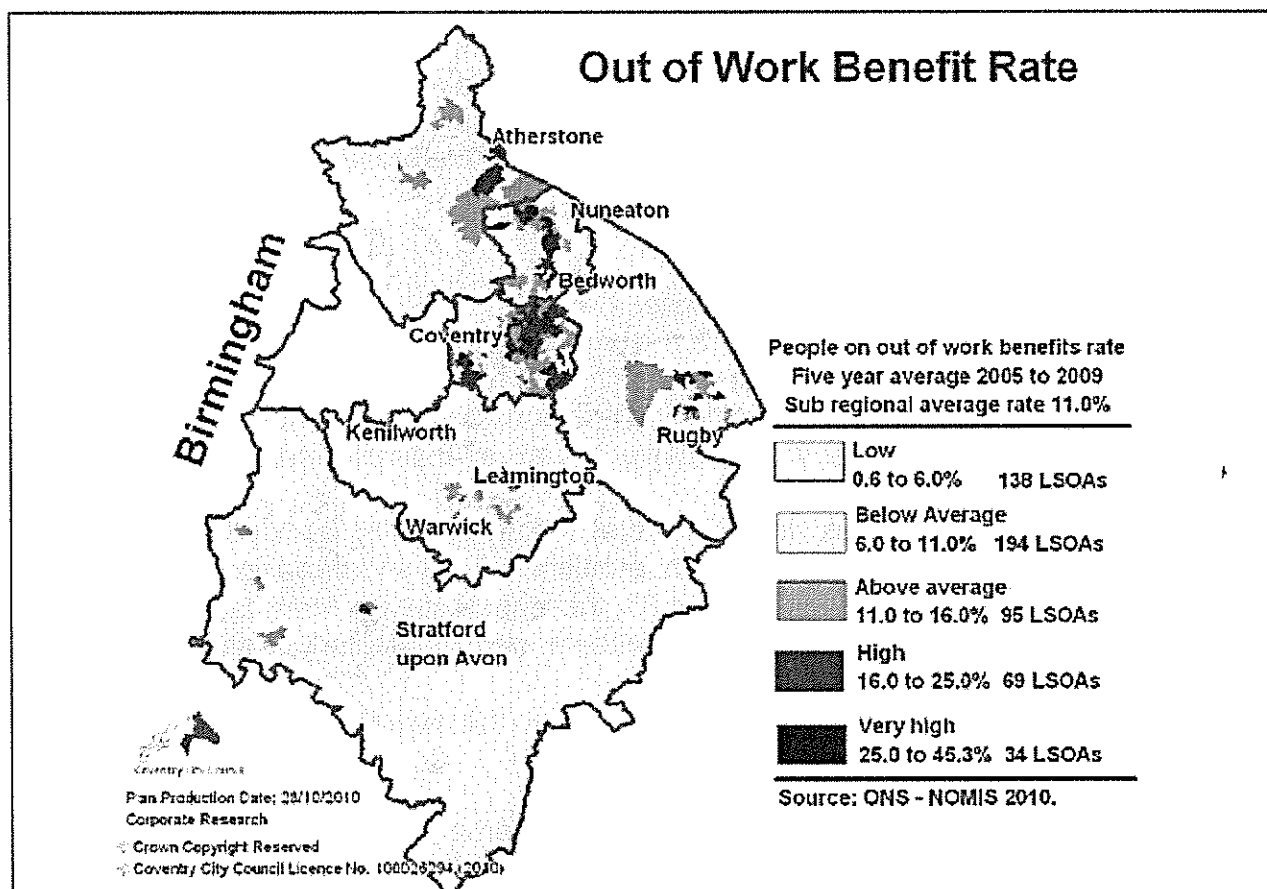
13.4 Under the convergence scenario, it is thought that resident employment will reach 34,560 by 2026 – an increase of 1,800 employment positions from 2006. However, under the Austerity scenario employment is projected to grow by just 700 posts to 33,200 in 2026.

13.5 Nevertheless, the number of **workplace-based** jobs in the Borough will expand to 42,190 in 2026, a projected increase of some 2,900 jobs. It is projected that the main employment losses will be in the manufacturing and mining/quarrying sectors whereas employment will increase in the transport and communications and construction sectors. North Warwickshire is therefore seen as an important regional employment location. Significant numbers of the working population are projected to continue to commute into and outside of the area for work, suggesting North Warwickshire's continued popularity as a residential location.

14.0 Worklessness and economic deprivation

14.1 The term “worklessness” has been coined to cover the group of people who are on a wider range of out-of-work benefits than just unemployment benefit (Jobseekers Allowance). Worklessness includes Jobseekers Allowance, along with Incapacity Benefit, Lone Parents Allowance and “other income related benefits”. In February 2010, 11.9% of the working age population in the whole sub-region were classified as workless, with Coventry with a higher rate (15.5%) and Warwickshire a lower one (9.7%). These compare to the England average of 12.5%.

14.1 Within Warwickshire, there is significant variation across the districts and boroughs. Moreover, one can see in the map below, there are particular localised concentrations of worklessness (highlighted in red) in particular neighbourhoods – particularly, but not exclusively, in the urban centres of the sub-region. . The areas most affected in North Warwickshire reflect those wards most affected by the historical legacy of declining mining and traditional manufacturing industries. Half of those who are workless have health problems and are claiming Incapacity Benefit/Employment Support Allowance, while just less than one-third are unemployed and claiming Jobseekers Allowance.



14.1 While worklessness rates will inevitably rise and fall over time depending on overall economic conditions, it is interesting to note that the areas with the highest levels of worklessness have remained the worst performing areas in the sub region over a sustained period from February 2000 to February 2010. In North Warwickshire this includes Atherstone Central Ward with little change to the overall workless rates over this ten year period.

14.1 There is also some evidence that these most economically deprived areas of the sub-region have actually been getting steadily worse over time. The Economic Deprivation

Index (CLG, 2009) looks at income and employment deprivation (as measured by the take-up of various benefits) at the neighbourhood level, known as Lower Super Output Areas [LSOAs] over the period 1999-2005. This was a period of sustained economic growth, during which output (GVA) in the sub-region increased by 24% and the total number of jobs in the area increased by over 11,000.

14.5 In 1999, the sub-region had 29 (5.5%) of its LSOAs in the 10% most economically deprived in the country. By 2005, this had increased to 37 (7%) including the one in North Warwickshire. It is notable that the south of the sub region includes no neighbourhoods in either the 10% or 20% most deprived. It is therefore clear that not all areas have benefited equally from the recent economic growth of the sub-region and, of particular concern, some of our most deprived and disadvantaged areas have not seen any significant improvements (and in some cases have got worse).

14.6 Some local research undertaken for Warwickshire suggests that the concentration of low level occupations (i.e. process, plant and machinery operators) and the absence of higher level skills were key common characteristics of areas with high and sustained levels of worklessness – interesting more so than the presence of low or no skills. This suggests that training programmes for those out of work should perhaps focus on progression towards higher level occupations, rather than stopping at the attainment of, say, a Level 2 (GCSE or equivalent) qualification. However, the fact remains that those individuals with the fewest qualifications are more likely to be out of work, and more likely to reside in the sub-region's and Borough's most deprived areas such as Atherstone Central.

15.0 Business viewpoints

15.1 To try and understand local businesses needs and experiences the CWLEA summarised views of local businesses from across the sub-region based on available surveys and observations. The quarterly economic survey from the C&W Chamber QES findings (July 2010) highlighted the following findings considered relevant to NWBC;

- A third of respondents (32.1%) perceive a lack of business support in northern Warwickshire.
- A great many businesses identified the following skills as needed by their employees – customer care, motivation, problem solving and flexibility.
- 39.4% of service sector firms and 44.8% of manufacturing firms faced concerns around difficulties in recruiting the right calibre staff (particularly recruiting for jobs requiring higher skill levels).
- 18% of respondents expressed concern about the social facilities available for businesses

15.2 The perceived lack of business support in the local area picked up in the most recent Quarterly Economic Survey (QES) is notable. It raises issues locally as to how local businesses, especially micro and SME businesses, can access support when they need it. This is of particular concern in view of the actual and perceived “north-south” divide and the lack of accessibility and links with innovation assets and high growth business sectors.

15.3 Finally, local businesses across C&W (18%) expressed concern over the social facilities for business. Increasingly meeting places play an important role in business as less formal contacts allow business networks to develop. Areas with good social facilities are areas where it is easier to attract staff.

16.0 Barriers to Growth

16.1 The National Employers Skills Survey 2009 (NESS 09) identifies a number of common barriers to business growth. The NESS 09 states that gaps in managerial skills clearly have an impact on business growth. The report also identifies at a national level that there is a strong link between the size of an employer and the likelihood of undertaking business planning or training planning that will help with business growth (over 80% of businesses with over 100 employees likely to undertake this activity compared to much less in businesses with only 25 employees or less).

16.2 Views from the Strategic Business Support Project operating across Coventry & Warwickshire suggest that access to finance remains a key issue for local businesses. Not just in terms of physical availability of finance, which has been affected due to the lack of availability of business credit due to the recession, but the managerial skills to access finance to help support business growth and navigate the red-tape which comes with it.

16.3 There has been local experience of this situation in north Warwickshire where small to medium sized business developments, in rural but accessible locations have struggled to obtain the financial support necessary to deliver a project despite planning support. The result has been a reduction in the scale of business/employment development envisaged and incorporation of other more "lucrative" uses such as housing to help cross subsidize the proposal.

17.0 Demand for Skills

17.1 The 2009 NESS also provides information from employers on recruitment and skills issues at the local level. Businesses in Warwickshire seem to have more difficulties around finding suitably qualified labour, with 11% of vacancies due to skill-shortages. The main skills lacking in relation to skill-shortage vacancies are overwhelmingly technical skills in relation to the particular business.

17.2 Behind these, employers highlight difficulties around "softer" employability skills of customer handling, communication skills, team working, and problem solving. Some 22% of businesses in Coventry, and 20% in Warwickshire, also state that they have skills gaps within their existing workforce – which is similar to the national average (19%). Again, the key concern is a lack of technical skills, which is largely attributed to a lack of previous work experience and limited workforce development.

17.3 The Chamber quarterly economic survey (QES) 2010 also found that a shortage of workforce skills is a continuing problem across the area. In the latest QES for July 2010, 39.4% of service sector firms and 44.8% of manufacturing concerns faced difficulties in recruiting the right calibre staff. The main area of difficulty reported was recruiting for jobs requiring higher level skills.

17.4 Additionally, more firms in both sectors found that their employees now needed skills in customer care, motivation and problem solving, along with an increase in the need for employees to be generally more flexible in their approach to work. This trend has increased over the last decade and mirrors changes in the overall economy.

17.5 In a study undertaken by the Local Enterprise Growth Initiative (LEGI) funded Business Relationship Managers, skills and recruitment issues consistently headed the list of 'barriers to growth' raised by strategically important investing companies (64 out of 156).

18.0 Future Issues & Challenges

18.1 Population growth: projections for population growth based on recent historic trends suggest that the sub-region's population will grow from 843,700 in 2008 to 1,003,600 in 2033 (growth of 19%). This is above the projected national population growth rate of 18%. However, North Warwickshire's population is projected to grow slowest, at just +7.9%.

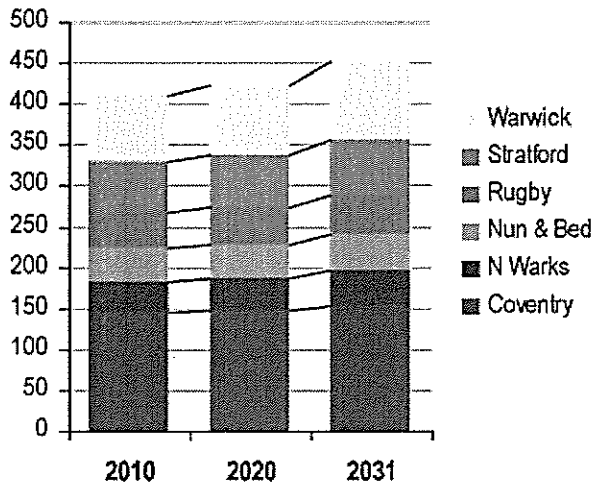
18.2 North Warwickshire is also set to see a much faster ageing population with a net decline in those aged under 29). An ageing population – particularly in those groups above working age – increases the dependency on younger workers, and the general need for more people of working age to fill the jobs that have either been left by the ageing population, or to provide the services that this population will demand and require.

18.3 The sub region does have a young conurbation at its centre, Coventry, which can help provide the supply of the labour required. The challenge will be ensuring that we can enable those younger workers to access these employment opportunities – either through suitable housing or by good transport connectivity. It should also be noted that an ageing population (with generally higher disposable incomes than in the past) creates new economic opportunities to exploit. The potential to address or exploit this situation is being hampered by the latest (2011) reductions in public transport services and low levels of affordable housing delivery in North Warwickshire.

18.4 A Local accessibility Assessment to Employment in North Warwickshire also highlighted this particular difficulty within the borough itself. The Assessment noted that the area south of Atherstone has particularly poor access to employment support sites and Job Centre/Support sites. This area features in the top 20% of JSA Claimants. The poor access to major employment sites such as Birch Coppice, Hams Hall within the Borough and others outside such as Prologis at Coventry were also noted, particularly in relation to the 24hr shift patterns operating in businesses at these locations. Alternative transport initiatives will need to continue to address this issue and on a wider sub-regional base in the future if the increasingly ageing population locally reduces the available market/availability of labour.

18.5 Employment growth: based on the Cambridge Econometrics' forecasting model, the total number of jobs in the sub-region is expected to grow from around 410,000 in 2010 to just over 450,000 by 2031 (growth of 9.7%). The majority of this growth will occur after 2020, as the economy recovers from the deep recession and significant cuts in public spending. Three-quarters of this employment growth is expected to be delivered in Warwickshire, with a strong emphasis on the southern districts. Nevertheless, North Warwickshire is also forecast to see strong relative growth (+12.4% between 2010-2031), although in absolute terms only a small proportion of total jobs growth (4,500 net new jobs). See Fig 5 below;

Figure 5: Forecast employment growth across the sub-region (2010-2031)



Source: SQW/Cambridge Econometrics (Jan 2010)

18.6 Employment growth in area will normally lead to an increase in demand for housing. But the limited increase in net new jobs in North Warwickshire will help reduce this pressure. It will however, maintain the pressure on inward commuting and, if skills and educational attainment do not improve, to access the employment opportunities created, potentially lead to increased out commuting as residents are forced to travel to find work. Variations in employment growth across the sub-region could therefore reinforce and strengthen spatial inequalities as prosperous areas push house prices up, while areas of weaker growth will increasingly attract lower income workers due to affordability barriers.

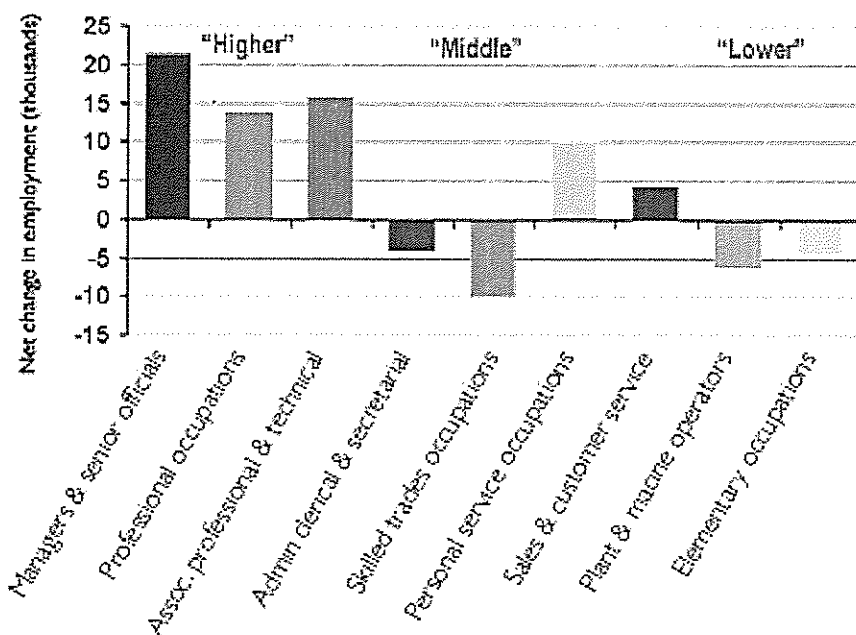
18.7 Business sectoral change: the recent past has seen a strong growth in business services, transport & storage, distribution, and the public sector. Looking forward, the Cambridge Econometric model forecasts that financial and business services will continue to grow the strongest in the sub-region, while manufacturing will continue to contract.

18.8 Distribution and transport businesses are also expected to see continued good growth, along with the construction industry. Retail will see low but steady growth over the next twenty years. Given the significant recent cuts in public spending, clearly this sector will see a contraction in the short-term, which will probably steady out in the medium-term.

However, over the next 10-20 years, the public sector is forecast to grow again in the sub-region – principally because of the demographic changes outlined above which will require a significant increase in adult social care provision. This may mean a growth in the social and health care sector in North Warwickshire, to address the long term ageing population.

A detail piece of research has been undertaken on the future sectoral growth of the economy²¹. The key conclusions of this work can be expressed in Figure 6 below.

Figure 6: Occupational growth across the sub-region (2010-2031)



Source: SQW/Cambridge Econometrics (Jan 2010)

18.9 North Warwickshire Borough is expected to see the strongest growth in higher level occupations compared to other northern Boroughs. North Warwickshire is also forecast to see the greatest reductions in lower level skills.

18.10 This pattern for net growth in higher level occupations clearly has significant implications for those residents who have low or no qualifications. Such individuals will, without additional and targeted support, face increasing difficulties in accessing the new employment opportunities being created. However, it should be noted that these forecast look just at the net change in total employment in different occupational groups. Within these groups, there will continue to be significant churn of jobs as people retire or change employer. Research undertaken by the West Midlands Regional Observatory predicted that of the 870,000 job vacancies that are expected to be available over the period 2010-2015 in the region, just 2% of these would be net new jobs. The overwhelming majority would be the result of "replacement demand" created through retirement (40%) and general churn in the labour market (58%)²². So, while the general trend is towards more higher level occupations and less lower skilled and elementary ones, there will still be significant employment opportunities that should not be overlooked.

18.11 Some wider socio-economic challenges that the sub-region will continue to face in the medium to long-term include:

- **Low carbon economy:** the future economy will inevitably be a low carbon one. Policies and legislation will increasingly seek to limit carbon emissions. Furthermore, increasing demand for oil will – sooner or later – exceed supply capacity (known as "peak oil"), which will lead to sustained and significant price increases. There is therefore the need for a pro-growth low carbon economy strategy for the future.

- **Increasing globalisation:** increased international trade and the freer flow of goods, services and businesses around the global economy will continue to impact on the sub-regional economy. We are clearly not immune or isolated to these changes, as the relatively recent closures of large scale and small scale manufacturing plants in the sub-

manufacturing. These are all areas that the sub-regional economy already has a good presence in. New Local Enterprise Partnership will need to help create the conditions for this growth; and effectively address the weaknesses, risks, and inequalities across this economic area. Opportunities such as the MIRA innovation and technology 'hub' proposal with greater linkages and partnerships with businesses and educational establishments along the A5 and north south linkages may help address the skills deficit and raise aspirations in the Borough that will deliver the higher level employment the Borough needs.

21.0 Conclusion

21.1 North Warwickshire needs to address the fragility in its economy by broadening its employment base. There is a need to encourage the high skills and high growth employment sector and take advantage of the innovation assets such as MIRA, along with the opportunities for partnership in their growth and development.

21.2 This will help improve the adaptability of the Borough and reduce its vulnerability to shocks and recessionary impacts on specific sectors such as general manufacturing and the public sector.

21.3 There is a continuing need to target improvement in skills and educational attainment in the borough. This is to ensure the current and future working population of the Borough has the ability and flexibility to take advantage of (and access) the employment opportunities generated and projected.

21.4 New economic development in the Borough should actively support further education and skills training to help deliver the skilled workforce that Businesses have noted as lacking in the Borough and a disincentive to growth.

21.5 This will also help address the inward/outward commuting cycle to the benefit of the environment and reduction in traffic congestion and time lost in travel delays.

21.6 More spatially there is a need to address the localised difficulties on certain employment/industrial estates, where significant long term vacancies are failing to deliver the local employment growth, opportunities and investment needed to weather the recession and address the issues of deprivation and worklessness in these specific wards/areas.

assessed on their rental values , which are in turn assessed on their profitability and performance that can clearly change significantly over time and by management.

20.3 Nevertheless, the outward assumption can be made that if vacancies in general as monitored through business rates/unit vacancies) are not increasing significantly and broad NNDR returns are staying constant or even increasing the local economy can be considered to be weathering the recession.

20.4 In terms of vacancies identified through NNDR Records – Schedules of Alterations - for all commercial uses over the last 12 months it can be seen in the following table that the levels of vacancies have been broadly steady, between 390 and 425 empty properties.

20.5 The largest spike in empties occurred on October 2010, which may reflect the impact of the recession gradually filtering through into commercial closures and changes. This situation appears to be slowly improving with empty properties currently in the low 390's.

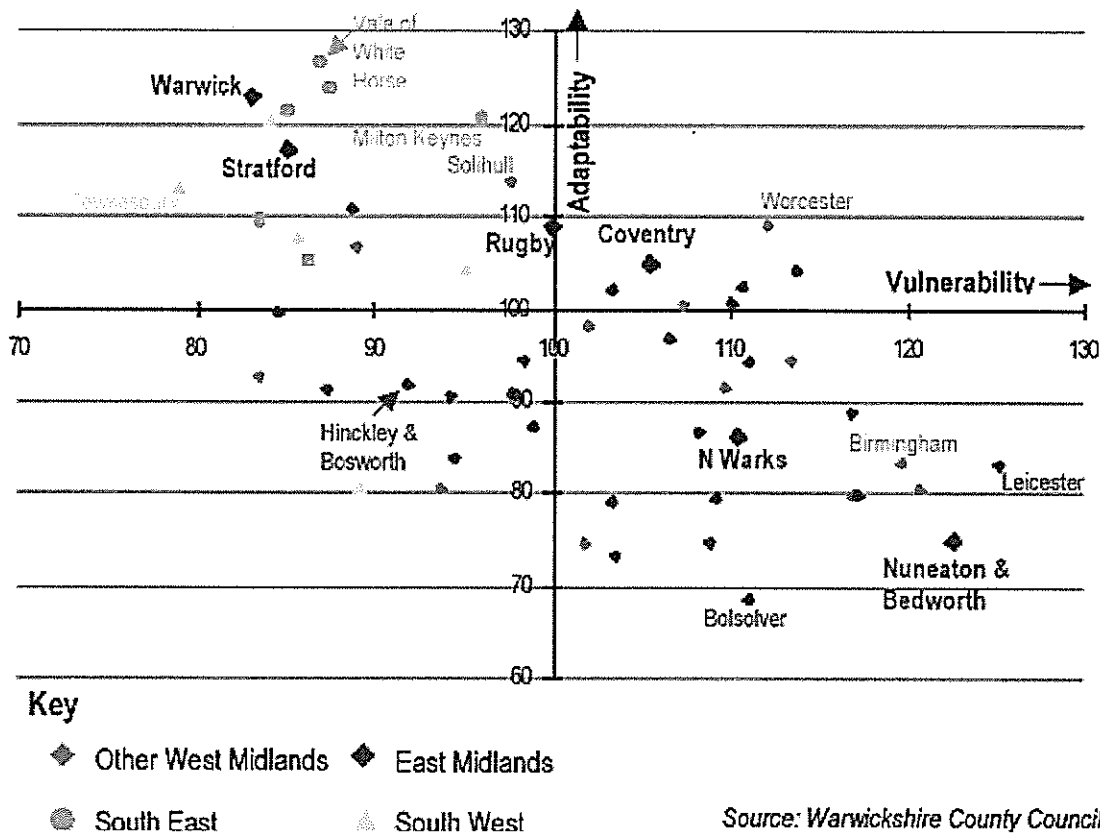
20.6 As previously noted the actual NNDR return appears to have been less affected by the changes in empty properties over that time, reflecting both reviews of property rates where increases resulted and that many of the properties/businesses affected were small to medium size businesses. The larger logistics, retail warehousing and utilities/services companies seeming to weather the recession or at least better able to cope with its impacts.

Empty Properties	Date of Schedule of Alteration to Rating List	Empty Properties	Date of Schedule of Alteration to Rating List
392	31/3/11	427	27/10/10
391	25/3/11	430	20/10/10
387	23/3/11	425	29/9/10
399	16/3/11	423	22/9/10
398	11/3/11	426	8/9/10
397	9/3/11	424	31/8/10
398	2/3/11	421	11/8/10
402	23/2/11	418	28/7/10
407	21/2/11	410	21/7/10
413	9/2/11	411	7/7/10
412	2/2/11	409	30/6/10
415	26/1/11	406	23/6/10
417	13/1/11	405	16/6/10
418	15/12/10	401	2/6/10
416	8/12/10	404	26/5/10
421	1/12/10	392	1/5/10
422	3/11/10		

Clearly the north of the sub-region including North Warwickshire, faces some significant challenges. However, there are clear opportunities for growth and regeneration.

20.7 The push to rebalance the UK economy away from financial services and back more towards a production and manufacturing based economy is likely to provide this sub-region with clear competitive advantages. Expected growth industries in the UK include research and development, high value engineering, and niche specialised and applied

Figure 7: Economic Resilience Index



19.3 The findings from this economic resilience index echo the key and reoccurring messages arising from the preceding sections. The southern parts of the sub-region have stronger local economies, are more prosperous and are more dynamic in terms of business, employment and population growth. Coventry and the northern part of the sub-region have seen much slower rates of growth are affected by the legacy of their economic past and have structural mix that lowers relative economic performance. The combination of the strong performing south and weaker north, combine to make the sub region fairly "mid-table" on measures of overall economic performance.

19.4 It also highlights the fragility and vulnerability of North Warwickshire's resilience, particularly in relation to performance comparisons with adjoining authorities. Measures to improve the Boroughs choice, adaptability and flexibility will need to be considered in order to address this vulnerability.

20.0 Other Indicators

20.1 Initial Local analysis of the impact of the recession and the vulnerability of North Warwickshire was also assessed on the basis of impact on Business rates levels. Contrary to expectations the level of business rates has stayed fairly buoyant over the last few years, including over the main recession period. This may be explained by the broad base of business and commercial uses and properties from which NNDR is derived as well as the review of rateable values of businesses following changes and expansions.

20.2 It is difficult to accurately assess a Borough's economic performance or resilience using NNDR as there are widely differing methods of assessing rateable value of different commercial uses. For instance straightforward manufacturing uses are assessed on a rateable value per sqm, whereas A3 food and drink use classes (primarily pubs) are

region and borough highlights. Over the coming years, the service sector (which has seen strong recent growth in the sub-region) is also likely to become increasingly open to greater international trade. Globalisation obviously creates both challenges and opportunities for the sub-region.

18.12 The challenge is clearly to maintain a comparative advantage over other economies in the world. Increasingly, this will need to be based on knowledge and ideas, rather than cost or the prevalence of particular natural resources, to enable businesses to access the rapidly growing, and increasingly wealthy, global economy – particularly the so-called BRIC (Brazil, Russia, India & China) countries that can provide huge market opportunities for the sub-region’s businesses

18.13 Rebalancing of the economy:

National policy is currently clearly directed at helping rebalance the economy away from the public sector and more towards private sector enterprise. In addition, there is a desire to support the growth of the manufacturing and production industries to help better counter-balance the large service sector (and particularly the reliance on financial services to the UK economy). The sub-region overall has slightly lower than average employment in the public sector, potentially making us better placed to weather this public/private sector rebalancing. Future focus must, however, be on knowledge-intensive manufacturing, research and development and after-care activities in order to maintain competitive advantage and provide a platform for export led growth. Applied manufacturing could be particularly important as the UK looks towards export growth and a more balanced economy

19.0 Overall economic resilience

19.1 The resilience of a local economy is a measure of the ability for an area to adapt and respond to changing economic circumstances and its vulnerability to those changes. To help provide a quantitative analysis the CWLEA has produced an economic resilience index for Coventry & Warwickshire. The index looks at the following key variables, comparing performance on each to the national average.

Vulnerability	Adaptability
Jobs in public sector Change in unemployment Lower level occupations Workplace earnings Number of out-of-work benefits No qualifications	New business start-up rates Higher level skills Private sector knowledge intensive employment Presence of expected high growth sectors Higher level occupations Job density

19.2 Based on the relative performance against each indicator, an overall “score” can be given to each area in terms of its vulnerability and its potential adaptability, which then can be plotted against the matrix shown in Figure 7. The analysis was undertaken for the composite areas of Coventry & Warwickshire, and set into context by comparing performance with neighbouring areas in the West Midlands, East Midlands, South East and South West regions.