

North Warwickshire economic overview summary (2017)

BUSINESS ACTIVITY

- 10.5% of Warwickshire's businesses are in North Warwickshire; lowest proportion in the county. The industry with the highest share of businesses in the borough is the Wholesale and Retail industry - 16% of all businesses. They also have an above average share of 'Professional, Scientific and Technical activities' businesses, specifically management consultancy and architectural & engineering firms.
- 10% business growth from 2014-16 - two-percentage points lower than Warwickshire's average. Business activity grew most in the 'Professional, scientific and technical activities' industry. It accounted for 1 in 5 additional businesses since 2014 (50 businesses). The construction industry has also expanded – 13% business growth, driven by the expansion of businesses in construction of residential and non-residential property.
- Currently, there are 2,775 SMEs in North Warwickshire, with a business density ratio of 44 per 1,000 population – lower than the Warwickshire average (48), but higher than the national average (39). North Warwickshire has the largest proportion of businesses that employ 250+ people in the county (20 businesses). Consequently, some of the larger businesses, such as Ocado, are under-represented in the business activity data. Smaller construction firms have the same representation as large warehousing firms.
- Just over a third of all businesses are in LEP priority sectors (38.1%), up from 33.6% in 2013. Half of this growth is from the advanced manufacturing and business & professional sectors.
- In 2015, 340 new Enterprises were born, a 6.3% increase on 2014. The growth of business start-ups in North Warwickshire is slower than the UK average (9.3%), however the number of businesses that failed in 2015 fell 15.4% from 260 to 220 on the year before, better than the rate in Warwickshire (-4.4%) and the UK (+2.1%).

EMPLOYMENT

- In the year to September 2016, the working age employment rate in North Warwickshire was 79.8%, down 0.9 percentage points on the year before but still 2.9 percentage points above the county average. The fall is despite 600 more people finding work - the working age population has increased by relatively more.
- Over the same period, 1,000 extra 16-24 year olds are in employment, up from 3,800 in 2015. The employment rate for this demographic has risen by almost half to 74.7%, much higher than the UK average (53.3%).
- The total number of employees in key sectors accounts for 31.1% of the total workforce in North Warwickshire. This has increased 23.9% in the past year, with employment in the high-skilled 'Business & Professional' sector growing 96.1%. Businesses registered as 'Activities of head offices' make up a large portion of employment in this sector.
- The borough has the second largest number of employees in the county in the automotive industry - just under 1 in 10 people employed in North Warwickshire.
- The majority of employees are in the 'Retail Trade' and 'Warehousing and support activities for transportation' industries, with these two industries employing 1 in 5 of North Warwickshire's workforce. Therefore, despite growth being the strongest in the high-skilled, LEP priority sectors, the industries with the most employment are characterised as low-skilled and are not in the LEP priority sectors.

SKILLS AND JOBS

- In 2016, the majority of North Warwickshire's workforce (30%) was employed in level 1 jobs (GCSE grades D-G). This is the highest of all districts in Warwickshire. The number of those employed in level 1 jobs has, however dropped 18.9% since 2014, in contrast to the 0.5% rise nationally. This shows a move towards more high-skilled labour in the borough and comes at the same time as the number of those employed in the area with an NVQ4+ (Bachelors degree or higher) qualification has doubled.
- Over the last year there were 96 new job listings per 1,000 working population, the lowest in the sub-region. This is despite North Warwickshire having the highest job density in sub-region (1.22) – equivalent to 1.5 times more jobs per head than the national average (0.83). Fewer vacancies in an area with a lot of jobs per head could be as a result of business growth being limited to smaller businesses, which employ fewer people. It could also represent a rigid labour market in which it is difficult to employ the right people.
- 15% of all job vacancies are in the "Business and public service associate professionals" classification of which half are Sales and Marketing professionals, which are level 3 jobs. Therefore, of the relatively few new job listings, most are in higher-skilled jobs.
- Based on the current labour market data, Microsoft Excel, Customer Service and Business Managements are the most demanded skills in North Warwickshire and TNT, the NHS and Aldi are the largest employers. Other large employers are BMW, Ocado and CEVA/VW.

PEOPLE

- Population of 62,787 in the borough, a 0.9% increase from 2012; lower growth than Warwickshire and the UK. The **working population** represents 61.82% of the total population, shrinking 2.2% since 2012; higher proportion of 16-64 year olds than the Warwickshire average, but 1.5 percentage points below the UK. The proportion of **young workers** (16-24) represents 9.62% of the population; much lower than the UK (11.35%) and Warwickshire (10.42%). Those **over 65** represent 20.99% of North Warwickshire's population. This is the second highest proportion in the county and has grown at almost twice the rate of the national average since 2012.
- Strongest commuting flows to and from Birmingham (23%), Tamworth (16%) and Nuneaton & Bedworth (12%). High net in-commuting flow (8,399) driven by commuters from the West Midlands Metropolitan area and Staffordshire.
- Average house prices in North Warwickshire have increased £10,000 to £178,000 over the last year- the 3rd largest increase in Warwickshire. House prices in the area have increased substantially in recent years. In the four years prior to 2012, house prices fell 1%, whereas in the four years after 2012 they have risen 20%. This is equivalent to a £30,000 increase in the average house price and mirrors a nationwide housing market boom. Despite this growth, average house prices are £40,000 cheaper than the rest of UK.
- Housing affordability is essential for retaining the younger generation of workers. The ratio of house prices to resident earnings ranks the area above average for affordability. To purchase the average property in North Warwickshire will cost the average resident 6.13 times their annual wage. Only Nuneaton & Bedworth (5.9) is lower in the county.
- First-time buyers in the area are more likely to find a property in North Warwickshire, as it is ranked among the top 25% most affordable places outside of London in the UK for those on the lowest incomes.

ECONOMY

- In 2015, GVA per head (a proxy for economic wellbeing) was £35,493 - the highest in Warwickshire and above the national average (£25,601). North Warwickshire's GVA per head is 23% greater than Warwickshire's average, suggesting a higher level of economic prosperity in the sub-region. This 'standard of living measure' grew 3.2% in the last year, a bigger rise than the national average (1.8%).
- In 2015, GVA per job (a proxy for productivity) was £66,537; a fall of 8% from 2014. This fall is in contrast to a 0.9% rise across Warwickshire, translating into a reduction of the productivity gap between North Warwickshire and the county-average (£49,735). This is despite the UK-Warwickshire gap reducing to a third of the size it was in 2009 and the county is forecast to overtake the UK average by 2017.
- North Warwickshire's average **annual resident wage** is £26,455, the second lowest in the county; below the Warwickshire (£30,320) and UK (£28,296) averages. This has, however, grown 11.2% since 2014, much faster than the rest of the county. The average **annual workplace wage** is £28,043; only marginally below the Warwickshire (£28,513) and UK (£28,296) averages. Workplace pay has also grown a significant 11.1% since 2014, the second fastest in the county. The difference in resident and workplace pay suggests better skilled labour is commuting to North Warwickshire to work, rather than living there.

NORTH WARWICKSHIRE'S RELATIVE PERFORMANCE

Key Indicators	North Warwickshire	Warwickshire County	Performance Gap
BUSINESS			
Total businesses per 1,000 population (2016)	44.5	48.0	-3.5
"LEP priority businesses" per 1,000 population (2016)	17.0	20.3	-3.3
SMEs per 1,000 population (2016)	44.2	47.8	-3.6
Business starts per 10,000 population (2016)	54.2	68.4	-14.2
EMPLOYMENT			
Employment Rate (2016)	79.8%	76.9%	+2.9%
Jobs density (2015)	1.22	0.94	+0.28
Proportion of employment in LEP priority sectors (2015)	31.1%	30.8%	+0.3%
ECONOMY			
GVA per head			
<i>current (2015)</i>	£35,493.00	£27,300.00	+23.1%
<i>forecast(2025)</i>	£43,760.00	£31,850.00	+27.2%
GVA per worker			
<i>current (2015)</i>	£66,537.00	£49,735.00	+25.3%
<i>forecast (2025)</i>	£82,240.00	£58,740.00	+28.6%

Drivers for Change:

Challenges to growth	Opportunities for growth
“North-South” divide; Challenge will be making sure that Warwickshire’s future growth is equally distributed and felt in the North; not restricted to Stratford and Warwick. This involves eliminating the negative perceptions of some and promoting North Warwickshire’s economic strengths.	High GVA per head, GVA per worker and employment; Despite being associated with the North-South divide, the borough performs relatively well on most fronts. It has a higher than average level of economic wellbeing (GVA per head), higher than average productivity (GVA per worker) and higher than average rate of employment, crucially in LEP priority sectors. The improvement in performance as a borough could be as a result of a growing high-skilled sector.
Business activity generally lagging behind the rest of the sub-region; Lower than average business growth and SME business density in Warwickshire. Not only are they behind on current business activity, but relatively fewer new firms are starting in the area.	Increasing demand for high-skilled workers in high priority sector; Business growth in the area is driven by start-ups in high-skilled sectors. Dordon is home to Birch Coppice, one of the region’s largest new-build business parks. It employs around 6,000 people in a variety of hubs and HQ’s. Coleshill is also a major centre of the automotive supply chain activity. These areas will attract better skilled workers, improving wages and productivity in the area, leading to local prosperity. This could attract people to live and work in North Warwickshire, upskill the population and contribute to the local economy. Indeed, by 2025, it is forecast that there will be a 20% increase in residents employed in occupations requiring a degree.
Automation and the low-skilled economy; There are only 15 businesses in the Warehousing and transportation industry in North Warwickshire, however, they employ 1 in 8 workers in the area. Their relative importance in the labour market is evident in the data. Qualifications in this industry tend to be low and is reflected in the number of workers employed in level 1 jobs. The industry is at the forefront of automation, which could lead to future employment issues.	Structural changes; North Warwickshire’s employment and business structure is changing. There has been a relatively larger increase of businesses in high-skilled sectors in recent years. This is happening in conjunction with an increase in the number of workers with the highest qualifications and a rapidly growing average wage . For the moment the higher skilled workers seem to be coming from outside of the borough, reflected in the discrepancy between resident and workplace pay and the 2011 Census. However, with relatively affordable housing and good commuting links, there is a possibility of attracting new residents to the area with high-end property developments, which will add to the appeal of North Warwickshire. The structural changes are already influencing forecasts as productivity and prosperity in the area are expected to pull away from the Warwickshire average by 2025.
Business birth rates and promoting business growth; Business birth rates in the borough are the second lowest in the county. Although there are fewer failing businesses, it is essential to create an environment in which businesses can start and grow.	Business support programmes; Warwickshire’s SME Business Support Programme provides a range of services to support local businesses. Potential entrepreneurs can receive assistance from specialist providers to start their business in the first 12 months of trading. Also, the Business Ready programme focusses specifically on helping businesses grow. The business support programme works with the Coventry & Warwickshire Growth Hub to sign-post companies to other support activities including access to finance opportunities e.g. grants and loans.

Challenges to growth	Opportunities for growth
<p>Ageing population; The number of over 65's has increased dramatically in the area. This could pose long-term pressure on, amongst other things, the job market, as the supply will not be there to meet the demand. Indeed this could be one of the reasons for a high employment rate. Lower business growth and a low number of vacancies per 1,000 population could already be an indicator that the labour market is not sufficient in aiding growth in the area.</p>	<p>Retention of current workforce; Employment amongst the younger generation is optimistically high. This demographic also seems to be better skilled. However, the proportion of 16-24 year olds has fallen so there has to be a focus on retaining as many of this age group in the local area. This can be done by creating better connections between schools and businesses in the local area. Retaining better skilled, younger workers will add to the long term prosperity locally, which could contribute to paying for the additional costs of an ageing population.</p> <p>Health and Care professionals; Warwickshire County Council are promoting year 11 and 12 students to develop skills needed to become Health and Care professionals. This is with the aim of addressing the shortfall of professionals in this sector to facilitate a growing older population.</p>
<p>Skills shortages; There is a miss-match between supply and demand of skills in the area. In the 2017 Quarterly Economic Survey, 1 in 3 businesses reported a skills shortage as their biggest barrier to growth. Matching the skills demanded by businesses with those supplied by schools should reduce unemployment, out-commuting and the potential of reduced business activity.</p>	<p>Skills for Employment; Warwickshire County Council works in conjunction with businesses and schools to address skills shortages. 5 Schools in North Warwickshire have received a total of approximately £126,000 from numerous grants to help create sustainable partnerships with local businesses. The project aims to enable young people to gain skills and attributes employers require. Ideally, this should reduce unemployment and increase retention as there is less need for individuals to travel outside of the area to find work. There is also numerous research to suggest apprenticeships and skills programmes increase the future income of young people and also reduce the costs to society. With North Warwickshire benefitting from an increase in businesses who employ high-skilled labour, this programme could allow the borough to capitalise on a flow of better qualified and better specialised workforce.</p>
<p>Connectivity; The borough is well served by the road network with the M42 and M6 running through the area. The A5 link also provides good access to Leicestershire and Northamptonshire. However links for those without access to their own vehicle can be difficult with the rural nature of the borough. People living in villages such as Arley, especially the young can be isolated from employment & training opportunities.</p>	<p>Projects such as Talent Match (which supports 18-24 year olds who have been unemployed long term) which can offer a low cost scooter help to address connectivity issues.</p> <p>New business sites should improve infrastructure and connectivity in the area. New business sites are becoming available in North Warwickshire, for example, CORE 42 next to Birch Coppice and a new employment land site at J10, between the M42 and Birch Coppice. Land in this area is in high demand, so is likely to see take up in the next 12-18 months; further employment land allocations are under consideration.</p>
<p>Broadband Connectivity; Lack of superfast broadband to business premises is severely impacting the ability of businesses in North Warwickshire to compete in the global marketplace. Furthermore, the ability of residents to apply for jobs, undertake training and to enjoy the benefits of more flexible working</p>	<p>CSW Broadband project; With the assistance of the CSW Broadband project, and commercial rollout, superfast broadband coverage in North Warwickshire moved from 48% in 2013 to 85% in 2016. By the end of Contract 2, Part 1, superfast broadband coverage is expected to reach 93% of premises in North Warwickshire, leaving the most challenging locations still to be upgraded. CSW Broadband have attracted over £2m ERDF funding, which will form part of an overall package of up to £20m additional superfast broadband rollout throughout the project area.</p>

Challenges to growth	Opportunities for growth
Facilitating the growth in North Warwickshire; There is a danger that increased activity in the borough could be detrimental if it doesn't have the infrastructure and development to facilitate its growth. In the best case it would result in a sub-optimal uptake of the benefits of a growing economy and in the worst case could lead to businesses moving away as a result of an insufficient supply of labour.	Infrastructure and development plans; The North Warwickshire local plan places an emphasis on improving the A5 to facilitate expansions, such as MIRA, along the road. This could prove essential for attracting potential investors to the centrally located region.

Acknowledgements:

The data for this piece has been taken from a variety of sources, all of which the author is willing to share upon request. The most up-to-date data has been used and is correct up until 1st April 2017.

GVA data at a district and borough level contains a relatively high degree of uncertainty, but has been included to give an indication of the relative performance of each sub-region.

Business employment data can be sensitive and in some cases omissions are made on NOMIS for disclosure purposes as to not make data by individual traders identifiable.

Small sample sizes can be misleading as outliers can affect the analysis. In North Warwickshire, for example, only 60% of employment numbers in the borough can be characterised by qualification levels. This is because the Office of National Statistics does not report statistics below certain confidence levels. Analysis of small sample data has been avoided where possible by the author to maintain a credible analysis.

For more information about the area profiles or if you would like us to undertake a more in-depth economic overview of your district or borough, please contact Sam van de Schootbrugge on 01926 412949 or by email samvandeschootbrugge@warwickshire.gov.uk. If you would like to find out more about the research I am currently doing or the work we have been commissioned to do in the past, visit our Warwickshire County Council Economic Assessment Webpage on <http://www.warwickshire.gov.uk/economicassessment>.