

Rugby Economic Overview 2017

BUSINESS ACTIVITY

- 18% of Warwickshire's businesses are in Rugby (4,740); behind only Stratford and Warwick in the sub-region. The majority of businesses are in the 'Professional, scientific and technical activities' (18%) and 'Transportation and storage' (16%) sectors.
- Almost half of Warwickshire's businesses in the 'Transport and storage' sector are in Rugby – 670 of the 750 businesses are in the freight transport by road and removal services sector.
- 17.8% business growth from 2014-16; 40% faster than sub-regional growth (12.4%) and also significantly exceeding national growth. This was driven particularly from increases in Transportation & Storage activity (78.6%).
- Currently, there are 4,715 SMEs in Rugby, with a business density ratio of 46 per 1,000 population – on par with the sub-regional average.
- 37.3% of businesses are in LEP priority sectors, up from 31.0% in 2013. This proportion is the lowest in the county. These sectors are identified by the CWLEP as fast growing and the borough will struggle to reduce the gap with the rest of Warwickshire if business activity remains less concentrated in these high value-added sectors.
- 76 new business start-ups per 10,000 population; exceeding both the national (59 per 10,000) and sub-regional averages (68 per 10,000). In the last year, there has been a 30% increase in business births in Rugby, double Warwickshire's average.

EMPLOYMENT

- In the year to September 2016, the working age employment rate in Rugby was 81.1%, down 1.4 percentage points on the year before but still 7.4 percentage points above the national average and 4.2 above the Warwickshire average.
- Over the same period, 3,400 extra 16-24 year olds are in employment, up from 3,300 in 2015. The employment rate for this demographic has, therefore, risen to 67.6% (up from 49.3%) and is much higher than the UK average (53.3%).
- The total number of employees in key sectors accounts for 28.2% of the total workforce in Rugby – lower than the Warwickshire average and most likely due to the lower than average business activity in these sectors. It has, however, increased 8.3% in the past year, with employment in the Creative sector increasing over 32.5%.
- 1 in 4 people are employed in the Wholesale & Retail and Transportation & Storage sectors. These sectors are characterised as low-skilled and are not identified as high-growing sectors, perhaps contributing to the historical North-South divide. However, Rugby has the largest employment share in the Manufacturing & Engineering sector in Warwickshire, relative to its size - 1 in 4 jobs in this 'LEP priority' sector are in the borough.
- Employment in the Manufacturing & Engineering sector has also grown 13.1% in the last year. 'Architectural and engineering activities' has been the main contributor to this growth, growing at 12.9% over the last year. It now employs the third largest number of employees in the borough (2,467), suggesting there is a move in the area towards more high-skilled sector employment. In fact, Rugby has the 2nd lowest proportion of its workforce in low-paid sectors in the county, but the transition to higher skilled and paid sectors is still necessary, as they also have the lowest proportion of jobs in high-wage sectors.

SKILLS AND JOBS

- In 2016, the majority of Rugby's workforce (38.3%) were employed in level 2 jobs (GCSE grades A*-C). This number is the 2nd highest in Warwickshire, but has declined 9.3% since 2014. Level 2 jobs are typical of the Wholesale & Retail and Transportation & Storage sectors, which could explain the relatively large proportion of employees with these skills.
- Rugby has the second lowest job density in the county (0.81), slightly behind the national average (0.83). However, over the last year, job listings have gone up 16.2% to 13,795. This represents 217 new job listings per 1,000 working population, the second highest in the sub-region (behind Warwick). This indicates that demand for workers in the area is high, confirmed by the high employment rate, which will increase the density ratio if it persists.
- Of the new listings, 57.5% are in high-skilled jobs (level 3+); although the most demanded occupations in the area remain lower-qualified; large goods drivers, administrative positions and plant & machine operators represent over 10% of all vacancies in the area.
- Rugby is the only area in the county to see the number of employees with no qualifications fall. Only 3.4% of the working population now have no qualifications compared to 5.2% in the UK, and is bettered only by Stratford-on-Avon (3.2%) and Warwick (3.0%) locally.
- The top three demanded skills in Rugby are Customer service, Microsoft Excel and Contract Management.

PEOPLE

- Population of 103,433 in the borough, a 2.7% increase since 2012; this is the fastest growth in Warwickshire and higher than the UK average (2.2%). The **working population** represents 61.35% of the total population, shrinking 1.7% since 2012; this proportion is smaller than Warwickshire (61.68%), and the UK (63.34%). **Young workers** (16-24) represent 9.41% of Rugby's population; lower than the UK (11.35%) and Warwickshire (10.42%). This proportion has fallen 3.2% since 2012; a fall that is in line with the county and national averages. Those **over 65** represent 18.9% of the population. This is lower than the proportion of over 65's in Warwickshire (20.29%) and has grown only 4.5% since 2012, a slower rate than the rest of the county (6.5%) and the UK (4.8%).
- 55% of residents work in Rugby; high self-containment, therefore suggests that there are many jobs available locally for residents. Strongest commuting flows to and from Coventry and Daventry (13%); with the highest net in-commuting from Nuneaton & Bedworth. Large net out-commuting flow (2,919) driven by residents commuting to the West Midlands Metropolitan area and Warwickshire for work.
- Average house prices in Rugby have increased £7,500 to £195,000 over the last year – a 4% rise. 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 23%. This is the 2nd highest 4-year growth in the county and mirrors a nationwide housing market boom. Despite this growth, average house prices are £25,000 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 Rugby will cost the average resident 6.7 times their annual wage. Only Warwick (8.7) and Stratford-on-Avon (9.2) are higher in the county.

ECONOMY

- In 2015, GVA per head (a proxy for economic wellbeing) was £21,480 - the second lowest in the sub-region and smaller than the national average (£25,601). Rugby's GVA per head is a fifth smaller than Warwickshire's average and is forecast to fall further behind by 2025. Taken at face value, the average resident in Rugby has a standard of living that is 21.5% lower than residents in the rest of the county. The borough has had the largest yearly GVA per head fall in the county, 1.8% - larger than the 0.4% fall across Warwickshire.
- In 2015, GVA per job (a proxy for productivity) was £42,000; an annual shrinkage of 10%. This fall is in contrast to a 0.9% rise across Warwickshire, translating into a widening of the productivity gap between Rugby 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.
- Rugby's average **annual resident wage** is £31,997; above the Warwickshire (£30,320) and UK (£28,296) averages. It is the only area in the county to have experienced a fall in resident pay since 2014 (3.2%). The average **annual workplace wage** is £29,059; above the Warwickshire (£28,513) and UK (£28,296) averages. Workplace pay has grown 0.5% since 2014, much lower than the rest of Warwickshire (9.0%). The discrepancy between resident and workplace pay suggests the more skilled Rugby residents work outside of the area.

RUGBY'S RELATIVE PERFORMANCE

Key Indicators	Rugby	Warwickshire County	Performance Gap
BUSINESS			
Total businesses per 1,000 population	45.8	48.0	-2.2
"LEP priority businesses" per 1,000 population	17.1	20.3	-3.2
SMEs per 1,000 population	45.6	47.8	-2.2
Business starts per 10,000 population	75.9	68.4	+7.5
EMPLOYMENT			
Employment Rate	81.1%	76.9%	+4.2%
Jobs density	0.81	0.94	-0.13
Proportion of employment in LEP priority sectors	28.2%	30.8%	-2.6%
ECONOMY			
GVA per head			
<i>current (2015)</i>	£21,480.00	£27,300.00	-21.5%
<i>forecast(2025)</i>	£24,120.00	£31,850.00	-24.3%
GVA per worker			
<i>current (2015)</i>	£42,000.00	£49,735.00	-15.5%
<i>forecast (2025)</i>	£48,050.00	£58,740.00	-18.2%

Drivers for Change

Challenges to growth	Opportunities for growth
<p>Growing ageing population. An increase in the elderly population ratio can constrain GVA growth; as less people enter the labour market and workforce productivity tightens. By 2035, Rugby’s ageing population will grow by 82%; the second fastest growth in the county. If the ratio grows in the future, there are implications including: 1) Bigger costs of pension and healthcare provision. 2) Fall in the quality and quantity of Rugby’s labour pool, which may affect business demand. 3) A rise in geographical and occupational immobility.</p>	<p>Larger younger generation. The borough benefits from having a relatively high proportion of 0-15 year olds. These are the future workforce, and if retained and high-skilled, can give Rugby the edge for its long term growth. Retention should focus on matching the skills demanded by businesses with those delivered at school. The relatively affordable housing should then help young professionals settle.</p> <p>Growing demand for workers; High business activity and job demand shows there is a growing demand for workers. This should attract more working-age people to the region, adding output to the economy. This should help support the 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. As discussed above, matching the skills demanded by businesses with those supplied by schools should reduce unemployment, out-commuting and the potential of reduced business activity. Now, more so than ever, we require the efficient use of labour to promote improvements in competition and productivity.</p>	<p>Skills for Employment; Warwickshire County Council works in conjunction with businesses and schools to address skills shortages. 6 Schools in Rugby have received a total of approximately £120,000 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. There is numerous research to suggest apprenticeships and skills programmes increase the future income of young people and also reduce the cost to society. With Rugby 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>Promoting in-commuting from nearby. With an ageing population and high business activity, it is essential for Rugby to capitalise on attracting an experienced and high-skilled flow of workers from nearby areas. If the supply of the labour market is weak, business growth will not be sustainable and business activity will subside.</p>	<p>Good connectivity and infrastructure; The sector benefits from Rugby’s central location: access to the “Golden Triangle” motorway network (M6/M1/M42), A5 corridor and London’s “Magic Circle”; where local businesses and residents can reach the City of London within an hour via rail.</p> <p>Rugby’s connectivity is evident from its strong Transport & Logistics industrial base. There is high business and employment growth in this sector with growing inward investment into the borough. The opportunity to build on this existing infrastructure is important in the expansion of Rugby. Good connectivity means Rugby should be able to benefit from people travelling into the area. With business start-ups increasing, the borough’s connectivity should allow it to accommodate business growth. This could also help improve productivity in the area.</p>

Challenges to growth	Opportunities for growth
<p>Productivity puzzle and catching up with Warwickshire. Lagging productivity in Rugby compared to Warwickshire and UK will threaten future growth in earnings. The majority of jobs and businesses are in low productivity sectors and demand in these remains high. Productivity is driven by skills and innovation. With the majority of the workforce having NVQ2 qualifications only, there needs to be a push to increasing the skills of the workforce, but this will only happen if the demand is there.</p>	<p>Employment in the Manufacturing & Engineering sector and high job growth; Growth in this sector is of particular value to Rugby. With their excellent accessibility, the area can benefit from skilled workers from afar to help grow this already established sector further. Ansty Technology park is at the forefront of innovation and job creation in the area, and its expansion could be a great opportunity for Rugby. A better skilled workforce then attracts more innovative companies and creates a more competitive environment. The area is already beginning to see an increase in entrepreneurial activity and in a more competitive environment, this should improve productivity. This will increase workplace wages and the standard of living, as long as these skilled individuals are retained within the local workforce.</p>
<p>Increasing business death rates over the last 5 years; The trend of business failures is increasing in Rugby. It is the only sub-region in the county to have seen an increase in business deaths in the last 5 years. It is essential that the high business start-up rate is translated into a high survival rate.</p>	<p>Business support programmes; Since March 2015 Rugby has had the third largest uptake of Warwickshire County Council business support funding. SME's in the borough have received just under £200,000. 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.</p>
<p>Broadband Connectivity: Lack of superfast broadband to business premises is severely impacting the ability of businesses in Rugby 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 Rugby moved from 79% in 2013 to 90% in 2016. By the end of Contract 2, Part 1, superfast broadband coverage is expected to reach 96% of premises in Rugby, 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>
<p>Facilitating the growth in Rugby; 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.</p>	<p>Infrastructure and development plans; Development plans to add 5,000 new dwelling to the area in the South of Rugby and 35 hectares of new employment land. There are also plans to build a new station, Rugby Parkway, which should attract a number of new workers to the area and improve connectivity for businesses.</p>

Challenges to growth	Opportunities for growth
<p>“North-South” divide; challenge will be making sure that Warwickshire’s future growth is equally distributed; not restricted to Stratford and Warwick. This involves promoting the exceptional opportunities in each of the district and boroughs.</p>	<p>Ansty Technology Park; On the outskirts of Coventry, is one of the sub-region, and Midland’s, most exciting engineering parks. Next door to Rolls Royce Ansty engine refurbishment facility, the site initially attracted the Manufacturing Technology Centre, an interesting centre for aerospace engineering. This expanded after 2010 to include the High Temperature Research Centre and an Advanced Engineering Centre by Rolls Royce. Most recently the Advanced Manufacturing Training Centre, a new skills centre for advanced manufacturing, was sponsored by Lloyds Bank for 10 years, covering its operational costs.</p> <p>Geely selected Ansty Technology Park as the new £320m UK home for its London Taxi business, including HQ, R&D and manufacturing facilities to produce up to 38,000 TX5 taxis and commercial vehicles, and take the workforce from 100 to 1000. This is the first purpose built factory to produce hybrid vehicles in the UK.</p> <p>Fanuc, the Japanese robot manufacturer, has been based in Coventry for many years, and has just opened its new European HQ at Ansty. AVL, the Austrian powertrain supplier and major JLR tier 1 supplier, has also identified a site at Ansty. Sainsbury’s bought the Ericsson development on the site, and as well as relocating its IT business from Coventry, is also moving much of its London head office to Ansty. The site includes its product development departments.</p>

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>.