

Stratford-on-Avon economic overview summary 2017

BUSINESS ACTIVITY

- 30% of Warwickshire's businesses are in Stratford; the largest concentration of firms in the county. From 2014-16 business growth was 8.3% across all sectors - the lowest in the county. 1 in 5 businesses are in the 'Professional, scientific and technical activities' sector, with businesses offering 'Management consultancy activities' and 'Architectural and engineering activities' representing 65% of these businesses.
- 42.7% of all businesses are in LEP priority sectors; the second highest proportion in Warwickshire (behind Warwick). This is up from 37.1% in 2013 and is driven by growth in the 'Professional, scientific and technical activities' sector, specifically businesses offering management consultancy and architectural & engineering activities. The growth in this already competitive industry shows an agglomeration of high-valued, high-growth businesses, promoting innovation and productivity.
- Stratford-on-Avon also accounts for over half of Warwickshire's businesses in 'Agriculture, forestry and fishing', of which the majority of businesses are in animal production.
- Almost half of Warwickshire's tourism industry is based in the district, with 110 out of 230 businesses being located in the area, of which 65 are Hotels or similar accommodation. Stratford also has the highest concentration of business head offices in the county.
- There are 7,980 SMEs in the district and a business density ratio of 66 per 1,000 population; the highest density level in the county and 50% higher than Warwickshire's average.
- 78 new business start-ups per 10,000 population; exceeding both the national (59 per 10,000) and sub-regional averages (68 per 10,000). Stratford also had a higher than average fall in business death rates in the past year, dropping 5.5%. Not only are businesses starting up more frequently in the area, they are also failing less often.

EMPLOYMENT

- In the year to September 2016, the working age employment rate in Stratford was 81.3%, up 1.9 percentage points on the year before and 7.6 percentage points above the national average. Stratford is the only place in Warwickshire to have seen an improvement in its employment rate in the past year and it now has the highest employment rate in the county. The increase is equivalent to 1,200 more people in work since 2015.
- 2,300 extra 16-24 year olds are in employment, up from 6,100 in 2015. The employment rate for this demographic has, therefore, risen to 74.8% (up from 66.0%) and is the highest in Warwickshire and is much higher than the UK average (53.3%).
- The total number of employees in key sectors accounts for 41.9% of the total workforce in Stratford; the largest in the county. The district employs 1 in 2 employees working in the automotive sector in Warwickshire and this sector has expanded 10.2% since 2014. It also employs 2 in 5 in the tourism sector, and this has been the fastest growing LEP priority sector in the district, growing 21% from 2014-2015.
- The Retail trade sector employs the second largest proportion of Stratford's workforce. Half of those are employed in 'Non-specialised stores with food and beverages', which will predominantly serve the tourism industry. Due to demand from the tourism industry, Stratford has the largest proportion of jobs in low-paid sectors in Warwickshire. This is down to the retail and accommodation sectors typically paying below average wages.

SKILLS AND JOBS

- In 2016, the majority of SDC's workforce was employed in a level 4 job (31.3%)- higher than the Warwickshire average (28.5%). The number of employees with A-level qualifications or better has risen from 67.9% to 69.2% of Stratford's working population, bettered only by Warwick, and 10 percentage points higher than the national average.
- The district also has the fewest proportion of the workforce (8.9%) employed in elementary trades, administration and service occupations (level 1 jobs). Furthermore, only 3.4% of the working population have no qualifications - far below the UK average (5.2%).
- 1 in 5 new job listings in Warwickshire are for jobs in Stratford-on-Avon. This represents 213 new job listings per 1,000 working population, lower than the UK average (225 per 1,000). The below average demand could be due to the district having a job density that is much higher than the national average (1.10 relative to 0.83). With a relatively high ratio of jobs per head and employment rate in the area already, one could envisage less of a need to create new jobs as the supply is not there to fill them.
- The largest occupational sector in Stratford is 'Science, research, engineering and technology professionals'. However, the fastest growing sectors are business and public service associate professionals, food preparation and hospitality trades, growing 25% since 2015.
- Chefs are the highest demanded occupation, with programmers & software development professionals and design & development engineers making up the top 3.
- The most demanded skills are Microsoft Office, Project Management and Microsoft Excel and the three largest employers in the area are Jonathan Lee, the NHS and Aston Martin.
- Other notable skills in high demand are: Computer Aided Draughting (CAD), automotive industry experience and business management.

PEOPLE

- Population of 121,522, a 0.8% increase since 2012; lower than Warwickshire's (1.1%) and the UK's (2.2%) total population growth. The **working population** represents 58.18% of the total population, shrinking 2.6% since 2012; this is the smallest proportion of 16-64 year olds in the county and has shrunk the most, double the UK average (1.3%). The proportion of **young workers** (16-24) represents 8.45% of the population; lower than the UK (11.35%) and Warwickshire (10.42%). This proportion has fallen 0.8% since 2012, less than the county and national averages. Those **over 65** represent 25.16% of the population, the highest in the county, and much higher than the UK average (17.83%). This has grown 7.4% since 2012, a faster rate than the rest of the county (6.5%) and the UK (4.8%).
- 47% of residents work in Stratford district; lower self-containment than Nuneaton and Warwick. Strongest out-commuting flows to Warwick (13%), Birmingham (5%) and Coventry (4%). Positive net in-commuting flow (2,815) driven by commuters from Worcestershire. Strong in-commuting flows from Warwick, Redditch and Wychavon.
- Average house prices in Stratford are the highest in Warwickshire and have increased £16,500 to £285,000 over the last year- a 6% rise. The average house in Stratford-on-Avon District is now £65,000 more expensive than the national average. The district has the worst affordability ratio in the county and is in the top 25% least affordable places outside of London. Since 2012, house prices in the area have increased 20% - only 5% less than the four years prior to the housing market crash in 2009, raising fears of another housing bubble.

ECONOMY

- In 2015, GVA per head (a proxy for economic wellbeing) was £32,578 – a 0.2% rise since 2014 which is lower than the modest 1.3% growth nationwide. Stratford-on-Avon's GVA per head is above Warwickshire's average (£27,300) and 21% greater than the national average. Furthermore, the standard of living in the district is 16% higher than the rest of the county and is forecast to grow by 2025.
- In 2015, GVA per job (a proxy for productivity) was £66,875; a 10% fall since 2014. This fall is in contrast to a 0.9% rise across Warwickshire, translating into a reduction of the productivity gap between Stratford 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.
- Stratford's average **annual resident wage** is £32,215, the second highest in the county; above the Warwickshire (£30,320) and UK (£28,296) averages. The average **annual workplace wage** is £33,437, the highest in the county; above the Warwickshire (£28,513) and UK (£28,296) averages. Workplace pay has grown 18.7% since 2014, much faster than the rest of the county and suggests the best paid jobs in Warwickshire are in Stratford-on-Avon.

STRATFORD-ON-AVON'S RELATIVE PERFORMANCE

Key Indicators	Stratford-on-Avon	Warwickshire County	Performance Gap
BUSINESS			
Total businesses per 1,000 population	65.8	48.0	+17.8
"LEP priority businesses" per 1,000 population	28.1	20.3	+7.8
SMEs per 1,000 population	65.7	47.8	+17.9
Business starts per 10,000 population	78.2	68.4	+9.8
EMPLOYMENT			
Employment Rate	81.3%	76.9%	+4.4%
Jobs density	1.10	0.94	+0.16
Proportion of employment in LEP priority sectors	41.9%	30.8%	+11.1%
ECONOMY			
GVA per head			
<i>current (2015)</i>	£32,578.00	£27,300.00	+16.2%
<i>forecast(2025)</i>	£38,820.00	£31,850.00	+18.0%
GVA per worker			
<i>current (2015)</i>	£66,875.00	£49,735.00	+25.6%
<i>forecast (2025)</i>	£80,250.00	£58,740.00	+26.8%

Drivers for Change

Challenges to growth	Opportunities for growth
<p>Affordability of Houses; House prices for first-time buyers are £100,000 above the national average, making it difficult to attract the ‘magic demographic’ age group at the start of their business careers. The cheapest 10% of homes in the area has increased by £58,000 to £226,995 in the last year, the highest in Warwickshire. The speed at which average house prices are rising means it is only those who have been in the workforce a number of years who are able to purchase property in the region. This will start to place a strain on the older generation in the area, and we can already see that the younger generation and the workforce as a whole are much smaller than average.</p>	<p>In-migration of high-skilled workers and young people in the workforce; High house prices are partly due to the desirability of the location. This attracts a number of experienced and highly qualified business leaders and academics. Those who have business experience have a tendency to start-up successful businesses and we have seen this across Warwickshire. Business activity in the district is either created by these individuals or for them. More businesses attract more workers and thus, more economic prosperity.</p> <p>The number of young people employed in the service sector artificially under-inflates resident wages, having a knock-on effect on house price affordability and the standard of living.</p>
<p>House price bubble; House prices in the last four years have increased 20% in the district. This is only 5% slower than the four years prior to the recession. This is potentially concerning as the previous recession was sparked by a house price crash. It is essential that higher house prices don’t result in higher indebtedness for residents.</p>	<p>High workplace pay; Wages in the area have outgrown house prices and the rest of the county. This reflects the fall in the affordability ratio (house price to earnings ratio) in the last year compared to the increase across the rest of Warwickshire.</p> <p>Interest rates in the UK are much lower than prior to the recession and are not expected to increase much until 2020. This should help alleviate debt repayment issues. There are also tighter financial regulations UK-wide reducing over-indebtedness.</p>
<p>High proportion of job listings in low-paid sectors; The number employed in low-paid sectors is high, and so is the number of job listings. This suggests demand in these sectors is growing. An increase in demand could be explained by the fast growth in hospitality and food preparation sectors.</p>	<p>Large retail and tourism sectors. The increase in the number of job listings in low-paid sectors could be to facilitate growing retail and tourism sectors. Employment in the tourism sector has increased 21.0% in the last year, and the retail sector is the second largest in the county. Employment in these sectors often services increasing demand generated via an increase in tourism or consumer spending. In this instance, an increase in low-paid jobs would indicate a healthy economy.</p>
<p>Polarisation of the workforce; Stratford-on-Avon employs the highest number of people in LEP key priority sectors (41%), but they also have the largest proportion of the working population in low-paid sectors (34%). There is a ‘hollowing out’ of the middle-skilled population who find themselves under- or overqualified for the majority of jobs. These workers will need to commute to other areas to find jobs, reflected in the low self-containment in the region.</p>	<p>High GVA per job and per head; The low-wage sector is functioning to serve increases in tourism and consumption, whereas the high-skilled sectors are improving Stratford-on-Avon’s productivity and standard of living. In combination they work to provide a sustainable economic growth model. Furthermore, there is a high level of entrepreneurial activity in Stratford-on-Avon. This in conjunction with the Skills 4 Growth programme, funded by ESF and WCC, aimed at training underqualified workers in Advanced Manufacturing, Engineering and Service Sector industries (key sectors for Stratford-on-Avon), should help improve the problem.</p>

Challenges to growth	Opportunities for growth
<p>Service sector employment and the young; Over a quarter of Warwickshire's 16-24 working population works in SDC, yet they have the highest employment rate for this demographic – 74.8% of 16-24 year olds are in employment. Also, 70% of 16-19 year olds are in part-time employment. There is evidence to suggest the high uptake in 16-24 year olds is to service the tourism and retail industries. This temporary employment can be problematic for employers in these sectors.</p>	<p>Experience and qualifications; The Stratford-on-Avon workforce is better qualified than the majority of Warwickshire. The younger population are also less reluctant to be paid minimum wage. The combination of the two ensures a high quality of customer service. More importantly, customer service skills are transferable and make youngsters more employable later on in their careers, another (perhaps less convincing) argument for the high employment rate in the district.</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 business death rates. Now, more 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. 12 Schools in Stratford-on-Avon have received a total of approximately £250,000 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 Stratford-on-Avon benefitting from an increase in businesses who employ high-skilled labour, this programme could allow the district to capitalise on a flow of better qualified and better specialised workforce</p>
<p>Access to finance: Although death rates have fallen and the number of births has risen, businesses in Warwickshire are struggling to expand. The 2017 Quarterly Economic Survey showed that 1 in 4 businesses in Coventry and Warwickshire feel cash & access to finance is their biggest barrier to growth.</p>	<p>Business support programmes; Warwickshire's SME Business Support Programme provides a range of services to support local businesses. The Business Ready programme, for example, focusses specifically on helping businesses grow and Venture House, set up by SDC & WCC with funding from CWLEP and supported by CW Growth Hub, provides a focus for start-up activity in the district. 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. Stratford-on-Avon SME's have accessed £840,000 worth of grants through Warwickshire County Council's business support programmes. This money is inevitably leading to fewer death rates in the district and improved productivity.</p>
<p>Broadband Connectivity; Lack of superfast broadband to business premises is severely impacting the ability of businesses in Stratford on Avon 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 Stratford on Avon moved from 45% in 2013 to 75% in 2016. By the end of Contract 2, Part 1, superfast broadband coverage is expected to reach 89% of premises in Stratford on Avon, 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
<p>Congestion and infrastructure; Stratford has had numerous congestion issues as a result of business expansion. The district has the worst rail connections to Midlands cities and London. This adds to congestion and the struggle to recruit low paid employment. The large number of job vacancies could be due to the difficulty to hire workers.</p> <p>Poor infrastructure will affect local business competitiveness and consumer footfall if it is not improved.</p>	<p>Projects; A3400 Birmingham Road improvements which the Warwickshire County Council are actively pursuing for implementation in the next 2-3 years.</p>
<p>Data limitations; Stratford-on-Avon is a mainly rural location. Given its geographical location – a long way on public transport from major conurbations, it may require more adverts to attract each additional new member of staff. Duplications in job adverts are not uncommon, especially for smaller geographical areas. The increase in job listings could be because it is harder to find the right person for each job.</p> <p>JLR effect – Given their size, much of the employment data will be influence by the JLR effect.</p>	<p>Projects and support programmes; Infrastructure improvements and business support programmes are aimed towards improving the problem of recruiting low-paid jobs.</p> <p>Duplications are an issue and job vacancy data does not indicate the success of each advert. This is why we try to use a variety of sources and indicators to gauge whether the tourism sector is growing. Employment in the sector has grown 21%, suggesting the increase in job listings is, at least in part, due to an increase in demand in this sector.</p>

Acknowledgements:

The data for this piece has been taken from a variety of sources. The author is willing to share all publicly available data used, 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.

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>.

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.