

## Warwick Economic Overview Summary 2017

### BUSINESS ACTIVITY

- In 2016, 28% of Warwickshire's businesses were located in the district (7,535); the 2<sup>nd</sup> highest in the county. About 30% of all businesses are in Professional, Scientific and Technical Services, with businesses offering 'Management consultant activities' and 'Architectural and engineering activities' accounting for 70% of this proportion.
- 14.3% business growth from 2014-16; 2 percentage points higher than Warwickshire's average. This is driven by a 30% growth in the 'Professional, scientific and technical activities' sector. The growth in this already competitive industry shows an agglomeration of high-valued, high-growth businesses, promoting innovation and productivity.
- Approximately 90% of Warwick's businesses employ fewer than 10 people. The district has 7,495 SMEs and a business density ratio of 54 businesses per 1,000 population, 6 businesses per thousand more than the Warwickshire average and 15 more than the UK average.
- Almost half of businesses in Warwick are in LEP priority sectors (48.8%), up from 38.2% in 2013; the majority of these being head offices or management consultancy businesses. These sectors are identified by CWLEP as fast growing, and with Warwick having the largest proportion of business activity in these sectors, we can expect sustained long-term growth in the area.
- In 2015, 1,205 new Enterprises were born, an 11.2% increase on 2014. The growth of business start-ups in Warwick is faster than the UK average (9.3%). The number of businesses that failed in 2015 fell 5.8% on the year before, faster than the rate in Warwickshire (-4.4%) and the UK (+2.1%). The high start-up rate in Warwick is partly due to the nature of the relatively abundant technology and computing firms, which generally require little capital and business space.

### EMPLOYMENT

- In the year to September 2016, the working age employment rate in Warwick was 79.0%, down 2.2 percentage points on the year before but still 5.3 percentage points above the national average. The fall is equivalent to 2,100 fewer people in work since 2015.
- Over the same period, the number of 16-24 year olds in employment has risen by 3,300 compared to the year before. The employment rate for this demographic has also risen by two percentage points to 55.4%, higher than the UK average (53.3%).
- The total number of employees in key sectors accounts for 28.3% of the total workforce in Warwick. This has fallen 2.1% in the past year, with the biggest fall coming from the creative and automotive sectors. The district does however employ the largest proportion of workers, in Warwickshire, in the 'Manufacturing & Engineering' and 'Computing' sectors, reflecting the high demand from businesses in those sectors.
- The majority of employees are in Human Health and Retail Trade, with these two industries comprising of 16% of Warwick's workforce. Human Health sector employment has grown a modest 1.2%, one percentage point below the UK average, but the Retail sector has shrunk 9%.
- The biggest growth in employment, relative to each sectors size, has been in "Architectural and engineering activities" (16%), "Specialised construction activities" (65%) and "Manufacture of machinery and equipment" (31%). This improvement in employment in high-skilled activities is confirmed by the improvement in productivity in the area.
- Warwick has the smallest proportion of employment in low-paid sectors in the county (32.5%).

## SKILLS AND JOBS

- Warwick has the highest proportion of its workforce in the county in level 4 jobs (33%). This has risen 16.1% since 2014 – faster than the national average (3.9%).
- 3 in 4 employees in the district have at least an A-level qualification – the highest in Warwickshire and 16% more than the UK average. Furthermore, 58.7% of employees have at least a Bachelor's degree, up from 53% in 2014.
- More than 2 in 5 new job listings in Warwickshire are for jobs in Warwick. In the last year this has gone up 37% to 33,679 and represents 373 new job listings per 1,000 working population, much higher than the UK average (225 per 1,000). It also has the third highest job density in the county (1.02); exceeding the national average (0.83). Therefore, even though Warwick already has a relatively high jobs-per-head ratio, it is the fastest growing labour market in the county, which, on average, is also becoming more skilled.
- 18% of all job vacancies are for “Science, Research, Engineering and Technology Professionals” of which two-thirds are in Information Technology and Telecommunications, and half of those are in Software Development, emphasising a strong digital economy.
- The most demanded skill in Warwick is Excel (>10%), followed by Project, Contract and Business Management skills.
- Warwick has the highest mean-salary for jobs advertised, reflecting the higher qualifications demanded in the area (£31,386).

## PEOPLE

- Highest population in the county of 139,931, a 0.9% increase since 2012; lower than Warwickshire's (1.1%) and the UK's (2.2%) total population growth. The **working population** represents 64.86% of the total population, shrinking 1.6% since 2012; this is the largest proportion of 16-64 year olds in the county and the only area in Warwickshire higher than the UK average (63.34%). The proportion of **young workers** (16-24) represents 13.29% of the population; highest in the county and higher than Warwickshire (10.42%) and the UK (11.35%). Those **over 65** represent 18.21% of the population, the lowest in the county, but higher than the UK average (17.83%). This proportion has grown 5.4% since 2012, a slower rate than the rest of the county (6.5%), but higher than the UK (4.8%).
- 55% of residents work in Warwick district; high self-containment. Strongest out-commuting flows to Coventry (13.8%), Stratford (9.2%) and Birmingham (4.4%). Positive net in-commuting flow (5,153) driven by commuters from the sub-region. Strongest in-commuting flows from Coventry, Stratford and Solihull.
- Average house prices in Warwick have increased £25,000 to £275,000 over the last year- the largest increase in Warwickshire. This is also the largest single year rise recorded, and is contributing to a house-price bubble. Since 2012, house prices in the area have increased 33% - a larger increase than the four years prior to the notorious housing market crash in 2009. The average house in Warwick District is now £55,000 more expensive than the national average.
- Affordability of houses in Warwick is an issue. The ratio of house prices to resident earnings ranks the area above average for unaffordability, but not in the top 25% of least affordable locations. However, for those in the bottom 25% of earnings in Warwick, the district is ranked in the top 25% most unaffordable places outside of London – bad for first-time buyers.

**ECONOMY**

- In 2015, GVA per head (a proxy for economic wellbeing) was £33,660; the second highest in the sub-region and exceeding the national average (£25,600). Economic wellbeing in the sub-region is 23.3% higher than the rest of Warwickshire but has shrunk 1.4% in the last year, reflecting a fall in the districts’ purchasing power. GVA per head is, however, forecast to remain strong in Warwick, although the gap with the rest of Warwickshire may fall. This down to stronger predicted GVA growth in Northern Warwickshire by 2025.
- In 2015, GVA per job (a proxy for productivity) was £66,650; a fall of 2% from 2014. This annual shrinkage is in contrast to a 1% rise across the county. Warwickshire has been reducing the productivity gap with the UK since 2009 and at current rates is projected to overtake the UK average by 2017. Despite Warwick’s sluggish productivity growth in the last year, its long-run trend has been improving, and the district is a driver of productivity growth in Warwickshire.
- Warwick’s average annual resident wage is £33,728, the highest in the county; above the Warwickshire (£30,320) and UK (£28,296) averages. The average annual workplace wage is £28,199, below the Warwickshire (£28,513) and UK (£28,296) averages.
- The discrepancy between resident and workplace wage is the largest in the county. Although over half of residents work in Warwick district, the higher resident wage suggests that the most qualified of Warwick’s residents work outside of Warwick.

**WARWICK’S RELATIVE PERFORMANCE**

| Key Indicators                                   | Warwick    | Warwickshire County | Performance Gap |
|--|------------|---------------------|-----------------|
| <b>BUSINESS</b>                                  |            |                     |                 |
| Total businesses per 1,000 population            | 53.8       | 48.0                | +5.8            |
| "LEP priority businesses" per 1,000 population   | 26.3       | 20.3                | +6.0            |
| SMEs per 1,000 population                        | 53.6       | 47.8                | +5.8            |
| Business starts per 10,000 population            | 86.1       | 68.4                | +17.7           |
| <b>EMPLOYMENT</b>                                |            |                     |                 |
| Employment Rate                                  | 79.0%      | 76.9%               | +2.1%           |
| Jobs density                                     | 1.02       | 0.94                | +0.08           |
| Proportion of employment in LEP priority sectors | 41.9%      | 28.3%               | +13.6%          |
| <b>ECONOMY</b>                                   |            |                     |                 |
| <b>GVA per head</b>                              |            |                     |                 |
| <i>current (2015)</i>                            | £33,660.00 | £27,300.00          | +23.3%          |
| <i>forecast(2025)</i>                            | £38,600.00 | £31,850.00          | +21.2%          |
| <b>GVA per worker</b>                            |            |                     |                 |
| <i>current (2015)</i>                            | £66,650.00 | £49,735.00          | +34.0%          |
| <i>forecast (2025)</i>                           | £77,100.00 | £58,740.00          | +31.3%          |

| Challenges to growth   | Opportunities for growth  |
|--|---|
| <p><b>Affordability of Houses;</b> House prices for first-time buyers are £90,000 above the national average, and those in the bottom 25% of earnings need 10x their annual wage to afford a house. This makes it harder for the younger generation to buy houses in the area, making it more appealing to find work elsewhere.</p>                              | <p><b>House price stability;</b> The growth in the average price of new build houses in the area has been subdued. This could be down to the increase in the supply of houses along Europa Way in Leamington. However, the high house prices reflect the desirability of the location and with land prices at a premium in the county, building affordable accommodation is difficult.</p> <p><b>Largest number of 16-24 in the county;</b> Warwick has 10,000 16-24 year olds. This demographic tend to earn lower wages even if they are well qualified and could be artificially suppressing resident wages, thus increasing the affordability ratio.</p>  |
| <p><b>House price bubble;</b> House prices in the last four years have increased 33% in the district. This is 5% faster 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><b>High resident pay;</b> Resident wages have grown 10.2% since 2014, and although this is slower than the house price increase, it is faster than the rest of the county. Wages are also much higher than the rest of the county, which is keeping the affordability ratio relatively stable.</p> <p><b>Interest rates</b> in the UK are also much <b>lower</b> than prior to the recession and are not expected to increase much until 2020. This should help alleviate debt repayment issues. There is also tighter financial regulation UK-wide reducing over-indebtedness.</p>  |
| <p><b>Widening gap between resident and workplace income;</b> residents earn £5,500 more annually than workers – suggesting that residents may commute outside of the district for higher salaries</p>   | <p><b>High net in-migration of high-skilled students</b> – The district seems to be creating a large number of new, high-skilled jobs. A young, dynamic generation that is creative, mobile and can contribute to long term growth. Warwick is fortunate in that it benefits from a steady inward flow of these high-achieving and determined individuals from Warwick University. Over time, these better skilled individuals should increase resident wages if they stay in Warwick. Currently the Coventry &amp; Warwickshire LEP retains 66.6% of its graduates within 6 months of graduating – 23<sup>rd</sup> out of 39 LEP areas.</p>  |
| <p><b>Small LEP priority sector employment;</b> Only 28.3% of Warwick's workforce are employed in LEP priority sectors. These sectors have been identified as fast growing and high-valued.</p>  | <p><b>Highly qualified workforce;</b> The worry of having people not employed in LEP priority sectors is that they remain in low-skilled and less-qualified jobs that are susceptible to structural changes; such as automation, recessions and streamlining. However, Warwick has the best qualified and paid workforce in the county, with relatively few people working in low-wage sectors. The problem with the data is the large businesses in the area that are employing in sectors outside of the CWLEP's priority. The NHS and Severn Trent employ 11,000 people in Warwick District. Together with Warwickshire County Council and a number of private schools, a high proportion of those who are not in LEP priority sectors, are actually in highly qualified jobs.</p> |
| <p><b>Ageing population;</b> The proportion of over 65's is higher and growing faster than the UK average. This could pose long-term pressure on, amongst other things, the job market, as the supply will not be there to meet the high business demand in the area.</p>  | <p><b>High wage growth;</b> 44.4% of Warwick's residents have NVQ4+ (degree level) qualifications (England 37.9%). A higher proportion of better qualified residents translates into a higher proportion of high-earners. Over the last 5 years, average resident wages have grown fastest in Warwick (11%). Higher wages and faster growth will help support an older population. Higher wages would suggest higher savings, also placing less strain on the district.</p>   |

| Challenges to growth  | Opportunities for growth   |
|---|--|
| <p><b>Skills shortages;</b> 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><b>Skills for Employment;</b> Warwickshire County Council works in conjunction with businesses and schools to address skills shortages. 8 Schools in Warwick have received a total of approximately £175,000 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 Warwick 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><b>Access to finance:</b> 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 &amp; access to finance is their biggest barrier to growth.</p>  | <p><b>Business support programmes;</b> 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 &amp; Warwickshire Growth Hub to sign-post companies to other support activities including access to finance opportunities e.g. grants and loans.</p> <p>Specific to the area is “Creative Warwickshire”, a programme which aims to support businesses in the digital and creative sectors through individual mentoring, masterclasses and networking.</p> <p>Warwick’s SME’s have accessed over £300,000 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><b>Broadband Connectivity;</b> Lack of superfast broadband to business premises is severely impacting the ability of businesses in Warwick District 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><b>CSW Broadband project;</b> With the assistance of the CSW Broadband project, and commercial rollout, superfast broadband coverage in Warwick District moved from 86% in 2013 to 94% in 2016. By the end of Contract 2, Part 1, superfast broadband coverage is expected to reach 96% of premises in Warwick District, 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><b>Facilitating the growth in Warwick;</b> There is a danger that increased activity in the district 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><b>Exploring the earlier delivery of employment land and investment in infrastructure.</b> Work is being done to release land held by the council quicker. Infrastructure projects such as the expansion of Europa Way and a development on Stanks roundabout are improving accessibility to land to reduce housing and business premiums.</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 1<sup>st</sup> 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](mailto:samvandeschootbrugge@warwickshire.gov.uk).