



An Economic Strategy for Worcestershire

2010 – 2020

In ten years time, technology-led growth will have contributed to the sustainable development of Worcestershire and strengthened its role as an economic driver for the region – acting as a catalyst for all sectors of the economy and areas of the County to benefit and providing well paid and highly skilled jobs and high quality of life for residents

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Foreword

For the Worcestershire economy, the next few years will be a challenging time. Nevertheless we have a real opportunity to help shape a successful economic future for the County and to ensure that we make a major impact at both Regional and National Level.

The last two years have been tough for many businesses and individuals. The impact of the global recession has been damaging, and the decline in some of our traditional industries has been painful. Despite this there are reasons for optimism over the medium term.

One of the strengths of the Worcestershire economy is its diversity. We are not overly dependent on one or two major employers or on the performance of a specific industrial or service sector. We have a balance of urban centres, market towns and dispersed rural settlements. This creates its own set of challenges, but also opportunities and is a key strength. What has emerged during the recession is a much clearer recognition of the need to retain and reinforce those factors which are important to residents and businesses. These include our excellent environment, a good quality of life and a strong partnership working ethos with stakeholders.

As we move into a period of economic recovery we will:

- Work together to mitigate the effects of recession on residents and businesses, and put in place a refreshed economic development strategy to deal with the challenges of the next few years.
- Provide employment and business start up opportunities which will retain more of our young people and graduates in the county
- Celebrate our success and build on our strengths.
- Seek inward investment opportunities that can bring employers to the county
- Support and fully engage with those local businesses which are strategically important for wealth creation and a prosperous future for the Worcestershire economy.
- Respond to climate change and the sustainability agenda, which will make the most of green employment initiatives
- Support people who are furthest away from the labour market and address the challenge of worklessness in the county
- Keep our longer term focus on the technology led growth to help improve the competitiveness of lower growth sectors such as manufacturing.

The refreshed Worcestershire Economic Strategy has been informed by contributions from our partners and developed by Worcestershire County Council on behalf of the Worcestershire Partnership. It provides a framework in which to operate over the next 10 years and sets out what we need to do now to get there. It identifies the current and future economic challenges and opportunities and addresses how Worcestershire can become a more powerful economic driver for the West Midlands region.

The recession has had a detrimental impact on delivering the vision and aims of the previous Worcestershire Economic Strategy and added to the economic challenges the County faces. The Worcestershire Partnership Economy & Transport Theme Group is now working with wider stakeholders to take forward agreed actions to support local people and businesses as the economic recovery gathers pace.

We are pleased to note that the refreshed Worcestershire Economic Strategy is fully endorsed by our partners and provides a guide on working together to ensure we make the best use of resources. The Strategy will play a key role in bringing about sustainable economic development and improving the future prosperity of the County for the benefit of all its residents.

Cllr. Simon Geraghty
Worcestershire County Council Cabinet Member for Planning Economy & Performance

Mike Ashton
Chair of the Worcestershire Partnership
Economy & Transport Theme Group

Introduction

The refreshed Worcestershire Economic Strategy provides a long term vision, focus and context for Economic Development and Regeneration in the County that takes into account the changing economic circumstances.

The Strategy makes a significant contribution to the achievement of the priorities contained within the Worcestershire's Sustainable Community Strategy, in relation to the priority of "Economic success that is shared by all". It also supports other partnership themes such as health, the environment, tackling poverty and meeting the needs of children and young people.

Worcestershire generally enjoys good quality education, high technical skills employment opportunities, a low crime rate, and there is a track record of achieving success through partnership. These offer the potential to increase wealth creation and economic success. By contrast there are economic challenges such as higher unemployment levels than we have seen for many years, comparatively low income levels, significant levels of worklessness, an overdependence on vulnerable sectors in certain areas (particularly low value-added manufacturing) and skills gaps.

The scale of the recession was not anticipated and it has lasted longer than was expected. Recovery, although now underway has been extremely modest and there remains the risk of a double dip recession as the impact of economic restraints falls on public sector, a major employer in the County. The Economic Strategy seeks to mitigate the effects of lower economic growth and prepares for the effects of an improving economic recovery in the future.

The Strategy provides a coordinated response and approach to the economic issues facing the county, particularly focusing on interventions that can begin now to have a positive impact over the next 10 years. The Strategy is an integrated document which seeks to incorporate social, environmental and spatial factors. .

The Worcestershire Economic Assessment 2009-2010 has provided much of the statistical data to inform the development of the Strategy. The Strategy will be supported by an annual economic delivery plan using a partnership approach, as no one organisation or agency can succeed by itself in achieving the vision and ambitions set out in the Strategy for the county.

This strategy has been refreshed during a period of significant political change with a new Coalition Government coming into power. We will need to continuously review the impact of new legislation and initiatives and ensure we maximise the benefits this opportunity bring for our economy.

An Economic Strategy for Worcestershire

2010 – 2018

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Summary

1.1 Location

Worcestershire is located in the heart of England and has a beautiful natural landscape which is a real asset in attracting visitors, businesses and workers to the County. The historic built environment is also very appealing. The rural landscape consists of a combination of fields, orchards, woodlands, meadows, ancient forests and rivers. This is interspersed with thriving towns and villages possessing a variety of individual characteristics. Both the rural and urban environment contributes to a high quality of life in Worcestershire. The county covers an area of 173,529 hectares and has six constituent Local Authorities; Bromsgrove; Malvern Hills; Redditch; Worcester City; Wychavon; and Wyre Forest, with a population of over 555,000 people.

Worcestershire borders Herefordshire along the Malvern Hills, while to the south-east are the Cotswolds, both of which are designated as Areas of Outstanding Natural Beauty and are amongst Britain's most picturesque areas. Worcester City, Redditch and Kidderminster are the largest urban centres in the county.

Worcestershire is accessible via the national motorway network, with the M5, M50 and M42 all running through the county. There are also direct rail links from Worcester City to Birmingham and London, and connections to other towns in the county. The Birmingham-Worcestershire Central Technology Belt (CTB) runs from the Malvern Hills, through Worcester to Bromsgrove and into Birmingham. The CTB exists to promote more technology and knowledge based industries in the county.

Worcestershire' Distinctiveness

Worcestershire has a strong cultural, creative and design base which makes the County distinctive and has a unique image. Some of the key features of Worcestershire are:

- Redditch is renowned for spring production and the iconic anglepoise lamp made by the Terry Family
- Kidderminster is renowned for producing some of the finest carpets in the world and carpet production still takes place through Brintons and Victoria Carpets.
- Cathedral City of Worcester
- A strong place of learning, discovery and innovation - QinetiQ, Malvern Hills Science and Technology Park, Worcester University, colleges, and schools
- Links to food and drink and 'healthy living' - Malvern Water and our history as a Spa and healing destinations in Malvern and Droitwich
- Worcester University's academic strengths in nursing, care and sports science
- Heart of England Fine Foods and other local foods

- Cultural destinations – museums, art galleries which make strong contributions, to the economy and theatres
- Sporting attractions - Worcester Racecourse, Worcestershire County Cricket, rugby, football, and other sports with distinctive followings
- The singular beauty of Worcestershire, including the Malvern Hills, which have proved such an inspiration as a beacon and symbol representing balance, harmony and an aspiration for quality of life for all.
- Strong 'lifestyle brands' e.g. Morgan, Worcester Sauce and Worcester Porcelain.
- An excellent tourist/visitor destination

1.2 Context

a. The Purpose of the Economic Strategy

The purpose of the Economic Strategy for Worcestershire is to provide a shared vision and framework for developing and transforming the economy of the County over the next ten years. Specifically, the Strategy aims to:

1. Link national policies and strategies, the Regional Economic Strategy and sub regional delivery of economic development activity, ensuring that Worcestershire takes advantage of and adds value to the regional economy
2. Ensure the delivery of the economic element of Worcestershire's Sustainable Community Strategy
3. Provide a context to develop district and cross district plans and also a framework for complementary local strategies
4. Provide a strategic context to the annual Economic Delivery Plan (EDP) and Local Area Agreement (LAA)
5. Articulates actions based on the evidence of the Worcestershire Economic Assessment.

1.2 How the Strategy will operate

1. Scope

The Strategy is built upon robust statistical data drawn from the Worcestershire Economic Assessment 2009-2010. Worcestershire's distinctive strengths will help to deliver the Regional Economic Strategy through a range of local strategies, the EDP and LAA.

2. Delivery and Performance Monitoring

The EDP will address the 'action gap' between strategy and delivery. It identifies partner investment in activities to deliver against Strategy objectives. The EDP has the following features:

- A three year rolling timescale (revised and rolled forward annually)
- Identifies a limited number of priority activities and projects
- Highlights and develops LAA activities to achieve agreed outcomes
- Providing a basis for monitoring, review and evaluation

The EDP sets out specific actions, which are regularly monitored and reviewed. They are updated on a three yearly basis by the Worcestershire Partnership Economic and Transport Theme Group.

1.3 Objectives and Spatial Focus

The Regional Economic Strategy sets out three main strategic components of the economy (Business, Place and People) with a fourth underpinning component (Powerful voice):

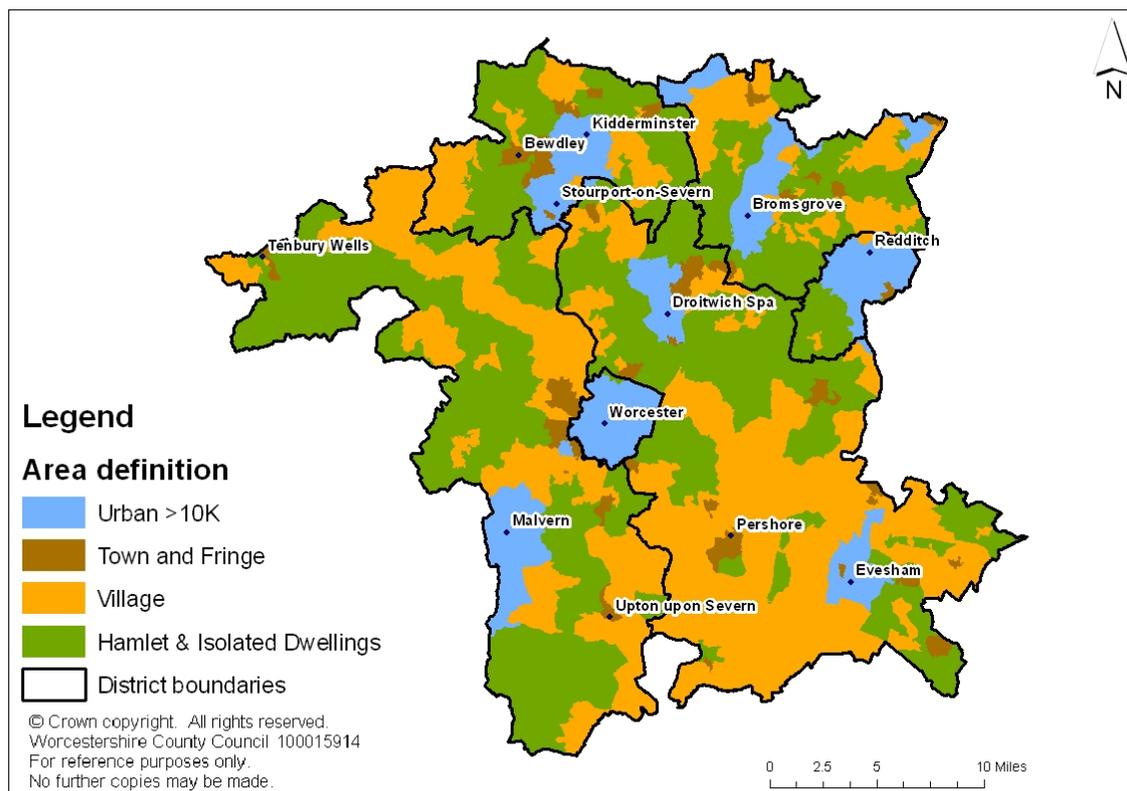
| | | |
|--|--|--|
| <p style="text-align: center;">Business</p> <ul style="list-style-type: none"> • Seizing market opportunities • Improving competitiveness • Harnessing knowledge | <p style="text-align: center;">Place</p> <ul style="list-style-type: none"> • Increasing Birmingham's Competitiveness • Improving infrastructure • Sustainable communities | <p style="text-align: center;">People</p> <ul style="list-style-type: none"> • Sustainable living • Raising ambitions and aspirations • Achieving full potential & opportunities for all |
| Powerful Voice | | |
| <ul style="list-style-type: none"> • Improving the evidence base for policy | <ul style="list-style-type: none"> • Engaging UK and International decision makers | <ul style="list-style-type: none"> • Position the West Midlands as a global centre where people and businesses choose to connect |

Spatial Focus

The Worcestershire Economic Strategy has an explicit spatial dimension which aligns with the Regional Economic Strategy. This covers:

- Areas of market failure and disadvantage – Rural Regeneration Zone
- Concentrations of knowledge assets – Central Technology Belt
- Strategic Growth Point (Impact Investment Location) – Worcester City, which is our key economic development priority
- Towns undergoing economic restructuring – Kidderminster, Redditch (which are our secondary priority areas).
- Larger towns providing a focus for economic activity – Bromsgrove, Droitwich, Malvern
- Market towns as a focus for rural regeneration – Pershore, Evesham, Bewdley, Stourport, Tenbury Wells, Upton on Severn

Figure 1: Map of Worcestershire showing principal towns and area definition



Future Economic Landscape

The new Government's policies will have significant implications for the delivery of the Worcestershire Economic Strategy. Worcestershire will be affected by:

- The creation of Local Enterprise Partnerships – joint local authority-business bodies brought forward by local authorities themselves to promote local economic development – to replace Regional Development Agencies (RDAs). This will have implications for the delivery of major projects and programmes currently being funded through the RDAs. The future development of the Worcester Technology Park and the proposed Worcester Bosch investment in phase 1 of the development will depend on the level of public sector funding support available for this project.
- The abolition of Regional Spatial Strategies and returning decision making powers on housing and planning to local councils. The implications of this for developing Worcester City as a regional growth point and as an Impact Investment Location could have implications for the local economy.
- The possible abolition of Government Offices.

It will be necessary to reflect these and other changes and their impact in the annual EDP.

Part 2 - The Strategy

2.1 A 10 Year Vision

We will have a balanced approach to investment and industrial development, with the aim of creating more wealth, which should lead to more employment. This means securing as many sustainable jobs as possible, even if they are not highly paid positions. We will look to better embed our key strategic companies and their supply chain businesses into the county, and do all we can to encourage their growth and expansion. We will reduce our dependence on struggling industries such as low added value manufacturing whilst still promoting opportunities at all levels. Large-scale inward investment will be welcomed and will be hard to deliver, but we will look to attract more business to relocate to Worcestershire. We will spread the benefits of economic growth throughout the county, reducing out of county commuting and creating more sustainable communities. We will market the county more effectively and exploit the potential of the local tourism industry to the benefit of the County and region.

Our Economic Vision for the next 10 years is:

“In ten years time, technology-led growth will have contributed to the sustainable development of Worcestershire and strengthened its role as an economic driver for the region – acting as a catalyst for all sectors of the economy and areas of the County to benefit and providing well paid and highly skilled jobs and high quality of life for residents”

This ambition is still realistic and achievable in the medium term. This desired transformation has slowed down but it is still underway, and the vision can be strengthened and broadened by placing a stronger emphasis on sustainable development. This will strengthen economic competitiveness across all sectors and areas of the County.

Economic prosperity in Worcestershire will help to support improvement in the quality of life and well being of Worcestershire residents. Economic growth and prosperity will need to be pursued with due regard to the impact on the natural and built environment, which is key in attracting businesses, residents and visitors. The Worcestershire Economic Strategy will seek to balance economic development and regeneration opportunities with the needs of the county.

2.2 Delivering the Vision

1. The Three Strategic Objectives

*One – **Business** – to support the development of a dynamic and diverse business base through engagement with existing businesses and encouraging growth of new businesses*

The Central Technology Belt forms a key part of delivering this element of the Strategy, as the catalyst for modernising and diversifying the County's economy. Engagement with county's strategic businesses will be of greater significance than in the past because of their wealth creating contribution in a period of weak economic growth. Small businesses in the supply chain of the strategic companies will also need active support. We will work to better embed existing strategic businesses in the county. We will develop an environmentally sustainable economy by encouraging the growth of more sustainable green businesses and green collar jobs. The economic growth of the County will not however be achieved at the expense of the environment. We will encourage local markets and local sourcing to help minimise the County's carbon footprint. The revised priorities identified related to business are:

- Establishing clear links with and providing sustained long term support including leadership to strategic businesses and companies in their supply chains
- Developing Strategic Employment Sites, particularly the Worcester Technology Park.
- Building on our economic strengths and our heritage.
- Providing support for business retention and new business creation
- Supporting key growth sectors particularly environmental technologies and tourism
- Supporting new business formation
- Retaining and developing a skilled workforce to support high tech jobs and businesses especially future growth sectors
- Improving the environmental performance of Businesses
- Working with employers and education providers to deliver the skills levels of the workforce to meet future business needs, especially for growth sectors

*Two – **Place**: Supporting the sustainable development of the county through infrastructure development especially transport, and continue supporting Worcester as an accessible West Midlands Growth Point*

It is essential that the infrastructure is in place to meet the new demands of a changing economy. We must ensure that appropriate employment land and property is available in the right place at the right time, and that key strategic sites are brought forward when required. Companies and particularly knowledge based industries will require good ICT facilities and especially Super Fast Broadband. A robust transport infrastructure is critical throughout the county. Worcester city offers unique opportunities for development, and

with the growth of the University. It is the first priority for economic development in the County. We must have the elements in place to support the expansion of Worcester city and make it a successful sub-regional focus of economic growth. Other towns such as Kidderminster and Redditch undergoing economic restructuring need investment, but will benefit from the work done in Worcester. We will revitalise the county's other towns; promote a rural renaissance through regenerating the rural parts of the County and exploit the potential of key regeneration sites and projects. We will provide a first class property service for inward investors and growing indigenous businesses, and we will market the county effectively to attract investors and skilled workers. Our priorities under this objective are:

- Implementing Worcester City's West Midlands Growth Point Status as a first priority
- Developing the transport infrastructure where resources permit in line with Integrated transport Strategy
- Revitalising the rest of the county's towns, especially Redditch and Kidderminster
- Regenerating the rural parts of the county
- Exploiting the potential of key regeneration sites
- Ensuring the right supply of land and property
- Developing the ICT infrastructure especially the provision of Super Fast Broadband in the county
- Marketing the county and attracting inward investment
- Improving resilience to the impact of climate change

Three – **People** – *To enhance employability levels removing barriers to employment and improving skills*

The recession has had a direct negative impact on the incomes of many individuals and households and this has triggered an increase in the number of people claiming benefits or seeking benefits advice. There are fewer jobs, less disposable income and rising prices have further exacerbated the problem. Other people are working on reduced hours, and overtime earning opportunities have been limited. It may take up to seven years before unemployment in the country is at a par with 2007 levels. We will seek to improve the employment levels and skills of the local population. We will also work to remove barriers to employment for disadvantaged groups and communities. We will work to improve the quality of training provision and create greater flexibility to meet employer and learners needs. The revised priorities identified are:

- Supporting job creation at all levels including self employment
- Addressing worklessness especially:
 - Reducing youth unemployment
 - Economic inclusion of the most deprived communities and groups who are farthest away from the job market
- Supporting people to gain at least NVQ 2 skills including improvements to the quality of training and education to meet employers' needs

- Increasing Apprenticeships especially in Engineering and Manufacturing
- Supporting people who are made redundant
- Facilitating employer engagement with the skills agenda
- Improving opportunities for those who are not in Education, employment and Training (NEET), particularly around the age of 19
- Improving the quality of the training infrastructure

The Fourth Underpinning Objective:

*Four – **Powerful Voice:** Ensuring that Worcestershire's economic interests are effectively represented at all levels*

One of the great strengths and opportunities for Worcestershire lies in the diversity as well as uniqueness of its people, places and Economic Growth. The County has an innovative creative culture. We will highlight these strengths as making a significant contribution to the regional economy and will protect our interests at the regional and national levels. We will explore and where appropriate be part of sub-regional, regional and national programmes. We would also take the limited opportunities offered by the existing and new European Union programmes that can contribute to meeting our economic and social objectives. Our priorities under this objective will be:

- Leadership and governance
- Raising ambitions
- Broadening horizons and expectations
- Developing cross-boundary working
- Continue to attract and maximise the external funding brought into the County.
- Focus on the County's strong cultural, creative and design inputs, which can be enhanced and exploited.

2.3 Delivering the Regional Economic Strategy in Worcestershire

Our strategic objectives are aligned with the objectives of Regional Economic Strategy (RES), and will help to deliver the RES priorities. The Worcestershire Economic Strategy will enable sub-regional delivery of the RES and empower Worcestershire to be an economic driver for the region:

| Worcestershire Strategic Objectives | RES Strategic Objectives |
|---|---|
| <p>Business</p> <ul style="list-style-type: none"> ✓ To support the development of a dynamic and diverse business base through engagement with existing businesses and encouraging growth of new businesses | <p>Business</p> <ul style="list-style-type: none"> ✓ Seizing market opportunities ✓ Improving competitiveness ✓ Harnessing knowledge |
| <p>Place</p> <ul style="list-style-type: none"> ✓ Supporting the sustainable development of the county through infrastructure development especially transport, and continue supporting Worcester as an accessible West Midlands Growth Point | <p>Place</p> <ul style="list-style-type: none"> ✓ Increasing Birmingham's Competitiveness ✓ Improving infrastructure ✓ Sustainable communities |
| <p>People</p> <ul style="list-style-type: none"> ✓ To enhance employability levels removing barriers to employment and improving skills | <p>People</p> <ul style="list-style-type: none"> ✓ Sustainable living ✓ Raising ambitions and aspirations ✓ Achieving full potential & opportunities for all |
| <p>Powerful voice</p> <ul style="list-style-type: none"> ✓ Ensuring that Worcestershire's economic interests are effectively represented at all levels | <p>Powerful Voice</p> <ul style="list-style-type: none"> ✓ Improving the evidence base for policy • Engaging UK and International decision makers • Position the West Midlands as a global centre where people and businesses choose to connect |

Actions, activities, strategic links and measures

The strategic objectives and priorities will be delivered through a series of activities. Many of these actions are contained within existing or developing local strategies. The Worcestershire Economic Strategy forms an umbrella for those strategies and new activities will be integrated into them. Monitoring and evaluation will be on the basis of identified measures, enabling the impact of the overall strategy to be assessed, thereby informing the EDP.

2. Worcestershire Economic Delivery Plan

The Worcestershire EDP was developed in 2008 in order to address the 'action gap' between Worcestershire's Economic Strategy and delivery. The three year Plan helps partners in Worcestershire to identify the top economic priorities for their actions. Partners will build on the strengths of current activities and integrate initiatives across Worcestershire and where appropriate with regional partners. It also provides an opportunity to enable delegation of delivery and secure partner investment in activities to deliver against objectives. The EDP is updated annually. Any proposed new activity will be tested against the Worcestershire Economic Strategy. Partners provide details of additional activities that they feel should be included in the plan.

The EDP will be updated after the refreshed Worcestershire Economic Strategy has been approved.

3. Cross cutting activity

As well as specific activities, a range of cross-cutting actions are needed to ensure effective delivery of all the strategic objectives and priorities. These are:

- Raising the profile of Worcestershire
- Ensuring access to information
- Rural proofing of policies
- Sustainability
- Securing access to external funding
- Building on our strengths

These cross-cutting activities will also be reviewed.

Part Three - Drivers of Change

3.1 Economic Drivers, Opportunities and Challenges

To develop an effective economic strategy to take the County's economy forward over the next 10 years, we must understand the key drivers of future change, using robust data from the Worcestershire Economic Assessment. We will distil information from previous analyses and identify the key opportunities and challenges in the decade ahead.

The following key economic drivers will affect Worcestershire Economy over the strategy period:

a. Globalisation The pace of global change in the past decade has been rapid. New economic superpowers have strengthened their position, often at the expense of the larger western economies. As the balance of global economic power has shifted, the nature of global politics and culture has also changed. As the scope of globalisation has increased, Worcestershire is facing competitor threats to its prosperity. On the other hand, it is also being presented with a much broader base of opportunities to advance its economy and define its role within the global market place.

Businesses will be encouraged to take advantage of export markets in developing countries, including the newer EU member states, whilst recognising the increased competition from developing economies, increasingly in higher added value activities;

b. Place Shaping – Local Authorities are strategic leaders in place shaping, responding to residents and businesses ambitions and aspirations and working with partners to deliver relevant services. Place shaping is important for those involved in building new communities. A principle underpinning place shaping is that every place should have an identity and a function and in particular an economic purpose. In support of this, the Local Democracy, Economic Development and Construction Act 2009 requires local authorities to undertake an economic assessment of their area. There are three core policy functions which are interrelated in terms of local outcomes:

- Economic Development and Regeneration
- Spatial Planning
- Transport Planning

These functions share sustainability as an underpinning function. Local Authorities have a key role to play within the changing statutory responsibilities.

c. Future Business Sectors

Some specific sectors or categories of business have been identified nationally where a targeted approach is considered worthwhile. These are

the sectors with potential opportunities for economic and employment growth and where actions can have a real impact. Worcestershire has a significant number of these businesses identified within growth sectors for the future. These are:

- **Digital Economy** –Priorities fall into communications infrastructure, digital participation and digital content
- **Creative Industries** – These are based on individual creativity, skill and talent, and those with the potential to create wealth and jobs through developing intellectual property. There are 13 recognised creative sectors including software and computer services, publishing, radio, television and advertising.
- **Low Carbon Industrial and business opportunities** – the potential for innovation, job creation and growth in the transition to a low carbon, climate-resilient economy depends on both massive dynamism in the private sector and a strategic role for Government.
- **Advanced Manufacturing** – these are businesses which use a high level of design or scientific skills to produce technologically complex, high value products and processes.
- **Life Sciences** –Priorities for life sciences are pharmaceutical, medical biotechnology and medical technology companies. The Government aims to make the UK the country of choice for life sciences companies to do business and Worcestershire must highlight its advantages to businesses wishing to locate here and operate in this sector.

3.2 Current Economic Circumstances

a. The Recession and Global Economy

The global economy in 2008 was subjected to traumas of an intensity not seen since the Great Depression of 1929. The credit crunch, a consequence of sub-prime lending and a sharp economic down turn had in an increasingly integrated world economy, severely tested the international financial and banking infrastructure. In turn, the shortage of easy to access credit facilities for businesses still has a major impact on confidence, economic growth and overall demand for goods and services. It was apparent before the end of 2008 that the UK economy and most of the developed world had gone into recession.

The causes of the credit crunch have been analysed extensively. What banks had considered prime investment assets in their balance sheets often turned into toxic debt. There are longer-term consequences over the inability, or unwillingness, of banks to lend to their traditional business and domestic customers. The economic fall-out arising from what began as a financial crisis has not only had an adverse impact on the global economy and international growth but will affect the world's economy for years to come. The lack of liquidity has placed major constraints on the ability of lenders to fund business expansion, as well as provide mortgages to support housing growth.

The UK experienced negative economic growth from the third quarter of 2008, when GDP¹ fell by 0.6%. A visible sign of the recession has been a steep rise in unemployment. Although this has now stabilised the sectors particularly affected were financial services, construction (both commercial and residential), retail and distribution. Youth unemployment was badly affected.

The UK is now out of recession and there are signs of renewed optimism in some sectors, such as the housing market with the numbers of loans and house sales starting to increase, albeit from very low levels². The fall in the value of sterling has also helped UK exports.

b. The Year Ahead – UK

Forecasting the performance of the UK economy in 2010 is a challenge. Recovery, although now underway has been extremely modest and there remains the risk of a double dip recession. Though recovery is welcome, it still leaves the problem of spare capacity, high unemployment and record levels of peacetime government borrowing. It will take a long period of economic growth to restore unemployment levels to the levels of early 2008.

¹ Gross Domestic Product - The total market value of all final goods and services produced in a country in a given year, equal to total consumer, investment and government spending, plus the value of exports minus the value of imports.

² Land Registry, 2009. <http://www.communities.gov.uk/documents/housing/xls/141392.xls>

Savings will be needed across the public sector, and impact of this upon an economic recovery is uncertain. A further rise in unemployment is possible and economic conditions will be challenging in the coming years.

c. **Consequences and Impact**

The local consequences and implications of the global recession are felt to be as follows:

- **Business Growth** – An effectively functioning banking system has traditionally played a key role in supporting business growth, through financing investment and expansion. The issues around the capacity of lenders to fulfil that role, highlighted during the recession, has resulted in not only in lost opportunities but shrinkage in the business base – including a loss of some viable small businesses. The inability of lenders to fulfil their traditional roles has however, created an opportunity for businesses to explore alternative sources of finance
- **Housing Growth** – With the housing market currently close to a standstill, the number of new housing starts has fallen dramatically. A failure to meet future housing need/demand, including affordable housing will have an impact on the county's economy. Changes to the Planning system will also produce further uncertainties.
- **Regeneration** – Nationally many broad-based regeneration projects, often involving local authority and private sector partnerships, have either been postponed indefinitely or are subject to significant delay. The consequences will be felt across the county, and in terms of strategic regeneration of towns, notably in Kidderminster and Redditch.
- **Economic Growth/power** –The Global Slowdown may accelerate the shift of economic power to Asia and the Far East. Worcestershire companies need support in maximising the opportunities that this offers rather than it being considered as a threat to the local economy.

d. **Looking Further Ahead**

There are some grounds for cautious optimism in the next couple of years.

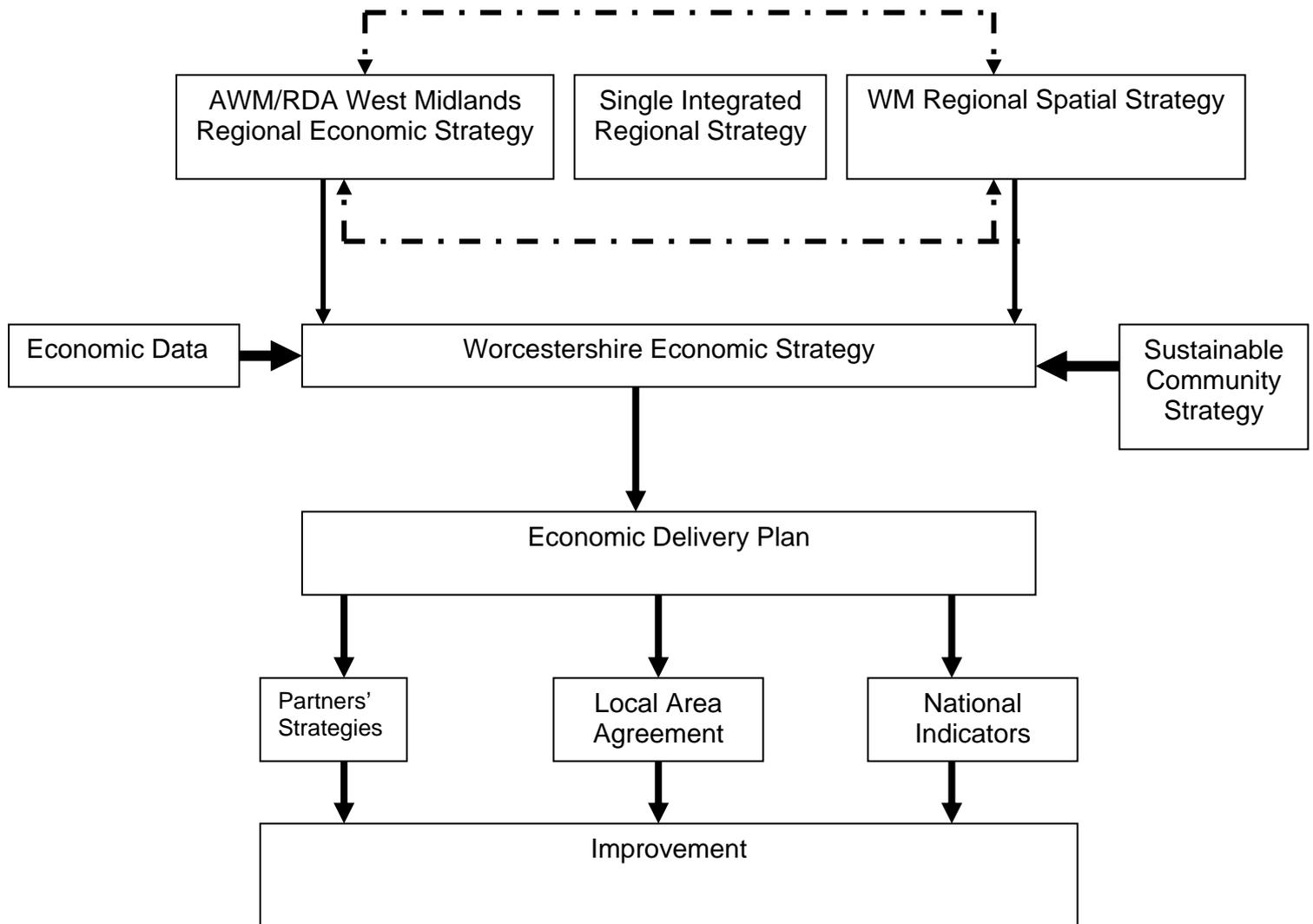
- The US, UK and European economies have all returned to positive growth. Whilst this is welcome the need to repay government borrowing might delay or raise questions about the sustainability of the current recovery.
- The recovery in Worcestershire will probably be relatively subdued, and the county will seek to attract new employers as well as encourage local company growth in the next few years. In this period it is in the county's interest to attract sustainable new jobs. A key uncertainty relates to how labour markets will perform during the recovery phase.
- The ability of the lending sector to finance the economic recovery remains a key risk to the growth outlook. As the process of absorbing credit losses and rebuilding capital is likely to be protracted, the normalisation of lending standards is likely to take longer.

- The extent to which domestic consumer demand recovers will also depend on the behaviour of households. The balance of personal saving with spend/borrowing will influence the rate and speed of economic recovery.
- Cutting public sector finances will have an impact on economic growth.

Part Four - Strategic Context

4.0 National, Regional and Local Policies and Strategies for Economic Development and Regeneration

The Economic Strategy takes into account a wide range of national, regional and local policies and strategies which set out the priorities for economic development and regeneration. Diagram 1 gives an overview of this strategic context: Some of this is already earmarked for change – the demise of the Regional Spatial Strategy is the most obvious example.



4.1 Local Democracy, Economic Development and Construction Act 2009 (LDEDC Act)

The Government's Review of Sub-National Economic Development and Regeneration (SNR) published in 2007 set out a series of reforms primarily to enable regions and local areas to respond better to economic challenges. It stressed the need for local authorities to play a stronger role in economic

development and regeneration. In order to enhance the focus on local economic development, the SNR proposed that a new duty be placed on all upper tier authorities and unitary authorities to assess economic conditions of their respective areas from April 2010. Local authorities should have a central role in leading economic development and regeneration. They have an important role in “place shaping” thereby generating the potential for business growth and improving the attractiveness of an area to new and existing employers. The main purpose of the LDEDC Act is to promote local democracy and economic development, devolving greater power to local government and communities, and to ensure fairness in construction contracts. The Act seeks to create greater opportunities for community and individual involvement in local decision-making. It also provides for greater involvement of Local Authorities in local and regional economic development.

In undertaking their economic assessments Local Authorities will need to take account of the broad range of factors that impact, both positively and negatively, on the economic well-being of individuals and communities. These factors will vary in importance, but could include the impact of geographic change, sparsity, and peripherality, environmental opportunities and pressures, housing and infrastructure and the role of transport and skills. Worcestershire County Council has been producing Economic Assessment of the County for more than 10 years. Please follow the link to access Annual Worcestershire Economic Assessment 2009-2010 www.worcestershire.gov.uk/EconomicAssessment.

4.2 14-19 and post 19 Education and Skills Reform

In June 2007, the Government announced that 14-19 funding would be de-centralised and be delivered via Local Authorities from 2010/2011. This transferred responsibility in 2010 for funding the education and training of young people from the Skills Funding Agency to Local Authorities, who are supported by a Young People's Learning Agency. At the same time it transferred the LSC's responsibilities for adult education and training to the Skills Funding Agency. The increase in the participation age of young people in education to 18 will take effect from 2015. This requires us to take the lead and ensure that all young people have access to high quality learning opportunities, including apprenticeships.

4.3 West Midlands' Strategies

a. Regional Economic Strategy

The Regional Economic Strategy “Connecting to Success” published in November 2007 sets an ambitious vision for the region:

“To be global centre where people and business choose to connect”

To achieve the vision the Regional Economic Strategy identifies three main strategic components of the economy - (Business, Place and People)

- **Business** refers to the contribution that ‘businesses’ (a term used in its widest sense and including social enterprises and not-for-profit organisations) make to the productivity and growth of the regional economy, and to the demand for employment of the region’s workforce.
- **Place** focuses on the role of place in both attracting and enabling economic growth (i.e. high-quality locations and environments which encourage businesses and highly skilled workforce); but also in dissuading or constraining economic activity (poor-quality environments can limit investment, reduce aspirations and lead to negative stereotyping)
- **People** refers to the contribution of the region’s population and their skills to sustainable growth and increased productivity of the West Midlands economy; and to ensuring that everyone has the opportunity to develop their full potential.

The above three objectives are underpinned by a fourth component:

- **Powerful Voice** The West Midlands’ prosperity and growth requires articulate and convincing advocacy of its needs, challenges and priorities. With a strong voice and a compelling evidence base, the region can attract increased investment, stimulate greater levels of ambition and animate support for its economic vision.

b. **Regional Spatial Strategy (RSS)**

Up till now RSS has provided the Regional Development Framework. Whilst still in place Coalition Government have announced to abolish it. At the time of writing current approved RSS and its policies are a material consideration. It provides for 1200 houses per annum between 2007-2011 and 1000 houses per annum between 2011 – 2021. It is unclear how or whether regional planning will be addressed in the future. Local development Frameworks are still in preparation across Worcestershire which will provide context for our growth.

c. **Regional Housing Strategy (RHS)**

The RHS is a broad strategy to 2021 which is supplemented by the Government Office for the West Midlands issuing two year investment strategies, known as the Regional Allocation Strategy (RAS). This sets out requirements by Housing Market Area (HMA). The Homes and Communities Agency (HCA) contributes to the delivery of affordable housing by HMA through the National Affordable Housing Programme which is funded by central government. The core aims of the RHS are:

- to seek to create mixed, balanced and inclusive communities;
- to assist in the delivery of West Midlands Regional Spatial Strategy (WMRSS) policies; and
- to achieve social and other affordable housing.

The RHS identifies 4 sub regional housing markets in the West Midlands. Worcestershire and Stratford and Warwick Districts in Warwickshire comprise the South Housing Market Area (HMA). The provision of affordable housing in the region is a priority for the RHS. In this context, emerging RSS policy sets an indicative minimum net annual affordable housing target of 1200 dwellings for the period 2006-2026 for the South HMA which also includes Worcestershire.

4.4 Local Policies and Strategies – Worcestershire

a. Sustainable Community Strategy (SCS)

The SCS is a statutory document that sets the overall strategic direction and long-term vision for the economic, social and environmental well-being of a local area, typically over 10-20 years and focuses on activities needed in the short term to make it happen. The vision for Worcestershire is based on what Worcestershire's residents consider important to them in making our county a great place to visit, work or live in:

A County with safe, cohesive, healthy and inclusive communities, a strong and diverse economy and a valued and cherished environment

The Worcestershire SCS was refreshed in 2008 following extensive consultation with a wide range of partners. The refreshed SCS formed the foundation of Worcestershire's 'Story of Place': its evidence base from which the second Worcestershire Local Area Agreement (LAA) was developed.

The SCS is structured around six themes, which were developed as part of the first LAA:

- Communities that are safe and feel safe
- A better environment for today and tomorrow
- Economic success that is shared by all
- Improving health and well being
- Meeting the needs of children and young people
- Stronger Communities (including housing, culture, poverty and volunteering)

One of the six main themes identified in the SCS is **Economic success that is shared by all**. The SCS priority outcomes in this theme are:

1. **Business – to promote technology-led growth benefiting all sectors and parts of the county**
2. **Place – to support the sustainable development of the county through infrastructure development (in particular transport infrastructure), and establish Worcester as a growth point**
3. **People – to remove barriers to employment and improve skills**
4. **Powerful Voice – to ensure that Worcestershire's economic interests are effectively represented at all levels**

b. Local Area Agreement

Local Area Agreements (LAAs) set out the priorities for a local area agreed between central government and a local area (the local authority and Local Strategic Partnership) and other key partners at the local level.

In July 2008, Worcestershire's second LAA was approved. The 2008-2011 LAA was developed by the council and its partners through the Worcestershire Partnership and expires at the end of March 2011. Should future LAAs be negotiated it will be important for them to be an integral part of the annual Economic Delivery Plan. The complete LAA document and latest performance report on LAA indicators can be accessed via <http://www.worcestershirepartnership.org.uk/cms/local-area-agreement.aspx>

c. Worcestershire's Local Transport Plan 2006 / 11

The Worcestershire's Local Transport Plan for 2006-11 (LTP2) sets out County's transport strategy within the timeframe, as well as identifying major longer-term transportation pressures upon the County. It also sets transportation needs within the County in the context of regional and national transport policies, and of other public services within the County such as education, social services, health, economic development and cultural activities.

The overall vision of the LTP2 strategy is:

"To deliver a transport system within Worcestershire that is safe to use, and which allows people to easily access the facilities that they need for their day-to-day life in a sustainable and healthy way."

The LTP2 strategy has following core objectives:

- Ensuring that people have access to key services at reasonable cost, in reasonable time, and with reasonable ease, and in a way that promotes better health for all.
- To have a passenger transport network that meets the needs of the people of Worcestershire in all their journeys, including work, education, health, and leisure.
- Worcestershire will be a County with safe, cohesive, healthy and inclusive communities, a strong and diverse economy and a valued and cherished environment.
- Procurement of a transportation system that will support the development of Worcester into a first class University City with a vibrant visitor economy.
- Refinement of the transport strategy that will be necessary to allow Worcestershire to meet its longer-term contribution to the well-being of the West Midlands Region.
- Achieving the most efficient use of resources to deliver the LTP2 strategy, including maximisation of funding from external sources, getting excellent levels of service from existing assets through the use

of efficient management systems, and obtaining value for money when procuring transport schemes through robust business systems.

d. **Worcester Transport Strategy**

The proposed Worcester Transport Strategy has been developed which aims to deal with existing and future transport challenges that contribute to the long term future of the City of Worcester. Although the strategy addresses the issues faced by the Worcester transport network and its hinterland, it is important to recognise that improvements will have an effect on business decisions and hence the local and regional economy. A healthy economy needs a sound and sustainable transport strategy. The following are some of the planned initiatives which will have implications for the local economy and housing developments in the city:

- Strategic Highway Improvements e.g. the possible construction of the North West Link Road.
- Local Highway Improvements including junction enhancements especially at Junction 6 on the M5 motorway
- The construction of a new Railway Station at Worcestershire Parkway
- Improvement to the Southern Link Road

It is important to note that the future funding of transport initiatives is under review, and may lead to significant financial reductions.

Part Five – Worcestershire's Economic Context

5.0 Economic Context

A detailed Strengths Weaknesses Opportunities and Threat Analysis of the Worcestershire Economy is shown at Appendix 1. However some of the key economic strengths and barriers to economic development have been highlighted below:

5.1 Worcestershire's Distinctive Strengths

a. *The natural and built environment.*

Worcestershire is located in the heart of England and has a beautiful natural landscape; this is a real asset in attracting visitors, businesses and workers into the County. The built environment is often historic and appealing. In many cases, the towns have even greater potential for environmental distinctiveness. The rural landscape consists of combination of fields, orchards, woodlands, meadows, ancient forests and rivers. This is interspersed with thriving towns and villages possessing a variety of characteristics. Both the rural and urban environment contributes to a high quality of life in Worcestershire.

b. *Urban/rural opportunities.*

A major asset of the County is its complementary mix of the urban and rural. As well as making possible the provision of interdependent services, this mix gives benefits to both local businesses as well as their workforce. It contributes in part to the creation of our mixed economy, which is not dependent on a very few large employers in specific sectors.

c. *Innovation and knowledge transfer*

Worcestershire has a track record of innovation and knowledge transfer. QinetiQ at Malvern continues to be responsible for many of the technological advances that have even helped drive the world's economy. Through the development of Malvern Hills Science Park, Bromsgrove Technology Park and the wider Central Technology Belt, we must ensure that these developments are 'spun out' to enable full economic benefit to the county and the region.

d. *Strategic Companies*

Worcestershire has significant number of companies which have been identified as the "key strategic companies" in the County. About 80 local businesses employ just under half of the private sector workforce in Worcestershire, excluding national chain employers. These companies also have an important role in the county supply chain. The precise make up of the list is dynamic as it does change. We will give priority to further embedding these companies into the County. Some of these companies fall under the growth sectors identified as key drivers of the UK economy.

e. *The local business base.*

Worcestershire has a history of entrepreneurship with both world-renowned businesses as well as smaller indigenous enterprises. An historical strength of the county has been its traditional industries. These need to be supported as they move towards a greater emphasis on innovation and technology, in order to increase their added value within the local economy. Successful diversification will reduce some of the vulnerability of the county, for example, a growing proportion of employment is being encouraged in the service sectors. High technology industries will be attracted into the County through the Central Technology Belt.

f. *Robust communities.*

There are inequalities across the County and there is a need to strengthen both urban and rural communities to cope with economic changes. Regeneration programmes have made a start in developing the infrastructure and capacity within these communities to transform them. We will build upon this and roll out examples of good practice so that they can be implemented across the County.

g. *Partnership Working*

Worcestershire has a track record of effective partnership working – including the delivery of economic development and regeneration. Responsibility for the stewardship of the Worcestershire Economic Strategy lies with the Economy and Transport Theme Group. Responsibility for monitoring the delivery of the Strategy is managed by the Theme Group, with much of the delivery coming through local partnerships guided by Economic Delivery Plan.

Responding to the changing economic environment and to meet the needs of customers, the partners especially Business Link West Midlands (BLWM) is focusing on the development of activity to support businesses at a local level. The BLWM service for 2010-2011 aims to have ongoing, transformational relationships with customers (with a focus on value rather than volume) to make a measurable difference to the performance of businesses. The priorities of BLWM are to support area priorities through area plans working with our partners. In order to address the issues and bridge the productivity gap, the overall volume of business starts needs to increase and the number of high growth businesses needs to grow.

The key areas which BLWM will focus on to meet these challenges are:

1. Supporting creation of new enterprises (including economic inclusion through self employment), but with a particular focus on High Growth Business starts.
2. Moving existing businesses up value chain to make them more sustainable and more productive.
3. Actively supporting high growth, high value business.

h. Worcester City

Worcester City is our vibrant regional centre well placed at the heart of England. With its enviable position, attractive rural setting, vibrant local economy and host of business opportunities Worcester is considered to be a good place for companies to invest and grow. There are developments on the horizon for Worcester but to maximise its potential, additional resources will be needed. The expansion of the University of Worcester on to a second campus greatly enhances the local skills offer and will attract more young people to the city. The University of Worcester and Worcester College of Technology will also act as a catalyst to attract high and new technology businesses. Worcester City has a higher than average percentage of highly qualified people which should enable the city to help fulfil the labour requirements of high technology businesses

j. Worcester Library

The library project will see the first "Super Library" in Europe. The aim is to create a learning and technical resource centre that can be accessed by the public, students, graduates and businesses – all under one roof. This will complement the second campus of the University of Worcester which is also under construction, on the site of the old Worcester Royal Infirmary. The Library and History Centre a PFI project, is a partnership between Worcestershire County Council, University of Worcester, Worcester City Council and Advantage West Midlands.

In the building there will be:

- A fully-integrated public and university library
- Worcestershire Record Office
- Worcestershire Historic Environment and Archaeology Service
- Worcestershire Hub Customer Service Centre

The library will be able to serve the local population whilst providing a very modern facility to fulfil the research needs of local businesses.

k. Housing Growth in Worcestershire

Worcestershire's housing market is characterised by high prices, high demand and acute affordability problems. Latest Statistics (2009) shows that Worcestershire's average affordability ratio for lower quartile house prices was 7.3 times lower quartile earnings. Within the County affordability ranged from the most affordable (Redditch 6.4) to the least affordable (Bromsgrove 8.5) but house prices in all districts were less affordable than the regional (5.8) or English (6.3) averages³.

To fulfil its role as focus for balanced development, the growth of Worcester City will need to extend beyond its administrative boundaries and this will need to be strategically managed. We must ensure that development takes

³ Worcestershire Economic Assessment 2009-2010.

place at optimum locations and that the necessary transport and other supporting infrastructure is provided. It is important that the Economic Development Strategy makes effective links.

In the case of Redditch, dwellings may have to be provided up to 2026 to meet the local needs of the town. Many dwellings will be within the Borough but others will need to be built adjacent to the Redditch boundary.

Elsewhere in the county development will be at a scale to meet local housing needs and sustain the rural economy, for example at the towns of Bromsgrove and Kidderminster. In the rural areas there is a key role for market towns and larger villages and development on an appropriate scale to address rural affordable housing needs.

Whatever the final housing figures are for the County, delivering them will require major investment in associated infrastructure. This includes employment land. Regionally significant infrastructure requirements include improvements to the Worcester A4440 Southern Link Road and platform lengthening and station enhancements at Bromsgrove Station.

The provision of enough housing, including affordable housing is essential to successful economic development. The level of housing growth will have implications for the Economic Strategy in terms of seeking to ensure that job growth and training align with the anticipated increase in people seeking jobs so as to achieve balanced and sustainable growth.

5.2. Barriers to Economic Development

5.2.1 The Impact of recession on Worcestershire

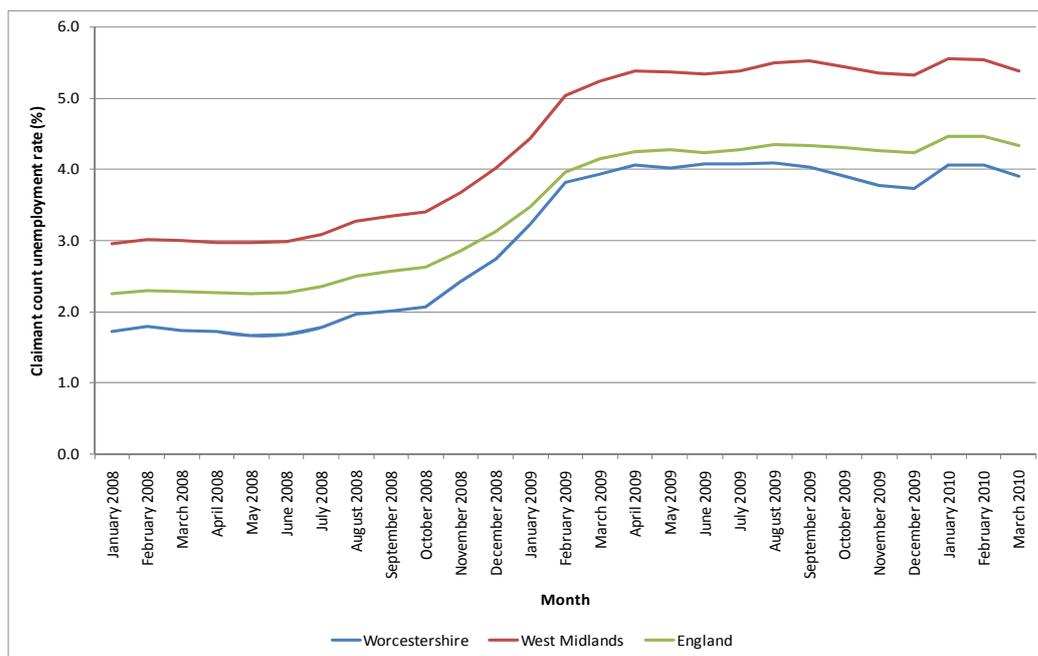
The impact of national and international recession continues to have a significant impact on Worcestershire's Economy. Decisions taken thousands of miles away can and do affect the local economy either directly or indirectly. This must also be viewed in the context of the West Midlands' economy. The region has an estimated output gap of £15 billion. Key elements making up the gap are caused by the low economic output per head of population, because of our low skills base and poor rates of new business creation.

The diversity of the local economy, its lack of a single dominant employment sector, and the significant proportion of people working in public sector has provided a degree of resilience in the face of external shocks. However, these caveats must be relative, (particularly given the number of residents employed outside the County. People employed in banking, finance and construction have faced redundancy in fairly large numbers. Those employed in manufacturing and retail sectors have subsequently suffered as consumer confidence fell and productivity slowed. The knock-on or multiplier effect of down-turn in these industries affected the whole spectrum of sectors that make up the local economy.

a. Jobs - The local job market proved resilient through the first half of 2008. However, unemployment began to grow from July 2008, with a

particularly marked increase between November 2008 and February 2009. The rate in Worcestershire increased faster than for England, possibly because of the employment structure of Worcestershire where a greater proportion of the workforce is involved in manufacturing than is the case across England as a whole. The number of claimants in Worcestershire has stabilised at around 13,000. It is worth noting, however, that at the height of the last recession in the early 1990s, the claimant count peaked at just over 23,000.

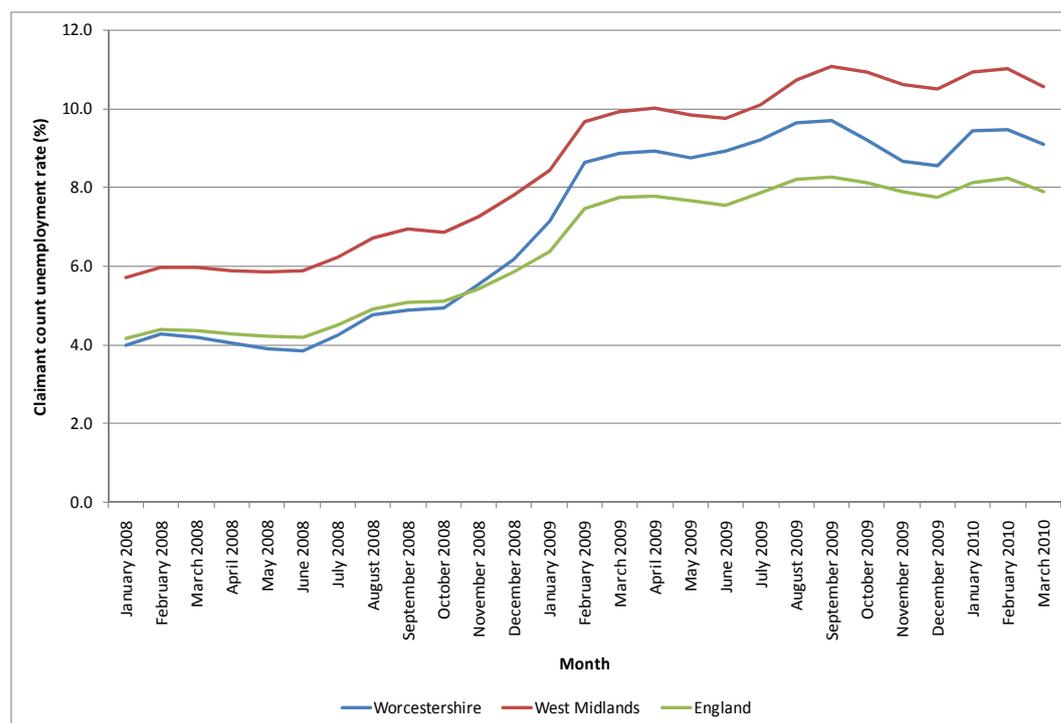
Figure 1: Number of Job Seekers Allowance (JSA) claimants in Worcestershire, January 2008 – March 2010⁴



b. Youth Unemployment – Unemployment during the current recession is disproportionately affecting people in younger age groups. In comparison to the West Midlands and England, we also have a greater proportion of claimants aged over 50, particularly 55-59. Youth unemployment is of particular concern as a delay in entering the labour market impacts upon the lifetime earning potential of young people, and increases the likelihood of a proportion of the population becoming disengaged from work in the longer term. The 18-24 claimant rate for Worcestershire is above the England average.

⁴ Worcestershire Economic Assessment 2009-2010

Figure 2: Number of Job Seekers Allowance (JSA) claimants aged 18-24 in Worcestershire, January 2008 – March 2010⁵



c. Regeneration - Worcestershire was not as adversely affected by the recession in comparison to some of the other areas in the West Midlands region. However, some of the regeneration projects providing new businesses and jobs planned for the county were reviewed by AWM and not subsequently funded as a result of the down turn. These included projects such as Diversity and Rural Enterprise, Tenbury Bio Park and Tenbury Flood Defences.

d. Business Growth - The number of new businesses being created in the county fell in 2008 in comparison to 2007. The rate of fall in business creation is considerably larger than that seen across England as a whole, and is particularly pronounced in Wychavon. This reflects a number of factors, including difficulties in obtaining credit for fledgling businesses, and possibly a reluctance to risk starting a new business during a recession.

⁵ Worcestershire Economic Assessment 2009-2010

Table 1: Count of births of new enterprises, 2004-7⁶

| Area | 2004 | 2005 | 2006 | 2007 | 2008 | % change 2007-8 |
|-----------------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| Bromsgrove | 460 | 535 | 475 | 515 | 475 | -7.8 |
| Malvern Hills | 380 | 415 | 415 | 365 | 375 | 2.7 |
| Redditch | 290 | 390 | 305 | 315 | 330 | 4.8 |
| Worcester | 380 | 355 | 400 | 375 | 350 | -6.7 |
| Wychavon | 630 | 650 | 650 | 740 | 545 | -26.4 |
| Wyre Forest | 370 | 440 | 370 | 420 | 380 | -9.5 |
| | | | | | | |
| Worcestershire | 2,510 | 2,785 | 2,615 | 2,730 | 2,455 | -10.1 |
| West Midlands | 23,010 | 23,115 | 21,025 | 22,805 | 20,750 | -9.0 |
| England | 248,450 | 241,410 | 225,120 | 246,700 | 238,895 | -3.2 |

Rates of entrepreneurship are lower in Worcestershire than in England. Business survival rates have deteriorated in comparison to the Region and England. Wychavon has the lowest business survival rate in the county, and this has been the case since the start of economic downturn in 2008.

e. **The Housing Market** - There has been a steep decline in property sales, which began as early as 2007. Mortgage lending reduced markedly as, unemployment rose creating uncertainty amongst potential homebuyers. House prices in Worcestershire in 2009 were some 13% below the equivalent in 2008. There have since been signs of stabilisation in the housing market. House prices in Worcestershire fell at a greater rate than in the West Midlands and England, and a return to significant house price growth may take longer in Worcestershire.

f. **Incomes** - Household incomes have been under pressure, linked to reduced earnings as a result of redundancies, enforced part-time working and a cut back in overtime earnings. Client referrals to agencies such as Citizen Advice Bureaux for debt advice have soared. The reduction in interest rates did however help to make mortgage payments more affordable for many people, although savers were adversely affected.

g. **Recession and Rural Economy**

England's rural economy saw sharper contractions in output than the wider economy of the recession period. However, by April 2010 England's rural economy had seen 10 consecutive months of rising business activity. But the rate of expansion has weaker on comparison to the English average. The England's rural economy saw a slight increase in staffing levels in April 2010. Furthermore, the absolute increase in claimant numbers in rural areas was small in contrast to that in urban areas. However, the relative impact was marked and rural districts saw nationally significant increases. The notified redundancies have now dropped from the peak of the recession, but remain fairly significant. Rural economies face a number of specific challenges which will influence the pace of recovery; such as:

⁶ Worcestershire Economic Assessment 2009-2010

- Dependence upon a limited number of key employers
- Often a 'double-whammy' in 'commuter areas'
- National evidence that rural labour market is 'different', with long term unemployment tending to be proportionally greater
- Support available for businesses and individuals often more patchy and harder to reach –e.g. Job Centres
- Many communities distant from sources of employment
- Specific challenges in accessing employment opportunities, particularly for low skilled and young people
- Impact on many communities of pub, shop closures plus tightening of public sector budgets, out-migration.

h. Public Sector Budget Cuts

In Worcestershire 8% of businesses are classified as Public Administration, Education and Health, but these employ more than 26% of the workforce. The sector is the biggest employer in the county and makes a major contribution to Worcestershire's economy. It is recognised however that the national debt has increased dramatically since 2008. Large savings are likely to be made across the public sector and the resulting cuts will have a detrimental effect in the county. It is also envisaged that these budget cuts will disproportionately affect female employment in the county, as they make up much of the public sector workforce.

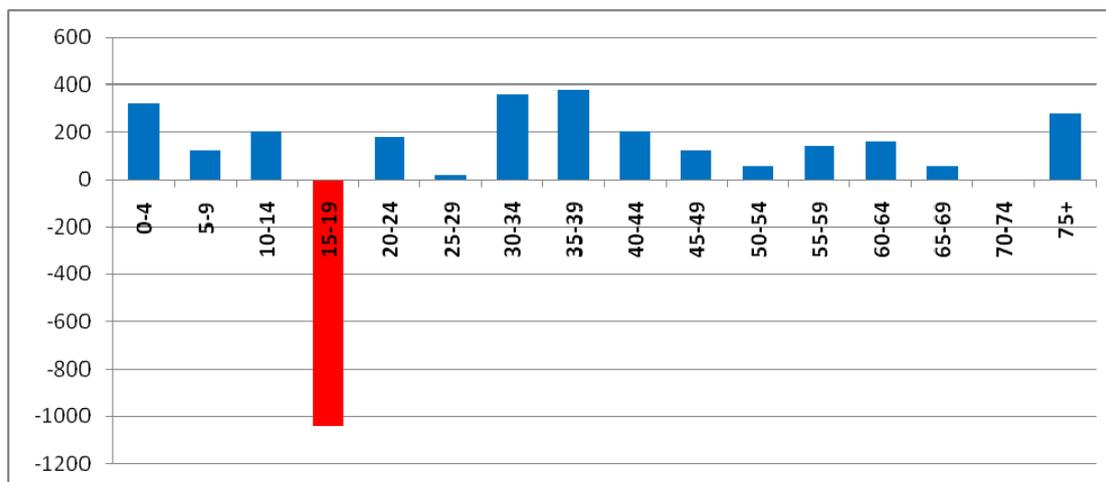
Public sector infrastructure cuts could also impact on the private sector, as for example 40% of construction contracts over the last 10 years have been generated by the public sector.

5.2.2 Other Barriers to Economic Prosperity

a. Outmigration of Young People

A major challenge is the loss of skilled young people from the county, through a lack of higher education and employment opportunities. The lack of affordable housing is also a concern. Worcestershire makes net population gains across most age groups with the notable exception young people as shown in the figure below.

Figure 3: Average annual internal net migration into Worcestershire by 5-year age group, 2003-8⁷



It is people in these age groups who are more likely to leave the county in pursuit of access to higher education or for employment reasons. The outmigration of the young people will have a significant impact on the availability of trained and young workforce in the future. We will make every effort to limit this demographic change in the future workforce of the County.

b. Not in Employment Education and Training (NEET)

Young People Not in Education Employment and Training are a priority for all partners. Recent Total Place pilot work and other initiatives are focussing on improving opportunities for this vulnerable group. Figures below have shown a rise during 2008 and 2009 because fewer young people entered into employment. The proportion of NEET is particularly high amongst young people with Learning Difficulties or Disabilities (LDD). Worcestershire County Council has responsibility for planning and funding all 14 -19 learning (and up to age 25 for Learners with LDD). Reducing the number of NEETs is a high priority for Worcestershire, and will have resource implications.

Table 2: Proportion of 16 to 18 year olds who are not in education, employment or training (%) NEET

| Area | 2004 | 2005 | 2006 | 2007 | 2008 |
|----------------|------|------|------|------|------|
| Worcestershire | 5.8 | 6.5 | 5.5 | 4.6 | 5.3 |
| West Midlands | 8.8 | 10.0 | 8.9 | 7.1 | 7.0 |
| England | 8.0 | 10.9 | 7.7 | 6.7 | 6.7 |

Worcestershire is part of the Total Place Pilot Project which enables the Public Sector and Local Government as the Strategic Leader of place, to consider how the total public resources in the County be used more effectively. One of the three main themes of the Worcestershire's Total Place

⁷ Worcestershire Economic Assessment 2009-2010

Project is to reduce the number of young people Not in Employment Education and Training (NEET) in the County

c. Skills Levels - Adults

We lack higher level skills in some sectors and geographical areas, such as Redditch, including management and skilled trades in engineering, manufacturing and construction. Low average wage levels in the County continue to limit the overall growth of the economy. In 2008 across Worcestershire, 28% of the population aged 19 to retirement age were qualified at NVQ Level 4 or higher. This is below the average for England (31%). 49% of the population were qualified to Level 3 or above in Worcestershire, compared to 50% for England. A greater proportion of the Worcestershire population is qualified to NVQ Level 2 or higher than the national average. (Nearly 72% compared to 69% nationally). This needs to be prioritised as businesses continue to argue that young people are leaving education without the basic skills needed to take up employment. During informal conversation businesses have also raised concern about the quality of skills and training provided to the young entrants.

d. Worklessness

Long term unemployment in Worcestershire is below national and regional levels, but worklessness is a considerable issue in the county. There are around 20,000 unemployed people receiving incapacity benefits and about 5000 economically inactive Lone Parents. We have difficulties in getting such hard to reach groups, including ex-offenders in the county back into employment.

e. Skills Needs – Future Business Growth Sectors

The future business growth sectors highlighted in Chapter 2 will be the sectors where there are existing and future opportunities in Worcestershire for economic and employment growth and where Government believes that its actions can have a real impact. There is a significant presence of businesses within in these sectors in Worcestershire. The existing and future developments around the Central Technology Belt, Malvern Hills Science Park and the future Worcester Technology Park will house number of these cutting edge businesses in the County. The skills agenda will be important in the county for a significant number of these growth sector businesses:

f. Apprenticeships

The *National Employer Skills Survey for England 2009: Key Findings for the West Midlands Region* highlights Worcestershire having the lowest proportion of establishments with staff undertaking Apprenticeships i.e. 3% in comparison to West Midlands (6%) and England (7%). T Table 3 & 4 below show that the percentage of Apprenticeships starts and achievements is lower in Worcestershire than West Midlands and England.

Table 3: Apprenticeship Programme Starts (2003/04 to 2008/09) as a proportion of the working age population (%)⁸

| Area | 2008/09 Full Year (final) | Working age population mid 2008 | % of working age population |
|----------------|---------------------------|---------------------------------|-----------------------------|
| Worcestershire | 2,200 | 334,931 | 0.7 |
| West Midlands | 27,800 | 3,293,782 | 0.8 |
| England | 236,900 | 30,599,100 | 0.8 |

Source: The Data Service - Statistical First Release December 2009

Table 4: Apprenticeship Programme Achievements (2003/04 to 2008/09) as a proportion of the working age population (%)⁹

| Area | 2008/09 Full Year (final) | Working age population mid 2008 | % of working age population |
|----------------|---------------------------|---------------------------------|-----------------------------|
| Worcestershire | 1,400 | 334,931 | 0.4 |
| West Midlands | 17,300 | 3,293,782 | 0.5 |
| England | 141,700 | 30,599,100 | 0.5 |

g **Rail & Road Infrastructure**

It is essential that good infrastructure is in place to meet the new demands of a changing economy. Although parts of our transport infrastructure and accessibility are generally good, poor rail access to the high speed network in many parts of the County remains a problem. The perception of road infrastructure is also poor in parts of the County, and the rural areas in particular lack a good ICT infrastructure. Addressing congestion and infrastructure issues to support growth at a time of financial constraints will be a challenge.

h. **Super Fast Broad Band**

In the modern economy Super Fast Broadband (SFBB) is a key infrastructure component in ensuring businesses are able to operate effectively in the global marketplace. Although, normal broadband is available in most parts of the Worcestershire, the County suffers from a lack of SFBB which will be increasingly important for attracting future inward investment. Lenders have begun to indicate that they may be reluctant to lend money in the future to businesses which will not have access to SFBB. Furthermore, despite the

⁸ Worcestershire Economic Assessment 2009-2010

⁹ Ibid

new Government initiative to provide SFBB, some 10% of the county's rural areas is likely to still be without coverage even a decade from now.

j. **Utilisation of ICT by Businesses**

In a recent study it has been revealed that 23% of businesses in the West Midlands do not possess computers and 30% of businesses have no internet website. These businesses will increasingly suffer from a lack of opportunities to expand or diversify or to compete effectively for business. Worcestershire is likely to be similarly affected.

Appendix 1 SWOT Analysis

| Economic strengths | Economic weaknesses |
|---|---|
| <p>Employment</p> <ul style="list-style-type: none"> • High economic activity rates and low unemployment rates • Low long term unemployment rates in comparison to national and regional figures despite the recession <p>Skills</p> <ul style="list-style-type: none"> • Higher than regional and national average qualification levels in parts of county at NVQ Level 3 and 4 • High value knowledge base provided by Central Technology Belt, QinetiQ, Malvern Science Park, • Higher proportion of young people going into further education and work based learning than the national average • Better success rates of learners achieving qualifications in our local colleges and work based learning providers than the national average • Centres of Vocational Excellence for training related to management, horticulture and gas fitting, with new centres being developed in Engineering, Construction and Food Production <p>Sectors</p> <ul style="list-style-type: none"> • Diverse economy across county with increasing employment in growth sectors – e.g. banking, tourism, technology • Significant income and potential for further growth of tourism <p>Businesses</p> <ul style="list-style-type: none"> • Higher than average levels of self employment • High proportion of SMEs against the regional average with a fair record of sustainability • Higher number of businesses with a Business Plan than the regional average • Effective support for inward investment, including Property Service at Worcestershire • Growing infrastructure for delivery e.g. Rural Hub, and Central Technology Corridor • Increasing levels of gross value added per head | <p>Employment</p> <ul style="list-style-type: none"> • Redundancies due to recession • High youth unemployment which is growing at faster than average rate • Economic exclusion of some groups • Lower than average wage levels <p>Skills</p> <ul style="list-style-type: none"> • Skills levels in certain areas and sectors are below average • 24% of employers are reporting skills gaps in skilled trades within their workforce, including 68% of construction employers, 40% of manufacturing/engineering, 39% of agricultural, and 38% hotels and restaurants • 32% of employers are reporting gaps in management skills • Gaps in training provision for certain sectors and in rural areas • Just over 1 in 5 residents have major problems with reading, writing and numeracy skills • 20% of young people are in jobs without training • 5.3% of young people are not in employment, education or training <p>Sectors</p> <ul style="list-style-type: none"> • High dependency on vulnerable sectors in certain areas (particularly low value-added manufacturing, and agriculture) with 20% employed in vulnerable industry sectors • Under-performing tourism sector <p>Businesses</p> <ul style="list-style-type: none"> • Lower levels of self employment among certain areas and groups • SMEs need further support, training • Only 37% of businesses have a training plan linked to their business plan, with only 28% having a dedicated training budget • Loss of talent especially graduates from County due to limited higher education provision • Young people unable to find good quality employment in County |

| Economic opportunities | Economic threats |
|--|---|
| <ul style="list-style-type: none"> • Worcester Library and History Centre • Central Technology Belt • Clusters funding including Food & Drink, Creative Industries, Environment Technology, and Tourism Social enterprises • Worcester University expansion • Centres of Excellence | <ul style="list-style-type: none"> • Recession and slow recovery • Need to build more effective delivery infrastructure • Complexity of two tier working • Lack of access to external funding in parts of the county, making it more difficult to carry out regeneration activities |

| Social strengths | Social weaknesses |
|--|---|
| <ul style="list-style-type: none"> • Good levels of community cohesion • Effective community development infrastructure in place • Community consultation taking place regularly • Above average attainment levels for GCSE and A Level • Higher than average basic skills levels | <ul style="list-style-type: none"> • Pockets of deprivation across the County, often with poor access to funding • Lack of affordable housing in rural areas • Ageing population in some parts of County • Poor basic skills in deprived communities and some rural areas • Significant inequalities in income across the County • Loss of young/skilled people from County |
| Environmental strengths | Environmental weaknesses |
| <ul style="list-style-type: none"> • Attractive natural environment and high quality of life • Central geographical position on national road transport network • Complementary rural-urban mix | <ul style="list-style-type: none"> • Lack of strong image – strong voice • Need for expansion of ICT infrastructure and training • Some transport problems – rail services, rural isolation, low use of public transport • As a partly rural county, transport is more reliant on private cars as sustainable modes are less widely available |
| Environmental Opportunities | Environmental Threats |
| <ul style="list-style-type: none"> • New skills and job opportunities for retro fitting and new build fitting of energy efficiency and renewable energy technologies • Working toward improving energy efficiency will reduce energy bills for businesses • Businesses have opportunity to position themselves as leaders for development of new products and services • Improved local market for local goods as consumers look to reduce the 'carbon footprint' of their consumables • New feed-in tariffs being developed which may offer new revenue streams for businesses investing in renewable energy production • Businesses that support employees to take on sustainable behaviours, e.g. supporting flexible working and sustainable travel, will be more attractive employers | <ul style="list-style-type: none"> • Severe weather events disrupt business operations, Worcestershire is particularly at risk of flooding • Increased cost of insurances and adapting businesses to cope with the effects of severe weather events |