

A Local Assessment for Solihull – Executive Summary



1 Introduction

- 1.1 The Council has published a Local Economic Assessment for Solihull which is intended to constitute the local economic evidence base for Solihull that will inform the setting of priorities and actions by the Council and its partners.

2 Economic Performance

- 2.1 Solihull has been identified as having the potential to lead the economic recovery of the West Midlands region. This is based on Solihull's historic role as a key focal point for economic growth in the region, its performance in attracting high value-added, knowledge-based industries, and the quality of its communication links and environmental quality¹.
- 2.2 The amount of economic output² generated by Solihull's economy per resident is the 13th largest in England and the largest in the region³. This follows a period of strong economic growth in Solihull during the last fifteen years, a key driver of which has been the development of key economic assets in the Borough: Birmingham Airport, the National Exhibition Centre (NEC), Birmingham and Blythe Valley Business Parks and Solihull Town Centre. This included a period of exceptional growth between 1995 and 2001 when Solihull had the 6th strongest growing economy⁴ in England.

3 Sector Strengths

- 3.1 The strength of Solihull economy in terms of economic output reflects its success in attracting high value-added, "knowledge-intensive" businesses⁵. Private sector "knowledge-intensive" services account for 38.2% of jobs locally – only exceeded by Stratford and Warwick Districts in the region and compared to an England average of 31.4%⁶. Solihull also has a concentration of high-tech and medium-high tech manufacturing activity, with the presence of Jaguar Land Rover at Lode Lane delivering high value-added automotive products.
- 3.2 Solihull has been particularly successful in attracting firms in the business and professional services, Information and Communications Technologies (ICT) and construction sectors. There are over 3,000 business and professional services firms locally, accounting for nearly half of all local businesses⁷ and nearly a quarter of jobs. Solihull forms part of the UK's 3rd largest ICT cluster with Coventry and Warwickshire⁸, with 500 firms employing around 6,400, of which 50% are in software consultancy and supply. The construction sector has made the greatest contribution to local economic growth over the last decade. There are over 1,250 construction and building technologies firms locally.

¹ West Midlands Regional Observatory 'West Midlands Economy Post Recession' June 2010

² Gross Value Added (GVA)

³ ONS Regional Accounts 2007

⁴ NUTS3 area

⁵ Defined using 'Eurostat' definition

⁶ ABI, 2007

⁷ IDBR, March 2009

⁸ PWC 2002; OCO Consulting 202 'CSW ICT and Software Study'

- 3.3 Solihull is less dependent on the public sector than other parts of the West Midlands – with the public sector accounting for approximately 26% of local jobs compared to 31% in Birmingham and 30% in Wolverhampton and Coventry⁹.
- 3.4 However, there are signs that Solihull's economic growth could have been even stronger, with output growth in the business and financial services sector weaker in Solihull than the England average during the last fifteen years, and current output per employee lower than the England average in the business and financial services, construction and public sectors.
- 3.5 As regards the business and professional services sector, this lower than average output may be due to a significant presence of lower value added activities such as administrative and processing-oriented financial activities, market research, technical testing, renting and leasing activities.

4 Economic Drivers & Constraints

- 4.1 Key local drivers of Solihull's economic success are the strategic economic assets that are located in Solihull (Birmingham Airport, the NEC, Birmingham and Blythe Valley Business Parks, Jaguar Land Rover and Solihull Town Centre) and the strengths of Solihull's investment offer.
- 4.2 It has been estimated that, combined, the strategic assets located in Solihull support some 95,000 jobs across the West Midlands and some £5.5 billion of regional income¹⁰.
- 4.3 The strength of Solihull's investment offer includes its advantageous location, strong global and national transport links, high quality investment sites and business premises, access to a well-qualified labour pool and the attractiveness of its 'quality of life' offer, including a high quality of environment, housing, local services, and leisure facilities.
- 4.4 Solihull has out-performed its size in attracting foreign investment to the West Midlands, accounting for 7.7% of foreign investments into the region between 2004 and 2010 and 11.6% of associated jobs¹¹.
- 4.5 A wide range of factors have and will continue to impact on Solihull's economic growth including: global and national economic trends, environmental change, new technology development, shifts in consumer demand, demographic change, and Government policy directions.
- 4.6 Solihull's economy has been competitive within global investment markets as indicated by the Borough's success in attracting foreign investment. Solihull's sector profile means that the Borough's economy has a relatively high level of exposure to exports and imports, with businesses classified as such, accounting for over a fifth of jobs locally¹². This represents a significant opportunity in terms of growing business presence in international markets.

⁹ ABI 2007

¹⁰ ECOTEC 2006/07

¹¹ West Midlands Regional Observatory

¹² ECOTEC 2010 'Solihull Economic Futures'

- 4.7 However, there are indications that even though Solihull has been successful in attracting high value-added knowledge-intensive businesses, the Borough has been limited in its ability to attract the highest value-added operations (e.g. company headquarters). This may be a result of the image and reputational gap that continues to affect Birmingham and the wider region which seems to struggle to obtain recognition for its strengths – for example, as the second main concentration of business and professional services outside London.

5 Sector Prospects

- 5.1 Public sector spending cuts mean that future jobs growth is likely to be dependent on private sector jobs growth. It is anticipated that economic growth in the West Midlands will be driven by transport manufacturing, ICT and environmental technologies, with more modest growth in specialist business services and building technologies¹³.
- 5.2 The specialist business services sectors is expected to be the sector that most drives future economic growth in Solihull¹⁴. Key challenges for this and other sectors will be to adapt effectively to the impact of new technologies, demographic change and changing patterns of consumer demand, emerging global markets, the low carbon agenda and skills shortages.
- 5.3 Transport manufacturing has been identified as having the potential to be a key driver of employment growth in Solihull, underpinned by Jaguar Land Rover's strong position in the luxury and low emissions vehicle markets. The future of JLR's Lode Lane plant will clearly be a key determinant of the sector's contribution to Solihull's economy in future.
- 5.4 The ICT sector is expected to achieve steady growth in the West Midlands over the medium-term with particular opportunities in strategic ICT adoption by key sectors including manufacturing and building technologies firms, and software development. Developing and retaining a well-qualified workforce has been identified as a likely key challenge for the sector.
- 5.5 The low carbon agenda and technology developments will have implications for all sectors. However, the energy/renewable energy, car manufacturing and construction industry are expected to be most impacted, requiring a proactive response by local firms. The "world class" expertise in low emissions vehicle technologies offered by Jaguar Land Rover and other nearby centres of expertise offers considerable potential. The opportunity has also been identified for business and professional services firms in Solihull to provide specialist advice in this area¹⁵.
- 5.6 The construction and building technologies sector is expected to grow in the region over the medium-term but at a lower rate than previously. The sector's prospects will be primarily determined by the speed of economic recovery and the impact of public sector austerity, as well as the sector's responsiveness to the low carbon agenda. Ensuring a well-qualified workforce has also been identified as a challenge for the sector.

¹³ West Midlands Regional Observatory 'West Midlands Economy Post Recession' June 2010

¹⁴ ECOTEC 2010 'Solihull Economic Futures'

¹⁵ Atkins, May 2010 'Opportunities in a Low Carbon Economy: Solihull'

- 5.7 Potential has also been identified for Solihull to significantly develop its tourism and leisure sector, particularly in terms of broadening the Borough's offer to non-business visitors¹⁶.
- 5.8 Other sectors identified as representing significant opportunities for Solihull are 'creative industries', particularly building on the Borough's strong ICT base, and the health and social care sectors, with increasing demand for the latter from an ageing population.

6 Future Economic Scenarios

- 6.1 Regional forecasts estimate that Solihull could grow its economy by 13.7% by 2015, resulting in 3,400 additional jobs in the local economy¹⁷. It is estimated that this would equate to £480 million additional economic output, with the potential to achieve a further £560 million output and 4,900 jobs over the longer-term between 2015 and 2030¹⁸.
- 6.2 Other future scenarios have also been produced as part of the Local Economic Assessment¹⁹ to identify the potential opportunity for economic growth in Solihull. These indicate that public sector spending cuts could significantly reduce these growth estimates – to 9.6% output growth by 2015 (£340 million) with an overall net loss of 400 jobs from the local economy. It is estimated that longer-term growth would be reduced by £120 million and 2,900 jobs.
- 6.3 However, the scenarios developed also indicate that there is potential for higher rates of growth than those identified by regional forecasts, despite public sector spending cuts. Based on assumptions of higher rates of growth in the ICT, transport technologies, building technologies and specialist business services sectors, it is estimated that £43 million net output growth and approximately 200 additional jobs could be achieved in the local economy by 2015. Longer-term growth under this scenario is estimated at approximately £600 million and 8,250 jobs.
- 6.4 Furthermore, it is estimated that if the tourism and leisure sector is fully developed in Solihull long-term growth could be increased still further to approximately £2 billion with 31,000 additional jobs in the local economy.

¹⁶ This assessment of potential takes into account the NEC's development plans (<http://www.necgroup.co.uk/aboutus/insidethegroup/ourfuture/destinationec>), the first phase of which is based around a large casino. Realisation of these plans is subject to a competitive casino licensing process and planning approvals.

¹⁷ West Midlands Regional Observatory 'West Midlands Economy Post Recession' June 2010

¹⁸ ECOTEC 2010 'Solihull Economic Futures'

¹⁹ ECOTEC 2010 'Solihull Economic Futures'

- 6.5 Key infrastructure projects - the runway extension at Birmingham Airport and High Speed Rail proposals – would further enhance Solihull’s economic growth potential, improving international connectivity to Solihull and the wider region. It is estimated that the runway extension could deliver a further additional 1,800 jobs and £20 million economic output in Solihull by 2030. Furthermore, the national policy focus on better utilisation of airport capacity outside the south east offers potential for Birmingham Airport to increase its market share thereby delivering additional economic and employment benefits.
- 6.6 Jaguar Land Rover’s announcement of its plans for major additional investment and its position as a market leader in the luxury and low carbon vehicle markets, indicate strong prospects for the manufacturer’s base in Solihull and its contribution to the local and wider regional economy.

7 Fostering Key Growth Drivers

- 7.1 Realising Solihull’s potential to lead the economic recovery of the West Midlands will mean continuing to realise the potential of the strategic assets located in the Borough and Solihull’s investment assets more generally, ensuring that they are of a “world class” standard and continue to compete strongly globally.
- 7.2 Recent research²⁰ has highlighted the significance of the concentration of strategic assets located in Solihull, with few, if any, other European city regions having an international airport, major exhibition centre, business parks containing knowledge intensive industries, a mainline railway and station and the national motorway network all in such close proximity. This research has estimated that these assets could contribute up to 130,000 jobs and over £9.8 billion GDP to the regional economy by 2026.
- 7.3 Whilst the operational impact of the High Speed Rail proposals would not be seen until well into the next decade, the firm prospect of HS2 being delivered could act as a major catalyst for further boosting growth in particular sectors of the local and regional economy.
- 7.4 A key element of this will involve addressing the image and reputational gap that affects Birmingham and the wider region, which is thought to limit Solihull’s ability to realise its full economic potential. Ensuring that Solihull’s investment offer is fully recognised internationally will therefore require co-ordinated partnership action cutting across the Birmingham economic area.
- 7.5 Economic development strategy regarding Solihull needs to have regard to sectors with particular growth potential, as well as high growth” businesses across a wider range of sectors. National research has estimated that 6% of UK businesses with the highest growth rates generated half of new jobs created by existing businesses between 2002 and 2008²¹. Identifying and supporting high growth businesses – including new business starts – will be a key challenge for future economic development in Solihull.

²⁰ ECOTEC (2008) ‘Realising the Potential of the M42 Corridor’

²¹ NESTA ‘Rebalancing Act’ June 2010

- 7.6 Given relatively low levels of new business formation (on average 9.9% lower per year than the England average during the last decade²²) and resident self-employment (7.2% compared to 9.3% for England and 8% for the West Midlands²³), increasing rates of new enterprise formation should continue to be a key strand in economic development policy in Solihull. However, it is significant to note that other areas that have experienced strong economic growth (e.g. Swindon) have also experienced below average enterprise formation rates.
- 7.7 Regional research has highlighted the importance of workforce skills development to drive economic recovery, particularly in those sectors where skills gaps and shortages are acting as a significant constraint, such as ICT and business and professional services. Developing a “world class workforce” accessible to Solihull-based businesses will be key to realising the Borough’s future economic growth potential.
- 7.8 Solihull’s working age population is well-qualified overall, with nearly half qualified to NVQ3 level or above; 31.8% qualified to NVQ4 level or above (38,600 people) and 22.9% having a degree level qualification or above (27,600)²⁴. This is against approximately 26,000 ‘knowledge-economy’ jobs in Solihull²⁵. However, Solihull employers access their workforce from a wider travel to work area than the Borough boundaries. At the time of the 2001 Census, nearly two thirds of jobs in Solihull were filled by in-commuters and nearly two thirds of residents commuted to other areas – equating to almost equal numbers commuting in each direction (around 85,000).
- 7.9 Whilst fewer Solihull employers have reported recruitment difficulties due to skills shortages than the national average²⁶, evidence gathered via national and local survey work²⁷ in Solihull indicates a need to ensure that Solihull-based businesses can more readily access the skilled-workforce they need. Particular skills gaps identified concern job specific and technical skills.
- 7.10 As regards employment land supply, the emerging Local Development Framework core strategy aims to provide a continuing supply of employment land always sufficient to meet development needs for the next five years. There is a need to ensure that this supply meets the future requirements of businesses – particularly those sectors and high growth businesses identified as particularly important in driving future economic growth - in terms of the size, location and quality of sites, supporting infrastructure and services. For example, there is likely to be a need for additional smaller business units and innovation units/incubator space.
- 7.11 Ensuring a sufficient quality and quantity of housing supply in future, particularly in the ‘North Solihull’ regeneration area will also play an important role in supporting Solihull’s future economic growth. The quality of housing in the area has been identified as a constraint on economic development. Long-standing problems of housing affordability in the Borough, which are increasing

²² ONS Business Demography 1994 to 2007

²³ Annual Population Survey July 2008 to June 2009

²⁴ Annual Population Survey

²⁵ Annual Business Inquiry, 2007

²⁶ LSC National Employer Skills Survey, 2009

²⁷ ECOTEC Business Skills Survey (2010)

the number of concealed households and constraining labour mobility, also need to be addressed.

8 Responding to “Worklessness” and Deprivation

- 8.1 Approximately 14,000 Solihull residents are “workless”, of whom 8,000 (57%) are actively seeking and available for work²⁸. Included within this figure is an unemployment rate of 8.5% which is above the England rate of 7.1% but below the West Midlands average of 8.8%. Unemployment in Solihull has increased significantly, by more than double the national rate of increase, since mid 2007.
- 8.2 Since the Credit Crunch, the number of Solihull residents claiming unemployment benefit (Jobseekers Allowance) has increased by 84.5%²⁹. The number of residents claiming for more than six months has increased by more than 3.3 times.
- 8.3 Unemployment particularly affects younger residents with over a fifth of young women aged 16 to 24 (22.3%) unemployed and 15.1% of young males³⁰. Young people have been particularly affected by the Credit Crunch with the number of 18 to 24 year olds claiming unemployment benefit for more than six months increasing by 23 times³¹.
- 8.4 There is a clear spatial geography of “worklessness” in Solihull, with a primary concentration in the ‘North Solihull’ regeneration area, where approximately a quarter of the working age population (26.6%) claim an “out-of-work” benefit³².
- 8.5 However, a more complex pattern of “worklessness” has emerged in Solihull, with “worklessness” worsening relative to the rest of England between 2002 and 2009 in 88 out of 133 of Solihull’s Lower Super Output Areas. Concentrations of “worklessness” have emerged in the “urban west” of the Borough in Lyndon, Shirley and Olton, and in Castle Bromwich.
- 8.6 This geography of “worklessness” in Solihull is closely correlated with the geography of overall deprivation, social and other low value housing, low qualifications level, poor health or disability and household income levels. Ten of the 10% most deprived Lower Super Output areas nationally are located in the ‘Regenerating North Solihull’ area, as are 20 in the most deprived 20% and 25 in the most deprived 30%³³.
- 8.7 Tackling “worklessness” and low household incomes requires an integrated response to the drivers or causes of “worklessness”. There is a need to address low levels of educational attainment at Key Stage 4, and lower rates of participation in further and education amongst school leavers in parts of the Borough. There is also a need to address low qualifications levels amongst older age groups with nearly a quarter of 20 to 39 year olds qualified to a maximum of NVQ Level 1.

²⁸ Annual Population Survey, June 2009

²⁹ Nomis claimant unemployment data June 2010 compared to April 2008

³⁰ Annual Population Survey

³¹ Nomis

³² DWP, August 2009

³³ Index of Multiple Deprivation, 2007

9 Promoting Sustainability

- 9.1 A sustainability appraisal is required, in order to understand how economic growth in Solihull can be achieved whilst minimising environmental impact. Key areas of action are likely to include developing low carbon sectors and more energy-efficient business and consumer behaviour, including promotion of a modal shift to more sustainable forms of transport.
- 9.2 A sustainability appraisal is due to be undertaken of the emerging Local Development Framework Core Strategy. As a key element of the evidence base for the Core Strategy, the Local Economic Assessment is to form part of this sustainability appraisal.
- 9.3 As regards developing a low carbon economy in Solihull, research for the City Region³⁴, has identified particular opportunities for Solihull as regards:
- Low carbon design and construction; low carbon renovation of housing stock; provision of low carbon construction services and trades;
 - Manufacture of low carbon transport equipment; low carbon vehicle design; development of alternative fuels and infrastructure;
 - Development/use of alternative fuels and associated infrastructure; and
 - Provision of specialist advice to all sectors; and
 - development of low carbon community energy companies.
- 9.4 Promoting sustainability also encompasses increasing equality of opportunity. The assessment has identified significant inequalities as regards access to economic opportunity in Solihull, with regards to gender, age, ethnicity, disability and area of residence. A significant dimension to this inequality concerns the geography of “worklessness” and deprivation in Solihull.
- 9.5 Residents of the ‘North Solihull’ regeneration programme area are 3.3 times more likely to be “workless” than the Borough average; 1.6 times more likely to have lower qualification levels (maximum NVQ Level 1); twice as likely to have no formal qualifications; 1.1 times less likely to be engaged in FE and 6 times less likely to be engaged in HE; twice as likely to be on incapacity benefit; and 2.5 times more likely to be not in employment, education or training (NEET) in the case of 16 to 18 year olds. Residents of the area are also more likely to be income deprived with seven Lower Super Output Areas in the area in the worst 10% nationally.
- 9.6 Amongst other issues, the assessment has also identified high unemployment rates amongst 16 to 24 year olds (18%), and females aged 16 to 24 (22.3%), Black and Minority Ethnic (BME) residents (who account for on average 19.2% of claimants whilst representing 9.4% of the Borough’s population³⁵) and residents with a disability (who experience an unemployment rate of 15.2% compared to 10.6% nationally and 13.1% regionally³⁶).

³⁴ Atkins, May 2010 ‘Opportunities in the Low Carbon Economy: Solihull’

³⁵ Nomis claimant count

³⁶ Annual Population Survey

10 Conclusion

- 10.1 Solihull has excellent potential to continue to attract high value added, “knowledge-intensive” business activities and to realise the potential of its strategic economic assets thereby making a key contribution to the economic development and regeneration of the Birmingham economic area.
- 10.2 Furthermore, whilst Solihull has delivered strong economic growth during the last fifteen years, this level of growth has likely been hampered by the image and reputational gap affecting Birmingham and the wider West Midlands.
- 10.3 Therefore, in order to maximise the opportunities presented by Solihull’s assets, there is a need to ensure that its offer is fully recognised externally and internationally as part of a wider campaign to promote Birmingham and its economic area.
- 10.4 This promotional activity needs to be accompanied by targeted interventions to ensure a “world class” investment offer, support high growth sectors and businesses. This includes developing a “world class” business infrastructure and a workforce offering “world class skills”.
- 10.5 There is a need for continued intervention to tackle “worklessness”, low skills and deprivation in Solihull – particularly in the ‘North Solihull’ regeneration area, but also as in other locations where “worklessness” rates are high and amongst groups who appear to be particularly disadvantaged economically.
- 10.6 There is a need to pursue a more sustainable model of economic development in Solihull from an economic, environmental and social perspective, involving action across all policy areas and effective engagement of businesses and their employees; public, voluntary and community sector partners; residents and visitors to Solihull.
- 10.7 The planned public spending cuts have been identified as a potential significant constraint on Solihull’s future economic development and this includes potentially constraining public sector intervention to realise Solihull’s economic potential. This highlights the need for new and innovation responses from the private and public sector including use of new funding models.

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