

## A Local Assessment for Solihull





Index	Page No.
<b>1</b>	<b>Introduction</b> <span style="float: right;"><b>2</b></span>
<b>2</b>	<b>Executive Summary</b> ..... <b>3-11</b>
<b>3</b>	<b>Economic Performance</b> ..... <b>12-29</b>
	Economic Output.....11
	Sector Trends.....13
	Investment Trends.....22
	Enterprise Trends.....24
	Development Trends.....26
<b>4</b>	<b>Labour Market Analysis</b> ..... <b>30-56</b>
	Travel to Work Geography.....30
	Labour Supply.....32
	Labour Supply-Demand Analysis.....39
	“Worklessness” Assessment.....51
<b>5</b>	<b>Households &amp; Neighbourhoods Analysis</b> ..... <b>57-62</b>
	Implications of Low Income.....60
	Multiple Deprivation.....61
<b>6</b>	<b>Impact of the Economic Downturn</b> ..... <b>63-71</b>
	Business & Investment Impacts.....63
	Employment Impacts.....68
	Housing Market Impacts.....69
	Impact on Household Finances.....79
<b>7</b>	<b>Future Economic Prospects</b> ..... <b>72-87</b>
	Drivers and Constraints Analysis.....72
	Sector Drivers & Constraints.....78
	Sector Prospects.....80
	Future Economic Scenarios.....83
	Labour Market Scenarios.....84
<b>8</b>	<b>Equal Opportunities Appraisal</b> ..... <b>88-93</b>
<b>9</b>	<b>Conclusions &amp; Policy Implications</b> ..... <b>94-103</b>
	<b>Appendix A: Glossary</b> ..... <b>104-110</b>

# 1 Introduction

- 1.1 A Local Economic Assessment for Solihull has been produced to inform strategy development, policy-making and delivery. It builds on previous assessments undertaken for this purpose and which have informed the development of Solihull's Sustainable Community Strategy (2008-2018) and Economic Development Strategy (2008-2011).
- 1.2 The assessment also responds to the statutory duty placed on the Council by the Local Democracy, Economic Development and Construction Act 2009 to prepare an assessment of the economic conditions of the area.
- 1.3 Whilst the Department for Communities and Local Government has withdrawn guidance on local economic assessments in line with its cutting regulation and prescription agenda, the assessment has been produced with regards to the guidance previously published. In particular, the assessment has sought to meet the core objectives set out the guidance, to:
  - Provide a sound understanding of the economic conditions in the area and how they affect the well-being of residents and businesses.
  - Identify the economic linkages between the area assessed and the wider economy.
  - Identify the comparative strengths and weaknesses of the local economy and the nature and form of local economic challenges and opportunities.
  - Identify the constraints to local economic growth and employment and the risks to delivering sustainable economic growth.
- 1.4 At the local level the assessment is intended to inform, in particular, the Sustainable Community Strategy; the Local Development Framework (LDF), particularly the emerging Core Strategy; the Local Transport Plan (LTP3); and the Local Investment Plan, which defines priorities for investment in Solihull by the Homes and Communities Agency.
- 1.5 At the sub-regional level, the assessment is intended to inform the work of the recently-formed Local Enterprise Partnership for Birmingham and Solihull, with East Staffordshire, Lichfield, Tamworth, Bromsgrove and Cannock Chase<sup>1</sup>.

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<sup>1</sup> Note that this is the geography of the LEP at the time of finalising this version of the assessment.

## 2 Executive Summary

- 2.1 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.

### Economic Performance

- 2.2 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 quality<sup>2</sup>.
- 2.3 The amount of economic output<sup>3</sup> generated by Solihull's economy per resident is the 13<sup>th</sup> largest in England and the largest in the region<sup>4</sup>. 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 6<sup>th</sup> strongest growing economy<sup>5</sup> in England.

### Sector Strengths

- 2.4 The strength of Solihull economy in terms of economic output reflects its success in attracting high value-added, "knowledge-intensive" businesses<sup>6</sup>. 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%<sup>7</sup>. 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.
- 2.5 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 businesses<sup>8</sup> and nearly a quarter of jobs. Solihull forms part of the UK's 3<sup>rd</sup> largest ICT cluster with Coventry and Warwickshire<sup>9</sup>, 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.

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<sup>2</sup> West Midlands Regional Observatory 'West Midlands Economy Post Recession' June 2010

<sup>3</sup> Gross Value Added (GVA)

<sup>4</sup> ONS Regional Accounts 2007

<sup>5</sup> NUTS3 area

<sup>6</sup> Defined using 'Eurostat' definition

<sup>7</sup> ABI, 2007

<sup>8</sup> IDBR, March 2009

<sup>9</sup> PWC 2002; OCO Consulting 202 'CSW ICT and Software Study'

- 2.6 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 Coventry<sup>10</sup>.
- 2.7 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.
- 2.8 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.

## **Economic Drivers & Constraints**

- 2.9 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.
- 2.10 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 income<sup>11</sup>.
- 2.11 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.
- 2.12 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 jobs<sup>12</sup>.
- 2.13 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.
- 2.14 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 locally<sup>13</sup>. This represents a significant opportunity in terms of growing business presence in international markets.

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<sup>10</sup> ABI 2007

<sup>11</sup> ECOTEC 2006/07

<sup>12</sup> West Midlands Regional Observatory

<sup>13</sup> ECOTEC 2010 'Solihull Economic Futures'

2.15 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.

## Sector Prospects

2.16 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 technologies<sup>14</sup>.

2.17 The specialist business services sectors is expected to be the sector that most drives future economic growth in Solihull<sup>15</sup>. 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.

2.18 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.

2.19 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.

2.20 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 area<sup>16</sup>.

2.21 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.

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<sup>14</sup> West Midlands Regional Observatory 'West Midlands Economy Post Recession' June 2010

<sup>15</sup> ECOTEC 2010 'Solihull Economic Futures'

<sup>16</sup> Atkins, May 2010 'Opportunities in a Low Carbon Economy: Solihull'

- 2.22 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 visitors<sup>17</sup>.
- 2.23 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.

## Future Economic Scenarios

- 2.24 Regional forecasts estimate that Solihull could grow its economy by 13.7% by 2015, resulting in 3,400 additional jobs in the local economy<sup>18</sup>. 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 2030<sup>19</sup>.
- 2.25 Other future scenarios have also been produced as part of the Local Economic Assessment<sup>20</sup> 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.
- 2.26 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.
- 2.27 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.

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<sup>17</sup> This assessment of potential takes into account the NEC's development plans (<http://www.necgroup.co.uk/aboutus/insidethegroup/ourfuture/destinationnec>), 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.

<sup>18</sup> West Midlands Regional Observatory 'West Midlands Economy Post Recession' June 2010

<sup>19</sup> ECOTEC 2010 'Solihull Economic Futures'

<sup>20</sup> ECOTEC 2010 'Solihull Economic Futures'



- 2.28 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.
- 2.29 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.

## **Fostering Key Growth Drivers**

- 2.30 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.
- 2.31 Recent research<sup>21</sup> 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.
- 2.32 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.
- 2.33 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.
- 2.34 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 2008<sup>22</sup>. Identifying and supporting high growth businesses – including new business starts – will be a key challenge for future economic development in Solihull.

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<sup>21</sup> ECOTEC (2008) ‘Realising the Potential of the M42 Corridor’

<sup>22</sup> NESTA ‘Rebalancing Act’ June 2010

- 2.35 Given relatively low levels of new business formation (on average 9.9% lower per year than the England average during the last decade<sup>23</sup>) and resident self-employment (7.2% compared to 9.3% for England and 8% for the West Midlands<sup>24</sup>), 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.
- 2.36 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.
- 2.37 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)<sup>25</sup>. This is against approximately 26,000 ‘knowledge-economy’ jobs in Solihull<sup>26</sup>. 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).
- 2.38 Whilst fewer Solihull employers have reported recruitment difficulties due to skills shortages than the national average<sup>27</sup>, evidence gathered via national and local survey work<sup>28</sup> 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.
- 2.39 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.
- 2.40 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

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<sup>23</sup> ONS Business Demography 1994 to 2007

<sup>24</sup> Annual Population Survey July 2008 to June 2009

<sup>25</sup> Annual Population Survey

<sup>26</sup> Annual Business Inquiry, 2007

<sup>27</sup> LSC National Employer Skills Survey, 2009

<sup>28</sup> ECOTEC Business Skills Survey (2010)

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

## Responding to “Worklessness” and Deprivation

- 2.41 Approximately 14,000 Solihull residents are “workless”, of whom 8,000 (57%) are actively seeking and available for work<sup>29</sup>. 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.
- 2.42 Since the Credit Crunch, the number of Solihull residents claiming unemployment benefit (Jobseekers Allowance) has increased by 84.5%<sup>30</sup>. The number of residents claiming for more than six months has increased by more than 3.3 times.
- 2.43 Unemployment particularly affects younger residents with over a fifth of young women aged 16 to 24 (22.3%) unemployed and 15.1% of young males<sup>31</sup>. 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 times<sup>32</sup>.
- 2.44 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” benefit<sup>33</sup>.
- 2.45 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.
- 2.46 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%<sup>34</sup>.
- 2.47 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.

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<sup>29</sup> Annual Population Survey, June 2009

<sup>30</sup> Nomis claimant unemployment data June 2010 compared to April 2008

<sup>31</sup> Annual Population Survey

<sup>32</sup> Nomis

<sup>33</sup> DWP, August 2009

<sup>34</sup> Index of Multiple Deprivation, 2007

## Promoting Sustainability

- 2.48 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.
- 2.49 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.
- 2.50 As regards developing a low carbon economy in Solihull, research for the City Region<sup>35</sup>, 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.
- 2.51 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.
- 2.52 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.
- 2.53 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 10.7% of claimants whilst representing 9.4% of the Borough’s population<sup>36</sup>) and residents with a disability (who experience an unemployment rate of 15.2% compared to 10.6% nationally and 13.1% regionally<sup>37</sup>).

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<sup>35</sup> Atkins, May 2010 ‘Opportunities in the Low Carbon Economy: Solihull’

<sup>36</sup> Nomis claimant count

<sup>37</sup> Annual Population Survey

## Conclusion

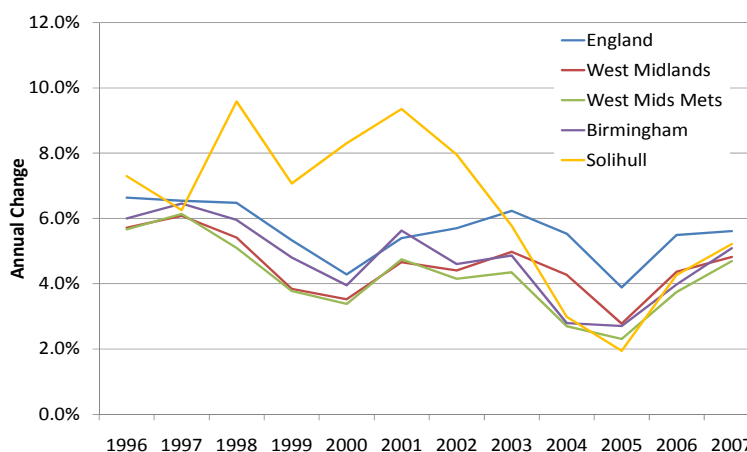
- 2.54 Solihull has excellent potential to continue to attract high value added, “knowledge-intensive” business activities and to realise the potential of its strategic economic assets thereby making a key contribution to the economic development and regeneration of the Birmingham economic area.
- 2.55 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.
- 2.56 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.
- 2.57 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”.
- 2.58 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.
- 2.59 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.
- 2.60 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.

### 3 Economic Performance

#### *Economic Output*

- 3.1 Solihull has experienced exceptional economic growth over the last decade<sup>38</sup>, acting as a key driver of growth in the West Midlands economy. Between 1995 and 2007, Solihull's economy grew by an average of 6.3% per annum compared with 5.6% per annum across England and 4.6% per annum across the West Midlands.
- 3.2 Between 1995 and 2001, Solihull experienced the 6<sup>th</sup> highest level of economic growth of any NUTS3<sup>39</sup> economy in England. However, this growth rate slowed dramatically after 2001, reflecting a slow-down in national and regional growth between 2003 and 2005 and in comparator areas<sup>40</sup>. Solihull's economic growth rate recovered along with national and regional growth rates between 2005 and 2007, but remained 11.7% below the national growth rate in 2007 (exceeding the regional growth rate by 2.9%).

#### Annual GVA Growth



Source: ONS

- 3.3 Solihull's exceptional economic growth is reflected in the Borough having the 13<sup>th</sup> highest level of economic output (Gross Value Added or GVA) per head of population in England (10% above the England average) and the highest level in the West Midlands (32% above the regional average). Output per employee is also the highest in the region (10.3% above the regional average<sup>41</sup>) but 6.3% below the England average. Solihull contributes 5% of regional economic output and £535 million more to the regional economy than if its performance matched the national average<sup>42</sup>.

<sup>38</sup> Economic growth and output data is sourced from ONS regional accounts 2007

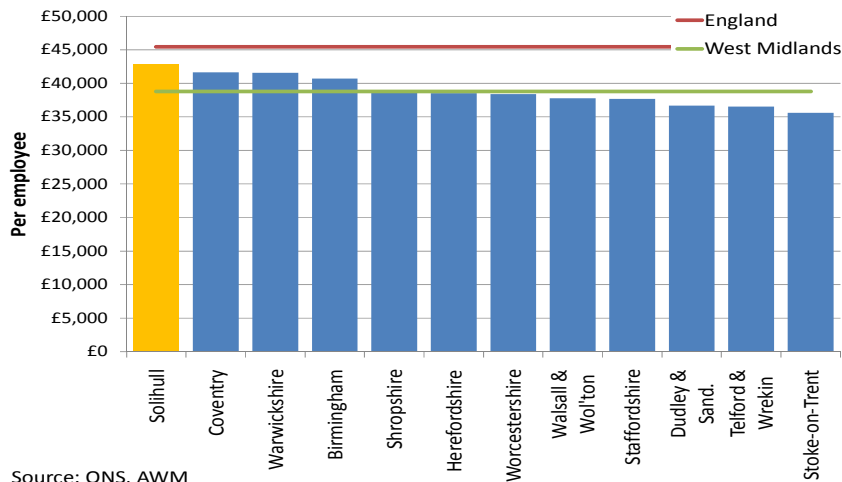
<sup>39</sup> A European classification system which provides a breakdown of UK regions and countries, allowing a comparable view of economic activity across the European Union. NUTS3 areas are principally individual counties and unitary authorities.

<sup>40</sup> Selected to include the neighbouring authorities of Birmingham and Coventry, members of Solihull's CIPFA group (York and Swindon) and Milton Keynes as representative of south England and the strongest growing area nationally.

<sup>41</sup> Calculated by the West Midlands Regional Observatory

<sup>42</sup> Advantage West Midlands, CSW Economic Review, May 2010

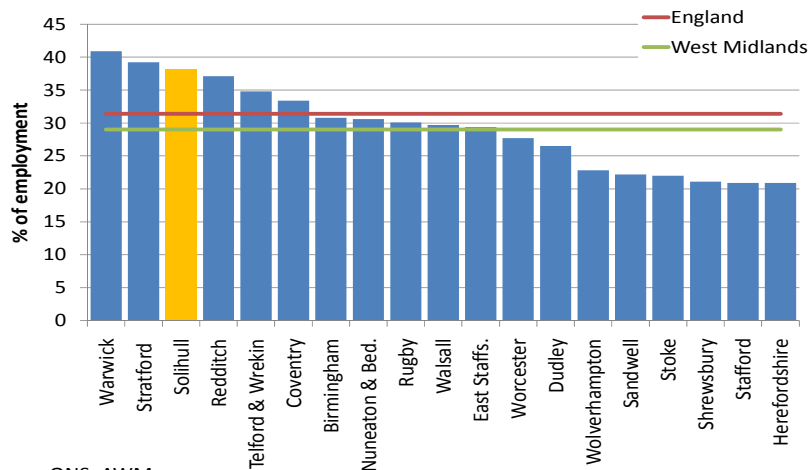
## GVA per Employee 2007



## Sector Trends

- 3.4 Solihull's exceptional economic growth reflects its success in attracting investment in knowledge-intensive sectors<sup>43</sup> – particularly in the private sector. Private sector knowledge-intensive services account for 38.2% of employment in Solihull compared to England and West Midlands averages of 31.4% and 29%. Only Stratford-upon-Avon (39.2%) and Warwick (40.9%) Districts in the West Midlands exceed Solihull's rate<sup>44</sup>. Overall, the sector profile of Solihull's economy is more akin to that of the South East and London than it is to the wider West Midlands economy<sup>45</sup>.

## Private Sector Knowledge Intensive Employment 2007

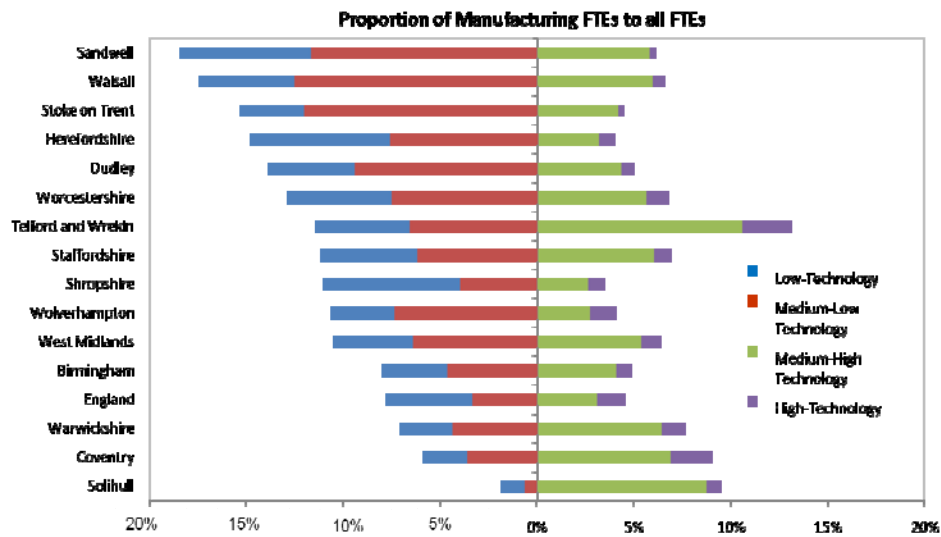


<sup>43</sup> Defined according to Eurostat definition encompassing high/medium technology manufacturing and selected transport and communications, financial and business services, ICT and research and development, cultural and sporting, health and social work, education and public administration activities.

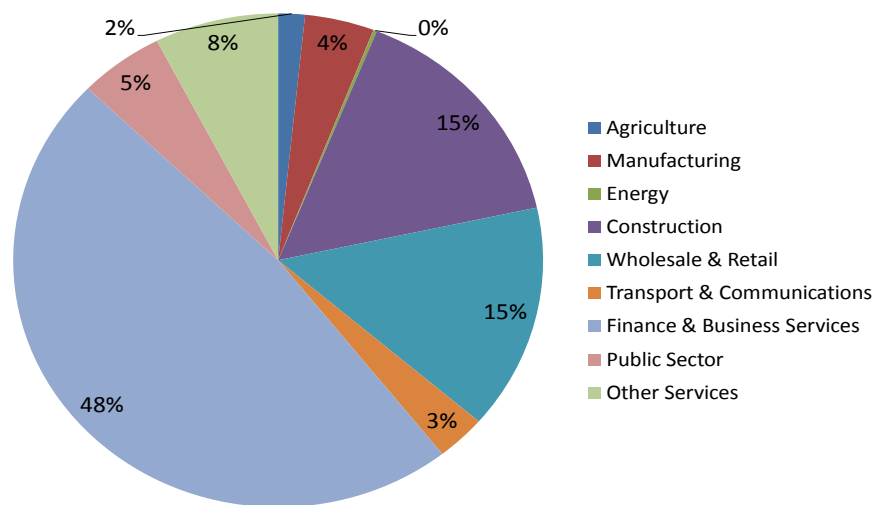
<sup>44</sup> Supporting Sustainable Economic Growth in the West Midlands, The Work Foundation, July 2009

<sup>45</sup> Unless otherwise indicated, sector analysis of business data is based on the ONS Annual Business Inquiry 2008

3.5 Solihull's strong economic performance also reflects the significance of high-tech or medium-high tech manufacturing activity, accounting for approximately 7,400 jobs and 81.3% of total manufacturing employment – the seventh largest number of high or medium-high tech manufacturing jobs of any local authority in the West Midlands (after Birmingham, Staffordshire, Warwickshire, Worcestershire, Coventry, Telford and Wrekin).



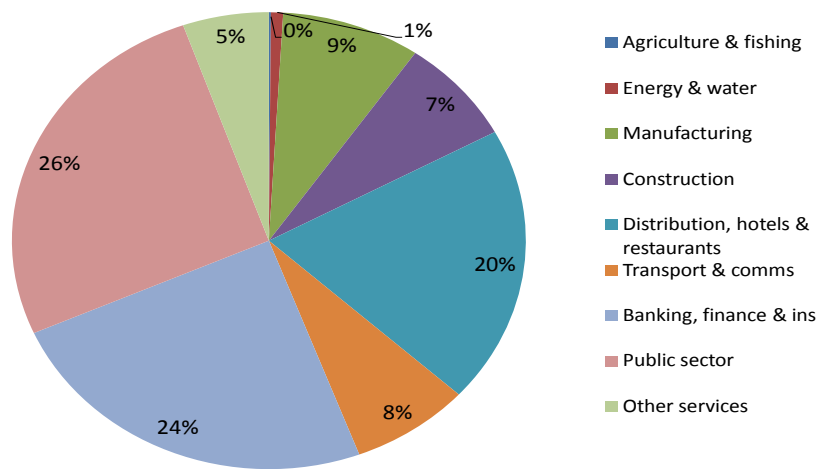
## Enterprises in Solihull by Sector



Source: IDBR

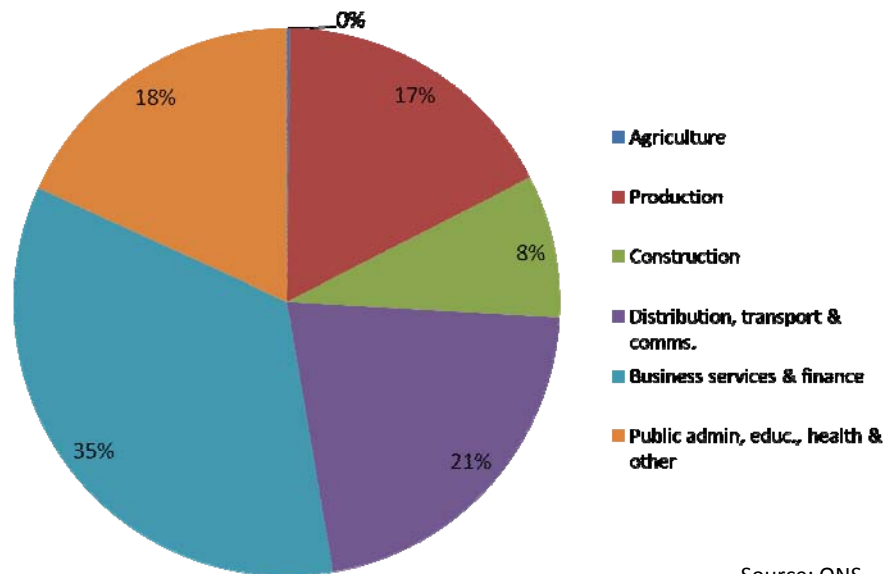


## Workplace Employment in Solihull 2007



Source: Annual Business Inquiry

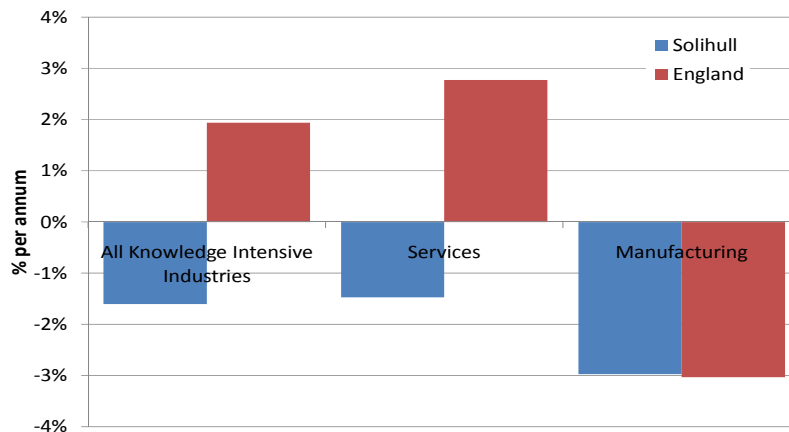
## Contribution to Solihull GVA by Industry Sector 2007



Source: ONS

- 3.6 However, despite the relatively strong representation of “knowledge-intensive” services and higher value added manufacturing in Solihull’s economy, employment growth in “knowledge-intensive” industries has been sluggish (between 2003 and 2008) particularly as regards “knowledge-intensive” services.

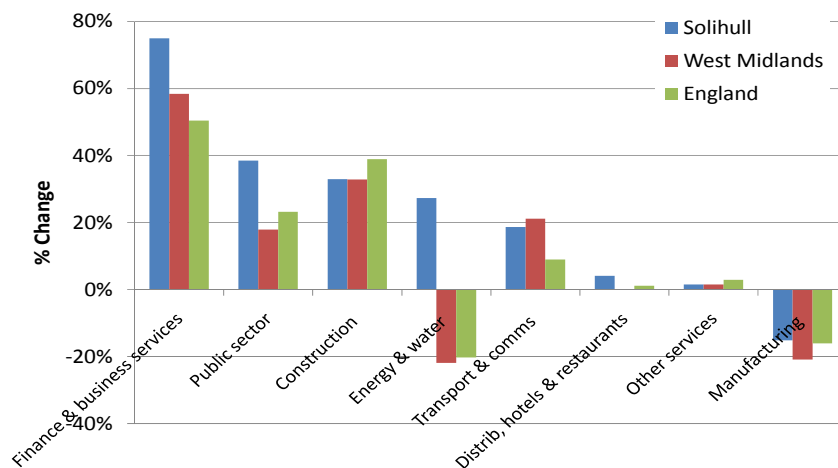
## Change in Knowledge Intensive Industry Workforce Jobs



Source: Annual Business Inquiry

3.7 Reflecting national trends, the business and financial services sector has grown strongly in Solihull, making the greatest contribution to growth in the business base over the decade 1998 to 2008. There are currently 3,230 business and financial services sector businesses operating in Solihull, representing a significant concentration within the region, and accounting for 48% of all businesses<sup>46</sup>. The sector employs nearly 26,000 in Solihull, accounting for nearly a quarter of local employment (24%)<sup>47</sup>. The sector contributes over a third of local economic output (34%).

## Growth in Number of Businesses 1998-2008



Source: Annual Business Survey

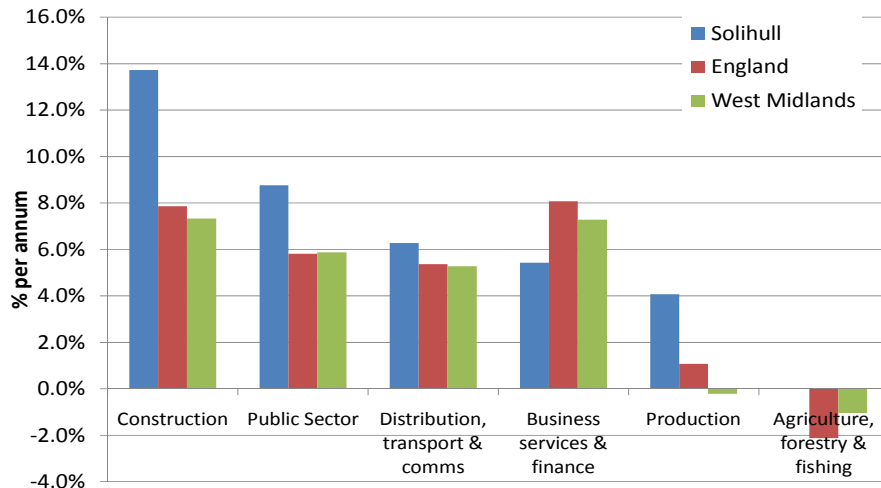
3.8 However, the sector experienced overall significantly lower than average output growth between 1995 and 2007, with relatively high output volatility. Output per job is currently 21% lower than the England average. The relatively low productivity of the sector may be accounted for, at least in part, by a significant

<sup>46</sup> Inter-departmental business register (IDBR) March 2009

<sup>47</sup> Unless otherwise indicated sector analysis of employment data is based on the ONS Annual Business Inquiry 2007. 2008 ABI data has not been used as regards employment due to an anomaly identified with public sector health jobs.

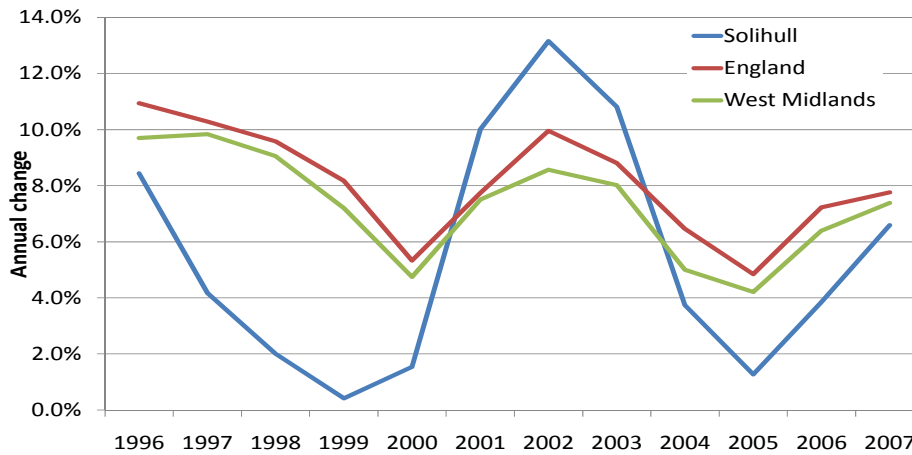
presence of lower value added activities such as administrative and processing-oriented financial activities, market research, technical testing, renting and leasing activities.

### Annualised GVA Growth by Industry Group 1995-2007



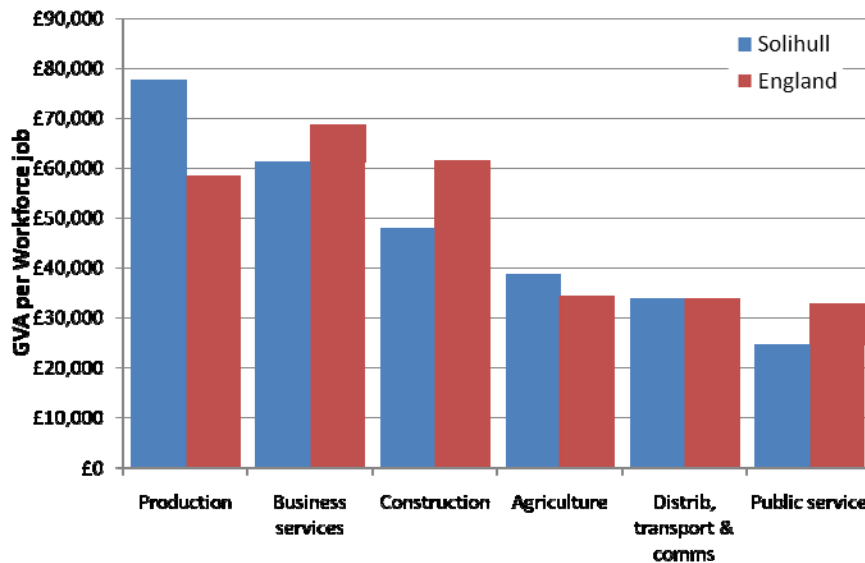
Source: ONS

### GVA Growth in Business Services and Finance Industry



Source: ONS

## Relative Productivity in Solihull



Source: ONS, Annual Business Inquiry

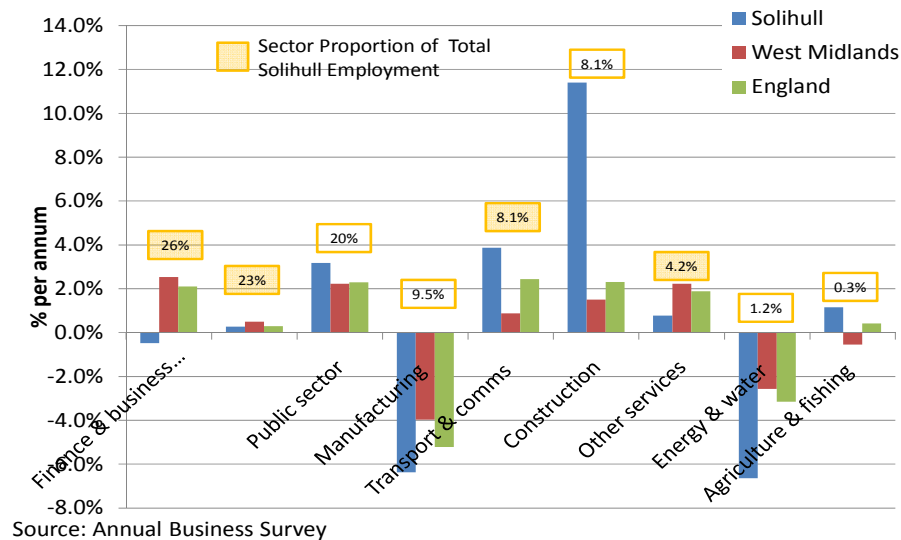
- 3.9 Specialist business and professional services<sup>48</sup> have been identified as a growth “cluster” for the West Midlands, and have demonstrated strong growth in Solihull over the last decade with the business and employment base growing by more than 50%. There are almost 1,000 firms in Solihull, employing 4,750. Over 600 of these are business and management consultancies, most of which are micro-businesses with two or fewer employees. There are 50 advertising firms operating in Solihull and the market research industry employs over 1,000.
- 3.10 Solihull has experienced very strong growth in Information and Communications Technologies (ICT) with more than 70% employment growth between 1998 and 2008. As a result, Solihull forms the UK’s third largest ICT cluster with Coventry and Warwickshire<sup>49</sup>. Approximately 500 ICT businesses have a base in Solihull and employ around 6,400 individuals – representing 6.7% of local employment which is more than twice the average share for Great Britain. Software consultancy and supply companies account for over 50% of ICT employment in Solihull. Telecommunications is another important sub-sector.
- 3.11 The distribution, transport and communications sector makes the second largest contribution to local economic output after business and financial services, contributing over a fifth of output (21%). There are over 200 transport and communications businesses based in Solihull employing close to 5,000 individuals, with Birmingham Airport and the National Exhibition Centre (NEC) a key focal point. Output per worker in the sector is close to the England average and the sector has experienced stronger output growth than the England average during the last decade (2005 to 2007).

<sup>48</sup> Research and development, legal, accounting, book-keeping and auditing activities, tax consultancies, market research and public opinion polling, business and management consultancy, advertising

<sup>49</sup> 'CSW ICT & Software Study' PWC Consulting, OCO Consulting, 2002

3.12 The construction sector has made the greatest contribution to growth in the Solihull economy during the last decade in terms of output and employment, leading to an above average representation of the sector within the local economy in terms of employment. However, output per job is 14% lower than the England average, accounting for 8% of total local economic output. Approximately 1,000 construction businesses have a base in Solihull accounting for 15% of all business and employing over 8,000 (7% of total employment). These figures increase to 1,250 businesses and 10,650 employees with a broader definition of construction and building technologies, representing a concentration of employment in the region and with a strong representation of larger businesses. Around 90% of the sector in Solihull involves construction and architectural/engineering activities. Supply chain activities have a below average representation, although a few manufacturers and wholesalers of construction materials (cement and carpentry) stand-out.

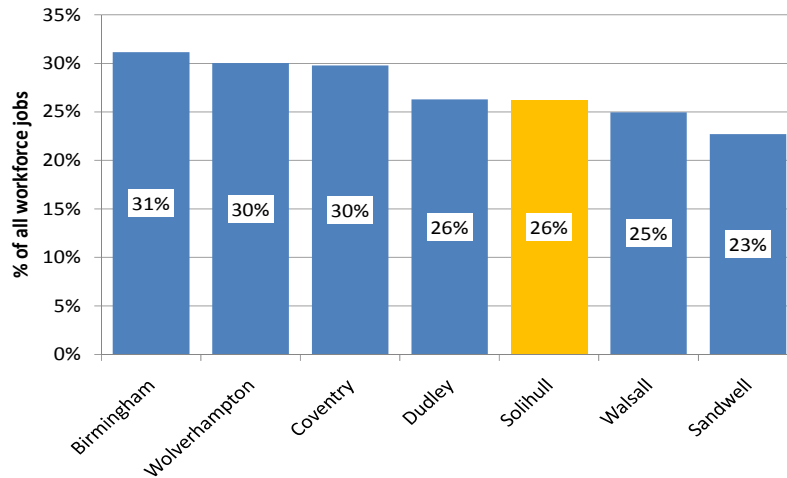
### Annualised Change in Workplace Jobs 1998-2007



3.13 Expansion of the public sector – particularly education and health activities - has been an important driver of employment growth in Solihull over the past decade, overtaking private sector jobs growth. This reflects national trends with over two thirds of 0.5 million additional jobs created in UK cities between 1998 and 2007 in public administration, education and health. There are 350 public sector organisations with a base in Solihull, employing around 28,000 (of which Birmingham Heartlands and Solihull NHS Trust and Solihull Council employ a large proportion), accounting for approximately a quarter of local employment and 18% of local economic output. This proportion of total local employment is lower than in Birmingham, Coventry and Wolverhampton of the West Midlands Metropolitan Area authorities. Output per job for the public and other services sector is 6% below the England average. Significant dependencies exist amongst private sector firms as regards the public sector as indicated by national research which estimates that for every 100 public sector jobs created in a city, an additional 30 to 50 private sector jobs may be created through public sector spending<sup>50</sup>.

<sup>50</sup> Public Sector Cities: Trouble ahead, Centre for Cities, July 2009

## Public Sector Workforce Jobs

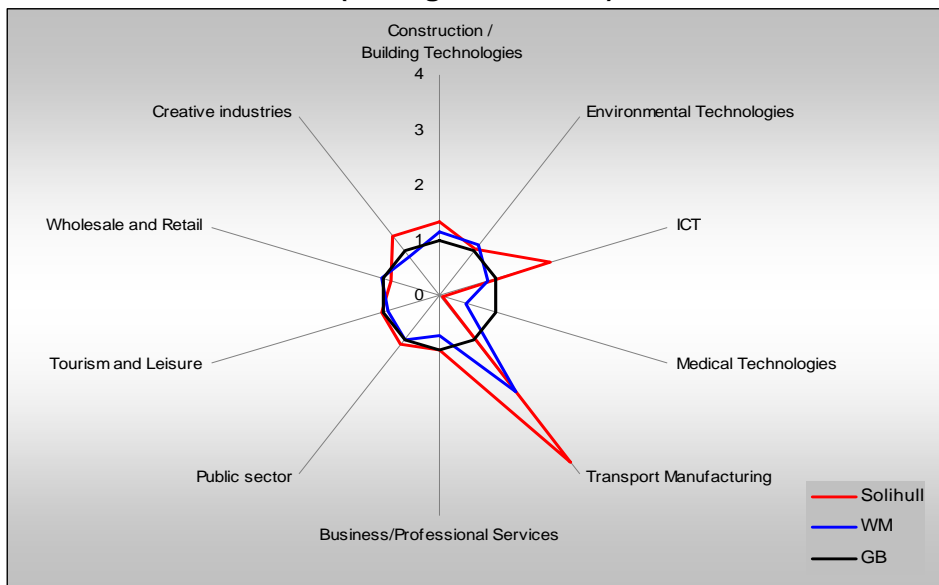


Source: Annual Business Inquiry

Source: ABI, AWM

3.14 Production (manufacturing and energy and water) plays an important role in Solihull's economy, contributing 17% of local economic output. There are 285 manufacturing firms operating in Solihull employing approximately 9,400 (approximately 9% of total local employment). The sector has experienced a significant contraction in employment numbers over the last decade of 21%. There are 50 automotive manufacturing firms operating in Solihull, with Jaguar Land Rover the primary focus, employing 6,600. This is despite a 50% contraction in automotive manufacturing employment in Solihull over the past decade, reflecting national and regional trends and reflecting fierce international competition. The number of companies has remained stable. Other manufacturing activities in which Solihull has a significant presence (i.e. 400 or more employees) include the manufacture of telecommunications equipment and construction materials. The majority of manufacturing firms in Solihull (84%) have ten or fewer employees.

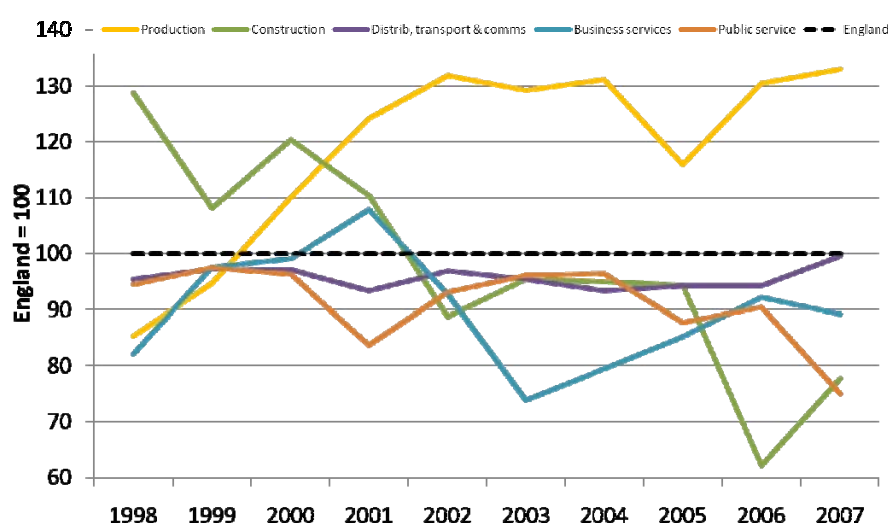
### Solihull Location Quotients (average 2006-2008)



Source: Annual Business Inquiry, ONS

3.15 Production sector activity in Solihull delivers an above average output per job (32% higher than the England average), reflecting the predominance of high tech and medium-high tech manufacturing activity in the Borough. Production activity in Solihull has improved its productivity compared to the England average during the last decade, along with the distribution, transport and communications, and business services sectors, whilst the construction and public sector have experienced a deterioration in relative productivity. This improvement in production productivity occurred mainly prior to 2002, with the sector experiencing overall negative output growth since then. Production activity in Solihull remains more productive than the England average.

### Sector Productivity in Solihull Relative to England Average



Source: ONS, Annual Business Inquiry

3.16 Creative industries (identified using the DCMS definition<sup>51</sup>) are well-represented in Solihull and have grown strongly over the past decade with 80% employment growth. There are more than 1,500 firms employing around 10,500 (11% of total employment). These include advertising and architecture firms, the software industry, the exhibitions industry focused on the NEC and a range of other activities including specialised retailers.

3.17 The tourism and leisure sector<sup>52</sup> in Solihull has seen steady growth over the past decade in line with regional and national trends. There are 1,150 firms operating in the Borough employing 11,150 and accounting for a relatively high share of local employment (11.7% compared to 10.1% regionally). Almost 60% of employees in the sector (over 6,500) work in 400 businesses in the hotel and

<sup>51</sup> Can be summarized as: manufacture of textiles and clothing; publishing; reproduction of sound, video and computer media; specialist retail; software consultancy and supply; architecture, engineering and related consultancy; advertising; photographic; motion picture and video; radio & TV; artistic and literary; arts facilities; other entertainment; news agencies; other recreational; other business

<sup>52</sup> Defined to include: hotels and restaurants; inland water transport and supporting activities; travel agencies and tour operators and other tourist assistance; car and water transport rental; motion picture and video; other entertainment; library, archive, museums and other cultural; sporting activities; other recreational and other business

restaurant sub-sector with most of the rest of the sector accounted for by recreational, cultural and artistic activities. The sector is dominated by SMEs but with a trend towards smaller units. Business tourism is particularly significant in Solihull, reflecting the presence of Birmingham Airport and the NEC. The economic downturn has impacted across the sector.

- 3.18 There are nearly 1,000 retail and wholesale businesses operating in Solihull, accounting for 15% of all businesses and 15% of employment (two thirds of which is in retail). Over the last decade the sector has remained stable in terms of the number of businesses and jobs in the Borough. However, this overall picture masks employment growth in the most of the sector which has been counteracted by a contraction of retail activity in the automotive sector. The development of Solihull Town Centre, particularly the opening of the Touchwood retail and leisure complex in 2001 has been a key driver of employment growth in the retail sector during decade. Nationally, competition in the sector is growing and Solihull reflects the national trend towards larger retailers.
- 3.19 Environmental and medical technologies are business “clusters” which have been identified regionally as offering significant potential for growth. Environmental technologies (defined to include energy, water, sewerage and refuse disposal and some manufacturing activities) forms a small part of Solihull’s economy accounting for less than 50 businesses and less than 1,500 employees (1.5% of total local employment). Electricity supply and water distribution account for the majority of employment in Solihull (approximately 80% in total). Employment in environmental technologies shrank by around 40% over the past decade, mainly due to the contraction of gas manufacturing and distribution activity.
- 3.20 Medical technologies have been defined regionally to encompass the manufacture of pharmaceutical, medical and optical equipment and the wholesale of pharmaceutical goods. However, this definition has been recognised by the Regional Development Agency as underestimating the extent of the sector. Future opportunities arising from an ageing population and increased demand for high quality health care is likely to generate demand for a much wider range of products and services. Manufacture of medical technologies as defined regionally currently accounts for a comparatively very small proportion of businesses and jobs in Solihull compared to regional and national averages. Furthermore, representation in these activities has not increased significantly over the last decade.

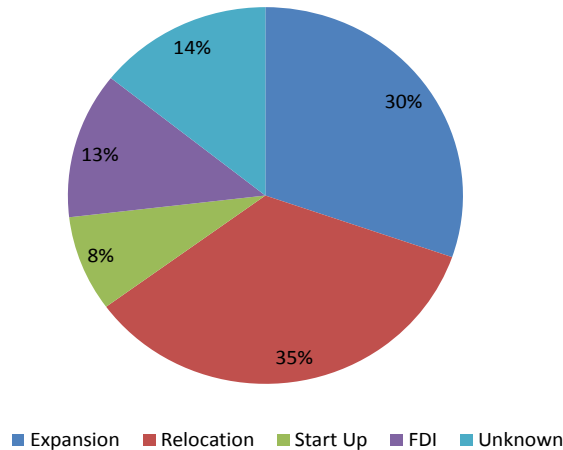
### ***Investment Trends***

- 3.21 Solihull’s exceptional economic growth reflects its success in attracting new investment. This reflects Solihull’s excellent investment offer, including two Regional Investment Sites: Birmingham and Blythe Valley Business Parks; a central location and strong transport connectivity including Birmingham Airport and direct links to the national road and rail network; access to a well-qualified labour pool and a high standard of “quality of life” assets (housing, schools, leisure facilities and environmental quality).
- 3.22 Solihull accounted for 7.7% of Foreign Direct Investments (FDIs) into the West Midlands between 2004/05 and 2009/10, and 11.6% of associated



employment<sup>53</sup>. Between 2005/06 and 2009/10 FDIs accounted for 13% of new investments into Solihull recorded by the Council. Company expansions or relocations into Solihull accounted for nearly two thirds of recorded new investments. New business starts accounted for 8% of recorded new investments.

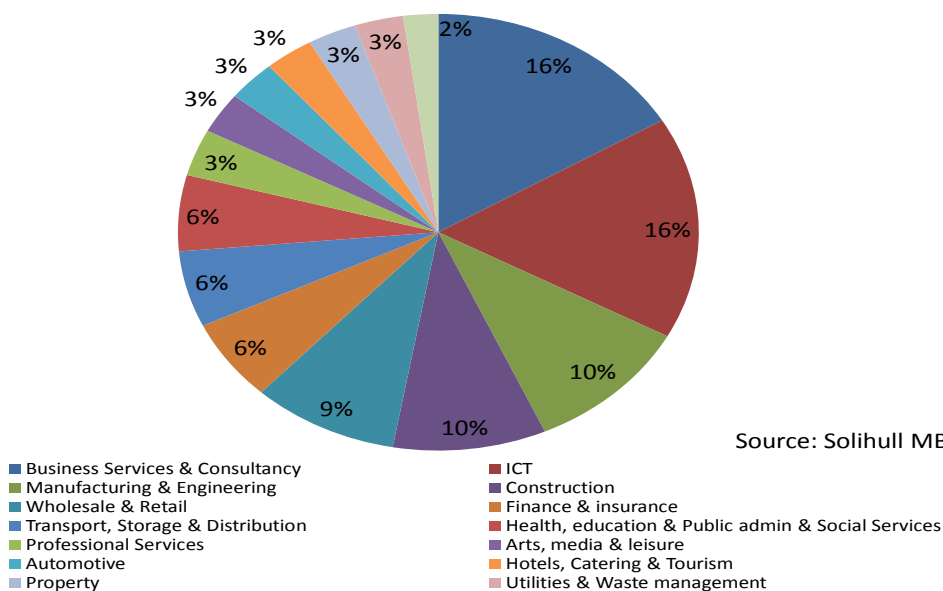
### Investment Success by Type of Investment 2005/06 – 2009/10



Source: Solihull MBC

3.23 Business, professional and financial services accounted for a quarter of recorded new investments, with ICT accounting for an additional 16%. Construction; manufacturing and engineering; and wholesale and retail each accounted for approximately 10% of recorded new investments.

### Investment Success by Sector 2005/06 – 2009/10



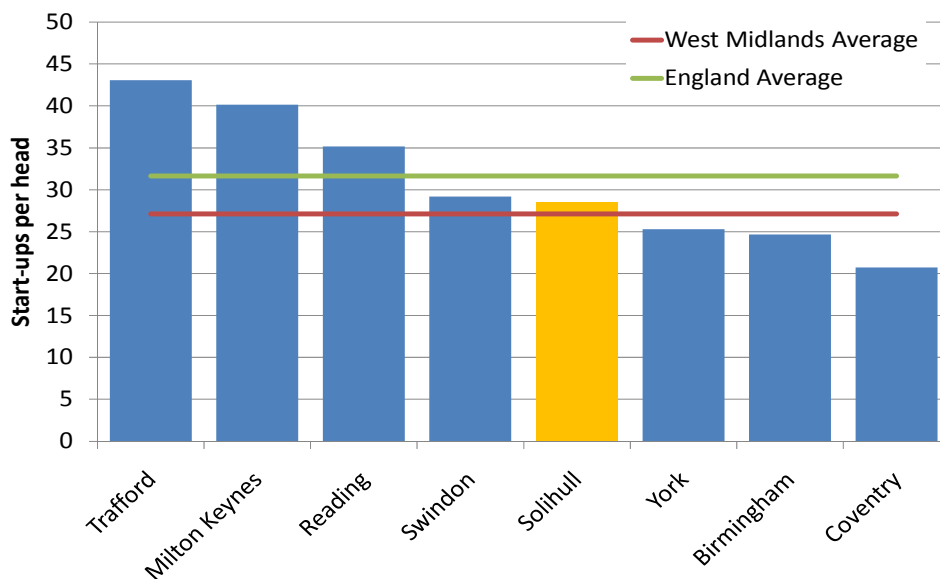
Source: Solihull MBC

<sup>53</sup> West Midlands Regional Observatory

## Enterprise Trends

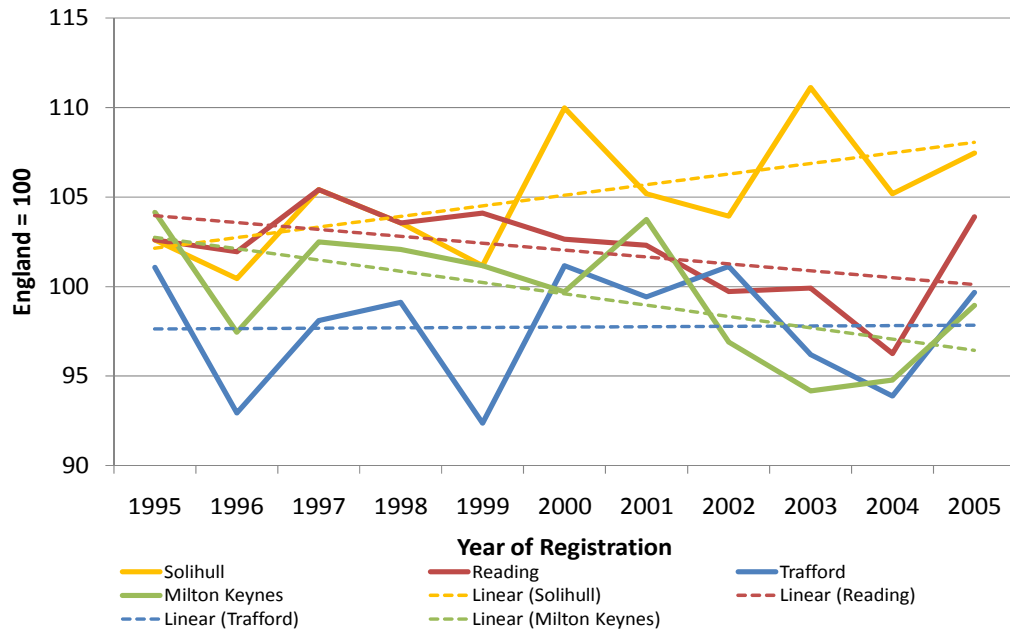
- 3.24 Levels of new business starts in Solihull have been significantly below the England average over the last decade (on average 9.9% fewer per year) although the level has been significantly above the West Midlands average (on average 5.1% more starts per year). Businesses survival rates in Solihull exceed the England average, with 53.8% of businesses formed in 2003 surviving five years to 2008 compared to an England average of 46.4%. Furthermore, Solihull is the only one of a series of strong comparator economies to see an upward trend in survival rates (at 3 years) over the period 1995 to 2005.
- 3.25 However, the proportion of small businesses growing in terms of employment numbers in Solihull has been below national and regional average rates and for comparator areas. On average 11.1% of small businesses in Solihull demonstrated employment growth between 2002/03 and 2007/08 compared to 12.6% across the West Midlands and 12.5% across England. However, the percentage of small businesses demonstrating employment growth increased over this period from 9.9% to 2002/03 to 12.4% in 2007/08.

### Average Business Start-Ups per Head 1994-2007



Source: ONS

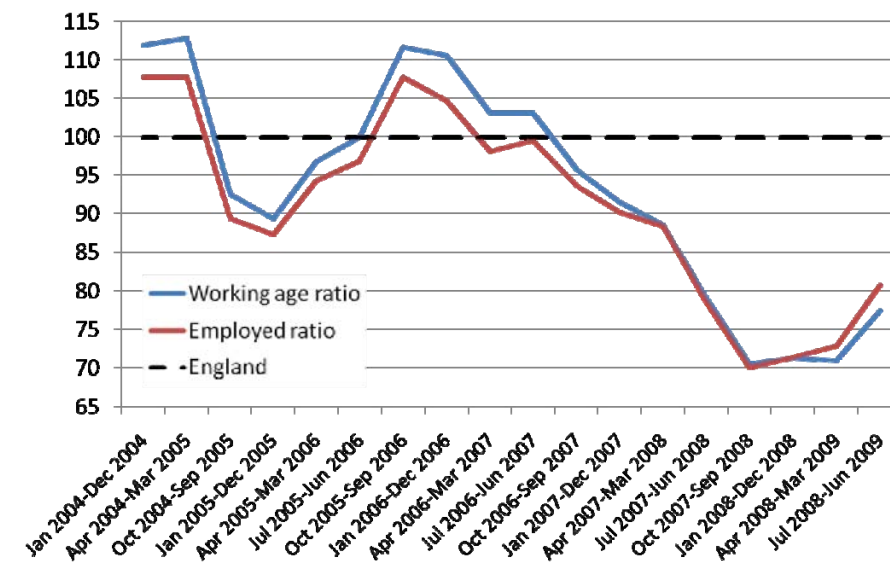
## Three Year VAT Business Survival Rates



Source: ONS

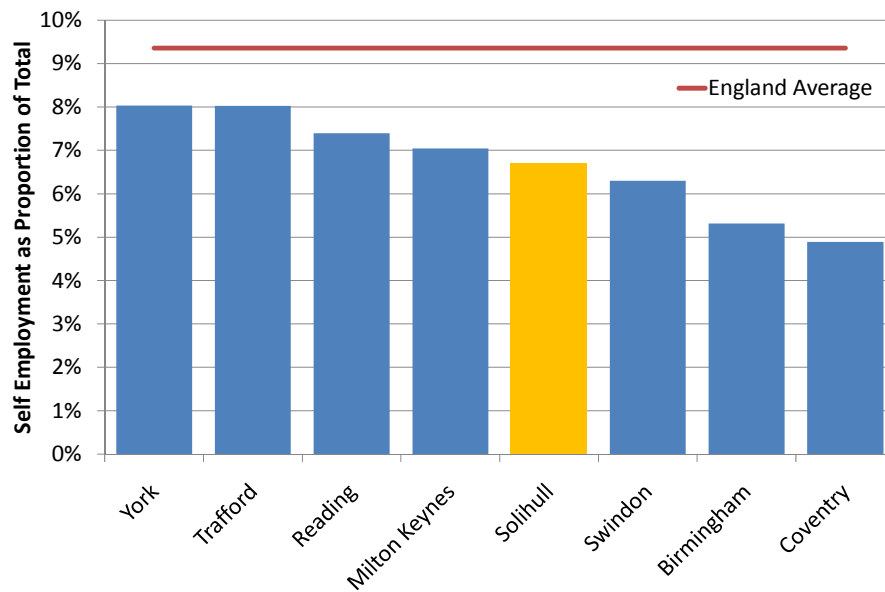
3.26 Self-employment levels amongst residents have been falling sharply since 2004 (-28%) whilst levels have been increasing in England (+5.1%) and the West Midlands (+1.7%). 7.2% of working age residents are self-employed (8,800 individuals) compared to 9.3% across England and 8% across the West Midlands. Figures for 2008 show that comparator authorities also experience lower rates than the England average self-employment rate.

## Self Employment in Solihull Relative to England Average



Source: Annual Population Survey

## Self Employment Rate 2008

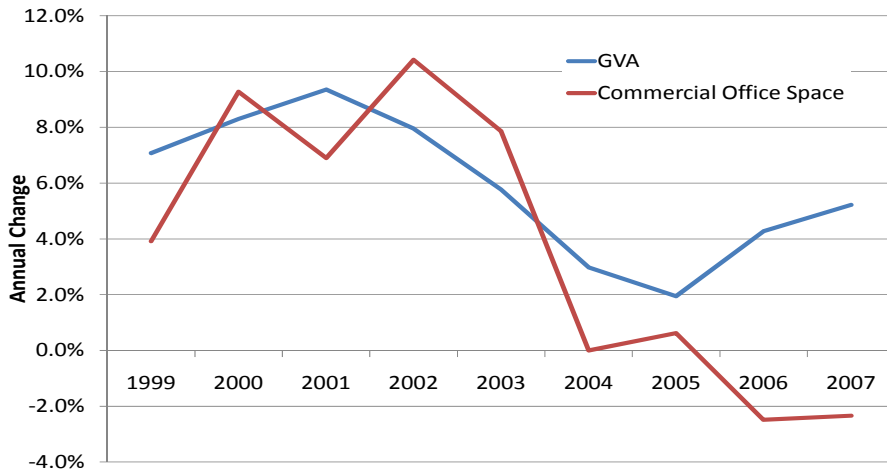


Source: Annual Population Survey

### ***Development Trends***

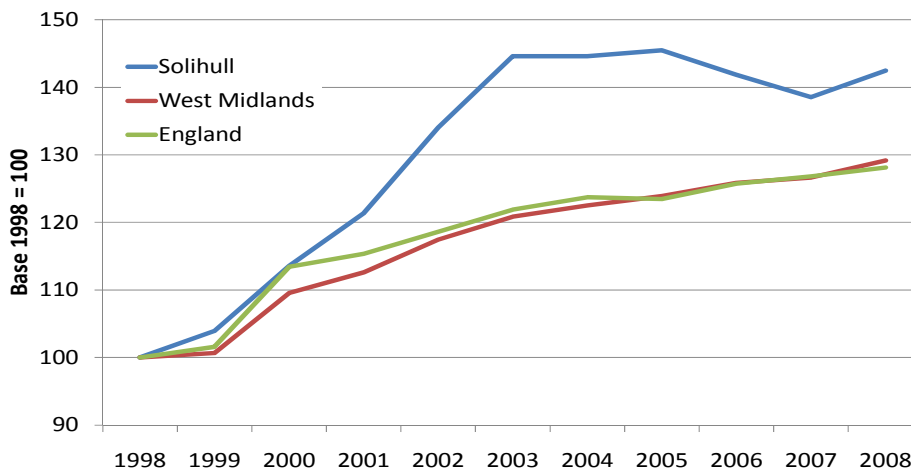
- 3.27 Solihull's exceptional economic growth, particularly between 1995 and 2001 is strongly linked to a high rate of commercial office development. Between 1998 and 2003 the Borough's commercial office stock increased by 45% with a large proportion of new development (57%) taking place on the Regional Investment Sites (Birmingham and Blythe Valley Business Parks). Solihull's commercial office stock (473,000 square metres) currently represents 7.5% of the regional total. This period of commercial office development broadly corresponds to Solihull's period of exceptional economic growth and a period of strong output growth in the business and financial services sector. Rates of office development have been much more limited since 2003, particularly since 2006/07, in line with falling demand and developer caution.

## Link Between Economic Output and Commercial Office Space in Solihull



Source: ONS, DCLG

## Change in Commercial Office Space



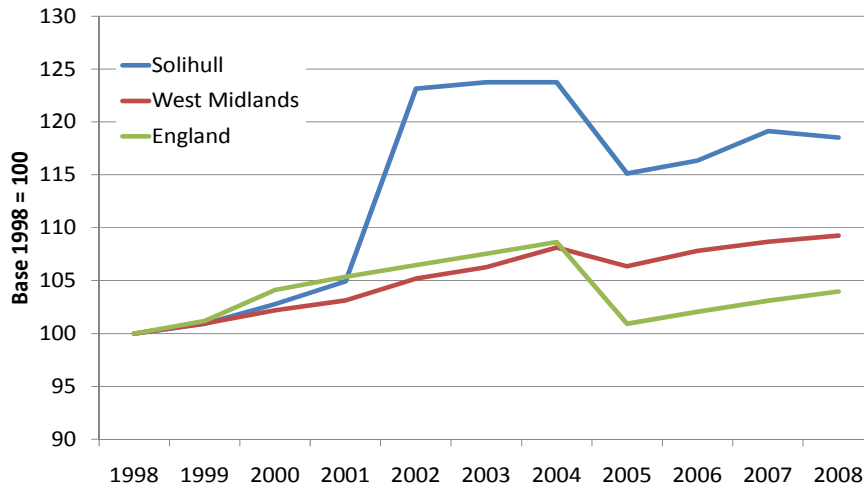
Source: Valuation Office

- 3.28 The growth in employment in Solihull's retail sector reflects notable growth in Solihull Town Centre in particular, spurred by the opening of the Touchwood retail and leisure complex in 2001 with the Borough's retail floor space increasing significantly (+17.4%) between 2001 and 2002. Solihull's retail stock (384,000 square metres) currently represents 3.6% of the regional total.
- 3.29 Solihull Town Centre ranks 52<sup>nd</sup> out of 374 major city to major district centres measured by the 2007 Venuescore rating<sup>54</sup>. According to retail footprint data, Solihull is a primary retail centre with £470 million of expenditure per annum, akin to centres in Wolverhampton but trailing Birmingham, Merry Hill and

<sup>54</sup> VENUESCORE provides retailers, developers, owners and brands with a straightforward tool for understanding some of the key differences between shopping venues, such as scale of offer, market positioning, fashionability and age positioning.  
<http://www.javelingroup.com/what/venuescore.html>

Coventry. Shirley and Chelmsley Wood Town Centres are important 2<sup>nd</sup> tier centres in the Borough.

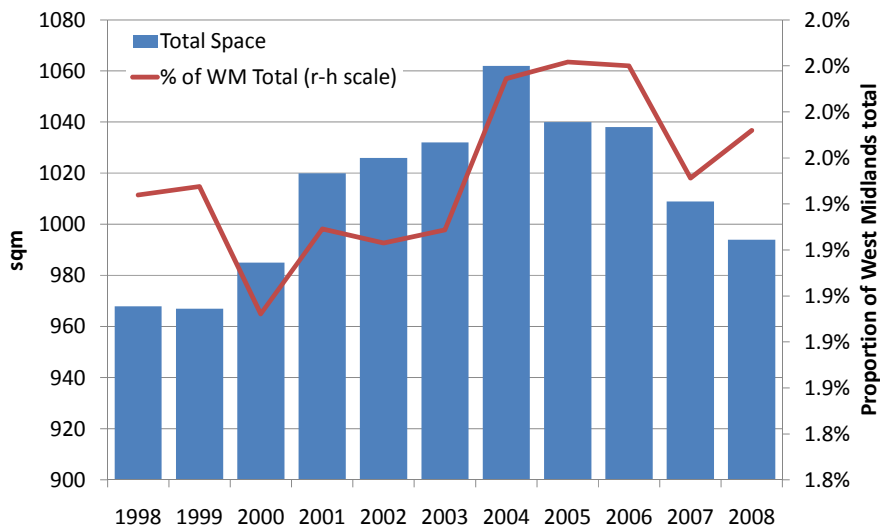
## Change in Retail Space



Source: Valuation Office

3.30 Solihull's factory and warehouse stock peaked in 2004 and has since declined to approximately 2001 levels, reflecting the contraction in manufacturing that has occurred across the West Midlands. Solihull's stock (994,000 square metres) represents 2% of the regional total.

## Factory and Warehouse Space in Solihull

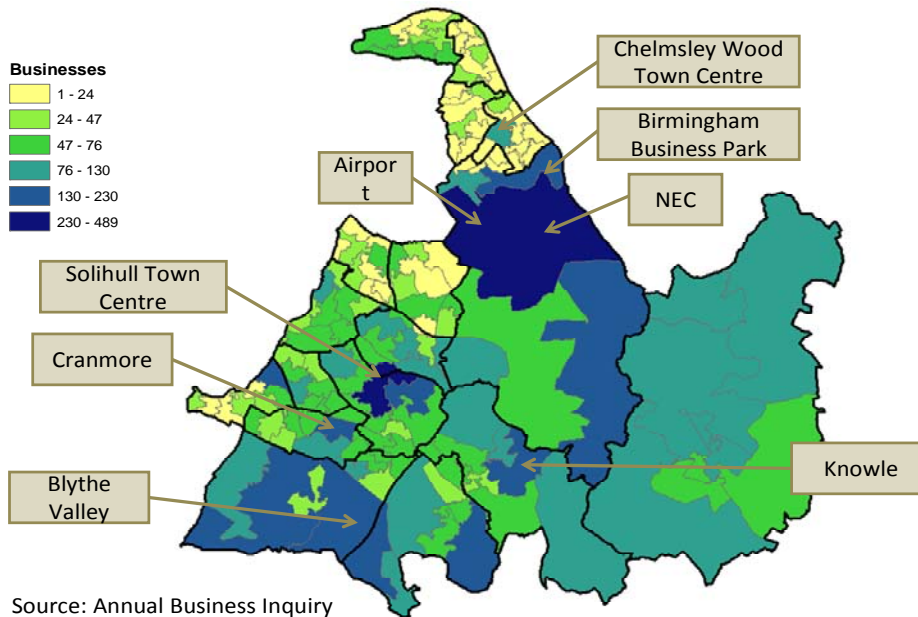


Source: Valuation Office

## ***Distribution of Business and Employment***

3.31 The main concentrations of business and employment in Solihull are in Bickenhill and Marston Green (the location of the Airport, NEC, Birmingham Business Park and other smaller business parks) and Solihull Town Centre. Other significant concentrations of business activity are in the urban south along the Stratford Road, including Cranmore Estate, and in Blythe Valley (the location of Blythe Valley Business Park). The Jaguar Land Rover site in Elmdon also represents a concentration of employment.

### **Distribution of Businesses in Solihull**



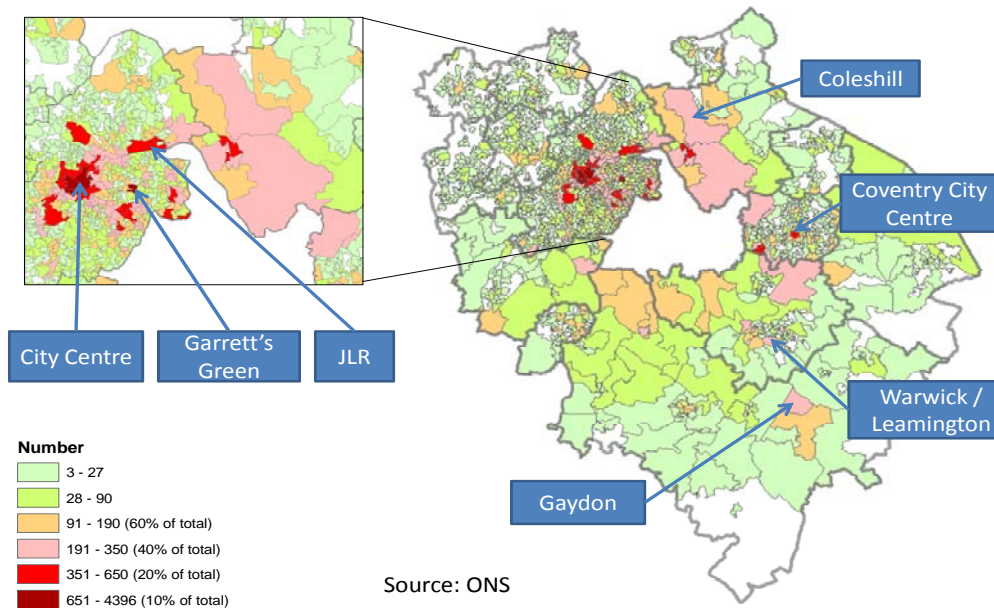
3.32 Business activity is most limited in the north of Solihull and in the northern parts of Elmdon, Lyndon and Shirley West. Businesses located in the 'North Solihull' regeneration area are mainly (83%) micro-businesses employing four or fewer accounting for the very limited employment opportunities in the area.

## 4 Labour Market Analysis

### *Travel to Work Geography*

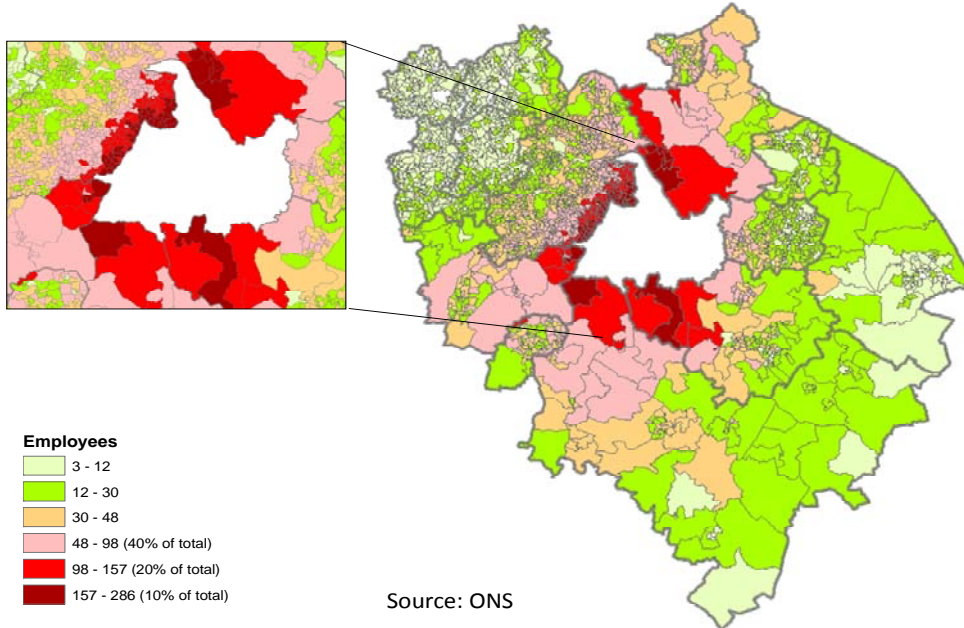
- 4.1 In and out-commuting plays an important role in Solihull's economy, reflecting Solihull's adjacency and traditional commuting links to Birmingham, as well as the high job density in Solihull which has resulted from its exceptional economic growth. At the time of the 2001 Census, nearly two thirds 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).
- 4.2 Commuting links are by far the strongest with Birmingham. At the time of the 2001 Census, over a quarter of jobs in Solihull were filled by Birmingham residents and over a third of Solihull residents commuted to Birmingham for work. Although far less significant than the links with Birmingham, Solihull also has significant commuting links with neighbouring areas of Coventry, Warwickshire, southern Staffordshire, northern Worcestershire and the Black Country.

### Where Solihull Residents Commute to Work





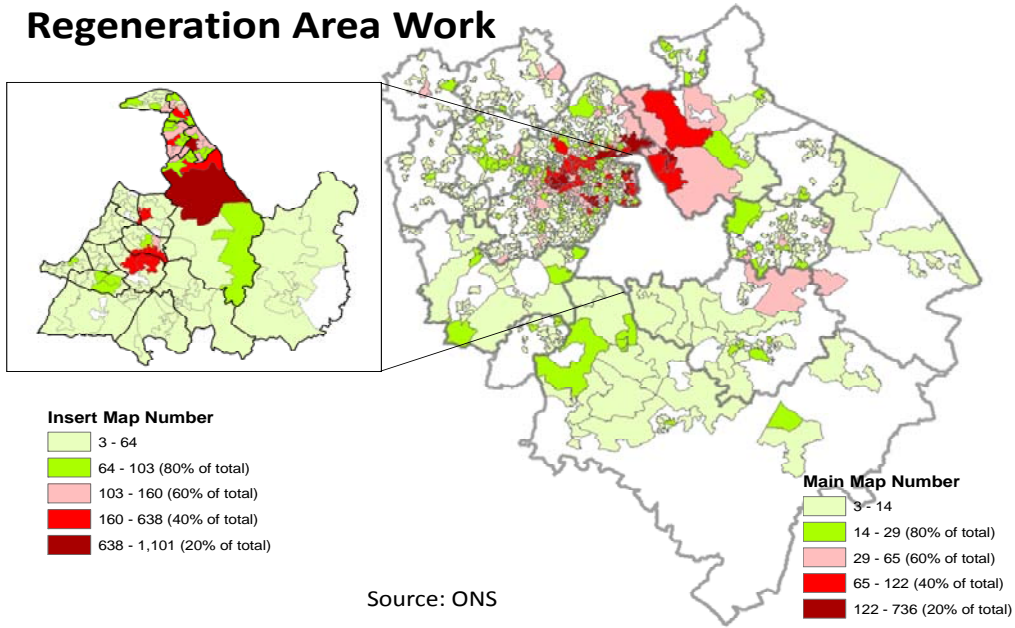
## Where Solihull Employees Live (In Commute)



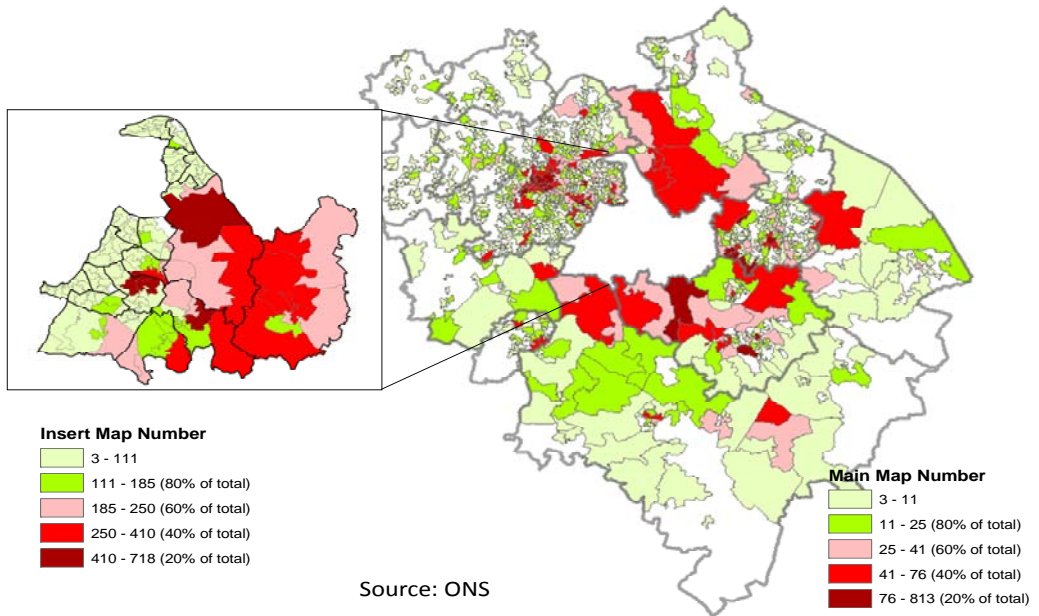
- 4.3 Commuting patterns are more widely dispersed for managerial and professional workers than for those working in elementary or plant, process and machine operative occupations.
- 4.4 2001 Census data shows that residents of the north of the Borough have a narrower travel to work area, with particularly strong commuting links with central and eastern areas of Birmingham and North Warwickshire in particular. At the time of the Census, residents of the 'North Solihull' regeneration area wards were more likely to work in Birmingham (44.4% of North Solihull residents) than within Solihull Borough (35.4%) and those working in Solihull were most likely to work within the regeneration area (15.8%) with 6.1% working in the northern part of Bickenhill ward. Residents were more likely to work in the Black Country (3.9%) or North Warwickshire (3.7%) than in Solihull Town Centre (3%)
- 4.5 Residents of rural Solihull were more likely to work in areas other than Birmingham, particularly Coventry or Warwick, than the Borough average.
- 4.6 As of 2008/09, 81.4% of working age residents were able to access more than 500 jobs within a reasonable time by sustainable modes of transport<sup>55</sup>.

<sup>55</sup> Source: Solihull Council, NI 176

## Where Residents from North Solihull Regeneration Area Work



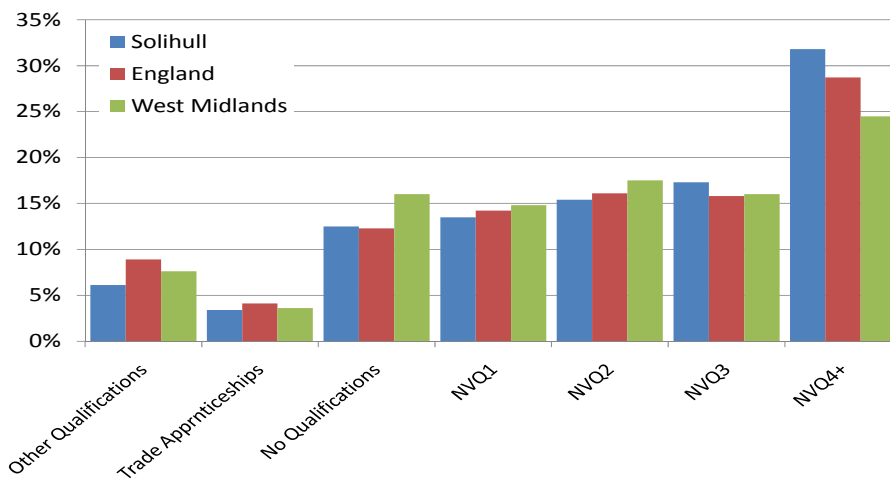
## Where Rural Solihull Residents Work



## Labour Supply

- 4.7 Solihull's working age population is shrinking as a proportion of the total population as a result of demographic ageing, although it is forecast to increase in absolute terms by 4.2% by 2018<sup>56</sup>.
- 4.8 Overall, Solihull's working age population is well-qualified with nearly half qualified to NVQ3 level or above; 31.8% qualified to NVQ4 level or above (38,600 people) and 22.9% qualified to NVQ5 level or above (27,600). This is against approximately 26,000 knowledge economy jobs in Solihull.

## Vocational Qualifications

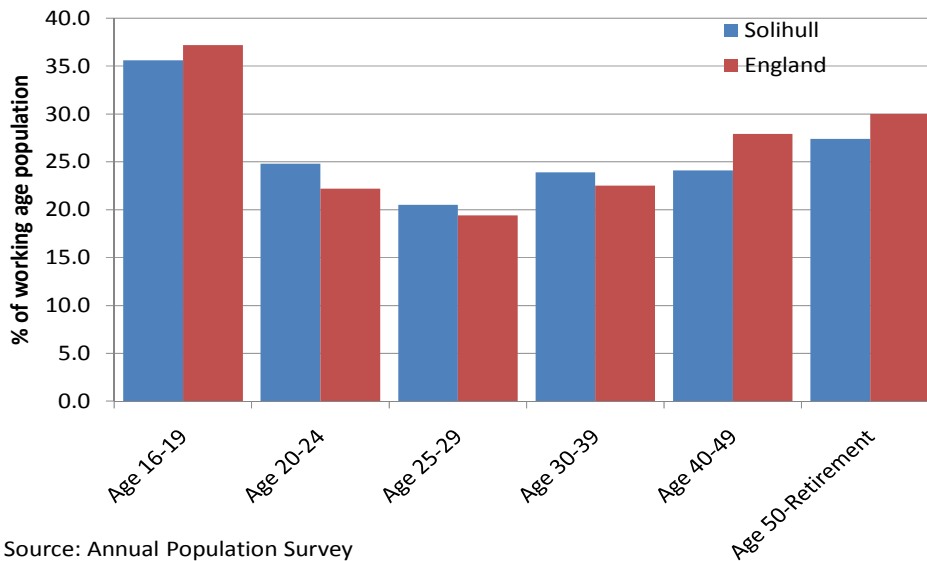


Source: Annual Population Survey

- 4.9 However, conversely, over a quarter (26%) of the working age population are only qualified to NVQ1 level or below, including nearly a quarter (23.5%) of 20 to 39 year olds. The percentage of women qualified to NVQ Level 1 or below is high (28.5%) compared to the England average (25.2%). Furthermore, a relatively low proportion of 20 to 24 year olds have a degree (13.6%). 12.6% of the working age population (15,200 people) have no formal qualification including 14.3% of 16 to 24 year olds (3,400 individuals). Low qualifications restrict residents' ability to compete for knowledge economy employment.

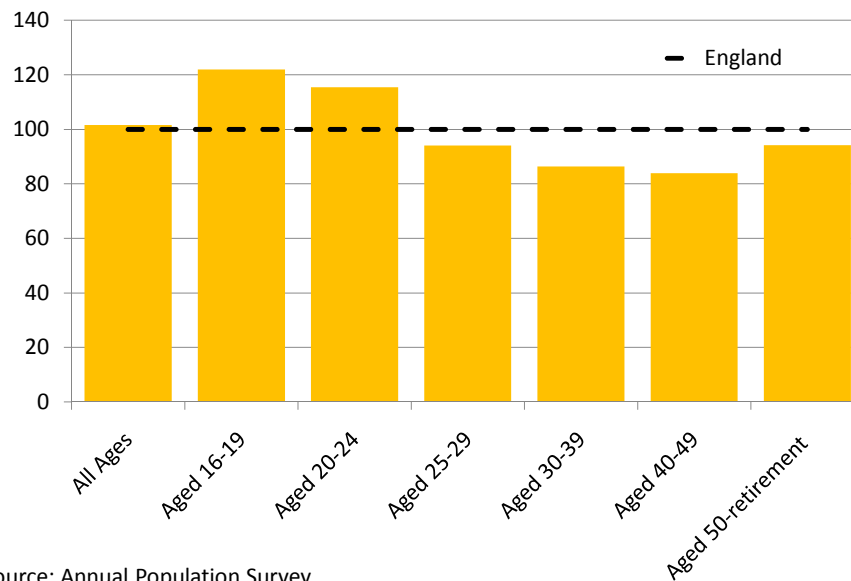
<sup>56</sup> ONS mid-year population estimates and projections 2008

## Low Skilled Workforce (NVQ1 and Below)



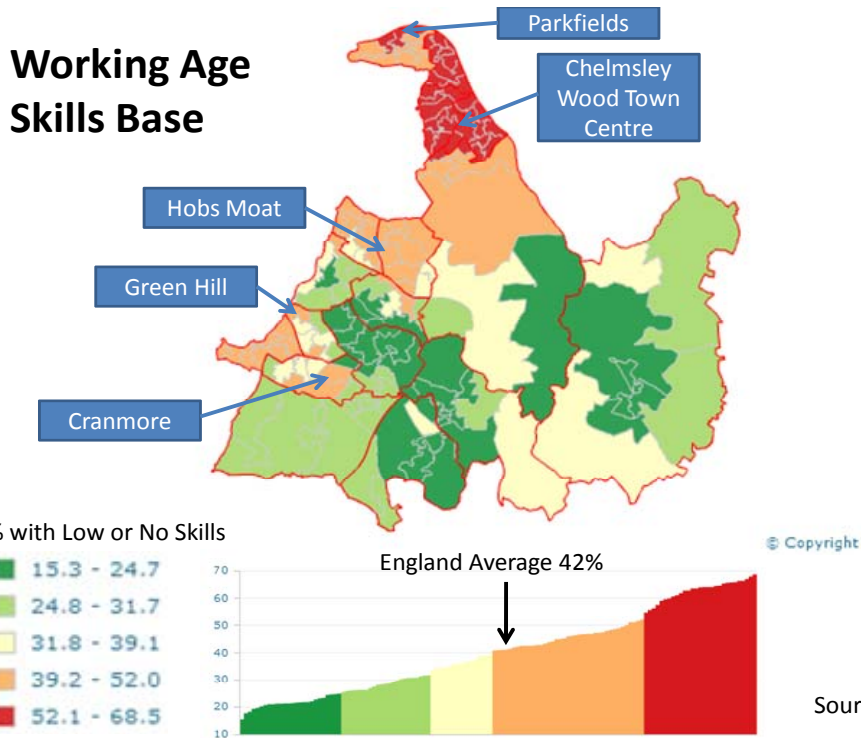
Source: Annual Population Survey

## Working Age Adults With No Formal Qualifications in Solihull Relative to England



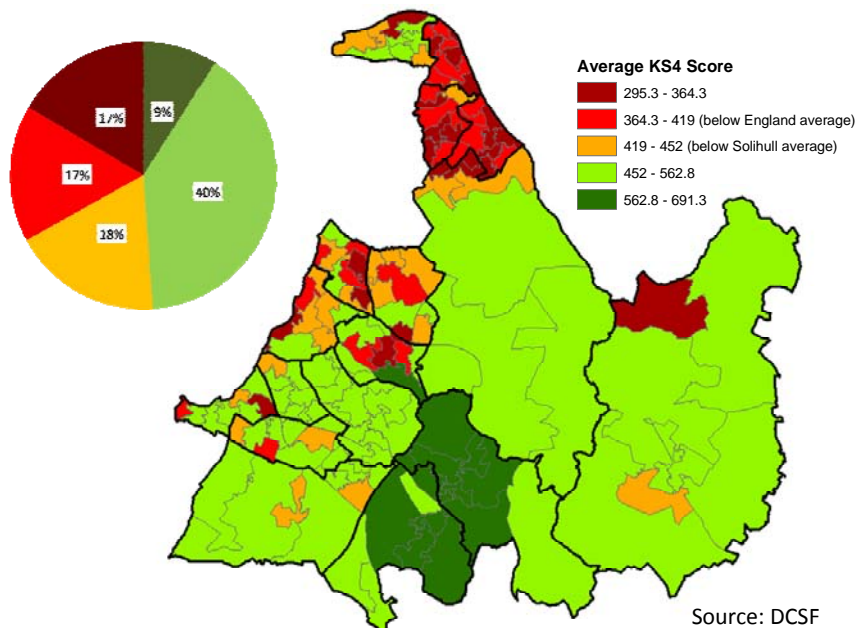
Source: Annual Population Survey

- 4.10 Adults aged 25 to 54 with low qualifications (maximum NVQ1 level) tend to live in the 'North Solihull' regeneration area, Parkfields in Castle Bromwich or in parts of Elmdon, Lyndon and Shirley.



4.11 Overall, school-age attainment to Key Stage 4 is relatively high with 54.4% of pupils achieving five A\* to C GCSE passes including English and Maths. However attainment levels vary across Solihull with pupils in the 'North Solihull' regeneration area, Hobs Moat, Hatchford Brook and Elmdon Park having attainment levels below the national average (-14% on average in the 'North Solihull' regeneration area).

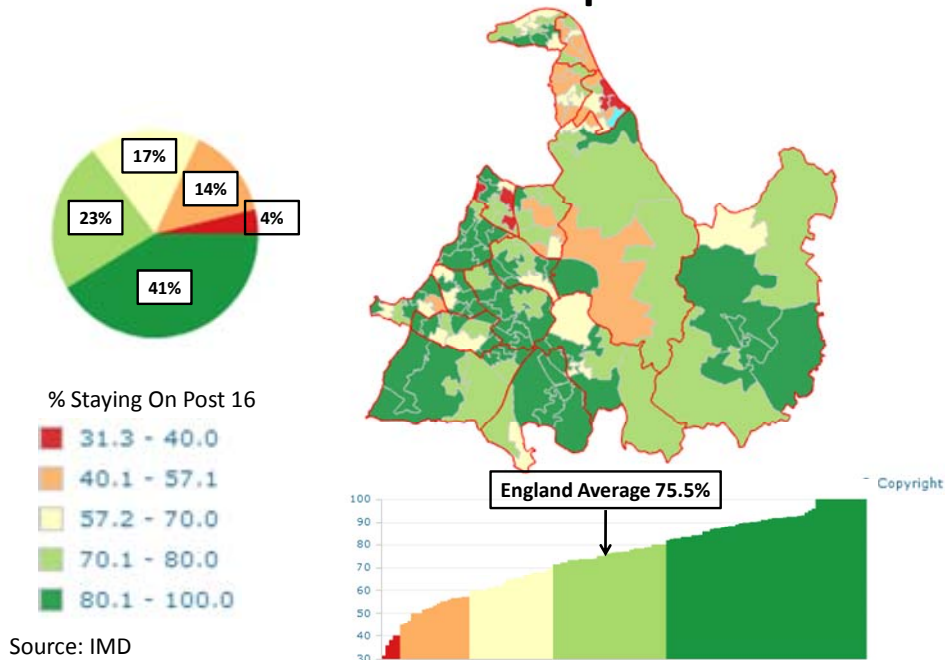
### Average KS4 Score by Pupil Residence



4.12 A relatively high proportion of Year 11 school leavers continue in learning (91.2%) and participation in 16 to 19 learning has increased by 26% since

2005/06<sup>57</sup>. However, full-time further education participation rates vary across the Borough with participation rates in the 'North Solihull' regeneration area 18% below the England average and low rates in the Lyndon/Elmdon area. Attainment at GCE A' Level is below the England average, although the gap has been closing<sup>58</sup>. The proportion of 19 year olds achieving Level 2 (77% in 2007/08) is in line with the England average and the proportion of those achieving Level 3 (52%) is above the England average (50%) – with both rates improving since 2003/04<sup>59</sup>.

## Further Education Participation Rates



4.13 A relatively high proportion of 18 to 19 year olds in Solihull are estimated to go on to Higher Education (36%)<sup>60</sup>. However, those from a lower income background are less likely to go onto Higher Education than the England average. Only 16% of 18-19 year olds from the 'North Solihull' regeneration area go on to Higher Education, and participation rates are also low in parts of Castle Bromwich, Lyndon, Elmdon and Shirley.

<sup>57</sup> Connexions/NCCIS Leaver Destination Survey, 2008

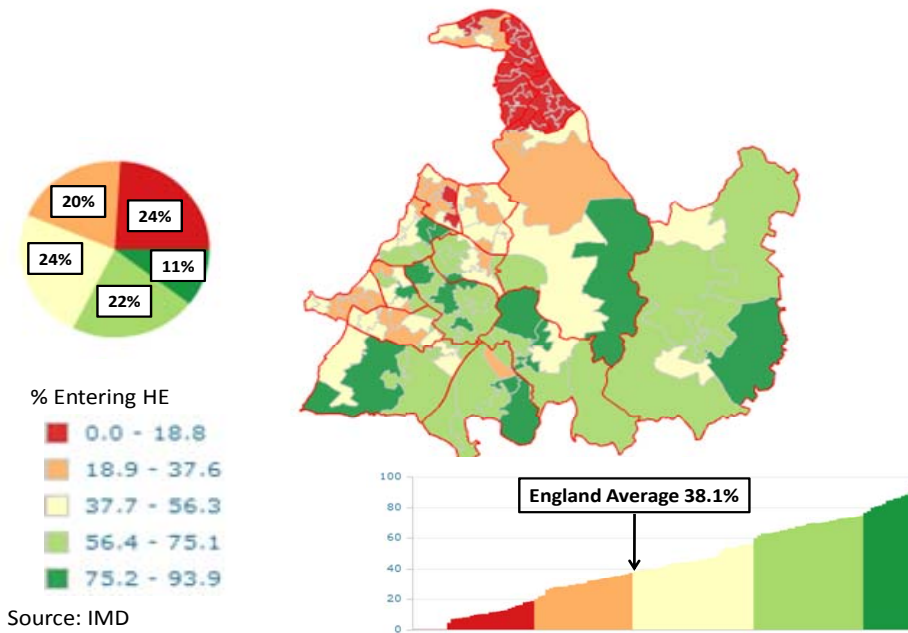
<sup>58</sup> DCSF

<sup>59</sup> The Data Service

<sup>60</sup> HEFCE Polar project estimates based on 2007 cohort

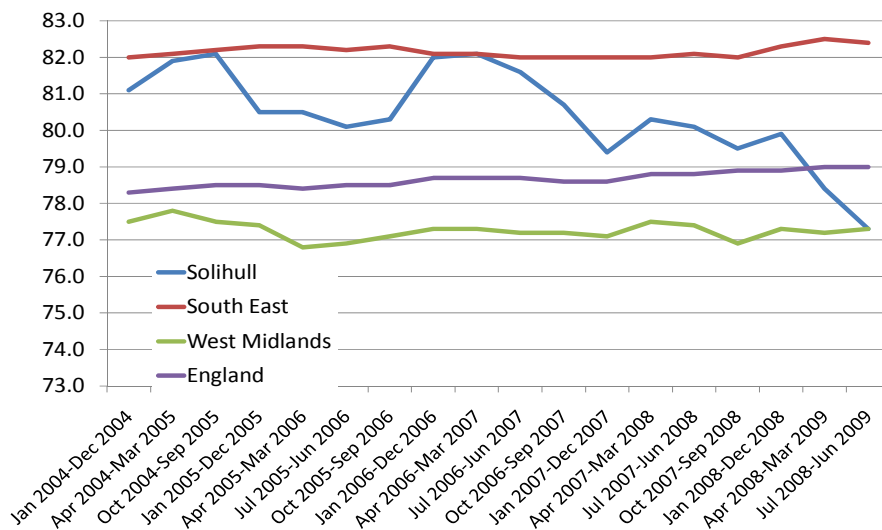


## Higher Education Participation Rates



4.14 The proportion of the working age population who are economically active (i.e. employed or unemployed but looking and available for work) has fallen below the England average. The male economic activity rate fell below the England average before the female rate (in 2006/07 compared to 2008/09) and stands at 82% compared to 72.3% for women. Most significantly, the percentage of the economically inactive not wanting a job has risen significantly and at 78.3% is significantly higher than the England (73.7%) and West Midlands (76.7%) averages. 22% of working age females in Solihull do not want a job compared with an England average of 19%.

## Economic Activity Rate

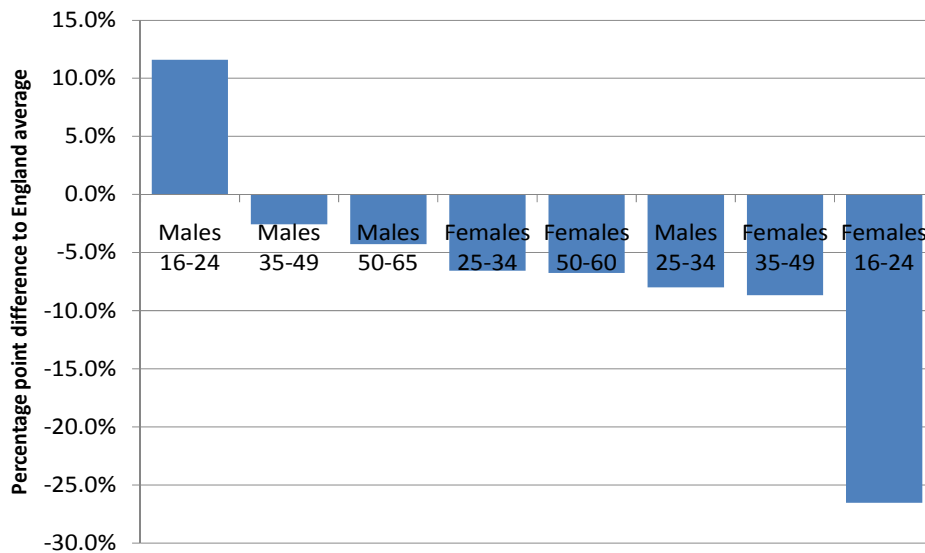


Source: Annual Population Survey

4.15 Employment rates have also fallen below the England average between 2004 and 2009 (70.8% compared to 73.4%), falling to the greatest extent amongst women, particularly those aged 16 to 24 (40.1% employment rate compared to

53.1% nationally), and males aged 25+ (with male 25 to 34 year olds experiencing an employment rate of 78.6% compared to 86% nationally). The employment rate of those aged 50 to retirement age in Solihull is also significantly below the national average at 68.3% compared to 72%. The employment rate of young males aged 16 to 24 improved over this period and is above the national average.

## Change in Employment Rate 2004-2009



Source: Annual Population Survey

- 4.16 Analysis undertaken for the City Region Multi Area Agreement (which encompasses Birmingham, Coventry, Solihull, the Black Country and Telford and Wrekin)<sup>61</sup> shows that the working age population is forecast to grow by nearly 100,000 people over the next 10 years, underpinned by a significant increase in numbers of young people. This growth is being offset, however, by the out-migration of many of the most skilled, qualified and ambitious young adults – to elsewhere in the West Midlands, the rest of the UK and overseas – reflecting the limited supply of higher skilled jobs in knowledge intensive industries. These trends, combined with poor rates of qualification and skills attainment by young people, are contributing to a poor skills base in the City Region. This threatens to constrain the potential for economic growth and for diversification into higher value added sectors and clusters. Outside Solihull, attainment of higher level skills and qualifications lags significantly behind in the City Region including areas where more than a quarter of adults hold no formal qualification. Furthermore, the gap between attainment in these areas and better performing parts of the region is widening.

<sup>61</sup> City Region Employment and Skills Assessment Phase 3, WMRO, February 2010

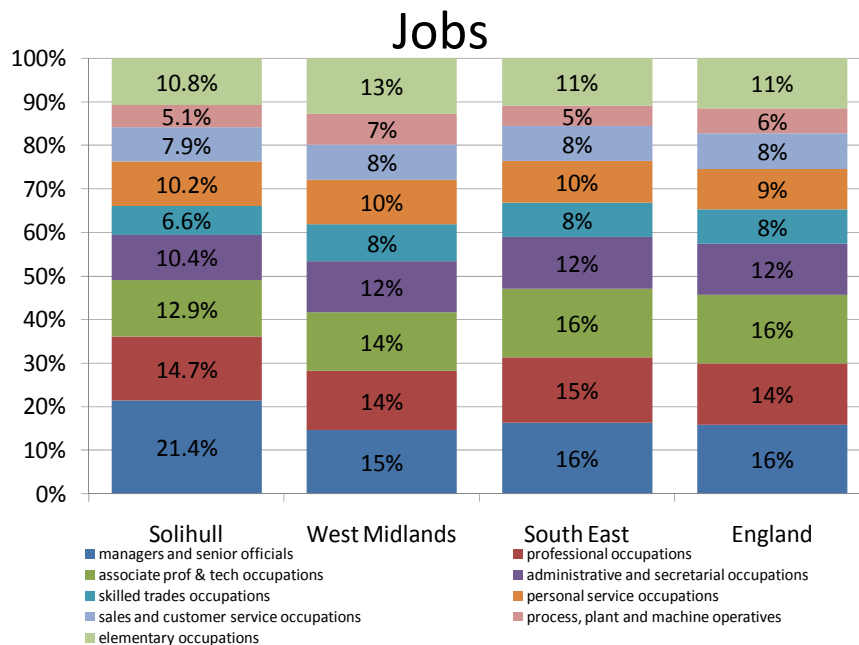


## Labour Supply-Demand analysis

### Occupation-Based Analysis

- 4.17 A larger proportion of jobs in Solihull are more highly qualified occupations than averages for the South East, West Midlands and England. Nearly half of all jobs (49%) are at managerial, senior official, professional, associate professional or technical level, compared to averages of 47% for the South East, 46% for England and 43% for the West Midlands.
- 4.18 Conversely, a smaller proportion of jobs in Solihull are in occupations requiring lower qualification levels – particularly skilled trades (6.6%) and administrative and secretarial (10.4%) occupations. A lower proportion of jobs are elementary (10.8%) or plant, process and machine operative (5.1%) occupations compared to the West Midlands' average.

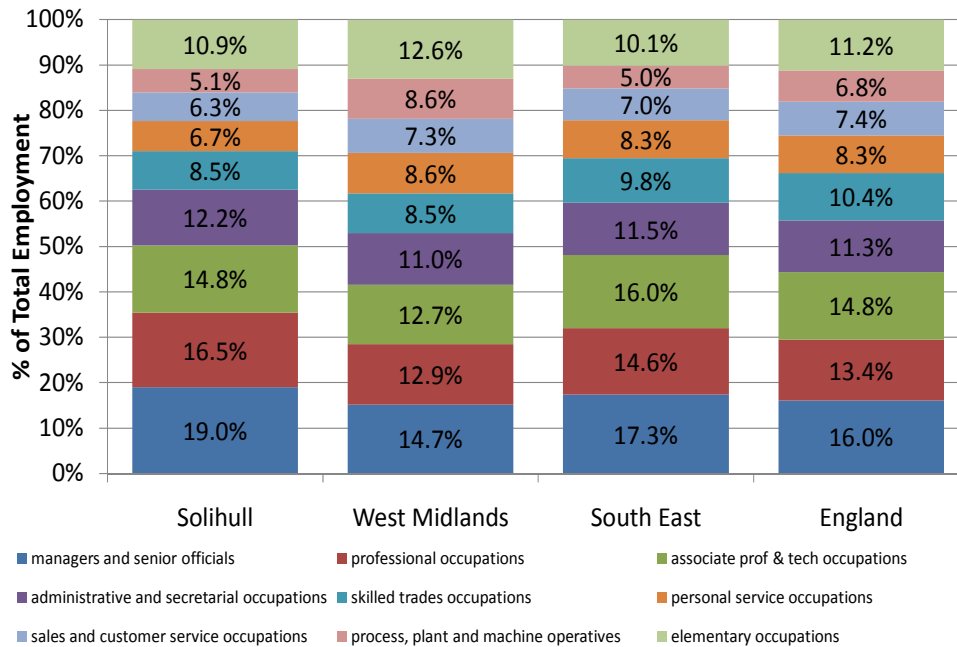
## Occupational Structure of Workforce



- 4.19 The occupational profile of Solihull residents is more akin to that of the South East region than the West Midlands. More than half (50.3%) of residents are employed in managerial, senior official, professional, associate professional or technical occupations compared to 47.9% across the South East, 44.2% across England and 40.3% across the West Midlands. In fact, a significantly higher proportion of Solihull residents are employed in managerial and senior official (19% compared to 17.3%) and professional occupations (16.5% compared to 14.6%) than across the South East. A higher than average proportion of residents are employed in administrative or secretarial occupations (12.2%).

4.20 However, not all residents employed in these higher level occupations are employed within the Borough. It is estimated that 36% of professionally-employed residents work outside Solihull, as do 28% of associate professional or technical workers.

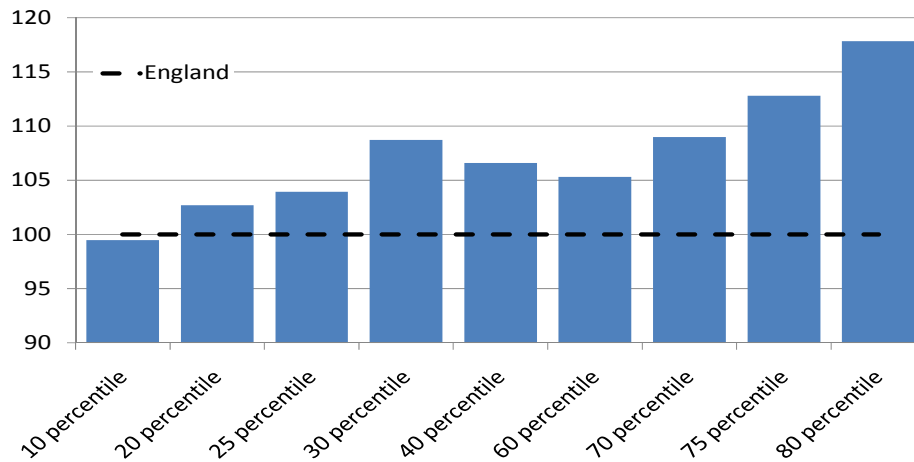
## Resident Occupational Structure



Source: Annual Population Survey

4.21 The relatively high qualification and occupational levels of residents are reflected in higher than average resident earnings levels (12.7% above the England average and 20.5% above the West Midlands average). Earnings are higher than average across the earnings range except for the 10% lowest earners (0.5% below the England average but 3.3% above the West Midlands average). Furthermore the wage gap between higher and lower earners (top 20% compared to the bottom 20%) is relatively high (14.7% higher than the England average).

## Full Time Weekly Pay Solihull vs England

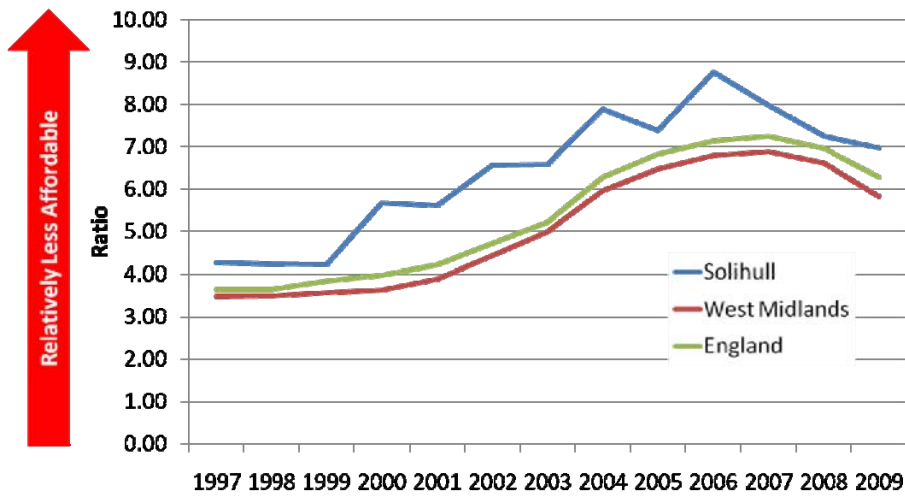


Source: Annual Survey of Hours and Earnings

- 4.22 A relatively low proportion of residents are employed in occupations other than managerial, professional and associate professional and technical occupations. In particular, relatively low proportions of residents are employed in sales and customer service (6.3%) and personal service occupations (6.7%). A lower proportion of residents are employed in skilled trades (8.5%) compared to South East (9.8%) and England (10.4%) averages. A lower proportion of residents are employed in elementary (10.9%) and process, plant and machine operative (5.1%) occupations compared to West Midlands and England averages.
- 4.23 It is estimated that 30% of jobs in sales and customer service occupations; process, plant and machine operatives and personal service are filled by non-residents.

## House Price to Income Ratio

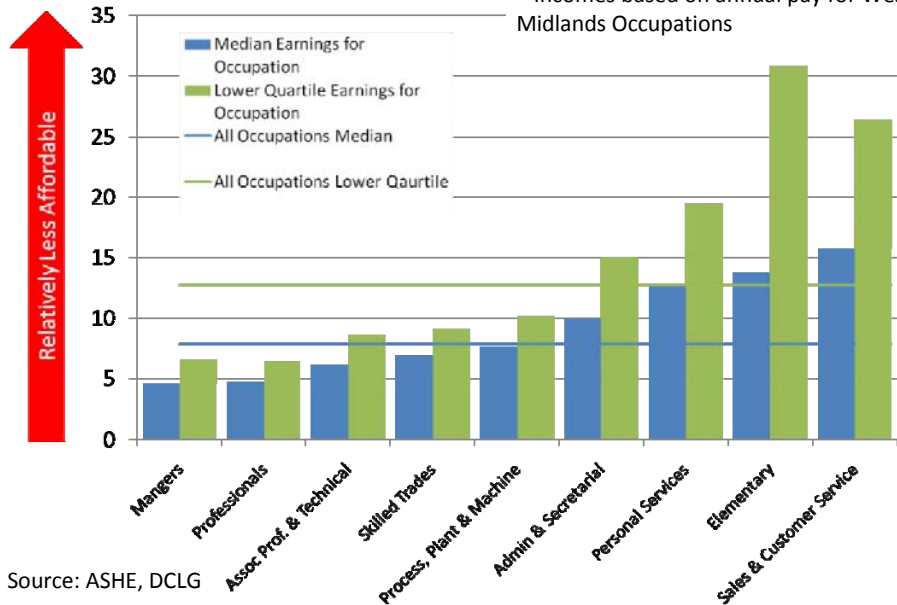
Ratio of bottom quartile earnings to bottom quartile house prices



Source: Land Registry

## Ratio of Incomes\* to Lower Quartile House Prices in Solihull

\* Incomes based on annual pay for West Midlands Occupations



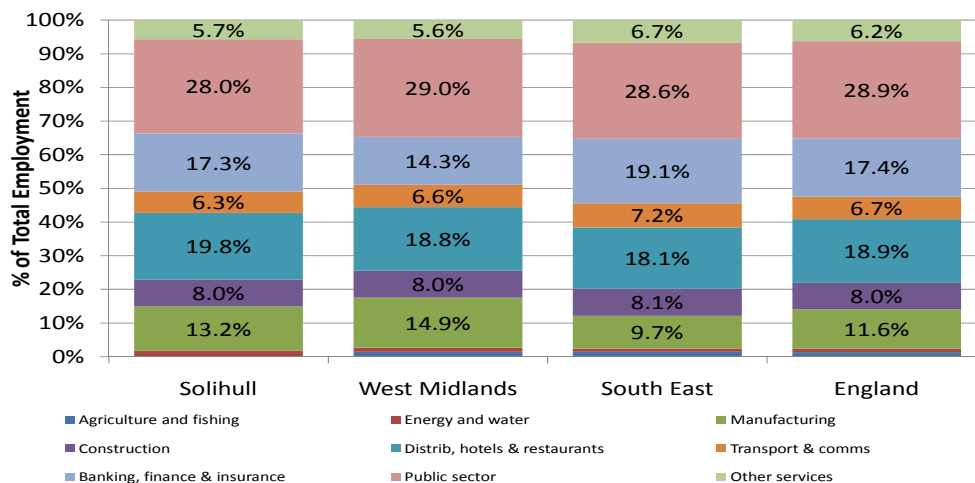
Source: ASHE, DCLG

- 4.24 House prices in Solihull are high compared to the regional average. High house prices alongside more restrictive mortgage lending and the need for higher deposits has made owner occupation a harder tenure to access. At the same time, there is a severe shortage of affordable housing.
- 4.25 Although Solihull has a shortage of affordable housing, an important issue for is whether this gives rise to a difficulty in the recruitment and retention of employees whose services are essential to the local economy and communities ('Key Workers').
- 4.26 There is no single definition of which occupational groups or employees are covered by the term 'Key Worker'. This has often been taken to include public sector employees such as health workers, fire, teachers and the police but can also include other employee groups. A key point in this context is whether such workers can secure appropriate accommodation within a reasonable travel to work area of their employment.
- 4.27 There is no evidence that Solihull has a specific 'Key Worker' problem that is holding back its local economy. This reflects the fact that people can access cheaper housing in North Solihull and outside of the borough and the fact that some 'Key Workers' will already be established in the local housing market.
- 4.28 Monitoring of the interrelationship of the housing market and the local economy will be ongoing.

### Sector-based Analysis

- 4.29 The public sector is the most common sector of employment for residents (28%) and it is estimated that 17% of residents working in the public sector commute outside the Borough for employment. The second most common sector of employment for residents is the distribution, hotel and restaurant sector (19.8%). This is followed by banking, finance and insurance (17.3%); manufacturing (13.2%); construction (8%); transport and communications (6.3%) and other services (5.7%). It is estimated that there are net outflows of workers in the construction and banking, finance and insurance sectors. By contrast, 10% of manufacturing jobs located in Solihull are filled by non-residents.

## Resident Industry Structure

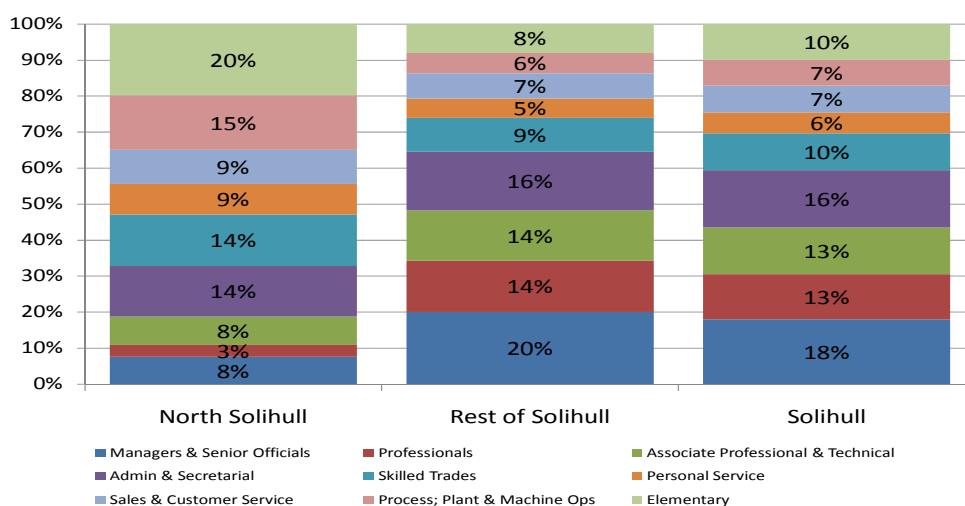


Source: Annual Population Survey

## Spatial Variations

- 4.30 2001 Census data indicates significant spatial variations across the Borough in terms of sector and occupation of employment. Residents of the 'North Solihull' regeneration area are more likely to be employed in manufacturing (21%) and elementary or plant, process and machine operative occupations (35%). Residents of the area are less likely to be employed in business services (14%) or in managerial, senior official or professional occupations (11%). This can be linked to the lower average qualifications levels identified in the 'North Solihull' regeneration area. Earnings levels will therefore be lower in the 'North Solihull' regeneration area with residents experiencing a significant wage differential compared to residents living in the more affluent parts of Solihull.

### Employment by Occupation



Source: Census 2001

## Workforce Skills Gaps

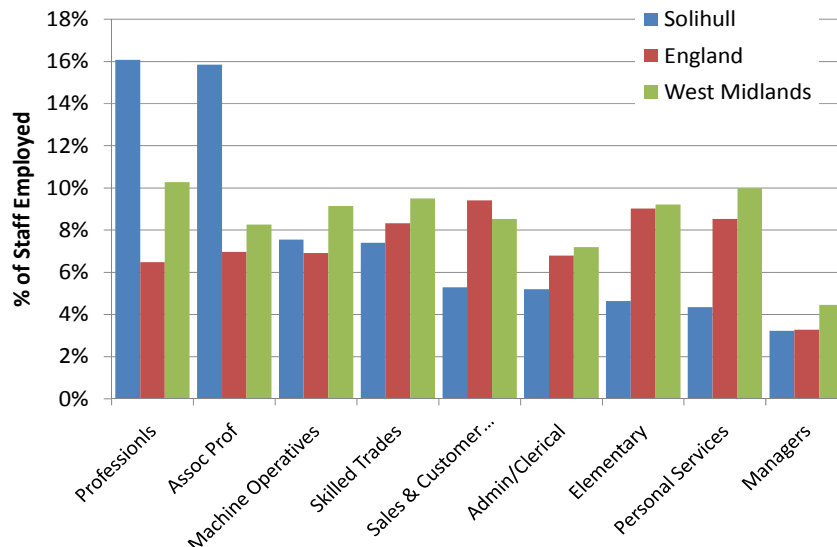
- 4.31 Survey work undertaken with businesses based in Solihull has identified that workforce skills gaps are a significant issue. The Learning and Skills Council's annual National Employer Skills Survey (2009) found that 7.8% of respondents in Solihull considered the local workforce to be not fully proficient in their jobs (compared to an England average of 7.4%).
- 4.32 A recent local business survey<sup>62</sup> found that of 360 respondents, 14% experienced workforce skills gaps in moving their business forward. This percentage was even higher amongst respondents in the ICT (26%) and construction (17%) and health and social care (15%) sectors.
- 4.33 These findings are echoed in research for the City Region which identified that many businesses face gaps in moving their business forward. Regional research<sup>63</sup> has also identified that skills gaps and shortages are acting as a

<sup>62</sup> ECOTEC (2010) 'Solihull Business Skills Survey'

<sup>63</sup> WMRO 'The West Midlands Economy Post Recession: Key Issues and Challenges', June 2010

significant constraint on the ICT sector in particular (amongst other sectors including the business and professional services sector).

## Proportion of Staff Not Fully Proficient



Source: Learning & Skills Council

- 4.34 Local survey work has identified that the current workforce skills gaps most frequently reported by employers were job specific and technical skills (56% of respondents). Other current workforce skills gaps identified via local survey work were management and leadership and interpersonal and communication skills (by 17% of respondents); customer service/handling skills and basic IT user skills (15%), higher-level professional IT skills and problem-solving skills (12%), numeracy skills (8%) and literacy skills (4%).

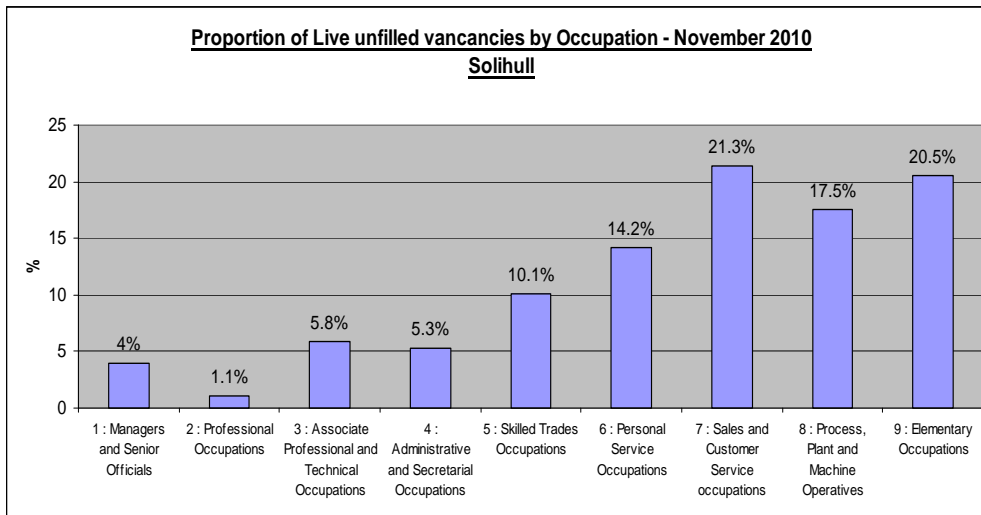
### **Recruitment Barriers**

- 4.35 Despite Solihull having a relatively well-qualified working age population and being accessible to a wide labour pool, a significant proportion of employers located in the Borough have experienced difficulties recruiting. The local survey found that of those employers who had sought to recruit in the past twelve months, 22% had experienced difficulties. The most commonly cited problems were a general shortage of candidates (64%), a lack of job specific skills (48%), and a lack of inter-personal skills or poor attitudes amongst applicants (24%).
- 4.36 However, the LSC national survey found that a lower proportion of vacancies were reported by Solihull employers as 'hard-to-fill' (14.9% compared to 23.4%). Furthermore, a significantly lower proportion of these reported 'hard to fill' vacancies were attributed to skills shortages (12.7% compared to 17.4%)
- 4.37 An analysis of 'live' unfilled job vacancies advertised by Jobcentre Plus<sup>64</sup> shows that there were 1,335 unfilled vacancies at Solihull-based job centres. Of these, sales and customer service roles (21.3%); elementary roles (20.5%);

<sup>64</sup> Source: nomis, November 2010

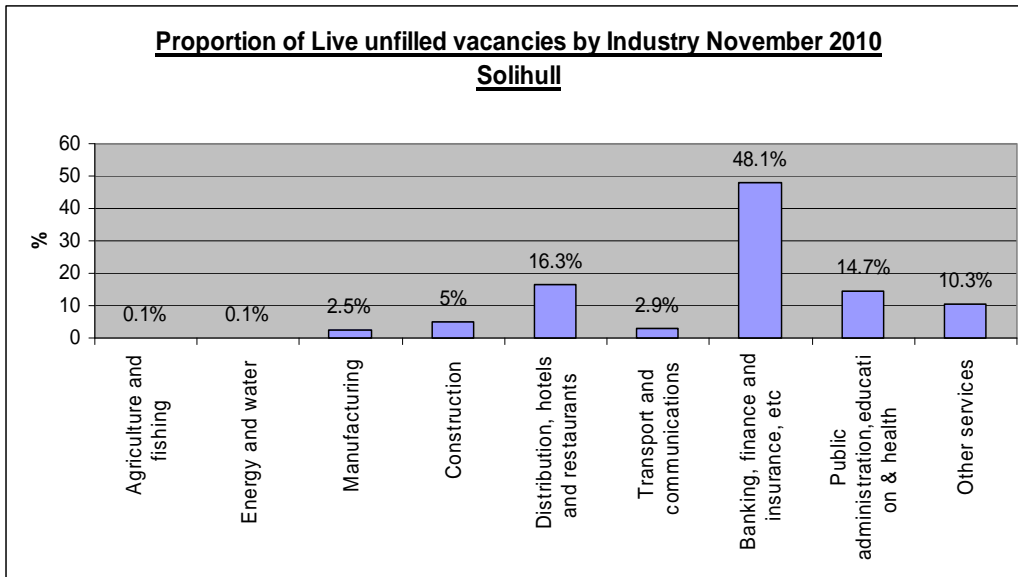
process, plant or machine operative roles (17.5%); personal service roles (14.2%) and skilled trade roles (10.1%) accounted for the majority (83.6%). This is unsurprising, as these occupations are those which are most commonly-advertised by Jobcentre Plus, with recruitment to other occupations (managerial and senior official, professional, associate professional and technical and administrative and secretarial) often undertaken via other routes (e.g. private sector employment agencies).

4.38 However, the representation of unfilled elementary roles (20.5%) is significantly higher than regionally (16.4%) and nationally (16.2%). The representation of skilled trades (10.1%) is also significantly higher than regionally (7.4%) and nationally (7.1%). Conversely, the representation of associate professional and technical occupations (5.8%) is significantly lower than regionally (11%) and nationally (13%). This picture may be explained by the relatively high proportion of Solihull residents employed in managerial and professional occupations and the relatively low proportion employed in occupations requiring lower qualification levels. Consequently, it may be that employers looking to recruit to lower-qualified occupations may find it harder to recruit.

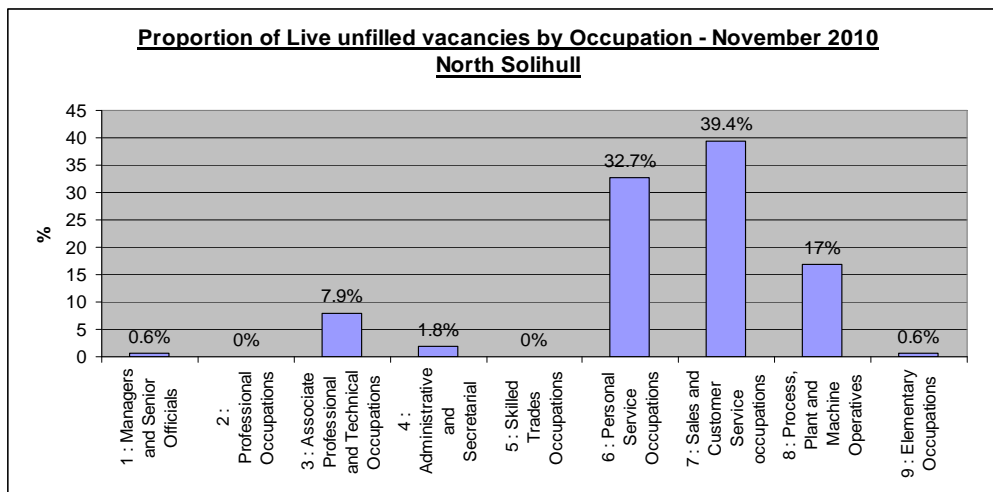


4.39 A sector-based analysis of 'live' unfilled vacancies shows that the banking, finance and insurance sector accounted for nearly half of vacancies (48.1%), followed by the distribution, hotels and restaurant sector (16.3%); public sector (14.7%) and 'other services' (10.3%). These three sectors accounted for the majority of unfilled vacancies (89.4%).





4.40 An analysis of 'live' unfilled job vacancies advertised by Jobcentre Plus<sup>65</sup> in the 'North Solihull' regeneration area, shows that whilst sales and customer service roles also represent the highest proportion of vacancies (as in the Borough as a whole), they represent a significantly higher proportion at 39.4% compared to 21.3%. In part this reflects the fact that managerial and senior official, professional and administrative and secretarial occupations represent an even smaller proportion of vacancies advertised at Jobcentre Plus in the area when compared to the Borough as a whole. However, most notably, this reflects the fact that elementary and skilled trade occupations represent a significantly lower proportion of unfilled vacancies than in the Borough as a whole (0.6% and 0% respectively). In the case of elementary occupations, this may reflect that there is higher demand for these roles amongst residents of the area.



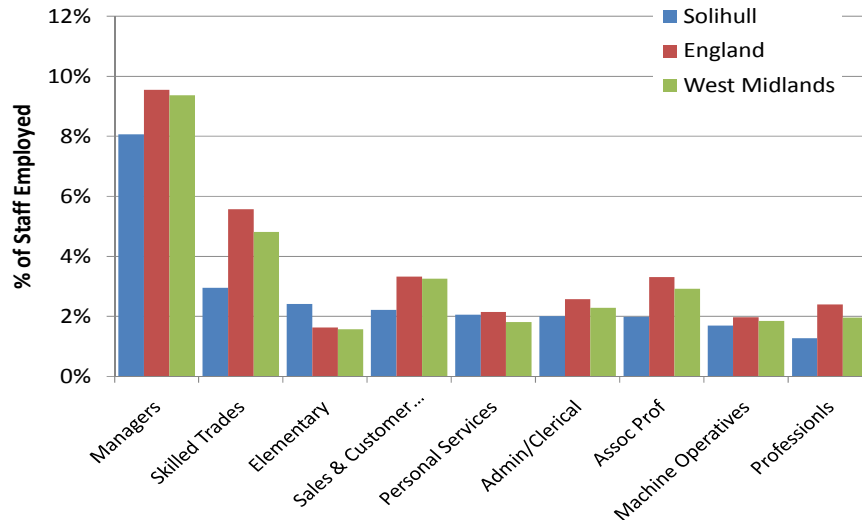
### **Workforce Development Priorities**

4.41 The national LSC survey found that managers were the group most commonly identified by employers in Solihull as requiring future skills development. This supports the findings of national and regional research which has highlighted

<sup>65</sup> Source: nomis, November 2010

the importance of leadership and management skills to the effective deployment of workforce skills and business growth more generally.

## Future Skills and Knowledge Development



Source: Learning & Skills Council

- 4.42 In response to the local business survey, job specific and technical skills were the most commonly cited future training priority (by 28% of respondents). A particularly high proportion of respondents from the ICT sector (42%) and health and social care sector (40%) prioritised training in these areas.
- 4.43 Customer service skills were also identified as a priority training area (12.5%), particularly by respondents operating in the retail and wholesale (17%) and hospitality, tourism and leisure sectors (28%). Other skills areas identified as requiring development were basic IT skills; interpersonal, communication, administration and secretarial and problem-solving skills and higher-level IT skills. Overall, respondents anticipated a requirement for a varied range of skills and qualifications.
- 4.44 The primary driver of future skills needs, identified by a quarter of respondents, was new legislation. Over a third of respondents (35%) in the health and social care sector and over a quarter of respondents in the business, financial and professional services sector (27%) and ICT sector (26%) felt that new legislation would be the primary driver of future skills needs. Respondents from the hospitality, tourism and leisure sector felt that the biggest impact would come from people leaving or retiring (28%), and this was also of concern to those in the health and social care sector (30%).

### **Future Workforce Needs**

- 4.45 Over three quarters (76%) of respondents anticipated their company's staffing levels to remain the same over the next year and nearly half (48%) of respondents indicated that they would meet their future needs by training existing staff. This proportion was significantly higher amongst respondents from the hospitality, tourism and leisure sector (69%) and the ICT sector (55%).

- 4.46 Overall, 16% of respondents expected their company staffing levels to increase within the next year, with 22% anticipating an increase during the next three years. Around a third of respondents from the ICT (36%) and hospitality, tourism and leisure sectors (34%) expected to see an increase in staffing levels over the medium term. Around a fifth of respondents from the construction and building technologies (22%) and business and professional services sectors (21%) and expected an increase in staffing levels in the medium term. These proportions were slightly lower for respondents from the retail and wholesale (18%), creative industries (17%) and health and social care sectors (15%).
- 4.47 Only 80 respondents to the local survey indicated what types of roles they expected to recruit to. From those responses received, those roles most commonly anticipated to be recruited to during the next three years were sales and customer service roles (by 29% of respondents across a range of sectors); skilled trades (21%), admin and secretarial roles (22.5%), professional roles (12.5%) and technician and associate professional roles (10%).

### ***Meeting Recruitment Needs***

- 4.48 Over three-quarters of respondents to the local survey said that they valued candidate experience over formal qualifications. In particular, respondents from the retail and wholesale (88%), construction (87%), health and social care and other support and personal services sectors (80%) valued experience over qualifications.
- 4.49 Reflecting this, respondents from the retail and wholesale and social care sectors were more likely to recruit new staff to train (about a fifth of respondents) than skilled or qualified individuals (5% and 10% of respondents respectively). Respondents from the education and public administration sector; and hospitality, tourism and leisure sectors were also more likely to recruit new staff to train (30% and 22% of respondents respectively) than skilled or qualified individuals (20% and 16%).
- 4.50 Although respondents from the construction and other support and personal service sectors indicated that they valued candidate experience over formal qualifications, a higher proportion of respondents from these sectors indicated that they would recruit skilled or qualified staff (15% and 20% respectively) than new staff to train (11% and 15% respectively).
- 4.51 The business, financial and professional service sector was most likely to say that they did not value experience over qualifications (16%). Likewise, respondents from the business and professional services sector were also more likely to recruit skilled or qualified individuals than new staff to train (14% compared to 8%). The same number of respondents from the ICT sector indicated that they would recruit new staff to train as would recruit skilled or qualified individuals.

- 4.52 These findings highlight the importance of employer engagement in workforce development, including in providing apprenticeships, and the importance of work experience to increasing employability. This particularly applies to young people and those who have been out of employment for a long period.

#### ***Target Groups for Recruitment***

- 4.53 Similar proportions of respondents expected to recruit school leavers (21%), college leavers (28%) and new graduates (25%).
- 4.54 Respondents from the ICT, hospitality, tourism and leisure sectors most commonly identified that they would recruit from these groups. 39% of ICT sector respondents said they would recruit school leavers; 45% would recruit college leavers and 42% would recruit recent graduates. 31% of hospitality, tourism and leisure respondents would recruit school leavers, 47% would recruit college leavers and 44% would recruit recent graduates. These findings reflect the apparent willingness of respondents from these sectors to recruit new staff to train as opposed to skilled or qualified individuals.
- 4.55 Respondents from the retail and wholesale sectors were also positive about recruiting school leavers (27% of respondents), reflecting their greater than average propensity to recruit new staff to train rather than recruiting skilled or qualified staff. However, around half said that they would be unlikely to recruit college leavers or recent graduates.
- 4.56 Half or more of respondents from the business, financial and professional services sector and the health and social care sector said that they would be unlikely to recruit school leavers or college leavers. Furthermore, a significant proportion of respondents from the business, financial and professional services sectors and the construction sector (41%) said that they would be unlikely to recruit recent graduates. These reflects the demand amongst business, financial and professional service sector respondents for skilled and qualified individuals and the demand amongst construction sector respondents for experienced staff.

#### ***Recruitment of Disadvantaged Groups***

- 4.57 Respondents to the local survey were asked about their willingness to recruit groups who tend to be disadvantaged in the labour market. Half or more respondents said that they would recruit older people and lone parents. Just under half of respondents said that they would recruit long-term unemployed people and people on incapacity benefit. However, lower proportions of respondents said that they would recruit people with disabilities (19%), people with learning difficulties (26%) and ex-offenders (26%).
- 4.58 As regards employer investment in training, the local survey found that about a third of respondents had funded or arranged training for their employees during the previous twelve months. The most common form of training received by employees was in-house training delivered by members of staff (42% of employees reported as receiving training).
- 4.59 Although 39% of respondents thought that school pupils were inadequately prepared for work, a low proportion of respondents to the local survey identified that they currently offered opportunities for young people, with 6% offering

apprenticeships, 8% offering work placements, 4% offering internships for college students and 1% offering sponsorship for university students. However more positively, a much higher proportion (on average a quarter) indicated that they would consider offering these opportunities in future. Furthermore a significant proportion of respondents indicated interest in developing relationships with a school, college or university.

- 4.60 In contrast, the national LSC survey found that a higher than average proportion of Solihull employers surveyed felt that school leavers were well-prepared for the workplace (80% as regards 16 year olds compared to 69% across England; and 87% as regards 17 to 18 year olds compared to 78%).

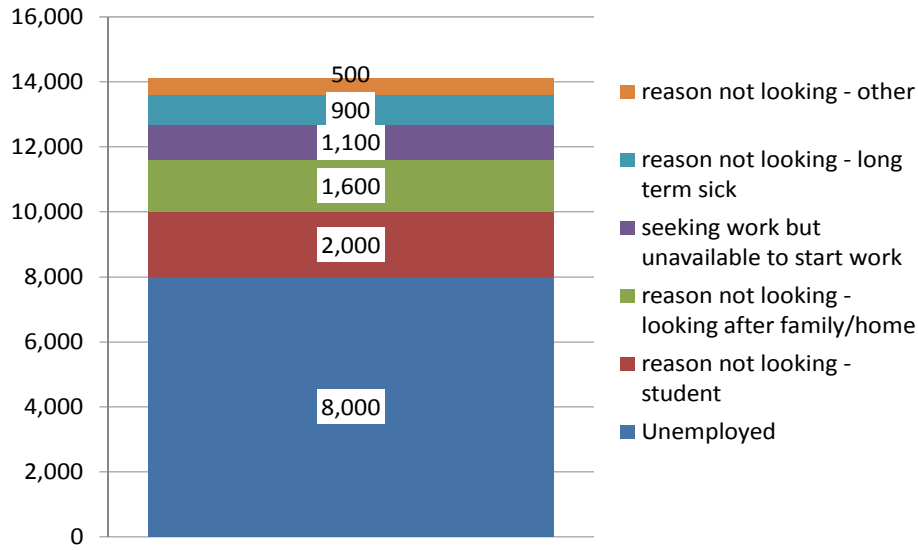
### ***Employer Engagement in Workforce Development***

- 4.61 The local survey found that over a third (34%) of respondents had funded or arranged training or development for their employees over the previous 12 months. The education and public administration (60%), hospitality, tourism and leisure (59%) and health and social care (55%) sectors were particularly likely to have done so, while 78% of those in the construction and building sector and 92% of those in the creative industries sector said that they had not funded or arranged training in this period. Courses not being available locally was mentioned by 9% of respondents, with 15% of those in the construction and building sector and 16% of those in the ICT sector citing this as an issue.

### ***“Worklessness” Assessment***

- 4.62 As of June 2009 a slightly higher proportion of Solihull's working age population were “workless” than the England average (11.5% compared to 11.1%), equating to 14,000 individuals. Of these, 57% (8,000 individuals) were unemployed but actively seeking and available for work. The remaining 6,000 individuals were wanting to work but either were not actively seeking work (the majority) or were actively seeking but unable to start work within two weeks, and were therefore classified as economically inactive. Of these so-called economically inactive individuals 40% (2,000 people) were students, 32% were people looking after a family or home (1,600 people) and 18% were long-term sick (900 people).

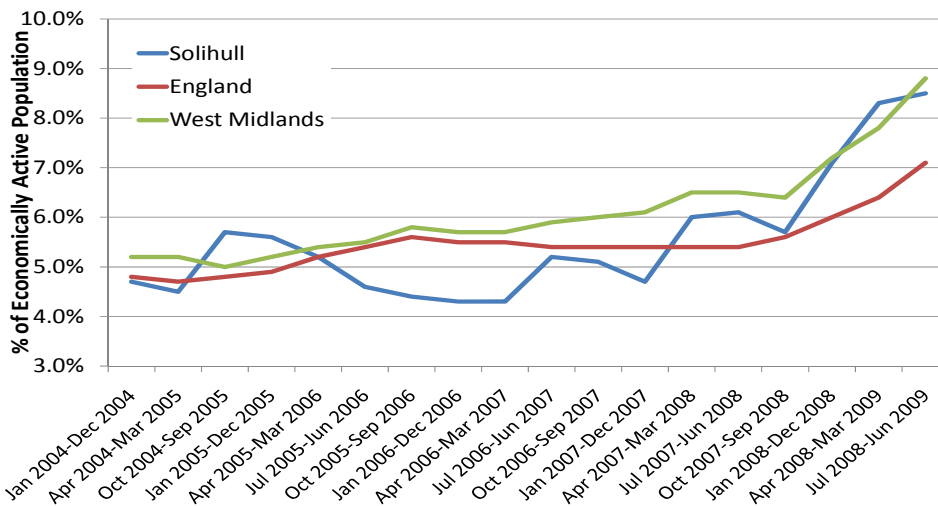
## Breakdown of Workless Residents in Solihull June 2009



Source: Annual Population Survey

4.63 Solihull's unemployment rate is significantly above the England average (8.5% of the economically active population compared to 7.1% across England and 8.8% across the West Midlands). This follows an increase in the rate since mid-2007 of nearly two-thirds (+63.5%) which was more than double the England rate of increase to mid-2009.

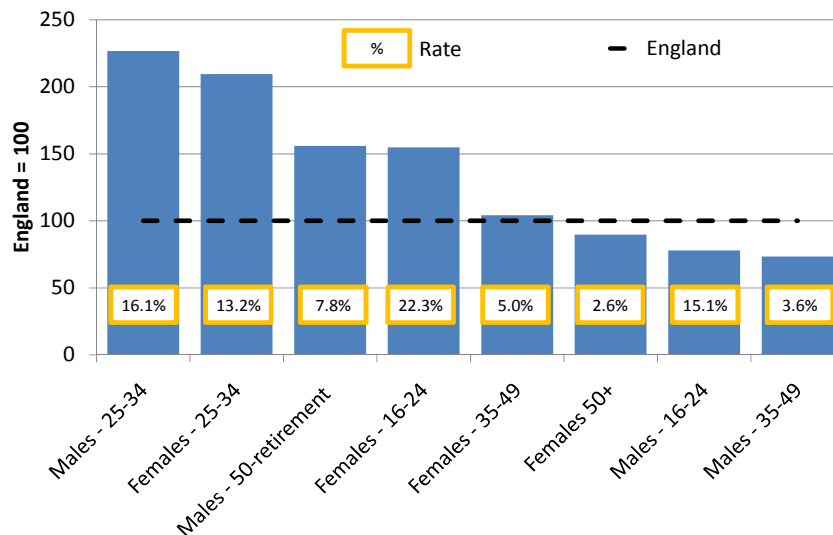
## Unemployment Rate as Proportion of Economically Active Population



Source: Annual Population Survey

4.64 The unemployment rate amongst 25 to 34 year olds is more than double the England average at 14.6% compared to 6.8%. Young women aged 16 to 24 experience the highest unemployment rate of any age/gender group at 22.3%, followed by young men aged 25 to 34 who experience a rate of 16.1%.

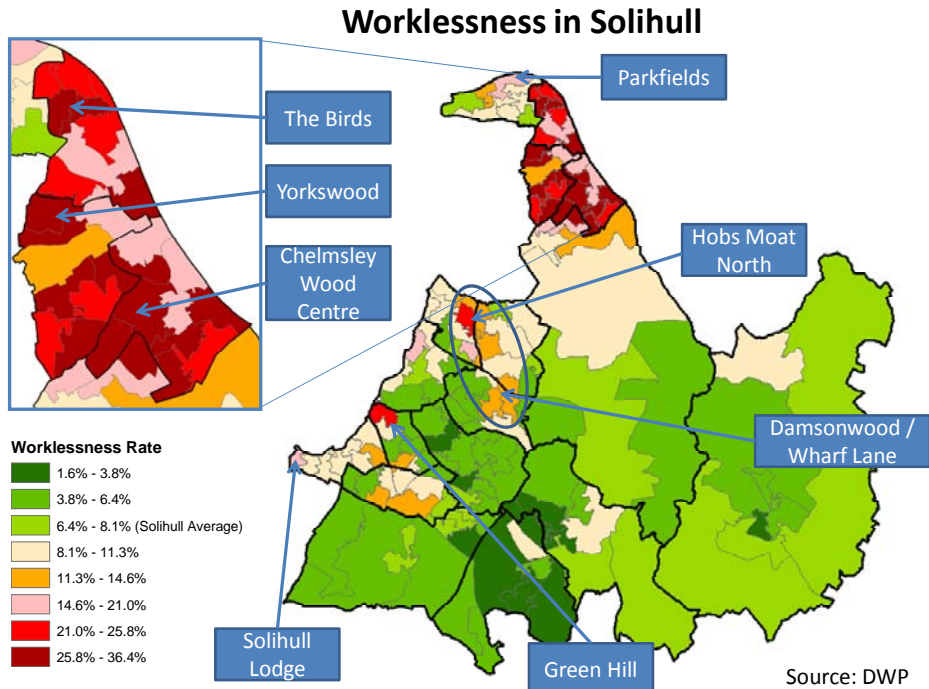
## Unemployment in Solihull Relative to England



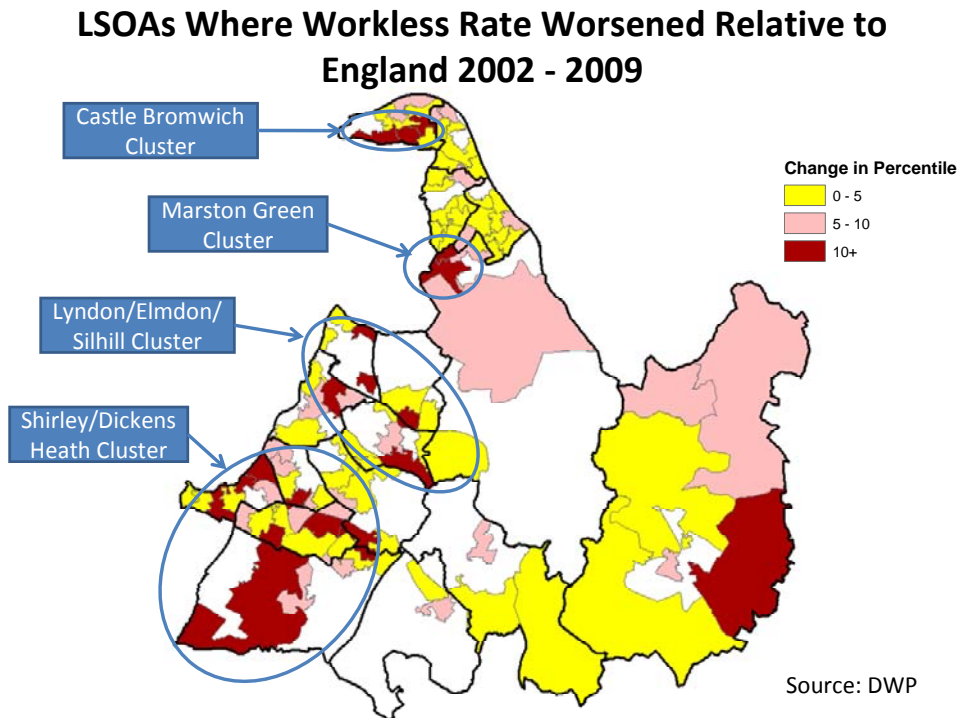
Source: Annual Population Survey

4.65 Out-of-work benefit data shows a clear spatial geography of “worklessness” in Solihull, with a primary concentration in the area targeted by the ‘Regenerating North Solihull’ programme encompassing Chelmsley Wood, Kingshurst and Fordbridge and Smith’s Wood. As of August 2009, over a quarter of the working age population (26.6%) in the regeneration area were claiming an out-of-work benefit.

4.66 2001 Census data shows that travel to work is weak between the north and south of the Borough, with, for instance, just 3% of residents of the ‘North Solihull’ regeneration area in employment working in Solihull Town Centre. Birmingham is a far more common workplace destination for residents of the area, with the regeneration area itself and the north of Bickenhill ward other key locations. With 42.7% of households in the regeneration area not having access to private transport (2001 Census), developing sustainable transport linkages between the area and key employment locations, including Solihull Town Centre, is an important element of tackling “worklessness” in the area.



4.67 However, a more complex pattern of “worklessness” has emerged in Solihull. Analysis of changing levels of worklessness (based on out-of-work benefit data) between 2002 and 2009 shows that worklessness has worsened relative to the rest of England in 88 out of Solihull’s 133 Lower Super Output Areas (LSOAs)<sup>66</sup>, with identifiable clusters of significant relative deterioration in Castle Bromwich, Marston Green, Lyndon/Elmdon, Silhill and Shirley/Dickens Heath, although not all of these areas have significant numbers of claimants.

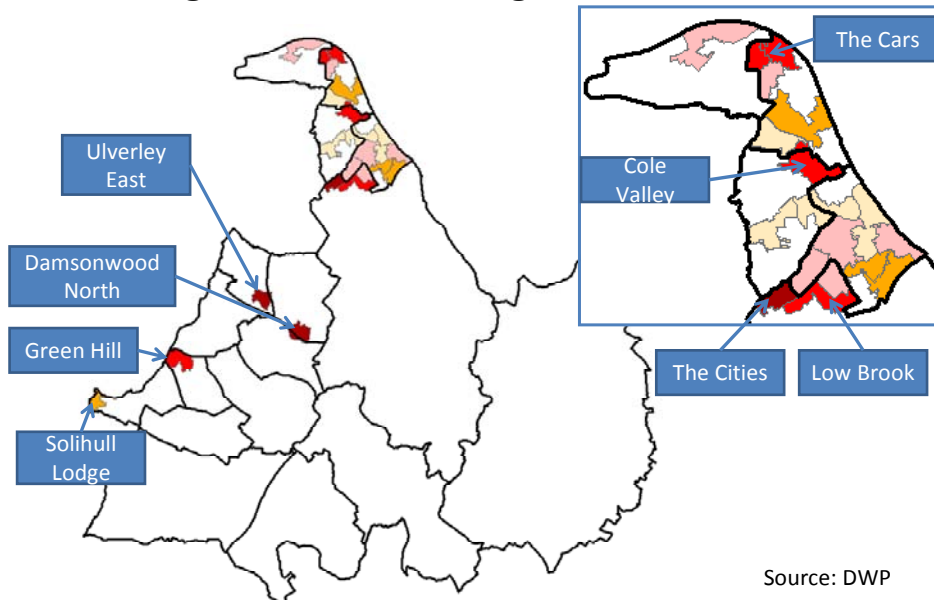


<sup>66</sup> Census area definitions



4.68 In particular, 21 LSOAs in Solihull (16% of total) have been subject to an increase of over 10% in the total number of claimants between 2002 and 2009. These hotspots are primarily concentrated in the North Solihull regeneration area but also include Ulverley East in Elmdon, Damsonwood North in Lyndon and Green Hill and Solihull Lodge in Shirley.

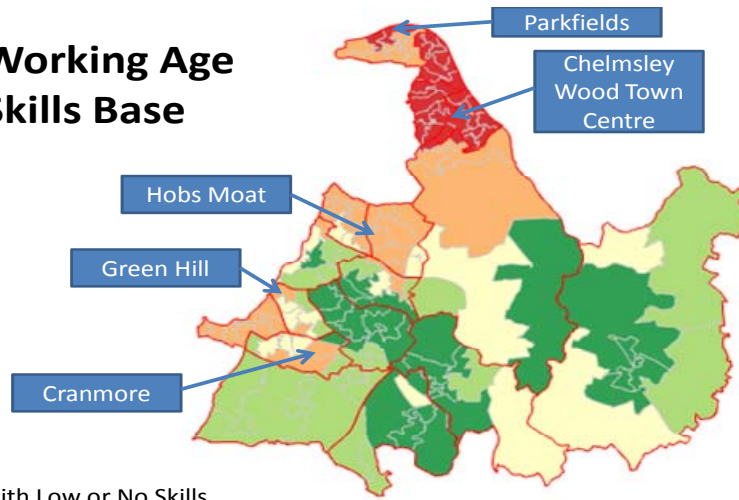
### Worklessness Hotspots in Solihull: Above Average Rates and Change 2002-2009



4.69 As a result, particular concentrations of “worklessness” have emerged outside the ‘Regenerating North Solihull’ area at Hobs Moat North in Lyndon (22.5%), Green Hill in Shirley (23.3%), Ulverley East in Lyndon (20.2%), Olton South in Olton (19.9%) and Solihull Lodge in Shirley (19.2%) in the “urban west” of the Borough, and Parkfields, Castle Bromwich (18.8%).

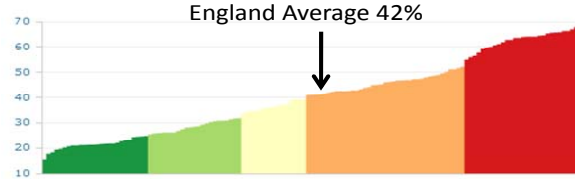
4.70 This geography of “worklessness” in Solihull is closely correlated with the geography of overall deprivation, social and other low value housing, low skills, poor health or disability (indicated by the geography of incapacity benefit claims) and household income levels.

## Working Age Skills Base



% with Low or No Skills

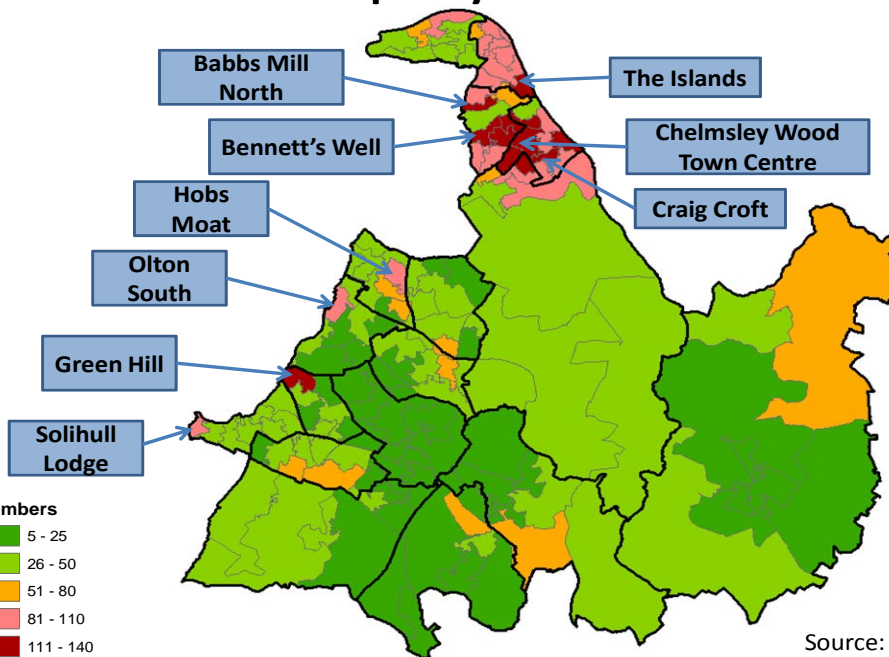
15.3 - 24.7
24.8 - 31.7
31.8 - 39.1
39.2 - 52.0
52.1 - 68.5



Copyright

Source: IMD

## ESA and Incapacity Benefit Claimants



Numbers

5 - 25
26 - 50
51 - 80
81 - 110
111 - 140

Source: DWP

## 5 Households and Neighbourhoods Analysis

- 5.1 Solihull is generally considered to be an affluent Borough. In 2007/08, the average weekly household income in Solihull was 3.4% higher than the national average and 16.2% higher than the regional average<sup>67</sup>. 38% of households have an income of £40,000 or more<sup>68</sup>. Furthermore, average gross disposable household income (GDHI) per head of population was the highest in the region in 2008, at 22% above the regional average<sup>69</sup>.
- 5.2 However, there are significant variations in household income in Solihull. Over a fifth (21%) of households have an annual income of £15,000 or less and nearly a quarter (24%) of households have an income of £20,000 or less<sup>70</sup>.
- 5.3 Furthermore, there are clear spatial variations in household income levels. A Strategic Housing Market Assessment completed in 2008 showed that the median annual gross household income in Solihull varied between £41,751 in the Rural Housing Market Area (HMA), £33,965 in the Urban HMA (not including the 'North Solihull' regeneration area) and £23,495 in the Regeneration HMA.
- 5.4 On average a third of households living in the 'North Solihull' regeneration area wards have an income of 60% below the national median after housing costs (the most commonly used threshold for low income)<sup>71</sup>. A quarter (25%) of households in the area have an income of £15,000 or less, compared to 9% of households across the rest of the Borough<sup>72</sup>. More than half of households in the area (56%) have an income of £25,000 or less, compared to less than a quarter (24%) in the rest of the Borough. Over two thirds of households (67%) have an income of £30,000 or less, compared to under a third (32%) in the rest of the Borough. Only 15% of households have an income of £40,000 or more compared to 35% in the rest of the Borough.
- 5.5 Outside the regeneration area, there are four Lower Super Output Areas where the average household income is in the second to bottom quintile for the Borough (£23,616 to £25,949): Ulverley East in Lyndon, Green Hill in Shirley, Parkfields in Castle Bromwich and Land Rover South in Elmdon.

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<sup>67</sup> Weekly incomes, ONS 2007/08

<sup>68</sup> Source: Paycheck, January 2010

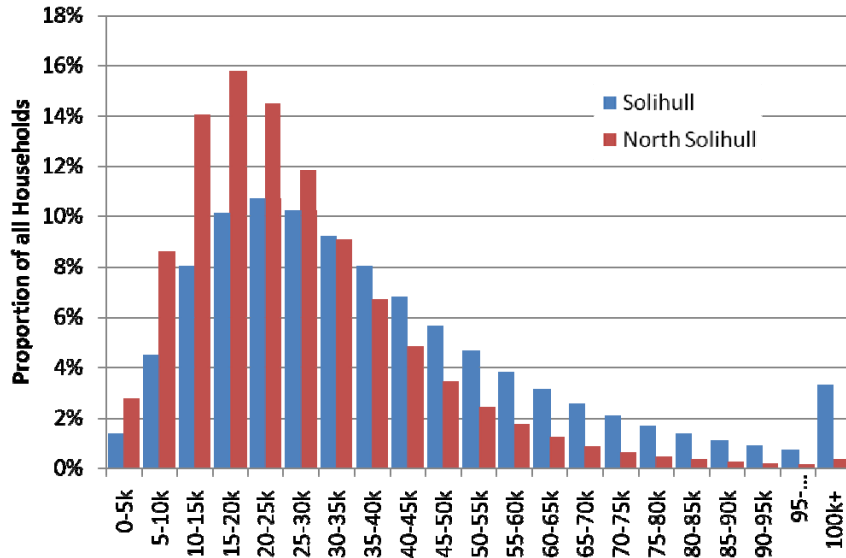
<sup>69</sup> Source: Office for National Statistics

<sup>70</sup> Source: Paycheck, January 2010

<sup>71</sup> Source: Office for National Statistics, 2008

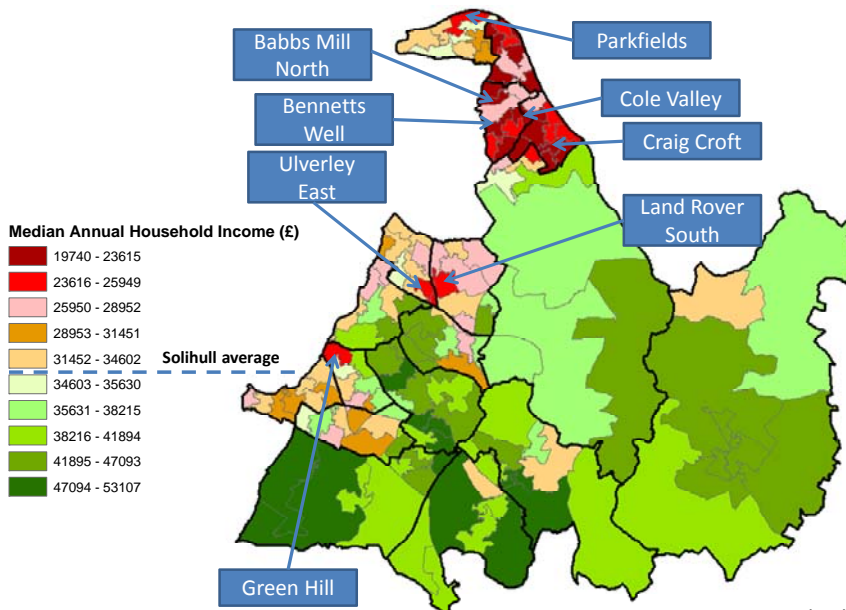
<sup>72</sup> Source: Paycheck, January 2010

## Distribution of Household Income in Solihull



Source: Paycheck

## Median Annual Household Income



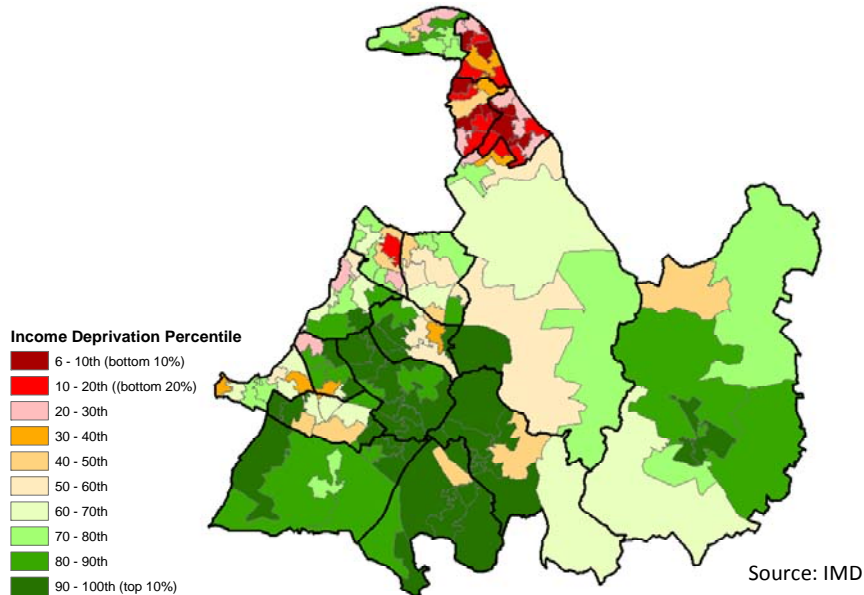
Source: Paycheck

- 5.6 According to the national index of income deprivation<sup>73</sup> seven Lower Super Output Areas in the 'North Solihull' regeneration area are in the worst 10% of areas nationally: Cole Valley, Craig Croft and Chelmsley Wood Town Centre in Chelmsley Wood; Yorkswood and Bennett's Well in Kingshurst & Fordbridge; The Rivers and The Birds South in Smith's Wood.
- 5.7 Ten other Lower Super Output Areas are in the worst 20% nationally on the national index of income deprivation: Hobs Moat North in Lyndon, plus nine areas in the 'North Solihull' regeneration area: Alcott Wood, Windy Arbor and

<sup>73</sup> Index of Multiple Deprivation, 2007

Coleshill Heath North in Chelmsley Wood; The Islands, The Birds North and The Trees in Smith's Wood; Babbs Mill North, Hatchford and St. Anne's in Kingshurst & Fordbridge; and Alcott Hall in Bickenhill.

### Income Deprivation in Solihull



5.8 The Strategic Housing Market Assessment (2008) highlighted that there are a range of factors that affect the income of individual households, including household composition. In particular, single parent households and one-person households are more likely to have low incomes.

#### Solihull – Median household incomes

Income deciles	One-person household	Couple Household- no children	Couple Household – With Children	Single Parent Household
10	3,046	18,265	6,219	3,047
20	3,109	24,801	9,136	3,111
30	9,328	29,501	12,437	9,142
40	9,328	31,081	18,272	9,142
50	15,228	36,530	20,266	9,142
60	15,547	42,618	24,363	9,142
70	21,319	43,513	31,093	9,334
80	27,985	54,795	34,202	15,236
90	34,204	61,851	48,735	15,556
100	51,774	80,811	76,302	27,425

(Source: Solihull Strategic Housing Market Assessment, Table 5.3)

- 5.9 Furthermore, it is important to note that household “wealth” is dependent on a wider range of factors than earned income and benefits, including access to inheritance, pensions and levels of household debt.

### ***Implications of Low Income***

- 5.10 National research<sup>74</sup> has identified that low income households are more likely to be disadvantaged in accessing certain markets: food, energy, financial services, transport access and internet access. In particular, low income households can be disadvantaged in terms of the price they pay for products and services, the quality of product they receive and the ease with which they are able to access the service or product. Factors causing disadvantage can include supply-side factors (e.g. market structure, cost of supply, pricing and location) as well as demand-side factors (e.g. financial constraints, mobility, risk aversion, lack of confidence and cultural barriers).
- 5.11 Food sold by smaller local outlets, which may be more accessible to low income households, may be higher priced, offering less choice and poorer quality. A quarter of low income households nationally use pre-payment energy meters which involve the most expensive tariff. The percentage of low income households nationally that do not have a bank account is almost double the national average, with bank accounts extending access to a range of other products. Premiums for home and car insurance tend to be higher in low income areas. Over half of low income households do not own a car compared to about a quarter of the whole population and only a third of low income households access the internet compared with 60% of the total population.
- 5.12 Some of the impacts of low income are evident in client caseloads of Solihull Community Housing’s Money Advice Team and the three Citizen’s Advice Bureaux in Solihull. Quarterly figures for the latest available twelve month period (Q3 09/10 to Q2 10/11) show the Money Advice Team, which is located in the north of the Borough, to be seeing on average approximately 100 new clients per month and to be dealing with approximately £200,000 of priority debt (and over £500,000 of non-priority debt).
- 5.13 Solihull Community Housing has also seen rising demand for the homelessness service since 2008/09, with the number of households interviewed by the homelessness prevention team in September 2010 up by two thirds on April 2008. On average, around 400 households have been interviewed by the service per quarter between Q3 09/10 and Q2 10/11.
- 5.14 Social rent rises (to within 80% of market rents) and changes to housing benefit recently announced by the Coalition Government, are expected to impact on the incomes of a number of households in the Borough. As regards changes to housing benefit, these include households in receipt of Housing and Council Tax Benefit for non-dependents living in their home, households whose rent is less than the specified rate for Local Housing Allowance as well as households affected by new caps on Housing Benefit payments to be introduced from January 2013. Jobseekers claiming unemployment benefit for more than twelve months could also be affected by the housing benefit changes. These

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<sup>74</sup> Office of Fair Trading (2010) ‘Markets and Households on Low Incomes’

measures could lead to higher levels of household debt and homelessness in some cases.

- 5.15 Chelmsley Wood Citizens' Advice Bureau in the north of the Borough has seen by far the largest increase in enquiry numbers since the start of the economic downturn (first quarter of 2008/09) with an increase of +110.2%. Shirley CAB has seen the next highest percentage increase at +42.4%, with Solihull CAB located in Solihull Town Centre seeing an increase of +5.1%. Quarterly figures for the latest available twelve month period (Q3 09/10 to Q2 10/11) show enquiry numbers at Chelmsley Wood CAB to average over 4,000 enquiries per quarter (9.5% higher than at Shirley CAB and 13.1% higher than at Solihull CAB). Debt enquiries at Chelmsley Wood CAB average over 1,400 per quarter (62% higher than at Shirley CAB and 117% higher than at Solihull CAB).
- 5.16 On average, 82% of new clients to Solihull Community Housing's Money Advice Team have been in 'fuel poverty'<sup>75</sup>. It has been estimated that there are 13,052 households living in 'fuel poverty' in Solihull in 2009/10<sup>76</sup>. This follows a general trend of increase since 2005/06 and represents a two thirds increase on the number of households estimated to be in 'fuel poverty' in 2005/06. Of those households currently estimated to be in 'fuel poverty', 80.2% are living in owner occupied housing, 12.7% in Council-owned stock, 4.2% in private rented accommodation and 2.8% in housing association homes.
- 5.17 2001 Census data shows that a low proportion of residents of the 'North Solihull' regeneration area owned private vehicles, with up to a half of households in some neighbourhoods having not having access to a private vehicle. Low levels of vehicle ownership were also identified in Ulverley East in Lyndon, Damsonwood North in Elmdon and Green Hill in Shirley.

### ***Multiple Deprivation***

- 5.18 The national index of deprivation<sup>77</sup> measures deprivation on seven indices (income; employment; health deprivation and disability; education, skills and training; barriers to housing and services; crime and living environment) to produce a measure of multiple deprivation.
- 5.19 The index identifies that multiple deprivation in Solihull is highly spatially concentrated in the three 'North Solihull' regeneration area wards (Chelmsley Wood, Kingshurst & Fordbridge and Smith's Wood). Of the 29 Lower Super Output Areas (LSOA) in the regeneration area, ten are in the most deprived 10% of LSOA in the country; 20 are in the most deprived 20% and 25 are in the bottom 30%. The area forms part of a contiguous block of deprivation stretching through the eastern part of Birmingham.
- 5.20 Other concentrations of less severe deprivation exist in Castle Bromwich (Parkfields and Park Hall), Bickenhill (Low Brook, Alcott Hall and Coleshill

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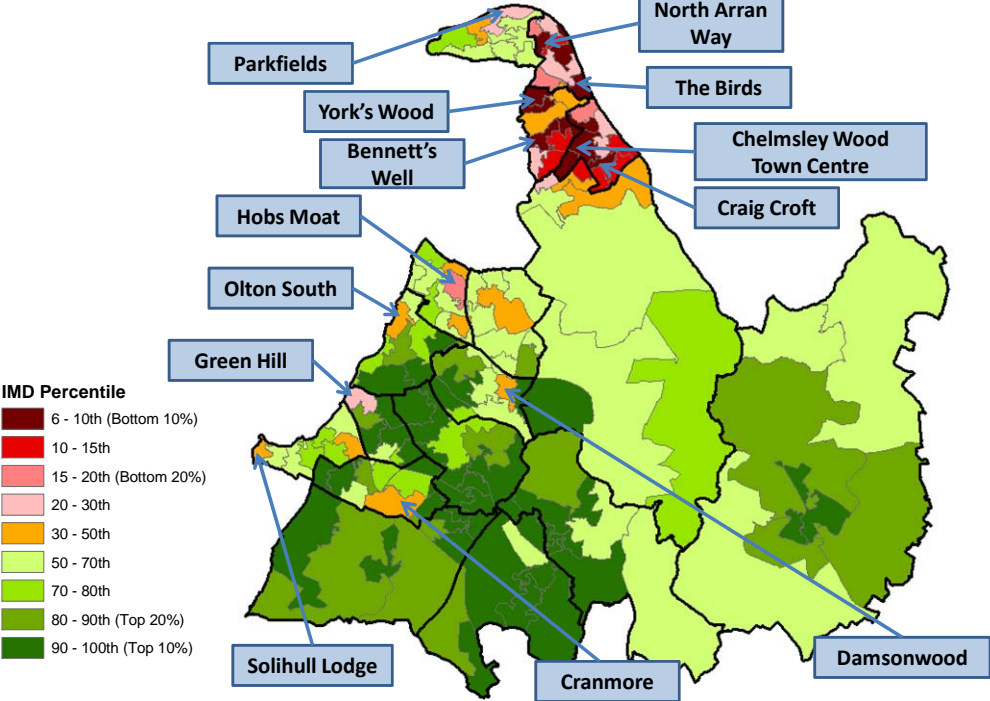
<sup>75</sup> 'Fuel poverty' is defined nationally as "when a household needs to spend more than 10 per cent of its income on fuel to maintain an adequate level of warmth (usually defined as 21 degrees for the main living area, and 18 degrees for other occupied rooms). Although the emphasis in the definition is on heating the home, fuel costs in the definition of fuel poverty also include spending on water heating, lights and appliance usage and cooking costs" DECC Annual Report on FP Statistics 2010

<sup>76</sup> Hestia Services Ltd.

<sup>77</sup> Index of Deprivation (IMD), 2007

South) and the “urban west” (Hobs Moat, Coventry Road East, Ulverley East, Elmdon Park South, Olton South, Green Hill, Shirley Park, Solihull Lodge, Cranmore and Damsonwood).

### Index of Multiple Deprivation 2007



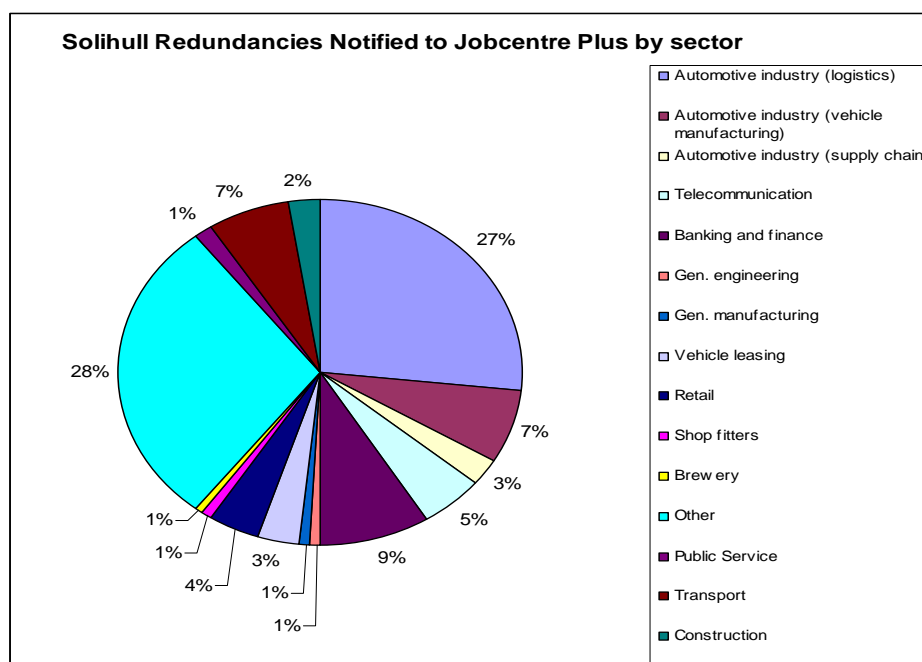


## 6 Impact of the Economic Downturn

- 6.1 Evidence has been gathered locally about the impact of the economic downturn in Solihull since the Credit Crunch, with April 2008 taken as a baseline. This evidence is presented here as indicative of the more recent state of Solihull's economy since the release official data sets as regards output performance and time series data as regards business and employment activity<sup>78</sup>. Secondly, this evidence has been included as indicative of the vulnerability of Solihull's economy to future economic shocks.
- 6.2 The evidence indicates that the economic downturn has had a significant negative impact on Solihull's economy.

### ***Business and Investment Impacts***

- 6.3 As regards the impact on existing businesses in the Borough, redundancy data indicates that the downturn has impacted particularly on the automotive industry with over a thousand redundancies notified to Jobcentre Plus in the sector since April 2008. Other sectors experiencing the most impact in terms of redundancies have been the banking and finance, transport, telecommunications and retail sectors, although the scale of impact is much lower than for the automotive sector.



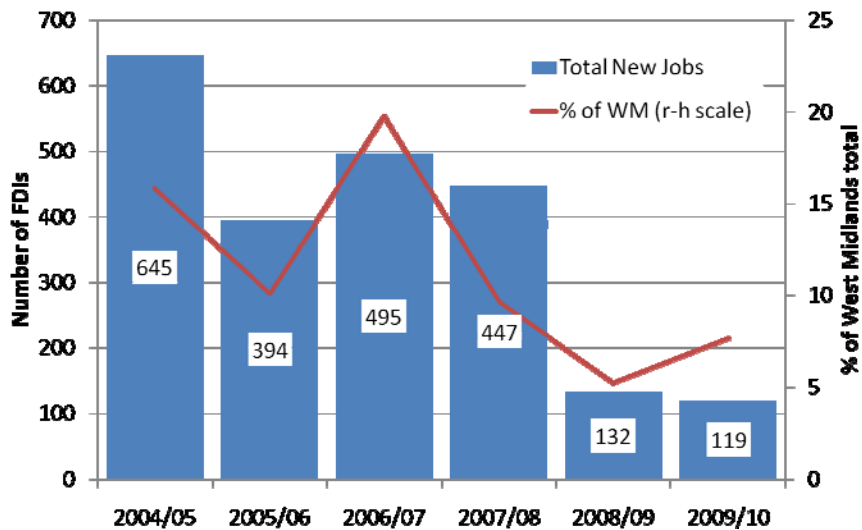
- 6.4 Job vacancy data indicates recovery with job vacancy numbers notified to Jobcentre Plus up in the first quarter of 2010/11 compared to the first quarter of 2008/09. However, a sustained negative impact is being experienced by the construction, agriculture and fishing and transport and communications sectors. Job vacancy levels in Quarter 1 of 2010/11 remain down by over three quarters

<sup>78</sup> The latest economic output data available at the time of the preparation of this Local Economic Assessment (ONS Regional Accounts) is 2007 (pre-recession) and the latest business and employment time series data (Annual Business Inquiry) is 2008 (2007 data has been used as regards time series employment data due to an apparent anomaly in the recording of around 9,000 hospital jobs).

in the construction industry (-76.9%) compared to Quarter 1 of 2008/09. Vacancy levels in the agriculture and fishing industry remain down by nearly a quarter (23.5%) and vacancy levels in the transport and communications sector remain down by nearly a fifth (-19.5%).

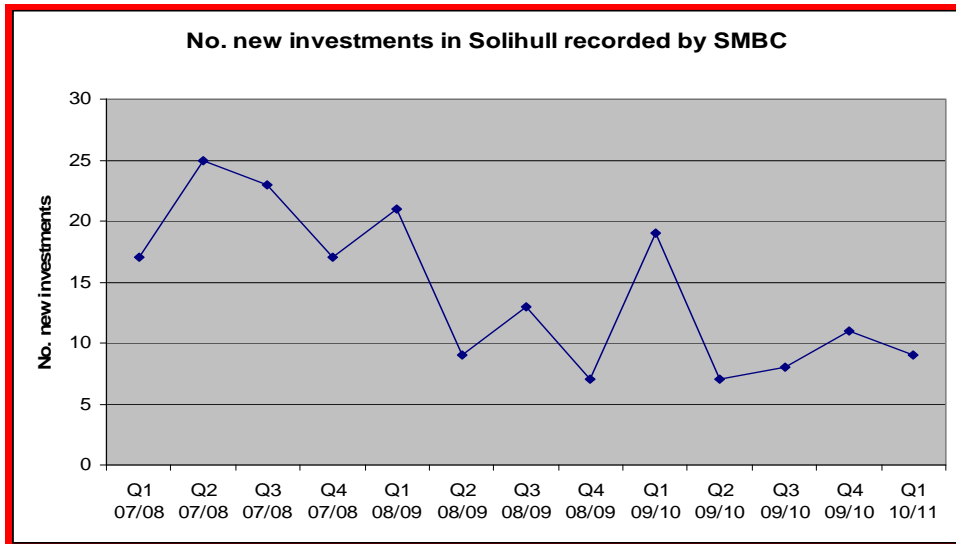
- 6.5 These findings reflect regional research<sup>79</sup> which identified those sectors as most vulnerable to the recession in the West Midlands as being the automotive sector; manufacturing; construction, property, real estate and building related; transport and transport equipment; financial services; retail and wholesale; luxury goods; pubs, bars and restaurants. Based on Solihull's level of employment in these sectors, Solihull was identified as being in the top 40% of local authority areas in the West Midlands at most risk.
- 6.6 Levels of business investment into the Borough have fallen dramatically. The Borough experienced the lowest number of Foreign Direct Investments in 2009/10 since 2003/04, with the number of associated jobs falling to below a third of the annual average since 1991/02. Furthermore, the overall number of new investments into Solihull recorded by the Council more than halved between 2007/08 and 2009/10. Commercial property enquiries to the Council in 2009/10 were less than half the number in 2006/07 (-55%) with a smaller proportion of enquiries in 2009/10 concerning new start-up businesses (-9%) or business expansions (-6%) compared to the preceding four years. The largest proportional decrease in enquiry levels concerned the industrial/warehouse sector (-51%) followed by office (-41%) and retail (-34%).

### Foreign Direct Investments in Solihull: New Jobs

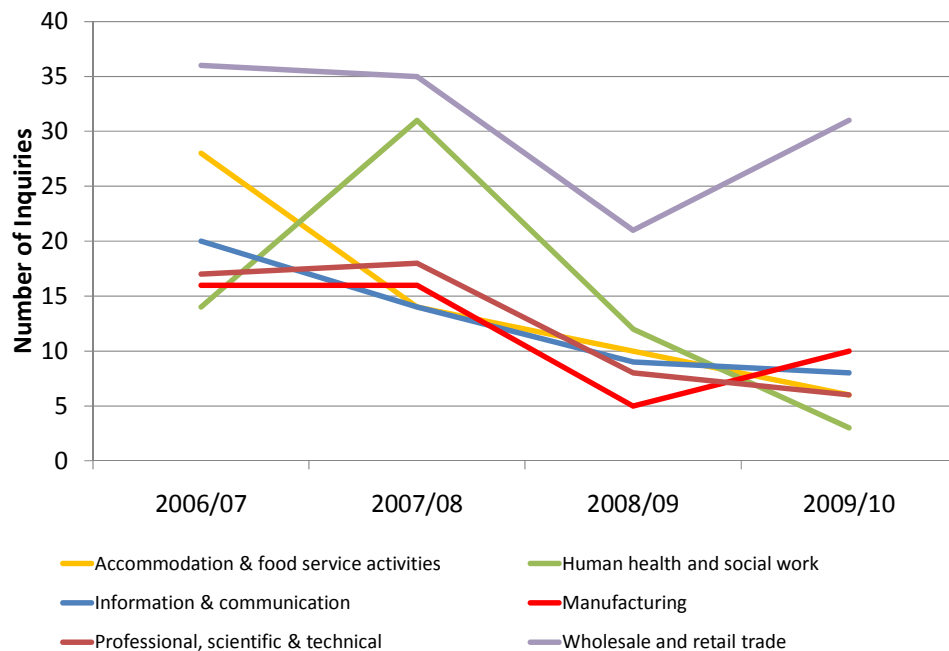


Source: West Midlands Regional Observatory

<sup>79</sup> WMRO 'Identifying locations vulnerable to the recession in the West Midlands', May 2009



### Trends in Property Enquiries: Key Sectors

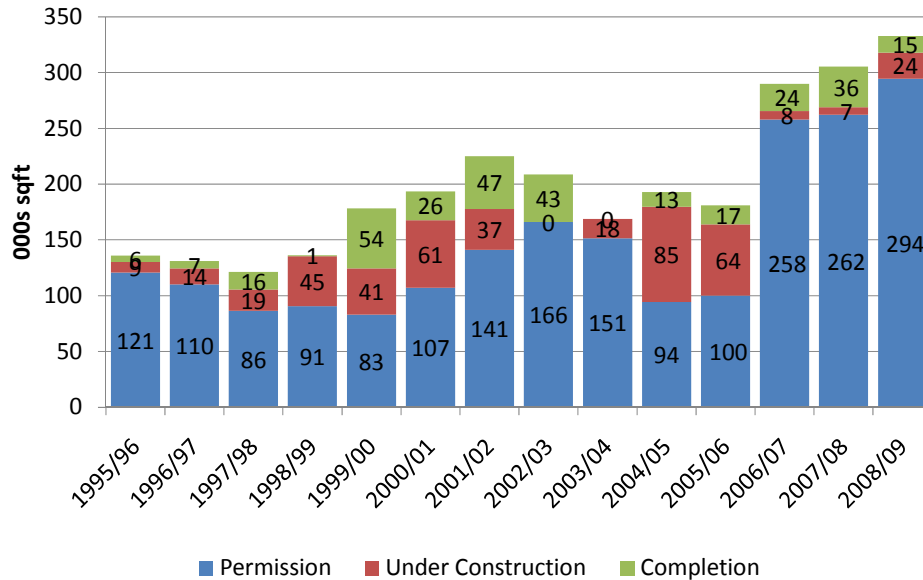


Source: Solihull MBC

- 6.7 Lower business investment levels are reflected in a significant increase in the number of available business units in the Borough. The number of available office units more than doubled during 2008/09, and there was a sharp increase in the number of available retail units between 2008/09 and 2009/10 and a sharp increase in the number of available industrial/warehouse units in 2009.
- 6.8 Lower investment levels are also reflected in reduced development levels and planning application numbers. There was a major reduction in the amount of commercial office floor space under construction in 2006/07 and 2007/08 (with the 2007/08 figure 89% lower than that in 2005/06), with a nearly three-fold

increase in the amount of space with outstanding planning permission in 2008/09 compared to 2005/06.

## Office Development Pipeline in Solihull



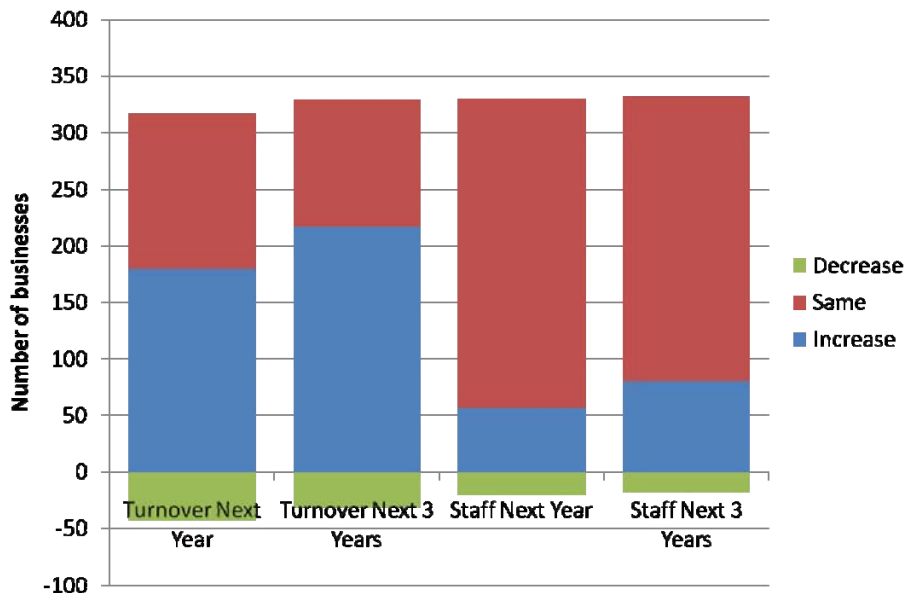
Source: RELS

- 6.9 Planning applications to the Council have been nearly halved between 2007/08 and 2009/10 (-47.3%) – with residential (-51.3%), office, research and development (R&D) and light industrial (-58.8%) applications down by approximately a half; and retail, distribution and servicing applications are down by more than a third (-37.2%).
- 6.10 More positively, a recent survey of 360 local businesses<sup>80</sup> across a range of sectors found that, whilst respondents felt that opportunities were limited at the current time, half expected their turnover to increase during the next year and 60% expected an increase during the next three years. Nearly half (49%) of the respondents expected their business to grow during the next three years.
- 6.11 There were significant sectoral variations in the survey findings. Those sectors which were most optimistic about future prospects were the ICT and hospitality, tourism and leisure sectors. Approximately three quarters of respondents operating in these sectors expected to see an increase in their company turnover within the year and a slightly higher proportion (approximately 78%) expected an increase within the next three years.
- 6.12 Responses from businesses operating in the construction and retail and wholesale sectors were less positive. Around a third (37%) of construction sector respondents expected their turnover to increase within the year, and over a fifth (22%) expected their turnover to decrease. Although, construction sector respondents were more optimistic as regards the medium term with 61% expecting an increase in turnover within the next three years and only 9% expecting a decrease in turnover during this period.

<sup>80</sup> ECOTEC (2010) Solihull Business Skills Survey

- 6.13 As regards the retail and wholesale sector, 41% of respondents expected their turnover to increase within the year and 15.6% expected turnover to decrease during this period. As regards the medium term, 12.5% expected turnover to decrease within the next three years.
- 6.14 Over a quarter of respondents (28%) identified that they were developing new products or services to respond to the challenges that their business faces, with a similar proportion involved in product or service diversification (23%). Half of creative industries firms and over a third (36%) of ICT and retail and wholesale respondents indicated that they were developing new products or services. ICT and creative industries firms were most likely to be diversifying their products or services (42% of respondents). Close to a fifth of respondents (19%) said that they were exploring new markets. This proportion was much higher for ICT firms (39%), but lower for business and professional service firms (12%) and retailers and wholesalers (14%).
- 6.15 The survey also identified that a significant proportion of respondents expected their staffing requirements to increase, with 16% expecting to recruit additional staff within the next year, and 22% expecting to recruit additional staff within the next three years. A significantly higher proportion of hospitality, tourism and leisure sector (31%) and ICT (26%) respondents expected to recruit within the year and in the medium term (34% and 36% respectively).
- 6.16 Interestingly the number of business forecasting an increase in turnover in the short to medium term is much lower than the number forecasting an increase in staffing requirements, suggesting that jobless growth may be a scenario for these respondents.

### Solihull Business Survey – Future Prospects



- 6.17 The survey identified that a significant proportion of respondents are proactively responding to economic and business trading challenges with 28% introducing new products or services, 25% looking to diversify their products or services, 19% active in exploring new markets within the UK and 6% exploring new markets overseas.

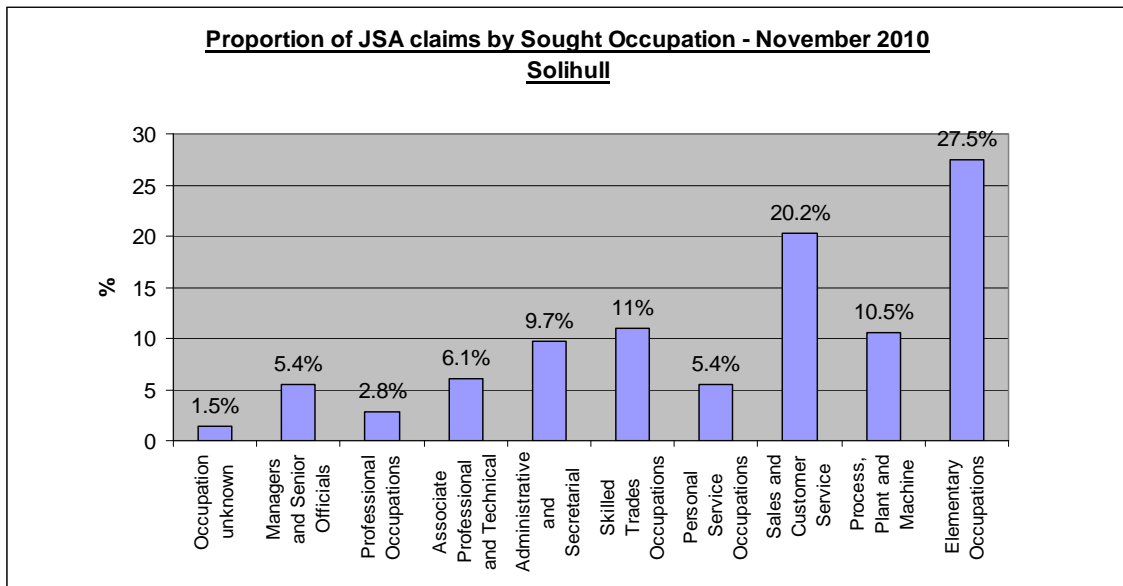
### ***Employment Impacts***

- 6.18 The economic downturn has impacted significantly on resident employment, with a net increase of 84.5% (2,127 individuals) in Jobseekers Allowance (JSA) claimants since April 2008 and a +1.7% increase in the claimant unemployment rate to 3.8% compared to 3.7% across England and 4.8% across the West Midlands<sup>81</sup>.
- 6.19 Those aged 25 to 49 have experienced the largest increase in claimant unemployment levels (+99.2%), whilst 18 to 24 year olds experience the highest claimant unemployment rate at 7.9% (compared to a total rate of 4%).
- 6.20 Long-term unemployment has increased dramatically since the Credit Crunch with the number of JSA claims of six months plus increasing 3.3 times. This increase has been highest amongst 18 to 24 year-olds – with a 23 times increase in numbers.
- 6.21 The largest percentage increases in claimant numbers have been amongst those seeking employment in skilled trades (+115%) and personal service occupations (+100%), followed by associate professional and technical occupations (+97%) and managerial and senior officials (+94%).
- 6.22 Those seeking employment in ‘elementary’ occupations represent over a quarter (27.5%) of those claiming JSA, followed by those seeking employment in sales and customer services who represent overall fifth of claimants (20.2%)<sup>82</sup>. Those seeking employment in skilled trades account for 11% of claimants, those seeking employment as process, plant or machine operatives 10.5% for occupation and those seeking employment in administrative and secretarial occupations 9.7%. Professional occupations account for the lowest proportion of claimants at 2%.

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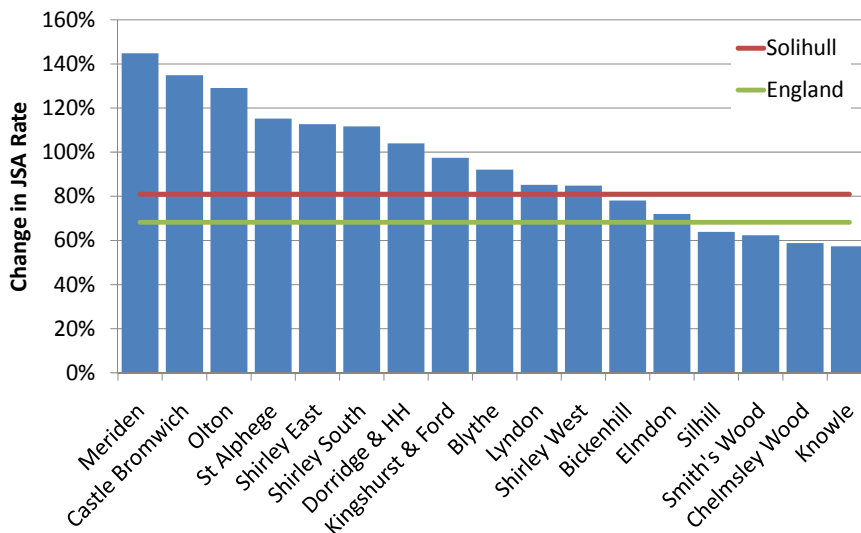
<sup>81</sup> JSA claimant data quoted is for June 2010 (source: nomis)

<sup>82</sup> This breakdown of claimant unemployment by sought occupation is based on November 2010 data (source: nomis)



6.23 Whilst “worklessness” rates are highest in the ‘North Solihull’ regeneration area, increases in claimant unemployment levels have been highest in other parts of the Borough. Rates have more than tripled in Castle Bromwich and increased by more than two and half times in Shirley East and West, Meriden, Olton and St. Alphege.

### Change in Job Seekers Claimant Rate April 2008 – June 2010



Source: Job Centre Plus

### **Housing Market Impacts**

6.24 Solihull’s housing market has become more difficult as a result of the economic downturn. House prices in Solihull have been more heavily impacted, falling more sharply in 2008/09 than national and regional averages (-16.3% compared to -16% for England and Wales and -14.4% for the West

Midlands)<sup>83</sup>. During 2009/10 house prices have recovered more strongly than average in Solihull (+9.8% compared to +8.2% for England and Wales and +4.9% for the West Midlands). However, house prices in May 2010 remain - 5.9% down on April 2008.

- 6.25 Reductions in house prices have not significantly improved longstanding problems of affordability in Solihull which have in fact been exacerbated by restricted mortgage finance, labour market problems and lack of confidence. The 2009 Strategic Housing Market Assessment found that 70% of emerging households were unable to purchase a home on the market. Access to owner occupation may be further reduced by increased interest rates.
- 6.26 There is increasing pressure on the social rented sector. The housing register has increased by 75% over the past two years to 16,152 households. The number of households who have a 'local connection' to Solihull and have 'housing need' according to the Council's Housing Allocation Policy has increased by 46% over the last 2 years to number 7,086 households. The bulk of the increase in the housing register (80%) has therefore concerned households in lower priority categories. There has, however, been a marked increase in the number of households who are seeking assistance due to being threatened with homelessness.
- 6.27 Over 3,200 households on the Housing Register have 'no local connection' to Solihull. This reflects the perceived desirability of Solihull as a residential area and the open nature of the application process following the lifting of restrictions on eligibility for registration. Of those applying for housing from outside the borough over the last 12 months 81% currently live in Birmingham, highlighting the strong connection between the two Local Authorities.
- 6.28 There was a very high increase in mortgage repossession orders being issued in 2008/09 (+19.8%) – far exceeding England and West Midlands average increases. Furthermore, numbers of mortgage repossession orders have fallen in Solihull between the first quarters of 2009 and 2010 (-19%) but this fall has been less than England (-23%) and West Midlands (-21%) averages<sup>84</sup>. Although housing repossessions have not reached the levels that were feared, there is concern that these will increase if the market rises as lenders may be more likely to take action to recover homes.
- 6.29 The lack of availability of affordable housing is increasing the number of concealed households and may act as a constraint on labour mobility, particularly as regards households on lower income levels.

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<sup>83</sup> Land Registry

<sup>84</sup> Ministry of Justice



### ***Impact on Household Finances***

- 6.30 There are indications that the economic downturn has had a significant negative impact on household finances in Solihull. There have been large increases in numbers of benefit claims to the Council (relating to Housing and Council Tax benefit) since April 2008 with eligible claims up by 15.5% (July 2010). Debt enquiries to the three Citizens Advice Bureaux (CAB) in Solihull increased by more than half in 2009/10 compared to 2008/09 and benefit enquiries by nearly a third (+31%).
- 6.31 There are indications that lower income households have been disproportionately impacted by the recession. Debt enquiries to Chelmsley Wood CAB increased nearly 2.5 times between 2008/09 and 2009/10. Solihull Community Housing's Money Advice Team which operates in the north of Solihull are seeing the largest ever client numbers and debt levels since the service was established four years ago, with the highest proportions of clients who are unemployed and/or experiencing fuel poverty.
- 6.32 The Money Advice Team have identified that high food and fuel prices are placing very severe pressures on household incomes – particularly households reliant on benefits (and therefore with a fixed household income), but also low-waged working households whose income is too high to receive benefits. In many cases, clients of the Money Advice Team have debts that they are unable to afford, and there is concern that the reduced availability of credit will lead to an increase in sub-prime lending and “loan shark” activity.

## 7 Future Economic Prospects and Scenarios

- 7.1 Analysis of future prospects for Solihull's economy has involved consideration of local economic drivers and constraints (actual, potential, past and future), individual sector prospects, and future local economic scenarios and their impacts<sup>85</sup>.

### ***Drivers and Constraints Analysis***

- 7.2 Drivers and constraints identified as having influenced or which are likely to influence Solihull's economic development in future include:
- "External" factors: globalisation and global and national economic trends; wider policy; and technology change; societal and consumer changes; and
  - "Internal" factors: transport infrastructure, digital connectivity, housing, enterprise, skills and innovation.
- 7.3 Consideration is also given to the performance of key economic sectors and their contribution to Solihull's economy, including the role of key businesses.

### ***Key "external" drivers and constraints identified are....***

- 7.4 Increased business exposure to world-wide economic trends, opportunities and competition – particularly arising from emerging economies in Brazil, Russia, India and China (BRIC), with low value activities not requiring face-to-face contact physical movement of goods or consumption at source, the most vulnerable to off-shoring (e.g. call centres), and increased potential future growth opportunities around export.
- 7.5 The impact of globalisation has been stronger in Solihull than the regional and Great Britain average over the last two decades, with 21% of employees working in Solihull employed in industries and sectors that can be defined as highly contestable in terms of both exports and imports (compared to 17% for the West Midlands and 20% for Great Britain)<sup>86</sup>. Sectors demonstrating this characteristic are identified as having greater potential for growth. In particular, those sectors with export potential, such as business and financial services, motor vehicles and wholesale, are the ones where stronger growth may be observed in the short and medium term. Harnessing the growth potential from export and import should therefore be a consideration in economic development policy as regards Solihull.
- 7.6 In terms of Foreign Direct Investment (FDI), globalised investment markets have made an important contribution to the development of Solihull's economy, with FDI accounting for 13% of new investments into the Borough Solihull recorded by the Council between 2005/06 and 2009/10. In July 2008 there were reported to be over 150 overseas owned companies in Solihull, representing 6% of the regional total<sup>87</sup>. However, the economic downturn has seen a significant negative impact on levels of new investment, including FDI,

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<sup>85</sup> This section has been informed by analysis undertaken by ECOTEC, 'Developing a Local Economic Assessment for Solihull – Economic Futures' Draft Final Report, August 2010

<sup>86</sup> ECOTEC 2010

<sup>87</sup> West Midlands Regional Observatory, Regional Integrated Economic Assessment, July 2008 (data source: Experian)

into Solihull. The financial services sector has been identified as having increased susceptibility to global economic shocks although greater regulation aims to minimise risk;

- 7.7 *National economic trends and policy responses* - Besides the public sector cuts and the knock-on effects these may have on a wide range of private sectors, a sluggish economy also limits business capital expenditure and impacts on consumer confidence to spend. Solihull has already experienced a significant negative impact resulting from the global and national economic downturn, with particular impacts on the automotive and, to a lesser extent, the business and financial services sector; and
- 7.8 *Environmental change and the climate change/low carbon agenda* – the drive towards a low carbon economy is likely to provide many opportunities, in particular in the transport, building and environmental technologies sectors, where local expertise could be redeployed towards low carbon and environmental goods and services. However, it may also become a threat for those businesses that are slower to adapt, and lack the relevant skills.
- 7.9 *New technology development – particularly General Purpose Technologies (GPT) such as the internet – and implications in terms of new products and services and the evolution of new business models* - Solihull has particularly benefitted from investment in the ICT sector specifically as indicated by the strong representation of ICT businesses in Solihull – particularly software consultancy and design. The ability of local companies to take advantage of technology developments will be key to their future competitiveness.
- 7.10 *Shift in consumer demand towards higher value-added, personal services, technology-based goods, and ethical goods and services* - these types of goods and services are likely to continue to represent a significant area of opportunity for Solihull given its relatively affluent population;
- 7.11 *Increase in mobile communications and virtual consumption including on-line retailing which represents a significant threat to retail centres and emphasises the importance of an overall quality of offer and accessibility including leisure activities* - Solihull's retail sector is reported to have “weathered” the economic downturn quite well to date, probably reflecting the quality of the town centre offer including the Touchwood retail and leisure and centre<sup>88</sup>. However, increased competition between retail for footfall and the impact of increased levels of on-line shopping are significant threats to be countered;
- 7.12 *Changing household composition and a growing ageing population impacting on demand for a wide range of goods and services including housing, health and social care* - given Solihull's relatively over-represented older population, demand from older residents has and will increasingly act as a key driver of the local economy;
- 7.13 *Increased interest in quality of life factors such as community, networks, heritage and environmental quality (built and natural)* - Solihull's quality of life assets have been a key factor in its economic success particularly as regards attracting business investment and residential investment. Business investors in Solihull have rated Solihull's environmental quality, school provision,

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<sup>88</sup> Solihull Visioning

housing, retail and leisure offer highly<sup>89</sup>. Conversely, poor environmental quality represents a significant constraint on economic development in the 'North Solihull' regeneration area which the Regenerating North Solihull programme is seeking to address.

- 7.14 Increased connectivity including virtual connectivity changing the nature of social (and business) relationships.

**Key “internal” drivers and constraints identified are....**

- 7.15 *Presence of key economic assets of national and regional significance* – the presence of Birmingham Airport, the National Exhibition Centre (NEC), Jaguar Land Rover and two Regional Investment Sites (Birmingham and Blythe Valley Business Parks) in Solihull in particular, has been identified as a key driver of Solihull's economic success.

*Birmingham Airport* - by 2006, Birmingham Airport had grown to become the sixth largest airport in the UK and the second largest regional airport after Manchester, handling 9.1 million passengers. The Airport Company currently employs 491 people and Airport employment on site is approximately 6,122 as of August 2009. 140 businesses operate on-site, and 1,500 jobs are supported off-site in maintenance, cargo and hotel activities<sup>90</sup>. In total it has been estimated that the Airport supports 10,500 jobs across the West Midlands<sup>91</sup>. The Airport Master Plan (2007) forecast that by 2030 the Airport could be handling 27.2 million passengers and supporting 19,000 jobs<sup>92</sup> with an extension to the runway, which would improve the Airport's capability to service the long-haul market. The Airport is recognised as a strategic national asset with national policy to better utilise existing airport capacity outside the south east representing a significant opportunity for the Airport to increase its market share and deliver local and regional economic benefits. Further development at the Airport, particularly the planned runway extension and the proposed High Speed Rail development in Solihull would likely have a significant impact on Solihull's future economy, improving international connectivity to Solihull and the wider region.

*NEC* - adjacent to Birmingham Airport, the NEC has been identified as another key driver of Solihull's economic growth, identified as supporting some 22,000 jobs in the region and contributing some £710m to regional GDP<sup>93</sup>. However the NEC has been significantly impacted by chronic over-supply in the exhibitions market and the economic downturn. Although the NEC's events business has remained relatively stable. The NEC has produced development plans<sup>94</sup> which indicate significant potential for further development of the tourism and leisure sector in Solihull, subject to environmental and sustainable development considerations including traffic and transport.

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<sup>89</sup> New Investor Survey, SMBC 2005

<sup>90</sup> ECOTEC 2010

<sup>91</sup> York Aviation, 2007

<sup>92</sup> Note the reference to 19,000 jobs with a runway extension is in the context of the West Midlands region. In terms of Solihull, this is approximately 13,400 jobs with a runway extension.

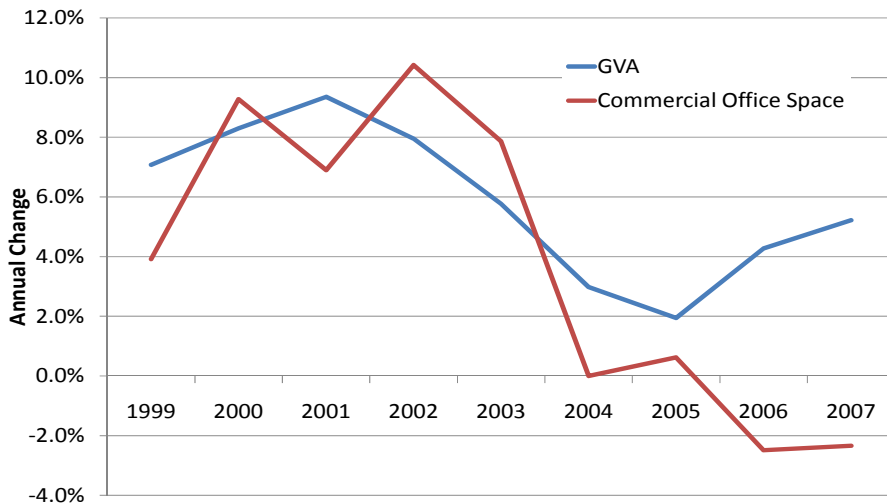
<sup>93</sup> ECOTEC (2008) 'Realising the Potential of the M42 Corridor'

<sup>94</sup> <http://www.necgroup.co.uk/aboutus/insidethegroup/ourfuture/destinationnec>

*Jaguar Land Rover (JLR)* – at an advanced manufacturing plan on a 300 acre site on Lode Lane in Elmdon ward close to Solihull Town Centre, Jaguar Land Rover produces the Range Rover, Range Rover Sport, Defender and Discovery. Over 5,600 employees work from the site. Recent research (ECOTEC, 2003) identified that JLR in Solihull supported approximately 15,800 jobs across the region and contributed £957m to regional GDP. JLR has recently had a bid for £70m approved from the Regional Growth Fund.

*Regional Investment Sites* - the designation and development of two Regional Investment Sites in Solihull – Birmingham and Blythe Valley Business Parks - has played a key role in Solihull's economic growth, particularly as regards knowledge-intensive private sector service activities. This impact is indicated by the coincidence of large volumes of commercial office development on these sites following 1998 and the Borough's strongest period of economic growth up to 2001.

### Link Between Economic Output and Commercial Office Space in Solihull



Source: ONS, DCLG

*Solihull Town Centre* - has also played an important role in Solihull's economic development, as the administrative and commercial centre for the Borough. It is principal centre in the Borough for retail, leisure and service uses and, since the development of the Touchwood retail and leisure centre, has become of increasing significance in the regional centres hierarchy owing to the volume and quality of its comparison goods offer, including the only John Lewis store in the West Midlands. The Town Centre also includes extensive commercial office space and hotel development and offers a high quality, well-maintained and accessible centre. However, the Town Centre has some significant weaknesses<sup>95</sup> including a limited diversity of uses; a decline in the environment and retailer representation in parts of the town centre (e.g. Mell Square); peak time congestion; limited public transport access; a limited evening economy; limited independent and convenience retail; and an absence of development sites. The emerging LDF core strategy envisages Solihull Town Centre being the focus for major retail, office, leisure development and other appropriate trip-generating development that will support vitality and viability. Development in

<sup>95</sup> GVA Grimley 'Solihull Town Centre Study', May 2009

the Borough's other main centres (Chelmsley Wood and Shirley Town Centres) is envisaged in the core strategy as focusing on meeting local needs. A spatial strategy is proposed for the Town Centre encompassing improvements to Mell Square, improved connectivity with the railway station, phased new development on the periphery including a Touchwood extension, high density housing, environmental improvements and a vibrant evening economy.

Recent research<sup>96</sup> has estimated that Birmingham Airport, the NEC, Jaguar Land Rover, Birmingham and Blythe Valley Business Parks and Solihull Town Centre combined support some 100,000 jobs in the regional economy and contributed some £5.1 billion to regional GDP. The study also identified that successful realisation of key developments including the runway extension at Birmingham Airport, realisation of the NEC's development plans<sup>97</sup>, successful expansions of Birmingham and Blythe Valley Business Parks, increased production levels at Jaguar Land Rover and significant employment growth in Solihull Town Centre (particularly in knowledge and technology intensive sectors), could lead to this regional economic impact being increased to 130,000 jobs and over £9.8 billion GDP by 2026.

7.16 *Locational advantage and transport connectivity* – a recent local survey of 360 businesses in the Borough<sup>98</sup> found that proximity to staff and customers was the main reason for having located in Solihull during the last five years. Business investors in Solihull have identified the Borough's strong transport connectivity – particularly its access to national motorway and rail networks – as key to its attractiveness as an investment location. Conversely, investors' primary concerns regarding Solihull as an investment location concern transport access including congestion. The Strategic Road Network, and particularly the M42, plays a key role in supporting economic growth in Solihull and the key economic assets located in the Borough. Maintaining Solihull's transport connectivity (external and internal) and managing congestion specifically are key challenges as regards the future economic development of the Borough.

7.17 *Digital connectivity* - The previous Government set a policy objective that every household should be able to receive at least a speed of 2mega bits per second internet connection by 2012<sup>99</sup>. There are some locations, including key business locations, in Solihull which are not experiencing this level of connectivity (e.g. Cranmore Industrial Estate, parts of North Solihull and rural areas of the Borough beyond the M42 boundary). This represents a significant potential constraint to businesses in these locations being able to maximise their productivity. Developing a "world class" digital infrastructure in Solihull is also a key element of developing the Borough's investment offer and its ability grow a knowledge intensive high value added business base.

7.18 *Employment land and premises* – 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 with a strategy in place for monitoring and reviewing this supply. However, challenges are identified as: ensuring that employment land supply is in the most sustainable locations and is supportive of the 'North Solihull' regeneration programme; lack

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<sup>96</sup> ECOTEC 2008 'Realising the Potential of the M42 Corridor'

<sup>97</sup> <http://www.necgroup.co.uk/aboutus/insidethegroup/ourfuture/destinationnec>

<sup>98</sup> ECOTEC, 2010 'Business Skills Survey'

<sup>99</sup> BIS 'Digital Britain', June 2009

of supply for smaller business units and a need to ensure a supply of innovation units/incubator space; and a need for flexible planning to allow for conversion of business units in response to changing demand. The relatively high cost of premises in Solihull compared to nearby locations (e.g. Coventry and Redditch) has also been identified as an issue by locally-based businesses and a potential barrier to new business formation in the Borough.

- 7.19 *Housing supply* - the quality and quantity of Solihull's housing supply has and will continue to be an important driver of economic growth. Despite the economic downturn, Solihull continues to offer a good supply of high quality homes at the upper end of the market which is a strong factor in companies choosing to locate here. However, housing affordability is a long-standing problem locally with the 2009 Strategic Housing Market Assessment finding that 70% of emerging households were unable to purchase a home on the market. The lack of availability of affordable housing is increasing the number of concealed households and constraining labour mobility. Furthermore, there is limited housing choice and housing "pathways" in the 'North Solihull' regeneration area, with a need identified to provide a wider range of housing in the area extending quality and choice and increasing opportunities for owner occupation including intermediate housing<sup>100</sup>.
- 7.20 The emerging LDF core strategy proposes new housing land to meet a housing land provision target of 10,500 net additional dwellings for the period 2006 to 2026. The 'North Solihull' regeneration area is proposed as the main focal point for new housing provision (and new employment opportunities), where new housing can encourage mixed and sustainable communities, replace poor quality housing and contribute towards the funding of new social and community infrastructure. The success of the regeneration plans for 'North Solihull' will therefore be a significant determinant of future housing supply as a driver of economic development in Solihull and particularly economic development in the north of the Borough.
- 7.21 *Enterprise* - The relatively low levels of new business starts in Solihull seem to indicate that enterprise is a more limited economic driver in Solihull than average. However, the higher survival rate of new businesses indicates that those businesses which do set up in Solihull are more likely to be successful.
- 7.22 *Innovation* - Evidence of business innovation levels is hard to access and is likely to require primary data collection (e.g. survey material). However a number of proxy measures of innovation levels have been used. For example, the evidence base collected for the West Midlands Economic Strategy Review (2006)<sup>101</sup> identified that, whilst the region as a whole suffers low investment in R&D and has a low incidence of innovative firms, Solihull forms part of a concentration of R&D activity to the south east of the region (centred on Warwick and Stratford) characterized by a strong localization of R&D, office equipment and computing industries. Other examples of innovation occurring within the Solihull business base include the R&D activities of Jaguar Land Rover and TRW in the automotive sector.
- 7.23 *Labour Market Factors* - Labour market factors as regards the ability of employers to recruit vacancies and skill levels amongst the existing workforce do not appear to present a significant constraint on business activity in Solihull

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<sup>100</sup> EDAW, September 2004

<sup>101</sup> WMRES Review – Synthesis Report, WMRO, August 2006

relative to national averages. In particular, a much lower than average proportion of job vacancies have been reported by Solihull employers as 'hard-to-fill' (14.9% compared to 23.4%).

- 7.24 *Quality of Life* – Solihull's quality of life offer more generally (in addition to the Borough's housing offer) has been identified as new investors to the Borough as key to its attractiveness to investors<sup>102</sup>. Specifically, survey work with new investors has highlighted the quality of Solihull's environment, housing offer, schools and leisure and recreational offer. The significance of Solihull's quality of life offer to businesses has been confirmed in a recent survey of 360 local businesses<sup>103</sup>.
- 7.25 *Green Belt* – Almost two-thirds of Solihull is countryside, much of it designated as 'Green Belt', including the 'Meriden Gap' between Birmingham/Solihull and Coventry. Although some 12% of the original area proposed for Green Belt has been developed - notably for Chelmsley Wood, the NEC and the major business parks - Green Belt policies have been successful in resisting numerous speculative developments. The emerging LDF 'Core Strategy' proposes an objective to "retain an effective green belt that maintains the key gaps between settlements, including the Meriden Gap and contributes to urban regeneration in North Solihull". The Core Strategy recognises the challenges associated with development pressures that arise from green belt restrictions, the impact of urban extensions and expansion of settlements, the impact of regeneration needs in and adjacent to North Solihull and maintaining the attractive rural setting that attracts investment.
- 7.26 *Further and Higher Education networks* in and around Solihull are also likely to be important drivers of future economic growth.

### ***Sector drivers and constraints***

- 7.27 The business and professional services (including finance) sector has made the greatest contribution to Solihull's economy in terms of output contribution since 1995. However, the sector's contribution has diminished and the sector has experienced relatively weak output growth overall, with significant volatility. The sector's contribution remains above average compared to England and, particularly, the West Midlands. This includes strong performance by specialist business services activities (with a particularly strong representation of business and management consultancies, advertising firms and market research activities) and particularly strong growth in ICT.
- 7.28 The distribution, transport and communication sectors has contributed over a fifth of local economic output (21%) since 1995. Despite achieving higher than average growth to 2007, the sector represents relatively low proportion of economic output compared to England and West Midlands averages. Birmingham Airport (alongside the National Exhibition Centre, NEC) has played a key role as a focal point for transport and distribution activity.
- 7.29 The production sector has contributed a significantly higher proportion of economic output when compared to England, reflecting the importance of manufacturing across the West Midlands economy. The sector's contribution

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<sup>102</sup> SMBC 'New Investor Survey', 2005

<sup>103</sup> ECOTEC, 2010 'Business Skills Survey'



has diminished between 1995 and 2007 from 22% to 17% of the total economy despite above average output growth over this period – concentrated prior to 2001. Jaguar Land Rover's Lode Lane plant has been the primary focus of manufacturing activity in Solihull.

- 7.30 The reduction in local economic contribution of the business and professional services and production sectors has been offset by increased contributions by construction (8%) and the public sector (18%). The significance of the construction sector to the local economy is significantly greater than England and West Midlands' averages, reflecting exceptionally high output growth between 1995 and 2007. Whilst the public sector has also experienced higher than average output growth over this period, its contribution to the local economy is relatively low compared to England and West Midlands' averages.
- 7.31 The tourism sector (particularly business tourism) has also contributed to net employment growth in Solihull between 1998 and 2008.
- 7.32 Whilst output growth has been above the England average across the construction; public; distribution, transport and communications; and production sectors, output per workforce job (productivity) is lower than average in the business services, construction and public sectors. The productivity of Solihull businesses can therefore be identified as a potential "drag" on the Borough's economic performance. A likely contributing factor to this lower than average productivity, is the type of activities which make up key sectors in Solihull. For example, the significant presence of lower value added business and financial services activities in Solihull is likely to be an important contributing factor to the relatively low productivity of this sector in Solihull. However, a wide range of other external and internal factors may also impact on the productivity levels of businesses within any particular sector. For example, other external factors might include accessibility to suppliers, markets and a highly-qualified workforce. Internal factors might include the effectiveness of the business model overall including factors such as the quality of leadership and management, the quality of the workforce and its training and the level of investment in appropriate business infrastructure (e.g. IT infrastructure).
- 7.33 Whilst Solihull has been successful in attracting business investment in knowledge intensive activities – particularly in the private sector - employment growth in these sectors has overall been sluggish, due largely to underperformance in the service sector. This may be due to an over-representation of lower value added activities within key sectors e.g. the business and professional services sector.

## **Sector prospects**

- 7.34 Public spending cuts mean that future employment growth is likely to largely depend on private sector growth over the short and medium term, which in turn has been negatively impacted by the global economic downturn and is likely to be further impacted by public spending cuts. The impact of public spending cuts is likely to be most felt in those areas with a higher level of dependency on public sector spending and employment such as the 'North Solihull' regeneration area.
- 7.35 A local survey currently being undertaken with businesses<sup>104</sup> paints quite a positive picture based on responses. Although around a quarter have reported the recession as being a challenge for their business, three quarters expect their staffing numbers to staying the same during the coming year and around a fifth expect their staffing numbers to increase over the coming three years. Half expect their business turnover to increase during the year and 60% expect to see an increase in turnover over the next three years.
- 7.36 Recent regional forecasts<sup>105</sup> indicate relatively high employment and output growth in transport manufacturing, ICT and environmental technologies, and more modest growth in specialist business services and building technologies – in all of which sectors (apart from environmental technologies), Solihull has shown relatively strong performance.
- 7.37 Analysis has also been undertaken to identify prospects in nine sectors selected as having a current or potential future significance for Solihull's economy (Appendix A)<sup>106</sup>. This identifies that:
- 7.38 The specialist business service sector has been identified as likely to remain Solihull's primary sector driver of economic growth<sup>107</sup>; although regional forecasts indicate modest growth to 2015 (0.4% p.a. employment growth and 2.4% p.a. output growth). Key challenges for the sector are expected to be the sector's capacity to adapt and respond to the impact of ICT on business practices and consumer behaviour, changing demand reflecting societal change (particularly an ageing population), the low carbon agenda, growing demand and competition from emerging economies, skills shortages (e.g. ICT and matching graduate skills) and a reputation gap facing the West Midlands as the second highest concentration of business and professional services after London. In particular, low value added business services are expected to be increasingly off-shored to lower cost countries. Scope is identified for consolidation in the sector given the high proportion of micro-enterprises.
- 7.39 Regional forecasts seem to indicate that transport manufacturing will grow to 2015 (3.8% p.a. employment growth and 4.6% p.a. output growth) and be the fastest growing sector in employment terms in Solihull. Jaguar Land Rover is in a strong position as regards growing demand for low emissions technology and luxury and niche vehicles, which along with Intelligent Transport Systems are the main areas of emerging market demand. However, the potential closure of Jaguar Land Rover's Lode Lane plant would clearly undermine this forecast. A potential additional threat to the sector in Solihull is a 'hollowing out' of the

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<sup>104</sup> ECOTEC 2010 'Business Skills Survey'

<sup>105</sup> WMRO 'West Midlands economy post recession', June 2010

UK automotive supply base as a consequence of a general shift in production overseas.

- 7.40 Potential is identified for Solihull to develop its tourism and leisure sector, particularly in terms of broadening the Borough's tourism offer to attract non-business visitors, with the NEC, Birmingham Airport and Solihull Town Centre having the potential to play a key role. Development of Solihull Town Centre would be complemented by the work of the new Solihull Town Centre Business Improvement District to develop 'Brand Solihull'. The expansion plans for Shirley Town Centre also represent an opportunity to enhance its retail offer. The work of the Solihull Tourism Forum including the development of a new tourism website for the Borough offers further potential for developing the Borough's tourism economy. However, potential constraints on the future development of the sector include slow down in business tourism since the economic downturn; and the loss of any major international employer. More generally, the tourism, leisure and retail sectors in Solihull are threatened by the economic downturn, the impact of public spending cuts, and the growth of on-line shopping as regards town centre retail.
- 7.41 Regional forecasts indicate steady growth in the ICT sector to 2015 (2.1% p.a. employment growth and 5.7% p.a. output growth) and the sector is forecast to be the most dynamic in terms of output growth amongst regional priority business "clusters". At the regional level, the main sector market opportunities are identified as strategic ICT adoption (manufacturing and building tech) and software development. Emerging markets are also identified at the regional level as: radio-frequency identification, mobile & wireless, ICT security, photonics and informatics. Solihull's (along with Coventry and Warwickshire) accessibility, connectivity, academic links, low operating and living costs and highly skilled workforce are identified as having underpinned the successful development of the sector in the sub-region. Threats identified for the sector are its limited international reach, fragmentation of the sector and skills issues including an over-reliance on semi-skilled people a Level 3 and above, a shortfall of employees with graduate level skills, and difficulties of retaining experienced staff and graduates who tend to gravitate towards London and the South East.
- 7.42 Regional forecasts indicate a contraction in the environmental technologies sector to 2015 (6.6% p.a. employment contraction and 2.4% p.a. output contraction). Whilst the low carbon agenda is expected to have implications for all sectors of the economy, the energy/renewable energy sector, automotive manufacturing and the building and construction industry are expected to be most impacted, requiring rapid adaptation by them. Key threats identified therefore concern the failure of sectors and businesses to adapt to the low carbon agenda and other environmental drivers of demand for new goods and services, either as a result of lack of awareness of their implications or lack of capacity to adapt. Research for the City Region<sup>108</sup>, identified activities offering particular opportunities for low carbon economy job creation in Solihull as:
- Low carbon design and construction; low carbon renovation of housing stock; provision of low carbon construction services and trades;

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<sup>106</sup> ECOTEC 'Developing a Local Economic Assessment for Solihull – Economic Futures', Draft Final Report, August 2010

<sup>107</sup> ECOTEC, 2010

<sup>108</sup> Atkins, May 2010 'Opportunities in the Low Carbon Economy: Solihull'

- 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.

7.43 Demand for medical technologies and associated care services are expected to grow in future as a result of population ageing and higher expectations and willingness to pay as regards high-quality care. Innovation processes involved in medical technology activities are identified as often relying on proximity to clients, suppliers and potential partners, with universities catalysts to medical technologies research and spin-offs. A constraint on SME development in the sector has been identified regionally<sup>109</sup> as NHS procurement procedures. It is noted that development of the sector in Solihull to date has been very limited. Development of the sector in Solihull is therefore likely to need some kind of catalyst – such as investment in the Borough by a significant player in the sector and/or an effort to attract investment in the Borough linked to nearby health sector or Higher Education assets (e.g. the Coventry University Health Design and Technology Institute).

7.44 Regional forecasts indicate that the construction and building technologies sector will continue to grow over the medium-term growth in to 2015 but at a lower rate than that experienced over the past decade (0.9% employment growth and 2.4% p.a. output growth). Although employment and output levels will remain historically high. Key challenges for the sector identified are adaptation in response to the low carbon agenda and legislation, new housing demand, and skills gaps. The speed of general economic recovery and the implications of public spending cuts are also likely to have a major impact on the sector's prospects.

7.45 'Creative industries' can be described as a diverse, growing and dynamic set of activities, significantly influenced by global trade and digitalisation. The sector is identified as having significant policy profile at the EU, UK and West Midlands levels. The West Midlands has been identified as being particularly well-placed to capture opportunities in "serious games"<sup>110</sup>; the film industry; interactive media; high-design, high-value products and growing and diversifying demand for ICT solutions across all sectors. Due to the fast-moving nature of "creative" activities (due to globalisation and technological development), SMEs and innovation are identified as playing a central role. Demand for "creative" products and services are identified as likely to be strong (due to digitalisation and demand from higher earners including in emerging economy countries). Solihull's existing creative industries base (particularly in the ICT sector), its proximity to Birmingham and the Universities of Warwick, Aston and Birmingham (highly rated for computer science research) and the University of Coventry's Serious Games Institute, the presence of the NEC (particularly the LG Arena) are identified as offering a valuable basis for to Solihull to develop its "creative industries" base.

7.46 However, it is important to note that high growth businesses across any sector are key drivers of economic growth. NESTA estimates that 6% of UK

<sup>109</sup> AWM Medical Technologies Cluster Plan 2008 to 2011

<sup>110</sup> High value-added game-based learning solutions tailored to the needs of businesses and organisations

businesses with the highest growth rates generated half of new jobs created by existing businesses between 2002 and 2008<sup>111</sup>.

- 7.47 Local business survey work currently being undertaken<sup>112</sup> has found to date that 8% of respondents expect to grow to become a much larger business in the medium term. Identifying and supporting these businesses should be a key priority for economic development policy in Solihull.

### ***Future economic scenarios***

- 7.48 The assessment indicates that Solihull has significant future economic growth potential based on the strength of its economic performance to date, particularly in terms of attracting private sector knowledge economy service activities, and the strength of the Borough's economic asset base which has underpinned this growth.
- 7.49 Regional research<sup>113</sup> has identified Solihull, along with Warwickshire, as having the greatest potential to lead the West Midlands' economic recovery given its historical role as a key focal point for growth and its strong presence of high value added, knowledge based industries, good communication links and good environmental quality.
- 7.50 It is estimated that Solihull will experience a gradual return to growth, lead by ICT, transport technologies, building technologies and specialist business services, between 2010 and 2015. It is estimated that this would result in local economic output growth increasing by 13.7% (£480 million), with 3,400 additional jobs. Under this scenario, further growth of approximately 4,900 jobs and £560 million GVA is estimated between 2015 and 2030.
- 7.51 However, under an alternative 'Low Growth' scenario predicated on public sector austerity, it is estimated that local economic output growth would be reduced to 9.6% between 2010 and 2015 (approximately £340 million) and that there would be an overall contraction in employment locally of -400 jobs. Under this scenario, longer-term growth would be reduced by 2,900 jobs and £120 million GVA compared to the baseline scenario.
- 7.52 Under an alternative 'High Growth' scenario based on a higher rate of growth in the ICT, transport technologies, building technologies and specialist business services sectors, it is estimated that local output growth of 19% (£664 million) could be achieved between 2010 and 2015, resulting in 7,400 additional jobs. As regards the transport and building technologies sectors this scenario assumes effective adaptation to low carbon markets.
- 7.53 However, it is estimated that the impact of public sector austerity would reduce this level of growth to £43 million net output growth and approximately 200 additional jobs. Over the longer-term it is estimated that net growth of approximately £600 million output and approximately 8,250 jobs could be achieved by 2030.

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<sup>111</sup> NESTA 'Rebalancing Act' June 2010

<sup>112</sup> ECOTEC (2010) 'Business Skills Survey'

<sup>113</sup> WMRO 'West Midlands economy post recession', June 2010

- 7.54 Under an 'extended' High Growth scenario based on additional growth in the tourism and leisure sector, it is estimated that a higher rate of long-term growth could be achieved. It is estimated that, net of public sector austerity, £2 billion output growth could be achieved with 31,000 additional jobs in the local economy by 2030.
- 7.55 If the runway extension at Birmingham Airport is realised, it is estimated that a further £20 million of local output could be achieved by 2030 and an additional 1,800 jobs<sup>114</sup>. Furthermore, whilst the operational impact of the proposed High Speed Rail (HSR) connection from London to Birmingham International (planned for completion by 2025) 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.
- 7.56 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.

### ***Labour Market Scenarios***

- 7.57 Under a further public sector austerity scenario produced for Solihull<sup>115</sup>, it has been estimated that there will be 1,700 fewer jobs in the Borough by 2020. This would lead to reduced jobs availability in Solihull, with 93 jobs per 100 working age people by 2020, three fewer than in 2006. It is anticipated that this issue will be further exacerbated by an increase in the state pension age, with fewer opportunities arising from replacement demand. However, it is recognised that Solihull's residents can commute to other areas for work.
- 7.58 In particular, employment contraction is expected in occupations requiring lower qualifications levels. It is estimated that skilled occupations will be the hardest hit, losing an estimated 4,300 jobs. It is also forecast that 3,200 process, plant and machine operative jobs will be lost, and 1,600 elementary occupations. Despite this employment contraction at lower occupational levels, it is estimated that there will still be slightly more lower qualified residents (qualified to NVQ level 2 or less) than lower level jobs in 2020.
- 7.59 Reflecting regional trends, it is estimated that occupations requiring higher qualification levels (managerial and professional, professional and associate professional and technical occupations) will increase in significance in Solihull, gaining 3,400 jobs by 2020 to account for 45% of local employment. However, based on a projected increase in the number of residents qualified to NVQ level 4+, it is estimated that the number of highly qualified residents will exceed the number of higher-level jobs by 15,200 by 2020.
- 7.60 Of any occupational category, it is estimated that personal service occupations will gain the most jobs by 2020 (2,400 additional jobs). It is estimated that

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<sup>114</sup> York Aviation 2007; Full Time Equivalent Jobs

<sup>115</sup> AWM (2010) 'Labour Market Profile – Solihull'

administrative, clerical and secretarial occupations will also gain jobs (900 by 2020) as will sales and customer services occupations (600 jobs by 2020).

- 7.61 Overall, it is estimated that, under this public sector austerity scenario, job availability in Solihull would fall by 2020, with insufficient jobs available for all working age people. It is also estimated that the occupational structure of the labour market would shift towards occupations requiring higher qualification levels. These trends would present particular challenges for residents with lower qualification levels and particularly those who face particular barriers to employment, including those who are 'workless'. It is estimated that under this scenario, employment levels amongst residents might fall and 'worklessness' levels rise. Given the importance of replacement demand (demand created by workforce turnover and leavers including those retiring) rises in the retirement age would be likely to exacerbate the situation.
- 7.62 It is likely that these labour market trends would have a differential spatial impact across the Borough, reflecting the spatial geography of resident qualification levels and occupations. In particular, residents of the 'North Solihull' regeneration area would be likely to be particularly impacted by a contraction in lower-level occupations. However, residents with lower qualification levels living in other parts of the Borough, particularly the urban west, would also be likely to be particularly affected.
- 7.63 However, it is important to recognise other potential labour market scenarios arising from different scenarios for the future economy of Solihull's economy. In particular, higher levels of growth in sectors which tend to offer entry-level employment opportunities such as hotels and restaurants, transport, other manufacturing and engineering<sup>116</sup> would offer greater employment opportunities for residents with lower qualification levels and 'workless' individuals.
- 7.64 It is also relevant to note the findings of a recent local skills survey of 360 local employers<sup>117</sup> which identified that respondents anticipated requiring a range of workforce skills and qualifications in future.
- 7.65 Sales and customer service roles were the most commonly cited short-term recruitment need (i.e. during the next year) (46% of respondents), followed by skilled trades (35%); administrative and secretarial roles (34%); associate professional and technical roles (30%); managerial and professional roles (26%); personal services and plant, process and machine operative roles (25%); and elementary roles (21%).
- 7.66 Sales and customer service roles were also the most commonly cited medium term recruitment need (during the next three years) (29% of respondents), followed by administrative and secretarial roles (22.5%); skilled trades (21%); professional roles (12.5%); associate professional or technical roles (10%); process, plant and machine operative roles (6.2%); and managerial, personal service and elementary roles (5%).
- 7.67 In particular, 21% of respondents expected to recruit school leavers, 28% college leavers and 25% recent graduates. Respondents from the ICT sector

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<sup>116</sup> WMRO (2010) 'Future prospects for entry level employment'

<sup>117</sup> ECOTEC (2010) 'Survey of Solihull-based Businesses'

(38%), hospitality, leisure and tourism (31%) and retail and wholesale sectors most commonly identified that they were likely to recruit school leavers (27%). These sectors, along with other support and personal services sector (35%) also most commonly identified that they were likely to recruit College leavers (47% of respondents in the hospitality, leisure and tourism sectors; 45% of ICT respondents; 29% of retail and wholesale respondents)<sup>118</sup>. Respondents from the hospitality, tourism and leisure sector (44%), ICT sector (42%), education and public administration (40%) and health and social care sectors (30%) most commonly identified that they were likely to recruit recent graduates.

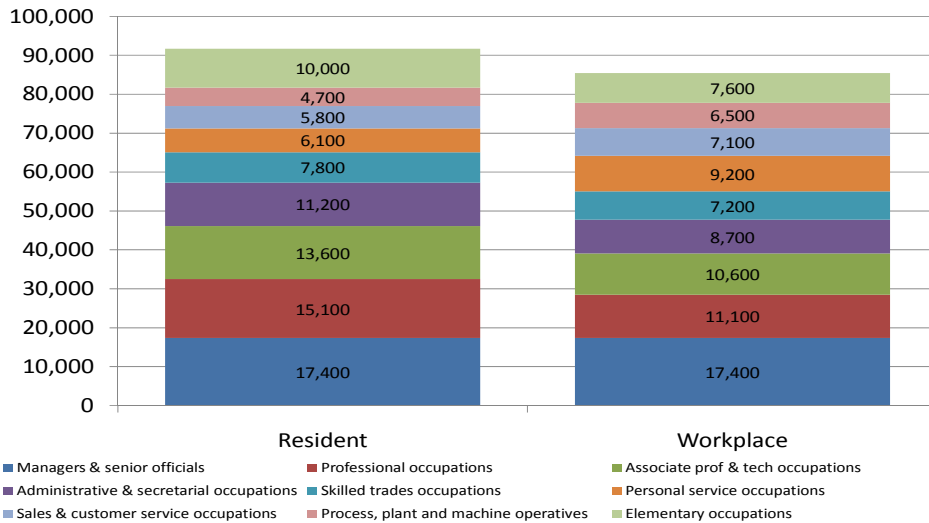
- 7.68 The survey also indicated an apparent willingness amongst respondents to recruit individuals who tend to be disadvantaged in the labour market: older workers (50% of respondents), long-term unemployed people (48%), people with disabilities (43%), people with learning disabilities (37%), lone parents (55%), incapacity benefit claimants (46%) and ex-offenders (26%), as well as the recently unemployed (55%).
- 7.69 However, the survey also found that 22% of those employers who had recruited in the previous twelve months had had 'hard to fill vacancies', primarily due to a shortage of appropriate candidates (64%), a lack of job specific skills (48%) and a lack of interpersonal skills of poor attitude (24%). These findings indicate therefore that whilst employers may be willing to employ young people with limited work experience and other individuals who tend to be disadvantaged in the labour market, there remains a need to ensure the 'job readiness' of these individuals including work experience and training that aligns with employers' specific skill requirements.
- 7.70 The survey found that a small proportion of business respondents were undertaking activities that might help them to meet their recruitment needs from amongst young people and unemployed people. 6% of respondents claimed to have an apprenticeship scheme in place (with the manufacturing sector most commonly offering an apprenticeship scheme). 8% of respondents indicated that they offered work placements for young people and 4% offered summer internships for college or university students. 4% offered work placements for unemployed people.
- 7.71 However, encouragingly, much higher proportions of respondents indicated that they would consider offering these provisions (17% apprenticeships; 24% work placements for young people; 22% summer internships; and 37% work placements for unemployed people).

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<sup>118</sup> Note that findings as regards the transport manufacturing, environmental goods and services and medical technologies sectors are excluded due to the small number of respondents.



# Occupational Structure in Solihull



Source: Annual Population Survey

- 7.72 It is also critical to note that workforce skills are a key driver of economic growth. In particular, national<sup>119</sup> analysis has highlighted the importance of workforce skills development in driving growth in sectors where success is driven by science and technology, high levels of skills and creativity.
- 7.73 Regional research<sup>120</sup> has highlighted the importance of workforce skills development to drive economic recovery. It is estimated that if skills levels in the region's workforce were raised to match the England average, regional output (GVA) growth between 2010 and 2015 would increase from less than 10% growth to more than 12% growth (representing just under £9 billion to more than £10 billion growth), and employment growth would almost double from 11,000 net new jobs to 21,000 net new jobs.
- 7.74 More specifically, workforce skills development is identified as important with regards to those sectors where skills gaps and shortages are acting as a significant constraint, such as ICT and business and professional services. It is estimated that if workforce skills were raised, GVA growth in the ICT sector between 2010 and 2015 would increase by seven percentage points from 30% to 37%. It is estimated that high value added business and professional services sector growth would increase by nearly three percentage points from 14% to 17%. It is also anticipated that growth would increase by around two percentage points in lower value added activities such as transport, cultural, recreational and sporting activities. As regards traditional private sector industries, it is anticipated that investment in training and up-skilling is likely to be part of wider rationalisation and productivity improvements, resulting in slightly reduced GVA growth.

<sup>119</sup> BIS 'Skills for Growth'

<sup>120</sup> WMRO The West Midlands Economy Post Recession: Key Issues and Challenges, June 2010

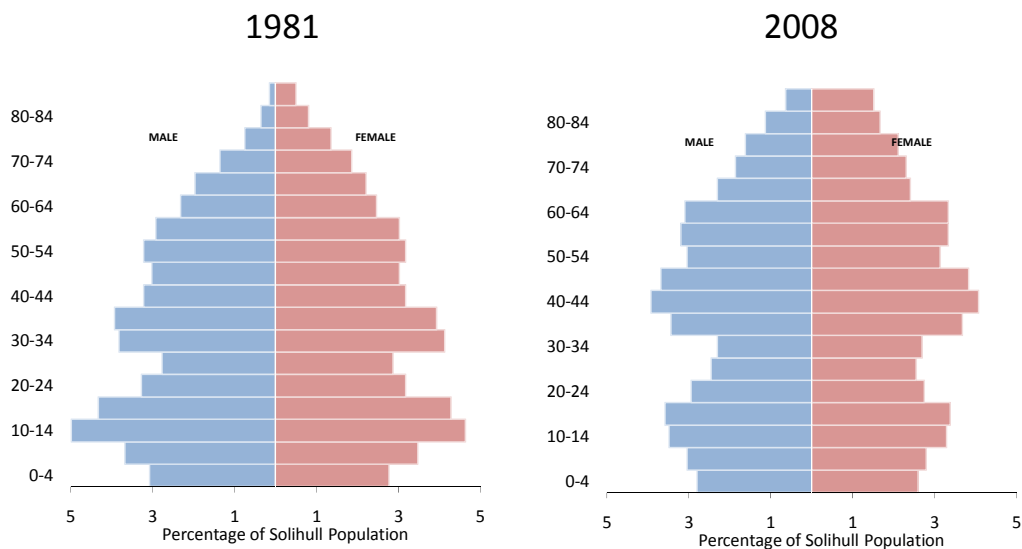
## 8 Equalities Impact Assessment

- 8.1 An Equalities Impact Assessment (EIA) has been developed of the Local Economic Assessment to ensure that it incorporates an equalities perspective, taking into account the Council's six equality strands (gender, age, ethnicity, religion, disability and sexual orientation). The EIA has also considered area deprivation, social background and access to housing (to include IMD access to housing indicator analysis).

### **Demographic Profile**

- 8.2 Solihull has a relatively over-represented older population, with those aged 65+ representing 17.8% of the total population compared to 16.1% across England. It is forecast that by 2031 the 65+ age group will represent 22.5% of the total population (53,000 individuals) and the 85+ age group 4.2% (10,000 individuals).

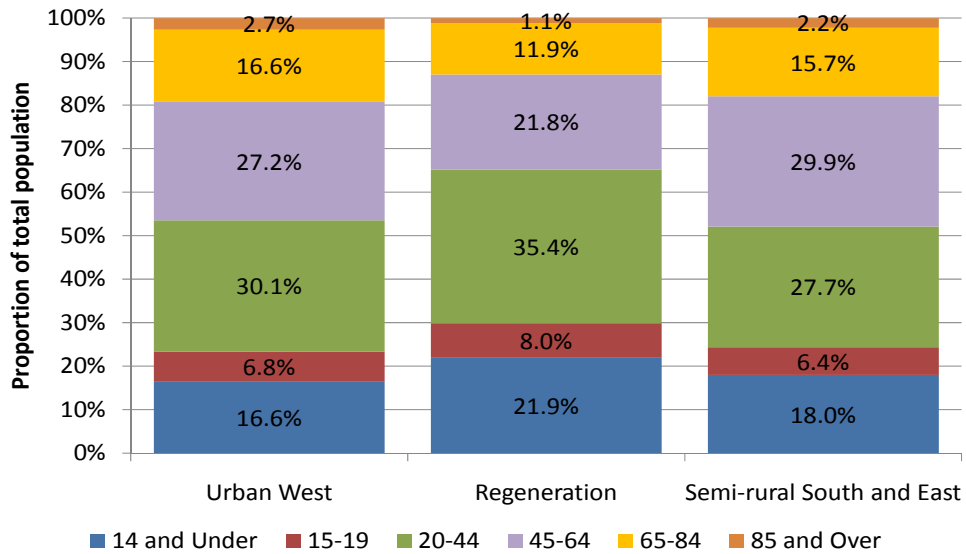
## Population Change in Solihull 1981 - 2008



Source: ONS

- 8.3 There are significant spatial variations in the population age profile with the 'North Solihull' regeneration area having a younger population (21.9% of the population are aged 15 or under) and the urban west having the highest percentage of residents aged 65+ (18.3%).

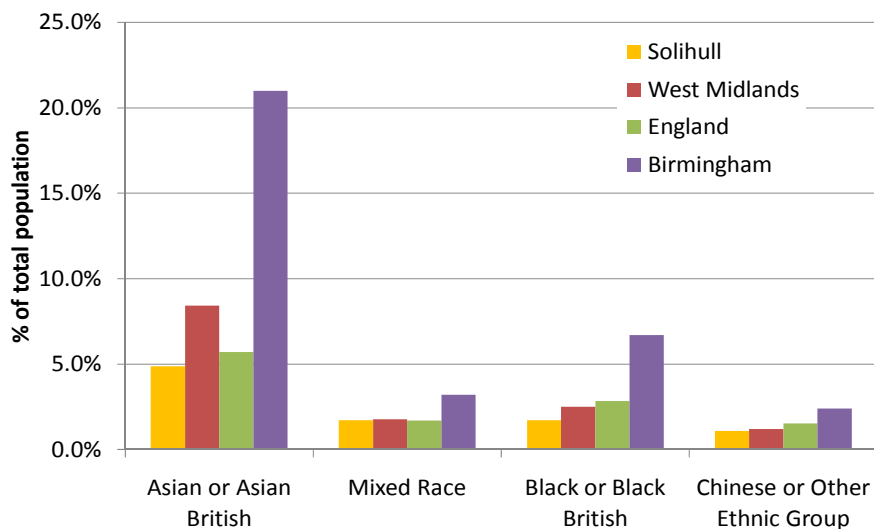
## Solihull Age Profile



Source: ONS Mid-2008 Population Estimates

- 8.4 The 2001 Census found 15.8% of the population to have a limiting long-term illness (approximately 32,600 individuals), with these individuals most likely to be living in the 'North Solihull' regeneration area or the urban west of the Borough.
- 8.5 Solihull has a relatively limited representation of residents of black and minority ethnic (BME) origin as a proportion of the total population at 9.4% compared to 11.8% across England and 13.9% across the West Midlands.

## BME Populations 2007



Source: ONS

- 8.6 The majority of residents who responded to the 2001 Census as regards their religion (84%) were Christian; with Hinduism the next most commonly identified religion at 1% of responses.
- 8.7 There are significant spatial variations in the living patterns of residents of different ethnicities and religion. Black or Black Caribbean residents are most likely to live in the 'North Solihull' regeneration area. Asian or Asian British Indian residents are most likely to live in the urban south of the Borough. Muslim residents are most likely to live in the urban west. Sikh residents live throughout the south of the Borough with significant communities living in Blythe and Meriden.
- 8.8 Available information on the sexual orientation of residents is very limited.

### ***Access to and participation in economic opportunity***

#### ***Gender***

- 8.9 Girls out-perform boys at Key Stage 4 broadly in line with the national average (+7.5% score compared to +8.2% nationally), whilst a higher proportion of men are qualified to A level or above compared to women (57.7% compared to 50.5%). Solihull pupils of all ethnicity outperform the national average at Key Stage 4<sup>121</sup>.
- 8.10 Whilst both male and female employment rates are below the national average, the female employment rate is significantly below the male rate at 66.4% compared to 74.9%. This reflects a significantly lower economic activity rate for women at 72.3% compared to 82% of men (economically inactive not wanting to work rate for men 13.7% and women 21.8%), with the female unemployment rate (8.5%) actually lower than the male rate 10.5%<sup>122</sup>.
- 8.11 A particularly low proportion of women aged 16 to 24 are in employment at 40.1% and this age group experiences the highest unemployment rate at 18%.
- 8.12 Self-employment rates are lower for women than men at 4.8% compared to 9.5%, reflecting the national and regional picture.
- 8.13 Male part-time workers earn 15.4% less than the national average and female full-time workers earn 41.4% less than male full-time workers<sup>123</sup>.

#### ***Age***

- 8.14 Young people experience higher rates of unemployment than older age groups with an unemployment rate of 18% for 16 to 24 year olds compared to 7.4% for 25 to 49 year-olds and 5.1% for those over 50<sup>124</sup>.
- 8.15 Regional research<sup>125</sup> finds that younger people may experience particular barriers in setting up a business e.g. access to funding and lack of experience.

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<sup>121</sup> DCSF

<sup>122</sup> Annual Population Survey, Jan – Dec 2009

<sup>123</sup> ASHE, ONS, 2009

<sup>124</sup> Annual Population Survey, Jan – Dec 2009

<sup>125</sup> WMRO, Benchmarking Start up activity, 2009

- 8.16 Nationally, young people tend to earn significantly less than older age groups – particularly 16 to 17 year olds whose median weekly pay is 380% below the average for all age groups followed by 18 to 21 year olds whose median weekly pay is 68% below the average<sup>126</sup>.
- 8.17 Solihull outperforms the England at Key stage 4 on the measure of 5 A\*-C grade GCSEs including English and Maths (54.4% in the borough compared with 49.8% nationally and 48.5% across the West Midlands), However, this performance is not repeated at GCE A Level (16-18 year olds), as England outperforms the borough, despite, the borough having 75.5% of pupils entering further education which is +4% above the England average.

### *Ethnicity*

- 8.18 At Key Stage 4, Solihull's BME pupils outperform the national average, along with white pupils, with Asian pupils outperforming the national average by 36% (in terms of the % of pupils achieving 5 GCSE's grades A\* to C including English and Maths) and Black pupils by 26%.
- 8.19 Economic inactivity rates are higher for Solihull's BME population (31.9% for BME UK Nationals and 41.3% for BME non-UK Nationals) when compared to Solihull's white population (21.9% for White UK Nationals and the England average for the BME population (31.1% for BME UK Nationals and 34.7% for BME non-UK Nationals). However BME inactivity rates in Solihull are below the regional averages (33.8% for BME UK Nationals and 41.2% for BME non-UK Nationals).
- 8.20 BME employment rates in Solihull are below those for the white population at 63.3% for BME UK nationals and 67.7% for BME non UK nationals compared to 71.1% for White UK nationals and 90.5% for white non UK nationals. However the BME employment rates are above the national averages of 58.6% for UK nationals and 59.3% for BME non UK nationals.
- 8.21 Black and Minority Ethnic groups currently comprise 10.7% of jobseekers in Solihull, averaging 18.8% over the last two years.
- 8.22 Across the West Midlands, the Chinese population has a self employment rate of 23.3%, compared to 20.8% for the Pakistani population, 11.1% for the Indian population and 6.3% for the Black Caribbean population<sup>127</sup>.
- 8.23 Nationally<sup>128</sup>, there are significant earnings gaps between different ethnic groups with White British men earning on average 30% more than Black or Black British Caribbean men; around half of Asian or Asian British Pakistani and Bangladeshi women having individual incomes below £100 a week.

### *Disability*

- 8.24 There has been a sharp fall in the economic activity rate of residents with a disability during 2008/09 with the rate currently 54.7% compared to 56.8%

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<sup>126</sup> ASHE, ONS, 2009

<sup>127</sup> Jones et al (2009), *Ethnic Minority Businesses in the West Midlands*, Minority Ethnic Enterprise Centre of Expertise.

<sup>128</sup> The National Equalities Panel, *An Anatomy of Economic Inequality in the UK*, 2010

across England. The gap in economic activity rate between residents with a disability and those without (-32%) is in line with the national average<sup>129</sup>.

- 8.25 The unemployment rate for residents with a disability has increased sharply during the last two years (2007-2009) and is higher than national and regional averages at 15.2% compared to 10.6% and 13.1%.
- 8.26 Significant differences in attainment exist between pupils with Special Educational Needs (SEN) and those without at Key stage 2 and Key Stage 4. The attainment gap between SEN and non SEN pupils at Key Stage 2 was at least 50% in 2008 and 2009 in Solihull, England and the West Midlands. The gap at Key Stage 4 was at least 40% in 2008 and 2009 in Solihull, England and the West Midlands.
- 8.27 Nationally<sup>130</sup>, those reporting a work-limiting disability and are DDA-disabled have lower average wage (20% lower for men and 12% lower for women).

### *Sexual Orientation*

- 8.28 Nationally, the economic inactivity rate for males living in “same sex couples” is 2% and 14% for females. Nationally, people living in “same sex couples” are also more likely to have higher qualification levels and to have higher earnings (19% higher than the median for men and 40% higher than the median for women)<sup>131</sup>.

### *Faith*

- 8.29 Nationally, economic inactivity rates are particularly high amongst Muslims. Nationally, Muslims account for 2.5% of workless households – the highest proportion of any religious group after Christians who account for 73.3% of workless households<sup>132</sup>.

### *Area Deprivation*

- 8.30 Residents of the ‘North Solihull’ regeneration are 2.3 times more likely to be “workless” than the Borough average; 1.6 times more likely to have lower qualification levels (maximum NVQ Level 1) and twice as likely to have no formal qualifications; 1.1 times less likely to be engaged in Further Education and 6 times less likely to be engaged in Higher Education; 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 24 of the 25 Lower Super Output Areas in the area in the worst 40% nationally on the Index of Multiple Deprivation (IMD) Income measurement (compared to 13 in the rest of the Borough), and 7 in the worst 10% (compared to none in the worst 10% in the rest of the Borough).

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<sup>129</sup> Annual Population Survey, Oct 2008 – Sept 2009

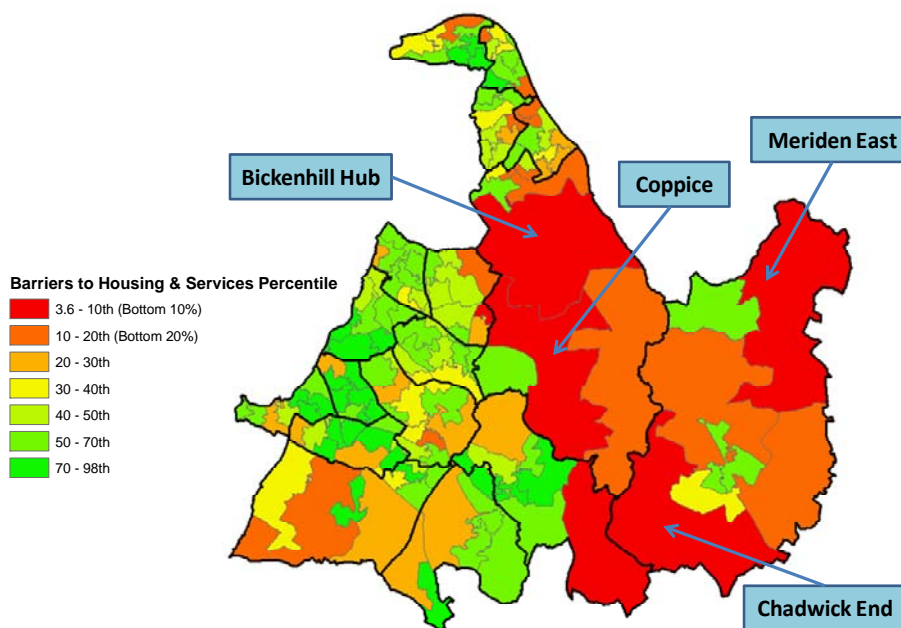
<sup>130</sup> The National Equalities Panel, An Anatomy of Economic Inequality in the UK, 2010

<sup>131</sup> The National Equalities Panel, An Anatomy of Economic Inequality in the UK, 2010

<sup>132</sup> Platt, Ethnicity and Child Poverty, 2009

- 8.31 There are also significant “pockets” of deprivation elsewhere in the Borough with higher than average rates of “worklessness”.
- 8.32 Overall deprivation as measured by the IMD 2007 is spatially correlated with the geography of social and other low value housing. However, it is important to note that the IMD indicator of access to housing and services shows a different geography of deprivation with the Lower Super Output Areas of Bickenhill Hub, Coppice, Meriden East and Chadwick End in the worst 10% of areas nationally. These areas are outside the main urban area and deprivation on this measure may, at least in part, be linked to the attractiveness of Right to Buy, particularly of houses.
- 8.33 There is not necessarily a link between deprivation and social housing, just that social housing is often the tenure of those who are at a disadvantage in society. The Equalities and Human Rights Commission note that “social housing is heavily rationed to those in the greatest need” and that “statistics do not show us whether social housing in itself contributes to better lives for some people or limits opportunities for others”.

### IMD Barriers to Housing and Services 2007



## 9 Conclusions and Policy Implications

### *Fostering Key Growth Drivers*

#### *Strategic and Investment Assets*

- 9.1 Realising Solihull's potential to lead the economic recovery of the West Midlands will mean continuing to realise the potential of its 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. This includes a need to ensure that the quality of Solihull's investment offer is fully recognised, along with greater recognition of the region as the second main concentration of business and professional services activity outside London.
- 9.2 Specifically, the assessment highlights the importance of safeguarding Solihull's excellent transport connectivity particularly as regards access to the national rail and motorway network but also its global connectivity (particularly the role of Birmingham Airport); the Borough's environmental quality; the quality of Solihull's key business parks and investment locations – particularly Birmingham and Blythe Valley Business Parks and Solihull Town Centre; and Solihull's wider quality of life offer (including high quality housing, schools, recreational and leisure facilities). Future economic development policy regarding Solihull should therefore continue to recognise the need to safeguard these assets and this also needs to be reflected in the emerging LDF core strategy.
- 9.3 More specifically, there is an identified need to manage congestion levels as they impact on Solihull's principal employment locations, and recognising that Solihull businesses rely on a high level of in-commuting. In particular, there is a need to recognise the role of the M42 in serving the key economic assets located in Solihull and therefore the crucial importance of maintaining the safe and efficient operation of the M42 to the Borough's continued ability to attract investment and deliver employment growth. Whilst the M42 Active Traffic Management (ATM) scheme has brought considerable benefits, congestion on the M42 will continue to grow, and recent studies have identified a number of congestion hotspots between Junctions 3 and 7. It has been identified that significant developments within the M42 corridor in Solihull could increase pressure on the transport network to the extent that major infrastructure investment would be required to support these developments and realise the economic potential of the area<sup>133</sup>. Such investment is likely to require the identification of new potential sources of funding and a cross-boundary approach to the funding and delivery of improvements to the strategic transport infrastructure which recognises the wider economic linkages that exist between Solihull and the wider region, particularly Birmingham.
- 9.4 There is a need to ensure that the quality of Solihull's investment offer is fully recognised, along with greater recognition of the region as the second main concentration of business and professional services activity outside London.

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<sup>133</sup> ECOTEC (2008) 'Realising the Potential of the M42 Corridor'



- 9.5 The assessment has identified that some key sectors in Solihull are experiencing below average productivity levels – business and professional services, construction and public sector. It can be estimated that £311 million output was lost in 2007 due to below average sector productivity. Driving up sector, and business productivity, should therefore be a key focus of economic development policy for Solihull. In the case of the business and professional services sector, reduced productivity may be linked to the presence of lower value added activities. Attracting and growing investment in higher value added business activities will therefore need to be a key policy priority.

### *High Growth Businesses*

- 9.6 The analysis highlights the central role played by high growth businesses in economic and employment growth nationally, with 6% of UK businesses with the highest growth rates generating half of new jobs created by existing businesses between 2002 and 2008<sup>134</sup>. Fostering high growth businesses in Solihull – including high-growth new business starts - therefore needs to be a key strand in economic development policy. This includes supporting innovation amongst Solihull businesses, including the development of innovation networks between businesses and knowledge assets (e.g. universities and other research bodies).

### *Sector Drivers*

- 9.7 Sector analysis has identified particular future growth potential as regards specialist business services (e.g. legal and accounting firms, business and management consultancies, market research and advertising firms) and ICT (including software consultancy and design) sectors.
- 9.8 Automotive manufacturing (particularly Jaguar Land Rover) and particularly the development of low carbon vehicle technologies and Intelligent Transport Systems is also identified as offering future economic growth potential in Solihull. However, this will depend on the future of JLR's Lode Lane site.
- 9.9 The construction/building technologies sector is also identified as offering particular potential as regards future economic growth in Solihull. However, it is important to note that the Borough continues to experience significantly depressed investment and development trends since the Credit Crunch and that the level of future construction activity is likely to be heavily influenced by the speed of the economic recovery nationally and associated levels of consumer and investor confidence. The long-term future of the sector is also likely to depend on its ability to adapt effectively to the requirements of the low carbon agenda.
- 9.10 The assessment has also highlighted the potential for the NEC to drive substantial growth in Solihull's tourism and leisure sector with the potential to have a major impact on the future growth of the local economy (up to an additional 22,800 jobs by 2030). However, this scenario would be heavily dependent on the NEC being able to realise its future development plans which are subject to a competitive casino licensing process and environmental and sustainable development considerations including traffic and transport.

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<sup>134</sup> NESTA 'Rebalancing Act' June 2010

- 9.11 The research identifies that to date the level of activity in Solihull in the environmental technologies (apart from low carbon vehicle technologies) and medical technologies sectors – which have been identified as future growth sectors nationally and regionally – has been very limited.
- 9.12 As regards environmental goods and services, Solihull’s relatively strong representation of construction, automotive manufacturing, transport and specialist business services activities are identified as representing the most potential for diversification into new markets arising from the low carbon agenda (e.g. low carbon design and construction, manufacture of low carbon transport equipment, development/use of alternative fuels and associated infrastructure and provision of specialist advice to all sectors).
- 9.13 As regards the medical technologies sector the analysis indicates that Solihull’s relatively large ageing population and the relative affluence of the local population represents a significant market opportunity, whilst proximity to a number of Higher Education Institutions (HEIs) and health institutions in the West Midlands would seem to offer a potential basis for developing the sector in the Borough. However, development of the sector locally may be hampered by the absence of established medium or large firms in the sector and the lack of a locally-based University.
- 9.14 This sector analysis and analysis of specific sector opportunities and constraints could be used to inform a diversification and sector-targeting based economic growth strategy for Solihull. Whilst this analysis has been informed by intelligence gathered from business, further intelligence gathering with businesses to identify how a sector-based economic development strategy could effectively be delivered in Solihull could usefully be undertaken.

### *Enterprise*

- 9.15 The analysis also highlights the increasingly important role played by SMEs and new enterprise in driving economic growth and job creation. This is particularly the case in those sectors which are characterised by smaller enterprise units including specialist business services, ICT, tourism and leisure and creative industries. Given the relatively low levels of new business starts and resident self-employment in Solihull, increasing rates of new enterprise formation should continue to be a key strand in economic development policy as regards Solihull.

### *Skills*

- 9.16 Developing a “world class workforce” accessible to Solihull-based businesses, will be key to realising the Borough’s future economic growth potential.

- 9.17 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% qualified to NVQ5 or above (27,600)<sup>135</sup>. This is against approximately 26,000 'knowledge-economy' jobs in Solihull<sup>136</sup>. 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).
- 9.18 Whilst fewer Solihull employers have reported recruitment difficulties due to skills shortages than the national average<sup>137</sup>, evidence gathered via national and local survey work<sup>138</sup> 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.
- 9.19 However, there is also a need to ensure greater access to management and leadership skills, interpersonal and communication skills, customer service/handling skills, basic IT user skills, higher-level professional IT skills and problem-solving skills. A lack of basic skills (numeracy and literacy) has also been identified as a barrier to locally-based business meeting their needs.
- 9.20 Regional research specifically identifies the need to develop skills to drive innovation, enterprise and entrepreneurship and sector and cluster specific skills. Skills for innovation are identified as encompassing creative skills to recognise, assimilate and absorb information, adapt it to the needs of the organisation and apply it to commercial ends; skills in managing networks and supply chain relationships; technical and softer generic skills to transform knowledge into new products and services; marketing and selling skills; skills for operating effectively in international markets; and leadership skills. Successful entrepreneurs are identified as demonstrating a range of skills and personal traits.
- 9.21 As regards high value added business and professional services, there is an identified need to recruit and develop more skilled paraprofessional staff such as legal executives and accounting technicians. Both new recruits and the existing workforce, meanwhile, will need to develop better generic skills in areas such as leadership & management, interpersonal skills, literacy & numeracy, complex mathematical and statistical skills, customer service, basic ICT, and skills in managing teams, making sales and managing relationships<sup>139</sup>.

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<sup>135</sup> Annual Population Survey

<sup>136</sup> Annual Business Inquiry, 2007

<sup>137</sup> LSC National Employer Skills Survey, 2009

<sup>138</sup> ECOTEC Business Skills Survey (2010)

<sup>139</sup> Sector Skills Agreement for Financial Services, March 2008

- 9.22 ICT businesses are identified as needing to develop a sophisticated multi-skilled workforce, combining business and personal skills with technical competence. Specifically new skills are needed in areas such as relationship management, business process analysis and design, project and programme management, business change management, systems architecture, networking, risk management and security<sup>140</sup>.
- 9.23 Digital media firms are identified as needing to develop technical skills in software development, applications, digital technology, broadcasting and computer generated processes. They also need to develop creative management skills such as achieving effective responses to design briefs, budgeting, scheduling, production management, legal, business and financial expertise, funding and marketing. More general business, finance and people management skills will continue to be in demand among large companies, smaller enterprises and freelancers alike<sup>141</sup>.
- 9.24 Construction and building technologies cluster businesses are identified as needing to recruit and develop more highly skilled managers and professionals such as chartered engineers and scientists, project managers and designers, site construction managers and safety specialists<sup>142</sup>. There is also a need to develop skills in areas such as the installation and maintenance of new energy efficient equipment such as photovoltaic cells, the use of new building fabrics and in the installation of building products manufactured off site<sup>143</sup>.
- 9.25 Engineering firms are identified as needing to recruit people with high level skills in science, technology, engineering and maths. There will also be a need to recruit and develop workers with an understanding of multiple scientific disciplines, skills in new product development and commercialisation and expertise relating to appropriate target markets and supply chains<sup>144</sup>.
- 9.26 Transport technologies businesses are identified as needing to recruit and develop skills in core disciplines such as production, electronic and control engineering and in areas such as strategic leadership & management. There is also a need to upgrade basic skills in the workforce.
- 9.27 Wholesale & retail businesses are identified as operating in an increasingly competitive environment with a rapid pace of innovation. To survive and prosper companies need to develop a range of new skills. At management level these include negotiation skills, business planning and development, people management, customer handling and practical skills relating to visual merchandise, facilities management, website development and internet use. For sales staff these include oral communication, team working and practical skills relating to selling skills, merchandising, product knowledge and consumer rights<sup>145</sup>.

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<sup>140</sup> Sector Skills Agreement for the Creative Media Industries England Update 2008 to 2011

<sup>141</sup> Sector Skills Agreement for the Creative Media Industries England Update 2008 to 2011

<sup>142</sup> UKCES: Skills for jobs today and tomorrow – the national strategic skills audit for England, 2010

<sup>143</sup> Sector Skills Agreement for Construction (Making the Case for Change) – September 2005

<sup>144</sup> UKCES: Skills for jobs today and tomorrow – the national strategic skills audit for England, 2010

<sup>145</sup> Skillsmart Retail – Sector Skills Agreement for the Retail Sector (Stage three report for England) – October 2007

- 9.28 In hotels & catering there is an identified need for more competent and effective managers and chefs with a high level of technical skills to meet a growing consumer demand for freshly prepared ingredients, cooking from scratch and for a wider range of international cuisines. Good customer service skills are also increasingly required, to include behaviours such as genuine interest in the consumer, the ability to spot potential problems and conflict management<sup>146</sup>.
- 9.29 In transport there is a need for staff to develop the skills needed to maximise the benefits of new technology. For example engineers and maintenance staff need to develop the ICT skills needed to work with new engine technologies, drivers need to be able to operate satellite navigation systems and in aviation check in staff and baggage handlers need to be competent in using computerised registration systems<sup>147</sup>. There is also an increased need for technical skills such as cost control and performance management and interpersonal skills such as communication, networking, team working and customer service<sup>148</sup>.
- 9.30 Public sector organisations are also identified as facing significant challenges going forward, with a need to adapt and develop the services they offer at a time of declining resources. In public administration there is a need to adapt to changes in legislation and policy and for a greater use of IT to enable more effective and efficient sharing of information and intelligence. Organisations will need to develop new skills in multi-agency working, management and leadership (notably in areas such as performance and quality management, managing change, financial and resource management, risk management and contracting and procurement) and ICT<sup>149</sup>.
- 9.31 In education there is a growing need for skills to secure and sustain funding from an increasingly diverse range of sources. There is also a need for staff with the skills and expertise to develop provision that is responsive in both content and style of delivery to meet the needs of increasingly demanding paying customers, be they learners or their employers. There is also a growing need for ICT skills with the introduction of new hardware, new services and provision based on technology and a need for wider employability skills in areas such as customer service skills and leadership and management<sup>150</sup>.
- 9.32 In health and social care organisations need to respond to rapid changes in the demand for services due to an ageing population. At the same time they need to achieve efficiency savings while maintaining high quality patient care – by exploiting new technological advancements, service redesign and up skilling of the workforce<sup>151</sup>. To support these changes organisations will need to develop a range of generic skills including literacy and numeracy, communication and interpersonal skills and IT skills. There is also an increasing need for employees to be able to work with colleagues from other sectors and to lead or work in multi-agency teams.

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<sup>146</sup> People 1<sup>st</sup> Sector Skills Council Sector Skills Agreement, 2007

<sup>147</sup> Assessment of Current and Future Skills Needs in the Logistics Sector – October 2005 and Go Skills Sector Skills Agreement Stage 1 Executive Summary

<sup>148</sup> Assessment of Current and Future Skills Needs in the Logistics Sector – October 2005

<sup>149</sup> Sector Skills Agreement for the Justice Sector - England

<sup>150</sup> Lifelong Learning Sector Skills Council – sector skills agreement (2006)

<sup>151</sup> Skills for Health Policy and Labour Market Intelligence Briefing Issue 2 – July 2009

- 9.33 In the third sector, meanwhile, there is an increasing need for organisations to develop the skills required to adapt a shift from a grant culture to a contract culture and the need to get involved in the direct delivery of public services.

### *Employment Land*

- 9.34 As regards employment land supply, the emerging LDF core strategy aims to provide a continuing supply of employment land always sufficient to meet development needs for the next five years. However, there is a need to ensure that the emerging core strategy reflects the findings of the Local Economic Assessment as regards the importance of particular sectors and high growth businesses in driving future economic growth. The LDF, as regards employment land supply, will need to ensure that this meets the requirements of these businesses and sectors – for example in terms of the size, location and quality of sites, supporting infrastructure and services. For example, a particular need has been identified through the assessment for additional smaller business units as well as innovation units/incubator space.

### *Housing*

- 9.35 The good quality and quantity of housing supply in Solihull has been identified through this assessment as a driver of Solihull's strong economic growth over the past decade. However, the assessment has also noted the variations in the quality of housing supply in different parts of the Borough – particularly the 'North Solihull' regeneration area, where a need has been identified to provide a wider range of housing extending quality and choice and increasing opportunities for owner occupation including 'intermediate housing'<sup>152</sup>. It has also highlighted the long-standing problems of housing affordability in the Borough which is increasing the number of concealed households and constraining labour mobility. To consider analysis of house prices versus occupation levels. Ensuring a sufficient quality and quantity of housing supply in future, particularly in the 'North Solihull' regeneration area, is therefore critical to supporting Solihull's future economic growth.

## ***Responding to “Worklessness” and Deprivation***

- 9.36 Approximately 14,000 Solihull residents are “workless”, of whom 8,000 (57%) are actively seeking and available for work<sup>153</sup>. 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.
- 9.37 Since the Credit Crunch, the number of Solihull residents claiming unemployment benefit (Jobseekers Allowance) has increased by 84.5%<sup>154</sup>. The number of residents claiming for more than six months has increased by more than 3.3 times.

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<sup>152</sup> EDAW, September 2007

<sup>153</sup> Annual Population Survey, June 2009

<sup>154</sup> Nomis claimant unemployment data June 2010 compared to April 2008

- 9.38 Unemployment particularly affects younger residents with over a fifth of young women aged 16 to 24 (22.3%) unemployed and 15.1% of young males<sup>155</sup>. 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 times<sup>156</sup>.
- 9.39 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” benefit<sup>157</sup>.
- 9.40 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.
- 9.41 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%<sup>158</sup>.
- 9.42 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.
- 9.43 Local survey work has indicated the willingness of a number of employers to recruit unemployed residents and groups disadvantaged in the labour market. However the survey points towards a need for greater engagement of employers in offering work-based training and work experience opportunities to ensure that the workforce can offer the right skills to meet business needs, including job-specific skills. There is also a need to ensure that education and post compulsory education and training meet future business needs.

### ***Promoting Sustainability***

- 9.44 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.
- 9.45 A sustainability appraisal is due to be undertaken of the emerging Local Development Framework Core Strategy. As a key element of the evidence

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<sup>155</sup> Annual Population Survey

<sup>156</sup> Nomis

<sup>157</sup> DWP, August 2009

<sup>158</sup> Index of Multiple Deprivation, 2007

base for the Core Strategy, the Local Economic Assessment is to form part of this sustainability appraisal.

9.46 As regards developing a low carbon economy in Solihull, research for the City Region<sup>159</sup>, 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.

9.47 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.

9.48 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 are also more likely to be income deprived with seven Lower Super Output Areas in the worst 10% nationally.

9.49 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 10.7% of claimants whilst representing 9.4% of the Borough’s population<sup>160</sup>) and residents with a disability (who experience an unemployment rate of 15.2% compared to 10.6% nationally and 13.1% regionally<sup>161</sup>).

9.50 Promoting greater equality of opportunity including tackling worklessness, inequality, poverty and deprivation requires action in a wide range of areas which is the subject of an Action against Poverty strategy being developed.

## **Conclusion**

9.51 Solihull has the potential to continue to attract high value added, “knowledge-intensive” business activities, making a key contribution to the economic development and regeneration of the Birmingham economic area and wider West Midlands region.

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<sup>159</sup> Atkins, May 2010 ‘Opportunities in the Low Carbon Economy: Solihull’

<sup>160</sup> Nomis claimant count

<sup>161</sup> Annual Population Survey



- 9.52 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 reputation gap affecting Birmingham and the wider West Midlands.
- 9.53 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.
- 9.54 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 workforce skills base.
- 9.55 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.
- 9.56 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.

## Appendix A: Glossary of Terms

<b>Business Improvement District (BID):</b>	A defined area within which businesses pay an additional tax or fee in order to fund improvements within the district's boundaries. Business Improvement Districts provide services, such as cleaning streets, providing security, making capital improvements, and marketing the area.
<b>Census 2001:</b>	A count of all people and households in the country. It provides population statistics from a national to neighbourhood level for government, local authorities, business and communities.
<b>City Region:</b>	A voluntary partnership comprised of Birmingham CC, Dudley MBC, Sandwell MBC, Solihull MBC, Walsall MBC, Wolverhampton CC, Bromsgrove District Council on behalf of Worcestershire, South Staffordshire DC on behalf of the Southern Staffordshire Partnership Advantage West Midlands, Business Voice West Midlands, Homes and Communities Agency, JobCentre Plus, Skills Funding Agency, City Region Employment and Skills Board.
<b>Claimant unemployment:</b>	Based on the JSA claimant count of the number of people claiming Jobseekers Allowance (JSA) and National Insurance credits at Jobcentre Plus local offices. People claiming JSA must declare that they are out of work, capable of, available for and actively seeking work during the week in which the claim is made. The rate expresses the number of claimants resident in an area as a percentage of the working age population in that area.
<b>Commercial property enquiries:</b>	Refers to enquiries that are made to Solihull MBC's Business Investment Team with regards to the use of a commercial property for business purposes in Solihull.
<b>Economically active:</b>	People who are either in employment or unemployed. The economic activity rate

refers to the number of people who are economically active as a percentage of all people.

**Economically inactive:**

People who are neither in employment nor unemployed. This group includes, for example, all those who were looking after a home or retired. The Annual Population Survey also identifies the number of economically inactive who are “wanting a job” but are not classed as unemployed because they have either not sought work in the last four weeks or are not available to start work, and those “not wanting a job”.

**Employment rate:**

The number of people in employment expressed as a percentage of the working age population (all people aged 16-64).

**Equality Impact Assessment (EIA):**

A tool used to consider and reflect the possible impacts that a policy or strategy can have on different population groups defined in terms of six strands: race, age, disability, gender, gender reassignment, sexual orientation and religion or belief. A new tool is being developed called a ‘Fair Treatment Assessment’.

**Foreign Direct Investment (FDI):**

Investments of foreign assets into domestic structures, equipment, and organizations.

**Gross Disposable Household Income:**

Is the amount of money that individuals (i.e. the household sector) have available for spending or saving. This is money left after expenditure associated with income, e.g. taxes and social contributions, property ownership and provision for future pension income. It is calculated gross of any deductions for capital consumption.

**Gross Value Added (GVA):**

The difference between output and intermediate consumption for any given sector/industry. That is the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in production. GVA measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom.

<b>High and medium-tech manufacturing:</b>	The European Commission's statistical body 'Eurostat' defines high and medium technology manufacturing as encompassing the manufacture of railway and tramway locomotives and rolling stock, aircraft and spacecraft, motorcycles and bicycles and other transport equipment not elsewhere classified; the manufacture of chemicals and chemical products; the manufacture of machinery and equipment not elsewhere classified; the manufacture of office machinery and computers; the manufacture of electrical machinery and apparatus not elsewhere classified; the manufacture of radio, television and communication equipment and apparatus; the manufacture of medical, precision and optical instruments, watches and clocks; and the manufacture of motor vehicles, trailers and semi-trailers.
<b>Index of Multiple Deprivation (IMD):</b>	Measures deprivation nationally on the basis of small area geography known as Lower Super Output Areas (LSOA) based the following indicators: Income, Employment, Health Deprivation and Disability, Education, Skills and Training, Barriers to Housing and Services, Crime and Living Environment.
<b>Key Stage 4:</b>	The term for the two years of school education which incorporate General Certificate of Secondary Education (GCSE), and other exams
<b>Knowledge Economy:</b>	"The knowledge based economy" is an expression coined to describe trends in advanced economies towards greater dependence on knowledge, information and high skill levels, and the increasing need for ready access to all of these by the business and public sectors. (OECD Definition)
<b>Local Development Framework (LDF):</b>	The LDF is a portfolio of documents that includes the Core Strategy and other Local Development Documents (LDDs) that must conform to the Core Strategy. The Core Strategy is the main policy document of the LDF. It sets out a vision and a strategy for the future development of Solihull together with

policies and proposals to implement the strategy. The Core Strategy will also help to implement the Sustainable Communities Strategy (SCS). Once adopted the Core strategy and its LDDs will form part of the statutory development plan for Solihull.

**Lower Super Output Areas (LSOA):**

Are small area geographies defined for the collection and publication of small area statistics. They have between 1,000 and 3,000 people living in them with an average population of 1,500.

**Mortgage repossession orders:**

Are notifications sent out by mortgage lenders which indicate pending actions in regards to owner occupied properties.

**Multi-Area Agreement (MAA):**

Is a mechanism for bringing together a group of councils and other key players in flexible ways to tackle issues that are best addressed in partnership – at a sub-regional level. The Employment and Skills MAA developed by the City Region signals a commitment by partners to integrate the delivery of all relevant services in support of the delivery of employment and skills outcomes, especially in those neighbourhoods most affected by “worklessness”.

**National Vocational Qualifications ('NVQs'):**

'Competence-based' qualifications based on practice learning and focused on work-related tasks designed to help develop the skills and knowledge to do a job effectively. NVQ equivalent qualifications levels are defined as follows:

**NVQ 1 equivalent:**

e.g. fewer than 5 GCSEs at grades A-C, foundation GNVQ, NVQ 1, intermediate 1 national qualification (Scotland) or equivalent

**NVQ 2 equivalent:**

e.g. 5 or more GCSEs at grades A-C, intermediate GNVQ, NVQ 2, intermediate 2 national qualification (Scotland) or equivalent

**NVQ 3 equivalent:**

e.g. 2 or more A levels, advanced GNVQ, NVQ 3, 2 or more higher or

advanced higher national qualifications (Scotland) or equivalent

**NVQ 4 equivalent and above:**

e.g. HND, Degree and Higher Degree level qualifications or equivalent

The West Midlands Regional Observatory measured the region's 'intensity' in reference to the Knowledge economy by measuring the proportion of people that acquired at least a NVQ level 4 qualification.

**Nomenclature of Territorial Units for Statistics (NUTS):**

A European classification system which provides a breakdown of UK regions and countries, allowing a comparable view of economic activity across the European Union. NUTS3 areas are principally individual counties and unitary authorities.

**'North Solihull' Regeneration Area:**

The spatial area being targeted by the 'Regenerating North Solihull' programme which encompasses the three wards of Chelmsley Wood, Kingshurst and Fordbridge, and Smith's Wood, and three Lower Super Output Areas in Bickenhill ward (Alcott Hall, Low Brook and The Cities).

**Not in Education or Employment or Training ('NEET'):**

Those 16 to 18 year olds that are not engaged in some form of education, employment or training.

**Out-of-work benefits:**

Consists of the groups: job seekers, Employment Support Allowance and incapacity benefits, lone parents and others on income related benefits. These groups have been chosen to best represent a count of all those benefit recipients who cannot be in full-time employment as part of their condition of entitlement. Those claiming solely Bereavement Benefits or Disability Living Allowance (DLA) are not included as these are not out-of-work or income based benefits.

**Regional Investment Sites (RIS):**

Investment sites that were allocated in the Regional Spatial Strategy as having strategic importance to the development of the Region's sectoral priorities.

<b>Regional Priority Business Clusters:</b>	Business “clusters” that have been identified as priorities for growth in the West Midlands: Aerospace, Automotive, Building Technologies, Business and Professional Services, Digital Media, Environmental Technologies, Food and Drink, Information and Communication Technology, Interior and Lifestyle, Medical Technologies, and Rail.
<b>Research and Development (‘R&amp;D’):</b>	The process of combining practical and activity and applied research, with the aim of discovering solutions to problems and or creating new products and/or knowledge.
<b>Small and Medium Size Enterprises (SMEs):</b>	Firms that employ up to 250 employees.
<b>Strategic Housing Market Assessment:</b>	An assessment of housing need and demand in terms of affordable and market housing. It provides evidence of how the distribution of need and demand varies across the study area, for example between the urban and rural areas. It considers future demographic trends and identifies the accommodation requirements of specific groups, such as the elderly and first time buyers. The assessment is accompanied by an appraisal of rural housing needs.
<b>Travel to Work Area (TTWA):</b>	An area defined by the Office for National Statistics as one where at least 70 to 75% of residents work in the area, and of those working in the area, at least 70 to 75% live in the area.
<b>Unemployment:</b>	Defined by the using International Labour Organisation (ILO) as out of work but wanting a job, seeking in the last four weeks and available to start in the next two weeks (a broader group than claimant unemployed). Data is collected quarterly through the Annual Population Survey. The unemployment rate can be defined in terms of the % of the economically active population (i.e. people who are either in employment or unemployed) or the working age population.
<b>Work and Skills Plan:</b>	A strategy document being developed as a tool for co-ordinating partner activities

in order to increase the impact on “worklessness” at the local level, as well as improving skills and increasing economic inclusion.

**Working age population:**

Males aged 16-64 and females 16-59.

**“Worklessness”:**

Defined according to “Draft Guidance on Work and Skills Plans (IDeA and Shared Intelligence) to encompass : the economically active who are unemployed due to the ILO definition plus the economically inactive who are classified as wanting a job but who do not fit the ILO definition of unemployed.







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