Staffordshire County Council

city of stoke on trent

Staffordshire and Stoke-on-Trent Economic Review

An insight into our economy in 2013

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DOCUMENT INFORMATION

Title	Staffordshire and Stoke-on-Trent Economic Review 2013
Date created	May 2013
Description	An assessment of the economy in Staffordshire and Stoke-on-Trent that highlights the key economic issues affecting businesses, people and place. It should provide a high level evidence base that can help inform decision-making, policy development and commissioning across Staffordshire and Stoke-on-Trent.
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Geographical coverage	Staffordshire and Stoke-on-Trent
Time period	2012/13
Frequency of update	Annual
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1. Introduction

The aim of this report is to provide an understanding of the key economic issues in Staffordshire and Stoke-on-Trent. It should help inform economic decision making, policy development and commissioning across the local area.

Nationally, the Coalition Government has made reducing the deficit its main priority[1]. This has seen on-going public sector spending cuts and an increased impetus placed on rebalancing the economy towards a larger and more productive private sector. The Government acknowledges that it cannot create private sector growth, but its policies do aim to provide the right conditions to encourage investment and job creation. To help achieve this 'The Lord Heseltine Review: No stone unturned' has set out a comprehensive economic plan to improve the UK's ability to create wealth. At the heart of the plan is the devolution of power and resources to local areas, allowing for local partners to determine how best to create growth and prosperity.

The drive for economic growth and prosperity is a top priority in Staffordshire and Stoke-on-Trent. Through innovative thinking and bold leadership Staffordshire County Council and Stoke-on-Trent City Council are focusing on offering the right environment for businesses to thrive and capitalising on the opportunities that exist for economic growth. Staffordshire County Council's 'Prosperity Wheel' is the new operating model which focuses everything that the Council does on jobs and growth through well targeted investment. Similarly, Stoke-on-Trent City Council's 'Mandate for Change' aims to make Stoke-on-Trent a great working city, through supporting existing businesses to grow and attracting inward investment.

By bringing together public and private sector partners the Stoke-on-Trent and Staffordshire Local Enterprise Partnership (LEP) will help ensure that any initiatives aimed at improving the local economy meet the needs of the business community and have the most positive effect on economic growth. One such initiative is the bid to Government for a 'City/County Deal' which, if successful, will look to use both public and private investment to create up to 31,000 jobs across the county and city over the next 10 years.

The focus on investment and job creation in Staffordshire and Stoke-on-Trent shows a clear commitment to economic growth and prosperity and recognises the many benefits that this will have on the well-being and quality of life of residents. It is intended that this document will inform and influence decisions that will strengthen the local economy.

1 Coalition Government: our programme for government, 2010

2. Key Themes

This section summarises the key themes that emerge throughout the report.

Changing economic structure

Improving prosperity is vital as it underpins and impacts on so many areas of people's lives. To be able to do this, it is important to have an in-depth understanding of the local economy and the types of businesses that are located in the area so that interventions can be targeted to lead to maximum growth.

The economic structure in Staffordshire and Stoke-on-Trent has changed considerably in recent years. In line with national trends, manufacturing has reduced significantly, with the greatest decline in jobs seen in this sector, mainly due to the decline in low-value added manufacturing. However, in Staffordshire and Stoke-on-Trent, manufacturing remains a significant employer, with the sector providing over 54,000 jobs in the area. Health has seen the biggest increase in the number of businesses and provides the largest number of jobs, over 60,000, a reflection of our ageing population. Despite continued pressure on public sector finances, this sector remains a significant employer in Staffordshire and Stoke-on-Trent, accounting for around 88,000 jobs in total and 19% of total employment in Staffordshire and 25% in Stoke-on-Trent, compared to 20% nationally.

The rural economy is taking on increasing significance, with the number of jobs in rural areas growing, compared to falls in jobs in urban areas. Many of the jobs lost in urban areas are from manufacturing industries, with growth in rural areas in tourism and leisure, ICT and food and drink. Further research would be beneficial to understand the nature of the rural economy, so that businesses can be best served and supported to grow.

Challenges of the recession

The state of the economy and the ongoing economic challenges clearly face the whole country, and it is important to consider how they are tackled at a local level. As well as current concerns about employment and growth, there is the potential impact on future generations, in terms of worklessness and supporting young people into work.

Many of the economic indicators have improved recently and compare favourably to national trends, although there is still a long way to go until pre-recession levels are achieved.

The level of out-of-work benefits is falling in Staffordshire and Stoke-on-Trent and in Staffordshire remains better than the Great Britain average. Similarly unemployment is decreasing in Staffordshire and Stoke-on-Trent, which represents slow improvement but is still above pre-recession levels. However, it should be noted that these figures may hide issues with underemployment, where people are working part time and not able to work more hours, having implications for the income levels in these households.

Youth unemployment remains a significant issue. Again it is improving but is higher than the overall working age population, with Staffordshire experiencing a rate lower than the national average and Stoke-on-Trent a higher rate. Despite this, Staffordshire has areas where youth unemployment remains a significant issue, with Cannock Chase and Tamworth both having a rate above the national average. If youth unemployment is not actively targeted then there is the distinct possibility that young people who are unemployed at present may become economically inactive in the long term.

Education and skills

The role of education and skills is vital for preparing the workforce for employment and ensuring that people have the right skills and qualifications to access high quality jobs and contribute to overall economic growth and increasing prosperity.

Improving performance in literacy and numeracy is important, as areas with low levels of education attainment and skills are often associated with high levels of worklessness and other socio-economic issues. Overall attainment at Key Stage 4 is improving in Staffordshire and Stoke-on-Trent, but remains well below the national average in Stoke-on-Trent.

Apprenticeship programmes offer a different approach to continuing in learning by combining on the job training with a recognised framework of qualifications. The number of starts on these programmes are increasing year on year in both Staffordshire and Stoke-on-Trent and success rates are slightly below the national rate.

As well as building the foundations of our future workforce in terms of skills and qualifications, tackling skills issues in the working age population is equally important, with a mixed picture across the area. Higher level adult skills are a significant problem in Staffordshire and Stoke-on-Trent with the proportion of working age population qualified to NVQ Level 4 or above in both areas well below the national average. Increasing skills levels at these higher levels will be important in developing the local economy, with a large number of jobs in emerging high value added sectors reliant on a highly skilled workforce.

Welfare reform

The Welfare Reform Bill 2012 contains a radical package of reform, which introduces a new integrated system of benefits and a range of changes to the welfare system.

These changes have the potential to impact significantly on some of Staffordshire's residents, providing both opportunities and challenges. The overarching aim of the reforms is to 'make work pay' and ensure that people are better off in work than on benefits, so people have the opportunity to improve their economic position. However, there will be challenges, as benefits will be reduced for some, payments will be made monthly rather than weekly, and all administration, such as applications, will be done online. There is a role to ensure that the appropriate mechanisms and employment opportunities are in place to support people back into work.

Future of the local economy and potential further research

This report looks to provide an overview of the local economy in Staffordshire and Stoke-on-Trent. Many of the issues surrounding the economy that are covered in the report are seen as "cross-cutting" in nature such as education and skills, transport, housing and infrastructure. However the Government's emerging Industrial Strategy recognises that many decisions have a clear impact on industrial sectors and it is important to understand which areas of industry have the greatest potential for future economic growth.

To help develop a more in-depth understanding of the local economy and the potential for growth and development, it is proposed that further research will be conducted in a number of areas including the strengths and opportunities of industrial sectors in Staffordshire and Stoke-on-Trent; the barriers to enterprise and innovation across the local area; and other strategic challenges that will need to be overcome in making Staffordshire and Stoke-on-Trent more prosperous.

Summary Table of Key Indicators

The following table provides a summary of the indicators of some of the key issues discussed in the report, providing a trend and comparison with regional and national figures.

	Staffordshire		Stoke-on-Trent		West Midlands	National
Gross Value Added (GVA) per head	£15,002	▼	£16,371	▲	£17,486	£21,349
Total jobs	310,744	▼	105,921	▼	2,303,843	26,561,745
Total businesses	28,125	▲	5,100	▲	171,210	2,081,705
Business start-up rate per 10,000 16+ population	41.7	▼	32.7	▼	43.3	51.6
Business failure rate per 10,000 16+ population	40.5	▼	32.2	▼	41.5	45
Total population	848,500	▲	249,000	▲	5,601,800	53,012,400
% working age population	63.8%	▲	64.9%	▲	63.5%	64.7%
Projected working age population change (2011-2021)	-1.6%	▼	0.0%	↔	1.8%	3.7%
GCSE attainment (5+ A*-C GCSEs including English and Maths)	58%	▲	51%	▲	57%	59%
Apprenticeship success rates	72%	▼	73%	▼	73%	74%
Not in employment, education or training (NEETS)	5.3%	▼	9.2%	▲	6.2%	5.8%
No qualifications	11.7%	▲	19.4%	▲	13.6%	9.7%
NVQ Level 2+ qualifications	68.9%	▲	59.8%	▲	64.3%	69.7%
NVQ Level 4+ qualifications	27%	▼	18.2%	▲	26.3%	32.9%
Employment rate	73.2%	▲	65%	▼	68%	70.5%
Resident annual earnings	£25,643	▲	£22,019	▲	£24,617	£26,551
Workplace annual earnings	£23,646	▲	£22,963	▲	£24,600	£26,525
Average household income	£38,977	▲	—	—	£35,602	£39,956
Worklessness - Out of work benefits	9.4%	▼	17.5%	▼	12.9%	11.8%
Unemployment	2.7%	▼	5.3%	▼	4.7%	3.8%
Youth Unemployment	4.5%	▼	7.8%	▼	6.7%	5.6%
Job density	0.69	▼	0.77	▲	0.75	0.77
JSA claimants per unfilled jobcentre vacancy	1.5	▼	4.3	▼	3.6	3.9

3. Business

This section provides an overview of the economy, from the business perspective, considering its overall productivity, the types of businesses and jobs that make up the economy, enterprise and innovation and the perspectives and demands of businesses.

3.1 Local Economy

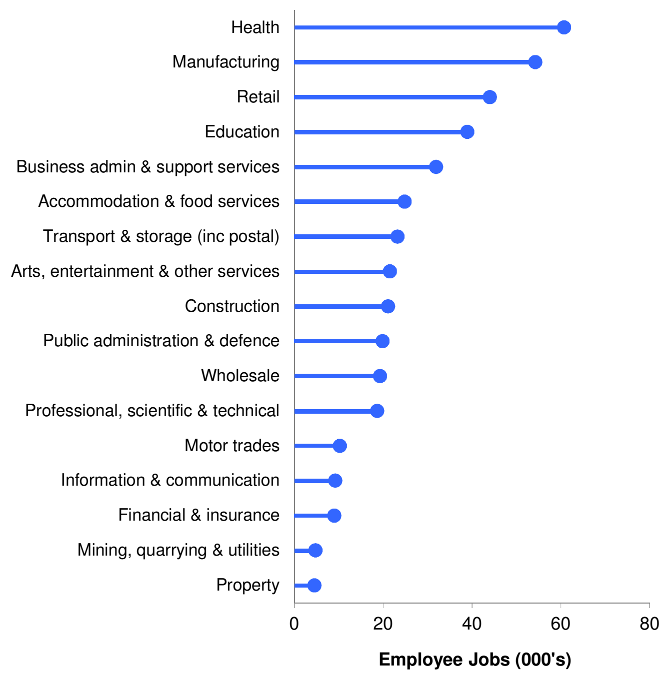
3.1.1 Overview

Gross Value Added (GVA) is the favoured measure nationally for monitoring the total output of the economy, and can also be used to compare levels of productivity in the economy. In 2011 the total GVA of the Staffordshire economy was £12.5 billion, the largest 'shire' economy in the West Midlands, and the second largest total output of all the strategic authorities in the West Midlands after Birmingham. The total GVA for Stoke-on-Trent is £3.9 billion.

Staffordshire has the third lowest level of GVA per head of all the strategic authorities in the West Midlands (largely due to it having the second largest resident population and high levels of out-commuting) at around £15,000 per annum (72% of the UK GVA per head), although that has been improving in recent years. Stoke-on-Trent has experienced a significant fall in output relative to the UK average since 1995. This is largely as a result of the restructuring of the local economy, and large job losses in the manufacturing sector. Although there have been recent signs of improvement during the recession with an increase of just over £1,000 GVA per head in Stoke-on-Trent since 2008.

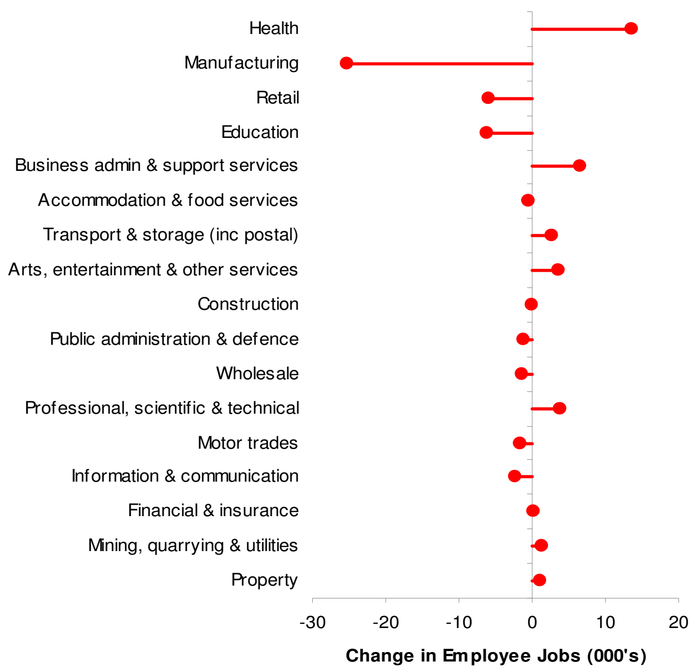
In total, there were around 416,600 employee jobs in Staffordshire and Stoke-on-Trent in 2011, with Staffordshire having the second highest number of jobs in the West Midlands after Birmingham which demonstrates the county's importance in terms of economic scale within the region. Health, manufacturing and retail provide the highest number of jobs across Staffordshire and Stoke-on-Trent.

Figure 1: Total number of employee jobs, 2011



Source: Business Register and Employment Survey, ONS

Figure 2: Change in employee jobs, 2003-2011



Note: These figures exclude farm agriculture (SIC subclass 01000)

[2] Potentially as many as 1,900 jobs "lost" in Tamworth may be attributable to the recording of employees previously allocated as working at MITIE. Therefore the reduction in the number of jobs within Tamworth is likely to be over-estimated.

There has been a decrease of around 11,200 employee jobs in the area since 2003, reflecting the regional trend. The most significant declines have been in Tamworth[2], Lichfield and East Staffordshire. Only Stafford Borough has seen an increase in employee jobs between 2003 and 2011. Figure 2 shows that by far the greatest growth in jobs since 2003 has been within the 'health' sector (+13,600 jobs), whilst there has also been fairly significant growth within 'business administration & support services' (+6,600 jobs) and 'professional, scientific & technical' (+3,900 jobs) sectors. The greatest reduction in employee jobs in recent years has been within the 'manufacturing' sector, this is particularly due to the decline in low-value manufacturing.

There are currently around 33,200 enterprises in Staffordshire and Stoke-on-Trent. Figure 3 shows that the sectors with the largest number of businesses in 2012 were construction (4,800 enterprises) and professional, scientific & technical (4,150 enterprises). However, this may be due to the nature of these sectors, with businesses employing relatively low numbers of people. Construction is of particular importance in southern Staffordshire with this sector representing around a fifth of all businesses in Cannock Chase and South Staffordshire, although a number of large construction businesses exist throughout the county.

Figure 3: Number of enterprises, 2012

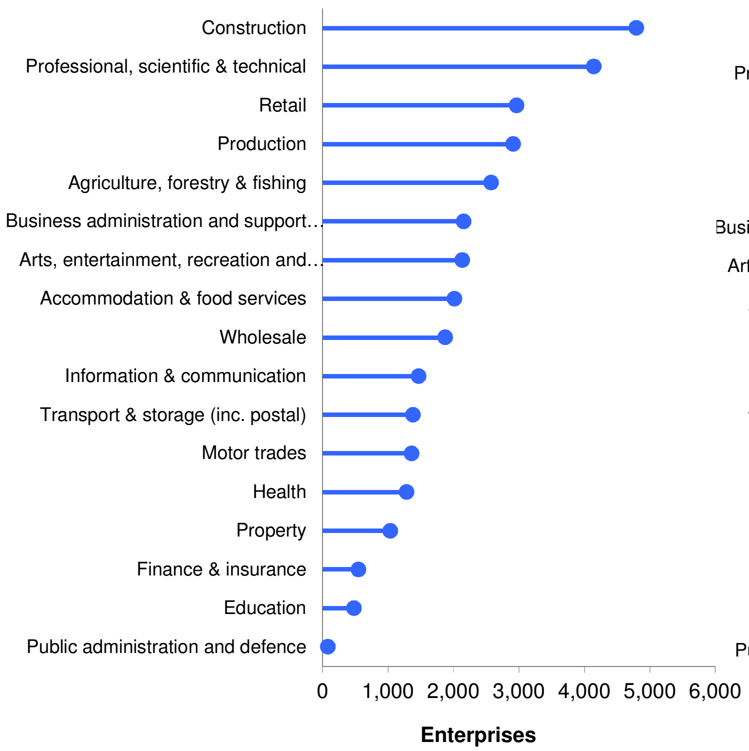
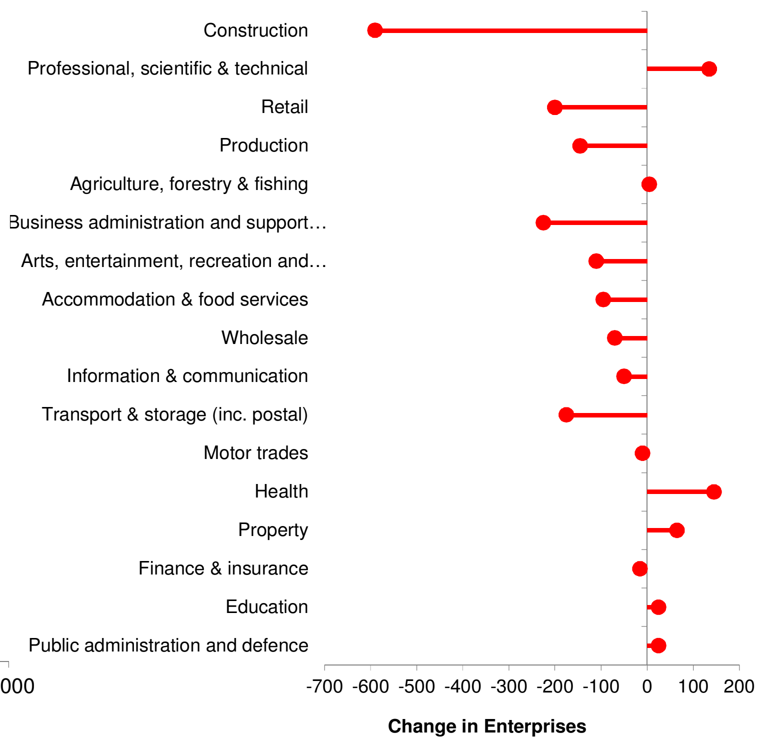


Figure 4: Change in number of enterprises, 2009-2012



Source: UK Business: Activity, Size and Location

There have been some significant changes in the numbers of businesses by sector over recent years, with the health and professional, scientific & technical sectors seeing the biggest increase in the number of enterprises, whereas the construction, business administration and support services and retail sectors have seen the biggest decline in business numbers.

3.1.2 Areas of employment

This section provides a summary of some of the areas of employment for the Staffordshire and Stoke-on-Trent economy. This may be as they are significant in terms of the numbers of jobs they provide, the likelihood and potential for growth or because they have been identified as priorities for Staffordshire and Stoke-on-Trent.

Health and care

The health sector provides the highest number of jobs across Staffordshire and Stoke-on-Trent (60,700) and is the sector that has experienced the highest growth in jobs in recent years (+13,600 jobs between 2003 and 2011). There are around 1,285 health businesses, which is relatively low compared to other sectors due to the fact that many of the jobs are within large public sector organisations, although this figure has increased between 2009 and 2012.

The health sector will remain significant and is likely to continue to grow. Our population is ageing and is projected to do so in the future, so there will be increasing demands on health care services, particularly for age related conditions, such as strokes and heart disease, as well as more specialist services for conditions such as dementia. There is an increasing focus on encouraging independence and giving individuals choice over the care that they receive. As such, there may be a shift in the type of health and care services that are required, with a possible increase in home based care. Alongside this is the change in social trends which has seen less informal care provided by family, which again may increase demand for support in the home or in nursing/care homes. All this will have an associated impact on the type and number of jobs that will be required.

Manufacturing/construction

The manufacturing sector is important for Staffordshire and Stoke-on-Trent. It provides the second highest number of jobs (54,200+) and construction has the highest number of businesses (4,795). In line with national trends, there have been considerable decreases in the sector in recent years, with the number of jobs decreasing by 25,100 between 2003 and 2011 and the number of businesses decreasing by 735 between 2009 and 2012. Despite all this, the sector remains significant for Staffordshire and Stoke-on-Trent and in particular, advanced manufacturing is taking on increasing significance.

Advanced manufacturing describes businesses which use a high level of design or scientific skills to produce technologically complex products and processes. Due to the specialised requirements involved, these are usually goods and associated services of high value. The advanced manufacturing sector has been singled out by Government as one of the key sectors for future economic growth due to the capabilities of UK manufacturing, the strengths of the UK economy, and the opportunities for broad-based growth from globalisation and rising incomes, technological developments, and structural changes such as the move to a low carbon economy. Staffordshire and Stoke-on-Trent have highlighted the sector as a priority for growth in the coming years.

Between 2006 and 2010 the number of employee jobs within the advanced manufacturing sector increased by around 1,100 in Stoke-on-Trent and Staffordshire, a 41% increase over the period. The area also has a strong presence of internationally renowned advanced manufacturing & engineering brands, particularly within the automotive and aerospace industries, including JCB, Jaguar Land Rover, Moog, Alstom and Zytek.

Tourism and leisure

Tourism and leisure is a wide ranging sector containing traditional tourism industries such as accommodation establishments, museums, historical buildings, gardens and theme parks. It also contains primarily leisure based industries such as libraries and sport / fitness facilities that will largely cater for local people rather than visitors to the area.

There are currently more than 21,000 tourism and leisure jobs within Staffordshire, more than any of the core cities, while the sector contributes around £1.6 billion to our economy. Given Staffordshire's natural assets and major tourism attractions such as Alton Towers, Drayton Manor Theme Park, the new National FA Centre, SnowDome, the National Memorial Arboretum, Mercian Trail, the Staffordshire Hoard and the Potteries visitor centres and factory shops, the area has all of the ingredients to be a major national tourism destination.

Retail

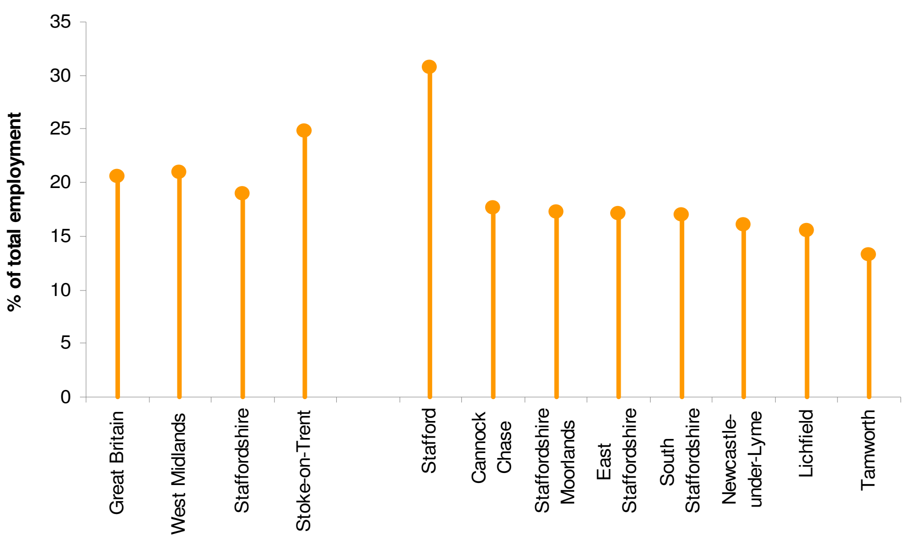
Retail is an important aspect of the economy in the local area, with Stoke-on-Trent the primary retail destination for the north of the county. Stoke-on-Trent already has a popular and diverse retail offer, with a large catchment of over 364,000 people living within a 20 minute drive time of the city centre.

In 2011 there were more than 44,000 people working in the retail sector across Staffordshire and Stoke-on-Trent. This figure is likely to rise given the number of new retail developments in the area, such as the new £350 million City Sentral shopping centre in Stoke-on-Trent which will attract a number of new retail and leisure providers to the area. Also the Riverside and Kingsmead retail sites in Stafford and the Ryecroft site in Newcastle-under-Lyme are to see a number of new retail companies locate to the area.

Public sector

The public sector is a significant employer in Staffordshire and Stoke-on-Trent, particularly in the health and education sectors. Overall the public sector accounts for around 61,000 jobs in Staffordshire (19% of employment) and 27,000 jobs in Stoke-on-Trent (25% of employment), compared with 21% both regionally and nationally.

Figure 5: Public sector employment



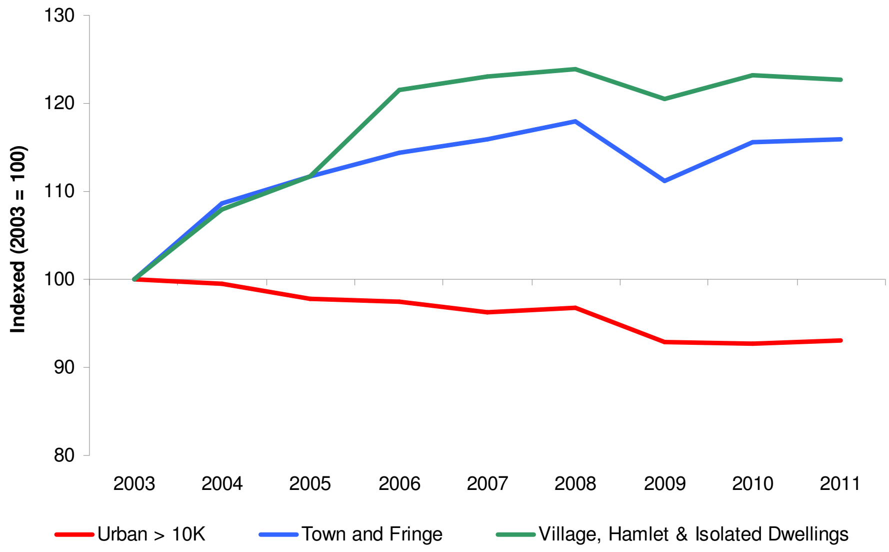
Source: Business Register and Employment Survey, ONS

Rural and urban economy

Recent restructuring in the economy of Staffordshire and Stoke-on-Trent, with a move away from manufacturing industries towards service industries, has seen rural areas become increasingly important economic drivers.

This change in the industrial structure of the area has impacted significantly on the location of business activity. Around 1 in 5 jobs in Staffordshire and Stoke-on-Trent are now in a rural area, and this proportion is increasing, whilst the number of jobs in urban areas is decreasing (figure 6). Between 2003 and 2011 employment in urban parts of the area decreased by around 25,100 jobs, whereas the number of jobs in rural areas increased by just over 13,400. It is important to recognise that a significant proportion of the increase in rural jobs is likely to be on employment sites on the fringes of the urban centres.

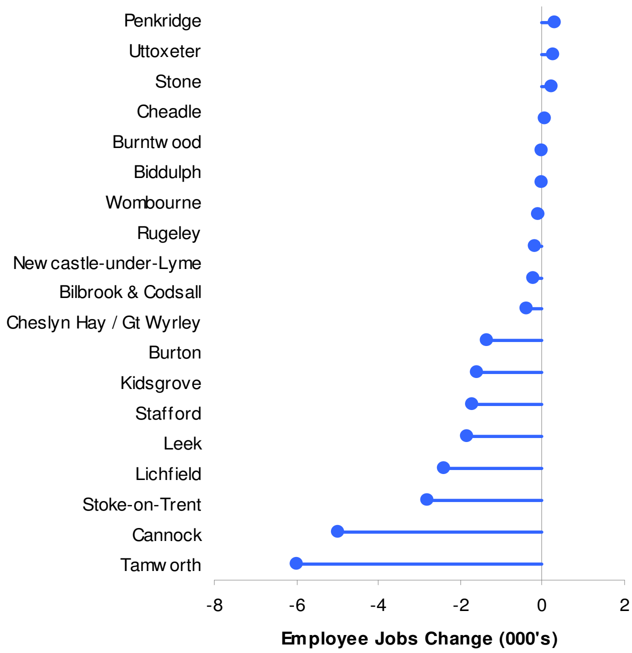
Figure 6: Change in the number of employee jobs in urban and rural parts of Staffordshire and Stoke-on-Trent (indexed: 2003 = 100)



Source: Annual Business Inquiry & Business Register and Employment Survey, ONS

A significant proportion of the jobs lost in urban areas were from manufacturing industries, while in rural areas there has been a strong growth within tourism & leisure, ICT and food & drink clusters. Figure 6 also highlights the impact of the recession on job numbers in urban and rural areas, with both suffering from fairly significant job losses between 2008 and 2009, but only rural areas experiencing an increase in job numbers in 2010. Between 2008 and 2011, just over 13,400 jobs were lost in urban areas, compared to only around 900 in rural areas. However, urban areas remain the key employment centres throughout Staffordshire and their vitality and viability will be important to the future economy of the area.

Figure 7: Change in employee jobs in Staffordshire and Stoke-on-Trent's centres, 2003-2011



Source: Business Register & Employment Survey and Annual Business Inquiry, ONS
Note: Potentially as many as 1,900 jobs "lost" in Tamworth may be attributable to the recording of employees previously allocated as working at MITIE. Therefore the reduction in the number of jobs within Tamworth is likely to be over-estimated.

The increased prominence of internet shopping and the development of out-of-town retail and office sites has had a major effect on Staffordshire and Stoke-on-Trent's town centres. Figure 7 shows that a number of the major urban centres within Staffordshire and Stoke-on-Trent, have experienced significant employee job losses since 2003.

A significant reason for these job losses has been that the majority of new retail and office development built in the county in recent years has not been located within existing town centres. Therefore, if this trend continues there is a possibility that the continued development of out of centre retail and office floorspace will undermine the vitality and viability of the town centres.

3.2 Business demography

This section explores the make up of the business population, considering the size, age and turnover of businesses, the extent of innovation, in terms of start ups and the longevity and likelihood of survival of enterprises.

3.2.1 Characteristics of businesses

Staffordshire and Stoke-on-Trent have a diverse business base, although there are some key features that characterise many of the area's businesses, which are summarised below:

1. Employ less than five people

The majority of businesses in Staffordshire and Stoke-on-Trent are shown to employ less than five employees. In March 2012, 24,850 enterprises in Staffordshire and Stoke-on-Trent employed less than five employees, three-quarters of all businesses in the area. Just 290 enterprises are shown to employ 100 employees or more. However, despite there being few big employers in the area, these major employers will account for the majority of jobs in Staffordshire.

This business profile of a large number of small employers and only a few major employers accounting for a large proportion of jobs is common across all areas of the country and is not specific to Staffordshire and Stoke-on-Trent.

2. Have an annual turnover of less than £250,000

In March 2012, 23,625 enterprises in Staffordshire and Stoke-on-Trent had a turnover of less than £250,000, equivalent to around 71% of all businesses in the area.

Around 2,940 businesses are shown to have had a turnover of £1 million or more in March 2012, although again it should be remembered that the relatively few major employers will account for a great deal of employment and economic output in the area.

3. Been in business for ten years or more

The greatest proportion of enterprises in Staffordshire and Stoke-on-Trent are shown to be 10 or more years old. Staffordshire has a higher proportion of businesses that have been operating for 10 years or more (46.5%), compared to regional (45.4%) and national (43.2%) averages. Around 24,775 enterprises in Staffordshire were 4 or more years old in March 2012, around three quarters of the total number of enterprises in the area (although the number of younger businesses may be underestimated, as the information can miss some of the smaller employers).

Areas with a high proportion of businesses that have been in existence for a long period may indicate places where there is a core group of businesses that are committed to the area. It is important to look at this because supporting established businesses could be just as important as promoting new enterprises.

3.2.2 Enterprise and innovation

Staffordshire and Stoke-on-Trent businesses are vital to the future prosperity of the local area. Business creation, local jobs, incomes and skilled workers will be key to driving up productivity and making Staffordshire competitive, as well as attracting companies and inward investment to the area.

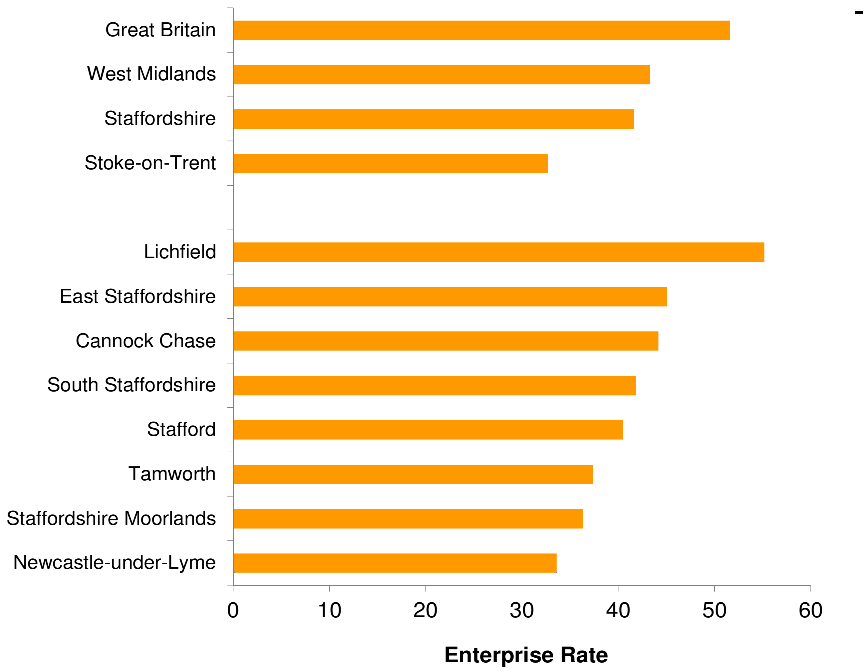
When looking at the innovation and enterprise of an area, it is important to consider survival and death rates of businesses as well as business start up rates. Areas may have high start up rates, but if survival rates are low, there is little gain in the overall number of businesses and therefore limited sustainability and stability in the local business market.

Business enterprise in Staffordshire and Stoke-on-Trent tends to be characterised by:

Low business start up rates...

Overall, both Staffordshire (41.7) and Stoke-on-Trent (32.7) are shown to have lower business start up rates than the regional (43.3) and national (51.6) averages. The business start-up rate has declined significantly in both Staffordshire and Stoke-on-Trent since 2007, which is similar to both the regional and national trends. As has been the case for a number of years now, enterprise rates tend to display a general pattern of higher levels of business start-ups in the southern parts of Staffordshire when compared to the north, as shown in figure 8.

Figure 8: Proportion of business births per 10,000 resident population aged 16 and over, 2011



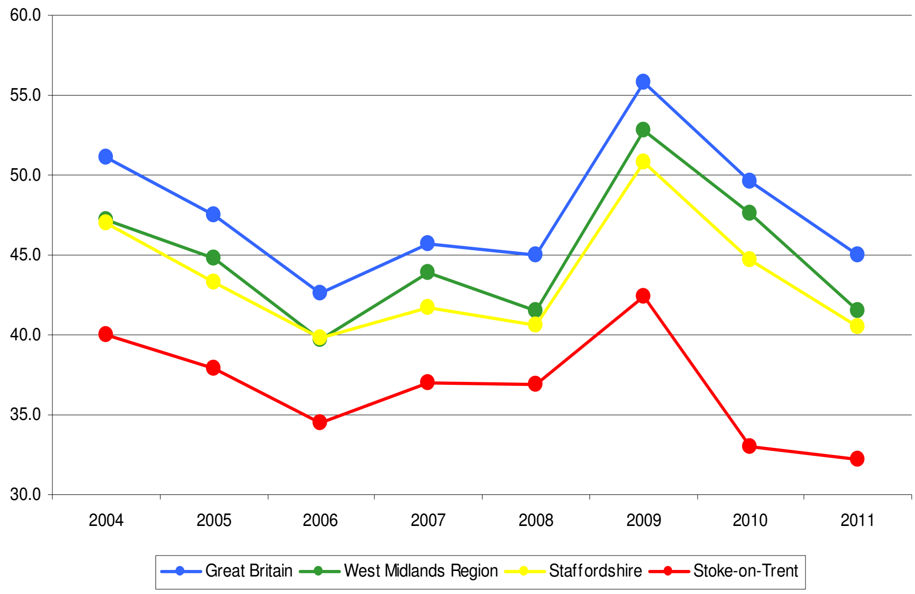
Source: Business Demography 2011, ONS

The number of business start-ups will clearly have been affected by the economic downturn, although it should be noted that the business start-up rate in Staffordshire has been significantly below the national average for a number of years and the gap is getting wider.

...but also low death rates...

In 2011, Staffordshire's business death rate decreased to 40.5 per 10,000 resident population aged 16 and over while Stoke-on-Trent saw a decline in business deaths to a rate of 32.2, both lower than both regional (41.5) and national (45.0) averages. The rate of business deaths increased substantially in 2009 compared with 2008, a clear indication of the impact of the recession. However, since the peak of the recession in 2009 the rate of business deaths has returned to similar levels seen prior to the recession (figure 9).

Figure 9: Proportion of business deaths per 10,000 resident population aged 16 and over



Source: Business Demography 2011, ONS

...and high survival rates (Staffordshire only)

In addition to the creation of new enterprises, the survival of businesses is of crucial importance to the longer term sustainability and viability of the economy. Business survival rates provide a useful measure of the success of newly formed businesses in an area and the likelihood that they will still be operational within given periods of time.

In Staffordshire the 3 year survival rate was 61.6% which exceeded both the regional (58.6%) and national (58.2%) averages. This appears to show that businesses that are created within Staffordshire are more likely to survive than the majority of other areas in the country. In Stoke-on-Trent, 55.9% of businesses born in 2008 were still in existence in 2011, well below the regional and national averages. Therefore, Stoke-on-Trent not only has below average levels of enterprise but also poor rates of business survival.

While Staffordshire Moorlands had one of the lowest levels of business start-ups in Staffordshire in 2011, the district is also shown to have by far the greatest level of mature businesses in the County. In 2012, just over 55% of all businesses in Staffordshire Moorlands had been operating for 10 years or more. This highlights that there will be variation in the issues affecting job creation in different parts of Staffordshire. While business start-ups have traditionally been low in Staffordshire Moorlands in particular, this district has a strong base of businesses that appear to be committed to the area. Therefore, supporting existing companies in the area in any expansion plans may be more successful in terms of job creation than trying to attract new firms to the area.

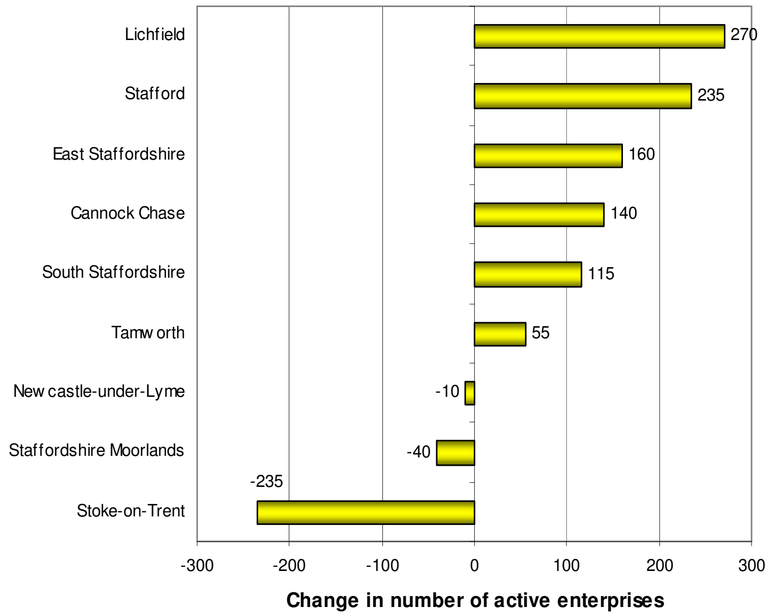
Active Enterprises

Simply looking at business births, deaths and survival does not provide an overall indication of the change of business population. For example, an area with a low rate of business start-ups but a high survival rate may ultimately generate a similar number of businesses to an area with a high business start-up rate but a low level of survival. Therefore it is important to consider the overall change in the number of active enterprises, as shown in figure 10.

As with business start-up rates, there is a clear north-south divide in terms of the change in the number of active enterprises between 2004 and 2011. Over the seven year period Stoke-on-Trent, Staffordshire

Moorlands and Newcastle-under-Lyme have seen a decline in the number of active businesses. This is largely due to these areas having comparatively low business start-ups but also in part due to business losses during the period. Conversely Lichfield and Stafford Borough have seen the biggest increase.

Figure 10: Change in number of active enterprises, 2004-2011



Source: Business Demography 2011, ONS

3.3 Business perspectives

This section considers the needs and demands for businesses, which covers the job vacancies that employers are looking to fill, the skills they require and the supporting infrastructure required, such as transport, broadband and land.

3.3.1 Demand for labour

Job vacancies provide an indication of unmet labour demand and help to identify mismatches in labour markets, particularly in terms of skills.

In Staffordshire, the number of job vacancies stood at over 10,600 in November 2012, whereas in Stoke-on-Trent there were just over 2,300 vacancies. These are over double the numbers of local job vacancies seen at the time of the recession in 2009, which is a similar picture to that seen at the regional and national level.

Although it can be seen as encouraging that there is an increasing number of vacancies available within the local jobs market, there are 'underemployment' issues regarding the share of vacancies that are in lower-paid occupations and the proportion that are part-time. Following the recession in 2009 there has been a significant increase in the proportion of job vacancies in Staffordshire and Stoke-on-Trent that are elementary occupations (such as cleaners and labourers) and a decline in the share of vacancies classed as professional occupations and administrative and secretarial opportunities.

In Staffordshire there has also been an increase in the number of vacancies that are offering part-time employment since the recession, whereas Stoke-on-Trent has seen a slight decline. In November 2012 nearly a quarter (24%) of vacancies in Staffordshire were part time, slightly lower than both the national (28%) and regional (27%) averages. In contrast, in Stoke-on-Trent 18% were part-time vacancies.

As well as issues regarding the types of job vacancies available there are also variations in the level of competition for jobs in the local area. Considering the number of Jobseeker's Allowance (JSA) claimants per unfilled jobcentre vacancy, in Staffordshire in November 2012 there were 1.5 JSA claimants per vacancy which is a much lower ratio than for the West Midlands (3.6 claimants per vacancy) and nationally (3.9 claimants per vacancy). In Stoke-on-Trent the number of JSA claimants per vacancy was 4.3 in November 2012. This indicates that the jobs market in Stoke-on-Trent may be far more competitive when compared with Staffordshire and therefore more difficult to find work that matches claimants needs.

In 2011 the UK Employer Skills Survey found that 4% of Staffordshire establishments surveyed experienced at least one hard-to-fill vacancy, representing just over 1,500 hard-to-fill vacancies across Staffordshire. This was the same proportion of establishments as for the West Midlands and a slightly lower proportion than for England (5%). In Stoke-on-Trent there were 2% of establishments with hard-to-fill vacancies, equating to 139 hard-to-fill vacancies in the area. The presence of hard-to-fill vacancies in Staffordshire shows that issues remain over the ability of the local labour market to meet employer demand for new staff. Understanding the causes of hard-to-fill vacancies is important when determining the most effective measures to ease recruitment difficulties and improve the effectiveness of the labour market. Importantly, it can help identify where there are issues finding applicants with the required skills to fill the role.

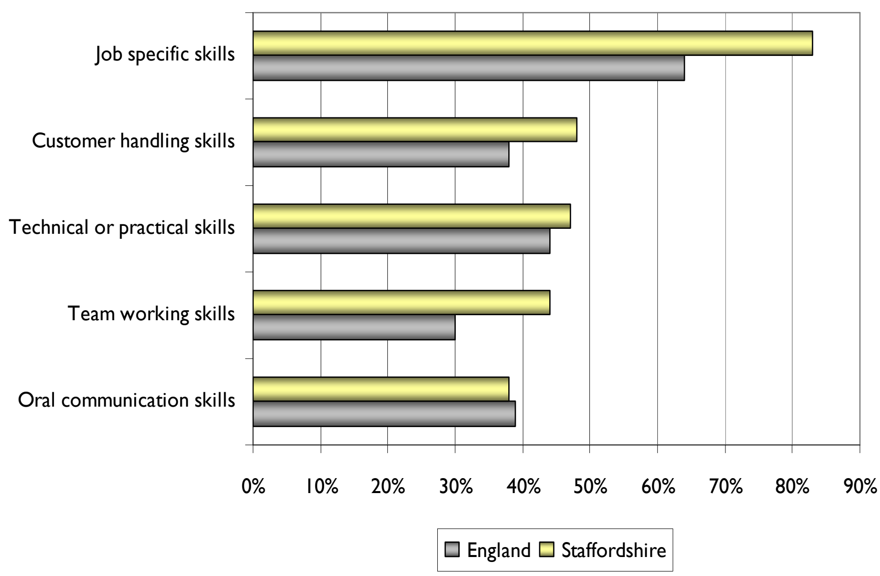
3.3.2 Demand for skills

The top two reasons for hard-to-fill vacancies in Staffordshire and Stoke-on-Trent were poor terms and conditions and skills. Figure 11 illustrates the skills in Staffordshire that were most difficult to obtain from applicants were job specific (83% of vacancies), customer handling (48%), technical or practical (47%) and team working (44%).

Recent local business surveys conducted on behalf of the LEP have also highlighted the need to improve education and skills, particularly basic skills, such as literacy and numeracy, and employability skills in young people so that businesses have access to a skilled local workforce.

However it is also important to consider whether this perception of low skills gaps within Staffordshire and Stoke-on-Trent may be a consequence of Staffordshire employers being unaware of the benefits of up-skilling their employees or a reflection of the higher proportion of local jobs in the more elementary occupations.

Figure 11: Top 5 skills found difficult to obtain from job applicants in Staffordshire, 2011



Source: UK Commission Employer Skills Survey 2011

*Please note that Stoke-on-Trent results have not been included due to the low response in this area

Future Skills Development and Training
It is recognised that developing skills and aspirations in current growth sectors across Staffordshire and Stoke-on-Trent, particularly the skills needed in higher occupation roles (e.g. skilled manual and technical occupations for advanced manufacturing) will see the potential for greater economic productivity.

It is also important that skills development and training provides the transferable skills (such as management skills and team working) which tend to be well valued by employers. The need to promote improvements in basic skills, particularly in terms of numeracy and literacy, are important implications for the local economy, both in terms of helping individuals to progress through the different levels of skills and qualifications attainment, but also in providing for the skills base to support the needs of more elementary occupations and to meet the demand for replacements to existing staff.

3.3.3 Supporting Infrastructure
This section considers the supporting infrastructure that businesses require to operate, such as employment land, housing availability for employees, transport and broadband.

The shift in the economy towards rural areas is in part thought to be due to a lack of availability of land within town centres, the cost of land in urban areas and technological improvements allowing companies to base themselves away from town centres. Whilst it will be important to continue to promote the attractiveness of the high quality environment in rural parts of Staffordshire and make sure that the right infrastructure, such as superfast broadband, is in place to attract new and high value businesses to the area, there is also the need to ensure that there is a wide portfolio of employment sites in both urban and rural parts of Staffordshire and Stoke-on-Trent that provides potential investors with options to meet their needs.

Evidence from our business development and inward investment teams highlights the shortage of high quality land for development as a brake on economic growth. In 2011 there was a total of just over 837 hectares of employment land available in Staffordshire and Stoke-on-Trent, with the vast majority (over 80%) of this land already granted planning permission. Although this shows that a significant amount of employment land exists, a large proportion of this land is not genuinely available because the critical 'up front' investment needed to unlock the sites has not been made. This is evident in that a number of sites are referred to as being 'long standing' having been available for over ten years without being brought forward for development.

As well as providing the employment land necessary for existing businesses to expand and grow, it is clear that developing employment sites and making suitable premises ready for inward investors to occupy will be an important factor in creating new jobs within the area. Recently Staffordshire County Council has invested in a number of major economic development schemes that will help this situation, including i54 in South Staffordshire and Redhill Business Park in Stafford, both of which will create thousands of jobs going forward. In Stoke-on-Trent there has been also been significant investment in the Central Business District and Etruria Valley which it is hoped will help regenerate and grow the economy.

The ambition to develop and grow the local economy in Staffordshire and Stoke-on-Trent will also require the right mix of housing for workers and improvements to infrastructure to address existing issues and to accommodate future economic growth.

Good quality and choice of housing helps to drive economic growth as it makes the area more attractive which helps to both retain the able and young and also attract people with entrepreneurial qualities and inward investors. The right housing in the right places can also have environmental benefits by reducing the need for long commutes and allowing people to live closer to the areas in which they work. In particular it is recognised that the provision of affordable housing can help to create more balanced and integrated communities, and makes employment opportunities more accessible to the less well paid and enables businesses to fill vacancies.

Investing in economic infrastructure such as transport links and energy generation capacity can have a strong positive effect on productivity in an area. This is why the Government has made investing in infrastructure a key part of its economic strategy. As infrastructure can cover a broad range of areas such as roads, railways, broadband and energy supply, it will be necessary in these difficult financial times to prioritise what infrastructure will deliver the most positive effects on the local economy.

In Staffordshire and Stoke-on-Trent there is particular importance attached to maintaining and improving local, national and international connectivity. This can improve the area's economic competitiveness, the wellbeing of those that live and work in the area through greater access to jobs, education and other services, and also make the area accessible to visitors which can boost the local economy. The focus will need to be on improving all forms of transport in the area, and particularly roads and rail.

Access to fast and reliable broadband is also important to individuals, communities and businesses. In Staffordshire and Stoke-on-Trent broadband services are not universally reliable with speeds varying greatly between different local areas. The majority of areas with poor broadband are found in rural parts of Staffordshire, where the low density of population has not attracted investment from infrastructure providers. Given that rural areas have been important economic drivers in recent years and the fact that a significant proportion of Staffordshire is rural, making sure that all parts of the county, both rural and urban, have access to fast broadband speeds will play a major role in the future economic growth of the area. Although there is currently a project aimed at improving superfast broadband coverage and access, it will also be important to encourage take up across Staffordshire and Stoke-on-Trent and ensure that local businesses are aware of and making best use of the service.

3.4 Implications for Commissioning

Productivity and Competitiveness

- Supporting existing businesses to develop and grow and attracting new companies in high-value industries will help improve productivity and competitiveness in Staffordshire and Stoke-on-Trent.

Structure of the Local Economy

- Building on existing industrial sectors and supporting those with the greatest potential for growth will enhance the local economy and make it more resilient to future economic problems.
- Promoting Staffordshire and Stoke-on-Trent as a place to do business and ensuring that the right support, skills and infrastructure are in place will strengthen the local economy.

Enterprise and Innovation

- Stimulating enterprise, innovation and inward investment will be vitally important to rebalancing and growing the local economy in Staffordshire and Stoke-on-Trent and increasing prosperity through greater job opportunities.

The Rural Economy

- Continuing to build on strong recent growth in rural areas, particularly in the tourism & leisure, ICT and food & drink clusters, will help strengthen and diversify the local economy making it more resilient to future economic problems.

Urban Centres

- Promoting opportunities for employment development within Staffordshire and Stoke-on-Trent's urban centres will help maximise their vitality and viability and ensure they remain important economic drivers.

Employment Land, Housing and Infrastructure

- Bringing forward the development of key strategic employment sites and making available premises that are ready to occupy for both existing businesses to expand and grow and for potential inward investors will be crucial for future growth and job creation.
- Ensuring that the right housing and infrastructure is in place to support economic development will help to create more balanced and integrated communities and maximise growth and job creation in the area.

4. People

This section considers the economy from the perspective of the people and the workforce. It is structured in two parts, the first considering our future workforce, in particular young people, and the second looking at our existing workforce. In both sections there will be an assessment of the existing picture and consideration of what is required to support the needs of the workforce both now and in the future.

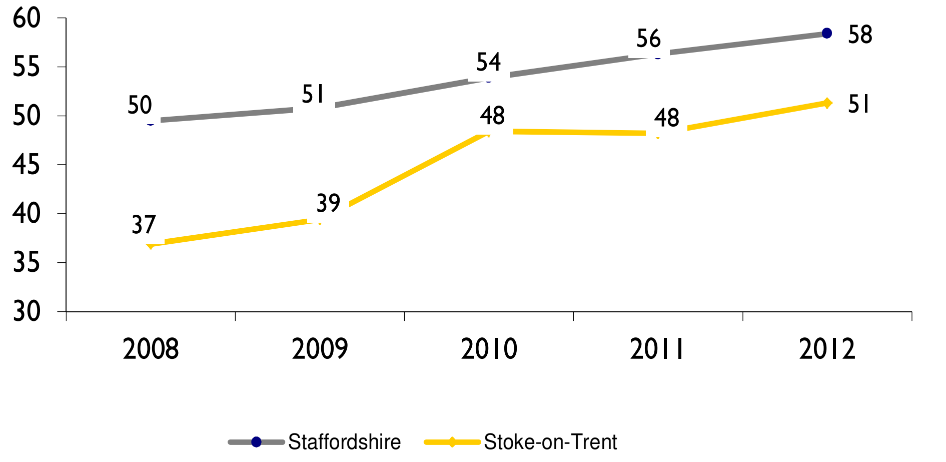
4.1 Planning and support for our future workforce

This section considers the current situation of our future workforce and the planning and support required to ensure that they have the necessary skills and abilities to be ready for work.

4.1.1 Building the Foundation - education and attainment

Good literacy and numeracy are key to further study and employability. Improving performance in these is important, as areas with low levels of education attainment and skills are often associated with high levels of worklessness and other socio-economic issues. Performance at Key Stage 4 is an important indicator because pupils attaining good GCSEs and equivalent level qualifications are more likely to continue with some form of structured learning, leading to higher levels of skills and improved employability.

Figure 12: Pupils achieving five or more GCSEs, including English and Maths, 2008-2012



Source: Department for Education and Staffordshire County Council

Attainment at Key Stage 4 in Staffordshire and Stoke-on-Trent has continued to improve. In Staffordshire, around 58% of pupils achieved five or more grade A* - C GCSEs including English and Maths in 2012 compared to 50% of pupils in 2008 and in Stoke-on-Trent 51% achieved the equivalent in 2012, compared to 37% in 2008. However, performance remains slightly below the national average of 59%. Across Staffordshire, a significant divergence in levels of attainment by district also remains. In Tamworth 48% of pupils achieved five or more A* - C GCSEs including English and Maths in 2012 compared to 63% in Stafford.

4.1.2 Options for school leavers

On leaving school, not all young people will wish to continue in education so other options to meet their needs should be considered. This section looks at these options, including further, higher education and other methods of learning, such as apprenticeships.

Further and higher education

The percentage of Staffordshire's school leavers continuing with some form of structured learning after the age of 16 has continued to rise over the past five years, increasing from 92.2% in 2008 to 95.2% in 2012. In Stoke-on-Trent there has been an increase from 88.6% in 2008 to 94.7% in 2012. These figures will rise further as Raising the Participation Age is introduced which means that by 2015 all young people will continue in education or training until the age of 18.

In Staffordshire around 74% of school leavers in 2010 continued with structured learning two years later, including Further Education Colleges or Higher Education institutions, and approximately half of these continued in full-time education. There are differences between districts, with Stafford having the highest participation two years on in structured learning, compared with Cannock having the lowest, 78% and 65.5% respectively. Possible reasons for this can be attributed to student residence and travel to learn patterns, with Stafford students having more choice and less distance to travel for the local college and university. Also there may be other factors such as levels of achievement, ambition or intergenerational family issues. In Stoke-on-Trent the proportion of school leavers continuing with structured learning is far lower than in Staffordshire, with 2012 figures showing only 22.7% in structured learning two years after leaving school.

Apprenticeships

At a time when rising tuition fees are making further and higher education less attractive to young people, such schemes as work placements and apprenticeships will be of increasing importance in equipping young people with the skills to compete in today's tough job market. It is hoped that by improving opportunities for young people to enter employment, this will lead to growth and prosperity in the local economy.

Apprenticeship programmes offer a different approach to continuing in learning by combining on the job training with a recognised framework of qualifications. Apprenticeships are offered at two levels: level 2 Apprenticeship and level 3 Advanced Apprenticeship and, overall, numbers of apprenticeships are increasing.

The number of Apprenticeship Programme starts in Staffordshire and Stoke-on-Trent are far higher than the numbers seen in neighbouring authorities and have been increasing with Staffordshire seeing a rise from 8,450 in 2010/11 to 9,221 in 2011/12 and Stoke-on-Trent an increase from 2,964 in 2010/11 to 3,272 in 2011/12. In particular there has been a significant increase in apprenticeships in engineering and manufacturing technologies while business, administration and law apprenticeships have seen a large decline. This increase may in part be due to rising tuition fees making further and higher education less attractive to young people. It will be important to support the development of apprenticeships in emerging sectors that are likely to form a significant part of future economic growth in the economy.

After seven years of continual improvement in success rates in apprenticeships in Staffordshire, there was a slight decline from 74% in 2010/11 to 72% in 2011/12, whereas in Stoke-on-Trent there was a decline from 76% to 73% during the same period. This trend is similar to that seen regionally and nationally, with both areas currently just below the national average of 74%.

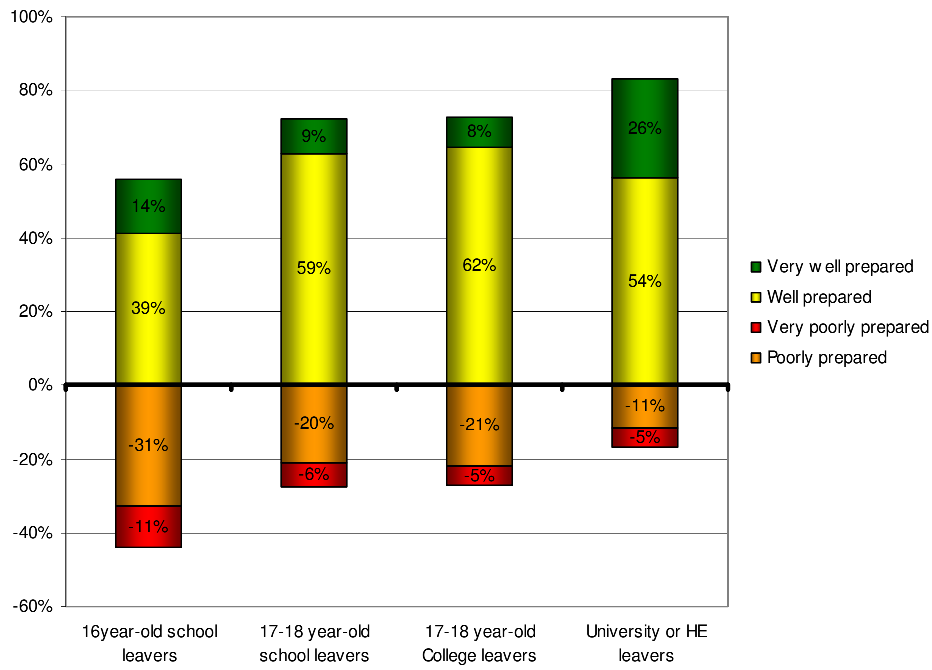
4.1.3 Readiness for work

As discussed, young people can take various routes to employment, either working directly out of school or continuing in further education or learning. From all routes, it is important to consider the job-related skills they require to access employment, but also the wider 'work-readiness', which may include general skills such as communication and team-working, vital in the workplace.

The UK Commission's Employer Skills Survey 2011 showed that around a quarter of businesses surveyed in Staffordshire (26%) and Stoke-on-Trent (24%) had recruited someone straight from education in the last 2-3 years. These were similar rates of recruitment as the average for the West Midlands (26%) but below the average for England (30%).

Figure 13 shows that the majority of employers surveyed in Staffordshire were satisfied with the work-readiness of education leavers, with perceptions of work-readiness increasing with the age of the leavers and the amount of time recruits had spent in education (up to 80% of university leavers were considered to be well or very well prepared). The possible reasons why recruits from Higher Education may be seen as better prepared for work than younger recruits could be the additional time graduates have spent in education or because employers may invest more resources in graduate recruitment and therefore be likely to find more suitable individuals.

Figure 13: Staffordshire* employers perceived work-readiness of education leavers in the last 2-3 years



Source: UK Commission's Employer Skills Survey

*Please note that Stoke-on-Trent results have not been included due to the low response in this area

Where recruits were considered poorly prepared for work this was most often attributed to the same reasons as nationally, including a lack of experience (of the world of work or, more generally, life experience or maturity) or to personality (poor attitude or lack of motivation). This suggests that young people would benefit from more school teaching of life skills and increased work experience opportunities offered by employers. Only a small proportion of employers felt that recruits from each of the age groups lacked basic literacy or numeracy skills.

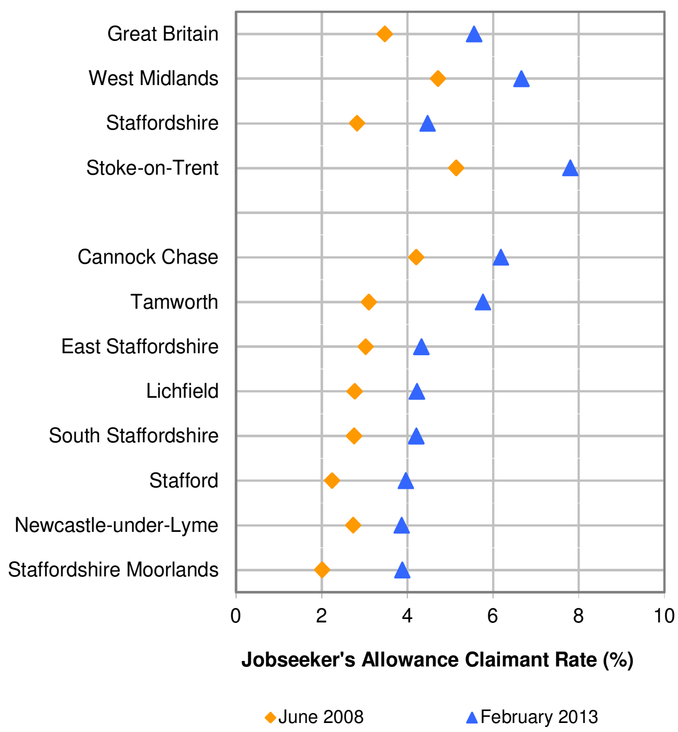
4.1.4 Employment opportunities

The previous sections have highlighted the steps required to ensure that young people are qualified, skilled and ready for work. However, the current situation for young people in the job market is particularly challenging, with youth unemployment a significant issue in Staffordshire and Stoke-on-Trent.

At the end of 2012, 5.3% of people aged 16-18 in Staffordshire were not in employment, education or training (NEET) which is lower when compared to 5.8% nationally and 6.2% in the West Midlands. In Stoke-on-Trent there were 9.2% of people aged 16-18 that were NEET.

The 16 to 24 age group suffer disproportionately from unemployment locally, particularly in Stoke-on-Trent compared to national and regional figures. In February 2013 there were just short of 4,200 JSA claimants aged 16 to 24 in Staffordshire, which represented 4.5% of the 16 to 24 population, while in Stoke-on-Trent the rate was 7.8%, well above the national average of 5.6%.

Figure 14: Proportion of 16 to 24 year olds claiming Jobseeker's Allowance



Source: Claimant Count, NOMIS

Figure 14 shows that Cannock Chase has the highest level of youth unemployment in Staffordshire, with 6.2% of the 16 to 24 population claiming JSA in February 2013, compared to 3.9% in Staffordshire Moorlands. Although there are some positive signs across the county that youth unemployment is reducing, the numbers of JSA claimants aged 16 to 24 across Staffordshire and Stoke-on-Trent remain much higher than those seen prior to the recession.

It is recognised that it is important to reduce youth unemployment through better employment opportunities and increased levels of progression into higher and further education. This is likely to reduce the impacts of scarring (the long term damage to individual's economic situations and the economy more broadly) and inactivity. If youth unemployment is not actively targeted then there is the distinct possibility that young people who are unemployed at present may become economically inactive in the long term.

4.2 Supporting our existing workforce

Staffordshire and Stoke-on-Trent's people underpin the county's economic prosperity by providing the labour force which keeps Staffordshire's businesses moving forward and in this section we will explore the current workforce. The demographic characteristics of people in Staffordshire and Stoke-on-Trent and the communities in which they live will also be examined as these are also important for service planning, businesses needs and the overall spatial development of the county.

4.2.1 Who are our workforce?

Staffordshire has a total population of 848,500, and Stoke-on-Trent, 249,000. Population growth over the next decade is anticipated in both areas, 5.5% (46,700 people) in Staffordshire and 3.3% (8,370 people) in Stoke on Trent.

The overall working age (16-64) population provides an indication of the potential labour force and Staffordshire's total working age population is currently 541,300 and Stoke-on-Trent's is 161,440. In Staffordshire, this is expected to decline over the next decade by 1.6% or 8,330 people, which is in-line with regional and national trends. All Staffordshire districts and Stoke-on-Trent will experience a decline in the proportion of their population which is of working age by between 3-5%. By area, the greatest reductions in actual numbers will be in South Staffordshire and Staffordshire Moorlands of 3,960 and 3,230 respectively. Conversely, some areas including East Staffordshire are expected to see an increase in the actual number of people who are of working age of 1,280 by 2021.

Staffordshire and Stoke-on-Trent, like many other areas across the country are expecting to see a growth in their future populations and this will be more noticeable in Staffordshire. As the population is ageing, the numbers of people in the 'prime age of economic activity' (25-49) will decrease, impacting the labour force, which may potentially become smaller. By 2021, those in their prime age of economic activity are expected to make up 29% of the overall Staffordshire population, a decline of 3% from current levels. In Stoke-on-Trent this figure is 32%, a expected decline of 2% from current levels by 2021. The possible changing structure of the labour force in Staffordshire and the rise in state pension age may mean people have to work longer than at present and the possible potential shift towards part time working could have consequences for underemployment.

As the population becomes increasingly skewed towards the older age groups in Staffordshire and Stoke-on-Trent there may be implications for the health and social care sector, with the likelihood being that greater social care provision will be required to support a growing ageing population. As well as ensuring that there are people sufficiently qualified to support the needs of the social care and health sector, there will also be a need for older people to be adaptive and flexible in the development of their skills and to engage in retraining to be able to participate in the future development of the labour market.

There are many opportunities of an ageing population for society as a whole. In economic terms, the older population represents a strong spending power, with the development of a market for the 'grey pound', including travel and financial products and opportunities in the markets for specialist health and social care products and services. The grandparents in this age group may be able to provide child care to allow parents to go out to work, thus providing an economic benefit.

In terms of skills and expertise, the older population has a lot to share and pass on to younger generations. Many may still be economically active or have the time and desire to volunteer in their local areas.

As well as a natural change in the population, which can be largely explained by births, deaths, and the fact that people are tending to live to an older age, population change is also heavily influenced by migration, both from within the UK and overseas. The most important migration trends have been related to movements within the region, typically from urban to rural areas. The towns of Stafford and Burton upon Trent are also expecting to attract substantial growth over the medium to long-term future as these are towns which can accommodate balanced growth in housing, employment and associated infrastructural improvements. They may also be a focus for additional inward migration.

Levels of international migration have been relatively high since 2004, following the expansion of the EU, and the associated labour market freedoms that this presents. However, the true impact of international migration for Staffordshire and Stoke-on-Trent is uncertain as a consequence of the limitations of official data. However it is known that the most common reasons for migrating to the UK are for study, followed by work related reasons. Given the changing demographic circumstances of the county, it is possible that international migration could provide some capacity to fill labour market gaps, which may arise as a consequence of the generally ageing population.

4.2.2 Characteristics of the workforce

This section considers some of the key characteristics of Staffordshire and Stoke-on-Trent's workforce, looking at what a 'typical' worker looks like, in terms of their skills, qualifications, employment and income and comparing with the national picture.

1. Lower qualification levels than the national average

On the whole, Staffordshire and Stoke-on-Trent have lower than average levels of qualifications[3]. The proportion of the working age population (16-64 years) in Staffordshire with no qualifications is 11.7%; greater than the Great Britain average of 9.7%, but below the regional average of 13.6%. Tamworth and Stoke-on-Trent have the highest proportion of their working age population with no qualifications at 20.7% and 19.4% respectively.

Figure 15 shows that the proportion of Staffordshire's working age population qualified to NVQ Level 2+ was similar to the national average in 2011, whereas Stoke-on-Trent performed significantly below the national average. Both areas have seen an improvement between 2010 and 2011, with the Staffordshire figure increasing from 67.5% to 68.9% and in Stoke-on-Trent there was an improvement from 55.6% to

Figure 15: Proportion of the working age population (16-64) qualified to NVQ Level 2 or above, 2011

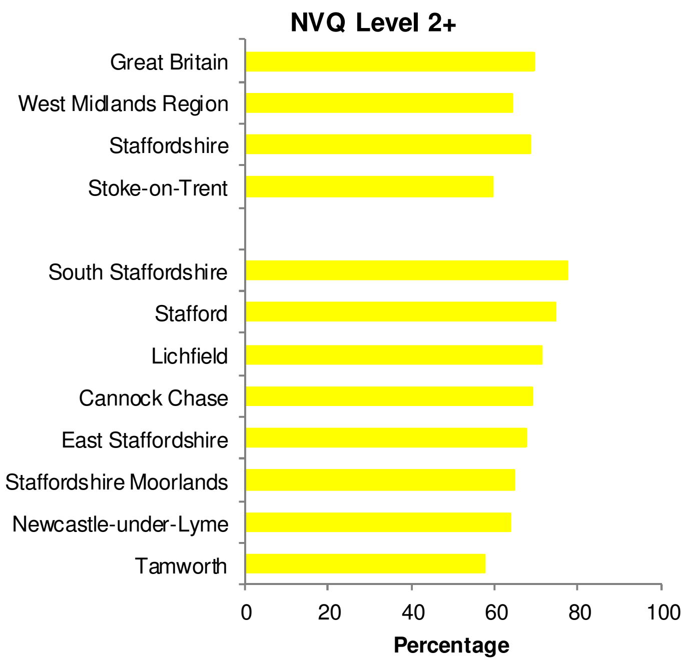
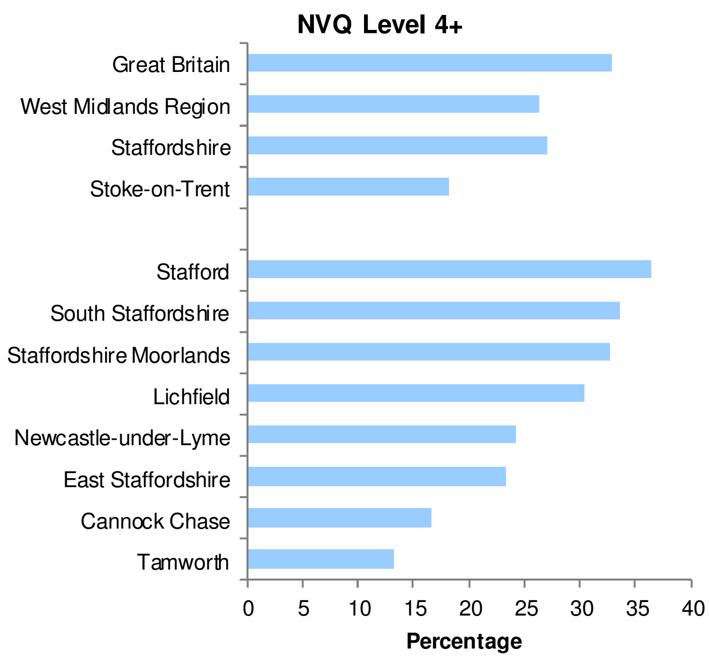


Figure 16: Proportion of the working age population (16-64) qualified to NVQ Level 4 or above, 2011



Source: Annual Population Survey, NOMIS

[3] There are potential issues over the confidence intervals of local authority adult qualifications data from the Annual Population Survey and therefore may not be a true reflection of qualification levels in Staffordshire and Stoke-on-Trent.

59.8%. Again, Tamworth and Stoke-on-Trent fall the furthest behind the national (69.7%) and regional (64.3%) averages in terms of level 2+ adult skills levels.

It is also important to consider higher level adult skills in Staffordshire and Stoke-on-Trent as it is these that will be important in filling knowledge intensive jobs and deliver greater prosperity in the local area. Figure 16 shows that Staffordshire and Stoke-on-Trent fall well behind the national average for NVQ Level 4+ qualifications. In 2011, in Staffordshire just over a quarter (27%) of the working age population were qualified to NVQ Level 4 equivalent and above, whereas Stoke-on-Trent had only 18.2% qualified to NVQ Level 4+, both well below the national average of 32.9%.

As with NVQ 2+, Tamworth and Stoke-on-Trent are two of the local areas that fall the furthest behind the national and regional averages for NVQ Level 4+ adult qualifications. Given the poor performance of these areas at all levels of education and skills development, there are clearly ingrained issues within these areas that need to be addressed. Increasing skill levels at NVQ Level 4+ will be important in developing the local economy, with a large number of jobs in high value added sectors being reliant on a highly skilled workforce.

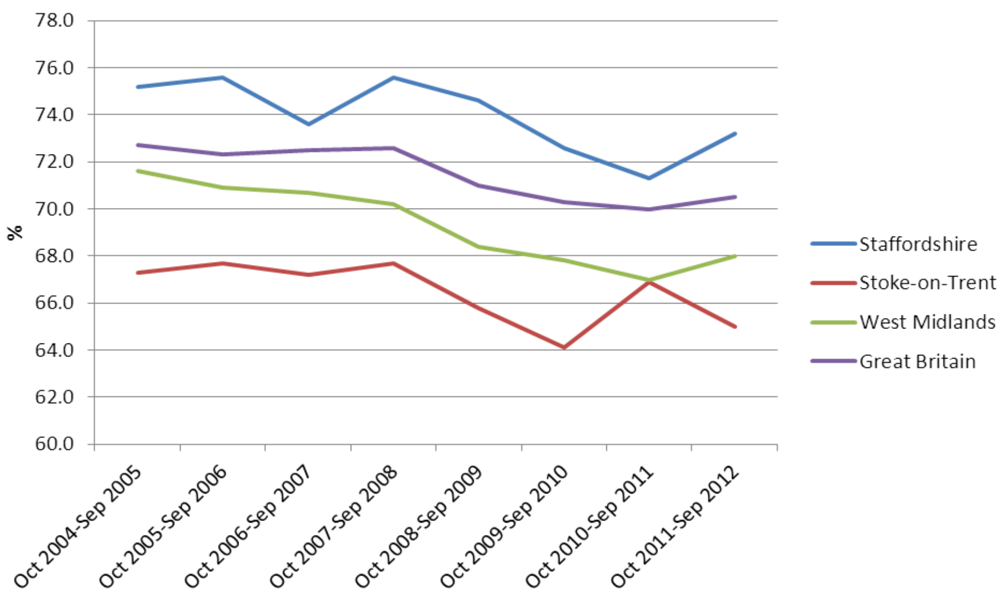
2. Be economically active

The majority of Staffordshire and Stoke-on-Trent's working age population was economically active in 2012, although in Stoke-on-Trent the proportion is considerably lower than the national average. Around 78% of Staffordshire's working age population was economically active, which is slightly higher than the national average of 77%. This amounts to a potential labour supply of 408,400 people. In Stoke-on-Trent the economic activity rate faired less favourably, with only 70% or 107,700 of residents aged 16-64 economically active. The only districts showing lower than average levels of economic activity are Tamworth at 76% and Cannock Chase with only 73%. Across the Staffordshire and Stoke-on-Trent, rates of economic activity were higher for men than women, 84% compared to 69%, reflecting national trends.

3. More likely to be in employment than the national average (Staffordshire only)

Estimates from the Annual Population Survey suggest Staffordshire has a total employed population of around 381,100. As figure 17 shows, this equates to an employment rate of 73% which is above both the regional (68%) and national (71%) averages. In contrast, in Stoke-on-Trent there are an estimated 153,300 people in employment or 65% of the working age population which is below both the regional and national averages.

Figure 17: Percentage of population aged 16-64 in employment (employment rate)



Source: ONS Annual Population Survey

In Staffordshire, the employment rate among men is 80% compared to only 66% among women of working age, similar to the picture nationally where 76% of men and 65% of women are in employment.

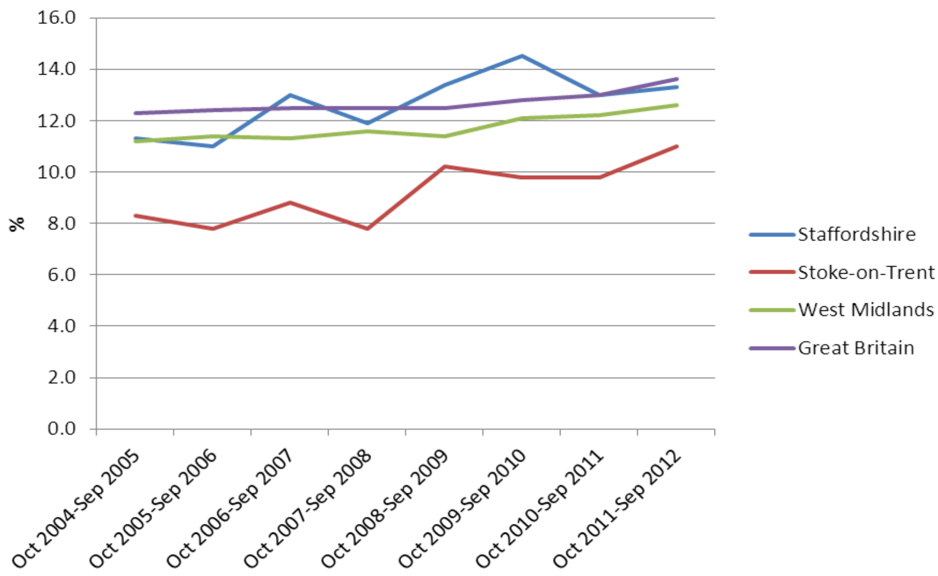
Figure 17 shows that since 2007 the employment rate in Staffordshire and Stoke-on-Trent has been falling, which is a similar trend to that seen nationally. This indicates that there is a decrease in the number of jobs available and will have been significantly affected by the recession and resultant economic downturn.

4. Less likely to be self employed than the national average

Self-employment has an important role to play in the local labour market. This is particularly the case given the effects of the recent recession and on-going economic downturn, whereby job losses, combined with redundancy payments, plus opportunities for entrepreneurial activity have enhanced the number of business starts in the area during recent years. Across Staffordshire and Stoke-on-Trent, self employment rates are lower than the national average, at 13.3% and 11.0%, compared to 13.6%.

Figure 18 shows that following the recession there has been an increase in self-employment in both Staffordshire and Stoke -on-Trent, which is similar to the trend seen both regionally and nationally. Although self-employment levels in Staffordshire are shown to be higher than that seen in Stoke-on-Trent, indicating that in Staffordshire enterprise activities are more prominent.

Figure 18: Proportion of residents in employment who are self-employed



Source: ONS Annual Population Survey

Self-employment rates vary significantly across Staffordshire with levels highest in Lichfield and East Staffordshire, where rates are more than three times higher than those seen in Newcastle-under-Lyme. This may indicate that there is a need for more support for people wishing to start a new business in Newcastle-under-Lyme or there may simply be less people that have the desire to work for themselves in the current economic climate.

5. Have an increasing likelihood of being under-employed

Another impact of the recession has been an increase in ‘underemployment’ across the country, with many people losing their jobs, and in some cases highly skilled workers having to take employment in lower skilled, low wage jobs. Alongside this, those who usually work full-time are often having to take part -time employment or reduced hours of work.

In Staffordshire and Stoke-on-Trent the level of part-time employment has been above both the regional and national averages for a number of years and currently part-time working accounts for 26.3% of employment in Staffordshire and 26.5% in Stoke-on-Trent, both slightly higher than the national rate of 25.9%. Although it is important to recognise that a proportion of part-time working will be through choice rather than due to external factors.

The projected ageing of the population in Staffordshire and Stoke-on-Trent may also have an impact on the labour force, with people possibly having to work longer which could see a greater emphasis on part-time work. This potential demand for more part-time work could see overall levels of 'underemployment' increase, with more job vacancies being for part-time positions.

6. Be employed in skilled trades (Staffordshire) and elementary (Stoke-on-Trent) occupations

The occupational structure of Staffordshire's employed population is shown to be broadly similar to Great Britain as a whole, with the most noticeable difference being that there are more people working in skilled trades occupations, 13.6% in Staffordshire compared to 10.7% nationally. This is likely to be due to the strong history of manufacturing in the local area.

In Stoke-on-Trent there are a number of important differences to the national picture, with significantly less employment in 'high value' occupations such as managers, directors and senior officials, and professional occupations and far more in lower value jobs such as elementary occupations, 17.1% in Stoke -on-Trent compared to 10.9% nationally.

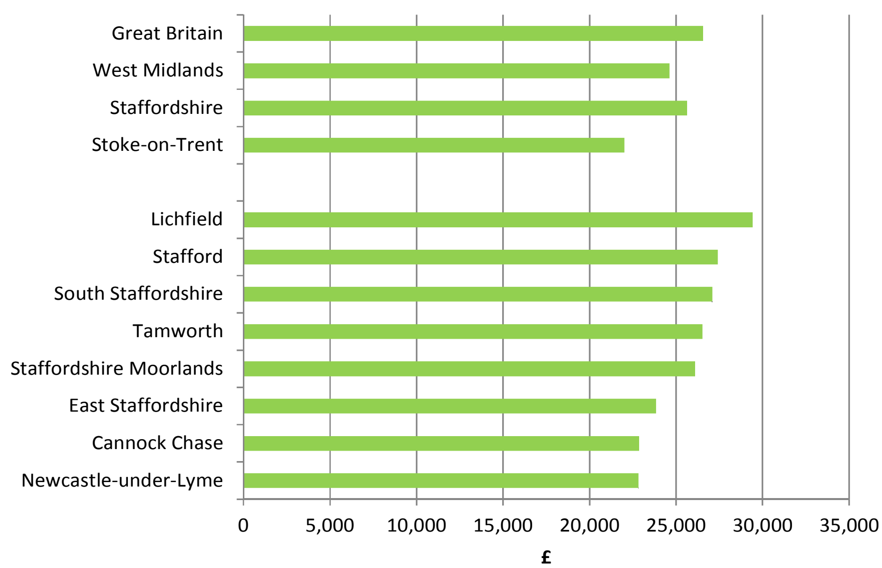
7. Earnings lower than the national average[4]

Levels of earnings help to identify areas of relative affluence and deprivation, with low levels of earnings indicating that individuals may struggle to attain a good quality of life. Staffordshire and Stoke-on-Trent's reliance on a concentration of employment in traditional sectors has meant that the earnings of people working in the area tend to be below the national average.

The average gross annual earnings for a full-time worker living in Staffordshire were £25,643 in 2012 and £22,019 in Stoke-on-Trent, both below the national average of £26,551. Between 2011 and 2012 Staffordshire saw an increase in average annual earnings of just over £600 and Stoke-on-Trent had a rise of nearly £800, both higher increases than the approximate increase of £320 seen nationally during this period.

Figure 19 shows that there are generally higher levels of earnings in southern Staffordshire than those seen in the north. Residents in

Figure 19: Median Gross Annual Earnings (by district of residence), 2012



Source: Annual Survey of Hours and Earnings 2012 (ASHE)

[4] National average earnings are skewed due to high incomes in the South East of England.

Lichfield were shown to have the highest earning levels in 2012 at £29,439, compared to only £22,826 in Newcastle-under-Lyme. This earnings gap is also seen to be widening with Lichfield, Stafford and South Staffordshire all seeing big increases in earnings since 2009, whereas Newcastle-under-Lyme has seen a decline of over £440 in average annual earnings.

As well as the differences in earnings between local areas, there are also differences between the average earnings of people who are working in the area, and those who are resident in the area. Only Stoke-on-Trent and East Staffordshire have greater average workplace based earnings than their resident based earnings in 2011.

The generally higher levels of resident based earnings for Staffordshire as a whole and in particular Lichfield, Staffordshire Moorlands, South Staffordshire and Tamworth are partially a reflection of out-commuting to higher paid jobs in these areas.

A narrowing of the gap between the earnings of people working in Staffordshire and Stoke-on-Trent, and those who are resident in the area will be assisted by improvements to the skills levels of the workforce, and through the attraction of more employment in higher value added sectors. Also there will need to be improvement and promotion of Staffordshire and Stoke-on-Trent as a place, including the retention of graduates from HE institutions in and around the area, the attraction of graduates from beyond Staffordshire and Stoke-on-Trent, greater levels of consumer spending within the local area and local centres, and the provision of appropriate and aspirational housing.

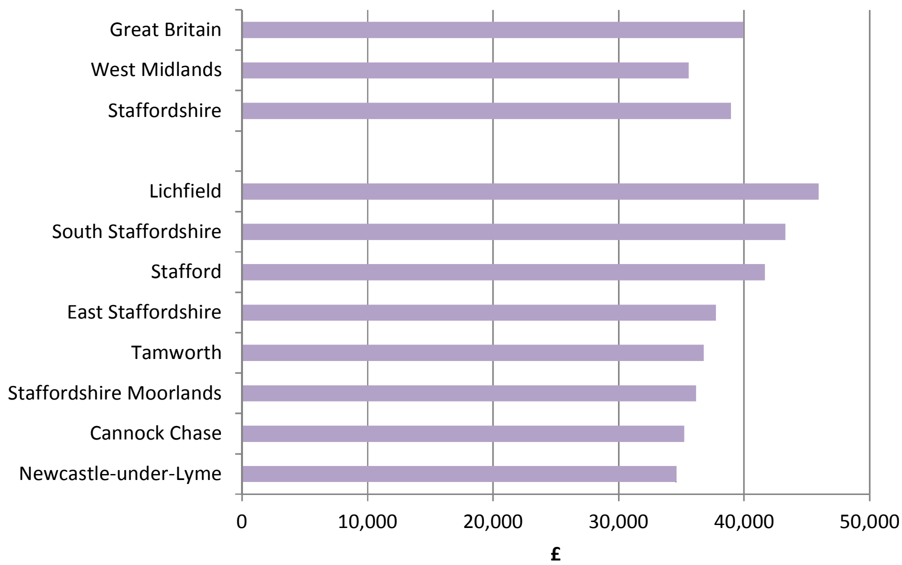
8. Lower than national average household income

Household income levels are important given the current economic climate and increasing costs of living. As well as earnings, household income can also include money incurred from investments, sales of property and social security benefits. It is recognised that the income of individuals is one of the most important factors influencing an area's overall prosperity.

The average household income in Staffordshire was £38,977 in 2012, which was above the West Midlands average of £35,602 but below the national average of £39,956.

Figure 20 shows that the distribution of income throughout Staffordshire varies significantly between localities. The areas with the lowest household income are Newcastle-under-Lyme, Cannock Chase and Staffordshire Moorlands.

Figure 20: Average Household Income, 2012



Source: Acxiom IncomeX 2012

The current economic climate has seen a freeze in the pay of many individuals, a shrinking job market and also cuts to pensions. It is important to take into account how these changes may have impacted upon the income of families in Staffordshire and Stoke-on-Trent and to ensure that the right support is in place for those most in need.

4.2.3 The out-of-work population

This section explores the out-of-work population in more detail. This includes individuals of working age who are not in employment, claiming benefits such as sickness or disability, carer's allowance and job seekers.

Figure 21 shows that the proportion of residents claiming out-of-work benefits in Staffordshire has declined since the peak of the recession in 2009, where there were around 58,800 people claiming out of work benefits, compared with 50,600 in 2012, equating to 9.4% of the county's working age population. Although worklessness is significantly lower than many other local authority areas, Staffordshire still has the highest level of worklessness of the five shire counties in the West Midlands.

Figure 21: Proportion of working age population claiming out-of-work benefits, 2009-2012

Source: Department for Work and Pensions (DWP)

In Stoke-on-Trent there were 28,300 people claiming an out of work benefit in 2012, representing 17.5% of the working age population, well above the national (11.8%) and regional (12.9%) averages. There has been a slight decline in worklessness in Stoke-on-Trent since the peak of the recession in 2009.

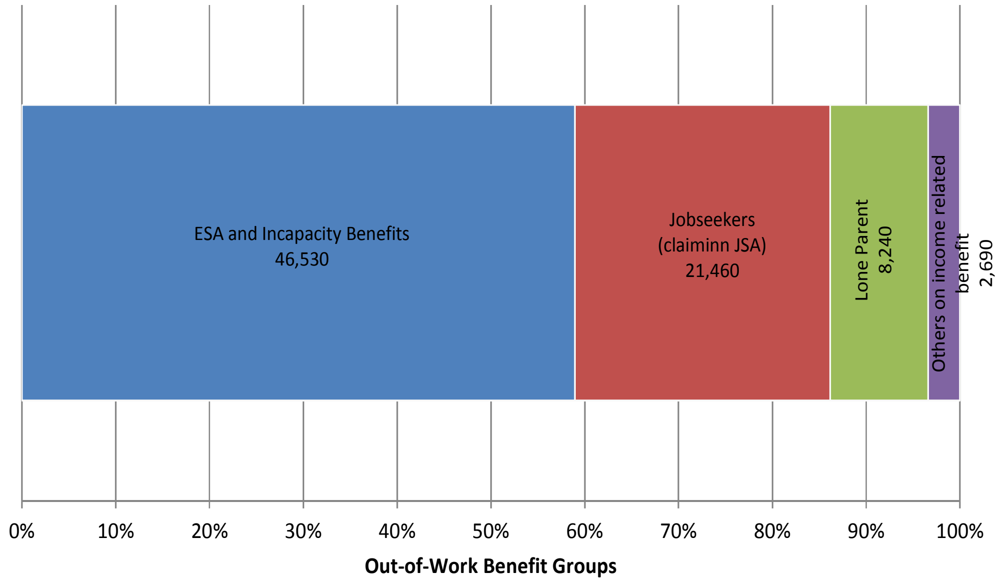
Reasons for worklessness

As well as understanding overall levels of worklessness it is also important to consider the reasons why people are claiming out-of-work benefits. Figure 22 shows the breakdown of the benefit groups that make up out-of-work benefits in Staffordshire and Stoke-on-Trent in August 2012.

Claimants of Incapacity Benefit and its successor Employment and Support Allowance (ESA) continue to represent the vast majority of the workless caseload. In Staffordshire and Stoke-on-Trent there were over 46,500 people claiming ESA and Incapacity Benefits in August 2012, well over half of all out-of-work benefit claimants.

The number of JSA claimants increased dramatically as a result of the recession, almost doubling between 2008 and 2009. However there has been a significant reduction in JSA claimants over recent years from a

Figure 22: Breakdown of out-of-work benefits, August 2012



Source: Department of Work and Pensions

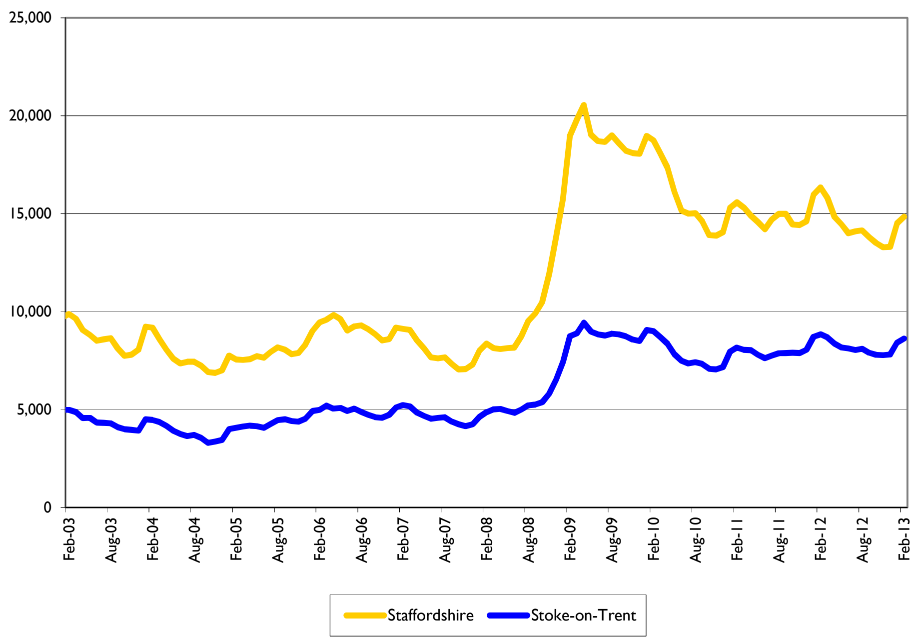
peak of more than 20,000 in April 2009 down to around 13,600 in August 2012. This represents one of the greatest declines in JSA among all of the strategic authorities in the West Midlands. Stoke-on-Trent also saw a rapid increase in JSA claimants around the time of the recession, but has only seen a slight improvement over the last few years.

The claimant count is a key measure of unemployment and measures those people claiming JSA. As figure 23 shows at the peak of the recession, in April 2009, there were over 20,500 JSA claimants in Staffordshire and over 9,400 claimants in Stoke-on-Trent.

The rate of increase in the county's claimant count in the year up to April 2009 was faster than that experienced regionally or nationally. This is likely to be due to Staffordshire having a higher proportion of employment in the more vulnerable sectors of manufacturing and construction than the regional and national averages. However, the claimant count has steadily fallen since April 2009 but still remains significantly higher than the levels seen prior to the recession.

In February 2013 there were around 14,800 JSA claimants living in Staffordshire. The claimant proportion for Staffordshire was 2.7% in February 2013 which was lower than the West Midlands rate of 4.7% and the national rate of 3.8%. In Stoke-on-Trent the claimant proportion stood at 5.3% in February 2013 which was well above the rates seen prior to the recession and there has been only a slow improvement since the peak of the recession in April 2009 when the claimant proportion reached 6.1%.

Figure 23: Working Age Population (16-64) claiming Jobseeker's Allowance



Source: Claimant Count, NOMIS

At a district level, the proportion of residents claiming JSA benefit ranges from a low of 2.1% in Staffordshire Moorlands to 3.6% in Cannock Chase. Over the last year all of Staffordshire's districts have experienced an overall decrease in the number of JSA claimants and the claimant rate.

Tackling worklessness and associated deprivation is a key priority for Central and Local Government and their partner agencies. Bringing people back into the workforce is seen as desirable for individuals and families, as it provides additional income along with less tangible benefits, such as improved health and well-being. Reducing the number of people needing financial support whilst out of work decreases the amount of money required to fund such benefits, whilst increasing productivity and improving the prospects for the local economy.

Welfare reform changes will mean an increase in the numbers of people searching for work. The focus of the reform is to 'make work pay' and ensure that people are better off in work than on benefits. As such, there is a need to consider the support that will be required to ensure people have the relevant skills to access jobs, but also to make sure that appropriate employment opportunities exist for people to apply for.

In Staffordshire and Stoke-on-Trent it will be important to target worklessness initiatives in areas where aspirations of individuals have been affected by intergenerational worklessness in a family, such as in the former coalfield communities of Cannock Chase and Newcastle-under-Lyme where ill health has seen high concentrations of claims for incapacity benefits.

There are also a number of other local factors influencing worklessness which are prevalent across the local area including mental illness affecting people's ability to work, lone parents unable to afford childcare and ethnic minorities experiencing language barriers when trying to find employment. These barriers will need to be addressed in order to provide those that wish to participate in the labour market the opportunities to do so.

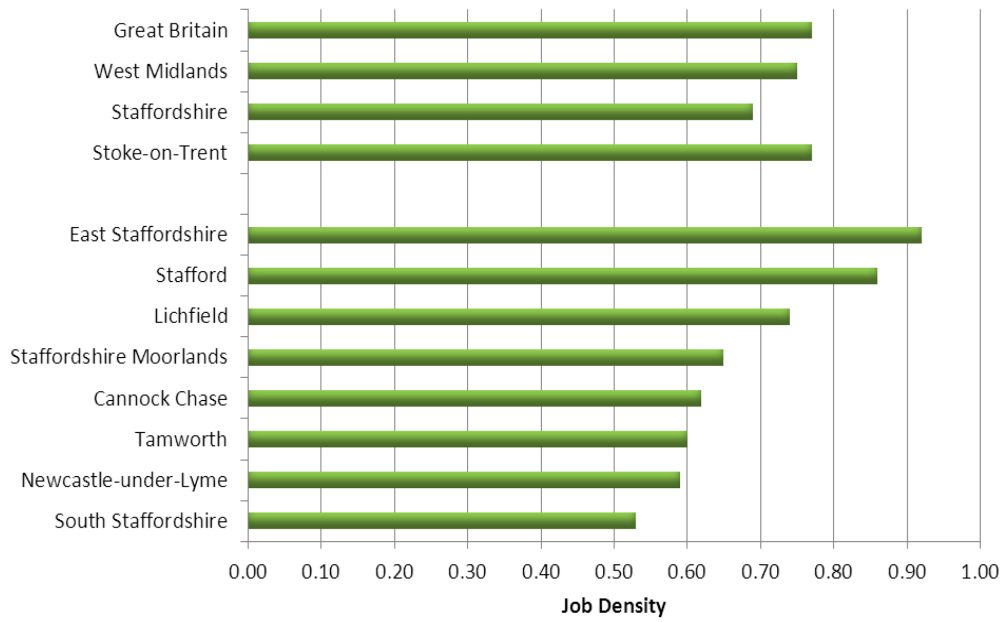
4.3 Supporting infrastructure

This section considers the supporting infrastructure that exists and is required to support people in employment or to help them into employment, such as access to suitable jobs within commuting distance and the availability of suitable housing.

4.3.1 Jobs Density

Jobs density is the number of jobs per resident aged 16-64. For example, a jobs density of 1.0 would mean that there is one job for every resident of working age. Figure 24 shows that in 2010 Staffordshire had a lower jobs density than the West Midlands and Great Britain. There is also shown to be wide variation in jobs density across the Staffordshire districts with East Staffordshire and Stafford having higher jobs densities than the regional and national averages, whereas South Staffordshire and Newcastle are shown to have far lower jobs densities. This indicates that there are potential issues regarding the availability of jobs in certain parts of the local area that may need to be addressed in order for all residents to have access to a strong jobs market.

Figure 24: Job Density, 2010



Source: ONS Jobs Density

4.3.2 Other infrastructure

As with business, there are elements that are important in supporting people to access employment and secure a high quality of life.

Housing is an important element of communities, including issues around supply, quality and affordability. The level of house building has fallen over the past six years from 3,294 in 2005/06 to 1,684 in 2010/11, with slight variations over the years[5]. This is a likely consequence of the recession and the fall in the housing market.

The provision of affordable housing is vital in providing for households that cannot afford market housing or private rental market housing. This becomes increasingly important during a recession as families struggle to afford the cost of market housing, despite falls in market house prices. The number of affordable houses supplied in Staffordshire increased annually from 2007 to 2011 but experienced a decline during the period from April 2011 to March 2012. Housing affordability is an issue throughout Staffordshire; there are particular issues in rural locations where younger people are finding it increasingly difficult to purchase housing in the area.

Transport was highlighted as important for businesses and plays a role in improving access and therefore increasing productivity, but the network is also important for individuals to ensure they have the means to access employment, in whatever means is most appropriate. This may mean public transport links to employment sites or reducing congestion to enable people to get to work more easily.

4.4 Implications for Commissioning

Resident Population

- The population is ageing which will see an increasing demand for social care and health services, therefore there will be a need to ensure the workforce has the right skills and qualifications to meet this increased demand.

Qualifications, Aspirations and Skills

- Improving the educational attainment and skills levels in Staffordshire and Stoke-on-Trent would help reduce levels of worklessness and other socio-economic issues and create a more productive workforce that can contribute to increased prosperity and competitiveness.

[5] Staffordshire Residential Land Monitoring Report, 2012

- Focusing on developing skills and aspirations in current growth sectors across Staffordshire and Stoke-on-Trent, particularly the skills needed in higher occupation roles will see the potential for greater economic productivity.
- Promoting greater business involvement within skills provision to make sure that local skills providers are matching their needs is important, particularly in high value growth sectors.

Economic Activity and Employment

- The recession and resultant economic downturn has impacted significantly on employment levels and the type of employment people are participating in, with a rise in both self-employment and under-employment. Attracting new businesses to the area and improving job opportunities will help in rebalancing employment supply and demand.

Occupations, Earnings and Income

- Attracting businesses and inward investment that provide greater employment opportunities in high value occupation will improve productivity and help strengthen the local economy.
- Earnings and income in Staffordshire and Stoke-on-Trent are low but improving, by attracting businesses that provide higher value jobs, affluence in the area is likely to increase and therefore residents quality of life will be improved.

Worklessness, Out-of-Work Benefit Claimants and Unemployment

- Worklessness and deprivation are intrinsically linked, as areas with high levels of worklessness are amongst the most deprived areas in Staffordshire and Stoke-on-Trent. It is in these areas where resources and efforts will need to be targeted to reduce benefit dependency and bring people back into the workforce.
- The reform of the welfare benefits system is likely to have a significant impact in Staffordshire and Stoke-on-Trent and it will be important to support residents through the changes.
- The economic downturn has seen a significant increase in unemployment and although there have been signs of improvement of late, levels still remain above those seen prior to the recession. Supporting people back into work will have both positive effects on the quality of life of residents and the wider economy.
- Young people suffer disproportionately from unemployment locally, therefore tackling youth unemployment should be a priority as people who experience unemployment when young are much more likely to become long-term workless.
- Making jobs available through business growth and attracting inward investment will help create a stronger jobs market across Staffordshire and Stoke-on-Trent.