

**11<sup>th</sup> January 2011**

**Local Economic Assessment**

**Ward(s)**                      All

**Portfolios:**    Cllr A Andrew - Regeneration

**Summary of report:**

- 1.1    The Local Democracy, Economic Development and Construction (LDEDC) Act 2009 places a new duty on county councils and unitary district councils to prepare an assessment, by April 1<sup>st</sup> 2011, of the economic conditions of their area.
- 1.2    The assessment will help identify customer needs and any gaps in the provision of services to meet those needs. In a climate of reduced resources, having a clearly-evidenced approach to priorities, outcomes and the required actions we need to deliver against is a vital aspect of the economic development agenda.
- 1.3    Preparation of Walsall's local economic assessment is well underway. A staff team of experts has been assembled, with resources allocated by the government through the Area Based Grant (£65k) and through the councils Working Neighbourhoods Fund programme (£50k).
- 1.4    The role of the LEA is currently to;
  - Establish a sound understanding of our economic conditions and how they affect the well-being of residents and businesses,
  - Identify economic linkages between our borough and the wider economy,
  - Identify the comparative strengths and weaknesses of our 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
- 1.5    The panel has previously received presentations and detail covering;
  - The structure and likely content for the LEA
  - The draft Blue print for the document
  - The 10 Key Economic Challenges facing Walsall today
- 1.6    As part of the LEA development we commissioned Ekosgen to complete a full analysis of our economy, its variety of sectors and to begin to detail some

of the threats and opportunities which face us moving forward. These details are captured in the full sector analysis of Walsall, which is available on request, the summary of which is attached as appendix 1.

- 1.7 The panel will receive a presentation from our consultants, detailing the work completed so far, summarising the key challenges and opportunities facing our economy. This is attached as appendix 2.
- 1.8 The panel will through this presentation and the subsequent opportunities to ask questions etc. will be able to engage in active consultation / participation in the on-going development of our Walsall Local Economic Assessment (LEA).
- 1.9 The aim is to complete the first Walsall LEA and publish this during April 2011, with draft versions going out for consultation prior to this date.

### **Background papers:**

Attachment 1 - Walsall Sector Analysis, Summary Document

Attachment 2 – Presentation to be presented at the Scrutiny Panel.

### **Reason for scrutiny:**

To bring Scrutiny Panel members up to date with this key piece of work, to seek their comments, challenge and input into the work so far together with agreeing how we can continue to involve them in this work.

### **Recommendations:**

#### **That:**

- 1. subject to any comments Members may wish to make the report and its appendices be noted;**
- and;**
- 2. the Panel receive further reports on the Local Economic Assessment at future meetings.**

**Resource and legal considerations:**

There are no capital costs involved in the preparation of the local economic assessment. Revenue costs for staff, consultation and external work streams will be met through the Area Based Grant and Working Neighbourhoods Fund.

The LEA will not in itself result in any cashable or non-cashable savings, however the LEA will become an essential tool to support the development and updating of the Sustainable Community Strategies (SCS), and to establish what are our real economic development priorities.

By informing and shaping our collective understanding of the issues based on true data, all participants (council and its partners) will benefit from the additional value that the LEA evidence base provides. Importantly, it will strengthen our ability to bid for resource and sustain our place as a priority for funding etc. both locally, regionally and nationally.

The Local Democracy, Economic Development and Construction (LDEDC) Act 2009 places a new duty on county councils and unitary district councils to prepare an assessment of the economic conditions of their area. It requires the authority to consult “those organisations they consider appropriate”.

**Citizen impact:**

The LEA will evidence the needs of the area and the Citizens of the borough and if developed and used correctly should enable better informed investments and services to be delivered to improve the lives of Walsall Citizens.

**Environmental impact:**

The assessment includes chapters on quality of place, sustainable economic growth, infrastructure and low carbon opportunities. These will allow a greater understanding of the environmental impacts of Walsall’s economy, as well as the economic impact of environmental assets, in order to tailor policies to minimise negative impacts and maximise benefits.

**Performance management:**

The assessment will help identify customer needs and any gaps in the provision of services to meet those needs. In a climate of reduced resources, having a clearly-evidenced approach to priorities and outcomes is a vital aspect of the economic development agenda.

**Equality Implications:**

The economic assessment includes various headings that will allow a greater understanding of differing needs of social groups in relation to skills and enterprise. This in turn will allow better targeting of policies to take account of those needs.

**Consultation:**

Preparation of the local economic assessment has included initial consultation with key stakeholders, as well as a business needs survey to a wide sample of Walsall businesses. Public consultation in the form of a survey seeking information about barriers to employment, attitudes to enterprise and to set priorities took place during September and October.

Consultation on the content which will form the local economic assessment started in November and is continuing, with final consultation planned during early 2011.

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## Regeneration Panel – Appendix 1

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### Walsall Sector Analysis Study

### Summary Report

November 2010



## 1 Introduction

Located to the north west of Birmingham and crossed by both the M6 and the M6 Toll motorways, Walsall is the smallest of the Black Country authorities in employment terms and accounts for 4.2% of total regional employment (99,400), slightly lower than its share of the regional population. Traditionally manufacturing-based, Walsall has experienced significant change in recent years.

To support the development of Walsall's Local Economic Assessment, a detailed analysis of the sectors generating and with the potential to generate wealth and employment in Walsall has been undertaken. The sector analysis provides a fine-grained review of the performance of Walsall's economy, identifying the Borough's economic strengths and weaknesses and highlighting how the local economy differs from the national and regional average. The sector analysis fills existing gaps in knowledge and understanding about the Walsall economy, and provides an evidence base which can be used to make informed decisions about the future development of Walsall.

The employment figures presented in the report are based on workplace based analysis and therefore capture all of those employed in jobs in Walsall regardless of where they live. The latest employment data available through the Annual Business Inquiry is 2008 and therefore predates the significant impact of the recession. Data available through the West Midlands Regional Observatory's Integrated Policy Model provides employment and GVA projections to 2030, which is the best available data for reviewing the projected impact of the recession.

The findings of the sector analysis has been enhanced with data gathered through a business survey (with over 400 respondents) and consultations with key stakeholders. This paper summarises the key findings from all of the research.

As the UK economy edges out of recession, the long-term effects of the downturn on Walsall are unclear, although levels of unemployment in the Borough are already considerably higher than the national average and nearly 27% of the working age population is inactive. Generally output recovers to pre-recession levels much more quickly than employment, a significant concern for Walsall which already has a low proportion of residents in employment compared to the regional and national averages.

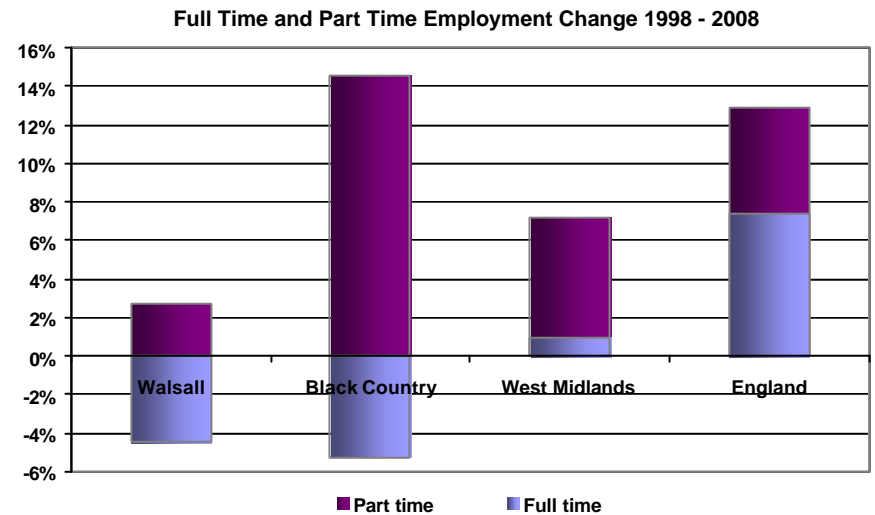
In the short to medium-term, the priority will be to stabilise the economy before moving into a period of renewal. There are a number of actions for Walsall to take to put in place the conditions for economic growth in the longer term, including the provision of appropriate economic infrastructure and high quality employment land and development sites.

Walsall needs to undertake these actions at a time of very limited public sector funding. The weakness of the local private sector means there is a need for the public sector to play an enabling role in putting in place the conditions for growth, and Walsall will need to make its case for a share of the investment available.

### The Walsall Economy – Recent Performance

Walsall's economy has significantly under-performed the national and regional average over the past ten years. Between 1998-2008, when the UK was experiencing a long unbroken spell of economic and employment growth, total employment in Walsall fell by 2.5%, with full-time employment declining by 4.4% (just over 3,300 jobs) and male employment falling by 3.9% (2,200 jobs).

In contrast to many other parts of the country, the decline in full-time employment was not fully offset by an increase in part-time employment, resulting in a local economy with a lower number of people in work and reduced spending power.



Source: Annual Business Inquiry, 2008

The employment performance reflects a number of structural changes including:

- **Manufacturing**, the historic backbone of the economy, has been in decline for many decades and between 1998 and 2008 employment fell from 34,000 to 19,000 (when global manufacturing was booming). In spite of the continuing fall in manufacturing employment (job

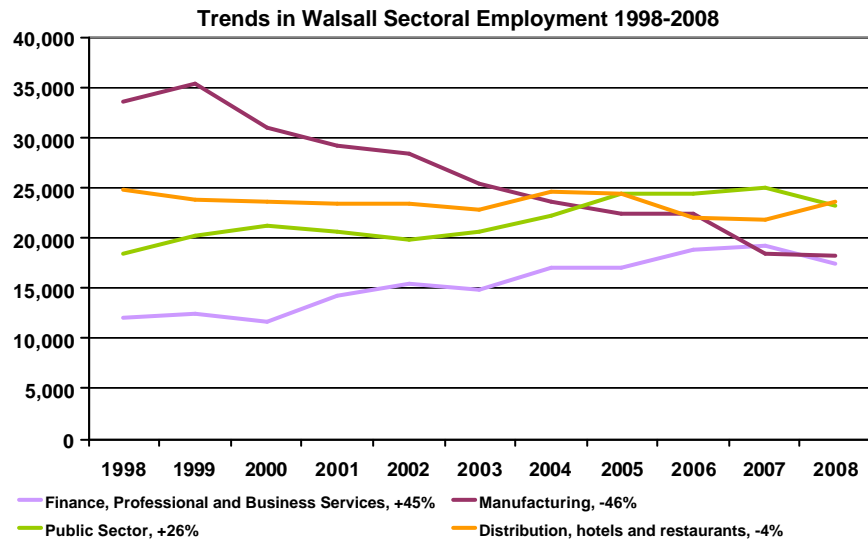
numbers are expected to continue to fall), it is the third largest employment sector in Walsall and remains the principal source of wealth generation in the Borough.

- The **private sector service economy**, which accounted for a substantial part of employment growth nationally over the past ten years, is very weak in Walsall, although numbers have risen over the ten year period.
- Growth in the **financial, professional and business services** sector has been significant but starting from a very low base, with employment numbers still less than in manufacturing by 2008. A large part of the growth appears to be accounted for by recruitment agencies, which includes temporary and short contract staff and not all jobs will be in the service sector or based in Walsall.
- **Public sector employment** has been growing, although at a much slower rate than in neighbouring authorities and numbers are likely to decline in the short-term as public sector finances are reduced.

the light of the economic recession. The decline has not been fully offset by increases in financial, professional and business services and the public sector (which has increased by 5,000 and 4,800 respectively) and this has resulted in a net employment loss of over 2,500 jobs in the Borough over the past ten years.

### A More Diverse Economy

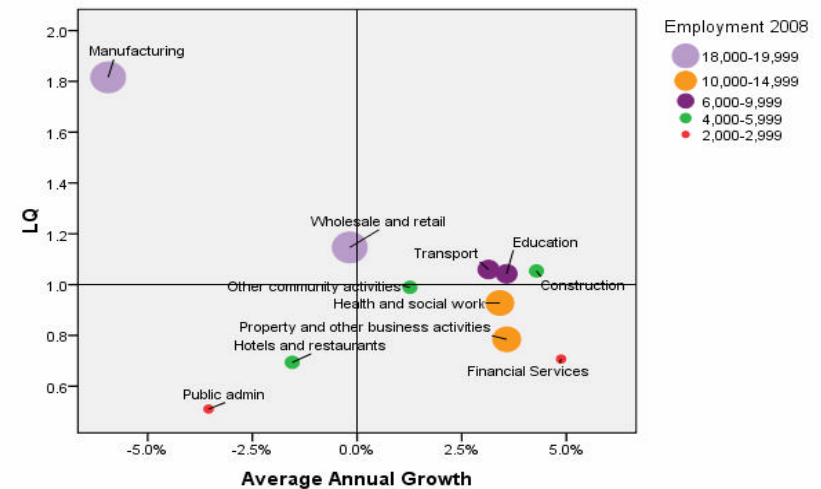
The Walsall economy has experienced significant structural change over the past ten years, with the ongoing decline in manufacturing employment resulting in its share of employment falling from over one-third of all jobs to under one-fifth. Despite this, the manufacturing sector remains much more important to the local economy than nationally, with the share of total employment almost twice as high as in England as a whole.



Source: Annual Business Inquiry, 1998-2008

The decline in manufacturing employment has been exceptional, with the loss of almost 15,000 jobs between 1998 and 2008; numbers will have declined further in

Walsall Employment Growth and Specialisation



Source: Annual Business Inquiry, 1998-2008.

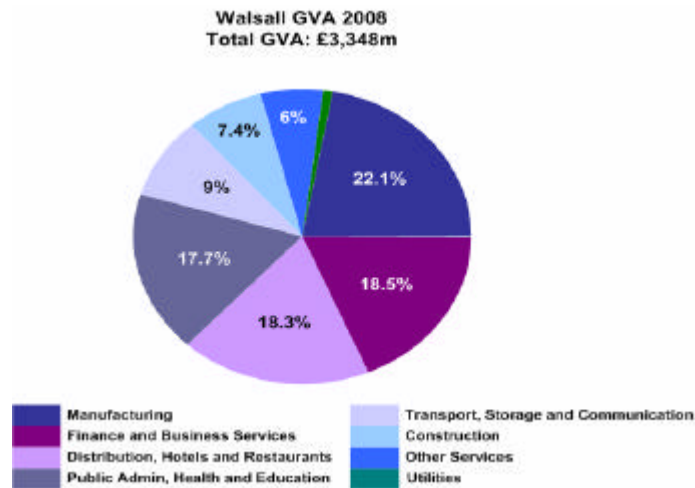
Note: The Location Quotient is a measure of the concentration of industry in an area compared to the national average. It produces an index whereby a score of 1 indicates the industry employment concentration is the same both in Walsall and nationally, more than 1 represents a higher concentration and less than 1 a lower concentration.

Whilst employment as a whole has fallen in Walsall, the financial services sector has experienced the fastest rate of growth (although from a very low base), with construction, property and other business activities, health and social work, transport and education all increasing by an average of circa 3% per annum since 1998, bringing the structure of the economy more in line with the national average. However, Walsall remains under-represented in a number of private sector areas, including property and other business activities, financial services and hotels and restaurants.

**Walsall GVA**

In 2008, the Walsall economy generated £3,348m in Gross Value Added, accounting for 4% of the regional total, in line with the Borough’s respective share of employment. This reflects the average productivity levels in Walsall - almost £35,000 of GVA is generated per full-time equivalent employee (FTE), slightly lower than the regional level<sup>1</sup>.

The source of Walsall’s GVA by sector shows the continuing importance of the manufacturing sector, even in a context of declining employment. Manufacturing accounted for 22% of total output generated in Walsall in 2008, considerably more important to the local economy than the finance, professional and business services sector (19%) and wholesale and retail sector (18%).



There are, however, significant variations in the levels of output and associated productivity by sector (expressed as GVA per FTE employee). Despite significant employment decline, manufacturing continues to make the largest contribution to Walsall’s output. This does not, however, reflect high productivity levels in the sector (which are 93% of the regional average). Instead it reflects the low levels of productivity of the financial professional and business services sector (80% of the regional average) and low levels of employment in the sector, when compared to the regional and national average.

GVA and Productivity			
	Walsall		W Mids
	GVA £m	GVA Per FTE £	GVA Per FTE £
Manufacturing	740.4	40,109	43,323
Wholesale and retail	519.9	30,460	31,043
Real estate, renting and business services	368.0	24,775	30,928
Transport, storage and communication	301.8	47,246	43,514
Health and social work	271.0	30,019	30,281
Finance	251.1	90,090	97,079
Construction	247.4	33,255	33,539
Education	235.3	31,118	32,371
Other services	201.6	34,229	33,444
Hotels and restaurants	91.7	26,006	25,288
Public administration	86.9	37,212	37,864
Utilities	29.9	87,854	129,025
Agriculture	1.9	17,427	13,658
Mining and quarrying	1.1	112,800	89,730
<b>Total</b>	<b>3348.2</b>	<b>34,949</b>	<b>35,965</b>

Source: WMRO, Integrated Policy Model 2010

If the Borough were to increase the productivity of the manufacturing and the financial, professional and business services sectors, this would increase overall output and begin to close the prosperity gap between Walsall and the national average.

Unlike employment, GVA is forecast to be higher in 2020 than in 2008, reflecting the expected increase in productivity levels. The largest net increase is expected in financial, professional and business services (+£159m), followed by public services (+£140m largely as a result of increased spending on health and social care in the context of an ageing population) and wholesale and retail, hotels and restaurants (+£111m). Walsall will need to capitalise on the forecast growth in such sectors.

<sup>1</sup> Source: WMRO Integrated Policy Model



## Future Prospects

In both Walsall and the West Midlands employment levels are expected to be lower in 2020 than they are in 2008, with the recovery from recession driven by output rather than employment. The decline in Walsall, with a forecast loss of over 6,800 jobs, is expected to be greater than the regional average (-6% in comparison to -4%).

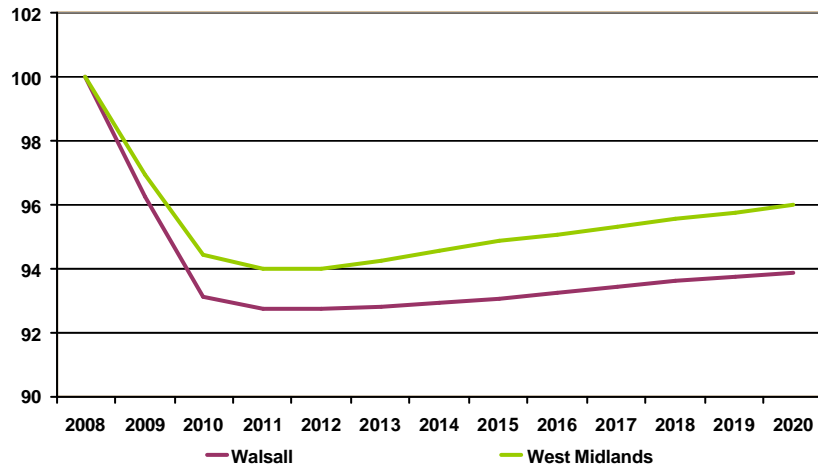
Change in Employment 2008-2020				
	2008	2020	Change	% Change
Walsall	111,192	104,390	-6,802	-6
West Midlands	2,657,302	2,551,302	-106,000	-4

Source: WMRO Integrated Policy Model, 2010

As shown by the employment trend line, this decline is largely linked to the employment impact of the recession, with employment falling significantly, and more severely in Walsall than regionally, between 2008 and 2010. Employment is then expected to stabilise, before entering a period of modest employment growth from 2012 onwards.

While employment is forecast to grow from 2012 in Walsall, it is expected to occur at a lower level than the regional average (1% between 2012 and 2020 compared to 2% regionally) and result in just over 1,200 additional jobs.

Forecast Employment 2008-2020

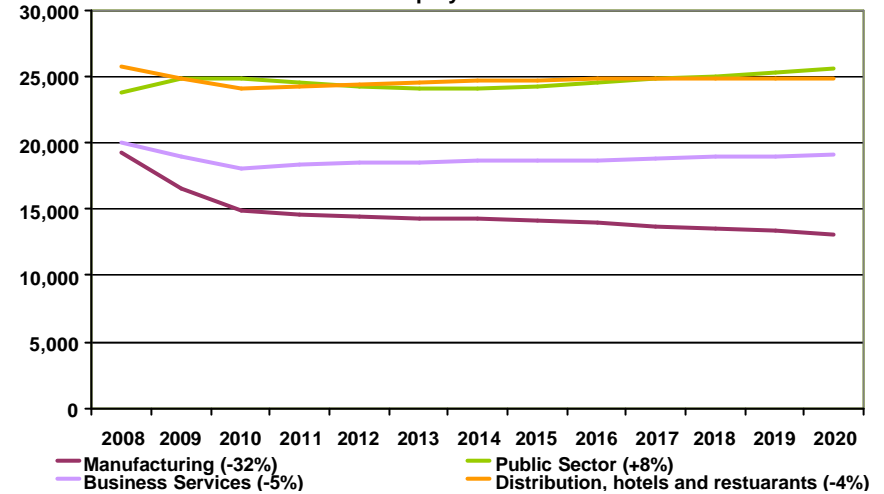


Source: WMRO Integrated Policy Model, 2010

## Sectoral Employment Forecasts

The sectoral employment forecasts suggest a continuing dependence on employment growth in services which are traditionally publicly-funded (health and social care), with a significant loss of manufacturing employment and modest growth in private sector services. If realised, this would result in a significant reduction in the economic well being of Walsall and its communities.

Sectoral Employment 2008-2020



Source: WMRO Integrated Policy Model, 2010

Between 2012 and 2020, employment is expected to grow in all broad sectors except manufacturing. The forecasts show that:

- The greatest increase is expected to occur in the public services, with growth of 6% (over 1,300 additional jobs). Analysis at the sub-sectoral level shows that these are all expected to be in the health and social work sector (which is forecast to increase by 14%, and over 1,700 jobs). This reflects the demand for services arising from an ageing population.
- Financial, professional and business services and wholesale and retail, hotels and restaurants are both forecast to experience modest growth over the eight years to 2020, creating 500 and 400 jobs respectively.
- The decline in manufacturing is expected to slow from 2012 onwards, although numbers will decline to circa 14,000 by 2020.

## 2 Business Survey

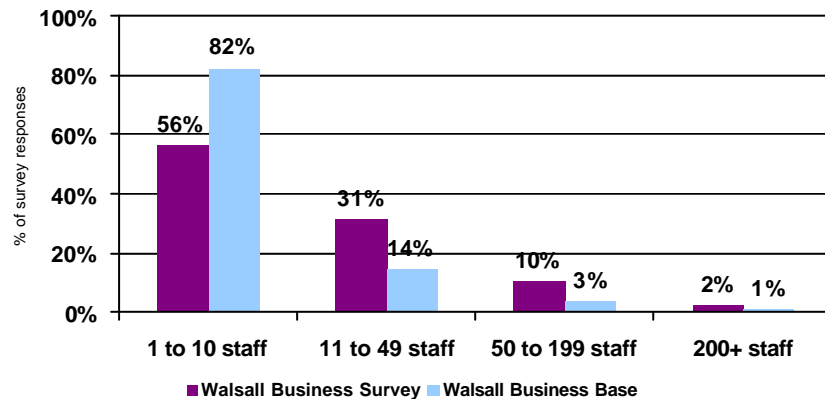
An integral part of the Walsall sector analysis has involved gauging the views of Walsall businesses across core research areas. This level of information could only be obtained through bespoke primary research and in order to achieve this, a survey of Walsall businesses was carried out between August and September 2010.

To meet the needs of the Local Economic Assessment, the survey was targeted at larger businesses, key sectors and those expected to grow in importance to the Walsall economy in the coming years<sup>2</sup>. In total, 426 companies responded to the survey.

The sample base also provides a relatively accurate profile of the full business base in terms of employment sizebands. The main difference between the two bases is the relatively low number of sample businesses with one to ten staff, and this is the result of deliberately targeting the survey at larger businesses within the Borough.

### Surveyed Businesses by Employment Sizeband

Source: Walsall Business Survey 2010 + Annual Business Inquiry (2008)  
n = 376 responses



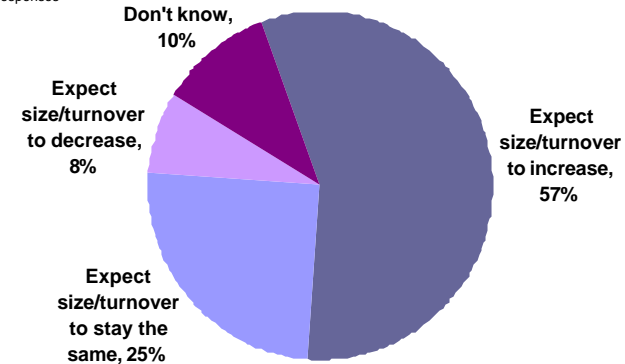
<sup>2</sup> As far as was possible, given the availability of sector information and contact details on the business databases used to construct the sample.

## Growth Expectations

Nearly 60% of those surveyed expected to grow over the next two years, with construction companies more cautious and businesses in the hotels and restaurants sector most optimistic.

### Growth Expectations for Next Two Years

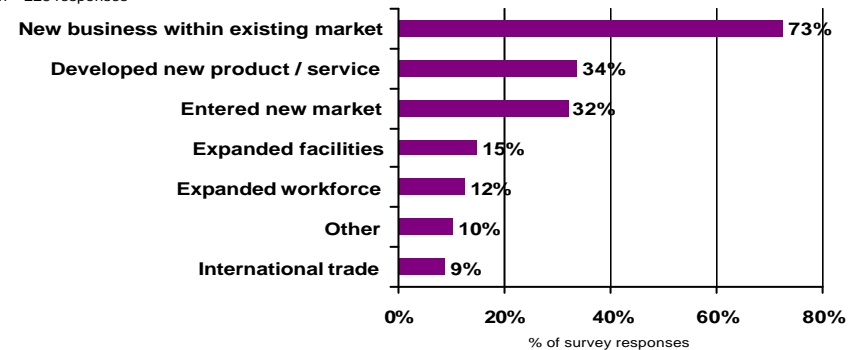
Source: Walsall Business Survey  
n = 403 responses



Nearly three-quarters of businesses expecting to grow say that this will be through securing new business within their existing market. Manufacturers are most likely to grow through entering new markets (39%) and international trade (15%).

### Reasons for Business Growth

Source: Walsall Business Survey  
n = 226 responses



The most common barrier to growth identified was competition / market limitations, indicating that support to access new markets could help Walsall's businesses to grow.

### Markets and Supply Chains

Whilst four in five businesses surveyed serve local markets, over 60% have customers in the rest of the UK outside the West Midlands region, and over three in ten have overseas customers. International trade is very important to the manufacturing sector where 45% have overseas customers.

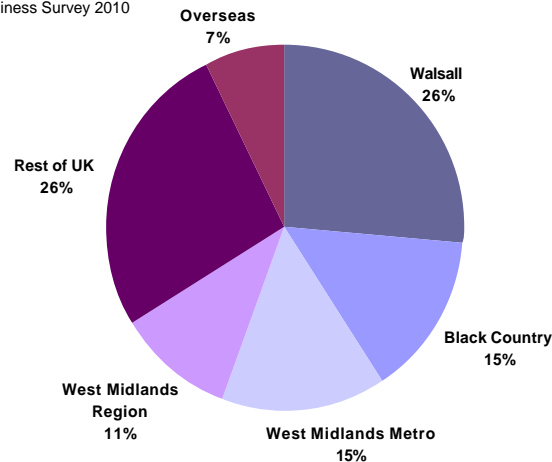
Local and regional markets are extremely important to Walsall businesses. By volume, one quarter of sales are made within Walsall, with a further 41% in the rest of the region including the Black Country.

Increasing the proportion of businesses serving non-local markets and the volume of non-local sales will bring additional revenue into the Walsall economy. Businesses should be supported to identify and access new markets both in the rest of the UK and overseas.

There are significant supply chain linkages between Walsall businesses, but only one-quarter of all supplies by value are purchased locally.

### Walsall Business Sales by Market Location

Source: Walsall Business Survey 2010  
n = 360 responses



### Workforce, Skills and Training

Less than one in five companies reported skills gaps within their existing workforce, although the rate was higher in the construction, hotels and restaurants, and manufacturing sectors, and amongst companies with turnover below £1m.

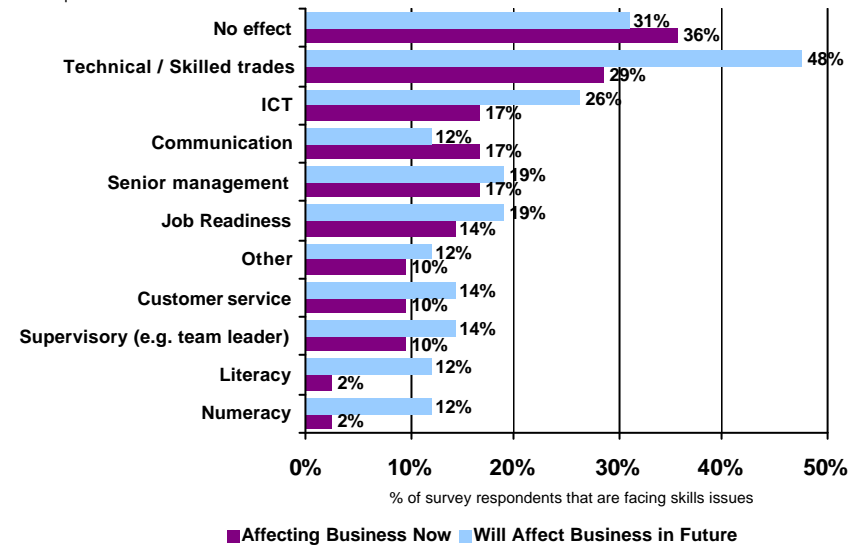
Skills gaps have a real impact on company competitiveness and productivity, with two thirds of companies with skills shortages stating that it is affecting their business. Business competitiveness in Walsall could be improved by providing relevant training to companies affected.

A minimum of one-third of companies surveyed are planning to recruit workers over the next twelve months, with a further 27% unsure.

The vast majority of companies surveyed undertake training, with much of this carried out in-house. The main barrier to training is cost, which limits the provision of training in 45% of businesses.

### Effects of Skills Gaps and Shortages

Source: Walsall Business Survey 2010  
n = 42 responses



## Innovation

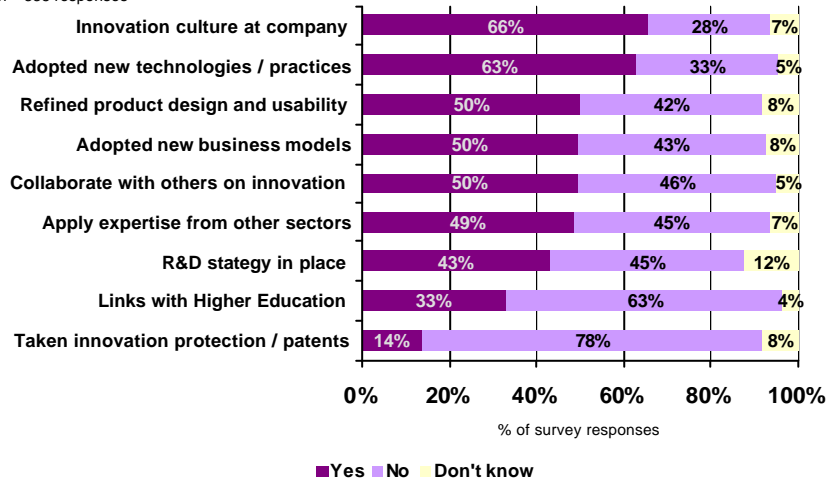
Walsall companies report a range of innovative practices, including the use of new technologies and practices, refinements to products and new business models. Over half of those responding to the survey stated that innovation is important to the business and two thirds reported that there is a culture of innovation in the company.

There remain opportunities to increase the level of innovation amongst businesses in Walsall, with nearly two-thirds not aware of the support which is available, over a quarter reporting that there is not an innovation culture at the company and 30% believing that innovation is not important.

Over 80% of businesses have yet to consider the opportunities presented by the low carbon economy. Walsall businesses need additional information and support in relation to low carbon issues, including advice on reducing energy costs and support on environmental legislation.

### Business Innovation Activities Undertaken

Source: Walsall Business Survey  
n = 335 responses



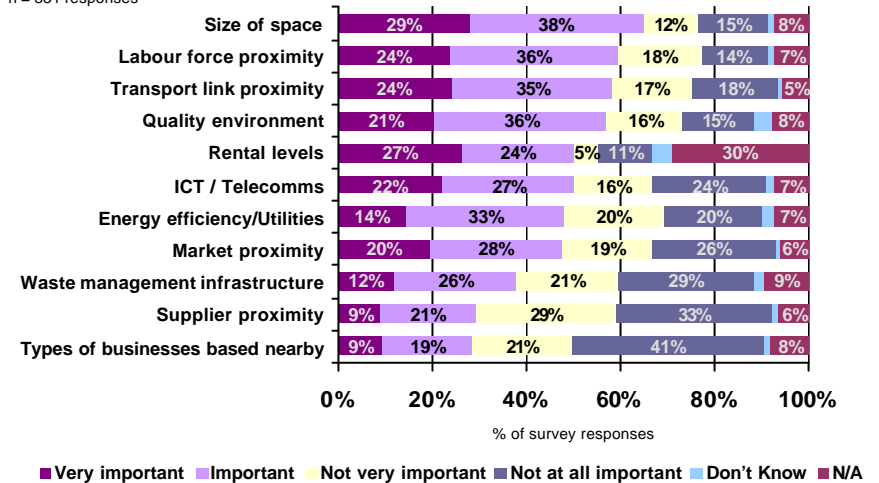
## Business Location and Premises

The size of the business space is the most decisive factor in the location choice (important or very important to 67% of businesses). However, if the 'not applicable' option is removed, the other significant factor becomes rental levels (72%). Other influential factors include the proximity to the labour force (60%), proximity to transport links (59%) and quality of the local environment (57%).

For manufacturers, retailers, hotels and restaurants, the main factor shaping their business location / premises is the size of the site. For construction firms, proximity to the labour force is cited most frequently, and for finance and professional and business services, ICT and telecommunications infrastructure is cited most frequently.

### Business Location Factors

Source: Walsall Business Survey  
n = 331 responses



Many of Walsall's industrial and commercial premises are of relatively poor quality, with few modern, purpose-built units. Constraints identified by businesses include a lack of space and expensive lease terms.

One third of businesses surveyed are planning to move premises over the next five years, in most cases to larger premises. For those businesses that are considering moving premises, other sites within Walsall were viewed as the most popular alternative locations (reported by 32% of respondents). Further afield,

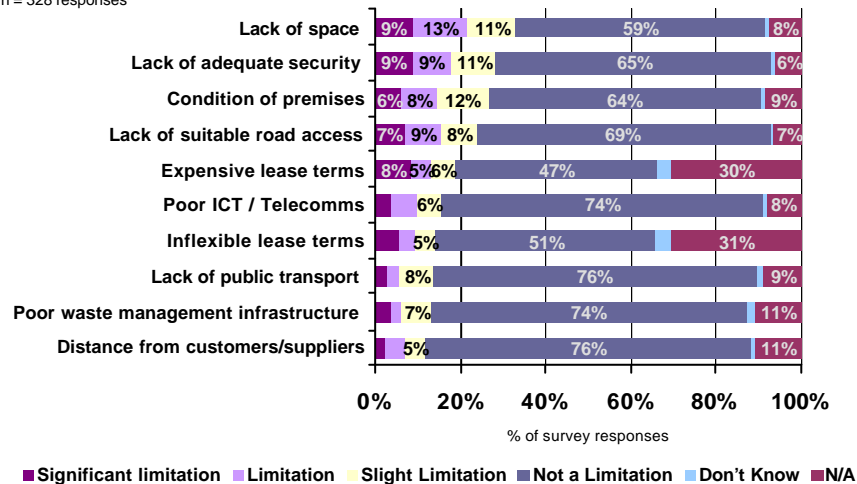
similarly high proportions of businesses would consider moving elsewhere in the West Midlands region (29%) or the Black Country (20%).

Considering specific sites within Walsall, the most popular locations are the town centre (favourable to 20% of respondents), several locations in Aldridge (Middlemore 19%, Northgate 18%, Westgate 16% and Aldridge Fields 14%), and Walsall Enterprise Park (13%). Fewer respondents would consider sites at Ashmore Lake, Willenhall, Darlaston, Green Lane, Leamore, Longacre and Gigaport (5%-9%). Some of these latter sites have been developed for businesses in need of specialised or especially large premises and so the demand is therefore limited to a small number of businesses.

Encouraging these businesses to remain in the Borough, by providing support with re-location and better quality premises, is a key priority to retain jobs and enable local companies to expand.

### Business Location Limitations

Source: Walsall Business Survey  
n = 328 responses



### Low Carbon Opportunities

The opportunities presented by the low carbon sector appear to create a high degree of uncertainty among respondents with 22% 'aware of the low carbon sector but have not considered market opportunities' and 61% registering a 'don't know' response. In contrast, 4% are in the process of actively identifying low carbon opportunities and 13% have already done so.

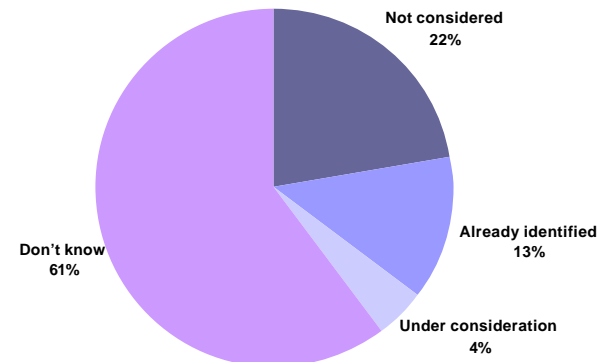
Of the latter group, the highest proportion of respondents that have identified low carbon opportunities are in the hotel and restaurant sector (29%), followed by construction and retail (both 19%). The proportions are lower for the manufacturing (12%) and professional and business service sectors (8%).

When businesses were asked about the challenges they face in exploiting low carbon opportunities, just under half (48%) were unable to identify any. Of those that could determine challenges, the top three were financial constraints (19%), insufficient knowledge of opportunities (19%) and time constraints (13%).

The reasons for the manufacturing and professional and business service sectors' relatively low engagement in low carbon opportunities appears to differ. For manufacturers, the main reason is reported as time constraints (36%) followed by insufficient knowledge (33%). For professional and business services, this is the reverse (19% and 42% respectively).

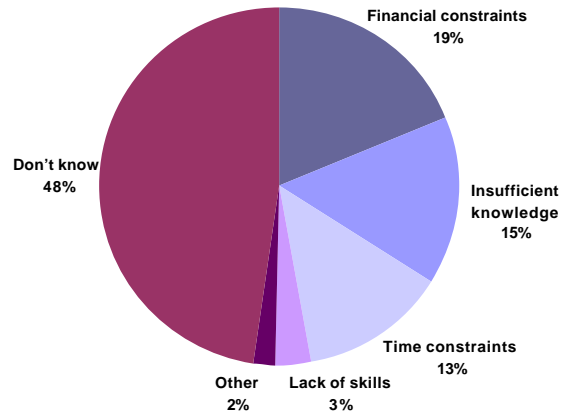
### Businesses Identifying Low Carbon Opportunities

Source: Walsall Business Survey 2010  
n = 334 responses



### Constraints to Low Carbon Opportunities

Source: Walsall Business Survey 2010  
n = 303 responses



### General Business Constraints

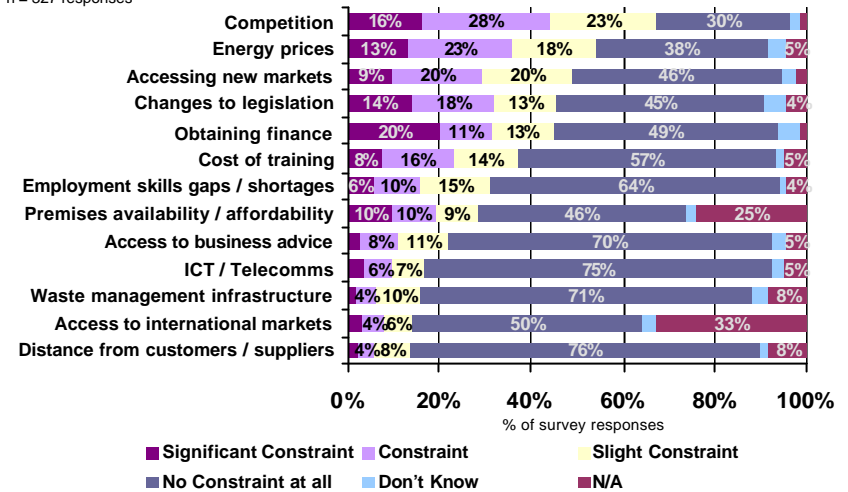
Businesses in Walsall face a wide range of constraints which limit their capacity to operate profitably and create employment. The Council and its partners have a role to play in tackling a number of these constraints, which would enable greater levels of wealth generation and increased prosperity in the Borough.

Many of Walsall's businesses are intensive energy users, and face particular challenges from the drive to reduce carbon emissions. Providing support for such companies to reduce their energy costs would improve the competitiveness of the local manufacturing sector and increase the resilience of individual companies.

Support to access new markets would help Walsall's businesses diversify their customer base and reduce the reliance on the local and regional market.

### Business Constraints

Source: Walsall Business Survey  
n = 327 responses



## Conclusions

There are a considerable number of positives to take from the business survey, with a high proportion of businesses expecting to see turnover increase in the next two years, and less than one in ten anticipating a decline in turnover. Given the economic circumstances, these are very positive results and from a fairly large sample (over 400 companies).

The feedback from companies indicates a number of areas where there are both opportunities and constraints. In terms of opportunities:

- The majority of businesses expect to increase turnover over the next few years.
- There is a high degree of innovation and a substantial base of companies working to develop new products and processes and move into new markets. There is also an opportunity to increase levels of innovation amongst a significant proportion of businesses and to make them more aware of the innovation related support that exists.
- Many companies already access national and international markets, and there is the potential to increase sales in these markets.
- A significant cohort of companies need or intend to move to larger premises and there is a strong commitment to staying in Walsall.

Inevitably, businesses face a range of challenges, and these are likely to have been exacerbated by the recession and factors such as reduced bank lending to small and medium sized companies. The main constraints are:

- Accessing new markets ;
- Obtaining finance ;
- Affordability and availability of premises ;
- The costs of training;
- Skills gaps and skills shortages ; and
- Identifying low carbon opportunities .

These constraints cover the spectrum of public sector intervention – land and premises, business support and skills and recruitment.

One of the most disappointing results from the survey is the response to the low carbon economy and opportunities. While the responses differ by sector, very few businesses overall appear actively involved in the low carbon sector and a large proportion of businesses had very limited knowledge of opportunities.

### 3 Economic Infrastructure

#### Employment Land

Currently Walsall has significantly less quality employment land than areas such as Dudley, Sandwell and Wolverhampton and would need to deliver a six fold increase to meet targets for 2026<sup>3</sup>.

The policy focus on brownfield and urban sites increases the costs of new development. Additional costs associated with land remediation are further increased by the fragmentation of many sites, the road, rail and canal infrastructure and the location of housing in nearby areas. A strategic study to consider the viability of delivering certain development sites across the Black Country for residential and commercial uses<sup>4</sup> (to inform the Joint Core Strategy) found that all of the residential and commercial sites considered proved problematic to deliver in the current market circumstances. The report also concluded that:

- It is likely that developers will seek to develop sites on a 'design and build' basis in the future given the challenges and risks associated with delivering new sites;
- The provision of larger industrial units on sites could prove challenging given existing site configurations and layouts; and
- There are potential high costs associated with the remediation and demolition of existing sites as a result of the area's industrial legacy, impacting upon the viability of the site.

The Walsall Employment Land review provides a localised examination of the employment land which should be provided for through the LDF process based on an analysis of demand and supply in the plan period to 2026. It provides a more detailed analysis of how policies and targets set out within the JCS should be delivered in practice through site allocations and development control policies. The review highlights the implications of a decline in the area's traditional industries leading to severe population decline, economic under performance, social disadvantage and environmental deterioration. Key conclusions include:

- There is potential demand from new, high-value occupiers to locate in Walsall, specifically from the logistics sector and for the most accessible sites close to the M6;

- At the moment however there is very little high-quality floorspace either on the market or in the pipeline to meet this demand;
- There is little prospect of new industrial development to fill this gap – the development of many sites is not commercially viable;
- The loss of employment land should be carefully managed.

The need to deliver a step change in the quality of employment areas combined with a lack of recent development activity, lack of developable land and limited current quality space means that much of the new quality land will need to come from either upgraded sites or intervention from the public sector – a key challenge at a time of scarce resources. The Black Country land use plans are fundamental to the transformation of the local economy. However it is very difficult to see how the scale of resources can be made available in the current economic and funding to meet these aspirational targets.

#### Key Employment Locations

In addition to the town centre, which is the focus for the main office and retail developments in Walsall and the strategic centre for the Borough as identified in the Joint Core Strategy, the map overleaf demonstrates that the majority of current and potential high quality employment sites are located to the west of the Borough. This reflects the built up and industrial nature of this part of Walsall as opposed to much of the east of the Borough which is constrained in development terms by Green Belt land. The east does however contain some of the Borough's larger sites, notably to the north of Aldridge and on the outskirts of Brownhills.

Walsall's two biggest and highest profile schemes over recent years have comprised:

- **The Darlaston Strategic Development Area** – Walsall's highest profile and largest strategic development area, a large industrial / former industrial area either side of the M6. Home to a mix of recycling businesses, low value industry and derelict land. Significant constraints to development including poor internal access, ownership issues and land contamination.
- **Gigaport** – Plans for a high profile new business district / office corridor located in the north of the town centre. This has ambitions to create over 3,000 jobs, with incubator units and next generation broadband. Development has progressed but has been public sector / quasi public sector led focusing on a new College, location for Walsall Housing Group and new police station. There are difficulties in stimulating private sector development.

A significant amount of public sector time and funding has been invested in the planning and preparation of these two sites over recent years. Whilst this has

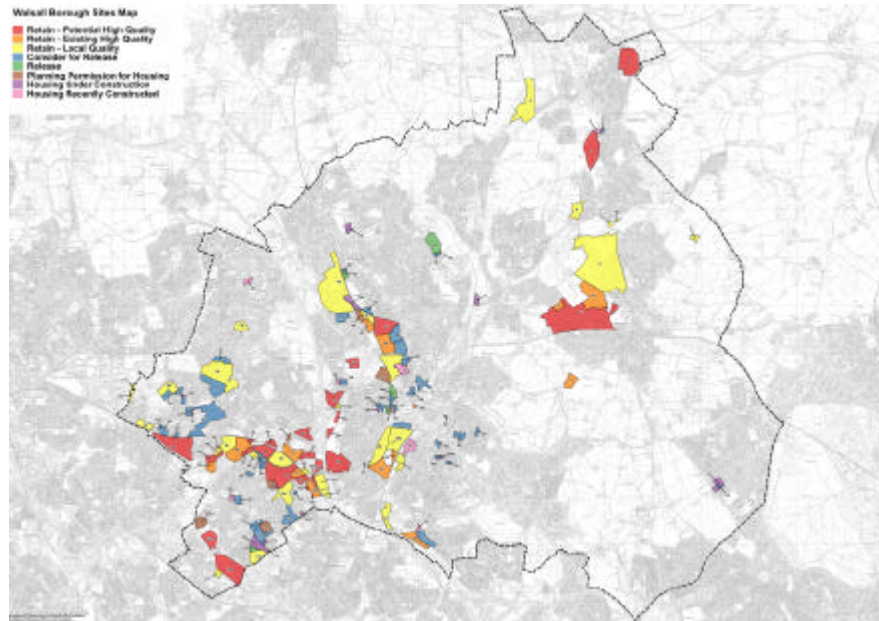
<sup>3</sup> Black Country Joint Core Strategy Section 4: the Economy, Employment and Centres

<sup>4</sup> Black Country Joint Core Strategy Sample Sites Viability Study, October 2009, Mott Macdonald and GVA Grimley Ltd



progressed the development process in these two areas, significant issues remain unresolved before the sites can deliver the scale of employment required by local partners.

### Location of Employment Land Review Sites and Recommendations



(Source: Walsall Employment Land Review November 2010)

### Transport and Connectivity

Walsall has two major locational advantages – its proximity to Birmingham and its location at the heart of the UK’s road and rail network. The M6 is a major feature of the area and employers reliant on transport and travel provide many jobs both directly and indirectly within the local economy. The Borough is also close to the links to the M5 (connecting Walsall to the South West) and to the M45 (connecting the Borough to Wales)

The area displays a high proportion of public transport use, including some of the UK’s most profitable and highest patronage bus routes. Rail links are reasonably good between Walsall and Birmingham and lots of key arterial routes have already

been improved such as the A34 south linking Walsall to Sandwell and Birmingham and the M6 itself in parts.

The area does however face a number of issues from a connectivity perspective, both strategically and at a local level. These include

- Congestion, particularly at / between junction 9 and 10 of the M6;
- The need to upgrade much of the Borough’s internal transport infrastructure such as weak bridges and congested routes;
- Localised access and connection issues, particularly in relation to major development sites / areas such as Darlaston.

These issues currently represent a constraint to the delivery of sustainable economic growth within Walsall, particularly localised access issues. As a result, despite being located at the heart of the UK’s road and rail network, Walsall has not been able to offer the range of quality employment sites located adjacent, or with good access, to the M6 when compared with other areas.

A series of proposals / opportunities exist to further improve the connectivity within Walsall and to areas such as Birmingham, addressing some of the issues set out above. These include:

- The potential to re-install regular Walsall to Wolverhampton rail links;
- The potential to re-open the Stourbridge to Walsall line;
- The delivery of High Speed 2 to Birmingham which would have implications for Walsall in terms of enabling an increased frequency of services from Walsall to Birmingham;
- The business case submitted to DfT relating to improving access to Darlaston in order to unlock key development sites;
- The longer term potential to develop a highways maintenance PFI contract to deliver major highways improvements, following the route taken by other areas, notably Birmingham.

Funding opportunities for the delivery of major transport infrastructure under the current economic climate remain uncertain.

Improving access to Darlaston and highways improvements are the key transport investments needed to improve the quality of employment sites and attract new investment and employment to Walsall.

## 4 Walsall SWOC

### Strengths

**Locational advantages:** Proximity to Birmingham provides access to a large market for companies and a wide range of job opportunities for residents. Proximity to the motorway network provides an opportunity to develop attractive employment locations to attract new investment and employment.

**Industrial base:** In spite of employment decline, Walsall has a strong manufacturing base with a large number of small and medium sized companies.

**Latent enterprise base:** Walsall has a relatively good enterprise record and latent business talent in some sectors and communities.

**Strategic sites/locations at Gigaport and Darlaston:** which have the potential to dramatically improve the quality of employment land available and attract new investment from industrial and service based businesses.

**Walsall Town Centre:** is the strategic centre for the Borough as identified by the Joint Core Strategy. The presence of a major hospital, the Council and a Further Education College make the town one of the most important service centres in the Black Country with some recent investments in the town centre including public realm projects, education facilities, the art gallery and housing led schemes.

### Weaknesses

**Employment land:** Much of Walsall's supply of employment land is of poor quality, difficult to access or faces constraints in its development. This makes it difficult for Walsall to secure new investment both from indigenous companies and inward investors.

**Connectivity:** Despite the proximity of the national motorway network, many of the local routes within and through Walsall are congested or do not effectively serve the key employment areas. Walsall also has poor rail links to the north.

**Continued dependence on declining sectors for employment and GVA:** A high proportion of Walsall's employment and wealth generation continues to come from the manufacturing sector, in particular basic and fabricated metals manufacturing.

**Lack of modern business accommodation:** a limited offer for both industrial and service based companies in accessible locations including the absence of a stellar office offer or major new industrial park to offer to potential investors.

**Lack of incubation / enterprise / managed workspace:** for small or start up firms, particularly in creative, cultural and digital sectors.

**High levels of unemployment and worklessness:** Walsall's labour force is weakened by persistently high levels of unemployment and exceptionally high levels of workless households, with low levels of economic participation.

### Opportunities

**Low cost office base:** A number of business and other service employers prefer to locate away from city centre and expensive premises.

**Transport and logistics:** Walsall has an established niche and an excellent location to meet increased demand for new investment.

**Birmingham:** Local companies taking advantage of the proximity to Birmingham (very large market) and improving access so that more residents can take up employment opportunities there.

**Rationalisation of the public sector property estate:** the public sector has an extensive and inefficient property portfolio and there is the opportunity to develop a civil service campus offering accommodation to local and sub regional branches of various agencies.

**Health and care:** forecasts for increased employment as a result of an ageing population.

**Housing demand:** major and long term new build programme required to meet demand, with implications for the construction sector.

**Extended HE provision:** in the medium to long term there is the opportunity to build on the existing limited offer, to establish a substantial higher education presence in Walsall.

### Challenges

**Global trends in manufacturing production and employment:** the long term trend is for manufacturing production to move to lower cost economies, although design, innovation and management have often remained in the UK. The likely erosion of employment numbers will weaken the Walsall economy and increase the need to identify sub sectors and niches with growth potential.

**Public sector employment decline:** a reduction in public sector employment in the short term is inevitable and this will reduce spending in the local economy and increase unemployment in the short term.

**Jobless recovery in the Midlands and North:** recent national and regional employment forecasts suggest a slow recovery with limited employment growth. Given on-going decline in manufacturing, Walsall must create new opportunities to return employment to 2008 levels.

**Reduced Government support for economic development:** Walsall's most important economic development projects require significant up-front public expenditure to make them financially viable. The Borough does not have a strong track record in attracting private sector investment and the current economic climate makes this an even greater challenge.

**Workforce skills and attitudes:** moving up the value chain, in both manufacturing and private sector services, will require a highly motivated and increasingly skilled workforce. Tackling pockets of worklessness and encouraging an entrepreneurial approach will be crucial.

## Four Fundamental Challenges

There are four fundamental challenges facing partners in Walsall if the decline of the past five years in particular is to be reversed. These are:

- Growing the Private Sector Service Base
- Coping With Declining Employment in the Industrial Base
- Developing Skills for a Competitive Economy
- Providing Economic Infrastructure for a Competitive Economy

The need for private sector service jobs growth is crucial to stabilising and then growing employment. In many cases, Walsall will need to re-invent itself, changing the perceptions of those in other parts of the region, and create new demand for investment in the Borough. Growing local business and attracting new companies, working across a range of sectors, and re-consideration of the inward investment offer are all required.

### Growing the Private Sector Service Base

The **finance, professional and business services** sector has been the main driver of employment and economic growth nationally over the past ten years and is showing signs of recovery following the recession. The sector is now the third largest in Walsall in employment terms, employing nearly 17,500 people in 2008 and generating just under 20% of Walsall's total GVA. The sector has grown significantly, with employment increasing by 45% or 5,400 since 1998 (although a significant proportion of this employment is in the labour recruitment and provision of personnel sub-sector, which includes employment in a range of occupations across many sectors), but remains under-represented in the Borough, accounting for 17.5% of total employment.

Walsall will need to continue the growth of this sector as manufacturing continues to decline and public sector employment is reduced in the short-term. The Borough has the potential to provide a complementary offer to the premium office locations provided by Birmingham city centre but faces competition from other local authorities which have the benefit of high quality office accommodation ready and available for companies to move into. Walsall needs to prioritise the development of office and commercial space targeted on private sector occupiers in order to retain employment and attract new investment, and improve its broader town centre offer to create an attractive environment for employment in finance, professional and business services.

**Transport and Communication** is the fifth largest sector, employing over 6,200 people (6% of total employment). Since 1998, the sector has grown by 36%,

adding over 1,600 jobs. The sector generated GVA of just over £300m in 2008, equating to 9% of Walsall's total GVA. Transport and communication is the most productive of all the sectors in Walsall, having average GVA per employee of almost £77,400.

Transport is the largest sub-sector, employing over 3,500 employees, but it is under-represented in Walsall, suggesting potential for further growth, while post and courier activities is the second largest sub-sector, employing over 2,300 employees. This sector is highly concentrated in Walsall, at more than twice the national average. It has experienced the fastest growth in employment numbers since 1998.

Transport and logistics businesses often take up large amounts of land and provide relatively low levels of employment. They also tend to locate in the most accessible locations, meaning that they can draw their labour force from a wide geography. Nevertheless, these are sub sectors where Walsall has some competitive advantages and facilitating further growth will lead to new employment opportunities. Assisted recruitment programmes could make more jobs available to local residents.

The **creative and digital industries** sector generates significant wealth for the UK through the export of a range of products and services. The sector is currently very small in Walsall, employing fewer than 2,000 people (2% of total employment, compared to 5% nationally). The sector has grown by 14% since 1998 and there is room for further growth, with the ICT and media and new media sub-sectors very under-represented in the Borough.

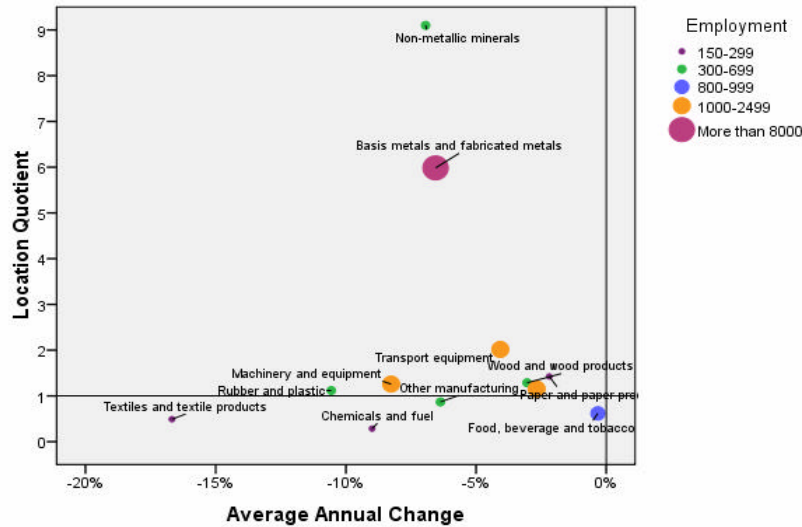
Achieving significant growth in the creative and digital industries sector will require the provision of appropriate high quality accommodation, preferably located within Walsall town centre, the strategic centre for the Borough as identified by the Joint Core Strategy. There is also a need to increase the proportion of highly skilled workers, and more particularly graduates, within the local labour market to provide a pool from which the sector can draw.

### Coping With Declining Employment in the Industrial Base

The size of the industrial sector in Walsall means that even after many years of decline, manufacturing industry remains one of the largest employers. Despite this there is an on-going process of re-structuring occurring within the Walsall economy, which will inevitably continue as global competition within the manufacturing sector continues to increase. Forecasts suggest that manufacturing employment will decline by 6,000 between 2008 and 2020. A key priority for Walsall is to cope with the decline of the industrial base, stabilising employment where this is possible and helping the workforce to adapt to changing patterns of labour demand where it is not.

Manufacturing remains one of Walsall's most important sectors both in terms of employment and wealth generation, still employing over 18,000 people and creating £740m of GVA in 2008. Walsall has a number of niche sub-sectors and industries, including its world-renowned saddlery and leather goods sector, and significant employment in basic and fabricated metals.

**Manufacturing Sub-Sector - Employment Change and Specialisation**



Source: Annual Business Inquiry, 1998-2008

Manufacturing employment is in long-term decline and its share of employment in the Borough fell from 33% to 18% between 1998 and 2008, with further falls forecast as a result of long-term competitive pressures from other, cheaper locations around the world (although output will continue to grow). This has implications for the availability of full-time, relatively well-paid employment within the Borough and the jobs lost over the past decade have not fully been replaced.

Despite the overall long-term decline, there are a number of opportunities within the manufacturing sector which could generate new jobs and investment in Walsall.

These are:

- The continued shift into high value manufacturing, building on the Borough's expertise in metal fabrication;
- Developing new markets and using technology to grow the highly specialised, craft-type manufacturing within the leather goods sector;
- Responding to environmental concerns and legislation by supporting the manufacturing related waste and recycling activities, such as metal recycling, already present in the Borough and encouraging new developments;
- Continuing to innovate and develop new products and processes to stay head of competitors.

For Walsall to secure the benefits of these opportunities, the Borough will need to be able to provide a workforce with the enhanced skills that a shift to higher value manufacturing implies. At the same time there will be a need for a range of high quality industrial sites and premises to support business expansion and inward investment, even where employment numbers are expected to be modest

### Developing Skills for a Competitive Economy

Walsall faces a significant challenge to up-skill its workforce to meet the needs of a re-structured economy. It shares this challenge with many other areas which traditionally depended on manufacturing employment, including the other Black Country authorities.

The Borough has already experienced significant structural changes in its economic base and this process will continue as long-term competitive pressures inevitably result in a continued decline in the numbers employed in manufacturing. Replacing these jobs with private sector, knowledge intensive employment which can generate wealth will require a considerable improvement in the skills of the local workforce, including young people entering the workforce for the first time.

In simple terms, the better qualified an individual, the more likely they are to be in employment and the higher their level of earnings is likely to be. For employers, a more highly skilled workforce enables them to undertake higher value activities and strengthens their competitive position.

Walsall faces a challenge to increase the number of workers with higher level skills, and raise levels of participation in higher education both amongst young people and those in work. The absence of a town centre HEI and proximity of

other, more attractive urban areas may reduce Walsall's ability to attract and retain recent graduates.

### Providing Economic Infrastructure for a Competitive Economy

The delivery of high quality economic infrastructure is a key element of any successful economic growth strategy. The development of key sectors generating wealth and employment in Walsall is dependent on the provision of appropriate infrastructure, including employment land and premises, transport, housing and waste management facilities.

Existing plans and policies set out the need to radically transform the provision of employment land in the Borough, with a significant overall reduction in supply accompanied by a shift to higher density, higher quality provision, releasing some existing employment land for housing development.

There are significant constraints associated with many of Walsall's existing employment sites, including poor access, congestion and low quality surroundings. There has been relatively little developer-led activity in the recent past and the limited availability of public sector funding for the foreseeable future will present significant challenges to those seeking to bring forward new sites for development.

In order to improve the Borough's position in the competition for external investment, and retain existing employers within the area, there is a need to prioritise available funding on those sites which meet the economic infrastructure needs of the key growth sectors and can be brought forward within a short timescale.

There are major gaps in provision with regard to some of the key sectors which will contribute to future employment growth:

- For advanced and higher value manufacturing, there is a lack of bespoke and high quality landscaped industrial estates with good access;
- For higher value logistics and distribution sites, there are a lack of large, high quality sites with good access to the motorway network (despite close proximity);
- For the business services sector, the town centre has a limited high quality office product, combining with an absence of high quality out of town business parks; and

Given the scale of the challenge in providing modern business infrastructure in Walsall new solutions are required to ensure the scale of funding, from either the public or the private sector, is available to take forward the major projects.

### The Employment Challenge

Fewer than two-thirds of people of working age in the Borough are in employment (64.2%), lower than both the regional (68.2%) and national averages (70.9%)<sup>5</sup>. To match the regional level of employment, an additional 6,300 Walsall residents would need to be in employment, and to match the national level 10,500 additional residents would need to be in work<sup>6</sup>.

The lack of employment is evident in the high numbers of unemployed residents. The need to create new and local employment opportunities for those who have recently lost their jobs will make it difficult to reduce levels of worklessness and poverty in the most deprived neighbourhoods. The trend of losing better paid full time employment has reduced household incomes across the Borough.

To achieve a successful economy, Walsall needs to replace the on-going decline in manufacturing with other wealth-generating employment. Putting in place the conditions to significantly grow private sector knowledge-based employment must be a priority for the Borough, if income levels are to be maintained and increased for local residents.

On a broader scale, Walsall's economic performance through the last ten years of the recent growth cycle was very poor, even compared to the other regions which consistently lag behind the national performance.

The fundamental problem facing Walsall is a lack of investment / employment in the local economy arising from three factors:

- An industrial base which has been in decline for some time, and where numbers are unlikely to recover, although output is likely to increase;
- A very limited service sector economy, with many important sub sectors under-represented.
- Under-investment in the physical fabric which has contributed to employment being lost to other locations and / or new investment and employment not being secured.

### A New Context

The credit crunch and subsequent economic recession has fundamentally changed the context in which economic development and regeneration is taking place. Well developed plans based on housing led regeneration are unlikely to proceed and

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<sup>5</sup> Annual Population Survey, 2010

<sup>6</sup> Ekosgen calculations based on data from Annual Population Survey, 2010

the reduction in public sector funding will make many activities and propositions unaffordable.

The much more limited public funding will put pressure on discretionary services, such as regeneration, at the same time as new and more innovative approaches are needed to address structural weaknesses in the economy. New support being made available through funds such as the Regional Growth Fund will be less than some of the sources they are replacing, while key funds such as ERDF will draw to a close over the next few years.

The WMRO IPM economic projections for Walsall suggests that employment has declined markedly since the on-set of the recession and that employment will recover very slowly over the next twenty years without returning to the 2008 peak. If correct, this would make out-commuting the only prospect of reducing unemployment and increasing activity rates – a severe challenge in some parts of the Borough where communities traditionally look for employment opportunities locally.

Walsall needs to create circa 10,000 gross additional jobs to match the national average and provide the employment base which allows local residents to access sufficient opportunities and replace the employment losses in the manufacturing and public sectors.

### Growth Constraints

There are a number of constraints which will make it difficult for Walsall to generate significant numbers of additional jobs, even after the national economy has returned to a growth cycle. These are:

- **Business locations and premises:** the single major weakness in the Walsall economy. Unless addressed, this will stop local businesses expanding and moving to more modern premises and considerably reduce the likelihood of securing the new investment and employment needed to replace the forecast decline in manufacturing employment. In summary, without a better land and premises supply many key potential growth sectors will stand still.
- **Connectivity:** while Walsall has very good public transport service to Birmingham, the connectivity between many employment locations and the motorway network is poor. This is the single most important transport priority if Walsall is to offer competitive locations to new investors.
- **Skills:** increased workforce skills are critical to the ability of the manufacturing base to continue to compete nationally and internationally and to move into new market areas such as low carbon. The limited availability of higher level skills in the workforce also makes it difficult for

Walsall to generate or accommodate significant increases in employment in higher skilled occupations, such as managerial, professional and associate professional and technical roles, limiting the potential to drive up output and wages.

- **Innovation:** without innovation, product development and new investment, manufacturing sub sectors will not be able to arrest the decline in employment.

The major challenge with regard to business locations and premises is the costs and complexities of many sites and this includes the two major propositions at Darlston and Gigaport. In both cases, a supply of quality sites is not available, in contrast to many other locations in the West Midlands.

Unless land supply is improved future investment is likely to be accommodated in Sandwell and Wolverhampton. The cost of addressing the industrial legacy, in a context of limited public sector funding, challenges the ambition to significantly increase the supply of quality employment land in Walsall. There is a strong case for developing new investment mechanisms, although the uncertainty over securing an income stream to repay borrowed capital makes this route particularly difficult.

### Opportunities

There are a number of opportunities to develop new and reinforce existing sectoral strengths. The Walsall economy has a relatively poor natural / internal momentum and limited assets with regard to developing a knowledge based economy. To address this, intervention is required to create new demand and accelerate the growth in some under-represented sectors.

The key opportunities are:

- **Walsall Town Centre:** the strategic centre for the Borough, as identified by the Joint Core Strategy and one of the largest centres in the Black Country and with a good retail offer, relatively attractive environment and a number of new attractions such as the Art Gallery and Waterfront. Further development in retail, creative and digital and business start up space is possible to improve the town centre offer.
- **Gigaport:** is already emerging as a public service campus, and the intention to rationalise all of the public sector property estate as leases end provides an opportunity to develop accommodation based on public sector re-organisation and efficiency priorities, as well as releasing other sites for re-development.

- **Distribution and logistics:** a sector where Walsall has a number of locational strengths and some success in attracting new investment. Although activities take up substantial space with low employment densities, further developing this sector is an important priority.

## The Key Sectors

There are seven sectors which have been analysed through the research, although in a number of cases it is specific sub sectors within the broad group which will contribute to employment growth. The sectors include the public sector, notably health and social care, although the delivery of services may be taken forward by the private sector as new arrangements are put in place. The sectors are:

- **Financial, Business and Professional Services:** the driver of employment growth in the national economy, although Walsall has a relatively localised business base and very few major employers. Increasing employment is dependent upon the provision of high quality office space and securing new inward investment.
- **Transport (including logistics) and Communication:** a sector where Walsall has a strong presence in some sub sectors and where there is potential for further growth, based on new investment around larger sites with very good links to the motorway network.
- **Wholesale and Retail, Hotels and Restaurants,** already one of the largest employment sectors, with retail dominating employment. Further growth in retail is linked to Walsall Town Centre and the economic health of the District Centres. Distribution has the potential to attract new investment if appropriate sites/locations can be made available.
- **Creative and Digital,** a very small sector in Walsall in what is an important sector in the national economy. Limited assets and business base will constrain growth, and the public sector has an important role to play in stimulating demand and developing the local industry.
- **Manufacturing:** where there are a number of major sub sectors and specialised niches. Innovation, expansion into new markets, working with the major employers and supporting company re-locations to new and more appropriate premises are needed to maintain employment in the Borough.
- **Construction:** although the construction sector is dependent upon the development industry, there are opportunities to specialise in new technologies and link companies to local demand.
- **Public Services:** forecasts suggest that the public services will provide the majority of employment growth up until 2020, primarily a result of increased employment in social care. There is a need to take advantage

of the employment opportunities and link local residents to jobs. There may also be opportunities for social enterprise to deliver services.

Within these sectors there are six key areas that will drive growth in Walsall, although it will be important, especially in light of current market conditions, to continue to encourage growth across all broad sectors. The six areas are:

### Key Sub Sectors

- **Health and Social Care,** responding to increasing demand for services linked to an ageing population.
- **Niche and high value manufacturing,** building on major sub sectors and manufacturing specialisms in the Borough to help to stabilise future decline.
- **Waste Management/Recycling,** expanding the current sector to provide facilities for businesses across the Borough.
- **Financial, Professional and Business Services,** expanding existing businesses and attracting new businesses to the Borough continuing the transition to a more service based economy.
- **Creative and Digital,** building on the small base in Walsall capturing some of the growth which is occurring at the national level.
- **Logistics,** capitalising on the Borough's strategic location and supporting growth in other sub sectors, such as niche manufacturing.

The following pages provide a summary of the key features of each sector.

## 5 Financial, Professional and Business Services

- The financial, professional and business services sector is the fourth largest in Walsall in employment terms, accounting for 17,400 jobs in 2008. This equates to 18% of Walsall's total employment, on a par with the manufacturing sector.
- The sector makes the second largest contribution to Walsall's GVA, 19% of the total, and had the fastest rate of growth in GVA between 2006 and 2008. Output per FTE employee is slightly above the Walsall average at just over £35,000, and is expected to rise significantly in future years.
- The sector as a whole is one of the fastest growing in Walsall in employment terms, with growth of 45% between 1998 and 2008, adding almost 5,400 additional jobs, however this decreases significantly when labour recruitment and the provision of personnel is excluded.
- Labour recruitment and the provision of personnel is the largest sub-sector, employing over 6,000, 35% of the total in the sector – this includes workers employed through employment agencies, working across a range of sectors (and outside of the Borough).
- If this sub-sector is excluded from the analysis, employment in financial, professional and business services falls to just over 11,200, however the sector remains the fourth largest in Walsall, with employment growth of 19%.
- Despite this growth, the sector's share of employment still lags behind the national average of 23%, reflecting its under-representation in the Borough.
- The majority of financial, professional and business services sub-sectors have experienced employment growth since 1998, although with the exception of labour recruitment and rental services all sub-sectors remain under-represented in Walsall.
- The office and town centre offer in Walsall makes it difficult to attract significant inward investors, with very limited high quality modern office accommodation available.
- The opportunities in the sector relate to supporting existing businesses to identify new markets, encouraging better links with major centres (such as Birmingham and Manchester) and diversifying existing skills into emerging niche areas.

## Implications and Recommendations

The following implications and recommendations emerge from the opportunities for the financial, professional and business services sector in Walsall:

- There is a need to encourage and support local firms to engage with existing sub-regional networks so that they can access new markets and strengthen links with Birmingham. This might involve showcasing examples of where such collaborations have been beneficial to existing businesses in Walsall. **Local businesses need to be supported to access networks and major hubs as this does not appear to be happening naturally.**
- The sector is quite diverse and some sub-sectors have relatively low levels of output per worker. Therefore, it is crucial that as well as growing the sector in employment terms, support is also focussed on increasing the productivity and added value generated by existing companies. **Sector support should be targeted at existing businesses with growth potential as well as activities to attract new businesses to the Borough.**
- There are natural synergies between some businesses, for example through serving a similar customer base, and businesses should be encouraged to exploit these linkages where present to improve competitiveness. **Encouraging multi-disciplinary consortiums among the business base to increase product and service offerings should be a priority.**
- Companies in this sector require new office accommodation, with adequate car parking and ease of access for their workforce. It is important to ensure that the right infrastructure is in place to encourage the growth of the sector. **There is a need to improve the provision of high quality office space to attract larger companies in this sector,** with a focus on back office functions.
- The ability of the town centre to become an attractive location to accommodate growth will be extremely important in replacing jobs lost in other sectors. Walsall town centre has a crucial role to play and there is a need to **update the vision and delivery plans for the town centre and developments such as Gigaport** (or a similar scheme) to ensure a suitable pipeline of new and high quality office accommodation is available. This is likely to require a phased approach and public sector intervention to de-risk early investment.



## 6 Wholesale and Retail, Hotels and Restaurants

- The wholesale and retail, hotels and restaurants sector is the largest sector in Walsall in employment terms, accounting for 24% of total employment or almost 23,800 jobs.
- The majority of employment is accounted for by retail (14,050), although numbers are substantial in wholesale (5,050) and restaurants and catering (4,150).
- Along with manufacturing, employment in the wholesale and retail, hotels and restaurants sector has declined since 1998, with 1,100 fewer people employed by 2008.
- Job losses were concentrated amongst females, whilst the number of male employees in the sector rose slightly. Nearly 60% of jobs lost were full-time positions.
- Due to the large numbers employed, the sector makes the third largest contribution to Walsall's GVA. However, productivity in the sector is low with GVA per FTE employee just over £29,500.
- The retail sub-sector is the only one to have experienced employment growth since 1998, and is highly concentrated in Walsall compared to the national average. In contrast, employment in the hotels sub-sector has fallen significantly since 1998.
- A far higher proportion (23%) of the sector's employment in Walsall is concentrated in large firms (employing more than 200) than is the case in the Black Country, regionally or nationally.
- Although the overall sector has been declining in Walsall, retail employment is growing slightly. Further growth in retail is linked to improving Walsall Town Centre, developing the daytime and evening economy and the economic health of the District Centres.
- Distribution has the potential to attract new investment if appropriate sites/locations can be made available.
- Other opportunities relate to the provision of entry level, customer facing jobs, selling and using local produce, forging links with local suppliers and national outlets and franchises and capturing a larger share of the accommodation market (including budget hotels).

## Implications and Recommendations

The following implications and recommendations emerge from the opportunities for the wholesale and retail, hotels and restaurants sector in Walsall:

- **Major improvement to the town centre** is crucial and necessary to the development of the retail sector and will act as a catalyst for others such as financial, professional and business services. There is a need to produce a long term **spatial plan for the town centre** which sets out its function in terms of retail, leisure and culture, education, office based employment and housing. There is also a need to **attract investment in the evening and night time economy** to expand the town's leisure offer. If Walsall is going to attract visitors from a wider area it will be important to ensure that the relevant services and facilities are available, such as hotels.
- **Increasing collaboration across the sector** to ensure that the town centre offer is cohesive and that the offer can be clearly articulated and marketed to attract additional visitors. This could be facilitated through the town and district centre partnerships and the Council's business engagement team. Consideration should be given to new mechanisms which involve business in improving the centre, such as Business Improvement Districts.
- **Provide quality sites for distribution investment:** the growth of e-commerce has led to the growth of companies without a high street presence and existing retailers are distributing more goods via distribution centres. Walsall has a relatively good location and the provision of quality employment sites could attract new investments and jobs.
- **Ensuring that appropriate training and recruitment programmes are in place to help local residents into entry level, customer facing jobs.** This includes projects and programmes which help residents to become work ready and to develop basic skills such as punctuality and reliability. (This was highlighted as an important need in the sector study workshops and survey).
- **Ensuring that appropriate progression opportunities and career paths are available and are clearly articulated to residents.** The sector also offers progression opportunities and ensuring that these are appropriately set up will be important to both develop the skills of those with no or low level qualifications and to attract higher skilled workers to meet the demand for supervisory and management roles.

## 7 Transport and Communication

- The transport and communication sector is the fifth largest employment sector, employing over 6,200 employees (6% of total employment).
- It contributes 9% of GVA in the Borough and has above average GVA per FTE employee.
- Between 1998 and 2008, employment in the sector increased by 36%, adding almost 1,700 jobs.
- The sector is a particularly important source of male employment, with 87% of the additional jobs created between 1998 and 2008 filled by men.
- Transport (including both passenger and freight transport) is the largest sub-sector, employing 3,500 employees.
- Post and courier activities are highly concentrated in the Borough, with employment levels at more than twice the national average.
- Between 1998 and 2008, the sector grew more rapidly in Walsall than in the Black Country, the West Midlands and England as a whole.
- Projections suggest that transport employment will remain relatively stable in the Borough despite the downturn with a low level of year on year growth.
- While communication employment is projected to decline, the output of the sub sector is expected to increase significantly, the second highest net increase of all sub sectors.
- The Borough's position makes it well placed for distribution and logistics related employment, although frequent motorway congestion will undermine efforts to attract new employers.
- While the toll road has opened up new sites for development, the scale of new investment has been modest to date.
- Opportunities for the sector in Walsall are linked to the Borough's strategic location, the expansion of home delivery networks and providing specialist transport for manufacturing companies in growing niche areas.

### Implications and Recommendations

The following implications and recommendations emerge from the opportunities for the transport and communications sector in Walsall:

- **Providing high quality employment sites to attract new logistics and distribution centres**, with good access to the motorway network. This should include re-examining employment land priorities to ensure Walsall capitalises in sub sectors that offer opportunities.
- **Realise more land in areas where distribution and logistics businesses are most likely to invest**, offering a range of sites in a branded destination, with good access to the motorway network.
- **Promote the Borough as a national logistics hub** (as Wakefield in Yorkshire and Warrington in the North West have done), targeting national and regional companies.
- **Working with employers to provide more qualified local people**, capable of taking on employment opportunities arising from replacement demand.
- Providing **pre-recruitment training to support new employers**.
- **Providing local transport solutions** to allow residents of the Borough to take up employment opportunities in the industry and ensure employment sites are sustainable.

## 8 Creative and Digital

- The creative and digital sector is currently very small in Walsall, employing under 2,000 (2% of total employment).
- The sector is under-represented in Walsall, lagging the national average for the sector of 5%, and has the potential to build on its growth over the past ten years which has created an additional 250 jobs in the Borough.
- The sector comprises four sub-sectors: design; ICT; media and new media and print and packaging. Almost one-third of employment in the creative and digital sector in Walsall is in the design sub-sector.
- Employment in each of the four sub-sectors is below the national average, although the design and print and packaging sub-sectors are closest to the national level.
- The ICT and media / new media sub-sectors are very small compared to the national average and have grown relatively slowly over the past ten years.
- The number of workplaces has grown slightly faster than the number of employees, and the vast majority of workplaces employ fewer than ten employees.
- Nationally, the creative and digital sector is forecast to grow considerably over the next ten years, and is regarded as important to national competitiveness. Walsall has relatively few assets or advantages and will need to create demand and support local companies to grow.
- The ability of Walsall to attract businesses in creative and digital sectors is currently hindered by the lack of a critical mass of activity. The Borough needs to ensure that adequate flexible, smaller incubation space is available for start ups.
- Opportunities for the sector are linked to growing the Borough's creative and digital sector and residents working in the sector in Birmingham, which has a very large and diverse business base.

### Implications and Recommendations

The following implications and recommendations emerge from the opportunities for the creative and digital sector in Walsall:

- The growth of the sector, like financial, professional and business services, depends on the availability of attractive and high quality office space. **There is a need to ensure that adequate flexible, smaller incubation space is available** to attract companies to the Borough. There may be an opportunity to use redundant office space which could arise from the rationalisation of the public sector estate.
- It will also be important to **update the vision and delivery plans for the town centre and developments such as Gigaport** (or a similar scheme) to ensure a suitable pipeline of new and high quality office accommodation is available. This is likely to require a phased approach and public sector intervention to de-risk early investment.
- Appropriate office space also needs to be accompanied by a thriving town centre to make Walsall an attractive location to the sector. **Developing a clear vision for the town centre which focuses on the development of both the daytime and evening economy is a key priority.** This will also support the development of the financial, professional and business services sector.
- **Focus on higher level skills training (NVQ level 3 and above)** to ensure that residents have the appropriate skills to work in the sector in Walsall and elsewhere. This requires close partnership between Walsall College and the emerging sector. The lack of a higher education facility will limit the extent to which some skills can be developed though the education provision in Walsall. Apprenticeships in local companies may be a way of keeping creative talent in the Borough and attracting young people after they graduate.
- **Providing business support to the design sub sector** focusing on assisting companies to access new markets and linking design services to the needs of Walsall businesses, particularly the manufacturing base.

## 9 Manufacturing

- Manufacturing remains one of Walsall's largest employment sectors, employing over 18,000 people in 2008. This accounts for 18% of total employment compared to 10% nationally.
- Manufacturing continues to make the largest contribution to Walsall's GVA, although the absolute value has fallen since 2006. The sector is one of Walsall's most productive in terms of output per FTE employee.
- Between 1998 and 2008, manufacturing employment in Walsall declined by almost half (46%) with the loss of over 15,000 jobs. Male employment in the sector fell by over 10,500 (two-thirds of the total fall). Over 90% of the jobs lost were full-time positions.
- Economic projections suggest the sector will continue to decline, in terms of employment, the value of total output, and relative importance to the Walsall economy. The priority should be on managing change and working to stabilise employment in key sub-sectors and niches.
- The majority of manufacturing sub-sectors are more highly concentrated in Walsall compared to the national average. The manufacture of non-metallic minerals and the manufacture of basic metals and fabricated metals, both more than five times the national average, are forecast to contract most significantly.
- Walsall's manufacturers have survived by adapting to international competition, moving up the value chain or out-sourcing production to lower cost economies.
- To continue to survive the sector will need to upskill its workforce, move into higher value added areas and access new and emerging markets. Other opportunities include increasing international linkages, improving resource efficiency and building on Walsall's existing recycling / waste management businesses<sup>7</sup>.

### Implications and Recommendations

The following implications and recommendations emerge from the opportunities for the manufacturing sector in Walsall:

<sup>7</sup> The definition of manufacturing used in this profile includes all aspects of waste management and recycling including waste treatment, transfer and disposal, as per the 2007 Standard Industrial Classification.

- On-going and increased responsiveness to international trends and competition will be required from Walsall's manufacturing base if it is to survive into the middle of the 21<sup>st</sup> century. **Business support activity should be focussed on helping manufacturers to adapt to changing circumstances as well as creating new employment.**
- Some 84 companies account for over half of all employment. The fortunes of these companies are critical to the prosperity of the Walsall economy. **Understanding their challenges and needs, and supporting their adjustment and growth is a key priority for Walsall partners.**
- There is a need to help companies move to more suitable premises, both those rationalising their accommodation and those seeking larger premises, and there is a demand to remain in Walsall. **It is important that the existing industrial companies can find suitable accommodation in the Borough.**
- Moving into higher value and niche activity will require increased skills within the workforce. Manufacturing employers already identify skills gaps, most commonly relating to technical skills. **Improving the skills of the manufacturing workforce should be a key priority.**
- A number of new market areas are emerging and higher value and niche manufacturing should be encouraged to sustain the competitiveness of manufacturing companies in Walsall. **Companies need to be provided with support to investigate, target and access new markets, developing relationships with new suppliers and customers, both in the UK and overseas.**
- Manufacturing companies in Walsall need to be supported to prepare for the low carbon economy. **Reducing energy costs and improving resource efficiency could provide direct bottom-line business benefits.** Identifying low carbon markets and business opportunities has yet to be addressed by 80% of Walsall's manufacturers. **Support should be provided to help companies with this activity, which requires a greater commitment of time and resources.**
- The focus on environmental issues and the low carbon economy creates the opportunity for linkages with other sectors. Walsall's recycling / waste management sector provides facilities for businesses across the Borough, although these services could be expanded. The construction sector is increasingly using prefabricated products to build efficiently and to higher standards of energy efficiency. **Walsall's manufacturers should be supported to explore new markets across all sectors of the economy.**

## 10 Construction

- Construction is the seventh largest sector in Walsall in employment terms, employing over 4,800 people.
- The sector generates 7% of GVA in Walsall, although GVA per FTE employee is below the average.
- Between 1998 and 2008, employment in construction increased by 52%, making it the fastest growing sector in Walsall and creating over 1,600 additional positions. This growth has been driven by a number of regeneration projects and major developments such as the new police station and Tesco, although the sector has been hard hit by the recession and construction companies are the most cautious in Walsall about future growth.
- The sector is an important source of male employment. Men account for over 80% of employees in the sector and have taken up three-quarters of the new jobs created since 1998. The vast majority of employment in the sector is full-time, with 90% of the new jobs created between 1998 and 2008 being full-time positions.
- Civil engineering is the largest sub-sector accounting for half of total employment in the sector (nearly 2,500). Building installation is the fastest growing sub-sector, but is under-represented compared to the national average. Building completion and civil engineering are strongly represented in the Borough, compared with the national average.
- The sector faces considerable challenges over the next three years as slow economic recovery and reductions in public sector capital investment add to the difficulties resulting from the credit crunch and its impact on the commercial and residential housing markets.
- Medium term forecasts for new housing demand will lead to a major construction programme, assuming that attractive sites can be provided to the development industry.
- Other opportunities for the construction sector in Walsall are linked to exploiting new market opportunities and working on infrastructure works in the Black Country. It will be important to assist companies to identify and exploit low carbon opportunities which will diversify the sector and ensure sustainability as the business survey shows that the sector is more likely than others to not be considering low carbon opportunities.

## Implications and Recommendations

The following implications and recommendations emerge from the opportunities for the construction sector in Walsall:

- There is a need to increase building and construction activity through the provision of **land and sites which are attractive to the residential and commercial development industry**.
- **Encourage and promote collaborations between small contractors and the large civil engineering companies in Walsall.** This may include the use of business networks which will enable small construction companies to network with larger companies in the industry.
- **Accessing sub regional and regional markets,** it is important that local construction companies proactively look outside the Borough e.g. through better engagement with the building technologies cluster in the region which has identified key target markets for the sector and promoting best practice. This is particularly important to **provide local companies with intelligence about new markets, technologies and best practice**.
- To exploit low carbon technologies, **local companies need to be encouraged to engage with relevant networks and technical developments,** and to **develop expertise in technologies which will provide a competitive advantage**. This may present a challenge as there is currently a high proportion of companies in the sector which are not considering low carbon opportunities.
- **Upskilling of the current workforce as well as training of young people** is required to enable local construction companies to exploit new opportunities as they arise.

## 11 Public Services

- This sector includes education, public administration, health and social care and community services. Public services are increasingly being delivered through a mixture of public, private and voluntary sector bodies.
- Public Services is the second largest employment sector in Walsall, with over 23,000 employees (23% of total employment). It contributes 18% of GVA in the Borough, although GVA per FTE employee is below the average.
- Between 1998 and 2008, employment in the public services sector increased by 26%, creating over 4,800 additional positions, of which over 40% were part-time roles.
- The sector is a particularly important source of female employment, with 93% of the additional jobs created between 1998 and 2008 filled by women.
- The sector has increased its importance to Walsall given the overall employment decline over the same period, although it did not grow as quickly as in many other parts of the country over the same period.
- Health activities is the largest sub-sector employing nearly 7,000 and Primary education is the largest education sector and second largest sub-sector, employing over 5,000.
- The concentration of employment in compulsory social security services is high (over two times the national average).
- While the public sector as a whole will face tight spending restrictions over the next 4-5 years and spending cuts are likely to result in a significant number of job losses, there are areas of growth which can be exploited.
- A growing population and more people living longer and on their own will lead to an increased demand for health and social care services, with a consequent increase in employment. Growth in the health and social care sector is projected to drive employment growth in the Borough.
- Other opportunities include growth in customer service employment, aligning with the Big Society agenda and exploiting the move from regional to local priorities.

## Implications and Recommendations

Although current spending cuts are severe, by the end of the current spending period it is anticipated that overall public spending will be similar to 2007 levels. In order for Walsall's public services sector to minimise the impact of current austerity policies a number of actions are required:

- There is a need to ensure that opportunities for growth in certain areas of public services (particularly health and social care) are maximised. There is a need to **work with health and social care authorities and anticipate the skills needs of the care and health sector**, including replacement demand, with a focus on helping local residents take up employment opportunities.
- To reduce the impact of public sector job losses on local communities there is a need to **provide employability support and possibly re-training for affected workers**.
- **Review the public sector property estate**, including premises occupied by regional and national organisations, with a view to developing long term proposals for the rationalisation of premises and the re-use of redundant buildings to support private sector employment growth.
- **Increase the extent of collaboration and partnership with the community and voluntary sector and the private sector** to align the delivery of public services with emerging government priorities.
- **Focus on higher level skills training (NVQ level 3 and above)**. Frontline staff will need to be equipped with the skillset (particularly leadership and management skills) to undertake more responsibilities in a smaller public services workforce. Additional skills training will also be necessary for those made redundant who wish to become self-employed providers of services that were previously publicly financed.

## 12 Sector Development: Business Support

There are a number of areas of intervention needed to support sector growth, which will complement investment in economic infrastructure and skills. Many of these cut across a number of sectors, while others will be sector specific. They are

- **Innovation:** there is a high level of innovation in Walsall companies, particularly amongst manufacturing companies. There is a need to ensure that companies access the support available for innovation, including sector specific networks and specialist schemes.
- **Relocation:** there are a number of companies needing to relocate and in many cases, larger accommodation is required. It is important that these companies are relocated within Walsall and directed to other business support where businesses are expanding.
- **Business Property:** the need for all types of premises is evident from the business survey and there is a development role at a small scale to ensure that a broad range of premises are available to local and new businesses.
- **Specialist premises:** there is potential demand for incubation support for new and growth businesses and potentially a specialist centre to support the development of creative and digital industries (which are poorly represented in Walsall).
- **New Markets:** Whilst some companies operated in national and international markets, a large proportion operated in local sub regional markets. Some 30% of the business survey respondents indicated that accessing new markets was a constraint or significant constraint on their business. There is a need to provide information and support to help local business engage in new markets.
- **Access to Finance:** securing finance for business growth is one of the major constraints facing Walsall businesses. There is a need to make local businesses aware of the various schemes established to address issues of finance.
- **Inward Investment:** Walsall will not be able to grow key sectors or create the new jobs needed without significant inward investment. It is important that in addition to the provision of key sites the Borough is able to offer comprehensive support to new investors.

### Developing Low Carbon Opportunities

Walsall may be able to capture the benefits from the development of a low carbon economy by capitalising on its strong industrial base, existing engineering skills and the strengths of key companies. The business survey indicated that very few companies were actively involved in pursuing low carbon opportunities and there was a lack of knowledge about low carbon.

There are a set of substantive and immediate priorities for Walsall:

- **Adapting existing engineering skills:** Walsall has a strong engineering base and these skills could be adapted to act on opportunities presented by a low carbon economy and to support the supply chain for the wind turbine and nuclear energy markets.
- **Waste management and re-cycling:** likely to become more important and Walsall already has a number of companies working in various sub sectors, including Veolia in Brownhills and EMR in Darlaston.
- **The retro fitting of housing:** currently being prioritised by the Government, with significant employment creation potential. The latter is likely to be carried out over a five to ten year programme.

The scale of these benefits in employment terms is currently unclear and will ultimately depend on the success of early opportunities. Nevertheless, it is clear that the development of the low carbon economy offers Black Country businesses a significant opportunity in helping to maintain and diversify the existing industrial base and to develop accompanying services, including technical expertise.

The low carbon economy is now fiercely competitive and well developed local and sub-regional plans to work with the private sector to capture new opportunities will be critical to success. There is a need to actively promote low carbon opportunities to companies in Walsall. The level of awareness appears to be limited, and tailored information aimed at manufacturing and some service sectors would allow local companies to assess the relevance of low carbon to their business.

## Sector Development: Place

There are a number of interventions which could be progressed by the Council and partners over the coming years with regards to delivering the required economic infrastructure to support economic stabilisation, growth and sectoral development.

**1. Refreshing the Vision and Approach to Darlaston and Gigaport:** A review of the plans for Darlaston and Gigaport reveals a number of costly constraints to delivery including ownership, contamination and access. The changing economic and funding climate, particularly the reduction in likely future public sector funding to remove such constraints, means that a refreshed and shared vision and approach to these two sites amongst partners is required. Darlaston is important to efforts to stabilise the industrial base and support those companies which wish to relocate locally, a number of which require larger premises. The digital driver which under-pinned Gigaport has changed and a major refresh to reflect recent developments would help to re-energise efforts to make further progress.

**2. Integrating a revised Gigaport into a Vision and Plan for Walsall Town Centre:** the Town Centre is one of the Borough's most important assets, in spite of concerns that it is losing out to other retail and commercial centres. There is a need for a vision and masterplan to guide the regeneration of the Town as a retail, commercial and business centre, taking account of Gigaport and the Waterfront. Consideration should be given to whether an Area Action Plan (AAP) is required to take forward developments and to balance the need for an AAP against the time and resources needed to conduct such an exercise.

The initial Waterfront Development, Art Gallery, opening of the College and the new supermarket are major new investments in the Town Centre. There is a need to build on developments through an agreed plan which sets out the long term functions of each part of the town centre taking account of the day time / evening economy, the role of further/higher education and the potential to develop an attractive office quarter which supports the growth of the service sector economy.

**3. Developing A Third, Private Sector Led Growth Centre:** There is a strong rationale for developing third major growth centre to secure new private sector led development in the next three to five years, while plans for the Town Centre and Darlaston are developed. A new focus on Brownhills, with an emphasis on distribution and logistics, which neither Darlaston or the Town Centre are offering, would widen the Walsall offer, provide more immediate and additional inward investment priorities, and potentially allow funds to be recycled in to taking forward important projects in Darlaston and the Town Centre.

**4. Supporting the Infrastructure Requirements of Existing Businesses:** With the lack of likely inward investment and minimal available public or private sector funding, it is unlikely that major development activity will occur in Walsall over the

short term. It is therefore paramount that the needs of existing businesses are met to ensure their ongoing presence in the Borough and the stabilisation of the local economy. There are a number of large employers who are particularly significant to the Borough's employment prospects. A number of existing businesses face issues with respect to the size and quality of business premises. An early action is for the Council to work closely with these companies to ensure that their ongoing needs are met either at their current location or elsewhere within the Borough.

Given the complexities associated with major flagship sites such as Darlaston and Gigaport, their long term nature and the immediate need to stimulate private sector investment and job creation in the short term, more straightforward development opportunities should also be considered. These could include:

- Providing a greater focus on upgrading existing industrial sites, particularly those more successful sites with land available in areas such as Aldridge where there is evidence of demand;
- Delivering small incubation units or managed workspaces in bite sized chunks at a variety of locations across the Borough, in particular the town centre;
- Examining the role of the District Centres as employment hubs for service sector growth.

**5. Ensuring Adequate Supporting Infrastructure is in Place:** In addition to sites and premises, there are a series of other economic infrastructure priorities and interventions required to support sectoral development in the fields of housing, education, connectivity and waste. These include:

- Improving the environment, appearance and image of the town centre and increasing the quality of supporting services available to potential office based town centre businesses;
- Delivering a higher quality and better mix of housing to attract and retain working families and younger skilled workers;
- Encouraging the introduction of an element of higher education into the town centre, working with the College and existing universities, in particular the University of Wolverhampton;
- Developing a greater understanding of the issues associated with the current waste management and recycling facilities in the Borough and the waste infrastructure needs of the economy, as well as addressing known gaps in waste infrastructure provision;
- Addressing internal transport infrastructure and localised access and connection issues to overcome transport and connectivity constraints to the delivery of sustainable economic growth in Walsall.



## Sector Development: Skills

There are three critical areas with regard to skills which are important to supporting the growth of key sectors. These are:

- **Skills gaps and shortages:** there are a number of skills gaps and shortages within the existing workforce, primarily technical skills, which are constraining growth in a number of sectors / companies. These need to be investigated and solutions developed.
- **Workforce development:** for manufacturing in particular, the need to improve workforce skills is a permanent feature of a competitive business. There is a need to look at issues such as costs and relevance of courses reported in the business survey to identify solutions which remove barriers to training.
- **Customer and inter-personal skills :** key skills for working in many sub sectors of the service economy are based on personal presentation and dealing with customers. It is important that young people in Walsall have these skills to enable them to take up new local opportunities.

The **College** is an exceptional asset with high quality new facilities and offering a broad range of support. The College needs to respond to the emphasis on market and employer led demand and where possible anticipate future demand from potential growth sectors and niches.

## Final Remarks

The analysis of sectors outlines a number of challenges for those responsible for economic development in Walsall. The need to stabilise manufacturing employment is critical, while the Borough has very few strong assets on which to develop private sector service employment.

The manufacturing challenge involves working with the existing business base, rather than attracting new external investment, and there is a strong commitment to Walsall from local companies, many of whom need to move to new premises.

The service sector challenge involves both attracting new and more substantial investment and working with local companies. A focus on establishing Walsall as an investment location for distribution, logistics and business services is needed to replace the jobs lost over the past five years. Land supply and the availability of sites which meet the needs of employers are crucial.

Walsall needs to act quickly. Unemployment and worklessness is high, and the economy made very few gains in the last growth cycle. The more recent job losses could permanently weaken the local economy, and lead to a further slow spiral of decline.

# **Walsall Sector Analysis Study**

**John McCreadie**

**Regeneration Scrutiny Panel**

**January 2011**

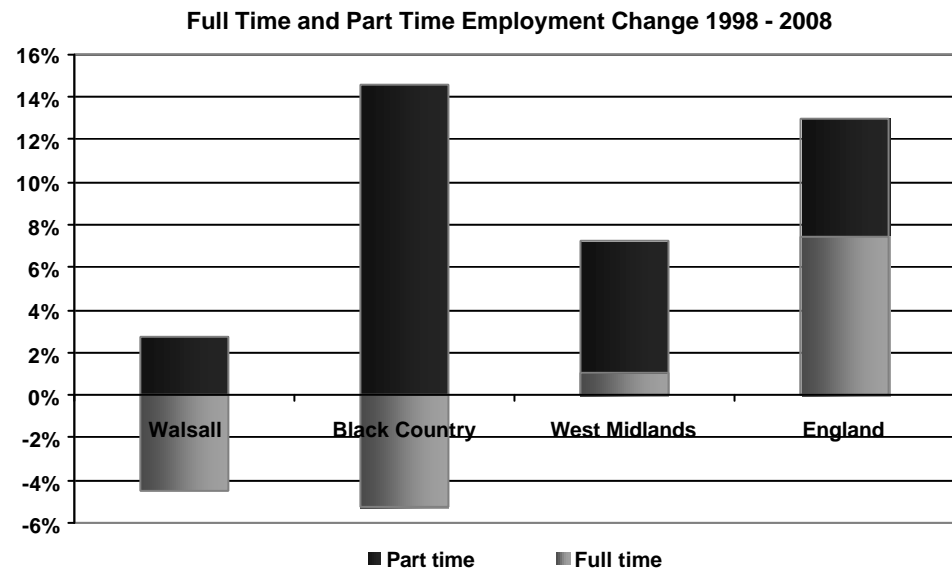
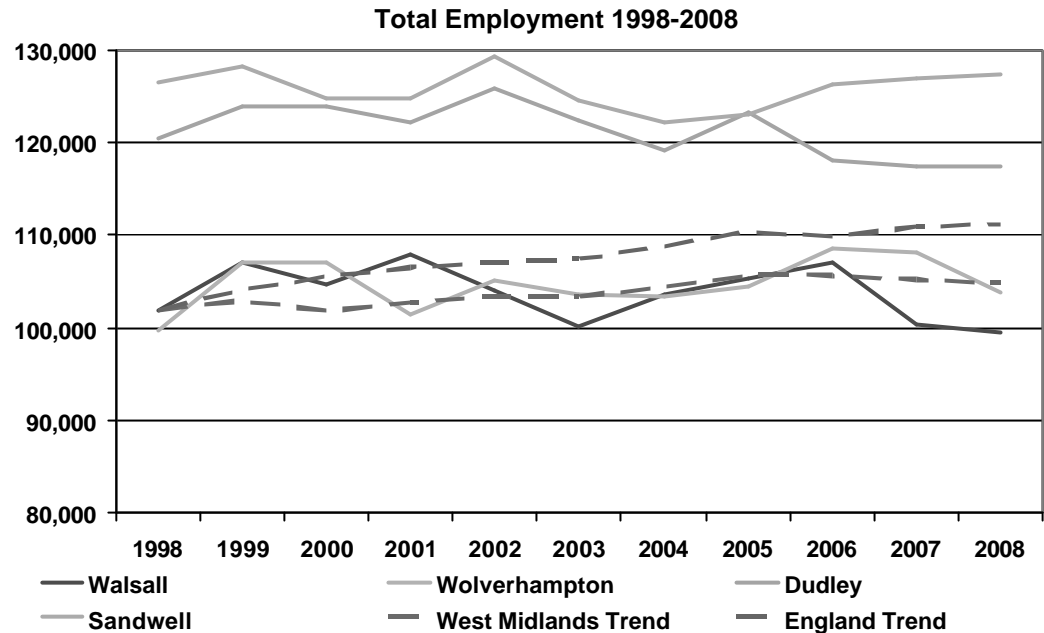
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# Overview

- Economic analysis headline findings
- Business survey headline findings
- SWOC
- Overview of challenges
- Overview of opportunities
- Sector Development

# Employment

- Total employment 99,400
- Employment has fallen by 2.5% (-2,559)
- Significantly under-performed regional (+3%) and national (+9%) average
- Significant decline in full time (-3,321) and male employment (-2,185)
- Increase in part time not sufficient to offset losses



# Ethnic Minority Business Base

- Lack of data – self employment rates used as a proxy for business ownership
- EMBs have tended to be concentrated in areas with strong manufacturing bases
- Data suggests EMBs are important to Walsall:
  - 15.7% are self employed in the Black Country compared to 9% regionally.
  - Highest levels of self employment in the Black Country are amongst Chinese (29.9%), Pakistani (14.6%) and Bangladeshi (11.3%) populations

# Ethnic Minority Business Base

- EMBs have traditionally been concentrated in low value sectors – a sign of labour disadvantage rather than entrepreneurialism
- Evidence that EMBs are beginning to diversify into more lucrative sectors
- Issues EMBs face are linked to a lack of knowledge of support:
  - Isolation/apathy
  - Business planning/management
  - Cost of training

# EMB Implications

- EMB business base is under-researched
- Offer potential to help Walsall economy increase exports and enter new markets
- Ongoing need to support sector diversification
- Business support needs to be tailored to EMBs needs
- Focus on development of high quality EMBs rather than quantity

# Overview

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# Business Survey

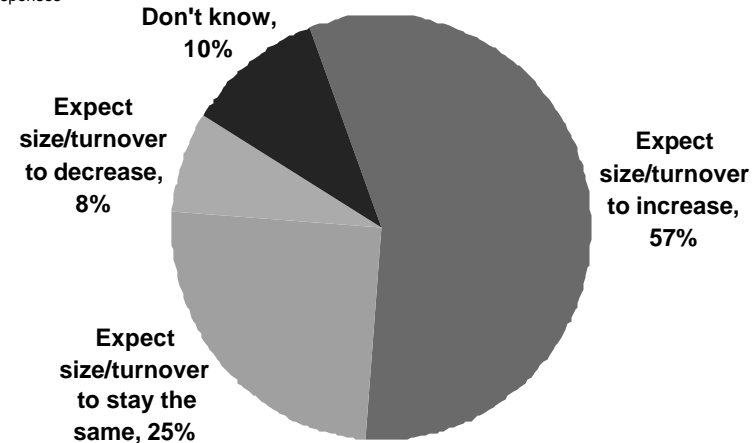
- 426 responses across 7 sectors
- Skewed towards larger companies and manufacturing sector
- Considerable number of positives
- Results highlight both opportunities and constraints within the business base

# Growth Expectations

- Almost 60% expect to grow over next two years
- Almost 75% report this will be through new business in existing markets
- Around a third report that they will develop a new product/service and/or enter a new market
- Manufacturers most likely to expand through international trade

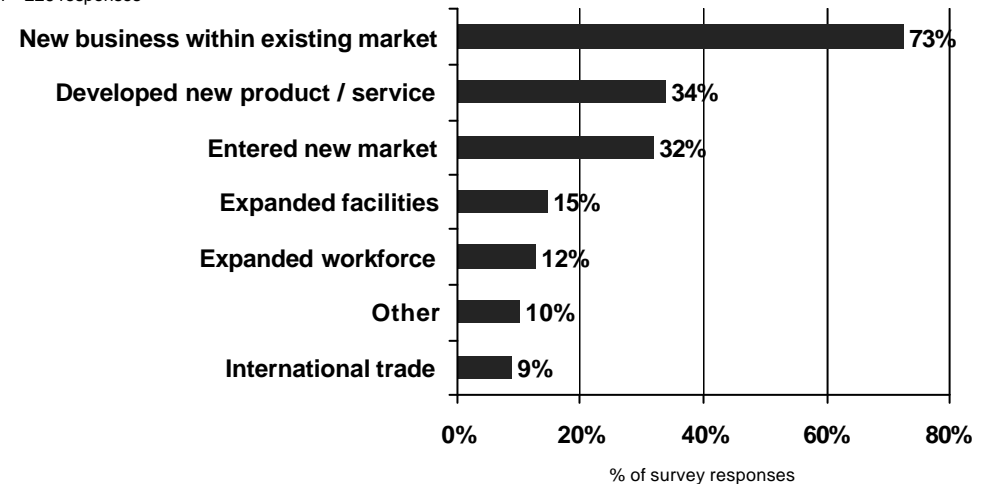
## Growth Expectations for Next Two Years

Source: Walsall Business Survey  
n = 403 responses



## Reasons for Business Growth

Source: Walsall Business Survey  
n = 226 responses



# Markets and Supply Chain

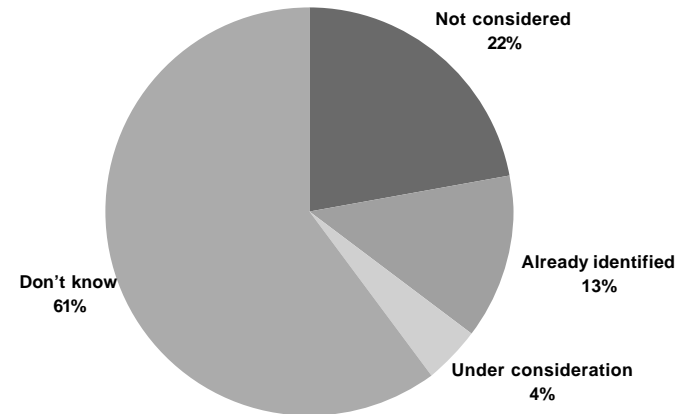
- Local and regional markets are extremely important to Walsall businesses
- 25% of sales are made in Walsall, with a further 41% in the rest of the region
- Potential to increase the number of businesses serving non-local markets and generating non-local sales
- Significant supply chain linkages between Walsall companies, but only 25% of all supplies are purchased locally

# Low Carbon

- High degree of uncertainty
- 4% are actively identifying opportunities and 13% have already done so
- While 22% are aware of low carbon but have not considered market opportunities and 61% don't know
- Financial constraints, insufficient knowledge and time constraints reported as greatest constraints

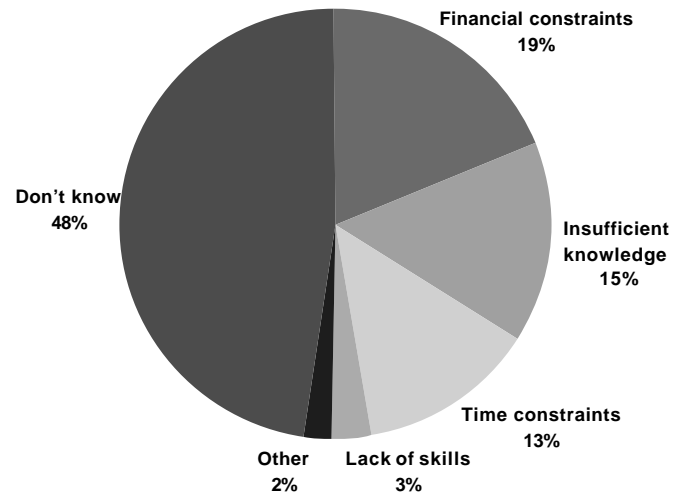
## Businesses Identifying Low Carbon Opportunities

Source: Walsall Business Survey 2010  
n = 334 responses



## Constraints to Low Carbon Opportunities

Source: Walsall Business Survey 2010  
n = 303 responses

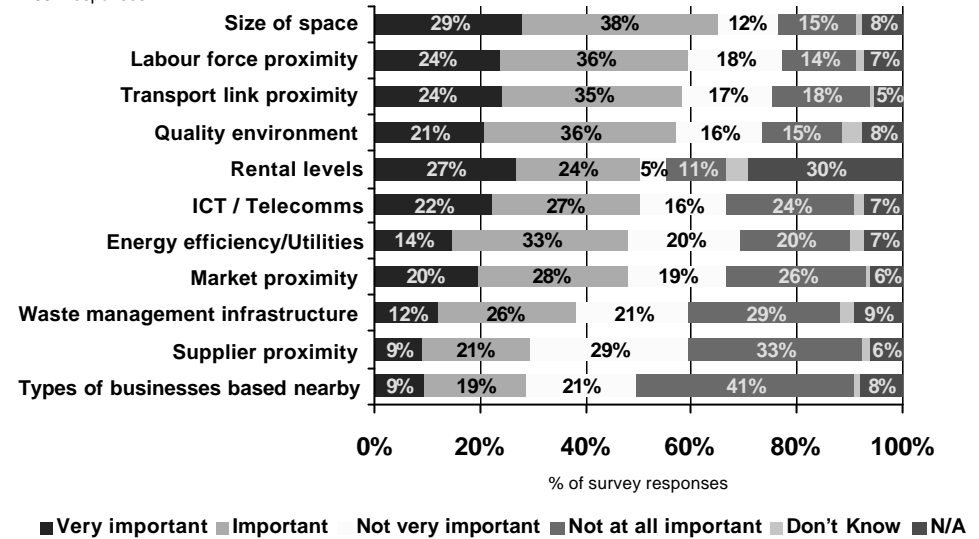


# Business Location & Premises

- Size of space is the most decisive factor in location choice
- A lack of space and inadequate security are greatest constraints at current location
- A third are planning to move premises in next five years
- Other sites in Walsall are viewed as most popular alternative location

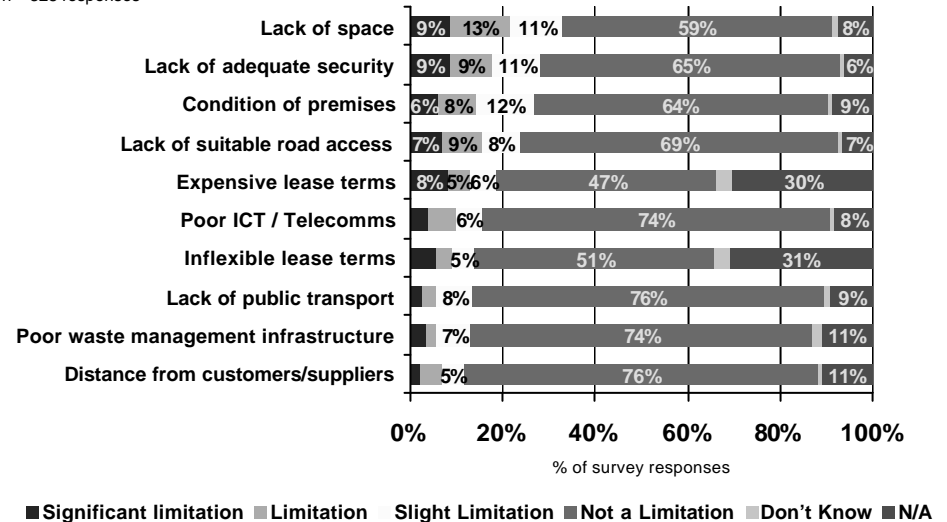
## Business Location Factors

Source: Walsall Business Survey  
n = 331 responses



## Business Location Limitations

Source: Walsall Business Survey  
n = 328 responses



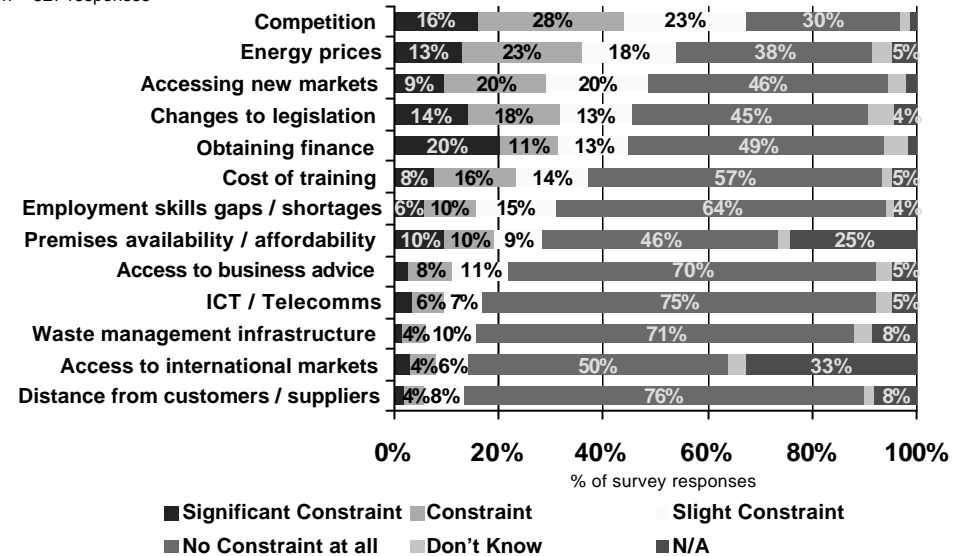
# Business Constraints

- Limiting profitability and employment creation
- Competition, energy prices and accessing new markets are greatest constraints
- Also issues relating to obtaining finance, costs of training and skills gaps
- Council and partners have role to play
- Tackling constraints would increase enable greater levels of wealth and increase prosperity

## Business Constraints

Source: Walsall Business Survey

n = 327 responses



# SWOC Analysis

## **Strengths**

- Locational advantages
- Industrial base
- Latent enterprise base
- Strategic sites – Gigaport & Darlaston
- Walsall Town Centre

## **Weaknesses**

- Employment Land
- Connectivity
- Continued dependence on Manufacturing
- Lack of modern / specialist business accom.
- Lack of incubation/ enterprise / managed workspace

# SWOC Analysis

## Opportunities

- Low cost office base
- Transport and Logistics
- Birmingham
- Rationalisation of public sector property estate
- Health and care
- Housing Demand
- Extending HE provision

## Challenges

- Global trends in manufacturing
- Public sector employment decline
- Jobless recovery
- Reduced Government support
- Workforce skills and attitudes



# Four Fundamental Challenges

- Growing the private sector service base
- Coping with declining employment in the industrial base
- Developing skills for a competitive economy
- Providing economic infrastructure for a competitive economy

# Opportunities

- Walsall Town Centre and Gigaport
- Need to encourage growth across all sectors
- Six key sectors/sub sectors

- Health and social care
- Niche and high value manufacturing
- Waste Management/Recycling
- Financial and Professional Business Services
- Creative and Digital
- Logistics

# Sector Development – Business Support

- Innovation
- Relocation
- Business property
- Specialist premises
- New markets
- Access to finance
- Inward investment

# Sector Development – Place

- Refreshing vision and approach to Gigaport and Darlaston
- Vision and plan for Town Centre
- Developing a third, private sector led growth centre
- Supporting the infrastructure requirements of existing businesses
- Ensuring adequate infrastructure in place

# Sector Development - Skills

- Skills gaps and shortages
- Workforce development
- Customer and interpersonal skills

# Final Remarks

- A number of challenges for economic development
- Need to stabilise manufacturing is critical
  - Working with the existing base where there is strong commitment
- Developing private service
  - Attracting new, substantial investment and working with existing companies
- Need to act quickly