

# Oracle Newsletter - Summer 2010

## Welcome to the 2010 summer newsletter

In what has been an interesting but rather unsettling few months for all those working in the public sector, the Observatory has continued to provide West Midlands decision makers with solid and reliable evidence on which they can base their decisions.

This [summary of our work over the course of 2009-10](#) shows the many different ways in which Observatory research is being used.



Despite turbulence in local and regional government, the social and economic challenges facing the West Midlands remain. The Observatory continues to provide high quality research into the underlying causes of those challenges. In a recent survey of our users, partners told us that their satisfaction with the Observatory and its work is at a five year high, with nine out of ten users rating our research as independent and objective.

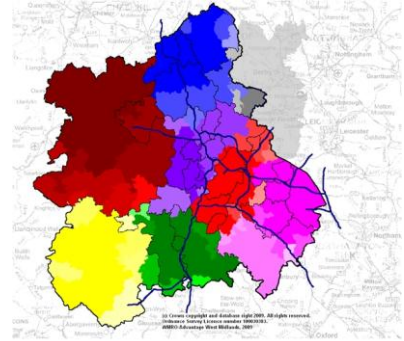
At present, we are working hard to ensure that local authorities, businesses and forthcoming Local Enterprise Partnerships (LEPs) are able to access our research and benefit from it. LEPs will almost certainly inherit new responsibilities around economic development, worklessness, skills and low carbon. The Observatory has a wealth of expertise in each of those areas, and we are used to working across local authority boundaries. So in a world of Local Enterprise Partnerships, we can provide important insight and an objective assessment of the facts, to help decision makers take tough policy decisions with confidence.

I hope you enjoy reading about our recent research. As ever, if you have any questions, please don't hesitate to get in touch.

Rosie Paskins  
Chief Executive

## Evidencing Local Enterprise Partnerships

The government has invited groups of business leaders and local councils to come together and form Local Enterprise Partnerships (LEPs). It is expected that LEPs will take over the role of economic development from abolished Regional Development Agencies in the coming months. Outline proposals for LEPs must reach central government no later than 6th September, meaning that time is very short to pull them together. More detail will follow in a forthcoming White Paper, but we know for now that prospective LEPs have been asked to "reflect natural economic areas".



The Observatory's [Analysis of sub-regional dynamics in the West Midlands](#) offers important and authoritative evidence on the functioning economic areas of the West Midlands. The research investigates the many different ways that places are connected to one another, through the journeys people make to work, learn, shop or enjoy a big night out, through connections between businesses and their customers, through the housing market or through common local identities.

The report offers key findings for each of the areas making up the West Midlands, as well as a range of maps available through the Observatory's [flickr page](#).

[Go to the research >>](#)

## Guidance for Local Economic Assessments

Understanding factors in a local area's economic development, how these have developed, how they're predicted to develop, and which factors are particularly significant will be essential in informing developing Local Enterprise Partnerships (LEPs) and economic strategies. Equally, the functional relationships between local areas are likely to become more important in policy-making.



With regions no longer the focus of evidence-gathering and policy-making, and an increased emphasis on local decision-making, Local Economic Assessments are an opportunity to focus the collection of evidence to understand the impact of new national policies and to develop local economic 'stories of place.'

To help Local Authorities prepare their assessments, the Observatory has created a new [web-based resource guide](#). This addition to the Observatory's resource catalogue signposts resources relevant to Local Economic Assessments produced by a range of organisations, as well as the Observatory's own research.

The resources are grouped into six areas, based on the themes set out in LEA guidance published in March 2010. While that guidance is no longer statutory, it's still a useful framework to draw on.

The themes you can search by are:

- [General Local Economic Assessment resources](#)
- [Economic geographies](#)
- [Business and enterprise](#)
- [People and communities](#)
- [Sustainable economic development](#)
- [Economic competitiveness](#)

Within each theme, you can search for:

- **Data sources:** datasets and primary research
- **Analysis:** interpretation of data and other evidence in the West Midlands and local authorities
- **Guidance documents:** examples and methodologies for you to follow if you wish
- **Other resources:** examples of research from outside the West Midlands, and useful links to other websites and research networks

We hope you find this resource guide useful. You can be notified when new resources are added via [this RSS feed](#) or [email alert](#). If you have resources you think others would find

useful, please [submit them to our Resource Catalogue](#) (requires login) or contact [stephen.howarth@wmro.org](mailto:stephen.howarth@wmro.org).

## The multiple risk factors of worklessness

By isolating the ‘risk factors’ and certain combinations of ‘risk factors’ associated with a person’s chance of being out of work, [new analysis from the West Midlands Observatory](#) can help decision makers get to grips with the complex interplay of issues behind the current high rate of worklessness across the West Midlands. [Watch a video explaining the research](#).

The research is already informing the [Department for Work and Pensions](#) (DWP) in its review of welfare policy, as it provides insights into the major factors influencing a person’s chances of being in or out of work. It shows that these chances can vary greatly according to the individual’s background and personal characteristics. The research demonstrates how combinations of factors such as having no formal qualifications or a long-term health problem or disability, or being a lone parent, affect a person’s chance of being out of work.



The [multiple risk factors research](#) considered a number of factors that can affect an individual’s chances of being workless, including age (being a young person or an older person), belonging to a minority ethnic group, being a lone parent, having a long term health problem or disability and having no qualifications. It found that people who have none of these risk factors have a low chance of being out of work—only a 6 per cent chance for men and a 14 per cent chance for women, and are therefore unlikely to require [Welfare to Work](#) policy intervention.

Having any single risk factor raises the probability of being workless substantially, to an average of 2 in 10 for men and 3 in 10 for women. For example, having a long-term health problem or disability increases the likelihood of being workless to more than 3 in 10 for men and women.

Having two risk factors raises the probability of being workless even further. In most cases, people with two risk factors are more likely to be workless than in work, and around five times more likely to be workless than someone with no risk factors.

The starkest example of this effect is amongst Pakistani/Bangladeshi females with no formal qualifications, where 9 out of 10 are not working.

People with a long-term health problem or disability and no formal qualifications also have a very high probability of worklessness: 7 out of 10 for women, 6 out of 10 for men.

So [Welfare to Work](#) programmes aimed at getting people back into work should focus on those people who have at least one risk factor, but then take a ‘whole person’ approach, rather than tackling factors such as age, ethnicity or disability in isolation.

The results of this research are available on the [West Midlands Regional Observatory website](#), along with charts and example posters showing some examples of key findings.

## **Up-skilling and diversification are key to growth and job creation across the West Midlands**

Targeting investment on higher value added sectors such as digital media and medical technologies, and developing a workforce with the right skills to service those sectors would significantly increase job growth and the prosperity of the West Midlands according to new research.

[The research](#) (pdf 498kb), undertaken by the West Midlands Observatory, shows that the potential benefits of targeting investment are substantial. If workforce skill levels were increased to match the England average, growth in GVA - the measure of economic output per head of population - over the next 5 years would increase by 2 percentage points from 10% to 12% and net new job creation would nearly double from 11,000 to 21,000. If in addition more businesses in higher value added sectors and clusters were attracted to the region, so that their share of economic activity reflected the position nationally, GVA would grow by some 23% by 2015 and more than 200,000 net new jobs would be created.

Local authorities, business groups and other key partners across the West Midlands are looking to achieve sustainable economic growth in jobs and Gross Value Added (GVA) over the next 5 years. This new research shows how, in a time of austerity and funding cuts, the Observatory can provide authoritative and objective research to help decision makers target limited resources and do more with less.

[The research](#) (pdf 498kb) provides an insight into the region's existing and likely future skill needs. It has been produced to inform the development of skills and investment priorities that focus shrinking levels of public sector investment in areas that will maximise impact.

A range of key investment locations across the region, including Longbridge and Eastside in Birmingham, Ansty Park in Coventry, i54 in Staffordshire, Coventry and Wolverhampton city centres and Dudley, Telford, Walsall and West Bromwich town centres, can play a key part in diversifying local economies.

But radical, transformational change is needed. Upgrading workforce skills within existing businesses, and attracting and developing more businesses in higher value added sectors, is key to improving economic performance and generating more new highly skilled jobs.

Lower value added private sector activities remain a key source of employment and GVA in most parts of the West Midlands. These activities, including retail, hospitality & leisure, transport and low value business services together with the lower value added elements of manufacturing and public sector services, are an important source of jobs for people with fewer skills, and can play an important role in reducing worklessness and economic and social deprivation.

But they have low rates of productivity and limited prospects for growth. Indeed employment levels in lower value added manufacturing industries and the public sector are forecast to fall over the next 5 years. Overall the region is expected to see GVA grow by just 11% by 2015 and to create only 11,000 net new jobs.

There are significant potential business and market opportunities in sectors such as higher value added business & professional services, environmental technologies, digital media and medical technologies - and this is reflected in the aspirations within a series of 'skills position statements' produced by local authorities.

## **Observatory is regarded more highly than ever by customers**

Customer satisfaction with the West Midlands Observatory is at its highest ever level according to a recent customer survey. Satisfaction with the Observatory has been rising year on year since 2006, and this year reached its highest ever score (3.19 on a scale of 1=low to 4=high).

Rosie Paskins, Chief Executive of [the Observatory](#), said, "With current turbulence in local and regional governance, it is easy to lose sight of the role of evidence in overcoming the deep-seated problems and challenges faced by the West Midlands.

"We are encouraged by this endorsement of our work by our customers, and I urge partners to realise the increased importance of evidence based decision making in a time of increased budgetary pressure.

The Observatory will continue to provide authoritative and high quality research to help decision makers target limited resources and do more with less."

Other highlights of the survey included the highest ever ratings for the awareness and reputation of the Observatory. And over 93% of users said that they regard the Observatory's research to be independent and objective.

The high customer rating follows on from the Observatory being recognised as an "Excellent" organisation by independent assessors [Investors in Excellence](#) earlier in the year.

Jerry Blackett, Chief Executive of the [Birmingham Chamber of Commerce and industry](#) said, "We are in desperate need of hard facts and a cool assessment of what the facts tell us. It is too tempting to manage by anecdote and the Observatory helps stop this. In a world of Local Enterprise Partnerships, we still need the Observatory output."

## Local low carbon economies

In the last edition of the Oracle, we reported on [Observatory research detailing opportunities for growth into a low carbon economy](#) (pdf 767kb). A low carbon economy is one where businesses deliver products and services while reducing their level of carbon emissions.

Local authority and business leaders in the West Midlands were asking, "What are the risks and what are the opportunities in the low carbon economy?". So the Observatory has produced a short profile for each of the 14 strategic authorities in the West Midlands. The profiles illustrate opportunities, strengths and potential vulnerabilities that can be seen in each local authority, explained in [this short video](#).



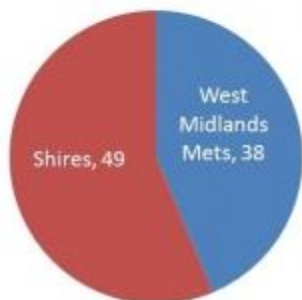
- [Birmingham briefing](#) (pdf, 405kb)
- [Coventry briefing](#) (pdf, 400kb)
- [Dudley briefing](#) (pdf, 399kb)
- [Herefordshire briefing](#) (pdf, 421kb)
- [Sandwell briefing](#) (pdf, 361kb)
- [Shropshire briefing](#) (pdf, 391kb)
- [Solihull briefing](#) (pdf, 361kb)
- [Staffordshire briefing](#) (pdf, 370kb)
- [Stoke-on-Trent briefing](#) (pdf, 361kb)
- [Telford and Wrekin briefing](#) (pdf, 364kb)
- [Walsall briefing](#) (pdf, 376kb)
- [Warwickshire briefing](#) (pdf, 356kb)
- [Wolverhampton briefing](#) (pdf, 359kb)
- [Worcestershire briefing](#) (pdf, 389kb)

## Inward Investment into the West Midlands 2009-10 - a local analysis

In 2009/10 there were 84 inward investment successes in the West Midlands and another four knowledge-based investments. These investments created over 1,500 new jobs and safeguarded another 4,300.

Although these 88 investments represented the lowest number of jobs created or safeguarded since 1992/93, they also represented the 7th highest total number of projects since 1991.

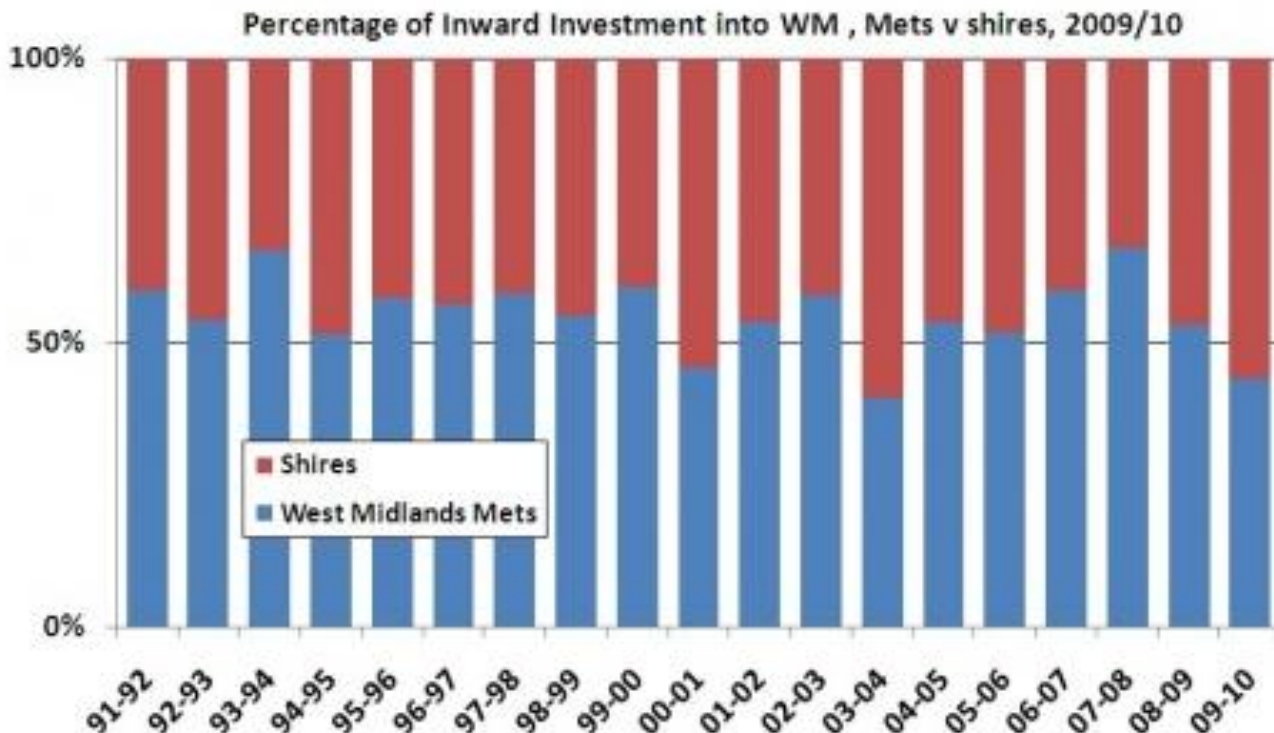
**Inward Investment Location 2009-10**



Inward investment is usually spread reasonably evenly between the West Midlands Metropolitan Areas and the Shire counties. In 2009/10 the shire counties attracted the majority of inward investment projects (55%). See left

However, the Metropolitan areas of Birmingham, Coventry, Solihull, Dudley, Sandwell, Walsall and Wolverhampton have attracted perhaps just over half of the projects over the years - see below. The number of jobs created and safeguarded also generally follows a

similar pattern.



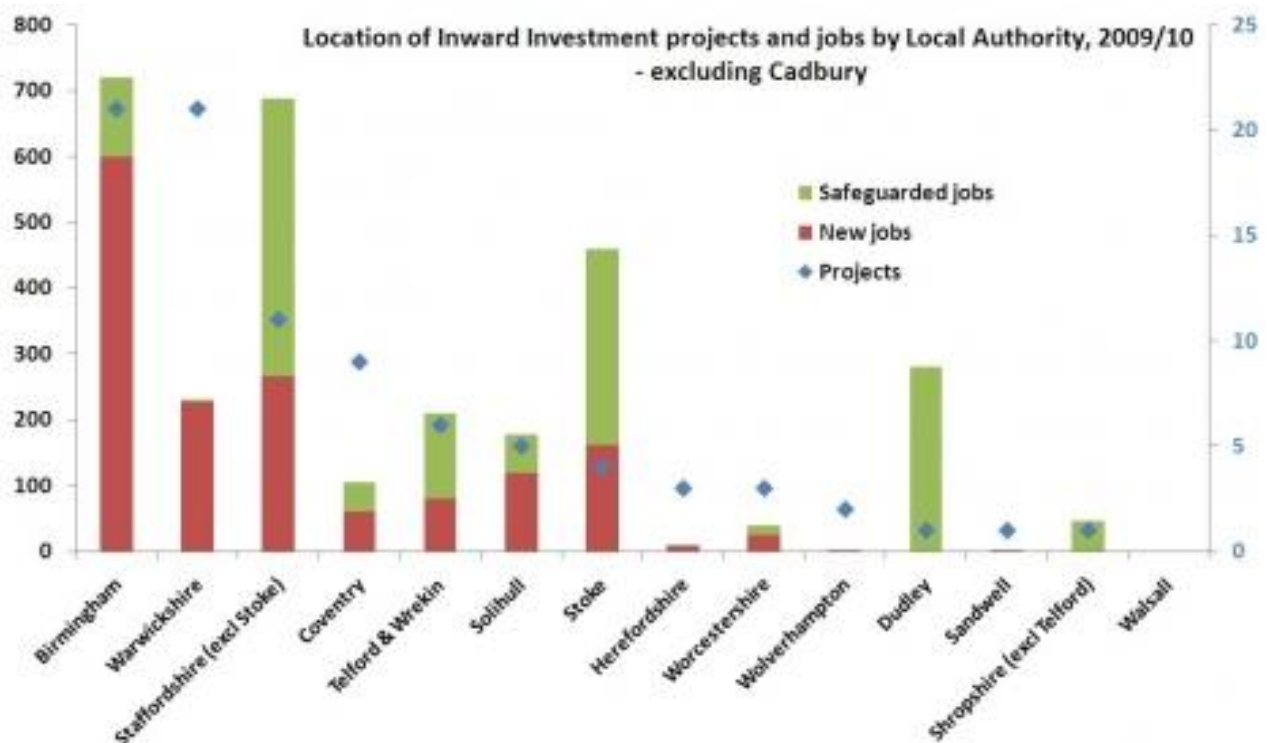
In 2009/10 the number of new jobs created were very similar, 782 in the Mets compared to 770 in the Shires.

The projects that created the highest number of jobs in the West Midlands Met Areas included [FourstaR](#) of the Netherlands where their HQ for employment training and skills in Birmingham is expected to employ up to 275. [Shanghai Automotive](#) have also created jobs by creating a new engine test facility at Longbridge. Portugal's [ALERT Life Sciences](#) plan to employ over 100 at their facility in Solihull which provides ICT support to the NHS.

In the Shires, [Fortis Insurance](#) of Belgium are looking to take on 150 new staff. France's giant power transformer manufacturer Areva are expanding with 100 new jobs in Stafford and the US's [TK Maxx](#) are taking on another 100 employees at their distribution centre in Newcastle under Lyme.

By far the largest acquisition in the region in 2009/10 was [Cadbury's](#) acquisition by [Kraft Foods](#) of the USA, affecting 2,900 staff at the HQ in Bournville and many hundreds more around the country.

Within the West Midlands, the two locations which received the highest numbers of inward investment projects were Birmingham and Warwickshire, both with 21 projects each - almost half of all projects this year. However, the figures for Warwickshire include 13 which were set up in specially managed offices catering to inward investors, principally through [Advantage West Midlands 'Bridge to Growth' scheme](#). See below for a chart showing the projects and job numbers by local authority (but note that the 2,900 Cadbury employees acquired by Kraft have been excluded as it dramatically skewed the figures for Birmingham).



What is interesting to note is that the vast majority of jobs in Warwickshire were new jobs, whilst the majority in Dudley were safeguarded. Furthermore, despite Coventry having the fourth highest number of investment projects there were, as with many other authorities, relatively few associated jobs. But this is not necessarily a negative result as many of the projects which were attracted to the region were in the smaller high skill/high value/high growth businesses, business involved in ICT, software development, business-to-business services, specialised finance and medical technology.

The locations of the inward investments received in 2009/10 are detailed in the map below

