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Impact Investment Locations: Potential employment and skills impact

Overview report
September 2010

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Overview report

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Table of contents

TABLE OF CONTENTS	3
1 INTRODUCTION	4
1.1 Context.....	4
1.2 Research methodology	4
2 KEY HEADLINES	6
3 ECONOMIC CONTEXT	9
4 POTENTIAL IMPACT ON DEMAND FOR EMPLOYMENT AND SKILLS	10
4.1 Job creation	10
4.2 Timeline for investment	12
4.3 Key occupations	12
4.4 Emerging skill needs	13
4.4.1 High value added private sector activities.....	13
4.4.2 Lower value added private sector activities.....	15
4.4.3 Public sector activities	16
5 IMPACT BY SUB-REGION	17
6 NEXT STEPS	18
FULL DOCUMENT INFORMATION	19

1 Introduction

1.1 Context

The Regional Skills Partnership has developed a Regional Statement of Priorities for 2010-2011 and has now begun more detailed work to produce Regional Skills Strategic and Investment Priorities for 2011-2012. These will inform the investment of public sector skills resources, focusing on key areas of the economy in order to maximise impact¹.

At the same time the Joint Strategy and Investment Board (JSIB) has identified 20 Impact Investment Locations to act as a key focus, going forward, for expenditure on economic development, housing and transport². This research project assesses the extent to which these sites can help to drive economic growth in the region by attracting businesses in high value added sectors and clusters and creating skilled jobs.

The research findings will inform the development of a ‘policy supplement’ report which will highlight the changing needs of the region’s economy and labour market to inform the decisions of employers, individuals, providers and the skills system.

1.2 Research methodology

This project, which has been carried out by the Observatory in collaboration with consultants Reiver 128, assesses the potential for job creation and the associated demand for skills³ at 15 of the 20 Impact Investment Sites where the most significant progress has been made to date, namely:

- Birmingham Gateway (New Street Station)
- North Solihull Regeneration
- Bilston Urban Village
- West Bromwich Town Centre
- Ansty Park
- Eastside
- Longbridge
- Wolverhampton City Centre
- Coventry

¹ Source: Regional Skills Partnership draft statement of regional skills priorities February 2010

² Source: Joint Strategy & Investment Board position statement March 2010

³ This assessment does not include jobs created at the construction phase; a separate phase of research is to be commissioned to look at this.

- Edgar Street Grid
- i54 (in Staffordshire on the border with Wolverhampton)
- Dudley Town Centre & Brierley Hill
- Walsall Waterfront/Housing regeneration
- Telford Town Centre
- Stoke University Quarter (part of the Stoke-on-Trent City Centre Impact Investment Location)

A 16th key investment site has also been included in the study; this is Chatterley Valley. While not one of the sites selected by the JSIB, Advantage West Midlands felt that, due to its importance as a key location for inward investment and the significant progress made to date with development, it merited inclusion in the study.

At each site the site lead/manager was interviewed to identify the size, usage and timing of each element of the Impact Investment Site development. Analysis of the key sectors and occupations in which jobs are likely to be created directly by employers locating on the site and the qualification levels likely to be required was then produced. This analysis was based on the Working Futures III forecasting model developed by Cambridge Econometrics and the Institute for Employment Research at the University of Warwick.

Draft analyses were reviewed by site leads/managers to incorporate their views and provide a 'reality check' on the findings. A set of summary reports covering each of the 16 sites was then produced which highlighted the potential for job creation by sector, occupation and skill level. This overview report considers the overall impact of the 16 sites on the region in terms of job creation and skill needs.

2 Key headlines

The Joint Strategy & Investment Board has identified a series of Impact Investment Locations to act as a key focus, going forward, for expenditure on economic development, housing and transport. This study reveals that the 16 sites where the most progress has been made can potentially make a significant contribution to driving economic growth, generating new job opportunities and raising the demand for higher level skills in the region.

The 16 sites in this study could potentially generate more than 115,400 jobs in the region over the next 25 years. Of these over 60,700 (more than half) are expected to be higher skilled jobs in managerial, professional and technical occupations. A significant proportion of these jobs is likely to be created in activities such as high technology manufacturing and high value added business & professional services. A further 25,100 (22%) are expected to be created in skilled trade, personal service and customer service occupations. These opportunities will predominantly be at the retail, hospitality and leisure developments and the education and health facilities to be developed at the sites. Only 29,500 (26%) of the jobs created are expected to be in semi-skilled and unskilled occupations.

As chart 1 overleaf shows, the most significant impact in employment terms is expected to be in Coventry, Solihull and Warwickshire at the Coventry city centre, Ansty Park and North Solihull developments - where some 47,200 jobs could potentially be created. Of these, 26,400 (nearly 56%) will be in higher skilled managerial, professional and technical occupations. There is also potential for the creation of more than 30,300 jobs in the Black Country at the developments in Wolverhampton city centre, West Bromwich town centre, Dudley town centre & Brierley Hill, Bilston Urban Village and Walsall Waterfront. Of these, nearly 15,700 (more than half) will be higher skilled. In Birmingham nearly 16,700 jobs could potentially be created at the Birmingham Gateway, Eastside and Longbridge developments. Of these more than 8,300 (around half) will be higher skilled. Nearly 13,900 new jobs could potentially be created in Staffordshire and Stoke at the Chatterley Valley, i54 and Stoke university quarter developments. Of these nearly 6,400 (nearly half) will be higher skilled. Finally, in Herefordshire, Shropshire and Telford nearly 7,300 new jobs could potentially be created at the Edgar Street Grid and Telford town centre developments. Of these more than 3,800 (more than half) will be higher skilled.

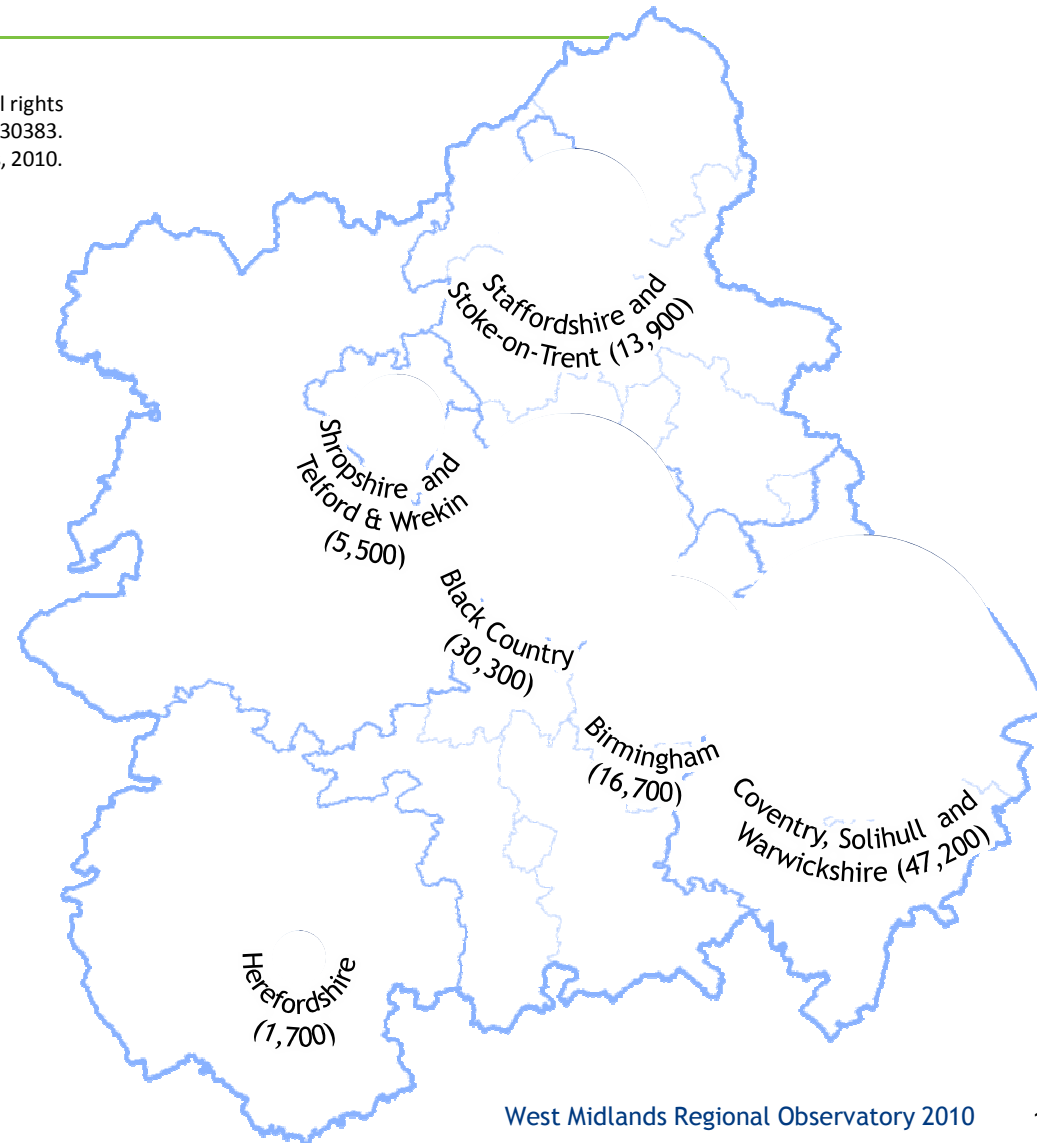
Across all these sectors, organisations will need to source a wide range of both sector and business specific technical skills and softer generic skills if they are to be in a position to compete effectively and exploit growth opportunities. Business support agencies and training providers will need to engage with employers to develop skills provision to meet these emerging needs.

While timescales are not yet confirmed for all developments it is forecast that at least 8,000 jobs will be created in the short term (i.e. between now and 2015); a further 15,000 will be created in the medium term (i.e. by 2020) and an additional 60,000 will be created in the longer term (i.e. by 2025).

1. Impact Investment Locations: potential job creation by location and skill level

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WMRO/Advantage West Midlands, 2010.

- High-skilled jobs (managerial, professional, or technical)
- Medium-skilled jobs (skilled trades, services)
- Low-skilled jobs (administrative, machine operative, or elementary)



Source: Reiver 128 Ltd

West Midlands Regional Observatory 2010

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3 Economic context

Research completed so far to support the development of Regional Skills Strategic and Investment Priorities for 2011-2012 highlights a dependence on lower value added sectors which is inhibiting growth in GVA, productivity and the demand for higher skilled jobs. Low workforce skill levels, significant skill gaps and shortages plus weak private sector investment in training and up-skilling are all adversely affecting business performance.

This is reflected in a fragile recovery from recession so far and limited prospects for growth in GVA and new jobs over the next 5 years. Between 2010 and 2015 GVA growth of 11% (£9 billion) is forecast and only 11,000 net new jobs are expected to be created⁴. This compares with GVA growth of 15% (£11 billion) and the creation of more than 50,000 net new jobs between 2000 and 2007. While the pace of growth is forecast to be strongest in higher value added private sector activities (such as ICT & telecoms and high value added business & professional services) they account for only a limited share of GVA. Growth is expected to be much weaker in sectors that dominate the regional economy such as lower value added, traditional private sector activities and the public sector.

Nevertheless this aggregate picture masks significant ‘churn’ in the marketplace, which is likely to lead to significant job creation and destruction. If it is assumed that rates of churn will be similar to those experienced in the last decade over 900,000 jobs are likely to be created between 2010 and 2015 through new firms relocating to the region and the expansion of existing firms. At the same time, jobs are likely to be lost due to firms leaving the region and jobs destroyed at existing firms, giving a net of 11,000.

In addition more than 860,000 job vacancies are expected to arise over the 2010-2015 period due to ‘replacement demand’. Of these it is estimated that nearly 510,000 (58% of all job vacancies) will be due to labour turnover and more than 350,000 (40%) will be due to the retirement of older workers⁵.

These forecasts for growth in GVA and jobs assume that the Impact Investment Sites considered in this study will successfully attract significant numbers of high value added businesses and skilled jobs to the region in the coming years. The following sections of this report consider the potential for job creation at the sites in more detail.

⁴ Source: West Midlands Regional Observatory – The West Midlands Post Recession, Key Issues and Challenges, 2010: Cambridge Econometrics short term baseline forecasts

⁵ Source: Observatory analysis based on Labour Force Survey data and Cambridge Econometrics forecasts May 2010

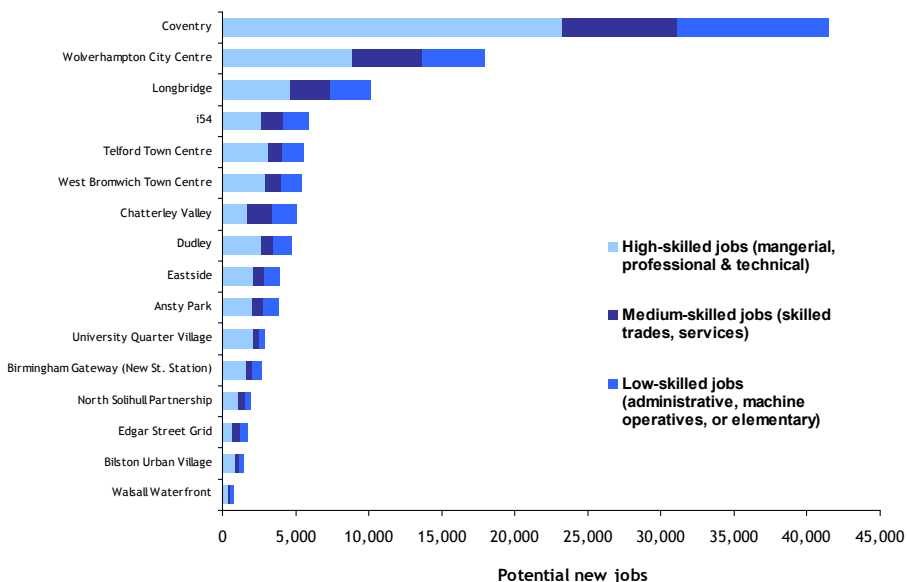
4 Potential impact on demand for employment and skills

4.1 Job creation

The sites within the study could potentially generate more than 115,400 new jobs - and make a significant contribution to boosting the scale and pace of the region’s economic recovery.

The most significant impact in employment terms is expected to be in Coventry city centre where the main shopping centre is to be redeveloped alongside the development of new office space, hotels, apartments, leisure space and student accommodation - creating up to 41,500 jobs. The development of a new integrated transport hub and a new retail centre in Wolverhampton, meanwhile could create up to 18,000 jobs. The redevelopment of the former MG Rover car plant and surrounding area in the Longbridge area of Birmingham could create up to 10,100 jobs in high technology businesses and at a new site for Bournville College (see chart 2).

2. Potential employment impact by site



Source: Reiver 128 Ltd

West Midlands Regional Observatory 2010 2

Substantial numbers of jobs could also be created at key sites being developed to attract major inward investment projects. For example up to 5,900 jobs could be created at i54 - a major investment site in the Wolverhampton Technology Corridor close to the M54 motorway - and up to 5,100 jobs could be created at a site being developed to accommodate high technology manufacturing and distribution/logistics activity at Chatterley Valley in North Staffordshire.

Significant numbers of jobs could also be created through the redevelopment of a number of key town and city centres across the region. For example new residential, office and retail development in Telford town centre could create up to 5,500 jobs and the redevelopment of West Bromwich town centre - with the relocation of major public buildings and services and a range of private sector led retail and hotel schemes - could create up to 5,400 jobs. The Edgar Street Grid development, meanwhile, which involves the regeneration of an area of central Hereford to create a number of inter-linked retail, leisure, commercial and residential zones, could generate up to 1,700 jobs and the development of Bilston Urban Village -which involves the creation of new education, leisure and health facilities alongside high quality housing - could create up to 1,500 jobs. New residential development, together with new office space, bars and restaurants, public squares and an improved canal side environment at Walsall Waterfront, could create up to 700 jobs.

Projects in Birmingham are also expected to generate significant numbers of jobs. In particular the regeneration of Birmingham's Eastside through the development of a technology park and a learning and leisure quarter could create up to 3,800 jobs. The Birmingham Gateway project, which involves the remodelling of New Street Station and new retail and office development to provide a world class gateway to the City and the wider region, could create up to 2,750 jobs. Meanwhile, the regeneration of neighbouring North Solihull through improvements in schools, community facilities, healthcare, retail, leisure and employment services could create up to 1,900 jobs.

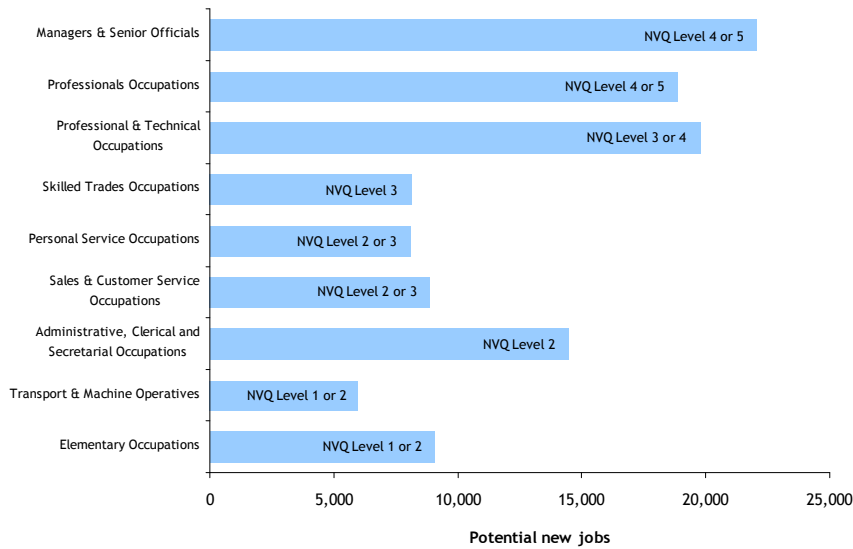
4.2 Timeline for investment

Projects expected to be completed in the short term include West Bromwich Town Centre (creating nearly 5,400 jobs by 2012) and the Birmingham Gateway project (creating nearly 2,750 new jobs by 2015). Projects expected to be completed in the medium term include the Edgar Street Grid (creating nearly 1,700 jobs by 2018) plus i54 (creating nearly 5,900 jobs by 2020). Longer term projects, to be completed by 2025, include Chatterley Valley (creating more than 5,100 jobs), Coventry city centre (creating more than 41,500 jobs), Longbridge (creating more than 10,100 jobs) and Telford town centre (creating more than 5,500 new jobs). The timescales for the North Solihull regeneration (where up to 1,900 new jobs could be created), Walsall Waterfront (up to 700 new jobs) and Wolverhampton city centre projects (up to 18,000 new jobs) are as yet unconfirmed.

4.3 Key occupations

A significant proportion of jobs created will be in higher level occupations and require higher level skills and qualifications. As chart 3 shows, nearly 40,900 jobs (more than a third of the total) are likely to be in managerial and professional occupations requiring people qualified to NVQ level 4 (degree level) or above. Nearly 19,800 jobs, meanwhile, (17% of the total) will be in associate professional & technical occupations requiring people qualified to NVQ level 3 (A level or equivalent) or NVQ level 4 (degree or equivalent). A further 39,600 jobs (34% of the total) are expected to be created in occupations such as administrative & clerical, skilled trades, personal service and sales & customer service. Only 15,000 jobs (13% of the total) are expected to be created in lower skilled operative and elementary occupations.

3. Potential employment impact by occupation



Source: Reiver 128 Ltd

West Midlands Regional Observatory 2010 3

4.4 Emerging skill needs

4.4.1 High value added private sector activities

The strong potential demand for higher level skills and qualifications reflects the fact that significant numbers of jobs will be in high technology manufacturing (notably at Ansty Park, Chatterley Valley, Eastside, i54 and Longbridge) and in higher value added business & professional services attracted to the high quality office developments planned for the Birmingham Gateway Project, Coventry city centre, Telford town centre, Walsall Waterfront and West Bromwich town centre.

Going forward, there are significant business and market opportunities available in these sectors. For example a shift towards ‘advanced engineering’ could potentially provide commercial opportunities and will have important applications in the automotive, marine, aerospace, wind, wave, oil, gas and medical equipment sectors⁶. In environmental technologies, significant opportunities are expected to arise in renewable energy technologies, recycling and waste management and in clean and waste water management⁷ while there are significant potential opportunities within the market for medical technologies associated with the development of new healthcare technology⁸. The demand for specialist business & professional services, meanwhile, is being driven by growth in the use of e-commerce and the large and growing market-place of older people⁹. In ICT, there are significant opportunities associated with digital convergence - with an emerging global market for ICT security, informatics, mobile & wireless, photonics and radio frequency identification services¹⁰.

Businesses locating on the sites will need to source a wide range of both sector and business specific technical skills as well as softer generic skills if they are to be in a position to compete effectively and exploit growth opportunities. To this end business support agencies and training providers will need to engage with employers to develop skills provision to meet businesses’ emerging needs.

In engineering, for example, businesses will need to recruit people with high level skills in science, technology, engineering and maths. There will also be a need to recruit and develop workers with an understanding of multiple scientific disciplines, skills in new product development and commercialisation and with expertise relating to appropriate target markets and supply chains¹¹. In environmental technologies, there is a need to recruit and develop scientific and operational waste plant specialists and to develop more generic workforce skills such as the ability to combine technical skills and commercial acumen, an awareness of environmental technology development globally and a broad based understanding of sustainability issues¹². Medical technologies firms need to recruit and develop more highly skilled technicians qualified to degree and higher degree level. There are also emerging generic skill needs in areas such as leadership and management¹³.

⁶ Source: New Industry, New Jobs, April 2009

⁷ Source: West Midlands Regional Observatory/Labour Market Solutions Ltd – environmental technologies skills review, 2009

⁸ Source: AWM cluster skills research, 2009

⁹ Source: Sector Skills Agreement for Financial Services, March 2008

¹⁰ Source: E-Skills UK - The Sector Qualifications and Learning Strategy for IT and Telecoms, April 2008

¹¹ Source: UKCES: Skills for jobs today and tomorrow – the national strategic skills audit for England, 2010

¹² Source: West Midlands Regional Observatory/Labour Market Solutions Ltd – environmental technologies skills review, 2009

¹³ Source: AWM cluster skills research, 2009

In high value added business & professional services, there will be a need to recruit and develop more skilled para-professional staff such as legal executives and accounting technicians. Both new recruits and the existing workforce, will need to develop better generic skills in areas such as leadership & management, interpersonal skills, literacy & numeracy, complex mathematical and statistical skills, customer service, basic ICT, and skills in managing teams, making sales and managing relationships¹⁴. In ICT, businesses need to develop a sophisticated multi-skilled workforce who combine business and personal skills with technical competence. Specifically, new skills are needed in areas such as relationship management, business process analysis and design, project and programme management, business change management, systems architecture, networking, risk management and security.

4.4.2 Lower value added private sector activities

In addition to the needs outlined above, the significant numbers of jobs in personal service and sales & customer service occupations created at retail, hospitality and leisure facilities (planned at Birmingham Gateway, Coventry and Wolverhampton city centres, Eastside, Edgar Street Grid, Telford and West Bromwich town centres and Walsall Waterfront) will require staff with a range of specific skills.

Retail businesses are operating in an increasingly competitive environment with a rapid pace of innovation¹⁵. At management level staff require well developed skills in areas such as business planning and development, people management and customer handling as well as practical skills relating to visual merchandise, facilities management, website development and internet use. Sales staff, meanwhile, require good oral communication and team working skills alongside practical skills relating to selling, merchandising, product knowledge and consumer rights¹⁶.

In hospitality and leisure there is a need for more competent and effective managers as well as chefs with a high level of technical skills who can meet a growing consumer demand for freshly prepared ingredients, cooking from scratch and for a wider range of international cuisines. Good customer service skills are also increasingly required, including behaviours such as genuine interest in the consumer, the ability to spot potential problems and conflict management¹⁷.

¹⁴ Sector Skills Agreement for Financial Services, March 2008

¹⁵ Source: Skillsmart - SSA West Midlands Regional Summary, Spring 2008

¹⁶ Source: Skillsmart Retail – Sector Skills Agreement for the Retail Sector (Stage three report for England), October 2007

¹⁷ Source: People 1st Sector Skills Council Sector Skills Agreement, 2007

4.4.3 Public sector activities

In the public sector, the education and health facilities to be developed at Bilston Urban Village, Eastside, Longbridge and North Solihull will create significant numbers of jobs in higher level professional, associate professional and technical occupations and in lower level personal service occupations. These will all create demand for a range of key skills.

In education, for example, there is a growing need for staff with the skills and expertise to develop provision that is responsive in both content and style of delivery to meet the needs of employers and individuals. With the introduction of new hardware, new services and provision based on technology, there is a growing need for ICT skills. There is also a need for wider employability skills in areas such as customer service skills and leadership and management¹⁸.

In healthcare, organisations need to respond to rapid changes in the demand for services due to an ageing population¹⁹. At the same time they need to achieve efficiency savings while maintaining high quality patient care - by exploiting new technological advancements, service redesign and upskilling of the workforce. To support these changes, organisations will need to develop a range of generic skills - including literacy and numeracy, communication and interpersonal skills and IT skills. There is also an increasing need for the ability to work with colleagues from other sectors and to lead or work in multi-agency teams²⁰.

¹⁸ Source: Lifelong Learning Sector Skills Council- sector skills agreement, 2006

¹⁹ Source: Skills for Health Sector Skills Agreement Executive Summary (England)

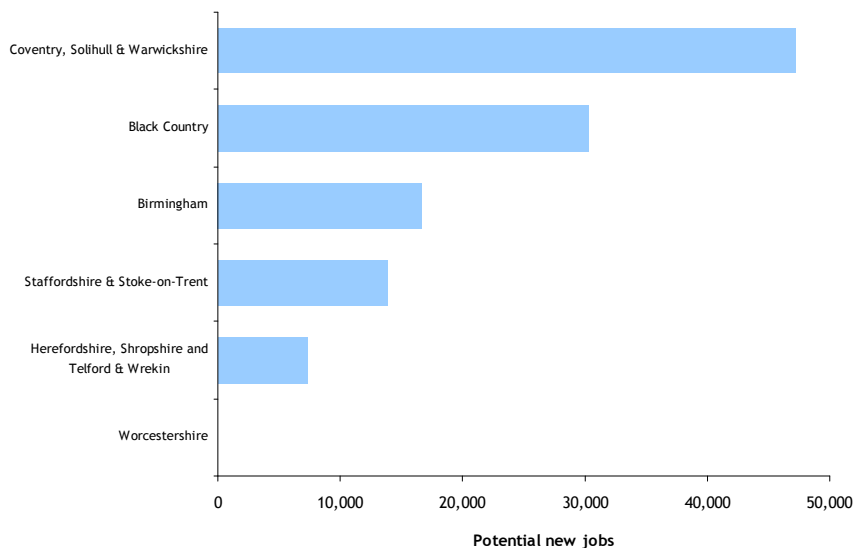
²⁰ Source: Skills for Health Policy and Labour Market Intelligence Briefing Issue 2 – July 2009

5 Impact by sub-region

As chart 4 shows, the employment impact of the Impact Investment Locations will be concentrated in urban areas of the region. Nearly 47,200 jobs (41% of total jobs) are expected to be created in Coventry, Solihull & Warwickshire and in particular in Coventry (in Coventry city centre and at Ansty Park). A further 30,300 (26% of total jobs) are expected to be created in the Black Country at Wolverhampton city centre, West Bromwich town centre, Bilston Urban Village and Walsall Waterfront. More than 16,700 jobs (14% of the total), are expected to be created in Birmingham, at the Birmingham Gateway project, Eastside and Longbridge.

Outside the urban core of the region over 13,900 jobs (12% of the total) are expected to be created in Staffordshire at the i54 and Chatterley Valley developments. Over 7,200 jobs are expected to be created in Herefordshire (Edgar Street Grid), Shropshire and Telford & Wrekin (Telford town centre).

4. Potential employment impact by sub-region



Source: Reiver 128 Ltd

West Midlands Regional Observatory 2010 4

6 Next steps

The findings from this research are being fed into the ‘Regional strategic and investment skills priorities for 2011-2012: policy supplement’ (<http://bit.ly/deHN5J>), which will provide an insight into the region’s existing and likely future skill needs to inform the work of the RSP in regional skills priorities and investment priorities.

The research will also inform discussions with skills providers such as universities and colleges on the development of education and training relevant to the needs of businesses locating on the sites.

Full document information

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