Strategic Economic Development Support

Cannock Chase Council

Updated Report

December 2009

J1715

Table of Contents

INTRODUCTION

This document details the results of a brief study to support Cannock Chase Council achieve its strategic economic growth objectives.

The professional and business services sector and the growing office market have undergone major growth across the UK and West Midlands over the last five years. With the continuing decline in manufacturing, the professional service and office sectors will become increasingly important to sub-regional economies such as Cannock Chase.

Latest employment data indicates that Cannock Chase is under-represented in office-based employment compared with other sub-regions in the West Midlands. Upto 30,000m^2 space earmarked for future development in the new regional planning review would not be sufficient to allow the Cannock Chase area to catch up with office based employment levels in other regions. This could impact on the local economic growth, future sustainability and achieving the Council's regional economic goals.

This main objective of this project is to support the development of an evidence-based case for increased professional and business service sector employment and the future need for additional office accommodation, above 30,000m^2 in the Cannock Chase area. It will also consider future growth sectors and their potential for development within Cannock Chase. Specifically it will investigate:

- What is the current and future growth projections for professional business service sector employment in Cannock Chase compared with other sub-regions and the West Midlands.
- Will 30,000m^2 of new office developments still be sufficient to allow the Cannock Chase area catch-up with average professional service employment quotients in the West Midlands.
- How much additional space will be required to allow the Cannock Chase area catch up with current and projected average regional professional service sector employment.
- How can Cannock Chase tap into other future growth sectors in order to maximise economic development.

The method adopted for the study was based on desk research and the use official statistics to make economic growth projections upto 2026.

CURRENT ECONOMIC BASE

A review of employment by industry sector in Cannock, across the Midlands and the UK was undertaken to assess local and regional differences that could impact on the current and future economy. This was based on 2005 official government statistics from ONS and subsequent analysis by OEF and Optimat, which provided a baseline for future assessment of employment and economic growth forecasts.

Structure of Employment

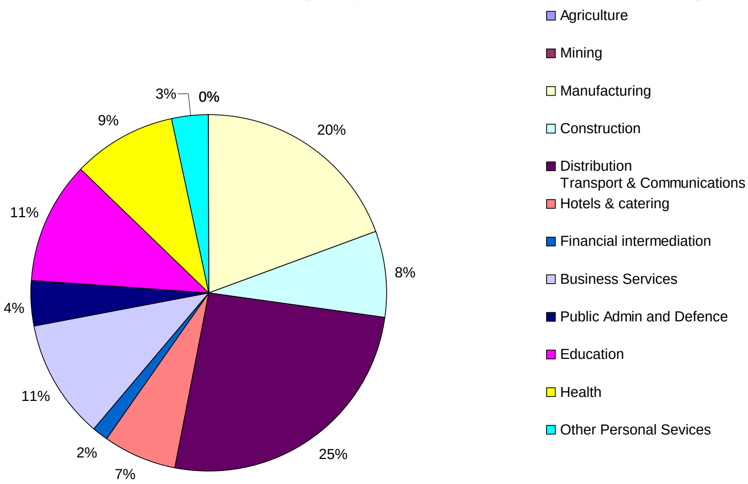
Employment by Sector (2005)

2005	Cannock Chase		Tamworth		Lichfield		E.Staffs		S.Staffs		Stafford		West Midlands		UK	
	Emp	(%)	Emp	(%)	Emp	(%)	Emp	(%)	Emp	(%)	Emp	(%)	Emp	(%)	Emp	(%)
Agriculture	110	0.3	11	0.3	390	1	396	0.8	700	2.3	1150	2	18600	0.8	244290	0.9
Extraction	10	0	0	0	65	0.1	17	0	33	0.1	33	0.1	1700	0	71970	0.3
Food Products	200	0.6	300	0.8	600	1.5	4280	8	395	1.3	130	0.2	33400	1.4	463920	1.8
Textiles and Leather	300	0.8	780	2.2	180	0.5	230	0.4	19	0.1	155	0.3	13800	0.6	217900	1.9
Wood and Wood Products	200	0.6	86	0.3	150	0.4	210	0.4	105	0.3	120	0.2	7500	0.3	79120	0.3
Pulp, Paper and Printing	300	0.9	470	1.5	280	0.7	515	1	205	0.6	480	0.8	24500	1.1	433410	1.7
Coke, Oil Refining and Nuc Fuel	0	0	0	0	0	0	0	0	0	0	0	0	900	0	25474	0.1
Chemicals and Man-made Fibres	100	0.3	160	0.5	390	0.8	235	0.4	240	0.8	55	0.1	8900	0.4	227520	0.9
Rubber and Plastic Products	1000	2.9	625	1.6	350	0.6	460	0.8	365	1.2	470	0.7	25000	1.1	218150	0.8
Other Non-net minerals	200	0.6	520	1.5	1050	2.6	810	1.5	480	1.7	2800	4.4	26900	1.2	127000	0.5
Metals	2000	5.9	1410	4.4	1940	4.4	1658	3.1	645	2.1	580	0.9	91600	3.9	457600	1.8
Machinery and Equipment	400	1.2	620	1.8	1700	4.2	2315	4.2	850	2.2	2350	3.8	44800	2	333290	1.3
Electrical and Optical	1000	2.9	325	1	470	1.2	300	0.5	450	1.5	3000	5	39000	1.6	437460	1.7
Transport Equipment	600	1.8	450	1.3	600	1.5	465	0.9	496	1.7	246	0.4	70100	3	371710	1.4
Manufacturing nec	300	0.9	160	0.4	208	0.5	470	0.9	178	0.6	218	0.4	22600	1	203850	0.8
Electricity Gas and Water	200	0.6	3	0	110	0.3	18	0	175	0.5	10	0	13600	0.6	134000	0.5
Construction	2600	7.6	1500	4.7	2490	6.2	1850	3.6	2015	7	1510	2.6	103800	4.5	1127300	4.3
Distribution	7200	21.2	6880	21.6	7640	19	10650	20	5250	18.4	9850	16.9	403800	17.5	4474500	17
Hotels & catering	2200	6.5	2480	7.6	3600	8.8	3290	6.1	2700	9	4590	7.7	139000	6.1	1800900	7
Transport and Comms	1500	4.4	2410	7.5	1800	4.5	2900	5.8	720	2.2	2500	4.2	131200	5.7	1563300	6
Financial intermediation	500	1.5	690	2.2	850	2.1	740	1.5	1245	4.1	765	1.3	65900	2.9	1055700	4
Business Services	3600	10.6	6170	20.7	5750	14.3	6600	12.3	2800	10	5500	9.9	316900	13.8	3993700	15.1
Public Admin and Defence	1400	4.1	360	1.1	1100	2.7	1870	3.5	1270	4.8	6450	10.9	106100	4.6	1459000	5.6
Education	3800	11.2	2990	9.3	3170	7.8	5215	9.8	3600	12.3	6150	10.4	217000	10	2166700	8.2
Health	3200	9.4	1400	4.4	4465	11	5760	10.8	2500	8.5	7290	12.9	254800	11	2817300	11
Other Personal Sevices	1100	3.2	1100	3.3	1340	3.3	1983	3.8	1950	6.7	2300	3.9	112100	4.9	1341000	5.1
	34020	100	31900	100	40688	100	53237	100.1	29386	100	58702	100	2293500	100	25846064	100

Source: ONS, OEF and Optimat calculations

The above figures show that distribution was the largest single sector, accounting for around 21% of employment in Cannock Chase in 2005, which is comparable to Tamworth, East Staffs but greater than the West Midlands average and for the rest of the UK. To provide a better comparison of employment composition, sectoral employment was estimated for the 12 main industry groups that are likely to be part of the new SIC classification (2007) for Cannock Chase, the West Midlands and the rest of the UK.

Share of Employment Cannock Chase (2005)



Source: ONS and Optimat Analysis

The average weekly wage is a useful indicator to assess the relative impact and value of employment to the local economy. A breakdown of employment by the main industry groups compared with the West Midlands and UK is shown below.

Structure of Employment by Industry Group (2005)

Main Industry Groups	Sub-Groups	Cannock Chase Emp	Cannock Chase (%)	Cannock Chase Ave wk wage (FT Male)	West Midlands Emp	West Midlands (%)	UK Emp	UK (%)
Agriculture	Agriculture, forestry, fishing	**110**	**0.3**	**327.9**	**18600**	**0.8**	**244290**	**0.9**
Mining & Quarrying	Extraction of coal, oil & gas, metal ores	**10**	**0**	**548.3**	**1700**	**0**	**71970**	**0.3**
Manfacturing	Food products	200	0.6	397.9	33400	1.4	463920	1.8
	Textiles and Leather	300	0.8	325	13800	0.6	217900	1.9
	Wood and Wood Products	200	0.6	375	7500	0.3	79120	0.3
	Pulp, Paper and Printing	300	0.9	472	24500	1.1	433410	1.7
	Coke, Oil Refining and Nuc Fuel	0	0	592	900	0	25474	0.1
	Chemicals and Man-made Fibres	100	0.3	552	8900	0.4	227520	0.9
	Rubber and Plastic Products	1000	2.9	392.42	25000	1.1	218150	0.8
	Other Non-net minerals	200	0.6	410.7	26900	1.2	127000	0.5
	Metals	2000	5.9	407	91600	3.9	457600	1.8
	Machinery and Equipment	400	1.2	435	44800	2	333290	1.3
	Electrical and Optical	1000	2.9	440.8	39000	1.6	437460	1.7
	Transport Equipment	600	1.8	490	70100	3	371710	1.4
	Manufacturing nec	300	0.9	358	22600	1	203850	0.8
		6600	**19.4**	**434.5**	**409000**	**17.6**	**3596404**	**15**
Electricity Gas and Water	Production, transmission and distribution	**200**	**0.6**	**496.8**	**13600**	**0.6**	**134000**	**0.5**
Construction	Construction	**2600**	**7.6**	**462.3**	**103800**	**4.5**	**1127300**	**4.3**
Transport, storage and communications	Distribution	7200	21.2	464	403800	17.5	4474500	17
	Transport and Comms	1500	4.4	418.6	131200	5.7	1563300	6
		8700	**25.6**	**441.3**	**535000**	**23.2**	**6037800**	**23**
Hotels & catering	Hotels and resturants	**2200**	**6.5**	**280.8**	**139000**	**6.1**	**1800900**	**7**
Professional business services	Financial intermediation	500	1.5	443	65900	2.9	1055700	4
	Business Services	3600	10.6	470	316900	13.8	3993700	15.1
		4100	**12.1**	**456**	**382800**	**16.7**	**5049400**	**19.1**
Public Admin and Defence	Public Admin and Defence	**1400**	**4.1**	**443.5**	**106100**	**4.6**	**1459000**	**5.6**
Education	Education	**3800**	**11.2**	**477**	**217000**	**10**	**2166700**	**8.2**
Health	Health and social work activities	**3200**	**9.4**	**498**	**254800**	**11**	**2817300**	**11**
Other Personal Sevices	other community, arts, entertainment	**1100**	**3.2**	**367.1**	**112100**	**4.9**	**1341000**	**5.1**

Source: ONS data, New Earnings Survey, Optimat Calculations

Analysis of the data has highlighted a number of important observations relating to the composition of local employment, relative wages and the economy in Cannock Chase, including:

- Transport, storage and communications, which includes distribution accounted for the highest proportion of employment in Cannock (25.6%) in 2005. This was two percent above the average for the West Midlands and the rest of the UK (23%). Employment in this industry group was important to the local economy due to the above average wages (£441.3 per week for FT male).

- Manufacturing in Cannock accounted for the second largest proportion (19.4%) of employment in the district. This was above the West Midlands average of 17.6% and well above the UK average of around 15% indicating the relative importance to the local economy, especially with average weekly wages of £434.5.

- Other high employment industry groups/sectors in 2005 included professional services (12.1%), education (11.2%) and health & social work (9.4%), all of which attract above average wages (£457, £477 and £498 per week, respectively). However, it is worth noting that business service employment in Cannock (12.1%) was estimated to be well below that of the West Midlands average (16.7%) and the rest of the UK (19.1%).

- Construction related employment in Cannock (7.6%) would also have a significant impact on the local economy* with average weekly wages of around £462.3. This is well above the employment concentration for the West Midlands and the rest of the UK of around 4.% in 2005.

*It should be noted that the impact of wage levels on the local economy will depend upon a range of factors such as level of personal disposable income, local spend, employment migration levels etc.

Structure of Output 2005

Gross value added was used as the main indicator to assess the relative performance of Cannock's economy, compared with the West Midland's and the rest of the UK. This provides an indication of the value of output generated or added locally.

Gross Value Added by Industry Group (2005)

Value Added (2005)

Value Added £000s	Cannock Chase		Tamwort	Lichfield	E.Staffs	S.Staffs	Stafford	West Midlands		UK	
Agriculture	**24934**	**2.0%**	**7654**	**658**	**30391**	**64207**	**75294**	**104560**	**2.00%**	**11772077**	**1.50%**
Extraction	**738.53**	**0.00%**	**738.53**	**0**	**2912**	**1434**	**1434**	**86925**	**0**	**3222193**	**0.50%**
Food Products	184889		8158	13398	2687	17905	5925	156781		19997807	
Textiles and Leather	4772		5537	16572	3911	406	3447	320131		4912250	
Wood and Wood Products	3870		4104	1586	2979	2178	2226	146936		1727113	
Pulp, Paper and Printing	16527		11307	14697	9195	6996	15802	802566		16911858	
Coke, Oil Refining and Nuc Fuel	0		2739	2123	0	0	0	172128		2881990	
Chemicals and Man-made Fibres	17409		4629	12065	27948	17134	3920346	646000		18431064	
Rubber and Plastic Products	13315.9		30870	18075.9	9359	10943.4	13672.8	770044		6082490	
Other Non-net minerals	26387		7568	16775	33235	15429.3	87215.4	883775		4666070	
Metals	43798		58774	38644	53370	18765	16727	2588700		13451226	
Machinery and Equipment	71820		13635	19557	53830	27826	73293	1528164		9729945	
Electrical and Optical	10998		39765	11743	17111	17733	106932	1537656		19699405	
Transport Equipment	16818		24186	16975	22207	18525	9320	2650568		13916971	
Manufacturing nec	10898		7364	4099	4866	4244	5008	560854		4918541	
Manufacturing Total	**421501.9**	**33.0%**	**218636**	**186309.9**	**240698**	**158084.7**	**4259914**	**12764303**	**25.00%**	**137326730**	**18.00%**
Electricity Gas and Water	**2745**	**0.20%**	**28062**	**457**	**17234**	**27910**	**1525**	**1982671**	**3%**	**20939572**	**2.50%**
Construction	**71063**	**5.00%**	**9935**	**54604**	**111992**	**102163**	**59456**	**3543**	**6.00%**	**40952388**	**5.70%**
Distribution	228776		156766	150073	190886	137966	236790	8832687		11815580	
Transport and Comms	134760		71388	111238	90619	38244	120752	5968040		82967165	
	363536	**26.00%**	**228154**	**261311**	**281505**	**176210**	**357542**	**14800727**	**25.40%**	**94782745**	**27%**
Financial & business	**184732**	**13.00%**	**15.7**	**175861**	**180565**	**116355**	**165241**	**9672342**	**16.00%**	**16242017**	**21.50%**
Public Admin and Defence	**42328.4**	**3.00%**	**32878**	**8404**	**26205**	**27613**	**148296**	**2447347**	**5.00%**	**39706356**	**5.30%**
Education & Health	**195530**	**14.00%**	**119848**	**77045**	**139595**	**113765**	**239454**	**8088750**	**13.80%**	**94229951**	**12.50%**
Other Personal Sevices	**46622.4**	**4.00%**	**26783.8**	**23078**	**34332.6**	**51663.5**	**66631.2**	**2518700**	**4.00%**	**36184400**	**5%**

Source: ONS statistics and Optimat's analysis

Overall analysis of the value added by industry group/sector to the district and region's economies in 2005 indicates that:

- Although manufacturing employment has been declining in recent years, it accounted for the highest share (33%) of GVA in Cannock Chase for any sector in 2005. This compared with around 25% for the West Midlands and 18% for the UK. The GVA was generated by a disproportionate share (19.4%) of employment, indicating the importance of manufacturing to Cannock's economy.

- Food production was the largest manufacturing sub-sector in Cannock in terms of local GVA and employment, although other manufacturing sectors eg transport equipment provided higher wage jobs (£490 per wk).

- Cannock Chase generated the second largest GVA in Southern Staffordshire, behind Stafford, although it only has the fourth largest number of jobs. This indicates the relative economic importance of manufacturing to Cannock and the West Midlands.

- Distribution, transport and communications contributed the highest share of GVA to West Midlands economy closely followed by manufacturing, which collectively accounted for 50% of regional GVA and 58% GVA in Cannock Chase in 2005.

Impact of the Credit Crunch and the Recession

The global financial crisis and limited access and availability to working and capital over the last 18 months has made a major impact on local, national and international economies, especially in terms of job losses. Although there are limited official employment statistics due to the short timescales, a number of official and independent studies and forecasts provide the following evidence of potential impact on the West Midlands and Cannock.

Employment Growth Rate

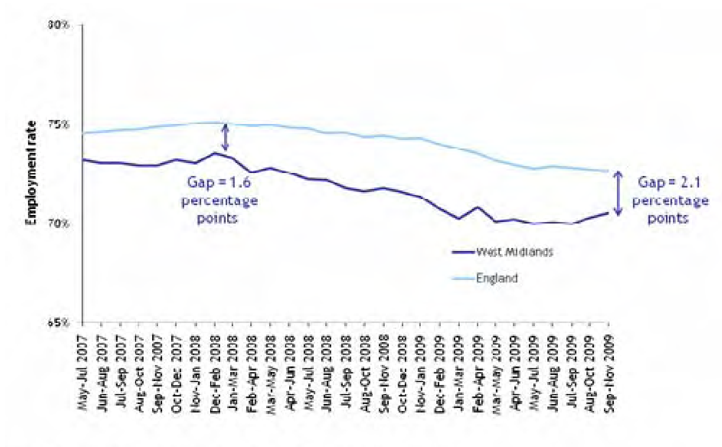
In general terms the period from 2000 to the end of 2007 was one of continued economic growth in real GDP of between 2-3% pa in the UK, the West Midlands and Cannock Chase. However, there have been significant changes since 2008 which are summarised below.

The ONS Labour Force Survey data for the West Midlands indicates that the trend in the employment rate is decreasing, and the rate in the latest period is significantly lower than a year ago. The trend in the unemployment rate is increasing, and the latest rate is significantly higher than the peak in December 2007.

The latest Labour Force Survey (LFS) indicates that the seasonally adjusted unemployment rates from January to November 2009 show the seasonally adjusted employment rate at 70.5%, down two percentage points on a year earlier. This follows continuous decline from the January 2008, with an increase of some 17,000 people in employment. The data suggests a possible bottoming out of the recession and early indications of economic recovery. Employment figures for the next two quarters in 2010 will show the extent and strength of the recovery in Cannock Chase and the rest of the region.

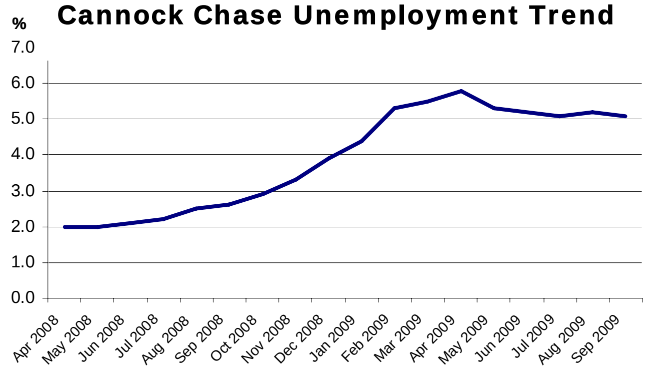
LFS estimate that Cannock Chase experienced one of the largest increases in unemployment, peaking at 5.7% (3000 jobs) within Staffordshire and the West Midlands in April 2009. The LFS suggest this was due mainly to a decrease in manufacturing and distribution jobs, partially offset by an increase in construction jobs over the period. Since May 2009, unemployment in Cannock Chase has fallen to about 5.0% in December 2009.

West Midlands Employment Trend



Office for National Statistics (Labour Force Survey, seasonally adjusted data)

Cannock Chase Unemployment Trend



Office for National Statistics (Labour Force Survey, seasonally adjusted data

If unemployment continues to fall, this would suggest the impact of the credit crunch will not be as deep and the recession will be shallower than first thought. This will impact how long the recession lasts.

Further decline and pressure on manufacturing, distribution and service based employment is forecast in the West Midlands, with future employment growth more likely to come from health, professional business services and construction after the recession. Although there is likely to be constraints and possible cutbacks on public sector spending over the next few years, a higher proportion of health services and education are forecast to be outsourced and classified as non-marketed services to meet changing demographics eg population growth, immigration levels, greater numbers of elderly people etc. This will have important implications for the type, size and location of development space required to meet Cannock's changing economic, demographic population needs.

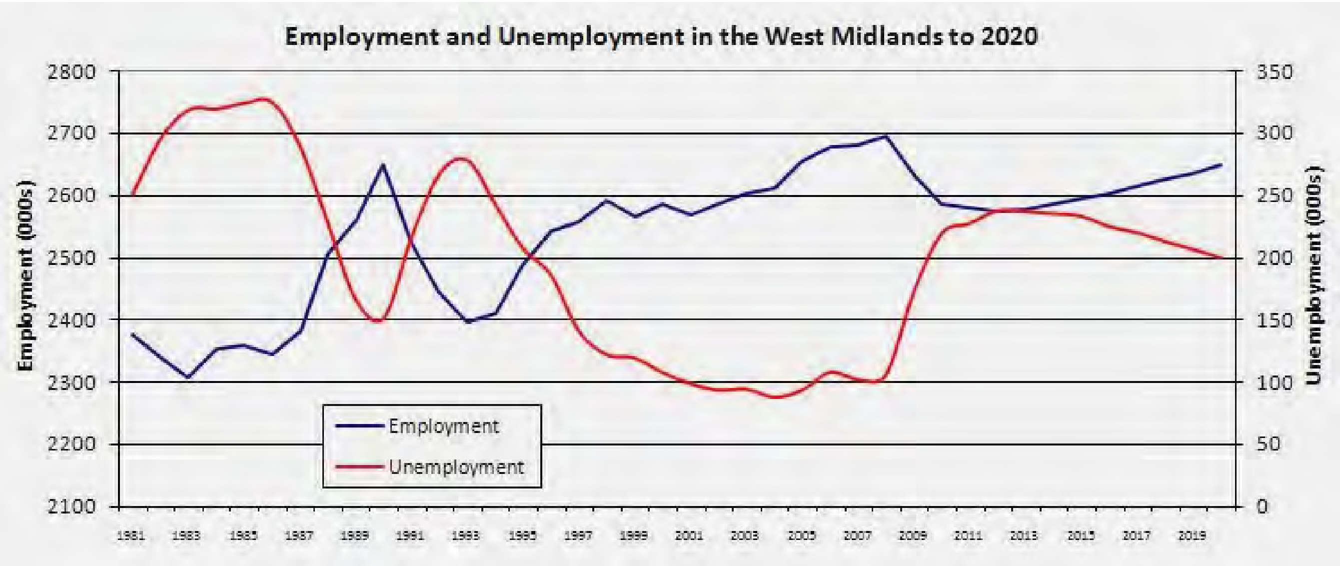
The depth and pace of UK recovery from the current recession will also impact on future floorspace required by Cannock Chase and the rest of the West Midlands over the next 10-15 years.

ECONOMIC FORECASTS TO 2026

Employment Growth Forecasts

Future economic growth of Cannock's economy will depend to a large extent on global and UK macro economic growth factors affecting demand driven growth or decline in different sectors. However, local factors such as working age population, labour force availability, employment composition etc will also have an important impact. There is however, considerable uncertainty when the economy will recover and grow. For example:

- In 2009 ONS reported that unemployment in the West Midlands has risen sharply by a further 30,000 in the last three months of 2008 alone and is expected to grow even further in the short to medium term over the next few years.
- Recent research by Warwick Institute for Employment Research (IER) indicates that the West Midlands is bearing the brunt of the recession in the UK and it is the region that will take longest to recover. The Institute in conjunction with Cambridge Econometrics forecasts that unemployment levels in the West Midlands will stay relatively high and pickup in employment will be relatively slow to 2020, when pre-recession employment levels (2007) will not have been achieved.



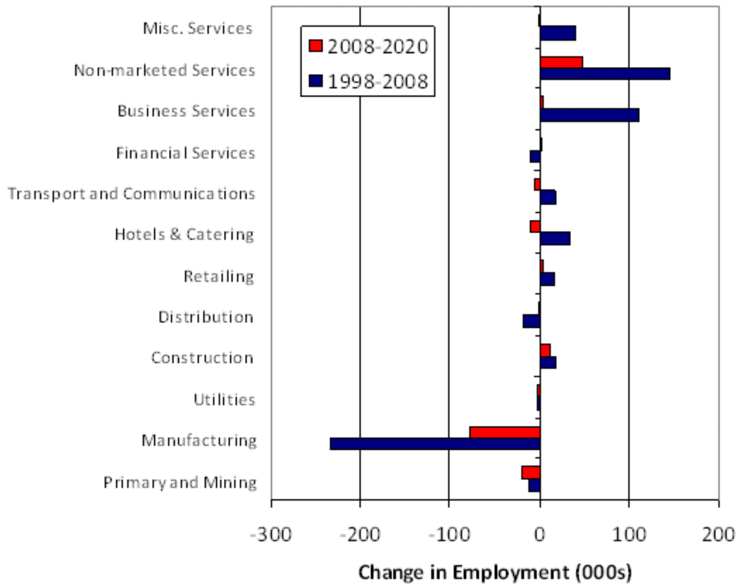
Source: Cambridge Econometrics / IER

According to the Cambridge and IER study, the composition of employment in the West Midlands in 2020 will change significantly as shown below.

Structure of Future Employment

The above study indicates that the manufacturing sector will decline even further and considerable change in the industrial composition of employment by 2020, with growth limited mainly to construction, education and health services. The latter includes non-marketed services provided to the community either by government and/or private non-for-profit institutions.

Projected Change in the Industrial Composition of Employment in the West Midlands to 2020



Source: Cambridge Econometrics / IER

Note: Non-marketed services include education and health services provided to the community either by government and/or private non-for-profit institutions.

The future employment composition scenario above would have major implications for the type and size of accommodation to meet the future needs of the West Midlands and Cannock Chase. The analysis suggest there will be less demand for manufacturing, hotels and retail premises but more land for housing related developments and health service facilities like care centres, residential homes etc requiring more flexible out of town accommodation.

Independent forecasters indicate that UK employment recovery will lag behind that of GDP as the economy comes out of recession. Optimat forecast that employment recovery in the West Midlands will not start until after 2013 and 2007 pre-recession employment levels will not be realised until between 2020 and 2026. This is mainly due to West Midlands above average share of manufacturing employment compared with the rest of the UK.
Based on average growth forecasts by several independent forecasters, Optimat has made the following employment growth projections up to 2026.

Employment Growth Rate Forecast

	2007 – 2010	2011-2013	2014-2020	2021-2026
Cannock Chase	-4.0%	-1.6%	3.5%	2.5%
West Midlands	-3.9%	-1.5%	3.5%	2.5%
UK	-2.0%	-1.0%	4.0%	3.2%

Source: Optimat Analysis

Using the above pessimistic growth scenario, pre-recession employment levels in the West Midlands of around 2.3 million are judged will not recover until between 2020 to 2025. A similar forecast is given for Cannock Chase, where manufacturing and distribution jointly account for an even higher share (40%) of employment. A key issue for both Cannock Chase and the rest of the West Midlands is what will replace manufacturing and distribution and business service that supported manufacturing in the future.

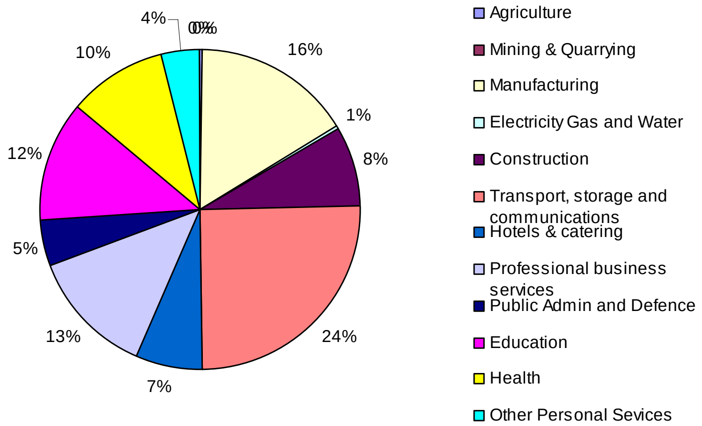
Structure of Employment 2026 (Pessimistic Scenario)

Main Industry Groups	Sub-Groups	Cannock Chase		West Midlands	
		Emp	%	Emp	(%)
Agriculture	Agriculture, forestry, fishing	**110**	**0.3**	**18423**	**0.8**
Mining & Quarrying	Extraction of coal, oil & gas, metal ores	**10**	**0**	**2303**	**0.1**
Manfacturing	Food products	205	0.6	36740	1.6
	Textiles and Leather	273	0.8	13819	0.6
	Wood and Wood Products	342	1	6909	0.3
	Pulp, Paper and Printing	273	0.8	23030	1
	Coke, Oil Refining and Nuc Fuel	0	0	900	0
	Chemicals and Man-made Fibres	102	0.3	9213	0.4
	Rubber and Plastic Products	683	2	20728	0.9
	Other Non-net minerals	171	0.5	27120	1.2
	Metals	1367	4	46093	2
	Machinery and Equipment	444	1.3	41457	1.5
	Electrical and Optical	991	2.9	38854	2.5
	Transport Equipment	444	1.3	48366	1.6
	Manufacturing nec	171	0.5	23031	1
		5466	**16**	**336260**	**14.6**
Electricity Gas and Water	Production, transmission and distribution	**171**	**0.5**	**14600**	**0.6**
Construction	Construction	**2859**	**8**	**128452**	**5.6**
Transport, storage and communications	Distribution	**7208**	21	407800	17.8
	Transport and Comms	**1366**	4	128700	5.6
			25	**536500**	**23.4**
Hotels & catering	Hotels and resturants	**2041**	**6.5**	**137500**	**6**
Professional business services	Financial intermediation	**683**	2	67400	2.9
	Business Services	**3760**	11	318900	13.9
		4443	**13**	**386300**	**16.4**
Public Admin and Defence	Public Admin and Defence	**1606**	**4.7**	**102100**	**4.9**
Education	Education	**4100**	**12**	**245000**	**10.7**
Health	Health and social work activities	**3416**	**10**	**282800**	**12**
Other Personal Sevices	other community, arts, entertainment	**1367**	**4**	**114600**	**5**

Source: OEF and Optimat analysis

The big changes to employment structure in the West Midlands and Cannock Chase by 2026 will be linked to growth in non-marketed health and education employment, replacing traditional manufacturing jobs. Construction is also forecast to undergo modest growth in Cannock Chase and the rest of the West Midlands, driven by increased demand for sustainable and low cost social housing. Although professional business service sector employment has declined in the current recession, business services is forecast to recover by 2013, followed by growth and financial services to grow again back to 2007 levels by 2014 as the economy recovers. The overall structure of employment in Cannock Chase by 2026 is shown below.

Share of Employment Cannock Chase (2026)



The above pessimistic growth scenario is tempered by the latest ONS employment data which indicates that the current recession is not as deep as for previous ones and that there are signs of slight recovery. If recovery is more rapid and sustainable than before then the employment growth rates could come forward by two or three years.

Forecast Employment Change (2007-2026)

	Slow Recovery Scenario		Early Economic Recovery Scenario	
Sector	**WM**	**Cannock Chase**	**WM**	**Cannock Chase**
Education	28000	**300**	29400	**330**
other community, arts, entertainment	2500	**267**	2750	**293**
Construction	15000	**259**	16500	**285**
Health and social work activities	28000	**216**	29400	**237**
Public Admin and Defence	-4000	**206**	-3600	**226**
Financial intermediation	1500	**183**	1650	**201**
Business Services	2000	**160**	2200	**176**
Wood and Wood Products	-591	**142**	-532	**156**
Machinery and Equipment	-3343	**44**	-3008	**48**
Distribution	4000	**8**	4400	**9**
Food products	3340	**5**	3674	**5**
Chemicals and Man-made Fibres	313	**2**	343	**2**
Agriculture, forestry, fishing	186	0	204	0
Extraction of coal, oil & gas, metal ores	0	0	0	0
Coke, Oil Refining and Nuc Fuel	0	0	0	0
Electrical and Optical	-146	-9	-132	-8
Textiles and Leather	19	-27	20	-24
Pulp, Paper and Printing	-1470	-27	-1323	-24
Other Non-net minerals	220	-29	242	-26
Production, transmission and distribution	-1000	-29	-900	-26
Manufacturing nec	431	-129	474	-116
Transport and Comms	-2500	-134	-2250	-121
Transport Equipment	-21734	-156	-19560	-141
Hotels and resturants	1500	-159	1650	-143
Rubber and Plastic Products	-4272	-317	-3845	-286
Metals	-45507	-633	-40956	-570
	2446	**143**	**16801**	**483**

Under the pessimistic slow growth recovery scenario for Cannock Chase economy will not start until after 2013 and not recover 2007 employment levels until between 2020 and 2025. Although there is a net gain of over 140 jobs in Cannock Chase and over 2400 jobs in the West Midlands forecast by 2026, these are not uniform across all sectors. Most manufacturing sub-sectors are forecast to decline with a net loss of nearly 1500 jobs. Conversely, over 770 additional new jobs will be generated in the public sector, especially in outsourced marketed services. Construction with nearly 260 additional jobs and the around 340 professional service jobs will also generate new employment opportunities over the period.

Based on the above analysis, the recession does not appear to be as deep and long as for the slow recovery scenario. Initiatives such as the car scrappage scheme and the low exchange rates will support the signs that manufacturing will lead the recovery, which will disproportionately benefit Cannock Chase and the wider region. However, in the longer term the changing structure of the economic base away from manufacturing towards public and private sector based employment will require a change in the type and availability of suitable development land and a skilled labour force to meet future growth projections. It is our considered opinion that recovery of the Cannock Chase economy will follow the early recovery scenario in 2010-2011 and realise the 2007 employment levels between 2015 and 2020.

Structure of Output (GVA) 2026

GDP Growth Rate

Although post recession recovery of employment levels for Cannock Chase and the rest of the West Midlands are forecast to be slow, a comparison of 40 independent forecasters on behalf of the HM Treasury indicates that UK GDP growth will recover more quickly than employment in the medium term.

Independent Average Medium Term UK Forecasts

	Independent average				
	2009	2010	2011	2012	2013
GDP growth (per cent)	-3.9	0.2	1.9	2.4	2.6
Inflation rate (per cent)					
- CPI	1.6	1.5	1.5	1.8	2.0
- RPI	-1.3	1.7	2.3	2.9	2.5
Claimant unemployment (mn)	1.74	2.27	2.23	2.09	1.91

Source: HM Treasury

The average growth forecasts clearly indicate that GDP growth in the UK will start slowly with 0.2% in 2010 then increasing to 1.9% in 2011 followed 2% – 3% per annum. Employment recovery in the UK is forecast to start in 2011-2012, a year earlier than for the West Midlands and Cannock in the previous forecast. This is probably due to the West Midlands above average share of UK manufacturing employment.

Overall, the above analysis suggests that Cannock Chase and the rest of the West Midlands will follow the UK recovery trend, although GVA growth will change due to the changes in the composition of local employment and associated wage levels. The following table shows the GVA forecast for each sector by 2026.

GVA Forecast 2026

	West Midlands		Cannock Chase	
Value Added £000s	GVA Output	%	£000s	%
Agriculture	**208667**	**1.7**	**6900**	**0.5**
Extraction	**6394**	**0**	**650**	**0**
Food Products	354316		8560	
Textiles and Leather	20480		3280	
Wood and Wood Products	13438		3450	
Pulp, Paper and Printing	77392		11785	
Coke, Oil Refining and Nuc Fuel	4488		500	
Chemicals and Man-made Fibres	138116		7670	
Rubber and Plastic Products	122134		21600	
Other Non-net minerals	185561		7500	
Metals	238858		49500	
Machinery and Equipment	286102		76812	
Electrical and Optical	781226		141900	
Transport Equipment	168605		22400	
Manufacturing nec	36683		7100	
Total Manufacturing	**2427399**	**19.4**	**362057**	**24.6**
Electricity Gas and Water	**95952**	**0.8**	**35210**	**2.4**
Construction	**544034**	**4.4**	**110120**	**7.5**
Distribution	**1512090**	**12**	**213448**	**14.5**
Transport and Comms	**1184020**	**9.5**	**145000**	**10**
Hotels & Catering	**1925000**	**15.3**	**28574**	**1.9**
Financial & Business Services	**2454000**	**19.6**	**289800**	**19.7**
Public Admin and Defence	**283000**	**2.3**	**32010**	**2.1**
Education & Health	**1181000**	**9.4**	**165000**	**11.3**
Other Personal Sevices	**701120**	**5.6**	**81560**	**5.5**
	12522676	100	1470329	100

Source: ONS statistics and Optimat Analysis

The above analysis indicates that although manufacturing employment will decline over the next 15 years the sector remains important to the West Midlands economy, especially in Cannock Chase where it is estimated manufacturing will account for 25% share of local GVA by 2026 compared with 33% in 2005. However, over 1300 manufacturing jobs are forecast to be lost in Cannock Chase and over 75,000 in the rest of the West Midlands over the period under the worst case slow recovery scenario. This also forecasts that Distribution we be the single largest sector in Cannock Chase by 2026 in terms of employment share (18%). The sector will generate around 14% of GVA due to GVA productivity (eg GVA per employee). It is not expected to undergo significant growth and offers limited employment and GVA growth prospects for Cannock Chase.

The M6 Toll provides Cannock Chase will a strategically important locational asset, with its proximity to the regional and national transport networks to attract major companies into the area from outside the region. Ideally, inward investment activity should target future growth sectors eg nuclear, renewable energy, low carbon and clean technologies that generate long term sustainable employment and support existing manufacturing supply companies. A good example is Veolia Environmental Services, a leading UK recycling and waste management company which has announced plans to create a 'green' regional office in Cannock. The company plans to relocate its offices in Wolverhampton, Brownhills and Walsall to one location at the Kingswood Lakeside site in Cannock, which will house a new 3800 m2 office building for 400 staff. This suggests that availability of suitable development land and significant space around the M6 Toll will be key drivers for early economic recovery in Cannock Chase.

The professional service was seen by many forecasters to offer future growth areas that would replace manufacturing and generate employment and regional GVA across the West Midlands. However, many financial services jobs have been lost during 2008 and 2009 although there are signs of slight recovery. Although business services has been more robust, Optimat forecast that recovery will quicken in 2010 -2012 and start generating additional jobs (380) from 2015, but at lower rates than previously forecast and accounting for nearly 20% of GVA by 2026. Both financial and business service companies are likely to require mixed in-town and out-of-town office accommodation.

The largest area for future jobs growth in Cannock Chase is predicted to come from the health and education, where there is a growing trend to outsourced marketed services. Between 500 and 600 new additional jobs are forecast by 2026. However, independent forecasts suggest that about 25% (140,000) health and education jobs in the West Midlands by 2020 will be outsourced. In Cannock Chase, we estimate that outsourced marketed health and education services could account for between 1300 to 2200 jobs by 2020. These most likely to be generally low GVA generating jobs which have less impact on the local economy. However, they will be generated by smaller organisations requiring a range of flexible office, storage, meeting facilities etc close to their customer base across Cannock Chase.

ECONOMIC DEVELOPMENT POTENTIAL

The previous sections highlight employment and GVA growth forecasts upto 2026 following the recession, for the following two post recession recovery scenarios:

- Slow recovery from a deep recession
- Early recovery from a shallow and shorter recession

Although only there are only around 150 to 500 net additional jobs forecast by 2026 compared with 2007 employment levels, considerable changes are forecast in terms of Cannock's economic base, sector trends and future development suggests the need for a changing spatial requirement. It will be important for sufficient development land and availability of suitable business suitable premises to meet these growth forecasts and maximise the economic impact in Cannock. The following table shows the total employment growth in Cannock Chase and projections for local employment in new emerging high growth sectors, which is additional to the sectoral recovery forecasts to show future spatial requirements.

Employment Growth Scenarios for Cannock Chase (2026)

Sector	Slow Recovery Scenario	Early Recovery Scenario	Additional Employment Projections 2026	**Net Total Employment Growth**
	Gross Emp Growth	Gross Emp Growth	Gross Emp Growth	
Education	300	360	500 (outsourced market service jobs)	800 – 860
Other community, arts, entertainment	267	293		267 – 293
Construction	259	285		259 – 285
Health and social work activities	216	237	1700 (outsourced marketed service jobs)	1926 – 1937
Public Admin and Defence	206	226		206 – 226
Financial intermediation	183	201		183 – 201
Business Services	160	176		160 - 176
Wood and Wood Products	142	156		142 - 156
Machinery and Equipment	44	48		44 – 48
Total	**1777**	**1982**	**2200**	**3987 - 4182**

Note: these figures exclude recovered/redeveloped sites from company closures

This analysis indicates job growth projections of between 3987 and 4182 in Cannock Chase by 2026 that will require development land and a range of premises.

Employment Potential

Floorspace required to meet the projected jobs growth upto 2026 in Cannock will vary for different types of developments. For the purposes of this study, these were based on:

B1 Office Development – 20 m^2 to house 1 job

B2 Industry Development – 26 m^2 to house 1 job
B8 Warehouse – 65 m^2 to house 1 job

For the two baseline economic recovery scenarios (eg ‘slow recovery’ and ‘early recovery’) for Cannock Chase, employment is forecast to increase between 1777 and 1982 by 2026, requiring a floorspace of between **35,000m^2** to **39,000m^2**. This spatial requirement equates to a **5000 m^2** to **9000 m^2** gap in the proposed 30,000m^2 target set for Cannock Chase in the Regional Spatial Strategy.

Major trends in outsourcing non-marketed health and education services could have a significant impact of employment growth rates and business accommodation requirements in Cannock Chase. The following Table indicates the amount of additional floorspace required in Cannock Chase to meet forecast growth for outsourced non-marketed health and education services.

Cannock Chase Projected Floorspace Requirements 2026

Sector	Emp Growth Cannock	Ave FT Male Weekly Wage	GVA per E £000	Floorspace Required m^2
Education (including marketed services)	800 – 860	459	28	16000 - 17200
Other community, arts, entertainment	267 – 293	350	30	5340 - 5860
Construction	259 – 285	400	30	6734 - 7410
Health and social work activities (including marketed services)	1926 – 1937	479	28	38520 - 38740
Public Admin and Defence	206 – 226	460	30	4120 – 4520
Financial intermediation	183 – 201	426	47	3660 – 4020
Business Services	160 – 176	452	47	3200 - 3520
Wood and Wood Products	142 - 156	390	14	3692 – 4056
Machinery and Equipment	44 – 48	424	173	1144 – 1248
Total	**3987 - 4182**	-	-	**78,718 – 86,574**

Source: Optimat Analysis

The analysis suggests that outsourcing of non-marketed health and education could require between 54,500m^2 – 56,000m^2.of floorspace in Cannock Chase, pushing the overall spatial requirements to between 78,700 m^2 – 86,600 m^2 by 2026. Much of the projected growth may be accommodated within existing companies, health authorities, education bodies etc and re-employment of existing healthcare staff rather than new jobs. Nevertheless, considerable new office accommodation is expected to be needed for new businesses covering a range of activities requiring flexible commercial premises eg offices, meeting rooms, treatment clinics etc. These are likely to include both in-town and out of town locations across Cannock and would present a serious gap from the proposed 30,000m^2 spatial target.

The projected office space required to accommodate the forecast 2026 employment in professional business services is between 6860m^2 - 7540m^2. However, for Cannock Chase to catch up with projected average regional professional service sector employment quotients in the West Midlands, Optimat estimate that an additional 1000 jobs would be needed. This would require an additional 14,000m^2 B1 office space to be developed. These employment growth targets could be realised by targeting emerging high growth technology and business service sectors eg energy, clean technologies etc that offer serious employment development opportunities to achieve 1000+ new jobs. Again, additional development land will be required to generate around £20m GVA into the local economy. The net effect could be that Cannock’s economy lags behind the rest of the West Midlands.

Future Growth Opportunities

The section considers future growth opportunities in addition to marketed services opportunity, where there is a good fit with existing capabilities in Cannock Chase to maximise employment and economic development.

Cannock Chase has a strong manufacturing capability, especially in component manufacturing, transport equipment, electrical & optical equipment, construction and environmental technology sectors. Although they are not unique and there will be strong competition from other regions, these capabilities offer significant opportunities to supply high growth and emerging markets, especially where there will be strong market drivers stimulating demand. They also offer potential to minimise local impact of decline on employment in traditional manufacturing and long term potential to develop new supply industries.

Examples of high growth and/or emerging market sectors where there is scope for high value goods and services to be supplied by companies in Cannock are listed below for consideration.

Market Sector	Opportunity	Market Drivers	Employment/GVA Growth Potential
Sustainable Construction	Building product manufacture using recycled materials	- Legislation driven - Financial incentives - Major product supply chain gaps	- High emp potential - >£10bn pa (UK) - >6% pa growth
Sustainable Energy	Advanced component manufacture eg fuel cells, electric vehicles	- Markets increasingly driven by international legislation - Major supply chain gaps - Fiscal incentives to deploy renewable energy	- Medium emp potential - >£50bn pa (Global) - >10% pa growth
Sustainable Transport	Composite aircraft component manufacture /fabrication	- Trend towards all composite aircraft - Composite component supply industries not fully developed - Safeguard existing metal component jobs	- Medium emp potential - £8bn pa (UK) - 3% pa growth
Clean Technologies	Energy from waste plant	- Will attract fiscal incentives and ROCs - Growing regional and national demand - Legislation driven	- Medium emp potential - >£1bn pa (UK) - >6% pa growth

Source: Optimat Analysis

Analysis of end user markets suggest there is considerable scope for Cannock's manufacturing companies to diversify into the above high growth market sectors. This would help to retain and generate new above average wage jobs.

Public sector intervention may be required to increase local company awareness of the opportunities and support them with market diversification. It will also be important to increase market awareness of Cannock's manufacturing and supply chain capability and support SMEs with development of new market opportunities.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Based on the overall analysis and results from this study, the following conclusions are drawn.

1. Two baseline economic recovery scenarios (eg 'slow recovery' and 'early recovery') for Cannock Chase indicate that gross employment will grow forecast to increase between 1777 (slow recovery) and 1982 (early recovery) by 2026, requiring a floorspace of between 35,000 m^2 to 39,000 m^2. However, demand for floorspace could more than double to 78,718 m^2 – 86574 m^2 if the trend to outsource health and education work to the non-marketed service sector continues, which is estimated could be around 2200 additional jobs in Cannock Chase by 2026.

Sector	Gross Emp Growth Cannock	Floorspace Required m^2
Education (including marketed services)	800 – 860	16000 - 17200
Other community, arts, entertainment	267 – 293	5340 - 5860
Construction	259 – 285	6734 - 7410
Health and social work activities (including marketed services)	1926 – 1937	38520 - 38740
Public Admin and Defence	206 – 226	4120 – 4520
Financial intermediation	183 – 201	3660 – 4020
Business Services	160 – 176	3200 - 3520
Wood and Wood Products	142 - 156	3692 – 4056
Machinery and Equipment	44 – 48	1144 – 1248
Total	**3987 - 4182**	**78,718 – 86,574**

It should be noted that these additional spatial requirements will depend upon how much of the outsourced health and education work is accommodated within existing business or new start companies, possibly ex healthcare and education professionals.

The above forecasts are based on the following assumptions:

- The global financial crisis and subsequent recession has made a significant impact on employment levels in Cannock Chase and the West Midlands, with an estimated 3000 and 88,000 seasonally adjusted jobs respectively being lost in 2008 and further job losses in the first quarter of 2009. Most of these losses were in the private sector including manufacturing, professional services and distribution, jointly accounting for around 60% of employment in Cannock Chase.

- Unemployment rates in the West Midlands and the Cannock Chase experienced a significant slowdown in the second half of 2009, with signs of the recession bottoming out and even a slight recovery in jobs in the last quarter. This may have been due to fewer jobs lost in manufacturing as a result of initiatives such as the car scrappage scheme, although this I expected to finish in the first quarter of 2010. However, independent forecasters predict that UK employment will not start to recover from the recession until after 2013, resulting in considerable uncertainty on when sustainably recovery will actually take place.

- Manufacturing is forecast to undergo continual decline upto 2026 and will bear the brunt of most of the job losses in Cannock Chase and the West Midlands. However, there are signs that manufacturing is more robust and not declining as rapidly as first thought.

- Public sector employment is predicted to be constrained and even decline with a growing trend towards outsourcing of health and education work to non-marketed services. Other important growth sectors for the region include construction and business and financial services. The latter is expected to recover to 2007 employment levels by 2014.

2 Although traditional manufacturing employment is forecast to decline significantly by 2026, there are a number of high growth and emerging manufacturing sectors, where there is a close fit with Cannock's strong manufacturing capabilities and a current gap in supply industries. These include:

  - Sustainable construction product manufacture – recycled product manufacture
  - Sustainable energy product and system manufacture – advanced components
  - Sustainable transport component manufacture - engineering composites
  - Environmental technology – refuge derived fuel production

  These opportunities offer scope to retain and build upon existing manufacturing jobs and the proximity of the M6 Toll providing access to regional and national transport networks will offer Cannock Chase opportunities to attract these emerging high growth companies and jobs to the area.

3 Availability of sufficient development land and access to suitable business accommodation will be key to generating employment in the area and speeding up economic recovery. This will need to reflect the changing nature of employment and future business needs of Cannock Chase and include a mix of B1 and B2 development and flexible out of town premise to cater for growth in a larger number of companies and organisations providing business services and non-marketed services.

  In our considered opinion that between 35,000 m^2 and 39,000 m^2 of additional floorspace may need to be developed in Cannock Chase by 2026 to meet the 'early recovery' scenario employment growth forecasts. However, the spatial requirement could more than double if projected growth in non-marketed services is realised.

Recommendations

Based on the above conclusions we would make the following recommendation

1 Develop 35,000 m^2 and 39,000 m^2 of mixed B1 and B2 out of town business premises targeted at business services, financial services, construction and other growth sectors.

2 Undertake a feasibility study into health and education outsourcing trends and potential impact on employment in non-marketed services and potential implications for type of business premises and floorspace requirements.

3 Develop a duel economic development strategy that focuses on both public/private service sector employment in Cannock, combined with retaining manufacturing jobs through market diversification into high growth / driven emerging markets.

4 Target the more technical or specialist engineering service sub-sector, where there would be a closer fit with local market need. We would also promote the locational out-of-town benefits that Cannock would offer eg lower rental costs etc.

5 Increase local company awareness of potential opportunities in these high growth emerging markets and support them with market diversification. Intervention will also be required to promote the areas manufacturing capabilities to the emerging markets and maximise locational assets such as the M6 Toll to attract inward investors

business growth

economic development

technology commercialisation

Head Office

Optimat Ltd.
Torus Building, Rankine Avenue
Scottish Enterprise Technology Park
East Kilbride G75 0QF

tel: +44 (0)1355 272 800
fax: +44 (0)1355 272 556

web: **www.optimat.co.uk**

Optimat Ltd.
Faraday Wharf, Holt Street
Aston Science Park
Birmingham B7 4BB

tel: +44 (0)121 260 6165
fax: +44 (0)121 260 6167

optimat