WMES - The Policy Choices, Consultation Questions & Proposed Wyre Forest District Council Responses

POLICY CHOICE 1 – "ENTERPRISE"

Enterprise is the seizing of new business opportunities and is central both to the formation and growth of new business and the improved performance of established companies in the region. The West Midlands needs to address a number of enterprise related issues:

• **The overall volume of business start-ups is low**: new firm registrations per head are below the UK average. Although the West Midlands performs better than northern regions, it is some way behind the best performing southern regions in new business formation.

• **There are distinct areas of under-representation**: for example female and ethnic minority engagement in enterprise activity is often weak (with various exceptions such as Indian communities who are one of the most entrepreneurial in the region); while the performance of places like Warwickshire surpasses that of central and more northerly sub-regions of the West Midlands.

• **Enterprise is not bridging the wealth gap**: current enterprise performance is clearly not strong enough to bring the West Midlands up to national levels of wealth. The make-up of newer businesses does not suggest the region is likely to acquire sufficient numbers of high value, high growth business without a step-change.

• **Favourable overall attitudes to enterprise and entrepreneurship**: compared to other regions, residents of the West Midlands have positive attitudes towards entrepreneurial activity. For example there is strong support for it as a good career choice.

• **But dynamism, context and prospects are weak**: unfortunately those positive attitudes are counterbalanced by poor performance on skills, earnings and population change which are all important supporting factors in enterprise growth. Too few people actually expect to start a business in the next three years.

The following possible Policy Choices are proposed:

1. Increasing the number and proportion of West Midlands businesses that are trading in **high value sectors** and/or have **high growth prospects** and/or are **externally trading** businesses, on the assumption that these will generate the greatest amount of wealth in the shortest time frame.

2. Driving up the number of new start businesses **across the board** in order to stimulate new competition in all sectors and markets.

3. Concentrating on the major **enterprise gaps** by tackling low levels of self-employment and business start-up i.e. in deprived and under-represented communities such as certain Black and Ethnic Minority groups, women or people who are economically inactive.

4. Embedding a **culture of enterprise and innovation** in all businesses, sectors and location to drive up appetite for change, competition and improvement.

5. Developing a more positive set of **attitudes towards enterprise** in society, in order to stimulate more people considering starting businesses and willing to be more enterprising at work.

6. Promote the **use and application of information and communications technology** to increase productivity in key market sectors.

Q1: Which of these Enterprise Policy Choices, or what other choices for Enterprise, should the WMES emphasise?

PROPOSED RESPONSE:-

All Options are worthy of support. There should be an emphasis on:-

Options 2, 3 & 4 - Driving up the number of new start businesses and embedding a culture of enterprise in businesses and society is essential for the area now that "traditional" industries are declining.

The WFDC supports the development of new business start ups through its start up grant and through partnership working with Kidderminster College's new business start up courses. Long term and secure funding needs to be in place to enable courses to operate from "pre start up advice", to start up courses, to developing and expanding any new business.

The Council is also supporting the "spirit of entrepreneurship" through its work with the Oldington and Foley Park pathfinder initiative in Kidderminster which is working with the local schools on a "young enterprise" project.

The Council also considers it important to support existing business enterprise as well as facilitating new. Many of the existing businesses in the region, by the nature of their work or in order to compete in the international market place, have developed excellent enterprise and they should be supported in this in order to maintain their competitiveness.

POLICY CHOICE 2 – "INNOVATION"

The innovation theme is closely related to enterprise. However, its focus stretches into research and development (R&D) and the exploitation of intellectual property. It has been given new impetus with the EU's Lisbon Agenda which will form the basis of future EU programmes. The West Midlands faces some distinct innovation options and issues:

• **Very limited R&D investment across the board**: the West Midlands is the lowest ranking English region in total R&D investment terms and the amount spent continues to fall in absolute and proportionate terms.

• **Too few businesses engage in innovation**: the region has the lowest proportion of Innovation Active (this is measure of companies engaged in product/process development or which have invested in innovation or introduced new products, services or processes to the market. Source: DTI Innovation Survey) firms in any region of England.

• **But, the region is still relatively strong on harder innovation**: patents and product innovations in production firms are comparatively favourable.

• **However, changes in sectoral patterns are likely to adversely affect innovation indicators**: manufacturing is a traditional source of R&D, but is contracting in employment terms, whereas knowledge-intensive/high-technology service sector employment remains relatively low.

• **The supply of skills is not favourable**: the region has fewer residents qualified to degree level and its private sector employs fewer graduates than average. There are also obvious difficulties in retraining a large number of less qualified workers to enter higher skilled, innovative industries.

The following possible Policy Choices are proposed:

1. Driving up the number of businesses and the volume of economic activity in those limited number of **sectors** where R&D spend and innovation are already high.

2. Embedding a **culture** of enterprise and innovation in all existing businesses to raise their appetite for change.

3. Increasing the amount of **applied R&D activity** undertaken in the region's Higher Education Institutions and businesses, in order to increase the supply of new ideas.

4. Focussing effort on **changing perceptions** of the region's R&D/innovation standing by concentrating on a small number of high profile interventions.

5. Improving the **interface** between users and providers of R&D/innovation so that regional business can better tap into the already significant base of knowledge.

Q2: Which of these Innovation Policy Choices, or what other choices for Innovation, should the WMES emphasise?

PROPOSED RESPONSE:-

There should be an emphasis on Options 3, 4 & 5

Wyre Forest District is host to a number of businesses (eg boat design and build, building technologies, ceramics, water purification, carpet machinery and design) that are recognised leaders in their respective fields regarding innovation. It is essential that these and other relevant companies are encouraged and supported, where appropriate, to innovate and commit resources to research and development. If that can be done with the involvement of the region's Higher Education Institutions, then even better. See comments above under 'Enterprise' regarding the need to support existing businesses.

POLICY CHOICE 3 – "SKILLS"

If the region is to achieve a step change in economic performance, businesses need to access, develop and deploy a range of critical skills. This is in order to boost their productivity and profitability and exploit emerging market opportunities. It is clear that skills is a major challenge for the region. While investment in skills by both employers and individuals is increasing, the region still lags behind many others:

• **The West Midlands is a poorly qualified region**: the region has the highest proportion of non-qualified workers in England. The qualifications gap is apparent across all qualification levels: at NVQ Levels 2 and 3 as well as for Level 4 and above. GCSE and A Level attainment is again behind that of other regions suggesting that the region's gap with the rest of the UK and with the best-performing regions will continue.

• **And some places are particularly affected**: urban centres, particularly around Birmingham, the Black Country and Stoke-on-Trent have particularly low qualifications attainment whereas Warwickshire and Worcestershire have a much stronger skills base.

• **A low proportion of *knowledge workers* are active in the labour market**: the region has low levels of graduate retention; there is a net outflow of graduates each year. Evidence also suggests that those graduates who are employed are not effectively utilised.

• **Significant skills gaps exist**: skills gaps are apparent across a wide range of sectors; this situation is particularly noticeable in key service sectors which are forecast to grow over the next decade. Emerging key or generic skills such as enterprise, creativity, design, management etc are also in short supply.

• **Demographic change will adversely affect the skills supply**: the region's labour force is ageing and shrinking. Older workers in the West Midlands are significantly less well-qualified than younger people and are much less likely to undertake any form of learning activity.

• **Investment in basic education**: there is a need to continue increasing investment in educational attainment at all ages, especially between the ages of 5-14. This is in order to lay the foundation for basic skills achievement and enable individuals to later develop the right skills to ensure successful participation in the workforce.

The following possible Policy Choices are proposed:

1. Focussing on tackling **basic level skills** and improving the skills of those with few or no qualifications in the region.

2. Focussing on building a **knowledge-rich workforce** by increasing the number of graduates and stimulating demand for better qualified employees in higher value companies.

3. Maximising the **effective use** of available skills by encouraging businesses to step-up demand for higher skills and to better use those they have, in order to compete more effectively.

4. Addressing the supply of skills by concentrating on making sure the schools, Further Education, Higher Education and in the private and voluntary sectors are developing a **cohesive skills infrastructure** that responds to rapidly changing skill needs.

5. Embedding a commitment to **continual learning and personal development** amongst all learners and businesses.

Q3: Which of the Skills Policy Choices, or what other choices for increasing Skills, should the WMES emphasise?

PROPOSED RESPONSE:-

All Options are worthy of support, particularly 1,3 & 4.

It is considered dangerous to assume that all of Worcestershire has "a much stronger skills base" – as there are significant skills and educational attainment issues in Wyre Forest District and other areas of the County. For example, part of the Oldington and Foley Park Ward in Kidderminster is 16th out of 32,482 (SOA's) in the national table of most deprived areas for education attainment. In order to make the necessary long term changes required to address the skills issue, it is essential that everyone entering education is supported and encouraged from within their home environment (as well as from schools, higher and further education systems) and that the "support" they receive and activities they undertake, when "not in education", all contribute to play a part in developing the "right attitude" for improving educational and skills attainment and bring about the required confidence to enter and progress in the working environment.

It is important that, in parallel with the development of skills, is the development of appropriate employment opportunities. The RES must cross reference to the RSS to ensure that districts such as Wyre Forest have sufficient employment land provision to support development that will offer the opportunity for skills development.

POLICY CHOICE 4 – "ECONOMIC ACTIVITY"

Economic inactivity is a major contributing factor to the region's wealth gap and covers issues relating to employability, connectivity, unemployment,
migrant labour and changing demographics.

• **The West Midlands has a low level of adult economic activity compared with the best performing regions**: more people are engaged in employment and economic activity in more prosperous southern regions than is the case in the West Midlands, although the region is on a par with the UK average.

• **The West Midlands has a weak skills base overall, and an uneven geographical distribution of economic inactivity**: economic participation opportunities are closely linked to people's levels of skills and educational attainment. Across the region there is a very mixed picture on these fronts.

• **Economic inactivity is especially high for some important groups**: disabled people make up the largest component part of the economically inactive; Black and Minority Ethnic communities make up a large and growing proportion of the population in some parts of the region and experience low economic activity rates. Similarly, lone parents face a number of very practical and obvious barriers to labour market participation.

• **Many young people are disengaged from the labour market**: many young people post-16 are in the Not in Employment Education or Training (or NEET) group and are therefore at risk of long-term disengagement from the economy at a critical early stage in their development.

• **The region faces a serious demographic challenge**: the working-age population in the West Midlands is projected to shrink and although migration has recently boosted the supply of labour, demand for employment is expected to outgrow supply.

• **The region has the potential to improve**: the challenges facing the region's employers and workforce may be overcome through individuals realising their potential and thus raising the economic activity rate of the region as a whole. The demographic challenge may be seen as an opportunity in that employers can effectively utilise the workplace experience of the ageing workforce. Early retirees may also have access to capital to set up businesses.

The following possible Policy Choices are proposed:

1. **Intensively targeting** people with the most challenging employment prospects, focussing on the underlying social and cultural hurdles they face.

2. Creating opportunities for new forms of **economic activity and enterprise** as a way of motivating people and providing a route into economic activity for those who are removed from the labour market.

3. Ensuring **jobs pay for people** who are out of work by concentrating on affordable care, transport to work, benefit traps and barriers to getting into employment.

4. Encouraging **alternative sources of labour** such as migrant workers and older workers.

Q4: Which Economic Activity Policy Choices, or what other choices for Economic Activity, should the WMES emphasise?

PROPOSED RESPONSE:-

Options 1 and 2 should be emphasised.
Wyre Forest District Council is supporting the Oldington & Foley Park Neighbourhood Management Round 2 Pathfinder project in its work to address "workability issues" of people within this deprived ward of Kidderminster. The Council is also using that Pathfinder learning to develop a similar neighbourhood management approach in the Horsefair/Broadwaters/Greenhill area which also suffers deprivation. In Oldington and Foley Park there has been a survey of local businesses and residents to help ascertain what exactly are the "underlying social and cultural hurdles" the residents (and businesses) face in that ward. The results will form the basis of a local strategy aimed at creating new forms of economic activity and enterprise and employment opportunities. The Council is working closely with employers on the Stourport Road, including the Former British Sugar site, to develop employment opportunities within the Pathfinder area. The potential exists to roll out such activity across the rest of the District.

Whilst the average levels of unemployment in the District are lower than the regional and national average, that is not to say that there are no key issues to address locally regarding "economic activity". Whilst people may be in work, the household incomes are "below the average" in the Wyre Forest district and in particular Kidderminster. There are *also significant pockets of deprivation. There are also significant pockets of deprivation. In order to address these issues the Council's strategy is to encourage improving skill levels and educational attainment and aim bring about the development of allocated employment land for "higher value" order employment opportunities. Again the link to the RSS is essential to ensure the continued allocation of employment land at a level which will support this work.*

As regards "encouraging alternative sources of labour" - the potential to encourage "migrant workers" is interesting as there is local evidence to suggest that their "cultural work ethic" is one where they don't need any encouragement to work. In fact there are understood to be instances where such workers have offered to work for no salary – just in order to get their "feet in the door" and gain experience. So rather than "encouraging alternative sources of labour" this Policy Choice should perhaps be encouraging a change in some of the region's indigenous workers "work ethic".

POLICY CHOICE 5 - "QUALITY OF LIFE"

This theme is extremely broad and has a heavy geographic focus. It takes in factors such as environmental development, cultural facilities, the sustainability of communities and rural matters. It is, however, based on the premise that any region wishing to support sustained economic growth must offer an environment that is able to attract and retain both businesses (particularly growth orientated firms operating in high value markets) and individuals (especially the more skilled and more entrepreneurial).

• **The West Midlands has some substantial and profound areas of deprivation**: across the region's deprived communities there exists a great variety of social and economic conditions.

• **Despite recent progress, more needs to be done to tackle worklessness in many parts of the region**: the regional average employment rate is below the England average (the West Midlands is the 6th ranked English region). Whilst the West Midlands does contain a number of areas in which employment rates are comparable to the best performing parts of the UK, it also contains areas in which performance is particularly poor.

• **The region faces some major challenges with regard to living conditions**: around 15% of all households in the region live in housing that is either unfit or in disrepair. Most of the poorest housing is concentrated in the major urban areas.

• **Access to services is poor in many rural parts of the region**: in many of the region's rural districts access to key services, such as schools, supermarkets and GP services is relatively poor.

• **The region does not punch its weight in cultural and creativity terms**: Birmingham, the second largest city in the UK, comes 6th on the BOHO Creativity Index (The Boho Index, based on work in the USA by Richard Florida, has identified the scale of "creative classes" as central to successful economic performance rather than more traditional social and economic indices. It ranks locations according to ethnic diversity, sexual diversity and number of patent applications).

• **The West Midlands is a diverse region:** the region contains vibrant city centre locations, extensive suburban commuter and residential areas and highly attractive rural locations. Together these provide a highly attractive offer to new and existing residents.

The following possible Policy Choices are proposed:

1. Safeguarding the extremely high quality of life on offer in many of the region's **rural areas** by better exploiting its important role for knowledge economy workers and supporting diffuse employment.

2. Concentrating on the creation of a limited number of **cultural beacons** which improve external perceptions of the West Midlands in order to attract new residents and businesses.

3. Driving forward the **greening** of the region by preserving open spaces and countryside as key attributes of the region's high quality of life offer.

4. Channelling attention into the **important suburbs** of the major employment areas and promoting the rounded quality of life on offer in the region, to attract and retain higher skilled earners' families.

5. Focussing attention on the **social aspects of quality of life**, such as health, which impact upon many people's life opportunities and fulfilment.

Q5: Which Quality of life policy responses, or what other choices for Quality of life, should the WMES emphasise?

PROPOSED RESPONSE:-

Quality of Life is considered to be a very subjective issue often depending on peoples own perceptions, needs, circumstances and experiences.

All Choices could be given equal emphasis. However, even the region's rural areas may not offer a high quality of life to, for example, the unemployed single parent with access to no regular public transport struggling to make ends meet. What such a person needs is the opportunities (and if necessary the funding) to help improve his/her situation.

"Cultural beacons" have the potential to be just one of the ingredients that attract new residents and businesses. However, more important are readily available and affordable sites both for residential and commercial development, well paid employment opportunities, excellent transport infrastructure available skilled workforce. If these are present business and residents will be attracted in any case.

The Option to, "Channel attention into the important suburbs of the major employment areas….", is particularly supported; the Agency is encouraged to continue and further its strategic and financial support to towns such as Kidderminster – in a similar way that the Market Towns Initiative benefited Stourport on Severn and Bewdley.

Kidderminster is identified as a 'Local Regeneration Zone' as defined in Policy UR.2 of the Regional Spatial Strategy. We would welcome the opportunity to address the issues of urban decline facing such areas by having such status recognised in the WMES as well as the RSS.

POLICY CHOICE 6 – "INFRASTRUCTURE"

Infrastructure is a vital enabling element of the economy which determines the region's growth and productivity potential. This theme encompasses transport, business sites and premises, ICT, and housing. The region faces a number of challenges and opportunities on these fronts:

• **Congestion is rising as demands on transport infrastructure continue to grow**: road and rail use have risen significantly leading to congestion and falling reliability.

• **No real sign of road traffic and economic growth becoming decoupled**: there is limited evidence of a shift away from car use and the problem of congestion is expected to worsen, even without further economic growth.

• **Market towns and their rural hinterlands face distinct challenges**: for many people in rural areas, the quality of public transport links is vital. However, services often do not offer great mobility or access to employment and key services. At the same time, many of the region's historic and market towns face growing congestion pressures affecting their ability to sustain growth and offer a high quality of life for residents and visitors.

• **Access to basic broadband is almost universal**: investment by BT in ADSL technology has been stepped up so nearly every household in the region should have access to entry-level broadband soon. However, there is currently no obvious model for roll-out of very high speed connectivity which is now becoming common in other countries.

• **Growing demand for housing**: the region faces rising demand for housing, reflecting its ageing population, migration and a reduction in average household size, patterns of economic activity and other lifestyle factors. Recent household projections indicate the need for considerably more housing than had hitherto been forecast.

• **A significant housing condition problem exists**: a large number of houses fail to meet the Government's 'decent homes standard' – the West Midlands has the highest proportion of homes which do not meet the statutory minimum standard for housing in the private sector. Addressing poor housing condition along with the improvement of health and education outcomes will have a positive impact on the regional economy.

• **The challenge of achieving development on much of the region's derelict and previously developed employment land is huge**: the West

Midlands has a large volume of brownfield sites which are vacant or derelict. In 2005, 66% of the region's development on employment land took place on brownfield sites. The costs of reclaiming derelict and contaminated land continue to increase, however, as the 'easier/cheaper' sites are brought back into use leaving a core of more difficult and expensive land remaining.
The Policy Choices to the set of challenges and opportunities outlined above, and those outlined in the following section covering the role of places, must be developed in parallel through the current reviews of both the WMES and the Regional Spatial Strategy (RSS) for the West Midlands. This is discussed further in the following section.

Q6: How should the WMES (supported by, and supporting, the Regional Spatial Strategy) tackle the infrastructure challenges and opportunities facing the region?

PROPOSED RESPONSE:-

There cannot be enough emphasis placed on the need to have in place a supply and stock of readily available, affordable and accessible (by private and ideally, public transport) sites on which to locate well paid employment opportunities. The UK needs to invest in providing a truly integrated, national and affordable transport network. The Planning system needs to be flexible, yet robust enough, to meet the relevant land use needs of the region and its constituent parts. A start is by aiming to integrate the Regional Spatial

Strategy with WMES review which is clearly intended to happen. The opportunity must not be lost.

In Wyre Forest district there are a number of opportunities to develop "derelict and previously developed employment land". As these are allocated as employment sites in the Local Plan, the key to their future success as such, will lie in there being sufficient development value or assistance to make them viable propositions. This in turn relies on there being good access to transport infrastructure (main trunk roads and motorways) and a skilled and reliable work force. Also of significance is the willingness and ability of the owners to develop the sites out. Unless owners are confident in any site's ability to bring about an economic return on an investment, then there is a danger that the sites will remain derelict and this will undermine the regeneration effort.

Finally we would like to propose that "Investment is targeted towards those areas of greatest need at the local level." For example, In Wyre Forest District the most significant infrastructure constraints include overcoming the complex issues and costs associated with recycling brownfield employment sites in a District where commercial property is amongst the lowest priced in the region. At the same time transport investment will be key to unlocking the potential of the strategically important Stourport Road Employment Corridor (SREC) in the Oldington and Foley Park Ward (a top 10% most deprived Ward in the UK).

2. CROSS – CUTTING THEMES

2.1 The role of places

The latest thinking on economic development emphasises the importance of places. Towns and cities are where people and businesses interact. The important role of cities is that they create critical masses of firms and skills which interact and create positive spillovers. The downside is that cities suffer from disadvantages such as congestion and higher land and other costs.

The balance of challenges and opportunities varies across the different geographical areas within the region. The WMES and the RSS both need to acknowledge this and ensure that their priorities are compatible. There are at least four types of areas in the region:

• Firstly, those where private sector-led employment and GVA growth is strong and where skills, enterprise rates and private investment are highest. These parts of the region tend to be concentrated in the south and east, not unrelated to their proximity to London and the South East and important assets such as Birmingham International Airport and the two main research universities in the region. This type of area also tends to cover accessible rural areas of high amenity which are close to major urban areas.

• Secondly, and in complete contrast, are those areas where there has been disinvestment by the private sector. These areas are experiencing industrial re-structuring and there are often interrelated problems of environmental quality, poor skills and low rates of enterprise. The **Black Country and North Staffordshire** stand out in this regard.

• Thirdly, there are areas which fall between these two, are performing reasonably well and where there may be scope to better link residents into economic success. This includes parts of **North Warwickshire and parts of Birmingham**.

• Fourthly, are the most rural areas, i.e. the **Marches area of west Herefordshire and Shropshire** which are less linked into the rest of the regional economy and tend to face demographic challenges of out-migration of young people, in-migration of retirees and low paying and low value-added employment.

The WMES must recognise the role of places; it also needs to support and be supported by the RSS. The RSS sets out the spatial parameters for land use in the region and the location of employment and housing (amongst others matters). At its heart are the principles of urban and rural renaissance, defined in the RSS as:

• **Urban Renaissance** – developing our Major Urban Areas (Birmingham/Solihull, the Black Country, Coventry and the North Staffordshire Conurbation) in such a way that they can increasingly meet their own economic and social needs – countering the unsustainable outward movement of people and jobs.

• **Rural Renaissance** – meeting the economic and social needs of rural communities whilst enhancing the unique qualities of our towns and villages and the surrounding countryside.

Although a partial revision of the RSS is underway, these fundamental principles are not being revisited. The partial revision is in three Phases: Phase One dealt with the Black Country; and Phase Two, launched in November 2005, examined housing figures (the partial review was slightly delayed to take account of the new housing projections for the region published in April 2006, which were higher than had been anticipated. An eight-week public consultation on the Spatial Options for future development across the region will begin in early January 2007), employment land, the role of centres, transport and waste. Phase Three, commencing in spring 2007, will focus on rural services, environment, culture/leisure and gypsies and travellers.

The current WMES says relatively little about places and about the role of place as an economic driver. It was produced before the current national debate on the role of cities and city regions and, most recently, the publication of the local government White Paper. The outcome of this debate will have important implications for the way in which the WMES should be delivered.

There are two important spatial themes in the current WMES:

• Six Regeneration Zones (urban and rural) whose areas contain the majority of the region's deprivation and economic disadvantage, but also present opportunities for investment and wealth creation. The Regeneration Zones have been a major focus for investment by Advantage West Midlands.

• The three High Technology Corridors – these are less tightly defined in spatial terms, but are broad areas where activity to promote high technology, innovation and knowledge transfer can take place.

The evidence on economic performance by place in the West Midlands

The evidence base produced for the WMES review has highlighted the great variations in sub-regional performance. This shows that only three parts of the region are above or close to the national GVA average (these are the NUTS III (the smallest spatial areas for which GVA is calculated by ONS) areas of Solihull, Birmingham, and Coventry and Warwickshire), while the rural parts of the region and Staffordshire have the lowest GVA performance. In terms of change, the fall since 1995 in the relative position of Stoke on Trent, the Black Country and Herefordshire stand out.
The work carried out on the Functional Economic Geography of the West Midlands, identified even more complex patterns:

• The West Midlands is developing a polycentric economy which has a distinctive economic geography related to local specialisms.

• The spatial pattern of economic activity in the West Midlands has been shifting away or expanding from Birmingham and the Black Country to a belt that encircles the conurbation.

• The economic geography of the region is complex, with one central major conurbation, a second smaller conurbation in North Staffordshire, the city of Coventry and other significant though smaller centres of economic activity (for example: Shrewsbury and Telford, Hereford, Rugby, Worcester and Bromsgrove).

Based on the principles of urban and rural renaissance, the RSS seeks to counter the unsustainable movement of people and jobs away from the region's major urban areas.

Q7a: How should the WMES (supported by and supporting the Regional Spatial Strategy) address the role of different places within the region?

Q7b: Should some places be prioritised as a focus for activity?

PROPOSED RESPONSE:-

Wyre Forest District perhaps falls somewhere between the "second and third areas." It is important that the Review takes note of the fact that there are other "smaller" areas in the region – such as Kidderminster that have, perhaps not as prominently, been through their own pain of "industrial restructuring" – eg the reduction, over a 20 – 25 year period, of the areas "traditional" carpet manufacturing industry. This District, as well as the Black Country and North Staffordshire, can point out where the "often interrelated problems of urban deprivation including poor skills and low rates of enterprise" have an effect.

There is a concern that the focus seems to be either on the "Urban" – eg the major conurbation areas and the "Rural" eg the Marches area. No mention is made of the other areas which do not fall within these categories. The town of Kidderminster neither fits the 'urban' or 'rural' renaissance definitions yet it is in clear need of a significant regeneration push.

Whilst parts of Wyre Forest District can and have benefited from Market Towns Initiative status and the Rural Regeneration Zone and have the potential to benefit, and benefit from, the Central Technology Belt (High Technology Corridor), it seems there is no "strategic" fit for either the District or particularly the town of Kidderminster. The review presents the opportunity for the Agency to resurrect their work and proposals to identify and strategically and financially support the likes of Kidderminster as a "Shire Town" and support the implementation of RSS Policy UR.2 which identifies Kidderminster as a 'Local Regeneration Area'.

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3. THE ROLE OF SECTORS

a) Treatment of sectors in the current WMES

Regional Economic Strategies vary in the extent to which the development of key sectors or clusters is a key driver. The WMES is distinguished by the prominence given to the **Manufacturing Challenge** - the need to modernise and diversify the West Midlands manufacturing sector. This is highlighted as one of the five priority challenges for the West Midlands. When the WMES was last drafted, manufacturing then accounted for 20% of employment but was recognised as a sector which was vulnerable to further employment decline, especially in lower productivity component parts of the sector. Modernisation of lower value manufacturing sectors and diversification into new areas of manufacturing was seen to be critical to achieving the Vision established in the WMES.

In addition, Business Clusters were identified as a delivery mechanism for the WMES. These were chosen to be a focus for support and development of businesses. Support mechanisms for business clusters have been developing since the early 2000s in the West Midlands. The recent evaluation work concluded that it is still too early to fully assess the success or otherwise of Business Clusters as a delivery mechanism (evaluation of the Key Delivery Mechanisms – GHK Consulting, 2006, conducted for AWM), but that they have started to deliver strategic added value and offer the potential to do so in the future.

Together, productivity and employment in firms and sectors determines regional GVA. However, different firms and sectors have very different productivity and employment growth profiles.

If the WMES is to continue to prioritise important types of businesses in the region for support, there are a number of possible ways of selecting those businesses. Areas of possible focus might include:

1. Sectors with the highest employment growth profile.

2. High value businesses with the highest levels of GVA per employee.

3. Sectors where there is an employment base, but which are declining nationally and regionally.

4. Businesses in new knowledge-intensive and/or high-technology sectors.

5. R&D and innovation-intensive businesses.

6. Businesses which share an interest in and scope to develop and use new emergent technologies which have general application in arrange of markets.

7. Any business which demonstrates a willingness and ability to innovate and compete by investing in new practices, products, processes or markets.

Q8a: To what extent should the WMES seek to prioritise important types of businesses in the region?

Q8b: Which business sectors or clusters should receive the most support?

PROPOSED RESPONSE:-

To support sectors that may be declining (in terms of number of employees and output from UK Plants), but where there exists an established knowledge and employment base with a strong prospect of growth in R&D, Intellectual Property and Prototype manufacture.

Despite the "Far East" affect, it is considered that the manufacturing sector is and will continue to be an important sector and efforts should be made to continue to support it. Whilst "traditional" manufacturing may well be in decline, the sector is the bedrock of wealth creation and support must be given – on a national basis – for it to continue. Having said this, it is important to focus on those employment sectors and types that the UK and specifically the WM Region can realistically sustain and grow i.e. are we talking about product assembly, specialist prototype and higher quality products rather than mass production of small parts.

The manufacturing sector should not be portrayed as a "dirty engineering" option but as one which is technologically advanced, giving opportunities for growth and development.

The manufacturing sector in Wyre Forest District is higher than the national and regional average which manifests itself in a low wage economy with significant pockets of deprivation. The sector's continuing demise will have an impact on the area unless encouragement is given to replace it with other wealth creating opportunities.

It is considered that the region's Visitor Economy could be developed even further to take advantage of the increased wealth created and now apparent from within the Indian, Chinese and other emerging economies. The built and natural environment in the region is unique and it can neither be "imported cheaper" or manufactured cheaper abroad. However it can be "exported" to the benefit of the region's economy. Tourism is still open to competition from more attractive or affordable destinations etc.

We support the focus to encourage:-

1. Sectors with the highest employment growth profile.
2. High value businesses with the highest levels of GVA per employee.
3. Sectors where there is an employment base, but which are declining nationally and regionally.

- *The District's carpet manufacturing sector, despite its recent decline should be given a focus. The industry's long history and experience in both manufacturing and design is worthy of maintaining.*

4. Businesses in new knowledge-intensive and/or high-technology sectors.
5. R&D and innovation-intensive businesses.
6. Businesses which share an interest in and scope to develop and use new emergent technologies which have general application in arrange of markets.
7. Any business which demonstrates a willingness and ability to innovate and compete by investing in new practices, products, processes or markets.

There is also a need to identify local prospects for cluster recognition. For example in Kidderminster where emerging sectors might focus on ceramics or marine technology (Sealine & Enpure (formerly Purac) etc.

b) Is Manufacturing still a key challenge?

Manufacturing received special mention in the current WMES on two important grounds:

• Its importance in providing employment and incomes in the West Midlands economy. It is the largest wealth producing sector, accounting for 27% of regional Gross Value Added. It provides jobs which are 25-35% more productive than the regional average. Its productivity per job is forecast to grow 50% faster over the next 5 years than other sectors. Manufacturing continues to be a major provider (16%) of jobs in the region, in particular providing full-time jobs for males. It tends to be concentrated and is very important to certain people and places with relatively poor economic prospects. More than other sectors it is thought to have a strong multiplier effect on the rest of the economy since its markets are often outside the region and its revenues filter down an extensive supply chain. Consequently, there are a relatively large number of other jobs dependent on each manufacturing job.

• The potential for manufacturing to act as a driver of innovation by being a prime source of productivity growth and supporting a base of research and development, innovation and technology transfer that supports the regional economy as a whole. Manufacturing generates 75% of all regional R&D with the automotive sector accounting for some 40% of this. The region has a high number of foreign owned international manufacturing businesses, which bring world-class technologies and processes, and act as a stimulus to regional innovation. The region wins 20% of all manufacturing inward investment in the UK.

If the WMES is to continue to prioritise manufacturing as a distinct challenge facing the region, there are a number of ways in which the policy response could be focused. These include seeking to deliver:

1. Improvements in the **ability to innovate for all manufacturing companies**: support for generic activity, e.g. new product development, deploying knowledge workers.

2. Improvements in the **ability to innovate focused on high value added, high growth sectors, technologies and markets**: specialised support, e.g. technology centres of excellence, specialised collaborative networks.

3. **Skills improvements focused on generic skills**: leadership, management, entrepreneurship and knowledge economy skills.

4. **Skills improvements focused on technical and specialist skills**.

5. Development of a **more positive set of attitudes towards manufacturing** in society, to stimulate a stronger flow of young people attracted to work in manufacturing.

Q9a: To what extent should the WMES continue to prioritise manufacturing as a distinct challenge facing the region?

Q9b: What policy interventions are likely to be most effective in addressing that challenge?

PROPOSED RESPONSE:-

See responses to question 8 above.

In addition, we support the above proposals 1 – 5 regarding how the policy response could be focused and suggest an addition proposal (6) as follows:-

6. A focus on product development and wider R&D utlising established skills and knowledge base to create 'prototype' and high end manufacturing focus.

4. BROADER OPTIONS

Looking across the detailed themes and headline economic indicators, and having considered geography and sector focus, a number of broader policy issues arise. These do not relate to any particular aspect of the economy and instead are fundamental issues concerning the focus, style and reach of the WMES.

If the WMES is to become more specific about the priority areas for action, decisions will need to be taken about where to apply focus. The table below sets out three broad alternatives.

A FRAMEWORK FOR IDENTIFYING STRATEGIC FOCUS	
ASSUMPTION	**FOCUS**
The region is being held back by some key lagging sectors, locations and socio-economic groups which are experiencing real challenges and failing to engage effectively in the economy.	**Tackling Need: focus on problem issues and draw them closer to the market** i.e. focus on economic inclusion, failing sectors, access to opportunity, enterprise cold spots, basic skills.
The region has shown improvement and needs to focus on bringing forward next waves of success and extending that which has occurred.	**Spreading the Success: go with the grain of market development but accelerate and extend** i.e. identify issues which are not being optimised but have clear economic potential to improve
The region needs to prepare for long-term step-change to compete in a mobile, global and innovative world.	**Investing in Success: focus attention on preserving the high points of the region's economy and extending their reach** i.e. equipping the region with future technologies, new living and business locations, high growth sectors.

In addition, it can be argued that the region needs to refocus its range of existing and new economic activity to produce an economy that can meet the greatest challenge of this century – climate change. Should the focus be upon the development of a low carbon economy, with support for economic activity that contributes to lower carbon energy use and higher economic value?

Q10: This document has set out a range of Policy Choices under six broad themes: enterprise, innovation, skills, economic activity, quality of life, and infrastructure. Are some themes more important than others in improving regional economic performance?

PROPOSED RESPONSE:-

It is considered that all Policy Choices are of equal importance.

Q11: If the WMES is to be specific in setting out choices and focusing attention, which of the strategies described in the above framework - Tackling Need, Spreading the Success or Investing in Success - should it focus on?

PROPOSED RESPONSE:-

Suggest await result and response of sub regional partners and other consultation activity, but for Kidderminster, 'Tackling Need' and 'Spreading the Success' associated with the High Tech Corridor will be particularly important.

Q12: How should the WMES address the issue of climate change?

PROPOSED RESPONSE:-

The WMES and the Agency's partners and stakeholders should endorse and sign up to the nationally agreed protocols and targets to reduce the effects of climate change. Climate Change is important in different dimensions, firstly it offers the opportunity for new enterprise and R&D in developing new technologies and secondly it is important to ensure that new and existing businesses are more sustainable in their operations e.g procurement, travel, fuel use etc.

Climate change needs to be embedded within all aspects of the revised Strategy, rather than it being "an added extra".