

Mid Term Review of the Carmarthenshire Economic Development Strategy 2000-2010

Strategic Audit Progress and Challenges for Carmarthenshire

DRAFT

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Economic Development Division, Carmarthenshire County Council

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Introduction

The ten year Economic Development Strategy for Carmarthenshire has reached its mid term stage. The Carmarthenshire Regeneration Partnership decided to undertake a review of the aims, objectives and policies of the Strategy. Undertaking research and consultation with stakeholders, an audit of progress and the challenges facing Carmarthenshire has been carried out.

The following analysis shows that Carmarthenshire has made considerable progress since 2000, when compared with the previous five years. Gva per capita, productivity, new business formation and qualification levels amongst the workforce have increased. Consequently unemployment has fallen to historically low levels.

Nevertheless, despite such growth, challenges remain. The UK economy has grown at a faster rate still and so the prosperity gap with the UK has widened. The challenges of low productivity, economic inactivity and youth migration remain. Such challenges are long running and structural.

Consolidating progress to date and achieving further progress will depend on addressing deep-rooted causes requiring prolonged and sustained effort to overcome. There are no easy or quick fix answers.

PROSPERITY

- Gva per capita in Carmarthenshire fell back relative to the UK between 1995 and 2000 largely due to statistical reasons.
- Gva growth between 2000 and 2005 has been stronger and is forecast to grow to 2015.
- Nevertheless the underlying trend is for the gap with the UK to widen slowly from 63% of UK levels in 2000 to 59% in 2015.

Prosperity: Progress and Prospects 1995-2015

| Economic Performance: Carmarthenshire, Wales and the UK, 1995-2000 | | | | | | | |
|---|-----------------|----------|----------|----------|----------|-------------------------------|------|
| | Carmarthenshire | | | Wales | UK | Relative Performance Carms/UK | |
| | 1995 | 2000 | % change | % change | % change | 1997 | 2000 |
| Gva £m | 1488.716 | 1527.85 | 17.15 | 10.92 | 17.15 | | |
| Gva per capita £ | 8730.806 | 8843.158 | 15.72 | 10.35 | 15.72 | 64% | 63% |
| Jobs '000 | 65.76 | 62.78 | 6.70 | 3.86 | 6.70 | | |
| Productivity £ | 22638.63 | 24335.02 | 9.8 | 6.80 | 9.8 | 88% | 87% |
| Population '000 | 170.513 | 172.772 | 1.23 | 0.52 | 1.23 | | |

Source: Cambridge Econometrics (LEFM)

- **1995-2000.** Very slow growth in County GDP per capita (+1.3%) when compared with the UK (+15.7%) in the five years prior to the introduction of the Strategy due in large part to a statistical revaluation upwards of UK GDP. The result is that County GDP per capita in 1997 is now estimated to have been 64% of the UK level and 63% in 2000.

| Economic Performance: Carmarthenshire, Wales and the UK, 2000-2005 | | | | | | | |
|---|-----------------|----------|----------|----------|----------|-------------------------------|------|
| | Carmarthenshire | | | Wales | UK | Relative Performance Carms/UK | |
| | 2000 | 2005 | % change | % change | % change | 2000 | 2005 |
| Gva £m | 1527.85 | 1685.751 | 10.34 | 10.83 | 12.06 | | |
| Gva per capita £ | 8843.158 | 9411.821 | 6.43 | 9.31 | 9.71 | 63% | 62% |
| Jobs '000 | 62.78 | 66.02 | 5.16 | 3.85 | 4.13 | | |
| Productivity £ | 24335.02 | 25534.33 | 4.93 | 6.72 | 7.61 | 87% | 85% |
| Population '000 | 172.772 | 179.110 | 3.67 | 1.39 | 2.14 | | |

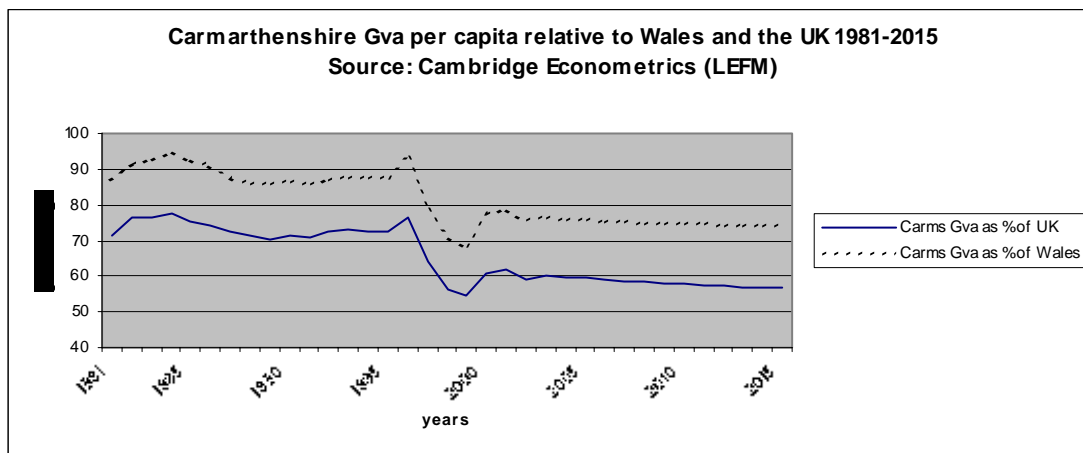
Source: Cambridge Econometrics (LEFM)

- **2000-2005.** Greatly improved GDP per capita growth (6.4%) in Carmarthenshire, but still less than the UK (+9.7%) resulting in a fall in the Carmarthenshire/UK comparison to 62%.

| Economic Performance: Carmarthenshire, Wales and the UK, 2005-2015 | | | | | | | |
|--|-----------------|----------|----------|----------|----------|-------------------------------|------|
| | Carmarthenshire | | | Wales | UK | Relative Performance Carms/UK | |
| | 2005 | 2015 | % change | % change | % change | 2005 | 2015 |
| Gva £m | 1685.751 | 2097.863 | 24.45 | 22.97 | 27.63 | | |
| Gva per capita £ | 9411.821 | 11045.75 | 17.36 | 20.18 | 23.07 | 62% | 59% |
| Jobs '000 | 66.02 | 68.831 | 4.28 | 3.31 | 5.29 | | |
| Productivity £ | 25534.33 | 30478.47 | 19.37 | 19.03 | 21.21 | 85% | 84% |
| Population '000 | 179.110 | 189.925 | 6.04 | 2.32 | 3.70 | | |

Source: Cambridge Econometrics (LEFM)

- 2005-2015.** Based on past trends continued growth in Carmarthenshire GDP per capita (+17.4%), but again less than the UK (+23.1%), resulting in a continued fall in comparison with the UK to 59% in 2015. The achievement of Masterplan job targets would stabilise the County's relative position at 62% in 2015.



The principal causes of lower prosperity in Carmarthenshire are

- Commuting:** 13.5% of residents commute out of the County contributing to Gva elsewhere.
- Youth Migration:** a lower than average proportion of the population are of working age particularly in the 20-39 years age group. This reflects the needs of young people for not only quality jobs, but also social/leisure facilities, quality housing, good environment and a youth friendly culture.
- Lower Productivity:** some sectors perform less well than in the UK and there is a lack of high value added sectors.
- Inactivity:** the proportion of those of working age who are in employment is lower than the national average due to high economic inactivity associated with deprivation, exclusion and long term disability rather than unemployment.

These factors are the same as those on which the current strategy is based. They are structural and require long term solutions.

POPULATION

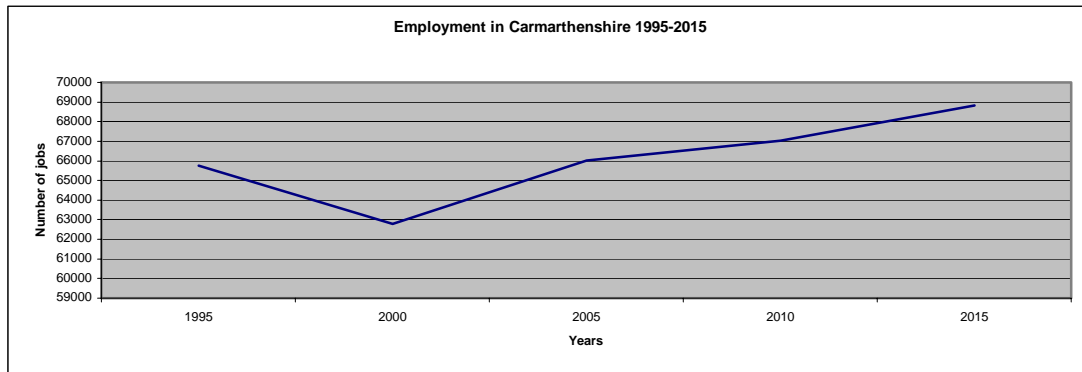
- The population of Carmarthenshire is growing. Between 2000 and 2004 it grew by 4900, a rise of 2.8%. By 2016 it is forecast to grow by a further 13,300 (+7.5%). The UK population is forecast to grow by 4.7% over this period.
- However, the population structure of Carmarthenshire varies in significant ways from the UK. A comparison shows
 - Similar proportions of 0-19 year olds
 - A significantly lower proportion of 20-39 year olds in Carmarthenshire (5.3% less).
 - A higher proportion of 40-59 year olds (1.2% more)
 - A significantly higher proportion of those aged 60 years and above (4.7% more).
- The conclusions are that
 - The County is no different from the UK in terms of young people up to teenage years, but it then loses a significant number of those young people that are able to choose where to live and work, ie the talented and qualified.
 - The County is attractive to older people outside Carmarthenshire making choices related to lifestyle and retirement.
- By 2016 based on past trends
 - The number of 0-19 year olds will only be slightly less than now, but will form a lower proportion of a much increased total.
 - The number of 20-39 year olds will remain broadly the same, but again form a lower proportion of the total. The gap with the UK will remain.
 - The number of 40-59 year olds will increase in numbers and as a proportion of the total.
 - Those 60 and over will increase significantly in numbers and as a proportion of the total. The gap with the UK will increase from 4.7% more than the UK to 5.9% more.
- The implications are
 - A continued loss of young people.
 - A significant rise in older people, particularly those aged 60 and over.
 - A greater difficulty in raising Gva per capita, given that young people are more economically active than those of retirement age.

| Population Carmarthenshire and Great Britain: 2004-2016 | | | | | | |
|---|-----------------|------------|------------|-----------------|------------|------------|
| | 2004 | | | 2016 | | |
| | Carmarthenshire | | GB | Carmarthenshire | | GB |
| Age Groups | Number | % of total | % of total | Number | % of total | % of total |
| 0-19 years | 42,700 | 24.0 | 24.7 | 42,000 | 22.0 | 22.3 |
| 20-39 years | 39,300 | 22.1 | 27.4 | 39,200 | 20.5 | 26.0 |
| 40-59 years | 49,800 | 28.0 | 26.8 | 51,800 | 27.1 | 27.4 |
| 60-79 years | 36,300 | 20.4 | 16.7 | 46,500 | 24.3 | 19.3 |
| 80 years plus | 9,600 | 5.4 | 4.4 | 11,500 | 6.0 | 5.1 |
| Total | 177,700 | | | 191,000 | | |

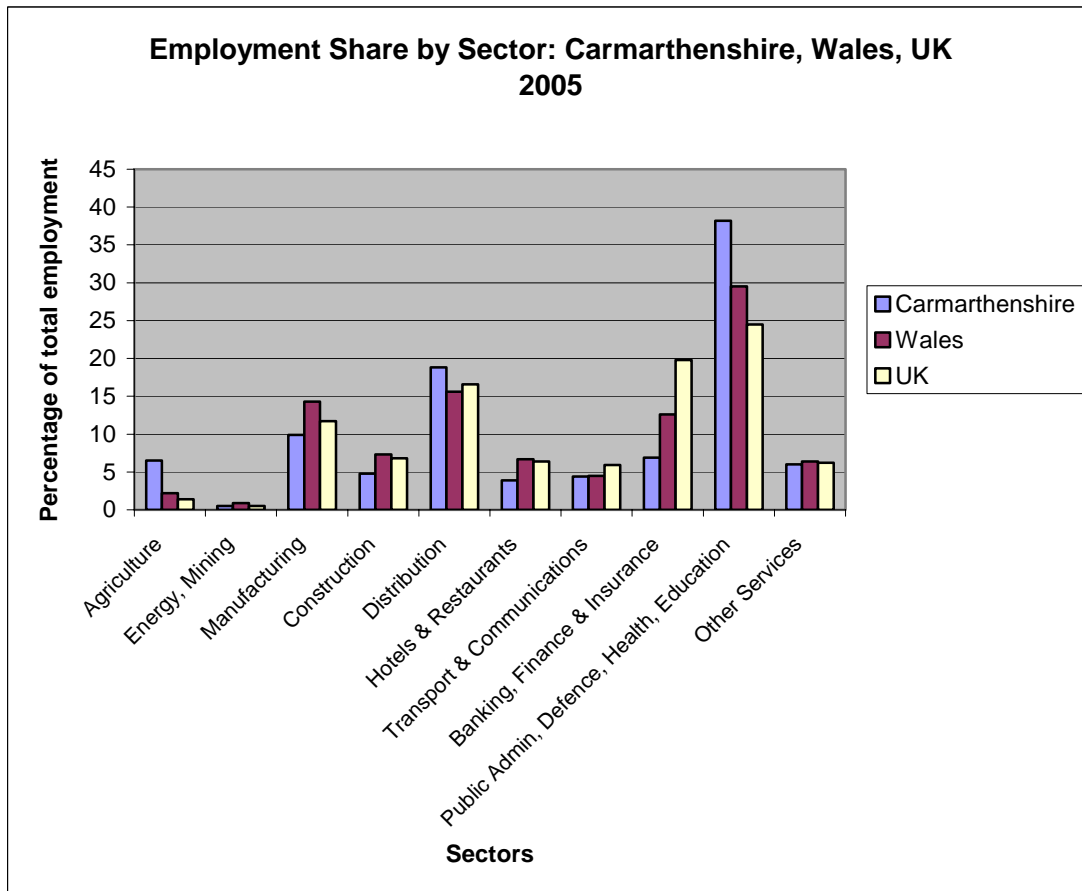
Source: Mid Year Estimates, WAG population projections, Government Actuary projections

EMPLOYMENT

Employment in Carmarthenshire fell between 1995 and 2000. However, job numbers have grown strongly (+5.2%) to 2005 and are projected to grow further (+4.3%) to 2015.



Despite the growth in total employment in Carmarthenshire, the local economy shows higher proportions employed in agriculture, the public sector and low value added services than in the UK as a whole and lower proportions in banking, finance and insurance.



Although the number of people as a proportion of all those of working age has risen, it still falls below the Great Britain rate. This is due more to higher economic inactivity rates than to higher unemployment.

| Carmarthenshire: working age , employment rate, inactivity rate | | | | | | | | | |
|--|-----------------|-------|-------|--------|-------|-------|--------|------|------|
| | Carmarthenshire | | | Wales | | | GB | | |
| | 1995/6 | 2000 | 2004 | 1995/6 | 2000 | 2004 | 1995/6 | 2000 | 2004 |
| % working age | 59.3 | 59.5 | 59.7 | 60.5 | 61.0 | 61.4 | 62.3 | 62.7 | 63.2 |
| % of GB level | 95.2 | 94.9 | 94.5 | 97.1 | 97.3 | 97.2 | 100 | 100 | 100 |
| Employment rate | 65.7 | 65.0 | 68.3 | 68.3 | 69.2 | 71.3 | 72.1 | 74.1 | 74.5 |
| % of GB level | 91.1 | 87.7 | 91.7 | 94.7 | 93.4 | 95.7 | 100 | 100 | 100 |
| Inactivity rate | 25.9 | 30.3 | 28.4 | 25.5 | 26.1 | 25.2 | 21.7 | 21.7 | 21.7 |
| % of GB level | 119.4 | 139.7 | 130.9 | 117.5 | 120.3 | 116.1 | 100 | 100 | 100 |

Sources: Annual Population Survey, Annual Labour Force Survey, Mid Year Population Estimates

ENTREPRENEURSHIP

- The number of VAT registered businesses (excluding agriculture) in Carmarthenshire grew by 2.9% between 2000 and 2003, about twice the growth rate in the five years prior to the strategy.
- Carmarthenshire has more businesses in relation to the working age population (53%) than the UK (44%)

Carmarthenshire business formation rates have grown from 71% of UK levels in 1995 to 88% in 2003. Equalising local business formation rates with UK rates is a strategic target

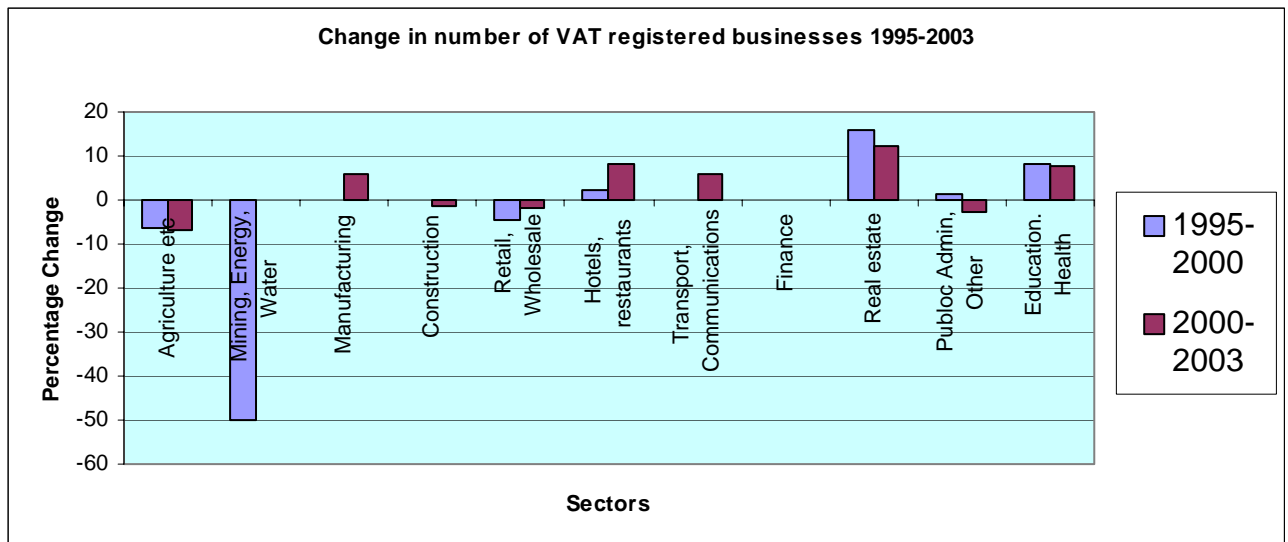
| % Change in Number of VAT Registered Businesses (excluding agriculture) 1995-2003 | | |
|--|-----------|-----------|
| | 1995-2000 | 2000-2003 |
| Carmarthenshire | +1.54% | +2.90% |
| Wales | +2.84% | +2.35% |
| UK | +10.2% | +3.05% |

Source: NOMIS

| New VAT Registrations as a Percentage of Existing Stock (excluding agriculture) 1995-2000 | | | |
|--|-------|-------|-------|
| | 1995 | 2000 | 2003 |
| Carmarthenshire | 7.78 | 9.78 | 9.90 |
| Wales | 9.19 | 9.81 | 10.45 |
| UK | 10.98 | 11.06 | 11.28 |
| % Carms/UK | 70.9 | 88.4 | 87.8 |

Source: NOMIS

Growth rates between 1997 and 2003 have been higher in tourism, transport, education/health and property, ICT and business services related sectors.



SECTOR GROWTH PROSPECTS 2005-2015

- Total employment is projected to grow by 2810.
- Gva is projected to grow by 25% for the economy as a whole.
- Some sectors are projected to grow more strongly but others will grow more slowly or decline.

Sectors in Carmarthenshire can be categorised by their importance to the local economy in terms of current employment and by their future Gva/employment growth prospects.

- Sectors with **high growth prospects and a relatively high share of employment** are: auto components, retailing and wholesaling, tourism, professional services, knowledge, education, health/social and construction.

Carmarthenshire needs to build on these strengths, improve existing firms and increase firm numbers

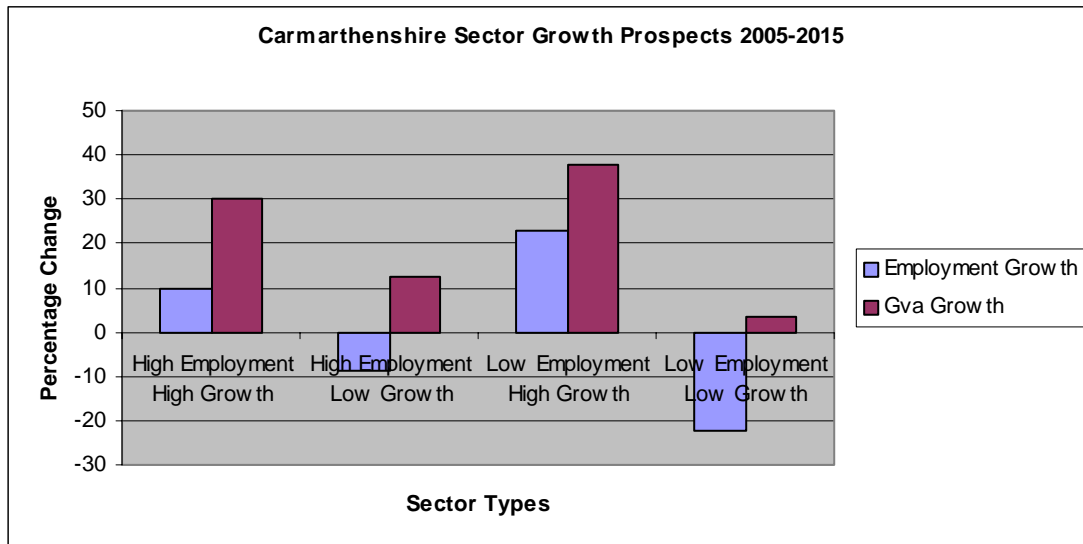
- Sectors with **a relatively high share of employment but low growth prospects** are agriculture, metal goods, public passenger/freight road transport, public administration

Carmarthenshire needs to stabilise employment in these sectors, upgrade quality and assist diversification

- Sectors with **a relatively low share of employment but promising growth prospects** are; food/drink, computing services, creative, environmental goods, non food primary processing, biotechnology, other transport services, electronics, electrical engineering.

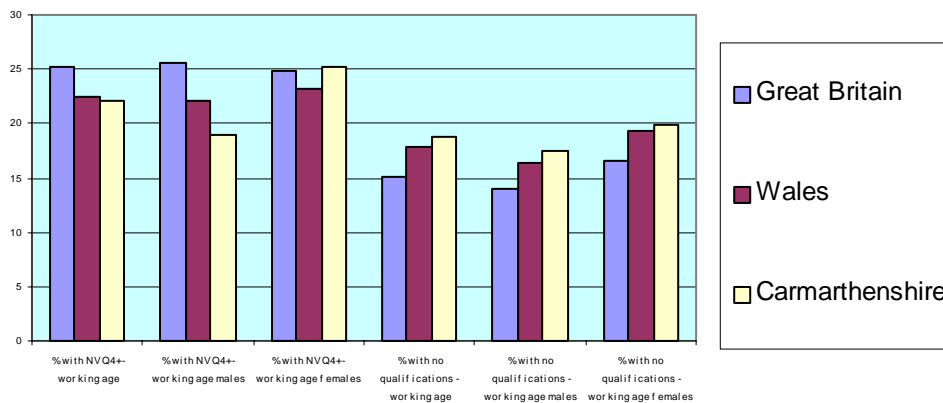
Carmarthenshire needs to promote new start-ups, the growth of existing firms and inward investment

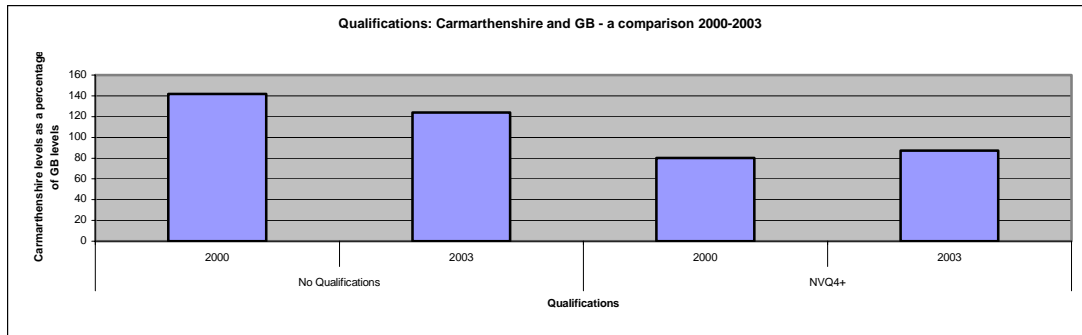
- Sectors with **a relatively low share of employment and low growth prospects** cover all other sectors and include mining, other manufacturing, banking, finance and insurance



SKILLS AND LEARNING

- Carmarthenshire has higher levels of those without qualifications (18.7%) than nationally (15.1%).
- The County has fewer people (22%) with higher level qualifications, NVQ level 4 or above, than nationally (25.2%). The gap has closed since 2000 but still remains significant.
- The proportion of females with higher level qualifications is greater in Carmarthenshire than in Wales or Britain It is the male figure that lags behind.





- **Future Skills Wales and feedback from employers indicates a need for generic skills:** understanding customer needs, communication, ability to learn/follow instructions, initiative, problem solving, team working, interpersonal skills, flexibility, IT skills.
- **There is a need for improved perceptions of vocational routes and bilingualism, and to reflect expected increased requirements for IT, management, leadership and self development skills.**
- **Unqualified workers are concentrated in declining industries and so the opportunities for lower skilled work are also declining.**

COMMUNITIES

1. Groups

- **A core aim of the Mid Term Review is to integrate the aims, objectives and actions of the Economic Development, Community and Social Inclusion Strategies.**
- **These documents identify specific groups that should be prioritised centred around jobs and economic activity, health and well-being, environment including safer communities and lifelong learning.**
The groups identified are: children and young people including those in care, women, carers, older people, black and ethnic minorities, the unemployed, the economically inactive including the long term sick and disabled, people with learning disabilities, people in fear of crime and anti-social behaviour, the homeless and substance misusers.

2. Communities

- **Five wards in Carmarthenshire are amongst the most deprived 10% of wards in Wales as identified by the 2001 Welsh Index of Deprivation and as such have been designated as Communities First wards:** Glanymor, Llwynhendy, Felinfoel, Tyisha, Pantyffynnon.
- **A further 12 wards fall within the 25% most deprived wards in Wales in Llanelli (Elli, Bynea, Bigyn, Dafen, Burry Port, Pembrey), Aman (Glanamman, Garnant, Quarter Bach Llynfell Brynamman, Ammanford), and Gwendraeth (Kidwelly, Trimsaran)**
- **The 2005 Index of Deprivation identifies areas of Deprivation based on Super output areas. The above areas are included within the most**

deprived 10 and 25% of areas in Wales as well as parts of Carmarthen Town North, Hengoed and Llanydeyrn.

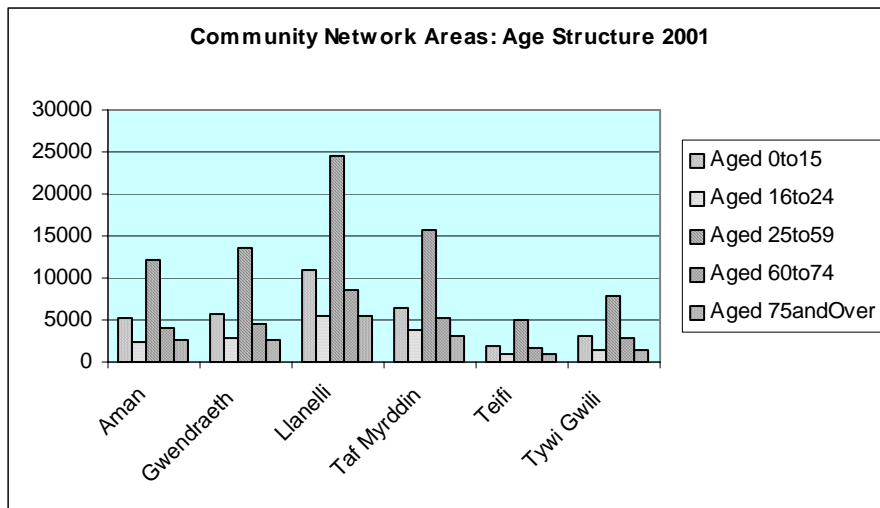
3. Economic Inactivity

- Economic inactivity is a major concern for the regeneration of Carmarthenshire. It is closely linked to issues of health, disability, gender and age.
- The Annual Labour Force Survey indicated an activity rate of 30.6% in 2003 (GB = 21.8%)
- The Quarterly Labour Force Survey suggests that it has fallen to 23% in 2004 (GB = 21.5%).
- Incapacity and other benefit claimants in Carmarthenshire have fallen by 6.7% since 2000. Nevertheless the rate of inactivity remains higher than nationally and the results of the larger Annual Labour Force Survey for 2004 are awaited.
- Areas of concentration of inactivity reflect those areas identified from the Index of Multiple Deprivation, namely wards in the Llanelli, Aman and Gwendraeth areas. Inactivity in rural areas is less concentrated

COMMUNITY NETWORK AREA ISSUES

Age Structure

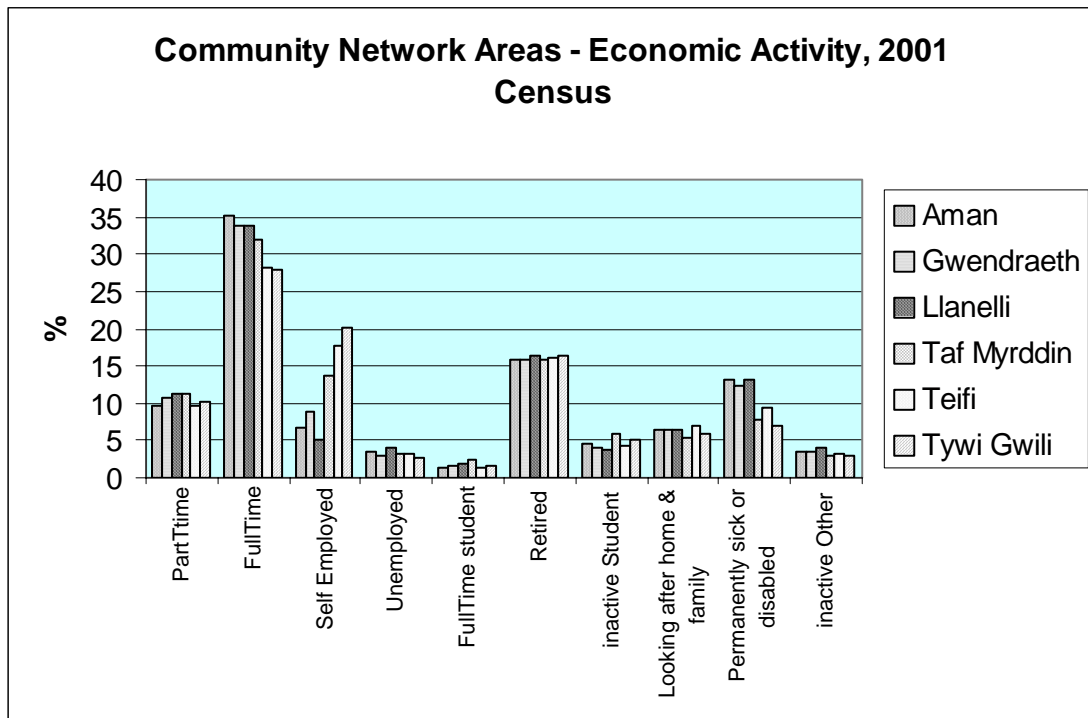
All six network areas of Carmarthenshire have greater proportions of older people making up between 24 and 26% of their population and low proportions of young people, with the highest being 10.8% in Taf Myrddin and lowest in Teifi at 8.3%. Migration statistics indicate net inward migration in all areas but greater proportional increases in Taf Myrddin and Teifi



Economic Inactivity

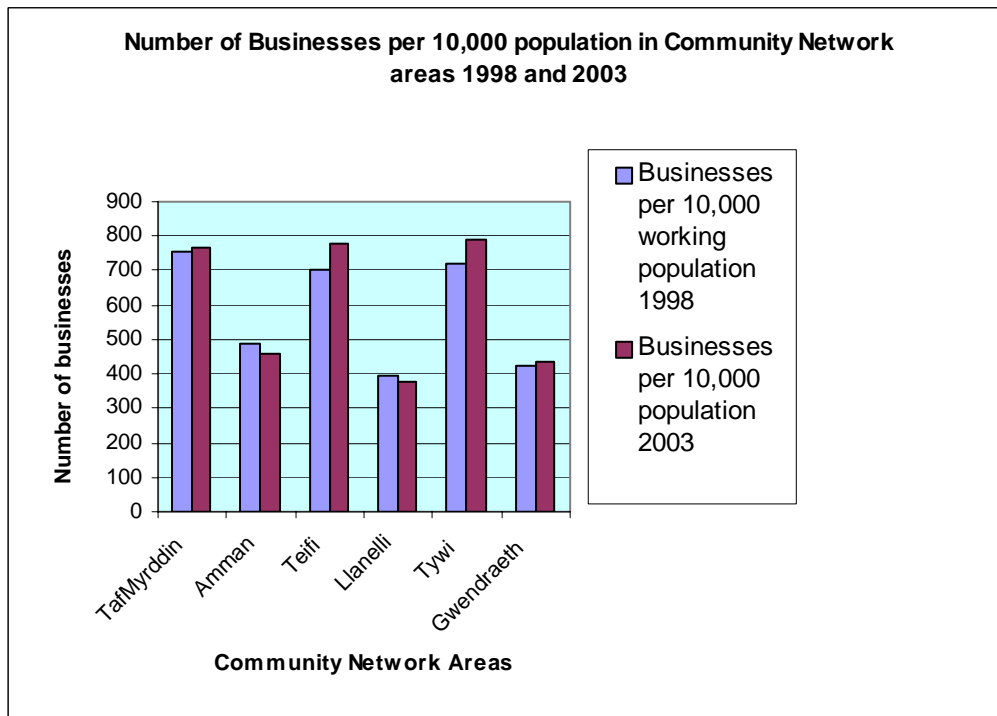
Greatest area differences appear in relation to the proportion of inactivity that is caused by permanent sickness and disability with

higher levels in the Amman, Gwendraeth and Llanelli areas, reflecting the legacy of mining and heavy industry.



Entrepreneurship

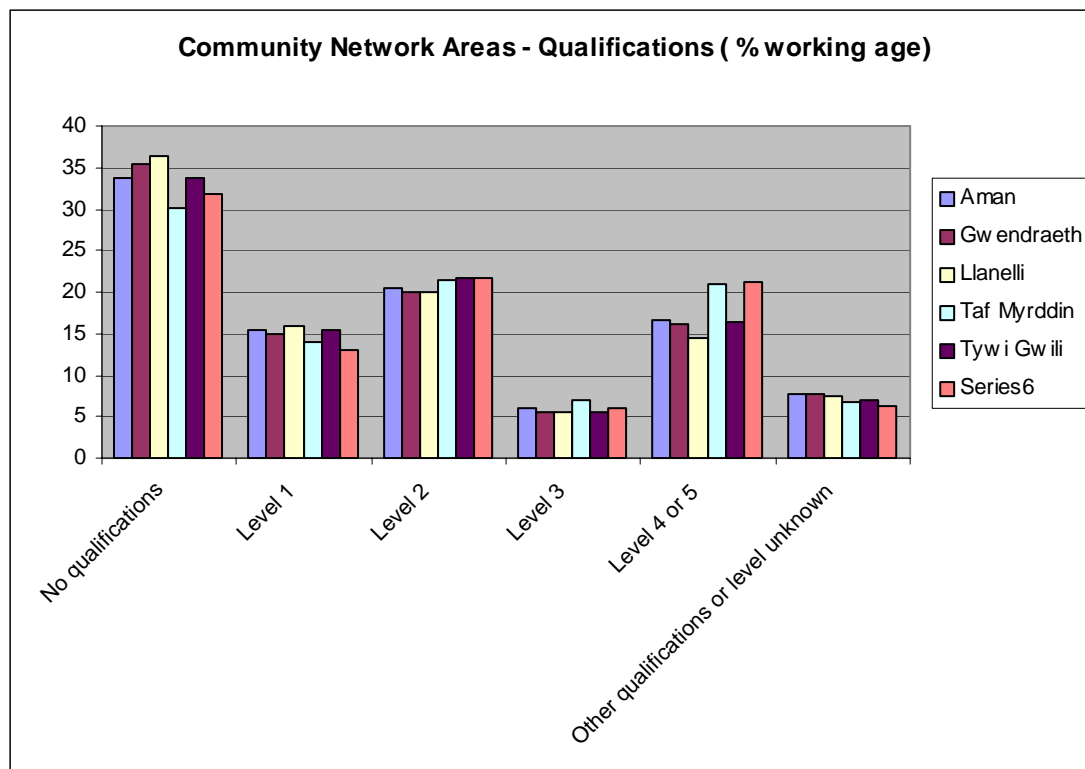
The greatest change in the number of workplaces has occurred in Tywi, Teifi and Taf areas



Decreases have occurred within primary and manufacturing employment and increases within the private and public service sector. Greatest changes occurred in the Taf Myrddin, Gwendraeth and Llanelli areas.

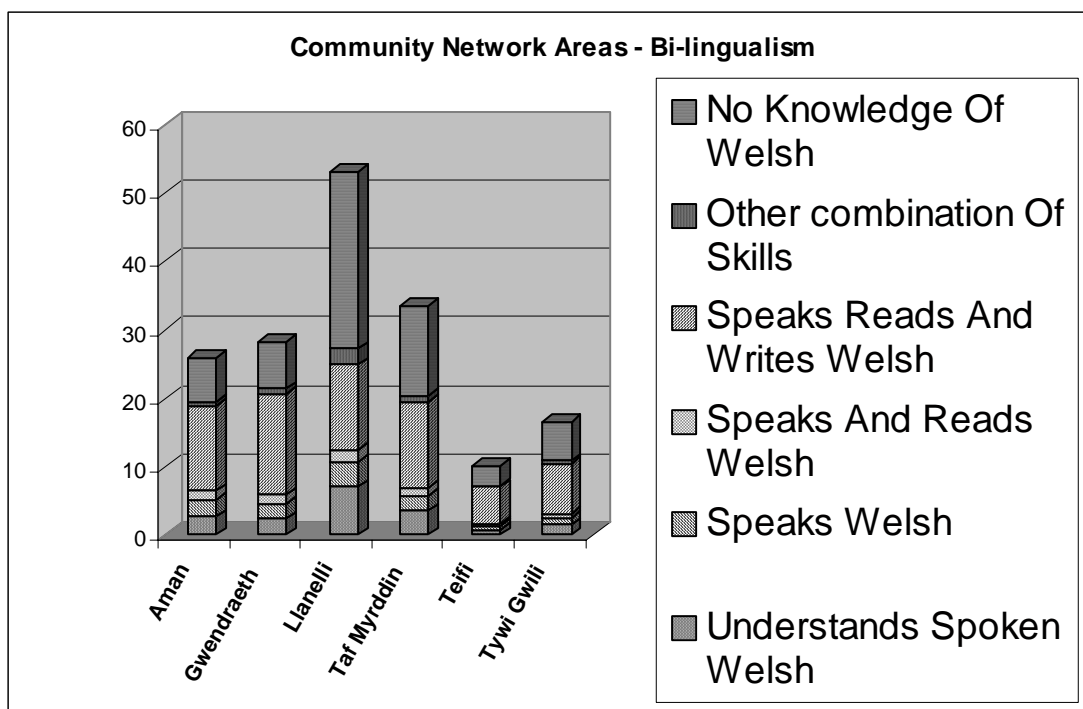
Skills and Qualifications

There is still between 30 and 36% of the working age population without formal qualifications, with greater proportions and numbers within the Amman, Gwendraeth and Llanelli areas. There is a need to formalise the existing latent skills within the areas to improve the working age profile.



Bi-lingualism

Levels of bi-lingualism, i.e. speaks reads and writes Welsh, varies over the Community Network areas with over 50% of the population in Teifi and Gwendraeth fully bi-lingual, 45% within Amman and Tywi while the percentage drops to 37% and 23% for Taf Myrddin and Llanelli respectively. Figures are higher across all areas for people indicating they speak Welsh and reflect its usage on a day to day basis both socially and in business.



CROSS CUTTING ISSUES

1. Sites, Premises and Infrastructure

- High occupancy levels of business premises in Carmarthenshire means that availability is low, both in terms of numbers and range, and supply is unable to satisfy current enquiries.
- An inadequate supply of larger units for start-ups to move onto, once established and wanting to expand, has reduced the availability of units for new start-ups.
- Individual businesses are in need of support to expand their own premises and grow.
- Many existing premises are in need of upgrading.
- Provision should take account of the needs of particular sectors
- Leisure infrastructure is a critical factor in retaining and attracting talented and qualified young people.
- The Sites Premises and Infrastructure Masterplan is a joint partnership programme to invest £425 million in new sites and premises to address current shortages and create 4250 jobs.

| Business Land and Premises: Availability and Proposals June 2005 | | | | | | | | |
|--|--------|----------------------|----------|----------------------|--------------------|----------|---------------------|----------|
| Current Availability | | | | Masterplan Proposals | | | Other Opportunities | |
| Premises | | | Land | Premises | | Land | Premises | Land |
| Sq M | Number | % of total available | Hectares | Sq M | Number (estimated) | Hectares | Sq M | Hectares |
| 40505 | 25 | 13.8% | 13.7 | 45910 | 87 | 130.2 | 2229 | 232.7 |

2. Europe

- **Objective 1 has assisted the creation of 2411 jobs, 795 SME start-ups, 1877 people achieve recognised qualifications and 720 community led initiatives.**
- With the agreement of the European budget at the end of the UK Presidency in December 2005, it is now looking extremely positive that West Wales & the Valleys will receive full convergence status post Objective 1.
- The new programmes will be more focused on interventions which support sustainable growth and jobs, in line with the Lisbon and Gothenburg strategies. The proposed West Wales and the Valleys priorities, closely aligned with Wales: A Vibrant Economy, the Skills and Employment Action Plan 2005, other key Welsh Assembly Government policies and strategies, are set out in the Wales chapter of the UK National Strategic Reference Framework as follows :-
 - **Improving knowledge and innovation for growth** - including R&D, entrepreneurship, business finance and sectoral development. (ERDF)
 - **Creating a favourable business environment** - including transport, ICT, clean & renewable energy, environmental goods and services, environmental protection and improvement, waste, maritime & inland waterways (ERDF)
 - **Building sustainable communities - including business sites, urban and rural regeneration and community development** (ERDF)
 - **Increasing employment and tackling inactivity** – including tackling barriers to employment, childcare, promoting healthier lifestyles and promoting equal opportunities (ESF)
 - **Improving skill levels** – including the transition from school to work, improving basic skills and addressing skills gaps. (ESF)
 - **Improving administrative capacity of public administrations and services** – including service design, capacity building, increasing expertise, expanding electronic access, improving dialogue and co-operation
- **CAP reform cutting the link between production and payments will affect agriculture in Carmarthenshire potentially reducing bureaucracy, impacting on support services and employment, putting more emphasis on efficiency, added value and diversification and resulting in less intensive land management.**

3. ICT

- **39 of 42 telephone exchanges in Carmarthenshire are enabled to facilitate first generation broadband.**

- **Second generation broadband has been provided to schools, libraries and learning centres, but EU State Aids regulations restrict the ability to share this capacity with business.**
- **It is anticipated that the first business parks in Carmarthenshire will be connected to high bandwidth from 2007 following EU negotiations and procurement procedures.**