REVIEW OF THE RHONDDA CYNON TAF ECONOMIC REGENERATION STRATEGY

in association with

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Introduction

This report seeks to provide an up-to-date review and detailed information relating to the progress of the Rhondda Cynon Taf Economic Regeneration Strategy. The economy of Rhondda Cynon Taf has been traditionally associated with mining and manufacturing, playing a leading role in the industrial revolution which changed the course of development for the global economy. The decline in traditional industry throughout the developed world has significantly changed the outlook for the economy of Rhondda Cynon Taf. This report outlines where Rhondda Cynon Taf stands in today's economic climate, and the future prospects for its economy.

With a population of just under 232,000 people, Rhondda Cynon Taf is second only to Cardiff of all Wales' local authority districts in terms of population size. The area is relatively densely populated and is the seventh most densely populated local authority area in Wales. The main conurbations within Rhondda Cynon Taf follow the lines of the valleys that constitute the locality, namely the Taff Vale, the Cynon Valley and the Rhondda Valleys.

Demography

Since 2001, Rhondda Cynon Taf has developed a more aged population profile.. The proportion of the population aged less than 30 has fallen from 38.2% in 2001 to 37.6% in 2004. Over the same period the proportion of the population aged 60 or over has risen from 21.2% to 21.8%. These trends roughly mirror those of Wales and the United Kingdom, and the global trend in the developed world towards lower fertility rates and increasing life expectancy. The northern areas of Rhondda Cynon Taf are relatively more aged than their southern neighbours.

There has been a dramatic change in the migratory patterns in Rhondda Cynon Taf. Whilst there remains a net outflow of young people aged 16-24, all other age groups show a significant inflow of people in recent years. There has been a net inflow of some 2,300 people during the period 2000-2004 alone. This in-migration suggests that Rhondda Cynon Taf is becoming a more attractive area to live. An example of the improvements being made to create an attractive living environment are the Rhondda Cynon Taf Town Centre Regeneration initiatives, which are at different levels of progression in Aberdare, Ferndale, Llantrisant, Mountain Ash, Pontypridd, Porth, Tonypandy and Treorchy.

Housing

Growth in housing stock in Rhondda Cynon Taf has exceeded the Welsh average between the years 2001 and 2004. In 2004, the total dwelling stock stood at just under 105,000. As across Wales and the UK, house prices in Rhondda Cynon Taf have risen rapidly in recent years from an average of £46,797 in 2000 to £96,442 by 2005. Of particular important to the area is the price of terraced houses, which increased from an average of £30,033 in 2000 to £71,218 by 2005. Therefore, while overall house prices increased by 106% in Rhondda Cynon Taf between 2000 and 2005, the cost of terraced housing increased by 137%.

Health

Between 2001 and 2005, the proportion of those of working age population claiming incapacity benefit in Rhondda Cynon Taf fell from 17.7% to 16.4%. Whilst this remains a relatively high figure, it represents a significant step in closing the differential of poor health that exists between the locality of Rhondda Cynon Taf and the Wales and Great Britain averages.

Index of Multiple Deprivation

The best long-term indicator of overall living conditions is the Index of Multiple Deprivation, which offers an overall measure of the general quality of life within an area and as such is a key measure of the quality of life within an area. The data paints a familiar picture of deprivation in Rhondda Cynon Taf, with the most acute deprivation being centred upon the northern parts of Rhondda Cynon Taf, and the Rhondda Valleys in particular. The northern valleys areas perform particularly poorly when analysing the income, employment and health.

Unemployment and Employment

The overall unemployment rate in Rhondda Cynon Taf is slightly higher than the comparable Wales and Great Britain figures. Throughout Rhondda Cynon Taf, Wales and the United Kingdom there has been a consistent downward trend in the proportion of long-term claimants that comprise the overall claimant count rate. Between 1995 and 2005 the proportion of claimants who have been claiming for 12 months or longer in Rhondda Cynon Taf fell from 33.4% to just 8.1%. Analysis of unemployment by age band reveals little variation between Rhondda Cynon Taf and its national and local comparators. Unemployment, as in most areas of the United Kingdom is greatest for the youngest age groups.

The employment rate (as measured by the proportion of the working age population in employment) in Rhondda Cynon Taf continues to lag that of Great Britain and Wales. However, between 2000 and 2004 the employment rate has grown by almost 9%, outstripping that of Wales and Great Britain, with the total number of employees in Rhondda Cynon Taf rising from 72,545 in 2000 to 78,370.

Earnings

Workplace-based earnings within Rhondda Cynon Taf remain low. At £357.50, the median gross weekly pay packet in Rhondda Cynon Taf is substantially lower than that for both Great Britain and Wales. Earnings for Rhondda Cynon Taf residents also remain low, and are again considerably less than throughout the United Kingdom as a whole and significantly lower than the comparable all-Wales figure.

Economic Activity

Economic activity rates represent a robust measure of the available workforce within a local area. High economic activity rates are associated with areas of high economic output and competitiveness. Low economic activity rates are one factor that has caused the relatively low levels of economic output within Rhondda Cynon Taf. However, economic activity rates in Rhondda Cynon Taf have been rising steadily in recent years. The increase in economic activity has outgrown that of Wales, and considerably outpaced that of the United Kingdom, which has experienced very little change in economic activity in the past five years. The total number of economically inactive individuals has fallen from 47,000 in 2001 to 36,900 in 2005 - represents a fall of 21% over this period. Between 1999/2000 and 2004/2005, the economic activity in Rhondda Cynon Taf rose from 68.6% to 73.2%.

Education and Skills

The population of Rhondda Cynon Taf is relatively less skilled than the Wales and Great Britain population as a whole, as measured by qualification levels. However, this gap is narrowing with there being significant growth in the proportion of working age population possessing NVQ level 4 or higher qualifications. In 2004, approximately one in five residents of Rhondda Cynon Taf possessed qualifications of NVQ level 4 or higher, a rise from a level of 16.8% three years earlier.

There has also been some growth in the proportion of population with NVQ level 3 qualifications or higher and the number of workers undertaking job-related training, with Rhondda Cynon Taf now boasting a greater level of work-related training than the Great Britain average. For the period 2004/2005, 14.2% of the working age population of Rhondda Cynon Taf undertook some form of job-related training within the four weeks previous to being questioned. This figure was higher than the UK figure of 13.7%, and just below the Welsh average of 14.2%. However, A-level results for pupils within Rhondda Cynon Taf have remained static.

Gross Value Added per Capita

The period 2000 to 2003 saw steady economic growth within Rhondda Cynon Taf with Gross Value Added per capita growing from £9312 to £10,505, averaging some 4.1% a year. This compared with average annual growth of 5.2% in Wales and 5% in Great Britain, resulting in GVA per capita in Rhondda Cynon Taf falling from 66.4% of the Great Britain average to 64.6%.

Entrepreneurship

The business birth rate in Rhondda Cynon Taf has risen since 2001. The business birth-rate in Rhondda Cynon Taf now exceeds both Wales and United Kingdom figures. Also, between 2000 and 2004 the number of new VAT registered businesses increased by 1.3%, which was greater than the 0.5% and 0.9% growth occurring in Wales and Great Britain respectively.

Despite a relatively high birth rate for businesses within Rhondda Cynon Taf, overall business density, as measured by the number of VAT registered businesses per thousand inhabitants, remains lower than throughout both Wales and the UK. In 2004, there were 16.4 businesses per thousand inhabitants in Rhondda Cynon Taf, compared with 27.1 in Wales and 30.4 in the United Kingdom as a whole. The differential between business density in Rhondda Cynon Taf and national averages is narrowing.

The Knowledge Economy

The proportion of businesses operating in knowledge-based sectors in Rhondda Cynon Taf increased from 10.6% in 2000 to 12.5% in 2004, below the all-Wales average of 14.1% and considerably below the GB average of 20.6%. Much of the growth in knowledge-based businesses in Rhondda Cynon Taf has occurred in the high-technology services sector. Between 2000 and 2004, there was a drop in the proportion of high-technology manufacturing businesses in Rhondda Cynon Taf, but during the same period the proportion of knowledge-based services businesses rose from 9.5% to 11.6%. The knowledge-based services sector now accounts for around 4,250 jobs within Rhondda Cynon Taf, equivalent to 5.5% of total employment.

Employment in high-technology manufacturing is expected to continue to fall throughout Wales and the United Kingdom. If employment in Rhondda Cynon Taf were to mirror these trends we would expect to see a fall in employment of around 500 jobs by 2009, rising to a fall of over 1,200 by 2015.

The proportion of 'knowledge workers' – those that undertake the decision making within the workplace – is significantly lower in Rhondda Cynon Taf than found throughout England and Wales as a whole. Less than 10% of workers within Rhondda Cynon Taf are managers and senior officials, this compares with 14.5% of workers throughout England and Wales.

Economic Structure

The sector profile of Rhondda Cynon Taf remains one with a greater emphasis on manufacturing and public administration than throughout Great Britain and Wales. Manufacturing current employs just under one in every four employees in Rhondda Cynon Taf, which compares to just 11.9% of the Great Britain workforce, and 15.3% of the Welsh workforce. However, there has been a considerable decline in the proportion of manufacturing employment in Rhondda Cynon Taf – falling from 27.8% in 2000 to 23.3% in 2004. It is worth noting, though, that the decline has been against the backdrop of increasing overall employment, with the number of jobs lost being just under 2,000. Whilst this remains a significant figure, it represents a slower decline than found throughout Wales and Great Britain.

The largest sector in Rhondda Cynon Taf (and also in Great Britain and Wales) is the public administration, education and health sector. Employment in this sector accounts for over a third of all employment within Rhondda Cynon Taf, and between 2000 and 2004 contributed some 4,300 jobs to the Rhondda Cynon Taf economy. Average annual growth rates of 4.2% outstripped growth rates of 3.8% and 3.2% recorded for the sector throughout Wales and Great Britain respectively.

Employment in business and financial services is still relatively low in Rhondda Cynon Taf. Just 7.3% of all employees are employed within this sector – the same proportion a in 2000. Throughout the whole of Wales, 11.7% of all employees are employed within this sector, whilst one in five of all employees in Great Britain are to be found within this sector.

1 Introduction

In July 2000, Newidiem were commissioned to undertake an economic analysis of Rhondda Cynon Taf on behalf of the Rhondda Cynon Taf Economic Regeneration Partnership. The purpose of that study was to gain an informed understanding of the underlying factors constraining the economy of Rhondda Cynon Taf in order to construct strategic priorities for economic regeneration and project development. Subsequently, in 2003, Robert Huggins Associates (RHA) were commissioned to produce an initial review of Rhondda Cynon Taf Economic Regeneration Strategy. In 2006 Rhondda Cynon Taf County Borough Council commissioned Robert Huggins Associates, in partnership with Arad Consulting, to produce an updated review of the Rhondda Cynon Taf Economic Regeneration Strategy.

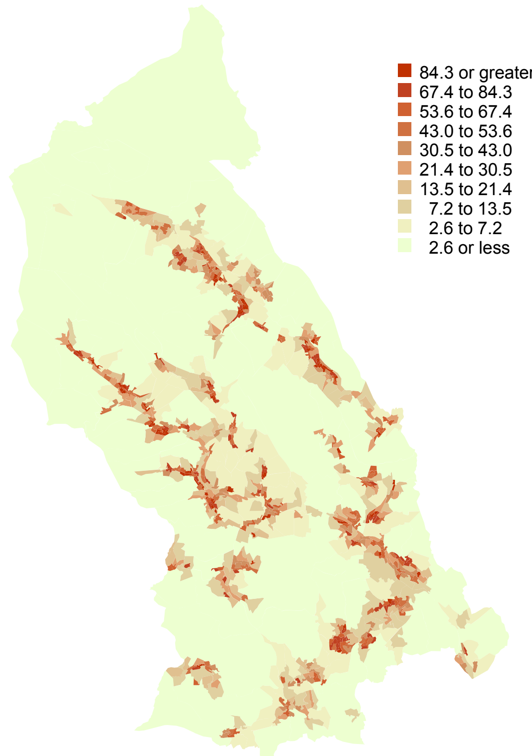
This document seeks to provide an update of the original review of the economic regeneration strategy, as well as provide more detailed information relating to the progress of the Rhondda Cynon Taf Economic Regeneration Strategy.

1.1 About Rhondda Cynon Taf

With a population of just under 232,000 people, Rhondda Cynon Taf is second only to Cardiff of all Wales' local authority districts in terms of population size. The area is relatively densely populated and is the7th most densely populated local authority in Wales. The main conurbations within Rhondda Cynon Taf follow the lines of the valleys that constitute the locality, namely the Taff Vale, the Cynon Valley and the Rhondda Valleys. Figure 1.1 below highlights the most densely populated areas of Rhondda Cynon Taf.

The economy of Rhondda Cynon Taf has been traditionally associated with mining and manufacturing which is also true of neighbouring local authorities. Merthyr Tydfil in particular, like Rhondda Cynon Taf, has a rich heritage of mining, and both local authorities played a leading role in the industrial revolution which changed the course of development for the global economy. The decline in traditional industry throughout the developed world has, however, changed the outlook for the economy of Rhondda Cynon Taf. This document seeks to provide detailed information relating to where Rhondda Cynon Taf stands in today's economic climate, and to outline the future prospects for its economy.

Figure 1.1: Population Density by Output Area 2001; Persons per Hectare



Source: National Statistics

1.2 Policy Context

Throughout Wales and the United Kingdom a host of economic development strategies and action plans existence, ranging from UK-wide sector specific development strategies through to community-based action plans. It is important the Rhondda Cynon Taf Economic Regeneration Strategy does not operate in isolation to those strategies with which actions and priorities will overlap. Such documents include:

- Wales: A Vibrant Economy - The Welsh Assembly Government's Strategic Framework for Economic Development;
- The Wales Spatial Plan; and
- Heads – We Win – A Strategic Framework for the Heads of the Valleys.

A brief outline of these documents, and their implications for the economy of Rhondda Cynon Taf, are given below.

Wales: A Vibrant Economy - The Welsh Assembly Government's Strategic Framework for Economic Development

The November 2005 consultation document *Wales: A Vibrant Economy* (WAVE) outlined the economic development Agenda of the Welsh Assembly Government. The key priorities of the Welsh economy were identified as raising the employment rate, and raising the quality of jobs within Wales. The main actions to aid economic development, as identified by the consultation document were to:

- Support job creation and help people into work
- Investing to regenerate local communities and stimulate economic growth
- Helping businesses to grow and increasing productivity by:
    - Improving transport infrastructure
    - Attracting more high value-added businesses, notably via the **Knowledge Bank for Business**
    - Support businesses competitiveness
- Ensuring sustainable and resource-efficient development

String and Sustainable Economic Growth

The WAVE document acknowledges that throughout Wales, employment rates and economic activity rates have been rising. The document also recognises the next set of challenges for Wales, which are also highly relevant for Rhondda Cynon Taf, as being the need to develop quality jobs and to deal with global competition for local employment, namely as a result of the emerging economies of India and China.

There is scope for Rhondda Cynon Taf to become a focus for the sustainable development of the Wales economy. Despite having a relatively poor performing economy compared with Wales as a whole (as measured by earnings and economic activity), recent employment growth, and falls in unemployment have shown that Rhondda Cynon Taf is far from a failing economy[1]. Close proximity to Cardiff as well as improving transport links and the location of one of the UK's largest universities means that the Rhondda Cynon Taf area represents 'low hanging fruit' for sustainable economic development.

Increasing Employment

The WAVE document highlights that increasing employment rates, as well as reducing economic inactivity, still remains central to economic development of Wales. To aid the improvement of economic activity and employment the Welsh Assembly Government is committed to investing more in children from deprived backgrounds in their early years, and broadening the 14-19 learning curriculum. As

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[1] See Chapter 2

one of the more deprived areas of Wales (as measured by the WIMD), Rhondda Cynon Taf will need to be a focus of policies aimed towards helping the children from deprived backgrounds. Within the south Wales valleys area the WAVE document also identifies a need to help individuals manage work limiting health conditions.

The WAVE document also highlights the need for effective partnership to develop and deliver actions designed to increase economic inactivity rates. Partnerships will need to involve the Welsh Assembly Government, other public sector bodies, the private sector, the voluntary sector as well as ensuring compatibility with local area regeneration action plans. An example of good partnership is citied as the close working partnership that exists between the Wales Spatial Plan and the regeneration framework for the Heads of the Valleys.

The overall support measures, proposed by the Welsh Assembly Government, intended to help develop economic activity and employment include:

- Tailored training for individuals and employers;
- High-quality local health services;
- EU supported regeneration projects;
- ‘Communities First’ initiatives;
- Providing support to employees with poor health to remain in employment;
- Encouraging those on incapacity benefit to enter employment.

Raising Earnings

Raising earnings is identified as a key goal for the economy of Wales. The WAVE document identifies that it is occupational mix that is the key component of wage differentials between Wales and the rest of the UK – Wales has fewer senior managers and professionals and more intermediate level jobs. Analysis within Chapter 2 of this document would suggest that this is also a factor in the differentials that exist between wages in Rhondda Cynon Taf and Wales.

The WAVE document also highlights that one reason for relatively low wages within Wales is a lack of a large city or urban area. The report suggests that the development of such an urban area acts as a driver of economic growth in Wales. One logical interpretation of such a view would be that Cardiff, linked with surrounding local areas (of which Rhondda Cynon Taf is the largest) would represent the most efficient route to develop such a metropolitan economy. Transport improvements would be one way to develop a wide metropolitan economy in Cardiff and the surrounding valleys.

Creating an Attractive Business Environment

It is recognised that the Welsh Assembly Government has a role in developing an attractive business environment. Whilst macro-economic measures are beyond the control of the Welsh Assembly Government, there is scope for intervention in areas such as ICT and transport.

The Welsh Assembly Government is also undertaking a programme of land reclamation and property development, focusing upon areas where private sector provision is weak. The aim is to ensure a good supply of quality business premises throughout Wales. It is imperative that Rhondda Cynon Taf County Borough Council works in partnership with the Welsh Assembly Government in developing such sites.

Supporting Key Drivers to Business Growth

Business support mechanisms developed and proposed by the Welsh Assembly Government centre upon key drivers of business growth, namely:

- Innovation
- Entrepreneurship
- Skills
- Investment
- Trade

Actions designed to help develop these key drivers include the **Innovation Action Plan**, the **Entrepreneurship Action Plan**, the new **Knowledge Bank for Business** and the **Skills and Employment Action Plan**. The **Technium** concept, which provides business incubation support, is a central focus of the Innovation Action Plan, as well as increasing collaboration between businesses and Higher Education. There are currently no Technium units located within Rhondda Cynon Taf, despite the obvious advantages that the University of Glamorgan within the County Borough would provide for such a concept.

Knowledge Bank for Business

What is KB4B?

KB4B stands for Knowledge Bank for Business: an initiative to improve the skills, financial strength and business strategy of companies in Wales. It provides advice and support to companies of high-growth potential, regardless of location, size or sector.

The Welsh Assembly Government has made this a top-ten manifesto commitment, with a budget of £13.5m from 2005/06 to 2007/08. By 2007 it is envisaged that between 100 and 150 companies will be supported by KB4B.

Source: National Assembly for Wales

Currently only 4 of the 51 companies listed on the National Assembly for Wales website who receive support via the KB4B programme reside within Rhondda Cynon Taf, two of which are based in Llantrisant.[2] Given the expected growth in the number of companies that will gain support from the KB4B initiative, it is imperative that more businesses within Rhondda Cynon Taf become involved in the KB4B programme.

Wales Spatial Plan

The Wales Spatial Plan places Rhondda Cynon Taf within 'The Capital Network'. The vision of the Capital Network is:

'An innovative skilled area offering a high quality of life – international yet distinctively Welsh. It will compete internationally by increasing its global visibility through stronger links between the Valleys and the coast and with the UK and Europe, helping to spread prosperity within the area and benefiting other parts of Wales.'

The strategy of the Wales Spatial Plan for the Capital Network is:

- To strengthen and reintegrate the existing system of towns and cities within South East Wales so that the area functions as a coherent urban network and is in a position to compete internationally. Integrated transport is crucial to this.
- To work with partners to develop an ambitious programme of joined-up regeneration action along the Heads of the Valleys corridor which will compliment the upgrade of the A465. The aim of this will be to improve quality of life, retain and attract residents, and increase the prosperity of the whole area focusing initially on the unlocking the potential of Merthyr Tydfil and Ebbw Vale.

The Spatial Plan identifies towns outside Rhondda Cynon Taf, Merthyr Tydfil and Ebbw Vale as being the main hub of development in the northern valleys areas. The development of linkages between Merthyr Tydfil and Hirwaun and Aberdare is seen as essential to the development of the Heads of the Valleys area.

Actions proposed by the Wales Spatial Plan for the Capital Network include:

- Transport improvements;
- Review of employment site provision;
- Reducing health inequalities through Health Challenge Wales;

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[2] http://new.wales.gov.uk/topics/businessandeconomy/79030/businessadvice/KB4B/KB4Bclients/?lang=en

‘Heads – We Win’ – A Strategic Framework for the Heads of the Valleys

‘Heads – We Win’ is the consultation document of the Strategic Framework for the development of the Heads of the Valleys area. The Heads of the Valleys Programme Area includes the towns of Aberdare, Mountain Ash and Maerdy as well as the village of Hirwaun. The development of the A465 Heads of the Valleys road will significantly improve the communications infrastructure in these areas, providing a dual-carriageway link to England and Swansea. The location of the Hirwaun Industrial Estate, which will be situated near the Hirwaun East junction of the improved A465 road, will provide new opportunities for industry within the area.

The vision of the Strategic Framework for the Heads of the Valleys is that by 2020, the Heads of the Valleys area will be:

- A culturally rich, dynamic network of vibrant and safe communities;
- A place where people want to live, work and play – with a sustainable, high quality of life and a thriving population;
- Helping to drive the success of South East Wales as an internationally recognised Capital Region.[3]

In order to achieve this vision significant resources have been made available for investment within the area. Particular investments that will aid the development of the Rhondda Cynon Taf areas within the Heads of the Valleys will include:

- Investment in capital projects, such as the new Cynon Valley Hospital;
- Provisioning specialised incentives to businesses to encourage the employment of the economically inactive;
- Improving local integrated transport infrastructure;
- Providing training and support for construction and social-care jobs created by housing stock improvement and health care development;
- Providing low cost ultra-high bandwidth internet connections;
- Promoting the Heads of the Valleys area as a destination for business and tourism.

The focus upon the Heads of the Valleys area will provide an ideal opportunity for the development of the northern valley areas of Rhondda Cynon Taf, which have recently comprised the most deprived areas of the County Borough.

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[3] ‘Heads – We Win’ A strategic Framework for the Heads of the Valleys, March 2005

EU Structural Funds Convergence Programme

Between 2007 and 2013 West Wales and the Valleys (which include Rhondda Cynon Taf) will receive £1.3 billion to support a new Convergence Programme to follow the 2000-06 European Structural Funds Programmes Objective 1 funding. The new programmes that will arise from the Convergence Programme will concentrate on supporting sustainable growth and jobs, and will focus upon the EU's Lisbon and Gothenburg strategies.

An outline of the proposed priorities of the Convergence Programme is detailed within the Welsh chapter of the UK's National Strategic Reference Framework. More detailed preparation of the new programmes is also currently being undertaken. The proposed priorities, as documented on the Wales European Funding Office website[4], are:

- 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);
- Building the administrative capacity of our public services – including the development of human resources and capacity building initiatives in the context of the Making the Connections Strategy (ESF).

Each of the proposed priority actions highlighted above is directly relevant to the Rhondda Cynon Taf Economic Regeneration Strategy. A clear focus of economic development regeneration in the County Borough should therefore be to ensure that Rhondda Cynon Taf receives the appropriate level of funding available from the Convergence Programme and utilises it in a manner that reflects the economic needs of the County Borough.

[4] http://www.wefo.wales.gov.uk/default.asp?action=page&ID=1564

2 Review of the Economic Regeneration Strategy

2.1 Introduction

The characteristics of Rhondda Cynon Taf are defined by the people who live and the business that operate within the County Borough. This section provides information relating to the population that resides within Rhondda Cynon Taf, including indicators and data relating to health, housing, education and skills, earnings, business density and start-up rates and unemployment as well as information relating to businesses within the County Borough. This data is benchmarked against a set of comparator localities (as detailed in section 1 above) as well as against Wales and the United Kingdom (or, where data availability dictates) Great Britain.

2.2 Demographic Data

Population estimates for the United Kingdom and Wales, as well as their constituent localities, are based upon birth rates, death rates and migration. Table 2.1 below documents the latest population data available for Rhondda Cynon Taf and its comparator areas. The table also highlights the changes in population that have occurred since the 2001 Census in Rhondda Cynon Taf.

Population has remained relatively stable in Rhondda Cynon Taf since the 2001 Census, whilst the population of Wales has continued to rise. It is noticeable that the two comparator areas in Wales, Bridgend and Caerphilly, both experienced sizable positive population growth in comparison with Rhondda Cynon Taf.

Table 2.1: Mid-Year Population Estimates

	2001	2002	2003	2004	Growth (2001-2004)
Rhondda Cynon Taf	**231,900**	**231,600**	**231,600**	**231,800**	**-0.04%**
United Kingdom	59,113,000	59,322,000	59,554,000	59,835,000	1.22%
Wales	2,910,200	2,923,400	2,938,000	2,952,500	1.45%
Barnsley	218,100	218,800	220,200	221,000	1.33%
Barrow-in-Furness	72,000	71,200	70,600	70,500	-2.08%
Bridgend	128,700	129,200	129,900	130,400	1.32%
Caerphilly	169,500	170,200	170,200	170,700	0.71%
Salford	217,000	216,300	216,500	216,400	-0.28%
Sunderland	284,600	283,400	283,100	282,700	-0.67%

Source: Nomis, Mid-Year Population Estimates

The latest population projections for South East Wales predict a rise in population of 3.7% between 2004 and 2014, and 7.6% between 2004 and 2024. This is a sizable projected increase, and considerably greater than predicted growth for Wales as a whole (as illustrated in table 2.2 below), though less than UK population growth projections of 4.8% and 9.5%[5] for the same periods respectively.

Table 2.2: Sub-national population projections for Wales

	2004-2014	2004-2024
North Wales	2.1%	3.0%
Mid Wales	2.7%	3.8%
South-East Wales	**3.7%**	**7.6%**
South-West Wales	2.9%	5.6%
Wales	3.1%	5.8%

Source: 2003-based sub-national population projections for Wales, 2003 to 2028, National Assembly for Wales

Despite the sizable growth in population expected for South East Wales, this may not necessarily mean that such growth will occur within Rhondda Cynon Taf. An analysis of current population growth for South East Wales highlights that much of the growth in population within the area has occurred within the more southern and urban localities (see table 2.3 below). Whilst the local authority areas of Bridgend, Cardiff, Monmouthshire and Newport have experienced significant population growth local authorities such as Rhondda Cynon Taf, Blaenau Gwent, Merthyr Tydfil and Torfaen have experienced either no growth or a contraction in population.

Table 2.3: Mid-Year Population Estimates – South East Wales

	2001	2002	2003	2004	Growth (2001-2004)
Rhondda Cynon Taf	**231,900**	**231,600**	**231,600**	**231,800**	**-0.04%**
Blaenau Gwent	70,000	69,300	68,900	68,800	-1.71%
Bridgend	128,700	129,200	129,900	130,400	1.32%
Caerphilly	169,500	170,200	170,200	170,700	0.71%
Cardiff	310,100	312,900	315,100	316,800	2.16%
Merthyr Tydfil	56,200	55,800	55,400	55,100	-1.96%
Monmouthshire	85,000	85,300	86,200	87,200	2.59%
Newport	137,600	138,700	139,300	139,500	1.38%
Torfaen	90,900	90,700	90,700	90,400	-0.55%
Vale of Glamorgan	119,300	120,300	121,200	122,300	2.51%
South East Wales	**1,399,300**	**1,403,900**	**1,408,500**	**1,413,000**	**0.98%**

Source: Nomis, Mid-Year Population Estimates

Since 2001 Rhondda Cynon Taf has developed a more aged population profile, as documented in table 2.4 below. The proportion of the population aged less than 30 has fallen from 38.2% in 2001 to 37.6% in 2004. Over the same period the proportion of the population aged 60 or over has risen from 21.2% to 21.8%. These

[5] http://www.gad.gov.uk/Population/index.asp

trends are similar to those of Wales and the United Kingdom, and the global trend in the developed world towards lower fertility rates and increasing life expectancy

In Rhondda Cynon Taf the 0 – 14 age band has experienced the largest change when expressed as a proportion of the total population. In 2001 19.4% of the total population in Rhondda Cynon Taf was aged between 0 and 14 years, in 2004 this figure fell to 18.7%. This equates to a fall in population within this age group of 1,800 residents. Despite this, Rhondda Cynon Taf remains relatively 'young' (i.e., a greater proportion of its age group falling within the lower age categories) in comparison with Wales, whilst also being relatively 'old' in comparison with the United Kingdom.

Table 2.4: Age Profile of Rhondda Cynon Taf, Wales and UK, expressed as a percentage of total population

		0 -14	15 – 19	20 - 29	30 - 44	45 - 59	60 - 64	65 - 74	75+
Rhondda Cynon Taf	**2004**	**18.7%**	**6.9%**	**12.0%**	**21.1%**	**19.5%**	**5.4%**	**8.7%**	**7.7%**
	2001	19.4%	6.5%	12.3%	21.1%	19.2%	5.0%	8.6%	7.7%
Wales	**2004**	**18.0%**	**6.7%**	**11.6%**	**20.6%**	**19.9%**	**5.6%**	**9.2%**	**8.4%**
	2001	18.9%	6.4%	11.6%	20.9%	19.6%	5.3%	9.1%	8.3%
UK	**2004**	**18.2%**	**6.6%**	**12.5%**	**22.5%**	**19.2%**	**5.0%**	**8.4%**	**7.6%**
	2001	18.8%	6.2%	12.7%	22.7%	18.9%	4.9%	8.4%	7.5%

Source: National Statistics

Figure 2.1 and Figure 2.2 below represent population pyramids for Rhondda Cynon Taf and the United Kingdom. Whilst both diagrams are broadly similar, it is interesting to note the greater 'dip' in the chart that occurs for the 25 to 29 year age group. This is one indication of the outward migration of the younger age group from Rhondda Cynon Taf, the so-called 'brain drain'.

Figure 2.1: Rhondda Cynon Taf Population Pyramid 2004

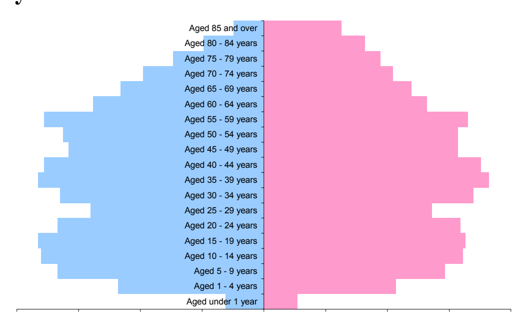
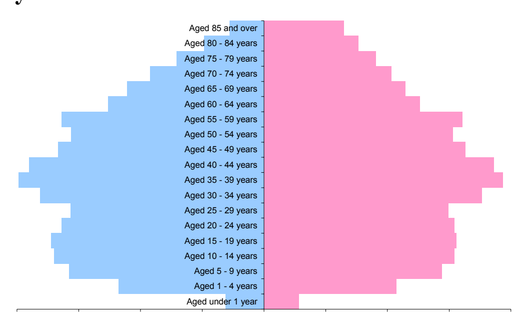


Figure 2.2: United Kingdom Population Pyramid 2004



Source: National Statistics

2.3 Ward Level Population Data

The 2003 Review of the Rhondda Cynon Taf Economic Regeneration Strategy revealed that a number of wards within the County Borough experienced significant changes in population. The greatest growth in population was recorded within Treforest and the greatest decline in population found in Tylorstown.

Table 2.6: Wards in Rhondda Cynon Taf experiencing greatest change in population between 1991 and 2001

Ward	% Change (1991-2001)	Ward	% Change (1991-2001)
Treforest	45.5	Tylorstown	33.7
Beddau	36.0	Maerdy	17.5
Pontyclun	34.7	Cwmbach	12.5
Llanharry	25.0	Treherbert	12.0
Llanharan	18.1	Mountain Ash West	10.7

Source: National Statistics/Review of the Rhondda Cynon Taf Economic Regeneration Strategy 2003

An analysis of more recent population data reveals a number of wards that have experienced significant population growth over between the years 2001 and 2002. The ward of Church Village experienced population growth of over 7% during this period. It is also noticeable that the ward of Treforest experienced the greatest decline in population over this period.

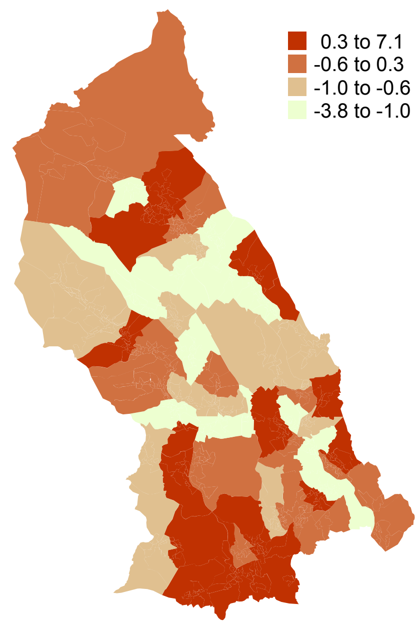
Table 2.7: Wards in Rhondda Cynon Taf experiencing greatest change in population between 2001 and 2002

Ward	% Change (2001-2002)	Ward	% Change (2001-2002)
Church Village	7.03	Penrhiwceiber	-1.68
Llanharry	5.35	Maerdy	-1.69
Tonyrefail West	3.93	Brynna	-2.17
Llantrisant Town	3.21	Tylorstown	-3.12
Aberdare West/Llwydcoed	2.10	Treforest	-3.73

Source: National Statistics

Figure 2.3 below illustrates the recent changes in population that have occurred by ward in Rhondda Cynon Taf. The map highlights a trend for greater growth in the southern areas of the County Borough, although the differential in growth between northern and southern areas is not as pronounced as the trend identified in the 2003 Review of the Rhondda Cynon Taf Economic Regeneration Strategy.

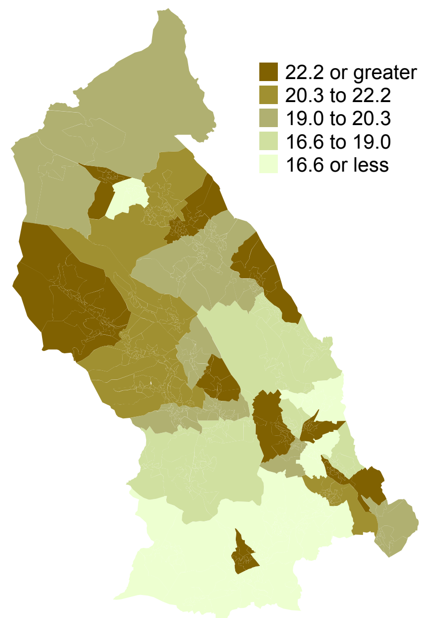
Figure 2.3: Percentage Population Change by Rhondda Cynon Taf Ward 2001-2002



Source: National Statistics

Residents in the northern areas of Rhondda Cynon Taf are relatively older than their southern neighbours. Figure 2.4 below maps the proportion of population of retirement age for Rhondda Cynon Taf, the darker areas representing those with a greater proportion of population falling within this age bracket. The map illustrates how the southern areas of the County Borough have, on the whole, fewer residents of retirement age.

Figure 2.4: Proportion of Retirement Age Population for Rhondda Cynon Taf Wards 2002



Source: National Statistics

2.4 Health

Health has an obvious impact upon a local economy, for example levels of economic activity are directly related to the health of the local population. Increasing the well-being of the local population is, therefore, an important element of any regeneration of a local economy. The 2003 Review of the Rhondda Cynon Taf Economic Regeneration Strategy highlighted the relatively poor levels of health within the County Borough, noting that Rhondda Cynon Taf was ranked as the fifth least healthy local authority in England and Wales. Table 2.8 below illustrates the levels of ill health found within Rhondda Cynon Taf.

Table 2.8: 2001 Census Health Indicators

	% of population with long term illness 2001	% of population general health "not good" 2001	% of people providing unpaid care
Rhondda Cynon Taf	**27.2**	**15.7**	**12.5**
UK	18.5	9.3	10.0
Wales	23.3	12.5	11.7
Caerphilly	26.3	15.0	12.3
Bridgend	25.0	13.6	12.5
Barnsley	25.2	14.1	11.8
Salford	22.8	12.5	10.2
Barrow	24.8	13.2	11.9
Sunderland	24.0	12.9	11.0

Source: National Statistics/Review of the Rhondda Cynon Taf Economic Regeneration Strategy 2003

Whilst it is not possible to provide an update of Census 2001 data, it is possible to use other measures of health to analyse how the health of the local population has changed since the 2001 Census. Table 2.9 below illustrates the proportion of the working age population that claims incapacity benefit. Between May 2001 and August 2005 in Rhondda Cynon Taf the proportion of those of working age population claiming incapacity benefit fell from 17.7% to 16.4%. Whilst this remains a relatively high figure, it still represents a significant step in closing the differential of poor health that exists between the locality of Rhondda Cynon Taf and Wales and Great Britain averages.

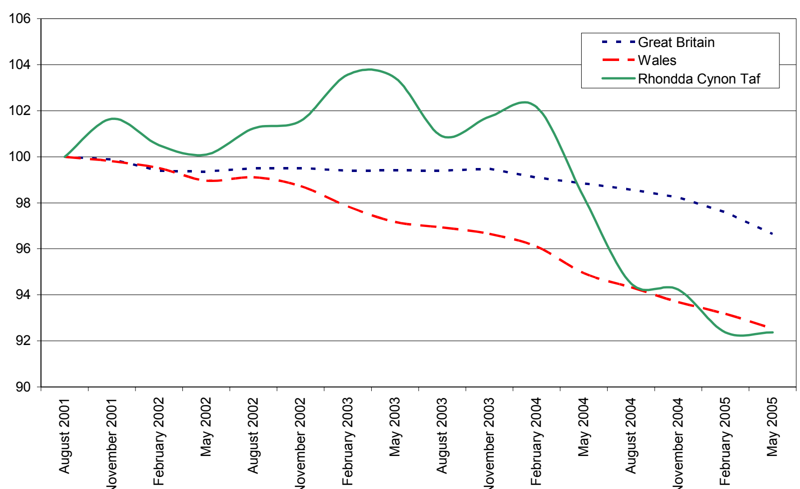
Table 2.9: Proportion of Working Age Population Claiming Incapacity Benefit (%)

	August 2001	May 2005
Rhondda Cynon Taf	**17.7**	**16.4**
Great Britain	7.8	7.5
Wales	12.6	11.6
Bridgend	14.8	13.7
Caerphilly	16.6	14.9
Barnsley	15.0	13.5
Barrow-in-Furness	13.4	13.3
Salford	12.6	13.1
Sunderland	12.9	12.4

Source: Department for Work and Pensions/Labour Force Survey

Figure 2.5 below provides further illustration for the improvement in health of the population of Rhondda Cynon Taf. Between August 2001 and May 2005 the proportion of working age population claiming incapacity benefit fell by a greater amount in Rhondda Cynon Taf than across both Wales and Great Britain as a whole. It is noticeable from the chart that the decline in the proportion of those claiming incapacity benefits in the County Borough has occurred mainly since 2003.

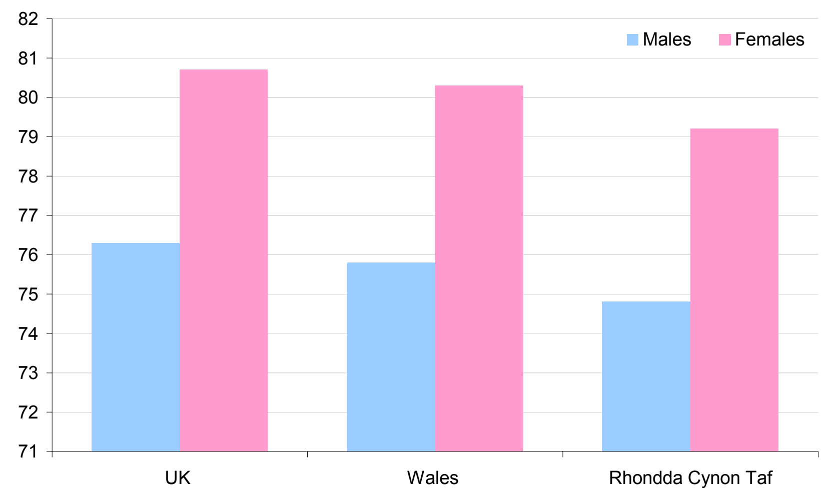
Figure 2.5: Proportion of Working Age Population Claiming Incapacity Benefit (Index, August 2001 = 100)



Source: Department for Work and Pensions/Labour Force Survey

National Statistics also produce data on life expectancy for the local authorities of the United Kingdom. Life expectancy in Rhondda Cynon Taf lags the Wales and United Kingdom averages. Figure 2.6 below highlights the differences in life expectancy that exist between Rhondda Cynon Taf, Wales, and the United Kingdom.

Figure 2.6: Life expectancy at birth (years) 2002-2004



Source: National Statistics

Rhondda Cynon Taf has roughly mirrored national trends with respect to increasing life expectancy. Table 2.10 below documents the growth in life expectancy that has occurred within the County Borough and its comparator areas between the period of analysis 1992-1994 and 2002 – 2004.

Table 2.10: Life expectancy at birth (years)

	1992-1994		2002-2004	
	Males	**Females**	**Males**	**Females**
UK	73.7	79.1	76.3	80.7
Wales	73.4	79.0	75.8	80.3
Rhondda Cynon Taf	**72.3**	**78.2**	**74.8**	**79.2**
Bridgend	73.3	78.4	75.5	79.6
Caerphilly	72.6	78.2	74.8	79.4
Barrow-in-Furness	72.4	78.3	73.9	80.1
Barnsley	72.5	77.9	75.0	79.5
Salford	70.7	76.7	73.4	78.3
Sunderland	72.0	77.2	74.6	79.0

Source: National Statistics

2.5 Ward Level Health Data

The 2003 Review of the Rhondda Cynon Taf Economic Regeneration Strategy identified large disparities in levels of health within Rhondda Cynon Taf. Table 2.11 below documents the most recent data on the proportion of the population suffering from long-term illness. The table illustrates the significant differences between the wards with the worst health problems, such as Maerdy, Treherbert and Llwynypia, and the relatively more healthy wards such as Treforest, Llantwit Fadre and Beddau.

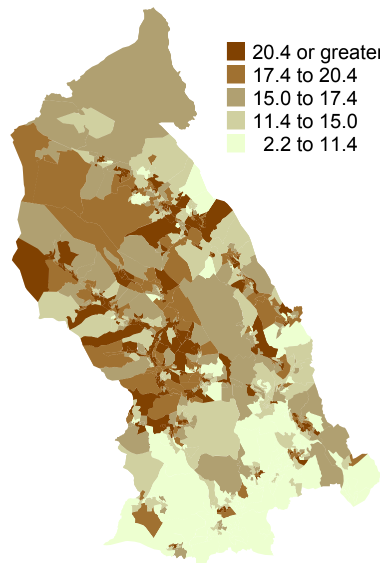
Table 2.11: Rhondda Cynon Taf wards with highest and lowest percentages of population with long term illness in 2001 (%)

Ward	Highest	Ward	Lowest
Maerdy	35.7	Treforest	14.2
Treherbert	33.9	Llantwit Fardre	16.1
Llwynypia	33.2	Beddau	16.3
Ynyshir	32.9	Llantrisant	17.6
Aberaman South	32.7	Pontyclun	17.9

Source: National Statistics/Review of the Rhondda Cynon Taf Economic Regeneration Strategy 2003

National Statistics also provide data on residents' perception of their own health, as part of the 2001 Census. The results in figure 2.7 below represent the proportion of the population that classified their own health as 'not good'. The map illustrates the health divide that is evident within Rhondda Cynon Taf. The Rhondda Valleys in particular display poorer levels of health than neighbouring communities in the County Borough.

Figure 2.7: Percentage of Population Classified as Having 'Not Good Health' 2001 (%)



Source: Census 2001

2.6 Education and Skills

The 2003 Review of the Rhondda Cynon Taf Economic Regeneration Strategy highlighted that the Rhondda Cynon Taf population was relatively less skilled, as measured by levels of qualifications, than the population of Wales and Great Britain as a whole. Table 2.12 and table 2.13 below illustrate that whilst this is still true there has been growth in the level of qualifications of the local population.

Table 2.12: Working-age people with NVQ level 3+ as % of all working age people (%)

	Jun 2001-May 2002	Jun 2004-May 2005
Rhondda Cynon Taf	**34.5**	**36.5**
Great Britain	42.6	45.1
Wales	38.4	42.1
Bridgend	37.1	36.8
Caerphilly	33.6	34.8
Barnsley	30.7	34.4
Barrow-in-Furness	36.4	46.5
Salford	37.0	39.5
Sunderland	34.5	32.6

Source: Labour Force Survey

Whilst there has been growth in the proportion of population with NVQ level 3 qualifications or higher, this growth has been relatively small. Analysis of those with NVQ level 4 qualifications documents a more significant rise. The latest Labour Force Survey data reveals that between the period of June 2004 to May 2005 around one in five residents of Rhondda Cynon Taf possessed qualifications of NVQ level 4 or higher, a rise from a level of 16.8% three years earlier.

Table 2.13: Working-age people with NVQ level 4+ as % of all working age people (%)

	Jun 2001-May 2002	Jun 2004-May 2005
Rhondda Cynon Taf	**16.8**	**20.1**
Great Britain	23.8	26.2
Wales	20.6	24.0
Bridgend	16.5	18.6
Caerphilly	16.9	19.3
Barnsley	13.1	16.2
Barrow-in-Furness	-	21.7
Salford	15.7	19.2
Sunderland	15.0	14.0

Source: Labour Force Survey

Table 2.14 below highlights the significant growth in the proportion of working age population who possess NVQ level 4 or higher qualifications. It is noticeable that growth in resident NVQ level 4 or higher qualifications in Rhondda Cynon Taf is more marked than for many of the comparator areas. Comparator areas that experienced similar growth in resident qualifications at the NVQ 4+ level to those recorded for Rhondda Cynon Taf also experienced growth rates above national averages for NVQ level 3+ resident qualifications. Rhondda Cynon Taf however, did not follow this trend.

Table 2.14: Growth in working-age people with NVQ level 3+ and NVQ level 4+ as % of all working age people (%); Jun 2001-May 2002 to Jun 2004 – May 2005

	working-age people with NVQ level 3+	working-age people with NVQ level 4+
Rhondda Cynon Taf	**6.3**	**21.7**
Great Britain	7.4	11.7
Wales	10.7	18.0
Bridgend	0.0	15.4
Caerphilly	11.8	23.5
Barnsley	23.1	29.4
Barrow-in-Furness	31.3	-
Salford	-4.0	9.5
Sunderland	-8.2	-7.7

Source: Labour Force Survey

It can be hypothesised that the increase of those with NVQ level 4 qualifications or higher within the County Borough of Rhondda Cynon Taf is as a result of an inward migration of residents with higher level qualifications, or possibly a reversal of the ‘brain drain’ where those gaining higher level qualifications move to relatively more affluent areas. Affordable housing may be one factor in retaining and attracting highly-skilled workers. This hypothesis is also backed by the evidence of school level performance within the County Borough, which has remained relatively static, suggesting that the increase in skills levels can not be necessarily directly attributed to increased academic performance.

Table 2.15: Pupils achieving 5 or more GCSEs grade A* to C or vocational equivalent (%)

	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005
Rhondda Cynon Taf	**45**	**46**	**46**	**47**	**44**
Wales	50	50	51	51	52
Bridgend	49	47	48	49	51
Caerphilly	42	43	45	45	47

Source: National Assembly for Wales

Table 2.16 below documents static A-level results for pupils within Rhondda Cynon Taf. This data again supports the hypothesis of an inward migration of skilled labour in Rhondda Cynon Taf, or that there has been a reversal in the 'brain drain' from Rhondda Cynon Taf to more prosperous areas of Wales and the United Kingdom.

Table 2.16: Average points score per pupil entering two or more A/AS levels or achieved vocational

	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005
Rhondda Cynon Taf	**16**	**17**	**18**	**19**	**17**
Wales	17	20	20	21	21
Bridgend	16	20	20	20	20
Caerphilly	17	18	18	18	18

Source: National Assembly for Wales

Rhondda Cynon Taf has also experienced growth in job-related training. Table 2.17 below documents the proportion of working age population who had received job-related training in the four weeks previous to the collection of the Labour Force Survey data. The growth has resulted in Rhondda Cynon Taf now recording a greater level of work-related training than the Great Britain average.

Table 2.17: Working-age people receiving job-related training in last 4 weeks as % of all working age people (%)

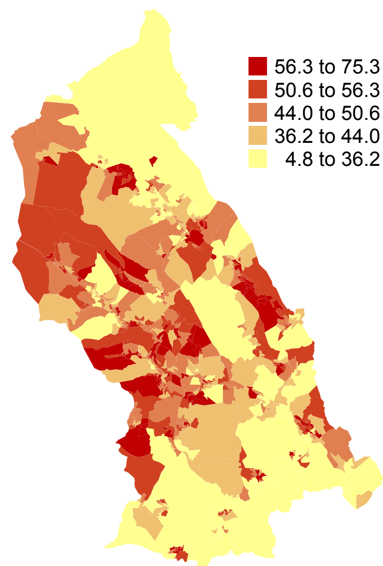
	Jun 2001-May 2002	Jun 2004-May 2005
Rhondda Cynon Taf	**12.5**	**13.9**
Great Britain	13.9	13.7
Wales	13.5	14.2
Bridgend	13.3	14.4
Caerphilly	12.4	11.4
Barnsley	13.2	11.5
Barrow-in-Furness	-	17.8
Salford	14.0	16.1
Sunderland	15.4	12.9

Source: Labour Force Survey

2.7 Ward Level Qualifications Data

The 2001 Census still provides the most useful data for ward and sub-ward level analysis of levels of qualifications within Rhondda Cynon Taf. Figure 2.8 below highlights the disparities in the levels of qualifications that exist within Rhondda Cynon Taf. The Rhondda Valley in particular is home to a number of concentrations of population who posses no qualifications.

Figure 2.8: Proportion of Population for Rhondda Cynon Taf with no qualifications 2001 (%)



Source: Census 2001

2.8 Housing Indicators

The 2003 Review of the Rhondda Cynon Taf Economic Regeneration Strategy documented relatively static growth in the housing stock in Rhondda Cynon Taf between the Census years of 1991 and 2001. During this period its comparator localities in Wales, and indeed the Welsh average, displayed significant positive growth

More recent analysis, however, shows that the rate of growth in housing stock in Rhondda Cynon Taf has caught up with that of its comparator localities in Wales, and growth has even exceeded the Welsh average between the years 2001 and 2004. As of 2004 the total number of dwelling stock, as estimated by the National Assembly for Wales, stood at just under 105,000 for Rhondda Cynon Taf.

Table 2.18: Dwelling stock estimates

	2001	2002	2003	2004
Rhondda Cynon Taf	**103,017**	**103,562**	**104,219**	**104,793**
Wales	1,274,164	1,281,991	1,289,525	1,295,800
Bridgend	57,261	57,831	58,095	58,446
Caerphilly	71,819	72,351	72,588	72,693

Source: National Assembly for Wales

Table 2.19 below highlights the convergence of growth of housing stock in between Rhondda Cynon Taf and the Wales average figure. Whilst the growth rate in the locality has not increased considerably since the Census data analysis in the Review of the Rhondda Cynon Taf Economic Regeneration Strategy, the same period has seen growth fall for Wales as a whole.

Table 2.19: Compound Annual Growth Rates of Housing Stock (%)

	2001 to 2004	1991 to 2001
Rhondda Cynon Taf	**5.9**	**4.8**
Wales	5.8	8.8
Bridgend	7.1	7.7
Caerphilly	4.1	8.4

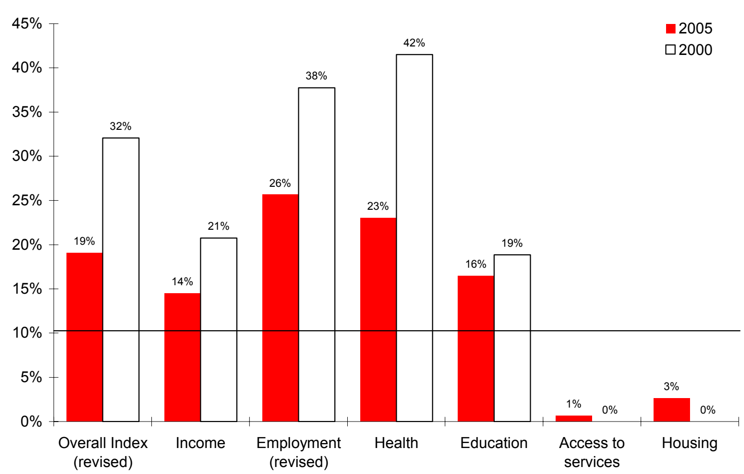
Source: National Assembly for Wales/Census 1991/Census 2001

2.9 Welsh Index of Multiple Deprivation

Changes in the method of calculating the Welsh Index of Multiple Deprivation means that it is difficult to compare the results of the 2000 Welsh Index of Multiple Deprivation within the 2005 Welsh Index of Multiple Deprivation. The inclusion of the Physical Environment domain[6], and the smaller level of geographic analysis means that not only is the overall index score calculated using a different method, but also that geographic comparisons are difficult.

Nonetheless, it is possible to chart general trends in movements, albeit with appropriate data health warnings. The following analysis provides a general overview, and the two datasets should not be viewed as direct comparisons between the years 2000 and 2005. Overall impressions are that the Rhondda Cynon Taf area is 'catching up' with other areas of Wales Figure 2.9 below illustrates that a smaller proportion of Rhondda Cynon Taf's constituent areas lies within the most deprived 10% of areas within Wales. It should be re-iterated that this is not a direct comparison, but there would appear to be a general trend for a decline in deprivation in Rhondda Cynon Taf in comparison with other areas in Wales. Overall, however, in all domains except housing and access to services, Rhondda Cynon Taf still has an above average proportion of its constituent LSOAs within the most deprived 10% of LSOAs within Wales.

Figure 2.9: Percentage of LSOAs in Rhondda Cynon Taf that are in the 10% most deprived LSOAs in Wales (2005 WIMD), and Percentage of Wards in Rhondda Cynon Taf that are in the 10% most Deprived Wards in Wales (2000 WIMD)



Source: Wales Index of Multiple Deprivation 2005, Wales Index of Multiple Deprivation 2000

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6 see http://www.wales.gov.uk/keypubstatisticsforwales/wimd/wimd2005-report/wimd2005-report-sum.htm for details

Table 2.20 below highlights average deprivation scores for the seven domains of the 2005 Welsh Index of Multiple Deprivation, as well as an average figure for the overall WIMD score for the constituent LSOAs in Rhondda Cynon Taf. The data shows that in all domains except housing and access to services, Rhondda Cynon Taf has higher deprivation scores higher than the Welsh average.

Table 2.20: Average deprivation scores for LSOAs in 2005 WIMD domains

	Overall Index	Income	Employment	Health	Education	Access to services	Housing	Physical environment
Wales	21.7	21.7	21.7	21.7	21.7	21.7	21.7	21.7
Rhondda Cynon Taf	**29.2**	**28.1**	**34.9**	**34.8**	**30.2**	**12.8**	**21.7**	**25.8**
Bridgend	23.2	22.0	26.0	28.5	22.0	18.9	13.4	22.2
Caerphilly	27.0	26.0	32.9	30.6	30.2	15.1	10.4	23.5

Source: Wales Index of Multiple Deprivation 2005

Whilst it should be re-iterated that direct comparisons with 2000 WIMD cannot be made, a brief comparison between 2000 and 2005 average data shows that, in comparison with the Bridgend and Caerphilly, there has been a slight deterioration of performance in the employment and income domains and overall score in the comparator authorities.

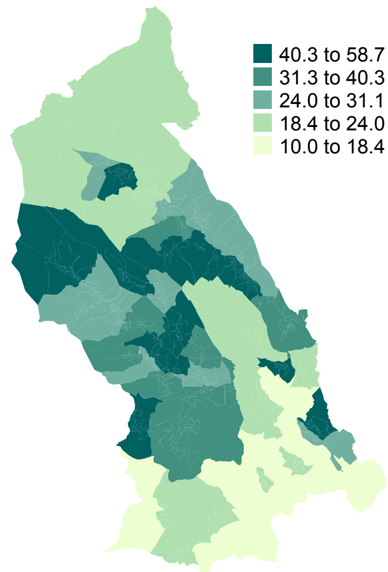
Table 2.21 Average deprivation scores for wards in 2000 WIMD domains

	Overall Index	Employment	Income
Wales	21.7	15.9	25.6
Rhondda Cynon Taf	**32.6**	**21.8**	**31.6**
Bridgend	25.3	18.8	25.9
Caerphilly	33.8	22.3	33.4

Source: Wales Index of Multiple Deprivation 2000/Review of the Rhondda Cynon Taf Economic Regeneration Strategy 2003

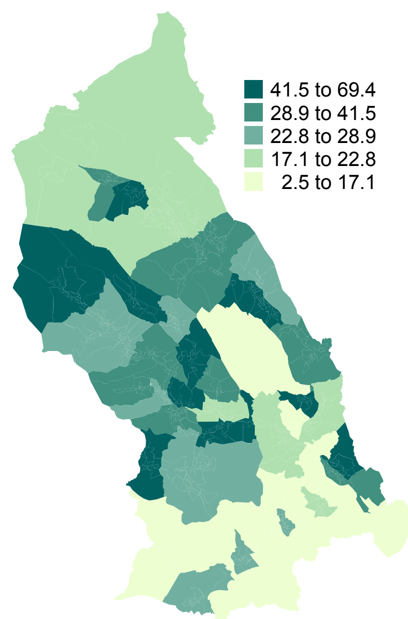
Figures 2.9 to 2.16 below map the WIMD scores for wards throughout Rhondda Cynon Taf. The figures paint a familiar picture of deprivation, which is centred upon the northern parts of Rhondda Cynon Taf, and the Rhondda Valleys in particular. The northern valleys areas perform particularly poorly when analysing the income, employment and health domains.

Figure 2.9: WIMD scores by Ward (average of constituent Lower Layer Super Output Areas) 2005



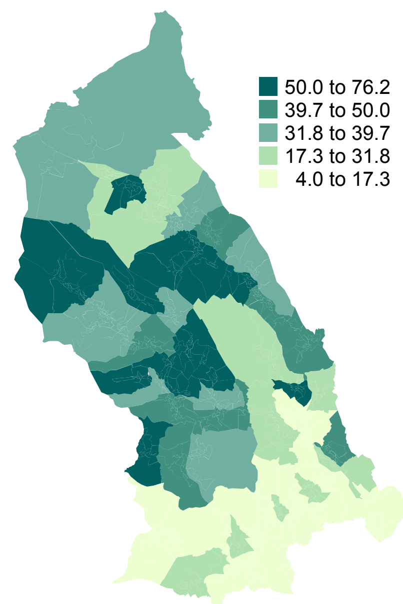
Source: Wales Index of Multiple Deprivation 2005

Figure 2.10: WIMD Income domain scores by Ward (average of constituent Lower Layer Super Output Areas) 2005



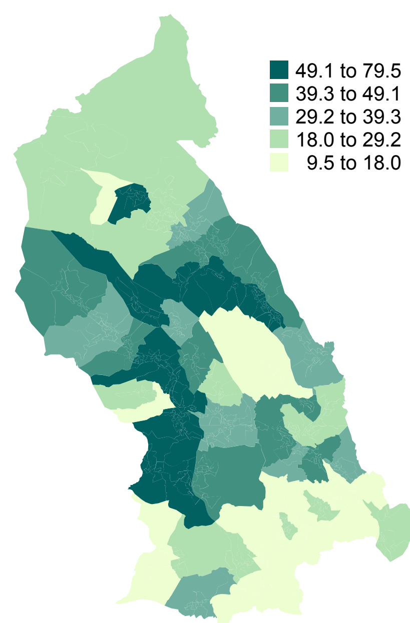
Source: Wales Index of Multiple Deprivation 2005

Figure 2.11: WIMD Employment domain scores by Ward (average of constituent Lower Layer Super Output Areas) 2005



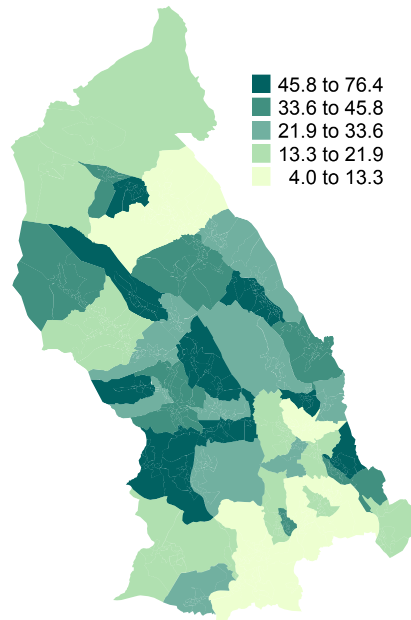
Source: Wales Index of Multiple Deprivation 2005

Figure 2.12: WIMD Health domain scores by Ward (average of constituent Lower Layer Super Output Areas) 2005



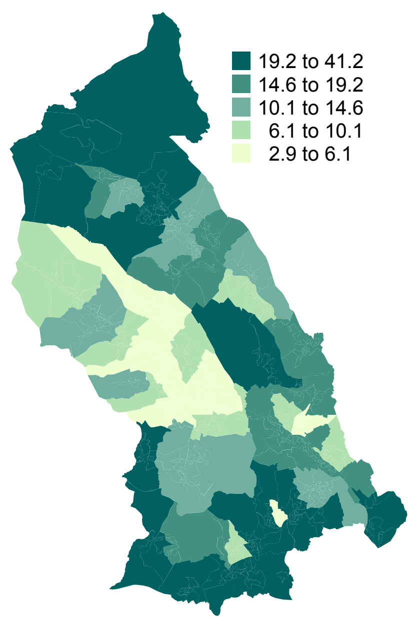
Source: Wales Index of Multiple Deprivation 2005

Figure 2.13: WIMD Education domain scores by Ward (average of constituent Lower Layer Super Output Areas) 2005



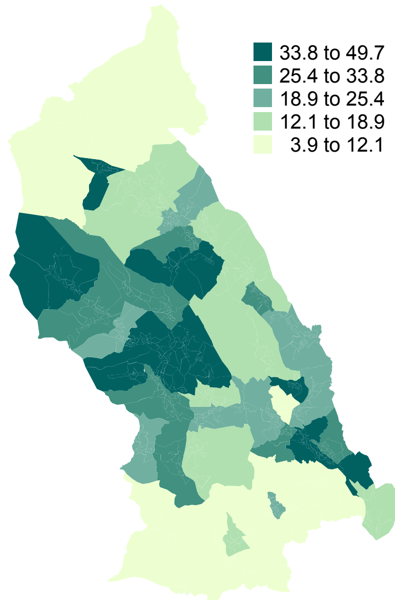
Source: Wales Index of Multiple Deprivation 2005

Figure 2.14: WIMD Access domain scores by Ward (average of constituent Lower Layer Super Output Areas) 2005



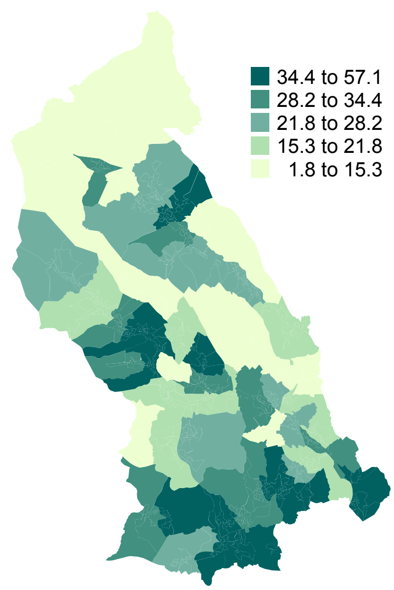
Source: Wales Index of Multiple Deprivation 2005

Figure 2.15: WIMD Housing domain scores by Ward (average of constituent Lower Layer Super Output Areas) 2005



Source: Wales Index of Multiple Deprivation 2005

Figure 2.16: WIMD Physical Environment domain scores by Ward (average of constituent Lower Layer Super Output Areas) 2005



Source: Wales Index of Multiple Deprivation 2005

2.10 Competitiveness and the Indigenous Business Base

Indigenous business growth is important to the development of any local area. Whilst inward investment activities can bring jobs and wealth, indigenous business growth will always be more in tune with the local economy, and also more likely to use local supply chains and local labour. The rate of growth of new businesses is a key determinant of future economic performance.

Table 2.22 below presents data on business birth rates, as well as information relating to the total number of business registrations within Rhondda Cynon Taf, Wales and the United Kingdom. The table highlights that the business birth rate in Rhondda Cynon Taf has risen since 2001. The business birth-rate in Rhondda Cynon Taf now exceeds both Wales and United Kingdom figures. The number of business registrations within Rhondda Cynon Taf grew to 410, from a level of 350 in 2001. The number of Vat registered businesses in Rhondda Cynon Taf stood at 3,790 at the end of 2004, a net increase of 65.

Despite a growth in the business birth rate between 2001 and 2004, the net-business birth rate has fallen. This can be attributed mostly to national trends, both Wales and the United Kingdom have experienced a considerable fall in their net birth rate between the years 2001 and 2004. As of 2004 the net birth rate of businesses in Rhondda Cynon Taf stood at 15.9, considerably higher than the Wales and UK figures of 3.6 and 1.1 respectively.

Table 2.22: VAT based Registrations & Deregistration

	Rhondda Cynon Taf		United Kingdom		Wales	
	2001	**2004**	**2001**	**2004**	**2001**	**2004**
Registrations	350	410	169,245	181,420	5,965	6,900
Deregistrations	260	345	151,880	179,375	5,310	6,650
Stocks at end of year	3,690	3,790	1,775,835	1,819,870	79,215	80,010
Net-change	90	65	17,365	2,045	655	250
Birth Rate*	9.5	10.8	9.5	10.0	7.5	8.6
Net Birth rate**	25.7	15.9	10.3	1.1	11.0	3.6

Source: VAT Registration Data

* Birth rate of VAT based enterprises is the number of registrations expressed as a proportion of overall stock.

** Net Birth rate of VAT based enterprises is the net change of registrations expressed as a proportion of overall stock.

Despite a relatively high net birth rate for businesses within Rhondda Cynon Taf overall business density, as measured by the number of VAT registered businesses per thousand inhabitants, remains lower than throughout both Wales and the UK. As of 2004 there were 16.4 businesses per thousand inhabitants in Rhondda Cynon Taf, compared with figures of 27.1 for Wales and 30.4 for the United Kingdom. The differential between business density in Rhondda Cynon Taf and national averages is, however, narrowing.

Table 2.23: VAT based Registrations & Deregistration per 1,000 Inhabitants

	Rhondda Cynon Taf		United Kingdom		Wales	
	2001	**2004**	**2001**	**2004**	**2001**	**2004**
Registrations	1.5	1.8	2.9	3.0	2.0	2.3
Deregistration	1.1	1.5	2.6	3.0	1.8	2.3
Stocks at end of year (Business Density)	15.9	16.4	30.0	30.4	27.2	27.1
Net-change	0.4	0.3	0.3	0.0	0.2	0.1

Source: VAT Registration Data

Table 2.24 below ranks local authorities in Wales according to their business birth rates. Some data varies from the previous 2003 analysis due to data revisions. The data illustrates that Rhondda Cynon Taf has climbed one place in the local authority rankings since 2001.

Table 2.24: Business birth rate* rankings for Local Authorities in Wales; change in rankings 2001 – 2004

	Rank 2004	Birth Rate 2004	Rank 2001	Change in Rank
Merthyr Tydfil	1	14.0	4	+3
Blaenau Gwent	2	11.5	13	+11
Newport	3	11.3	3	0
Vale of Glamorgan	4	11.0	11	+7
Rhondda Cynon Taf	**5**	**10.8**	**6**	**+1**
Cardiff	6	10.7	1	-5
Caerphilly	7	10.6	8	+1
Torfaen	8	10.6	9	+1
Flintshire	9	10.4	10	+1
Swansea	10	10.2	2	-8
Neath Port Talbot	11	10.1	7	-4
Bridgend	12	10.1	5	-7
Denbighshire	13	8.8	15	2
Wrexham	14	8.7	12	-2
Monmouthshire	15	8.6	14	-1
Anglesey	16	8.4	18	+2
Conwy	17	7.8	16	-1
Carmarthenshire	18	7.1	17	-1
Pembrokeshire	19	6.6	20	1
Gwynedd	20	6.1	19	-1
Ceredigion	21	5.7	21	0
Powys	22	4.8	22	0

Source: VAT Registration Data

* Birth rate of VAT based enterprises is the number of registrations expressed as a proportion of overall stock.

Table 2.25 highlights net business birth rate. Under this measure Rhondda Cynon Taf has slipped one place in the overall rankings, although it remains the 5th highest ranked local authority in Wales.

Table 2.25: Net business birth rate* rankings for Local Authorities in Wales; change in rankings 2001 – 2004

	Rank 2004	Net Birth Rate 2004	Rank 2001	Change in Rank
Merthyr Tydfil	1	4.9	1	0
Blaenau Gwent	2	2.7	9	+7
Vale of Glamorgan	3	2.4	17	+14
Flintshire	4	2.2	8	+4
Rhondda Cynon Taf	**5**	**1.7**	**3**	**-2**
Bridgend	6	1.7	5	-1
Newport	7	1.4	4	-3
Caerphilly	8	1.4	7	-1
Neath Port Talbot	9	1.3	13	+4
Torfaen	10	1.2	6	-4
Cardiff	11	1.1	2	-9
Monmouthshire	12	1.1	12	0
Swansea	13	0.8	11	-2
Wrexham	14	0.2	14	0
Anglesey	15	0.0	15	0
Denbighshire	16	0.0	18	+2
Conwy	17	-0.4	21	+4
Ceredigion	18	-0.7	10	-8
Carmarthenshire	19	-0.7	19	0
Gwynedd	20	-1.2	16	-4
Pembrokeshire	21	-1.6	22	+1
Powys	22	-1.8	20	-2

Source: VAT Registration Data

* Net Birth rate of VAT based enterprises is the net change of registrations expressed as a proportion of overall stock.

Competitiveness

Developing a local economy is very much dependent upon developing the competitiveness of that economy. An ever-changing global economy means that in order for an economy to remain competitive it must constantly evolve and develop its knowledge-base. Robert Huggins Associates Global Index of Regional Knowledge Economies states that *knowledge is the ingredient that underlies the competitiveness of regions, nations, sectors or firms*.[7] One way of measuring this

[7] Robert Huggins Associates Global Index of Regional Knowledge Economies, SEEDA, 2001

knowledge-base is to look at the number of knowledge-based businesses within Rhondda Cynon Taf.[8]

Table 2.26 below highlights a growth in knowledge-based businesses (measured using Annual Business Inquiry workplace data) between 2000 and 2004 within Rhondda Cynon Taf (and indeed Wales). The stagnation in growth in the proportion of knowledge-based businesses throughout Great Britain would suggest that an element of the growth in knowledge-based businesses throughout Rhondda Cynon Taf represents the local economy 'catching up' with national trends.

Table 2.26: Knowledge-Based Businesses (expressed as a percentage of all business units)

	2000	2004
Rhondda Cynon Taf	10.6%	12.5%
Great Britain	20.5%	20.6%
Wales	13.1%	14.1%

Source: Annual Business Inquiry

Much of the growth in knowledge-based businesses is from the high-tech services sector (a full definition is available in the Appendices). Between 2000 and 2004 a drop in the proportion of high-tech manufacturing businesses was experienced within Rhondda Cynon Taf. During the same period the proportion of high-technology service businesses rose from 9.5% to 11.6%.

Table 2.27: High Tech Manufacturing and Services Businesses in Rhondda Cynon Taf (expressed as a percentage of all business units)

	2000	**2004**
High-tech Manufacturing	1.1%	0.9%
High-tech Services	9.5%	11.6%

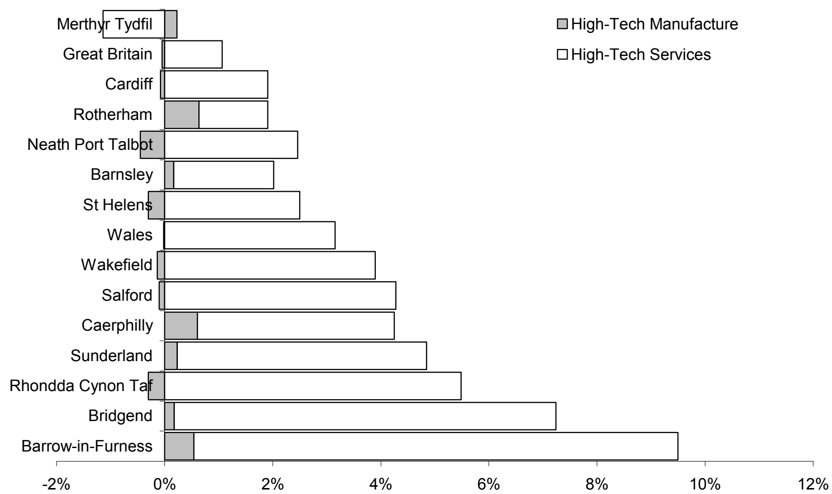
Source: Annual Business Inquiry

The chart below illustrates the level of growth in knowledge-based businesses that has been seen throughout Rhondda Cynon Taf between 2000 and 2004. The chart also includes an extended list of comparator localities. The chart highlights significant growth in the number of knowledge-based businesses within Rhondda Cynon Taf, consisting of growth in high-technology services. Out of the comparator localities, only Bridgend and Barrow-in-Furness have experienced greater growth. For all areas the main catalyst for growth has been growth in the number of high-technology service sector businesses, with the number of high-technology manufacturing businesses remaining relatively static, reflecting partly the long-term trend in manufacturing businesses throughout the United Kingdom,

[8] See Appendix – Knowledge-based businesses are the combination of high-tech manufacturing and high-tech services

and the greater international competition faced by high-technology manufacturing businesses in the global marketplace.

Figure 2.17: Growth in the Number of Knowledge-based Businesses, 2000 to 2004



Source: Annual Business Inquiry

Job-related Training

Monitoring levels of job-related training is a further measure of the knowledge-capacity of a local area. Both the Labour Force Survey and the Annual Population Survey produce data on job-related training (although there are differences in the results of both data sources).

Both Labour Force Survey and Annual Population Survey data suggests that job-related training in Rhondda Cynon Taf roughly mirrors the Great Britain and Wales averages. For the period June 2004 to May 2005 Labour Force Survey four quarterly average data estimated that 14.2% of the working age population of Rhondda Cynon Taf undertook some form of job-related training within the four weeks previous to responding to the survey. This figure was slightly higher than the UK figure of 13.7%, and just below the Welsh average of 14.2%.

Time series analysis reveals that job-related training has increased within Rhondda Cynon Taf since 2000. This growth has occurred throughout Great Britain and Wales, although in some comparator areas, such as Caerphilly and Barnsley the figure has dropped slightly.

Table 2.28: Working-age people receiving job-rel training in last 4 weeks as % of all working age people

	Jun 1999-May 2000	Jun 2004-May 2005
Great Britain	13.1	13.7
Wales	12.0	14.2
Rhondda Cynon Taf	**12.3**	**13.9**
Bridgend	10.3	14.4
Caerphilly	12.9	11.4
Cardiff	15.5	17.0
Merthyr Tydfil	-	-
Neath Port Talbot	11.8	15.2
Sunderland	9.3	12.9
Barnsley	11.7	11.5
Rotherham	10.4	15.4
Wakefield	11.7	12.6
Barrow-in-Furness	-	17.8
Salford	10.9	16.1
St Helens	10.6	10.4

Source: Labour Force Survey - quarterly: four quarter averages

Annual Population Survey data provides further insight into job related training, providing data on training by sector, and also whether survey respondents had revived job-related training during the 13 weeks prior to undertaking the survey.

The table below highlights that job-related training in Rhondda Cynon Taf roughly mirrors the Wales and Great Britain levels of job-related training.

Table 2.29: Working-age people receiving job-related training Apr 2004-Mar 2005 (proportion of working age population)

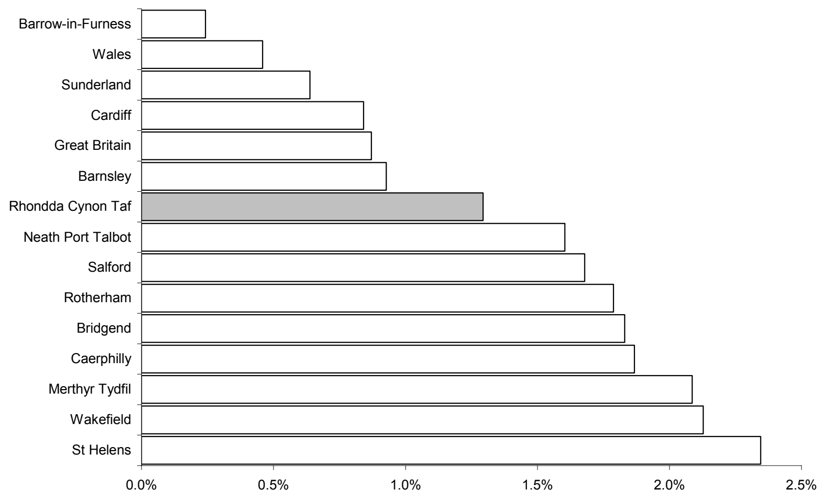
	Great Britain	Wales	Rhondda Cynon Taf
% who received job related training in last 4 wks - in private services	13.2	13.6	13.9
% who received job related training in last 4 wks - in production	10.5	10.6	11.3
% who received job related training in last 4 wks - public sector	24.5	24.2	23.0
% of all who received job related training in last 13 wks - working age	22.4	22.2	21.0

Source: Annual Population Survey

Business Growth

The growth of new businesses within Rhondda Cynon Taf (as measured by the growth in VAT registered businesses) has exceeded both Wales and Great Britain figures. Between 2000 and 2004 the number of new VAT registered businesses within the County Borough rose by 1.3%. This was greater than the 0.5% and 0.9% growth experienced by Wales and Great Britain respectively. It is worth noting, however, that many of Rhondda Cynon Taf's comparator areas experienced even greater growth in the number of VAT registered businesses over the same time period.

Figure 2.18: Growth in the Number of VAT Registered Businesses 2000-2004



Source: VAT Registered Businesses

Between 2000 and 2004 a contraction in the number of construction businesses occurred within Rhondda Cynon Taf, whilst there was an increase in the number of manufacturing businesses. The increase in the number of manufacturing businesses, in the face of a contracting sector in employment size, suggests that the businesses within the manufacturing sector in Rhondda Cynon Taf are becoming smaller in size.

Table 2.30: Growth in the Number of VAT Registered Businesses, by sector 2000-2004

	Manufacturing	Construction
Great Britain	-1.8%	2.2%
Wales	-0.3%	1.3%
Rhondda Cynon Taf	**0.7%**	**-1.4%**

Source: VAT Registered Businesses

Trends of business growth within Rhondda Cynon Taf for the wholesale, retail and repairs sector roughly mirror the national trends, where employment growth has been coupled with a fall in the number of businesses. More and more large stores and chains are entering the retail sector throughout the United Kingdom at the expense of smaller retail outlets, and it is apparent that this trend is also occurring within Rhondda Cynon Taf.

There has been considerable growth in the number of VAT registered hotels and restaurants within the County Borough of Rhondda Cynon Taf, as well as similar levels of growth in the transport, storage and communications sector.

Table 2.31: Growth in the Number of VAT Registered Businesses, by sector 2000-2004

	Wholesale, retail and repairs	Hotels and restaurants	Transport, storage and communication
Great Britain	-0.4%	2.8%	1.2%
Wales	-0.5%	2.5%	0.5%
Rhondda Cynon Taf	-0.1%	3.2%	2.5%

Source: VAT Registered Businesses

The greatest growth in VAT registered business in Rhondda Cynon Taf between 2000 and 2004 has been experienced within the real estate, renting and business activities. Whilst some of this growth can be attributed to the increase in real estate activities that occurred during this period, the above average growth (in comparison with both Great Britain and Wales) would suggest that there has been considerable growth of VAT registered businesses in other business related enterprises.

Table 2.32: Growth in the Number of VAT Registered Businesses, by sector 2000-2004

	Financial intermediation	Real Estate, renting and business activities
Great Britain	0.2%	2.3%
Wales	-0.7%	3.5%
Rhondda Cynon Taf	0.0%	5.7%

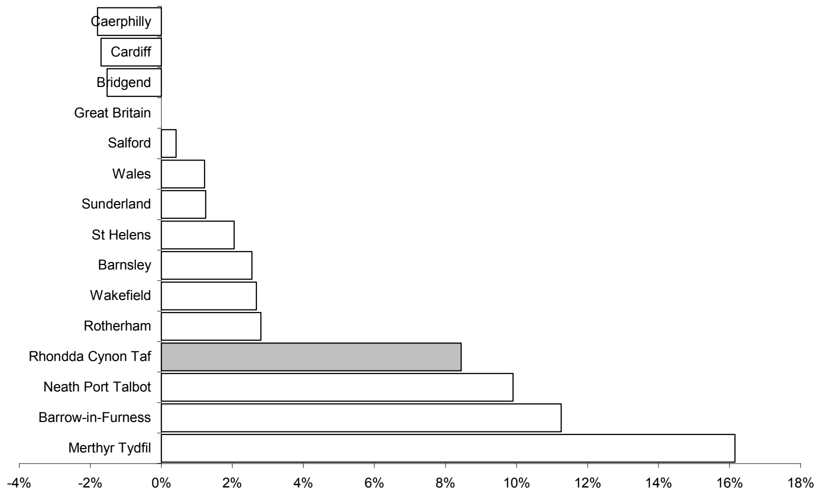
Source: VAT Registered Businesses

Workforce Issues

Economic Activity represents a robust measure of the available workforce within a local area. High economic activity rates are associated with areas of high economic output and competitiveness. Earlier analysis, as well as the of the 2003 Review of the Rhondda Cynon Taf Economic Regeneration Strategy, has shown that low economic activity rates is one factor that has caused the relatively low levels of economic output within Rhondda Cynon Taf.

Figure 2.09 below highlights that Rhondda Cynon Taf has experienced an increase in economic activity in recent years. This can be mostly attributed o an increase in economic activity within the younger age groups within the County Borough. Only in three of the comparator areas has growth in economic activity outstripped that of Rhondda Cynon Taf (one of these areas being neighbouring Merthyr Tydfil).

Figure 2.19: Change in Economic Activity Rate (%), 2000 to 2004



Source: Annual Population Survey/Labour Force Survey

Workplace-based earnings within Rhondda Cynon Taf remain low, and are the lowest of all the comparator localities analysed. At £357.50, the median gross weekly pay packet in Rhondda Cynon Taf is substantially lower than both Great Britain and Wales figures. Earnings are also notably lower than in neighbouring Bridgend, Caerphilly and Merthyr Tydfil.

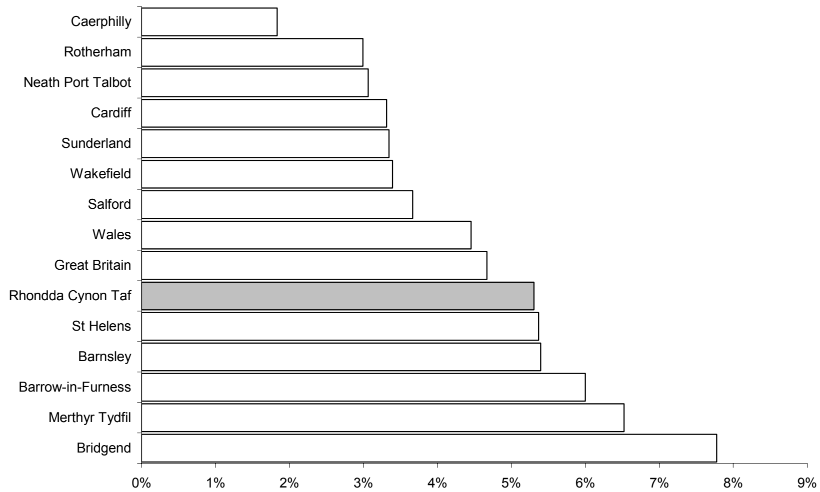
Table 2.33: Workplace-based Median Gross Weekly Pay 2005 (£)

Great Britain	432.1
Wales	389.9
Rhondda Cynon Taf	**357.5**
Bridgend	426.9
Caerphilly	367.6
Cardiff	396.0
Merthyr Tydfil	385.5
Neath Port Talbot	435.1
Sunderland	390.7
Barnsley	379.3
Rotherham	373.6
Wakefield	411.3
Barrow-in-Furness	401.7
Salford	395.2
St Helens	400.6

Source: Annual Survey of Hours and Earnings

Despite low rates of pay within Rhondda Cynon Taf there is more positive news – earnings have been increasing steadily in recent years. The chart below illustrates growth in earnings between 2000 and 2005 for Rhondda Cynon Taf and a number of comparator localities. The chart highlights that earnings growth has outstripped that of Wales and Great Britain, as well as a number of comparator localities between 2000 and 2005.

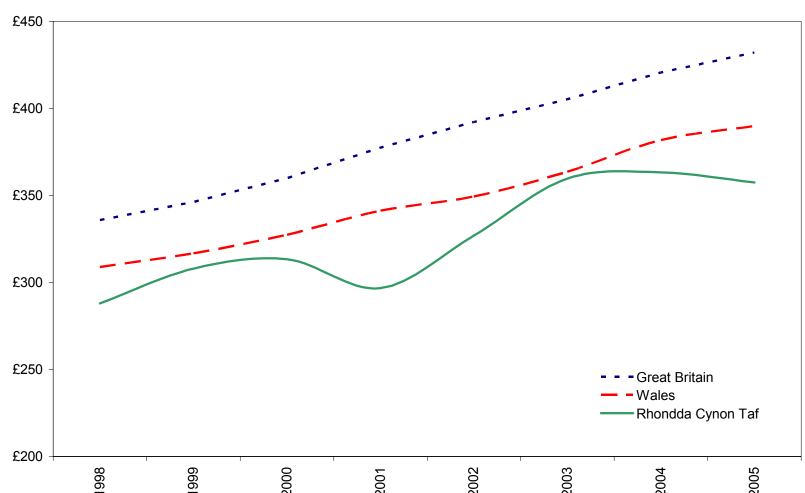
Figure 2.20: Workplace-based Growth in Median Gross Weekly Pay 2000-2004



Source: Annual Survey of Hours and Earnings

The chart below illustrates graphically the growth in workplace earnings that occurred between 1998 and 2005. The chart highlights an overall upward trend, although it is noticeable that earnings within the County Borough fell between 2004 and 2005.

Figure 2.21: Workplace-based Median Gross Weekly Pay



Source: Annual Survey of Hours and Earnings

The employment rate (as measured by the proportion of the working age population in employment) in Rhondda Cynon Taf continues lag to that of Great Britain and Wales.

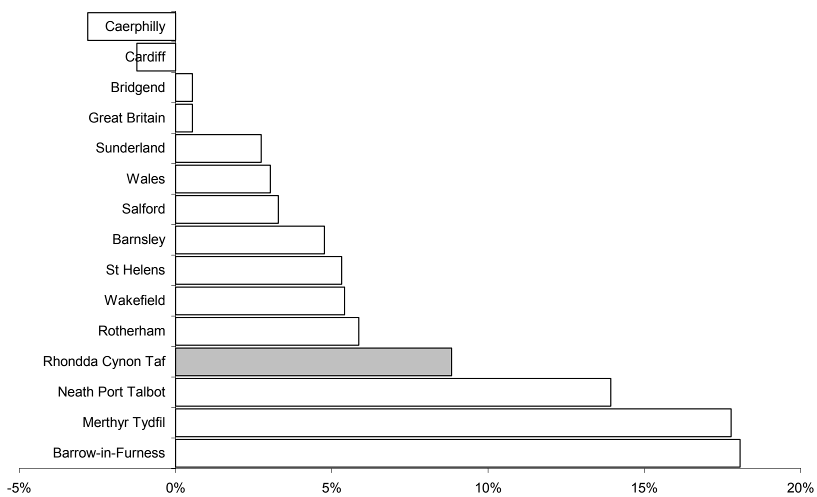
Table 2.34: Employment Rate (Employment as a percentage of working age population)

	Mar 2000-Feb 2001	Mar 2001-Feb 2002	Mar 2002-Feb 2003	Mar 2003-Feb 2004	Apr 2004-Mar 2005
Great Britain	74.1	74.3	74.2	74.3	74.5
Wales	69.2	69.1	69.8	70.5	71.3
Rhondda Cynon Taf	63.4	64.0	66.0	65.5	69.0

Source: Annual Population Survey/Labour Force Survey

However, the employment rate has grown within Rhondda Cynon Taf. Between 2000 and 2004 comparison of Labour Force Survey and Annual Population Survey data revealed that the employment rate within the County Borough had grown by almost 9%. This growth outstripped that of Wales and Great Britain, as well as a number of comparator localities.

Figure 2.22: Change in Employment Rate (%), 2000 to 2004



Source: Annual Population Survey/Labour Force Survey

The proportion of 'knowledge workers' – those that undertake the decision making within the workplace – is significantly lower in Rhondda Cynon Taf than found throughout England and Wales as a whole. Less than 10% of workers within Rhondda Cynon Taf are managers and senior officials, this compares with 14.5% of workers throughout England and Wales. The proportion of people employed in professional occupations within the County Borough is also considerably lower than throughout the rest of England and Wales.

Table 2.35: Occupational Profile

	England and Wales	Wales	Rhondda Cynon Taf
Managers and Senior Officials	14.5%	12.0%	9.5%
Professional Occupations	12.0%	10.2%	10.1%
Associate Professional and Technical Occupations	13.4%	12.6%	11.0%
Administrative and Secretarial Occupations	12.0%	11.5%	10.3%
Skilled Trades Occupations	10.7%	12.1%	11.2%
Personal Service Occupations	7.3%	7.6%	9.2%
Sales and Customer Service Occupations	7.4%	7.8%	8.6%
Process, Plant and Machine Operatives	7.1%	9.1%	12.1%
Elementary Occupations	10.9%	11.5%	11.4%
Other	4.7%	5.6%	6.5%

Source: Annual Population Survey

The data in the table below has been calculated using Annual Population Survey and Census data. The table highlights that there has been little change in the occupation profile of Rhondda Cynon Taf, although the data is indicative of a shift from manufacturing occupations to service sector occupations.

Table 2.36: Change in Occupational Structure 2001-2004 (excludes 'other' category from Annual Population Survey Data

	England and Wales	Wales	Rhondda Cynon Taf
Managers and Senior Officials	0.1%	2.4%	0.4%
Professional Occupations	1.5%	0.4%	0.4%
Associate Professional and Technical Occupations	0.3%	0.5%	0.5%
Administrative and Secretarial Occupations	-0.8%	1.1%	0.0%
Skilled Trades Occupations	-0.4%	-1.2%	-0.6%
Personal Service Occupations	0.7%	-1.1%	0.6%
Sales and Customer Service Occupations	0.1%	-0.6%	0.3%
Process, Plant and Machine Operatives	-1.0%	-1.2%	-0.5%
Elementary Occupations	-0.4%	-0.3%	-1.1%

Source: Annual Population Survey/Census 2001

Robert Huggins Associates UK Competitiveness Index provides a composite score for competitiveness of local areas throughout the United Kingdom. Rhondda Cynon Taf's overall composite score has dropped since the 2002 analysis (which was documented in the 2003 Review of the Rhondda Cynon Taf Economic Regeneration Strategy). This is despite increasing employment rates, activity rates and levels of knowledge-based businesses. The competitiveness analysis suggests that the key to the development of a competitive Rhondda Cynon Taf economy is to develop more highly-paid, high value added employment.

Table 2.37: UK Competitiveness Index 2005

	Business Density 2003	Gross weekly pay - Workplace Based Full Time 2003 (£)	Claimant count (as a Proportion of resident working age population estimates) 2004	Economic activity rate - working age 2003	Proportion of Knowledge -Based Business 2003 (%)	**UK Competitiveness Index 2005**	UK Competitiveness Index 2002
UK/GB	30.4	£462	2.4	78.2	21.2	**100.0**	100.0
Sunderland	14.0	£408	3.1	71.8	13.5	**80.6**	86.1
Salford	23.8	£425	2.6	70.8	17.1	**92.8**	95.1
St Helens	17.4	£405	2.7	73.0	13.9	**82.4**	86.3
Barrow-in-Furness	14.4	£403	2.8	70.7	18.9	**81.4**	82.8
Bridgend	20.2	£408	2.2	74.9	12.7	**85.0**	87.6
Caerphilly	16.7	£389	2.8	70.8	9.6	**75.0**	84.9
Cardiff	23.5	£455	2.4	75.3	22.0	**102.7**	100.5
Merthyr Tydfil	13.8	£426	3.2	66.8	9.1	**74.4**	83.1
Neath Port Talbot	16.3	£447	2.6	66.9	10.2	**78.8**	86.2
Rhondda Cynon Taf	**16.1**	**£398**	**2.4**	**70.5**	**12.4**	**78.4**	84.5
Barnsley	19.8	£408	2.1	72.0	13.2	**81.4**	85.9
Wakefield	21.1	£438	2.0	80.2	11.7	**88.3**	89.1
Rotherham	18.6	£413	2.4	76.2	14.2	**83.4**	86.9

Source: Robert Huggins Associates/Labour Force Survey/New Earnings Survey/Annual Business Inquiry

2.11 Resident Earnings

Earnings for Rhondda Cynon Taf residents remain low, considerably less than throughout the United Kingdom as a whole and also significantly lower than the comparable all-Wales figure. Earnings in Rhondda Cynon Taf are also lower than all of its comparator localities, except Sunderland with which it currently shares the same median resident gross weekly pay figure.

One reason for the difference in earnings between Rhondda Cynon Taf and national averages is a low rate of earnings growth between 2002 and 2005. Annual growth rate between these years stood at 2.9% for Rhondda Cynon Taf. Over the same period Wales experienced earnings growth of 3.6%, whilst the United Kingdom experienced earnings growth of 3.6%. This differential in growth can be partly attributed to a fall in earnings between 2004 and 2005 in Rhondda Cynon Taf, whilst earnings elsewhere, including all comparator localities, continued to climb.

Table 2.37: Median resident gross weekly pay (£)

	2002	2003	2004	2005	CAGR* % (2002-2005)
Rhondda Cynon Taf	336	348	377	366	2.9%
Wales	354	369	383	393	3.6%
United Kingdom	391	404	420	431	3.3%
Bridgend	352	370	410	436	7.5%
Caerphilly	322	329	350	385	6.2%
Barnsley	346	355	377	394	4.4%
Barrow-in-Furness	349	355	384	390	3.7%
Salford	346	354	369	376	2.7%
Sunderland	315	328	352	366	5.1%

Source: Annual Survey of Hours and Earnings
* Compound Annual Growth Rate

2.12 Economic Activity

Economic activity rates (as measured by the Local Area Labour Force Survey, and the subsequent Annual Population Survey) have risen steadily In Rhondda Cynon Taf since 2001. The increase in economic activity has outgrown that of Wales, and considerably outpaced that of the United Kingdom, which has experienced very little change in economic activity in the past five years.

The increase in economic activity in Rhondda Cynon Taf has outpaced most of its comparator regions. Between the periods March 1999-Feburary 2000 and April 2004 to March 2005, only Bridgend has experienced greater growth in its proportion of economically active working age population.

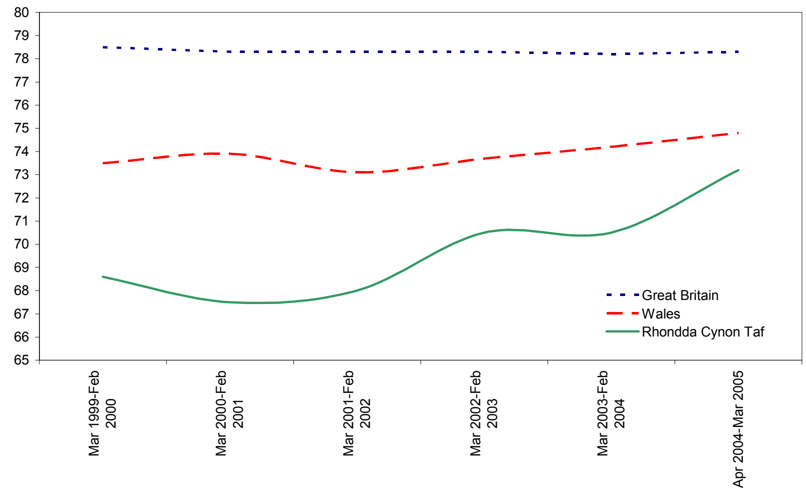
Table 2.38: Economic Activity Rates

	Mar 1999-Feb 2000	Mar 2000-Feb 2001	Mar 2001-Feb 2002	Mar 2002-Feb 2003	Mar 2003-Feb 2004	Apr 2004-Mar 2005*
Great Britain	78.5	78.3	78.3	78.3	78.2	78.3
Wales	73.5	73.9	73.1	73.7	74.2	74.8
Rhondda Cynon Taf	**68.6**	**67.5**	**68.0**	**70.5**	**70.5**	**73.2**
Bridgend	72.5	78.6	74.4	75.9	74.9	77.4
Caerphilly	74.8	72.2	71.1	69.8	70.8	70.9
Barnsley	77.3	74.4	71.6	70.6	72.0	76.3
Barrow-in-Furness	76.0	67.5	73.2	68.4	70.7	75.1
Salford	70.2	72.0	72.6	76.3	70.8	72.3
Sunderland	69.8	72.0	71.7	72.7	71.8	72.9

Source: Local Area Labour Force Survey, Except *Annual Population Survey

Figure 2.23 below highlights the growth in economic activity that has occurred within Rhondda Cynon Taf since the beginning of the millennium. The chart shows the converging trends for economic activity for Wales and Rhondda Cynon Taf, which are steadily catching up with the Great Britain economic activity rate.

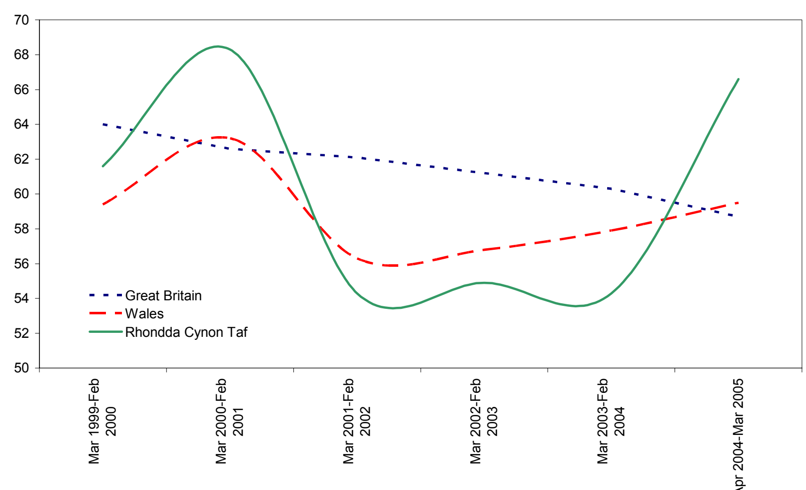
Figure 2.23: Economic Activity Working Age Population



Source: Local Area Labour Force Survey/Annual Population Survey

Within Rhondda Cynon Taf there has been considerable fluctuation in the proportion of those aged 16-19 who are classified as economically active. As this is a relatively small group in terms of population size, however, it is also subject to smaller sample sizes which can affect the Annual Population Survey and Local Area Labour Force Survey results. However, as figure 2024 illustrates the recent increase in economic activity within this age group has occurred whilst there has been an overall downward trend throughout the United Kingdom.

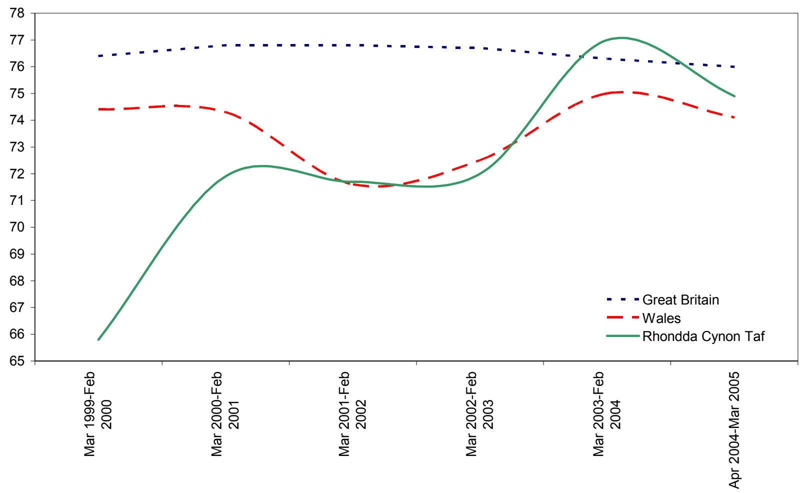
Figure 2.24: Economic Activity: all people aged 16-19



Source: Local Area Labour Force Survey/Annual Population Survey

There has been a considerable increase in the levels of economic activity within the 20-24 year age group. Since the year 2000 the proportion of those aged 20-24 classified as economically active has risen from less than 66% to a figure closer to 75%. Figure 2.25 below illustrates economic activity rates for the 20-24 year population within Rhondda Cynon Taf.

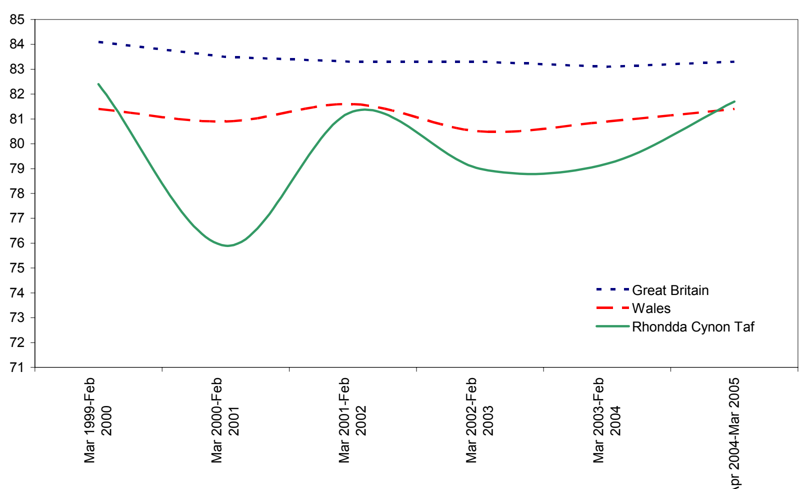
Figure 2.25: Economic Activity: all people aged 20-24



Source: Labour Force Survey quarterly: four quarter averages

Over the period of analysis in figure 2.26 below there has been little variation in the proportion of those aged between 25 and 34 that have been classified as economically active. A slight dip in the economically active population occurred during the period March 2000 to February 2001.

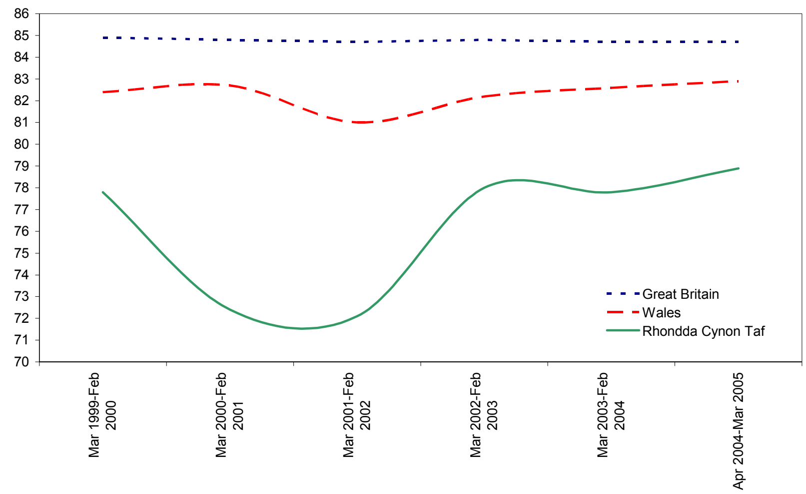
Figure 2.26: Economic Activity: all people aged 25-34



Source: Labour Force Survey quarterly: four quarter averages

A dip in the proportion of those economically inactive between the ages of 35 and 49 occurred during the years 2000 and 2001in Rhondda Cynon Taf. Recently the economic activity rate for this age group has stabilised, and remains considerably less than the Wales and Great Britain levels of economic activity.

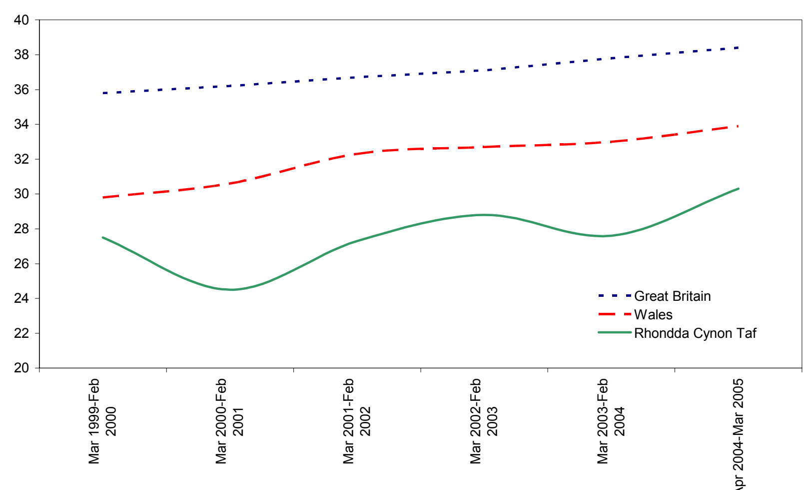
Figure 2.27: Economic Activity: all people aged 35-49



Source: Labour Force Survey quarterly: four quarter averages

There has been a slight upward trend in the economic activity rate of those aged over 50 in Rhondda Cynon Taf, Wales and Great Britain. The differential between the national figures and the local Rhondda Cynon Taf figure has remained fairly constant in since the year 2000.

Figure 2.28: Economic Activity: all people aged 50+



Source: Labour Force Survey quarterly: four quarter averages

2.13 Unemployment

Unemployment (measured as the ILO claimant count) in Rhondda Cynon Taf has fallen slightly since 2001, although it is noticeable that Local Area Labour Force Survey data highlights a constant rise in unemployment between the March 2001-Feburary 2002 and the March 2003-Feburary 2004 period.

The overall unemployment rate in Rhondda Cynon Taf is slightly higher than the comparable Wales and Great Britain figures. Unemployment is considerably lower than in two of the comparator areas, Caerphilly and Sunderland, but remains higher in Rhondda Cynon Taf than within Bridgend, Barnsley, Barrow-in-Furness and Salford. The issues for Rhondda Cynon Taf is that the area is still one of relatively high (albeit not a significantly large proportion) unemployment, as well as one with relatively low, if rising, economic activity rates.

Table 2.39: Unemployment Rate

	Mar 2001-Feb 2002	Mar 2002-Feb 2003	Mar 2003-Feb 2004	Apr 2004-Mar 2005*	CAGR** %
Great Britain	5.1	5.2	5.0	4.8	-2.0%
Wales	5.5	5.3	5.1	4.7	-5.1%
Rhondda Cynon Taf	**5.9**	**6.4**	**7.1**	**5.7**	-1.1%
Bridgend	4.9	5.0	4.0	3.4	-11.5%
Caerphilly	8.6	6.9	5.3	7.3	-5.3%
Barnsley	6.3	6.6	4.7	4.8	-8.7%
Barrow-in-Furness	-	-	6.0	4.2	-
Salford	6.5	6.7	4.9	4.4	-12.2%
Sunderland	8.1	7.8	8.2	7.2	-3.9%

Source: Local Area Labour Force Survey, Except *Annual Population Survey
** Compound Annual Growth Rate (Mar 2001-Feb 2002 to Apr 2004-Mar2005)

Analysis of unemployment by age band reveals little variation between Rhondda Cynon Taf and its national and local comparators. Unemployment, as in most areas of the United Kingdom, is greatest for the youngest age groups. The age group with the greatest differential is the 50+ age group, where 4.7% of the population are unemployed, compared with just 2.4% of the population for the same age group throughout Wales.

Table 2.40: Unemployment Rate by Age Apr 2004-Mar 2005

	Working Age	16-19	20-24	25-34	35-49	50+
Great Britain	4.8	17.2	9.1	4.3	3.1	2.6
Wales	4.7	18.4	9.9	4.4	2.3	2.4
Rhondda Cynon Taf	**5.7**	**20.7**	**8.7**	**4.9**	**2.5**	**4.7**
Bridgend	3.4	18.9	-	3.0	1.5	1.7
Caerphilly	7.3	26.9	14.0	10.7	1.6	2.8
Barnsley	4.8	20.9	8.1	2.3	3.7	1.9
Barrow-in-Furness	4.2	19.4	-	3.7	1.4	5.1
Salford	4.4	17.4	5.4	3.5	3.3	2.2
Sunderland	7.2	22.3	7.4	7.2	4.5	4.3

Source: Annual Population Survey

2.14 Claimant Count and Long-Term Unemployment

An alterative measure of unemployment is the use of claimant data to calculate the unemployment benefit claimant rate. This is often a more useful measure of unemployment level for local areas, as the data is a complete count of those who are claiming benefit, as opposed the sample approach adopted by the Labour Force Survey calculation of ILO unemployment.

Table 2.41 below highlights the claimant count in Rhondda Cynon Taf. The data shows a broadly similar pattern to the data in table 2.26 above, with slightly higher levels of unemployment found in Rhondda Cynon Taf than found throughout Wales and the United Kingdom as a whole.

Table 2.41: Claimant Count as a proportion of working age population

	September 2001	September 2002	September 2003	September 2004	September 2005
United Kingdom	2.6	2.6	2.5	2.2	2.4
Wales	2.8	2.7	2.4	2.2	2.3
Rhondda Cynon Taf	**2.6**	**2.5**	**2.4**	**2.2**	**2.5**
Bridgend	2.5	2.2	2.1	2.0	2.5
Caerphilly	2.9	2.7	2.7	2.6	2.9
Barnsley	3.1	2.5	2.3	1.8	2.2
Barrow-in-Furness	3.0	2.9	2.7	2.8	2.9
Salford	2.8	2.7	2.6	2.5	2.6
Sunderland	4.2	3.7	3.5	2.9	3.0

Source: Claimant Count

Throughout Rhondda Cynon Taf, Wales and the United Kingdom there has been a consistent downward trend in the proportion of long-term claimants that comprise the overall claimant count rate. Between 1995 and 2005 the proportion of claimants who have been claiming for 12 months or longer in Rhondda Cynon Taf fell from 33.4% to just 8.1%. Whilst it has been noted that the long-term trend (specifically when looking at pre-1997 data) has been influenced by the Labour Government's New Deal Programme, it is still apparent that between the year 2000 and 2005 there has also been a considerable fall in the proportion of long-term benefit claimants within Rhondda Cynon Taf.

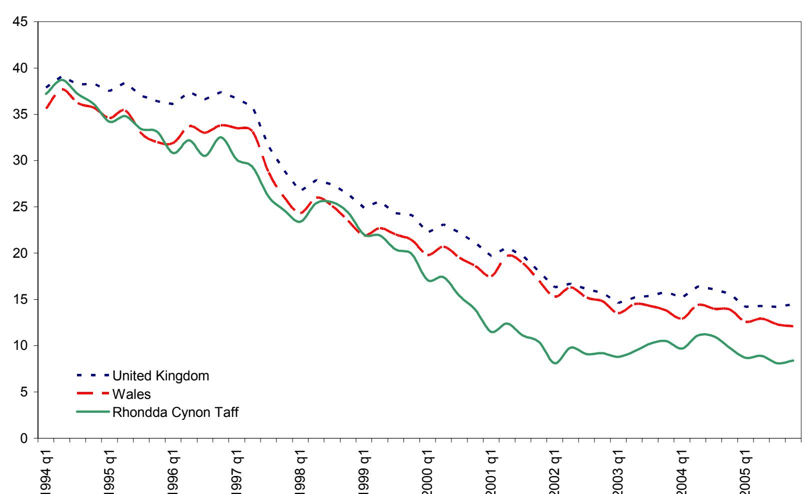
Table 2.42: Proportion of claimants who have been claiming benefits for 12 months or more

	September 1995	September 2000	September 2005
United Kingdom	37.0	22.2	14.2
Wales	32.9	19.5	12.3
Rhondda Cynon Taf	**33.4**	**15.4**	**8.1**
Bridgend	30.2	14.2	6.6
Caerphilly	34.7	17.6	16.3
Barnsley	33.1	18.2	6.2
Barrow-in-Furness	31.0	18.2	11.3
Salford	40.7	17.6	13.7
Sunderland	39.3	25.8	9.2

Source: Claimant Count

Figure 2.29 below highlights the fall in the proportion of claimants who have been claiming benefits for 12 months or more within the United Kingdom, Wales and Rhondda Cynon Taf. As the chart illustrates, all three areas have experienced a significant decline in long-term unemployment, with the fall in Rhondda Cynon Taf greater than that of both Wales and the UK.

Figure 2.29: Proportion of claimants who have been claiming benefits for 12 months or more



Source: Claimant Count

2.15 Quality of Life

The main method of analysing the attractiveness of an area for residents is the cost of housing. Simply put, the more that people want to live in an area, the greater the cost of local housing. However, it is also important to realise the influence of other factors on the price of housing – economic factors such as unemployment and earnings have a significant impact, as well as the obvious supply and demand issues. It is also important to note that high housing costs are also detrimental to the quality of life in an area for those who have to pay those high prices. It is suggested, therefore, that house prices should be monitored, especially surrounding areas of regeneration – but should not be used as a key performance indicator for quality of life within Rhondda Cynon Taf.

Table 2.43: Average House Price

	Rhondda Cynon Taf	Wales
2005 four quarterly average	£96,442	£139,420
2000 four quarterly average	£46,797	£67,333

Source: Land Registry

Furthermore, it is important to note that house prices are also affected by the types of homes being bought. The price of terraced homes throughout Wales has increased at a greater rate than that of all housing, whilst overall house prices increased by 106% in Rhondda Cynon Taf between 2000 and 2005, the cost of terraced housing increased by 137%. Because the stock of housing is different in different areas in Wales this makes it difficult to compare house prices directly.

Table 2.44: Average House Price (Terraced)

	Rhondda Cynon Taf	Wales
2005 four quarterly average	£71,218	£101,394
2000 four quarterly average	£30,033	£45,334

Source: Land Registry

Quality of Life- Index of Multiple Deprivation

The best long-term indicator of overall living conditions is the Index of Multiple Deprivation, which is covered in detail earlier in this chapter. The Welsh Index of Multiple Deprivation was originally launched in 2000, and updated in 2005.

The Welsh Index of Multiple Deprivation offers an overall measure of the general quality of life within an area and as such is a key measure of the quality of life within an area.

Whilst different datasets were used for the completion of the overall composite index, and different geographical boundaries were used for the study, it is possible to compare the two datasets (albeit with health warnings regarding the issues mentioned). The analysis in Chapter 2 has shown that quality of life indicators in Rhondda Cynon Taf have improved between 2000 and 2005 – with fewer areas within Rhondda Cynon Taf found in the bottom 25% of output areas in Wales in the domains of income, employment health and education.

Further analysis and comparisons can be undertaken in the future by using the physical environment domain introduced for the 2005 Welsh Index of Multiple Deprivation. The indicators used for the physical environment domain are:

- Air quality
- Air emissions
- Living within 1 km of a waste disposal site
- Proportion of people living within 1 km of an Environment Agency regulated industrial source
- Proportion of people living in an area with a significant risk of flooding

Recycling and Waste Disposal

Whilst not strictly a strategic goal, recycling and waste disposal is still an important element of the implementation of **Priority 5: Improving Where we Live**. The Welsh Assembly Government regularly produces data relating to municipal recycling/composting rates by unitary authority, which is highlighted in the table below. The data shows that within Rhondda Cynon Taf the level of recycling has increased considerably since 2000.

Table 2.45: Municipal recycling/composting rates by unitary authority

	2000-01	2004-05
Wales	7.0	21.7
Rhondda Cynon Taf	3.6	15.6

Source: Municipal Waste Management Survey

E-Government

There has been a significant improvement in the use of e-governance within Rhondda Cynon Taf between the years 2001/02 and 2004/05. As highlighted in the table below, just four years ago less than 15% of public interactions capable of being delivered electronically were made available electronically (i.e., using the internet). This figure has risen sharply, and by 2004/05 over 42% of public interactions capable of being delivered electronically were made available electronically.

Table 2.46: The percentage of interactions with the public, by type, which are capable of electronic service delivery and which are being delivered using internet protocols or other paperless methods

	2001/2002	2002/2003	2003/2004	2004/2005
Isle of Anglesey	-	-	-	-
Gwynedd	1.5	30.6	46.0	50.0
Conwy	85.0	60.0	43.0	52.0
Denbighshire	29.1	-	54.0	64.0
Flintshire	21.0	25.0	43.0	71.0
Wrexham	22.0	38.0	51.0	58.0
Powys	42.0	26.0	31.0	34.0
Ceredigion	-	7.0	12.0	23.0
Pembrokeshire	-	50.0	64.0	70.0
Carmarthenshire	24.0	31.0	61.0	80.0
Swansea	29.5	30.6	46.9	46.9
Neath Port Talbot	25.0	23.0	23.0	-
Bridgend	64.0	38.0	59.0	63.0
The Vale of Glamorgan	19.0	31.8	32.0	47.0
Cardiff	-	53.0	61.0	70.0
Rhondda Cynon Taf	**14.0**	**15.0**	**28.2**	**42.4**
Merthyr Tydfil	-	5.0	5.0	15.0
Caerphilly	26.0	32.0	35.0	50.0
Blaenau Gwent	-	35.0	28.0	28.5
Torfaen	42.0	30.0	-	-
Monmouthshire	-	-	53.8	74.6
Newport	42.0	45.0	56.0	59.0
Wales Median		31.0	44.5	51.0

Source: Local Government Data Unit Wales

Cultural Activities

Data on the number of pupils visiting museums and galleries in organised school groups is available from the Local Government Data Unit. The data shows that in recent years the number of pupils visiting museums and galleries in Rhondda Cynon Taf has actually fallen from just under 16,000 to 13,339. This is equivalent to a fall of 9% per year. Over the same period the number of pupils visiting museums and galleries in organised school groups throughout the whole of Wales increased by around 2% per annum.

Table 2.47: Number of pupils visiting museums and galleries in organised school groups

	2002/2003	2003/204	2004/2005
Rhondda Cynon Taf	15,992	14,319	13,339
Wales	140,291	142,606	145,688

Source: Local Government Data Unit Wales

Infrastructure

Table 2.48 below provides data on the standards of highways throughout the local authority areas of Wales. The table shows that during 2001/2002 82% of highways and relevant land inspected of a high or acceptable standard of cleanliness in Rhondda Cynon Taf. By 2004/2005 however, this figure had risen to 93%, slightly behind the all Wales average of 95%. Rhondda Cynon Taf is ranked 16th of the 22 local authorities in Wales in terms if the cleanliness of highways and relevant land inspected.

Table 2.48: The percentage of highways and relevant land inspected of a high or acceptable standard of cleanliness.

	2001/2002	2002/2003	2003/2004	2004/2005
Isle of Anglesey	-	-	-	95
Gwynedd	88	88	-	94
Conwy	80	74	73	89
Denbighshire	96	94	96	98
Flintshire	84	87	93	92
Wrexham	96	99	96	96
Powys	93	94	93	91
Ceredigion	97	98	100	99
Pembrokeshire	90	92	96	97
Carmarthenshire	96	99	99	96
Swansea	89	96	95	96
Neath Port Talbot	94	95	96	96
Bridgend	75	79	88	89
The Vale of Glamorgan	91	94	97	96
Cardiff	93	94	93	95
Rhondda Cynon Taff	**82**	**92**	**94**	**93**
Merthyr Tydfil	96	98	96	96
Caerphilly	88	92	95	97
Blaenau Gwent	89	84	74	89
Torfaen	94	95	96	99
Monmouthshire	75	89	97	98
Newport	85	84	90	93
Wales		94	95	95

Source: Local Government Data Unit Wales

2.16 Spending Public Money Locally

Spending public money locally and heightening engagement between the public and private sectors in the locality is a clear priority for stimulating economic development and regeneration. Awareness by the private sector of potential public sector contracts has improved in recent years, as a result of a series of strategic initiatives. These include the establishment of supplier champions and the operation of events focused on raising awareness. Furthermore, local business clubs have been utilised to try to lever and attract local businesses and suppliers towards the possibility of bidding for public sector contracts that are available in the locality.

In this instance, the ‘locality’ refers to a slightly wider geographic area than Rhondda Cynon Taf, and is based on a series of postcode areas. Under this definition, 61% of public sector work is currently being contracted locally, which is significantly higher than the initial target of 55%. The goal is to further increase local spend by a minimum of 0.5% annually. Overall, the local supplier base is strong in many of the areas required to undertake contracted work for the public sector. However, in some areas – such as energy and telecommunications – it is obviously difficult to move away from UK national suppliers that are headquartered outside the locality and Wales as a whole.

Another area of leakage, which is becoming increasingly difficult to overcome, is nursing home care, since consolidation in the sector means that many nursing homes are actually owned by larger companies headquartered outside the locality. However, it should be borne in mind that a positive contribution of these companies is their large utilisation of local labour. This situation is also the case for engineering and construction companies that are contracted from outside the locality to work on infrastructure projects, but nevertheless employ considerable numbers of local workers.

A key feature of the awareness raising events is to breakdown barriers concerning the perceptions of many in the private sector concerning the process of bidding for and winning public sector work. The traditional view of private sector decision-makers is often one of a highly bureaucratic and time consuming process, which has little prospect of gaining a positive outcome. Although paperwork and a degree of red-tape are necessary in terms of meeting the procedures required for spending public money – especially money routed through the European Union. In reality these processes are often no more bureaucratic than bidding for work within the private sector, particularly when dealing with large corporations such as supermarkets and other national retailers.

Those responsible for ensuring the promotion of local public spending in Rhondda Cynon Taf consider that all-Wales level initiatives, such as sell2wales, the Contract Shop and the Local Supplier Development Framework, are highly beneficial to promoting local public sector spending, as they allow marketing to occur at a higher and more strategic level than individual authorities can manage alone. However, one potential downside of these initiatives is that they may give certain suppliers an expectancy of gaining public sector work, which is misplaced if they do not have the necessary quality and level of resources in place. Also, there is a danger that some suppliers become over-dependent on these potential sales routes and discard other forms of ‘lead building’ and marketing.

In general, it appears that Rhondda Cynon Taf is generally well placed in attracting local private sector involvement in public sector provision. However, as issues relating to sustainable procurement policy become a more important feature of contract awarding, potential suppliers will be required to provide goods and services that meet with a range criteria relating to creating a sustainable economy. At present, these have yet to permeate through to the local suppliers to any great extent. Therefore, a future key challenge is to fully address the sustainable procurement agenda. The databases of current and potential suppliers, and monitoring, that public procurers in the locality have developed will facilitate the targeting of those firms requiring advice on these matters.

2.17 Tourism

The Rhondda Valley as a whole has a strong brand potential, but is being held back by a lack of bed stock in Rhondda Cynon Taf. Many small operations, as well as some larger ones, have closed in recent years often due to the ill health of operators. Many visitors tend to be accommodated in Cardiff, Merthyr or Caerphilly, all of which have larger bed stocks. Also accommodation tends to be situated along the major road arteries across South Wales, which negates the effectiveness of Rhondda Cynon Taf as a tourist destination.

Tourism policy and initiatives tend to be implemented and co-ordinated across authority areas in South Wales. Therefore, although there is competition across authority areas, there is also a high degree of co-operation in terms of maximising tourism opportunities. Outdoor pursuits and heritage are they key anchors of tourism in Rhondda Cynon Taf. Outdoor pursuits include cycling and mountain biking, but there is also a strong emphasis on walking and exploiting the natural beauty offered by many parts of the borough, especially its more northern terrain. Heritage activities are boosted by the Rhondda Heritage Park, which is seen as forming part of a wider set of South Wales heritage attractions for visitors. These attractions act as a stimulus for a growing demand for cultural tourism, which includes Llantrisant and the Model House, the Taf Trail, and the Parc and Dare. However, the shortfall in bed stock is potentially a drawback these maximising the economic development potential of these attractions. The increasing focus on walking has resulted in a full scale walking initiative – Loops and Links – including guided walks and supplying walkers with tailored maps and booklets.

In general, it is fair to say that Rhondda Cynon Taf is not always top of the list of visitor destinations in Wales, particularly in comparison with parts of west Wales. However, there is now a steady increase in visitor numbers. A dual focus on culture and outdoor activities would seem to suit both the heritage and terrain/natural beauty that the area has to offer. To fully exploit the economic potential of these factors there is a need to address the low bed stock issue. To a large extent, there is little public policy can do alone in this respect. This suggests that public-private partnerships may be the best approach to designing solutions for the future.

Table 2.49 below highlights visitor numbers in Rhondda Cynon Taf, as measured by the number of tourist days. The table shows a slight increase in visitor numbers, with an increase of 24,000 between 2003 and 2004 – just short of the Economic Regeneration Strategy target of 30,000.

Table 2.49: Rhondda Cynon Taf Tourist Days (Thousands)

	2001	2002	2003	2004
Serviced Accommodation	115	95	107	115
Non-Serviced Accommodation	107	77	74	59
Staying with Friends or Relatives	882	853	849	852
Day Visitors	1,930	2,006	2,044	2,071
TOTAL	**3,034**	**3,031**	**3,073**	**3,097**

Source: STEAM

The importance of day visits, and other visitors that do not use paid-for accommodation within Rhondda Cynon Taf is emphasised by both spending and visitor numbers. Over 90% of tourist days in the County Borough are accounted for by either day visitors, or those choosing to stay with friends or relatives. Similarly 83% of tourism revenue comes from either day visitors, or those choosing to stay with friends or relatives

Table 2.50: Rhondda Cynon Taf Revenue by Category of Visitor (£m)

	2003	2004
Serviced Accommodation	14.7	14.8
Non-Serviced Accommodation	5.3	3.8
Staying with Friends or Relatives	38.1	38.2
Day Visitors	50.5	51.1
TOTAL	**108.6**	**108.0**

Source: STEAM

2.18 Inward Investment

A range of businesses are investing in the local area, and there is a shift from manufacturing towards service sector investment. This does not mean, however, that manufacturing no longer plays a role in inward investment in the local area. The employment created by inward investment is also varied – with many businesses hiring graduate staff and providing high value-added employment. The strategy is to ensure that those businesses that locate in Rhondda Cynon Taf support meaningful employment, and contribute to the sustainable development of Rhondda Cynon Taf rather than represent a 'quick fix' solution.

Geographically, inward investment has centred on the southern areas of Rhondda Cynon Taf, notably those areas close to the M4. Many of these areas are typically seen as 'northern Cardiff'. This does not mean that there is not inward investment taking place in other areas of Rhondda Cynon Taf, but it is true to say that there is noticeably less inward investment in both the Rhondda and Cynon Valleys than the southern areas of the County Borough. The dualling of the A465 'Heads of the Valleys' road may have some positive effects on investment in the northern areas.

The *Routes to Market* scheme has been particularly successful throughout south east Wales. The scheme used various forms of media to promote the south east Wales area as a whole. This has been combined with a marketing strategy and client-driven provision of services that have helped to attract new businesses to Rhondda Cynon Taf and South Wales as a whole.

Typically companies would look at the South East Wales area as a whole; many would not have a great understanding of the local area. Invariably a lot of potential inward investors have little knowledge of Rhondda Cynon Taf, and would generally look at the wider area. The merits of the area are, however, often viewed as less competitive by potential inward investors than those within the local area may believe. This is especially true of the property offer within the area. There are, nonetheless, many attractive factors for businesses to locate to Rhondda Cynon Taf, proximity to the M4 being a significant factor in attracting inward investment.

Inward investment data held by the National Assembly for Wales revels that number of jobs created by inward investment has fallen slightly in recent years. This, however, has been more than offset by the number of jobs created by inward investment expansion. Table 2.51 below highlights recent trends in inward investment throughout Rhondda Cynon Taf.

Table 2.51: All Wales Inward Investment - Rhondda Cynon Taf

Year	Project Type	Number of Projects	Capex £m	New Jobs	S/guarded Jobs
1999/00	New	2	9.4	673	0
	Expansion	5	5.7	193	239
	Total	**7**	**15.2**	**866**	**239**
2000/01	New	2	7.1	401	0
	Expansion	2	7.3	43	134
	Total	**4**	**14.4**	**444**	**134**
2001/02	New	4	1.9	99	0
	Expansion	3	10.5	45	200
	Total	**7**	**12.4**	**144**	**200**
2002/03	Expansion	6	40.2	574	657
	Acquisition	1	0	0	0
	Total	**7**	**40.2**	**574**	**657**
2003/04	Expansion	6	13.9	267	145
	Acquisition	1	6.0	0	200
	Total	**7**	**19.9**	**267**	**345**
2004/05	New	3	1.1	82	0
	Expansion	6	13.5	229	214
	Acquisition	1	6.7	156	0
	Total	**10**	**21.4**	**467**	**214**
2005/06	New	1	0.5	21	0
	Expansion	6	16.1	255	1121
	Acquisition	1	0.0	0	0
	Total	**8**	**16.6**	**276**	**1121**

Source: Welsh Assembly Government

3 Analysis of the GDP Gap

Since the previous review of the Rhondda Cynon Taf regeneration strategy in 2003, Gross Value Added (GVA) has become the most widely used indicator of relative economic performance. Data on regional GVA is published annually by National Statistics and it is now used instead of Gross Domestic Product (GDP) by the UK and Welsh Assembly Governments as the main measure of comparative regional economic performance.

The relationship between GDP and GVA is frequently summarised as follows:

GVA + taxes on products - subsidies on products = GDP

In order to further illustrate the difference between GDP per capita and GVA per capita, we can compare GDP figures from the previous review of the Rhondda Cynon Taf regeneration strategy.

Table 3.1: Comparison of GDP with GVA

	GDP per capita (2000)	GVA per capita (2000)
Great Britain	£16,303	£14,030
Rhondda Cynon Taf	£10,973	£9,312

In order to ensure comparability with previous work, we have analysed GVA time series data for Rhondda Cynon Taf in this section.

Calculating GVA per capita for Rhondda Cynon Taf

As with analysis of GDP per capita undertaken in 2003, we are able to undertake analysis of GVA per capita for Rhondda Cynon Taf. Calculation of GVA per capita can be undertaken using statistics on four contributory factors:

- Labour productivity, or the ratio between real GDP and total employment (average output per person employed).

- The employment rate, or the percentage of the labour force that is actually employed. The ratio is the exact complement of the unemployment rate (i.e. the percentage which wants a job, but does not have one). For example, if the employment rate is 91%, the unemployment rate is 9%.

- The economic activity rate, or the percentage of the population aged 16 – 59/64 which is part of the labour force (i.e. the sum of the employed, the unemployed and those on training schemes).

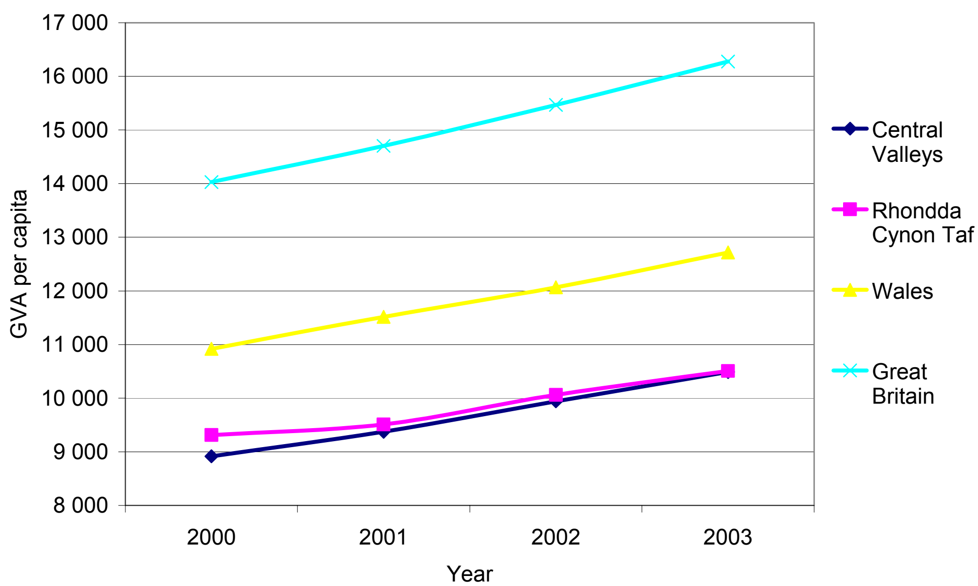
- The working-age ratio, or the percentage of the total population that is of working age (aged 16-59/64).

In order to calculate GVA per capita at the local authority level, we have used total GVA data from National Statistics for the Central Valleys NUTS 3 Region (which is made up of Merthyr Tydfil and Rhondda Cynon Taf). By using Labour Force Survey data on employment, we have calculated productivity for the Central Valleys area. Consequently we have been produced estimates of GVA per capita for Rhondda Cynon Taf using figures for employment, economic activity and the working age population as well as our derived productivity figures. Time series analysis for the years 2000-2003 is shown below.

Changes in GVA per capita 2000-2003

The period 2000 - 2003 saw steady economic growth within Rhondda Cynon Taf. Between 2000 and 2003, Gross Value Added per capita in the local authority area grew from £9312 to £10,505, averaging some 4.1% a year. This compared with average annual growth of 5.2% in Wales and 5% in Great Britain. Figure 3.1 below shows the growth in GVA per capita for Rhondda Cynon Taf, the Central valleys NUTS 3 region, Wales and Great Britain over this period.

Figure 3.1. Change in levels of GVA per capita 2000-2003

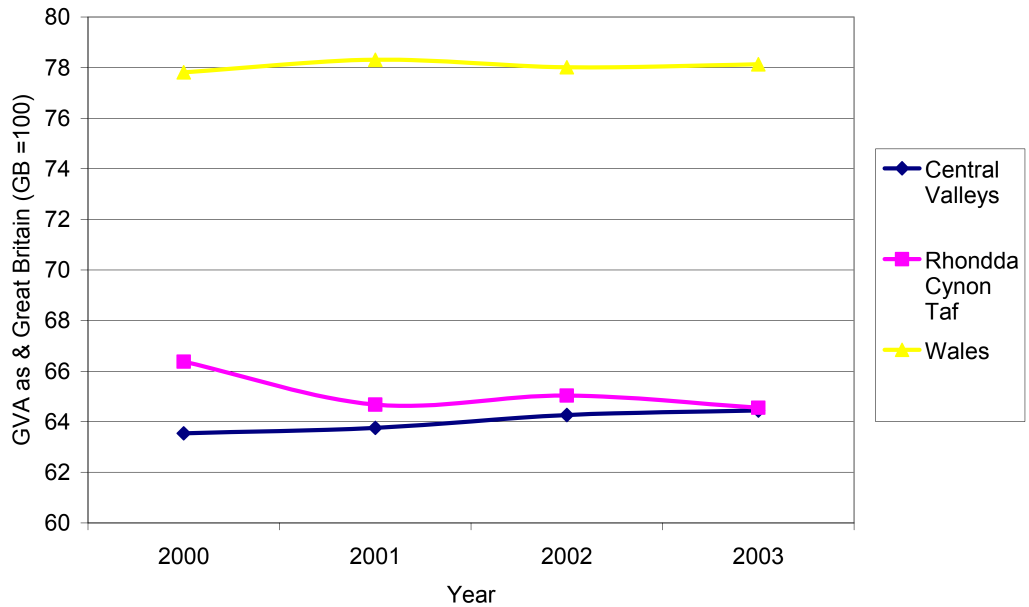


Source: National Statistics, Labour Force Survey

Figure 3.2 shows the change in relative GVA per capita in Rhondda Cynon Taf compared with Great Britain over the period 2000-2003. Relative GVA per capita in Rhondda Cynon Taf fell from 66.4% of the Great Britain average to 64.6% during this period, reflecting the relatively faster growth seen at national level. The

GDP 'gap' between Rhondda Cynon Taf and Great Britain has therefore, grown to 35.4% during this period.

Figure 3.2: Change in Relative Gross Value Added 2000-2003



Source: National Statistics, Labour Force Survey

'Drivers' of GVA per capita

In order to further analyse the reasons for the gap in GVA per capita between Rhondda Cynon Taf and the Great Britain average, we can look at the four contributory variables noted above in more detail. The relationship between the four variables and GVA per capita can be expressed through the following equation:

GVA per capita = employment rate x economic activity rate x productivity rate x working age ratio

For the year 2003 (latest data available), we can compare each of these GVA 'drivers' for Rhondda Cynon Taf and Great Britain and analyse what causes the disparity in GVA per capita.

Table 3.2 – Drivers of GVA per capita 2003

	Employment Rate %	Economic Activity Rate %	Working age ratio %	Productivity Rate (£)	GDP per capita (£)
Rhondda Cynon Taf	92.9	70.5	59.6	26,914	10,505
Great Britain	95.0	78.2	60.8	36,042	16,275

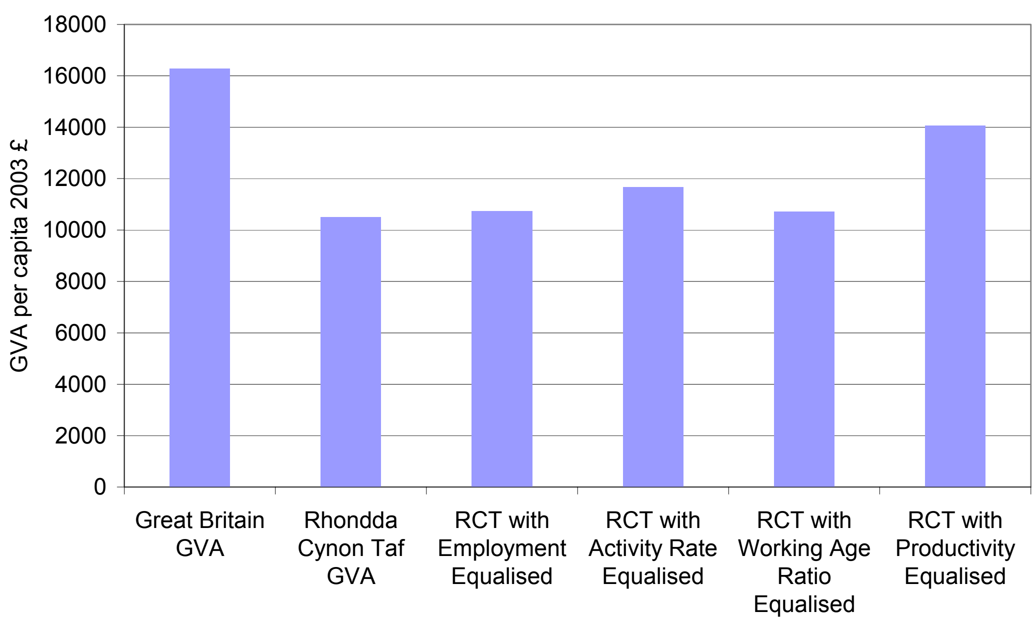
Source: National Statistics, Labour Force Survey

It is clear from table 3.2 that Rhondda Cynon Taf continues to under perform in each of the four components when compared with Great Britain average levels. The combined under performance across a number of labour market, demographic and structural factors lies at the root of the gap in GVA per capita. However, which of these factors contributes most to the disparity? We can further analyse which of these 'drivers' of GDP is the largest contributor to the gap by undertaking an equalisation exercise.

To assess the contribution of each of the four component factors – the employment rate, activity rate, working age ratio and productivity rate - to the GVA gap we can equalise each ratio in turn to the Great Britain average while keeping all other factors constant, and then calculate the effect on per capita GVA in Rhondda Cynon Taf. Figure 3.3 below shows the changes in Rhondda Cynon Taf's GVA per capita caused by equalising each of the component factors in turn.

As in 2000, it is clear that productivity and the economic activity rate remain the largest contributors to the 35.4% gap in GVA per capita between Rhondda Cynon Taf and Great Britain. Equalising productivity alone in Rhondda Cynon Taf to the Great Britain average closes the GVA gap by more than half - from 35.4% to just 13.6%. Economic Activity Rates, whilst having improved since 2000 remain a significant factor in the wealth gap. When the activity rate in Rhondda Cynon Taf is equalised to the Great Britain average, the GVA gap falls to 28.3%. The effect of equalising the working age ratio and employment rate is smaller, reducing the gap to 34.2% and 34% respectively.

Figure 3.3: Effect of Equalising Factors on GVA per capita



Source: National Statistics, Labour Force Survey

In terms of meeting the goals of Rhondda Cynon Taf's economic regeneration strategy, table 3.3 below shows the targets as set out in the previous analysis undertaken. It is clear from our analysis above that Rhondda Cynon Taf has performed well in respect of its progress toward labour market factors, having met or nearly met its 2003 targets for labour market factors (activity rate and working age ratio). However, it continues to lag behind the productivity target of 79%, currently at 74.6% of the Great Britain average.

Table 3.3: Headline Targets

	Actual Baseline (2000)	Baseline (2003)	Baseline (2004)	Original Medium Term Target (2006)	Original Long Term Target (2010)	Suggested revised Long Term Target
Raise levels of wealth and prosperity (GVA) % of UK	66.4%*	64.6%	-	-	76.0%	77.0%
Economic Activity Rate %	67.5%	70.5%	73.2%	73.5%	74.0%	74.0%
Working Age Ratio	61.1%	59.6%	59.4%	61.0%	61.0%	61.0%
Productivity Rate % of UK average	76.9%*	74.6%*	-	79.0%	81.5%	83%

* Figures refer to Rhondda Cynon Taf as a percentage of GB average, not UK
Source: National Statistics/Labour Force Survey/Annual Population Survey

4 Workforce Migration in Rhondda Cynon Taf

This section will outline patterns of workforce mobility in Rhondda Cynon Taf by looking at migration over time, commuting patterns and different methods of collecting labour market data. Migration can have a significant effect on the proportion of the population that is of working age. The working age ratio has already been identified as a key labour market component of Gross Value Added. As outlined earlier – migration can cause differentials of over 5% between residence-based and work-based measures of GVA.

Illustrating differences between Residence- and Workplace based data.

Earnings v GVA

A simple method of illustrating these differences can be seen by looking at the difference between GVA per capita and average earnings in Rhondda Cynon Taf as proportions of the national average. Earnings data are measured on a residence-based basis, therefore we would expect them to show a greater similarity to residence based GVA than workplace based GVA.

Table 4.1: Proportional GVA and Earnings in Rhondda Cynon Taf 2003

	Proportion of Great Britain GVA 2003	Proportion of Great Britain average Earnings 2003
Rhondda Cynon Taf	64.4%	85.6%

Source: National Statistics, New Earnings Survey

As we can see, earnings in Rhondda Cynon Taf are significantly higher than GVA as a proportion of the Great Britain value. Although this is not a proxy for residence-based GVA, it illustrates the possibility of discrepancies between workplace-based and residence-based data.

Residence v Workplace based Employment.

Another method of looking at these differences is to observe residence and workplace based employment figures. The Annual Population Survey (which superseded the Labour Force Survey in 2004) measures employment on both a residence and workplace basis. The figures for the period April 2004-March 2005 show that Rhondda Cynon Taf has a residence based employment of 95,100, compared with a workplace based employment figure of 72,407. The residence based figure is therefore over 22,000 more than the workplace based employment measure. This suggests that a large proportion of the workforce in Rhondda Cynon Taf is employed outside the local authority.

Table 4.2: Residence and Workplace Based measures of employment 2005.

Area	Employment 2005 Residence based	Employment 2005 Workplace-based
Rhondda Cynon Taf	95, 100	72, 407

Source: Annual Population Survey

Commuting

As noted above, workplace and residence based employment figures for Rhondda Cynon Taf show that a large proportion of the local working population is employed outside the area. More people commute out of Rhondda Cynon Taf than any other local authority area in Wales, table 4.3 below highlights that in 2004 over 38,000 residents of Rhondda Cynon Taf work outside the boundaries of the County Borough. Whilst this is unsurprising, given the proximity of Cardiff, in order to understand the detail of workforce movements on a daily basis, we need to look at commuting statistics.

Table 4.3: Commuting Patterns in Rhondda Cynon Taf

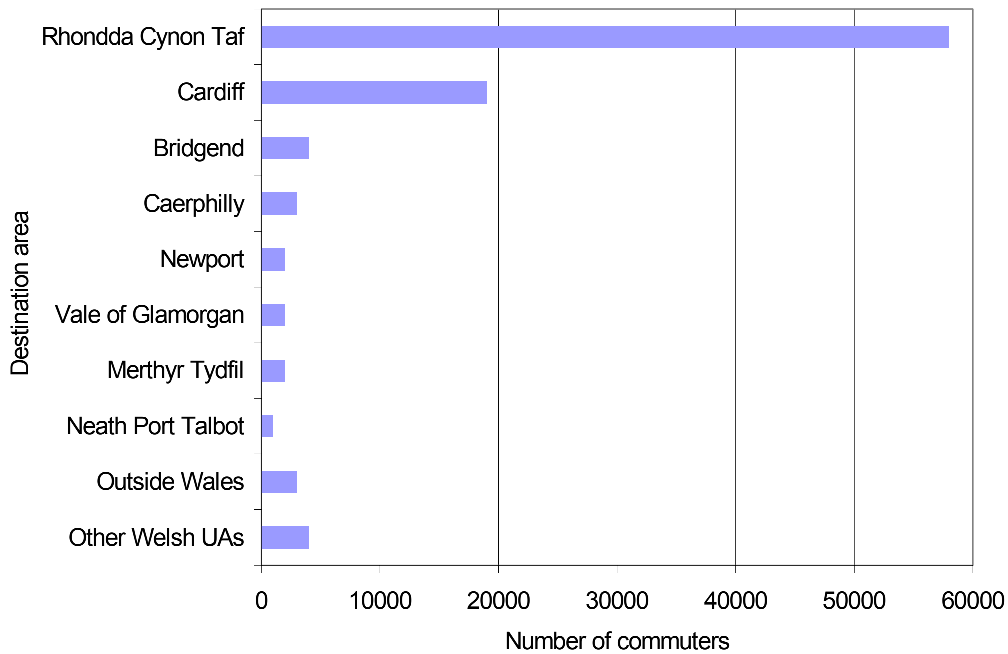
	2001	2004
Inward commuting	17,000	16,400
Outward commuting	31,000	38,400
Net inward commuting	-14,000	-22,000

Source: Statistics on Commuting in Wales 2000 and Statistics on Commuting in Wales 2004, National Assembly Statistical Directorate

Commuting statistics for 2004 reinforce the analysis undertaken above with employment figures. The data indicates that a net outflow of 22,000 commuters occurred from Rhondda Cynon Taf daily – the largest net outflow of all the local authorities in Wales. Just 60% of the local workforce is employed in the area. However, whilst there was a large outflow of some 38,000 workers daily, there was also an inflow of over 16,000 commuters.

Figure 4.1 below shows a breakdown of the destinations of those out-commuting from Rhondda Cynon Taf. Unsurprisingly, the largest number of commuters' destination is Cardiff, with 19,000 commuting from Rhondda Cynon Taf on average each day. Bridgend and Caerphilly account for 7,000 commuters between them.

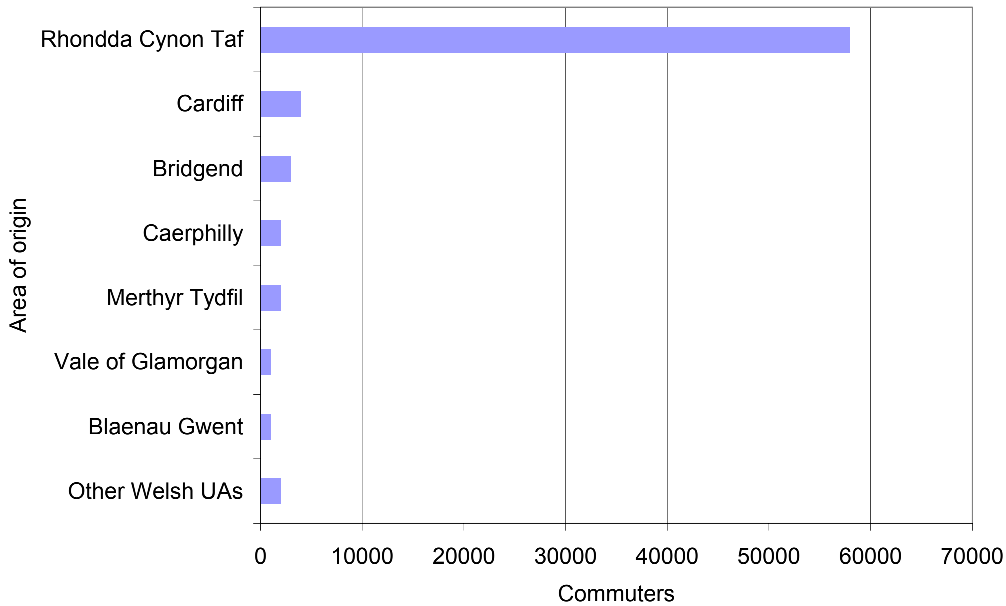
Figure 4.1: – Outward commuting in Rhondda Cynon Taf



Source: Statistics on Commuting in Wales 2004, National Assembly Statistical Directorate

Cardiff provides the largest number of in-commuters to Rhondda Cynon Taf, with 4,000 commuting daily from the capital. Bridgend provides 3,000 commuters to Rhondda Cynon Taf followed by Caerphilly (2,000), Merthyr Tydfil (2,000), Vale of Glamorgan (1,000) and Blaenau Gwent (1,000).

Figure 4.2: Origins of workers in Rhondda Cynon Taf 2004



Source: Statistics on Commuting in Wales 2004, National Assembly Statistical Directorate

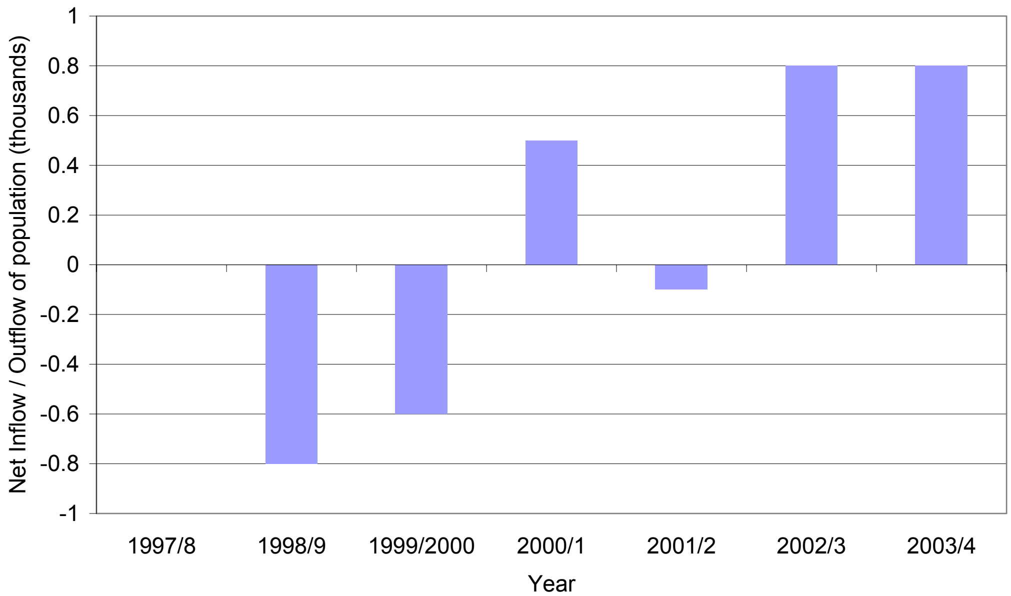
Migration

Given that residence based GVA figures for Rhondda Cynon Taf are unavailable, it is not possible to measure the impact of daily commuting on GVA directly. However, we can look at inward and outward migration over time and the impact on the workforce, as well as commuting statistics for the area.

Measuring internal migration is not a simple process and exact primary data is not available. National Statistics provides proxy figures for inward and outward migration at a local authority level based upon changes in the NHS Central Register (NHSCR) i.e. data on patients changing their doctor as they change address and move between former Health Authority areas (HAs).

Figure 4.3 below shows data for overall net changes in population for each year from 1997/98 to 2003/04. The data indicates that in each of the two most recent years for which information is available there was a net inflow of around 800 people to the local authority area. In 2003/04 the inward balance was slightly skewed toward women, who accounted for 500 of those in-migrating.

Figure 4.3: Net In and Out-migration of population (all ages) in Rhondda Cynon Taf 1997/98 – 2003/04



Source: National Statistics (NHS Central Register)

In order, to understand the mechanics of migration patterns and their effect on the workforce, we need to look in more detail at the age structure of the migrating population. The tables below show inward and outward migration from 1997 to 2004 for five broad age groups.

Table 4.4: Migration 1997-2004 amongst population aged 0-15

Year	Persons (thousands)		
	Inflow	Outflow	Balance
97-98	1.1	1	0.1
98-99	0.9	1	-0.1
99-00	1.0	1.0	0.0
00-01	1.1	1.0	0.1
01-02	1.1	1.1	0.0
02-03	1.0	0.8	0.2
03-04	1.1	0.9	0.2
Total	7.3	6.8	0.5

Source: National Statistics

The data indicates that there has been a recent trend of inward migration within this age group, with around 400 people aged 0-15 having moved to the county borough during the last two years.

Table 4.5: Migration 1997-2004 amongst population aged 16-24

Year	Persons (thousands)		
	Inflow	Outflow	Balance
97-98	1.9	1.9	0.0
98-99	1.6	1.9	-0.3
99-00	1.7	1.9	-0.2
00-01	1.5	1.8	-0.2
01-02	1.6	1.8	-0.2
02-03	1.5	1.6	0.0
03-04	1.5	1.6	-0.1
	11.3	12.5	-1.0

Source: National Statistics

The largest net outflow of people over the time period 1997-2004 was in the 16-24 age group. This is not entirely surprising given the high mobility of students within this age group and likelihood that many will have registered with doctors at term time addresses outside of the local authority area. However, it should still be of concern in terms of the prospects for keeping the most able young people within Rhondda Cynon Taf. More encouragingly, the relative large outflow trends of young people in this age cohort recorded in previous years (2000-02 for example) have not continued in more recent years.

Table 4.6: Migration 1997-2004 amongst population aged 25-44

Year	Persons (thousands)		
	Inflow	Outflow	Balance
97-98	2.0	2.1	-0.2
98-99	1.6	1.9	-0.3
99-00	2.0	2.2	-0.3
00-01	2.2	2.0	0.2
01-02	2.1	2.1	0.0
02-03	2.2	1.8	0.4
03-04	2.4	1.9	0.4
	14.5	14	0.2

Source: National Statistics

The 25-44 highlights some of the most encouraging signs for the improving working age ratio in Rhondda Cynon Taf, with net inward migration of some 800 people in the last two years for which data is available. This mirrors the 0-15 cohort to a certain degree and suggests that at least part of this pattern could be caused by young families moving to the county borough. This age cohort is the largest and most significant for the working age ratio in Rhondda Cynon Taf and recent trends in migration should be welcomed.

Table 4.7: Migration 1997-2004 amongst population aged 45-64

Year	Persons (thousands)		
	Inflow	Outflow	Balance
97-98	0.6	0.6	0
98-99	0.5	0.6	-0.1
99-00	0.6	0.7	0.0
00-01	0.9	0.6	0.3
01-02	0.7	0.6	0.1
02-03	0.7	0.6	0.2
03-04	0.8	0.6	0.2
	4.8	4.3	0.7

Source: National Statistics

The age group 45-64 has seen net inward migration of 800 over the last four years and although the total flows of people are significantly smaller than the 25-44 age group, this is a welcome development for improving the working age ratio in the area.

Table 4.8: Migration 1997-2002 amongst population aged 65+

Year	Persons (thousands)		
	Inflow	Outflow	Balance
97-98	0.3	0.2	0
98-99	0.2	0.3	-0.1
99-00	0.3	0.4	-0.1
00-01	0.4	0.3	0.1
01-02	0.3	0.3	0.0
02-03	0.3	0.2	0.0
03-04	0.2	0.2	0.0
	2	1.9	-0.1

Source: National Statistics

The over 65 age group saw a small outward migration over the time period and also had the smallest flows of both inward and outward migration.

Conclusion

Evidence from National Statistics suggests that there has been a dramatic change in the migratory patterns in Rhondda Cynon Taf since the previous review in 2003. Whilst there remains a net outflow of young people within the 16-24 age cohort, the 0-15, 25-44 and 45-64 age groups all show a significant inflow of people in recent years. National Statistics estimates from NHS Central Register data that a net inflow of some 2,300 people has occurred to Rhondda Cynon Taf during the period 2000-2004 alone. The 25-64 cohort figures have clear implications for the working age population and particularly the working age ratio, which is one of the main drivers of GVA as outlined earlier.

Table 4.9: Total Net Migration in Rhondda Cynon Taf by age group 2000-2004

Age Group	0-15	16-24	25-44	45-64	65+
Total Net Migration 2000-2004	500	-300	1000	800	100

Source: National Statistics (Based on NHS Central Register)

5 Economic Inactivity Profile of Rhondda Cynon Taf

The importance of economic activity rates as a component of the wealth gap between Rhondda Cynon Taf and the Great Britain average was outlined in the previous chapter. Whilst activity rates have improved during recent years, they still lag behind the Wales and UK averages and as such they contribute negatively to the challenge of closing the disparity in GVA per capita with more prosperous regions. This section will look in more detail at the profile of the economically inactive population, including analysis of the reasons why people are inactive.

For ease of comparison with other areas, we have undertaken a 'Traffic Light' analysis of the inactive population in Rhondda Cynon Taf. This involves classifying individuals who are economically inactive according to their readiness to rejoin the workforce. Individuals are classed according to the reasons why they are economically inactive, drawn from our data sources.

Our traffic lights are therefore as follows:

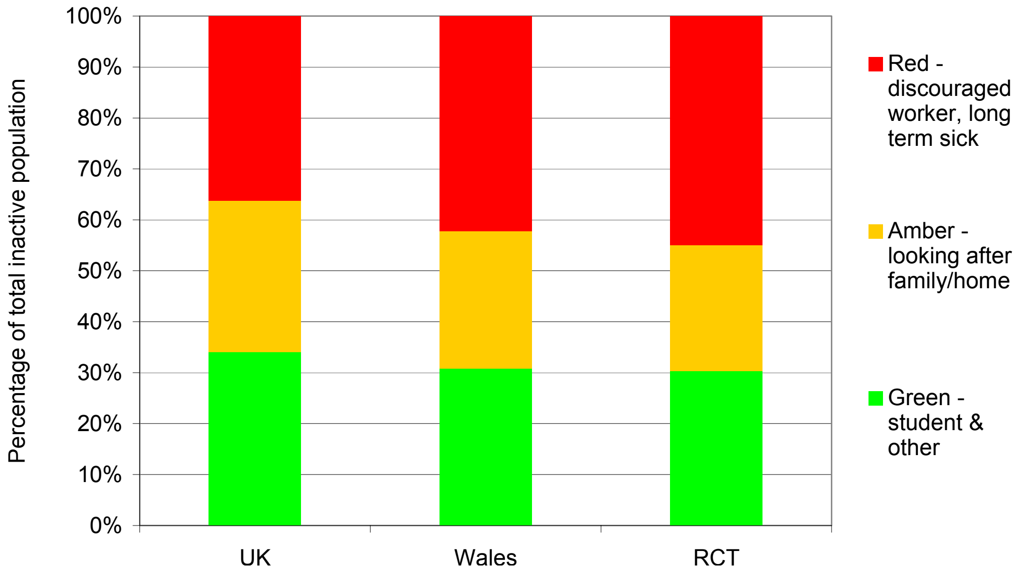
Red: permanently sick, disabled, discouraged worker
Least likely to become economically active.

Amber: Looking after home / family
Potentially able to become economically active in future.

Green: Students
Most likely to become economically active in near future.

The Annual Population Survey (which superseded the Labour Force Survey in 2004/5) provides the most detailed local area statistics on the profile of the economically inactive population in Rhondda Cynon Taf. The survey divides the economically inactive cohort into those wanting a job and those not wanting a job. It then further sub-divides the group wanting a job by stating the reasons they are inactive. Figure 5.1 below shows the latest figures from the 2005 local area Annual Population Survey.

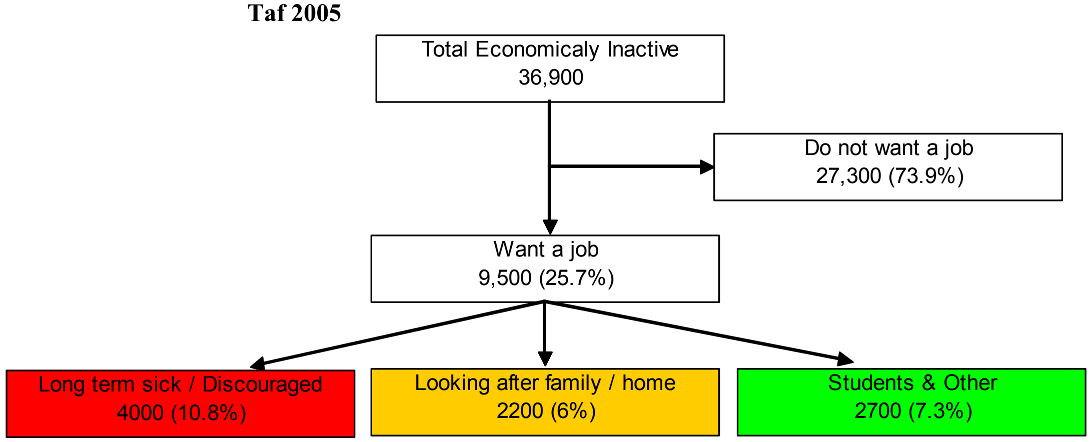
Figure 5.1: Traffic Light comparison for Rhondda Cynon Taf, Wales and UK 2005



Source: Annual Population Survey

It is clear from figure 5.2 that Rhondda Cynon Taf has a greater proportion of its economically inactive population in the 'red' group, namely those who are inactive due to long term sickness, disability or being a discouraged worker. This suggests that not only does Rhondda Cynon Taf have a larger proportion of its workforce inactive, but that that proportion contains a larger 'harder to reach' group than the Wales and UK average. Figure 5.2 below examines these figures in more detail and looks at the reasons behind inactivity.

Figure 5.2: Profile of Economically Inactive Population in Rhondda Cynon Taf 2005



Source: Annual Population Survey

Note: Figures may not sum together to totals due to rounding

The total number of those who are economically inactive has fallen from 47,000 in 2001 to 36,900 in 2005 - this represents a fall of 21% over this period. When we examine the figures in more detail, it is clear that the vast majority of this fall has occurred due to a drop in the numbers that are economically inactive and want a job. In 2001, 18,000 people were economically inactive and wanted a job, but by 2005 this has almost halved, falling to 9,500. Clearly, this represents a proportion of the cohort which has been successfully re-engaged in to the active population. Of particular interest to note are those not seeking a job due to sickness – this group has more than halved, falling from 9,000 in 2001 to 4,000 in 2005.

Whilst the Local Authority can be pleased with progress made in reducing the numbers of those who are inactive and wanting a job, the same cannot be said of those not wanting a job. The number of economically inactive individuals not wanting a job has remained relatively static over the period 2001-05 at just over 27,000. Clearly this harder to reach cohort of the inactive population is a priority group which the Local Authority must consider targeting over the next period of its regeneration strategy.

Economic Inactivity age profile

The age profile of the economically inactive population in Rhondda Cynon Taf differs from that of Wales and the UK. Table 5.1 below shows that Rhondda Cynon Taf has a lower proportion of 16-19 year olds that are inactive than Wales and the UK. Whilst similar proportions of both the 20-24 and 25-34 age groups are economically inactive in all three areas, it is within the older age groups which Rhondda Cynon Taf has a relatively higher number of economically inactive people. Amongst 35-49 year olds and in the 50+ age cohort, economic inactivity rates are significantly higher – 25% higher than the UK average for the 35-49 age cohort.

Table 5.1 – Economic Inactivity by age in Rhondda Cynon Taf 2005

	Percentage of working age population inactive		
Age cohort	Rhondda Cynon Taf	Wales	UK
16-19	36.8	41.1	42.2
20-24	24.9	25.8	24.2
25-34	17.5	18.8	16.8
35-49	20.6	16.8	15.6
50+	70.2	66.2	61.8

Source: Annual Population Survey

6 Employment Growth

Employment growth is clearly a key element of the Rhondda Cynon Taf Economic Regeneration Strategy. The current target for employment growth is 1% per annum, clearly greater than the levels of population growth currently experienced throughout Rhondda Cynon Taf. There are a number of sources of employment data that can be used to measure the size of the workforce within. Annual Business Inquiry data provides the total number of employees within an area, whilst further data on the total number of jobs is available from the National Online Manpower Information Service (Nomis).

Annual Business Inquiry data reveals that the total number of employees in Rhondda Cynon Taf has risen from 72,545 in 2000 to 78,370 in 2004. The increases, however, has been by no means steady, with a sharp rise and fall evident between the years 2001 and 2003.

Table 6.1: Total Number of Employees

	2000	2001	2002	2003	2004
Great Britain	25,225,700	25,490,315	25,593,747	25,710,646	26,024,705
Wales	1,080,312	1,089,589	1,097,479	1,117,390	1,161,022
Rhondda Cynon Taf	72,545	72,531	77,287	72,439	78,370
Bridgend	48,343	44,729	49,153	49,355	54,048
Caerphilly	48,213	45,121	45,692	43,704	46,129
Barnsley	72,455	69,498	73,870	74,687	75,233
Barrow-in-Furness	22,871	22,744	25,289	25,394	26,644
Salford	111,160	107,612	114,050	112,907	115,931
Sunderland	107,713	108,499	110,010	110,835	112,960

Source: Annual Business Inquiry

It is important when analysing employment growth to distinguish between full-time and part-time employment. Whilst growth in part-time employment is desirable, it is full-time employment that provides much of the wealth in a local area. Part-time employment (classified by the Annual Business Inquiry as constituting employees who work less than 30 hours per week) is often more temporary, lower-paid and lower skilled employment.

Table 6.2 below highlights the number of full-time employees within Rhondda Cynon Taf using Annual Business Inquiry data. The data shows, as with all employment, that there has been considerable growth in full-time employment between 2000 and 2004 rising from 50,000 to 52,000 full-time employees. As with the data in table 6.1 above, there is a peak in employment in 2002.

Table 6.2: Total Number of Full-Time Employees

	2000	2001	2002	2003	2004
Great Britain	17,543,812	17,660,150	17,516,162	17,501,598	17,684,388
Wales	728,342	720,402	729,404	740,117	760,808
Rhondda Cynon Taf	50,200	50,710	54,237	50,802	52,168
Bridgend	33,068	31,382	34,377	36,383	35,624
Caerphilly	32,591	31,040	32,459	30,921	32,195
Barnsley	48,826	46,561	48,916	48,931	50,241
Barrow-in-Furness	15,478	14,967	15,654	15,485	16,465
Salford	77,540	76,521	80,849	81,168	84,075
Sunderland	77,097	79,995	80,292	77,470	80,495

Source: Annual Business Inquiry

As a portion of total employment, part-time employment in Rhondda Cynon Taf mirrors national trends. One in three workers in Rhondda Cynon Taf were classified as part time by the Annual Business Inquiry in 2004, slightly higher than the Great Britain level, and slightly lower than that of Wales as a whole.

Table 6.3: Part-Time Employees (as a proportion of total employment)

	2000	2001	2002	2003	2004
Great Britain	30.5%	30.7%	31.6%	31.9%	32.0%
Wales	32.6%	33.9%	33.5%	33.8%	34.5%
Rhondda Cynon Taf	30.8%	30.1%	29.8%	29.9%	33.4%
Bridgend	31.6%	29.8%	30.1%	26.3%	34.1%
Caerphilly	32.4%	31.2%	29.0%	29.3%	30.2%
Barnsley	32.6%	33.0%	33.8%	34.5%	33.2%
Barrow-in-Furness	32.3%	34.2%	38.1%	39.0%	38.2%
Salford	30.2%	28.9%	29.1%	28.1%	27.5%
Sunderland	28.4%	26.3%	27.0%	30.1%	28.7%

Source: Annual Business Inquiry

Data on the total number of jobs is also available from Nomis (www.nomisweb.co.uk) and is a workplace-based measure of the total number jobs within an area. The definition comprises a number of data sources, including:

- Employees (from the Annual Business Inquiry);
- Self-employment jobs (from the local area Labour Force Survey);
- Government-supported trainees (from DfES and DWP) and
- HM Forces (from MoD).

The definition is a workplace-based definition, and hence counts the number of people that work within an area. This definition is a wider definition of the number of jobs in a local area, and is a more accurate measure of the number of people who are undertaking productive employment. The data in table 6.4 below, however, mirrors the data from the Annual Business Inquiry in terms of employment creation within Rhondda Cynon Taf. The total number of jobs in the locality rose from

79,000 in 2000 to 81,000 in 2003, again with a peak in employment of 86,000 in 2002.

Table 6.4: Number of Jobs

	2000	2001	2002	2003
Great Britain	28,984,000	29,283,000	29,473,000	29,757,000
Wales	1,255,000	1,272,000	1,278,000	1,306,000
Rhondda Cynon Taf	79,000	81,000	86,000	81,000
Bridgend	56,000	51,000	54,000	54,000
Caerphilly	54,000	52,000	53,000	51,000
Barnsley	82,000	79,000	84,000	85,000
Barrow-in-Furness	25,000	26,000	27,000	29,000
Salford	121,000	117,000	122,000	122,000
Sunderland	117,000	117,000	120,000	120,000

Source: National Statistics Job Density Data

Growth analysis between 2000 and 2004 (or 2003 using Job Density employment data) highlights continued employment growth in Rhondda Cynon Taf that has is achieving its target rate if growth of 1% per annum. The total number of jobs has grown by 1.9% per annum between 2000 and 2004. Full-time employment growth has also been positive over the same period, despite relative stagnation of full-time employment growth throughout Great Britain as a whole.

Table 6.5: Employment Growth Rates (CAGR)

	ABI (Total) 2000-2004	ABI (Full-time) 2000-2004	Total Jobs (2000-2003)
Great Britain	0.8%	0.2%	0.9%
Wales	1.8%	1.1%	1.3%
Rhondda Cynon Taf	1.9%	1.0%	0.8%

Source: Annual Business Inquiry/ National Statistics Job Density Data

The following section provides analysis on employment growth by sector, and seeks to explain where employment growth has originated within Rhondda Cynon Taf.

7 Sector Analysis

This section outlines an employment analysis of sectors within Rhondda Cynon Taf. It is important to develop a thorough understanding of sector performance, as ultimately this will have a significant impact upon the economic development of the local area. The sector analysis below has been undertaken using a variety of research tools. Consultation with key industry experts has also been undertaken for those sectors identified as key growth sectors within the Rhondda Cynon Taf Economic Regeneration Strategy.

Methods of analysis undertaken in order to chart how employment by sector in Rhondda Cynon Taf has changed since the last review (which included data up until the year 2000) have been based upon location quotient analysis, shift share analysis and employment forecasts based upon national trends.

Location Quotient Analysis

Location quotient analysis enables assessment of the relative specialisation of a sector within Rhondda Cynon Taf. The analysis is undertaken by comparing employment levels within specific sectors in Rhondda Cynon Taf with employment levels nationally (in the case of this study this has been undertaken in comparison with Great Britain and Wales). A location quotient value of 1 or greater means that an area has a greater proportion of its workforce employed within that area – or to put it more simply, the area has a relative specialisation.

By analysing trends in location quotient data sectors within Rhondda Cynon Taf can be examined in order to discover whether they are gaining or losing relative specialisation. The sectors that have been analysed have been grouped into the following classifications:

Location Quotient Trend	Classification
LQ>1, increasing over time	Star
LQ>1, decreasing over time	Former Star
LQ<1, increasing over time	Emerging Star
LQ<2, decreasing over time	Lagger

High location quotient industries are obviously important to the local economy; however some sectors may be following a trend of overall decline. This is especially true for some manufacturing sectors throughout the United Kingdom. It is important therefore, that an understanding of how or why a sector may be growing or declining if appropriate actions are to be developed to deal with the issues facing the sector in question.

Shift Share Analysis

Further analysis has also been undertaken in the form of shift-share analysis. Shift share analysis enables employment growth to be split into the following categories:

National Growth – the growth in employment within an area that can be attributed to national growth trends.

Industrial Mix – employment growth may be as a result of the sector profile of an area, employment growth can be accelerated if a local area has a greater proportion of those employed in a fast growing sector.

Competitiveness – an area may possess a competitive advantage in comparison with other areas that leads to greater employment growth.

In all cases shift-share analysis has been undertaken for the period 2000 to 2004.

Forecasting Employment Growth

Employment forecasts have also been included within the sector profiles. The employment forecasts have been calculated using Wales and UK-based employment forecasts. Wales and UK growth projections have been mapped onto current employment levels in Rhondda Cynon Taf in order to predict how employment would change within the County Borough if it were to mirror national trends.

Qualitative information on the potential of the sectors has also been included to help provide a more detailed picture of sector performance within the County Borough.

7.1 Broad Sector Overview

Table 7.1 below highlights the number of employees by sector for Great Britain, Wales and Rhondda Cynon Taf, as measured by the Annual Business Inquiry. Over the time period of the analysis the number of employees has risen from 72,545 to 78,371 in Rhondda Cynon Taf, an increase of almost 6,000 jobs. This is equivalent to growth of 1.9% per annum between the years 2000 and 2004. Over the same period, using the same Annual Business Inquiry figures, growth in the number of employees through Wales stood at 1.8% per annum, whilst the comparable figure for the United Kingdom was 0.8%.

The sector profile of Rhondda Cynon Taf remains one with a greater emphasis on manufacturing and public administration than throughout Great Britain and Wales. **Manufacturing** current employs just under one in every four employees in the

County Borough. This compares with just 11.9% of the Great Britain workforce, and 15.3% of the Welsh workforce. There has been a considerable decline in the proportion of manufacturing employment in Rhondda Cynon Taf – falling from 27.8% in 2000 to 23.3% in 2004. It is worth noting, though, that the decline has been against the backdrop of increasing overall employment, and thus the number of jobs lost according to Annual Business Inquiry data is just under 2,000. Whilst this remains a significant figure, it still represents a slower decline than found throughout Wales and Great Britain (see table 7.2 below).

Table 7.1: Employment by Broad Sector (% of Total Employment)

	Great Britain		Wales		Rhondda Cynon Taf	
	2000	**2004**	**2000**	**2004**	**2000**	**2004**
Agriculture and fishing	1.0%	0.9%	1.2%	1.2%	0.2%	0.1%
Energy and water	0.8%	0.6%	1.0%	0.6%	1.6%	1.1%
Manufacturing	15.0%	11.9%	18.6%	15.3%	27.8%	23.3%
Construction	4.5%	4.5%	5.3%	4.6%	2.6%	3.8%
Distribution, hotels and restaurants	24.1%	24.7%	22.7%	23.8%	18.9%	20.2%
Transport and communications	6.1%	5.9%	4.2%	4.6%	3.0%	3.5%
Banking, finance and insurance, etc	19.6%	20.0%	11.4%	11.7%	7.3%	7.3%
Public administration, education & health	24.0%	26.4%	30.4%	32.8%	32.9%	35.9%
Other services	5.0%	5.1%	5.2%	5.4%	5.6%	4.7%

Source: Annual Business Inquiry

The largest sector in Rhondda Cynon Taf (and also for Great Britain and Wales) is the **public administration, education and health sector**. Employment in this sector accounts for over a third of all employment within Rhondda Cynon Taf, and between 2000 and 2004 contributed some 4,300 jobs to the Rhondda Cynon Taf economy. Average annual growth rates of 4.2% for this sector in Rhondda Cynon Taf outstripped growth rates for the sector throughout Wales and Great Britain of 3.8% and 3.2% respectively.

In the 2003 Review of the Rhondda Cynon Taf Economic Regeneration Strategy **construction** was identified as a sector in decline. Analysis between 2000 and 2004, however, suggests an upturn in the sector. Over 1,000 jobs have been created in the sector, resulting in employment in the sector rising from 2.6% in 2000 to a figure of 3.8% in 2004. This constitutes an annual growth rate of more than 12% per year between 2000 and 2004.

Employment in business and financial services (as measured by the **Banking, finance and insurance, etc**. sector) is still relatively small in Rhondda Cynon Taf. Just 7.3% of all employees are employed within this sector – the same amount as in the year 2000. Throughout the whole of Wales 11.7% of all employees are employed within this sector, whilst one in five of all employees in Great Britain are to be found within this sector. Whilst the proportion of employment within the sector has remained static between 2000 and 2004, there has been an increase of around 400 jobs. The annual growth rate for this period for the sector in Rhondda Cynon Taf stood at 1.9%.

Table 7.2: Annual Growth Rates 2000-2004 (%)

	Great Britain	Wales	Rhondda Cynon Taf
Agriculture and fishing	-1.2%	2.0%	-31.4%
Energy and water	-6.4%	-8.5%	-7.4%
Manufacturing	-4.9%	-3.0%	-2.4%
Construction	1.1%	-1.7%	12.4%
Distribution, hotels and restaurants	1.4%	3.0%	3.7%
Transport and communications	0.2%	4.1%	5.9%
Banking, finance and insurance, etc	1.2%	2.5%	1.9%
Public administration, education & health	3.2%	3.8%	4.2%
Other services	1.4%	2.4%	-2.5%

Source: Annual Business Inquiry

In contrast with Great Britain and Wales data, the '**Other Services**' sector has declined in terms of number of employees between 2000 and 2004. The sector now accounts for less than 5% of total employment within Rhondda Cynon Taf. The fall in jobs, however, has not been substantial, and evidence from the Annual Business Survey suggests that the total number of job losses was less than 400 between 2000 and 2004.

7.2 Detailed Sector Analysis

7.2.1 Education

Education is the biggest single employer within Rhondda Cynon Taf. Annual Business Inquiry data estimates employment within the education sector to exceed 13,700 people, over 17% of total employment within the County Borough. Location quotient data, illustrated below, compares employment within the education sector with that of Great Britain and Wales, revealing a relative specialisation within Rhondda Cynon Taf. This specialisation is also growing, with location quotient for the sector growing in comparison with both Wales and Great Britain between 2000 and 2004.

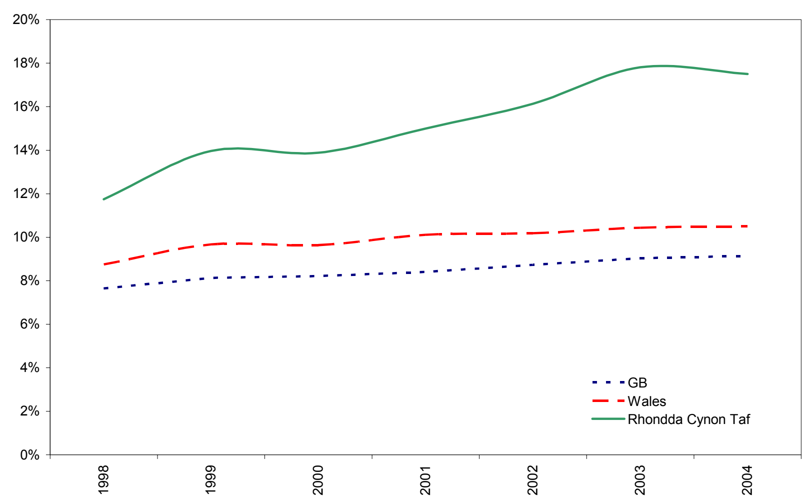
Table 7.3: Location Quotients for Education in Rhondda Cynon Taf

2000		2004	
GB	Wales	GB	Wales
1.69	1.44	1.91	1.67

Source: Annual Business Inquiry

Employment within education has grown steadily, with over 17% of employment accounted for by the education sector in Rhondda Cynon Taf in 2004, compared with a figure of just under 14% in 2000. As the chart below and the location quotient above highlight, growth within this sector in Rhondda Cynon Taf has outstripped growth for both Wales and Great Britain.

Figure 7.1: Proportion of Employees Employed in Education



Source: Annual Business Inquiry

Shift share analysis and the previous analysis implies that growth in the education sector has been caused more due to local factors than national factors, or the industrial mix factor (see above for further explanations of the implications of each factor).

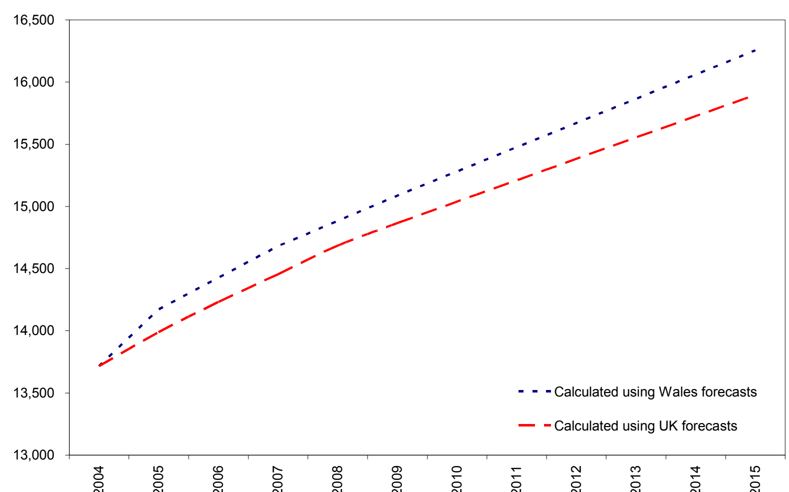
Table 7.4: Shift Share Analysis, Share of Employment Growth by Growth Component

National Growth	9%
Industrial Mix	32%
Competitiveness	59%

Source: Annual Business Inquiry/Robert Huggins Associates Analysis

Figure 7.2 below documents projected employment growth for the sector, based upon predicted growth rates for Wales and the United Kingdom. The chart highlights that if employment growth in education in Rhondda Cynon Taf were to mirror national growth rates over one thousand new jobs would be created in the sector between 2004 and 2009, with an extra thousand jobs predicted between 2009 and 2015.

Figure 7.2: Forecast Growth in Number of Education Employees



Source: Annual Business Inquiry/Robert Huggins Associates

Sub-sectors of Education

Rhondda Cynon Taf has relative specialisations in primary, secondary and higher education sectors, as well as other adult education. Higher Education employment is clearly dependent upon the University of Glamorgan in Treforest, whilst primary and secondary education are also obviously dependent upon demographic and political decisions regarding education within Wales and Rhondda Cynon Taf.

Table 7.5: Location Quotients for Education Sub-Sectors in Rhondda Cynon Taf

		Primary education	General secondary education	Technical and vocational secondary education	Higher education	Driving school activities	Adult and other education not elsewhere classified
2000	GB	1.65	1.44	0.45	1.73	0.86	3.30
	Wales	1.41	1.24	0.34	1.67	1.04	2.26
2004	GB	2.13	2.27	0.49	1.69	0.53	1.56
	Wales	1.88	1.75	0.39	1.70	0.36	1.37

Source: Annual Business Inquiry

Employment growth has been greatest in the primary and secondary education sectors with average growth of over 10% per annum within these sectors between the years 2000 and 2004. This far exceeds growth over the same period for Wales and Great Britain.

Table 7.6: Education Employment Growth, Compound Annual Growth 2000-2004

	Primary education	General secondary education	Technical and vocational secondary education	Higher education	Driving school activities	Adult and other education not elsewhere classified
Rhondda Cynon Taf	12%	16%	6%	3%	8%	-11%
Great Britain	6%	2%	5%	2%	9%	3%
Wales	6%	3%	2%	3%	26%	-6%

Source: Annual Business Inquiry

7.2.2 Health and Social Work

Following education, the health and social work sector is the second biggest employer in Rhondda Cynon Taf. As of 2004, Annual Business Inquiry data estimates that over 11,000 people are employed within this sector in Rhondda Cynon Taf, equating to just over 14% of all employment within the County Borough. Location quotient analysis reveals a relative specialisation in comparison with Great Britain, but not compared with Wales. Location quotient values have remained static between the years 2000 and 2004.

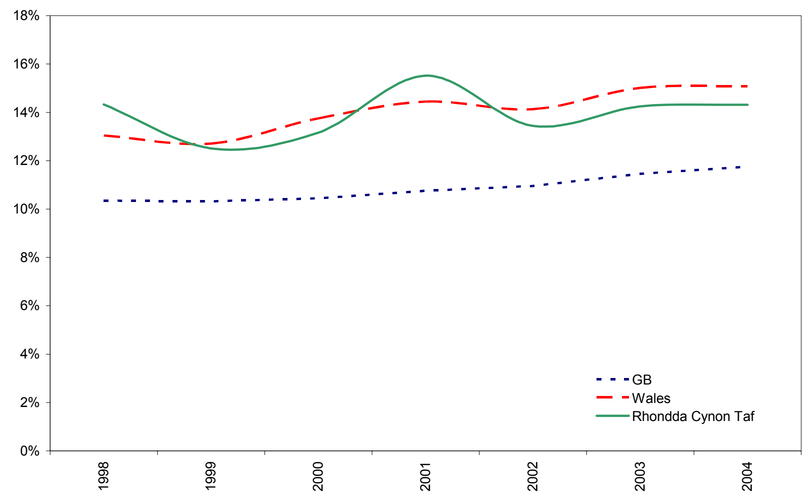
Table 7.7: Location Quotients for Health and Social Work in Rhondda Cynon Taf

2000		2004	
GB	Wales	GB	Wales
1.26	0.96	1.22	0.95

Source: Annual Business Inquiry

Figure 7.3 below highlights steady growth in employment within the Health and Social Work sector, which mirror Wales and Great Britain trends following increased government expenditure on t he National Health Service.

Figure 7.3: Proportion of Employees Employed in Health and Social Work



Source: Annual Business Inquiry

Shift share analysis mirrors growth and location quotient analysis, in that it reveals that Industrial Mix as the main component of growth – in other words growth in the sector has occurred simply as a result of national growth in the Health and Social Work Sector.

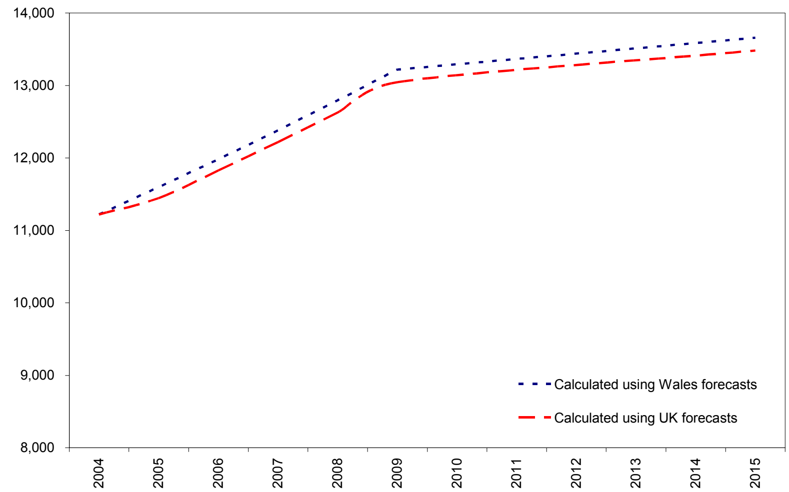
Table 7.8: Shift Share Analysis, Share of Employment Growth by Growth Component

National Growth	18%
Industrial Mix	74%
Competitiveness	8%

Source: Annual Business Inquiry/Robert Huggins Associates Analysis

Mirroring Wales and UK employment growth predictions would result in Rhondda Cynon Taf gaining around 2,000 extra jobs within the sector by 2009. Between 2009 and 2015 growth is expected to slow, resulting in an increase in employment of just under 500 jobs over the six year time period.

Figure 7.4: Forecast Growth in Number of Health and Social Work Employees



Source: Annual Business Inquiry/Robert Huggins Associates

Annual Business Inquiry data reveals relatively few specialisms within Health and Social Work sub-sectors in Rhondda Cynon Taf. Only within the field of social work activities without accommodation does Rhondda Cynon Taf possess a location quotient of greater than one in comparison with both Great Britain and Wales. Elsewhere Rhondda Cynon Taf roughly mirrors the Wales averages, and only in ‘other human health activities’ and ‘veterinary activities’ (both relatively small sectors at the local and national level in employment terms) does Rhondda Cynon Taf lag national employment averages by a considerable degree.

Table 7.9: Location Quotients for Health and Social Work Sub-Sectors in Rhondda Cynon Taf

	2000		2004	
	Great Britain	Wales	Great Britain	Wales
Hospital activities	1.32	0.92	1.28	0.96
Medical practice activities	1.07	1.02	1.02	0.97
Dental practice activities	1.21	1.07	1.01	0.96
Other human health activities	0.11	0.10	0.50	0.44
Veterinary activities	0.31	0.28	0.49	0.50
Social work activities with accommodation	0.96	0.87	0.89	0.87
Social work activities without accommodation	1.86	1.34	1.73	1.24

Source: Annual Business Inquiry

Growth in the sub-sectors of Health and Social Work is greatest in those sectors with little specialisation in Rhondda Cynon Taf - ‘other human health activities’ and ‘veterinary activities’. However, employment in ‘other human health activities’[9]numbered less than 500 in 2004 according to Annual Business Inquiry data, with the same source estimating that around 50 people were employed by ‘veterinary activities’ in the County Borough.

Table 7.10: Health and Social Work Employment Growth, Compound Annual Growth 2000-2004

	Rhondda Cynon Taf	Wales	GB
Hospital activities	2.7%	1.8%	1.7%
Medical practice activities	5.1%	6.5%	4.4%
Dental practice activities	-2.2%	0.5%	0.6%
Other human health activities	77.3%	21.6%	20.0%
Veterinary activities	21.4%	5.3%	6.3%
Social work activities with accommodation	1.8%	1.7%	1.9%
Social work activities without accommodation	4.4%	6.6%	4.6%

Source: Annual Business Inquiry

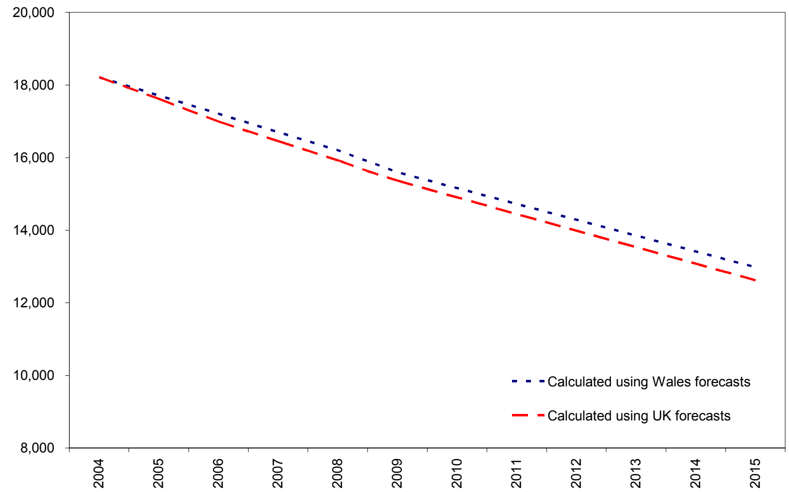
7.2.3 Manufacturing

As noted above, the proportion of employment within the manufacturing sector has fallen steadily since the year 2000. Annual Business Inquiry data estimated that 27.8% of all employees were employed within the manufacturing sector in 2000, falling to a figure of 23.3% in 2004.

Employment within the sector is also expected to fall further. The forecasts below are based upon Rhondda Cynon Taf mirroring Wales and UK trends. Whilst the decline in manufacturing employment in Rhondda Cynon Taf has been slower than throughout the UK, it has roughly mirrored the Welsh trend. Following the trend of predicted job losses in the manufacturing sector in Wales would lead to a loss of over two and half thousand jobs by 2009, and over five thousand jobs by 2015.

[9] This sector includes activities of nurses, midwives, physiotherapists or others in the field of optometry, hydrotherapy, medical massage, occupational therapy, speech therapy, chiropody, homeopathy, chiropractic, acupuncture and the like, UK Standard Industrial Classification of Economic Activities 2003, National Statistics

Figure 7.5: Forecast Growth in Number of Manufacturing Employees



Source: Annual Business Inquiry/Robert Huggins Associates

Manufacturing remains under threat from lower-cost production bases across the globe, and recent news about job losses in South East Wales have been frequent and numerous, including the high profile cases of the closure of Sony and Christie Tyler in Bridgend. These jobs losses, as well as those throughout the manufacturing sector of the UK as a whole, can all impact upon the manufacturing sector in Rhondda Cynon Taf as a result of supply chain links between manufacturing businesses. It is inevitable that employment within the manufacturing sector on the whole will continue to decline. However, opportunities do exist for specific sub-sectors, and more notably the opportunities that can be offered by high-value added knowledge-based manufacturing sectors for the local economy.

Machinery and Equipment[10]

The manufacturing of machinery and equipment includes the following activities:

- Manufacture of machinery for the production and use of mechanical power, except aircraft, vehicle and cycle engines;
- Manufacture of other general purpose machinery;
- Manufacture of agricultural and forestry machinery;
- Manufacture of machine tools;
- Manufacture of other special purpose machinery;
- Manufacture of weapons and ammunition;
- Manufacture of domestic appliances not elsewhere classified.

[10] Manufacture of machinery and equipment not elsewhere classified, see *UK Standard Industrial Classification of Economic Activities 2003,* National Statistics, for further details

Rhondda Cynon Taf retains a relative specialisation in the Machinery and Equipment sector, although employment has fallen from 2.8% of all employees in 2000 to just 1.9% in 2004. The sector currently contributes around 1,500 jobs to the economy of Rhondda Cynon Taf.

The table below documents location quotients for the sector in Rhondda Cynon Taf, which highlight that although the County Borough possesses a relative specialisation within the sector, this has decreased between the years 2000 and 2004.

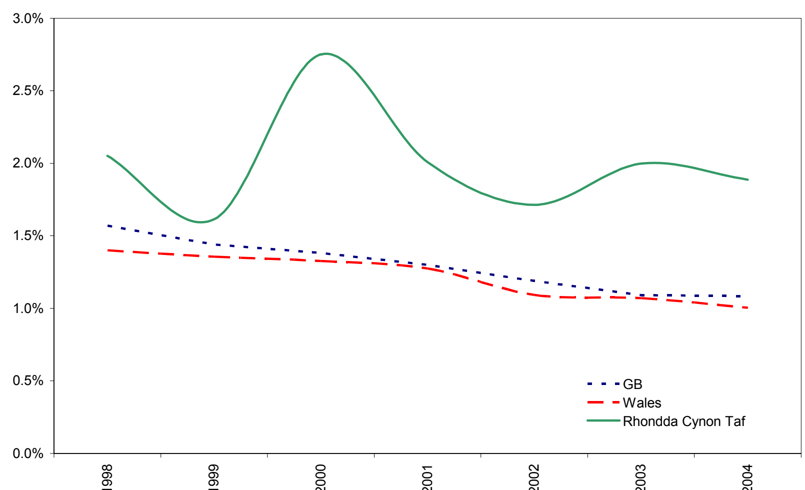
Table 7.11: Location Quotients for Machinery and Equipment in Rhondda Cynon Taf

2000		2004	
GB	Wales	GB	Wales
1.99	2.07	1.74	1.88

Source: Annual Business Inquiry

Employment levels within Rhondda Cynon Taf in the manufacture of machinery and equipment have fluctuated in recent years. Despite these fluctuations the proportion of individuals employed in these sectors has always remained higher than those recorded for Wales and Great Britain. It is interesting to note from Figure 7.6 below that whilst using 2000 as a base year reveals a decline in relative specialisation the sector in Rhondda Cynon Taf in comparison with Wales and Great Britain, analysis over the period 1998-2004, however, reveals more static levels of employment within the sector.

Figure 7.6: Proportion of Employees Employed in Machinery and Equipment



Source: Annual Business Inquiry

Shift share analysis suggests that any job losses within the sector have arisen as a result of 'industrial mix', in other words, as a result of the relative size of the sector in Rhondda Cynon Taf, rather than local competitiveness issues.

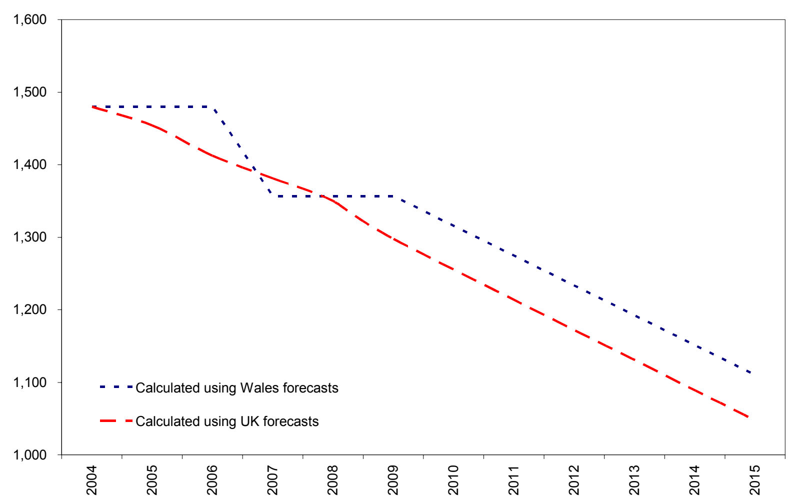
Table 7.12: Shift Share Analysis, Share of Employment Growth by Growth Component

National Growth	-12.3%
Industrial Mix	85.8%
Competitiveness	26.5%

Source: Annual Business Inquiry/Robert Huggins Associates Analysis

The future prospects for the sector nationally, as with most manufacturing sub-sectors, are not great. Employment forecasts for Rhondda Cynon Taf, based on Wales and UK forecasts estimate that up to 400 jobs will be lost in the sector by 2015. However, this figure may be less if employment Rhondda Cynon Taf does not mirror national trends – as exemplified in figure 7.6 above.

Figure 7.7: Forecast Growth in Number of Machinery and Equipment Employees



Source: Annual Business Inquiry/Robert Huggins Associates

Delving further into the sub-sectors of machinery and equipment manufacture highlights specialisation in the fields of 'manufacture of other general purpose machinery not elsewhere classified'[11], 'manufacture of metalworking machine tools', 'manufacture of electric domestic appliances' and 'manufacture of non-electric domestic appliances'.

11 Comprising Manufacture of furnaces and furnace burners, Manufacture of lifting and handling equipment, Manufacture of non-domestic cooling and ventilation equipment, Manufacture of other general purpose machinery not elsewhere classified

Table 7.13: Rhondda Cynon Taf Location Quotients and Employment in Machinery and Equipment Sub-Sectors 2004

	Vs GB	Vs Wales	Rhondda Cynon Taf Employment Estimates
Other general purpose machinery not elsewhere classified	7.71	4.47	>700
Metalworking machine tools	5.58	8.42	>100
Electric domestic appliances	5.65	1.57	>250
Non-electric domestic appliances	5.36	4.54	>100

Source: Annual Business Inquiry

Throughout Europe there is indication that the machinery and equipment sector is far from stagnant. EU Engineering Competitive Update, published in August 2005 suggested that the output of the machinery and other mechanical equipment rose from €361,635M in 2003 to €380,068 in 2004. The report also found that employment within the sector remained relatively stable, despite and overall contraction of manufacturing employment throughout most Western European countries. The same report also concluded that the value of engineering imports and exports for the sector has grown in recent years.

Furniture

Rhondda Cynon Taf retains a high degree of specialisation in the furniture manufacturing sector in Rhondda Cynon Taf in comparison with Wales and Great Britain figures. This specialisation has remained relatively constant between the years 2000 and 2004. The sector employs around 1,750 employees according to the latest Annual Business Inquiry data for 2004.

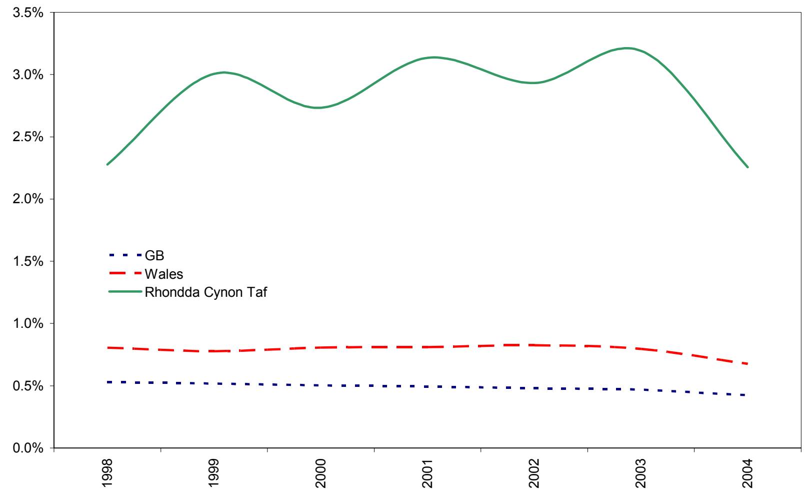
Table 7.14: Location Quotients for Furniture Manufacture in Rhondda Cynon Taf

2000		2004	
GB	Wales	GB	Wales
5.42	3.38	5.32	3.34

Source: Annual Business Inquiry

Employment within the sector has fluctuated in recent years, although it has remained consistently high in comparison with Wales and Great Britain levels of employment. Employment has fluctuated between 2% and 3 ½% between 1998 and 2004.

Figure 7.8: Proportion of Employees Employed in Furniture Manufacture



Source: Annual Business Inquiry

Between 2000 and 2004 the slight fall in employment in Rhondda Cynon Taf is mostly attributed to industrial mix, and not any local specific factors. This, to an extent, mirrors trends throughout manufacturing as a whole where employment is falling throughout the UK as a result of competition from lower cost production in countries with lower wage rates.

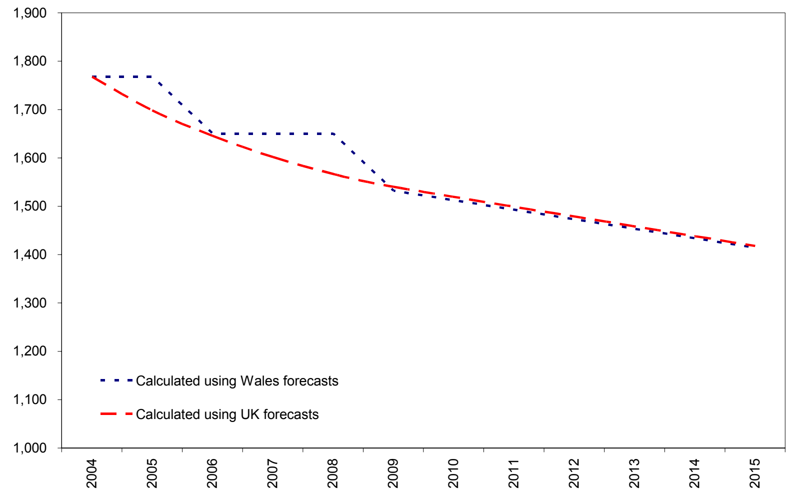
Table 7.15: Shift Share Analysis, Share of Employment Growth by Growth Component

National Growth	-9.1%
Industrial Mix	79.8%
Competitiveness	29.2%

Source: Annual Business Inquiry/Robert Huggins Associates Analysis

Wales and UK forecasts would suggest that employment in furniture manufacturing in Rhondda Cynon Taf is likely to fall by around 225 jobs by 2009 and 350 jobs by 2015 if it were to mirror national trends. If, however, Rhondda Cynon Taf can buck the national trends then this decline may be reversed, but only if the sector can remain cost competitive.

Figure 7.9: Forecast Growth in Number of Furniture Manufacture Employees[12]



Source: Annual Business Inquiry/Robert Huggins Associates

Employment within the furniture manufacturing sector has also been falling throughout Europe. In 2000 1,295,600 were employed within the sector in the EU25 countries[13], this fell to 1,243,700 in 2000. Over the same period output for the sector fell from €112,569M to €109,458M.

Table 7.16: EU-25 top 10 Community markets

million €	2001	2002	2003	2004	share of exports	% growth 2001-2004
Extra-EU25	10,270	10,244	9,621	9,921	100.0%	-3.4%
USA	3,058	3,020	2,598	2,480	25.0%	-18.9%
Switzerland	1,578	1,553	1,509	1,563	15.8%	-1.0%
Norway	669	728	760	818	8.2%	22.3%
Russia	670	646	658	812	8.2%	21.3%
Japan	506	488	520	497	5.0%	-1.9%
China	158	177	286	249	2.5%	57.9%
Canada	233	259	241	240	2.4%	2.7%
Croatia	162	207	219	228	2.3%	40.9%
U.A. Emirates	181	179	180	202	2.0%	11.7%
Ukraine	174	178	166	185	1.9%	6.7%

Products covered: CN Codes 9401-9404

Sources : Eurostat

[12] Based upon Wales and UK forecasts for employment growth in Manufacturing Not Elsewhere Classified

[13]http://europa.eu.int/comm/enterprise/furniture/statistics.htm#EU-25%20Structural%20data

The main reason for the European wide fall in employment is a fall in exports. The value of exports within the furniture manufacturing sector fell from €10,720M in 2001 to €9,921 in 2004, an overall fall in value of 3.4%.However, there were signs of emerging markets for European furniture manufacturing output – the volume of exports for the sector grew significantly in Russia and China between 2001 and 2004.

Table 7.17: EU-25 top 10 Community suppliers

million €	2001	2002	2003	2004	share of imports	% growth 2001-2004
Extra-EU25	7,195	7,494	8,245	9,935	100.0%	38.1%
China	1,388	1,742	2,275	3,163	31.8%	127.8%
Indonesia	792	765	785	838	8.4%	5.7%
Romania	495	561	606	748	7.5%	51.0%
Switzerland	512	445	438	469	4.7%	-8.4%
Vietnam	226	255	341	462	4.7%	104.9%
Turkey	243	309	369	430	4.3%	77.2%
South Africa	396	407	407	428	4.3%	8.0%
USA	623	499	416	392	3.9%	-37.1%
Malaysia	317	317	305	339	3.4%	7.0%
Brazil	217	228	262	301	3.0%	39.0%

Products covered: CN Codes 9401-9404

Sources : Eurostat

An increase in the value of imports into Europe has also damped employment and output for the furniture industry within the EU25 countries. Between 2001 and 2004 furniture imports rose by almost 40% - the majority of the growth being accounted for by increased imports from China.

Transport Equipment

Contraction in the levels of employment within the transport equipment manufacturing sector in Rhondda Cynon Taf has resulted in a fall in the relative specialisation of the sector in comparison with Great Britain and Wales. Between 2000 and 2004 the location quotient for the sector fell from 1.79 to 1.32 in comparison with Great Britain, and from 1.46 to 0.78 in comparison with Wales.

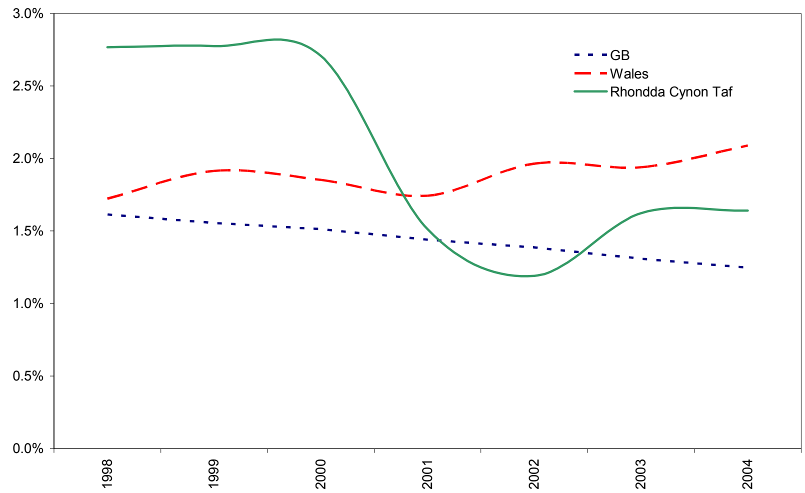
Table 7.18: Location Quotients for Transport Equipment Manufacture in Rhondda Cynon Taf

2000		2004	
GB	Wales	GB	Wales
1.79	1.46	1.32	0.78

Source: Annual Business Inquiry

The sector currently employs just under 1,300 people within Rhondda Cynon Taf, representing 1.6% of total employment. This is now substantially less than the Wales figure of 2.1%, which reflects a steady rise in employment within te sector throughout Wales, between 2000 and 2004 - in contrast with the decline in employment experienced by Rhondda Cynon Taf over the same period. The chart below illustrates the fall in employment within this sector in Rhondda Cynon Taf in recent years, equating to a fall on average of 10% per annum between 2000 and 2004.

Figure 7.10: Proportion of Employees Employed in Transport Equipment Manufacture



Source: Annual Business Inquiry

Shift-share analysis shows that much of the fall in employment can be attributed to local factors, or the ‘competitiveness’ of the sector in Rhondda Cynon Taf. This is evident from the increase in employment experienced throughout Wales, but not in Rhondda Cynon Taf. It should be noted, however, that there has been a steady decline in employment within this sector throughout Great Britain in recent years.

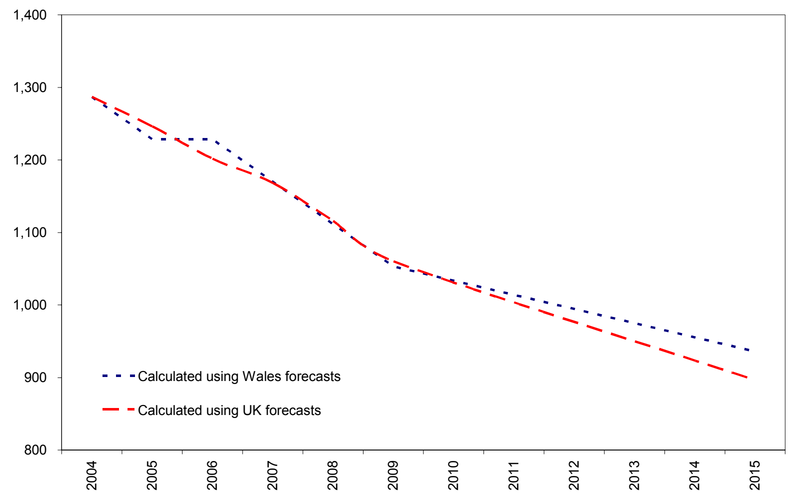
Table 7.19: Shift Share Analysis, Share of Employment Growth by Growth Component

National Growth	-9.2%
Industrial Mix	52.6%
Competitiveness	56.6%

Source: Annual Business Inquiry/Robert Huggins Associates Analysis

Employment forecasts predict that the number of employees within the sector will fall to less than 1,000 by the year 2015.

Figure 7.10: Forecast Growth in Number of Transport Equipment Manufacture Employees



Source: Annual Business Inquiry/Robert Huggins Associates

Employment in the motor vehicle industry has been falling throughout developed economies since the start of the millennium, production has also shifted from European and US based production facilities to Asia/Oceania based production facilities[14]. However, despite the cautious picture painted by the European Union's *Key Indicators on the competitiveness of the EU's Automotive Industry* report, the same report also documents increased production within the sector in Europe, as well as increased exports and imports of motor vehicles.

Rubber and Plastics

Employment growth within Rubber and Plastics Manufacture in Rhondda Cynon Taf between the years 2000 and 2004 has resulted in a sizable increase in the location quotient for the sector. Over 3 times as many people per head of working population are employed within the rubber and plastics manufacturing sector in Rhondda Cynon Taf than throughout Wales as a whole. This figure rises to almost 5 times as many people in comparison with Great Britain.

Table 7.20: Location Quotients for Rubber and Plastics Manufacture in Rhondda Cynon Taf

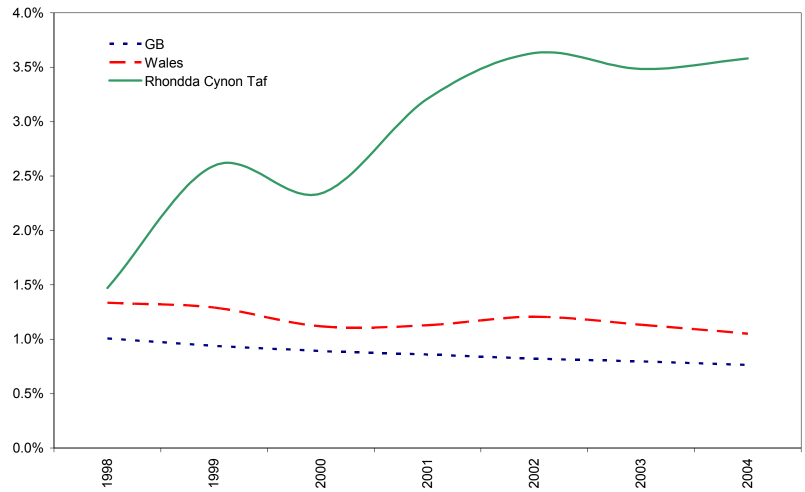
2000		2004	
GB	Wales	GB	Wales
2.63	2.09	4.69	3.41

Source: Annual Business Inquiry

[14] Key Indicators on the competitiveness of the EU's automotive Industry, http://europa.eu.int/rapid/pressReleasesAction.do?reference=MEMO/05/7&format=PDF&aged=0&language=EN&guiLanguage=fr

Employment within the sector in Rhondda Cynon Taf has grown from 1,700 in 2000 to 2,800 in 2004 according to Annual Business Inquiry estimates. This represents an increase in employment from 2.3% of total employees to 3.6% of total employees. Over the same period there has been a steady decline in employment within the sector throughout Wales and Great Britain.

Figure 7.11: Proportion of Employees Employed in Rubber and Plastics Manufacture



Source: Annual Business Inquiry

Throughout the globe high energy costs have been affecting the production of rubber and plastics. However, despite a UK wide contraction in employment, employment within the sector has continued to grow within Rhondda Cynon Taf. Employment growth can be mostly attributed to local competitiveness. Decline in the sector throughout Wales and Great Britain means that it is the competitiveness of the sector in Rhondda Cynon Taf that is driving growth, and not national trends.

Table 7.20: Shift Share Analysis, Share of Employment Growth by Growth Component

National Growth	4.8%
Industrial Mix	-22.4%
Competitiveness	117.5%

Source: Annual Business Inquiry/Robert Huggins Associates Analysis

The main sub-sectors of growth within rubber and plastics manufacturing have been ‘other rubber products’, ‘plastic plates, sheets, tubes and profiles’ and ‘builders ware of plastic’, all of which have experienced double-digit growth rates year-on-year between 2000 and 2004.

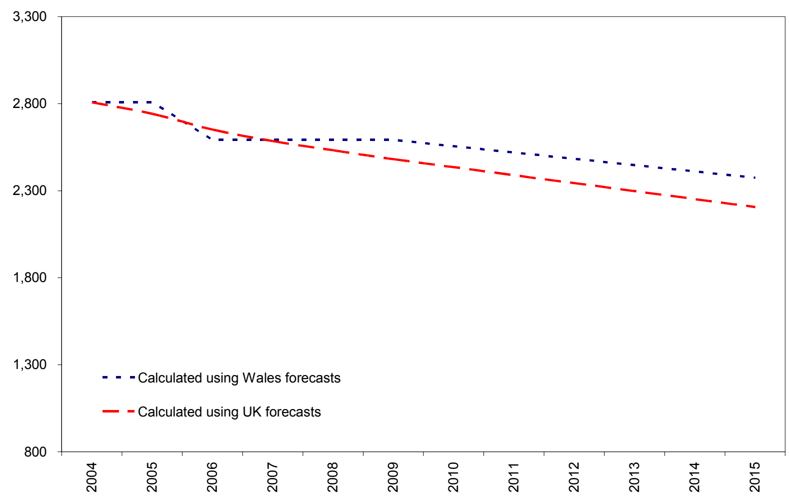
Table 7.21: Rubber and Plastics Manufacture Sub-sectors Employment Growth, Compound Annual Growth 2000-2004

Other rubber products	37%
Plastic plates, sheets, tubes and profiles	18%
Builders ware of plastic	21%

Source: Annual Business Inquiry

Employment forecasts based upon national growth predictions suggest that the rubber and plastics manufacturing sector will contract in employment terms in forthcoming years. However, given the recent growth in the sector, and the apparent competitiveness of the sector highlighted in the shift-share analysis, there is scope for the rubber and plastics manufacturing sector in Rhondda Cynon Taf to continue to grow, despite being a sector that is contracting in employment terms nationally.

Figure 7.12: Forecast Growth in Number of Rubber and Plastics Manufacture Employees



Source: Annual Business Inquiry/Robert Huggins Associates

Chemicals and Chemical Products

Employment in the manufacture of chemicals and chemical products in Rhondda Cynon Taf has remained relatively static between 2000 and 2004 – employment stands at around 1,300 employees for the sector, just over 1.7% of all employment. Location quotient analysis reveals an increase in the relative specialisation of the sector in Rhondda Cynon Taf between the years 2000 and 2004.

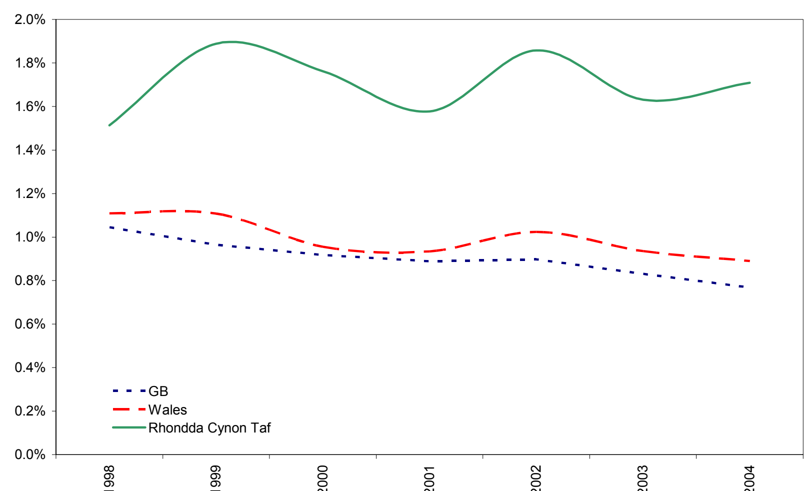
Table 7.22: Location Quotients for Chemicals and Chemical Products in Rhondda Cynon Taf

2000		2004	
GB	Wales	GB	Wales
1.92	1.84	2.23	1.92

Source: Annual Business Inquiry

The chart below highlights that employment within the chemicals and chemical products manufacturing sector has hovered at around 1.7% of total employment between 1998 and 2004 in Rhondda Cynon Taf, whilst the sector has experienced a steady, if slow, decline in employment throughout Wales and Great Britain.

Figure 7.13: Proportion of Employees Employed in Chemicals and Chemical Products Manufacture



Source: Annual Business Inquiry

Shift-share analysis reveals that local factors have had the greatest impact on employment growth. The decline in employment through Great Britain has meant that the industrial mix has had a negative impact on growth.

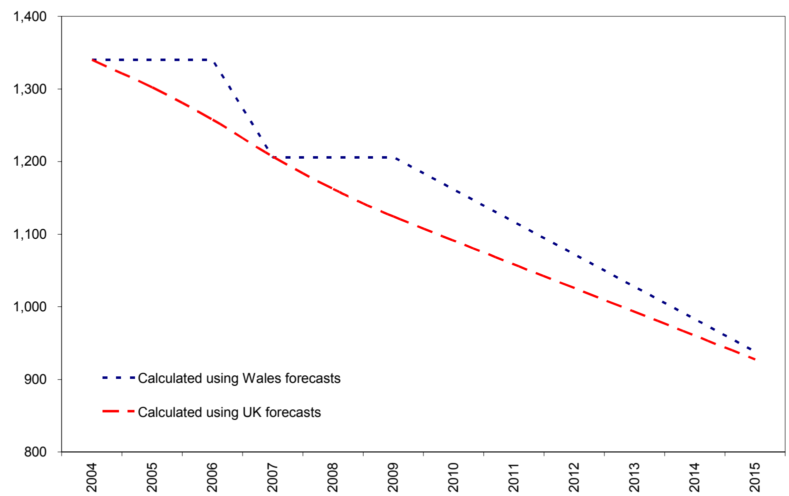
Table 7.23: Shift Share Analysis, Share of Employment Growth by Growth Component

National Growth	65.3%
Industrial Mix	-345.9%
Competitiveness	380.6%

Source: Annual Business Inquiry/Robert Huggins Associates Analysis

Employment forecasts based upon Wales and UK growth projections suggest a decline in employment for the sector within Rhondda Cynon Taf. If the sector remains competitive, however, there is no reason to believe that employment in the sector in Rhonda Cynon Taf can remain at its comparatively high level.

Figure 7.14: Forecast Growth in Number of Chemicals and Chemical Products Manufacture Employees



Source: Annual Business Inquiry/Robert Huggins Associates

Competitive pressures will continue to arise in the Far East for the Chemicals sector, although the emergence of China as a world economy will also represent an opportunity for the sector in terms of an emerging market.

7.2.4 Retail

Retail currently accounts for almost 8,500 jobs in Rhondda Cynon Taf – equating to just over one in every ten jobs within the County Borough. This is slightly less than the equivalent figures of 11.6% and 12.5% for Great Britain and Wales respectively. Location quotients for the sector have remained relatively static.

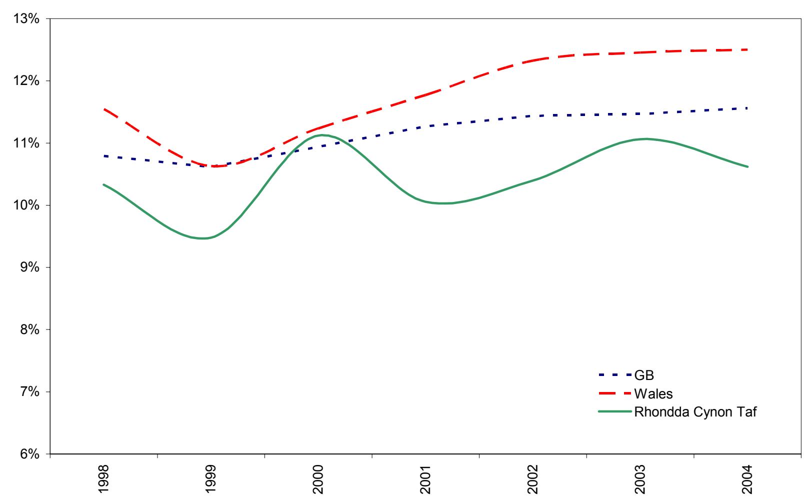
Table 7.24: Location Quotients for Retail in Rhondda Cynon Taf

2000		2004	
GB	Wales	GB	Wales
1.02	0.99	0.92	0.85

Source: Annual Business Inquiry

Employment growth within the retail sector has been relatively steady in recent years for Rhondda Cynon Taf, Wales and Great Britain. However - average annual growth within the sector in Rhondda Cynon Taf between the years 2000 and 2004 stands at less than 1% per annum, compared with figures of 2.2% and 4.6% for Wales and Great Britain respectively over the same time period.

Figure 7.14: Proportion of Employees Employed in Retail



Source: Annual Business Inquiry

The minimal growth experienced by the sector in Rhondda Cynon Taf has been largely dependent upon overall growth of the sector throughout Great Britain and Wales. The sector remains relative uncompetitive in Rhondda Cynon Taf, as expressed by shift-share analysis undertaken for the retail sector.

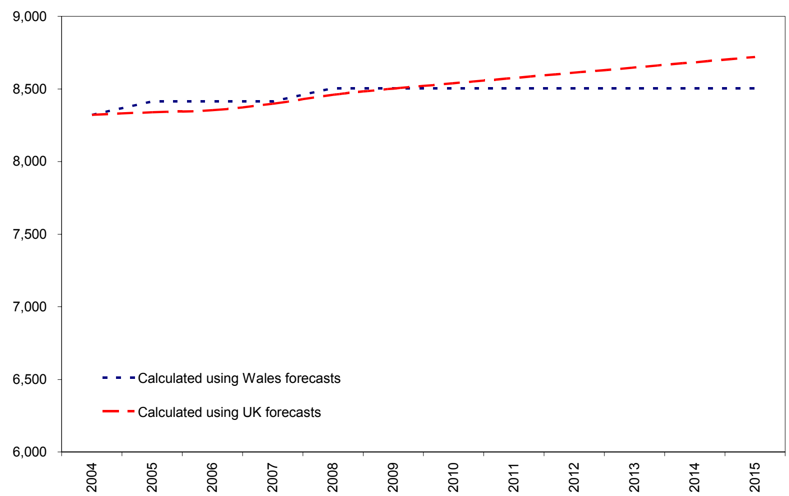
Table 7.25: Shift Share Analysis, Share of Employment Growth by Growth Component

National Growth	99.4%
Industrial Mix	183.4%
Competitiveness	-182.8%

Source: Annual Business Inquiry/Robert Huggins Associates Analysis

Steady employment growth is expected throughout Wales and Great Britain according to recent forecasts, and it is expected that some of this growth will trickle down to the Rhondda Cynon Taf economy.

Figure 7.15: Forecast Growth in Number of Retail Employees



Source: Annual Business Inquiry/Robert Huggins Associates

More recent data, however, reveals that high levels of consumer debt and increasing household bills have resulted in a stagnation of the retail sector throughout the UK in 2006[15]. As a result, it is unlikely that employment growth within the retail sector in Rhondda Cynon Taf can be spurred by national growth. However, increasing the retail offer available within town centres and increasing the level of competitiveness of the sector is one avenue for employment growth within the retail sector in Rhondda Cynon Taf.

[15] http://news.bbc.co.uk/1/hi/business/4812238.stm

7.2.5 Computing and Related Activities

Employment in computing and related activities (note that this excludes the manufacturing of computers) remains relatively low in Rhondda Cynon Taf. According to the latest Annual Business Inquiry data less than 250 people are employed in the computing and related activities sector[16] in Rhondda Cynon Taf. Location quotients for the sector have remained relatively static between 2000 and 2004.

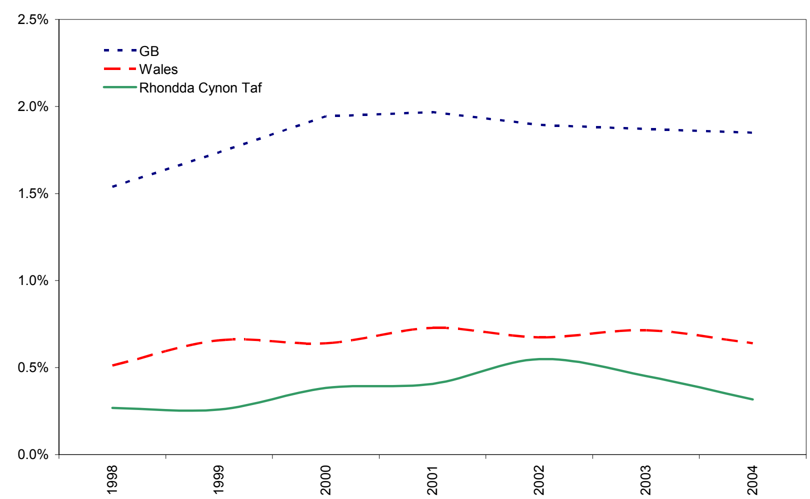
Table 7.26: Location Quotients for Computing and Related Activities in Rhondda Cynon Taf

2000		2004	
GB	Wales	GB	Wales
0.20	0.60	0.17	0.50

Source: Annual Business Inquiry

Proportional employment in computing and related activities in Rhondda Cynon Taf and Wales has continued to lag the Great Britain average for some time. Employment within the sector has remained relatively static in the past few years for all areas of analysis, with employment hovering between 0.3% and 0.5% of all employment in Rhondda Cynon Taf in recent years.

Figure 7.16: Proportion of Employees Employed in Computing and Related Activities



Source: Annual Business Inquiry

[16] Comprising hardware consultancy, software consultancy and supply, data processing database activities, maintenance and repair of office, accounting and computing machinery and other computer related activities

Employment in computing and related activities has grown considerably throughout Europe in recent years. However, much of this growth has occurred in the new member states of the European Union. Hungary, Slovakia and Latvia have all enjoyed considerable recent employment growth within the sector.[17] The United Kingdom still remains a competitive marketplace however, and is still the biggest employer within the computer and related activities sector in the European Union. Employment growth, therefore, in Rhondda Cynon Taf is more likely to be fuelled by ensuring that the sector becomes competitive locally in what is still a very sizable UK sector.

7.2.6 Financial and Business Services

Employment in financial and business services in Rhondda Cynon Taf has been increasing steadily since 2000, with an employment growth rate of around 2% per annum between 2000 and 2004. This growth rate is slightly greater than the UK average, although lags a little behind the all-Wales growth figure for the same period of 2.5%. As a result location quotient analysis shows little change between 2000 and 2004. The sector currently employs around 5,700 people in Rhondda Cynon Taf according to 2004 Annual Business Inquiry data.

Table 7.27: Location Quotients for Financial and Business Services in Rhondda Cynon Taf

2000		2004	
GB	Wales	GB	Wales
0.37	0.64	0.37	0.62

Source: Annual Business Inquiry

The chart below illustrates the slow, if steady growth in employment in recent years for the sector in Great Britain, Wales and Rhondda Cynon Taf. At 7.3% employment as a proportion of all employees in Rhondda Cynon Taf still lags some way behind the comparable figure for Great Britain of 20%, and also, to a lesser extent Wales, where employment in the financial and business services sector accounts for 11.7% of all employment.

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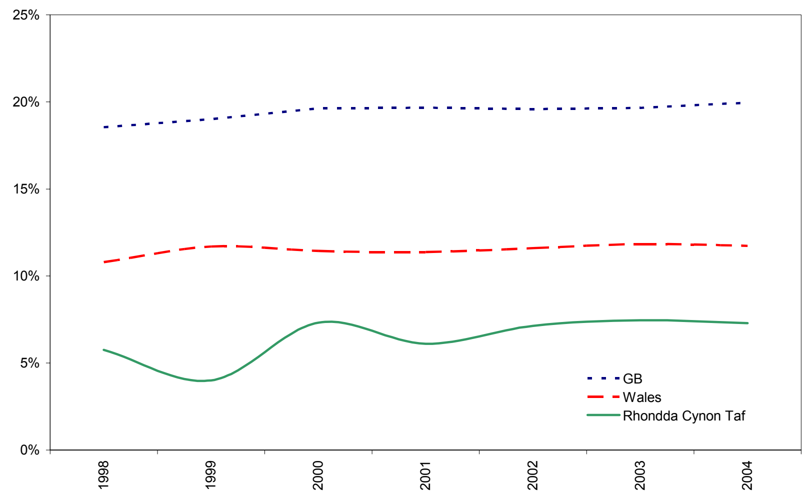
[17] Eurostat on-line database/Annual detailed enterprise statistics on services http://epp.eurostat.cec.eu.int/portal/page?_pageid=0,1136195,0_45572097&_dad=portal&_schema=PORTAL

Figure 7.17: Proportion of Employees Employed in Financial and Business Services



Source: Annual Business Inquiry

Shift-share analysis highlights that growth comes from an almost even mix of national growth, industrial mix and local competitiveness.

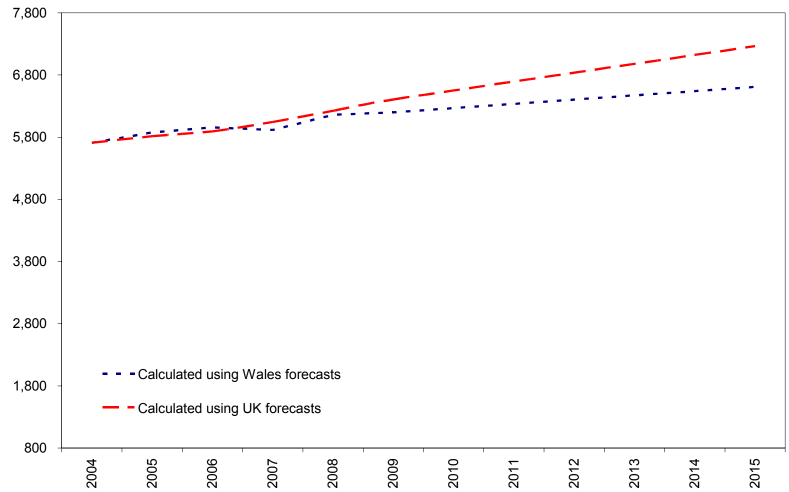
Table 7.28: Shift Share Analysis, Share of Employment Growth by Growth Component

National Growth	41.5%
Industrial Mix	23.0%
Competitiveness	35.6%

Source: Annual Business Inquiry/Robert Huggins Associates Analysis

Employment is forecast to increase in the financial and business services sector throughout Wales and the United Kingdom. From the evidence gathered above it would expected that at least some of this growth will be experienced in Rhondda Cynon Taf. If Rhondda Cynon Taf were to mirror Wales-wide growth in employment, an extra 500 jobs within the sector would be expected by 2009, rising to an increase of around 900 by 2015. Following United Kingdom growth would see employment growth of around 700 jobs by 2009, rising to growth of 1,500 by 2015.

Figure 7.18: Forecast Growth in Number of Financial and Business Services Employees



Source: Annual Business Inquiry/Robert Huggins Associates

Whilst there is undoubtedly global competition for employment within the financial and business services sector, mostly comprising of the outsourcing of back-office operations, there is also at the same time competitive advantages within the UK. Rhondda Cynon Taf's competitiveness is also boosted by relatively low housing costs, which means that businesses within the area can offer higher real wages once housing costs are deducted.

7.2.7 Hotels and Restaurants

Just over 4,000 people were employed in the hotels and restaurants sector in Rhondda Cynon Taf in 2004 according to Annual Business Inquiry estimates. This equates to around 5 ½% of the workforce of the County Borough, and represents a sizable increase in employment since 2000 when the sector accounted for just 3% of total employment.

The rise in employment has been translated into a significant rise in location quotient values between 2000 and 2004, although Rhondda Cynon Taf still lags Great Britain and Wales in terms of proportional employment.

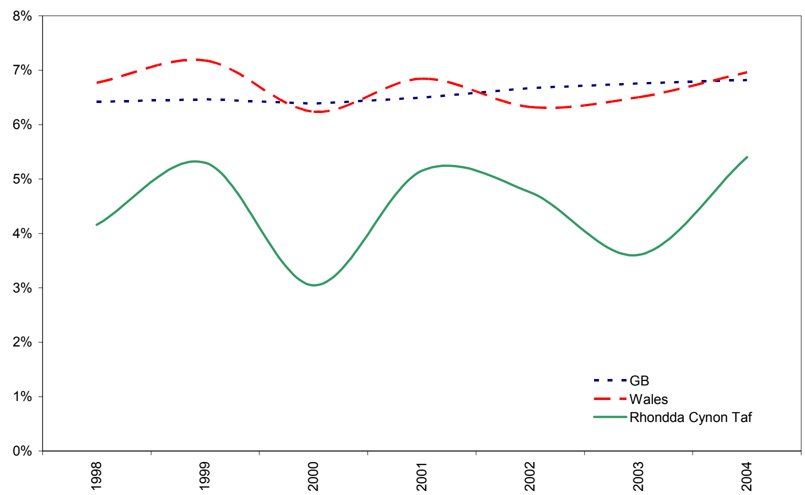
Table 7.29: Location Quotients for Hotels and Restaurants in Rhondda Cynon Taf

2000		2004	
GB	Wales	GB	Wales
0.48	0.49	0.79	0.78

Source: Annual Business Inquiry

It is worth noting, however, that employment within the sector has fluctuated considerably in recent years, and analysis between 2000 and 2004, as illustrated in the chart below, is an analysis that compares a trough with a peak in employment. Whilst the overall trend in employment would appear to be an upward one in Rhondda Cynon Taf, employment growth is not as great as the above location quotient analysis that compares 2000 and 2004 data would suggest.

Figure 7.19: Proportion of Employees Employed in Hotels and Restaurant



Source: Annual Business Inquiry

Shift-share analysis shows that local competitiveness has been the greatest contributor towards employment growth in the hotels and restaurants sector within Rhondda Cynon Taf.

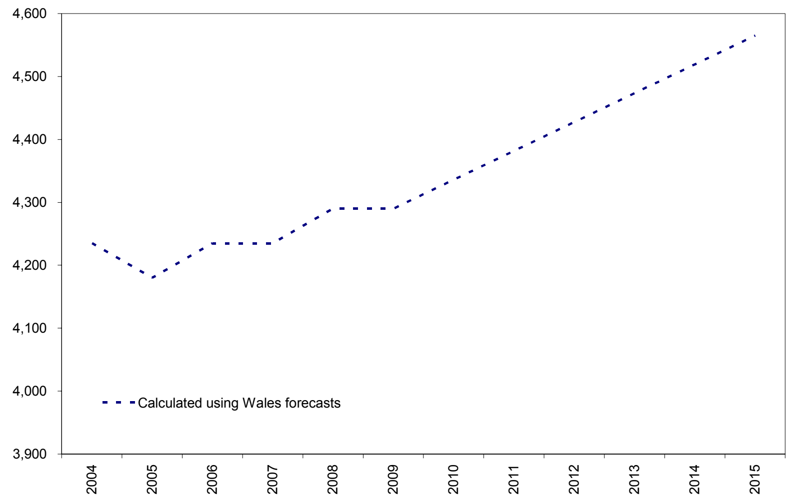
Table 7.30: Shift Share Analysis, Share of Employment Growth by Growth Component

National Growth	3.5%
Industrial Mix	7.7%
Competitiveness	88.9%

Source: Annual Business Inquiry/Robert Huggins Associates Analysis

Growth is forecast growth for the Hotels and Restaurants sector in Wales, although not to a huge extent. If Rhondda Cynon Taf were to mirror this growth between 2000 and 2004, we would expect an extra 50 jobs to be created by 2009, and over 300 to be created by 2015. It is important to realise, however, that employment within the sector fluctuates considerably in Rhondda Cynon Taf, making it difficult to predict future employment levels.

Figure 7.20: Forecast Growth in Number of Hotels and Restaurant Employees



Source: Annual Business Inquiry/Robert Huggins Associates

Tourism growth in the United Kingdom has centred upon city-breaks – rising inbound visitor numbers have been experienced throughout the cities of the UK.[18] The sector in Rhondda Cynon Taf is, however, very much dependent upon the tourism offer that can be developed in the area as opposed to national and global trends.

[18] Regional Forecasts, Oxford Economic Forecasting

7.3 Key Sectors Analysis - High-technology manufacturing[19]

Rhondda Cynon Taf has a high degree of specialisation in this sub-sector, which includes the electronics manufacturing and the manufacturing of medical instruments.

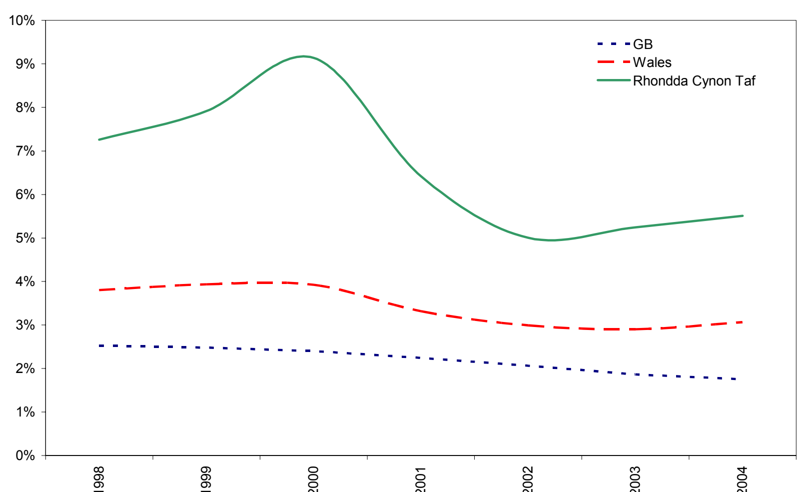
Table 7.31: Location Quotients for High Tech Manufacturing in Rhondda Cynon Taf

2000		2004	
GB	Wales	GB	Wales
3.80	2.33	3.14	1.80

Source: Annual Business Inquiry

Location quotient analysis reveals a weakening in relative specialisation, although a peak in employment in 2000 exaggerates the fall. Overall employment has fallen slowly, if steadily throughout Wales and Great Britain. As of 2004 employment accounted for 5 1/2 % of all employment within Rhondda Cynon Taf, equating to just under 4,500 employees. In Wales and Great Britain employment within this sector accounted for 3.1% and 1.8% of the total number of employees respectively, according to 2004 Annual Business Inquiry estimates.

Figure 7.21: Proportion of Employees Employed in High Tech Manufacturing



Source: Annual Business Inquiry

Job losses that have been occurred in Rhondda Cynon Taf have not been as a result of local competitiveness issues. Shift-share analysis reveals that any decline in

[19] See Appendix B for definition of High-Tech Manufacturing

employment has been as a result of 'industrial mix', or put more simply, as a result of national issues within the sector.

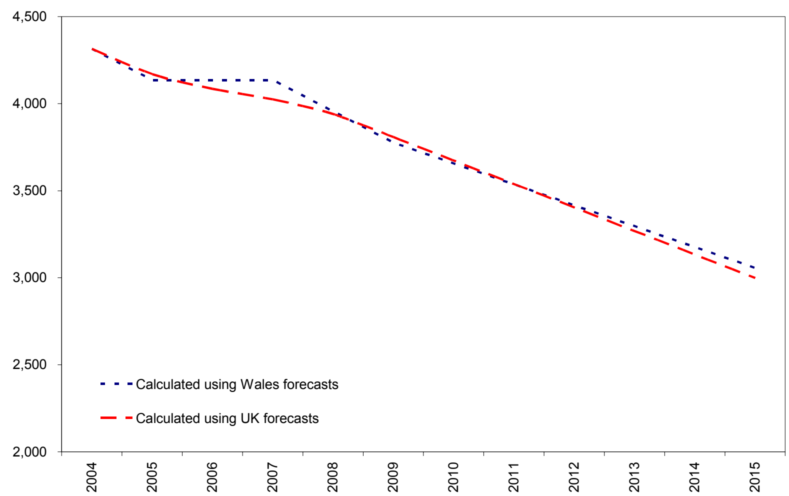
Table 7.32: Shift Share Analysis, Share of Employment Growth by Growth Component

National Growth	-9.1%
Industrial Mix	79.8%
Competitiveness	29.2%

Source: Annual Business Inquiry/Robert Huggins Associates Analysis

Employment in high-technology manufacturing is expected to continue to fall throughout Wales and the United Kingdom. If employment in Rhondda Cynon Taf were to mirror these trends we would expect to see a fall in employment of around 500 jobs by 2009, rising to a fall of over 1,200 by 2015.

Figure 7.22: Forecast Growth in Number of High Tech Manufacturing Employees[20]



Source: Annual Business Inquiry/Robert Huggins Associates

A few sectors in the high-tech manufacturing sector have grown in recent years. Throughout Rhondda Cynon Taf only the 'manufacture of pharmaceuticals, medicinal chemicals & botanical products' and 'manufacture of instruments and appliances for measuring, checking, testing, navigating and other purposes, except industrial process control equipment' have experienced positive employment growth. These trends mirror those throughout Great Britain and Wales. Of the high-technology manufacturing sub-sectors that have experienced the greatest decline, many are clustered around general electrical goods, such as the manufacture of television and radio equipment, as well as office machinery and computers. These sectors epitomise the trend for the movement of employment to

[20] Based upon UK and Wales forecasts for employment growth in Electrical & Optical Equipment

lower cost locations, and are typically large employers rather than specialist manufacturing enterprises.

Table 7.33: High-Tech Manufacturing Employment Growth 2000-2004 (CAGR)

	Rhondda Cynon Taf	Wales	Great Britain
Reproduction of recorded media	-	-4%	-8%
Pharmaceuticals, medicinal chemicals and botanical products	9%	8%	2%
Office machinery and computers	-13%	-28%	-13%
Electric motors, generators and transformers	-27%	-2%	-9%
Electricity distribution and control apparatus	-4%	-4%	-9%
Accumulators, primary cells and primary batteries	-	-10%	-12%
Electrical equipment not elsewhere classified	-3%	-3%	-5%
Electronic valves and tubes and other electronic components	-30%	-11%	-8%
Television and radio transmitters and apparatus for line telephony and line telegraph	-41%	-15%	-21%
Television and radio receivers, sound or video recording or reproducing apparatus and associated goods	-13%	-14%	-11%
Medical and surgical equipment and orthopaedic appliances	-19%	5%	0%
Instruments and appliances for measuring, checking, testing, navigating and other purposes, except industrial process control equipment	3%	5%	-4%
Optical instruments and photographic equipment	-5%	-12%	-7%
Watches and clocks	-	-	-17%
Aircraft and spacecraft	-14%	8%	-5%

Source: Annual Business Inquiry

The table below highlights the movement towards smaller more specialist manufacture in Rhondda Cynon Taf. In 2000 two-fifths of enterprises (measured here by Annual Business Inquiry workplace statistics) employed ten people or less. By 2004 this figure had risen to over 53%. Conversely, the number of large enterprises fell over the same period, with 12.8% of workplace units employing more than 200 people in 2004, compared with 16.7% on 2000.

Table 7.34: Proportion of High-Tech Manufacturing Workplaces by Employment Size band

	Great Britain		Wales		Rhondda Cynon Taf	
	2000	2004	2000	2004	2000	2004
1-10 employees	74.2%	75.9%	66.1%	68.5%	40.7%	53.2%
11-49 employees	15.5%	15.3%	16.7%	16.8%	18.5%	17.0%
50-199 employees	7.1%	6.3%	9.5%	8.7%	24.1%	17.0%
200 or more employees	3.2%	2.5%	7.6%	6.0%	16.7%	12.8%

Source: Annual Business Inquiry

It is important to understand that whilst most high-tech manufacturing businesses are small in size, they still employ a small fraction of the overall workforce. Three quarters of all employment within the sector in Rhondda Cynon Taf is accounted for by businesses that employ 200 people or more. However, the proportion of people employed in small businesses in the sector is growing in the Borough. If

Rhondda Cynon Taf were to mirror Great Britain and Wales trends, then we may expect that this figure will continue to grow.

Table 7.35: Proportion of Employment in High-Tech Manufacturing Workplaces by Employment Size band

	Great Britain		Wales		Rhondda Cynon Taf	
	2000	2004	2000	2004	2000	2004
1-10 employees	7.2%	8.4%	3.3%	3.8%	1.7%	2.9%
11-49 employees	11.5%	14.5%	6.8%	8.3%	3.5%	6.4%
50-199 employees	22.5%	24.4%	16.5%	18.1%	20.3%	14.2%
200 or more employees	58.8%	52.7%	73.3%	69.8%	74.5%	76.5%

Source: Annual Business Inquiry

7.4 Key Sectors Analysis - Construction

Employment in the construction sector has fluctuated considerably in recent years. Location quotient analysis reveals that relative specialisation for the sector within Rhondda Cynon Taf in comparison with Great Britain as a whole has fallen between 2000 and 2004, whilst it has remained steady in comparison with Wales. The sector currently employs around 3000 people in Wales according to 2004 Annual Business Inquiry estimates.

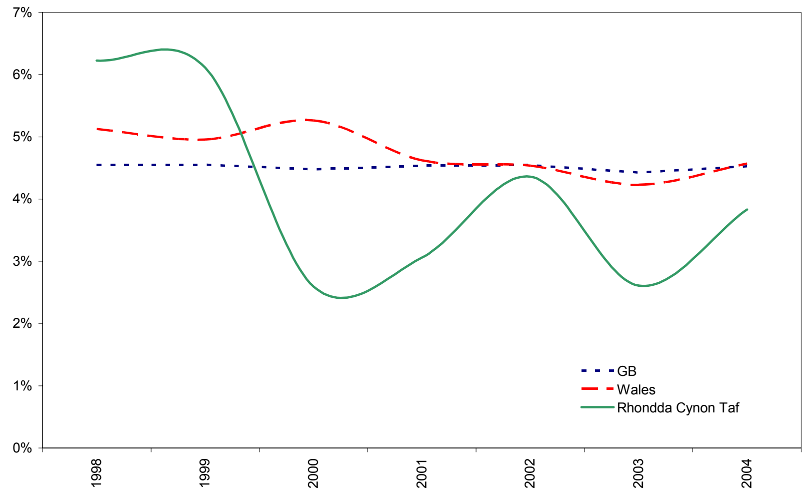
Table 7.36: Location Quotients for Construction in Rhondda Cynon Taf

2000		2004	
GB	Wales	GB	Wales
0.58	0.49	0.85	0.48

Source: Annual Business Inquiry

The fluctuation of employment means that a comparison of two separate years does not tell the whole story. The chart below illustrates that the employment in the construction sector, expressed as a proportion of total employment is subject to large variations throughout Wales and Rhondda Cynon Taf.

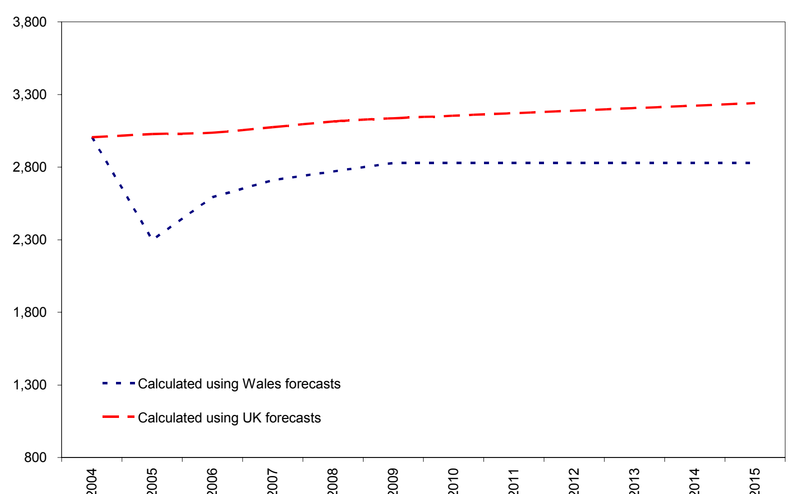
Figure 7.23: Proportion of Employees Employed in Construction



Source: Annual Business Inquiry

Employment projections for the sector remain relatively static. The sector, however, can be particularly sensitive at a local area, and schemes and local projects can clearly influence future employment levels within the County Borough. The Wales Spatial Plan and the Heads of the Valleys Strategy are likely to have an impact upon the development of the construction sector within Rhondda Cynon Taf. The Heads of the Valleys Strategy clearly places Merthyr Tydfil as the hub of the strategy implementation. As such, neighbouring local authorities, including Rhondda Cynon Taf, need to recognise this and develop their own strategies with this in mind.

Figure 7.24: Forecast Growth in Number of Construction Employees



Source: Annual Business Inquiry/Robert Huggins Associates

Consultations suggested that construction employment will continue to grow for the next ten years as a result of housing transfer and upgrade policies in Rhondda Cynon Taf, as well as the major development plans in Cardiff acting as the key drivers of this growth. Views expressed during consultations however, considered that a number of skills issues may need to be addressed, alongside some policy changes on the side of the local authority (as outlined below), if the opportunities emerging from this growth are to be capitalised upon.

Most of the construction businesses within Rhondda Cynon Taf are either micro businesses (often employing fewer than 5 individuals) or sole traders. These small businesses have sufficient skills and ability to meet the cost estimation, planning and building requirements of most small construction contracts. However, larger contracts often require detailed bids from contractors and sometimes require specialist construction skills. Small construction companies often lack the skills and capacity to successfully bid for contracts of this size and opportunities of this nature are often lost to larger construction companies located further afield.

Equipping owners and managers of small construction companies with the skills and ability to put together detailed and well costed bids will enable them to competitively bid for these larger contracts. At the same time equipping construction workers with higher level construction skills will enable them to carry out some of the more difficult construction tasks and work with a wider range of materials etc often associated with larger contracts. Rhondda Cynon Taf County Borough Council may have a strategic role in coordinating and resourcing some of these training needs. The council may also have a role in ensuring that their procurement policy breaks up larger contracts to smaller contracts which local construction firms can compete for on a relatively even footing.

Although the above would address the ability of small firms within the sector to bid for larger and potentially more lucrative contracts they would still need the capacity to undertake them. Encouraging small construction firms to collaborate and cooperate together to offer joint bids for contracts may be one way of addressing this. A number of business networking events currently exist but facilitating networking events specifically for the construction industry maybe a way of encouraging horizontal collaborative working practices of this nature within the sector.

The Chamber of Commerce currently offers training for young people – mostly disaffected youths which colleges will not take on. They offer them basic level construction training which should enable them to gain employment in the sector. The skills development progression route from there on is mostly up to either the employer or the individual worker. Employers of small construction firms however often find it difficult to release and fund workers to undertake training, particularly off the job training, and as such prefer short, bites sized courses including parts of whole NVQ courses.

As the sector comprises mainly of many small companies recruitment is largely dependent on word of mouth. As such the attitudes and level of trustworthiness demonstrated by potential candidates are as, if not more, important than their building skills.

It was suggested during consultations that the development of a centre of excellence which would offer bespoke bite sized construction training – as well as full NVQ qualification courses – would suit the needs of employers and help increase the skill base of the sector across Rhondda Cynon Taf. Increasing the skills base will be particularly important if the sector is to remain competitive once the current buoyant nature of the market begins to decline. A centre of excellence of this nature could be a collaborative project across a few neighbouring local authority areas as well. A centre of this nature would also ensure that the provision of skills was conducive to employers and industry needs, and would also provide the sector with a sustainable competitive advantage in the medium to long term.

7.5 Key Sectors Analysis - Cultural and recreational industries

There has been an overall upward trend in employment in cultural and recreational industries throughout Rhondda Cynon Taf, Wales and Great Britain. As a result the location quotient analysis reveals very little change as a result of the increase in employment throughout Wales and Britain.

Table 7.37: Location Quotients for Recreational and Cultural Activities in Rhondda Cynon Taf

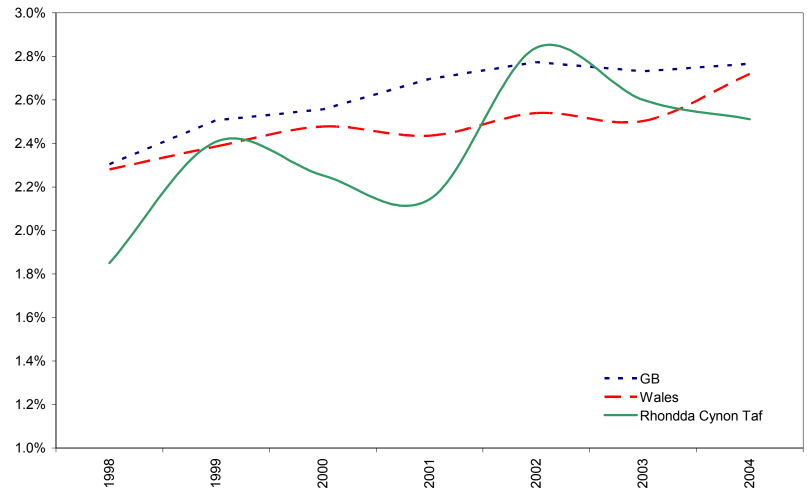
2000		2004	
GB	Wales	GB	Wales
0.88	0.91	0.91	0.92

Source: Annual Business Inquiry

The cultural and recreational industries currently employ around 2,000 people in Rhondda Cynon Taf – equivalent to 2 1/2% of all employees within the County Borough. Particular growth sub-sectors within the cultural and recreational industries include:

- Radio and television activities
- Operation of arts facilities
- Library and archive activities
- Museum activities and preservation of historical sites and buildings
- Operation of sports arenas and stadiums
- Other recreational activities not elsewhere classified

Figure 7.25: Proportion of Employees Employed in Recreational and Cultural Activities



Source: Annual Business Inquiry

Growth has occurred partly as a result of national trends, although shift-share analysis suggests that local competitiveness factors are also having a positive effect upon employment within the sector in Rhondda Cynon Taf.

Table 7.38: Shift Share Analysis, Share of Employment Growth by Growth Component

National Growth	15.6%
Industrial Mix	41.6%
Competitiveness	42.8%

Source: Annual Business Inquiry/Robert Huggins Associates Analysis

The Arts and Cultural sector plays an important role within Rhondda Cynon Taf, cutting across a number of the local authority's service areas including community regeneration, education and lifelong learning. The sector also promotes social and community identity within the borough council area. There is also a strong appreciation of the way in which the arts can be used to engage with hard to reach communities and individuals particularly those that fall within the NEET (Not in Employment, Education or Training) category. Bro Dysg is a prime example of this. Initiatives such as SONIG have also used the arts and culture to build confidence and develop transferable skills in Rhondda Cynon Taf.

Music has been the most obvious medium by which initiatives of this kind have engaged with individuals and communities as this is of the medium by which many individuals, particularly young people can relate to most easily particularly as the famous Pop Factory is also located in the local authority. However, art has also been a popular medium to encourage participation as has film making, again promoted by the development of Dragon Studios as well as Wales's only children and young people film festival hosted in Rhondda Cynon Taf.

Rhondda Cynon Taf can be considered one of the leading local authorities in Wales in respect of the way in which council funded programmes and initiatives use the arts and culture to address social and economic needs. Nevertheless compared to some local authority areas in England there is still room for improvement and learning from best practice examples of achievements outside of Wales could further strengthen the councils position in this respect.

The main cultural enterprises that fall within the remit of the council in Rhondda Cynon Taf are the three theatres. Although they are council managed they are still run as income generating and target driven enterprises and follow a business model principle. The three theatres are:

- Park and Dare Theatre, Treorchy
- The Muni Arts Centre, Pontypridd
- Coliseum, Aberdare

Rhondda Cynon Taf is also home to a number of cultural enterprises as it offers a very attractive location for many artists and culture entrepreneurs. As well as competitively priced work spaces and good access and connectivity to cultural hubs in Cardiff and London, Rhondda Cynon Taf also offers some locations that are considered to offer inspiration and stimulation to artists of all kind. The industrial and heritage history of Rhondda Cynon Taf and some of the beautiful surrounding landscapes are an obvious source of inspiration. However some of the socio-economic hardship that remains in some communities also provides an environment that is culturally inspiring as artists often have something to say about the situations that surround them. Yet it was considered during consultations that these advantages are not fully exploited at the moment largely due to the fact that the success of artistic role models from the area are not celebrated enough.

Between the University links with theatres, the three local authority managed theatres, Dragon Studios and the Pop Factory Rhondda Cynon Taf has a strong cultural identity. This cultural presence offers the opportunity to offer information intelligence and advice to other cultural enterprises. As such there may be an opportunity through appropriate branding to strengthen and promote Rhondda Cynon Taf's cultural identity which will aid in the promotion and development of the cultural sector as a whole.

Although it is considered that Rhondda Cynon Taf offers relatively low cost work space opportunities for cultural businesses, there is a need to appreciate that needs of creative individuals are as wide ranging as their cultural outlets. For example a sculpture or potter may require a relatively rugged almost shed-like working environment whereas a musician may require access to sophisticated equipment and software etc. One thing that is certain is that creative people like to be near each other and as such the geographical location of cultural enterprises in relation to each other is fairly important factor for consideration. The custard factory in Birmingham was offered during consultations as a prime example of a how a wide range of very different cultural enterprises can be successfully housed under one roof. Opportunities to replicate something similar in Rhondda Cynon Taf may warrant further consideration. The council currently has a number of physical buildings that could potentially be used by the cultural sector and the suitability of these needs to be assessed.

In terms of business start-up and development Rhondda Cynon Taf has a number of support intermediaries but according to consultees the support offered is on a relatively general level and the support sought by cultural enterprises is often more specialised. This is not unique to the cultural sector as the advice offered by intermediaries must be generic in nature to service the wide cross section of businesses and sectors that they support. However, consultations revealed that cultural enterprises do not always converse in the business terminology used by business support agencies and as such communications between the two are often strained and confused. This is similar to the views expressed in relation to the social enterprise sector. However, it was recognised, in both sectors, that there are often knowledge gaps relating to funding, finance, premises, marketing and legal issues amongst individuals seeking to establish and develop such enterprises and as such an apparent gap in the support they receive.

It was noted during consultations that other local authority areas outside of Wales often appoint Cultural Officers whose remit includes supporting the creative industries. An individual of this nature would be responsible for liaising with cultural enterprises the local authority council as well as other relevant development agencies in order to marry needs with available support. Brighton was offered as an example of an area that is seeking to further develop its cultural sector and in so doing creating a similar cultural officer support role to that mentioned above. Rhondda Cynon Taf should seek to gain further information of the benefits generated by such officers in order to assess whether similar ‘Champions’ of the sector would be beneficial to the local sector.

Enterprises within the cultural sector have a tendency at times to be relatively insular in nature and this can often act as a break on their rate of development. The cultural sector has a high dependence on word of mouth when recruiting and is often unwilling or unable to recruit from outside the sector itself or the immediate geographic locality. The sector also places a high value on experience and reputation and relatively little on formal qualifications that have not been proven by the creation of quality product outputs. As such new recruitment into the sector from outside tends to be on the bottom rung. The sector therefore has a tendency to offer a number of relatively low wage jobs which offer new recruits the experience required to progress within the sector. Senior positions are often difficult to fill as suitable candidates are almost exclusively sought from within the existing sector. Those recruited into senior positions are often very good at their art form but may lack skills such as leadership, HR, finance or general business ability. These skills gaps and shortages are likely to persist while the reluctance to recruit from outside the sector remains at these senior levels or until specific management and leadership training is targeted at individuals at this level within the sector.

Tourism

Whilst data sources such as STEAM can provide data on tourist spend, it is important the evaluation of the strategy provides analysis with respect to the effect that increases in levels of tourism would have upon the tourist sector within the County Borough. The most accurate and available data sources for such analysis would be employment data. However, it is worth noting that high levels of part-time employment within the tourism sector can result in large variations in employment numbers. Full-time employment is considered a better indicator of the overall health and performance of the tourism sector and tourism offer within Rhondda Cynon Taf. The table below documents data form the National Assembly for Wales for full-time employment within tourism-related industries between 2000 and 2004. The data shows that between 2000 and 2004 full-time employment within tourism related industries in Rhondda Cynon Taf grew by an average of 11.3% per annum. Over the same period employment in Great Britain and Wales grew by 2.2% and 3.7% respectively.

Table 7.39: Employee jobs in tourism-related industries (Full-time)

	2000	2001	2002	2003	2004
Great Britain	905,700	907,600	940,000	956,700	988,800
Wales	36,000	35,600	35,100	38,700	41,600
Rhondda Cynon Taf	1,500	1,700	2,100	2,000	2,300

Source: StatsWales[21]

7.6 Key Sectors Analysis - Knowledge based Industries - High Tech Services

An upward trend in employment in knowledge-based service sector employment has resulted in an increase the location quotient figure for the sector in Rhondda Cynon Taf. Whilst the County Borough still lags national averages in terms of proportional employment within the sector, growth in employment in recent years has reduced this differential. The sector now accounts for around 4,250 jobs within Rhondda Cynon Taf, equivalent to 5 ½% of total employment.

[21] http://www.wales.gov.uk/keypubstatisticsforwales/topicindex/topics.htm#employ

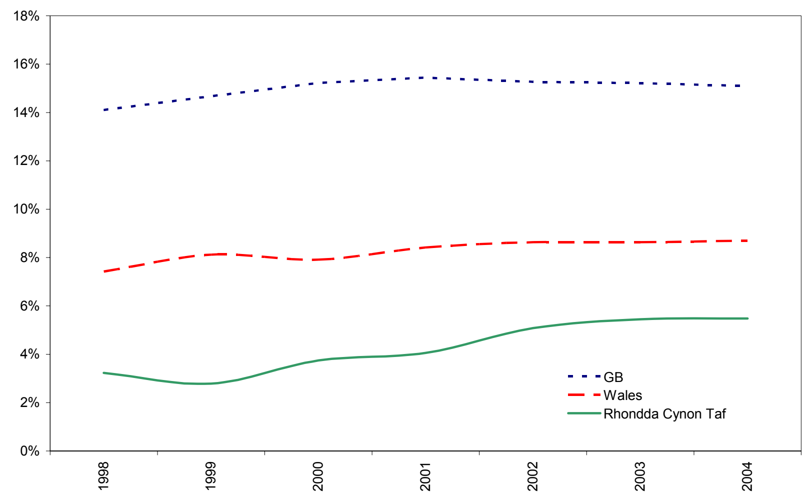
Table 7.40: Location Quotients for High Tech Services in Rhondda Cynon Taf

2000		2004	
GB	Wales	GB	Wales
0.25	0.47	0.36	0.63

Source: Annual Business Inquiry

The chart below highlights the reduction in the differential between Rhondda Cynon Taf, Wales and Great Britain in terms of high-technology services employment. Whilst there is still an evident gap, recent trends suggest a positive outlook for the sector within Rhondda Cynon Taf.

Figure 7.26: Proportion of Employees Employed in High Tech Services



Source: Annual Business Inquiry

Shift-share analysis reveals that much of the growth within the sector between 2000 and 2004 can be attributed to local competitiveness factors, as opposed to overall national employment growth or growth within the sector.

Table 7.41: Shift Share Analysis, Share of Employment Growth by Growth Component

National Growth	5.4%
Industrial Mix	-1.4%
Competitiveness	96.0%

Source: Annual Business Inquiry/Robert Huggins Associates Analysis

Delving deeper into the sub-sectors of high-technology services, substantial growth can be found within financial intermediation sectors and labour recruitments. Between 2000 and 2004 employment in labour recruitment and the provision of personnel increased by an average of over 50% per annum.

Table 7.42: Average Annual Employment Growth in selected High-Tech Services Sub-Sectors, 2000-2004

	GB	Wales	Rhondda Cynon Taf	Employment in Rhondda Cynon Taf
Monetary intermediation	0.3%	5.7%	22.7%	>1,100
Other financial intermediation	1.4%	10.3%	34.0%	>250
Activities auxiliary to financial intermediation, except insurance and pension funding	6.4%	13.5%	20.1%	>20
Activities auxiliary to insurance and pension funding	0.8%	8.1%	18.9%	>200
Labour recruitment and provision of personnel	0.0%	3.7%	57.8%	>900
Motion picture and video activities	4.6%	4.9%	34.1%	>100

Source: Annual Business Inquiry

Consultation revealed that a number of new businesses starting up in Rhondda Cynon Taf are knowledge based companies. These range from software companies and web designers to Consultancy and PA services and include a whole range of other business types besides. The GTi business incubation project in Abercynon offers enterprise support for new businesses of this nature. GTi provides a hot desking business incubation service for undergraduates, graduates and entrepreneurs in Rhondda Cynon Taf. The GTi Centre also provides dedicated support to help individual businesses at whatever stage (including pre start up); reception facilities and meeting areas. The facilities can be accessed 24 hours a day seven days a week for free for the first 18 months.

The centre has been supported by Objective 1 money until now and Glamorgan University is bridging the funding from the end of Objective 1 support until the centre accesses further European Structural Funds.

The centre offers more than managed workspaces as it assists new and emerging businesses to fill gaps in their business knowledge as well provide the opportunity to access and gain knowledge of a range of software in a risk free environment. GTi considers incubation to be a process and not just the provision of space. Since its establishment the Centre has offered help and support to over 300 individuals. Not all of these have progressed to start their own business. Some of those who considered starting a business found that they did not have the ability, knowledge or commitment to see it through. The fact that they were able to reach a conclusion of this nature without having committed themselves to potentially costly investments is also a success factor for the centre. Indeed every outcome can be considered to be a success if it is well managed.

The GTi dos not only provide incubation space for knowledge based businesses, but due to the nature of the facilities available it is often new knowledge based businesses that take up the opportunities. The centre provides a more creative environment than could be accessed from home, for example, and also provides access to a network of other business start ups as well as business support agencies and the public sector as a whole; all of which are considered to be important to new business start ups.

The centre will also soon provide warm desk facilities. These will provide individuals who have hot desked for any period up until 18 months the opportunity to access their own dedicated desk which will enable individuals to develop their business beyond the initial start up phase. Although the hot desking facilities are free the warm desks will incur a small charge of £50 / month.

Although new business start ups are wide ranging in nature, there appears to be a particular increase at the moment in digital based media companies. This is a growing area of interest amongst new University graduates and as the use of the internet grows the demand for high quality multimedia skills and services also grows. It is however, a highly competitive area of the business market.

Many new businesses of this nature that start up in Rhondda Cynon Taf relocate elsewhere. An anecdotal example was offered during consultations of a new digital media company moving from Rhondda Cynon Taf to Cardiff Bay. The reason for this was not to gain some locational advantage of having a physical presence near like minded companies but because the office space in Cardiff Bay was more affordable and the facilities provided, including high-speed internet access, more appropriate. Had similar offices been available in Rhondda Cynon Taf they would have stayed and located there. According to those consulted this type of situation is not uncommon and, according to staff at the GTi centre, there are also a large number of individuals who are finding it difficult to access small well equipped office space within the county borough.

Examples were offered during consultations of empty property spaces available in Treforest industrial estate which were unsuitable to the small office space requirements of new and developing knowledge based companies. Indeed the lack of suitable office spaces in the opinion of the GTi centre acts as a brake on the development of the knowledge based sector within Rhondda Cynon Taf.

Some success stories were also noted however, including the development of a new knowledge based company in Ferndale. However, examples such as these are considered to be too rare. Although the GTi centre offers good opportunities for those who can access it, it is still relatively far away from a number of residents across the local authority area. Examples were offered during consultations of cases where individuals from places such as Penrhys would need to travel on a bus for 2 hours to get to Abercynon. If the same individual also had child care responsibilities such as dropping children off and collecting them from school, then such journeys would be pointless.

In cases such as these it was suggested that more business incubators may be required in the geographically harder to reach areas of Rhondda Cynon Taf.

However, such facilities would also need to be fully equipped with broadband internet access as well as other communication technology services. Those consulted recognise that the development of well serviced office space across all wards in Rhondda Cynon Taf will take time and much progress is already being made. Nevertheless it is important that the need to develop such office space is recognised as early as possible.

Links with the University of Glamorgan and colleges are also important to the development of the knowledge based sector. Rhondda Cynon Taf is fortunate in so much that it has a University and a number of colleges located within its geographical boundaries. These sources of knowledge and expertise are very valuable to the sector, and although linkages between them and the sector do currently exist (the GTi Centre being a prime example) those consulted considered that more could and should be done to strengthen and broaden these links.

The Local authority has the potential to act as Facilitator, Leader and Recipient of the benefits of the development of the knowledge based sector in Rhondda Cynon Taf. The Council has the opportunity to facilitate and further coordinate business development support and linkages as well as fostering further links between knowledge businesses and higher and further education institutions.

The Council also has an opportunity to act as a leader in developing good office accommodation and providing good communication service access to businesses. If the council is successful in supporting and developing the knowledge based sector it will also be the recipient of revenue from business rates as well as the contribution the sector will make to employment and economic output. However, those consulted were of the view that the Council falls short of achieving any of these roles at the moment.

8 Social Economy

The social economy is recognised as an increasingly important part of the economy in Wales and the UK and has quickly risen up the policy agenda, especially as a route to social, economic and environmental regeneration. This chapter explains what is meant by social economy and social enterprises and provides facts and figures and the policy context of the sector at a UK and Wales level, with some information on Rhondda Cynon Taf. The chapter concludes by making a case for further support for the sector.

Definitions

Social economy organisations and social enterprises are often used as terms but knowledge of what constitutes the social economy or a social enterprise is often less clear. There are no universally agreed definitions for the social economy sector and its constituent parts, and organisations and practitioners use a multitude of similar labels; ‘social economy’, ‘social enterprise’, ‘community enterprise’, ‘social businesses’ and a host of other labels are sometimes used interchangeably. While it is tempting to avoid the thorny issue of definitions altogether in this chapter, without agreed definitions it is difficult to measure and monitor the sector and also difficult to share information about the sector. Indeed the existence of various competing definitions has in itself hindered the development of the sector.

We use the following definitions as used by the Welsh Assembly in its 2005 strategy:

Some Definitions

Social Enterprise

The Welsh Assembly Government, in its Social Enterprise Strategy for Wales of June 2005, has adopted the same definition as that used by the DTI in its 2002 strategy[22]. A social enterprise is defined as ***a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.***

Social Economy

The social economy is a wider concept and includes the many and varied organisations hat work outside the private sector and the public sector. It includes voluntary organisations, community groups, self-help groups, community co-operatives and enterprises, religious organisations and other not for profit distribution organisations of benefit to the communities and the people of Wales.

What do Social Economy Organisations Do?

A social enterprise is a business with primarily social purposes. Like any business, it aims to generate surpluses, but it seeks to reinvest those surpluses principally in the business or in the community, to enable it to deliver on its social objectives. As such there is no typical social enterprise just as there is no typical business. Neither is there a single legal model for social enterprise. They include companies limited by guarantee, industrial and provident societies, and companies limited by shares; some organisations are unincorporated and others are registered charities. Social enterprises are involved in a range of activities and can take many forms including, credit unions, co-operatives, social firms, social businesses, community businesses, intermediate labour market companies and development trusts. The social economy includes the many and varied organisations that work outside the private and the public sectors. It includes voluntary organisations, community groups, self-help groups, community co-operatives and enterprises, religious organisations and other not for profit distribution organisations of benefit to communities and people in Wales.

[22] DTI Social Enterprise: a strategy for success (2002)

Social Enterprises in the United Kingdom in the UK and Wales

The various components of the social economy sector are only now beginning to be measured. Estimates about the size and scope of the sector in Rhondda Cynon Taf must be based on estimates and piecing together other research.

Social Enterprises in the United Kingdom

At a UK level, the most comprehensive audit of social enterprise activity to date was undertaken by the DTI in 2005[23]. There are currently around 15,000 social enterprises in the UK registered as Companies Limited by Guarantee (88%) or Industrial & Provident Societies (12%), with many more nascent or aspirant social enterprises not counted. In terms of the overall business population, this means that these social enterprises account for around 1.2 per cent of all enterprises in the UK. Social enterprises contribute £18 billion annually to the UK economy (just under one per cent of the turnover of all UK businesses which have employees) and employ nearly half a million people.

At a UK level the patterns that have emerged are that they are more likely to be in deprived areas, and more likely to be in urban areas. The typical social enterprise employs 10 people, and almost nine in ten of those surveyed by the DTI project generate 50 per cent or more of their income from trading. The social enterprises in that survey employ nearly half a million people, of whom two-thirds are employed full-time. A further 300,000 people work for social enterprises on a volunteer basis, contributing an average of 2 hours each per week. The most common way in which the social enterprises registered derive their trading income is classified as “Health & Social Care” (33%) – mostly day-care, childcare, welfare / guidance but also accommodation services. Social enterprises also commonly derive their main income from “community or social services”6 (21%) and “real estate / renting” activities (20%).

Another source of data on social enterprises is the Global Entrepreneurship Monitor. Since two years it has collected and presented data on social entrepreneurs. It addresses the collection of data rather differently to the DTI study, and focuses on social entrepreneurial activity rather than the number of enterprises. According to the 'The Social Entrepreneurship Monitor', some 4.7% of the population is setting up a socially oriented entrepreneurial activity while 6.9% are owning, running or managing a socially oriented organisation. It is important to distinguish between Social Entrepreneurial Activity, which is what GEM is measuring here, and the narrower definition of social enterprise which is used by

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[23] DTI 2005: A Survey of Social Enterprises Across the UK
Research Report prepared for The Small Business Service (SBS) by IFF Research Ltd July 2005

the DTI. Social Entrepreneurs conduct social entrepreneurial activity - they are motivated by the desire to create a social change, not by the desire to make money or, necessarily, to have an economic impact.

Social Enterprises in Wales

The DTI research estimated that Wales has just over 500 social enterprises in 2005, although it is acknowledged that these figures are likely to underestimate the sector.

Two Wales specific projects also attempt to quantify the sector. A project undertaken by the University of Glamorgan on behalf of the Social Economy Network (SEN) and the Welsh Development Agency (WDA)24 and quantified the number of enterprises at 600, employing 2,750 people. The report identified what the authors considered to be the 'core social economy' in Wales where there is greatest development potential – new mutuals (Credit Unions), Community Regeneration Organisations, Social Trading Organisations and Quasi-Public Service Organisations. Another report commissioned by the Welsh Assembly Government25 estimated that there are some 620 social enterprises in Wales contributing an annual turnover of around £163 million and employment for 5,600 people. This research also identified another 438 organisations that were either emerging social enterprises or had the potential to become social enterprises employing a further 2,900 people.

Additional information from the WCVA's indicates that the wider social economy in Wales is made up of some 30,000 organisations, providing a turnover of £1.2 billion, assets of £1.6 billion, and employment for 22,900 people (of whom 14,900 work full-time).

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[24] Dave Adamson and Penny Byrne (2003) Developing the Social Economy in Wales: A Scoping Study. The figures reached are based on actual survey returns and the authors estimate that the size of the sector is some 2.5 to 3 times greater

[25] ESYS

Social Enterprises in Rhondda Cynon Taf

The social economy sector is notoriously difficult to quantify at any level and it is not possible to gain an accurate picture at a local authority level. Work is underway to collect information about the turnover of social enterprises within the county borough.[26]

Rhondda Cynon Taf has a history of social economic activity and active promotion of the social economy by key networks and larger development trusts. It is identified as one of the most active areas in Wales for social economy organisations. It is estimated that there are around 10 social enterprises currently active in Rhondda Cynon Taf. [23]

Sector's Impact

Definitions vary and measuring the sector is as yet imperfect. Nevertheless, the social economy has risen up the policy agenda in recent years. This interest in the sector is not unfounded and policy makers' interest in this sector is based on its potential to make a difference especially to social, economic and environmental regeneration.

Social enterprises and social economy organisations contribute to the local area in two distinct ways. Firstly they are a source of employment and income generation which contribute directly to the local area GDP. Secondly either the actions of social enterprises or the surpluses generated by them are directed towards specific social or community needs. Such needs can range from tackling economic inactivity to raising skills or restoring derelict buildings etc. Actions and projects such as these often address some of the needs that fall within the strategic aims and objectives of the council. As such the benefits created by social enterprise as well as social economy organisations can potentially ease some of the burden placed on the local public purse.

[26] Gary Foreman / Steve Curry January 2006

At an UK level the role of social enterprises as ‘models for maximising public good thorough business solutions’ has been identified and highlighted[27] and a recent report commissioned by the Welsh Assembly Government[5] concluded that

The social economy is currently making a significant contribution to employment and to the wider economy in Wales. That contribution is in the form of both jobs and income and turnover.

Support Needs

If we are to encourage and promote social enterprise in Rhondda Cynon Taf, we need to support and encourage more start-ups from a diverse range of sectors and enable existing organisations to grow. A logical step is to reduce the barriers to growth. These barriers come in many forms. Many are the same as those affecting any other business, such as access to business support or finance, finding suitable staff and premises. However, the social economy literature point to another huge barrier that seriously affects their ability to assume a position within the market. That barrier is a lack of understanding of how social enterprises work and of their potential. This lack of understanding exists across the public, private and voluntary and community sectors and at all levels.

Other barriers identified in research commissioned by the Welsh Assembly[28] are tensions between social and trading objectives, a lack of suitable staff, lack of information and support and poor policy context. That report includes recommendations for developing the sector including which could be taken forward at a local authority level, including:

- Reporting and collation of social economic activity;
- Providing specialist advice and information as mainstream agencies have a limited ability to advise the sector in the short term;
- Development of marketing and information materials.

[27] DTI 2002 Social Enterprises Strategy

[28] Dave Adamson and Penny Byrne (2003) Developing the Social Economy in Wales: A Scoping Study

The BRASS unit at Cardiff University have also investigated the business support needs of social enterprises[29], and found,

- There appears to be a lack of coherence and integration, a degree of confusion about what support is available, and a general lack of understanding of the specific requirements of social enterprises.
- There is a lot of work for technical support services at all levels if they are to reach a basic level of satisfaction for the support they provide the social enterprise sector.
- There is nothing unusual about the support these enterprises require - they want help with renting buildings, refurbishment, accounts, tax, management of employees, health and safety and all the things that face ordinary businesses.
- Their distinctive need is for support organisations to understand that the nature of the business, the motives and objectives of the entrepreneur, and the support and training needs of staff will all differ subtly to those of businesses driven exclusively by profit.
- The research highlights the need for social enterprises to be more vocal about their demands, for business support agencies to be more co-ordinated and better focused towards social enterprise issues, and for the government to commit to supporting the sector more sensitively and effectively than it has done to date.

It appears that the priorities for developing the social economy sector lie in providing more specialist support and educating policy makers, practitioners and mainstream business advisers of the nature and needs of the social economy sector.

Rhondda Cynon Taf has a great deal of opportunities for the development of further social enterprises. On one hand the fact that social needs remain high in a number of the more deprived wards across the local authority creates a natural demand for social support including those potentially offered by social enterprises. On the other hand, there is also a strong voluntary ethos across the county coupled with strong community spirit. These factors create strong demand and supply factors which should ensure an environment that is ripe for the development of a strong social enterprise base.

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[29] Hines, F and Thomas, C (2004) Turning Big Ideas Into Viable Social Enterprise : Investigating the Ways in Which the Right Technical Business Support Can Turn Real Social Needs into Viable Social Enterprises A Report for Triodos Bank.

9 Looking to the Future

Much of the analysis in this report has revealed positive news – increasing economic activity, increasing employment and a reduction in levels of deprivation throughout Rhondda Cynon Taf. It is important, however, that we also look towards the future and seek to gain an understanding of how the economy of Rhondda Cynon Taf will look in the medium to long term, and what issues are likely to impact upon the development of the local economy.

This chapter is split into two sections – the first provides a background to tends and forecasts for Rhondda Cynon Taf, the second presents a series of scenarios that seek to highlight potential barriers to the development of the economy of Rhondda Cynon Taf.

9.1 Outlook for Rhondda Cynon Taf

Demographic Changes

Current population trends would suggest little change in the population of Rhondda Cynon Taf in forthcoming years. Population changes between 2001 and 2004 for Rhondda Cynon Taf, as outlined by National Statistics Mid-Year Population Estimates are too small to be significant, whilst there has also been little growth in population for Wales as a whole.

Table 9.1: Mid-Year Population Estimates

	2001	2002	2003	2004	Growth (2001-2004)
Rhondda Cynon Taf	**231,900**	**231,600**	**231,600**	**231,800**	**-0.04%**
South East Wales	1,399,300	1,403,900	1,408,500	1,413,000	0.98%

Source: Mid-Year Population Estimates

National Assembly for Wales projections would suggest that there will be population growth throughout South East Wales between 2004 and 2014. This would be likely to impact upon Rhondda Cynon Taf – the second largest local authority in South East Wales.

Table 9.2: Sub-national population projections for Wales

	2004-2014	2004-2024
North Wales	2.1%	3.0%
Mid Wales	2.7%	3.8%
South-East Wales	**3.7%**	**7.6%**
South-West Wales	2.9%	5.6%
Wales	3.1%	5.8%

Source: 2003-based sub-national population projections for Wales, 2003 to 2028, National Assembly for Wales

Net inward migration has been positive between 2000 and 2004, contributing 2,100 to the population of Rhondda Cynon Taf. Inward migration may be expected to continue given the differential in housing costs between Cardiff and Rhondda Cynon Taf. The table below shows that the greatest increase in net inward migration was from the 25-44 year old age group.

Table 9.3: Total Net Migration in Rhondda Cynon Taf by age group 2000-2004

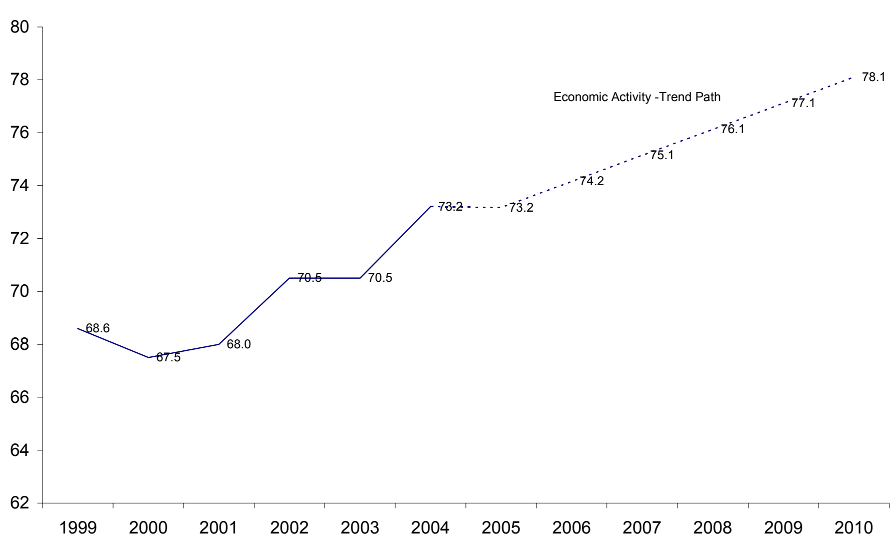
0-15	16-24	25-44	45-64	65+
+500	-300	+1,000	+800	+100

Source: National Statistics (Based on NHS Central Register)

Economic Activity

Economic activity rates have been rising in Rhondda Cynon Taf since the year 2000. Over the same period economic activity has remained relatively static throughout Great Britain as a whole, and has increased slowly throughout Wales. Projecting forward the increases in economic activity would see a continued increase in economic activity throughout Rhondda Cynon Taf. If these trends continued we would expect to find economic activity rates of around 78% by the year 2010. Whilst these trends are by no means a set-path, there is scope for Rhondda Cynon Taf to continue increasing levels of economic activity, especially given the sharp rise in economic activity recorded for the 20-24 year old age group, and the large net inward migration of the 25-44 year old age group, traditionally the most economically active age group within the United Kingdom.

Figure 9.1: Projecting Trends in Economic Activity



Source: Annual Population Survey/Robert Huggins Associates*

*Based upon continuing linear trend of economic activity rates

Employment

Future employment levels are predicted to increase throughout Wales and the United Kingdom. Trend analysis would also suggest that this would be the case for Rhondda Cynon Taf. Between 2000 and 2004 Annual Business Inquiry data estimates that over 5,000 jobs were created, whilst National Statistics Job Density data estimates and increase of some 2,000 jobs between 2000 and 2004.

Projecting Wales and UK trends upon Annual Business Inquiry data highlights the number of jobs we would expect to be created within Rhondda Cynon Taf between 2004 and 2015. Table 9.4 below illustrates these projections, highlighting that mirroring UK wide growth would result in an extra 5,500 jobs in Rhondda Cynon Taf, whilst following Welsh trends would result in an extra 2,500 jobs. The table also illustrates the number of jobs that would need to be created to attain the 1% per annum growth target of the Rhondda Cynon Taf Economic Regeneration Strategy. The differential between this projected figure and the UK and Wales-based projections illustrate the ambition of this target. Whilst this growth rate is by no means unachievable, its ambition should also be recognised when assessing the economic performance of Rhondda Cynon Taf.

Table 9.4: Employment Growth (based upon ABI data)

	2004	2005	2006	2007	2008	2009	2015
1% growth	78,370	79,154	79,945	80,745	81,552	82,368	87,435
UK Growth	78,370	78,910	79,077	79,683	80,437	81,014	83,931
Wales Growth	78,370	78,230	78,791	78,862	79,634	79,634	80,968

Source: Annual Business Inquiry/Robert Huggins Associates/OEF

Long-term growth projections predict that the greatest increases in employment will come from the service sector. Table 9.5 below maps growth projections for Welsh employment onto current levels of employment for Rhondda Cynon Taf. The table highlights that the sectors that are likely to experience the greatest growth is the construction sector, the hotels & restaurants sector, the real estate renting & insurance sector and the education, health and social work sector.

Table 9.5: Long-term employment growth projections 2005-2015

Agriculture	0	Transport & Communication	450
Extraction	-300	Financial Intermediation	50
Manufacturing	-4,500	Real Estate Renting and Insurance	500
Electricity Water and Gas Svs.	-50	Public Administration and Defence	50
Construction	550	Education, health and social work	4,000
Distribution	150	Other personal Services	200
Hotels & Restaurants	400		

Source: Annual Business Inquiry/Robert Huggins Associates/OEF

Unemployment

Falling unemployment has been experienced throughout Great Britain, Wales and Rhondda Cynon Taf in recent years. The table below highlights that unemployment rates have fallen between 2001 and 2004 – although in between these years an increase has been experienced. The relatively low numbers of those classified as unemployed do, however, mean that sample size can have an impact upon the ILO measurement of unemployment, which is gathered using Local Labour Force, and more recently, Annual Population Survey Data.

Table 9.6: Unemployment Rate

	Mar 2001-Feb 2002	Mar 2002-Feb 2003	Mar 2003-Feb 2004	Apr 2004-Mar 2005*	CAGR** %
Great Britain	5.1	5.2	5.0	4.8	-2.0%
Wales	5.5	5.3	5.1	4.7	-5.1%
Rhondda Cynon Taf	**5.9**	**6.4**	**7.1**	**5.7**	-1.1%

Source: Local Area Labour Force Survey, Except *Annual Population Survey
** Compound Annual Growth Rate (Mar 2001-Feb 2002 to Apr 2004-Mar2005)

The use of claimant count data at the local level provides slightly more accurate data, albeit with a slightly different definition to the survey-based ILO method. As the table below illustrates, claimant count rates in Rhondda Cynon Taf are close to those of Wales and the United Kingdom. Between 2001 and 2005 claimant rates have fallen for these areas, although as the table illustrates there has been a slight rise between 2004 and 2005.

Table 9.7: Claimant Count as a proportion of working age population

	September 2001	September 2002	September 2003	September 2004	September 2005
United Kingdom	2.6	2.6	2.5	2.2	2.4
Wales	2.8	2.7	2.4	2.2	2.3
Rhondda Cynon Taf	**2.6**	**2.5**	**2.4**	**2.2**	**2.5**

Source: Claimant Count

Claimant rates and unemployment rates do remain historically low and are unlikely to fall much further in Rhondda Cynon Taf. However, Welsh Index of Multiple Deprivation data still highlights geographic disparities within Rhondda Cynon Taf. Resources aimed at reducing unemployment should be aimed at these hotspots, where they are more likely to be effective.

9.2 Futures Scenarios

Increasing Economic Activity

Increasing economic activity has been a target for both Rhondda Cynon Taf and Wales for some time – historically low economic activity rates have been detrimental to the development of the local economy as well as being a major factor in the economic output gap between Rhondda Cynon Taf and Wales as a whole.

The continuation of current trends in economic activity would result in over 5,000 economically active people entering the Rhondda Cynon Taf Labour market by 2009. This represents a sizable element of the local population. If this scenario were to develop the key task would be to ensure that these people would be able to access employment in the local area.

Table 9.8: Economically Active Population; Trend Scenario*

2004	2005	2006	2007	2008	2009
100,900	100,751	102,108	103,465	104,822	106,180

Source: Annual Population Survey/Robert Huggins Associates
*Based upon continuing linear trend of economic activity rates and a static working age population

If employment growth were to follow the ambitious 1% per annum goal of the Rhondda Cynon Taf Economic Regeneration Strategy we would expect extra 4,000 jobs to be created

Table 9.9: Employment Growth; 1% Growth Scenario

2004	2005	2006	2007	2008	2009
78,370	79,154	79,945	80,745	81,552	82,368

Source: Annual Business Inquiry/Robert Huggins Associates

The difference between these two figures – just over 1,000 – is not vast. There is also the opportunity for employment outside the Rhondda Cynon Taf locality for those becoming economically active. Many areas of high economic activity, however, are more distant from the employment centre of Cardiff, and in many cases we may expect that some of those becoming economically active will seek employment within the local area.

Table 9.10: Comparing Employment Growth and Economic Activity Scenarios 2004-2009

Economically Active – Trend Scenario Growth	5,280
Employees – 1% Growth Scenario	3,998

Source: Annual Population Survey/Annual Business Inquiry/Robert Huggins Associates

The table below also highlights that if growth were to follow predictions for UK and Wales-wide employment growth the differential between those becoming economically active and employment opportunities will increase.

Table 9.11: Employment Growth (based upon ABI data)

	2004	2009	Change (2004-2009)
1% growth	78,370	82,368	3,998
UK Growth	78,370	81,014	2,644
Wales Growth	78,370	79,634	1,264

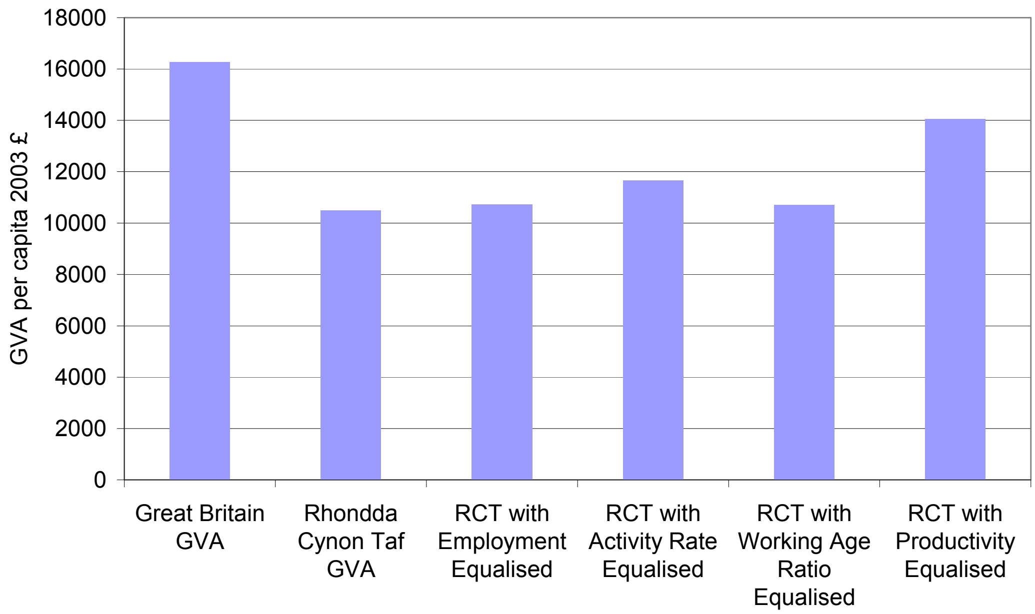
Source: Annual Business Inquiry/Robert Huggins Associates/OEF

Whilst the above data is far from alarming – increasing economic activity can never be a bad thing – it is important that measures to increase economic activity are undertaken in tandem with measures addressed at introducing people into employment.

Increasing Economic Output by Increasing Earnings

As illustrated in the chart below, productivity remains the greatest contributor towards the differential in economic output between Rhondda Cynon Taf and Great Britain. It is also logical to highlight the link between productivity and earnings. Economic theory suggests that wages should equal the marginal productivity of a worker. Whilst this does not always hold true, it is fair to say that the more productive a job the greater the level of earnings.

Figure 9.2: Effect of Equalising Factors on GVA per capita



Source: National Statistics, Labour Force Survey

Workplace earnings in Rhondda Cynon Taf have for some time lagged the Wales and Great Britain levels. What is perhaps of greatest concern, however, is that workplace earnings are growing at a slower rate than the Great Britain and Wales averages. Table 9.12 below highlights that in 2000 the gap in workplace based gross weekly median earnings between Great Britain and Rhondda Cynon Taf stood at just over £46. In 2005 the level increased to almost £75.

Table 9.12: Workplace Earnings (Median Gross Weekly Pay, £)

	2000	2001	2002	2003	2004	2005
Great Britain	360.0	377.4	392.2	405.2	420.7	432.1
Wales	327.5	341.3	349.4	363.6	381.8	389.9
Rhondda Cynon Taf	313.4	296.8	326.9	359.7	363.2	357.5

Source: New Earnings Survey

The table below highlights the trend in the form of an index, with the year 2000 representing the base value of 100. As the table shows, whilst earnings growth in Rhondda Cynon Taf has lagged that of Great Britain and Wales between 2000 and 2005, the differential would not be as pronounced if we analysed the period 2000 to 2004. This is of key importance because it highlights that for some periods Rhondda Cynon Taf has experienced considerable growth in earnings.

Table 9.13: Workplace Earnings (Median Gross Weekly Pay, Index, 2000=100)

	2000	2001	2002	2003	2004	2005
Great Britain	100.0	104.8	108.9	112.6	116.9	120.0
Wales	100.0	104.2	106.7	111.0	116.6	119.1
Rhondda Cynon Taf	100.0	94.7	104.3	114.8	115.9	114.1

Source: New Earnings Survey

The key to increasing levels of economic output is to increase the levels of productivity. Rising economic activity rates and employment rates are narrowing the output gap but, as documented earlier, these factors can only have a relatively small influence on narrowing the output gap in comparison with increasing levels of productivity. It would seem apparent, then, that the scenario that would create the greatest impact upon the level of economic output of Rhondda Cynon Taf would be to increase productivity – and as explained, the associated workplace earnings. A new goal of economic regeneration strategy in Rhondda Cynon Taf should be to increase workplace earnings.

Slowdown in Public Sector Employment Growth

Growth in public sector employment has been the main catalyst for employment growth. Table 9.14 below illustrates that employment in the public administration, education & health sector (which does include some private provision of education & health) was by far the largest contributor to employment growth in Great Britain, Wales and Rhondda Cynon Taf.

Table 9.14: Employment Growth (Numbers) 2000-2004

	Great Britain	Wales	Rhondda Cynon Taf
Agriculture and fishing	-11,251	1,038	-141
Energy and water	-46,757	-3,180	-310
Manufacturing	-690,007	-23,364	-1,891
Construction	48,650	-3,805	1,123
Distribution, hotels and restaurants	347,400	31,230	2,162
Transport and communications	9,949	7,940	564
Banking, finance and insurance, etc	243,503	12,599	405
Public administration, education & health	**823,086**	**52,566**	**4,307**
Other services	74,430	5,687	-393
Total	799,005	80,710	5,825

Source: Annual Business Inquiry

The table below illustrates the importance of the public administration, education & health sector. The table highlights that throughout Great Britain as a whole, the public administration, education & health sector has masked a fall in employment levels. The is not the same for Wales and Rhondda Cynon Taf, where although employment growth has come mostly from public administration, education & health sector, there has been employment growth throughout all other sectors of the economy as a whole.

Table 9.15: Employment Growth (Sector growth as a proportion of all growth) 2000-2004

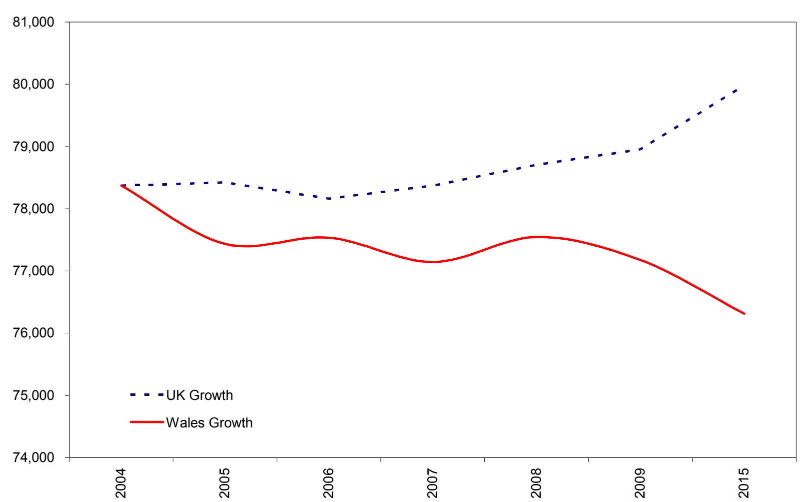
	Great Britain	Wales	Rhondda Cynon Taf
Agriculture and fishing	-1.4%	1.3%	-2.4%
Energy and water	-5.9%	-3.9%	-5.3%
Manufacturing	-86.4%	-28.9%	-32.5%
Construction	6.1%	-4.7%	19.3%
Distribution, hotels and restaurants	43.5%	38.7%	37.1%
Transport and communications	1.2%	9.8%	9.7%
Banking, finance and insurance, etc	30.5%	15.6%	7.0%
Public administration, education & health	**103.0%**	**65.1%**	**73.9%**
Other services	9.3%	7.0%	-6.7%
Total	100.0%	100.0%	100.0%

Source: Annual Business Inquiry

The recent high levels of employment growth in the public sector throughout the UK can obviously not be sustained indefinitely. Despite many economic forecasts predicting continued (if slowed) growth in public sector employment, many alternative sources already point towards a significant slowdown in employment in public sector services throughout the United Kingdom.[30]

Figure 9.3 below presents an employment growth scenario for Rhondda Cynon Taf based upon static public sector employment. The scenario is based upon information from Oxford Economic Forecasting model which predicted that the public sector would be the main source of employment growth in Wales, and a significant source of employment growth throughout the United Kingdom. The chart is based upon predicted growth in all other sectors excepting the public administration, education & health sector where employment has remained static. As the chart illustrates, if Rhondda Cynon Taf were to mirror Welsh employment trends we would expect a decline in employment given the zero public sector employment growth scenario. There would be some growth in following UK trends, but some way off the 1% per annum target of the Rhondda Cynon Taf Economic Regeneration Strategy.

Figure 9.3: Employment Growth Scenario: No Public Sector Growth



Source: RHA/OEF Forecasts

Whilst it should be reconsider that these forecasts are far from set in stone – any economic forecasts at a local level should be approached with caution. What is, however, apparent is that employment growth in the public sector can not be taken for granted.

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30 http://www.cipd.co.uk/pressoffice/_articles/pr2_13062006.htm

Divergence of the Rhondda Cynon Taf Economy

Much evidence exists to explain the differences that are evident throughout the Rhondda Cynon Taf economy. The Welsh Index of Multiple Deprivations highlights that the locality is home to some of the most prosperous and some of the most deprived areas of Wales. Table 9.15 below highlights significant differences between the economies of the constituencies of the Cynon Valley, Pontypridd and the Rhondda. Economic activity is significantly higher in Pontypridd than throughout the Rhondda and the Cynon Valley, whilst the number of residents who are employed in managerial or senior official roles is also much higher in Pontypridd.

Table 9.15: Selected Local Area Economic Indicators Apr 2004-Mar 2005

	Economic activity rate - working age	% all in employment who are managers and senior officials
Cynon Valley	70.9	8.0
Pontypridd	79.1	15.2
Rhondda	69.9	7.3

Source: Annual Population Survey

Employment growth is concentrated within Pontypridd, as illustrated in table 9.16 below. The table shows that the number of employees, as measured by the Annual Business Inquiry, actually fell in the Rhondda between 2000 and 2004.

Table 9.16: Employment Growth by Parliamentary Constituency (Index, 2000=100)

	2000	2001	2002	2003	2004
Cynon Valley	100.0	103.1	113.2	101.6	112.3
Pontypridd	100.0	101.0	108.4	109.3	121.2
Rhondda	100.0	97.2	97.3	91.4	96.5

Source: Annual Business Inquiry

Full time employment growth is even more worrying when the Rhondda Valleys are analysed. The table below highlights that the number of full-time jobs has fallen by around 10% in the Rhondda Valley between 2000 and 2004.

Table 9.17: Full-time Employment Growth by Parliamentary Constituency (Index, 2000=100)

	2000	2001	2002	2003	2004
Cynon Valley	100.0	104.5	117.4	105.7	108.6
Pontypridd	100.0	100.7	107.7	110.0	118.9
Rhondda	100.0	100.0	100.6	95.0	88.6

Source: Annual Business Inquiry

Sector employment growth also differs according to parliamentary constituency in Rhondda Cynon Taf. Those sectors offering higher growth prospects and better wages, namely the banking and finance sectors, have experienced the greatest growth within Pontypridd.

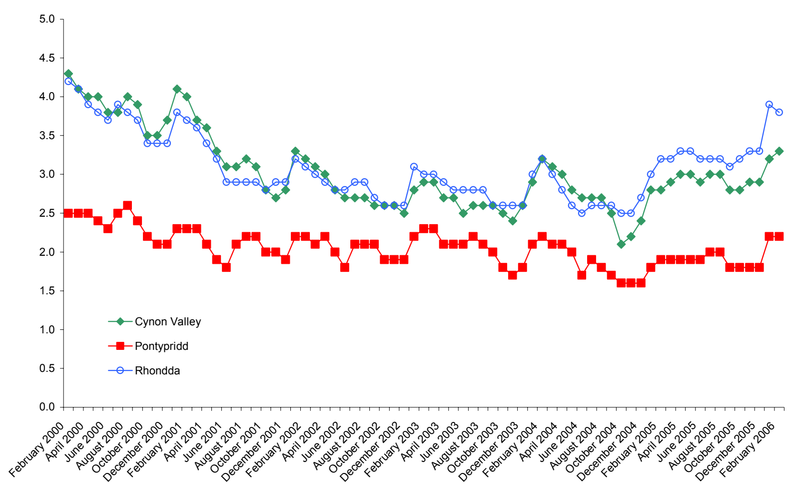
Table 9.18: Employment Growth by Parliamentary Constituency (CAGR 2000-2004)

	Cynon Valley		Pontypridd		Rhondda	
	Total	FT	Total	FT	Total	FT
Agriculture and fishing	-5.4%	-2.9%	-4.9%	-2.6%	-2.2%	0.0%
Energy and water	-11.1%	-11.0%	7.9%	8.7%	-37.1%	-40.1%
Manufacturing	0.0%	1.0%	0.6%	1.8%	1.7%	1.9%
Construction	10.5%	9.7%	15.2%	14.0%	6.0%	4.3%
Distribution, hotels and restaurants	4.5%	3.3%	5.8%	4.4%	0.6%	-3.5%
Transport and communications	1.0%	-1.6%	5.4%	7.0%	5.8%	5.0%
Banking, finance and insurance, etc	-8.6%	-2.0%	4.6%	6.9%	-7.3%	-1.9%
Public administration, education & health	11.2%	8.8%	6.7%	5.1%	-1.4%	-6.4%
Other services	-5.9%	-5.8%	5.7%	3.1%	-6.5%	-6.9%

Source: Annual Business Inquiry

Claimant count rates are also significantly higher in the Cynon Valley and the Rhondda Valleys. The chart below illustrates the consistent differential in employment that exists between the northern and southern areas of Rhondda Cynon Taf. This also highlights that commuting is not making up for the relative lack of employment opportunities in the northern areas of Rhondda Cynon Taf.

Figure 9.4: Claimant Count Rates (Proportion of Working Age Population) for Rhondda Cynon Taf Parliamentary Constituencies



Source: Claimant Count Data

The continuation of employment trends would result in greater disparities between the northern and southern areas of Rhondda Cynon Taf. There are therefore two options open for the area:

- Promote the northern areas as a ‘commuting belt’ for southern areas of Rhondda Cynon Taf, and the wider South East Wales area.
- Ensure that employment growth is shared throughout Rhondda Cynon Taf.

Both these options would result in significant consequences. The first option would have an obvious impact upon those seeking local employment, and would also have a significant impact upon the transport needs of the Borough. It may also make it more difficult for those becoming economically active to gain employment who may be less confident to travel long distances to find employment. The policy would also be more damaging to those with care responsibilities, for whom the time taken to travel will have serious implications for their lives, as well as those for whom they are caring.

The second option – one of geographic positive discrimination – may inhibit growth of the area by concentrating resources and effort on areas that do not have the same level of economic potential as the more prosperous southern areas of Rhondda Cynon Taf.

10 Assessing the Priority Actions

Creating more varied and stronger businesses

One of the main outcomes of creating more varied and stronger businesses within Rhondda Cynon Taf is that more job opportunities with greater rewards will be made available. There are, however, numerous ways in which to measure the number of jobs that have been created.

Table 10.1 below uses Annual Business Inquiry data to estimate the number of employees in Rhondda Cynon Taf. The data shows that between 2000 and 2004 there has been a substantial increase in employment within the County Borough.

Table 10.1: Total Number of Employees

	2000	2001	2002	2003	2004
Great Britain	25,225,700	25,490,315	25,593,747	25,710,646	26,024,705
Wales	1,080,312	1,089,589	1,097,479	1,117,390	1,161,022
Rhondda Cynon Taf	72,545	72,531	77,287	72,439	78,370

Source: Annual Business Inquiry

It is also important, as outlined in chapter 6, to monitor the number of full-time jobs. Employment fluctuations can sometimes be caused by movement between full-time and part-time employment. For example, if a full-time post was replaced with two part-time posts Annual Business Inquiry data would suggest that an extra job has been created.

As highlighted in table 10.2 below, there has been an increase in the number of full-time jobs within the County Borough according to Annual Business Inquiry estimates, although the number of jobs created is not of the same magnitude as we would fin by an analysis of total employment as undertaken in table 10.1 above.

Table 10.2: Total Number of Full-Time Employees

	2000	2001	2002	2003	2004
Great Britain	17,543,812	17,660,150	17,516,162	17,501,598	17,684,388
Wales	728,342	720,402	729,404	740,117	760,808
Rhondda Cynon Taf	50,200	50,710	54,237	50,802	52,168

Source: Annual Business Inquiry

Chapter 6 also provides data on the number of jobs within an area, as estimated by National Statistics Job Density data. This definition of the number of jobs is slightly wider than that of the Annual Business Inquiry estimates (see chapter 6 for details). The data is also slightly more dated, with data for 2003 being the latest data available. What is interesting to note from the data is that it shows the same peak in employment data during 2002 that was highlighted in the Annual Business

Inquiry data, highlighting that this peak in employment was not due to any methodological weakness on behalf of either source of employment data.

Table 10.3 shows that between 2000 and 2003 the number of jobs in Rhondda Cynon Taf has increased by 2,000, although some 5,000 jobs were estimated to have been lost between 2002 and 2003.

Table 10.3: Number of Jobs

	2000	2001	2002	2003
Great Britain	28,984,000	29,283,000	29,473,000	29,757,000
Wales	1,255,000	1,272,000	1,278,000	1,306,000
Rhondda Cynon Taf	79,000	81,000	86,000	81,000

Source: National Statistics Job Density Data

Overall employment growth rates from Annual Business Inquiry data and National Statistics Job Density data highlights that Rhondda Cynon Taf has achieved its goal of a 1% per annum increase in employment. It should be noted, however, that sampling variability means that a 1% growth figure can easily be disguised by sampling errors. It is worthwhile, therefore, to monitor a number of sources of job creation data.

Table 10.4: Employment Growth Rates (CAGR)

	ABI (Total) 2000-2004	ABI (Full-time) 2000-2004	Total Jobs (2000-2003)
Great Britain	0.8%	0.2%	0.9%
Wales	1.8%	1.1%	1.3%
Rhondda Cynon Taf	1.9%	1.0%	0.8%

Source: Annual Business Inquiry/ National Statistics Job Density Data

A further source of employment data, as well as the most recently available data comes from the Annual Population Survey (whose results have superseded the Labour Force Survey). As of March 2005 the Annual Population Survey estimated that there were 72,200 workers within Rhondda Cynon Taf, 700 fewer than during December in 2004. However, seasonal variations mean that theses two figures are not accurately comparable. It is recommended, therefore, that Annual Population Survey data is closely monitored in forthcoming years to enable consistent and comparable analysis of data.

Table 10.5: Annual Population Survey

	Total		Full-time		Part-time	
	December 2004	March 2005	December 2004	March 2005	December 2004	March 2005
Great Britain	26,047,000	26,104,100	19,793,700	19,846,000	6,243,300	6,248,200
Wales	1,195,200	1,199,400	895,800	904,700	298,700	293,800
Rhondda Cynon Taf	72,900	72,200	55,800	54,600	17,100	17,600

Source: Annual Population Survey

As well as employment growth it is suggested that earnings and business growth rates are closely monitored. A general trend of increasing economic activity and low rate of unemployment suggest that the new goal for Rhondda Cynon Taf is to ensure that a significant proportion of the new jobs creating are within high-value added occupations. This fits with the strategy of the National Assembly for Wales, as outlined in WAVE (Wales: A Vibrant Economy), which recognises that raising earnings is a key goal for the Welsh economy. Table 10.6 below provides earnings data by both workplace and residence. Growth in earnings in Rhondda Cynon Taf lags both Wales and Great Britain growth, mainly as a result of a drop in both resident and workplace earnings between 2004 and 2005.

Table 10.6: Gross Weekly Full Time Pay (Median), £

		2002	2003	2004	2005
Great Britain	Resident analysis	392.7	406.2	421.7	433.1
	Workplace analysis	392.2	405.2	420.7	432.1
Wales	Resident analysis	353.5	368.5	383.3	393.4
	Workplace analysis	349.4	363.6	381.8	389.9
Rhondda Cynon Taf	Resident analysis	336.1	347.7	377.2	366.0
	Workplace analysis	326.9	359.7	363.2	357.5

Source: Annual Survey of Hours and Earnings

Business density is one of the most common measures of the level of entrepreneurial activity within an economy. Table 2.23 below is a measure of the number of VAT registered businesses per 1,000 inhabitants throughout Rhondda Cynon Taf, the United Kingdom and Wales. As the table shows Rhondda Cynon Taf lags the UK and Wales averages by some distance. This figure is, however, increasing, and the gap in business density between Rhondda Cynon Taf and both Wales and the UK narrowed between 2001 and 2004.

Table 10.7: VAT based Business Stocks per 1,000 Inhabitants

	Rhondda Cynon Taf		United Kingdom		Wales	
	2001	**2004**	**2001**	**2004**	**2001**	**2004**
Stocks at end of year (Business Density)	15.9	16.4	30.0	30.4	27.2	27.1

Source: VAT Registration Data

Tackling Economic Inactivity

There has been a significant fall in the economically inactive population in Rhondda Cynon Taf between 2001 and 2005. In 2001 the number of economically inactive in the County Borough stood at 47,000 people – this fell by over 10,000 to 36,900 in 2005.

Table 10.8: Economically Inactive Population in Rhondda Cynon Taf

2001	2005
47,000	36,900

Source: Labour Force Survey/Annual Population Survey

Excerpt from Chapter 5:
The vast majority of this fall has occurred due to a drop in the numbers that are economically inactive and want a job. In 2001, 18,000 people were economically inactive and wanted a job, but by 2005 this has almost halved, falling to 9,500. Clearly, this represents a proportion of the cohort which has been successfully re-engaged in to the active population. Of particular note are those not seeking a job due to sickness – this group has more than halved, falling from 9000 in 2001 to 4000 in 2005.

Whilst the Local Authority can be pleased with progress made in reducing the numbers of those who are inactive and wanting a job, the same cannot be said of those not wanting a job. The number of economically inactive individuals not wanting a job has remained relatively static over the period 2001-05 at just over 27,000. Clearly this harder to reach cohort of the inactive population is a priority group which the Local Authority must consider targeting over the next period of its regeneration strategy.

Stimulate Community Enterprise

Social enterprises have been recognised as an important part ot of the economy, especially as a route to further social, economic and environmental regeneration. Social enterprises should continue to be supported to encourage more start-ups from a diverse range of sectors and enable existing organisations to grow.

It is recommended that the barriers to start-up and growth are investigated and reduced. These barriers can come in many forms and many are the same as those affecting any other business, such as access to business support or finance, finding suitable staff and premises. However, the consultations and the social economy literature pointed to another huge barrier that affects the ability of social enterprises to assume a position within the market; namely a lack of understanding of how social enterprises work and of their potential. This lack of understanding exists across the public, private and voluntary and community sectors and at all levels. Social enterprises need support organisations to understand that the nature of the business, their motives and objectives are different. will differ subtly to those of businesses driven exclusively by profit.

The priorities therefore for developing the social economy sector lie in providing more specialist support and educating policy makers, practitioners and mainstream business advisers of the nature and needs of the social economy sector.

Excerpt from Chapter 8:
Social enterprises and social economy organisations contribute to the local area in two distinct ways. Firstly they are a source of employment and income generation which contribute directly to the local area GDP. Secondly either the actions of social enterprises or the surpluses generated by them are directed towards specific social or community needs. Such needs can range from tackling economic inactivity to raising skills or restoring derelict buildings etc. Actions and projects such as these often address some of the needs that fall within the strategic aims and objectives of the council. As such the benefits created by social enterprise as well as social economy organisations can potentially ease some of the burden placed on the local public purse. A recent report commissioned by the Welsh Assembly Government concluded that the social economy is currently making a significant contribution to employment and to the wider economy in Wales. That contribution is in the form of both jobs and income and turnover.

Rhondda Cynon Taf has a great deal of opportunities for the development of further social enterprises. On one hand the fact that social needs remain high in a number of the more deprived wards across the local authority creates a natural demand for social support including those potentially offered by social enterprises. On the other hand, there is also a strong voluntary ethos across the county coupled with strong community spirit. These factors create strong demand and supply factors which should ensure an environment that is ripe for the development of a strong social enterprise base.

Promoting Smarter Working

Across a wide range of measures, the levels of workforce skills and the volume of training within Rhondda Cynon Taf has increased in recent years. The table below documents the increase in job related training that has been experienced within Rhondda Cynon Taf. The table shows that juts under 14% of Labour Force Survey respondents had undertaken some form of job-related training in the four weeks prior to submitting their survey responses. Between June1999 to May 2000 and June 2004 to May 2005 Rhondda Cynon Taf has surpassed the Great Britain Figure for workforce training.

Table 10.9: Working-age people receiving job-related training in last 4 weeks as % of all working age people

	Jun 1999-May 2000	Jun 2004-May 2005
Great Britain	13.1	13.7
Wales	12.0	14.2
Rhondda Cynon Taf	**12.3**	**13.9**

Source: Labour Force Survey - quarterly: four quarter averages

Measuring the progress of workforce training should also look at the outputs as well as the inputs – i.e., the result of the training that is taking place. Table 10.10 below highlights that in terms of the proportion of the population who possess NVQ Level 3 qualifications or higher RCT lags behind Wales and GB despite the growth in the level of qualifications possessed by RCT working age population.

Table 10.10: Working-age people with NVQ level 3+ as % of all working age people (%)

	Jun 2001-May 2002	Jun 2004-May 2005
Rhondda Cynon Taf	**34.5**	**36.5**
Great Britain	42.6	45.1
Wales	38.4	42.1

Source: Labour Force Survey

Analysing the proportion of working age population with NVQ level 4 qualifications (or higher) documents a greater rise in qualifications. The latest Labour Force Survey data reveals that between the period of June 2004 to May 2004 over 20% of residents of Rhondda Cynon Taf possessed qualifications of NVQ level 4 or higher compared 16.8% three years earlier.

Table 10.11: Working-age people with NVQ level 4+ as % of all working age people (%)

	Jun 2001-May 2002	Jun 2004-May 2005
Rhondda Cynon Taf	**16.8**	**20.1**
Great Britain	23.8	26.2
Wales	20.6	24.0

Source: Labour Force Survey

Improving Where we Live

There is no doubt that Rhondda Cynon Taf is becoming a more attractive area to live. Migration statistics reveal that there has been significant in-migration to the area in recent years, especially within the 25-44 year old age group. Inward migration has also accelerated in recent years. There has also been a decline in the number of young people leaving the area in recent years.[31]

Inward migration would appear to be having a positive impact upon the economy of Rhondda Cynon Taf. Relatively static school level performance has been coupled with an increase in levels of qualifications within the area, suggesting that the area, to some degree, has 'imported' a highly qualified population, as well as having a greater retention rate for graduates.

Table 10.12: Total Net Migration in Rhondda Cynon Taf by age group 2000-2004

Age Group	0-15	16-24	25-44	45-64	65+
Total Net Migration 2000-2004	500	-300	1,000	800	100

Source: National Statistics (Based on NHS Central Register)

Priority 5: Improving Where We Live includes a target for the volume of uptake of employment land. However, consultation found that rather than volume of employment sites, quality, cost and the type of premises being made available were the key issues relating to employment sites within the County Borough. Anecdotal evidence had suggested that a number of businesses had moved from Rhondda Cynon Taf to Cardiff, not as a result of location issues, but rather as a result of the costs and quality of premises being offered. Consultations also suggested that the lack of suitable office space was acting as a brake for the development of the knowledge-based business sector in Rhondda Cynon Taf.

Excerpt from Chapter 7:
Many new businesses of this nature that start up in Rhondda Cynon Taf relocate elsewhere. An anecdotal example was offered during consultations of a new digital media company moving from Rhondda Cynon Taf to Cardiff Bay. The reason for this was not to gain some locational advantage of having a physical presence near like minded companies but because the office space in Cardiff Bay was more affordable and the facilities provided, including high-speed internet access, more appropriate. Had similar offices been available in Rhondda Cynon Taf they would have stayed and located there. According to those consulted this type of situation is not uncommon and, according to staff at the GTi centre, there are also a large number of individuals who are finding it difficult to access small well equipped office space within the county borough.

[31] See Chapter 4

Examples were offered during consultations of empty property spaces available in Treforest industrial estate which were unsuitable to the small office space requirements of new and developing knowledge based companies. Indeed the lack of suitable office spaces in the opinion of the GTi centre acts as a brake on the development of the knowledge based sector within Rhondda Cynon Taf.

Improving where we live – Rhondda Cynon Taf Town Centre Regeneration

In total, eight town centres are the focus of regeneration and development in Rhondda Cynon Taf:

- Aberdare
- Ferndale
- Llantrisant
- Mountain Ash
- Pontypridd
- Porth
- Tonypandy
- Treorchy

The majority of these schemes now have framework strategies and action plans in place, although these are at different stages of overall development. The exception is the regeneration scheme for Ferndale, for which the planning framework is still being completed. Also, development in Aberdare and Tonypandy is already fairly well progressed as a result of previous development initiatives, particularly relating to the infrastructural and physical regeneration aspects of economic development in and around these towns. In terms of most of the other schemes, it is now largely a matter of securing and downloading the funding required to implement the agreed actions, such as the regeneration plans for Llantrisant and Treorchy.

Where funding has been secured, progress has generally been positive and effective. For example, WAG and European funding received for the Porth regeneration scheme has allowed a range of developments to be completed such as street enhancement, building refurbishments, new car parks and the establishment of the Porth Plaza scheme. In due course, these developments will be further enhanced by the completion of the Rhondda Fach Relief Road, facilitating the further regeneration of the town centre. Funding secured from WAG and through Objective 1 has also meant that developments are underway in Mountain Ash, which include an inner relief road, street enhancements, the establishment of a new primary care centre for the town, as well as improving links between the town centre and the local business parks, through the creation of a riverside park. The focus of regeneration of Mountain Ash is very much about effectively joining and bringing together local services covering retail, health, administrative or cultural, and this forms a core aspect of the implementation plan for the town centre. Indeed, this ethos of making Rhondda Cynon Taf's town centres accessible for a whole range of services underlines the objective of the regeneration schemes as a whole. In Aberdare and Tonypandy, it is hoped that private sector contributions from a number of supermarkets will enable town centre improvements. This work would help to offset the potential negative impact of out of town developments.

The largest – and most controversial – of the town centre regeneration schemes concerns Pontypridd. Although a strategy has been prepared and some implementation is occurring (such as the £10m initiative to redevelop St Catherine's Corner), there are on-going issues relating to the redevelopment of the Taff Vale Centre and a proposed car park development adjacent to the town's historic Ynysyngharad Park. Furthermore, the plans, which include the pedestrianisation of Taff Street (the town's main thoroughfare) requires substantial public sector financing to implement.

Given the relative size of Pontypridd, and the number of stakeholders involved, the regeneration strategy has proved a complex intervention to manage and operate. It is anticipated that over the next twelve months both the strategic and financial plans will be finalised and, providing there is private sector support, full implementation of the regeneration strategy will get underway.

Clearly, it is vital that all of the town centre schemes achieve buy-in from the local stakeholders representing each town. As part of this process, the County Borough Council has established a Town Centre Forum for each of the respective towns. Led by senior members of the Council, these forums are used as a platform to engage with a whole range of stakeholders including both small and large retailers, local 'umbrella' organisations such as the Chamber of Trade, the local police force, higher education, and groups representing the socially excluded, such as those with disabilities. Also, at the planning stage, formalised and open consultations are undertaken, along with a public exhibition of the proposed plans.

It is through these processes that consensus is gradually built. It is often found that at the beginning of the process local views are very much concentrated around issues relating to the negative impact of out-of-town developments and a lack of town centre car parking space. However, as the process develops more positive aspects concerning the future of the town centre emerge, such as their potential to serve as centres for a whole range of services, while also being able to offer niche and distinctive goods and services. To some extent, these processes have served to further develop the links and networks between local traders.

As part of the long-term development of the town centres, it is important that as well as supporting local traders and service providers, outside investment is attracted. The available evidence suggests that a number of investments, predominately from high street retailers will be attracted to Rhondda Cynon Taf's town centres as development takes place. However, a key issue is that although such demand may be forthcoming, the supply of available sites of an appropriate size, in many of the towns is limited. While the issue of demand outstripping supply may be something that will not need to be addressed for a number of years in some of the town centres, it is one which should not be ignored. It is also an issue that forms part of the increasingly important debate regarding the long-term blurring of in-the-town and out-of-town development, which is particularly relevant in relation to the physical and economic structure of many towns in the Rhondda Cynon Taf area.

Finally, it is must be stressed that although the Council has taken a lead in these regeneration schemes, they have very much been the outcome of a partnership approach. As the Council itself acknowledge, it is impossible to implement initiatives of this nature in isolation, or to gain a full grasp of the plethora issues, without support from other providers and stakeholders, in particular the private sector. Also, these partnerships need to be in place from the outset of the planning process all the way through to final delivery. Key partners include the Welsh Development Agency (now part of WAG) (who have also acted as co-funders), respective Chambers of Trade, Job Centres Plus, Local Health Boards, the Police, as well as private sector actors. However, for these partnerships to operate effectively it is imperative that adequate and appropriate public sector funding mechanisms are in place. In those town centres where funding has been made available, good progress in terms of regeneration has been achieved, with the partnerships themselves acting as a basis for levering further finance.

Spending Public Money Locally

61% of public sector work is currently being contracted locally, which is significantly higher than the initial target of 55%. The goal is to further increase local spend by a minimum of 0.5% annually. Overall, the local supplier base is strong in many of the areas required to undertake contracted work for the public sector.

There are, however, difficulties in finding local suppliers in areas such as energy and telecommunications. It is also becoming increasingly more difficult to use locally-owned nursing home care.

Excerpt from Chapter 2:
In general, it appears that Rhondda Cynon Taf is generally well placed in attracting local private sector involvement in public sector provision. However, as issues relating to sustainable procurement policy become a more important feature of contract awarding, potential suppliers will be required to provide goods and services that meet with a range criteria relating to creating a sustainable economy. At present, these have yet to permeate through to the local suppliers to any great extent. Therefore, a future key challenge is to fully address the sustainable procurement agenda. The databases of current and potential suppliers, and

monitoring, that public procurers in the locality have developed will facilitate the targeting of those firms requiring advice on these matters.

Promoting a Positive Image

Tourism - There has been a slight increase in visitor numbers in Rhondda Cynon Taf, with an increase of 24,000 between 2003 and 2004 – just short of the Economic Regeneration Strategy target of 30,000.

Table 10.13: Rhondda Cynon Taf Tourist Days (Thousands)

2001	2002	2003	2004
3,034	3,031	3,073	3,097

Source: STEAM

Excerpt from Chapter 2:
In general, it is fair to say that Rhondda Cynon Taf is not always top of the list of visitor destinations in Wales, particularly in comparison with parts of west Wales. However, there is a steady increase in visitor numbers, which was severely knocked by the foot-and-mouth scares. A dual focus on culture and outdoor activities would seem to suit both the heritage and terrain/natural beauty that the area has to offer. To fully exploit the economic potential of these factors there is a need to address the low bed stock issue. To a large extent, there is little public policy can do alone in this respect. This suggests that public-private partnerships may be the best approach to designing solutions for the future.

Inward Investment – Inward investment remains an important economic development tool for Rhondda Cynon Taf. Inward investment is taking place across a range of sectors in the County Borough, and not just the traditional manufacturing sectors that in the past have dominated inward investment in the locality.

Excerpt from Chapter 2:
A range of businesses are investing in the local area, and there is a shift from manufacturing more towards service sector investment. This does not mean, however, that manufacturing no longer plays a role in inward investment in the local area. The employment created by inward investment is also varied – with many businesses hiring graduate staff and providing high value-added employment. The strategy is to ensure that those businesses that locate in Rhondda Cynon Taf support meaningful employment, and contribute to the sustainable development of Rhondda Cynon Taf rather than represent a 'quick fix' solution.

Geographically, inward investment has centred on the southern areas of Rhondda Cynon Taf, notably those areas close to the M4. Many of these areas are typically seen as 'northern Cardiff'. This does not mean that there is not inward investment taking place in other areas of Rhondda Cynon Taf, but it is true to say that there is *noticeably less inward investment in both the Rhondda and Cynon Valleys than the southern areas of the County Borough. The dualling of the A465 'Heads of the Valleys' road may have some positive effects on investment in the northern areas.*

It can be difficult to measure trends in inward investment at a local level on a year-by-year analysis. Consultation with Capital Wales reveal that enquiries would generally be for south east Wales as a whole. However, data available from the National Assembly for Wales shows that inward investment still has a positive role to play in the Rhondda Cynon Taf economy. During 2005/2006, over 1,000 jobs were created by the expansion of an inward investor in the local authority.

Table 10.14: All Wales Inward Investment - Rhondda Cynon Taf

Year	Capex £m	New Jobs	S/guarded Jobs
1999/00	15.2	866	239
2000/01	14.4	444	134
2001/02	12.4	144	200
2002/03	40.2	574	657
2003/04	19.9	267	345
2004/05	21.4	467	214
2005/06	16.6	276	1121

Source: Welsh Assembly Government

The main constraint to inward investment within Rhondda Cynon Taf remains the property that is available. Gaps between the expectations of potential inward investors and the quality and type of property on offer need to be addressed if the County Borough is to make full use inward investment as an economic development tool.

11 Conclusions and Recommendations

The overall picture for Rhondda Cynon Taf is positive. Economic activity rates are rising, qualification rates are increasing, employment is rising and a number of economic development indicators, such as business density and start-up rates, show positive signs. After years of outward migration, Rhondda Cynon Taf is now experiencing net inward migration. Despite this positive news, Rhondda Cynon Taf remains a relatively poor local authority area. Low levels of economic output (as measured by relatively low levels of GVA per capita) are experienced throughout the locality, resulting from low economic activity rates, low employment rates, a low working age ratio and most dramatically low levels of productivity.

The Rhondda Cynon Taf Economic Regeneration Strategy should ensure there is a focus on **raising levels of productivity** throughout the locality. Productivity is a function of many factors including the sector mix of an area, the occupations within those sectors and the skill levels of the local workforce. A key target must be to increase levels of earnings within the locality. Workplace-based earnings provide a key indicator of productivity, as well as the quality of jobs within the local area. The focus on earnings and quality employment also complements the focus of '*Wales – A Vibrant Economy'*.

Significant disparities exist throughout Rhondda Cynon Taf. The Welsh Index of Multiple Deprivation illustrates these disparities – the Rhondda Valleys and pockets of the Cynon Valley have particularly high levels of deprivation. As well as high levels of deprivation, the Rhondda Valleys and the Cynon Valley possess much lower rates of economic activity than the Pontypridd constituency area (69.9%, 70.9% and 79.1% respectively).

Furthermore, between 2000 and 2004, the number of full-time jobs in the Rhondda Valleys fell by over 11%. Over the same period the number of full-time jobs in the Cynon Valley rose by over 8%, while a much greater growth of almost 19% was experienced in the Taff-Ely area. At 66.7%, the Rhondda Valley also has the lowest employment rate in Rhondda Cynon Taf, with the employment rate in Cynon Valley is only slightly higher at a level of 67.1%. Taff-Ely's employment rate stands at 74.3%[32]. Unemployment rates are also significantly higher in the northern parts of Rhondda Cynon Taf[33].

The combination of high levels of deprivation, low levels of economic activity and employment rates, coupled with negative employment growth, is a key concern for the northern areas of Rhondda Cynon Taf. While the completion of the Porth Relief Road will help the Rhondda economy it is unlikely that this will result in significant employment growth.

As noted in chapter 9, the continuation of current employment trends will result in increasing disparities between the northern and southern parts of Rhondda Cynon Taf. Therefore, there are two options available for the area, namely:

- Promote the northern areas as a ‘commuting belt’ for southern areas of Rhondda Cynon Taf, and the wider South East Wales area.
- Ensure that employment growth is shared throughout Rhondda Cynon Taf.

The reality is that the mixture of the two will be required. Employment will still be required in the northern areas of the Cynon Valley – some residents, for example, may find it difficult to travel long distances. It is also important that employment opportunities remain visible for those detached from the labour market.

Economic activity rates have been rising steadily in Rhondda Cynon Taf since the dawn of the millennium. A continuation of current trends would result in an extra 4,000 residents of Rhondda Cynon Taf joining the labour market between 2006 and 2009. Over the same period, target growth in employment of 1% per annum would create approximately 3,000 jobs. Although the differential between the two figures is not great, at around 1,000, it is still enough to create a downward movement in unemployment rates in the County Borough. Furthermore, if those becoming economically active find it difficult to gain employment they are more likely to become disenfranchised and more likely to return to an economically inactive state.

It is imperative that measures designed to increase economic activity rates ensure that effective employment creation policies are operated in tandem. As

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[32] Annual Population Survey – Employment Rate Working Age Population April 2004 - March 2005.

[33] See figure 9.4, Chapter 9

employment growth has been mainly concentrated in the southern areas of Rhondda Cynon Taf, many of those entering the labour market may need to travel to gain employment. It is also important, as noted above, that some employment opportunities should remain in the northern parts of Rhondda Cynon Taf. Many residents, such as those with care responsibilities, or those who may find it difficult to travel, may still want to be employed.

The fall in the level of economically inactive amongst the young should also be acknowledged, and opportunities for young people in Rhondda Cynon Taf must be put in place to ensure economic activity rates for this age group continue to rise.

Current sector trends and forecasts predict that employment growth will mainly occur within the education, health and social work sectors. Despite this predicted growth, some notes of caution should be attributed to the pubic sector as a whole – employment is as much dependent on decisions made outside of the locality as those within it boundaries. Rhondda Cynon Taf's reliance upon public sector employment[34] means that the County Borough Council should ensure that any decisions relating to public sector employment made by those outside the County Borough are undertaken with the full realisation of the impact that such decisions may have on the local workforce.

Public sector employment will also remain critically important for the more deprived areas of Rhondda Cynon Taf, where there is low private sector growth and where topography, infrastructure and labour market issues often prove a barrier to levering private sector investment.

The contraction of the manufacturing sector is being experienced throughout many parts of the developed world, and Rhondda Cynon Taf is no different. Between 2000 and 2004, employment in manufacturing fell from 27.8% of all employment to 23.3% of all employment. However, this remains a sizable element of the Rhondda Cynon Taf economy. If employment in the sector were to mirror the Wales average, it would result in a loss of almost 6,500 jobs. Sacrificing the manufacturing sector is clearly not a viable strategy for Rhondda Cynon Taf. Not only would it create huge problems for those directly employed in the sector, it would also create significant problems for those businesses operating with the local

[34] 36% of employment is within the public administration, education and health sector (includes private education and healthcare provision)

supply and value chains. The changing nature and location of the manufacturing sector means that greater emphasis should be placed upon the development of higher-value added manufacturing sectors, where the competition from lower-cost production areas is less intense, and where the competitive advantage of Rhondda Cynon Taf are more explicit.

Policymaking should also take into account the needs of the key growth sectors within Rhondda Cynon Taf. These growth sectors, outlined in chapter 7, represent the growing private sector business within Rhondda Cynon Taf. These sectors and will be the basis for growth in employment and also *quality* employment within the County Borough.

Social enterprises hold a different opportunity for the Rhondda Cynon Taf. Where employment growth has been slow or negative, and where it is difficult to attract private enterprise, social enterprise development offers a new path for the development of enterprise

Although social enterprises are necessarily different from profit motivated businesses, they are genuine enterprises and should be revenue generating and self-sufficient. In order for these enterprises to flourish a greater understanding of how they operate and of their potential is required. At present there appears to be a lack of understanding of the needs and potential benefits social enterprises throughout the public, private and voluntary and community sectors and at all levels. Mainstream business support must also take further account the needs of social enterprises.

The Rhondda Cynon Taf economy has certainly improved in recent years. Key indicators such as economic activity, employment and unemployment have all experienced a positive shift. This encouraging message highlights that jobs can be created within the County Borough, and that the economic problems that the locality has faced are far from set in stone.

Rhondda Cynon Taf now needs to build upon its success. The fact remains that despite a positive shift in the Rhondda Cynon Taf economy some challenges still persist. Low productivity remains a problem for the area, and there is little evidence to say that this has changed much in recent years. More and better paid jobs are still needed. Pockets of deprivation still persist, especially within the Rhondda Valley, and to some extent an economic divide within Rhondda Cynon Taf is emerging.

Appendix A: Glossary of Terms

High-Tech Manufacturing

223 : Reproduction of recorded media
244 : Manufacture of pharmaceuticals etc
300 : Manufacture: office machinery/computers
311 : Manuf: electric motors/generators etc
312 : Manuf: electricity distrib. apparatus
314 : Manufacture of accumulators etc
316 : Manufacture of electrical equipment nec
321 : Manufacture of electronic valves etc
322 : Manufacture of TV/radio transmitters etc
323 : Manufacture of TV/radio receivers etc
331 : Manuf: medical/surgical equipment nec
332 : Manuf: instruments for measuring etc
334 : Manufacture of optical instruments etc
335 : Manufacture of watches and clocks
353 : Manufacture of aircraft and spacecraft

High-Tech Services

SIC 1992 class (4 digit)
2214 : Publishing of sound recordings Click for more info...
SIC 1992 group (3 digit)
642 : Telecommunications
651 : Monetary intermediation
652 : Other financial intermediation
660 : Insurance and pension funding
671 : Activ. auxil. to finan. intermediation
672 : Activ. auxil. to insur./pension funding
721 : Hardware consultancy
722 : Software consultancy and supply
723 : Data processing
724 : Data base activities
725 : Maintenance/repair: office machinery etc
726 : Other computer related activities
731 : Research: natural sciences/engineering
732 : Research: social sciences/humanities
741 : Accounting/book-keeping activities etc
742 : Architectural/engineering activities etc
743 : Technical testing and analysis
744 : Advertising
745 : Labour recruitment etc
921 : Motion picture and video activities
922 : Radio and television activities

Qualifications Classification:

No Qualifications : No academic, vocational or professional qualifications.
Level 1: 1+'O' level passes,1+CSE/GCSE any grades, NVQ level 1, Foundation GNVQ
Level 2: 5+'O' level passes,5+CSEs (grade 1). 5+GCSEs (grades A-C), School Certificate, 1+'A' levels/AS levels, NVQ level 2, Intermediate GNVQ
Level 3: 2+'A' levels,4+AS levels, Higher School certificate, NVQ level 3, Advanced GNVQ
Level 4/5: First degree, Higher degree, NVQ levels 4 and 5, HNC, HND, Qualified Teacher status, Qualified Medical Doctor, Qualified Dentist, Qualified Nurse, Midwife, Health Visitor
Other qualifications/level unknown: Other qualifications (e.g. City and Guilds, RSA/OCR, BTEC/Edexcel), Other Professional Qualifications.

Appendix B: Nearest neighbour comparators

The economic and social indicators we present for Rhondda Cynon Taf as part of the initial review of data sources are set against a series of comparator localities. The purpose of this is to enable an assessment of Rhondda Cynon Taf's situation in the broader context and to be able to identify some of the particular socio-economic problems that exist in the local authority area.

The previous Economic Analysis of Rhondda Cynon Taf, undertaken in 2000, included indicators for Wales and the UK, in order to present a more complete national picture. On this occasion, in addition to these national comparators, we sought to identify further comparator localities based on geographic, economic and social factors. The six neighbours that we have shall be focusing on are:

- Caerphilly
- Bridgend
- Barnsley
- Barrow in Furness
- Salford
- Sunderland

We employed a combination of quantitative and qualitative research methods in determining the nearest neighbours. Initially this involved using the 'comparable authorities model' developed by Local Government Data Unit Wales (LGDUW). This useful tool enables authorities across the UK to find their most comparable authorities, using a range of socio-economic variables. We also used data contained in the UK Competitiveness Index, devised by Robert Huggins Associates. This provided us with information on individual authorities' levels of productivity, business density and earnings, and helped identify trends within comparator localities.

Finally we undertook further desk-based research in order to find out more about the history and economic background of these authorities. We were looking for authorities that have experienced similar socio-economic pressures and change to that experienced in Rhondda Cynon Taf in recent times.

Rationale behind the choice of comparator neighbours

Caerphilly and Bridgend

As Rhondda Cynon Taf's nearest geographical neighbours to the east and south-west respectively, these were obvious choices in many respects. Both Caerphilly and Bridgend share very similar socio-economic profiles to that of Rhondda Cynon Taf and we were of the opinion that it would be interesting and worthwhile to compare statistical trends with a couple of adjacent authorities in order to determine whether the challenges faced by Rhondda Cynon Taf are comparable to those of its next-door neighbour authorities.

Barnsley

Located in South Yorkshire, Barnsley is located in an Objective 1 region. Barnsley's economy was once dominated by mining and heavy manufacturing industries. However in recent times, Rhondda Cynon Taf has looked to inward investment to drive economic regeneration and has attracted more than 60 foreign companies since 1990. Barnsley has excellent transport and communication links which, along with the work of the Barnsley Development Agency, have largely spearheaded inward investment.

Barrow in Furness

Barrow has the smallest population of all the nearest neighbours, but shares a very similar economic profile to that of Rhondda Cynon Taf. During analysis of LGDUW data, it featured consistently as a comparable authority with Rhondda Cynon Taf on a range of socio-economic variables. It has the same proportion of the working age population in employment as Rhondda Cynon Taf and a broadly similar labour market profile. Barrow's strong manufacturing economy incorporates electronics, engineering and power generation.

Salford

Salford has been selected because, whilst it compares very closely with Rhondda Cynon Taf on a range of socio-economic indicators, it is an example of an authority that has improved its economic performance considerably in recent years. A metropolitan authority, it has been commended on its approach to urban and community regeneration and the City Council's regeneration strategy is now seen as a blueprint for other cities to follow. Whilst Salford has similar levels of economic activity to Rhondda Cynon Taf, there has been a substantial rise in GDP per capita in the area, leading to improved competitiveness.

Sunderland

Sunderland is an example of an authority that has faced similar social and economic pressures to Rhondda Cynon Taf in recent decades. The traditional industries on which the city had relied for so long (its shipyards and coal mines) have been eroded and Sunderland has had to work to diversify its local economy. Manufacturing is particularly strong in Sunderland, most notably in the automotive sector. And yet there remains a legacy of unemployment and social exclusion in the county borough which continues to present barriers to economic regeneration.

Additional Neighbours for Competitiveness Benchmarking

In addition to these core nearest neighbours, we introduce other neighbours for the final section on Competitiveness Benchmarking. These are Cardiff, Neath Port Talbot, Rotherham, St Helens, and Wakefield. These additions are intended to give that particular area of analysis more depth, and therefore make it more meaningful to the reader. Apart from Cardiff, which was selected purely on geographical grounds, the others have been selected according to the same criteria outlined above.

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