State of Medway Report

Economy and Employment (inc. Employment Land)

Updated January 2012

Medway Council
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State of Medway Report: Economy and Employment (inc. Employment Land) January 2012

State of Medway Reports

This is one of a series of factual reports that were first produced in 2008 to inform the preparation of Medway's Local Development Framework or LDF. Each deals with a specific topic and draws together available information from a variety of sources.

The reports were intended to establish the current position and a baseline for further work. They also helped in highlighting gaps in the information base.

Each was updated in January 2012 to provide an updated baseline and inform the independent examination of the Medway Core Strategy.

To monitor progress being made on the LDF please regularly check our website at www.medway.gov.uk/ldf.

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1. Introduction

1.1 Much of data in this report is taken from the collection of information notes and tables on Medway Councils 'Facts & Figures' web collection[1].

Economic Development

1.2 The Medway economy is worth £3.3bn per year growing at a rate of 31% between 2001 and 2008. This is lower than the growth rate nationally over this period with Medway's economy peaking in 2005.

1.3 Medway is among those local authorities in the South East with the lowest jobs to workforce ratio. The employment rate locally now stands below the national rate for the first time.

1.4 There were 6,235 businesses in Medway in 2010 – construction is Medway's largest sector.

[1] http://www.medway.gov.uk/environmentandplanning/developmentplan/factsandfigures.aspx

2. Earnings

2.1 Full-time earnings for residents of Medway are higher than those in Great Britain but are lower than average earnings across the South East.

Median weekly earnings – residents				
	Medway	Kent	South East	Great Britain
2008	507.1	508.1	524.8	480.0
2009	514.0	518.0	536.6	490.5
2010	518.6	530.4	547.8	501.8

2.2 People living in Medway earn more than people working in Medway. This suggests that out-commuting – typically to London – is pushing up the earnings of local residents.

Median weekly earnings – employees				
	Medway	Kent	South East	Great Britain
2008	479.1	476.1	500.9	479.1
2009	487.6	479.1	513.3	489.9
2010	505.0	488.7	523.7	500.4

2.3 Between 2008 and 2010 growth in median earnings for full-time employees in Medway exceeded growth in regional and national earnings.

3. Unemployment

3.1 The unemployment claimant rate in Medway stood at 3.9% in January 2010, this being above the claimant rate for Great Britain (3.7%), the South East (2.5%) and Kent (3.0%). In Medway just over 6,500 people were claiming Jobseekers Allowance.

3.2 In 1996 the claimant rate in Medway at 7.2% (10,790) was ten-percent higher than the national rate (6.4%). In the mid-1980's the unemployment rate in Medway was running at 16%.

3.3 The number of people claiming JSA in Medway is fifteen percent lower than twelve months ago.

3.4 While 18-24 years olds account for a higher proportion of JSA claims than nationally, the number of younger JSA claimants has dropped over the past twelve months by one quarter.

4. LABOUR SUPPLY

Working Age

Working age population – 2009			
Medway		South East	Great Britain
Nos	%	%	%
160,100	62.8	60.9	61.9

4.1 A higher proportion of residents in Medway are of working age than in the South East and Great Britain at 62.8% of all residents.

Economic Activity/Inactivity

Economic activity/inactivity rate – 2009				
	Medway		South East	Great Britain
	Nos	%	%	%
Economic activity rate - aged 16-64	128,500	76.6	79.8	76.7
Economic inactivity rate - aged 16-64	39300	23.4	20.2	23.3

4.2 Medway has an economic activity rate of 76.6% which is in line in the national rate but which is below the regional rate in 2009.

4.3 In comparison Medway's employment rate fairs worse at 67.8% against 70.7% nationally. This is an indication that there is a significant proportion of the working age population who are willing and able to work but who are currently 'out of employment'.

4.4 Those who are out of work, but are able to work are known as the economically inactive. Just under one quarter (23.4%) of the working age population are economically inactive, this includes those claiming work related benefits (20,400) and others who are not claiming benefits but are out of work – approximately 39,300 residents.

4.5 The economic activity rate in Medway peaked in 2008 then dipped to 76.6% in 2009, falling below the national rate. Previous to that the economic activity rate has been above the national rate since 2004.

Economic activity 2004-2009				
	Medway		South East	Great Britain
	Nos	%	%	%
2009	167,800	76.6	79.8	76.7
2008	165,700	78.1	80.1	76.7
2007	164,000	80.3	80.0	76.6
2006	164,300	79.4	80.3	76.7
2005	164,800	78.0	80.4	76.5
2004	162,700	78.7	80.2	76.3

Qualifications

4.6 Residents of Medway have fewer qualifications when compared to the South East and Great Britain. Just 23% of the working age population in Medway have a degree/HND qualification (NVQ4) or above compared to 29% in Great Britain and 32% in the South East. Qualifications locally are concentrated at the lower level however fewer people have no qualifications in Medway than nationally.

4.7 With efforts locally to raise attainment levels in schools and with a number of higher education establishments now located in Medway, there is great potential for improvement in skills of the local population.

NVQ attainment level 2008						
	Medway			Kent	South East	Great Britain
Working age population with:	Number	Percent	Working age population	Percent		
NVQ4 and above	35,800	22.8	157,300	25.6	31.5	29.0
NVQ3 and above	65,500	41.6	157,300	45.9	50.8	47.0
NVQ2 and above	102,300	65.0	157,300	64.7	68.9	65.2
NVQ1 and above	131,500	83.6	157,300	81.5	83.4	78.9
Other qualifications	10,200	6.5	157,300	6.8	7.7	8.7
No qualifications	15,600	9.9	157,300	11.7	8.9	12.4

5. LABOUR DEMAND

Job Density

5.1 Of the sixty-seven local authorities in the South East, Medway is ranked fifth from the bottom being amongst those with the lowest jobs to workforce ratio.

5.2 Job density provides a comparison between labour supply (working age population) and labour demand (number of jobs available). Job density is lower in Medway than in the South East and Great Britain. This indicates that there is a shortage of jobs in Medway, which is supported by the evidence of high levels of out-commuting locally.

5.3 Medway's job density peaked in 2005 but has fallen back more recently to 0.6 jobs per working age resident in 2008.

Job density			
	Medway	South East	Great Britain
2001	0.61	0.84	0.80
2002	0.64	0.85	0.80
2003	0.61	0.83	0.80
2004	0.61	0.83	0.80
2005	0.65	0.84	0.81
2006	0.63	0.82	0.79
2007	0.62	0.82	0.80
2008	0.60	0.82	0.79

Employment

5.4 The employment rate in Medway has been steadily falling since 2004, it now stands below the national rate in 2009 at 67.8%.

Employment rate			
	Medway	South East	Great Britain
2004	73.8	77.2	72.6
2005	73.9	77.3	72.7
2006	74.6	76.7	72.5
2007	75.8	76.6	72.5
2008	72.6	76.4	72.2
2009	67.8	75.0	70.7

5.5 Health is Medway's largest employment sector, accounting for 15% of jobs, followed by retail at 12% of jobs and education at 11%. These three sectors are relatively large compared to the national breakdown.

5.6 The construction industry in Medway, at 8% of jobs, exceeds the national level (5%), with manufacturing jobs in Medway at 8.5% in line with that of Great Britain.

Jobs by sector – 20009

	Medway		Kent	South East	Great Britain
	Nos	%	%	%	%
Agriculture, forestry & fishing AND Mining, quarrying & utilities	1,900	2.2	1.2	2.5	2.9
Manufacturing	7,300	8.5	7.3	7.0	8.7
Construction	7,000	8.1	7.4	5.7	5.3
Motor trades	1,500	1.7	2.2	1.9	1.8
Wholesale	2,800	3.2	3.7	4.5	4.0
Retail	10,500	12.2	12.5	10.6	10.5
Transport & storage (inc postal)	3,900	4.5	5.3	4.2	4.6
Accommodation & food services	5,200	6.0	6.5	6.4	6.7
Information & communication	1,300	1.5	2.5	5.5	3.7
Financial & insurance	2,500	2.9	2.8	3.2	3.8
Property	1,200	1.4	1.4	1.6	1.7
Professional, scientific & technical	3,200	3.7	6.6	8.5	7.4
Business administration & support services	5,600	6.5	7.3	7.6	7.5
Public administration & defence	4,400	5.1	5.4	4.1	5.3
Education	10,100	11.7	10.3	9.6	9.0
Health	13,300	15.4	13.4	12.2	12.5
Arts, entertainment, recreation & other services	4,400	5.1	4.3	5.0	4.6
	86,200	100.0	100.0	100.0	100.0

5.7 Employment in management and senior occupations at 16% of employment in Medway now stands above the national level for the first time in a number of years.

Employment by occupation 2009/10

	Medway		Kent	South East	Great Britain
Managers and senior officials	18,000	16.0	16.6	18.3	15.7
Professional	10,400	9.2	11.4	14.8	13.8

occupations					
Associate prof & tech occupations	19,700	17.4	14.7	15.0	14.7
Administrative and secretarial occupations	12,900	11.4	11.7	11.4	11.0
Skilled trades occupations	12,200	10.8	10.7	9.7	10.4
Personal service occupations	10,900	9.7	11.6	8.9	8.9
Sales and customer service occupations	7,900	7.0	6.2	7.0	7.4
Process, plant and machine operatives	8,400	7.4	5.3	4.9	6.6
Elementary occupations	12,500	11.1	11.6	9.8	11.1

6. Businesses

6.1 VAT registrations and de-registrations are the best official guide to the pattern of business start-ups and closures. They are an indicator of the level of entrepreneurship and of the health of the business population. As such they are used widely in regional and local economic planning.

6.2 At the start of 2005, the VAT threshold was an annual turnover of £58,000; 1.8 million of the estimated 4.3 million enterprises in the UK were VAT registered. However, some businesses do voluntarily register for VAT even though their turnover is below the threshold. Data for 2005 shows that around a fifth of all registrations in the UK have turnover below the VAT threshold.

6.3 The number of VAT registered businesses in Medway increased by 150 in 2007, continuing the upward trend since 1996. Since then the number of VAT registered businesses in Medway has increased by one third, which is above the rate of increase nationally over this period (+23%).

6.4 Annual figures produced by the Office for National Statistics indicate that there were 6,235 enterprises in Medway in 2010.

6.5 Construction is Medway's largest business sector, accounting for just over one fifth of businesses, which is considerably higher than levels in the South East and Great Britain.

6.6 Seventy-six percent of businesses in Medway employ less than five staff, which is in line with the national level.

6.7 Medway has a higher proportion of 'young businesses' than nationally, with 16% of businesses under two years of age, compared to 14.5% nationally.

Businesses by sector – 2010					
	Medway		Kent	South East	Great Britain
	Nos	%	%	%	%
Agriculture, forestry & fishing	60	1.0	4.1	3.2	6.0
Production	405	6.5	6.3	5.7	6.4
Construction	1,325	21.3	16.0	13.8	12.9
Motor trades	220	3.5	3.5	3.1	3.2
Wholesale	270	4.3	5.5	4.8	5.0
Retail	590	9.5	8.1	7.6	9.0
Transport & storage (inc postal)	295	4.7	3.6	2.9	3.2
Accommodation & food services	410	6.6	6.1	5.2	6.2
Information & communication	335	5.4	6.2	9.5	7.1
Financial & insurance	95	1.5	2.0	1.9	2.0
Property	165	2.6	3.1	3.3	3.6
Professional, scientific & technical	825	13.2	15.2	18.1	15.7
Business administration & support services	450	7.2	7.6	8.0	7.1
Public administration & defence	5	0.1	0.2	0.2	0.1
Education	85	1.4	1.6	1.7	1.5
Health	290	4.7	3.7	3.5	3.8
Arts, entertainment, recreation & other services	410	6.6	7.0	7.8	7.2
	6,235	100.0	100.0	100.0	100.0

7. Migrant workers in Medway

7.1 In 2007/2008, 2,230 migrant workers registered in Medway; 1,260 of these came from EU Assession Countries, of which 490 came from Poland[2].

7.2 Migrant workers in Medway account for 1.4% of the working age population.

8. Gross Value Added (GVA)

8.1 In 2008 GVA at £13,181m per head of population was relatively low at 64% of the UK level.

8.2 While Medway's economy has grown each year, increasing by 16% over the past five years, by 2007 GVA per head of population peaked falling back slightly between 2007 and 2008.

8.3 Gross Value Added (GVA) is a measure of the value of the goods and services produced in the economy. It is primarily used to monitor the performance of the national economy and is now the measure preferred by the Office for National Statistics (ONS) to measure the overall economic well being of an area. More information on GVA is available on the ONS website http://www.statistics.gov.uk/CCI/nugget.asp?ID=254

8.4 Many factors mentioned in this report will be contributing to Medway's relatively low levels of productivity. Higher levels of economic inactivity amongst residents, lower value trades, significant out-commuting will all be playing a role to reduce the overall value of productivity.

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[2] KCC Migrant Workers in Kent Bulletin 2009. http://www.kent.gov.uk/your_council/kent_facts_and_figures/the_economy_and_labour_market.aspx

9. Economic forecasts

9.1 The forecasts produced by Oxford Economics for Medway Council[3] identified ten main employment sectors with the table below showing growth forecasts for these sectors. The model projects forward to 2026 based on past trends as well as taking into consideration of the spatial distribution of employment by sector within Medway.

Medway top ten sector job forecasts				
Sector	2008	2026	Change	% change
Retail and Distribution	16,569	17,141	572	3.5
Business Services	13,054	15,407	2,353	18.0
Health	12,898	14,703	1,805	14.0
Education	10,080	9,892	-188	-1.9
Construction	9,325	10,030	705	7.6
Other Personal Services	7,366	9,645	2,279	30.9
Hotels and Catering	5,998	6,361	363	6.1
Transport and Communications	5,897	5,814	-83	-1.4
Public Administration and Defence	4,171	3,800	-371	-8.9
Financial Services	3,310	2,501	-809	-24.4
Total	88,668	95,294	6,626	7.5

9.2 Retail and distribution is currently the largest sector in Medway, however Business Services and 'Other personal services' are likely to see the largest growth in jobs to 2026.

9.3 A number of sectors are likely to decline particularly Financial Services by up to one quarter, and Public Admin & Defence.

9.4 According to this model jobs are likely to increase by around 7.5% up to 2026.

[3] Employment land Consolidation Report Nov 2010

10. Employment Land

Policy context

10.1 One of the Government's key economic aims is to encourage continued economic development in a way, which is compatible with its stated environmental objectives.

10.2 PPG 4 (Industrial, Commercial Development and Small Firms) states that 'In allocating land for industry and commerce, planning authorities should be realistic in their assessment of the needs of business. They should aim to ensure that there is sufficient land available which is readily capable of development and well served by infrastructure. They should also ensure that there are a variety of sites available to meet differing needs'.

10.3 In the Kent and Medway Structure Plan 2007 the total provision for net floor space for employment uses was 575,000 sq.m of which 70,000 sq.m is new employment land (Policy EP2).

10.4 Comparing the Medway Local Plan allocations (see table on last page) against the Kent Structure Plan guidelines show the following. The net provision of Class A2/B1 floor space gives a small deficit of 10,542sq.m. while B2/B8 provision represents a surplus of 19,271 sq.m . The total floor space represents a small surplus of 8999sq.m.

11. Employment Land availability in Medway

11.1 Employment land is generally taken as land on business estates and other large employment sites. Traditionally this has been a fairly narrow definition, which excludes retail, and construction sites unless the ultimate use is industrial or commercial (A2/B1, B2, or B8).

11.2 A total of 811,556 sq. m. of employment floorspace (B1, B2, B8) has been identified as suitable for development between 2009 and 2028.

11.3 Of floorspace suitable for development, 665,765 sq. m. has been identified on two sites: the Isle of Grain (464,930 sq.m.) and Kingsnorth (200,835 sq. m.). The remaining 145,791 sq. m. is identified throughout the rest of Medway. 617,005 sq. m. has been phased to come forward during the plan period of 2011 to 2028. Only 30,090 sq.m has been identified solely for office use up to 2028 with a further 31,455 sq.m. coming forward after 2028. The remaining floorspace consists of a number of permutations of B1, B2 and B8 uses.

Potential employment floorspace 2009-2026				
2009-11	2011-16	2016-21	2012-26	Total
194,551	344,290	241,502	31,213	811,556

11.4 The Employment Land Review Consolidation Study, 2010, (Table 4.10), has identified a floorspace requirement for B1,B2 and B8 uses up to 2026, of 384,963 sq.m. Consequently, the SLAA has identified a substantial surplus of employment land of 426,593 sq. m.

Trends in employment land completions

Gross completions (sq.m)

Gross completions sq.m					
	B1	B2	B8	Other/mixed B	Total
2004	6,612	17,669	14,963	1464	40,708
2005	11,773	15,440	20,664	21,482	69,359
2006	7,067	3,940	4,975	0	15,982
2007	12,474	5,646	10,290	212	28,622
2008	3,265	4,454	14,185	0	21,904
2009	6771	1842	5,293	8,617	22,523
2010	957	1,435	1,331	2,268	5,991

Net Completions (sq.m)

Net completions sq.m					
	B1	B2	B8	Other/mixed B	Total
2004	2,703	9,483	12,046	-4.073	20,159
2005	-2,994	-18,056	10,140	18,045	7,135
2006	-1737	-6,866	-35,242	0	-43,845
2007	5,086	-8134	-937	212	-3773
2008	-3916	-3964	4,191	-3503	-7192
2009	-2080	-1730	1790	8617	6597
2010	-401	-24701	174	2268	-22650

11.5 In 2010 there was a considerable overall loss of employment floorspace due to a large loss of B2 floorspace, however this net loss is compensated by considerable floor space coming forward with 125,655 sq.m of B2 floor space now committed, along with a further 589,734 sq.m of B8 floor space.

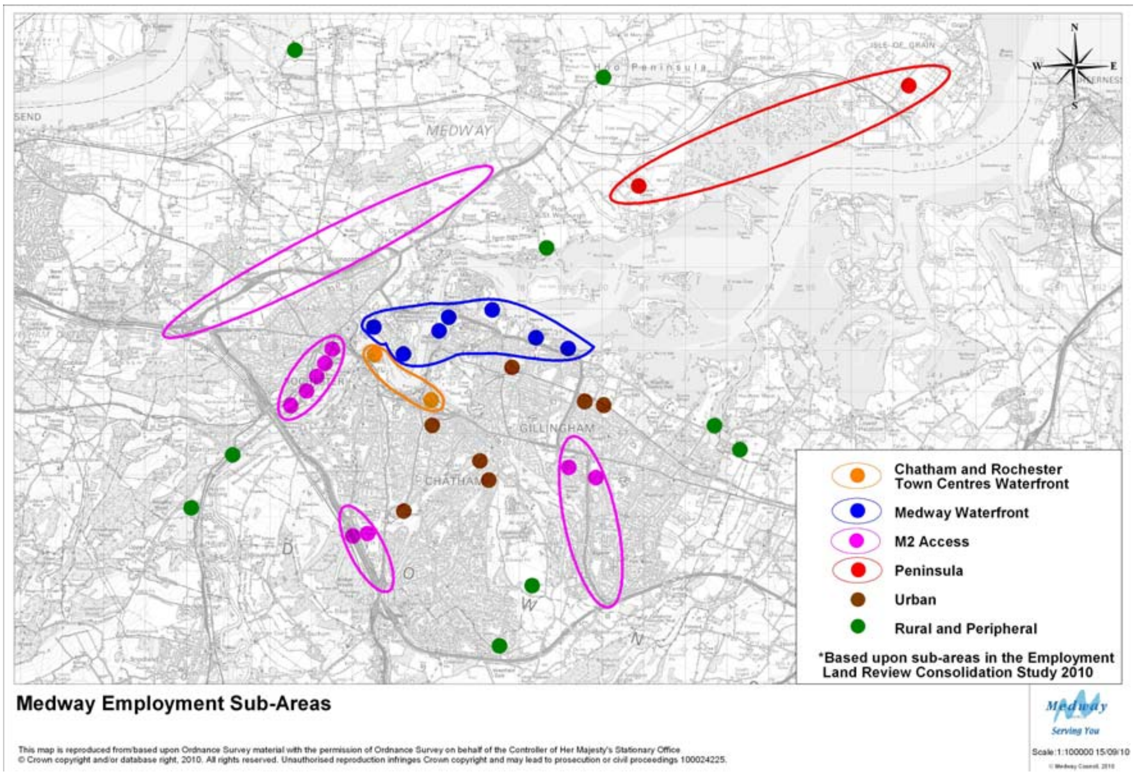
11.6 In 2008 there was a decline in the amount of floorspace used for manufacturing (B2) use. This loss has been matched by a growth in warehousing (B8) floor space.

11.7 In 2007 the first phase of the hi-tech business development at Medway Innovation Centre opened providing significant B1 floor space.

11.8 There were big losses in 2006 mainly from B8 land use due to regeneration development at Rochester Riverside.

12. Medway Employment Land Review 2010

The study divided Medway into a number of sub-areas, which reflected the distribution of existing employment areas and the areas where market demand surveys indicated the market would want to locate in the future.



Main findings

12.1 Economic forecasts – based on the higher employment rate and lower out commuting rate target - suggest there is a future requirement of 392,610 sq m of employment land which equates to 54.4ha of employment land. The table below illustrates how this breaks down by key area within Medway.

Location	Floorspace	Land
Town Centre/Waterfront	150.352 sq.m	11.37 ha
M2	183,747 sq.m	32.25 ha
Peninsula	31,121 sq.m	4.29 ha
Other urban areas	27,389 sq.m	6.53 ha
Overall gross gain	392,610 sq.m	54.44 ha

12.2 The existing supply of sites indicates that employment sites/allocations could provide 390.28 ha of land.

Location	Floorspace potential	Land potential
Town Centre/Waterfront	76,376 sq. m	10.48 ha
M2	49,505 sq. m	8.47 ha
Peninsula	666,290 sq.m	371 ha
Other urban areas	4,827 sq.m	0.33 ha
Total	796,998 sq.m	390.28 ha

Location	Future demand gap (ha)	Future development supply (ha)	Oversupply/shortfall (ha)
Town Centre/Waterfront	-0.89 ha	5.29 ha	4.4 ha
M2	-23.78 ha	15.49 ha	-8.29 ha
Peninsula	366.71 ha	0 ha	366.71 ha
Other urban areas	-6.20	0 ha	-6.20 ha
Total	335.84 ha	20.78 ha	356.62 ha

Location	Future demand gap sq.m	Future development supply sq.m	Oversupply/shortfall sq.m
Town Centre/Waterfront	-73,876 sq.m	79,514 sq.m	5,638 sq.m
M2	-134,242 sq. m	79,960 sq.m	-54,282 sq.m
Peninsula	635,169 sq.m	0 sq.m	635,169 sq.m
Other urban areas	-22,562 sq.m	0 sq.m	-22,562 sq.m
	404,489 sq.m	159,474 sq.m	563,963 sq.m

12.3 Future employment land development proposals could provide an additional future supply of 20.78 ha.

12.4 By deducting the existing land supply in the top table from the future land requirement in the table on the previous page, the future demand gap (either negative or positive) for each of the areas is shown in the second table above. To this is added future supply of 20.78 ha, which has been identified from development briefs/masterplans which will come forward in addition to the existing supply. A final oversupply/short fall of employment land is then calculated in the last table above and converted to floorspace.

12.5 Future supply proposals will result in an oversupply of land and floorspace in the Town Centre/Waterfront area. The land and floorspace figures vary from 4.4 ha to only 5,638 sq m and reflect the importance of ensuring adequate floorspace because of the direct relationship between floorspace and job provision.

12.6 There is a current undersupply of 8.29 ha of employment land or 54,282 sq.m with M2 access. The proposals at Lodge Hill/Chattenden, Temple Waterfront and Rochester Airfield make a significant contribution towards meeting demand.

12.7 There is an unmet demand for 6.20 ha or 22,562 sq.m of provision in other urban areas.

12.8 Employment land figures are only indicative, being dependent on employment density of development proposals.

12.9 The ELR study identifies an undersupply of employment land – excluding Peninsula under the growth scenario of a jobs target of 21,500 extra jobs by 2026.

12.10 On this basis there needs to be a consideration for the balance between town centre uses and Waterfront uses, to ensure there is not an oversupply of land or floorspace in either location.

12.11 Employment provision with M2 access needs to be monitored to ensure it keeps pace with demand.

12.12 Phasing of Lodge Hill /Chattenden is required to support the regeneration and redevelopment of poorer but valuable employment sites in the Strood area.

13. Conclusion to Employment Land in Medway

13.1 Within the context of protecting employment sites, LDF policies will need to recognise the role of smaller as well as larger sites, with tests relating to accessibility to employment opportunities from residential areas and develop a portfolio of sites which are of sufficient variety. This might include for example sites suitable for lower cost base operations as well as those relating to the specific requirements of different parts of Medway.