APPENDIX 3: STEEP ANALYSIS

1.1 INTRODUCTION

In addition to the purely economic drivers discussed in the previous section, it is important to understand that there are a number of other social, technological economic, environmental and public policy drivers that will exert influence over both the South East and the West Midlands regions. This section of the report provides an analysis of these drivers and their implications for future growth in both regions. The STEEP framework (Social, Technological, Economic, Environmental, Political) is used to assess the impacts of the drivers of change. Some of the drivers are region-specific, whilst others (such as welfare reform) are driven by Central Government Policy, will have an impact on all areas of the UK.

1.2 SOCIAL DRIVERS

1.2.1 Demographics

South East - The region is currently home to over 35% of Britain's population and is generally considered to be extremely prosperous. Between 1997 and 2003 the region not only experienced the highest growth in GVA per head and had the best performing labour market, but was also the region with the lowest proportion of its population living in the most deprived areas.

However, a significant challenge facing the South East economy over the next decade is the demographic shift towards older age groups, predicted to occur a result of the average increase in life expectancy. Such a demographic shift means a lower proportion of the population are of working age and hence fewer are economically active. If a lower proportion of the population are economically active and other factors in the region remain unchanged, there could be major implications for the competitiveness of the region and the ability of the economy to expand.

In 2007 for the first time, more people in the South East will retire than enter the labour market from school or University. By 2014 the gap is predicted to widen rapidly. Growth in population is also predicted to come from migration (largely from other parts of the UK) while the number of children and young people in the region is expected to grow, but only at a very slow pace, having fallen in the short term. It may be possible for the region to avoid such a decline in prosperity, if it is able to either increase the proportion of people of working age who are economically active and in employment and/or increase productivity levels amongst the employed.

West Midlands - The West Midlands is currently home to 5.3 million people and at its heart lies a conurbation with a population of 2.55 million. Currently, members of Black and Minority Ethnic groups make up 10% of the West Midlands population and only in London do BME groups make up a higher proportion of the regional population. Within the West Midlands, there are significant differences in the demographic make up of the population. In general terms, the rural counties tend to be under-represented in younger age groups and over-represented in older age groups. Those areas with greater proportions of their population in the younger and older age profiles have higher demands placed on education, health and social services.

Birmingham and the Black Country are among the most densely populated areas in the region, while parts of Shropshire and Herefordshire are among the least densely populated. Both face particular challenges in building sustainable and cohesive communities and in delivering high quality public services.

Forecasts suggest that over the next 20 years, the West Midlands as a whole will experience modest population growth, with a static situation in the main conurbation. Significant out-migration, particularly by young people is also forecast for the region, but international in-migration is expected to maintain the overall level of the population. Such forecasts are based on past trends and can therefore be influenced by policy interventions e.g. to improve the quality of urban and suburban areas for living and working.

1.2.2 Deprivation

South East - According to the latest Indices of Multiple Deprivation (2004), 5.1% of the South East population falls within the most deprived 20% nationally, with 1.4% within the most deprived 10%. The causes of deprivation vary between different localities across the region. Whilst deprivation within the South East is largely clustered in eastern and coastal districts, predominantly due to issues relating to housing and access to services, there are some significant pockets of deprivation in the inner parts of the region, particularly large urban centres. Crime, living environment and issues surrounding levels of health and disability are the most significant causes of deprivation within these urban centres.

West Midlands - According to the latest Indices of Multiple Deprivation (2004) 26.3% of West Midlands SOAs are in the lowest quintile. The SOAs that are in the worst 10% in England are almost entirely concentrated in the Major Urban Areas while the most affluent parts of the region are concentrated to the south east. Analysis of other social factors demonstrates that those areas and individuals suffering deprivation are often subject to compounding deprivation effects.

1.2.3 Economic Inactivity

South East - There are approximately 250,000 people in the South East region who are currently classified as economically inactive but would like to work (205,000 excluding students). Around 38% of the total inactive population who would like a job state family commitments such as looking after family/home as the main reason for inactivity. Long-term illness/disability and temporary sickness or injuries are other primary reasons given for economic inactivity.

A way of increasing wealth in the region is by further growth in employment, leading to increased GVA per head and increased overall prosperity. However, given the already tight labour markets in many parts of the South East, if growth is to be achieved, action is needed to make employment a more realistic and achievable option for the inactive population. If this does not happen, labour market growth will have to be derived from migration, which will only lead to further pressure on the housing market and increasing inequality.

West Midlands – High levels of economic inactivity impact negatively on the region, as fewer people actively contributing to prosperity will lower the efficiency of the workforce as a whole. The level of economic activity in the West Midlands (including those that are unemployed and unavailable to work) is 22.1%, only slightly higher than the national average of 21.9%. The levels of economic inactivity vary in the West Midlands, though tend to be concentrated in urban areas (27% in Wolverhampton to 15% in Oswestry, for example). Of the economically inactive, the largest group are 16-19 year olds although this may reflect their participation in higher education. Those with a disability or limiting long-term illness are another group with high rates of economic inactivity. The economically inactive are a key potential source of labour and skills for employers, which could be utilised if the right conditions/policies existed to motivate these groups and make employment a realistic possibility.

1.2.4 Skills

South East - Relative to most of the UK and EU, the South East is considered to have a well-qualified workforce. However, the National Employers Skills Survey suggests that many employers in the region still face problems finding workers with relevant skills, with the skills gaps identified equal in magnitude to the UK average. Consequences of such gaps tend to be poor standards, a lack of scope to innovate and loss of business to competitors.

Regional differences can also be observed in terms of skill levels, with peripheral areas of the South East, particularly the coastal South East, being characterised by much lower workforce skills than the regional and in some cases national average.

West Midlands - Currently, the position of the West Midlands in terms of training, skills and employment is poor, with the urban areas being most significantly affected. The region has the highest proportion of unqualified people of working age amongst the English regions, with West Midlands firms employing a higher percentage of people with no qualifications than any other region. Many businesses have reported that skill shortages and skill gaps are hindering growth, and a higher proportion of jobs remain unfilled due to these skill shortages than is the case nationally. Also, despite having at least two leading universities with a strong focus on business and management, as well as engineering and technical courses, the retention of graduates in the region is moderate to poor.

1.2.5 Housing

South East - Housing is a critical issue for the South East. Substantial in-migration, changes in average household size, and the economic relationship the region has developed with London, have increased the demand for housing. However, over the last decade, the supply of housing in the region has consistently failed to meet demand, leading to significant growth in house prices well above average earnings. This has led to further deterioration in housing affordability across the region. These factors exacerbate wealth inequalities within the region, as those with housing equity benefit from progressing up the property ladder. A further consequence of this increase in house prices is a potentially detrimental impact on labour mobility as large differentials in housing costs and the high cost of housing as a share of income makes speculative moves to boom areas potentially very risky.

If the South East wishes to avoid house prices impacting negatively upon labour supply and mobility, a clear social argument can be made for implementing schemes and policies that will create the necessary conditions to bring the 205,000 economically inactive people already living in the region, back into the labour market, therefore combating the disadvantage which economically inactive people commonly face.

When considering the social impact of housing, cost is not the only factor that needs to be taken into account – the quality of housing, particularly social housing, is also critical. In relative terms the South East has a low proportion of public sector accommodation deemed as sub-standard. In absolute terms however, it has the third largest number of sub-standard properties in the UK, which is important when the impact that sub-standard housing can have on both health and energy consumption is considered.

Although the housing growth planned for MKSM and other growth areas may go some way towards alleviating the pressure on both price and availability of the housing stock, raising the standard of existing stock should also form a key part of solutions to address problems of housing supply and affordability.

West Midlands - Housing affordability is an important influence on the economic well being of the residents in the region. It is also an indicator of areas prosperity is growing and where disparities could potentially be created and inequality worsened between those on lower and higher incomes.

There is a danger in quoting the average house price for the West Midlands, as although this stood at £158,343 in 2006, there are significant variations within the region ranging from £89,909 in Stoke to £240,614 in Stratford on Avon. To simply quote an average house price does not take into consideration the fact that a lack of affordable housing in areas such as Stratford may be constraining growth, particularly in sectors in parts of the region which need to attract and retain workers who are unable to afford local property prices. Average house prices also conceal the very real possibility of housing market failure in some areas of the region, specifically parts of Birmingham, the Black Country and North Staffordshire.
One of the main strategic challenges for the West Midlands in terms of housing, is correcting this market failure and improving the standard of homes, both public and private in a bid to regenerate and create prosperity in failing areas. In 2004, 15% of all households in the region were living in housing that was either unfit or in disrepair, the majority being concentrated in major urban areas.

1.2.6 Health and Well-being

South East - The majority of empirical evidence available to date emphasises the cost which poor health can impose on individuals and society. Ill health is a heavy financial burden, as it directly affects economic development through human capital such as organisation of labour force, investment opportunities and the capacity to work and attract capital. Investment in public health should be seen as a prerequisite and not simply a consequence of economic growth.

Overall the South East is viewed as a healthy region, when measured by life threatening conditions. Most health indicators demonstrate a good performance in the South East in comparison to other regions, particularly in terms of life expectancy. However, as with most of the other socio-economic indicators, significant inequalities exist, which in spatial terms mirrors the economic inequalities across the region - 3.8% of the population live in the most 20% two deprived areas in the country in terms of health and disability.

West Midlands - The social and economic well being of the region is highly dependent upon the health of the population within it. In line with the national average, male mortality rates tend to be higher than those of females however significant variations in mortality rates are observed within the individual health authorities, with particularly marked contrasts between rural and urban areas.

1.2.7 Social Enterprise

Social enterprises can be defined as businesses 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/or owners. It is increasingly recognised that social enterprises play a major part in sustainable economic development. Social enterprises meet special needs within their community leading to the view that as a sector, the social economy can make a significant contribution to social cohesion, urban renewal and job creation.

South East - estimates show that the voluntary and community sector accounts for around 3.4% of GDP, with one in eleven South East residents volunteering in some form. This is equivalent to a market value of labour term of around at £943 million. The sector plays an important role in community cohesion and social inclusion, with this importance likely to increase in the future once the impact of the ageing population begins to be fully understood.

West Midlands - Social Enterprises in the West Midlands already engage in a wide range of activities with their primary focus often being helping to engage socially disadvantaged people in the workforce and enabling them to seek employment opportunities or start their own business. The valuable role of social enterprise is recognised in the West Midlands Economic Strategy which identifies the sector's potential to promote economic growth and address social and economic exclusion. The social economy in the West Midlands includes over 3,300 organisations and represents 2.8% of the number of all businesses.

1.3 TECHNOLOGICAL DRIVERS

There are continually technological developments that have impact economic and social changes across the country. They can be so common that they have a direct impact on daily lives (e.g. the internet) but can also be developments such industrial processes that affect us indirectly. The direct impacts tend to be broad in that they affect the nation as a whole as where regional influences can be commonly associated with technological developments within industry and commerce.

1.3.1 Information and Communications Technology

One of the major personal and commercial developments in the last few years has been the internet. In 2006, 13.9 million households in Great Britain had Internet access compared to 11 million in 2002. This represents 58% of all households, Figure 3.1 shows the levels and type of internet access. It is evident that the South East is much better connected than the West Midlands. However, the proportion of household in the West Midlands with broadband access is higher than the national average.

Figure 3.1: Households with internet access

	Broadband access	Non-broadband access	No internet access
South East	48%	18%	33%
West Midlands	34%	18%	47%
Great Britain	40%	17%	42%

The use of ICT in UK businesses has also increased significantly in recent years. Information collected by the ONS shows increases in a number of areas:

- The value of Internet sales rose to £103.3bn in 2005, a 56% increase on 2004.
- The proportion of businesses selling online increased by 22%
- The value of Internet sales to households rose by 30% to £21.4bn

One of the main challenges for national and regional governments will be to ensure that a digital divide is not created between those who can and those who cannot afford a computer and internet connection. 51% of UK adults who earn up to £10,400 have never used the internet. It is also important to ensure that residents have the necessary skills to be able to use computer and internet technologies effectively. 24% of those without internet access said that the reason they don't is a lack of skills.

1.3.2 Technology and Innovation

Innovation and technological advances are more to generate different impacts in different regions. Factors such as industrial structure, presence of knowledge based industries and public sector support all have an bearing in the nature and extent of such impacts. There are a number of initiatives and programmes that operate on small and large scales and in a variety of locations. Below is a short description of some of the activities and support mechanisms that are in place to help generate technological innovation in the South East and the West Midlands.

South East – The South East's Regional Economic Strategy acknowledges that ICT is a key enabler of innovation and enterprise and the largest single contributor to productivity growth. The Strategy also outlines a number of key actions that SEEDA plan to take in relation to technology and innovation. These include encouraging pan-regional collaboration and good practice on innovation, to maximise the economic value released through innovation both regionally and nationally.

The South East prides itself on possessing World Class Innovation, with SEEDA being closely involved in developing the national strategy and priorities for Science and Innovation. The South East also plans to pilot a number of approaches to drive up innovation in the region to bring together business and the knowledge base to share ideas and development. Some of many approaches include:

- **South East Science, Engineering and Technology Advisory Council (SESETAC) -** An organisation that brings together senior industrialists, employers and academics to discuss issues of common interest and concern to the region.

- **Emerging Technologies -** SEEDA is now focusing collaborations on a small number of activities that are intended to speed up the commercial application of emerging technologies.

- **The Innovation Advisory Service -** A team of seven Innovation Advisors working with over 100 businesses in the region. SEEDA has also set up an Innovation Advisory Panel.

- **Research Expertise Directory (SEE RED) -** Developed by the University of Sussex to understand the strengths and excellence of the science base across the South East and to identify more vulnerable areas for further action.

- **Manufacturing Advisory Service – South East (MAS-SE) -** SEEDA has established a new Manufacturing Advisory Service, aligned with the needs of the South East manufacturers.

West Midlands – The region has an established history of innovation and sees it future based on:

- Business oriented universities with world-class expertise
- Successful innovation infrastructure and active network of professional advisors
- A track record of translating knowledge into successful products
- Excellence in technology transfer and R&D in key future technologies.
- The region tops the national league table for the number of companies defined as innovation active.

Advantage West Midlands has established an Innovation and Technology Council (ITC), an industry-led group that will provide leadership for a new, regional innovation and technology strategy. It will be the Council's responsibility to guide the region's investment in innovation. AWM have established close working relationships with universities, research and technology organisations, business support organisations, science parks and incubators, and businesses in the region to help to promote innovation. AWM also fund a number of projects that aim to encourage the commercialisation and use of innovative ideas generated in the region.

The region also possesses a Central Technology Belt that includes a number of key strategic sites including Bromsgrove Technology Park, Longbridge Technology Park and the Malvern Hills Science Park.

1.4 ECONOMIC DRIVERS

1.4.1 Globalisation

In the face of an increasingly global market, and the rise of China, India and other Asian and South American economies, all regions of the UK face direct and indirect competition from imports and increased competition in export markets. Likewise, the regions face fiercer competition for Inward Investment, while developments in ICT facilitate outsourcing of some jobs from all regions of the UK.

However, globalisation also presents opportunities as well as threats. It offers scope to increase exports of goods and services from the UK, particularly for higher value added goods and services. There may also be possibilities to increase competitiveness through outsourcing lower cost parts of the production process, and scope also exists for attracting mobile inward investment. However, the speed and reach of this change is such that the adaptive capacity of the regional economy and individuals will need to improve in order to compete.

Management, leadership, technical and marketing skills will all need to be in place to ensure the that the regions maximise their ability to exploit any opportunities, although at present such exploitation is likely to be limited as a result of regional challenges which exist, in the case of the West Midlands in the form of skill, enterprise and innovation levels.

1.4.2 Manufacturing and Diversifying the Product Base

South East – It is widely recognised that the South East's performance has been driven by the growth in the service sector. 79.2% of employment is in service related industries, compared to a national average of 77%. The proportion of residents employed in manufacturing in the South East is significantly lower than the national average. Currently only 8.8% of the population are employed in manufacturing in the South East compared to 11.1% nationally. However, despite the decline in manufacturing employment, output in the sector has risen from £18,375m in 2000, to a forecast £18,824m in 2007.

West Midlands - Manufacturing makes a larger contribution to the West Midlands economy than in any other UK region and over 20% of employment is in the sector. By 2015 manufacturing employment is projected to decline by 47,000 jobs despite growth in manufacturing output.

The impact of globalisation has meant that if the West Midland manufacturing base is to survive long term, it must compete in the knowledge economy, as knowledge has now become the main source of competitive advantage in the global market. Currently the West Midlands manufacturing economy is, for the most part, locked into low cost goods and services rather than the higher value knowledge based activities where the future lies. As a result the West Midlands has a low export share in industries that are highly quality sensitive, and struggles even in exports of low cost goods as prices are still too high. If the West Midlands economy is to continue to grow and the manufacturing sector is to effectively compete by moving into knowledge-based activities, significant improvements will be needed in the region's skills base.

1.4.3 Growth of the Service Sector

South East – As stated previously, the service sector in the South East has become more and more dominant, and is recognised as being the main driver of regional growth over the last decade. Whilst service based employment has grown by 6.6% between 2000 and 2006, output (GVA) has risen by 13.4% over the same period.

West Midlands - The most rapidly growing areas of employment in the West Midlands have been In the service industries, to the extent that these sectors have now reached an importance that supplants that of manufacturing in terms of employment share. The sector is one of the most readily placed to take advantage of globalisation, trade liberalisation, deregulation and advances in communications technology. As Birmingham currently has the largest concentration of professional and financial firms outside of London, the sector can be expected to be a key driver of future economic growth. However, as with many other employment sectors in the region, reports of professional and financial services companies encountering difficulties accessing labour with the specific skills, experience and attributes they require, are becoming increasingly more commonplace.

1.4.4 Skills

South East – As noted earlier, the South East is recognised as having a highly qualified workforce relative to most areas of the UK, with 29.5% of the working age population holding qualifications at NVQ Level 4 or above. This is linked to the fact that the region has a high concentration of knowledge intensive industries.

However, the distribution of skills across the region is not uniform and a third of the districts in the region have a lower proportion of working age population with NVQ4 qualifications than the national average. Many of the worst performing districts are on the coastal fringes of the region. In terms of basic skills, it is estimated that around one million South East residents have poor literacy skills and 900,000 possess poor numeracy skills.

According to the National Employer Skills Survey (NESS), employers in the South East are just as likely to possess internal skills gaps as anywhere else in England. 22% of employers in the South East reported skills gaps in their existing workforce. These gaps were found in occupations that have historically required lower level skills and educational attainment. According to the survey, 14% of all sales and customer service and machines operatives were not fully proficient at their jobs. At higher occupational levels, skills gaps were also reported amongst 8% of professionals and 9% of managers.

West Midlands - While the proportion of staff with skill deficiencies is reducing, significant problems remain within certain sectors and occupations, inhibiting the potential for growth and development. A range of specific skills needs is emerging in sectors that are key drivers of growth in the region:

- Distribution, retail, hotels & catering are of key strategic importance to the region, supporting more than 600,000 in the region. The sector is forecast to grow steadily between over the next decade creating an additional 40,000 jobs. The proportion of staff with skill deficiencies is around double the regional average in retail, hotels and catering, with particular issues for sales and customer services staff.

- The transport and communications sector is a major contributor to regional GVA and has seen the fastest rate of sectoral growth out of all the English regions. However, the level of employment in the sector is expected to remain fairly static until at least 2015, with difficulties faced in recruitment and staff retention being a contributing factor.

- In order to boost productivity, profitability and exploit emerging market opportunities, employers need to develop a range of critical skills including:
  - Management and leadership skills, as regional deficiencies in these are currently well above the national average.
  - Skills to support innovation relating to entrepreneurship, as the region is currently ranked 5th in the UK in respect of business start ups, and lags well behind London and the South East in terms of research and development in business, government and higher education.

1.4.5 Transport Infrastructure

South East – The region sees itself as not only serving its own residents and businesses, but also as a gateway to mainland Europe and the global economy. The region is home to:

- Three key national motorways (M25, M3, M4)
- Two strategic sea ports (Southampton and Dover)
- Two of the busiest airports (Heathrow and Gatwick)
- Strategic rail links (Channel Tunnel Rail Link).

These combine with the geographical location to make the region well connected to economic markets. The transport infrastructure also acts as a key determinant of investment, and as such, improved infrastructure can increase the likelihood of investment led growth.

Whilst the region is rich in infrastructure, there are recognised transport issues. There is an over reliance on road transport (road traffic increased by 17% between 1993 and 2002) and car usage is notably high. The use of public transport is low with the proportion of people commuting on buses ranking the South East amongst the lowest in the UK and commuting by train is also lower than the national average.

West Midlands - Despite a pivotal position in the national network providing significant locational advantages to the West Midlands region, such a central position also creates competing demands. Whilst the Regional Transport Strategy attempts to balance the needs, interests and competing demands of an extremely diverse range of users, the underlying trend is of the diminishing ability of the region's network to cater for the demands placed upon it. Traffic congestion may be a fact of daily life, but the West Midlands motorway network is now a national issue with extensive delays becoming increasingly commonplace. The accessibility of rural areas and the constraints placed on the rail network by New Street Station's limited line and platform capacity, are also key problems for the region. Such inadequacies in the region's transport infrastructure have a major negative effect on the economy, and much work is needed to create the sustainable, world-class transport system required to support and facilitate long term growth.

1.5 ENVIRONMENTAL DRIVERS

The linkage between positive economic growth and negative environmental impacts presents a major challenge to all regions in the UK. Current political debate surrounds ways in which the impact we have on the environment can be reduced. All centrally led actions are likely to impact all of the UK and will be driven my measures to reduce carbon footprint, encourage recycling and promote environmentally friendly impacts. The paragraphs below outline how each of the regions perform on a number of environmental indicators that are likely to be the focus of government legislation.

1.5.1 Climate Change

South East - Adapting to the uncertain impacts of climate change will be a key challenge for the future. Sources of major greenhouse gas emissions in the region include carbon dioxide from road traffic, domestic and commercial energy consumption and methane from landfill and agriculture. Measures to improve energy efficiency are currently being outweighed by increasing consumption. Developing the knowledge-based economy, focusing on higher value lower impact activities may help.

West Midlands - The effects will become more apparent in next few decades. Currently the West Midlands emits slightly less carbon dioxide per person than the UK average and 16 local authorities in the West Midlands have designated Air Quality Management Areas (AQMAs).

1.5.2 Greenhouse Gas Emissions

South East – In 2003 the South East emitted 19.4 million tonnes carbon equivalent of carbon dioxide, the highest of any of the UK regions. However, this equates to 2.4 tonnes per resident, which is slightly below the national average. Industry and commerce accounted for 39% of carbon dioxide emissions in the region (below the national rate of 45%). 32% of emissions were from domestic sources and 27% from road transport compared to national averages of 30% and 25% respectively.

West Midlands - The Regional Energy Strategy has set targets to increase efficiency, reduce overall energy use and exploit business opportunities in energy efficiency and renewable energy as the region currently produces very little of the energy it uses. In 2003, the region emitted 11.7 million tonnes carbon equivalent of carbon dioxide. Despite this being the sixth highest amount of the regions, it equated to 2.2 tonnes per resident which ranks it below the average rate for England and the second lowest rate of all UK regions.

More than a third (36%) of carbon dioxide emissions in the West Midlands were from industry and commerce compared to the national average of 45%. 34% of emissions were from domestic sources and 28% from road transport compared to national averages of 30% and 28% respectively.

1.5.3 Waste

South East – The South East produced 29 million tonnes of waste in 2002-03 - 15% of the total for England - and the highest amount produced by any of the regions. 53% of this waste came from construction and demolition, 31% from industry and commerce and the remaining 16 per cent was municipal waste. Over half (52%) of this went to landfill –a much higher rate than the UK as a whole (43%). Only 34% of waste was recycled in comparison to the national average of 43%.

In the region 519 kilograms of household waste were produced per person, slightly higher than the national average of 510 kilograms. This represents an increase of 6% over the preceding 5 years. Recycling of household waste was high in the region (23%) compared to the national average (18%).

West Midlands - Between 2002 and 2003, the region produced 18 million tones of waste - 10% of the national total. Just under half (44%) of the region's waste was produced by construction and demolition (below the national average of 48%). Industry and commerce accounted for 39% and 12% was municipal waste compared to national rates of 36% and 17% respectively. The proportion of waste in the West Midlands that was sent to landfill was less than the national average.

In terms of household waste, 2003-2004 saw 497 kilograms of household waste per person being produced in the region, lower than the national average of 510 kilograms, but an increase of 7% compared to 1998-1999. The West Midlands had the fifth highest recycling rate of the regions, with 16 per cent of household waste being recycled (compared to an England average of 18%).

1.5.4 Land Use

South East – Land use within the region is broken down as follows:

- 430 thousand hectares of grassland and rough grazing
- 526 thousand hectares of land for crops and bare fallow
- 270 thousand hectares of woodland
- 120 thousand hectares for other agricultural uses
- 205 thousand hectares of urban and suburban land.

None of the region is designed as National Park however, Areas of Outstanding Natural Beauty account for 31% of the South East, above the national average of 16%. The also has 74 kilometres of Defined Heritage Coasts. In 2004, 71% of new dwellings were built on previously developed land. This represents an increase of 23 percentage points since 1994 – on a par with the national average.

West Midlands - Land use within the West Midlands is broken down as follows:

- 474 thousand hectares of grassland and rough grazing
- 367 thousand hectares of land for crops and bare fallow
- 98 thousand hectares of woodland
- 62 thousand hectares for other agricultural uses
- 129 thousand hectares of urban and suburban land

20% of the region is designed as National Park, compared with an overall designation of 7% nationally. 10% of the region is designated as Areas of Outstanding Natural Beauty, below the national average of 16 per cent. In 2004, 71% of all new dwellings were built on previously developed land, which represents an increase of 22 percentage points over a decade. The land recycling rate in the West Midlands is slightly higher than the average rate for England as a whole, which was 68% in 2004.

1.4.5 Dwelling density

South East - The period 1994 to 2004 saw the density of new dwellings in the South East follow a similar pattern to the national average. Over the decade, dwelling density in the region increased from 22 to 44 dwellings per hectare (100% increase), with most of this increase being seen over the last two years, putting it above the national average of 39 dwellings per hectare.

West Midlands - Over the decade 1994-2004 the density of new dwellings in the West Midlands followed a similar pattern to the average for England. During this period dwelling density in the West Midlands increased from 26 to 34 dwellings per hectare (31% increase), though most of this increase has been seen over the last four years and the average density is below the average for England of 39 dwellings per hectare.

1.6 POLITICAL DRIVERS

1.6.1 Trade Liberalisation

The reduction in barriers to trade has generally made the UK manufacturing sector weaker in terms of its potential to export, as other nations have been able to produce goods at lower costs. However, the liberalisation of trade has helped to improve the export potential of knowledge-based businesses in the UK, and has helped the sector to grow. The South East contains a significantly large proportion of knowledge based businesses and advanced producer service operations, and the expansion of these industries has been one of the key catalysts behind regional economic growth.

The expansion of the European Union to include many of the Central and Eastern European nations has further reduced the barriers to trade that exist within Europe, and has therefore raised levels of competition and the need to innovate.

The reduction in barriers to trade has generally made the UK manufacturing sector weaker in terms of its potential to export, as other nations have been able to produce goods at lower costs. Because manufacturing comprises a higher proportion of the West Midlands region's GVA than other regions (including the South East), and its knowledge-based sector is less developed than other regions, the reduction of trade barriers has hindered the export potential of the region (in comparison with London and the South East).

1.6.2 Welfare Reform

Within the UK at present, a number of changes are being proposed within the DWP's 'New Deal for Welfare Green Paper'. The proposals include:

- Developing a range of initiatives to improve the knowledge and understanding, and change perceptions of workplace health. This may include providing tax relief for businesses providing good occupational health support and simplification of sick pay regulations.

- To help lone parents, the proposals are to stage work focused interviews every six months for parents with a child under 14, and every three months for parents with children under 11. It is also proposed to intensify the level of support available for parents during the first year of a claim to assist their return to the labour market.

- To help older workers, the proposals include extending New Deal to people aged between 50 and 59, and to provide greater support for jobseekers aged over 50.

- To reform housing benefit by introducing a Local Housing Allowance for new claimants in the private sector, and putting an upper limit on excess allowances.

All of these policies are likely to help increase economic activity rates in all regions, and therefore help to increase employment levels. This is significant for both the South East and the West Midlands, given the high levels of economic activity discussed in previous sections of the report.