The Economy of The Dearne Valley

Report to Yorkshire Forward

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1. Introduction

101 In March 2004, Yorkshire Forward commissioned GOA Ltd to review the history, current state, and future prospects of the economy of the Dearne Valley in South Yorkshire in the context of the emerging South Yorkshire spatial strategy, and to make any appropriate policy recommendations. This document is our final report.

102 The agreed methodology for the review was for it to be conducted by desk research, supplemented by limited consultation with local authorities and other agencies. No primary research was undertaken.

103 The structure of the report is straightforward. After this introductory section, successive sections cover the history, current state, and future prospects of the local economy, and Section 5 makes recommendations. The report focuses on the labour market, analysed between the supply side and the demand side. It pays particular attention to the prospects for call centres, which are important to the area and perceived as being threatened by 'off-shoring', especially to India; and to the debate within South Yorkshire about the role of areas, such as the Dearne, outside the main urban centres.

104 The key points from the four substantive sections are presented in boxes at the start of each section.

2. History

Summary

- The Dearne was unusually dependent on coal and related industries even by the standards of mining areas
- As a counterpart, non-local services were almost absent
- The coalfield remained prosperous whilst those elsewhere declined. When it came, decline was abrupt
- Unusual dependence on coal and abrupt change have left a legacy of problems: regeneration is far from complete

2.1 Introduction

201 Coal mining in the Dearne Valley began at least 200 years ago, but reached its full development in the later nineteenth century as exemplified, for instance, by the sinking of Denaby Colliery in 1866 and Manvers Main in 1870. Mining was supported by one of the densest rail networks in the world, based essentially on freight, but road networks were poor.

202 This section does not attempt to replicate the extensive descriptions available elsewhere of the history of the decline of mining and related industries. It simply summarises (2.2) the key characteristics of the coalfield economy as it existed from, say, 1945 to the miners' strike before considering (2.3) the continuing implications of that history for today's economy, and the impact (2.4) of regeneration so far.

2.2 The coalfield economy

203 The classic Dearne economy, as it existed until as recently as 20 years ago, had the following characteristics:

- ***Coal mono-culture***: mining and directly dependent industries such as the production of chemicals derived from coal and rail freight were the dominant sources of male employment, though there were supplementary sources of male employment in:

  - steelworks close to the Dearne (eg Aldwarke, Parkgate, Templeborough)

  - metal-based manufacturing industries, especially in Swinton

  - construction – at least three large construction firms having their origins in the Dearne

- ***Poor health and safety***: most industries had many accidents and instances of long-term health damage, of which pneumoconiosis in mineworkers is simply the best known

- ***A damaged environment***: industry, especially mining and chemicals, had damaging effects on the environment, through contamination and spoil heaps

- ***Supplementary industries for women***: the availability of a female workforce during the post-war labour shortage encouraged textile, and especially clothing, employment in most of the mining centres

- ***No tradition of non-local services***: the industries above were supplemented by the necessary minimum of public services and local services such as retailing, but there were almost no non-local service industry jobs

- ***Good rail but poor road infrastructures***: rail freight of coal was a higher priority than rail or road commuting

- ***Parochialism***: communities tended to be inward-looking, a tendency reinforced by the proximity of collieries to people's homes and the difficulties of travelling by road

- ***Security***: The security[1] of the South Yorkshire coalfield, in contrast to the decades-long decline in South Wales, Scotland and elsewhere, as evidenced by the local recruitment campaign ***'There's Money and Mates in Mining'*** and the pioneering employment (actually outside the Dearne at Maltby) of women underground, both in the early 1980s

- ***Vocational education***: A strong tradition of vocational education, based on craft apprenticeships and on-the-job learning for semi-skilled work, and including world-class mining education at Doncaster College

2.3 The continuing implications of the coal economy

204 Each of the characteristics listed above has continuing implications as tabulated below.

Continuing implications of the former coal economy	
Coal mono-culture	Few mining areas were as completely dependent on mining as the Dearne. The economic shock of closures was therefore maximised
Poor health and safety	Even now, many people of prime working age have disabilities or health problems associated with their past employment
A damaged environment	Much public investment in the Dearne since 1990 has been to restore the environment, rather than for the direct economic benefit of local people
Supplementary	The collapse of local textile employment reinforced that in

[1] Of course, the ***perception*** of security of employment in the South Yorkshire coalfield turned out to be quite misplaced

Continuing implications of the former coal economy	
industries for women	mining
No tradition of non-local services	UK employment is overwhelmingly in services and the Dearne's people, even now, are poorly-equipped to meet the requirements of these industries
Good rail but poor road infrastructures	Practical difficulties with commuting impede the ability of Dearne people to take up jobs elsewhere, even in comparatively nearby Sheffield
Parochialism	Parochialism is sometimes represented as being characteristic of mining communities. But so far as it exists, this cultural factor is greatly reinforced by the economic factors of poor communications and low car ownership.
Security	The perceived security of employment in the Dearne meant that few preparations were made for economic transformation: though this factor has steadily been overcome since 1990
Vocational education	Without decrying vocational education, its predominance meant that Dearne people were ill-equipped to respond to the destruction of the 'vocations' to which it related

2.4 Regeneration

205 Regeneration of the Dearne Valley began in earnest with the formation of the Dearne Valley Partnership (DVP) and its success in winning City Challenge regeneration funds in 1991. The sum of £37.5m available from City Challenge was supplemented by extensive funding from the (then) Derelict Land Grant scheme and from other sources of regeneration funding. In more recent years, substantial sums of Single Regeneration Budget funding have also been deployed by Yorkshire Forward, and Objective One has provided a major new source of regeneration funding.

206 The DVP was formed when economic regeneration partnerships were in their infancy. As new partnerships[2] developed, the need for a partnership specific to the Dearne became less pressing. In recent years the DVP has been wound up and its responsibilities have passed to others.

207 The most obvious results of regeneration activity have been the development of many sites throughout the Dearne for both business and environmental uses. In particular, the 'moonscape' of the enormous Wath Manvers site is now, in the main, either greened or developed. The large buildings on the site accommodating various private and public sector users are a conspicuous feature of a process of regeneration that is said to have created some 10,000 new jobs.

[2] Notably the Objective One partnership, the South Yorkshire Coalfield Partnership, Renaissance South Yorkshire and Local Strategic Partnerships for each of the three local authority districts

208 The difficulties of access to the Dearne have also been tackled, through the development of a high quality link road to the M1 and through other measures such as elimination of the rail level crossing at Denaby. Less obviously visible are considerable investments in human resources, including new campuses for Dearne Valley College and Sheffield University.

209 Despite these very substantial achievements, the Dearne's economy still faces serious weaknesses to which we turn in Section 3.

3. The Dearne Valley economy

Summary

- Statistics for the Dearne are poor, but good enough for our purposes
- The Dearne Valley Partnership covered six wards, this report looks at eight wards with a population of 92,000
- The Dearne has 700 more unemployed people than would be expected on the basis of the national average, but 4,200 more sick and disabled people. Inactivity is a better measure of labour market difficulty than unemployment
- A lack of skills and qualifications helps to explain the co-existence of recruitment difficulties and unemployment/inactivity
- The supply side challenge is to help the large minority - perhaps some 14,000 adults - in labour market difficulty. Commuting is seldom economically rational given their earnings: local jobs are needed
- Employment on the main regeneration sites is diverse. Call centres are important, but industry occupies twice as much space as all services, call centres included
- The jobs mix is well suited to local needs, but substantially more jobs are needed if inactivity is to be reduced
- There is land to accommodate at least a further 1.5 million square feet of development (five times the space currently occupied by Ventura)

3.1 Introduction

301 Official statistics for small areas such as wards or for areas such as the Dearne that do not fit neatly with administrative boundaries are improving, but remain poor[3]. They are nonetheless adequate for the purposes of this report.

302 The supply side statistics are drawn mainly from Census 2001 and are from the Neighbourhoods section of www.statistics.gov.uk. They are reproduced in Annex 1. It may seem inappropriate to use statistics that are now three years out of date. But they are intended simply to provide a rough quantification of the Dearne's difficulties, which have not changed fundamentally since 2001.

303 The demand side statistics are mainly from Rotherham Council and are confidential. They relate to the main employment sites rather than to total employment. The statistics are presented in Annex 2, which is omitted from published versions of this report.

304 For much of the period following the colliery closures, the Dearne Valley Partnership operated in the Dearne. It covered six electoral wards (Dearne Thurnscoe, Dearne South, Wath, Swinton, Mexborough and Conisbrough). In discussing the supply side, we have also included two further wards, Darfield and Brampton, Melton & Wentworth (Brampton MW)

[3] HM Treasury's Allsopp review, published March 2004 sets out the improvements needed

3.2 The supply side

3.2.1 Introduction

305 The eight wards making up the Dearne had a population of 92,000 in 2001 (see Annex 1 for details). The age structure corresponded closely to the England and Wales average, though there were slightly more children and old people and slightly fewer working age people in the Dearne than the national average. Differences in age structures can distort the statistical comparisons that we make below, but this is not a serious problem in the Dearne, given that its age structure corresponds so closely to the average.

3.2.2 Economic activity

306 The table summarises the economic activity, or otherwise, of Dearne residents aged 16-74 (details for individual wards appear in Annex 1) and draws comparisons with the average for England and Wales.

307 The most striking feature of the table is that the Dearne has about 5700 fewer people in employment than if it corresponded to the national average, but only about 700 more unemployed people. This reflects the well-understood difficulty that unemployment statistics are a poor guide to overall labour market difficulty. The reasons why there are so few people in employment may be categorised as follows:

- There are far more ‘permanently sick or disabled’ people in the Dearne
- More people are looking after their home and/or family
- More people are retired
- More people are economically inactive for other reasons

308 The people falling within the categories listed above have not necessarily withdrawn from the labour market voluntarily or permanently (though it must be remembered that we are covering the whole age group up to 74). If there were jobs available suited to their skills and abilities, many would take them. Even those people of working age, say up to age 60, who are ‘permanently sick or disabled’ are mainly people who could do some work: stereotypically, they are men aged 40-60 who can no longer do manual work, but lack the skills for non-manual occupations.

309 The table also shows that the Dearne has far fewer students than the national average, but this is primarily for the obvious reason that higher education facilities in the Dearne are limited.

Economic Activity of people aged 16-74

	England & Wales	Dearne	Dearne, Number	Dearne, if = to nat av	Difference
Employed	60.6	**51.9**	33996	39723	-5727
Unemployed	3.4	**4.4**	2901	2229	672
Economically active full time students	2.6	**1.5**	1008	1704	-696
Retired	13.6	**14.8**	9710	8915	795
Economically inactive students	4.7	**3.1**	2007	3081	-1073
Looking after home/family	6.5	**8.3**	5449	4261	1188
Permanently sick or disabled	5.5	**11.9**	7800	3605	4195
Economically inactive (other)	3.1	**4.1**	2679	2032	647
Total			65550	65550	0

Source: 2001 Census, ONS

3.2.3 Education and qualifications

310 The possession of marketable skills is a major determinant of an individual's ability to find work. Many skills in mining and manufacturing possessed by Dearne residents have ceased to be 'marketable' and this is one factor causing the Dearne's low employment rate.

311 Unfortunately, we cannot observe marketable skills, but only qualifications, which offer at best a rough guide to skill levels.

312 On the measures we have, the Rotherham wards in the Dearne perform markedly better than the Barnsley and Doncaster wards.

313 One encouraging sign is that school performance is improving. On the benchmark of the percentage of students gaining five GCSE passes at grade C or above, four of the Dearne's five comprehensive schools are in the 27%-38% range, below the English average of 53% but well above the sub-10%[4] figures recorded in some deprived areas; and Wath School exceeded the English average, attaining 55%.

314 For whatever reason, these relatively good results at school do not translate into substantial take-up of Higher Education. The Higher Education Funding Council for England[5] places electoral wards into five bands according to the take-up of HE opportunities by resident young people. The five Dearne wards in Barnsley and Doncaster all fall into the worst band, with fewer than 16% of young people entering HE. The Rotherham wards do better, Swinton and Brampton MW falling in the 16-24% band and Wath attaining the middle band (24%-32%) of the five.

315 The table shows Census 2001 data on people holding no qualifications on the one hand, or a degree (at least) on the other. The Dearne has, predictably, far more unqualified people and far fewer graduates than the national average. There are

[4] The Elmhirst School, quite close to the Dearne, achieved 9% in 2003
[5] These are the HEFCE 'POLAR' data available at www.hefce.ac.uk

marked differences between the Dearne wards. For instance, Dearne Thurnscoe has 52% of its population without qualifications, whilst Wath has 37%.

Qualifications of people aged 16-74

	England & Wales	Dearne	Dearne, Number	Dearne, if = to nat av	Difference
No qualifications	29.1	**43.5**	28514	19075	9439
Degree or higher	19.8	**9.1**	5965	12979	-7014

Source: 2001 Census, ONS

316 Although the figures are far from perfect, and although we are not able to cross-tabulate people in and out of employment with qualifications, there is no doubt that many people without work lack the skills and qualifications that employers require.

3.2.4 Supply side dynamics

317 The statistics above are 'snapshots' taken on various dates, such as the 2001 Census date. They conceal rapid change between labour market states for those who might be said to be in labour market difficulty. A typical person in labour market difficulty may be unemployed for a few months, then have a job for a year or two, then be on Incapacity Benefit and then get another job. On any one day ('snapshot') many such people will actually be employed, whilst, on that day, others will be on IB or JobSeeker's Allowance. They are all, however, still in labour market difficulty.

318 We cannot be sure how many people in the Dearne are in 'labour market difficulty', some clearly are, others are not, but there are many on the margins. The table below provides an indicative estimate of over 14,000 such people

Estimated number of Dearne residents aged 16-74 in 'labour market difficulty'

	Dearne, Number	Dearne, if = to nat av	Difference	Estimated number 'in difficulty' (see text)	
				%	Number
Employed	33996	39723	-5727	10	3400
Unemployed	2901	2229	672	90	2611
Economically active full time students	1008	1704	-696	5	50
Retired	9710	8915	795	25	2428
Economically inactive students	2007	3081	-1073	5	100
Looking after home/family	5449	4261	1188	20	1090
Permanently sick or disabled	7800	3605	4195	50	3900
Economically inactive (other)	2679	2032	647	40	1072
Total	65550	65550	0		14650

3.2.5 The supply-side challenge

319 Most people of working age in the Dearne live their lives in the ordinary way. They have jobs, cars and homes and participate fully in the growing tide of British prosperity.

320 But a large minority are not in this fortunate position. They have few qualifications, may not have cars - certainly not reliable cars, may have health problems, and are probably tenants rather than owner occupiers. Their experience of labour markets is of short term employment, interspersed with periods of unemployment or labour market inactivity.

321 Wages for this group are seldom significantly in excess of minimum wage, leading to finely-balanced judgments about the choice between work and remaining on benefit. Many families and individuals are only a little better off in work than on benefit and may well decide against working if the net gain is only, say, £10 or £20 a week. Moreover, particular circumstances such as child care costs may push the balance the other way, leading to people being worse off in work than on benefit.

322 In the context of spatial planning, commuting is a significant factor. A Thurnscoe resident may decide that another £15 a week, compared with benefit, from a low-paid job at Manvers is worthwhile, but reject a similar job in Sheffield because the cash and time cost of commuting outweighs the income gain. In contrast, someone on £20,000 a year will always find commuting (if necessary) a better choice than benefits.

323 The Dearne differs in this respect from say Parson Cross in Sheffield. Parson Cross may be more deprived than the average Dearne ward, but residents have easy and cheap (in terms of time and money) access to the large Sheffield labour market.

324 For these reasons, local employment is essential to overcoming the supply side challenges faced by the Dearne. Commuting to Sheffield, Leeds or Doncaster will ‘work’ for people on good wages. It makes no sense for people on low wages and reliant on public transport or, at best, an unreliable car.

325 Better transport systems can, however, improve matters at the margins. A new bus or rail route, or better use of community transport systems, or ‘wheels to work’[6] schemes, can tip the balance from benefit to work for some individuals. And as demand for labour strengthens in the urban centres, transport systems will grow in importance. But in the short to medium term, better transport will make only a small contribution to solving the difficulties on the supply side of the Dearne labour market.

3.3 The demand side

326 The demand side of the Dearne labour market comprises the whole demand for labour within the boundaries of the eight wards. The match between the demand and supply sides of the labour market is not at all close because, in so small an area, there is extensive in-commuting and out-commuting. We are concerned, however,

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[6] Schemes under which scooters, or sometimes cars, are loaned to individuals for the first few months of their employment.

primarily with the distinctive characteristic of the demand for labour in the Dearne, namely the extensive development on the Manvers sites and nearby.

327 This development is of special importance given the supply-side need for local jobs and the inability of employers such as retail outlets and those on the smaller business sites to meet that (partly latent) need for jobs.

328 The data on employment on the main sites are patchy. OMIS Ltd[7] estimate that at least 10,000 new jobs have been created on these sites, and that 35% of the jobs are in call centre or similar activities.

329 Rotherham Council estimate that 6,300 jobs have been created on the Manvers and Cortonwood sites (which is broadly consistent with the OMIS estimate of 10,000 overall).

330 The bulk of service sector jobs are in call centres, which account for 35% of all jobs on the OMIS estimate. Rotherham Council data indicate that there have been, so far, about one million square feet of office accommodation and twice as much industrial and distribution space developed in the Dearne. Given the greater space requirements per employee of industry and distribution, these data are consistent with an approximately equal division of the new jobs between industry and services, with call centres predominating amongst services.

331 The most conspicuous individual occupier is Ventura, with 2,000 employees or more. Ventura developed from the call centre activities of Next plc, but is now also an 'out-sourced' operator of the call centre activities of a wide range of clients including O2, The Woolwich, Thames Water and others[8]. This characteristic is important, since it makes Ventura's location decision dependent on the views of a wide variety of clients rather than simply being a Ventura decision. In contrast, prominent 'in-house' occupiers, such as T-Mobile, are able to make entirely autonomous location decisions.

332 Industrial and distribution occupiers are varied and include some high technology firms. Predominantly, however, they are low to medium technology light manufacturing firms. This is not necessarily a bad thing, since these employers offer many jobs suitable as entry jobs for those leaving labour market 'inactivity'.

333 There are no systematic data on wage rates[9] in the Dearne. But anecdotal evidence, which there is no reason to doubt, indicates that most jobs at most firms are on wages ranging from a little above minimum wage to, say, twice that level (ie about £10 an hour or £18,000 a year).

334 Confidential data have been supplied to us by JobCentre Plus relating to take-up of employment by their clients at the main inward investor sites. Although others are not without importance, Ventura has been the predominant source of jobs for this group.

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[7] December 2002
[8] see www.ventura-uk.com
[9] New Earnings Survey data are not available for small areas

4. Prospects for the Dearne Valley Economy

Summary

- Prospects for employment growth are good; even, on the balance of evidence, for call centres
- The public sector is a particular opportunity
- Availability of land and property availability is good, but …
- Skill shortages present a problem
- The Dearne lacks some of the leisure and other facilities that a rounded community needs: this undermines the area's advantages

4.1 Introduction

401 In this section we comment on the prospects for the local economy, covering first the private sector other than call centres, but then concentrating on call centres given the uncertainties associated with them, before turning finally to the public sector.

402 Our general conclusion is that the prospects for growth (even for call centres) are good, providing that the supply side conditions for growth are favourable: and in the next section, we make provisional recommendations for supply side action.

4.2 Prospects for the private sector other than call centres

403 The private sector firms on the Dearne employment sites are very varied. In the main, however, they are low to medium technology firms some of which may be vulnerable to overseas competition. In our view, however, the Dearne's underlying competitive advantages, if they can be sustained, will ensure that the private sector will continue to grow.

4.3 Prospects for call centres

4.3.1 Introduction

404 Call centre employment in the UK has grown rapidly in the past decade. In 1990 call centres scarcely existed in their current form, now they employ hundreds of thousands of people. There has, however, been extensive recent publicity about 'off-shoring', especially to India. Wages there are much lower than in England and cost-reductions in telecommunications means that work can be done in India almost as easily as in England.

405 Recent research[10] indicates costs per employee for wages and property of £27,000 a year in London, £18,500 in Sheffield (and presumably rather less in the Dearne) and £6,500 in Mumbai. This cost gradient will influence location decisions, but cost calculations are more complex than they appear on first sight. Working from

[10] Capital Economics, January 2004

India entails management difficulties associated with not being 'on the spot'; the Indian worker, however well trained, will have less of a rapport with the customer than UK workers; and the ICT challenges of off-shore operation are considerable.

406 As a result, we are likely to see a continuing shift of the more straightforward operations to India and other off-shore locations, and within the UK a continuing shift to lower cost areas such as the Dearne. But burgeoning growth in demand may well mean employment growth in the UK, despite 'off-shoring'.

407 A supplementary point is that about one-sixth of call centre employment is in the public sector, such as the substantial facilities in the Dearne operated by the Department of Work and Pensions, and none of this employment is likely to be taken off shore in the foreseeable future.

4.3.2 Review of recent studies

408 Attempts to forecast change are bedevilled by the lack of clear data on what constitutes a call centre as well as by the usual difficulties attending forecasting. We have reviewed six recent sources of evidence. The first source, which has become available since preparation of the April 2004 draft of this report, is the most authoritative statement of the national position. The sources are:

- A May 2004 review by consultants working for DTI of the UK Contact Centre[11] industry
- A March 2004 review by PricewaterhouseCoopers, covering that firm's own views and those of research firms
- The government view, as expressed by DTI in December 2003
- The views of call centre managers, as collated through the Call Centre Association's quarterly surveys (most recently in December 2003)
- Research specific to Yorkshire, conducted by Deloitte (2004) for Yorkshire Forward
- Research specific to the Dearne, conducted by OMIS Ltd in December 2002: although this study is now over a year old, it is of interest in relating specifically to the Dearne Valley

<u>Consultants Review for DTI (May 2004)</u>

409 This very recent (and lengthy) review for DTI was conducted by specialist consultants CM Insight and Contactbabel and by the Call Centre Association, and may be taken as an authoritative statement of the current position.

[11] The term 'contact centre' is increasingly used in preference to 'call centre' given that growing numbers of contacts are by e-mail and other non-call modes. We have, however, retained the more familiar term in this report.

410 The consultants identified UK contact centre employment of 790,000 people in 5,320 centres at the end of 2003. Almost 500,000 of these employees were 'agents' engaged in direct customer contact, the remainder being in support, managerial and other functions. They forecast growth to over one million employees (650,000 agents) by 2007, off-shoring notwithstanding. This is exceedingly rapid employment growth by UK standards.

411 They noted, however, the particular vulnerability to off-shoring of those locations (they cited South Wales, South Yorkshire, Scotland and the North East) where contact centres had been encouraged to develop on the basis of low costs within the UK. This, however, is a challenge for those locations to overcome within a generally favourable environment of growth.

PricewaterhouseCoopers Review[12] (March 2004)

412 PwC review various recent studies of off-shoring, notably a studies by Deloitte predicting 37,000 job losses by 2008, Troika predicting 100,000 job losses by 2010 and the Centre for Economic and Business Research predicting 500,000 job losses by 2008. This last estimate, however, covers the whole economy (not just call centres) and the losses are expected to be offset by the creation of even more than 500,000 jobs as a result of the beneficial effects of off-shoring.

413 There are several difficulties with these estimates. First, their general variability, which indicates great uncertainty. Second, they say nothing about employment growth or decline in the UK: for instance the Troika estimate of 100,000 job losses is consistent with growth in UK employment if the underlying growth in demand for call centre services is sufficient to generate more than 100,000 jobs. Third, there is uncertainty about the base to which the figures should be applied.

414 PwC use Labour Force Survey data to identify 12 occupations vulnerable to off-shoring, employing some 1.9m people including 726,000 in financial services. Applying the Troika estimate (which relates to financial services), they note that about one job in seven would go.

The government view (DTI, December 2003)

415 The Secretary of State for Trade and Industry summarised the government's view in a speech on 5 December 2003[13]. She acknowledged that jobs were being off-shored to India and elsewhere but concentrated on the continuing strength of the UK as a location for service sector activity and the high level of employment as a whole. She rejected any suggestion of protectionism, but emphasised the need to do everything possible to under-pin the competitiveness of call centre and similar activities.

416 She repeated these comments in March 2004 at the launch of CallNorthWest, an initiative by the North West Development Agency and the University of Central Lancashire backed by money from DTI's Partnership Fund, which amongst other things aims to promote the acquisition by local people of the skills that call centres

[12] In '***UK Economic Outlook'***, PricewaterhouseCoopers, March 2004, available at www.pwc.com
[13] available at www.dti.gov.uk

need. It is worth noting in passing that CallNorthWest anticipate a 25% annual growth in call centre employment in the North West.

417 The Secretary of State noted the uncertainties about statistics, both for the size of the call centre industry and for the extent of off-shoring. The uncertainties are evident from inconsistencies in the various statistics quoted by DTI, CallNorthWest and others.

The views of call centre managers (surveyed December 2003)

418 The Call Centre Association surveys its members quarterly. The figures quoted here are from the December 2003 survey, but all four surveys in 2003 revealed similar results. CCA members' views are very positive:

- 71% had experienced employment growth in the past 12 months, and 21% had experienced decline
- only a single respondent had experienced a decline in employment due to 'off-shoring'
- over half expected employment at their call centres to rise in the coming year (ie 2004), whilst only 7% expected decline
- when asked 'do you agree with the claim that the call centre industry in the UK is in significant decline?', 76% said 'no' and 12% said 'yes'
    - the 76% saying 'no' expected off-shore growth to continue, but to be out-paced by market expansion, leading to continuing growth in the UK; and some noted the trend to repatriate work to the UK because of quality difficulties off-shore
    - the 12% saying 'yes' cited out-sourcing to India as the main threat

The position in Yorkshire[14] (Deloitte, 2004)

419 Deloitte identified 867,000[15] call centre jobs in the UK of which 52,000 were in Yorkshire (detailed sources for the figures were not quoted). The report concentrated on the views of experts from Deloitte and from Yorkshire Forward. The tone was rather pessimistic, referring to one prediction that 300,000 jobs could be lost by 2012, but also to other unspecified but 'more reassuring' predictions.

The position in the Dearne (OMIS, 2002)

420 The OMIS study reviews the Dearne as a call centre location and notes its cost and other advantages. It refers to a benchmark 'saturation point' for call centre employment, namely 6% of all employment in a local area, and notes that just over 4% of Dearne employment[16] is in call centres, leaving headroom for further growth.

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[14] '***Summary report from call centre retention analysis workshop'*** draft report from Deloitte to Yorkshire Forward, 30 January 2004

[15] Note the contrast between this figure and the 400,000 cited by DTI

[16] The OMIS estimate that 35% of 10,000 jobs in the Dearne are in call centres implies 3500 jobs and, if this is 4% of all employment, that the Dearne workforce is 87,500. Our (fairly broad) definition of

It concludes that the prospects for further growth are reasonably good provided that the Dearne continues to invest in creating the conditions under which call centres have access to the property and labour that they need.

4.3.3 Conclusion on call centre prospects

421 Statistical data relating to call centres are poor, and the sector itself is ill-defined. On any definition, however, UK demand for call centre services is growing rapidly. Part of that demand is now met ‘off shore’, notably in India, and there is a consensus that ‘off-shoring’ will grow.

422 There is no consensus about the extent of future off-shoring. One estimate is that about one job in seven in vulnerable occupations in financial services will disappear by 2010, but there are higher and lower estimates. Allowing for continuing rapid growth in demand, job losses on this scale are consistent with net growth in UK call centre employment. Call Centre Association employers certainly expect growth in their UK workforces.

423 The same cost pressures that drive activity off-shore to India operate within the UK. Sheffield for instance has costs per call centre employee only a little over the half way point between costs in London and Mumbai. Relocations within the UK to low cost areas such as the Dearne may be expected to continue, providing that the supply of labour and property is sufficient.

424 Taking the above factors together, our judgment is that call centres represent an opportunity for further growth in the Dearne rather than a threat.

4.4 Prospects for the public sector

425 The Dearne already has several significant public sector employers in addition to the basis provided by employers such as schools. They include Dearne Valley College, the University of Sheffield, two headquarters functions of the Department of Work and Pensions, and a range of other agencies, notably the Sector Skills Development Agency and Yorkshire Forward.

426 The pressures on the government to relocate activity away from London, to secure value for money, and to regenerate deprived areas all point to the Dearne as an area that can make a forceful and clearly argued case for expansion. The one caveat is the availability of suitably skilled labour qualified to Level 2 or Level 3, ie to levels where relocated jobs are likely to be filled locally rather than through the relocation of individual staff from London.

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the Dearne has a ***population*** of 92,000, so either OMIS have taken a very wide definition indeed or there is some internal inconsistency in their figures.

5. A Policy Response

Summary

- The emerging spatial strategy for South Yorkshire focuses public sector capital investment on the four main urban centres
- This is consistent with the continuing need for development in the Dearne given that the Dearne needs investment in people rather than investment in physical capital beyond the sums already committed

Recommendations (see main text for full version of each recommendation)

1. Promotion of the Dearne as a location for private and public investment appropriate to its locational and labour market strengths
2. More intensive one-to-one work, along lines piloted elsewhere, to help individuals move out of inactivity and acquire the skills they need for employment
3. An LSC review of the adequacy of its provision given the increased demand resulting from (2) above
4. A possible ‘Dearne Guarantee’ to employers of labour availability, to mitigate, along with ‘golden contract’ arrangements, the effect of Enterprise Zone expiry
5. Formation of a business-led forum with power to act in the interests of Dearne Valley employers, perhaps with a sector focus along the lines of the CallNorthWest initiative supported by DTI and the RDA
6. A review of transport policy, with a view to improved labour market efficiency and covering both conventional and unconventional measures
7. Continuing local authority action to ensure an adequate supply of land and property[17]
8. Lifestyle developments, such as those currently proposed in Rotherham, to broaden the Dearne’s appeal

5.1 Introduction

This section comments first on the South Yorkshire Spatial Strategy before presenting analysis and recommendations that draw on the material already presented in Sections 2, 3 and 4.

5.2 South Yorkshire Spatial Strategy

501 In Summer 2002, the South Yorkshire Forum commissioned Amion Consulting to undertake a Spatial Study of South Yorkshire, which was intended to form the basis for a ten to fifteen year Spatial Strategy for the county. Amion reported in February, 2003. The Study has been under consideration since then, and it is fair to describe its results as controversial.

502 In essence, the Study concludes that the strategy should emphasise economic development of urban centres. It presents various options, each based on a differing number of urban centres, from one (Sheffield) to four (ie the four town/city centres).

[17] Local authorities have extensive planning and other responsibilities for land. They have, nowadays, almost no direct control over buildings, but are in a position to influence the supply of buildings through their planning and land

Although at least one option envisages substantial further economic development in the Dearne, the clear tone of the report is that development should focus on the larger centres, and there is considerable discussion of the possibility of the Dearne becoming an ‘Environmental Development Area’, a topic on which the South Yorkshire Coalfield Partnership commissioned further work from Amion (their report was submitted in June 2003). Whatever its merits, the EDA strategy may not meet the economic needs of local residents and may, through its implicit requirement for more commuting, produce few net environmental benefits.

503 In respect of the Dearne, the study conflicts with the Objective One programme, which identifies the Dearne as one of South Yorkshire’s Strategic Economic Zones.

504 It is important to be clear about the purposes of spatial strategies in a market economy. The development of the South Yorkshire economy results primarily from the atomistic decisions of thousands of firms and consumers. The public sector is an important player, but rarely decisive. Even with the best possible techniques and analysis, forecasts and strategies are subject to wide margins of error[18], as markets develop in unpredictable ways. Strategies are nonetheless needed: public spending on, say, physical regeneration should be directed where the evidence indicates that its effect will be greatest, even if the (best) evidence is weak.

505 In those circumstances, strategies should be ***permissive*** and ***flexible***, rather than restrictive and rigid. It may be right[19] to concentrate near-term public investment on Sheffield, or on the four main urban centres, but it would be wrong to impede development in the Dearne on the basis of theories and forecasts that are inevitably subject to much uncertainty. This is especially so given the extent of labour market difficulty in the Dearne and impracticality of commuting to Sheffield for most people on low wages.

5.3 Analysis and recommendations

506 This report is based on desk research supplemented by limited consultations with local authorities and others. As a result, the recommendations below, though based on the available evidence, are necessarily tentative.

507 The Dearne’s central economic difficulty is the inability of a large minority of economically inactive or unemployed people of working age to find work that meets even modest aspirations. The Dearne’s call centre, light industrial and distribution jobs match their employment needs, though many people need to acquire new skills before they can take up the jobs available.

508 The well-publicised but limited recruitment difficulties experienced by some firms in the Dearne reflect skill shortages, but the number of local jobs would need to expand considerably if inactive people acquired the skills they need to find work.

[18] Two examples: in all of the forecasting work leading to the Dearne Valley’s regeneration, no mention was ever made of call centres; at a macro level, the errors in HM Treasury’s state-of-the-art economic forecasts even one year ahead are very large

[19] matters outside our terms of reference

509 The South Yorkshire Spatial Study is predicated on development in the main urban centres, and on the concentration of public capital investment there. In this respect, the Spatial Study has few implications for the Dearne, which, we understand, has no immediate need for large scale public capital investment beyond the sums already committed: the Dearne's priority being investment in people. Nonetheless, it would in our view be wrong to impede private investment in the Dearne by using planning or other administrative methods.

We would emphasise that most Dearne residents will benefit significantly from the revival of South Yorkshire's urban centres, which will offer employment, leisure and recreational opportunities for people throughout South Yorkshire. The focus of continuing regeneration in the Dearne should, however, be on the minority of people for whom the benefits of development in the urban centres will be limited.

the Dearne Valley economy now has the opportunity to attract an ongoing flow of private and public sector investors drawn there by (a) the infrastructure and environmental investments now completed or planned, (b) the area's position as a cost effective alternative to the principal South Yorkshire urban economies, and (c) a range of labour market measures (which this report recommends strengthening).

Recommendation 1: We recommend that the relevant South Yorkshire authorities develop an appropriate promotional strategy which highlights the Dearne's pivotal location at the geographic centre of a transforming South Yorkshire economy and aims to use the regeneration and investment support funds available throughout South Yorkshire to encourage investors to locate in the Dearne.

Recommendation 2: We recommend further to one-to-one work with people in 'labour market difficulty', along the lines of Action Teams for Jobs (a scheme operating in part of the Dearne already) and of the Working Neighbourhoods pilots recently announced by the Department for Work and Pensions, to develop customised routes to employment, using substantially greater resources than currently available through JobCentre Plus

512 We expect this to require in due course substantially greater provision of learning opportunities than exist at present, both generally and in respect of the basic skills of literacy, numeracy and ICT[20].

Recommendation 3: We recommend that the Learning and Skills Council conduct a review of provision in the Dearne covering its four primary areas of responsibility: school sixth forms, adult and community learning, further education and work-based learning, with a view to ensuring the adequacy of provision overall and especially the adequacy of provision in basic skills. And further that, as part of the review, the LSC consult the three Local Education Authorities about the links between pre-16 education and employability.

[20] ICT was recently recognised by government, thorough the Adult Basic Skills Strategy Unit, as a basic skill. English for Speakers of Other Languages (ESOL) is also a basic skill, but is of trivial importance in the Dearne

Recommendation 4: We recommend that, as the supply side of the labour market improves, consideration is given to offering a 'Dearne guarantee' to call centre operators (and perhaps to other businesses) that they will be able to find the workers they need

Recommendation 5: We recommend the formation of an industry-led organisation to promote the interests and help to meet the needs of Dearne employers, especially through effective human resource development. This may need a sector focus, eg on call centres (along the lines of CallNorthWest), or may cover all employers.

516 People currently on benefits need local jobs. The time and travel costs of commuting to Sheffield, or even to closer locations, tip the work/benefit calculation in favour of benefits for low-wage employment. More effective transport systems can help, even if only at the margins. There are at present a range of transport infrastructure proposals on the stocks, for instance the Barnsley-Swinton rail line and transport links between the Dearne Valley and the new airport at Finningley. Accordingly …

Recommendation 6: We recommend that the capital investment and operating expenditure programmes in the field of transport are reviewed so as to identify cost-effective mechanisms of making travel to work more worthwhile from the point of view of low earners, such a review to include unconventional methods of improving transport (eg 'wheels to work', transport subsidies and use of taxis) as well as conventional methods.

517 The Dearne is a low-cost location within the UK. The prospects for expansion of its industries, including call centres, are good, providing that satisfactory labour and property market conditions obtain and that a suitable environment can be offered to investors.

518 The ending of Enterprise Zone status will adversely affect the Dearne's cost advantages, but will be mitigated by 'golden contract' arrangements under which construction projects firmly contracted before EZ expiry attract tax relief (though not rate relief) even if actual construction is completed many years after EZ expiry. Nonetheless, there is a case for action that shores up the cost advantages formerly associated with the EZ. The possible Dearne 'guarantee' of the availability of labour, discussed above may, in effect, replace some of the lost EZ benefits.

Recommendation 7: We recommend that the local authorities continue to keep the supply of land and premises in the Dearne under review, and act speedily if the supply should be used up more rapidly than now anticipated.

The limited recommendation above is predicated on the imminent availability of 84 acres of land within Rotherham, capable of accommodating 1.5m square feet of premises, in addition to the 'lifestyle' proposals discussed below. There may, however, be a need for an early review of space provision within the Dearne wards in Doncaster district.

520 Cost is more than a matter of immediate cash outlays. Cost also depends in part on the attractiveness of an area to employees and their families. Areas that are unattractive, especially to mobile employees such as managers, will find it necessary to pay more to offset the disadvantage and will face higher labour turnover. The Dearne continues to suffer from being a narrowly 'functional' area with certain economic advantages but without the leisure and other facilities that make it a good place to live; the Dearne also continues to suffer from eyesores such as the former Mexborough Power Station. We understand that Rotherham Council and private development partners are promoting a large mixed use scheme, close to Wath, potentially including a multi-screen cinema, a casino, restaurants and other facilities alongside a lake and high quality housing; and there may be scope for other such proposals.

Recommendation 8: We recommend that 'lifestyle' schemes such as that proposed by Rotherham are pursued vigorously, with a view to making the Dearne an excellent place to live as well as to work

522 We have investigated neither the amount of public funding that might be required to implement our recommendations nor the possible sources of that funding. There is, however, likely to be a substantial requirement in addition to funds already committed to meet recommendation (2), namely customised work with those in labour market difficulty. The other recommendations would require little additional funding.

Annex 1: Supply Side Statistics

[Available as an Excel file from glyn.w.owen@btopenworld.com]

Annex 2 (Confidential): Demand Side Statistics

[Available, subject to the consent of Rotherham MBC as owners, as presented as an Excel file from glyn.w.owen@btopenworld.com]

Annex 3: Invitation to Tender from Yorkshire Forward

South Yorkshire Spatial Development Study – Dearne Valley Spatial Implications

Introduction/Purpose

The purpose of this research is to contribute to the move towards an agreed South Yorkshire Spatial Strategy by identifying the potential role of the Dearne Valley in the future economic performance of South Yorkshire.

The research will build on the recent South Yorkshire Spatial Study (SYSS) and will provide a specific input into the second phase of work leading to a sub-regional spatial strategy and, in turn, Regional Spatial Strategy. It will also provide an important spatial input to the South Yorkshire Investment Plan, which is currently being prepared.

Specifically, the research will:

- Assess the economic performance of the Dearne Valley over the last decade, including a review of the main public policies pursued in promoting economic development;

- Examine of the current structure of the Dearne Valley's economy, its prospects for growth, and its linkages with the rest of the sub-region;

- Forecast economic trends in the Dearne Valley over the next decade and the extent to which they are robust under different global economic scenarios and local economic policies

- Make recommendations about the future role of the Dearne Valley in relation to the South Yorkshire Vision of a 21st Century economy, including the type of interventions required to create and support sustainable communities.

In addition to economic performance, factors to be taken into account in undertaking the research include the future of the Dearne Valley settlements, patterns of labour mobility and impact on transport provision.

The research will be primarily desk-based, drawing on the significant material which underpinned the development of the SYSS and other relevant material, together with a limited number of interviews with key stakeholders.