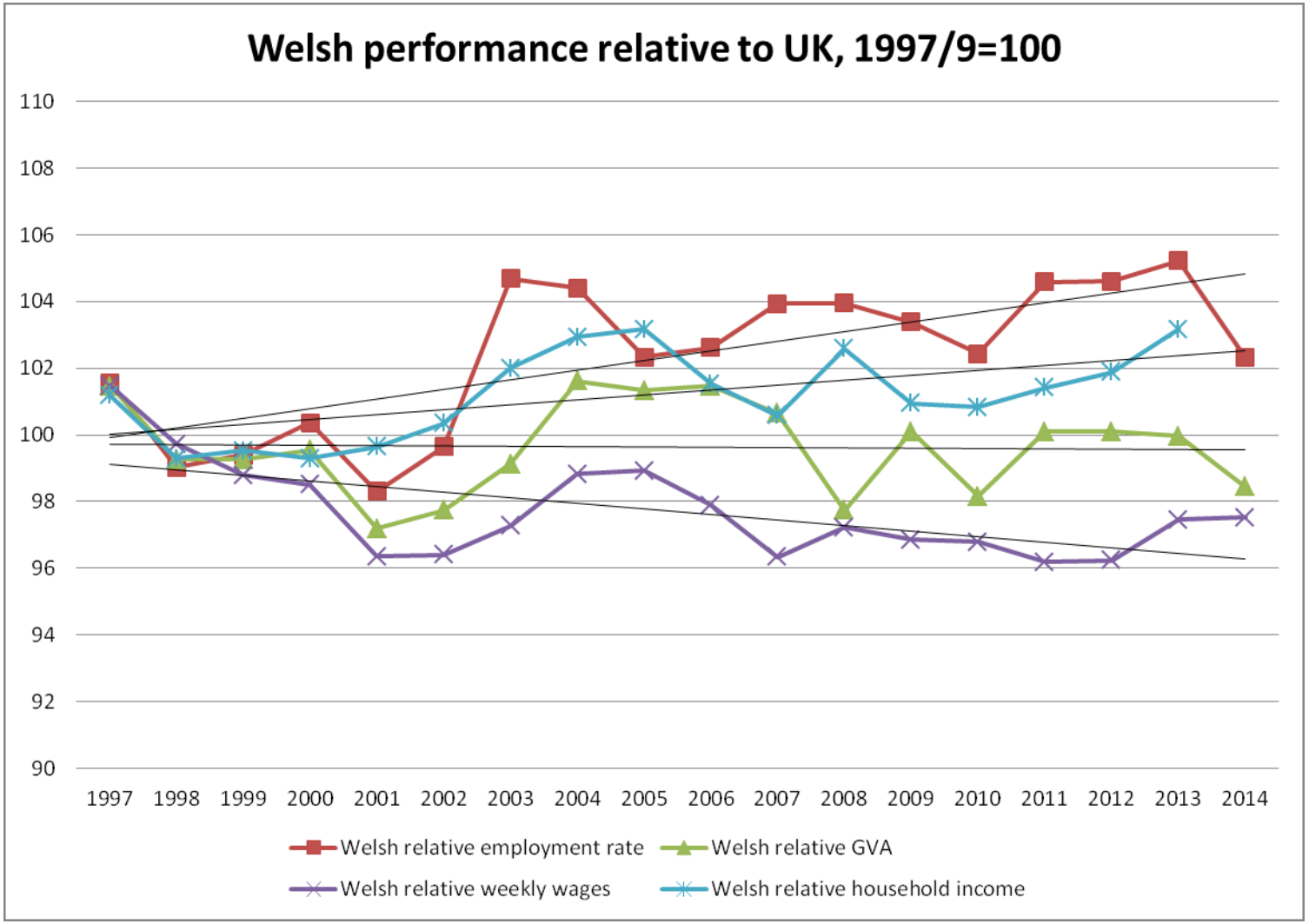
South Wales Valleys – An Economic Overview

Jonathan Price
Chief Economist, Welsh Government

There are major challenges in developing a sound evidence base for economic development policy, and this is as true in the case of the Valleys as elsewhere:

- There is a wide range of factors in play, making it difficult to identify causes. Causes may interact and play out over a long period. Causal pathways may be specific to particular times and places.
- Evidence is often produced by lobby groups or others with a partial perspective.
- In general, economic evidence is more reliable when it:
  - is derived from a broad range of studies;
  - is consistent with the wider evidence base;
  - takes explicit account of deadweight, displacement and other offsetting effects;
  - establishes results which are both statistically and quantitatively significant.
- Weaker evidence is often based on single studies (frequently with cases pre-selected to demonstrate "success") and/or is applied in an inappropriate context.
- "Expert" opinion is often of limited value unless based on evidence of the more reliable kind.
- **Hard evidence in the area of economic development is quite limited in scope – but the role of some relevant factors is reasonably well-established….the trouble is that they are deep seated and difficult to change.**

Context: over the whole period since devolution, the economy in Wales has broadly kept pace with UK (and therefore had real growth per head of over 20%). The big "gaps" opened up over the 1980s and 1990s.



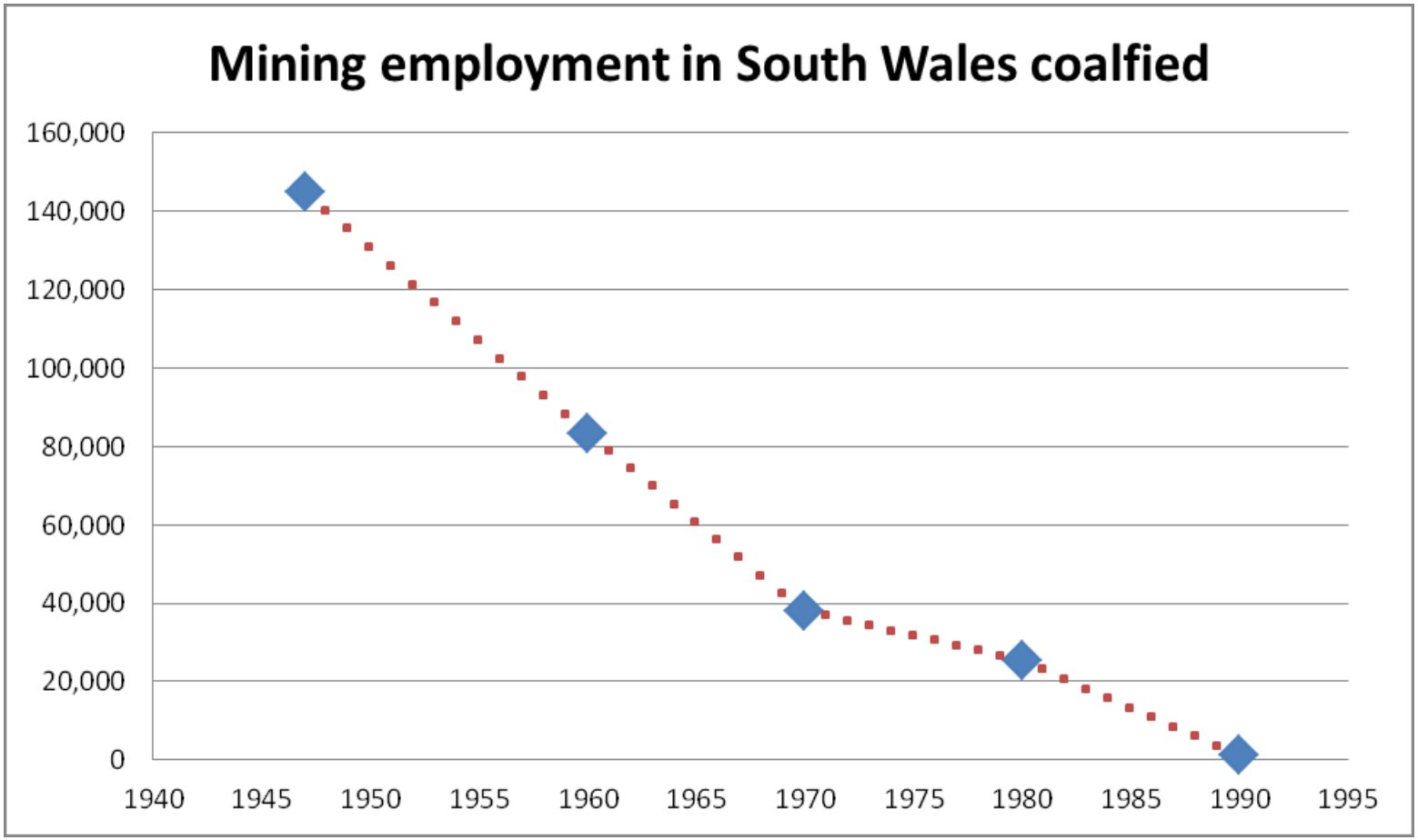
Source: Own calculations

This initial analysis is mainly based on statistics available for standard geographies, with the Valleys identified in red. But wider economic linkages, especially those within Cardiff and Swansea city regions are very important.

Local authorities	NUTS3 areas	City regions
Swansea	Swansea	Swansea
Neath Port Talbot	Bridgend and Neath Port Talbot	
Bridgend		Cardiff
Rhondda Cynon Taff	Central Valleys	
Merthyr Tydfil		
Caerphilly	Gwent Valleys	
Blaenau Gwent		
Torfaen		
Vale of Glamorgan	Cardiff and Vale	
Cardiff		
Newport	Monmouthshire and Newport	
Monmouthshire		

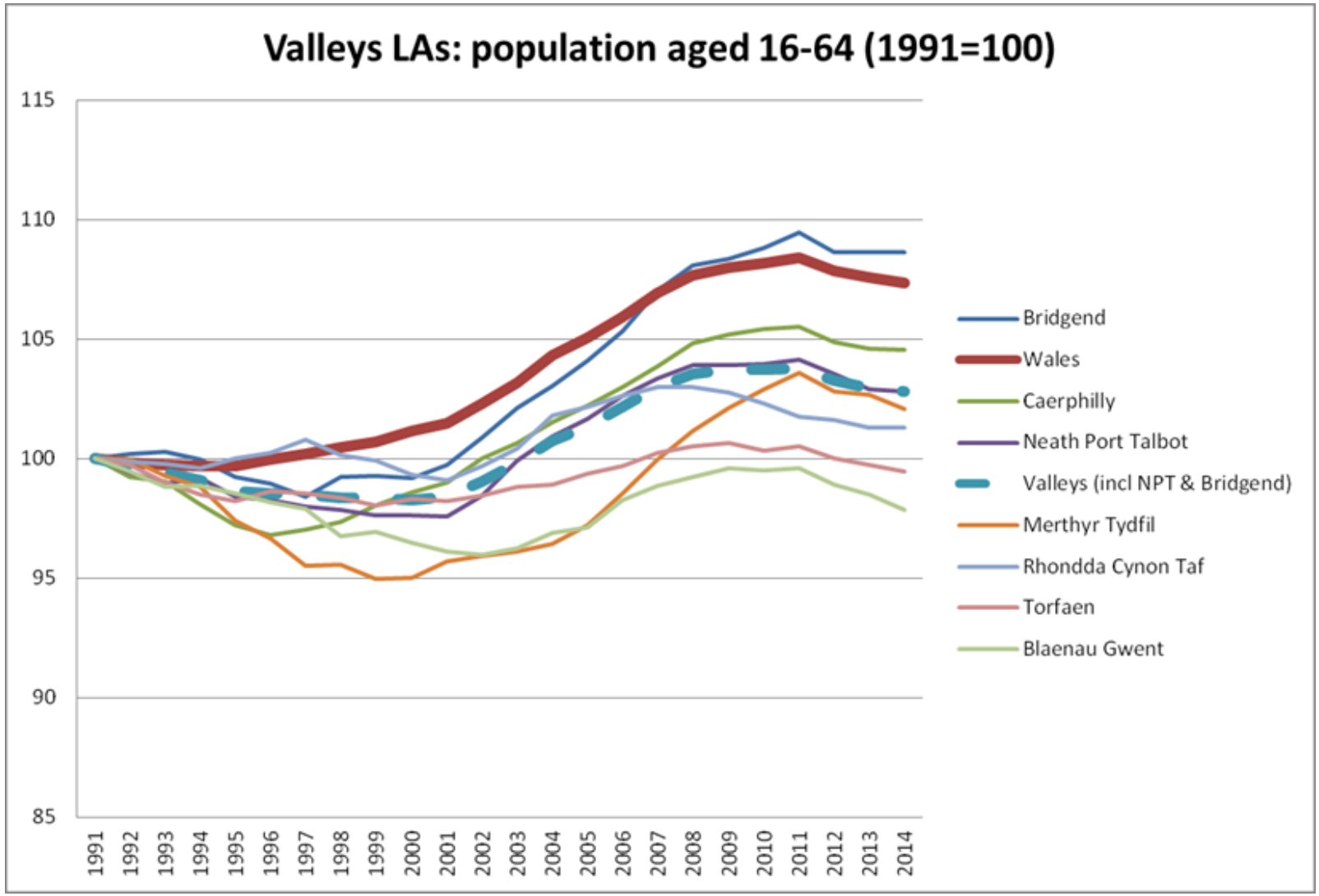
Note: Limited economic data can be produced for bespoke geographies, including the Valleys, but was not generally available at the time of preparation.

Historical background - long run decline in mining employment (and, as elsewhere across developed world, in manufacturing):



Source: Coalfields Regeneration, Policy Press for JRF, 2000

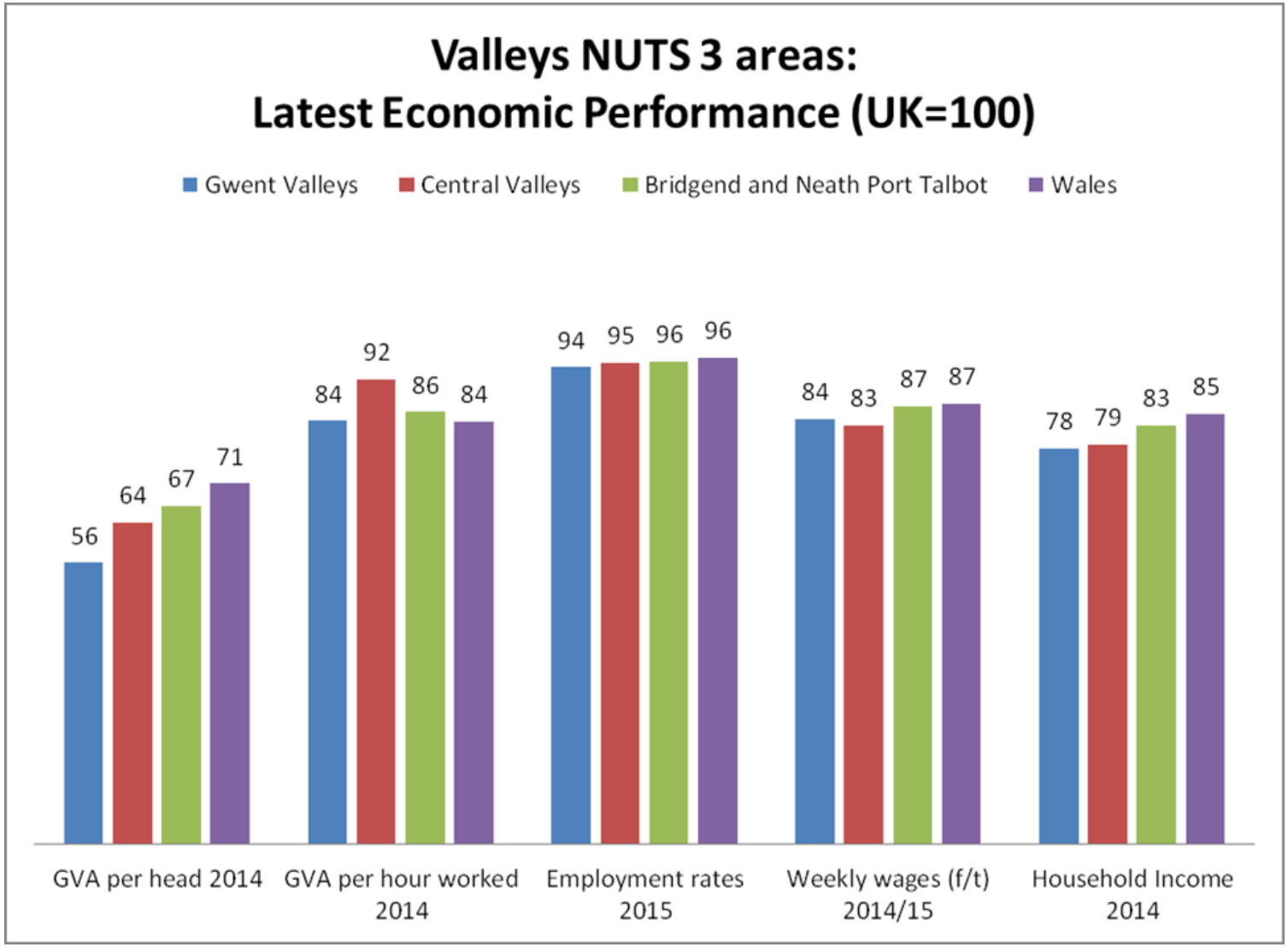
Demographic trends reflect out-migration - note "recovery" of Merthyr, continued underperformance of Blaenau Gwent:



Source: ONS

Current economic performance of Valleys:

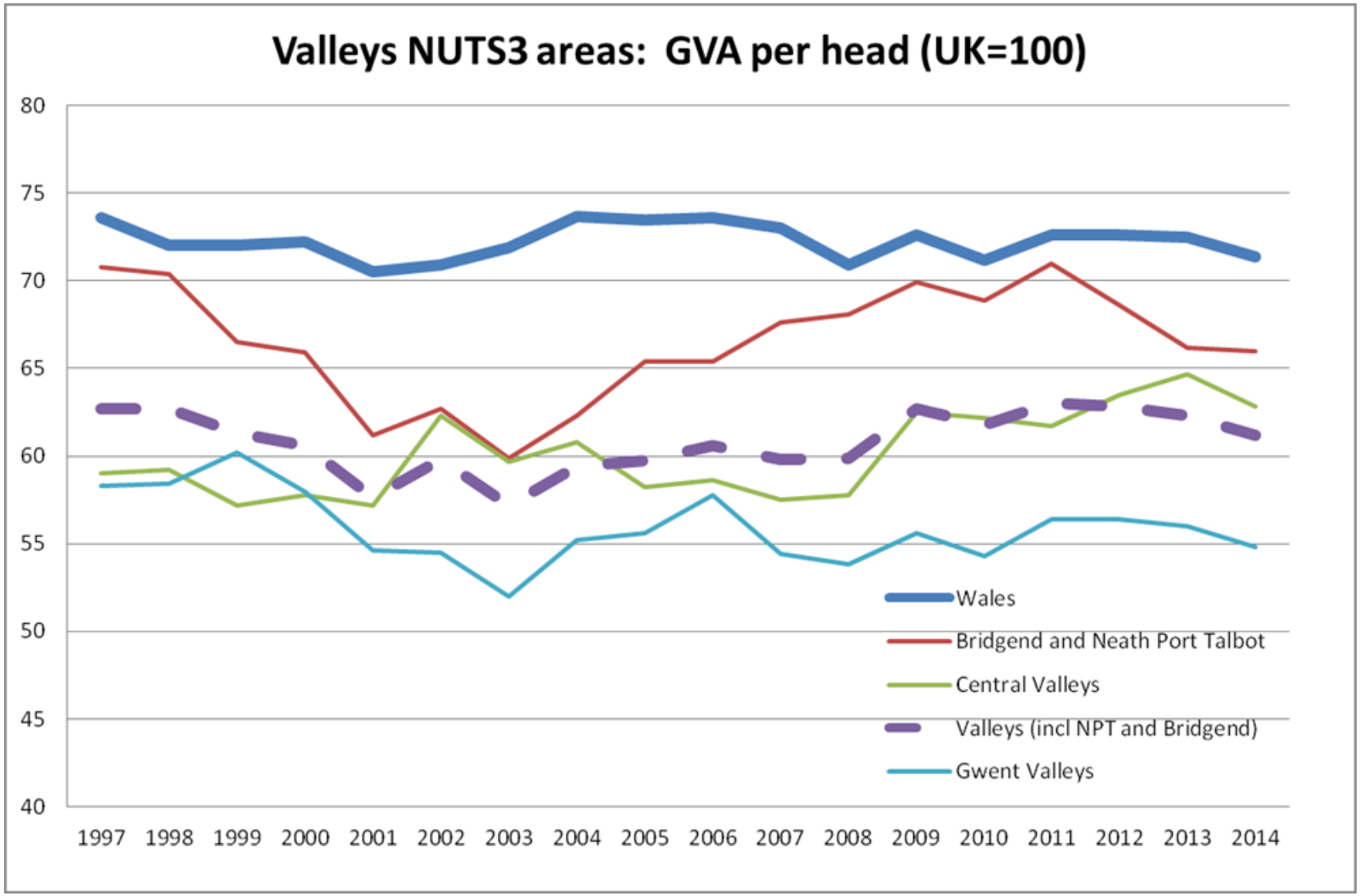
Note: GVA per head is misleading at this scale – does not reflect commuting, demographics or industrial structure



Source: ONS, Welsh Government

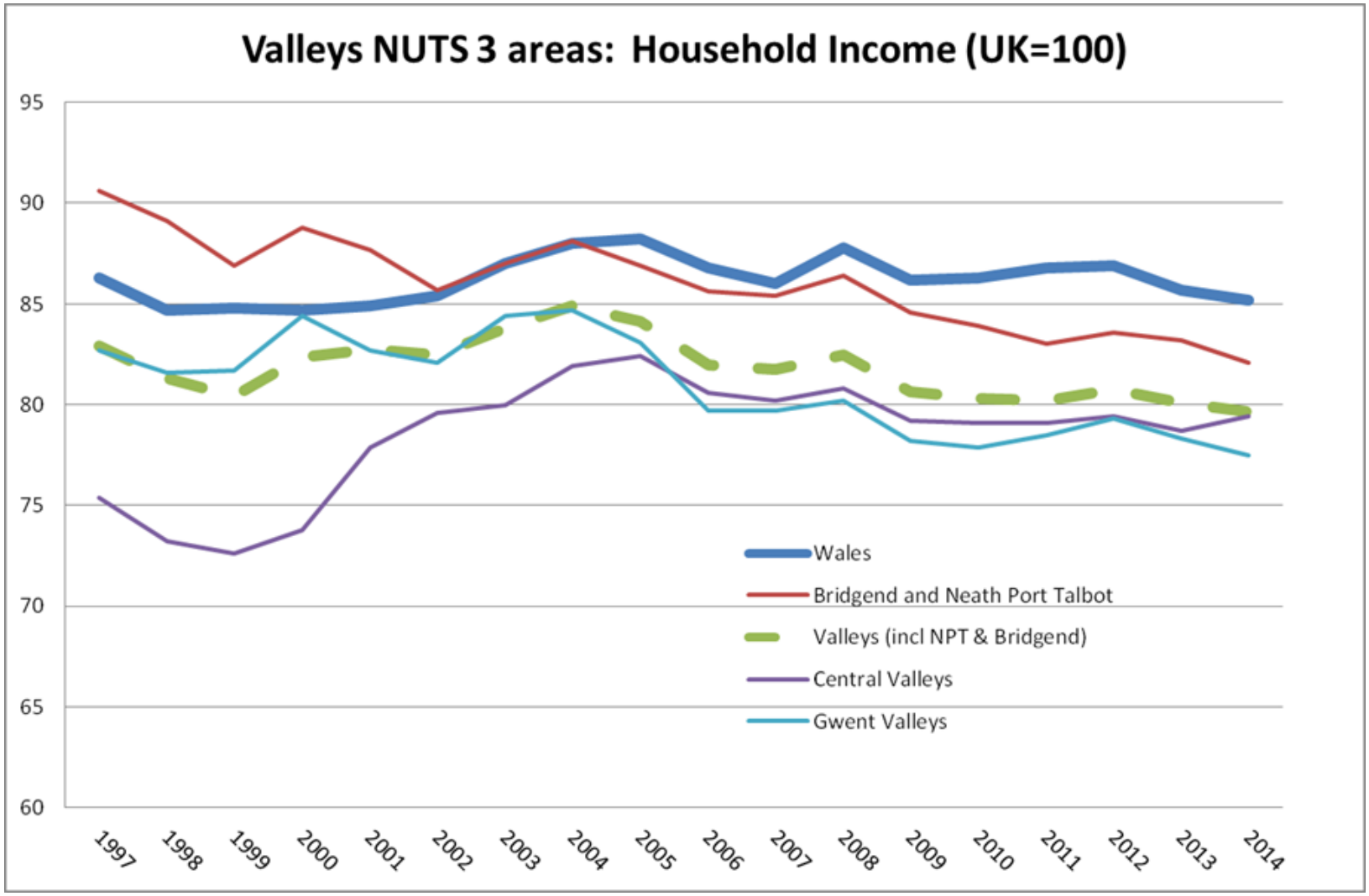
Trends in relative GVA per head – slight improvement?:

Note: does not reflect any *changes* in commuting, demographics or industrial structure



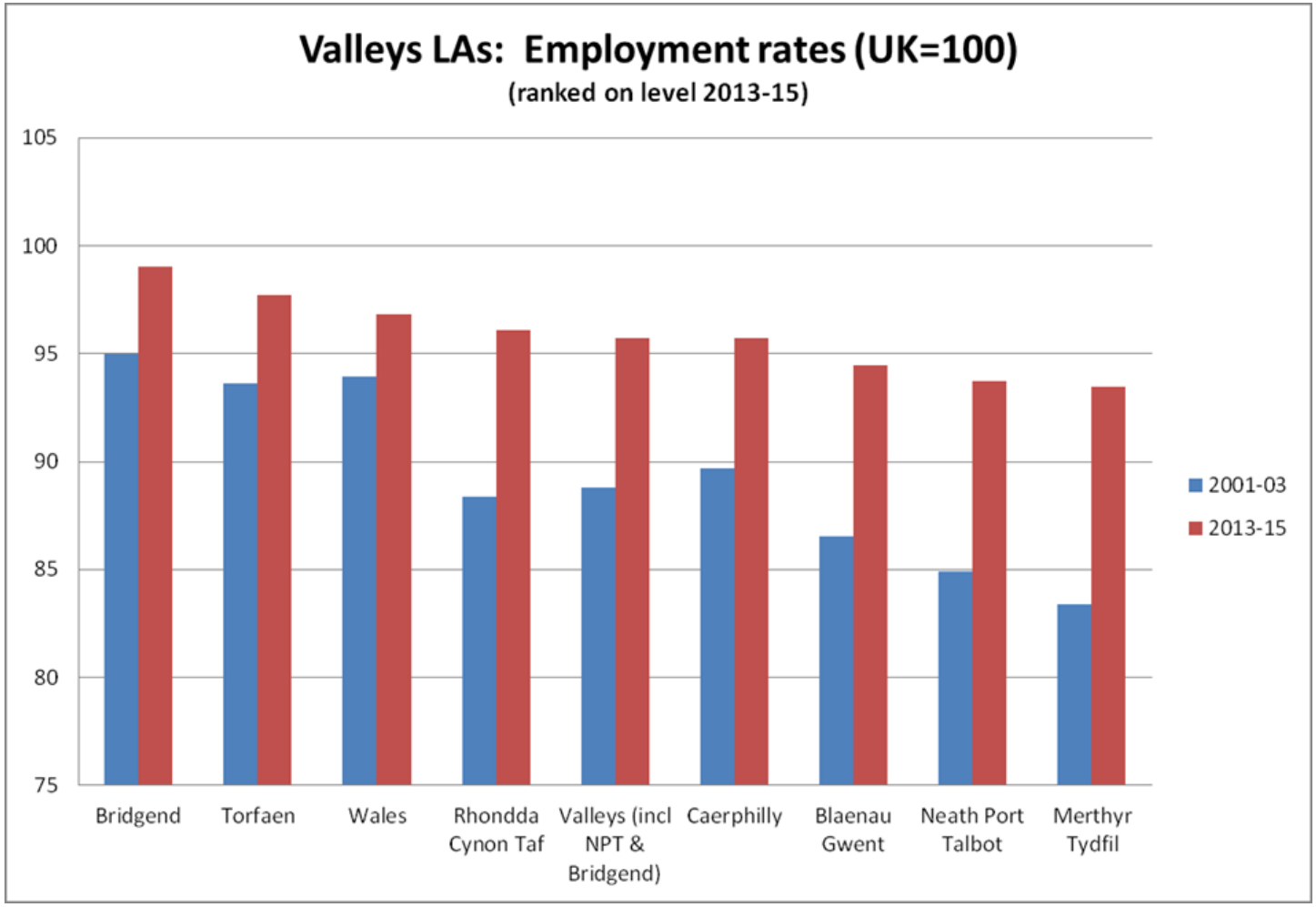
Note: Workplace based
Source: ONS

Trends in household income - some evidence of relative deterioration:



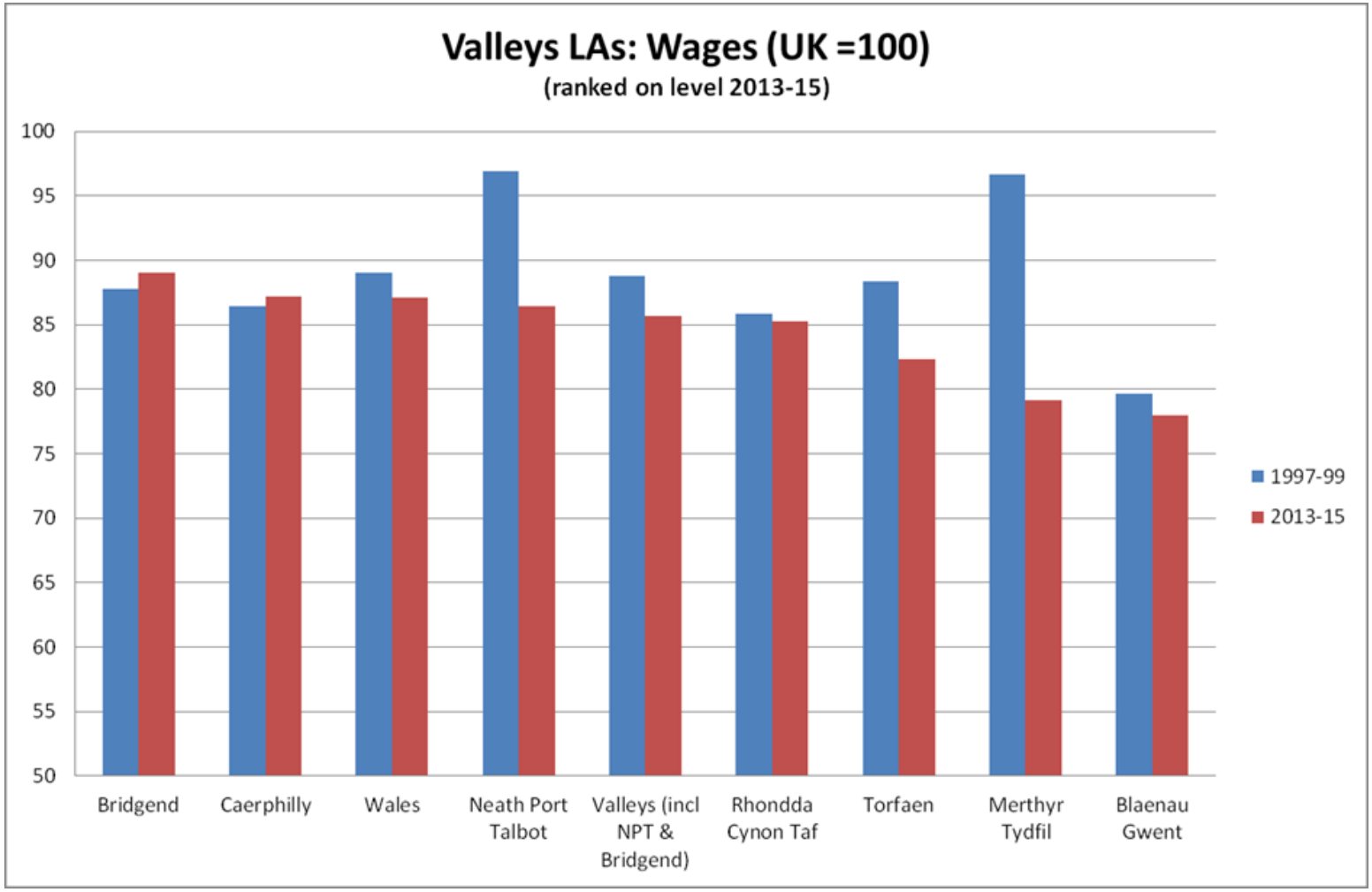
Note: Residence based.
Source: ONS

Trends in employment rates - relative improvement across the Valleys:



Note: Residence based.
Source: Welsh Government

Trends in pay - relative deterioration across Valleys, partly offsetting (reflecting?) the improvement in employment:



Note: Average gross weekly earnings, workplace based,
Source: ONS

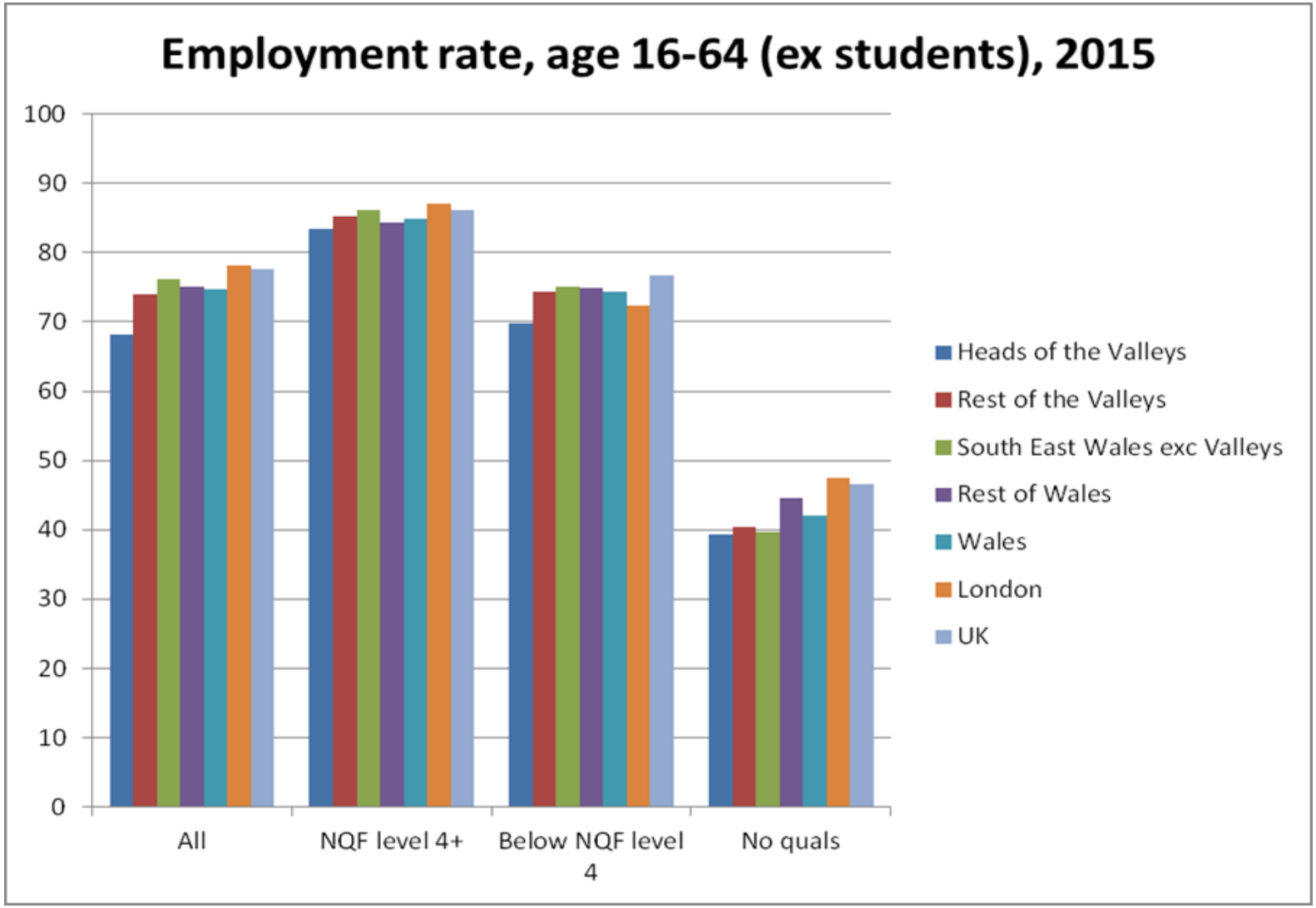
Best evidence indicates key drivers of an area's relative economic performance are skills and access to centres of economic mass.
Qualifications profile of (adult) population in Valleys is weak, and partly reflects out-migration:

Local authority: district / unitary (348 in Wales & England)	No quals		Apprenticeship		Level 4 quals and above	
	%	Rank/348	%	Rank/348	%	Rank/348
Top ten for "no quals"						
Blaenau Gwent	**27.1**	**1**	**3.4**	**192**	**16.6**	**343**
Merthyr Tydfil	**26.2**	**2**	**3.4**	**179**	**19.4**	**321**
Sandwell	25.4	3	2.5	297	17.7	336
Knowsley	25.3	4	3.2	226	17.5	338
Stoke-on-Trent	24.5	5	3.2	223	17.4	339
Walsall	24.3	6	2.7	282	19.0	330
Kingston upon Hull, City of	23.4	7	3.8	111	16.9	342
Rhondda, Cynon, Taff	**23.0**	**8**	**3.2**	**214**	**21.8**	**288**
Caerphilly	**22.9**	**9**	**3.5**	**169**	**20.7**	**307**
Barnsley	22.8	10	3.9	88	19.3	326
Other South Wales						
Neath Port Talbot	**22.0**	**22**	**4.9**	**9**	**20.8**	**304**
Bridgend	**20.8**	**32**	**3.8**	**113**	**24.3**	**246**
Torfaen	**20.3**	**40**	**4.0**	**81**	**22.1**	**285**
Newport	**19.4**	**45**	**3.4**	**173**	**25.6**	**223**
Carmarthenshire	**17.5**	**81**	**4.0**	**83**	**26.0**	**214**
Swansea	**16.6**	**100**	**3.8**	**115**	**27.9**	**179**
Cardiff	**14.8**	**149**	**2.3**	**306**	**34.8**	**74**

Source: Census 2011

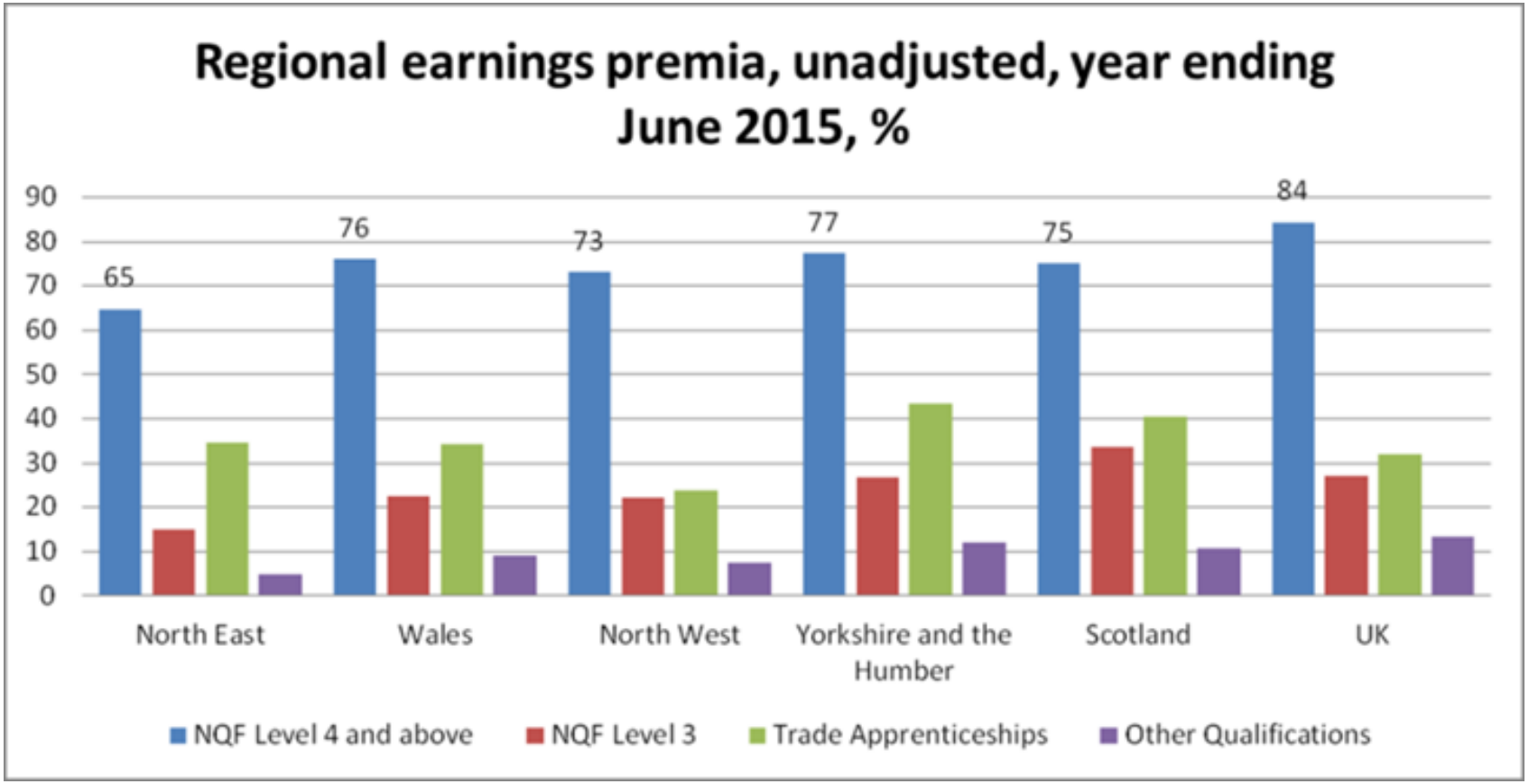
Chances of being in employment are much more closely linked to qualification level than (current) location:

Indications of extra (modest) "penalties" in upper Valleys / SE Wales



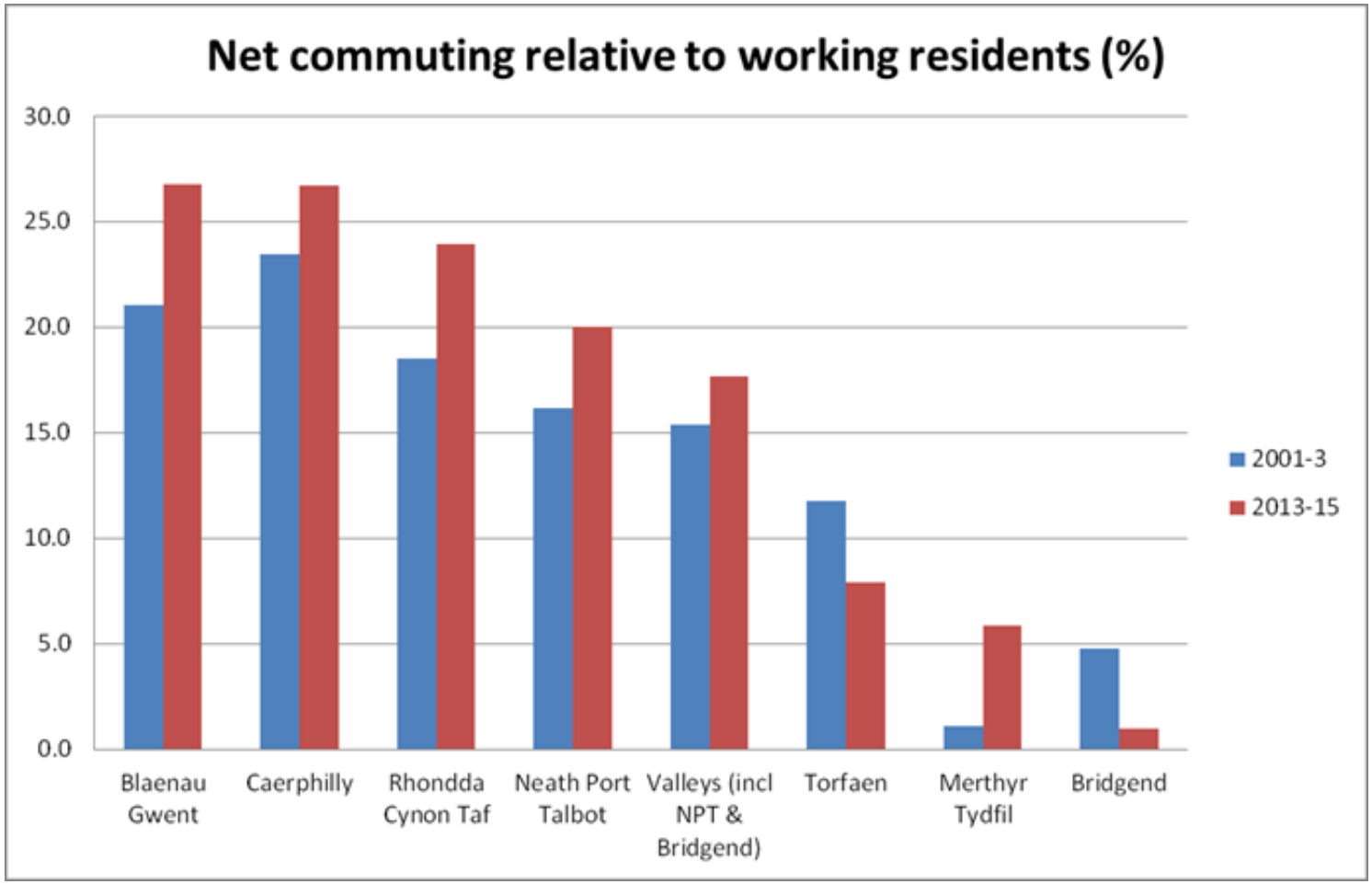
Source: Annual Population Survey, ONS

No sign that the *premium* on qualifications is lower in Wales than elsewhere:



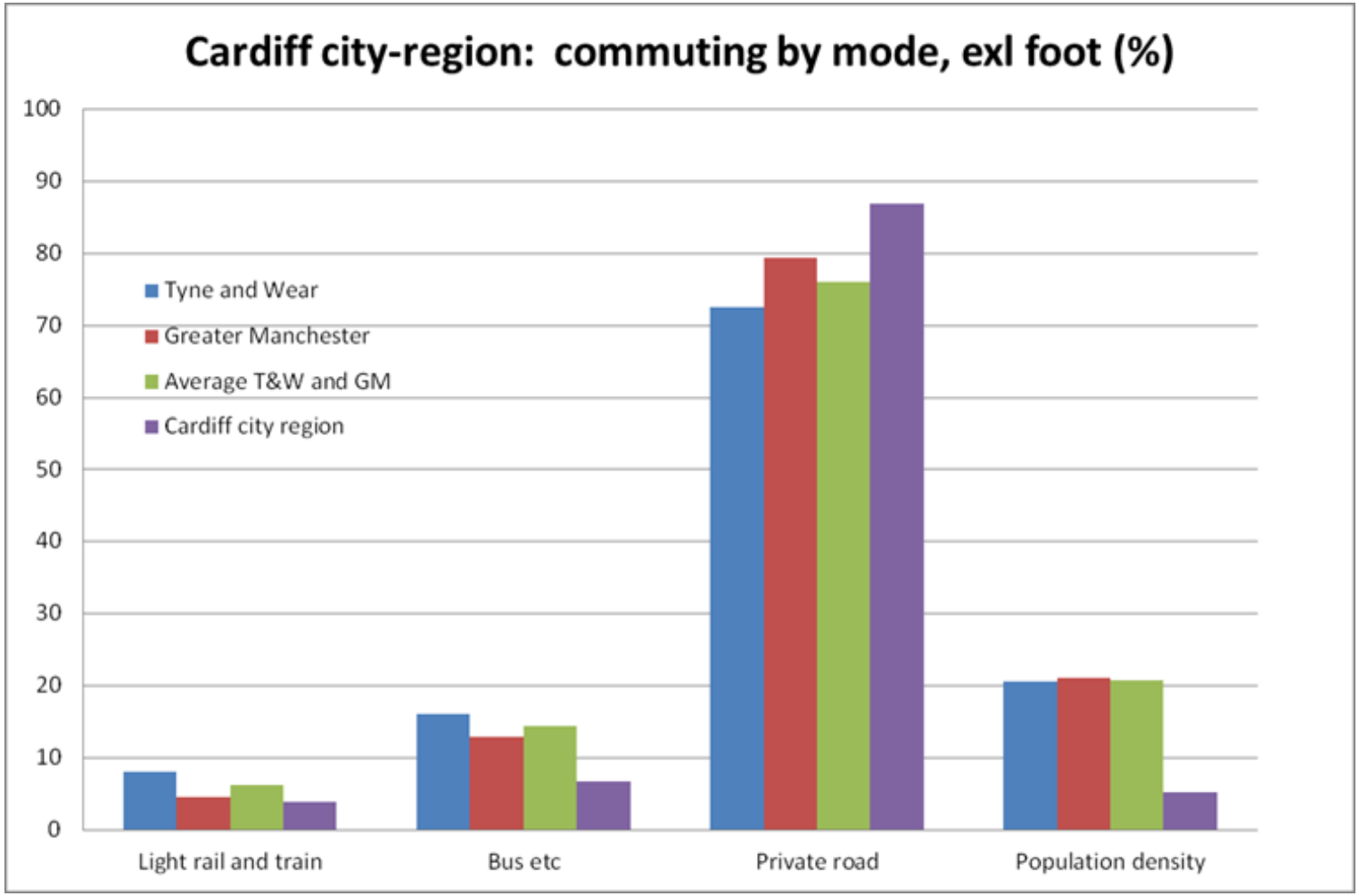
Source: Annual Population Survey, 2016

Out-commuting, including to the wider "city regions", is high and playing increasing role:



Source: Welsh Government

Private transport is the dominant modal choice for commuting – perhaps partly reflecting geography…



Note: Greater Manchester and Tyne and Wear are the two English sub-regions with the longest established light rail systems.
Source: Census 2011

A key dilemma:

- Is the focus on “people” or “places”?
- Data for places can improve as a result of in-migration, without benefit to the existing residents
- Improved outcomes for people can be associated with out-migration and no improvement in data for places
- A better skills profile for individuals is a key factor in making an area more attractive to business – which effect wins out?
- Evidence suggests the well-being of residents, if not their economic outcomes, can be increased by improving the quality of place.