

State of the Region 2021

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STATE OF THE REGION 2021

EXECUTIVE SUMMARY

West Midlands Regional Economic Development Institute
FOR THE WEST MIDLANDS COMBINED AUTHORITY



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About WMREDI

WMCA, along with other regional bodies, are partners in the establishment of the region of WMREDI, led by City-REDI at The University of Birmingham. WMREDI is a catalyst for a step-change in regional collaboration around data, evidence and evaluation. The work of the partnership brings together universities with policymakers to establish a robust approach to decision making in regional and local policy making and to better utilise the wealth of academic knowledge in the region.

Alongside funding from UKRI's Research England and matched funds from the University of Birmingham, we have secured matched funding from the leading regional stakeholders involved in planning and delivering growth policies. This is a shared collaborative approach to research and evidence in the region; as such all partners can utilise the structure to deliver research and data activities.

Key partners are:

- West Midlands Combined Authority (WMCA)
- Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP)
- The Black Country Consortium Ltd.
- The Coventry and Warwickshire Local Enterprise Partnership (C&WLEP)
- GBS Chamber of Commerce
- West Midlands Growth Company (WMGC)
- Aston University, Birmingham City University (BCU), Coventry University and Wolverhampton University
- All 7 Local Authorities - Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton - in the WMCA area
- The Midlands Engine

With special thanks to the Black Country Consortium Economic Intelligence Unit for their significant contribution to this work



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Purpose of the Document

Welcome to the executive summary of the State of the Region 2021 the fifth annual review of how the region has fared in the last 12 months. This report is written on behalf of the West Midlands Combined Authority, and all its partners by WMREDI. It should be seen as a stocktake of where the region stands, it's a snapshot on how the region is doing and where partners need to work together to improve the region. But this year, as last, it is still produced in extraordinary circumstances and it is a call to action for everyone invested in the West Midlands.

This year the report has been incredibly difficult to write, as data and implications have been changing rapidly, as different policy responses have been put in place. Since starting the process of writing in February 2021 the landscape has changed many times, and will continue to change over the coming months as the country opens up once again.

Therefore this year the authors have kept to the high level data and the monitoring indicators to minimise the effect of rapidly changing data. It is therefore a high-level report in comparison to its predecessors due to the wealth of research and supporting reports published throughout the pandemic. As in previous years the report highlights the major challenges facing the region, its citizens and businesses and the challenge facing all bodies charged with improving the wellbeing, economy and environment. It is important to note this report was written in June 2021 and that some of the data included changes on a weekly basis. Latest data will be found in the weekly monitors as circumstances unfold.

This report endeavours to be an honest reflection of the current regional conditions, specifically highlighting the challenges faced in the next 12 months. However, the report is not attempting to suggest what the solutions are or whose responsibility it is to deliver them; this lies within strategies and action plans of all the regional partners, who own and deliver activities in the West Midlands. It is an executive summary as part of a suite of documents which highlights the evidence base and continuing to build our understanding of the performance of the region. There are challenges to understanding this performance and how partners change places for the better, not least understanding the causation and causality between action, output and outcomes. This document provides a balanced approach to regional monitoring and is a useful tool to understand the progress the region is making through our combined action.

Foreword

The West Midlands is one of the largest conurbations outside London. Its central location puts it at the heart of the UK's transport networks and international connections. The region was one of the most prosperous areas of the UK until the 1970/80s, and in the five years prior to 2020 it had been experiencing a resurgence of that power on the back of the growth in the business and professional services sector; technology driven manufacturing and city centre construction growth. A thriving city centre based international business and professional services sector drove high levels of business tourism. The manufacturing base was becoming more productive and the automotive sector was responding to the challenge of a carbon neutral future. The region was characterised by high exports, foreign direct investment and strong international links. It had the biggest higher education cluster outside London. The region broke through the £100bn GVA barrier and hit £106.7bn (in 2019) and had been bucking the national trend on a host of economic indicators, such as enterprise and employment growth. All this was powered by a young workforce, increasing its skills and moving to the region. However, alongside this growth there were significant issues with inequality, poverty, youth unemployment, low skills, poor health and school performance.

In the first part of 2020 the economic impact of the Covid-19 pandemic was initially severe. In the second quarter UK GDP fell 20% compared to the previous year, manufacturing PMI hit an all-time low and by May 2020 496,000 people across the 3 LEP area were at some point on furlough, the equivalent of all jobs in Birmingham. Now many sectors have returned and the number furloughed has dramatically reduced to 238,400 people by March 2021 and down to 195,200 by the end of April, predominately in retail, hospitality and cultural sectors. Despite the general stasis felt at the time by the economy through furlough and lockdown, the overall claimant count had nearly doubled overall and was most acute for young people. What is now known is that globally there is a twin track economy: some sectors are largely unaffected and some consumers are still active. By contrast, some sectors are essentially closed and still in stasis - mainly because of the direct impact of lockdown. This is a time like no other, with no recent precedent. The impact of easing lockdown has yet to be fully understood, and what it means in the short-, medium- and longer-term.

Sectors where the region had previously seen growth and expansion were hard hit, such as construction which back in June 2020 was hardest hit but has seen some recovery as the lockdowns have eased. Evidence in the Weekly Economic Impact Monitors that the lockdowns in November 2020 and from January 2021 have had an ongoing sustained impact on the same sectors. The expanding higher education sector in the three cities - Birmingham, Coventry and Wolverhampton - has switched to online and distance learning. This has contributed to leaving cities empty for much of the last year.

Our largest employment and GVA sector (professional, businesses and financial services) is still resilient, but has sustained job losses and workers are unlikely to return to the workplace in the same way as in the pre-Covid era. This will have a significant effect on our three city centres, especially Birmingham. The sectors hardest hit through furlough and lockdown (retail, hospitality and tourism) could bounce back providing consumer demand returns and certainty in a future where people feel safe and able to return to the leisure activities they once had. But some workers from these sectors may have looked to employment opportunities in other sectors and others may be less willing than formerly to change employers. The 2022 Commonwealth Games will rely heavily on these sectors and demand will increase so it is important that the jobs are protected to ensure the Games can be delivered.

Economic forecasts consistently showed through 2020/21 that the West Midlands was to be one of the UK regions hit hardest by the economic crisis, Oxford Economics have produced initial baseline forecasts which show that pre-pandemic levels of employment will not return until 2023 and GVA after a drop back to £97bn in 2020 will not return until 2022. This reflects the industrial and demographic mix, with some local economies among the most vulnerable in the UK in terms of their sectoral composition and health vulnerability. Those same forecasting models also show relatively strong regional growth in 2021, and latest forecasts have been revised up with the success of the vaccine

rollout, but this growth depends on assumptions about future market demand and international trade agreements. The stakes are high everywhere, but particularly so in the West Midlands.

The success of the region is vital to the success of the UK, ensuring strong recovery, especially in sectors of national importance such as advanced manufacturing, automotive and the business and professional services sector, will support the wider growth of the nation. The upcoming Commonwealth Games in 2022 is an opportunity to show the world the resilience and capacity of the people of the West Midlands to bounce back. Hence investment in the jobs and sectors which have been hardest hit in pandemic, but are of greatest importance to the Games is essential to ensure the ongoing strengths in attracting international visitors, importing and exporting which the region has.

However, the region has demonstrated resilience in the face of the pandemic, through business innovation and redesign and adoption of technology, as seen by some of our most successful support programmes which have enabled businesses to adapt, pivot and prosper. Recently there has been very positive signs of recovery; in May 2021 the Purchasing Managers Index (PMI) is at a record high (65.5) for the region. The West Midlands is the second highest region for business activity and future activity index is at 83.6 reaching levels not seen since 2012. There is also a continued increase in vacancies being advertised and manufacturing has rebounded. The pandemic has also highlighted the role, importance and response of the social economy, through a galvanised voluntary and community sector addressing key issues such as food poverty, mental health and community support.

There is also an emerging trend towards 'north shoring'. This can be seen in large relocations and expansions such as Goldman Sachs announcing setting up an office in Birmingham and moves of Civil Service jobs to the region. Investments are holding up and the housing market is growing, especially at the top end. But these are not mirrored at the bottom of the market in the rented sector, and data suggests that the risks of homelessness are growing.

In severe shock regional partners cannot forget the commitment to creating a greener and fairer city-region. Tackling these issues remains a challenge, which has become more pressing as impacts of the pandemic has hit those most vulnerable in society, notably our young, and diverse community. What is known about previous recessions and shocks is when the focus shifts to recovery some people and places need more support. Our progress towards environmental improvement could also suffer as behaviours change and alter energy consumption, transport usage and ability to invest in new green approaches, but initiatives in the region are pushing the green agenda to the forefront, and regional partners have been actively pursuing a future mobility strategy embracing green credentials and this is becoming more important going forward.

However, our economic performance over the last ten years since the last recession should give us confidence that with appropriate support, the region can return to growth rapidly. Since the announcement of the government's roadmap out of lockdown business confidence and positive perceptions have returned. But the twin track economy also means the risk of a twin track recovery for the people of the region and the widening inequalities the region has experienced under pandemic conditions could lead to an even greater divide in the future unless these issues are tackled head on.

As a region, we are in a unique situation, in that the Commonwealth Games is ahead of us, which can be used to drive action and to tackle the issues in the hardest hit sectors, and demonstrate what the region has to offer post pandemic.

Rebecca Riley

Head of Research and Office for Data Analytics WMCA
Business Development Director WMREDI
June 2021

The Current Challenges Facing the Region

Over the past year partners have mobilised plans and programmes to address the challenges from the pandemic and end of the transition period associated with the UK leaving the EU. This is a fast-moving environment and the region's shared plans and priorities have reflected this. They were developed to meet a need, and establish a common understanding, signal our investment opportunities and understand the experiences of citizens in the West Midlands. The research and work carried out over the last 12 months highlights a number of issues in aiming for a stronger region.

The developing plans and interventions in the region have been shaped by the monitoring and impact assessment carried out by the WMREDI partners and through key research outputs summarised in this document for the next 12 months. Five key challenges have emerged from the evidence which will shape future strategic activities across partners and were agreed through the WMCA Board. In the next few years it will be vital to support people into jobs, and for businesses to recover. Therefore, our outputs and outcomes in the short-term have been adapted to respond to this crisis. However, our long-term goals are still aligned to understanding our performance against the United Nations Strategic Development Goals and our evidence continues to be aligned and monitored against these long-term aims.

A small number of provisional outcome indicators¹ have been prioritised to understand and monitor progress. Underneath these outcome indicators² there sits a wealth of research and monitoring that allows us to understand the change and drivers underpinning them in detail. Alongside this are suggested (not exhaustive) outputs which can contribute to the delivery of change in the outcomes and can be used by regional partners to understand their contribution to addressing the challenges.

¹ [Measuring Success](#) Riley 2018

² N.B. GVA is not included as there is significant volatility and revision occurring in the data alongside the lag making the data inconsistent for outcome monitoring in the immediate term. Delayed publication this year has also affected the ability to track or monitor the indicator. Data to the measure such as salaries will also continue to be affected by government support still being implemented.

Figure 1 Challenges, outcomes and potential outputs

Challenge	Outcome indicators	Potential Output indicators, number of:
1. Delivering Good Jobs	<ul style="list-style-type: none"> • Total jobs in the economy • Survival rates of businesses • Start-up rates of businesses 	<ul style="list-style-type: none"> • jobs created/safeguarded by sector • businesses started • businesses assisted to grow and innovate • public transport trips to employment centres • FDI projects and jobs
2. Supporting Thriving Places and Communities	<ul style="list-style-type: none"> • Total affordable housing • Visitor numbers 	<ul style="list-style-type: none"> • new dwellings built • land remediated • commercial, high street and community buildings improved or renovated • visitors
3. Embedding our Green Ambitions	<ul style="list-style-type: none"> • Renewable energy • Households living in fuel poverty 	<ul style="list-style-type: none"> • reskilling or employment opportunities created in green technology and construction • take up of energy efficiency programmes • households with improved energy consumption classification • businesses supported to be energy efficient
4. Tackling Inequality and Levelling-up	<ul style="list-style-type: none"> • Increase in disposable household income • Improved healthy life expectancy 	<ul style="list-style-type: none"> • jobs in knowledge occupations • people benefiting from health initiatives • entrepreneurs supported to be enterprise ready • jobs in foundational sectors achieving living wage • apprenticeships
5. Preventing a Lost Generation	<ul style="list-style-type: none"> • Increase in apprenticeships and employment support • Reduce the number with no qualifications • Level 3 and 4 qualifications 	<ul style="list-style-type: none"> • people improving digital skills at all levels • adult education places completed • training, work experience and employment support opportunities at all levels

How the region has performed: The Current Challenges

In the following sections the report compares provisional regional outcome metrics to last year against the challenges identified by regional partners. All these indicators have been considerably impacted through the pandemic, although most had been improving over the last five years, this last year has taken away a lot of the gains achieved previously. Over the next 12 months, therefore, it is important to monitor these indicators to ensure they rebound and do not signal a return to long term structural issues.

The table below summarises the data against core indicators which can be used to track the challenges over the coming months.

Figure 2 Five key challenges and how the regional indicators are performing

1. Delivering good jobs	2. Supporting Thriving Places and Communities	3. Embedding our Green Ambitions	4. Tackling Inequality and Levelling-up	5. Preventing a Lost Generation
Total Jobs  <p>Jobs were increasing but slower than England, and the labour market was tight with low unemployment. The region as a whole has lost over 100k jobs. We also still have 195k workers on furlough, in jobs and but not working. People will have been out of work for a significant time, especially those needed for the Games.</p>	Affordable housing  <p>The region is building houses at a good rate, but house prices continue to rise through the pandemic. There was nearly a 7% decrease in additional affordable housing and a 18% decrease in additional affordable rented homes due to price rises and demand. Evidence suggests that many people are nearing eviction due to covid impacts of reduced income</p>	Renewable energy  <p>The region is a net importer of energy, due to lack of natural assets for renewables which accounts for only 4.7% generated in the area. Despite this the Low-Carbon manufacturing sector is the fastest growing in the WM as of 2020. The regions low carbon industries grew by more than 7% in 2020, whilst the rest of the economy suffered a 9% downturn</p>	Household income  <p>Disposable household income per person has continued to rise and was £17.7k up by 4.6% in 2018. A gap of £3.3k on the UK average. But nearly 20% of the region is in the top 10% most deprived. For a significant part of the year people were on furlough at 80% of their wages. Low wage jobs are also most at risk with the least qualified or resilient employees</p>	Apprenticeships  <p>Prior to covid the was a strong apprenticeship performance at 32k, growing faster than England at +8.7%. Last year this dropped to -19% as businesses couldn't take young people on. However the region has double the England starts for higher apprenticeships. Suggesting high skills are still in demand and businesses are holding off on lower skills</p>
Business start up and survival  <p>WM continues to have a strong start up rate at 67 per 10,000 population but they are the most vulnerable to shocks. 45.5% of businesses are still active after 3 years and 42.3% after 5 years, improving but still behind the UK. But in the last 12 months the insolvency ratio has grown to 1 in 173 the 4th highest regional rate. Although churn is positive for business innovation, low survival can lead to fewer companies growing beyond SME.</p>	Visitor numbers  <p>Visitor numbers were growing steadily to 134m visitors, worth £13.1bn in 2019, with recreation seeing highest growth up by 43m. The region relies heavily on business tourism which has stopped and the room occupancy in April 2020 was 17% and 43% in August. The long term change is business travel post covid may be of major impact</p>	Fuel poverty  <p>Although the WMCA 3 LEP area was improving it has the highest rate of fuel poverty at 17.9%. 4 of the highest rate of fuel poverty (over 20%) were Local Authorities in Wets Midlands. In the 3 LEP area 20% of households are living in fuel poverty. During the pandemic energy prices last year increased by 37% nationally, and are predicted to rise</p>	Healthy life expectancy  <p>Pre-covid healthy life expectancy was improving, with men at 59.9 years and woman at 60.7 years but despite this, the gap remains with the national average. However this may change with over 11k deaths from covid and other delays to treatment and mental health effects</p>	No qualifications and levels 3/4  <p>Qualification levels have been improving in the region across the board, with the highest levels of level 3 (17.9%) and 4 (36.6%) since records began. 8.6%, 220k people have no qualifications. In the last 12 months pupils and students have borne the brunt of impacts, with educational activities for primary children falling by a quarter to only 4.5 hrs, this will have a long term impact</p>

The analysis below looks at each of these indicators in detail, it looks at the change over the year. If the indicator below is green it indicates improvement and above the national average, orange indicates improvement but below the national average, and red indicates a decline in performance

1. Total jobs in the economy

The total number of jobs had increased to 1.87m in 2019, although the increase from 2018 was at a slower rate when compared to England (+0.5% vs +1.4%). However, the latest provisional figures show that by the end of March 2021 there were 238k workers furloughed – representing a take up rate of 13.7%, a this has since dropped to 195k furloughed by the end of April, dropping to an 11.2% take up rate, although this is significantly less than at the height of furlough it is still significant. This is a situation where the region went into the pandemic with a tight labour market, high immigration which was being hit by EU exit, and where skills were scarce, and employment rates were historically high. Now there is significantly increased unemployment in sectors which are closed, and people are in a position of switching sectors, trapped by furlough or having been out of the labour market for a significant amount of time. This will create skills and labour availability issues in the sectors hardest hit and affect their ability to recover and find skilled staff.

2. Survival Rates of Businesses

In terms of business survival, 42% of enterprises in the WMCA area were still active after five years and the WMCA rate was 0.2pp higher compared to +0.1pp for the UK. Of the 28k enterprise births in 2016 in the WMCA (3 LEP) area, 45% were still active after three years compared to 52% for the UK. Hence business survival still continues to be a concern, due to the comparison with the high start-up, although should be balanced with churn in business being a positive sign of a healthy business base.

3. Start-up Rates

We have consistently had strong start-ups in the region, with strong one year enterprise births growth to 2019 (+16.4% versus 5.4% at the UK level) and the highest number of enterprise births recorded. This equates to 67 enterprise births per 10,000 population compared to 58 at the UK level. But newly formed businesses and the self-employed are particularly vulnerable to the pandemic, as start-ups have less cash reserves, less established clients and more at risk to continued economic shock and 34% of all small business owners have increased levels of debt.

4. Affordable Housing

Data for 2019/20 shows that there were 3,562 completions of additional affordable dwellings in the WMCA area, additional affordable dwellings decreased by 7% (-257) from 2018/19. Similar patterns can be seen for additional affordable rented dwellings where there were 1,612 completions, a decrease of 18% (-348). 7.6 million households in England had at least one major housing problem relating to overcrowding, affordability or poor-quality housing. The low-end rental and sales markets are struggling now, and data is showing a high risk of homelessness, in part also due to loss of earnings, and the impact of reduced furlough wages. This is against a backdrop where the region has seen significant housing growth, with a total dwelling stock rising by 16,863 between 2019 and 2020 in the 3 LEP area, the highest yearly growth since records began. However, affordability is defined by the prices of homes, and this has continued to rise for a number of years with the Midlands seeing some of the greatest increases which has continued throughout the pandemic. Wages are not keeping up with the pace of house price increase, this has meant that despite record house building nationally and in the Midlands the market continues to drive the prices making homes unaffordable.

5. Visitor Numbers

Prior to Covid-19 the visitor economy was worth a record £13.1 billion in 2019, up 3.6% on the previous year. The recreation sector (including tourism activities such as visits to attractions/ arts and culture venues) had experienced the highest growth – up by £43 million. 47% of spending was on shopping, 19% on food and drink, 13% on recreation activities, 12% on transport and 9% on accommodation. With nearly 134 million visitors in 2019, there was an increase of 2.5million visitors on 2018. This represents a 2% increase over the last 12 months. Occupancy levels in every English region declined sharply at the start of the pandemic, with room occupancy in the West Midlands at just 17% of available rooms in open accommodation businesses in April 2020, compared with 71% the previous year.

6. Renewable Energy

In 2019 the WMCA area generated 753,361 MWh of renewable energy. This increased by 2.3% in the WMCA area compared to an increase of 9.7% UK wide since 2018. The WMCA renewable energy generation in 2020 consisted of photovoltaics (51.2%), onshore wind (0.9%), hydro (0.05%),

anaerobic digestion (11.8%), sewage gas (9.9%), landfill gas (21.6%), municipal solid waste (2.9% and plant biomass (1.6%). When taking into account energy consumption in the WMCA area, this equates to a 4.7% total renewable generation rate compared to an England wide of 25.3%. The region is a net importer of energy due to lack of natural assets for renewables. Therefore, longer term supply infrastructure investment and energy reduction is key (but currently no measures for this)

7. Households living in Fuel Poverty

The West Midlands has the highest rate of fuel poverty (17.5%) followed by Yorkshire and the Humber (16.8%) and London (15.2%). There were seven Local Authorities nationally with a fuel poverty rate above 20% in 2019, of these, four are in the West Midlands and three in London. In the WMCA (3 LEP) area there were 17.9% (305,386) of all households in fuel poverty compared to 13.4% nationally in 2019. For the West Midlands 7 Metropolitan area there were 19.5% (226,416) of all households in fuel poverty. In 2020 energy bills at home increased by 37% putting further pressure on households, however this is likely to be an underestimate as lockdown Wave 1 took place during warm weather.

8. Increase in Disposable Incomes

Gross Domestic Household Income data (still awaiting May 2021 release for 2019). The 2018 data shows GDHI per person was just under £18k: a gap of £3,357 to the UK average. 19.2% of region is in the Top 10% most deprived on this indicator.

9. Improve Healthy Life Expectancy

Pre Covid-19 Healthy life expectancy 2017-19 data shows the WM 7 Met. area was improving (+0.3years from 2016-2018) 59.9 years for males and (+0.9 years) for females to 60.7years. Despite this improvement the gap to national always remained and was 3.0 years worse for males and 2.6 years worse for females. However this may change as there were a total of 11,131 registered Covid deaths up to 9th April 2021.

10. Increase Apprenticeships and Employment Support

Apprenticeship starts have been impacted by Covid-19: in 2019/20 there were 25,800 which is an 18.7% (-5,940) decrease on the previous year (compared to -18.0% nationally). There were just over 7000 intermediate Apprenticeship starts (down by over 4000, minus 37% versus minus 31% England). There were 11,470 advanced Apprenticeship starts (down 2,630, the drop is similar to the England average). There were 6,830 higher Apprenticeship starts (+980 nearly double the percentage increase for the England).

11. Reduce the numbers with No Qualifications

Overall, the latest skills data from the Annual Population Survey showed a considerable improvement, however caution should be taken in using these statistics given changes in data collection methodologies and further work is being carried out to look at the data. That said, the number of people with 'No Qualifications' decreased from 290,500 in 2019 to 224,000 in 2020. This equates to 67k less people without any qualifications or a decrease of 23% compared to decrease of 16% across the UK. This now means that 8.6% of the working age population have no qualifications against the UK average of 6.6%. To eradicate the gap with the UK average, over 52k of the working age WMCA residents are needed to obtain at least one qualification. The region is the third highest Combined Authority for no qualifications (Liverpool City region 9.2% and North East 8.7% down to 3.7% West of England). Huge impacts on primary and secondary schooling are likely to halt progress – national data suggested that during Covid-19 lockdowns educational activities amongst primary school children fell considerably.

12. Increase the numbers with Level 3 and 4 Qualifications

As with other skills data there has been considerable improvement. With the highest levels since records began of people qualified to NVQ4+ and NVQ3. 36.6% of the West Midlands population, which equates to 950k people, are now qualified to NVQ4 + and increase of 10.3% (greater than the UK at 7.2%). For NVQ3 (only) 17.9% of the population, 465k people, are qualified to this level, growth of 8.1% against a UK growth of 0.7%.

Achieving Long Term Sustainable Outcomes

Last year we aligned the evidence against the Sustainable Development Goals (SDGs) and we have developed these further bringing evidence for the SDGs together under broad these themes have been developed on the back of the rationale and outcomes work as part of logic chain development in the region. This approach provides high level linkages between the issues and the outcomes the region may want to deliver on in the future.

Issues addressed by the SDGs are long term and structural issues. On many of the economic indicators recently the region was seeing improvement and had been performing well against other regions. However as highlighted in previous State of the Region Reports, and is often the case, this growth in the economy was creating greater inequality, which has been a considerable weakness in the last 12 months.

These longer-term objectives linked to the SDGs, provides a framework for tackling-long term change.

Figure 3 broad SDG objectives aligned to regional issues and challenges



Red Amber Green (RAG) ratings have been applied to indicators, with most following a general rule based on change over 12 months and in comparison with the national change (although, there are grey indicators which show there has been no new data released since State of the Region 2020 – for example school data due to COVID-19 - this has not been released at a local level). There are select few indicators where other considerations are taken into account which are also explained below.

Red indicators illustrate a decline in performance over a 12 month period (fuel poverty has been rated red due to a change in methodology and no previous comparisons available and is significantly above the England average).

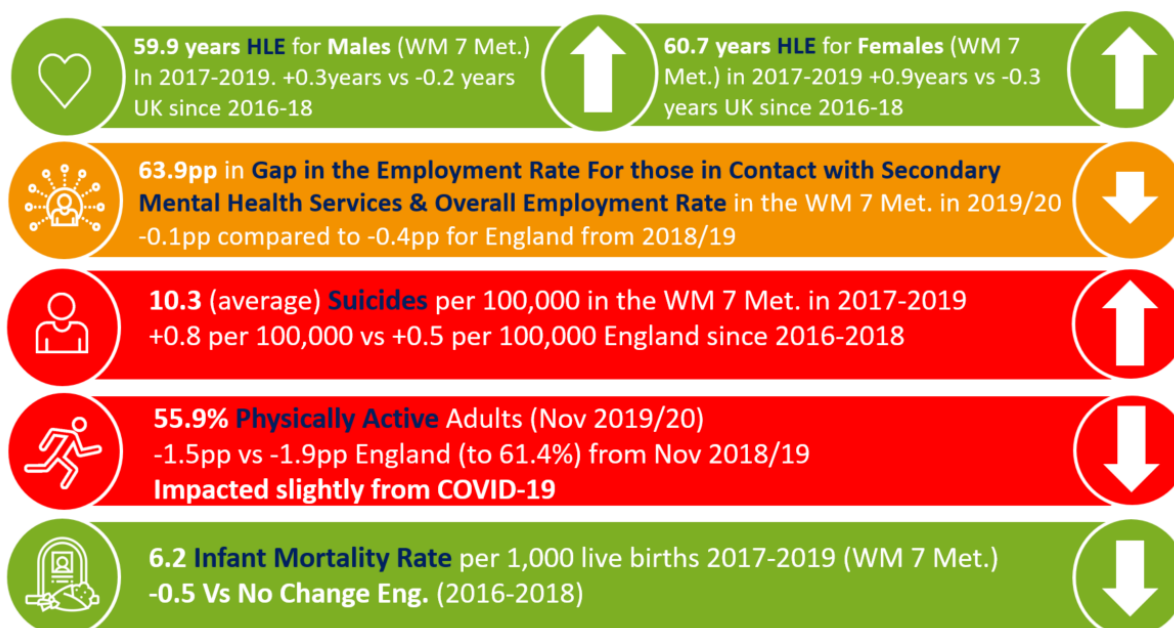
Amber indicators illustrate no change, or improvement in the right direction which is less than the national average (due to availability of data - claimants has been selected as amber due to the April – March 2021 monthly change, NVQ1 qualifications even though they have declined it can be seen as positive that they have moved to higher qualifications, house price to income ratio can also be perceived in negative or positive light. Also, amber has been selected when there is no comparison to the UK for change or for the tree cover indicator the proportions have been used- along with a dash opposed to arrows).

Green Indicators illustrate an improvement in performance and change greater than the UK average change over a 12 month period (visitor economy is green as it was record high numbers for the area).

Good Health and Wellbeing – Happier, healthier Society

The pandemic has highlighted the West Midlands' relatively poor health outcomes. The major challenge is to drive greater physical activity and ensure research and commercial strengths in data driven healthcare and life sciences result in improvements in population health. **A healthier West Midlands, increasing life expectancy and tackling health inequalities is key to recovery and a happier West Midlands, improving mental health and driving inclusion for all our communities**

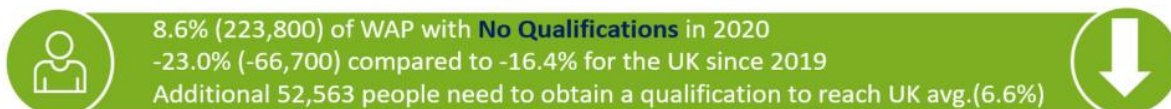
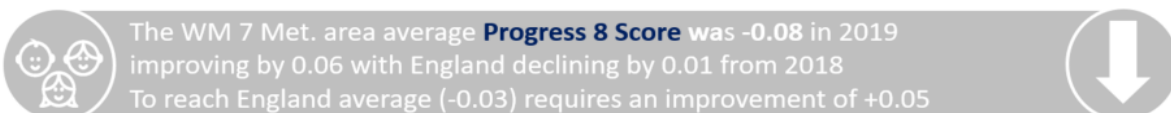
Key evidence – Health and Wellbeing

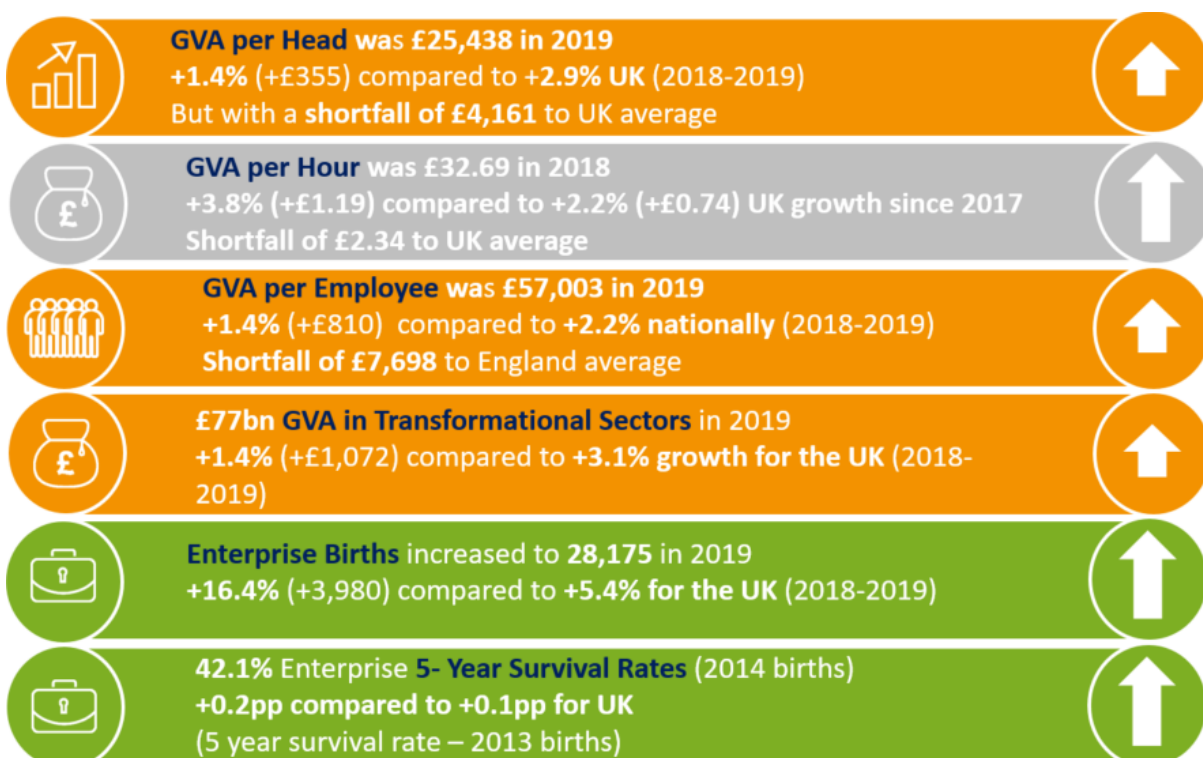


Decent Work and Economic Growth – Prosperous Society

Decent work improves wellbeing as well as providing income. The pandemic has also demonstrated the importance of jobs in the foundational economy – essential shop-workers, carers, and logistics and utilities workers. The region had underlying issues with people unable to access good employment because of their lack of qualifications, but prior to the pandemic demand for labour had been strong. The pandemic has dramatically reduced that demand, particularly in hospitality, retail and culture, which employ high numbers of young people. There is also evidence about long-term scarring that can come from unemployment or under-employment. The major challenges are stimulating demand for labour and ensuring everyone has the support to develop their skills and find secure work. **Emerging from pandemic we want a more prosperous West Midlands, where everyone can contribute to and benefit from a globally competitive regional economy**

Key evidence – decent work and economic growth

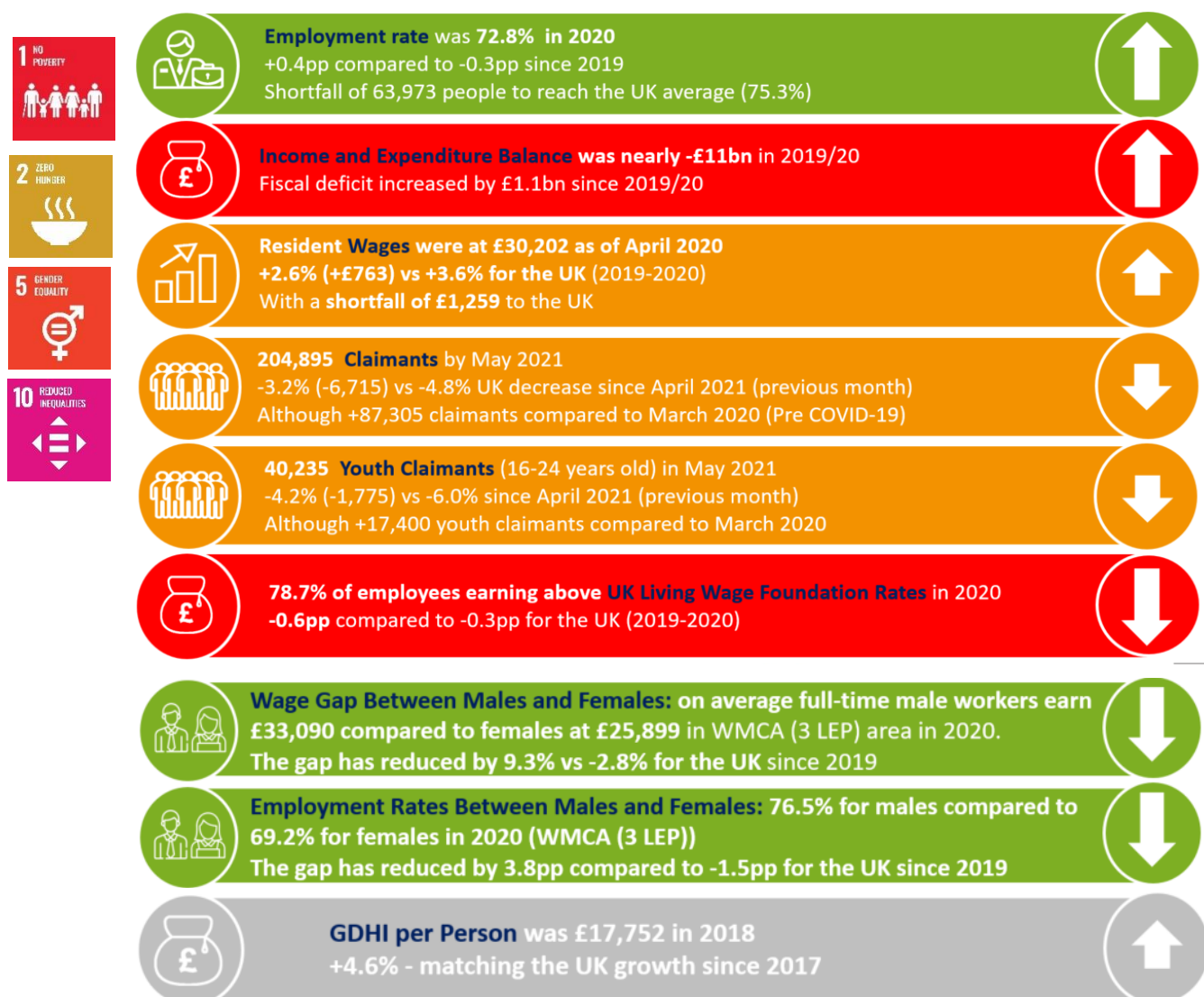




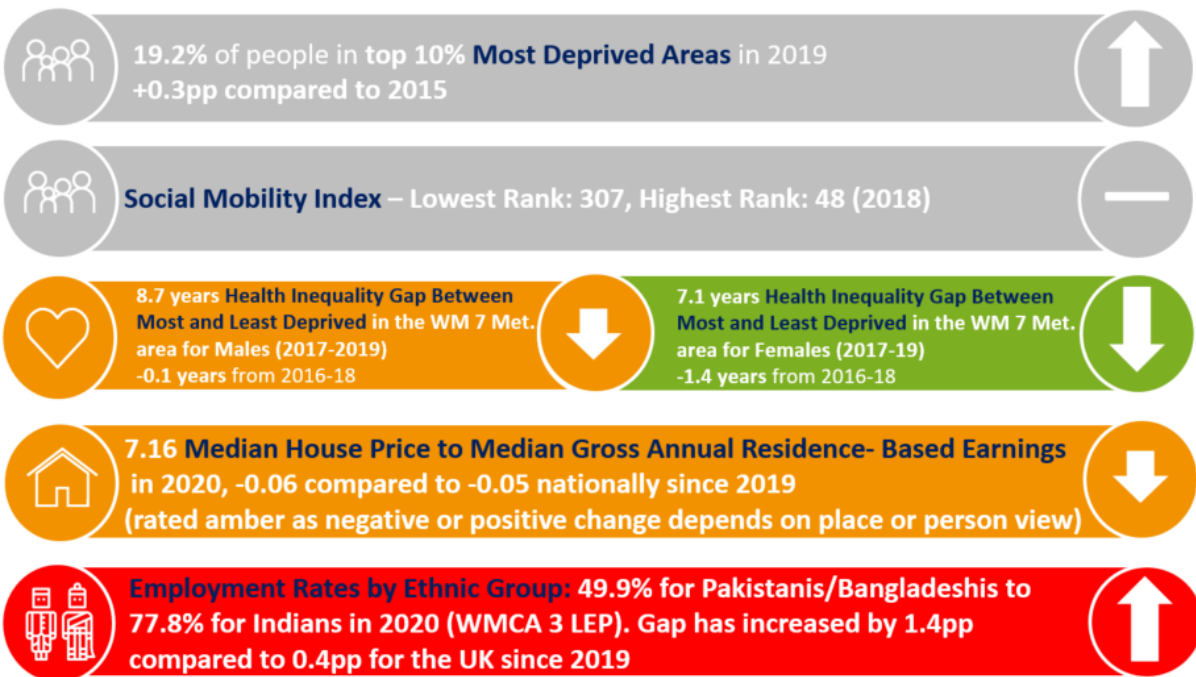
Reduced Inequalities – Fairer society

The pandemic has highlighted significant inequalities across national and regional economies. Whether about the nature of work and households' financial resilience, or access to digital infrastructure and safe housing conditions, the region's civic and business leaders aim for a recovery that is inclusive and works for everyone, across all the region's towns, cities and rural areas. The major challenge is being able to target support effectively and understand the distributional benefits as outcomes are levelled-up across the West Midlands and the UK. Research carried out in 2020³ has shown that the voluntary and community sector is vital to on the ground knowledge and to reach the marginalised and demand will increase and there is a need to recognise and utilise the sector's role. **Aiming for a fairer West Midlands, where we support marginalised and vulnerable groups**

Key evidence – reduced inequalities



³ Innovation and Enterprise in the Social Economy in the West Midlands, (Rees et al) 2020

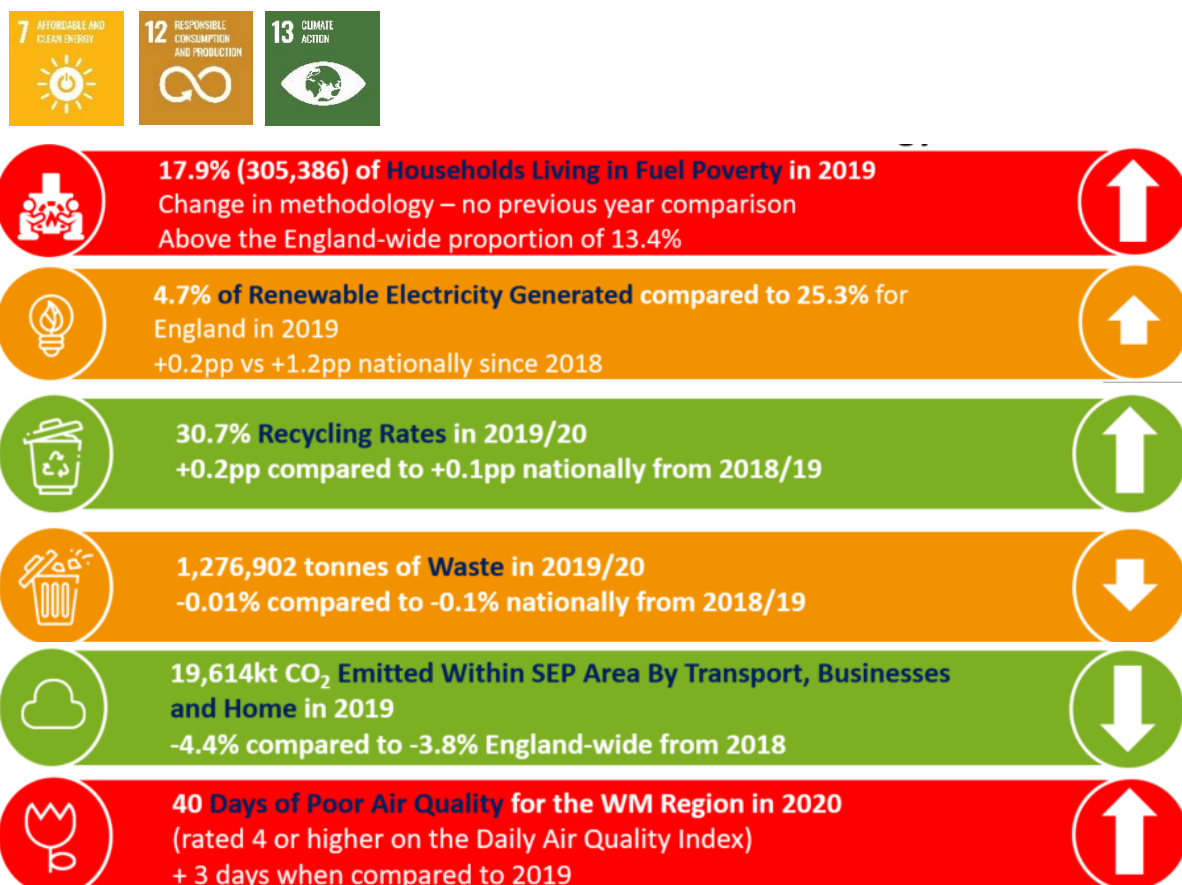


Clean & Affordable energy - Greener Society

People have valued a cleaner environment and better air quality. #WM2041 sets out both the scale of the challenge and the opportunity, with new technology and the need for safe, secure energy creating demand for new forms of mobility and electrification. The West Midlands has major innovation assets in energy and electric vehicle manufacturing providing jobs in one of our biggest sectors, along with potential for large scale retrofit programmes to improve the efficiency of the region's housing stock.

We are looking to create a greener West Midlands, where we reduce carbon emissions to address the climate crisis

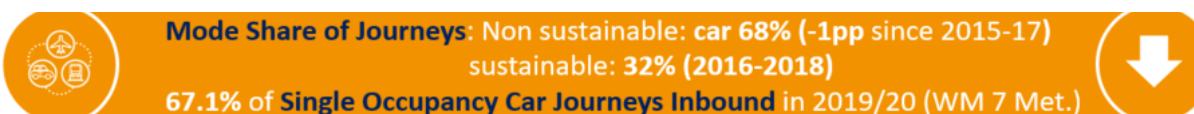
Key evidence – Clean and affordable energy



Sustainable communities – Strong Communities

Less commuting and more homeworking have meant people spend more time in their neighbourhoods, which has illustrated the importance of strong local businesses and community infrastructure, like parks and high streets, to communities. The major challenge is to understand the long-term implications of these changing commercial and societal trends and help towns, cities and rural areas adapt. **A better-connected West Midlands, where transport connects all communities to opportunities**

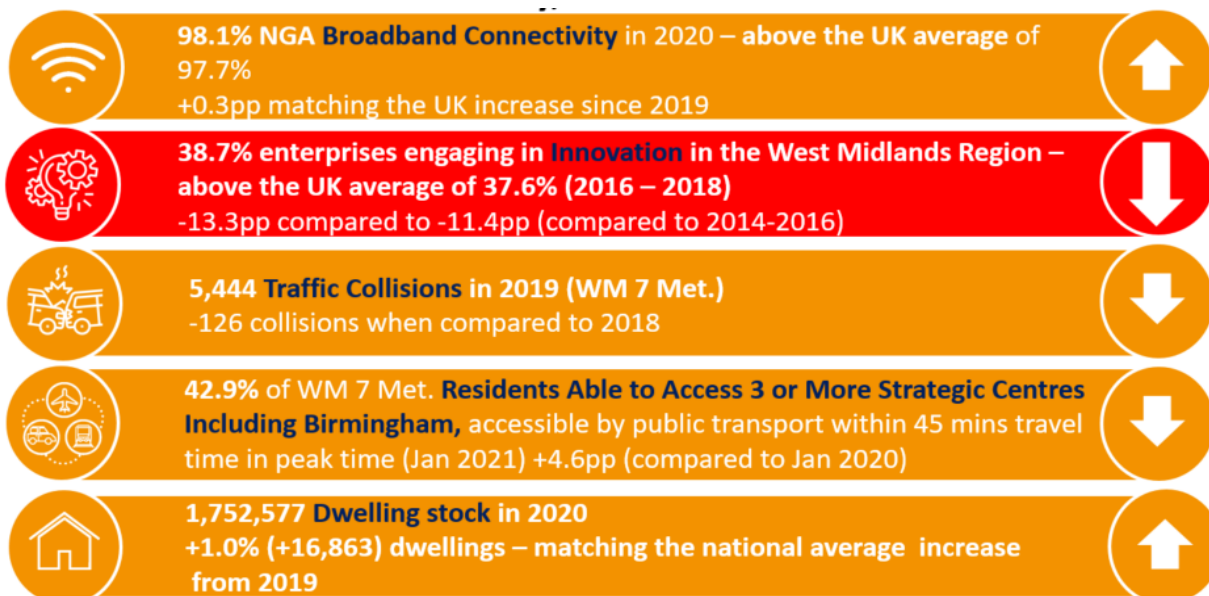
Key evidence – Sustainable communities



Industry, innovation & Infrastructure – Strong Assets

The sectoral assessments highlight the region's distinctive strengths, but they can act as breaks as well as catalysts of growth. Experience from previous recoveries shows that our main tradeable assets can boost a quick recovery, so it is vital they are protected. The region's universities are at risk as uncertainty about student numbers, international travel and disruption to research continues. This is important as they help drive innovation, high-level skills and business investment in R&D. HS2, the Commonwealth Games and the City of Culture are distinctive strengths that provide the West Midlands with a global platform. The major policy challenge is to mitigate harm to key sectors while ensuring that local people benefit from game-changing investments.

Key evidence – Industry Innovation and Infrastructure



Next steps in the strategy and evidence development

This report complements previous work on the five Regional Challenges approved by the CA Board in March 2021. Partners across the West Midlands will work together to continue to develop policies and projects that tackle the 5 Challenges including:

- Continue to develop the evidence base to monitor changes and deliver a new forecasting model developed by Oxford Economics
- Work collaboratively to develop logic chains for each of the challenges using analysis in the State of the Region report.
- Firm-up the outputs and outcomes associated with each of the Challenges.
- Understand the distinctive spatial and sectoral implications and how this relates to the evolution of institutions.
- Respond to the evolving national agenda (Plan for Growth, Devolution White Paper, and Comprehensive Spending Review etc.)

The State of the Region report provides the evidence that will underpin this approach, as the foundation for a rationale for intervention. It is important to differentiate between the evidence for challenges and opportunities in the region versus the plans to address or accelerate these issues. The evidence base sets out the current and ongoing challenges being faced due to the pandemic and EU Exit in the immediate future. It also aims to set out the longer-term regional performance against wider structural goals, as set out in previous State of the Region Reports. Any opportunities/ challenges or asks of sectors can continue to be monitored as will other impacts and changes in the wider economy, society and environment.

Further evidence

This report summarises the evidence base collated throughout the year, it specifically references and uses the [WMREDI Weekly monitors March 2020 to May 2021](#).

To date there are 53 monitors published which have helped shape and inform the understanding and discussion in this report

Further evidence and commentary can be found in:

- State of the Region - Exec Summary Report 2021
- Performance against Sustainable Development Goals 2021
- [Health of the Region 2021](#)
- [Skills Advisory Panel Local Skills Report and Evidence Report 2021](#)
- Logic chains exemplars (awaiting publication)
- Income Inequality Report and Dashboard 2021 (awaiting publication)
- Outcome Measures Monitoring Report 2021 (awaiting publication)
- Megatrends and Cities Report 2021 (awaiting publication)
- Sectoral Impact Report 2021 (awaiting publication)
- Innovation in the West Midlands 2021 (awaiting publication)
- Business Support Review (awaiting publication)
- [MIT REAP](#) Evidence Report and Dashboard 2020
- [WM2041 Strategy](#)
- [Local Industrial Strategy Evidence 2019](#)
- [GBSLEP Sector Plan](#)
- [GBSLEP – Annual Report](#).
- [Delivery Plan 2020-21 \(gbslep.co.uk\)](#)
- [Black Country LEP Sector Plan](#)
- [Coventry and Warwickshire LEP Sector Action Plan](#)
- [Recharge the West Midlands](#)
- [WM Digital Roadmap](#)
- [Employment support framework](#)
- [Levelling-up community recovery plan](#)
- [State of the Region 2020](#)
- [Innovation and Enterprise in the Social Economy in the West Midlands 2020](#)
- [Travel Trends](#)



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