

## Birmingham Economic Review 2019

Riley, Bec

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# Birmingham Economic Review 2019

## Foreword

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West Midlands  
Growth Company

## Introduction

The annual Birmingham Economic Review is produced by the University of Birmingham's City-REDI and the Greater Birmingham Chambers of Commerce, with contributions from the West Midlands Growth Company. It is an in-depth exploration of the economy of England's second city and a high-quality resource for informing research, policy and investment decisions.

What follows is a summary version of the full Birmingham Economic Review 2019. The full-length publication can be found on the Greater Birmingham Chambers of Commerce website, or requested using the contact details at the end of this document. Data and commentary were correct at the time of publishing: October 2019.

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**Chapter 1:** Adapting, Innovating and Leading the Future

**Chapter 2:** Creating a Workforce Fit for Tomorrow

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## Foreword

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We have tried to capture the essence of excitement and ambition across Birmingham in this year's economic review, and I hope that, reading this, you recognise the potential we see in the city.

There are significant challenges facing Birmingham, which we do not shy away from. Mitigating and managing the impact of Brexit on the local economy, ensuring that economic growth harnesses the potential of communities across the region and adapting the way we live and work to ensure that our legacy is environmentally sustainable are priorities for business leaders and stakeholders across the city.

With that said, there is no doubt that Birmingham is on the precipice of a triumphant return to the world stage. Perceptions of the city are now changing in recognition of its young, diverse population, a strong services sector, and vibrant start-up and digital tech ecosystems. Not only is inward investment the highest outside of London, but Birmingham's visitor economy is breaking records year-on-year. We must make the most of the 2022 Commonwealth Games to showcase the attractiveness of our city to businesses and individuals across the world.

At the time of writing, we await the outcome of the Oakervee Review on HS2. Discussed throughout this report, HS2 is crucial lynchpin in the future of Birmingham. Arriving into the city via Grand Central, you can see the cranes in the sky; many representing the enabling works already in process. This major infrastructure project must be top of the agenda if the government is serious about rebalancing the UK economy away from a reliance on the South. As a Chamber representing over 3,200 businesses, we are working with local stakeholders to ensure that the full project is successfully delivered, connecting people across the nation to more opportunities than ever before.

Birmingham is unlike any other city in the world. Throughout this review, world class academics and business leaders have shared their perspectives on the city, the future they envisage for Birmingham, and how both firm-level action and further collaboration will get us there. The Chambers are proud to be a part of this collaboration, and committed to making Birmingham the best place to start, grow, move or invest in a business.

A handwritten signature in black ink, appearing to read 'Paul Faulkner'. The signature is fluid and cursive, with a long horizontal stroke at the end.

*Paul Faulkner  
Chief Executive, Greater Birmingham Chambers of Commerce*

## Welcome

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I am very pleased to welcome you, on behalf of the University of Birmingham, to the 2019 Birmingham Economic Review, (BER). City-REDI has produced this report in collaboration with our partners, the Greater Birmingham Chambers of Commerce, to support the many and varied stakeholders of our city-region. We are united with a common goal to improve the regional economy. The data and analysis presented here aims to inform and spark debate, but also to prompt collective action. Intelligent policy interventions, driven by reliable analysis and a clear consensus across the region are needed now more than ever.

We provide an overview of key data outlining the state of the region, with data on the economy, employment, skills, infrastructure and industry, together with expert commentary on key trends, strengths and weaknesses.

This year's review shows that we are a young, diverse and attractive region to invest in (the biggest destination for inward migration outside of London) compared to other UK city-regions. We are also increasingly productive with the highest GVA/hour worked and filled job (again, outside of London). So, the growth momentum continues. However, persistent gaps between the skilled, employed earners and unskilled, unemployed and vulnerable also remain. In some areas, these gaps are worsening. Unemployment amongst the 16-19-year-olds is 9.4 percent, we have a very low (but growing) average level of household income, but over 107,000 households are workless, with dependent children.

This leaves us with a tough challenge in times of uncertainty; to maintain the growth momentum while rebalancing our regional economy, or risk leaving more households behind. For these reasons, we have a specific focus in this year's BER on inclusive growth, with data and discussion on skills, employment and communities throughout the report. I hope you find it informative, thought-provoking and perhaps even action-provoking.



*Professor Simon Collinson,  
Deputy Pro-Vice-Chancellor for Regional Economic Engagement and Director of  
the City-Region Economic Development Institute (City-REDI), Birmingham  
Business School, University of Birmingham*

## Executive Summary

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Outside of London, Birmingham is the largest city economy in the UK. It is the West Midlands' regional centre of business, retail, leisure and culture. It is also the regional heart of employment with almost half a million people working in the city. Birmingham has a growing reputation as a location of international business and ranks highly for future investability. The city economy performs well on a number of measures. Economic output is growing, with GVA figures released in February 2019 showing that the WMCA has a higher output per hour worked and job filled than any other combined authority area outside of London.

Birmingham has an advantage compared to many other areas of the UK due to its geographical position. The city is within four hours travel time of 90% of the UK's population and businesses. It is located at the hub of the UK's motorway and rail network, and is home to Birmingham Airport, the third busiest UK airport outside London and the South East. The city's advantageous geographical connectivity brings significant growth opportunities for the local economy. This is highlighted and enhanced by recent investment in Birmingham Airport, the Midland Metro, and development around the area of the future Curzon Street HS2 terminus. This will further increase national and international connectivity.

As an employment centre within the West Midlands and a core city, Birmingham's economy and labour market sits at the heart of a set of complex interlinked relationships with its neighbouring areas, which together form the wider functional economic geography of the city-region.

Its labour market links are particularly strong in terms of providing employment for residents of neighbouring areas within the city and for Birmingham residents commuting to neighbouring areas for work. When positioned next to Birmingham's comparatively low employment rate, the high level of people who commute into the city suggests an imbalance in the local labour market between residents' skill levels and jobs.

Nevertheless, the city possesses strong innovation resources and networks. It offers five universities with internationally recognised research facilities in areas such as engineering, creative industries, energy, life sciences, low carbon fuel technology and medical sciences.

The population continues to be young relative to the UK, with 24% under-16 compared to 20% nationally. The city's working age population also continues to be higher than the national average which, together with a lower than average older population, creates the opportunity for a more vibrant labour supply environment.

Table 1 Scorecard for Birmingham

	Birmingham	WMCA	West Midlands	England
<b>POPULATION (ONS, 2017)</b>				
Total, 2017	1,137,123	5,860,706	2,897,303	55,619,430
Aged 0-15, %	24.0	22.6	20.7	20.2
Aged 16-64, %	63.1	61.9	60.9	61.8
Aged 65+, %	12.9	15.5	18.0	17.9
<b>GVA (ONS, 2017)</b>				
	<b>Birmingham</b>	<b>WMCA</b>	<b>West Mids</b>	<b>England</b>
GVA per Head (£)	24,761	22,967	22,815	27,949
GVA per Hour (£)	30.9	30.7	29.5	34.1
GVA per Filled Job (£)	50,524	49,988	48,015	55,176
<b>EMPLOYMENT (ONS, 2018)</b>				
Economic Activity Rate, aged 16-64	70.8	73.0	77.0	78.7
Economic Inactivity Rate, aged 16-64	29.2	27.0	23.0	21.3
Employment Rate, aged 16-64	65.3	68.2	73.3	75.4
Unemployment Rate, aged 16-64	7.8	6.5	4.8	4.2
<b>BUSINESS DEMOGRAPHY (ONS, 2017)</b>				
Births per 1000 population	5.9	5.0	5.2	6.1
Deaths per 1000 population	5.9	4.7	4.5	5.7
Enterprise survival rate at 12 months	90.3	91.3	92.1	91.2
<b>SKILLS (ONS, 2018)</b>				
NVQ4 and above, aged 16-64 (%)	33.2	30.5	33.1	39.0
NVQ3 and above, aged 16-64 (%)	51.6	47.6	50.7	56.2
NVQ3, aged 16-64 (%)	18.4	17.1	17.6	17.2
NVQ2 and above, aged 16-64 (%)	67.1	64.5	67.9	72.0
NVQ2, aged 16-64 (%)	15.5	16.9	17.2	15.8
NVQ1 and above, aged 16-64 (%)	78.2	76.2	78.9	82.6
NVQ1, aged 16-64 (%)	11.1	11.7	11.0	10.6
Trade apprenticeships, aged 16-64 (%)	1.1	1.8	2.4	2.8
No Qualifications, aged 16-64 (%)	12.0	12.9	10.3	7.6
<b>JOBS (ONS, 2018)</b>				
Jobs Density	0.80	0.76	0.79	0.85
Managers, Directors & Senior Officials, % (SOC1)	8.1	8.6	10.2	11.1
Professional Occupations, % (SOC2)	21.2	19.1	18.9	20.8
Associate Professional and Technical Occupations, % (SOC3)	13.6	13.0	13.1	14.9
Administrative and Secretarial Occupations, % (SOC4)	8.9	10.2	10.0	10.1
Skilled Trades Occupations, % (SOC5)	8.0	9.9	11.0	9.9
Caring, Leisure and Other Service Occupations, % (SOC6)	9.5	9.3	9.2	8.9

Sales and Customer Service Occupations, % (SOC7)	8.0	7.6	7.4	7.4
Process, Plant and Machine Operatives, % (SOC8)	9.8	9.4	8.0	6.3
Elementary Occupations, % (SOC9)	12.7	12.3	11.9	10.3
<i>WORKLESSNESS (ONS)</i>				
JSA claimants as a % of working age population, 16-64 (2019)	1.2	1.0	0.7	0.5
Workless Households % (2017)	17.8	18.4	15.5	14.0
<i>EARNINGS (ONS, 2018)</i>				
Median Gross Weekly Pay, full-time workers (£) - residents	532.5	526.5	536.6	574.9
Median Gross Weekly Pay, full-time workers (£) - workers	584.1	556.8	536.6	574.9



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# Birmingham Economic Review 2019

Chapter 1: Adapting, Innovating and  
Leading the Future

UNIVERSITY OF  
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BUSINESS  
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## Introduction

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All Chapters of the *Birmingham Economic Review 2019* can be found online on the [Greater Birmingham Chambers of Commerce website](#) or via the contact details at the end of this document.

## Adapting, Innovating and Leading the Future

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Birmingham's local networks, universities, business parks and an array of other initiatives are supporting local innovation, which is particularly strong in the digital, advanced manufacturing, energy, healthcare and creative sectors. There is also a drive within the business community to adapt and develop more environmentally sustainable practices. However, there is opportunity to boost adaptation and innovation in all sectors through better commercialization, more partnerships between universities and industry, and greater uptake of support such as R&D tax credits.

At the time of publication, the future of the national economy remains mired by Brexit-related uncertainty. Research suggests that Greater Birmingham businesses do not feel well prepared and through supply-chain exposure the regional economy is disproportionately at risk from negative trade-related consequences. The GBCC are working with the West Midlands Combined Authority (WMCA) and other local Chambers to encourage businesses to prepare for the country's departure from the European Union, while running a concurrent business adaptability and resilience campaign, Raise the BAR, aiming to challenge & inform employers about approaches to managing risk and being agile and responsive to change.

### *Adapting to the challenge of Brexit*

Among the most significant challenges facing businesses in the region is how to prepare for Brexit, especially when it is not yet clear what form Brexit will actually take. Professor Raquel Ortega-Argilés at City-REDI has researched what the exposure of the West Midlands is to European supply chains and the potential impact of a no-deal Brexit on the region's economy<sup>1</sup>. 12.2% of West Midlands GDP is at risk because of negative trade-related consequences; in the wider region, the exposure of Shropshire and Staffordshire is 13.9% of local GDP and the exposure of Herefordshire, Worcestershire and Warwickshire is 14.3%. By contrast, only 2.64% of EU GDP is at risk due to a no-deal Brexit, highlighting that the shock will be far greater on the UK than on other member states of the European Union.

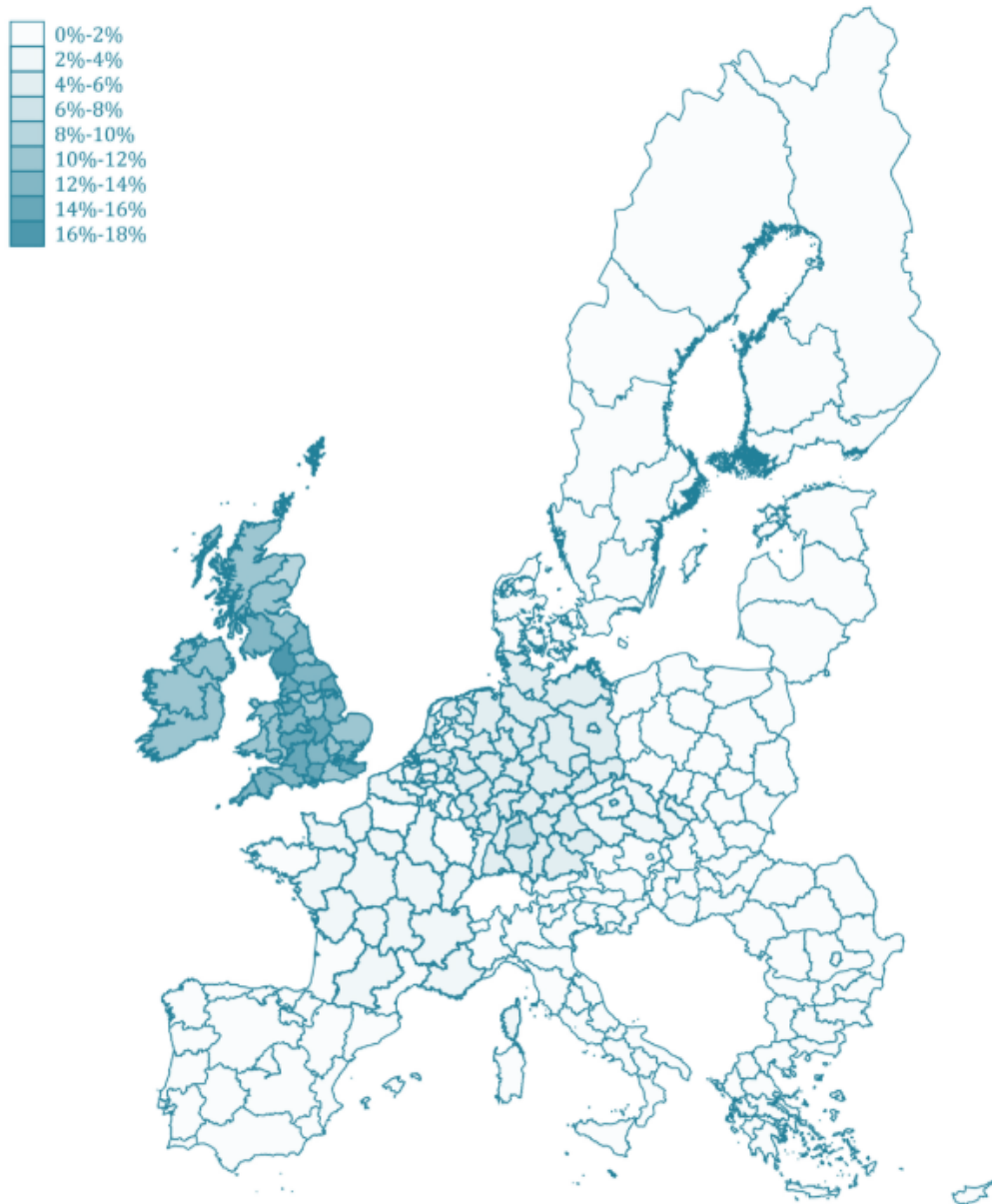
Moreover, in Professor Ortega-Argilés analysis of which sectors are most exposed to a no-deal Brexit, 32.3% of the GDP of the manufacturing sector is at risk owing to its dependence on frictionless trade and just-in-time supply chains. Disruptions to logistics and distribution networks will have a huge impact on manufacturing, but other sectors also demonstrate a high degree of exposure. For example, 25.5% of GDP in the primary industries (extraction such as mining, agriculture and forestry) and 12.2% of GDP in the services sector would also be at risk in the event of the UK leaving without a deal on 31 October 2019.

The map below demonstrates the percentage of regional GDP that is at risk from a no-deal Brexit across the whole of the European Union. Planning for no-deal and adapting to changes to the UK's international trading relationships poses a unique challenge to businesses – especially when the form of those relationships remains as yet unknown.

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<sup>1</sup> <https://blog.bham.ac.uk/cityredi/the-exposure-of-the-west-midlands-region-to-brexit/>

Figure 1: Regional shares of local GDP exposed to Brexit.



Source: *The Implications of Brexit for the UK's Regions*, Raquel Ortega-Argiles<sup>2</sup>

Planning for no-deal and adapting to changes to the UK's international trading relationships poses a unique challenge to businesses. The WMCA and the region's Chambers of Commerce have developed a free digital tool - the *Business Brexit Health Check* - to help businesses navigate Brexit.

Analysis of 339 Business Brexit Health Check responses (28th May-31st August 2019) indicated that Brexit "preparedness" varies significantly by organisation size: micro businesses are the least likely to have undertaken proactive steps to prepare for Brexit and large organisations the most. All firms were most likely to be impacted through their people (pension arrangements, professional qualifications, business trips and EU nationals in their workforce) and trading relationships (buying from or selling goods to other parts of the EU). On average,

<sup>2</sup> <https://blog.bham.ac.uk/cityredi/the-implications-of-brexit-for-the-uks-regions/>

manufacturers scored higher on the Brexit Readiness Index, indicating that they believe they have undertaken slightly more in-depth preparations for Brexit than services sector firms. However, manufacturers scored between a 3.3 and 2.3 out of a possible 5 on this same Index indicating that, on average, they do not feel “significantly” well prepared for Brexit.

Businesses are concerned about:

- The scale of Brexit - Brexit touches almost every possible aspect of doing business: people, trade, data, IP, tax, regulation & standards
- Understanding the indirect effects of Brexit (e.g. on supply chain and key customers) is difficult with many companies considering such information commercially sensitive (if they have it at all)
- Growing uncertainty on the Brexit timeline leading to uncertainty about when to activate contingency plans
- A lack of specific answers to specific questions

Above all else, businesses need detailed answers on what Brexit will bring in order to be able to plan and prepare accordingly. For further analysis of Brexit preparedness, and case studies on the impact of Brexit on local businesses the full *Brexit: How Are Businesses Responding?* report is available on the GBCC website<sup>3</sup>.

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<sup>3</sup> <https://www.greaterbirminghamchambers.com/brexit-support/brexit-facts-and-stats/>

## Expert Comment

*Professor Raquel Ortega-Argiles, City REDI, University of Birmingham*



Over the last two and half years an international research team led by City-REDI and involving the University of Sheffield, the University of Groningen in the Netherlands and the PBL Dutch Environmental Assessment Agency has undertaken the most detailed work to date regarding the city, regional and rural implications of Brexit. Most of the economic narratives and debates surrounding Brexit are framed at a national level with comparisons made between the UK as a whole and the EU as a whole, as reflected the bilateral nature of the UK-EU negotiations.

However, the complex nature of modern trade means that ‘national’ implications may differ substantially from local implications, depending on the industrial and commercial structure of the local economy. The fact that the implications of Brexit may be markedly different for different places is important because recent years have also seen a growing awareness in the UK that the opportunities and difficulties associated with modern globalisation are unevenly distributed across the country. Indeed, some commentators have argued that this is one of the reasons for the specific geography of the Brexit vote in which many ‘left-behind’ places voted Leave. These potentially very different post-Brexit implications also raise the question as to how localities may best respond to their specific challenges and the policy levers that they have available to them. Understanding these issues requires the construction and analysis of very large datasets which take account of the fact that the UK is part of deeply-embedded pan-EU value-chains which involve large amounts of re-importing and re-exporting. These complex value-chains mean that simple export-minus-import trade balance figures quoted by politicians are largely meaningless. In addition, in order to understand the local policy implications and responses, our work involves engagement with very large numbers of key stakeholders.

The evidence produced and published by the City-REDI led team has five key elements to it:

- (i) The UK regions which most strongly voted Leave tend to be the same regions which are the most dependent on EU markets for their economic viability and prosperity, and as such, are likely to face the most adverse shocks (Chen et al 2018).
- (ii) UK regions are far more exposed to Brexit-related risks than regions anywhere else in Europe, except for those in the Republic of Ireland whose exposure is equivalent to the least exposed UK regions, namely London and parts of Northern Scotland (Chen et al 2018).
- (iii) UK localities are very poorly prepared for Brexit, not only because they have few policy levers to pull, but also because they are almost entirely excluded from any negotiations. Those preparations which are underway tend to be ad hoc, uncoordinated and very limited (Billing et al. 2019).

(iv) The sectors and occupations which are most at risk from Brexit tend to be the most productive activities in both services and manufacturing (Los et al 2017).

These four observations imply that Brexit is likely to increase (the already high) UK inter-regional inequalities, while at the same time increasing the serious productivity problems faced by the UK as whole.

If we examine these issues in the specific context of the West-Midlands region, we see that the Brexit-related exposure of the (NUTS2) West Midlands region as a whole amounts to 12.2% of the West Midlands Gross Domestic Product (GDP) and 11.3% of the West Midlands local labour income (Chen et al 2018). For the broad sectors in the West Midlands the levels of Brexit-related exposure calculated in terms of local GDP are 25.5% for Primary Industries, 32.3% for Manufacturing, 4.0% for Construction and 8.9% for Services. In terms of local labour income, the respective figures are 25.5% for Primary Industries, 32.7% for Manufacturing, 4.0% for Construction and 7.3% for Services (Chen et al. 2018).

The most recent research just produced by the City-REDI team also examines the implications of Brexit on the competitiveness of UK and EU regions and sectors (Thissen et al. 2019). The analysis is based on a complex calculation incorporating all of the value-chain issues discussed above, along with detailed knowledge of the actual spatial arenas in which the various industries of different regions do actually compete. This analysis demonstrates again that the adverse competitiveness implications of Brexit are far more severe for UK regions than for regions in the rest of the EU. In addition, the new key finding from our most recent research is that:

(v) Brexit is likely to exacerbate intra-regional inequalities as well as inter-regional inequalities, with the larger agglomerations being less adversely impacted than the smaller towns and rural areas in the same region.

Again, if we examine the specific case of the West Midlands we see that competitiveness of the automotive industries is very severely hit. The loss of competitiveness of the West Midlands automotive industries accounts for 5.5% of total revenues, a figure which is sufficient to wipe out the profits of many of the local industry's firms (Thissen et al. 2019). The loss of competitiveness of the many of the West Midlands other manufacturing industries are also of a similar in size, although the key difference is that the loss of competitiveness in the West Midlands automotive industries is largely insensitive to the actual form of the final UK-EU post-Brexit trading arrangements. As such, withdrawing from Single Market and Customs Union has a severe loss of competitiveness effect of the industry, largely irrespective of whatever deal is finally negotiated.

Billing, C., McCann, P., and Ortega-Argilés, R., 2019, "Interregional Inequalities and UK Sub-National Governance Responses to Brexit", 2019, *Regional Studies*, 53.5, 741-760

Chen, W., Los, B., McCann, P., Ortega-Argilés, R., Thissen, M. and van Oort, F., 2018, "The Continental Divide? Economic Exposure to Brexit in Regions and Countries on Both Sides of the Channel", 2018, *Papers in Regional Science*, 97.1, 25-54

Los, B., Chen, W., McCann, P., and Ortega-Argilés, R., "An Assessment of Brexit Risks for 54 Industries: Most Services Industries are also Exposed", 2017, City-REDI Policy Briefing Series, December, See: [https://blog.bham.ac.uk/cityredi/wp-content/uploads/sites/15/2018/01/City-REDI-Briefing-Template\\_Sectoral-Analysis.pdf](https://blog.bham.ac.uk/cityredi/wp-content/uploads/sites/15/2018/01/City-REDI-Briefing-Template_Sectoral-Analysis.pdf)

Thissen, M., van Oort, F., McCann, P., Ortega-Argilés, R., and Husby, T., 2019, "The Implications of Brexit for UK and EU Regional Competitiveness", Tinbergen Institute Discussion Paper 2019-061/VIII, See: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3440574](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3440574)



## *Innovation*

Innovation can be defined as the ‘commercialisation of new ideas’. The UK has historically been very good at creating new ideas, but not great at commercialisation. We are still something of a nation of inventors rather than innovators. This is important. Firms that are more innovative are also more competitive and adaptable in the face of external threats and opportunities. They tend to export more (a result of their competitiveness and a factor behind their resilience) and they employ higher-skilled, more productive and higher-paid employees and therefore produce larger positive multiplier effects for their host regions. So, more innovation benefits not just firms but employees and the regions that attract them and support their development.

## *How Innovative are the Firms in our Region?*

Ideas, people, infrastructure and the business environment combine to create the innovative potential of places. Firms rely on their regional innovation systems, including a good skills base, science and technology infrastructure and strong university-based R&D, in order to innovate. The Birmingham city-region has a number of regional strengths, but how innovative are the firms based in the region?

According to the national UK Innovation Survey (2017), innovation in the West Midlands is above the national average, coming fourth out of 9 English regions and ahead of all three of the devolved nations, with over half of our firms seen as ‘innovation active’<sup>4</sup>. We also have a healthy regional share of jobs in ‘science and technology’ sectors, compared to other UK regions. This amounts to around 360,000 employees in total, or about 1/5 of all jobs<sup>5</sup>. A number of outstanding science, technology and engineering clusters are part of the reason for this, including:

- Edgbaston for life sciences
- Gaydon, Warwickshire for automotive technologies and home to JLR and Aston Martin; the region accounts for almost 10% of UK manufacturing and a significant proportion of automotive exports
- South Coventry for advanced materials and automotive engineering
- Warwick and Leamington Spa for computer games software

Universities are central to many of these technology clusters, including: the University of Birmingham’s Institute of Translational Medicine and the High Temperature Research Centre, with Rolls Royce as partners, at the Manufacturing Technology Centre in Ansty; the University of Warwick’s Advanced Propulsion Centre Hub and Warwick Manufacturing Group (HVM Catapult); the Institute for Advanced Manufacturing and Engineering (IAME), a collaboration between Coventry University and Unipart Manufacturing Group and the National Transport Design Centre (NTDC), based at Coventry University. Universities produce both

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<sup>4</sup> UK Innovation Survey (2017) <https://www.gov.uk/government/statistics/uk-innovation-survey-2017-headline-findings>

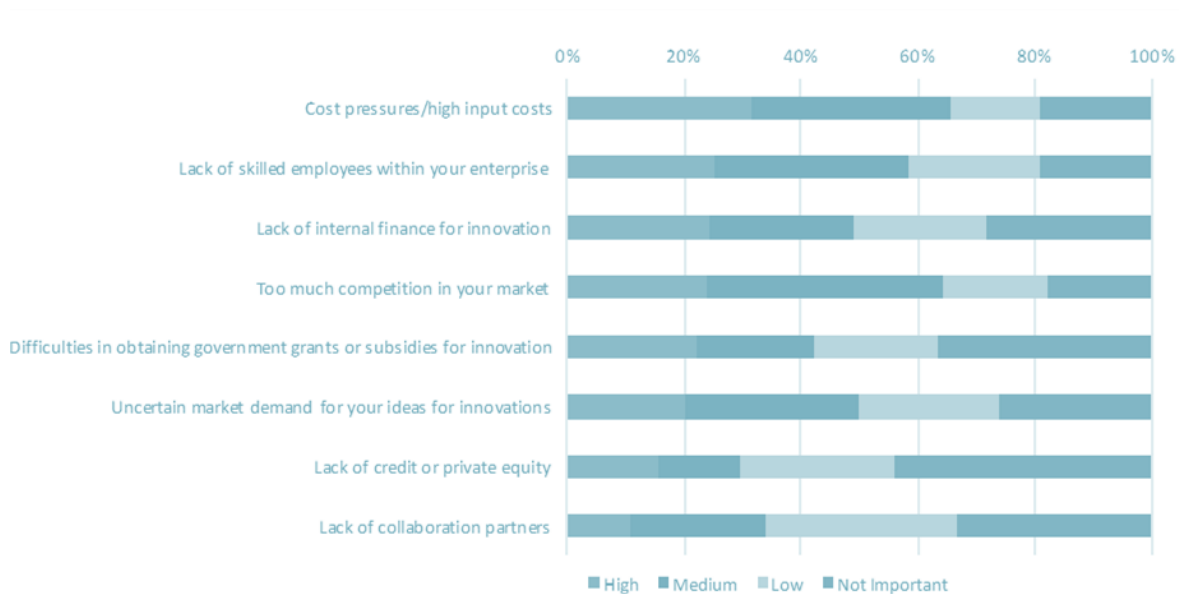
<sup>5</sup> WMCA (2017) Science and Innovation Audit for the West Midlands. <https://www.wmca.org.uk/media/1682/west-midlands-sia-final-for-publication-21617.pdf>

new ideas and specialist expertise in the form of graduates and we have seen a growing number of these staying in the region to work after graduating<sup>6</sup>.

### Local Barriers to Innovation

But firms in the region report a range of barriers to innovation, limiting their ability to improve products and services or the way these are produced and sold. This undermines firm-level competitiveness, but also reduces the positive effects that innovation has on the region’s economy. City-REDI and the Greater Birmingham Chambers of Commerce worked in partnership to extend the Quarterly Business Report (QBR) regional survey of firms to better-understand these location barriers to innovation. Over 200 firms responded and by comparing these responses with the findings of the national UK Innovation Survey (2017) we can gain some insights into how our region differs from the UK average. Figure 2 shows a ranking of manager’s list of barriers to innovation taken from this local survey.

Figure 1 Barriers to Innovation in the Birmingham City-Region



Source: City-REDI and Greater Birmingham Chambers of Commerce; analysis of 2018 QBR Survey Responses.

Birmingham firms rate ‘cost factors’ as the most pressing constraint, as do UK firms generally. But ‘competition in the market’ comes second and ‘lack of skilled employees’ ranks third amongst Birmingham respondents. These factors are rated lower by UK firms generally, with skills ranked 5th as a national constraint on innovation, matching other research showing that skills gaps are a key problem for the region<sup>7</sup>. Conversely, Birmingham firms rank ‘lack of finance’ as a lesser barrier to innovation and ‘uncertain market demand’ much higher than the average for UK firms overall.

<sup>6</sup> See: Greater Birmingham Chambers of Commerce ‘Invest to Grow’ blog: Simon Collinson (2018) ‘The Birmingham City-Region Needs Investment to Drive Innovation’

<sup>7</sup> Deniz Sevinc (2018) Mind the Gap! Qualification Shortages in the West Midlands, City-REDI blog (03/7/2018). <https://blog.bham.ac.uk/cityredi/mind-the-gap-qualification-shortages-in-the-west-midlands/>

Both product and process innovation influence firm-level productivity and some of these factors, notably skills shortages, also undermine productivity levels in the region. The UK lags behind other advanced nations but productivity levels our region are about 89% of the national average.

It is also significant that regional firms rank 'uncertain market demand' much higher than the average for UK firms overall. Across the country there has been a marked decline in investment in R&D, technology and training, partly due to the above barriers and partly due to growing uncertainty regarding market conditions and the Brexit process. This is one of a number of indicators that suggest this lack of confidence to invest is more prevalent in our region than nationally, despite the relatively higher availability of finance.

In order to incentivise innovation in both the public and private sector, it is crucial that Birmingham's R&D and educational infrastructure creates a supportive environment. This infrastructure includes: (i) technology & artificial intelligence; (ii) universities; (iii) business parks; and (iv) enterprise zones. It is also important that local businesses take advantage of the national R&D tax relief that is offered by central government to support innovative companies working in science and technology.

### *Technology & Artificial Intelligence*

The emergence of advanced technologies and artificial intelligence is creating opportunities in the city for employment, growth and investment. According to Tech City UK, a publically and privately funded body to accelerate the growth of digital businesses across the UK, in 2017 Birmingham had a total of 17,581 jobs in digital tech and digital tech businesses in the region had a turnover of £2.2 billion<sup>8</sup>. The industry in the city is also notable for its diversity, with 26% of digital tech workers in Birmingham being black, Asian or minority ethnic compared to a 15% UK average.

This growing digital technology ecosystem has been supported by the planned HS2 rail link and the recent arrival of big banks (e.g. HSBC) and professional services firms. Funding support for local businesses is provided through Finance Birmingham, which offers flexible funding packages between £250,000 and £2 million for digital start-ups. Local networks, including Innovation Birmingham and Silicon Canal, are also influential in the sector's strength. Innovation Birmingham, part of Birmingham Science Park Aston, supports start-ups and growing digital and technology companies in the city. Silicon Canal is a not-for-profit organisation with the aim of creating a world-class technology ecosystem in Birmingham.

In September 2018, Birmingham hosted an A.I. Camp delivered by Kainos, a leading provider of digital services and platforms for public and private organisations around the globe. This offered ten undergraduate students the opportunity to hear about the latest industry developments from local leaders in artificial intelligence, as well as the chance to improve their business skills and develop their own machine learning models.

In October 2019, Birmingham Tech Week – a new grassroots initiative driven by business – took place, featuring a collaborative series of events across

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<sup>8</sup> Tech City UK 2018. <https://technation.io/insights/report-2018/birmingham/>

Birmingham and the wider Greater Birmingham Region, highlighting Birmingham's burgeoning tech scene and focussing on a number of innovative topics. Many institutions and organisations co-ordinated and participated in events specifically to take advantage of TechWeek. The Greater Birmingham Chambers of Commerce were involved in two events in Birmingham Tech Week 2019, on 'Breaking into Health Tech' and funding innovation. The latter took place at the Natwest ESpark accelerator.

### *5G and autonomous vehicles*

The West Midlands has been chosen as the UK's first multi-city testbed for new 5G technology ahead of a nation-wide rollout<sup>9</sup>. The pilot, in Birmingham, Coventry and Wolverhampton has received £75 million of investment from the Department for Digital, Culture, Media and Sport as well as local authorities. This is a fantastic opportunity for the region with the potential to boost productivity and grow the local economy.

The trials in the region will focus on how 5G can be used in the health, construction and automotive sectors in order to drive economic growth and benefit the population through new digital technologies and public services. One significant application of this seamless connectivity will be in the testing of autonomous, driverless vehicles. To this end, the West Midlands Combined Authority has partnered with Jaguar Land Rover to deliver a "smart city mobility centre" combining autonomous and electric vehicle research, supported by £1 billion of private-sector R&D funding to Warwick University's Warwick Manufacturing Group. This is the largest private investment ever into UK automotive R&D.

### *Universities*

Universities are critical sites for innovations, they educate prospective workers and produce technological and scientific results that can be turned into patents and products. The city's three largest universities (University of Birmingham, Aston University and Birmingham City University) are actively engaged in research and knowledge transfer at a regional, national and international scale.

These three universities have a range of internationally recognised strengths in the fields of:

- Advanced Material characterisation and use - including nanotechnology and composites
- Energy - including Hydrogen and fuel cells, bioenergy
- Low Carbon Technologies - including low carbon vehicles
- Innovative Healthcare - ranging from medical devices to clinical trials
- Digital Technologies - including the use of social media and 3-D imaging

The University of Birmingham is part of the Russell Group of leading UK universities and is ranked among the top 100 universities globally. The UK University League Table 2019 placed the University of Birmingham 15 out of 131 Universities for overall ranking, including factors such as research quality and intensity, entry standards and student satisfaction.

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<sup>9</sup> <https://blog.bham.ac.uk/cityredi/could-5g-technology-power-economic-growth-in-the-west-midlands/>

The city's three largest universities also offer specialised innovation services and collaborations with industry in the city. For instance, the University of Birmingham is home to Alta Innovations. Alta Innovations works with academics and industry to bridge the gap between research and commercial application. They work with academics to protect their inventions and make sure that world-class technologies and innovations developed at the University of Birmingham can have the widest possible benefit.

Similarly, Birmingham City University offers Innovate for Advantage, which aims to support businesses to improve their performance by helping them to develop new products and services and to streamline processes. It taps into a range of expertise such as design, engineering, digital technology, e-business, social enterprise, business process improvement, marketing, web design and green technologies.

University College Birmingham also has excellent links with industry, particularly in the food sector. Aston University has received a Business School's Business Charter Gold Award and has a number of initiatives in place, such as the Aston Centre for Growth.

### *Business Parks*

Birmingham has a number of high tech business parks that are helping to foster innovative practices and high tech industry. These business parks provide crucial opportunities for businesses and key stakeholders to network, broadening their potential resource base and maximising their opportunities. This is particularly valuable for smaller, younger and thus more vulnerable firms.

Birmingham's business parks and related initiatives include:

- **Innovation Birmingham Campus at Birmingham Science Park Aston** - an increasingly high-tech and young-entrepreneur focused science park in the centre of Birmingham. Innovation Birmingham Campus, previously owned by Birmingham City Council, is now part of Bruntwood SciTech - a network of innovation districts dedicated to providing space for science and technology businesses. To date Innovation Birmingham Campus has incubated over 170 start-ups, supported a community of over 1,000 digital technologists and innovators and raised more than £56 million in start-up funding.
- **Birmingham Research Park at the University of Birmingham** - a number of spin-outs from the city's universities have started on these sites, with many still located there.
- **Longbridge Technology Park and Innovation Centre** - situated on the former MG Rover site, this is a key link in the Central Technology Belt (CTB), the high technology corridor running along the A38 from the centre of Birmingham southwest to QinetiQ in Malvern, Worcestershire. Other developments along the CTB include the Queen Elizabeth hospital which is a leading centre for healthcare R&D with a key role to play in the development of the city's life sciences sector.
- **Birmingham Science City** - Birmingham was awarded Science City status by the Chancellor of the Exchequer in 2005, in recognition of the city's strong

science-based assets. The Birmingham Science City partnership provides a means to collaborate amongst the research community, private and public sectors, leading to the commercialisation of research strengths.

- **Institute of Translational Medicine** - Birmingham Health Partners led the development of a new Institute of Translational Medicine (ITM), a new world-class clinical research facility in Birmingham, opened in 2015. The centre will help progress the very latest scientific research findings from the University of Birmingham into enhanced treatments for patients across a range of major health issues including cancer and liver disease. The Institute will build on Birmingham's excellent track record in clinical trials by increasing capacity and enabling more patients to be co-located alongside clinicians and researchers. It will also make it easier for both SME and large pharma and biotechnology firms to work more closely with clinicians and academics, bringing additional investment into the city.
- **Birmingham's Smart City Commission** - the Commission has representatives from academia, business, health, transport, education, utilities and local government. It was established in 2012 to drive the long-term vision and strategic leadership that will lay the foundations for Birmingham's future. It shapes technological solutions and partnerships to deliver a joined-up approach to deal with the immediate and future challenges the City faces around:
  - Sustainable economic growth
  - Connectivity and infrastructure
  - Climate change and the green agenda
  - Digital inclusion and skills

### *The NEC*

The NEC is also a crucial infrastructure resource supporting innovation in Birmingham. Based just outside of Birmingham and opened by HM the Queen in 1976, the NEC now has 19 exhibition halls, 34 conference suites and a host of additional outdoor spaces. These spaces receive over six million guests and 500 events every year, including a host of local, national and international, sector-specific conferences and exhibitions focussed around industry innovations. Examples include: UK Construction Week; Advanced Engineering 2019; Fleet Live; and The Contamination Expo Series.

### *Birmingham Design Festival*

Initiatives such as Birmingham Design Festival also inspire and foster innovation in Birmingham's design industry, while showcasing of the creative talent in the region. Birmingham design festival debuted in 2018 with talks, workshops, screenings and exhibitions over a four day programme which welcomed thousands of visitors and dozens of speakers from across the globe, showcasing 30 venues and celebrating everything the design industry has to offer. Following another successful year in 2019 the annual festival is expected to return in the summer of 2020.

### *Birmingham City Centre Enterprise Zone*

Birmingham City Centre Enterprise Zone is comprised of 39 sites across the City, in seven clusters at Westside, Snow Hill District, Eastside, Southern Gateway, Digbeth Creative Quarter, Birmingham Science Park Aston and the Jewellery

Quarter. The Enterprise Zone is one of the major projects for the GBSLEP, with the potential to create 40,000 new jobs, add £2 billion a year to the economy and make available 1.3 million square metres of floor space over the lifetime of the project. The Enterprise Zone (EZ) is focused on the following economic sectors: Business and Financial Services, ICT, Creative Industries and Digital Media.

A simplified planning regime has been introduced across the whole of the EZ in addition to Local Development Orders (LDO) being used in Digbeth and Birmingham Science Park Aston, which remove the need to apply for planning permission for a wide range of changes of use, making it easier for growing small businesses to be mobile. The EZ provides superfast broadband focused on the clusters of IT, creative and digital businesses in Digbeth, Eastside, the Jewellery Quarter, Southern Gateway and St George and St Chad Quarter.

Over its 25-year lifetime, the retained uplift in business rates will enable investment in a range of infrastructure, business support, employment and skills and access to finance projects to support its priorities.

### *Uptake of R&D Tax Credits*

R&D tax credits is a national scheme that supports companies working on innovative projects in science and technology. Recent analysis has found that companies in the West Midlands are under-claiming via this scheme, with much more scope for future uptake.

Jumpstart, a leading UK R&D tax relief firm, reports that HMRC figures for the fiscal year end in 2016 indicate that businesses in the West Midlands made up just 8% of total claims (2,165 claims out of 26,255 nationally). This suggests that businesses are missing out on tax savings in comparison to companies in other parts of the UK. PwC found similar results, with their recent analysis showing that innovative firms in the West Midlands are potentially missing out on more than £60 million a year in unclaimed tax breaks<sup>10</sup>.

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<sup>10</sup> <https://www.greaterbirminghamchambers.com/latest-news/news/2017/10/13/midlands-innovators-missing-out-on-60m-in-tax-breaks/>

## Expert Comment

*Dr Chloe Billing, City REDI, University of Birmingham*



Research funding awarded to local universities acts as a catalyst for other investments in city-regions and a positive driver for regional economic development. Studies show a clear relationship between regions with good universities, where on-campus innovation activities align with local competitive advantages, and economic growth (in terms of GVA and start-ups). This is supported by recent City-REDI research, which examined the experiences of Local Enterprise Partnerships (LEPs) and their partners in securing funding. The research found that the presence of research-intensive universities

in Birmingham is a central factor in the success of the Greater Birmingham and Solihull LEP and its ability to attract funding awards. The GBSLEP has received significant levels of funding from Horizon2020 (53,590,192 euros for 2014-2018) and research Council/Innovate UK (£997,002,402 for 2012-2021).

When we account for the unequal LEP geographies, by standardising funding data per head of population in each LEP, we find that the GBSLEP sits in the top ten LEP areas outside of London, in terms of its success at winning both European and UK research funding. The Midlands Engine receives the highest level of InnovateUK Funding awards, reflecting its strong history of manufacturing. Having strong research universities is critical to this success because they tend to be awarded to the strongest consortia of university research groups and R&D-focused businesses in key technology areas. But high levels of science, technology and engineering skills, strong regional partnership networks and coherent local industrial policies are also all important factors. Moreover, we have seen noticeable recent improvements across all of these components in the West Midlands region.

The funding supports research teams and infrastructure to underpin the generation, use, application and exploitation of knowledge. Universities also provide skilled graduates as an important capacity-building input into the region's innovation ecosystems with associated impacts on regional productivity. There is also the transformative knowledge that both graduates and the University departments offer to the LEPs, local authority, Chambers of Commerce, trade and professional bodies, other public services, as well as businesses.

But there is much more to be done. In order to build on the strengths of universities more broadly, there is a demand for better partnerships to be built between our universities and local businesses. This would help to address the long-term, systemic problem of the UK university-industry gap, in the translation of research into commercial products. It is also timely, given the UK government's recent proposal for the development of a Knowledge Exchange Framework (KEF) to compare how effective universities are at fostering knowledge sharing and the commercialisation of research. Studies have found that bridging this university-industry gap requires confronting the differences in institutional logics and priorities between the business and higher education worlds. For example, academics are motivated by a number of competing incentives and performance indicators (including their civic role, teaching responsibilities and REF) that



compete with commercialisation activities. At City-REDI, we are looking at ways of addressing this issue by identifying the different forms of commercialisation pathways at Universities and developing a framework to help academics to better understand the process and the potential impact of their technologies.

## Industry Insight

*Ian Noble, senior director, global chocolate production, platforms and global growth, Mondelēz International*



Mondelēz International is one of the world's largest snacks companies and produces many much-loved brands such as Oreo, Cadbury Dairy Milk, Belvita, Green and Blacks, Toblerone, Milka, Maynards Bassets, Trebor and Ritz. We manufacture biscuits, chocolate, gum and candy products, which are sold in 150 countries around the world. In the UK we employ 4,000 people and have a rich heritage dating back to 1824 when Cadbury was founded in Birmingham.

Over the last seven years we have invested £200 million in our UK business. This includes £75 million into new machinery at our Bournville factory securing the next generation of manufacturing at this iconic site. We have also grown our Research, Development and Quality (RDQ) facilities during that period and we are now one of the largest food research groups in the UK. We're enormously proud that Bournville is at the heart of our global business.

Every Cadbury product, no matter where in the world it is sold, starts out life in the Bournville Global Centre of Excellence for Chocolate Research. Home to over 260 scientists, engineers, nutritionists and chocolate experts, the centre works with other Mondelēz technical hubs across the globe sharing knowledge and expertise to drive innovation across new and existing products for the UK and over 150 other countries.

The recent launch of Cadbury Dairy Milk 30% less sugar was only made possible by our team of over 20 Mondelēz International Bournville-based scientists, who took three years to perfect this most significant innovation in Cadbury's history. Staying true to the iconic taste of Cadbury Dairy Milk has taken time and persistence by our team of experts, who focused heavily on delivering that instantly recognisable flavour and experience we all know and love.

The bar, now launched in India, the UK and Ireland, has no artificial sweeteners. We recognise that consumers want to manage their sugar intake. These new products are just one element of our ongoing strategy to increase choice across our portfolio and support people to enjoy treats, such as chocolate, in moderation as part of a balanced lifestyle.

From Birmingham to Australia, the Bournville RDQ team's expertise is renowned and sought out across the business. In July this year a team of Bournville Scientists and Engineers partnered with our Australian Cadbury business to launch the world's very first Cadbury Dairy Milk chocolate 3D printer. This unique printer made the trip to the other side of the world for its debut in Melbourne for World Chocolate Day on the 5th July. The machine was programmed to print all 26 letters of the alphabet as well as eight Australian themed, intricate finely printed chocolate designs, which cool instantly, ready to eat. Cadbury fans could choose from letters, shapes and iconic Australian symbols like kangaroos and even maps of Australia.

Industry leading innovation is impossible without a continual pipeline of talent. At Mondelēz International we're ensuring the future of our innovation at Bournville by partnering with key target schools and universities, starting right here at home with the University of Birmingham. We utilise multiple pathways into our business, including internships, apprenticeships and graduate schemes to build the critical skills and the talent pool required for the future. These initiatives also enable us to bring in fresh perspective to challenge our existing approaches and techniques.

Our apprenticeship offering allows us to attract future talent who opt for both education and industry experience. The scheme has now progressed from a two-year programme (A Level) into a four-year full degree. We ensure that our apprentices are committed to 20% off-the-job learning, which can be linked to R&D project work.

For Mondelēz International, apprenticeships are our source of talent from initial entry roles through to mid-entry and beyond. For apprentices, it is a unique chance to study towards a degree in the world's largest snacking business, without incurring any debt and building their industrial experience as they study.

At Bournville RDQ our internships are our largest investment in early careers, they are embedded across all our teams with strong return, progression and retention rates. The intern programme is a 12-month placement for students or graduates in RDQ, forming a source of talent for higher entry levels. For students it provides valuable work experience in a relevant industry to their degree.

At Mondelēz our people grow every day, they are given the freedom to master areas of expertise and have their passions supported by the business. The retention of great people and the investment in attracting new fantastic talent for the future drives our innovation capabilities forward, ensuring Bournville's Global Centre of Chocolate Excellence is leading the future.

## Industry Insight

*Saira Demmer, CEO, SF Recruitment*



Here at SF Recruitment, the Midlands' Leading Specialist Recruiter and proud patrons of the West Midlands and East Midlands Chambers of Commerce - we believe in the Midlands.

The region has been our home for over 20 years and has helped us to grow at a pace averaging 39% over the last six years. This is something we are very proud of as it reflects the talent and skills that exist within the region.

To keep pace with this growth, we felt our company's profile needed raising and revitalising to ensure we stayed relevant into the future. A future that will follow the direction we think the City of Birmingham is heading in, as it continues to explore and exploit its full potential.

The city is developing at a rate that even it's residents can't keep up with. Birmingham is perfectly located to benefit most from the government's drive to bring opportunity and growth to the Midlands and the North. From the Prince's Trust launching its new Skills Hub last year in Digbeth, to the 240,000 sq ft Arena Central development which will house over 3,600 civil servants from multiple departments by 2020, Birmingham is well on its way to becoming a major city hub.

Once the first section of HS2 has been completed, the city will boast 40-50 minute journey times to London - the same time it takes to cross from East to West of the capital on the tube. We will be as accessible as a suburb of London, but with a more affordable and inclusive cost of living.

This unique dynamic is one of the reasons big businesses like HSBC, PWC and Metro Bank have all announced new jobs and offices in Birmingham and why the West Midlands has had the fastest growing employment rate in the UK since the referendum in 2016.

So how could we at SF keep up with this? We spend our days helping people to make major career decisions, matching them to jobs they love and to businesses they will adore because they align with their values and style of working. To do this for our own people we needed to stand for something. Something that would have a lasting impact. Something that would take us on a journey and connect us with the world outside. Something that would give us purpose over and above that which we find in the day job.

With a network of over 12,000 local businesses, 40,000 candidates and 120 specialist consultants, we are privileged to have a platform for conversation that we can use to make a positive difference to one of the most pressing issues of our time.

As a relatively green-minded business (and with a helpfully green-coloured logo), we made the pledge to ditch all single use plastics, turning instead to a more

sustainable material – bamboo. An easy thing to say and a harder thing to do, we knew we had to live and breathe this pledge in order for it to become real. We rebranded to feature bamboo at the centre of our company story. We updated our values to reflect the strong, flexible and ethical nature of bamboo. Our leadership team ditched their love of sparkling water bottles and we discontinued thousands of items of plastic corporate gifting in favour of bamboo paper, pens, bottles, cups, gift boxes and even socks!

Our people are filling up the recycling bins daily, we have reinstated the milkman who brings us recyclable glass bottles and are planning a clean up of our waterways to reduce harmful plastics that may have found their way in. This is an industry first in the recruitment sector and we enjoy talking to our clients and candidates about our efforts. Many of them are decision makers in their own businesses and will inspire and influence their own networks to be more aware of the environmental dangers of single use plastics.

There are growing numbers of organisations in the West Midlands who have recognised the need for sustainability and seen it as a catalyst for innovation and change. The London Taxi Company with their new breed of electric hackney carriages. The University of Birmingham's pioneering research into plastic pollution. The clean air zone which is planned for Birmingham city centre will be one of the first of its kind. The pioneering industry for driverless cars which is currently centred around the West Midlands. To name but a few.

Could all of this innovation, plus our status as the youngest city in Europe and the hosts of the 2022 commonwealth games, be a chance for Birmingham to finally have its 'truth'? A chance for us to position as the fittest, most athletic, healthiest city? A chance to put the question of 'brand Birmingham' to bed once and for all? With one simple, powerful focus.

The sustainable city.

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# Birmingham Economic Review 2019

## Chapter 2: Creating a Workforce Fit for Tomorrow

UNIVERSITY OF  
BIRMINGHAM

BIRMINGHAM  
BUSINESS  
SCHOOL

CITY  
REDI



West Midlands  
Growth Company

## Introduction

The annual Birmingham Economic Review is produced by the University of Birmingham's City-REDI and the Greater Birmingham Chambers of Commerce, with contributions from the West Midlands Growth Company. It is an in-depth exploration of the economy of England's second city and a high-quality resource for informing research, policy and investment decisions.

What follows is a summary version of the full Birmingham Economic Review 2019. The full-length publication can be found on the Greater Birmingham Chambers of Commerce website, or requested using the contact details at the end of this document. Data and commentary were correct at the time of publishing: October 2019.

## Index

### **Foreword and Executive Summary: Scorecard for Birmingham**

**Chapter 1:** Adapting, Innovating and Leading the Future

**Chapter 2:** Creating a Workforce Fit for Tomorrow

**Chapter 3:** Connecting Communities with Opportunities

**Chapter 4:** Making Inclusive Economic Growth Happen

**Chapter 5:** Changing Perceptions of Birmingham

**Conclusion**

All Chapters of the *Birmingham Economic Review 2019* can be found online on the [Greater Birmingham Chambers of Commerce website](#) or via the contact details at the end of this document.



## Creating a Workforce Fit for Tomorrow

One of the key challenges in maintaining the momentum of economic growth in Birmingham is ensuring that this growth is inclusive, and its benefits accessible to every facet of the population.

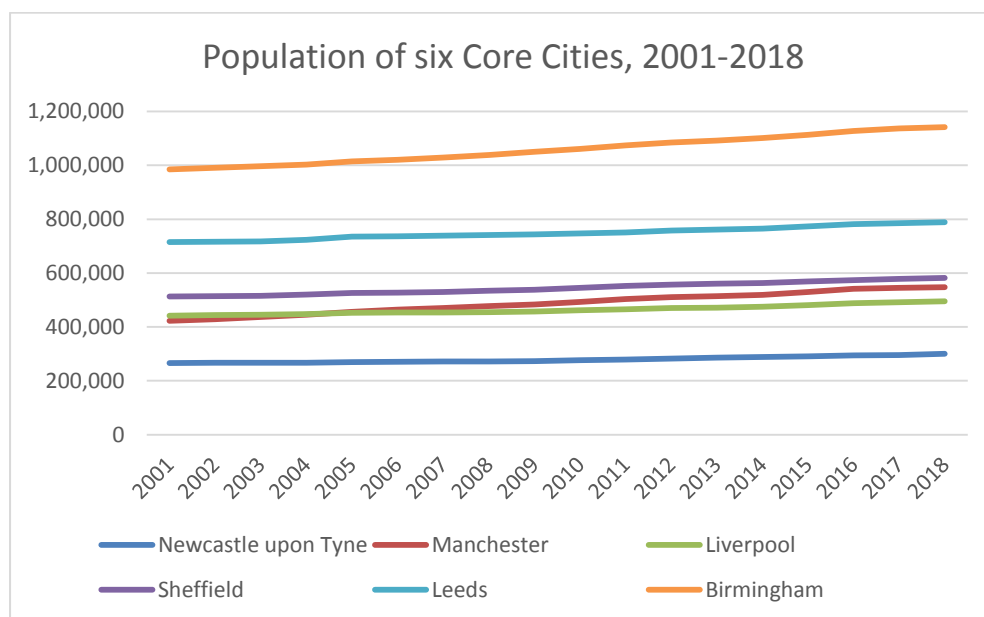
Birmingham's working-age population struggles with relatively low levels of employment, and high levels of unemployment concentrated in the inner city and some deprived outer city estates. The prevalence of low pay is a critical issue and deprivation is linked to serious public health concerns.

However, the city has world-class universities and further education colleges, which are contributing to narrowing qualification gaps, and the diversity of Birmingham's resident population provides a unique and valuable diversity of perspective and thought which many stakeholders and businesses are actively working to fully harness.

### Population & Employment

The latest data available for mid-2018 estimated the total population of Birmingham as 1,141,374. Birmingham is the largest Local Authority area and city in the UK outside of London. The population of Birmingham has been rising steadily since 2001, with a 15.9% increase between 2001 and 2018. This growth in the total population of Birmingham is higher than Sheffield (13.5%), Newcastle (12.8%), Liverpool (12.0%) and Leeds (10.3%), but lower than Manchester, which has seen an increase of 29.5% in its population over the same period. Population growth is one of the key drivers of the economy, especially the working-age population of a city.

Figure 1 Population Change Over Time

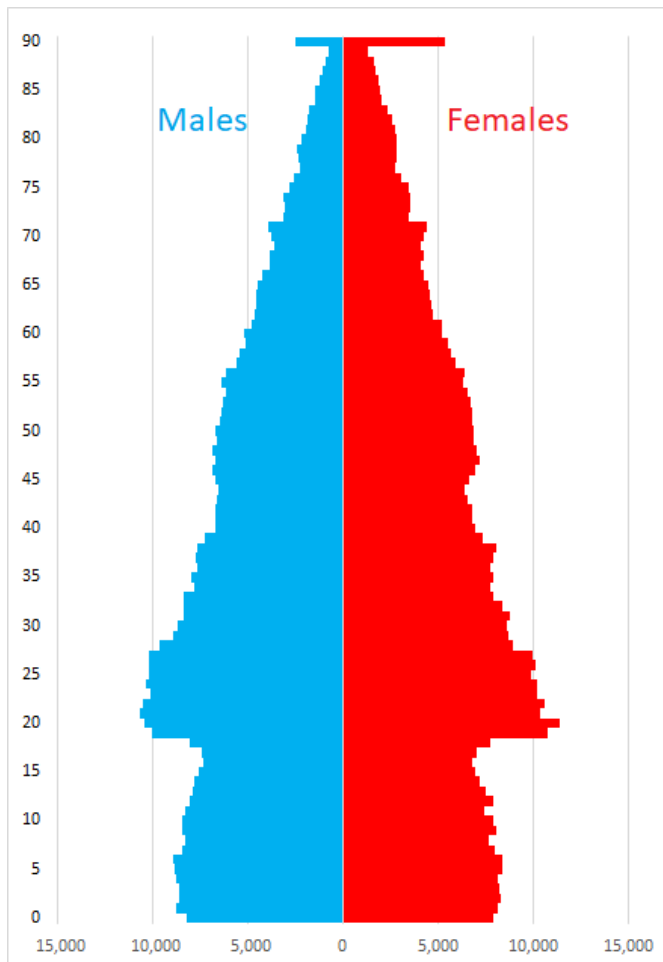


Source: ONS Crown Copyright, Mid-year Population Estimates

The proportion of Birmingham's population aged 18-24 has increased over the last decade, partly due to the growth of the city's three largest universities. This

makes the city one of the youngest major cities in Europe, with under 25's accounting for 37.6% of Birmingham's total population in 2018. Figure 4 shows the distribution of the population of Birmingham for all ages for males and females.

Figure 2 Birmingham Population Pyramid, mid-2018



Source: ONS Crown Copyright, Mid-year Population Estimates

A number of datasets provide information about Birmingham's economic performance, including levels of employment, self-employment, unemployment, and overall economic activity. Much of this data comes from the Annual Population Survey.

The Annual Population Survey (Table 2) estimates that 70.8% of those aged 16-64 in Birmingham were economically active in the period Jan-Dec 2018 - this has been increasing in recent years but is still well below the percentage for Great Britain at 78.5%.

Overall, Birmingham's working age population that is economically active has relatively low rates of employment and high levels of unemployment, concentrated in the inner city and some deprived outer city estates.

Table 1 Economic Activity (Jan - Dec 2018), aged 16-64

	Birmingham (numbers)	Birmingham (%)	Great Britain (%)
Economically Active	516,200	70.8	78.5
Employment Rate	475,900	65.3	75.0
Employees	417,500	57.3	64.3
Self-employed	57,800	7.9	10.6
Unemployed	40,400	7.8	4.3
JSA claimants Jan 2019	9,900	1.4	0.6

Source: ONS, Annual Population Survey

Table 1 shows that Birmingham's employment rate is estimated at 65.3% for 2018, well below the national rate of 75.0%. Birmingham's unemployment rate also remains high at 7.8% for those aged 16-64 in Birmingham, this is almost double the national rate of 4.3%.

Unemployment has been a major issue in the city since the decline of its traditional manufacturing base in the 1970s. Unemployment also increased rapidly in the city during the recession of 2007-08, resulting in the highest levels of unemployment for over a decade. At 1.4%, the JSA claimant count is also significantly higher than the national average, which stood at 0.6% for January 2019.

Self-employment stands at 7.9% of working age adults, below the national level for Great Britain for 2018 at 10.6%.

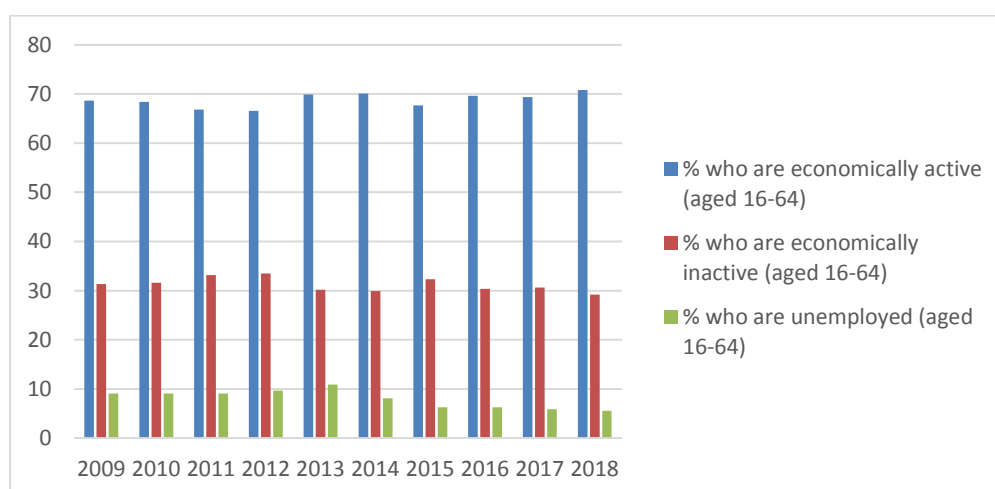
Table 2 Economic Inactivity (Jan – Dec 2018), aged 16-64

	Birmingham (Number)	Birmingham (%)	Great Britain (%)
Total economically inactive	212,800	29.2	21.5
Student	82,800	38.9	26.9
Looking after family/ home	58,200	27.3	23.6
Temporary Sick	2,400	1.1	1.9
Long Term Sick	33,300	15.6	22.7
Discouraged	-	-	0.4
Retired	13,600	6.4	13.2
Other	22,100	10.4	11.3
Wants A Job	33,500	15.7	20.8
Does Not Want A Job	179,500	84.4	79.2

Source: ONS, Annual Population Survey

At 29.2%, Birmingham had a much higher proportion of economically inactive residents in 2018 compared to the national figure of 21.5% (Table 2). However, of these over a third (38.9%) are students. The proportion of students is higher than the national figure (27.0%) and should be viewed as a positive contribution to the city. Removing students from the data would remove much of the disparity in economic inactivity between local and national figures. Another major group falling under those who are economically inactive in the city include those who are looking after their home and family (27.3%) - a decrease from 27.9% the previous year but still higher than the national average at 23.6% for 2018. Furthermore, of those who are economically inactive, 15.6% are classified as being long-term sick and 6.4% are retired, both falling below the national averages of 22.7% and 13.2% respectively.

Figure 3 Employment, Unemployment and Economic Inactivity, Birmingham, 2004-2017



Source: ONS, Annual Population Survey

### Share of Employment by Occupation, Ethnicity & Gender

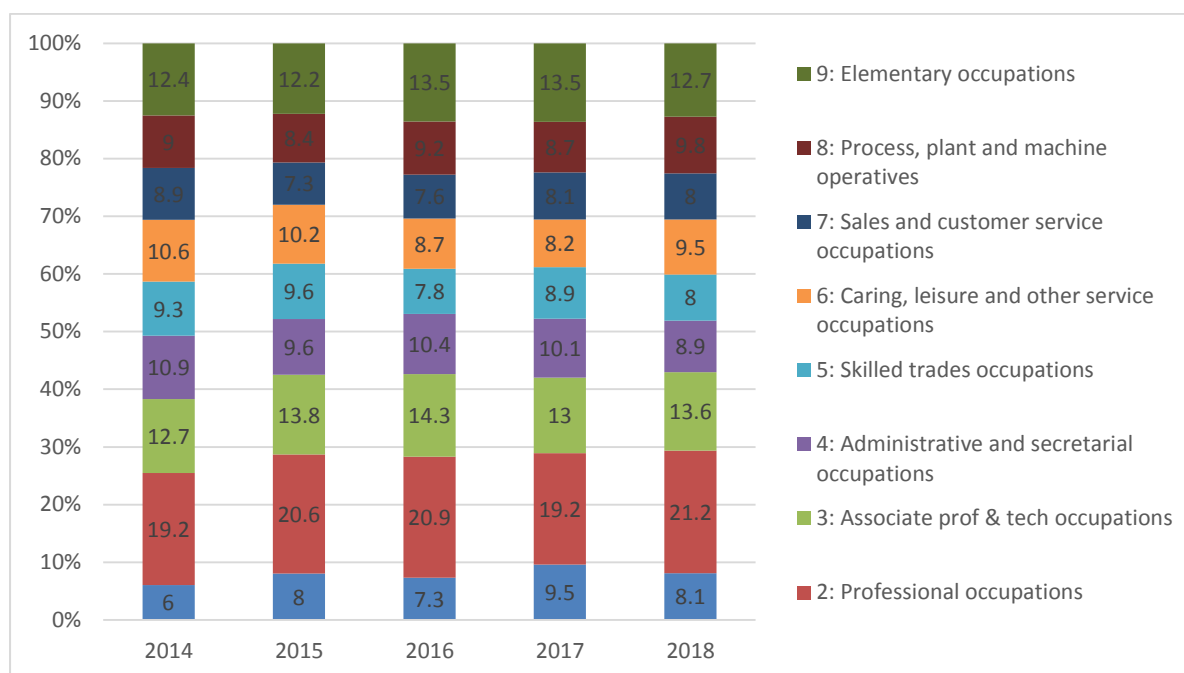
Looking at employment by occupational group according to the Standard Occupational Classification in Table 3 shows that ‘Professional Occupations’ (21.2%) and ‘Elementary Occupations’ (12.7%) are the biggest employing occupational groups in 2018. The former is a highly skilled profession whilst the latter is a low skilled profession, highlighting polarisation in the local labour market in Birmingham.

Table 3 Employment by Occupation (%), Birmingham, 2014-2018

SOC2010 Occupation/year	2014	2015	2016	2017	2018
1: Managers, directors and senior officials	6.0	8.0	7.3	9.5	8.1
2: Professional occupations	19.2	20.6	20.9	19.2	21.2
3: Associate prof & tech occupations	12.7	13.8	14.3	13.0	13.6
4: Administrative and secretarial occupations	10.9	9.6	10.4	10.1	8.9
5: Skilled trades occupations	9.3	9.6	7.8	8.9	8.0
6: Caring, leisure and other service occupations	10.6	10.2	8.7	8.2	9.5
7: Sales and customer service occupations	8.9	7.3	7.6	8.1	8.0
8: Process, plant and machine operatives	9.0	8.4	9.2	8.7	9.8
9: Elementary occupations	12.4	12.2	13.5	13.5	12.7

Source: ONS, Annual Population Survey

Figure 4 Employment by Occupation (%), Birmingham, 2013-2017



Source: ONS, Annual Population Survey

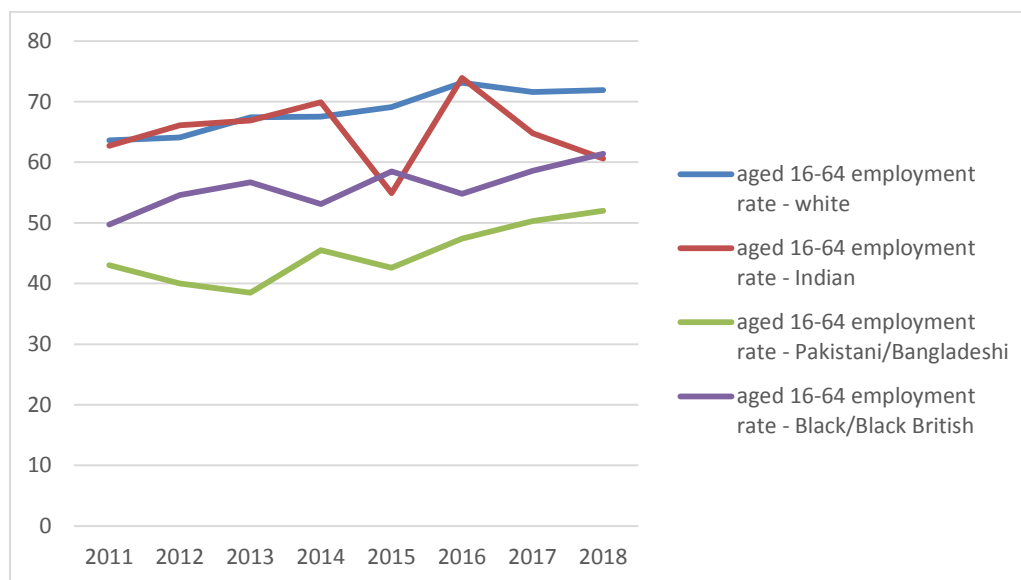
In the 2011 Census, 238,313 of Birmingham’s residents were born outside the UK. Of these, around 45% arrived between 2001-2011. The largest ethnic group was White British at 570,217 (53.1%). This is down from 2001 (65.6%) and lower than the average for England (79.8%). Other large groups include Pakistani (13.5%) and Indian (6.0%) that increased in percentage terms between 2011-2001, while the proportion of people defining themselves as Black Caribbean (4.4%) declined.

Birmingham’s working age population is significantly more ethnically diverse than the country as a whole. According to the latest data from the Annual Population Survey, 40.2% Birmingham’s population is non-white, making the city the most diverse of all the English core cities.

The city is home to large, established communities from the Asian sub-continent and the Caribbean. However, more recent migration has been much more varied, with people arriving to the city from a larger number of countries and with differing ethnicities, labour market statuses, immigration statuses, and often with little prior connection to the city. EU migration has brought large numbers of migrants to the city, particularly from Poland and Romania. Together with the indigenous population, these migrants have created the highly diverse population of Birmingham.

Figure 7 shows that employment rates vary widely among different groups. The white group has the highest employment rate (71.9%), overtaking the employment rate for the Indian group, which decreased significantly from a peak of 73.9% in 2016 to 64.8% in 2017 and 60.6% in 2018. According to the Annual Population Survey, employment within the Indian group has fluctuated significantly since 2014. The Pakistani/Bangladeshi group had the lowest employment level (52.0%) in 2018, which despite having increased since 2011 has remained consistently lower than all other ethnic groups over this period.

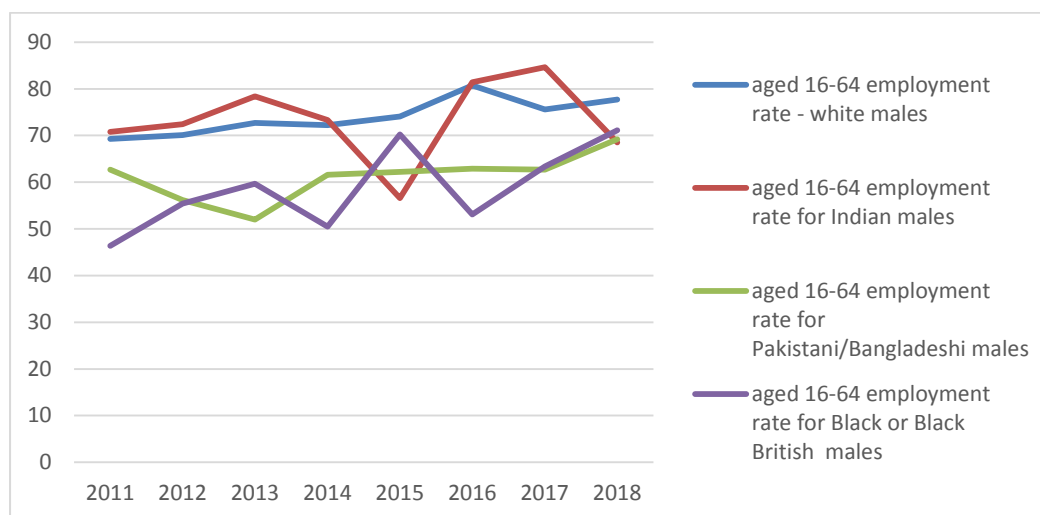
Figure 5 Employment Rate by Ethnic Group, Birmingham, 2011-2018



Source: ONS, Annual Population Survey

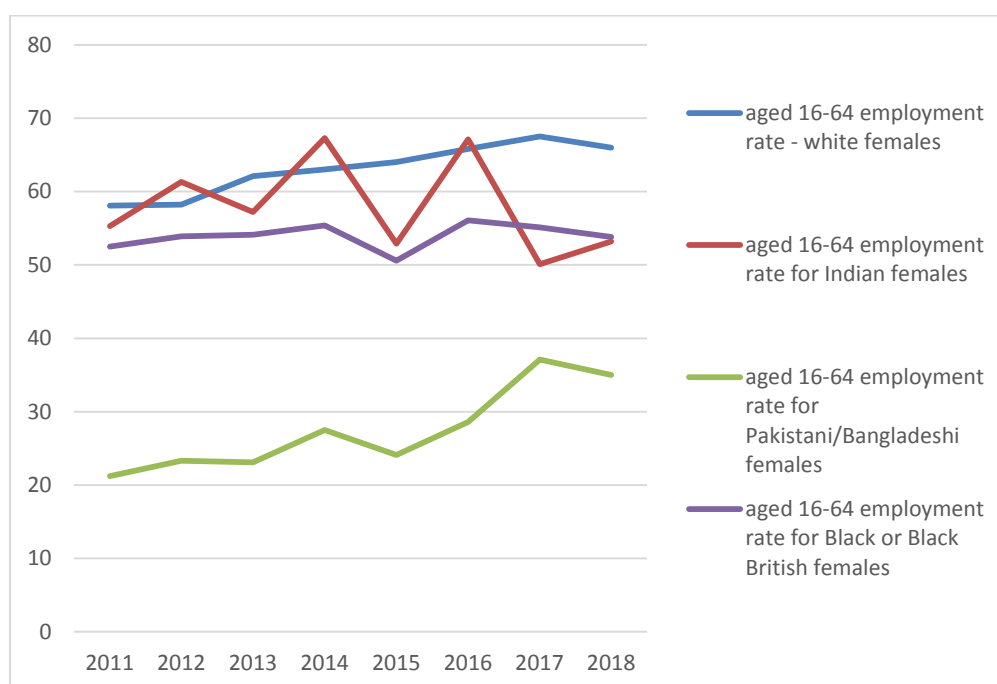
A significant factor in the low employment rate for the Pakistani/Bangladeshi group is the very low employment rate for women (Figure 9), which although improving compared to previous years, remained very low at 35.0% in 2018. However, it is important to note that this figure does not take into account informal work.

Figure 6 Male Employment Rate by Ethnic Group, Birmingham, 2011-2018



Source: ONS, Annual Population Survey

Figure 7 Female Employment Rate by Ethnic Group, Birmingham, 2011-2018



Source: ONS, Annual Population Survey

Despite low labour market participation rates among some ethnic groups causing considerable economic challenges, the ethnic make-up of the city has advantages and presents unique opportunities. Birmingham has long been associated with ethnic entrepreneurship amongst groups such as South Asians. Some highly successful business ventures have been born out of migrant businesses such as East End Foods, one of the UK’s leading spice, lentil and rice specialists, with an annual turnover in excess of £180m. KTC, Awan Marketing and Euro Packaging are also great examples of successful enterprises, and the South Asian community has produced many thriving microbusinesses. Birmingham’s curry industry can also be attributed to South Asian migrant businesses. In April 2016, Sparkhill was named the independent shopping capital of Britain with around 95% of shops in the area owned by independent retailers; highlighting the entrepreneurial spirit within the community.

More recently arrived groups in the city have also set up businesses with a strong Polish business community now developing through Polish delicatessens, construction companies and more professional services, such as recruitment agencies. Many of these businesses trade across the EU.

There has been some good progress recently, especially amongst the South Asian community, with a strong number of start-up enterprises coming from ethnic minority communities. Nevertheless, there is still work to be done to ensure that these businesses have access to the support they need in order to grow and thrive.

Inclusive growth is a priority for local stakeholders and businesses. The WMCA has recently launched an *Inclusive Growth Unit*, and its Leadership Commission has stressed that the leadership of organisations needs to better reflect the diverse nature of the West Midlands. The Asian Business Chamber of Commerce



(part of the GBCC) are currently piloting a unique, action-orientated campaign, *Diversity in Leadership*, which is working with some of the regions' biggest employers to address the underrepresentation of women, LGBT, disabled, black, Asian and minority ethnic (BAME) communities on boards of directors and in leadership roles.

## Industry Insight

*Andy Dawson, Director and Co-Founder, Curium Solutions*



**As part of this year's Birmingham Economic Review, Curium Solutions' director and co-founder Andy Dawson argues that leadership and unlocking potential are critical to creating a workforce fit for tomorrow.**

Every summer, the clever folk at the University of Birmingham's City-REDI and the Greater Birmingham Chambers of Commerce gather data from the region, crunch the numbers and make sense of where we are heading, economically speaking.

Every autumn, they share their findings and, depending whether you are a glass half-full or empty type, you can either see challenging times ahead or opportunities ripe for the picking.

GVA per head in the Midlands is one of the lowest in the country, 16% of our population has no qualifications, and our unemployment rate is more than 5.1% (3.9 for the UK overall). We have the highest gender earning gap of the UK's 12 region and more than half of women in the West Midlands work in lower-paying sectors.

At Curium, we're glass half-full types. Whilst there are challenges in our city and region, we see great opportunities ahead and we are working as part of a wider community to find solutions.

Positive change is happening. In Andy Street, we have a mayor talking up the region. We have a powerful force in the Greater Birmingham Chamber of Commerce, while HS2 and the Commonwealth Games are inspiring capital investment, civic pride and confidence.

Construction is often considered a sign of economic health. This year, Deloitte's Crane Survey showed Birmingham to be in good health, with city centre residential development at an all-time high, office development exceeding 1.4 million sq. ft and student accommodation reaching its highest ever level with 2,667 units under construction.

With the physical fabric of the city making progress, what about the people who work in it? I have been asked for my / Curium's view on creating a workforce fit for tomorrow. For me, it starts with leadership.

### ***Leadership***

There are many ways of being a successful leader. Look at some of our local success stories: Gymshark, Homeserve, HSBC and JLR. Personal styles differ, as do organisations, but these leaders all share the ability to communicate a vision and inspire their teams to make it happen. They demonstrate resilience and adaptability and, importantly, they take people with them.

We are proud to support the GBCC's Growth Through People initiative. Few things impact business growth as much as the ways in which an organisation

leads and manages its people. However, too often the 'day job' comes at the cost of personal and professional development, for leaders and employees alike.

The GBCC survey revealed that while many believe that investment in leadership and people has a positive impact on productivity, few are convinced that their organisation has a clear strategy or support for improving leadership capability. 'Lack of time' is the biggest barrier.

While we occasionally come across this, our experience is that organisations are investing in leadership development. Our Voyage Leaders™ programme, which takes participants through six core leadership journeys, is empowering leaders to make and take time for their own development; giving them the skills and mindsets they need to succeed.

We have also partnered with TheBusinessDesk.com to introduce the West Midlands Leadership Awards. These awards celebrate the leaders and organisations in our region who set the pace, whether in accelerating change, improving inclusion, or creating disruption. The entries show that there is no shortage of examples of great leadership.

### ***Diversity and inclusion***

Inclusive leadership is a major development. A more diverse team improves financial performance. Companies in the top-quartile for ethnic and cultural diversity on executive teams are 33% more likely to have industry-leading profitability; 21% for gender diversity.

Creating opportunities to maximise all talent is essential, especially in a city that is more ethnically diverse than London and the youngest major city in Europe.

More than a year ago, the West Midlands Combined Authority's Leadership Commission published its 'Leaders Like You' report. It revealed a significant leadership diversity gap, which, despite some progress, remains much in evidence.

We conducted our own research into leadership characteristics and discovered that while organisations are focused on characteristics like race, gender and disability, few understand and empower diversity of thinking and behaviour. Successful leaders will harness the power of that diversity. Here are some tips:

- Use a diagnostic tool to discover the preferences within your teams and firms - a team that appears diverse is still capable of 'group think'
- Set the tone from the top - inclusion has to be a priority for an organisation's leaders; something they champion and support
- Experiment and explore - you won't always get it right but be open to trying something new or different
- Empower others - create a culture of psychological safety in which people feel empowered to challenge and create
- Trust the intention - you and others might make mistakes, but make it safe to do so
- Make your communication more impactful by appealing to all styles and preferences
- Shift mindsets by promoting the positive impact difference and diversity have on achieving results

This cannot wait. Employees, customers, markets, ideas and cultures are all diverse. Inclusive leaders embrace this diversity, harnessing different perspectives, experiences and ways of thinking to ensure their organisations and their employees thrive.

### ***Digital and data***

Finally, look at the world we live in. Just over 10 years ago, nobody had heard of an iPhone. Now we can barely function without them. Algorithms know more about us than our friends do. Data and disruption are the words of our age. AI, robotics and automation are no longer the stuff of science fiction; they're a business fact.

Any company not looking ahead will find itself outpaced, outdated and out of business. We have smart phones, smart homes, smart vehicles, but do we have smart people?

The 2019 TechNation report paints a positive picture of the Midlands. We have more than 20,000 digi tech businesses and 117,000 people employed in the sector. That's a good start but we also know we have a skills gap. In the UK, we are on course to have a million tech jobs by 2020 that we cannot fill.

It is important that organisations take advantage of the opportunities offered by technology. It is equally important that the workforce has new skills, so the economy can grow, and no one gets left behind. Without some serious intervention, that skills gap will keep getting bigger.

In my view, we already have a workforce fit for tomorrow; we just need to unlock its potential. We need to empower our workforce with the right capabilities, skills and mindsets for new ways of working. And that, as I said at the start of this article, begins with leadership.

## Skills

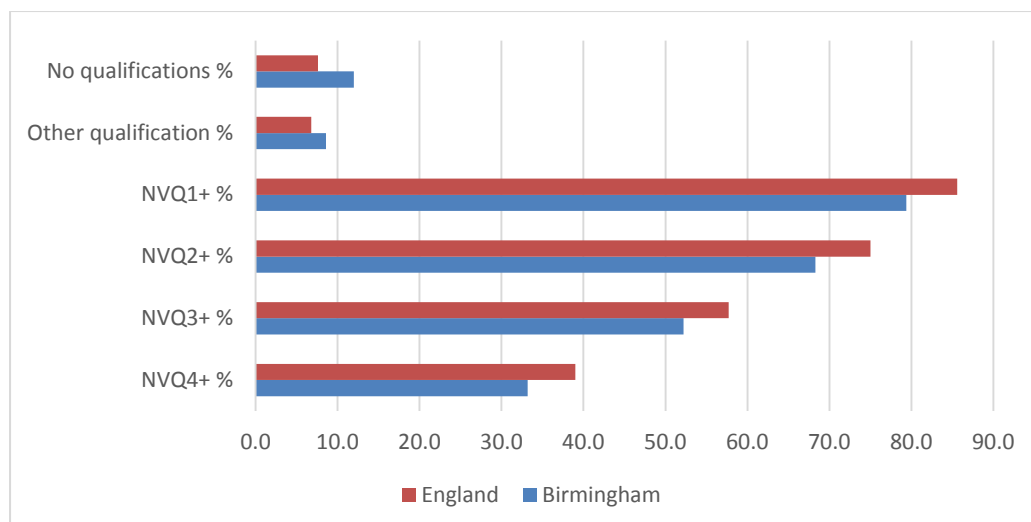
The skill levels of the resident population have a strong bearing on both the prosperity of the workforce and the competitiveness, productivity and performance of the Birmingham economy. With the current trend of more jobs in professional and technical occupations, the ability to take part and compete in the labour market is increasingly dependent on skill levels and qualifications attained. The skills profile of the city's residents has been a cause of concern for some time, with Birmingham residents less likely to have high-level qualifications and more likely to have low or no qualifications than residents of other major cities and the national average.

**Table 4 Qualifications (%), 2018**

	NVQ4+	NVQ3+	NVQ2+	NVQ1+	Other Quals	No Quals
Birmingham	33.2	52.2	68.3	79.4	8.6	12.0
Liverpool	37.5	56.1	74.3	82.3	7.2	10.6
Manchester	44.1	60.4	72.7	81.9	7.6	10.5
Newcastle	40.5	61.3	78.3	86.0	4.1	9.9
Leeds	38.2	58.2	76.0	87.7	5.4	6.9
Sheffield	44.1	66.1	79.0	87.9	5.8	6.3
England	39.0	57.5	75.0	85.6	6.8	7.6

Source: ONS, Annual Population Survey

**Figure 8 Qualifications (% of 16-64 year olds), 2018**



Source: ONS, Annual Population Survey

Data from the 2018 Annual Population Survey, presented in Table 5 and Figure 10, shows that 33.2% of Birmingham's working-age population have a degree or higher level qualification. This is well below the national average which stood at

39.0% for 2018. There has, however, been an increase in the proportion of residents in the city with degrees since 2005, and this rate continues to grow. In 2017, 31.4% of Birmingham's residents had a degree or higher level qualification.

When using a broader measure of the skill level of a workforce, using the proportion qualified to NVQ3 and above (often used as the definition of a 'world class' workforce), Birmingham underperforms the national average. Only 52.2% of the workforce is educated to this level, compared to 57.7% nationally.

A similar picture also exists at the other end of the skills spectrum. Birmingham has a high proportion of its working-age population with no formal qualifications (12.0%). This proportion is significantly above the nation as a whole (7.6%), although this percentage has fallen from 14.2% in 2016 and 12.6% in 2017. This could be partly due to Birmingham's large non-white population whereby qualifications obtained outside the UK are not being recognised. This skills shortage is a contributing factor to Birmingham's low proportion of employed residents, and associated high claimant and unemployment rates.

Birmingham has five core universities – the University of Birmingham, Aston University, Birmingham City University, University College Birmingham and Newman University. The five institutions vary both in size and in the balance of postgraduates and undergraduates. The University of Birmingham is the largest of the city's universities with approximately 29,000 students - 70% of these are undergraduates and 30% are postgraduates.

Graduate retention is an important factor in improving the skill base of the resident population, and the high proportion of overseas students in the city may impact on this. In total, 40.4% of graduates from a Birmingham institution were working in the West Midlands six months after graduation. This figure is higher for the University of Birmingham, with 48% of its students remaining in the region after graduating in 2014/15.

### *Qualifications Gap*

The high proportion of Birmingham's working-age population with no formal qualifications, its low proportion of employed residents, and its associated high claimant and unemployment rates raises concerns of a skills gap in the city. Calculating the supply of skills by NVQ level in Birmingham from ONS data (2004-2014) and using working age population forecasts (minus economically inactive) gives the absolute number of people with specific NVQ levels. Using Oxford Economics occupation demand (2016-2020) NVQ demand in the city can be assumed. NVQ supply and demand can then be compared.

Due to changes in employment and sectoral growth, the findings suggest that Birmingham currently needs 68,331 more residents with NVQ Level 4+ qualifications and 5,988 more residents with NVQ Level 3+ qualifications to fill current skills gaps. In 2016, the NVQ Level 4 skills shortage was 70,938, compared with a shortage of 7,725 residents with NVQ Level 3 qualifications. This decline over the past year indicates a relatively positive outlook since the qualifications gap seems to follow a declining sectoral trend.

The city also has a shortage of residents qualified at NVQ Levels 2 and 1. Such a deficit in skills, particularly at NVQ Levels 2 and 1 significantly constrains Birmingham's growth potential. To create a high skills equilibrium and raise

productivity levels, a special focus on increasing skills at NVQ Level 2 seems to be crucial.

### Apprenticeships

In April 2017, central government introduced the Apprenticeship Levy, a levy on employers in the UK to fund new apprenticeships. The levy is charged at a rate of 0.5% for employers with a paybill of over £3 million per annum.

Latest data on apprenticeships shows that there were 10,860 apprenticeship start-ups in Birmingham in 2016/17, an increase from the previous year. During this same period, regional and national apprenticeship start-ups decreased.

Table 5 Apprenticeship Starts

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Birmingham	10,950	9,310	11,470	10,620	10,860	6,800
West Midlands	62,430	52,410	61,240	60,910	60,330	42,650
England	504,200	434,600	494,200	503,900	489,100	375,760

Source: Department for Education

Apprenticeship policy is a devolved policy. It is the responsibility of each local government to manage their own apprenticeship programme and decide how funding is spent. It is therefore important that Birmingham knows ‘what works’ when it comes to setting their local apprenticeship programme. The What Works Centre have devised an apprenticeship toolkit that local authorities can use to support their decision making.

Figure 9 Apprenticeship Toolkit Overview

Policy Design Tool	What does it aim to do?	How secure is the evidence?	How much does it cost?	How effective is it?
<b>Mentoring</b> is the provision of support by one person to another less qualified person	Provide advice to improve take-up, completion or skills acquired		£££	
<b>Financial incentives</b> refer to a wage paid to the apprentice, or subsidies given to the employer to hire and train apprentices	Improve take-up and completion		£££	
<b>Pre-apprenticeships</b> are programmes which precede an apprenticeship	Improve take-up, completion or skills acquired		£££	

Source: What Works Centre

## Expert Comment

*Professor Anne Green, Professor of Regional Economic Development, City-REDI, University of Birmingham and*

*Dr Abigail Taylor, Policy and Data Analyst, City-REDI, University of Birmingham*



In the context of a changing labour market there is ongoing concern about a decline in employer investment in training in England. In part to redress this trend, the Government set a target of 3 million new apprenticeship starts between 2015 and 2020 and in 2017 introduced an Apprenticeship Levy for employers with a pay bill in

excess of £3 million, with the aim of increasing the quantity of apprenticeships and enhancing their quality. Related reforms include rationalisation of the range of apprenticeships available and the development of apprenticeship standards in consultation with employers to replace qualification-focused apprenticeship frameworks.

Apprenticeships are paid jobs incorporating on- and off-the-job training. Although apprenticeships are often thought of as a route into employment for young people, they are in fact diverse, with workers over 25 years accounting for nearly half of apprenticeships. They are intended to equip individuals with the necessary skills, knowledge and behaviour needed for specific job roles, and for future employment and in-work progression across a range of sectors. They can be studied at a range of different levels – from Intermediate (Level 2: equivalent to 5 GCSE passes), through Advanced (Level 3: equivalent to 2 A level passes) and Higher (Foundation degree or above) to Degree level.

By comparison with countries such as Germany, the apprenticeship system in England is relatively underdeveloped. It is also distinctive in international comparative terms in that in England apprenticeships are typically shorter, include less general education, are more likely to be taken by incumbent workers than new entrants, are less likely to be focused on craft-based skills and have less emphasis on employer-provided training in the workplace.

Taking a central position in debates on skills, apprenticeships have been heralded as a solution for youth unemployment and as a means to improve lifelong learning pathways so facilitating progression. They have been proclaimed as a means of providing vocational skills needed by employers and as an element in solving the productivity puzzle.

Yet apprenticeship starts have fallen since the introduction of the Apprenticeship Levy – both nationally and in Birmingham, although there is some evidence that the trend is now stabilising. There is ongoing debate regarding the extent to which this reduction is symptomatic of employers getting used to the complexity



of a new system, or whether it signals a more fundamental flaw with the Levy. The decrease in starts has been particularly pronounced amongst lower-level apprenticeships amongst workers aged over 25 years, whereas those at higher levels have risen, indicating that rebalancing has been in the intended direction of enhanced quality.

Recent employer interviews with Levy payers in the West Midlands highlight the operational difficulties faced as the new system bedded in, resulting in Levy underspend in some instances. Employer interviews also point to how, in some businesses, the advent of the Levy has 'propelled training' into the minds of senior managers outside of HR, and has increased the appetite for staff training that can be funded through apprenticeships. Some employers have looked to address skill shortages and succession planning by looking at upskilling existing staff, and as a result new progression routes for workers have opened up. The interviews also underscore the growing popularity of degree apprenticeships. Nonetheless, they also raise concerns that the introduction of the levy has disrupted existing apprenticeship routes with local Further Education colleges for SMEs who are not required to pay the levy.

Uniquely in the West Midlands the Combined Authority under powers from its Skills Deal has set up an Apprenticeship Levy Transfer Fund, into which large employers can transfer unspent levy. This fund is being used to cover 100% of the training costs of apprentices in small- and medium-sized businesses in the region.

Looking ahead, some commentators argue that with the shift to higher level programmes and training focusing on established workers the funding system needs to adjust to favour young people and new starters. By contrast, others suggest that the existing levy should be reformed into a broader Training Levy, including other forms of accredited training, aligned to local sector priorities. In both instances employer engagement in the skills system is crucial. Examination of international skills systems emphasises the importance of developing strong relationships between employers and other actors in the skills system such as universities and schools if high take-up of apprenticeships is to be achieved.

## Expert Comment

*Professor Anne Green, Professor of Regional Economic Development, City-REDI, University of Birmingham and  
Dr Abigail Taylor, Policy and Data Analyst, City-REDI, University of Birmingham*



Over the last twenty years there has been concern about the 'digital divide' and associated inequalities in access to opportunities, knowledge, goods and services. People who do not engage effectively with the digital world are at risk of exclusion, both socially and economically. Digital

engagement is about: (1) access to computers, smartphones and an internet connection; (2) digital skills to use such devices; and (3) how people deploy those skills in a positive and effective way.

As the number of non-users of the internet has declined over time concerns over access have diminished. In the West Midlands 22 per cent of adults were defined by the Office for National Statistics in 2012 as non-internet users. This proportion had declined to 11 per cent in 2018. Yet as access to digital devices has become ever more integrated into everyday living these people remain at risk of exclusion.

There is increasing policy interest in ensuring that the population is equipped with at least basic digital skills. These comprise managing information (e.g. using a website to search for information), communicating (e.g. sending a message via email), transacting online (e.g. buying services from a website), problem solving (e.g. verifying sources of information online or solving a problem with a device or digital service using online help), and creating content (e.g. completing an online application form). Importantly these skills are not only concerned with technical aspects of using devices, but also about filtering, using and generating information. Acquisition of basic digital skills people can provide a gateway to benefits (in an era of 'digital by default' services), e-learning, careers information, job vacancies, employment and higher earnings. Recent research shows that overall roles requiring digital skills pay 29 per cent more than roles that do not, with the differential being greatest at higher skill levels. This earnings differential is indicative of digital skills being one of three key skills contributing most to skills gaps in the UK according to the 2017 Employer Skills Survey, at a time when digital skills are increasing only slowly. In the West Midlands, the proportion of the population with the five basic digital skills in 2018 was 76 per cent compared with the UK average of 79 per cent.

Beyond this threshold level of basic digital skills the Industrial Strategy identified Artificial Intelligence (AI) and data. They are transforming business models across many sectors and are also seen as new industries in their own right. As a result there are likely to be job losses in occupations where digital skills are used to undertake routine tasks. Conversely there is a projected increase in occupations

where digital skills are used creatively, to foster innovation, raise productivity and solve problems.

Business surveys highlight the ever increasing speed of technological change. This means digital skills requirements will change over time, making it difficult to make a clear distinction between essential and specialised digital skills, especially as the latter may be context-specific. It also highlights the importance of ongoing reskilling, which will increasingly involve e-learning – in turn requiring possession of a threshold of digital skills. In the West Midlands the Digital Skills Partnership, bringing together tech firms, businesses, universities, colleges and training providers is working to improve local people’s skills and qualifications.

Overall, the picture is one of firms in many sectors facing difficulties in recruiting people with digital, analytical and programming skills, especially in combination with a range of other skills: it is not digital skills in isolation that are important, but the way the way that they are an integral component of a broader skills mix. Evidence suggests that a mix of digital skills in combination with managerial and leadership skills will be increasingly important. This in turn has implications for innovation, which is intertwined with a growing need for digital skills. In some instances recruitment difficulties are due to national skill shortages. Retention is an issue too. Research with firms in the Professional and Business Services sector in Birmingham highlights difficulties in retaining sought-after skills, with poaching from inside and outside the sector. This reflects the mobility of ‘top talent’ across sectors and underscores the importance of the ‘total employment offer’ and quality of life in Birmingham in attracting and retaining such workers.

## Industry Insight

*Mike Hopkins, Principal, South and City College Birmingham*



Birmingham has a high proportion of unskilled and low skilled workers and, at the same time, a significant skills gap in a number of industries. In addition, many young people are leaving school with no qualifications, adding to the pool of unskilled workers every year. Further, there are language difficulties across many new communities, creating geographical hotspots across different parts of the city and inhibiting employability. The challenges we face are upskilling the population and closing this skills gap so the city can prosper and we can meet the demand for skilled workers that employers need.

Colleges have an exemplary track record of addressing these issues. Every year, we take thousands of school leavers, many with few or no GCSEs and give them an opportunity to achieve their qualifications and meet the needs of employers, in an environment where they are treated as adults but given the support that young people need. Many of our students thrive in that environment and they progress onto higher level qualifications which lead to sustainable jobs and university. We are keen to provide pathways to university and employment for all of our students, regardless of their starting point. A good example is our Foundation Degree in Engineering which allows students who study vocational qualifications to progress into the final year of an academic degree with University of Birmingham.

Colleges also help adult students begin or return to education at any age. Some join us on vocational courses leading to employment, others use our 'Access to University' courses as a stepping stone to university, both groups realising that it's never too late to learn. At South and City College Birmingham, the largest cohort of adult students is on English for Speakers of Other Languages (ESOL) courses, where we're one of the biggest providers in the country. We work on restoring their confidence so they can progress onto our vocational courses and eventually enter employment. Importantly, without English most unemployed people are unemployable.

We also work with young people who are not engaged in education, training or employment to get them back on the right path. For example, our new 12-week 'Ignite' programme has been designed for this very purpose - it is focused on working with the Job Centre Plus to identify young people aged 18-24, engaging and mentoring them, finding areas of potential interest and employment, linking them up with employers and giving them basic skills requirements in terms of work ethics, life skills and employability and finally, matching them with job opportunities with employers.

On the other side of the coin, colleges also work with employers to design training programmes and courses that, on completion, can lead to employment in that sector. For example, at South and City College Birmingham, we have successfully developed training programmes for National Express, Worcester Bosch, Birmingham and Solihull Mental Health Foundation Trust and many more. There are some excellent examples of joined-up working between the college, Jobcentre

Plus and employers where the long-term unemployed are given specific job-related training required by employers to enable them to go back to work.

Further, we work with employers to recruit and train apprentices, which is proving a popular route for employers as it allows them to grow a skill base that is matched to their business needs. Some employers also choose to offer apprenticeships to their existing staff as a way of improving their training, whilst others upskill their workforce with other higher level qualifications. Both of these routes are a good way to improve productivity and we have been working with the West Midlands Combined Authority to access funding which allows us to use innovation and flexibility to train and upskill Birmingham's workforce.

All this good work happens against the background of inadequate funding which has decreased by 30% in real terms, in the last ten years. In addition, the funding arrangements are inappropriate, inflexible and based on long qualifications. Changes to apprenticeships, which despite supposedly being industry led, are not meeting needs of various sectors. Furthermore, there is a significant lack of communication, coordination and support from other public sector agencies, such as local authorities and the health service. All this has led to a significant reduction in the resources available for teaching and support in the sector. Many colleges are facing financial challenges, which in turn means that we are less able to really equip our people with the skills the country needs to secure prosperity post Brexit. For our city and country to thrive, one thing is clear - the further education sector needs sufficient funding to enable it to make a positive contribution to the economy, our local people and our employers.

### *Low Pay Sectors & Productivity*

In the UK the prevalence of low pay is a critical issue, with research carried out by the Social Mobility Commission in 2017 finding that a low pay culture is trapping people in low-paid and often part-time work. Low-wage sectors contribute to the productivity gap between the UK and other comparable countries, and there is increasing recognition that boosting productivity could reduce the number of people in low-paid employment.

Recent research led by Professor Anne Green at City-REDI for the Joseph Rowntree Foundation looks at the role that productivity plays in wage-setting in low-pay sectors in the Greater Birmingham area<sup>1</sup>. Whilst productivity has been shown to be a major contributor towards economic prosperity and living standards at the national level, a key finding of the study was that productivity growth in isolation does not necessarily address the prevalence of low-paid work at a local/regional level.

Policy recommendations for raising productivity include:

- The debate on productivity needs to involve employers and employer organisations for input in the suitability and utilisation of metrics for measuring productivity.
- Central government to use initiatives aimed at enhancing management practices as a platform for setting in place business systems and behaviours to enhance business performance.
- Central government to consider new models locally and sectorally for co-investment in skills that are aimed at raising productivity.

### *Consumer Price Index*

CPI figures (including owner occupiers' housing costs) released at the UK level show that the 12-month inflation rate was 2.0% in July 2019, increasing from 1.9% in June. According to ONS, games, toys and hobbies, accommodation services, clothing and footwear, and other financial services have produced the largest upward contribution to CPI over this period. However, these increases were offset by a decrease in the cost of transport services and, to a lesser extent, from domestic fuels (principally electricity and gas).

### *Gross Disposable Household Income*

Gross Disposable Household Income (GDHI) is the amount of money that all of the individuals in a household have available for spending or saving after income distribution measures (for example, taxes, social contributions and benefits) have taken effect. As can be seen in Table 6 below, in 2017 Birmingham had the second lowest GDHI per head at current basic prices of the included comparator core cities at £14,128. This, however, is an increase from the previous year when GDHI per head was £13,984, and has been steadily rising since records began in 1997 (see Figure 10).

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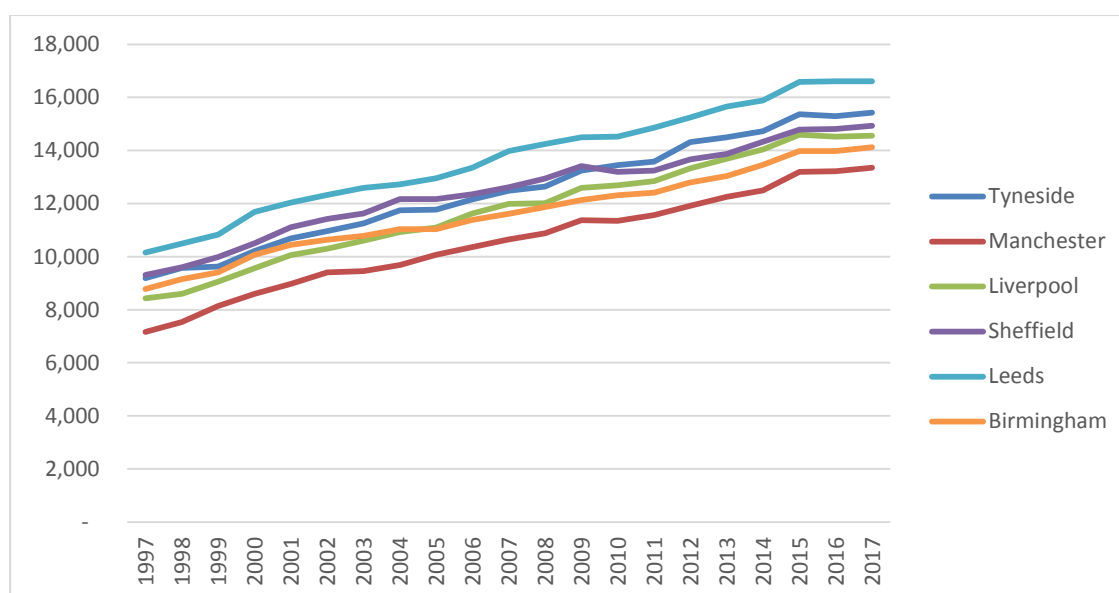
<sup>1</sup> Green A., Sissons P., Qamar A. and Broughton K. (2018) *Raising productivity in low-wage sectors and reducing poverty*, Joseph Rowntree Foundation, York.

Table 6 GDHI per head at current basic prices (£)

	2015	2016	2017
Tyneside	15,370	15,294	15,432
Manchester	13,196	13,220	13,355
Liverpool	14,595	14,518	14,557
Leeds	16,579	16,614	16,603
Sheffield	14,792	14,807	14,934
Birmingham	13,978	13,984	14,128

Source: ONS, Gross Disposable Household Income

Figure 10 GDHI per head at current basic prices (£), 1997-2017



Source: ONS, Gross Disposable Household Income

### Gross Weekly Earnings

Median gross weekly pay for full-time workers living in Birmingham in 2018 was £523.5, according to provisional ONS figures. This figure is only a slight increase from the figure of £523 in 2017.

Median gross weekly pay for Birmingham's full-time workplace population in 2018 was £584.1, higher than the median gross weekly pay for residents. This also marks a rapid 5.4% rise since 2017. The difference between resident and workplace earnings reflects Birmingham's position as the regional capital, and the large numbers of people who commute into the city to work in often highly-skilled, highly-paid jobs. This highlights that not all Birmingham residents are able to access the better-paid jobs in the city.

Table 7 Median gross weekly pay for full-time workers (£), Birmingham, 2013-2018

	Resident	Workplace
2013	479.1	520.4
2014	479.1	504.3
2015	488.2	532.3
2016	495.0	543.9
2017	523.0	549.4
2018	532.5	584.1

Source: ONS, ASHE

### Consumer Borrowing

Much of the growth in consumer spending has been predicated on a reliance on household borrowing. Data from the House of Commons Library shows that UK household debt has been increasing, to a peak of £1,785 billion in Q3 of 2018.<sup>2</sup> UK household debt is high – higher than most developed nations, including France, Spain, the US, Germany, Japan and Italy. However, Canada, Sweden, Australia and the Netherlands all have higher rates of household debt. At 270.1%, Danish household debt is almost double that of the UK and is the highest of the OECD countries. Debt as proportion of household income has risen from 85% in 1997 to a peak of 148% in early 2008. After falling to 127% in late 2015, the figure for household debt has again been increasing, to 133% in Q3 of 2018. A rise in consumer debt since 2016 was fuelled by a vote for Brexit, which caused a rise in inflation at a time of weak wage growth.

### Indices of Deprivation

The table below shows the West Midlands Combined Authorities Local Authorities' rank in both the 2015 and 2019 English Indices of Deprivation datasets. With the exception of Cannock Chase, Coventry and Wolverhampton whose rankings improved and Birmingham and Lichfield whose rankings stayed the same, all of the Local Authorities within the WMCA 3 LEP area got worse rankings in 2019 compared with 2015. Redditch's ranking fell the most by 24 places whilst Wolverhampton's ranking improved by 7 places and Coventry by 24 places.

Birmingham is the local authority with the worst rank of average score within the WMCA 3 LEP area being ranked the 7<sup>th</sup> most deprived within England. The Black Country LEP is ranked as the 3<sup>rd</sup> worst LEP in regards to the rank of average score with only Liverpool City Region (ranked 1<sup>st</sup>) and Tees Valley (ranked 2<sup>nd</sup>) worse compared to a ranking of 2<sup>nd</sup> in 2015.

Greater Birmingham and Solihull are ranked as the 5<sup>th</sup> worst LEP in regards to the rank of average score compared to a ranking of 4<sup>th</sup> in 2015. Coventry and Warwickshire LEP are ranked in 21<sup>st</sup> position in regards to the rank of average score compared to a ranking of 17<sup>th</sup> in 2015.

<sup>2</sup> <https://researchbriefings.files.parliament.uk/documents/CBP-7584/CBP-7584.pdf>



It is important to note that by stating there are more 'deprived' areas, this does not mean that the West Midlands Combined Authority is getting more deprived; it could mean that other areas are becoming more affluent. Levels of deprivation are therefore relative to other LSOA's/ Local Authorities / LEP's in England.

**Table 8 WMCA Local Authorities' ranks in the 2015 and 2019 English Indices of Deprivation**

<b>Local Authority*</b>	<b>2015</b>	<b>2019</b>	<b>Change in Rank</b>
Birmingham	7th	7th	-
Bromsgrove	279th	268th	-11
Cannock Chase	133rd	134th	+1
Coventry	54th	78th	+24
Dudley	110th	91st	-19
East Staffordshire	152nd	147th	-5
Lichfield	247th	247th	-
North Warwickshire	190th	167th	-23
Nuneaton & Bedworth	111th	96th	-15
Redditch	131st	107th	-24
Rugby	240th	224th	-16
Sandwell	13th	12th	-1
Solihull	178th	171st	-7
Stratford-on-Avon	272nd	266th	-6
Tamworth	137th	126th	-11
Walsall	33rd	25th	-8
Warwick	267th	259th	-8
Wolverhampton	17th	24th	+7
Wyre Forest	119th	109th	-10

*WMCA Office for Data Analytics*

\*It should be noted that in 2015 there were 326 Local Authorities whilst in 2019 there are 317.

**Table 9 WMCA Local Enterprise Partnership's ranks in the 2015 and 2019 English Indices of Deprivation**

Local Enterprise Partnership	2015	2019	Change in Rank
Black Country	2nd	3rd	+1
Coventry & Warwickshire	17th	21st	+4
Greater Birmingham & Solihull	4th	5th	+1

WMCA Office for Data Analytics

### *Public Health Indicators*

Overall, the health of Birmingham residents is worse than average for England. Current priorities for Birmingham include childhood obesity, reducing the number of vulnerable children and adults, and homelessness (Public Health England, 2017).

According to Birmingham's Health Profile Report 2019 (Birmingham City Council)<sup>3</sup>:

- For the period 2014-16, average life expectancy for men in Birmingham was 77.2 years compared to the England-wide expectancy of 79.5 years. A woman born in Birmingham can expect to live 81.9 years, compared to the national figure of 83.1.
- For the period 2013-15, life expectancy in the most deprived areas in Birmingham was 10 years lower for men and 8 years lower for women than in the least deprived areas.
- From 2001 until 2011, life expectancy gradually increased. However, from 2011 there has been a slight decline.
- For the period 2014-16, Birmingham had a considerably higher number of deaths resulting from infant mortality, with almost twice as many instances over this period (7.9 per 1,000) than the national average (3.9 per 1,000). Moreover, this has increased slightly, from 7.5 per 1,000 in the period 2013-2015.

The data also shows that:

- In 2017/18, the prevalence of obesity among children aged 10-11 in Birmingham was 25.5%, a slight increase from 25.2% in 2016/17. Moreover, 11.5% of children aged 4-5 are classified as obese.
- Air pollution is second only to tobacco smoking in causing premature deaths (before the age of 75) in Birmingham. High levels of air pollution in the city cause heart disease and stroke, along with lung disease and lung cancer.

<sup>3</sup> Birmingham Health Profile Report 2019  
[https://www.birmingham.gov.uk/download/downloads/id/11845/birmingham\\_health\\_profile\\_2019.pdf](https://www.birmingham.gov.uk/download/downloads/id/11845/birmingham_health_profile_2019.pdf)

## Industry Insight

*David Melbourne, Deputy Chief Executive, Birmingham Women's and Children's NHS Foundation Trust*



The National Health Service (NHS) is a much-loved institution, yet despite being the UK's largest employer its contribution to the economy is often over-looked.

In my opinion, the case for the NHS is straightforward. It offers a high standard of care for an ever-expanding range of conditions; with care given on need, not on a person's ability to pay. It is also one of the world's most cost-effective health systems, directly contributing to the success of the British economy. For example, in Birmingham and Solihull alone, the NHS has a combined annual revenue budget of over £3billion per annum, with capital investment of over £100million planned in 2019/20.

I believe there are five key areas which highlight the impact of the NHS on our local health economy.

I believe there are five key areas which highlight the impact of the NHS on our local health economy.

### ***1. Making sure our population is healthy***

Historically the NHS has focused on being the solution to a problem. But the NHS Five Year Forward View stated that 'the future health of millions and the economic prosperity of Britain depended on a radical upgrade in prevention and public health.'

It is undeniable. The individual, social, and economic impacts of preventable ill health are extensive. This has seen us at Birmingham Women's and Children's NHS Foundation Trust adopt a 'hospital without walls' approach. One that has created sustainable and self-replicating interventions, by positively enhancing engagement with patients on health promotion issues such as obesity and mental illness.

### ***2. Research and innovation***

The NHS is an institution where research and innovative thrives. Our world-class research clinicians play a vital role in increasing our understanding of illnesses, allowing us to develop better treatments and test new equipment to ultimately improve and save lives on a regional, national and international scale.

Through Birmingham Health Partners (a partnership between us, University Hospitals NHS Foundation Trust (UHB) and University of Birmingham) we are helping develop the life science sector within the region, attracting inward investment as well as highly-skilled staff.

Similarly technology partnerships between the NHS and the private sector will fundamentally change the way future healthcare is delivered, whether that's early-warning monitoring systems on our paediatric intensive care units, or the way in which patients will access emergency care through a new digital platform being developed at UHB.

### ***3. The NHS as a key contributor to local GDP***

The NHS pound makes a significant contribution to the local economy with circa 60% of its revenue budget invested in staff, many of who live and spend their salaries locally. The Organisation for Economic Co-operation and Development recently highlighted the importance of health systems on economic performance and how spending in the sector can help stabilise economies at times of crisis. The Kings Fund also emphasised the role of the NHS as a key contributor to the economy, stating an average multiplier effect of 3.6 times.

### ***4. Investing in our healthcare infrastructure***

With Birmingham's focus on regeneration, and the upcoming spotlight the 2022 Commonwealth Games will shine on our city, more and more people are choosing to live and work in Birmingham. The latest population figures support this, with approx. 7,771 Londoners moving to Birmingham last year alone. This continued migration will make the services offered by the NHS here in Birmingham even more vital.

Last year's opening of Waterfall House at our children's hospital, our new £37.5million clinical building, helped contribute to this regeneration. Not only has it improved our longevity and added a state-of-the-art facility to our world-class hospital, but this four-year-build is estimated to have had a multiplier effect of between £62million and £70million, all of which was invested back into the local economy.

Other Trusts are also contributing to this inward investment in infrastructure, with UHB set to benefit from the Prime Minister's recent announcement (August 2019) of circa £90million for a new ambulatory care centre at its Heartlands Hospital site.

### ***5. Providing high quality care***

The unique proposition of our Trust, being the first integrated women's and children's hospitals in the UK, has allowed us to take a truly life-course approach in terms of the services we offer. As such we have grown to be a multi-specialist, multi-site, multi-sector Trust providing the highest quality of care.

But never one to rest on our laurels, we recognise that for us to have an even stronger impact on our staff, patients and local economy we need to continue developing partnerships with others, to deliver better outcomes for the population we serve.

Whether that is through increased charitable partnerships, to allow us to improve standards over and above what NHS funding alone can deliver, or by continuing to enhance efficiencies across both of our hospitals.

It will be a challenge, but one that we're up for, as working in partnership with others will give us a greater voice in shaping the future of family-centred care.

## Industry Insight

Brian Hall, Chief Commercial Officer, BHSF



Life isn't linear. Everything in the world is connected. Every action has a reaction. Some of these are immediately obvious, others are hidden from view and never known. Film makers have explored this theme frequently. Time travel films - as diverse as *'Back to the Future'* and *'It's a Wonderful Life'* - show just how much impact one small change can make.

Just as our lives are shaped and influenced by a whole host of different factors, the success of a business also depends on just as many moving parts. Every employee within an organisation has the power to make a difference, even if it's not visible in isolation. All actions affect others - radiating outwards like ripples on a pond. The size of these ripples depend on the closeness to impact, but they go far and wide. Companies have realised that positive impact ripples through a business. That's why they're now willing to invest millions of pounds to try and create healthier, happier workforces.

Where lots of these strategies falter is failing to consider employees' lives outside of the office walls. Employees don't magically become different people when they walk through the office door. Their worries and problems come with them, like invisible weights they carry around. Most of the time these are light and unnoticeable, but sometimes these can turn into shackles, restricting an employee's ability to perform. For employers, it's important not to ignore these weights, but acknowledge their existence and offer help to lighten the load.

Take the example of poor mental health. A study from the Royal College of Psychiatrists found that half of UK adults with problem debt were also living with mental illness.<sup>4</sup> Worrying about money can lead to mental health issues, and suffering with poor mental health can then make managing finances more difficult. In order to escape from this cycle, both factors need to be addressed. Employees who find themselves in this position need their employer to look at the full picture and provide support for both issues.

We know from our own mental health report<sup>5</sup> that most employees are still reluctant to open up about a mental health issue - just 15% of UK employees would tell their line manager. On top of this, mental health issues are often masked - 42% of employees said they had called in sick citing a physical illness, when in reality their absence was down to poor mental health. With so many employees masking poor mental health, it's vital they can access confidential support on their own terms. This means employers need support that is open to all, with no barriers to access or risk of judgement.

We take a holistic approach, looking at all factors affecting an employee and searching for the cause, rather than just treating one symptom. We believe this is vital to make a lasting and constructive improvement to employee wellbeing. The development of our Employee Resilience Programme (ERP) is firmly entrenched

<sup>4</sup> <https://www.mentalhealth.org.uk/a-to-z/d/debt-and-mental-health>

<sup>5</sup> <https://www.bhsfoh.co.uk/reports/mentalhealth>

in this ethos. It will provide employers with a solution-focused approach to wellbeing, and give employees the tools to seek the support they need. Rather than referring to just one treatment option, our ERP will involve various treatment routes, so employees are benefitting from specialist support that's right for them.

By looking at the issue from a different perspective, we can ensure that employees are given the tools to resolve the issue, not just stick a plaster over it. This is just another way that we are developing our wellbeing approach, in order to delve into issues below the surface.

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# Birmingham Economic Review 2019

## Chapter 3: Connecting Communities with Opportunities

UNIVERSITY OF  
BIRMINGHAM

BIRMINGHAM  
BUSINESS  
SCHOOL

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West Midlands  
Growth Company



## Introduction

The annual Birmingham Economic Review is produced by the University of Birmingham's City-REDI and the Greater Birmingham Chambers of Commerce, with contributions from the West Midlands Growth Company. It is an in-depth exploration of the economy of England's second city and a high-quality resource for informing research, policy and investment decisions.

What follows is a summary version of the full Birmingham Economic Review 2019. The full-length publication can be found on the Greater Birmingham Chambers of Commerce website, or requested using the contact details at the end of this document. Data and commentary were correct at the time of publishing: October 2019.

## Index

### **Foreword and Executive Summary: Scorecard for Birmingham**

**Chapter 1:** Adapting, Innovating and Leading the Future

**Chapter 2:** Creating a Workforce Fit for Tomorrow

**Chapter 3:** Connecting Communities with Opportunities

**Chapter 4:** Making Inclusive Economic Growth Happen

**Chapter 5:** Changing Perceptions of Birmingham

**Conclusion**

All Chapters of the *Birmingham Economic Review 2019* can be found online on the [Greater Birmingham Chambers of Commerce website](#) or via the contact details at the end of this document.

## Connecting Communities with Opportunities

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Birmingham is already served by a range of key transport infrastructure, and several infrastructure schemes are in development which should significantly enhance connectivity across the functional economic area and to other parts of the UK and internationally. The most important of all these projects is HS2, currently the largest infrastructure project in Europe.

The skyline of central Birmingham is rapidly changing, however, the availability of affordable housing is a major issue in the city. Office rental values in Birmingham have grown strongly and are higher than in all regional cities except Manchester. Like many other UK cities, high-quality sites and premises are now in short supply in Birmingham, with the supply of grade A office space running out. Strategic employment sites identified across the city and the wider area must be brought forward for development urgently.

Lying at the heart of the West Midlands region, there are important linkages between Birmingham and the city's neighboring areas. These have implications for the delivery of infrastructure to meet the city's growth aspirations. An assessment of the linkages within the city and between neighbouring areas provides useful insights into Birmingham's wider economic role as well as internal economic and labour market dynamics. The quality and speed of linkages between areas (connectivity) are key factors that drive economic performance. The role that locations play within a given area is influenced by connectivity.

### *Transport*

Birmingham and the wider West Midlands region is served by a range of key transport infrastructure. Birmingham International Airport is in close proximity to Birmingham and provides a gateway to a range of international destinations.

Key rail and road links include:

- London Midland Trains, Virgin Trains and Cross Country provide direct services to London and the South West, the West Midlands, Scotland, the North West and Yorkshire.
- The M6, which provides access to the North West
- The M5, which provides access to the South West
- The M42, which provides access to the East Midlands
- The M40, which provides access to the South East

Looking forward, improving connectivity across the functional economic area whilst satisfying the expected increase in demand on the area's road and rail network presents a significant challenge. In order to tackle this, there are a number of major infrastructure schemes in development that should significantly enhance connectivity across the functional economic area and to other parts of the UK and internationally.

Transport for West Midlands (TfWM) is the main body responsible for developing and delivering bus, rail, tram and infrastructure projects to improve the quality and provision of public transport to encourage the use of public transport. TfWM work with stakeholders and partners in local and national government as well as private developers.

Projects in development include:

- **High-Speed Rail** (including connecting transport links)
- **Midland Metro Extensions** – led by the Midland Metro Alliance, £1.3 billion is being invested in extending the tram system across the West Midlands over the next 10 years. Currently ongoing are the following extensions:
  - Centenary Square/Edgbaston
  - Eastside
  - Wednesbury to Brierley Hill
  - East Birmingham/Solihull
  - Wolverhampton City Centre
- **New rail stations in Birmingham** at Moseley, Kings Heath and Hazelwell on the Camp Hill Line, with the potential for a fourth station on the line at Balsall Heath at a later date.
- **New stations in Walsall** at Willenhall and Darlaston, as well as plans to reopen the Wolverhampton to Walsall line.
- **Sprint Rapid Transit** – an innovative new mode of transport based on a light rail system to improve journey times and reliability and achieve a higher-quality, greener public transport system that is easy to access by local communities. Seven routes have been identified as Sprint corridors - three are planned to be delivered for the 2022 Commonwealth Games. The others are part of the HS2 connectivity package to be delivered by 2026.
- **Cycle Routes** – Birmingham’s cycling network covers 342 miles of greenways, canal towpath, on-road segregation and National Cycle Routes. The West Midlands Cycling Charter is leading on a strategy to increase cycling activity by providing higher-quality and safer cycling provisions. With a planned investment of £283 million over the next 10 years, a number of cycling initiatives are now underway. These include: local cycling and infrastructure plans, cycle parking facilities at rail stations and interchanges and a bike share scheme to be rolled out in 2018-19.

### *High-Speed Rail*

High Speed 2 is potentially the most significant transport infrastructure project in the UK since the motorways were built in the 1950s and 1960s. When complete, HS2 will comprise 345 miles of new high-speed track across the UK. Construction has started on Phase One which will link London and Birmingham. Once completed in full, it is anticipated that HS2 will deliver benefits worth over £103bn to the UK economy, creating 104,000 jobs and bringing £14 billion in additional economic input to the West Midlands area. At the time of writing the spending review into HS2, led by Douglas Oakervee, is underway. The GBCC continues to proactively support the case for HS2 and its potential to help rebalance the UK economy.

HS2 will be one of the largest civil engineering projects ever undertaken in the UK. It is estimated that the project could create 104,000 jobs in the West Midlands area and bring £14 billion additional economic input.

HS2 is expected to have significant economic benefits for the West Midlands, attracting new business and investment to the region as well as enabling existing businesses to benefit from greater connectivity with London and other major UK cities. Furthermore, it will embed Birmingham at the heart of the national network as better links with Leeds and Manchester will create a large number of supply chain opportunities. Improving connectivity for local businesses will help rebalance the national economy and unlock the latent potential of Birmingham and the wider region. The new station to be built in Birmingham will also help to transform the Eastside area of the city centre, stimulating regeneration in this formerly industrial part of the city.

The Curzon Street Investment Plan put forward by Birmingham City Council proposes a total of £900 million be spent on regenerating the area around Curzon Street. This regeneration will take place over 30 years, and will lead to 4,000 new homes, 36,000 jobs and several new neighbourhoods.

### *Midlands Rail Hub*

Midlands Rail Hub<sup>1</sup> is a £2 billion plan to upgrade rail networks across the East and West Midlands, including 24 extra passenger trains for East-West connectivity and faster journey times to towns and cities across the Midlands, including Nottingham, Leicester, Hereford and Worcester. As Birmingham New Street station is already operating at full capacity, the plans for Birmingham centre on Moor Street, which will be extended with two new platforms and a direct passenger link to the HS2 Curzon Street station next to it. The project is expected to take until 2033 to complete.

### *Birmingham Airport*

Birmingham Airport is one of the largest employers in the West Midlands. Over 8,000 people are employed either on-site or within its immediate vicinity and are engaged in activities relating to the operation of the Airport and air services. In 2014, the Airport delivered approximately £1.1 billion to the regional economy and £1.7 billion to the national economy. This has increased as passenger numbers have risen. In 2017/18, almost 12.9 million passengers travelled through Birmingham Airport in 2015 – 8.2% more than the previous financial year. This represents nearly a million additional passengers. Nevertheless, it is still considered that the airport, as one of the area's most significant economic drivers, is underutilised. Growth has been hindered by the demise of Monarch Airlines in October 2017, one of Birmingham's largest customers operating 40 flights daily and supporting 500 jobs. It remains to be seen whether the collapse of Thomas Cook may also have an impact on growth. However, Jet2 and TUI have increased their capacity from the airport.

The airport has released a master plan vision for 2033, by which time it expects to be handling around 18 million passengers. To meet this significant growth in its usage the airport will be investing £500 million to expand and improve its facilities. Birmingham Airport will also benefit from being located near to the new Birmingham Interchange station on HS2, and thus be a realistic hub for passengers travelling to and from London as well as to Birmingham itself.

A three-year runway extension project at Birmingham Airport opened in summer 2014. This has allowed aircraft to carry more fuel and fly further. It also brought

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<sup>1</sup> <https://blog.bham.ac.uk/cityredi/the-importance-of-connectivity-if-hs2-and-the-midlands-rail-hub-are-delivered-the-whole-region-will-benefit/>

with its new direct long-haul destinations for the first time to destinations such as Dubai, New Delhi and Amritsar. These routes cater to both business and leisure travellers. The runway extension gives the airport the capacity to increase its passenger numbers and as a result, the economic impact of Birmingham Airport is eventually expected to rise to 19,000 full-time equivalent jobs and £824m of annual economic output by 2030. On a wider note, the extension of the Metro, the arrival of HS2 and the improvements made to the bus networks in the West Midlands will all help to improve the accessibility of the airport and in turn, boost domestic and international connectivity for the region.

Other recent investments include reconfiguring the security search lanes and the introduction of a new security preparation area, a new free drop-off facility outside the main terminal, and additional car parking capacity on the Elmdon site. The Airport has also invested in a new flight information service called FlightSmart, which enables customers to receive regular flight status updates to their Twitter account.

### *Midland Metro Birmingham City Centre Extension*

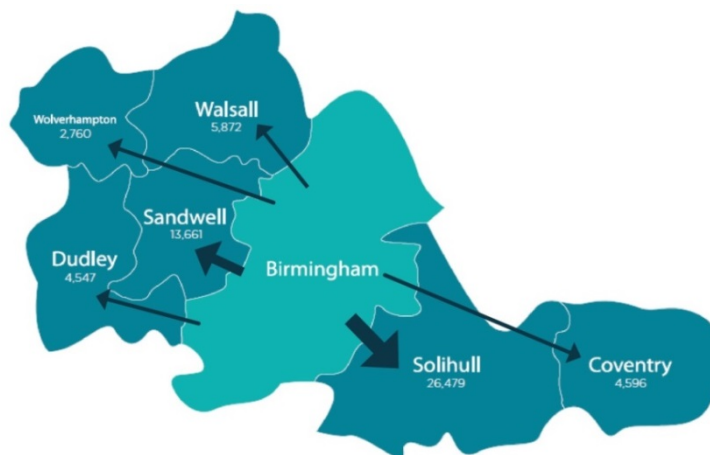
The Midland Metro extension into Birmingham City Centre has significantly improved links between the Black Country and Birmingham by connecting to the National Rail network at New Street (Birmingham Gateway). It is estimated that it will add £50m per year to the region's economy and create around 1,500 jobs. The extension to Centenary Square opened in 2017. Further extensions to the network are planned within Birmingham, specifically to the west of the city centre. These will provide transport through some of the most deprived local areas, improving access to jobs and services for residents as well as attracting new business and developments to them. There are also long-term plans in place to enhance links between East Birmingham and Solihull.

### *Commuting Patterns*

Data is available that allows an analysis of commuter flows and flows of people engaged in leisure and retail activities. As the labour market has changed over the past few decades, so have commuting patterns, with more people travelling longer distances to access employment opportunities.

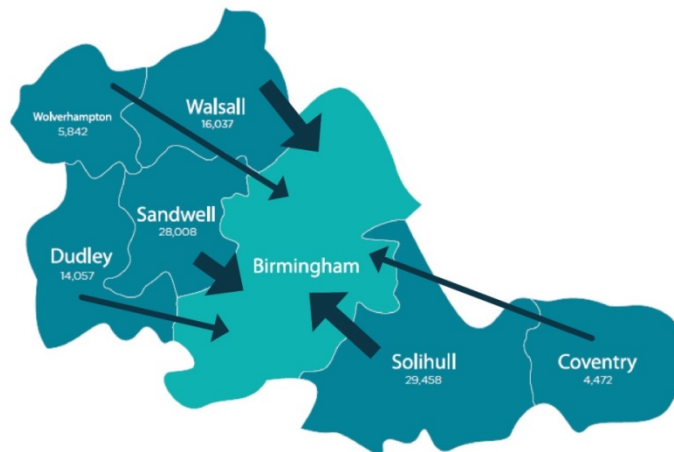
People are more likely to commute if employment is available that pays a higher wage than that which is available locally and covers the cost of the commute. There is some data to support this. Workplace earnings are generally higher in key commuting destinations.

Chart 1: In - Commuting to Birmingham



Source: ONS Census, 2011

Chart 2: Out - Commuting to Birmingham



Source: ONS Census, 2011

If we look at total in-commuting to Birmingham from surrounding areas area, 166,272 commute to the city. Within the surrounding areas a strong relationship exists between Birmingham and Solihull, with 29,458 of Solihull's employed residents working in Birmingham. There are also strong in-commuting linkages with Sandwell, Walsall, Dudley, Bromsgrove and Lichfield. To some extent this high level of in-commuting is to be expected; as a core city Birmingham is an employment hub for its surrounding areas. However, the magnitude of the in-commuting levels, coupled with the relatively low levels of employment amongst Birmingham's resident population, indicates a disconnect between local residents and the jobs generated in the city.

There is also out-commuting from Birmingham to the surrounding area, with the city's residents making a significant contribution to the local labour markets of the surrounding authorities. As with the in-commuting patterns identified earlier, the strongest out-commuting links are with Solihull, where nearly 26,500 Birmingham residents work. Again strong links are evident with Sandwell, Walsall, North Warwickshire, Bromsgrove, Coventry and Dudley.

## Expert Comment

*Dr Magda Cepeda Zorrilla, Research Fellow, City-REDI, University of Birmingham*



Connectivity is an essential part of any transport system. It provides and maintains a link between two or more different places. Road transport connectivity is achieved by creating an efficient road network that is also part of an integrated transport strategy. The quality and speed of linkages between nodes within a transport network are key factors that drive economic performance enhancing the quality of everyday living.

Investment in the Strategic Road Network (SRN) can support economic growth through improving productivity including reducing unemployment and increasing labour supply by linking concentrations of skill labour with employment opportunities. Enhancing regional and inter-regional connectivity facilitates agglomeration economies and increasing competition and encourages private sector investment.

The M6, M5, M42 and M40 are key road linkages that are part of the SRN. Moreover, 91% of businesses in England are located within 15km of the SRN. In the West Midlands. A comparison of delays on key road links between 2017 and 2018 identified that some junctions had experienced an increase in average delays whereas others have remained the same. Morning peak time (7.00 am to 10.00 am) for the key route network is generally the busiest time on the network. The sections, which are affected by the lowest speeds, are Birmingham, Wolverhampton, Coventry, Walsall, West Bromwich and Brierley Hill and these are considered to be strategic centres.

Strategic infrastructure investments in the broader transport network should alleviate delays enhancing efficiency and reducing pollution. This type of targeted strategic investment should contribute to catalysing economic growth in the West Midlands including attracting new business and investment. Investing in HS2 will reduce travel times and enhance capacity between London to Birmingham. This is an important element of the West Midlands infrastructure structure and is expected to have significant economic benefits for the region including attracting new businesses and investment and enabling existing businesses to benefit from enhanced connectivity with London and other major UK cities.

One could argue that transport policy across the West Midlands is too focused on HS2. This is unfortunate. Parts of the region's key and strategic road network are already experiencing congestion at peak times. What is required is the development of an integrated transport policy designed to reduce congestion, air pollution and to enhance connectivity. Additionally, mitigation measures are required, such as the creation of park and ride schemes to distribute trips between job centres and stations. Other measures such as incentives for business to create more "flexible work" also could reduce congestion. Thus, a strategic integrated transport plan is essential for mitigating negative effects on traffic and congestion and for capitalizing on major infrastructure projects including HS2. Such an integrated approach to regional connectivity must include a focus on

improving public transport but also creating streetscapes that encourage walking and cycling.

Developing an integrated approach to regional connectivity is extremely challenging. The WMCA has a major strategic role to play here in aligning key stakeholders ensuring that mobility is enhanced but the negative impacts of transport, including air pollution, are minimised.

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<sup>2</sup>[https://highwaysengland.citizenspace.com/he/strategic-economic-growth-plan/supporting\\_documents/Economic%20Growth%20and%20the%20SRN%20%20final.pdf](https://highwaysengland.citizenspace.com/he/strategic-economic-growth-plan/supporting_documents/Economic%20Growth%20and%20the%20SRN%20%20final.pdf)

<sup>3</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/672824/automotive-sector-deal-double-pages.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/672824/automotive-sector-deal-double-pages.pdf)

<sup>4</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/666857/Strategic\\_Road\\_Network\\_Initial\\_Report\\_Overview.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/666857/Strategic_Road_Network_Initial_Report_Overview.pdf)

<sup>5</sup> <https://www.gov.uk/government/statistical-data-sets/average-speed-delay-and-reliability-of-travel-times-cgn>



## Industry Insight

*Nikki Bains, Planning Manager, Birmingham Airport*



There's an undeniable buzz around the region, perhaps because we're gearing up for the Coventry City of Culture in 2021, the Birmingham Commonwealth Games in 2022 or the arrival of HS2. It's also because everywhere you look, there are signs of investment, and this creates opportunities for local people, business and the region as a whole.

It feels like Birmingham is going through a modern-day renaissance, where more and more people are relocating here to study, live and work - finding a better and a more affordable quality of life for themselves and their families.

There's an excitement at Birmingham Airport too as we embark on our Master Plan. Published in June, together with our Surface Access Strategy, we set out our vision of how the airport will play its part in the continuing regional success story. Through an investment programme of £500m, we plan to increase passenger numbers from the current 13m to 18m per annum by 2033 and increase our economic benefit from £1.5bn to £2.1bn annually. And all this can be achieved within our current boundary and existing runway, which is in line with re-stated government policy for making use of existing runway capacity.

The first phase of the master plan focuses on a terminal transformation where we will invest around £170m on a terminal transformation over the next three years. This includes the extension of the departure lounge to create more circulation space, seating, toilets, retail and catering outlets, along with an enlarged and modernised check-in hall. Later phases will see the extension of the security and arrivals areas, as well as new baggage systems, aircraft stands and a link to the HS2 Interchange Station; a game changer for the UK Central Hub.

We are fully financing this expansion to help secure wider public benefits of connectivity and employment growth, whilst underpinning the region's current burgeoning economic performance. Our ambition matches the region's vigour, which is attracting employers, such as Jaguar Land Rover, HSBC and Deutsche Bank, and driving high growth sectors in advanced manufacturing and engineering, life sciences and renewable energy. Our communities are seeing the benefit with average earnings increasing and unemployment falling.

The creation of the West Midlands Combined Authority, the arrival of HS2 and international events already mentioned promise to further boost the awareness and appeal of the region - and we at the airport will continue to work collaboratively to take this story overseas as we attract more services to the region.

Today we have 50 airlines flying to more than 150 direct destinations and a further 340 one-stop global connections. We link through hubs including Paris, Madrid, Brussels, Amsterdam, Zurich, Frankfurt, Munich, Istanbul, Doha, Dubai and Copenhagen.

We provide easy access to a wide range of exciting holiday destinations and serve as a gateway for inbound tourism and overseas students studying at our universities.

Looking ahead, we will continue to adapt our aviation strategy to take account of developments in the regional and UK economy. We will focus on which countries grow as key trading partners and which are the most popular leisure destinations. We aim to build an even bigger route network to serve our Region.

Our key priorities are direct long-haul services to the key growth markets of the Indian sub-continent and China, and North Atlantic routes, particularly with the emergence of low-cost long-haul operators.

We are also pushing to attract more choice, connectivity and frequency to European cities and the Middle East, increasing frequency on established routes to offer more choice to passengers.

We must do this whilst continuing to invest, develop and deliver a great customer experience, not just most of the time, but all the time. It's also vital that we grow sustainably and consciously, and we are developing a sustainability strategy now to see how we can reduce our carbon footprint in the future.

As we look forward, we must not forget where we have come from and this is very poignant as we celebrate our 80<sup>th</sup> Anniversary this year. Over these eight decades, we've served the region well and now we will continue to work in collaboration with our regional stakeholders to deliver the service, connectivity, capacity and growth in a responsible and sustainable way to ensure that our future surpasses the success of our past.

## Industry Insight

*James Danby, Head of Commercial Development, HS2*



Birmingham is the most exciting and dynamic city in Britain right now. We have more new businesses being set up, more jobs being created and more investment coming in than anywhere outside of London. This is a city and a population that is welcoming, ambitious, and is transforming at a rate of great pace. It's no coincidence that it is also at the very heart of the new high speed rail network.

HS2 is real and happening and is very proudly a catalyst of this positive change and increased opportunity.

Simply walking around Birmingham it's difficult to miss all the hoardings, cranes, machinery and construction work taking place – this is progress and this brings new opportunities. There are now 9,000 jobs supported by our programme and 2,000 businesses (70% of these are SMEs) that have provided work. These are people and businesses that are already winning work, gaining employment and contributing to the largest early works programme in modern history and are active on one of HS2's 250 live construction sites.

We have UK Business leaders backing HS2, with business leaders, the CBI and British Chambers of Commerce all in support as they understand the opportunities available. At peak construction, over 30,000 people will be needed to design and build the railway. We have already let around £10bn worth of contracts and by the end of next year that will be around £20bn. This equates to real jobs spread across the UK – be it the ecologists planting one of the 7 million new trees that will form our Green Corridor along Phase One, or the plant operators on one of our many sites, through to HGV drivers, surveyors, ground investigations analysts, demolition experts... the list goes on and is rich with opportunity.

Birmingham is at the heart of this new opportunity-rich network and is one of the biggest winners. With the certainty provided by gaining Royal Assent of the Phase One Bill, Birmingham is already reaping the benefits of HS2 and the arrival of high speed services has provided a renewed sense of confidence and dynamism in the region's economy.

This is evident from the data which shows how the West Midlands is increasingly attractive to inward investment, attracting 151 Foreign Direct Investments in 2016/17, up from 57 projects in 2011/12, a 150% increase. This inward investment has created more new jobs than any region outside of London, with 7,000 new jobs already created in the Midlands to deliver HS2.

Alongside large global companies which are making the city their home, there is a thriving eco-system of small and medium sized businesses, with more new companies registered in Birmingham in 2018 than any other UK city outside of London.

When we think of how development looks in real term, considering how Brindley Place was once a labyrinth of derelict factories, a relic of the city's proud industrial

past, but neglected for many years, is a prime example of how opportunity can be converted. Its development hasn't just created thousands of new jobs for Birmingham, but improved our quality of life too.

Brindley Place is now proudly a key destination for the city. Be it leisure or business, you can visit to see a show, go for dinner, take in a new art exhibition or brave the gift shop at the national sea life centre at the weekend. It's become much more than a list of impressive stats about jobs, homes, and office space – it's a point of pride for the city, and an exemplar of positive change resulting from investment.

So while we anticipate that our pipeline of development could deliver a return to government of £4bn, we can't put a price on how it will change the lives and opportunities for those who will use it.

We are more than a railway and nowhere is that more evident than here in Birmingham. The City Council envisage HS2 bringing 36,000 new jobs, 4,000 new homes and 600,000 square metres of commercial development to the city. The regional economy will be boosted to the tune of £14 billion when taking into account Interchange station down at Solihull too.

That's the future, but the benefits are already being felt now. A 150% increase in foreign direct investment. 18,500 new companies registered here last year and 7,000 new jobs created delivering HS2. We are proud to be playing our part in writing the Birmingham success story.

## Housing Statistics

At the time of the 2011 Census, there were 410,736 households in Birmingham. Of these, 55.2% were owned, 1.0% were shared owned, 24.2% were social rented, 17.9% were private rented and 1.7% of households were classed as living rent free. In comparison to national averages, residents in Birmingham are much less likely to own their own property and much more likely to rent their property from the local authority.

Table 1 Tenure, 2011

	Birmingham		England	
	Number	%	Number	%
All households	410,736		22,063,368	
Owned	226,616	55.2	13,975,024	63.3
Shared ownership	3,940	1.0	173,760	0.8
Social rented	99,592	24.2	3,903,550	17.7
Private rented	73,405	17.9	3,715,924	16.8
Living rent free	7,183	1.7	295,110	1.3

Source: 2011 Census

In the period 2017-18, 3,160 units were added to the dwelling stock in Birmingham. This is an increase from 1,751 in 2016-17 and 2,840 for 2015-16 (Department for Communities and Local Government).

In Birmingham, there is a major issue regarding affordable housing. New developments in the city are failing to meet Birmingham City Council's aim of 35% of new builds being offered as affordable housing. Rather, less than 10% of new builds can be classed as affordable housing. A lack of affordable housing has negative consequences across the board, including issues of accessibility for first-time buyers, higher rents in the private sector due to high demand, and longer waiting times for those registering for social housing.

PwC's July 2019 UK Economic Outlook<sup>6</sup> suggests that compared to the late 1990s, 25-34 year-olds are now disproportionately less likely to purchase a property with a mortgage, and more than twice as likely to rent privately. Unable to purchase homes, many young people have turned to renting. The proportion of 16-24 year-olds renting privately has risen from 51% in 1998/99 to 73% in 2017/18 and from 20% to 46% for 25-34 year-olds. Analysis of rental affordability is also available in the PwC report.

<sup>6</sup> <https://www.pwc.co.uk/economic-services/ukey/ukey-july2019.pdf>

**Table 2 Average House Prices in and around Birmingham, 2018**

District	Average Price (£)
Birmingham	210,322
Bromsgrove	325,897
Solihull	322,522
Coventry	199,699
Walsall	185,462
Sandwell	159,311
Dudley	182,187
Wolverhampton	167,294
Wyre Forest	211,560
Redditch	224,071
North Warwickshire	237,608
Nuneaton And Bedworth	198,039
Stratford-On-Avon	368,522
Warwick	363,974
Rugby	271,555
Lichfield	280,912
Tamworth	213,732
Cannock Chase	184,739
East Staffordshire	214,825

Source: HM Land Registry

In 2018 the average house price in the West Midlands was £227,463, having increased by 4.7% from £217,174 in 2017.

**Table 3 Average House Price by Region in England and Wales, 2019**

Region	Average House Price (2017; £)	Average House Price (2018; £)	Change between 2017 and 2018 (£)	Change between 2017 and 2018 (%)
East Anglia	271,368	276,949	5,581	2.1
East Midlands	208,626	218,735	10,109	4.8
Greater London	620,182	622,196	2,014	0.3
North	165,853	169,767	3,914	2.4
North West	189,291	194,194	4,903	2.6
South East	371,616	379,525	7,909	2.1
South West	281,490	290,623	9,133	3.2
Wales	176,993	183,169	6,176	3.5
West Midlands	217,174	227,463	10,289	4.7
Yorkshire and the Humber	186,710	191,919	5,209	2.8
England and Wales	292,948	297,445	4,497	1.5

Source: HM Land Registry

The growth in house prices experienced in the West Midlands was the second largest seen by any region in England and Wales, after the East Midlands with an increase of 4.8%. Comparatively, across England and Wales house prices rose by 1.5% to an average of £297,445 between 2017 and 2018.

The West Midlands district with the highest average house price in 2018 was Stratford Upon Avon at £368,522. Stoke on Trent had the lowest average price of £129,674. Birmingham’s average house price was £210,322 (the highest of the core cities), having increased by 5.3% from 2017. Rugby experienced the greatest percentage increase in house prices between 2017 and 2018, at 9.7%, followed by Newcastle Under Lyme (8.6%) and Nuneaton And Bedworth (8.3%).

Pwc’s July 2019 UK Economic Outlook<sup>7</sup> projects average house price growth in the West Midlands at 3.4% for 2019 and 4.1% in 2020 (second only to Wales).

**Table 4 Average House Price in Core Cities**

	Average House Price (2017; £)	Average (2018; £)	Change 2017 to 2018 (£)	Change 2017 to 2018 (%)
<b>Birmingham</b>	199,709	210,322	10,613	5.3
<b>Liverpool</b>	148,188	151,063	2,875	1.9
<b>Manchester</b>	193,346	204,740	11,394	5.9
<b>Newcastle</b>	187,905	193,136	5,231	2.8
<b>Total England and Wales</b>	292,948	297,445	4,497	1.5

Source: HM Land Registry

House prices in Birmingham remain higher than in any of the comparator core cities, although prices increased slightly more significantly in Manchester between 2017 and 2018.

In the period 2016-17, 7.8 people in every 1,000 people were accepted as being homeless and in priority need. This is down from 8.1 people in every 1,000 people for 2016-17 (Ministry of Housing, Communities and Local Government).

<sup>7</sup> <https://www.pwc.co.uk/economic-services/ukeo/ukeo-july2019.pdf>

## Industry Insight

Glenn Harris, CEO, Midland Heart



The term “inclusive growth” might be relatively new but the concept goes back a long way. This year we’ve been celebrating 100 years since the Addison Act was passed – a major piece of legislation that made it possible to build social housing at scale for the first time. Coincidentally, it wasn’t long after this that Midland Heart was born, although our early focus was on acquiring and improving existing homes, rather than building new ones.

Lord Addison dedicated much of his political career to improving health and housing conditions. In his time, it was never just about building homes, it was about the type of communities people wanted to live in. One of Lord Addison’s contemporaries, NHS founder Nye Bevan, famously talked about social housing in which “the doctor, the grocer, the butcher and the farm labourer all lived in the same street”. The new estates would offer a “living tapestry of a mixed community.”

So what can we learn from this legacy, and what can it tell us about making inclusive growth happen today?

Inclusive growth means recognising that economic expansion is necessary for prosperity, but to be sustainable in the long term it must be broad-based. The RSA Fellowship’s recent Inclusive Growth Commission described it as “enabling as many people as possible to contribute and benefit from growth”.

Housing sits right at the centre of this. As a housing association, we remain committed to our original social aim of providing good quality homes that are affordable to a broad range of people. We’re excited to see inclusive growth back on the agenda as a core objective for our city region and we’re ready to play our part in achieving this.

Providing high quality, affordable homes in the right places enables people to access good education and employment opportunities. When people have leisure activities, shops and other community infrastructure on the doorstep it makes their local area feel more like a community. New housing supply is critical, but so is the careful management of existing homes. High levels of tenancy turnover can lead to concentrations of poverty and disadvantage - a real obstacle to inclusive growth. We must ensure all our homes are places where people want to live and choose to stay.

Our new corporate plan *Making What Matters Brilliant* sets out how we will deliver real improvements for our customers, new and existing. Working closely with partners in local, regional and national government, we’ll build more than 600 good quality affordable homes each year in mixed communities across the Midlands. It’s an ambitious target, but one we’re confident of delivering based on our previous track record and strong strategic partnerships.

A few years ago we worked with William Davis and Birmingham City Council to convert the Crocodile Works factory in Newtown into 170 new affordable homes



across different tenures. The site was transformed into a vibrant mixed community and has quickly become a highly sought after place to live, which also offers genuinely affordable homes to those in need.

More recently, we redeveloped an old school in Shard End, working closely with Countryside and Birmingham City Council. This time we transformed a disused site into a mixed estate of 64 homes for affordable rent and shared ownership. The project delivered much-needed affordable city living accommodation, close to good transport links.

But it does not stop there. We're also making a record investment in the services and homes we offer to our existing customers. With designated funds set aside for our most challenging schemes, we'll bring our older properties up to date and maintain all our homes to a high standard of safety and comfort. Crucially, we'll also review how our homes are allocated and managed to ensure a balanced mix of people from different backgrounds. We'll do our bit to contribute to modern vibrant communities.

Making inclusive growth happen requires long term investment and stewardship, and this goes right back to the core of our social purpose. Working with our partners we will invest in homes that not only meet the needs of families today, but go on supporting sustainable communities for another 100 years. If you believe you can help support this ambition we would love to hear from you.

### *The Commercial Property Market*

As has been the case with a number of large regional cities in the UK, Birmingham's strong economic performance in the last few years, boosted by record levels of inward investment, has led to strong demand for both office and industrial property. Office rental values have grown strongly and are higher than in all regional cities except Manchester.

Knight Frank, an Estate Agency dealing in residential and commercial property, produce annual reports covering the latest commercial and residential trends in Birmingham. The latest from 2018<sup>8</sup> indicates that Birmingham's commercial property market has experienced rental growth between 2017-18. The Colmore Building, One Colmore Square, and the Cornerblock achieving rents per sq ft exceed £30. Meanwhile, new build rents such as One Chamberlain Square and 55 Colmore Row are nearing £35 per sq ft. This is reflective of the table below, which shows an average of £34 per sq ft for grade A office space for Birmingham in 2018, up £33 in the the previous year. Forecasts state that commercial property rents in the City Centre will continue to improve over the next year (Knight Frank, 2018).

Birmingham has also experienced occupier growth in recent years, successful in attracting a number of new occupiers, including PwC's largest single office investment outside London at One Chamberlain Square. These go alongside other major occupiers such as HSBC, HMRC and RICS, and expansions by Hogan Lovell, Network Rail, Cundalls and Axa Insurance.

Like many other UK cities, high-quality sites and premises are now in short supply in the city, with the supply of grade A office space now running out. In response, a new tranche of strategic employment sites has been identified across Birmingham and the wider area, for which bringing these forward for development is now an urgent priority.

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<sup>8</sup> <https://www.knightfrank.co.uk/research/the-birmingham-report-2018-5721.aspx>

Table 5 Office rents £/sqft

Year	Grade	Birmingham	Birmingham NEC/Solihull	Birmingham Edgbaston
2019	Grade A	34.0	25.0	18.5
	Grade A Annual % growth	0	9	19
	Grade B	23.5	18.0	10
2018	Grade A	33.0	23.0	15.5
	Grade A Annual % growth	2	0	7
	Grade B	22.5	15.5	10.0
2017	Grade A	32.5	23	14.5
	Grade A Annual % growth	0	0	0
	Grade B	22.5	15.5	8.5
2016	Grade A	32.5	23	14.5
	Grade A Annual % growth	8	10	0
	Grade B	22.5	15	8
2015	Grade A	30	21	14.5
	Grade A Annual % growth	5	8	0
	Grade B	21.5	11.5	8

Source: Office Rents Map, Colliers International

**Table 6 Industrial space prime rents £/sqft**

Year	Year Half/Shed size	Birmingham NW	Birmingham E	Birmingham W	Birmingham S
2019	H1 - Big	5.95	6.5	6.0	6.5
	H1 - Small	6.5	7.5	6.5	7.5
2018	H1 - Big	5.75	6.5	5.75	6.5
	H1 - Small	6.0	6.75	6.0	6.75
2017	H1 - Big	5.75	6.5	5.75	6.5
	H2 - Big	5.75	6.5	5.75	6.5
	H1 - Small	5.75	6.5	5.75	6.5
	H2 - Small	5.75	6.5	5.75	6.75
2016	H1 - Big	5.75	6.25	5.75	6.25
	H2 - Big	5.75	6.5	5.75	6.5
	H1 - Small	5.75	6.25	5.75	6.25
	H2 - Small	5.75	6.5	5.75	6.5
2015	H1 - Big	5.5	6.25	5.75	6.15
	H2 - Big	5.5	6.25	5.75	6.25
	H1 - Small	5.25	6.0	5.75	6.0
	H2 - Small	5.5	6.25	5.75	6.25

*Source: Office Rents Map, Colliers International*

### **Major developments happening in Birmingham**

There are a number of large projects taking place in Birmingham right now that are regularly covered in City-REDI's West Midlands Economic Monitor<sup>9</sup> series. The skyline of the city centre is being transformed by the construction of new apartment blocks and office buildings. The most notable of these are include:

- Icknield Port Loop:** Icknield Port Loop is a development by Urban Splash on the "island" formed by the loop of the canal in North Edgbaston, adjacent to the Edgbaston Reservoir and Brindley Place. The site has planning permission for up to 1,150 housing units. It is also the focus of the "USE-IT! Unlocking Social and Economic Innovation Together"<sup>10</sup> project of which City-REDI is a contributor, which is funded by the ERDF to co-design innovative mechanisms for unlocking the potential of deprived communities in this part of Birmingham.

<sup>9</sup> <https://blog.bham.ac.uk/cityredi/wmem-june-2019/>

<sup>10</sup> <https://www.uia-initiative.eu/en/uia-cities/birmingham>

- **Langley Sustainable Urban Extension:** north of Sutton Coldfield, this project will deliver 6,000 new housing units to the dwelling stock in Birmingham. Social infrastructure such as doctor's surgeries, schools and public transport connections will also be provided. Langley is a major part of the City Council's strategy of meeting the housing needs of Birmingham as its population grows.
- **Smithfield and the adjacent Rea Valley Urban Quarter:** this development will transform the Digbeth area of the city centre. Smithfield is being built on the location of the former Birmingham Wholesale Markets and will include over 2,000 new homes and 3.2 million square feet of mixed-use floor space. The Rea Valley Urban Quarter will open up the River Rea once more and regenerate a dilapidated formerly industrial area in the city centre, while at the same time hosting over 5,000 new homes. Highgate Park will be improved to become a high-quality public space.
- **Ladywood Housing Estate:** Birmingham City Council is seeking a partner to redevelop the Ladywood housing estate between Broad Street and the ring road. The local authority still owns two-thirds of units on the estate. Further details of its future are not available yet, but this is a large site that hosts an ethnically diverse population – many of whom are from a lower socio-economic background – so it is important that the eventual plans are sensitive to this reality.
- **Paradise:** Paradise (formerly Paradise Circus) includes the redevelopment on Chamberlain Square on the site of the old Birmingham Central Library, which was demolished and rehoused in the new Library of Birmingham. PwC has already occupied One Chamberlain Square as its largest single office investment outside of London. There will eventually be ten new office buildings as part of the development as well as a new 250 bed hotel. The scheme is expected to be completed in 2027.
- **Perry Barr:** this area in North Birmingham is set to be regenerated as part of the 2022 Commonwealth Games. Alexander Stadium will be modernised and expanded and a new Athlete's Village of accommodation for the games will be constructed, comprising over 1,400 dwellings that will be converted into homes after the event. The surrounding public realm will also be regenerated.

Further developments are profiled in Avison Young's 'The Changing Face of Birmingham'<sup>11</sup> report.

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<sup>11</sup>[https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=2ahUKewjn2YXts\\_3jAhXQiFwKHTtCAZUQFjAAegQIABAC&url=https%3A%2F%2Fwww.avisonyoung.co.uk%2Fdocuments%2F38901%2F994551%2F11852%2BThe%2BChanging%2BFace%2Bof%2BBirmingham\\_2019%2Bv9.pdf&usg=AOvVawOVLUi9MgZoZuw9IBmCQjUJ](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=2ahUKewjn2YXts_3jAhXQiFwKHTtCAZUQFjAAegQIABAC&url=https%3A%2F%2Fwww.avisonyoung.co.uk%2Fdocuments%2F38901%2F994551%2F11852%2BThe%2BChanging%2BFace%2Bof%2BBirmingham_2019%2Bv9.pdf&usg=AOvVawOVLUi9MgZoZuw9IBmCQjUJ)

## Industry Insight

*John Webber, Head of Business Rates, Colliers International*



The Business Rates Burden on local businesses in Birmingham has been steadily growing over the last 30 years with a detrimental impact across the sectors. In the Birmingham City Council Metropolitan area, business rates contribute £450 million per annum (19/20) out of a total of £3.1 billion to the local budget. This burden is spread across all non-domestic premises located within Birmingham.

Business rates have become an increasing proportion of outgoings for most businesses. From a rate in the £ in 1990 of £0.34 to above £0.50 today and every chance that by 2021 the multiplier will be closer to £0.55, and subject to inflation approaching £0.60 in the next few years. This is a doubling of the tax burden over the last 30 years. While the Government of all persuasions will point to reliefs given to small businesses, the majority of people employed in this city are based in properties which do not get small business relief and therefore those jobs are most at risk when businesses decide to close premises because of the burden.

The retail sector in the city makes up approximately 28% of the total of £450 million while the pub and restaurant sector makes up approximately 7%. Given the amount of warehouse and industrial space in and around Birmingham, it is not unsurprising that the industrial and warehouse sector accounts for 22% of that total while offices account for 22% also.

The impact of business rates on the retail sector has been widely publicised with several of the bigger retail chains vociferous about their business rates burdens, which have added to their other rising costs. The 2017 Revaluation has meant some have been hit by high, unsustainable rises – others are suffering from the four -year phasing of downwards reductions, meaning many businesses are paying more than they should be. This together with the impact of increased competition from online retail, has resulted in a wave of store closures, job losses and CVAs across the sector. Birmingham has not been immune.

Business rates have also been a factor for other sectors. They are a major factor in the lack of speculative development both in the office and industrial/warehouse sector which a bank is unlikely to fund unless a developer has either very deep pockets or a tenant signed up to take the space on completion. The change in empty rates since 2008 resulting in a charge of 100% of the rates bill on empty properties following a grace period of 6 or 3 months will mean the yield profile and the profit from a commercial undertaking will disappear very quickly unless mitigation strategies are introduced if a tenant cannot be found.

Business rates, a common feature of commercial property for centuries which have been paid, if not willingly, but without any great concern, have now therefore become such a burden that they are put into the equation on the decision on whether properties should be occupied, vacated or even constructed. At a 50% plus tax, this is not surprising- but is a ridiculous situation.

Clearly local services need to be paid for but short-term political decisions by all parties over the last 30 years has meant a smaller number of larger ratepayers are faced with a much higher burden particularly when the yearly annual inflation figure is factored in over a generation. As business rates become a major part of the decision-making process, this is stifling growth, not only in Birmingham, but in many locations around the country and it appears that there is little political appetite to grasp the nettle.

If Birmingham is serious about competing on an international level with cities throughout the world, then Government needs to get to grips with this issue which is growing bigger every year. The City Council also has a responsibility to help businesses in a relatively minor way but in a way that will send the right signals to encourage people to locate in the city, stay in the city and grow in the city.

An example is the tram extension to Edgbaston and other large infrastructure projects which have had a negative impact on getting in and around while the works are ongoing. Rating agents including ourselves who have made representations to the Valuation Officer for temporary reductions because these works are disrupting business. These are being resisted because Birmingham City Council can ill afford to give any money away. This is extremely short sighted. Businesses have failed because of the works in the city centre and a recognition by Central Government as well the City Council would go a long way to sending the signal that yes Birmingham is open for business and is prepared to work with businesses who experience short term difficulties. Ignoring the issue is a detrimental effect on the city centre and its growth.

Birmingham is a great city with a mass of potential and a resilient business community. However, a little help from those in a position of power would not go amiss. This is why I and others have been canvassing for a sensible and proper business rates reform to alleviate the worst consequences of this punitive tax.

## Expert Comment

*Professor John Bryson, Professor of Enterprise and Economic Geography, City-REDI, University of Birmingham*



A city is a mosaic of sites and buildings that are connected by infrastructure – roads, footpaths, and cycleways and information communication technology. Investment decisions made in the past shape the on-going development of the city of Birmingham. Like all cities, Birmingham is a city of contrasts. This includes major regeneration projects intended to provide new office space and housing but also a major homelessness problem combined with a shortage of affordable housing. Birmingham faces four major development challenges.

First, there is a need to provide more housing and especially affordable housing. The key here is for the Industrial Strategy to recognise the relationship between local housing provision and the availability of skills in local labour markets. This is only part of the challenge that the city faces. It is now becoming absolutely critical for all development decisions involving land and infrastructure to adopt an approach that will eventually transform Birmingham into a net zero carbon emission city. This is a major challenge and opportunity. Birmingham should lead the way in innovations that will transform the city creating new employment opportunities whilst enhancing the quality of city living but simultaneously reducing carbon emissions.

Second, a key debate must develop regarding the location of new housing provision combined with accessibility to employment, education, health and social services. Reducing carbon emissions must result in a much more localised city in which considerable thought has been given to minimising travel and in ensuring that all travel is part of a net zero carbon emission strategy.

Third, like many other UK cities Birmingham has a shortage of high-quality office space. Birmingham's economy continues to restructure towards more office-based employment. But, it must also be appreciated that some manufacturing functions require office-style accommodation. The key challenge is in identifying sites and persuading investors that Birmingham is a suitable investment location. This involves planning that is supportive of appropriate development proposals and that the city provides competitive investment yields.

Fourth, retailing and entertainment play an important role in city living. Nationally retailing is undergoing radical restructuring. The near future will see the collapse of more established retailers. Birmingham must rise to the challenge and continue to support the transformation of the city's retail core into an entertainment and experience space.

This is an extremely exciting time in which to live and work in Birmingham. The current national debate is dominated by Brexit, but this distracts attention from what should be the primary challenge facing Birmingham and the UK – climate change. Adopting a net zero carbon emission approach to Birmingham will produce major alterations in the way the city is planned and developed. This will



require major alterations in everyday living. What is required is an approach to transforming Birmingham that is both responsible and inclusive. A responsible approach will balance present with future needs and outcomes. An inclusive approach will create a safer and more prosperous city.

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# Birmingham Economic Review 2019

## Chapter 4: Making Inclusive Economic Growth Happen

UNIVERSITY OF  
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West Midlands  
Growth Company

## Introduction

The annual Birmingham Economic Review is produced by the University of Birmingham's City-REDI and the Greater Birmingham Chambers of Commerce, with contributions from the West Midlands Growth Company. It is an in-depth exploration of the economy of England's second city and a high-quality resource for informing research, policy and investment decisions.

What follows is a summary version of the full Birmingham Economic Review 2019. The full-length publication can be found on the Greater Birmingham Chambers of Commerce website, or requested using the contact details at the end of this document. Data and commentary were correct at the time of publishing: October 2019.

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### **Foreword and Executive Summary: Scorecard for Birmingham**

**Chapter 1:** Adapting, Innovating and Leading the Future

**Chapter 2:** Creating a Workforce Fit for Tomorrow

**Chapter 3:** Connecting Communities with Opportunities

**Chapter 4:** Making Inclusive Economic Growth Happen

**Chapter 5:** Changing Perceptions of Birmingham

**Conclusion**

All Chapters of the *Birmingham Economic Review 2019* can be found online on the [Greater Birmingham Chambers of Commerce website](#) or via the contact details at the end of this document.

## Making Inclusive Economic Growth Happen

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GVA in Birmingham continues to grow, strengthened by fast-growing business professional and financial services (BPFS), and professional, scientific and technical services. However, GVA per head remains below the national average and the city's high start-up rate has decreased in the past year.

In Birmingham, the Greater Birmingham Chambers of Commerce exists to connect, support and grow local businesses, and annually run campaigns and event series' to share good practice among local businesses. The GBCC also features an international hub, with international trade advisors, an export documentation team and language and translation services, and operates the GBS LEP Growth Hub that is on hand to offer advice and signpost businesses to available finance options. Key sectors in the city are varied and include fast-growing business professional and financial services (BPFS), and professional, scientific and technical services.

We must continue the momentum of Birmingham's economic growth. However, we also know that it is not enough to pursue economic growth on its own terms; it is important to make sure that this growth is inclusive, meaning that it benefits everybody in society. The diverging economic fortunes of much of the North and Midlands of the UK compared to London and the wider South East prompted the launch of the UK2070 Commission by Lord Kerslake to understand the causes of economic inequality and make recommendations to addressing it. Looking at homelessness and food bank usage, it is clear that there is more work to be done in ensuring that the economic success of firms in the West Midlands also benefits the communities in which they are based.

### *West Midlands Local Industrial Strategy*

The West Midlands was one of the two 'trailblazer' regions (along with Greater Manchester) for the launch of new Local Industrial Strategies (LIS) focusing on the development of key technologies and priority industries in the UK's major cities. Also in Wave 1 for local industrial strategies was the Cambridge-Milton Keynes-Oxford corridor. In July 2018 the government announced a further round, called Wave 2, which would be published by March 2020 that included the Tees Valley, West of England (centred on Bristol) and Leicester and Leicestershire, among others.

The LIS for the West Midlands noted the region's strengths in sectors such as mobility and automotive; health and life sciences; and business and professional services<sup>1</sup>. To that end, investment has been targeted in the development of battery research for electric cars and the nation-wide pilot of 5G internet to enable development of self-driving vehicles in the Future Mobility Zone. There is also a focus on digital rail, much of the research for which is being done at the University of Birmingham. HS2 and the Commonwealth Games are also part of the LIS, to unlock regeneration of Birmingham and the wider area. There is also the announcement that in 2021 Coventry will be the UK City of Culture, which will go some way to changing perceptions of the region beyond its boundaries.

The strategy also includes £69 million worth of funding to the West Midlands Combined Authority to improve digital and technical skills, thus improving job

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<sup>1</sup> <https://www.gov.uk/government/publications/west-midlands-local-industrial-strategy/west-midlands-local-industrial-strategy>

opportunities for inhabitants as well as drive the region's productivity forward. Two new Institutes of Technology are to be established in Dudley and Solihull to create new opportunities for people to gain further and higher-level technical education.

### *Homelessness and Food Bank Usage*

Figures from Shelter in 2018 showed that 320,000 people<sup>2</sup> in the UK – or one in every 200 people – have no fixed address or place to sleep, a number that has risen rapidly since 2010.

According to the statutory homelessness figures<sup>3</sup> for the WMCA area, in the three-month period between October to December 2018, 4,365 households were assessed for being in critical need of somewhere to live. This was a reduction of 7.8% from the previous quarter. The figures estimate 284 rough sleepers across the WMCA in 2018, which is increase of 33% from the previous year. At the end of 2018, 3,422 households were living in temporary accommodation. This was an increase of 9.5% from autumn 2018.

When looking at the causes of homelessness, it is clear that this is a complex problem requiring a variety of support services. Common reasons that people seek support housing from their local authority include mental health problems, physical health problems, domestic abuse and drug and alcohol dependency. Most shockingly, 61 households in the WMCA area at the end of 2018 were homeless upon departure from an institution such as a hospital, prison or psychiatric unit.

On another measure of deprivation, in the 12 months to the end of March 2019 the Trussell Trust distributed 1.6 million three-day emergency food supplies to people with nothing to eat; a third of these went to children<sup>4</sup>. 142,234 emergency food parcels were distributed in the West Midlands. The most commonly cited reason given by one-third users of these food banks for why they were in desperate need is that their income does not cover their essential costs. This was followed by those who said they were either in benefit delays (one in five) or had seen changes to their benefits.

Although the Trussell Trust figures cannot on their own capture the scale of the hunger crisis in the UK, roughly two-thirds of all food bank provision is accounted for by the charity, meaning that it does provide a good approximation of the scale of the problem. Use of food banks operated by the trust has increased by 73% since 2014, indicating that this is worsening over time and should be a matter of urgent concern.

### *GVA*

GVA measures the contribution to the economy of each individual producer, industry or sector in the UK. The 2008-09 recession hit employment and economic output across the country. Birmingham was no exception.

From the pre-recession peak in 2007 to the trough in 2009, the city lost around 40,000 jobs; approximately 7% of total employment. Over the same period,

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<sup>2</sup>[https://england.shelter.org.uk/media/press\\_releases/articles/320,000\\_people\\_in\\_britain\\_are\\_now\\_homeless,\\_a\\_s\\_numbers\\_keep\\_rising](https://england.shelter.org.uk/media/press_releases/articles/320,000_people_in_britain_are_now_homeless,_a_s_numbers_keep_rising)

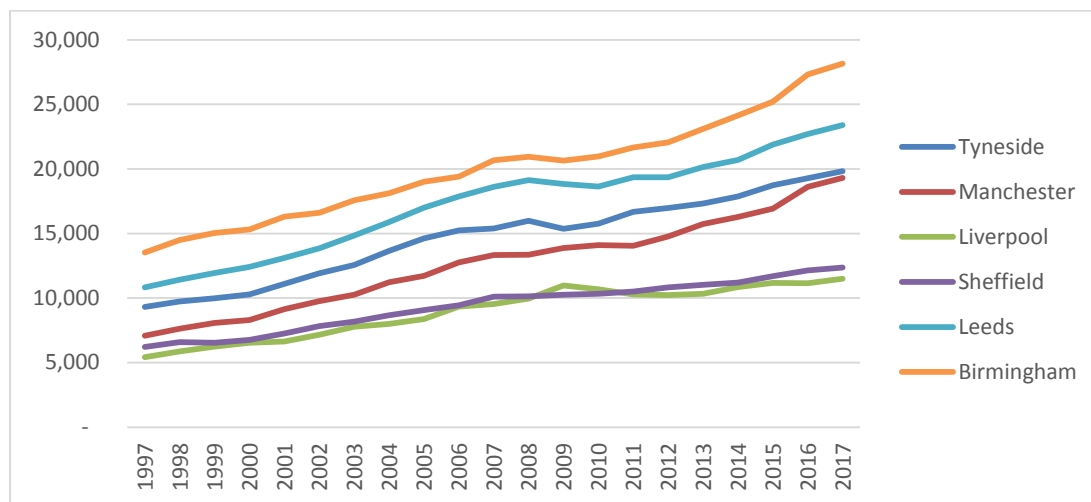
<sup>3</sup><https://www.gov.uk/government/publications/statutory-homelessness-in-england-october-to-december-2018/statutory-homelessness-in-england-october-to-december-2018>

<sup>4</sup><https://www.trusselltrust.org/news-and-blog/latest-stats/end-year-stats/>

around £1 billion of economic output was lost. This was equivalent to approximately 5% of Birmingham’s total GVA. Both employment and economic output suffered larger percentage falls in Birmingham than they did nationally, highlighting that the city was hit disproportionately harder during the downturn.

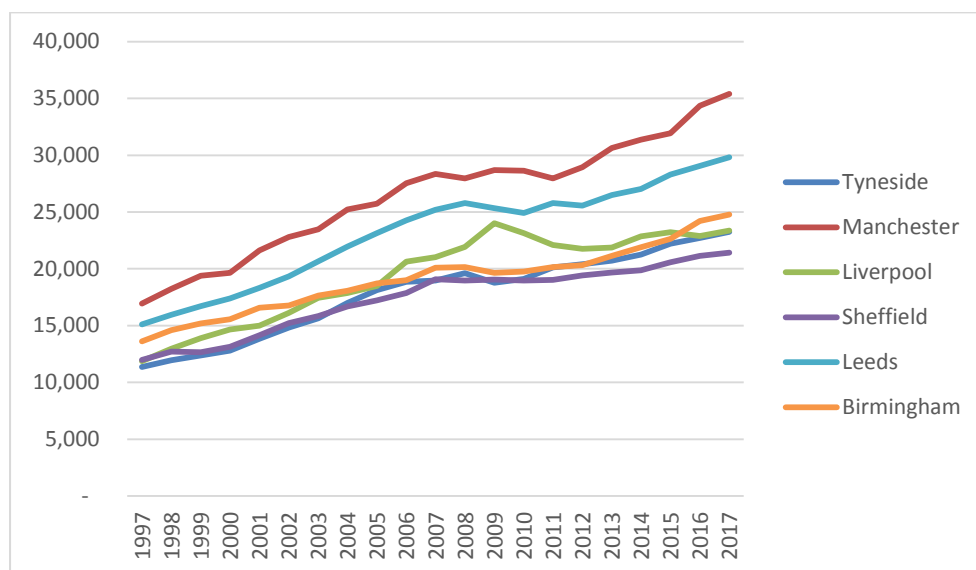
Official GVA data provided by the ONS shows that the economy has recovered from the low point reached in 2009. However, in terms of GVA per head, latest data from 2017 shows that Birmingham (£24,761) significantly underperforms the national average (£27,430) and other core cities such as Manchester (£35,410). Whilst other core cities like Manchester have seen relatively high growth in this figure, Birmingham’s GVA per head has grown at a much slower pace. However, in the period 2015-2016 Birmingham’s GVA overtook the GVA per head of Liverpool for the first time since 2005. Liverpool’s GVA, although comparatively less affected by the 2008-09 recession, has experienced stagnation since 2014.

Figure 1 GVA (income approach) at current prices: growth in selected Core Cities, 1997-2017



Source: ONS, Regional Gross Value Added

Figure 2 GVA (income approach) per head growth (at current prices) in selected Core Cities, 1997-2017



Source: ONS, Regional Gross Value Added

Table 1 GVA (income approach) per head (£)

GVA/head (£)	2015	2016	2017
Tyneside	22,210	22,710	23,257
Manchester	31,927	34,358	35,410
Liverpool	23,218	22,875	23,368
Leeds	28,310	29,052	29,823
Sheffield	20,565	21,143	21,413
Birmingham	22,642	24,218	24,761

Source: ONS, Regional Gross Value Added

### GVA by Industry & Sector

The five biggest sectors in terms of GVA are 1) Public administration, education and health, 2) distribution, transport, accommodation and food, 3) business service activities 4) real estate and 5) manufacturing.

Table 18 shows that in terms of economic output, 'Public administration; education; health' remains the largest sector accounting for 24.8% of total GVA in Birmingham in 2017. After rapid growth in the early 2000s up until 2011, in recent years this growth has slowed down. Nevertheless, it remains by far the sector with the greatest economic output. 'Distribution; transport; accommodation and food' is the next largest contributor at 17.7% and 'business service activities' is third at 12.8%, both experiencing significant growth since 2010.

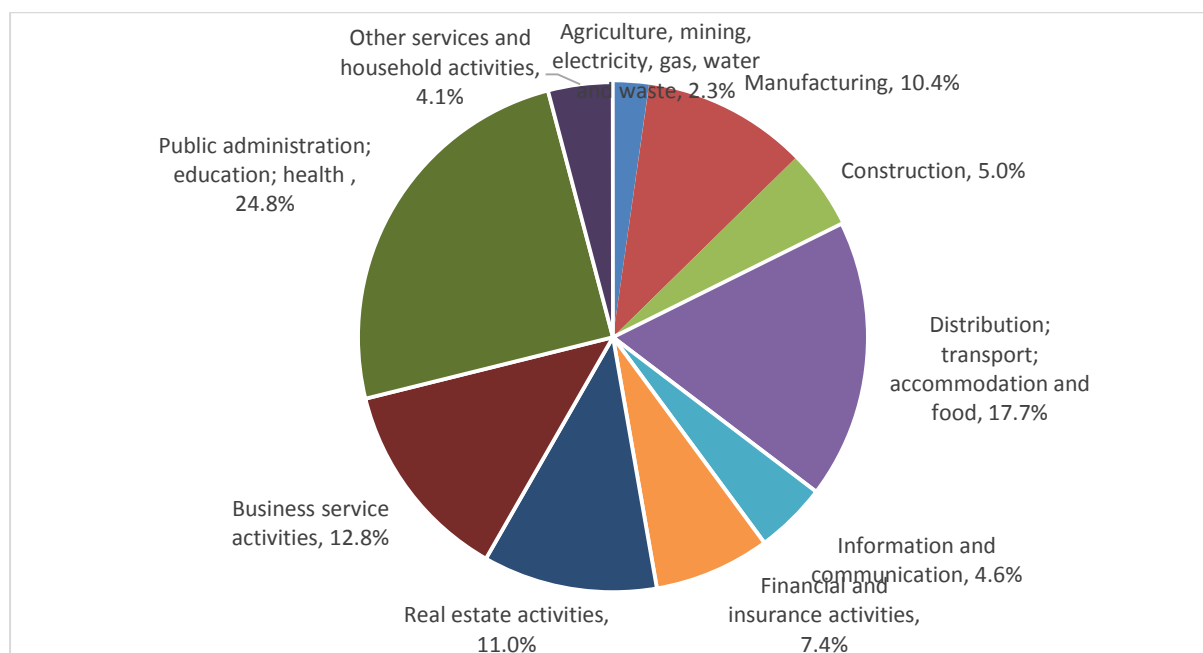


Table 2 GVA by Industry, Birmingham 2017 (£ million)

Industry	2017	Share of total
Agriculture, mining, electricity, gas, water and waste	637	2.3%
Manufacturing	2,924	10.4%
Construction	1,412	5.0%
Distribution; transport; accommodation and food	4,976	17.7%
Information and communication	1,284	4.6%
Financial and insurance activities	2,070	7.4%
Real estate activities	3,107	11.0%
Business service activities	3,612	12.8%
Public administration; education; health	6,978	24.8%
Other services and household activities	1,154	4.1%
<b>Total</b>	<b>28,156</b>	

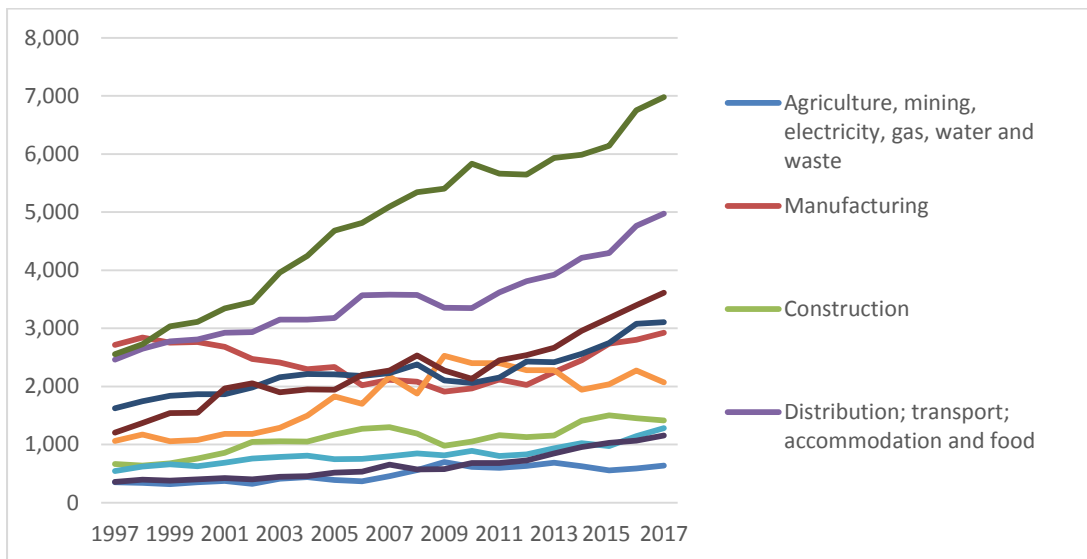
Source: ONS, GVA

Figure 3 GVA by Industry, Birmingham, 2017



Source: ONS, GVA

Figure 4 GVA by Industry, Birmingham, 1997-2016



Source: ONS, Regional Gross Value Added

Reflecting its function as a core city, Birmingham has a high public sector presence, comprising a number of very large public sector employers. Key amongst these is Birmingham City Council, the Queen Elizabeth Hospital (employing around 6,900) and the University of Birmingham (employing around 7,400).

A lot of work has recently gone into trying to rebalance the economy to grow and attract more private sector employers to Birmingham. Between 2013 and 2016, estimated gross Birmingham City Council expenditure decreased from £3.4 billion to £3.1 billion.

After a significant decline in manufacturing in the late 1990s and early 2000s, the manufacturing sector has seen an upturn in fortunes since 2012. In 2017, the sector contributed 10.4% to Birmingham's total GVA, down from 10.6% in 2016 but higher than the 10.1% figure registered in 2015. This has been influenced by a resurgence in manufacturing in recent years, with major employers like JLR announcing major investment in innovative new products. The local supply chain has also benefitted from a strong upturn in the automotive sector.

The business services sector contributes the third largest share of Birmingham's economic output, with businesses increasing in confidence to take on staff and invest.

Construction in the city, however, is yet to demonstrate significant growth. Whilst there has been a gradual increase in domestic and commercial construction activity since 2014, there was a drop in the percentage this industry contributed to Birmingham's GVA between 2015 (6.1%) and 2016 (5.3%), falling further to 5.0% in 2017.

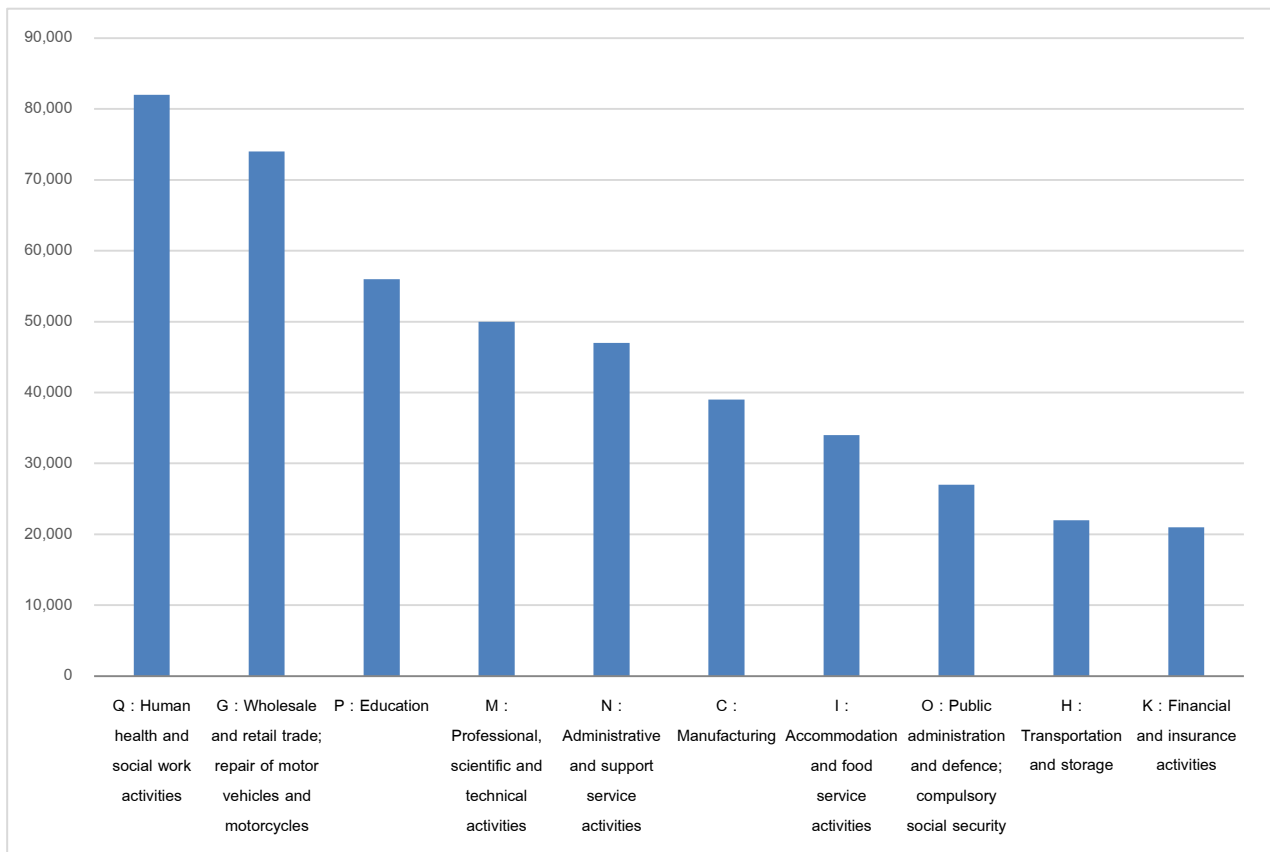
Although Brexit creates uncertainty, the pick-up in the service sector, along with manufacturing, should see employment growth in the city gather pace in the medium term from the relatively muted recovery in employment the city has experienced thus far.

As a core city, Birmingham hosts a number of nationally and internationally significant companies, reflecting both its manufacturing heritage and the city centre's function as a professional and business services hub for the wider region. The city has offices for a large number of financial and professional services companies focused in its financial district in Colmore Row and also in Brindleyplace. Such companies include RBS Natwest; Deutsche Bank; KPMG; PwC, Deloitte and Ernst and Young. In 2015, global bank HSBC announced the relocation of its national head office to Birmingham city centre, with the relocation of some 1,000 employees currently based in London to Birmingham. Birmingham also has a significant amount of legal services, with key companies including Pinsent Masons, Squire Patton Boggs, DLA Piper, Eversheds Sutherland and Shoosmiths.

### *Employee Shares*

The chart below uses the latest official workplace-based employment data from the 2017 Business Register and Employment Survey (BRES) to show the employment structure in Birmingham by broad industrial sector. The methodology of the survey was changed from 2015 to include businesses registered for PAYE but not VAT, making direct comparisons before that year more difficult. Nevertheless it is still possible to look at the number of employees by sector to reveal which are the most important sectors in Birmingham. a different picture. The largest sector in 2017 was health and social work (82,000 employees), followed by wholesale and retail (74,000) and education (56,000). These figures may reflect the number of large hospitals and universities in the city as well as the size and location of the city itself.

Figure 5 Employee Numbers for 10 largest sectors in Birmingham, 2017



Source: ONS, Business Register and Employment Survey

Table 3 Employees by Sector, Birmingham, 2015-17

Industry	2015	2016	2017
A : Agriculture, forestry and fishing	200	225	200
B : Mining and quarrying	40	5	15
C : Manufacturing	40,000	39,000	39,000
D : Electricity, gas, steam and air conditioning supply	600	600	700
E : Water supply; sewerage, waste management and remediation activities	2,500	2,250	3,000
F : Construction	25,000	16,000	18,000
G : Wholesale and retail trade; repair of motor vehicles and motorcycles	70,000	73,000	74,000
H : Transportation and storage	24,000	23,000	22,000
I : Accommodation and food service activities	31,000	32,000	34,000
J : Information and communication	12,000	13,000	14,000
K : Financial and insurance activities	22,000	23,000	21,000

L : Real estate activities	8,000	8,000	10,000
M : Professional, scientific and technical activities	44,000	46,000	50,000
N : Administrative and support service activities	44,000	45,000	47,000
O : Public administration and defence; compulsory social security	25,000	25,000	27,000
P : Education	57,000	57,000	56,000
Q : Human health and social work activities	68,000	82,000	82,000
R : Arts, entertainment and recreation	10,000	11,000	10,000
S : Other service activities	11,000	12,000	11,000
<b>Total</b>	<b>494,000</b>	<b>508,000</b>	<b>517,000</b>

Source: ONS, BRES

Examining Location Quotients (LQs)<sup>5</sup> enables us to further identify the sectors in the city that have above average employment shares compared to the national average and hence a greater degree of specialisation. The data used has been derived from the Business Register and Employment Survey. A location quotient of 1.0 indicates that the local share of employee jobs in an industry is equal to the national share of that sector. A location quotient greater than 1.0 indicates a relative concentration of an industry in the geographic area.

If spatial concentration occurs in an industry, individual firms must see the benefits of such co-location as greater than the costs. This applies whether the spatial concentration is in the form of an industry cluster or an urban agglomeration. The benefits of spatial concentration occur through increased productivity, due to a number of spillover effects usually labelled 'agglomeration economies'. There are also costs associated with spatial concentration, particularly costs of congestion and increased land prices. Due to this balance of benefits and costs, it is not always clear what the optimal level of spatial concentration is, either within a specific industry or over the whole economy. The balance will vary by industry and location. To an individual, spatial concentration matters because the spatial pattern of employment across industries influences the economic opportunities available in the area in which they live. To a policymaker, spatial concentration is of interest because of the positive productivity benefits to the economy that spatial concentration can produce. There may also be an interest in any impacts on spatial inequalities across the economy.

To summarise, the most concentrated industries in Birmingham using the latest data available for 2017 were:

- Education (1.21) – this has fallen from 1.26 in 2015, indicating decreasing specialisation or greater diversification
- Public administration and compulsory social security (1.21)
- Health and social work (1.20) – this has increased from 1.05 in 2015 indicating increasing specialisation

<sup>5</sup> The share of employment in a specific sector in Birmingham divided by the share of employment of that sector in the national economy.

- Real estate (1.19) – this has increased from 0.94 in 2015, demonstrating that the city is developing a spatial concentration of this sector
- Finance and insurance activities (1.17) – this has decreased from 1.29 in 2015
- Professional, scientific and technical activities (1.15)

## UK Trade

Table 41 UK Trade, 2014-2017

£ million					
	Balance of trade in goods			Balance of trade in services	Total trade balance
	EU	Non-EU	Total		
<b>2014</b>	-78,093	-45,029	-123,122	86,291	-36,831
<b>2015</b>	-87,023	-31,603	-118,626	86,256	-32,370
<b>2016</b>	-96,464	-39,031	-135,495	94,818	-40,677
<b>2017</b>	-94,697	-40,885	-135,582	106,962	-28,620
<b>2018</b>	-93,452	-44,641	-138,093	107,124	-30,969

Source: ONS, UK Trade

The table above shows the total balance of UK trade stood at -£31 billion in 2017, largely due to trade in goods both within the EU and within non-EU nations.

The falling pound has failed to filter through into significantly increased sales of goods abroad. The deficit in goods has continued to increase, further increasing the negative balance of trade.

Table 5 UK Trade, June 2017 – June 2019

£ million seasonally adjusted

UK Balance of Payments	Trade in goods			Trade in services		
	Exports	Imports	Balance	Exports	Imports	Balance
2017 Jun	27 208	40 624	-13 416	23 117	13 895	9 222
Jul	28 030	39 411	-11 381	23 184	13 889	9 295
Aug	28 497	40 597	-12 100	23 321	13 861	9 460
Sep	29 613	39 994	-10 381	23 584	13 842	9 742
Oct	28 820	39 974	-11 154	23 838	13 846	9 992
Nov	28 550	40 539	-11 989	23 887	13 875	10 012
Dec	28 078	39 555	-11 477	23 630	13 934	9 696
2018 Jan	29 318	40 208	-10 890	23 256	14 039	9 217
Feb	28 094	37 598	-9 504	23 022	14 160	8 862
Mar	28 554	40 269	-11 715	23 101	14 294	8 807
Apr	27 700	39 812	-12 112	23 344	14 417	8 927
May	28 743	40 418	-11 675	23 500	14 502	8 998
Jun	29 928	40 389	-10 461	23 417	14 542	8 875
Jul	29 701	40 870	-11 169	23 257	14 585	8 672
Aug	29 587	42 512	-12 925	23 279	14 703	8 576
Sep	30 078	40 801	-10 723	23 639	14 930	8 709
Oct	30 276	42 251	-11 975	24 176	15 200	8 976
Nov	29 925	42 183	-12 258	24 622	15 413	9 209
Dec	28 747	41 433	-12 686	24 798	15 502	9 296
2019 Jan	29 786	45 508	-15 722	24 478	15 466	9 012
Feb	29 916	45 813	-15 897	24 322	15 451	8 871
Mar	31 263	46 693	-15 430	24 406	15 507	8 899
Apr	28 425	41 160	-12 735	23 717	15 031	8 686
May	29 465	40 160	-10 695	23 574	14 881	8 693
Jun	31 691	38 700	-7 009	23 718	14 930	8 788

Source: ONS, UK Trade

## *Business Births, Deaths & Survivals*

In 2016, StartUp Britain identified that 17,473 new businesses were registered in Birmingham, the largest number of start-ups outside London. Manchester had the next highest with 9,416 new companies. Barclays' UK Prosperity Map 2017 named Birmingham the city with the highest business birth-to-death ratio of any other city in the UK with 1.81 businesses created for every closure, beating London (1.78).

Official ONS data is available to look at business start-ups in Birmingham. The ONS Business Demography dataset for 2017 (latest available) provides data on enterprise births in the UK, allowing for comparisons between Birmingham and other areas.

**Table 6 Business Birth Rate per 1000 inhabitants, 2012-17**

Area/Year	2012	2013	2014	2015	2016	2017
United Kingdom	4.23	5.4	5.43	5.88	6.31	5.78
Manchester	4.98	6.58	6.78	7.90	11.91	15.51
Liverpool	3.23	4.78	4.57	5.09	5.48	7.60
Newcastle	3.36	4.17	4.18	4.30	4.31	4.33
West Midlands	3.48	4.54	4.51	5.10	5.97	5.24
WMCA	3.35	4.42	4.48	5.46	6.33	5.02
Birmingham	3.62	4.84	4.81	6.58	8.16	5.95

*Source: ONS Business Demography*

The table above shows the enterprise births per 1,000 of the population (which represents an enterprise birth rate to enable comparison between different areas). We can see from Table 27 that performance in the West Midlands as a region, the WMCA area and Birmingham itself has improved since 2012, although there was quite a pronounced drop in business births from 2016 to 2017. Although this mirrors the national figure, it is important to note that in Manchester, Liverpool and to a lesser extent Newcastle the business birth rate continued to increase.

The ONS Business Demography dataset for 2017 also provides data on enterprise deaths in the UK. Table 28 shows that there were 5.93 business deaths per 1,000 people in Birmingham in 2017. There has been quite a significant increase in business deaths over the past two years relative to the preceding period, to the extent that the business death rate in Birmingham now surpasses the national average figure.



**Table 7 Business Death Rate per 1000 inhabitants, 2012-17**

Area/Year	2012	2013	2014	2015	2016	2017
United Kingdom	3.96	3.7	3.82	3.87	4.99	5.40
Manchester	4.45	4.44	5.03	5.04	6.94	7.64
Liverpool	3.14	2.79	3.49	3.26	4.21	4.71
Newcastle	3.05	2.81	3.47	3.18	4.24	4.14
West Midlands	3.52	3.25	3.38	3.3	4.17	4.48
WMCA	3.27	3.09	3.23	3.24	4.21	4.76
Birmingham	3.63	3.35	3.64	3.63	4.88	5.93

*Source: ONS Business Demography*

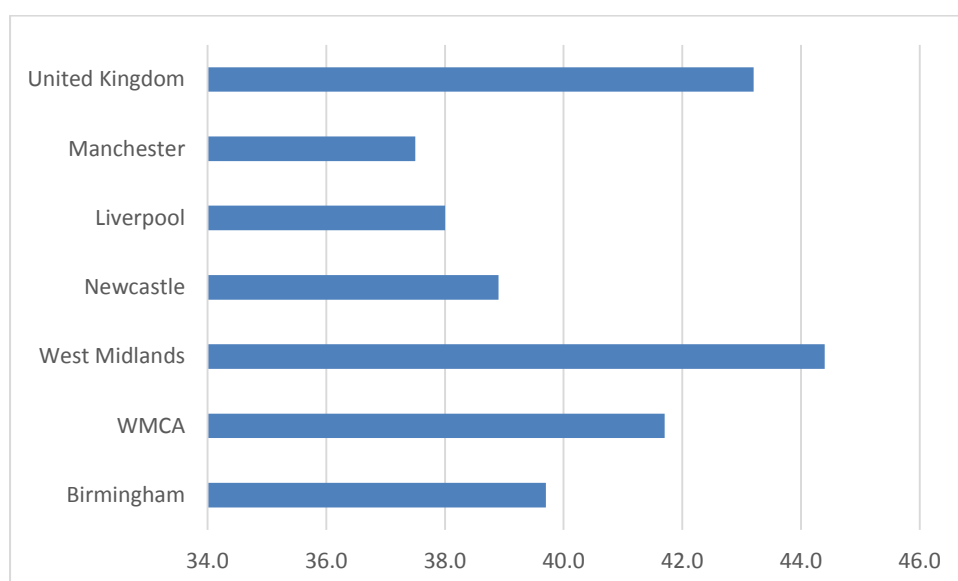
Another indication of the strength of an area's enterprises is business survival rates. Table 8 below shows the enterprise survival rate for businesses started in 2012. 39.7% of new businesses started in Birmingham in 2012 were still trading in 2017, compared to 43.2% nationally. The city is mid-ranking amongst the core cities.

**Table 8 Business 5 Year Survival Rates - 2012-2017**

5-year survival rates	
United Kingdom	43.2
Manchester	37.5
Liverpool	38.0
Newcastle	38.9
West Midlands	44.4
WMCA	41.7
Birmingham	39.7

*Source: ONS Business Demography*

Figure 6 Survival Rates for Firms Born in 2011



Source: ONS Business Demography

### *Future of Professional Services*

The Business, Professional and Financial Services sector is twice the size of the Manufacturing and Engineering sector in the West Midlands and in 2017 accounted for 28.2% of GVA and 20.3% of jobs (1 in 5 jobs). Employment in the sector is set to grow by 31%, and the sector's contribution to GVA is set to double by 2030. It is a thriving sector in its own right and is recognised as having a significant multiplier effect across the rest of the economy because of the services it offers. City-REDI recently conducted a review of the sector for the West Midlands Combined Authority which explored future prospects of the sector and the challenges facing business<sup>6</sup>.

The sector is very different to what was previously assumed. Firstly, Birmingham is the only place outside of London where you can access the full range of services within the sector. Secondly, the business and professional services sector is set to grow considerably as highlighted above, driven by flagship investment such as HSBC moving their HQ to Birmingham which added to an already high number of nationally significant companies. Thirdly, the sector is not characterised by back-office jobs; rather there is a skew towards highly professional and technical roles, and where back office does exist, it is because the HQ is in the region or it has become a specialised function.

The main challenges for the sector are attracting and retaining staff to the region, and the sector more broadly. The sector still suffers from a lack of understanding of opportunities as well as a negative perception of the city's lifestyle offer. The challenge for Birmingham, therefore, is continuing to promote the city as a great place to live with good job opportunities in the sector. Nevertheless, the sector is growing at an accelerated rate, and indications are that this is due to relocation from other UK cities, including London.

<sup>6</sup> <https://www.wmca.org.uk/media/2236/business-professional-and-financial-services.pdf>

Technology could radically change the way this sector delivers. Businesses are increasingly characterised by networked delivery teams who can work for clients locally, nationally and internationally and technology allows expertise to be utilised wherever it is based. Technology is potentially a disruptive competitor to the services offered. However, businesses are already moving to a model which supports stronger client relationships to solve difficult business issues whilst commoditising off the shelf processes.

In terms of improving the wider economy, the sector may be underperforming. Despite excellent examples, the main challenge for the sector is innovation. Especially where clients are not innovative and constrain change, within a risk-averse economic climate. Businesses want to tap into Birmingham's diverse, young labour market to create diversity in thinking and innovative cultures, but they need help in attracting talent and creating new pathways to ensure local people benefit from growth. The sector is increasingly focused on people and the infrastructure to attract them, and the next generation of professional services staff are demanding different working environments, challenges and work/life opportunities. The sector in Birmingham is already responding to this challenge. However, place attractiveness is becoming increasingly important to businesses and this is key to the industrial strategy going forward.

### *Procurement & Anchor Institutions*

There has been an emphasis recently on local wealth building, a new approach to economic development. Local wealth building is no longer an 'alternative' but a guiding principle of the new economic model and movement gaining momentum across the UK.

A piece of research carried out in 2017-2018 by the Centre for Local Economic Strategies in collaboration with City-REDI looked at the local wealth building capacity of Birmingham, focusing on how the city's anchor institutions individually and collectively add to the economic and social vibrancy of the city. For Birmingham City Council and the University of Birmingham the key findings were as follows:

- In the financial year 2016/17, Birmingham City Council spent £762,252,622 with organisations based within the Birmingham boundary. This is equivalent to 68.7% of procurement spend with the top 300 organisations.
- Approximately 15% of the University of Birmingham's spend (£125.6 million) was with organisations based in the Birmingham boundary between 2012-2017. The greatest proportion of spend was within the construction sector (42% of total spend). 53.8% of the total net salary spend on employees is spent in Birmingham.

Other key anchor institutions in Birmingham that were included in this study are Pioneer Group, West Midlands Policy and Crime Commission, Birmingham Metropolitan College and Queen Elizabeth Hospital.

Going forward, the report outlines the following three priorities for Birmingham<sup>7</sup>:

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<sup>7</sup> Local Wealth Building in Birmingham & Beyond: A New Economic Mainstream, 2018

- Generating individual anchor strategies which span the breadth of local wealth building activities and working together to mobilise the resources and support to put these into practice
- Advocating for the anchor approach across Birmingham and the wider West Midlands and encourage a shift in policy and practice on procurement, workforce and management of land, property and assets
- Construction and building: Of the four Anchor Institutions who undertook an analysis of their procurement spend as part of this project, all identified that a significant proportion of the money which leaks out of the Birmingham and West Midlands economy relates to construction projects. This presents a key issue for the city and the wider region, with an opportunity to address this collectively in the context of the imminent investment in the facilities for the Commonwealth Games in 2022.

### *Commercialisation*

The University of Birmingham was awarded £5 million by Research England to lead a connected system of incubators and accelerators to boost jobs and economic growth in Birmingham and the wider Midlands region.

The Midlands Innovation Commercialisation of Research Accelerator (MICRA) is the largest formal technology transfer network in the UK. It provides a single platform to the collective intellectual property resources of eight universities based in the Midlands, including Aston, Birmingham, Cranfield, Keele, Leicester, Loughborough, Nottingham and Warwick. The MICRA programme, working across industry from all sectors, will support entrepreneurs and enterprise development and investment in the Midlands region.

## Expert Comment

*Dr Tasos Kitsos, Research Fellow, City-REDI, University of Birmingham*



Birmingham is booming. It is doing so well that the 2008 crisis is statistical history. However, not everyone benefits from this recent growth and this is to the detriment of individuals, local communities & businesses and the city itself. Now, it is more important than ever for local stakeholders to come together and build resilience and inclusivity into growth initiatives. The incorporation of inclusiveness in the West Midlands Local Industrial Strategy is a great starting point for developing Birmingham's participatory growth paradigm. Reshaping the traditional SWOT (Strength, Weaknesses, Opportunities and Threats) analysis it is useful to explore

the city's Weaknesses, Strengths, Threats and Opportunities for enhancing inclusivity from 2008 to the future.

**Weaknesses.** The 2008 crisis exposed Birmingham's chronic problems of skills deficiencies and a restructuring economy trying to find its place in the 21<sup>st</sup> century globalised world economy. Both skills and industrial structure characteristics are significant drivers of economic resilience – the ability of a place to avoid or overcome the negative impact of a shock. As a result, it is not surprising that the city exhibited low resilience performance, losing greater than average jobs and output.

**Strengths.** Since then, Birmingham has come a long way. Dynamism fuelled by manufacturing, business and professional services as well as public sector, education and health sectors has helped the city bounce back. Birmingham now capitalises on its location, population characteristics, infrastructure investment and changing perceptions, and lays the foundations for sustained growth in the future. A major factor in this is a strong network of stakeholders across the private, public and third sector. Cooperation between West Midlands institutions such as the GBCC, regional universities, local government and voluntary organisations is at its highest in decades. Of course, there is room for improvement but the prospects are much better than before.

**Threats.** The main threat in all this seems to be the disconnect between wealth creation and distribution. A significant part of the local society appears to be unable to access the benefits of the growth generated and the opportunities that arise. This lack of inclusivity is a multi-faceted problem that should concern the city's entire socio-economic system. Beyond the significant individual negative effects, the city is losing precious human capital and local demand for its businesses, detracting from Birmingham's economic potential. It is worth noting that this is not a problem exclusive to Birmingham but the city has the opportunity to become a flagship paradigm in addressing it.

**Opportunities.** The conditions to becoming an example of inclusivity could not be better for Birmingham. Yes, there are the challenges but the city benefits from good economic prospects, significant infrastructure investment and a strong institutional line-up. Jobs and output have positive growth trends and similar are the messages coming from firm dynamics despite annual fluctuations. The good

performance of the business and professional services coupled with the fact that they generate good jobs instead of back-office operations are positive news. Creating career pathways for local talent into the high-skilled, high-value jobs on offer is essential to inclusivity in this case. Similarly, investments in digital and transport connectivity together with mega-events such as the Commonwealth games represent step change catalysts in improving inclusivity. Instrumental to all this is the support of local institutions such as the GBCC, local universities and WMCA's Inclusive Growth Unit. Partnership working among those stakeholders can enhance skills delivery, boost innovation and connect economic growth to resident wellbeing, multiplying the benefits of local economic expansion for individuals, firms and the city.

Overall, it is within grasp for Birmingham to become a pioneer in inclusive growth. Business performance is trending upwards, assisted by a strong institutional framework. Initiatives on business support, commercialisation of university research and the explicit recognition of inclusivity as an element of the Local Industrial Strategy are all welcomed initiatives that can build resilience into future growth.

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# Birmingham Economic Review 2019

## Chapter 5: Changing Perceptions of Birmingham

UNIVERSITY OF  
BIRMINGHAM

BIRMINGHAM  
BUSINESS  
SCHOOL

CITY  
REDI



West Midlands  
Growth Company



## Introduction

The annual Birmingham Economic Review is produced by the University of Birmingham's City-REDI and the Greater Birmingham Chambers of Commerce, with contributions from the West Midlands Growth Company. It is an in-depth exploration of the economy of England's second city and a high-quality resource for informing research, policy and investment decisions.

What follows is a summary version of the full Birmingham Economic Review 2019. The full-length publication can be found on the Greater Birmingham Chambers of Commerce website, or requested using the contact details at the end of this document. Data and commentary were correct at the time of publishing: October 2019.

## Index

### **Foreword and Executive Summary: Scorecard for Birmingham**

**Chapter 1:** Adapting, Innovating and Leading the Future

**Chapter 2:** Creating a Workforce Fit for Tomorrow

**Chapter 3:** Connecting Communities with Opportunities

**Chapter 4:** Making Inclusive Economic Growth Happen

**Chapter 5:** Changing Perceptions of Birmingham

**Conclusion**

All Chapters of the *Birmingham Economic Review 2019* can be found online on the [Greater Birmingham Chambers of Commerce website](#) or via the contact details at the end of this document.

## Changing Perceptions of Birmingham

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Birmingham is an exciting place to be. The city is benefitting from strong levels of FDI and inward investment, while perceptions are slowly changing, with its visitor economy growing each year.

However, Birmingham does still struggle with perceptions of it being an industrial city, or rather a post-industrial one, made up of ring roads and brutalist architecture. In thinking about perceptions, it is worth considering how the image of Birmingham in national media, political debate and culture could be updated to more fully capture the dynamism of the city, one of the youngest and most ethnically diverse in Europe.

### *Commonwealth Games*

The Commonwealth Games is one of the world's largest sporting events and is an opportunity for Birmingham to present itself to a global audience. The organising body for the 2022 Birmingham Commonwealth Games say they intend to 'deliver an unforgettable, global Games' while showcasing the region<sup>1</sup>. The construction of an athlete's village in Perry Barr will see large-scale regeneration of this part of North Birmingham that will be converted into 1,400 new homes after the event. The event will be a tourism opportunity for the city itself as well as a chance to broadcast a more contemporary image to an international audience. 70 nations with a combined population of 1.5 billion will be taking part.

### *Coventry Capital of Culture*

The UK City of Culture scheme was launched to build on the success of Liverpool's experience as European Capital of Culture in 2008. After Derry in 2013 and Hull in 2017 Coventry will be the third holder of the title. [Research](#) from the University of Hull has shown the positive impact on Hull; more than 5 million people visited an event, 800 new jobs were created in the visitor economy sector and £220 million of investment attracted to the city. The games will not only give Coventry the chance to access this funding and job opportunities but also increase civic pride and sense of identity. With the spotlight on Coventry, the wider West Midlands area will also have the chance to promote itself to tourists and work on changing perceptions of the region as nothing more than an industrial place of ring roads and brutalist architecture.

### *FDI Trends*

Foreign Direct Investment (FDI) enables urban development and growth. Foreign capital and knowledge build productive capacity, and can bring jobs and skills, while contributing to infrastructure improvements and export capacity. FDI can increase a region's competitiveness.

The West Midlands is the UK's leading region outside of London and the South East in terms of attracting FDI, according to figures from the Department for International Trade. In the 2018/19 financial year there were 171 new FDI projects in

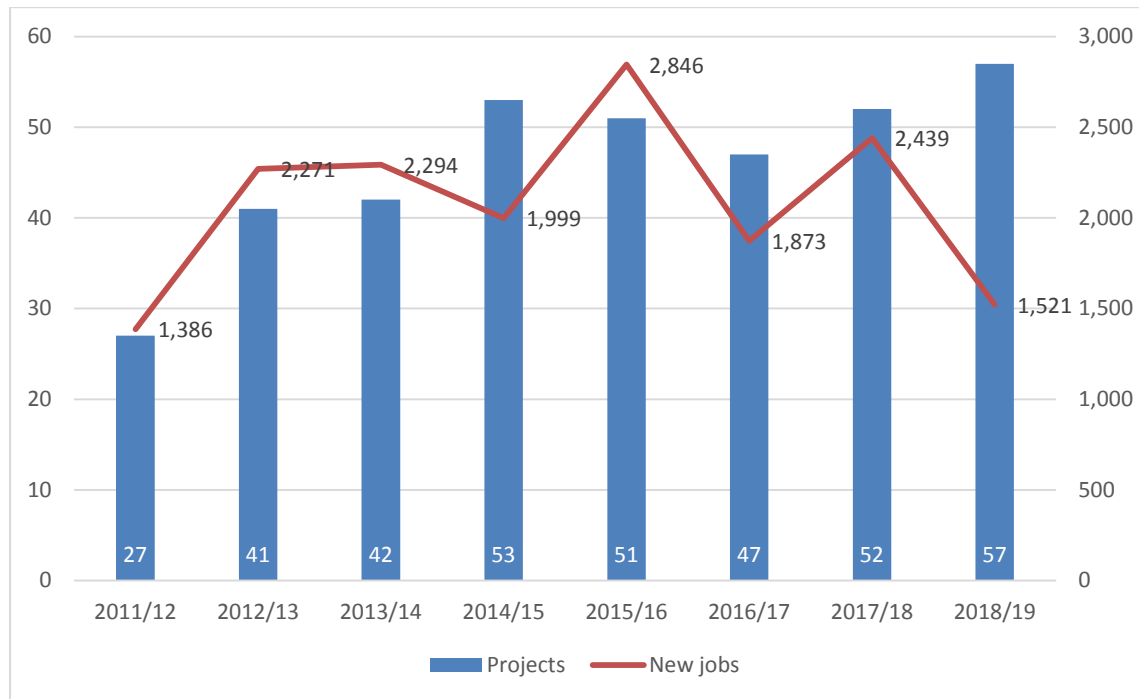
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<sup>1</sup> <https://www.birmingham2022.com/about-us/our-purpose/>

the West Midlands, creating 9,424 new jobs and safeguarding 315<sup>2</sup>. 57 of those investments were into Birmingham, creating 1,521 jobs last year in the city alone.

Over the five year period from 2013 to 2018, FDI from the European Union created 14,151 jobs and safeguarded 4,331 in 303 investments, demonstrating the importance of European capital to the West Midlands economy and jobs market.

Figure 1 FDI Projects and New Jobs in Birmingham, 2011/12 - 2017/18



Source: West Midlands Growth Company

While the number of FDI projects has remained resilient, the number of new jobs created by these investments has decreased; performance on this measure in the 2018/19 financial year was lower than in any year since 2011/12.

### FDI Project Successes

Some major investments into the city in 2018/19 include:



#### Genesee & Wyoming

US transportation services company Genesee & Wyoming, owner of rail/ road/ terminal operators Greightliner and Pentalver, has opened a new office in Birmingham housing its finance and procurement teams.

<sup>2</sup> <https://www.gov.uk/government/statistics/department-for-international-trade-inward-investment-results-2017-to-2018>



### **Jacobs Engineering Group**

The US-based technical professional services firm has expanded its presence in Birmingham, from 150 employees three years ago to more than 500 at the end of 2018 in its offices as Colmore Square.



### **Ramboll Group**

The Danish engineering consultancy has moved into a new office in central Birmingham to allow it to expand to 100 consultants and support staff, which will support its expansion into US and German markets.



### **Script&Go**

The French tech start-up that is geared towards site management in the construction industry has opened offices in both Birmingham and London in order to support its work in software development.



### **Meinhardt Group**

The engineering consultancy firm has expanded into Birmingham to capitalise on growing opportunities in the Midlands region, occupying a new office in the Two Snowhill development.



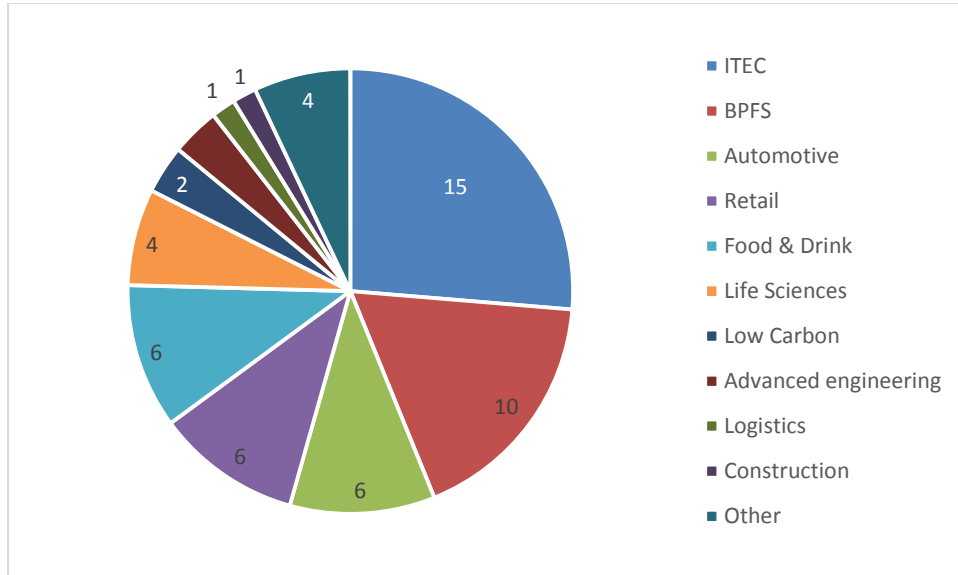
### **Alvarez & Marshal**

The New York-based global professional and financial services firm has moved into the Lewis Building on Bull Street, which is its second UK office after London. It worked on the collapse of Lehman Brothers and in a statement said "The vast majority of Midlands businesses are built on solid foundations. But, after a decade of cheap credit, many are faced with the challenge of managing over-leveraged financial structures at a time when margins are coming under pressure. These companies should take early action to best protect value for all stakeholders. We are here to help them and believe a local presence is important for our clients who want advice from people who know the local market but have access to global capabilities."

### FDI Projects by Sector

The Foreign Direct Investment that Birmingham receives covers a diverse array of industries. In 2018/19 57 investments were made in a variety of sectors, as shown below.

Figure 2 FDI Projects by Sector, Birmingham, 2017/18

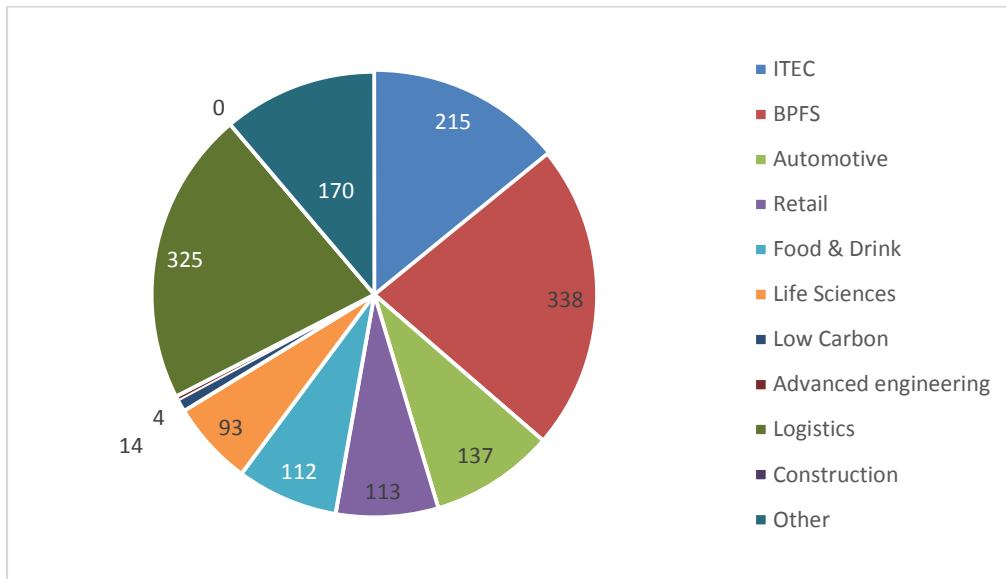


Source: West Midlands Growth Company

As can be seen above, the majority of investments were in ITEC (Information Technology Engineering Corporation) and BPFS (Business, Professional and Financial Services).

However, when we look at jobs created from FDI we see that one investment in logistics created more than any other sector than BPFS, and even there it very nearly reaches all the jobs created from 10 separate FDI investments in that sector. No new jobs were created by FDI into Birmingham's construction sector in the previous financial year.

Figure 3 FDI New Jobs by Sector, Birmingham, 2017/18

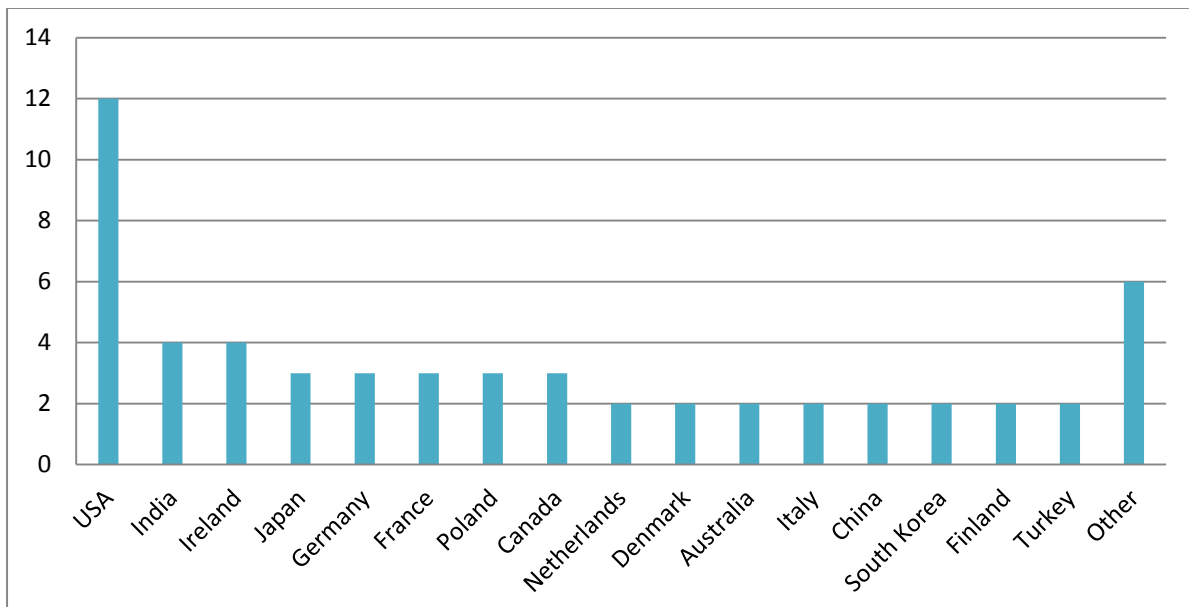


Source: West Midlands Growth Company

### FDI Projects by Nation of Origin of Investor

Continuing the established trend in foreign investment, the USA was the largest source of FDI into Birmingham. German investment has traditionally been the second largest source of FDI, but the number of investments has sharply decreased perhaps owing to Brexit-related uncertainty, with Germany in 5<sup>th</sup> place in the 2018/19 financial year for FDI into the city.

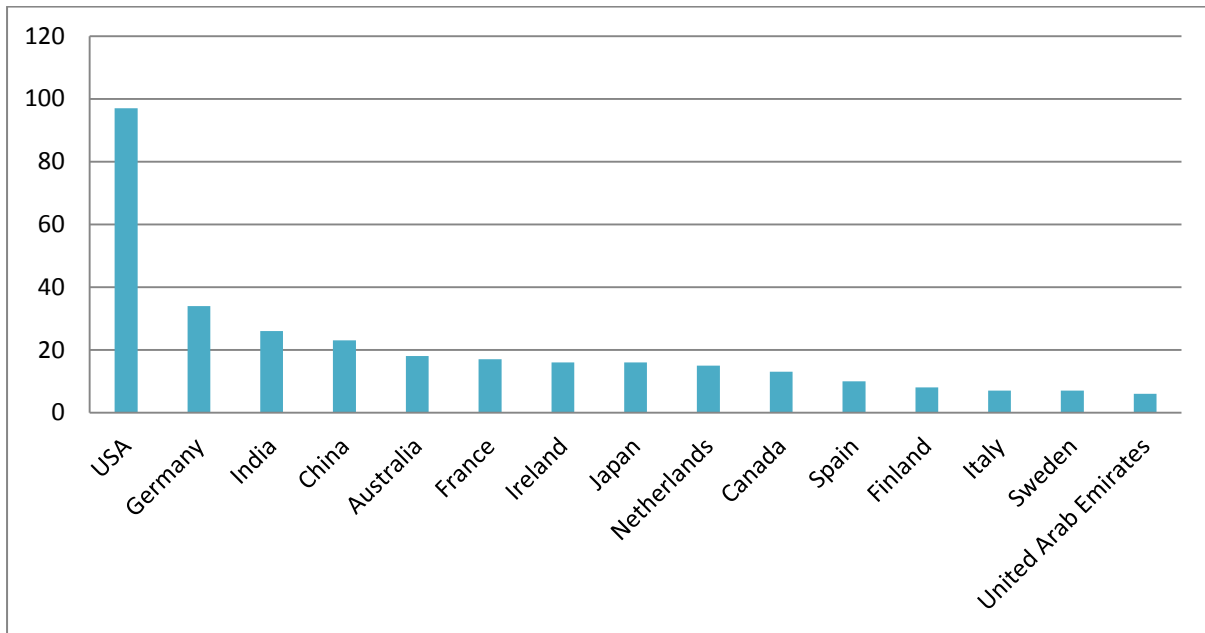
Figure 4 Source country and number of FDI projects in Birmingham, 2018/19



Source: West Midlands Growth Company

As Figure 4 demonstrates, investment from the USA and Germany has been more significant in terms of number of FDI projects in the period 2011-2019 than that from rising powers such as India and China.

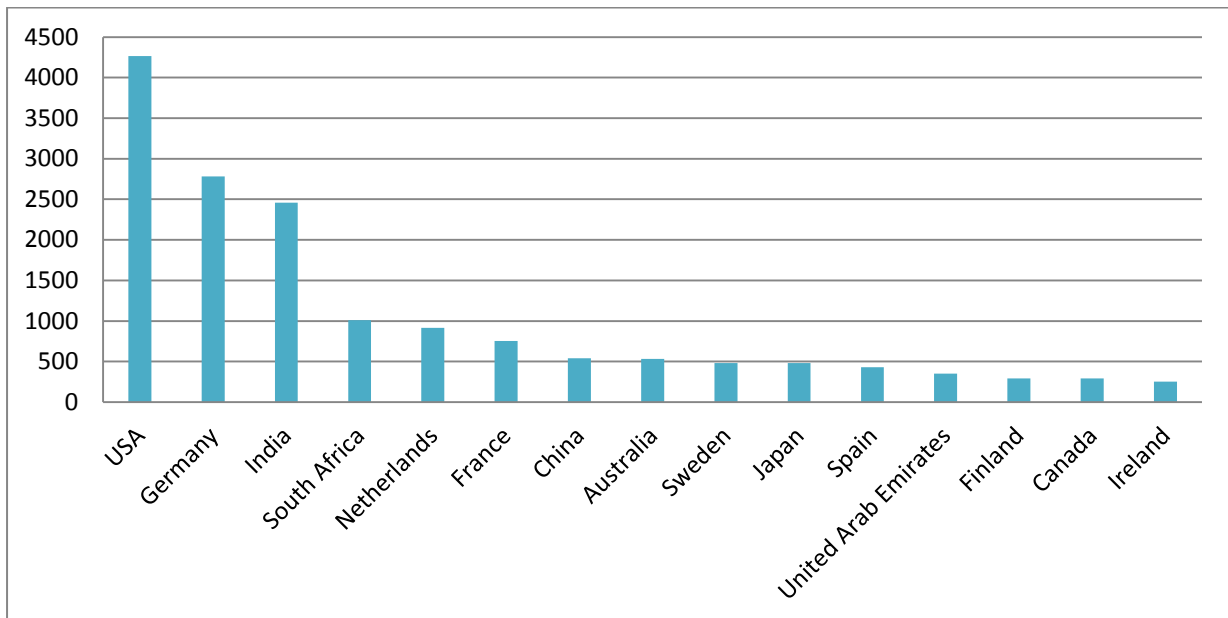
Figure 5 Top 15 Investing Countries by Projects, 2011-2019



Source: West Midlands Growth Company

This pattern also holds in terms of number of jobs created by FDI into Birmingham over the same period.

Figure 6 Top 15 Investing Countries by New Job Creation, 2011-2019



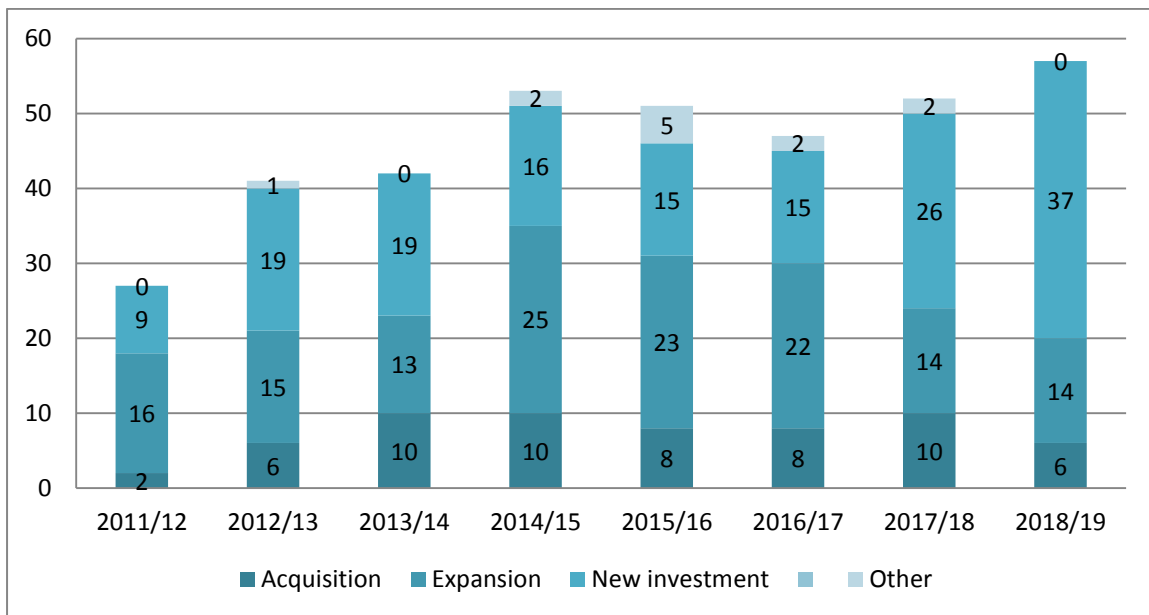
Source: West Midlands Growth Company

### FDI by Type of Investment

Up until last year, expansion of existing investors was responsible for the most FDI projects from 2011-2019. But after 37 new investments in 2018/19 versus 14 expansions, it is now new investments that account for the most, at 156, whereas expansions account for 142 FDI projects. 2018/19 was an excellent year for investment into Birmingham, with the highest number of new investments and thus overall investments recorded in the data.

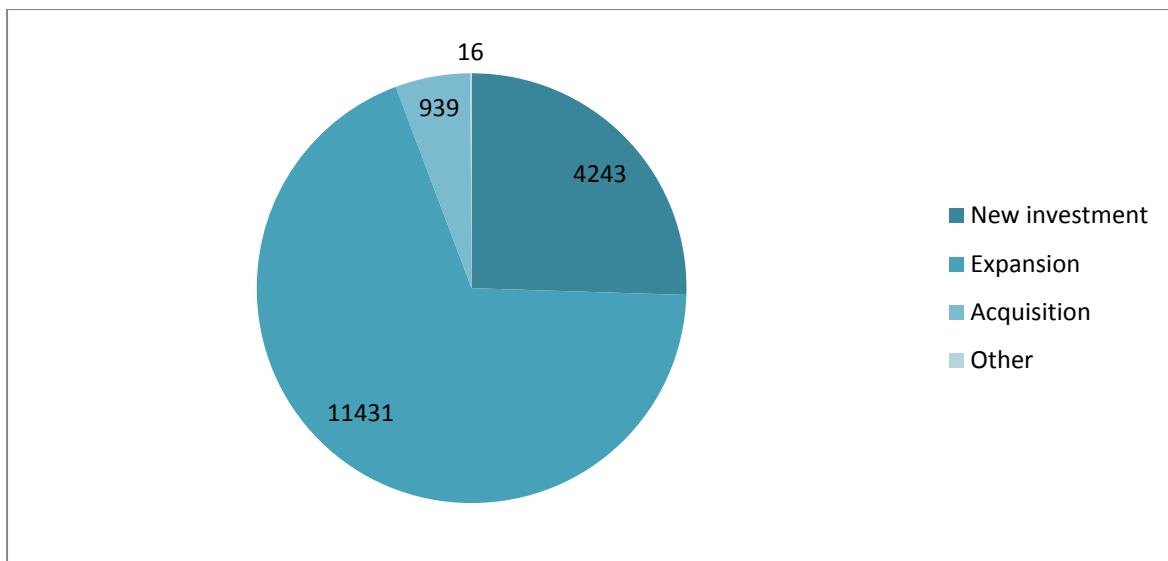
However, as Figure 7 shows, expansion of existing FDI-funded projects in the city remains far and away the largest contributor to the generation of new jobs in Birmingham.

Figure 7 FDI into Birmingham by Type of Investment, 2011/12 - 2017/18



Source: West Midlands Growth Company

Figure 8 New Jobs by Type of Investment, Birmingham, 2011/12 - 2018/19



Source: West Midlands Growth Company

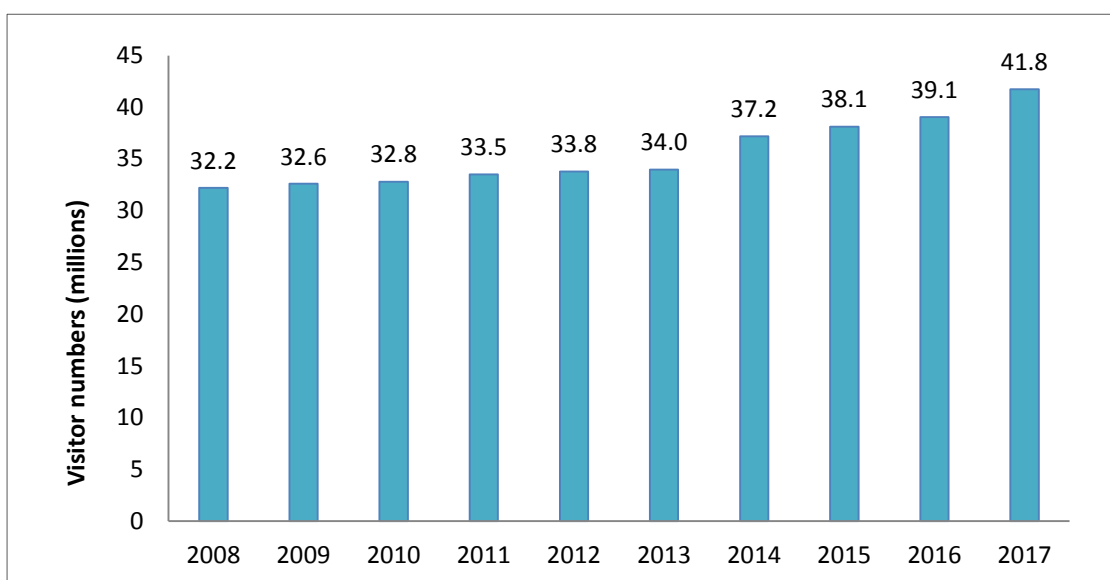


### Visitor Economy

Birmingham's visitor economy attracted a record 41.8 million visitors in 2017 - an increase of 2.7 million visitors to the city in 2016. This represents a 6.9% increase since 2016 and a 29.7% increase over the last 10 years. Figures for 2018 are not yet available to see whether this trend has continued.

The West Midlands Combined Authority area currently has over 103 hotel developments (over 8,000 rooms) in the pipeline, 19 of which are currently under construction. 13 of these are in the Greater Birmingham and Solihull LEP geography; 6 are in the Coventry and Warwickshire LEP area. None are in the Black Country LEP area.

Figure 9 Visitor Numbers to Birmingham over 2008-2017



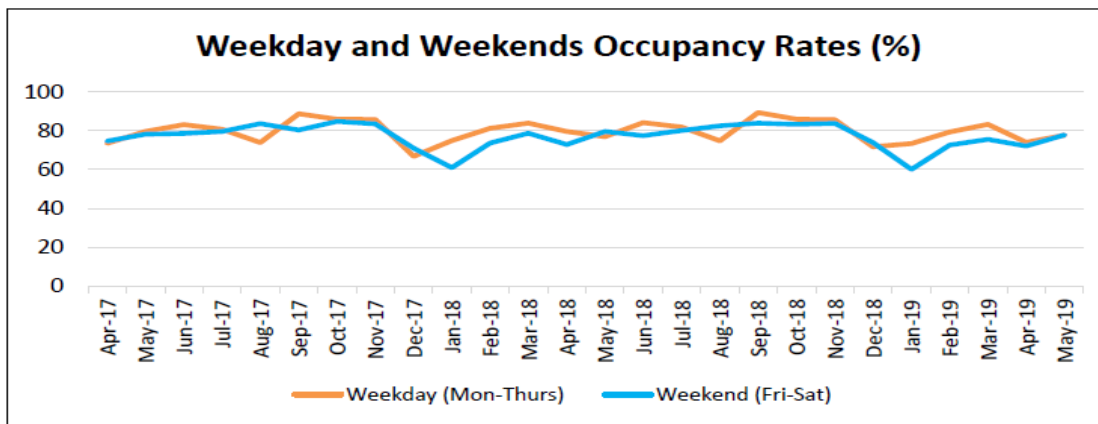
Source: West Midlands Growth Company

### Strong growth in the number of overnight visitors to Birmingham

Over the last 10 years, Birmingham has attracted growing numbers of overnight visitors. The total number of overnight visitors has increased by a third (1.2 million) from 2008 to 2017. The additional overnight stays have helped to boost occupancy and increase total revenue for local businesses. This growth demonstrates that Birmingham is enhancing its tourism offerings and strengthening its role as a leisure and business tourism destination.

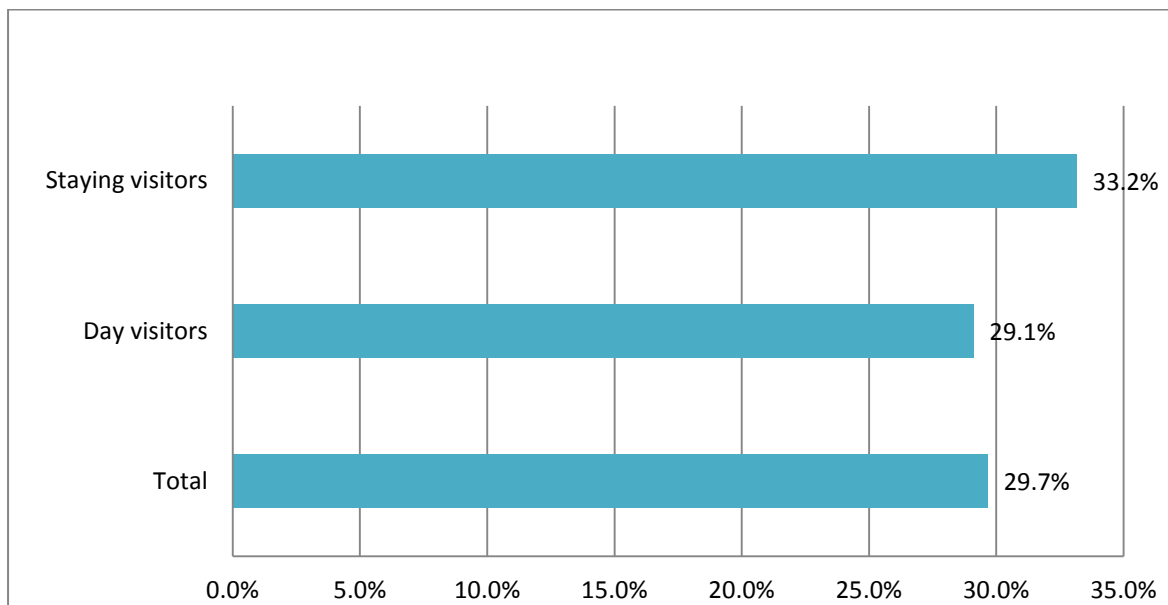
For the first time in 2019, average weekend rate (largely driven by leisure visitors) matched the level of weekday rate (largely driven by business visitors) thanks to events such as Coventry Food and Drink Festival, Leamington Music Festival Weekend, the Black Country Business Festival and Vélo Birmingham & Midlands.

Figure 10 Weekday and weekend hotel room occupancy rates in the WMCA area



Source: West Midlands Growth Company

Figure 11 Percentage Growth in the Types of Visitors to Birmingham over 2008-2017



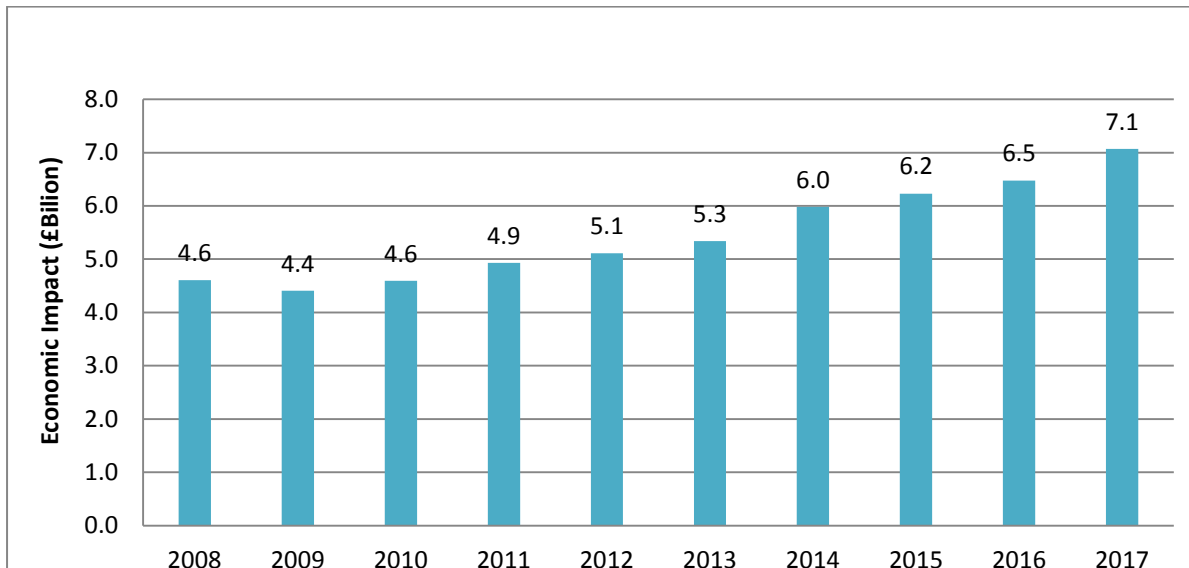
Source: West Midlands Growth Company

***Birmingham’s visitor economy generates record high economic impact***

Birmingham’s visitor economy was worth a record £7.1 billion in 2017, up 9.2% on the previous record set in 2016.

The sector has benefitted greatly from increasing numbers of visitors to the city, resulting in significant year-on-year growth. Over the past 10 years, economic impact has increased by 53.4% - an increase of £2.5 billion.

Figure 12 Economic Impact of Birmingham's Visitor Economy over 2008-2017

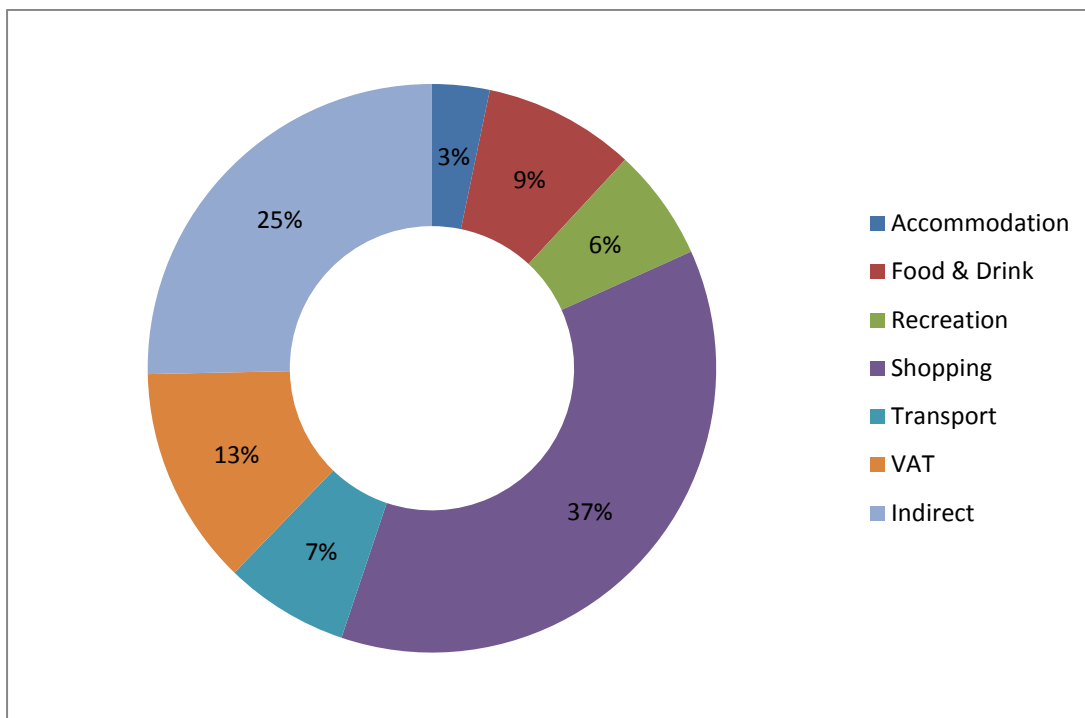


Source: West Midlands Growth Company

*Visitors spend more on shopping than other activities*

The breakdown by category of expenditure highlights the wider impact of the visitor economy on the city's economy. Using 2017 figures, over a third (37%) of spending was on shopping, 9% on food and drink, 7% on transport, 6% on recreation activities, 3% on accommodation, 13% on other activities and a further 25% was attributable to indirect expenditure on bought-in goods and services.

Figure 13 Breakdown of Economic Impact by Category of Expenditure, 2017

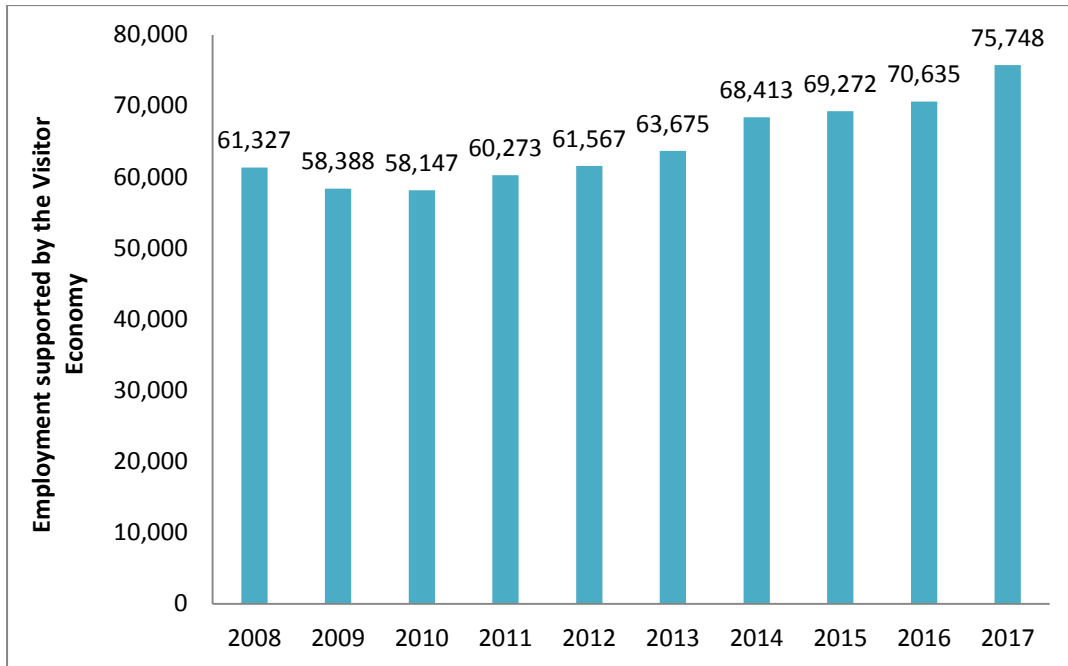


Source: West Midlands Growth Company

### *Growing number of jobs supported by the city's visitor economy*

The number of full-time equivalent jobs supported by tourist activities rose by 7.2% between 2016 and 2017, from 70,635 to 75,748. Trend analysis shows that the number of full-time equivalent jobs supported by the city's visitor economy has increased by 23.5% over the past 10 years – an increase of over 14,421 jobs.

Figure 14 Number of Full-time Employees Supported by the Visitor Economy over 2008-2017



Source: West Midlands Growth Company

### *Birmingham Hotel Market Data*

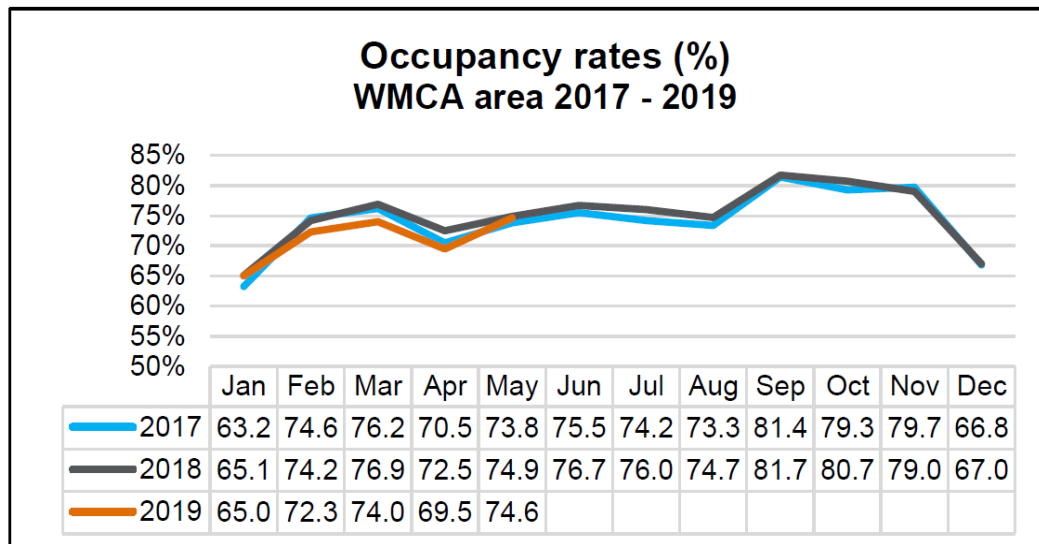
- Average occupancy in May 2019 was 75%, keeping up with last year's performance despite a slower start to the year
- The average room rate was £71.60 in May 2019, £1.2 (or 1.7%) higher than the year before
- Despite a slight drop in occupancy rate, a rise in average room rate was enough to push up revenue per available room, which has reached £53.4 in May 2019

Table 1 Hotel Market Data

Average	May 2017	May 2018	May 2019
Occupancy rate (%)	73.8	74.9	74.6
Average room rate (£)	68.9	70.4	71.6
Revenue per available room (£)	50.9	52.8	53.4

Source: West Midlands Growth Company

Figure 15 Birmingham Hotel Occupancy Rates



Source: West Midlands Growth Company

Attracting in-bound tourists, who tend to stay longer and spend more, is a key priority for Birmingham. The city has maintained its position as 4th most visited UK destination behind London, Edinburgh and Manchester.

Table 2 Overseas visits - top 10 UK destinations, 2016-2018

2018		2017		2016		
City	Visits (000s)	City	Visits (000s)	City	Visits (000s)	
<b>1</b>	London	19,090	London	19,828	London	19,060
<b>2</b>	Edinburgh	2,362	Edinburgh	2,015	Edinburgh	1,689
<b>3</b>	Manchester	1,408	Manchester	1,319	Manchester	1,191
<b>4</b>	Birmingham	1,100	Birmingham	1,117	Birmingham	1,115
<b>5</b>	Glasgow	837	Liverpool	839	Liverpool	671
<b>6</b>	Liverpool	803	Glasgow	787	Glasgow	659
<b>7</b>	Bristol	598	Bristol	602	Oxford	586
<b>8</b>	Cambridge	547	Oxford	536	Bristol	570
<b>9</b>	Oxford	526	Cambridge	519	Cambridge	498
<b>10</b>	Brighton	459	Brighton	491	Brighton	465

Source: VisitBritain

## Expert Comment

*Rebecca Riley, Business Development Director, City-REDI, University of Birmingham*



The city has continued to grow, even within difficult times. The opportunities created from an expanding professional and businesses services sector now with 1 in 5 jobs and 1 in 4 businesses, and an expanding and strengthening higher education base, with 80,000 students and growing. These opportunities can be seen in the redesign, growth and change in the city centre. Productivity levels are outperforming other places with overall productivity indicators performing well and improving consistently in recent years. Investment is fuelling a changing skyline and city infrastructure development with the construction sector leading the

economic growth. These opportunities are being realised through a strong mix of developments such as high quality business accommodation, major transport infrastructure and housing expansion, driven by high levels of public and private sector investment and preparation for HS2 and Commonwealth Games. The perceptions of the city are changing, and it's important to maintain this momentum to ensure the vibrancy and opportunity continues. The continued restructuring of the business base to sectors of the future and a growing number of higher skilled jobs, creates the foundations for a resilient economy, continuing to attract and retain skilled, adaptable people. The city region is second only to London for its diversity with a growing young population with more under sixteens than any other city region and the biggest population group being the 25 to 30 year olds. Birmingham is a city with a young, and growing labour force, not facing the same levels of aging population issues as other places in the UK. This is driving a growing entertainment and social infrastructure in the city, providing for a young vibrant population.

However, there are significant inclusive growth issues and ensuring people can access the growing opportunities is vital. The city region has high levels of people with no qualifications and, although improving, we still have lower levels of those with high level qualifications, and apprenticeships and in work training are competing with other priorities and demands on businesses. Yet investing in our skills infrastructure is key to ensuring the opportunities are open to all.

We need to tackle our high unemployment rates by developing better pathways into the growing numbers of good jobs in the city. Nearly 1 in 5 households in the city region have no one working in them and this needs to be tackled especially given that the number of jobs available continues to grow. Unlike other cities, with our young population, it is more important we focus on ensuring they can access the jobs of the future or risk facing long term exclusion issues in the city.

We have developed a good understanding of the assets of the city region, in terms of its business base, employment growth, and research and development, with a strong, collaborative evidence base and universities in the region fully engaged in the civic university agenda and helping shape the knowledge and understanding of the city. Partners are now driving how we maximise these assets for the future, through the Local Industrial Strategy, and the opportunities presented from the future of mobility, data driven health and life sciences,

creative content, techniques and technologies and modern services. We can start to look at how we lock in our population to these opportunities for the long term. The city has the opportunity to be well placed to be resilient in challenging times ahead and partners need to collaborate, and continue the momentum to protect that opportunity.



## Expert Comment

*Dr Massimiliano Nuccio, Research Fellow, City-REDI, University of Birmingham*



Coventry City of Culture 2021 and the Commonwealth Games 2022 in Birmingham are the next two mega-events of respectively national and international significance organised in the West Midlands. Although mega-events are considered an effective policy strategy to boost the local economy, their economic impact depends on the ability of city-regions to draw and retain substantial resources from the outside and to attract tourists. In recent years, several empirical studies have shown that the overall balance of some events is not always positive, since extra costs and well-known

negative externalities like congestion and inflation can outweigh the benefits. Impact evaluation of events – be they cultural, sport or trade – is a complex exercise in relation both to the multi-dimensional nature of the monitored activities and to the objectives of such measurement. A robust methodological approach should be able to isolate the effects on the local economy, controlling for other possible causes and interferences. Furthermore, the effectiveness of the investment compared to possible alternative use of resources is hardly tested.

Liverpool European Capital of Culture 2008 can be considered a best practice in the field, and the remarkable study ‘Liverpool 2018 – 10 Years On’ has recently provided evidence of the long-term legacy of the event. The lessons learned are threefold. First, there are many relevant dimensions to include in the impact evaluation beyond the strictly economic effects. Second, impacts should be measured in the long-term, after the halo effect generated by the event has vanished. Third, one-size-fits-all formulas fail; the regeneration process should be place-based. In this case, the city has largely benefited from a combination of strong cultural leadership, explicit political and institutional support and, above all, multi-year investments of billions of pounds from various partners, not least the European Structural Funds.

If we look at the physical capital, Birmingham has been undertaking a major plan of infrastructural investments in built environment and transport that has been dramatically improving the quality of public space in the city centre and overall mobility. Nevertheless, to maximise the effect of the forthcoming events, local authorities and their partners should not overlook the importance of different forms of intangible capital investment, including human, social and environmental. In other words, the more we develop local capabilities for planning, marketing and delivery of the required activities, the stronger the impacts of these events will be. Educational institutions and universities play a pivotal role on providing skills and capacity that could generate innovative solutions to community outreach, digital broadcasting, or environmentally sustainable consumption, just to mention a few examples. Social capital should be assessed in terms of level of participation and engagement, particularly of minority groups and disadvantaged people. If we really want to reduce the inequality gap and include marginal places, substantial investments must target urban peripheries as well.

I believe that Coventry Capital of Culture and the Commonwealth Games are not only about increasing tourism. Their major contribution will be putting the two cities back on the UK mental map in terms of image and reputation. Some may call it “city-branding”, but there is far more than city marketing: the challenge is to rebuild local people’s confidence about their areas, their pride and sense of belonging, and as well to take make the space of the city authentically “public”. Therefore, actual measures of success will be the willingness to come to and study in Birmingham or Coventry, the pleasure of attending their cultural and sports events in renovated facilities, and the wish to stroll around canals and spend a day or more in the surrounding countryside.

From this perspective, the commercial success, the physical transformation of places, the attraction of public and private capitals and even the event experience itself are instrumental to achieving a long-term policy aimed at radically changing the city’s symbolic capital.

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# Birmingham Economic Review 2019 Conclusion

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West Midlands  
Growth Company

## Introduction

The annual Birmingham Economic Review is produced by the University of Birmingham's City-REDI and the Greater Birmingham Chambers of Commerce, with contributions from the West Midlands Growth Company. It is an in-depth exploration of the economy of England's second city and a high-quality resource for informing research, policy and investment decisions.

What follows is a summary version of the full Birmingham Economic Review 2019. The full-length publication can be found on the Greater Birmingham Chambers of Commerce website, or requested using the contact details at the end of this document. Data and commentary were correct at the time of publishing: October 2019.

## Index

**Foreword and Executive Summary:** Scorecard for Birmingham

**Chapter 1:** Adapting, Innovating and Leading the Future

**Chapter 2:** Creating a Workforce Fit for Tomorrow

**Chapter 3:** Connecting Communities with Opportunities

**Chapter 4:** Making Inclusive Economic Growth Happen

**Chapter 5:** Changing Perceptions of Birmingham

**Conclusion**

All Chapters of the *Birmingham Economic Review 2019* can be found online on the [Greater Birmingham Chambers of Commerce website](#) or via the contact details at the end of this document.

## Conclusion

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This review has provided an in-depth exploration of Birmingham's economy, making clear the city's many strengths and opportunities but also the weaknesses and challenges it faces.

### Strengths:

- High GVA growth rate
- Strong track record on foreign direct investment and the highest inward investment outside of London
- Located at the heart of major transport networks
- Increase in jobs in professional and technical occupations
- Vibrant and growing visitor economy
- Strong innovation ecosystem with specialisms in technology and artificial intelligence
- Strong university presence

### Weaknesses:

- GVA per head underperforms the national average
- Below-average employment rate, above-average unemployment rate
- Below-average proportion of the population with high qualifications, above-average proportion of the population with low qualifications
- Job polarisation in the local labour market

### Opportunities:

- Improving the survival rate of new businesses through targeted support
- Major investment in infrastructure including HS2, Midlands Metro & the West Midlands Rail franchise catalysing further investment and growth
- Reducing car travel by the introduction of new schemes, including smart ticketing on public transport and upgrading and building new cycle lanes
- Harnessing the potential of a young population
- Increasing retention of students studying in Birmingham
- A better understanding of the role of anchor institutions and encouraging local procurement
- Harnessing the ethnic diversity of the population to grow international trading links
- Birmingham City Council's ambition for the city to be carbon neutral by 2030
- Delivering a lasting legacy from the 2022 Commonwealth Games

### Challenges:

- Impact of Brexit on the economy (foreign direct investment, international trade links and access to talent) and the cultural diversity of the city
- The prevalence of low-value, low-wage, low-skill work
- Building inclusive pathways into the expected growth in jobs and ensuring economic growth benefits local communities, especially those which are deprived

- Lack of investment from domestic firms for improving productivity
- Rising congestion from the construction of major infrastructure projects, impacting on the ease of moving goods and people in, around and out of the city
- The deceleration of new house builds and the lack of affordable housing
- Helping businesses and citizens adapt to the advent of the Clean Air Zone

Birmingham is clearly an attractive place to live, work and invest. However, this analysis has highlighted some areas that will require continued attention from stakeholders.

Birmingham is a research-intensive city, with a growing R&D and educational infrastructure supporting and accelerating innovations and advanced technologies. Going forward, it is important to make sure that the emergence of these continues to create opportunities for employment, growth and investment in the city in a way that is accessible to residents of all backgrounds and cultures. In practice, this requires a local skills system that is agile and responsive to new developments in the digital and technology sector.

Birmingham has a young, ethnically diverse population that continues to grow, adding to the vibrancy of the city. A young population, however, is only an asset if they have the skills and opportunities to succeed in the local labour market. In reality, this means closing the gap between business and education in the city.

Professional occupations continue to take up the biggest share of the local labour market, reflective of the success the city has had in attracting major companies such as HSBC. However, the prevalence of low-paid low-skill jobs remains high.

Skills gaps and high unemployment are major challenges for the city. Birmingham's employment rate remains well below the national average. This requires further concerted action from public, private and third sector organisations to ensure Birmingham's citizens are skilled and able to benefit from the jobs being created by growing investment in the city. High levels of unemployment are especially an issue among some minority ethnic groups. This indicates that there is untapped potential to grow the formal contributions of some groups to the city's economy, with the right targeted support and investment. The entrepreneurial characteristics of Birmingham's population, particularly among ethnic minorities, also represent a significant opportunity for the city.

While the major influx of investment in transport infrastructure coming to the region over the next few years will bring vast long-term benefits, in the short to mid-term it will be disruptive to local businesses and employees. It is essential that stakeholders in transport work closely with the business community to communicate what impact upcoming works will have on transport networks so that they can prepare for any potential issues.

Birmingham continues to achieve high levels of inward investment, for which attracting and retaining investment is greatly important for growing the local economy. GVA in the city also continues to grow. However, GVA per head still lags behind the national average. The causes of low productivity are complex but could in part be improved by providing businesses with the support and confidence they need to invest in their people, processes and equipment.

Overall, it is important that Birmingham continues to move forward with confidence by building upon the progress it has made over recent years in overcoming the city's challenges and capitalising on the opportunities that lie ahead.



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