wise
West Midlands Insights on Society and Economy
A monthly newsletter on the trends that matter to the West Midlands.

Issue 3, December 2023

1.0 Headlines

1.1 December Editorial

Welcome to the third edition of the WISE Newsletter, each month featuring a different guest editor. Following the Chancellor's Autumn Statement, this edition considers implications for the West Midlands and what it means for business investment in particular.

Although economic forecasts underpinning the Autumn Statement assess prospects for the UK as a whole and without any focus on regional economies, we can deduce some differential impacts.   The big economic message was that the UK has been more resilient than expected but looking forward, central forecasts show the UK economy growing more slowly over the next five years as higher interest rates weigh on household and corporate finances.

Higher economy-wide inflation also boosts public revenues. The Chancellor chose to use that headroom to announce some sizeable permanent tax cuts – such as to National Insurance contributions and corporation tax - rather than reducing borrowing or protecting public services from the full effects of higher costs - which have a net effect of raising economic output by 0.3% in the medium-term.

Some of the ways in which the West Midlands will be affected by this choice include:

- The region's young demographic (aged 16-24 by 2028) will act as a growth headwind because that cohort - along with older workers aged over 65 - is projected to work fewer hours than currently, reducing aggregate output.
- 'Full expensing' tax breaks for capital investment could be significant for the West Midlands, with cluster strengths being capital intensive and a relatively aging capital stock.
- As cuts to NICs benefit higher earners, the West Midlands is set to benefit less than wealthier regions.
- Concentrated investments in specific sector strengths and places will also provide a boost, such as the West Midlands Investment Zone and the Advanced Manufacturing Plan with £4.5bn of investment from 2025 – 2030 in subsectors like automotive, aerospace and green industries.

Taken together, these are a modest bet to incentivise business investment. But this raises further questions:

- Will it incentivise UK business to deploy capital to generate a return? Days after the Autumn Statement, the LSE's Centre for Economic Performance published research (see section 2.1) showing that the UK's differential productivity performance since the Global Financial Crisis is largely due to lower capital intensity and "chronic under-investment" by business. This sits alongside evidence in the Levelling Up White Paper about relatively poor business leadership and management outside of Scotland and the Greater Southeast.
- Will government be able to afford to stay the course on tax cuts? The Chancellor was able to "pay for" them because of higher inflation which boosted forecast tax revenues, without compensating public services for these higher costs.

Guest Editor:
Jonathan Skinner
WMCA Head of Economic Policy & Partnerships

1.2 Coming Up in the Month Ahead

- Women's Night Safety Charter Launch – 6 December 2023
- Active Lives Children and Young People Survey, ONS data release – 7 December 2023
- Trends in UK business dynamism and productivity, ONS data release – 11 December 2023

1.3 National Headlines

- King's Speech 2023
- Chancellor delivers Autumn Statement
- UK Government launches Advanced Manufacturing Plan
- UK Government publishes UK Battery Strategy

King's Speech 2023 implications for the West Midlands

The King's Speech last month set out the Government's legislative agenda. While it does not specifically state any West Midlands specific priorities, the following have an impact on our region:

1. **Transport:** Following the scrapping of the second phase of HS2, the Government will prioritise investments in local and regional transport through Network North, which includes prioritising the journeys that people make most often in the cities and towns of the North and Midlands.
2. **Local Growth:** A focus on economic growth, health, and security; including new legal frameworks to support the safe commercial development of emerging industries including those in our *Plan for Growth*, including self-driving vehicles; new competition rules for digital markets; and encourage innovation in technologies such as machine learning. This is explored further in a University of Birmingham City-REDI blog.
3. **Skills:** Introduction of the *Advanced British* Standard, bringing together technical and academic routes into a single qualification, to provide the right skills and knowledge. The Government also intends to increase uptake of 'good' apprenticeships; and limit student intake into university courses that do not lead to 'good' outcomes.
4. **Health**: The government will introduce legislation to create a smokefree generation by restricting the sale of tobacco and restricting the sale and marketing of e-cigarettes to children.

Autumn Statement implications for the West Midlands

The Chancellor's Autumn Statement makes a number of announcements relevant to the West Midlands. This includes:

1. **Devolution**: a Memorandum of Understanding for West Midlands and Greater Manchester single funding settlement that will put it on par with Government departments and devolved parts of the UK;
2. **Investment Zone:** the establishment of a West Midlands Investment Zone will receive a mix of tax incentives, direct funding, and business rate retention, with a focus on advanced manufacturing, green industries, health tech, and underlying digital technologies. The West Midlands Giga Park is included as part of this Zone;
3. **Housing**: uprating Local Housing Allowance to the 30th percentile of local market rents from April 2024;
4. **Retail, hospitality and leisure sectors**: Extension to the 75% business rates discount for the retail, hospitality and leisure sectors.

Section 1.5 explores the impact of the Autumn Statement on communities and businesses across the West Midlands in further detail.

UK Government launches Advanced Manufacturing Plan

The Advanced Manufacturing Plan outlines three priorities: a) investing £4.5 billion over five years to support strategic manufacturing sectors; b) enhancing international cooperation and building resilient supply chains; and c) reducing costs and barriers for competitiveness. Initiatives include funding for automotive, aerospace, and connected mobility, supporting green manufacturing, expanding the Made Smarter Adoption program, and ensuring secure supply chains. The plan aligns with the goal of making the UK the best place for manufacturing businesses, leveraging existing strengths and collaborations. The West Midlands should benefit from this plan, as it is home to a significant number of manufacturing companies.

UK Government publishes UK Battery Strategy

The UK government aims to establish a globally competitive battery supply chain, crucial for economic prosperity and achieving net zero by 2050. The strategy focuses on a DESIGN-BUILD-SUSTAIN approach, emphasising innovation, resilient manufacturing, and sustainability. It commits over £2 billion for zero-emission vehicles and batteries, supports research and development, and invests in facilities including £12m for the Advanced Materials Battery Industrialisation Centre in the West Midlands. The strategy promotes international collaboration, market access for critical minerals, and skills development. It also addresses recycling and end-of-life management. The Battery Strategy Taskforce will guide implementation, aiming to position the UK as a battery technology leader.

1.4 Regional Headlines

- Latest WMCA economic dashboard reveals positive news of the region's economy
- West Midlands awarded £99m in the levelling up funding round three
- Transport for West Midlands launches new data insight environment
- WMCA wins the UK Government's 5G Innovation Regions competition

Latest WMCA economic dashboard reveals positive news of the region's economy

The November release of the WMCA economic dashboard gives cause for optimism. Key points from data releases this month include:

1. In 2022, the number of business births, business deaths, and firms experiencing sustained high-growth reverted to longer-term trends. This contrasts the turbulence seen in 2020-2021.
2. People's average life satisfaction in the West Midlands remained similar to the previous year. This suggests no discernible change in satisfaction levels despite current national economic woes.

West Midlands awarded £99m in the third round of levelling up funding

55 projects were awarded a share of nearly £1 billion from the third round of the UK Government's flagship Levelling Up Fund to spread opportunity, create jobs, and revitalise local communities. In the West Midlands, this included £20m for the National Centre for Decarbonisation of Heat (Birmingham), £20m each for Levelling Up Halesowen and Brierley Hill Education Quarter (Dudley), £18.1m for Grove Lane (Sandwell), and £20m for the Green Innovation Corridor (Wolverhampton).

Transport for West Midlands launches new data insight environment

This new public resource allows the people of the West Midlands and beyond to access data collected and analysed by Transport for West Midlands. The Data Insight Team help Local Authority partners, policy makers and network managers understand the region, so that they can be confident about where investment gets made to improve transport-related aspects for people living, working and moving around the region.

WMCA wins the UK Government's 5G Innovation Regions competition
The UK Government has confirmed that the WMCA has won the 5G Innovation Regions competition, through a bid led by WM5G in collaboration with local authority partners and businesses including Jaguar Land Rover. The bid will mean that the region will benefit from £4m to accelerate the adoption of advanced wireless, Institute of Technology, and data/AI in the advanced manufacturing and social care and housing sectors. Accelerating digital adoption is at the heart of the WMCA Plan for Growth to level up the region and transform productivity, wellness and economic growth.

1.5 Autumn Statement Analysis for the West Midlands

Impact on businesses

There was broadly good news for West Midlands businesses in the Chancellor's Autumn Statement. Permanent tax cuts for business investment, a widening of the Made Smarter business support programme, and an extension of business rates relief for retail, hospitality and leisure will all support businesses to invest, grow and create well-paying jobs. Although, businesses that pay employees minimum wage will see their staff costs increase with a rise in the living and minimum wages.

Specific announcements include:

- A company can now permanently claim 100% capital allowances on qualifying main rate plant and machinery investments, meaning that for every pound invested its taxes are cut by up to 25p.
- Extension of the Made Smarter programme to other areas, a scheme pioneered in the West Midlands, committing up to £16m in 2025-26.
- Extension to the 75% discount on retail, hospitality and leisure remains for 1 year (on business rates of up to £110,000) and a freeze to the Small Business Multiplier frozen for a year.
- £50m committed to catalyse the UK's growth sectors through a two-year apprenticeships pilot to stimulate starts, including focus on advanced engineering.
- National Living Wage increased to £11.44 per hour, now for those aged 21 and over.
- National Minimum Wage increased to £8.60 for 18 to 20-year-olds (and apprentices) from April. This remains below the living wage for those aged 21+.

Impact on people

There was some positive news in the Autumn Statement for the people of the West Midlands. Highlights included an increase to the national living wage and national minimum wage, increases to pensions, local housing allowance and universal credit, reduced national insurance rates, and investment in public transport networks to help us all get around. While this may seem like a long list of bonuses for us all, it should be remembered that these income boosters arrive following an intense cost-of-living crisis (which continues), and a tax burden close to a record post-war high.

Specific announcements include:

- National Living Wage increased to £11.44 per hour, now for those aged 21 and over.
- National Minimum Wage increased to £8.60 for 18 to 20-year-olds (and apprentices) from April. This remains below the living wage for those aged 21+.
- Employee National Insurance Contributions (NICs) will be reduced from 12% to 10% from 6 January 2024 to stimulate the workforce.
- Class 2 NICs will be abolished from April 2025, saving self-employed earners earning above £12,570 on average £192 per year.
- The state pension will be increased by 8.5%, in line with average earnings.

- Local housing allowance will be uprated to reflect up-to-date local market rents as of April 2024. This much needed uplift will help households across the country to find somewhere to live.
- Universal Credit and other working-age benefits increased by 6.7% from April, in line with September's inflation rate.
- Announcement of the £2.5bn Back to Work Plan, which will provide enhanced support across three phases of a claimant's work search journey and more intense interventions for people out of work for the longest periods of time.
- Key transport highlights for the West Midlands from the Network North announcement, before the Autumn Statement, include:
    - An additional £100m to support the metro and Arden Cross delivery as part of the first round of the City Regional Sustainable Transport Settlement.
    - An additional £1bn will be allocated for the second round of the City Regional Sustainable Transport Settlement, and £250m in transport in revenue support over the next 5 years.
    - An additional £16.6m in 2024/2025 for our Bus Service Improvement Plans.
    - £1.75bn for the Midlands Rail Hub.

Impact on West Midlands' economy

There was good news for the West Midlands economy against the backdrop of downgraded national growth projections from the Office of Budget Responsibility. Highlights included the declaration of a new West Midlands Investment Zone projected to add £5.5bn to the local economy, further direct investment in the WMCA's identified high-growth clusters, and measures to attract pension scheme capital to the UK's most promising businesses (including the West Midlands).

Specific announcements include:

- The Go-ahead was given for the West Midlands' Investment Zone, with the potential to directly attract more than £2bn of new investment into the regional economy and a further £3.5bn overall, creating more than 30,000 jobs by 2034. The WMCA will also be able to bid into a £150m Investment Opportunity Fund to attract private investment.
- A range of investments in high-growth sectors will be aligned to the WMCA's Plan for Growth and regional clusters, including:
    - A £4.5bn package for manufacturing as part of a five-year programme starting in 2025, including £2bn for the manufacturing and development of zero emission vehicles, their batteries and the supply chain, £975m for aerospace, £960m for a Green Industries Growth Accelerator, and £520m for life sciences.
    - An extension to the Connected and Automated Mobility research and development programme.
    - A further £500m to support access to "AI Compute" over the next two financial years.
- Measures to increase investment opportunities/vehicles for pension funds in tech and science companies, building on the Chancellor's Mansion House speech.
- Establishment of a Local Finance Group, with members including the DLUHC, British Business Bank (BBB), Homes England, UK Infrastructure Bank and "local and private sector partners"; and announcing the £7bn Growth Fund within the BBB.

2.0 In More Depth

2.1 National Round-up

Report from National Audit Office on levelling up funds

The report examines whether DLUHC's three significant levelling-up funds are likely to deliver value for money. Key recommendations from the report include:

1. DLUHC should swiftly build on the simplification pathfinder pilots and embed the learning into any further rounds of the Levelling Up Fund and similar future funds.
2. Given the delays to projects across the Levelling Up Fund and Towns Fund, DLUHC should set out what further action it is going to take if projects cannot be completed within the existing funding deadlines.
3. DLUHC should further use the learning from the process and impact evaluation to build an evidence base of what works to stimulate local economies.
4. DLUHC should work with HM Treasury to ensure that funds for impact evaluation are secured beyond the current spending cycle and explore whether funding deadlines for the current funds can be extended to protect value for money.
5. DLUHC should develop its plans to disseminate learning and insight from its evaluations in a timely manner and engage with local authorities to maximise understanding of what works prior to waiting for final evaluation reports.

Prime Minister unveils £29.5bn of investment at historic Global Investment Summit

The Prime Minister has announced a £29.5bn investment from the private sector in key UK industries such as tech, life sciences, renewables, housing, and infrastructure at the Global Investment Summit. This substantial commitment is expected to create thousands of jobs across the UK, including in the West Midlands. The investments signal a significant step towards economic growth and levelling up, following recent initiatives like the £4.5 billion Advanced Manufacturing Plan and a £2 billion investment from Nissan. Notable attendees at the summit included CEOs from Blackstone, Aviva, Goldman Sachs, and JP Morgan Chase. These investments will help to turn global opinions around about the attractiveness of the UK as a place in which to invest.

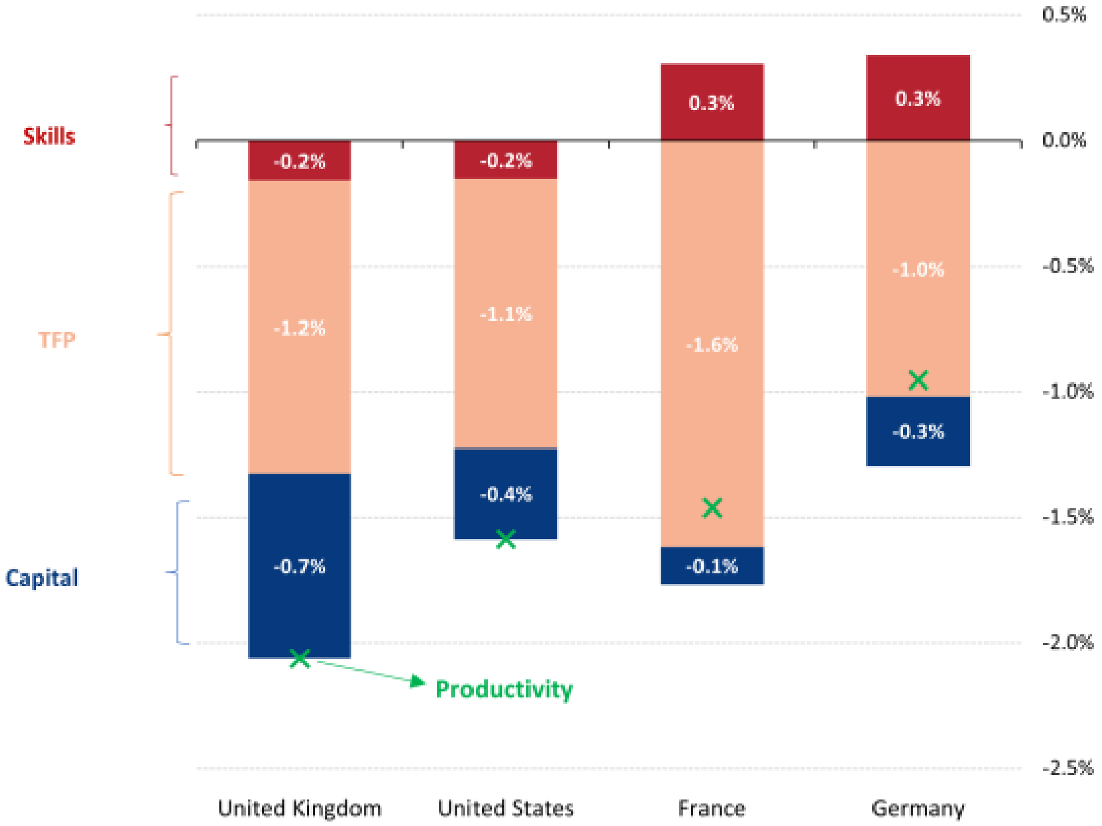
Chancellor announces £320 million plan to boost innovation

The Chancellor has unveiled a £320 million plan to boost innovation and kickstart Mansion House Reforms. Tailored investment vehicles for pension schemes aim to add £1,000 annually for the average earner that starts saving from age 18. £250m targets Long-term Investment for Technology and Science (LIFTS), supporting science and tech companies. The British Business Bank will establish a Growth Fund, endorsed by 8 pension schemes. Additionally, £20m will foster university spin-outs, backed by £50 million for the 'Future Fund: Breakthrough'. For further discussion of the power of pensions to unlock growth see the Onward report, Pension Power.

LSE identifies importance of business investment in cracking the UK's productivity code

A LSE research paper finds that the UK's productivity gap with France, Germany and the US is almost all due to lower capital and skills rather than Total Factor Productivity (TFP). While there has been a marked slowdown in labour productivity growth since the Global Financial Crisis (annual growth rate fallen from 2.5 percent to 0.5 percent), Britain stands out as experiencing the largest slowdown in the growth of capital intensity than other countries – and it is this which largely accounts for the particularly severe 'UK productivity puzzle'. These findings suggest that UK policy should focus on the problem of chronic under-investment, pointing to options to provide policy certainty, reduce trading frictions, reform business tax and change pension fund rules to free the supply of capital.

Slowdown of productivity growth after global financial crisis (van Reenan & Yang, 2023)



Notes: This shows the difference in labour productivity growth in the dozen years before and after the financial crisis. The green cross corresponds to the fall in value added per hour growth (e.g. 2 percentage points in the case of the UK). The colours indicate the different components of productivity growth, i.e. the contribution of capital (blue), skills (red) and residual TFP (flesh). The sum of these components equals the overall fall in productivity growth. See Figure 5 for more details.

Harrington Review of Foreign Direct Investment published

The review argues the UK faces a crucial decade to attract investment, particularly to meet Net Zero and Levelling Up goals. Challenges include a lower baseline for long-term business investment and disorganization in government systems. To enhance investment, a strategic, organized, and proactive approach is recommended. A Business Investment Strategy is urged by spring 2024, aligning with key growth sectors and precise objectives. The Investment Committee, chaired by the Chancellor, should oversee this, holding ministers accountable and driving improvements. The report emphasizes a proactive Office for Investment, clear place-based offers, and improvements in planning, grid connections, regulation, tax, finance access, and administration processes. The UK must strategically compete for global investment amid increased subsidies from rivals. The report recommends careful, targeted financial incentives and a whole-of-government focus on making the UK the most attractive investment destination in Europe.

Centre for Cities publishes new report: “In Place of Centralisation”

Part of the Economy 2030 Inquiry, this report delves into the reasons for economic under performance and the place for devolution. Compared to other countries, the UK has unusually high levels of centralisation, which has been limiting the ability of local governments to drive economic change. The report proposes an alternative approach through devolution that should start with a ‘triple deal’ between the government and mayors in the West Midlands, Greater Manchester and London in which greater power and funding will enable effective local place-based intervention. The approach would see the retention of income tax by combined authorities and would allow regions outside of London to keep larger amounts, allow for complete retention of all business revenues, and replace all grants that councils receive from Whitehall with a single grant for each authority.

Future Governance Forum launched

According to the new Forum, the UK's governance system needs a reset amid economic, environmental, and political challenges. The Future Governance Forum, a non-partisan think tank, aims to provide intellectual and practical support for national renewal. Focusing on both policy development and implementation, it seeks to create a new operating model for effective governance at national, devolved, regional, and local levels. The goal is to foster long-term governance by collaborating with experts to develop and implement innovative models of partnership, policy, and service delivery.

Business and Trade Committee releases report on batteries for electric vehicle manufacturing

This report sets out the outcomes of the House of Commons committee inquiry with recommendations for Government and includes reference to the written evidence from the WMCA. It recommended a call for the (then forthcoming) UK Battery Strategy to specify the extent to which future demand for batteries in the UK should be supplied by domestic sources with a 10-year plan for scaling up capacity (including training to reskill professionals in the automotive sector) and an estimate of the public money needed to do so. Similar articulation was invited for the Advanced Manufacturing Plan with indication for how investment will be attracted to build gigafactories and how government will work with local partners to put together a targeted package of support as strategically important sites, adding that government should ensure MCAs or local councils have adequate and flexible funding to tailor support of local training programmes.

Social Market Foundation publishes "The scale of the opportunity: How growing firms can contribute to the UK economy"

The report highlights the significant contribution scale-ups make to the UK economy and the barriers hindering their growth. Scale-ups are concentrated in London, with nearly a quarter based in the capital. One in six scale-ups are in health and social work, with information and communication technology (ICT) also punching above its weight. The key recommendation from the report is for the establishment of a cross-governmental Scale-ups Unit, charged with coordinating government policy and improving data on scale-up companies.

Institute for Employment Research (University of Warwick) blog examines the impact of AI on jobs in the UK

The blog assesses the impact of artificial intelligence (AI), particularly ChatGPT, on jobs in the UK. Despite initial concerns about automation, online job advertisements data suggests that, six months after ChatGPT's launch, occupations most exposed to AI have not experienced significant job losses. The study identifies 15 occupations susceptible to AI, such as survey researchers and financial analysts, but indicates no substantial impact on their employment so far. The blog suggests ongoing monitoring is essential, given the rapid development of AI tools, emphasizing the need for real-time online data for timely assessments of labour market trends.

Labour Together releases new analysis: "Building a New Britain"

The report reviews the state of the UK economy and proposes a plan for Labour to boost growth if it comes to power. It argues that public investment must be fiscally responsible, focus on where it can best crowd in private investment, build resilience, and in particular, in Britain's energy security, focus on regions where investment has historically been lowest, focus on areas where it can have the biggest impact on productivity, should only be seen as one tool among many. The authors argue that there should be three areas for investing in the public realm that Labour could emphasise to the country: energy, housing and infrastructure.

Resolution Foundation releases 'An intergenerational audit for the UK'

In the fifth Intergenerational Audit, the Resolution Foundation provides a comprehensive assessment of how living standards have changed for younger generations, compared to their US counterparts. The report argues that unlike in the US, welcome improvements to millennials' living standards in recent years in the UK have not gone far enough to close the long-standing generational gaps. Whilst millennials have made progress on employment, pay progression remains close to zero with younger millennials born in the late 1980s having earned on average 8% less (almost £1400 lower) at age 30 than members of generation X, born 10 years earlier. UK millennials have seen modest improvements in income progress, but it falls far short of the catch-up seen by their counterparts in the US. Home ownership rates have fallen sharply in the UK too where between 1986-2021, home ownership rates for households headed by 30-34-year-olds had fallen by over 20 percentage points (pp), compared to 3pp in the US. Since the first Intergenerational Audit was produced, the authors argue, young people have received a disproportionately low share of the few rewards that have materialised in a stagnant economy and growth is needed if this is to change.

Productivity Institute publishes "The Productivity Agenda"

The Productivity Agenda outlines key challenges and solutions for enhancing the UK's productivity that that will also help to achieve many of the objectives of the WMCA, including health, well-being, housing, inclusive growth, and demand for higher skills. Urgent issues include chronic underinvestment, insufficient diffusion of productivity practices, and institutional fragmentation. Solutions focus on addressing skill mismatches, supporting firms in scaling, managing the impact of rapid technological change, and improving productivity in underperforming regions. The document emphasizes the importance of managing trade-offs in productivity efforts, promoting inclusive growth, and suggests establishing a dedicated policy institution – the UK Policy Institute for Growth and Productivity - to enhance the formulation and implementation of pro-productivity policies, addressing the historical lack of independent institutions in UK growth policy. The new institution is akin to the Strategic Productivity Partnership, only on a national scale.

Centre for Cities launches new podcast series: City Leaders

The new series of podcasts interviews city leaders, delving into their work, unique perspectives and insights. The first two podcasts include interviews with city mayors Steve Rotheram (Liverpool City Region) and Marvin Rees (Bristol).

2.2 Regional Economic Round-up

Labour force headlines

Median pay

In October, median monthly pay rose by 5.9% nationally compared with the same period in 2022. In the WMCA area, median pay rose by 6.3% over the same period. Adjusting for inflation, this is a real median pay increase of 1.6% in our region.

Payrolled employees

The number of payrolled employees in the WMCA area was up 1.7% on the year in October. Nationally, employee estimates were only up 1.3%.

Total Claimant Count

The total claimant count rose by 4.3% in the West Midlands on the year from October 2022 (UK: 3.4%). The number of claimants as a proportion of residents aged 16-64 was 6.7% in the WMCA area compared to 3.7% for the UK in October. Across the Combined Authorities, the WMCA had the highest rate, Greater Manchester was the second highest at 4.9% down to 2.6% for the West of England.

Youth claimant count

The latest data showed the youth claimant count rose by 12.3% in the West Midlands when compared to October 2022 (UK: 8.4%). The number of youth claimants as a proportion of residents aged 18-24 was 8.4% compared to 4.9% for the UK in October. Across the Combined Authorities, the WMCA had the highest rate, Tees Valley was the second highest at 8.2% down to 2.5% for the West of England.

Institute for Fiscal Studies releases report on the changing geography of jobs

The report examines how the changing labour market has shaped economic geography in the UK. It finds that between 1993 and 2022 employment in traditionally middle-paying occupations fell by 12% nationally, while employment in low- and high-paying occupations grew by 14% and 95%, respectively. The report argues that changes in the labour market have had profound implications for geographical inequalities with traditional manufacturing jobs that offered less-educated workers a route to well-paid work disappeared from the North and Midlands, whilst high-skilled jobs mainly emerged in London. Consequently, the group that has been most negatively affected by labour market trends in recent decades are people in economically deprived areas who have invested in higher education, but find that there are not enough graduate jobs locally, and are unable or unwilling to move to London. This group, who are disproportionately from poorer family backgrounds, are unable to fully capitalise on their education in the labour market. Findings suggest two conclusions: (1) a critical mass of skills is required to attract new investment in high-skilled jobs to the English regions outside London, and (2), if critical mass is not present, investment and jobs must be attracted at the same time as training is ramped up. Otherwise, money spent on training in the English regions only fuels the economy of London as graduates relocate to high-skilled, high-waged jobs in the capital.

Pearsons release 'Skills Map of England'

The report and skills map looks at the nine regions of England, exploring which jobs are expanding or in decline, workforce shift between now and 2027, and current skills in demand from employers. The report finds that, despite the impact of automation and augmentation on the workforce, there will be more jobs available across England in four years' time. While 2 million jobs across England may be lost to automation and augmentation by 2027, the same drivers are expected to create more than 2.4 million jobs, a net increase of 390,000 new roles. This suggests different jobs instead of fewer jobs arising from automation. For the West Midlands, the Skills Map reports:

- Net change in workforce by 2027: +21,540 or 0.72%.

- Top 5 expanding sectors (by headcount): Transportation and storage; Information and communication; Administrative and support service; Professional, scientific and technical; and Real estate.
- Top 5 declining sectors (by headcount): Wholesale and retail trade; Manufacturing; Education; Financial and insurance; and Accommodation and food service.

This report paints a positive picture for the impact of automation and artificial intelligence (AI) on jobs in the West Midlands. While jobs may be lost in some sectors, these will be made up for in others. The WMCA is working closely with organisations such as Midlands Engine to fully understand the megatrends for our region and put in place appropriate training and retraining opportunities that will match the jobs as they are provided in line with the Institute for Fiscal Studies report conclusions above.

Work Foundation publishes "West Midlands City Region Employment Profile"

This publication is one of nine detailed MCA profiles, including the WMCA area, and builds on its earlier report in October. It finds the WMCA has the largest population of the nine English Combined Authorities at 2.9m and has a higher rate of severely insecure work compared to the English average (21% compared to 19.4%), with a higher number of zero-hour contracts, involuntary and voluntary temporary work than the national average and conversely lower levels of second jobs and solo self-employment. Women, workers from ethnic minority backgrounds, disabled people and workers between the ages of 16 and 24 are more likely than other workers to be in severely insecure work. There is significant variation across the Met 7 area as set out in the table below:

	Severely Insecure Work	Low/Moderately Insecure Work	Secure Work
England	19.8%	33%	47.2%
West Midlands	**21.0%**	**30.9%**	**48.1%**
Birmingham	22.5%	31.4%	46.1%
Coventry	21.1%	34.5%	44.4%
Dudley	13.6%	31.8%	54.7%
Sandwell	19.4%	30.0%	50.6%
Solihull	22.0%	21.8%	56.2%
Walsall	19.9%	32.4%	47.7%
Wolverhampton	25.6%	30.7%	43.8%

The report highlights the importance of Inclusive Growth in the West Midlands. Even the Greater London City Region has 18.3% in severely insecure jobs. As the WCMA works to drive innovation and boost economic development in the region, its Inclusive Growth priorities aim to ensure all residents benefit from that new prosperity.

Centre for Progressive Policy releases its Local Economy Tracker 2023

The Tracker is based on a survey of just over 2,000 people UK-wide. It explores how people feel about the economic opportunities where they live, what they think needs to change and which political parties and tiers of government they trust the most to deliver improved economic opportunities. Key findings for the West Midlands include:

1. People in the West Midlands are broadly pessimistic about economic growth over the next one to five years, which is consistent with most other parts of the UK.
2. Of all branches of government, regional mayors are expected to have the best impact on their local economies.
3. People in the West Midlands are more satisfied with the availability of jobs in their local area (29%), compared to the rest of the UK (22%), but are dissatisfied with the availability of public transport (38%), and investment by Government and private business (56%).

As the WMCA pursues a deeper devolution deal in the next year, greater autonomy to invest in the region will allow the WMCA to meet the needs of our local communities.

Midlands Engine releases "Megatrends in the Midlands" report

The report provides an update on the Midlands Engine' Megatrends report released two years ago. The research identifies four key megatrends: Rising Geopolitical Tensions, Technology and Digitization, Climate Change and Net Zero and Demographic Trends. The latest report seeks to understand what these megatrends are, and how they might unfold and come together to define 'a new age', and provides policy implications and advice for national, regional, and local policy makers.

Economic Intelligence Unit produces four investment prospectuses for the Midlands

The four prospectuses show how the Midlands offers a unique opportunity for international companies to invest in research translation, innovation, colocation and integration into an internationally competitive talent pool and extensive regional supply chain across key sectors, including agri-tech, health and life sciences, transport technologies, and zero carbon energy.

Unleashing creativity: sharing experiences and approaches in the West Midlands and London

A recent event in Birmingham, *Creativity Unleashed: Powering Digital Growth in the Midlands*, held by New Statesman, a magazine, pitted the Mayor of the West Midlands, Andy Street, and digital content creator/influencer, Patricia Bright, sharing their thoughts on how their respective roles can help power digital growth in the Midlands. The Mayor shared the importance of creative industries in the West Midlands in shaping and forming the region's identity, with last year's Commonwealth Games as a brilliant showcase for the region's creativity. Meanwhile Patricia shared her experience as a digital content creator – and how that role has helped export the culture of South London to an international audience through her content.

2.3 Regional Business Roundup

City-REDI publish modern and low carbon cluster deep dive

The work commissioned by the WMCA notes a lack of comprehensive information on modern and low carbon clusters due to difficulty in identification. Many businesses engage in low carbon activities secondary to their primary operations, making data categorization challenging. What limited research we have on the sector suggests opportunities, such as the growth of low carbon and electric vehicles, heat pumps, and energy efficiency in construction. Challenges include a weaker presence in alternative fuels and renewable energy. Recommendations involve supporting business-led innovation groups, surveying existing businesses, and conducting a business mapping exercise to enhance knowledge and identify clusters. Policymakers are urged to conduct in-depth research for informed decision-making and sector development.

Latest analysis suggests some West Midlands businesses struggling in current economic climate

Thousands of businesses in the Midlands are now classed as being in 'significant' economic distress, according to the latest figures from Begbies Traynor's Red Flag Alert. Dudley experienced a significant uplift in the number of businesses in distress during Q3 of 2023, jumping by 18.1 per cent on the previous quarter, followed by Stafford where there was a 17 per cent increase (UK average: 8.7%). This quarterly rise in the number of struggling businesses was also felt in Walsall (6.8 per cent), Wolverhampton (5 per cent) and Birmingham (3.2 per cent), albeit at a rate lower than the national average. Profit warnings issued by listed companies in the Midlands are at their highest levels since Q4 2022, according to new research from EY-Parthenon. EY-Parthenon's latest Profit Warnings report said that nine profit warnings were issued by UK-listed companies in the Midlands in Q3 2023, up from eight in Q2 2023.

Business expansions

- Hexaware Technologies, an Indian-owned global IT and digital solutions provider, has started the next phase of its UK expansion with a new facility in Birmingham, aiming to create 250 jobs.
- Global automotive company, Holman, has announced its new office at Birmingham Business Park in Solihull. This additional site, alongside its existing headquarters in Chippenham, has generated 100 new jobs in the West Midlands, increasing its workforce to more than 300 employees.
- Guest Motor Group has opened its latest development, a 28,000 sq ft facility in Bushbury, Wolverhampton. Guest Truck and Van represents a £4 million investment that has transformed a once abandoned site.

2.4 Inclusive Growth Roundup

This section looks at the regional news highlights which relate to our eight fundamentals of the West Midlands Inclusive Growth fundamentals.

Implementation

Inclusive Growth Network publishes framework and toolkit to transform inclusive growth from theory to reality

The toolkit titled "Mainstreaming Inclusive Growth" addresses the progress and challenges in fostering inclusive economic growth at the local level in the UK. Aimed at guiding regions, it offers a practical framework for "mainstreaming" inclusive growth by embedding it into core decision-making processes. The toolkit includes five key strands covering strategy, measurement tools, shared capacity building, interventions, and organizational practices to establish inclusive growth as a central driver in local policy. It provides guidance on actions, considerations, and case studies, emphasizing the importance of a long-term, collaborative process. The toolkit concludes with reflective questions for ongoing engagement.

Climate Resilience

Midlands Engine releases quarterly economic briefing: "Unlocking green investment in the Midlands"

According to the latest economic briefing from Midlands Engine, the Midlands, known for its automotive and manufacturing sectors, holds £330 billion in natural capital, presenting an opportunity for leadership in green innovation. The Midlands Forest Network, funded by Defra and the National Lottery Heritage Fund, exemplifies green investment. However, barriers to green finance include political uncertainty and the challenge of incentivizing businesses to embrace sustainability. The report emphasizes the wider benefits of green investments, calling for collaboration between the public and private sectors. Despite challenges, the Midlands is recognized for its untapped green potential, and a growing public consensus around net zero, including the WMCA's commitment to reach net zero in the region by 2041, which offer reasons for optimism.

Inclusive economy

Joseph Rowntree Foundation publishes report on destitution in the UK

This is the fourth study in a series looking at Destitution. It finds that destitution has increased in all regions of the UK, but particularly in London, Wales and the West Midlands. In 2022, 3.8 million people experienced destitution in the UK, almost 2.5 times more than in 2017. This is having profound impacts on health, mental health and people's prospects, as well as public services. The study recommends a 'Essential Guarantee' included in Universal Credit, to ensure everyone can afford essentials (e.g. food, household bills), and improving financial support services (e.g. cash-first assistance, benefits and housing advice available to all).

Affordable and safe places

House prices steady while rents rise

According to Zoopla, house prices across the West Midlands fell by an average of 0.5% in the year to November 2023. This compared to a national fall of -1.2% on average. Turning to rental prices, the ONS estimated annual inflation rates on all rents in the West Midlands at 5.9% in the year to October 2023. Rental price inflation is higher in the West Midlands than any other English region outside of London. In 2022, the West Midlands was less affordable than the average for English regions, being the fourth least affordable region behind London, the South East and South West.

Connected communities

City-REDI blog reassesses transport priorities following HS2

The UK spent £25.1 billion on rail support compared to £3.1 billion on buses in 2021-22, despite buses outnumbering rail journeys by 3:1. The average taxpayer cost per rail journey is 25 times more than a bus trip. The blog discusses the allocation of £80 million from scaling back HS2 for bus services, emphasizing the importance of subsidies for both operators and passengers. It highlights demographic patterns of bus usage, the impact on economic growth, and the need for a balanced approach to subsidies. The overall conclusion emphasizes the value of buses in promoting inclusive economic growth.

Education and learning

Department for Education announces new funding to support skills training, including £10.3m allocation to the West Midlands

The UK Government is investing over £200 million to enhance skills training in key industries, including green energy, digital, and construction. Aimed at meeting regional skills needs identified by local businesses, the funding supports colleges and universities to offer training opportunities. The investment also targets higher technical qualifications in areas like digital, healthcare, and engineering. The West Midlands has secured £10.3m funding that will be coordinated by Solihull College and University Centre, working with the WMCA and Coventry and Warwickshire Chamber of Commerce. This investment will be used to respond to the Local Skills Improvement Plan, supporting 6 different projects such as expanding the regional electrification and engineering offer, supporting the professional development of teachers to embed green skills in all curriculum areas, and delivering digital skills training to hard to reach communities.

Health and wellbeing

Institute for Public Policy Research release report: "Unlocking local action on clean air"

The report highlights that addressing air pollution is crucial, potentially preventing up to 43,000 premature deaths annually in the UK and curbing diseases like cancer, strokes, and asthma. Disparities are evident, with the most affected being those in low-income, deprived, and minority communities, emphasizing the potential to address inequalities through air quality improvement. Beyond health benefits, this effort can encourage active lifestyles, create green spaces, and support carbon emission reduction targets. The report points to the need for urgent and ambitious action at local and national levels with a unique report for each stakeholder. You can find out more about the WMCA's commitment to reach net zero in the region by 2041 here.

Equality

Scottish Centre for Social Research publishes insight: "Disability and financial hardship: how disability benefits contribute to the need for food banks in the UK"

This commissioned research by the Trussell Trust seeks to understand the drivers of food insecurity among disabled people and the reasons for overrepresentation from this group when accessing food banks. It finds the impact of the cost-of-living crisis together with the already high costs associated with impairments and health conditions creates a disproportionate effect on this group. Whilst some employers have been supportive and provided reasonable adjustments to help disabled people stay in work, some disabled people have been denied reasonable adjustments or equipment to support them in work, or experience inflexible employment structures that prevent work. The research further finds social security payments provide insufficient support to cover costs. The Trussell Trust has reported that 69% of their foodbank users identify as disabled, and 75% said a member of their households is disabled. A person-centred and fairer benefits system, increased information on benefits entitlement, and improved benefit application and employment support would prevent disabled people being reliant on foodbanks. A further report by the Learning and Work Institute calls for the UK Government to set a target of 80% employment among disabled people that will lift many out of poverty and boost the economy.

Trade Union Congress releases new analysis of zero-hours contracts

The analysis looks at the groups most likely to be employed via zero-hour contracts. It finds racialised communities are significantly overrepresented and women are most disproportionately affected. Black and minority ethnic women are now nearly three times as likely to be on zero-hours contracts as white counterparts (6.8% compared to 2.5%). The proportion of BME women on these types of contracts has risen by 0.7pp over the last 12 months, which is three and a half times faster than that of white men (0.2pp). White women are also significantly more likely than white men to be on zero-hours contracts (4.0% compared to 2.5%). Introducing ethnicity pay gap reporting, banning of zero-hour contracts, and increasing worker rights from day one of employment are just some of the recommendations included in the report.

Fawcett releases report: "Paths to Parenthood: Uplifting New Mothers at Work"

According to the report from Fawcett, when comparing women to working fathers, women are 1.4 times more likely to feel the financial burden of childcare costs, with 10% of women leaving work, and 40% turning down promotions due to childcare pressures. The report argues that employers are not doing enough to support mothers, with 85% of women reportedly struggling when trying to find accommodating employers, and 69% of mothers not having access to flexible working arrangements. Recommendations are for some groups of women to be prioritised for support, including mothers who take over 26 weeks of maternity leave, low-paid women, and single-parents. Employers should make flexible working the norm and signpost mothers to all available support.

2.5 Latest from the City-REDI Blog

The Logistics Industry from an employer's perspective

According to the latest City-REDI blog, the logistics industry is facing challenges post-pandemic, with high operating costs impacting service prices. Fuel prices and driver wages are major expenses, influencing transportation costs and final product prices. Fuel prices stabilized post-pandemic but rose again in the summer of 2023. Declining orders in 2023 have led to spare vehicles and drivers, with European hauliers redirected from the UK possibly due to Brexit regulations. The industry anticipates economic slowdown, prompting focus on automation and cost optimization.

Occupier demand in the West Midlands

According to this blog, the West Midlands and Birmingham exhibit revived occupier demand for office space post-pandemic, with an annual take-up in Birmingham 20% lower than the pre-2020 average due to remote working trends. Occupiers, downsizing by 20-30%, focus on best-in-class accommodations with on-site amenities. Inward investor activity is subdued, with the public sector, financial services, and educational users showing more demand. The flex office sector is thriving, and sustainability is a top criterion. Birmingham experiences a two-tier market with strong demand for prime space, leading to a rental growth of 20% in four years. Property investment sees falling capital values and increased prime yields.

The Midlands recruitment sector

Despite a 20% drop in market activity in Q1 2023, Birmingham's recruitment sector rebounds in Q2, returning to pre-COVID conditions. Factors include Birmingham's strategic location, 30% lower wages than London, a young and diverse society, and coordinated efforts from public bodies. The tech sector, particularly FinTech and MedTech, experienced significant growth, while traditional industries faced challenges in recruitment and retention due to cost pressures and wage inflation. According to the blog, successful businesses prioritize long-term career growth in their employee value proposition, and recruitment campaigns focus on speed to secure top talent in a competitive market.

The LPIP Hub: Can Productivity Bring Around the Change We Need in Places?

The blog discusses the role of productivity in driving change within cities. Despite longstanding efforts to address productivity disparities, little has changed. The public sector, while not directly impacting business productivity, can create conditions for growth. National policies strongly influence cities, and a comprehensive strategy must consider both national and local demands. The blog advocates for a place-based approach that embeds quality and sustainability, values various forms of capital, broadens stakeholders, strengthens relationships with national government, and addresses the impact of austerity on local institutions and leadership.