

West Midlands Insights on Society and Economy

A monthly newsletter on the trends that matter to the West Midlands.

Issue 5, February 2024

1.0 Headlines

1.1 February Editorial

Welcome to the fifth edition of West Midlands Insights on Society and Economy. In this issue, we take a deep dive into exports in the West Midlands. The most recent data available for the wider West Midlands region in January 2024 shows that total exports of goods and services have recovered strongly: back to where they were before the pandemic closed the infrastructure of trade. These are indications that there has been a bounce back for the ever-important automotive industry for the West Midlands.

But looking at economic data, and comparing change over time, sometimes requires us to stand back a little and take a deeper or wider look. The huge impact of the Covid-19 pandemic and the time lags often involved in collecting economic data make this even more important.

According to the latest WMREDI report (see section 2.2), exports of goods and services from the WMCA fell by one fifth from 2019, when it was the largest exporting region by value, to 2020 and did not recover in 2021. Other regions saw stronger recoveries in that period.

Nationally, service exports are predicted to grow from 25% of all trade currently to 28% by 2035. London's service exports dwarf all other cities – it exports approximately 15 times more than the second largest service exporting city – but they are also growing from the West Midlands, just not as fast as exports of goods. Again, this could be seen as an indication of a weak service economy; but look back to the pandemic period and the drop does not seem so severe. Trade in services was largely able to continue during lockdowns and the impact was much less drastic – a slower recovery is inevitable from a shallower decline. Considered over a longer period, service exports from the West Midlands look robust and healthy, rather than weak.

There remains plenty to do to encourage firms in the West Midlands to export, both goods and services. Global shifts in geopolitics, energy, the movement of people and rapid changes in technology all require careful consideration. Let's hope that despite the longer-term trends, recent strong export performance in the West Midlands gives them a useful foundation to navigate these headwinds.

Dan Carins
Policy Manager (Business), WMCA

1.2 Coming Up in the Month Ahead

- [West Midlands State of the Region 2023–2024 Report to WMCA Board](#) – 9 February
- [‘Making Levelling Up Happen: Lessons from Europe’ Conference](#) – 23 February
- [ONS: Business enterprise research and development](#) – 27 February
- UK Government budget – 6 March

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1.3 National Headlines

- The economy: A long road to recovery but at least we're past the worst of it?
- Local government funding uplift announced
- Centre for Cities releases 2024 Outlook
- Prime Minister appoints Adam Hawksbee as Towns Fund Tsar

The economy: A long road to recovery but at least we're past the worst of it?

The latest [report](#) of the Monetary Policy Committee projected 0.1% growth in the first quarter of 2024 with continued slow growth over the year ahead. At the same time, inflation is now expected to come down faster than previously expected and hit the Bank of England's target of 2% by the summer. At the meeting in February base rates were maintained at 5.25%, but widespread market expectations are that the Bank now has space to start reducing rates by the summer. Still, there is no belief that we will see a return to the ultra-low rates of the previous decade.

The Chancellor Jeremy Hunt announced that the UK Budget for 2024/5 will be delivered on 6 March. While some market analysts have suggested the Chancellor may have more fiscal headroom than previously thought, [International Monetary Fund](#) and Treasury forecasts suggest prudence is required. Tax cuts are widely rumoured to be top of the Chancellor's agenda in what is likely to be an election year, but the volatile fiscal landscape may pose a challenge to those ambitions. The WMCA has submitted its own representation, outlining what it would like to see in the upcoming fiscal event, including additional support for local councils, funds to tackle youth unemployment, and further monies for culture and the environment.

Local government funding uplift announced

The UK Government has [announced a package of £600m funding](#) for local authorities, primarily to help fund local social care and aiming to mitigate bankruptcy threats. Despite the boost, councils have warned of further need for service cuts and tax increases. Communities Secretary Michael Gove urged councils to cut wasteful spending. While some welcome the aid, it falls short of addressing long-term challenges like social care. Calls for financial reform persist amid rising costs and demands.

Centre for Cities releases 2024 Outlook

[Cities Outlook 2024](#) assesses UK cities' economic performance since 2010, noting job growth but poor productivity and worsening housing affordability. Disposable income has declined due to sluggish growth, particularly impacting cities like Burnley, Cambridge, and Milton Keynes. While overall improvement is observed, the UK economy would be £88bn larger if pre-2010 trends had continued. The report highlights the widening north-south divide and recommends post-election focus on place-based policies, including driving forward continued devolution to meet the needs of local communities and help level up the country.

Prime Minister appoints Adam Hawksbee as Towns Fund Tsar

Former WMCA Head of Policy [Adam Hawksbee has been appointed](#) "towns tsar" to oversee the £1.1bn plan for 55 towns' regeneration, addressing issues like high streets, heritage, and anti-social behaviour. Each town will receive £20m over 10 years, with a "light touch" assurance from the Department for Levelling Up. Hawksbee will report to Michael Gove, focusing on community-led change.

1.4 Regional Headlines

- Regional and national labour market continues to cool
- Over half of people in the West Midlands to cut back on spending in 2024 – KPMG
- Winners announced and further call for applications to the Industrial Energy Transformation Fund
- Passing of West Midlands' Chief Fire Officer

Regional and national labour market continues to cool

The regional and national labour market is continuing to gradually cool. The number of advertised vacancies has continued to fall both [regionally](#) and [nationally](#) while remaining above pre-pandemic levels. At the same time, unemployment has moderately increased over the same period (WM: +0.4pp, UK: +0.3pp). Youth unemployment in the WMCA area remains an ongoing concern, with the youth claimant rate rising 1.5% since last month.

The Office for National Statistics (ONS) released experimental adjusted [Labour Market data](#) for the West Midlands region covering the period September to November 2023, estimating that:

- the regional employment rate was 75.2%, unchanged since the previous month. The survey-based estimate is up 0.1pp on the quarter and up 0.7pp on the year.
- the regional unemployment rate was 5.1%, unchanged since the previous month. The estimate is down 0.1pp the quarter and up 0.8pp on the year.
- The regional economic inactivity rate was 20.6%, unchanged since the previous month. The estimate is down 0.1pp on the quarter and down 1.4pp on the year.

Over half of people in the West Midlands to cut back on spending in 2024 – KPMG

58% of consumers in the West Midlands plan to cut back on non-essential spending in 2024, with [KPMG's Consumer Pulse survey](#) revealing financial insecurity outweighs confidence by nearly two to one. Survey respondents expected to reduce non-essential spending by prioritizing cuts in eating out, takeaways, and clothing. Price, quality, and convenience are key considerations, leading consumers to favour own brands, discounted items, and loyalty schemes.

Winners announced and further call for applications to the Industrial Energy Transformation Fund

The Industrial Energy Transformation Fund is a multi-million-pound funding package that aims to help UK businesses reduce emissions and energy costs. [Minister Lord Callanan announced](#) 12 winners of the Local Industrial Decarbonisation Plan competition, each receiving up to £6 million to develop low-carbon strategies. Winners included Decarbonising the Midlands Aerospace Cluster (DMAC), who will work with key players in the region's aerospace supply chain, identifying manufacturing processes that contribute to greenhouse gas emissions and potential solutions. An additional £185 million will open up opportunities for sectors like manufacturing, recycling, and controlled environment horticulture to transition to cleaner energy, supporting the UK's net zero goals and creating green jobs. Find more information and [apply here](#).

Passing of West Midlands' Chief Fire Officer

The Chief Fire Officer for the West Midlands Wayne Brown was [found dead in his home in January](#). Mr Brown was a well-known and respected figure in the region and had worked with the WMCA in its duties on the Local Resilience Forum and in the run up to, and over the Commonwealth Games. In his work with the WMCA and TfWM, he was dedicated to working together to make the region a better place. A book of condolences is available on the West Midlands Fire Service website at <https://www.wmfs.net/remembrance/wayne-brown/>.

2.0 In More Depth

2.1 National Roundup

Labour Party publishes five key mission statements

These [statements](#) outline Labour's long term growth plan. A key element to their strategy is securing business investment, and encouraging learning and development. Proposals include:

- A new industrial strategy to focus on business strengths (e.g. life sciences, digital, financial, automotive). This includes plans to create a National Wealth Fund to unlock private investment.
- Kickstarting a skills revolution with new Technical Excellence Colleges for the specialist skills local businesses need, more apprenticeships and training tailored to local jobs, including more work experience so young people are better prepared for work.
- Enabling conditions for better paid work and good jobs as a result of skills training. Recruiting 6,500 more teachers to increase education standards and education quality for those opportunities. And changing the Apprenticeship Levy to give employers flexibility on re/up-skilling workforce. Plans also include banning zero-hour contracts.
- Supporting young people's mental health with new youth hubs containing mental health staff and youth workers.
- Helping the NHS with faster treatment by paying staff more to work evenings and weekends, and fast access to mental health services by recruiting 8,500 new NHS mental health staff.

What works centre for local economic growth reviews benefits and costs of adopting fair employment policies

The [briefing](#) considers a rapid evidence review with guidance for local policy makers on how to think through the benefits and costs when adopting fair employment policies. In the UK, these policies generally mean payment of a living wage and the introduction of fair employment charters, which are frameworks designed to support good pay and fair and flexible working conditions, and promote diversity and social mobility. The briefing suggests such approaches have chain effects in the region. The trade-offs and challenges, however, mean careful thought needs to be given to the evidence, recognising for example, to off-set higher costs in wages, hours may need to be adjusted. For employers, this could carry other risks which make the proposition unattractive, but benefits could include higher staff motivation and retention, reduced sickness and positive organisational reputation when attracting talent.

Society of Occupational Medicine seeks to understand recent trends in ill health-driven fallout from the UK job market

1 in 5 people are economically inactive and 1 in 4 of them are out of work due to long-term illness. This [deep dive research](#) identifies the main drivers of increased long-term illness and offers insights into how employers can support their workforce through modernising their processes and working conditions, particularly to reduce turnover and lost talent. The report highlights key factors including (1) an aging population with increased propensity for work-limiting conditions, (2) an increase in obesity rates, alcohol consumption, smoking and ill-mental health leading to long-term illnesses, and pressure on the health care system means less people are able to be treated, and (3) living and working situations impact employees' ability to adapt to life with long-term illnesses – for example, occupations where working from home is not available have higher dropout rates due to long-term illness. The WMCA area has the third highest inactivity rate when compared to the nine other combined authorities and almost 28% of those are inactive due to long-term illness, making this report particularly important for local business and policy makers. City-REDI have delved deeper into the WMCA data [here](#).

Learning & Work Institute takes a wider view of apprenticeship success

This [research](#) examines what apprenticeship success looks like to employers, the barriers they face and what they can do to help their apprentices. With more than 800 apprenticeship employers

surveyed, findings revealed strong support for apprenticeships but barriers in supporting the apprentice to successfully complete. Off-the-job training was highlighted as one of the biggest barriers to completion cited by apprentices and employers. Apprentices were more likely to complete with this benefit in hand, but it comes with obvious costs to the firm. Pastoral care and financial help (including transport) were also noted to improve completion rates. The research found that only two-fifths of employers provided pastoral care even though this can make a considerable difference to completion. Getting senior and line managers to place importance on completion could help, as would specific training and support for line managers on how to provide good pastoral support. The research aligns with and supports the WMCA's deep dive into youth unemployment in which apprenticeships are highly effective at supporting young people and businesses/industry with skills shortages.

[Public First finds that post-Covid tutoring boosts economy by over £4bn](#)

A Public First [report](#) looks at the impact of the National Tutoring Programme (NTP) in helping pupils enhance their academic understanding and get better grades which will boost the UK's economy by £4.34bn through higher lifetime earnings potential. Public First advocate for it continued government funding as a key economic contributor. Analysis found the programme yielded a Benefit-Cost Ratio (BCR) of 6.58, meaning for every £1 spent, it leads to £6.58 of economic gain based on data from the 2021/22 and 2022/23 academic years. Further, it found for every £1 million spent on English tuition 670 students improve their grade, which results in £4.9 million of economic benefit. For every £1 million spent on maths tuition 530 students improve their grade, which results in £7.7 million of economic benefit. Key Stage 4 (GCSE/Level 2) tutoring contributed £1.76bn in economic impact. The NTP supported almost 3 million young people during this two-year period, offering each pupil an average of 11 hours of tuition. In a region with below average household income, tutoring support through programmes such as the NTP is essential to ensure the region continues to level up.

[Competition and Markets Authority publishes review of UK labour markets](#)

The technical [analysis](#) examines labour market concentration in the UK. Labour market concentration measures how many employers operate in a particular market – the fewer firms, the more concentrated it is, providing an indicator of labour market power. According to the report, market concentration is roughly the same as 20 years ago. This is in stark contrast to the US, where labour market power has been increasing over time. The report also finds the share of income that workers receive compared to their input has been rising slightly in most of the UK. Still, concentration varies according to region and industry. On average, the WMCA area has low labour market concentration meaning that employers will not be able to wield excessive power when it comes to setting employees' terms and conditions.

[The Productivity Institute shows private equity investment boosts productivity](#)

Private equity (PE) has grown significantly since the 1980s, playing a vital role in corporate acquisition and restructuring globally, including in the UK. PE provides funding and expertise to businesses at different growth stages, fostering entrepreneurship, economic growth, and job creation. Despite concerns about short-termism and debt financing risks, PE-backed firms often experience increased productivity, employment, and capital expenditure. The Productivity Institute [study](#) examines two decades of PE deals, finding that PE investment leads to sustained productivity growth even after the investors exit. Such findings could be crucial for addressing the UK's stagnant productivity growth, suggesting that promoting private capital investment could enhance firm growth and productivity.

[Tony Blair Institute for Global Change consider how the UK can lead the Biotech Revolution](#)

The [New National Purpose](#) series presents a forward-looking vision for Britain, emphasizing the role of technology in reshaping governance and public services. The third report focuses on biotechnology's potential to enhance lives, foster innovation, and secure the UK's global standing. Recommendations include establishing institutions like the UK Laboratory of Biodesign and the MediMind laboratory network, leveraging NHS data with a new NHS Data Trust, and prioritizing strategic shifts to propel British biotech to the forefront of global research and economic growth while ensuring biosecurity.

These initiatives aim to position the UK as a leader in the biotech revolution, fostering innovation and safeguarding against emerging risks. The report bolsters the WMCA's [Plan for Growth](#) which includes targeted support for the region's health and med tech sector. The WMCA is also supportive of the work by the NHS in the region in the development of the West Midlands Secure Data Environment which will also help to support research and development in health and med tech.

[Social Market Foundation Assesses leadership and management in local government](#)

The [report](#) examines the critical role of leadership and management in local government amidst evolving challenges. While leadership quality is deemed crucial, many leaders feel senior leadership falls short in areas like talent attraction and staff motivation. Training, though common, lacks accreditation and effectiveness. Obstacles include workforce issues, internal bureaucracy, and financial constraints. Recommendations include developing a 10-year workforce strategy, boosting funding for recruitment and training, establishing a leadership academy, and creating pathways for experienced individuals to enter local government leadership roles.

[Joseph Rowntree Foundation releases UK Poverty 2024 report](#)

The [UK Poverty 2024](#) report highlights persistent high levels of poverty, nearing pre-pandemic rates, affecting over 14 million people, including 4.2 million children. Deepening poverty is evident, with 6 million people in "very deep" poverty. Certain groups, like larger families and minorities, face disproportionately high poverty rates. Regional disparities persist, with the West Midlands having high rates of poverty at 27%, followed by the North East and London (both 25%), Yorkshire and the Humber, the East Midlands and the North West (all 23%). The West Midlands has high rates of households in which nobody is in work, people in routine, low-paid occupations, people on universal credit, and persons living in rented accommodation. Child poverty is also high in the region, with 46% in Birmingham, 45% in Sandwell, and 43% in both Walsall and Wolverhampton. This compared to 45% in Manchester and 35% in Hull. The cost-of-living crisis exacerbates the situation, with millions experiencing arrears and deprivation. The report calls for comprehensive action, emphasizing job security, improved workplace rights, strengthened social security, affordable housing, and compassionate policy solutions.

[ONS updates population projections](#)

The UK's population is [projected to hit](#) nearly 74 million by 2036, a rise driven by net migration and exceeding previous estimates. The Office for National Statistics anticipates a 9.9% increase, with 6.6 million more people, primarily due to 6.1 million net migrants and higher birth rates. As a region with a highly diverse community, the West Midlands is likely to be seen as a more desirable place in which to live by many migrants, perhaps making it likely to see greater than average growth in its population over the period. Sub-national projections (i.e. local-authority level) are not scheduled for release until February 2025. Nevertheless, the WMCA already has a robust skills plan in place to help migrants to learn English and is considering how this may need to be augmented in light of these new projections.

2.2 Regional Roundup

West Midlands State of the Region 2023–2024

The West Midlands Combined Authority has produced the West Midlands State of the Region report for 2023–2024. This is a high-level, annual review of the condition of the West Midlands, intended to provide context to help understand the region's performance, and bring attention to the opportunities and challenges in the region.

The [full report is available in the agenda for the WMCA Board](#) on 9th February.

Recommendations are set out along the eight inclusive growth fundamentals:

- **Climate resilience:** The transition to net zero is an opportunity and engine of growth for the WMCA area. However, the effects of climate change disproportionately affect our most deprived communities – and efforts must be made to mitigate against the worst effects of climate change through retrofitting homes and through nature-based solutions.
- **Inclusive economy:** While our economy has grown, it has grown more slowly than the UK overall – in contrast to before the pandemic. Our Plan for Growth sets out a number of strategic growth clusters where the WMCA area has a comparative advantage – and it is absolutely right that we focus on them. Our inclusive growth approach posits that the only way we can fully unlock the economic potential of the region is for there to be opportunity for all to participate and benefit from the proceeds of growth.
- **Power and participation:** Far too many residents still feel they have no influence over how things are run. The deeper devolution deal brings power and control to make decisions that matter to local residents back to the West Midlands – and in the implementation of the deal, the WMCA must ensure that residents and communities are included and involved in decision-making.
- **Affordable and safe places:** Inflation has put pressure on household finances for homeowners and renters alike, with increases in monthly rental and mortgage costs. There is a need to recognise that the impacts of inflation have been different across income groups and places – doing so will help us design out homelessness and reverse the recent increase in rough sleeping. Given that the next biggest household costs are transport costs and food, investments and support with travel costs is also an important consideration in reducing cost pressures for households.
- **Connected communities:** As economic growth rebounded after the pandemic, use of both public transport and the road network has increased. Investment into physical connectivity is essential to unlock the economic potential of the region, enabling residents and communities to access employment opportunities – as well as leisure and cultural events with friends and family. However, it is also important to recognise that many journeys involve active travel – and improving walking and cycling is just as important. In terms of digital connectivity, the WMCA area is one of the best digitally connected places in the UK, with access to high speed broadband and widespread 5G coverage. However, there are still communities at risk of digital exclusion.
- **Education and learning:** Far too many people in the WMCA area still do not have a level 3 qualification. This places a ceiling on many people's employment, earnings, and puts them at risk of poorer life outcomes. Further investment enabling people to get a level 3 qualification, and ensuring that young people have the support they need to stay in school and succeed is essential to ensure that the WMCA area has a high-quality workforce that attracts inward investment.
- **Health and wellbeing:** Strategies and policies need to address the declining life expectancy in the WMCA area need to focus on preventing ill health and addressing the causes of chronic illness. This is best done by ensuring that every strategy and policy promotes health and wellbeing – a health in all policies approach.

- **Equality:** To ensure that everybody in the WMCA area benefits from growth, factors that lead to inequalities in life chances faced by our diverse communities must be addressed. Our investments – from public transport to housing – can help address and reduce those inequalities.

Labour force headlines¹

Median pay

In December, median monthly pay rose by 6.6% nationally compared with the same period in 2022. In the WMCA area, median pay rose by 7.3% over the same period. Adjusting for inflation, this is a real median pay increase of 3.1% in our region year-on-year.

Total Claimants

Data on out of work benefit claimants provide a rapid indicator of how unemployment is changing. In the WMCA area, in December 2023, 6.7% of the resident population aged 16–64 were claiming out-of-work benefits; compared to 4.1% for the wider WM region, and 3.2% for Great Britain. This has remained relatively constant over the past twelve months – but reflects a much higher level of claimants than before the pandemic. This is primarily explained by increases in young adults 18–24 claiming out-of-work benefits – these have increased over the past year – in contrast, claimants aged 50 and over has been declining. On a month-by-month basis, there were 123,975 claimants in the WMCA area in December 2023. Since November 2023, there has been an increase of 1.3% (+1,535) claimants in the WMCA, the UK increased by 1.4%. When compared to December 2022, the WMCA increased by 2.6% (+3,180), the UK increased by 2.7%.

Youth claimant count

Latest data showed the youth claimant count rose by 10.7% in the WMCA area on the year to December 2022 (UK: 6.8%). The number of youth claimants as a proportion of residents aged 18–24 was 8.5% compared to 5.0% for the UK in December. Across the Combined Authorities, the WMCA had the highest rates, Tees Valley was the second highest at 7.8% down to 2.5% for the West of England.

A cooling labour market

The latest (provisional) seasonally adjusted figures show that there was almost no change in payrolled employees for the WMCA area in December 2023 compared to November (+0.0% vs -0.1% UK). This comes after a sustained period of growth. There were over 1.24m payrolled employees in the WMCA area in December 2023. When compared to December 2022 payrolled employees were 1.4% higher (+17,543 in the WMCA area – above the UK growth of 1.0%). There were 71,183 unique active jobs postings in December 2023. This has decreased by 23,238 since November 2023 alone.

In the year ending September 2023, the employment rate in the WMCA area was 70.3%, compared to 75.7% UK-wide. The WMCA area increased by 1.4pp and the UK increased by 0.3pp when compared to the year ending September 2022. For the WMCA area to reach the UK rate of 75.7%, an additional 100,847 people are required to be employed, the vast majority of this coming from the economically inactive group.

A recent [report](#) by KPMG which provides a regular analysis of recruitment patterns in the Midlands suggested that economic uncertainty is slowing down hiring, with a first reduction in permanent appointments in 3 months, and slowing of temporary roles for the first time in 7 months. Availability of suitably skilled staff is a feature of the challenge, as are pay pressures with rising salaries to attract talent.

Jane Gratton, Deputy Director of Public Policy at the British Chambers of Commerce [commented on the national picture](#): “Today’s data confirms labour market conditions are continuing to cool, with wage

¹ All data reported in this section is available through [Nomis](#)

growth and the number of vacancies falling once again. However, labour costs remain a huge pressure on businesses dealing with a challenging economic environment. Too many firms are still struggling to hire and retain staff. Our latest Quarterly Recruitment Outlook, showed over three quarters of firms attempting to recruit faced difficulties.”

The WMCA is working closely with business partners and education providers to help meet the skills needs of local employers to reduce the difficulties they currently face in employing staff.

[Black Country Consortium releases state of the sub-region report](#)

The [report](#) reviewed past and current performance of the Black Country economy as well as looking ahead to future expectations. Key highlights from the report included that the Black Country remains broadly reliant on five key sectors of employment and output creation: advanced manufacturing, business services, transport technologies, building technologies and environmental technologies. And the sub-region struggles particularly with economic inactivity – now at 24.8% of the working age population (compared to 20.6% for the wider West Midlands region). Furthermore, almost 20% of Black Country residents were living in fuel poverty in 2021. The report sets out a range of rather challenging metrics around the performance of the sub-region with economic, people and place metrics often lagging the progress made nationally, suggesting a growing gap between the sub-region and nationally.

[Learning & Work Institute models essential skills needs across England](#)

A Learning and Work (L&W) Institute [report](#) takes a deep dive into the essential skills gap in 16 to 64 adults across England to reveal indicative numbers and proportions of people with low literacy and numeracy. In the WMCA area, approximately 24.1% of the population has low essential skills, placing it in the middle of other combined authorities: West of England 22.6%, London 23.2%, Tees Valley 24.9% and North East 24.6%. The interactive skills map makes it easy to explore the data at different levels, including the local-authority level. Nine million adults in England lack essential literacy or numeracy skills. L&W argue for a government target of 90% achievement by 2035 instead of the current 75%. Essential skills gaps analysis was used to underpin the WMCA's approach to the [Multiply](#) programme which seeks to improve adult numeracy in the West Midlands.

[The Engineer argues that to plug the STEM skills gap, we must first address regional skills](#)

The STEM sector faces skills shortages, with over 173,000 STEM workers needed across the country. There are disparities in the amount of STEM workers between regions in the UK, particularly at levels 4 and 5. The West Midlands struggles to attract qualified workers and is the second lowest ranking region in terms of STEM graduate retention. The [report](#) recommends entry routes into the STEM sector are diversified, with more apprenticeships, pre-access courses, and greater awareness of these options. The WMCA's developing Higher Level Skills Strategy is seeking to determine how STEM skills can be increased in the region as part of a wider strategy. In movement toward this goal, the Greater Birmingham and Solihull Institute of Technology [recently won funding](#) for higher technical qualifications in engineering-based Level 4 and 5 qualifications.

[WMREDI conduct analysis of goods and services exports from the West Midlands](#)

The WMCA faces many challenges with regards to exports. The WMCA area is one of the largest manufacturing hubs in the UK. In recent years, growth in goods exports has been in decline across the UK, including in the WMCA area. The pandemic had a significant impact on the value of goods exports in the region and the WMCA had not yet returned to its pre-pandemic (2019) level of goods exports in 2021, while more recent data (as covered last [month](#)) suggests the West Midlands may have reversed this trend.

Still, there is an opportunity in the form of service exports. Whilst service exports were also yet to return to their previous levels in 2021, service exports in the region have been increasing in their share of total exports and in some sectors, there has been growth from pre-pandemic levels. The UK is the

second largest exporter of services globally and in 2019, businesses in the WMCA are were exporting more in Financial and insurance activities, Real estate, professional, scientific and technical activities service exports, than any comparator city region. Whilst it is no longer the largest exporting region in this sector, there is still significant opportunity to grow this sector and its exports. Read the full analysis in the [annex](#).

[Transport for West Midlands publishes quarterly research briefing](#)

TfWM has published [Issue 16](#) of their Quarterly Research Paper, and a special [Issue 17](#) “five year anniversary edition” of their Quarterly Research Paper. This addresses the performance management of the transport systems in the West Midlands. This quarterly publication captures and highlights some of the latest projects that have been carried out by TfWM, and provides links for further reading and opportunities to learn more about the work of the team.

This issue contains:

- Mobility as a Service (MaaS) Review
- How can Travel Demand Management help in times of major disruption?
- Rail User Profile Survey 2023
- Mode to Rail Station/Metro Stop
- Concessionary Travel Pass Holders Survey
- West Midlands On Demand Coventry Pilot After Study
- Digital Accessibility to Travel
- Urban Morphology and Accessibility
- Race Equalities Assessment

[WMREDI publish monthly economic monitor](#)

Key points from [this edition](#) include:

- Economic inactivity is an issue across the Midlands, with over 20% of the working-age population inactive.
- Retail sales volumes in the UK are estimated to have fallen by 3.2% in December 2023.
- Around half of adults in the UK (52%) reported that their cost of living had increased over the last month.

2.3 Regional Business Roundup²

Regional business activity is increasing

The West Midlands Business Activity Index increased from 50.6 in November 2023 to a six-month high of 51.5 in December 2023. The increase in activity was linked to new contract wins and better demand conditions. At the same time, West Midlands businesses become increasingly optimistic about the future. The West Midlands Future Business Activity Index increased from 75.7 in November 2023 to 77.2 in December. The data suggests that the West Midlands remained the most optimistic region and was at a three-month high. Optimism was linked to expected increases in new business, demand strength, marketing, investment and innovative sustainable approaches.

These findings were corroborated by the Black Country Chamber of Commerce [latest survey](#), which identified business confidence as improving. Key findings from the Q4 2023 survey include:

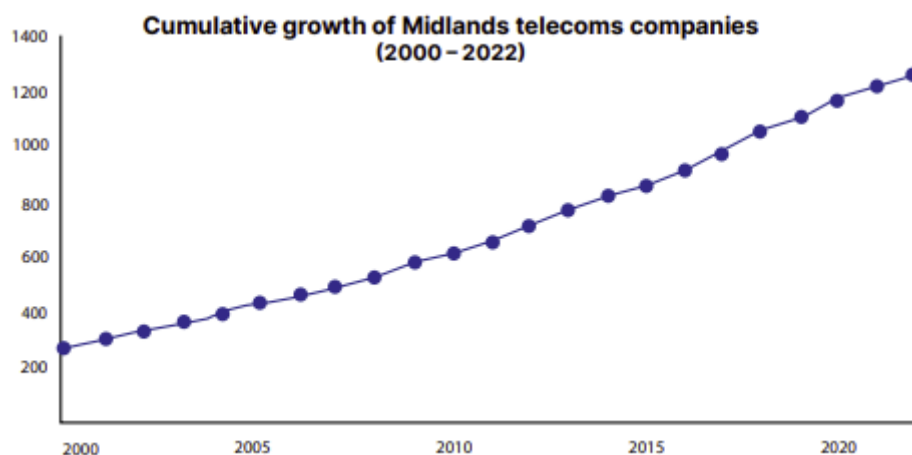
- 71% of local businesses anticipate improved turnover in the next year, exceeding the national average and comparing to only 55% in Q3
- 58% of respondents believed that profitability would improve, compared to 45% in Q3.
- A further 36% of firms reported an increase in domestic sales, up from 26% in Q3.
- Just over half (57 per cent) of Black Country firms attempted to recruit over the past quarter, down from 71% in Q3.

The Business Activity Index and business confidence are seen as early indicators of the direction of economic growth. Observing both moving in a positive direction suggests the potential for growth in the last month of 2023 and the first half of 2024.

Midlands Engine releases trio of cluster snapshots

Future telecommunications

The global telecommunications market is set to double by 2030, driven by technologies like 5G and 6G. The UK prioritizes digital infrastructure for growth, evident in nationwide 5G coverage goals and funding for innovation. The Midlands, particularly the West Midlands, leads in telecoms, boasting 5G innovation regions and a state-of-the-art telecoms lab. Strong university assets and business support create a foundation for regional growth and national infrastructure security. Future telecoms, a key technology focus, aim to enhance connectivity and efficiency with emerging tech like IoT and AI, building on established telecommunications infrastructure. According to the [snapshot](#), the Midlands area has 17.5% of the UK telecoms business population; with 64% growth between 2013 and 2022. Last month, the WMCA released its refreshed [Digital Roadmap](#), which identified new ways to support the West Midlands region to become a forward looking and inclusive digital economy.



Source: Midlands Engine, *Future telecommunications 'New Economy' cluster snapshot*, p.3.

² See the [annex](#) for more business updates.

Engineering Biology

Engineering biology involves designing biologically-derived products and services to transform disease treatment and global food supply. The UK government highlights its applications in agriculture, biofuels, health, environment, and materials. The UK leads in this field, with initiatives like Synthetic Biology for Growth supporting research and patents. A new National Engineering Biology Programme aims to enhance innovation. The [snapshot](#) points out that the Midlands, with strong biosciences and engineering expertise, is positioned to contribute significantly to UK engineering biology, supported by universities like Birmingham. As mentioned above, the WMCA's [Plan for Growth](#) includes targeted support for the region's health and med tech sector and welcomes this useful snapshot.

Semiconductors

The Midlands Engine cluster [snapshot](#) reveals significant economic opportunities in semiconductor design and production. As the backbone of modern electronics, semiconductors' global market is projected to reach \$1 trillion by 2030, prompting a global race to fortify supply chains. The UK's National Semiconductor Strategy prioritizes design and R&D strengths. The Midlands hosts 16% of the UK semiconductor businesses, with universities contributing to R&D. Despite talent concentration and innovation, the region receives a small share of public funding, highlighting a potential area for growth.

[New Midlands University Investment Prospectus for the Creative and Digital Industries published](#)

The Midlands Engine Partnership, Midlands Innovation, and Midlands Enterprise Universities have jointly launched a new [Midlands University Investment Prospectus](#) for the Creative and Digital Industries to attract international investment in R&D and innovation. Unveiled during a visit to Nottingham, the prospectus focuses on key sectors like video games, film and media, and immersive tech. Supported by various government departments, it aims to promote R&D investment in the region through inbound and outbound investment missions targeting countries like the USA, Germany, and Australia. The creative and digital industry is another of the WMCA's focus sectors included in its [Plan for Growth](#). This prospectus is another tool in the arsenal to promote this key industry in the West Midlands and improve the lives of local residents through growth.

[West Midlands firms make new year's resolutions to improve their productivity](#)

New [research](#) from Lloyds Bank has found that 27 per cent of West Midlands firms are making new year's resolutions to improve their productivity, as businesses signal confidence in "more positive macroeconomic conditions" ahead. The data revealed the top three areas where firms are focusing their attention as they head into the new year, with 34 per cent focusing on staff training, 29 per cent exploring new technology and 28 per cent concentrating on developing their business.

[Arup celebrates multi-million-pound Birmingham investment](#)

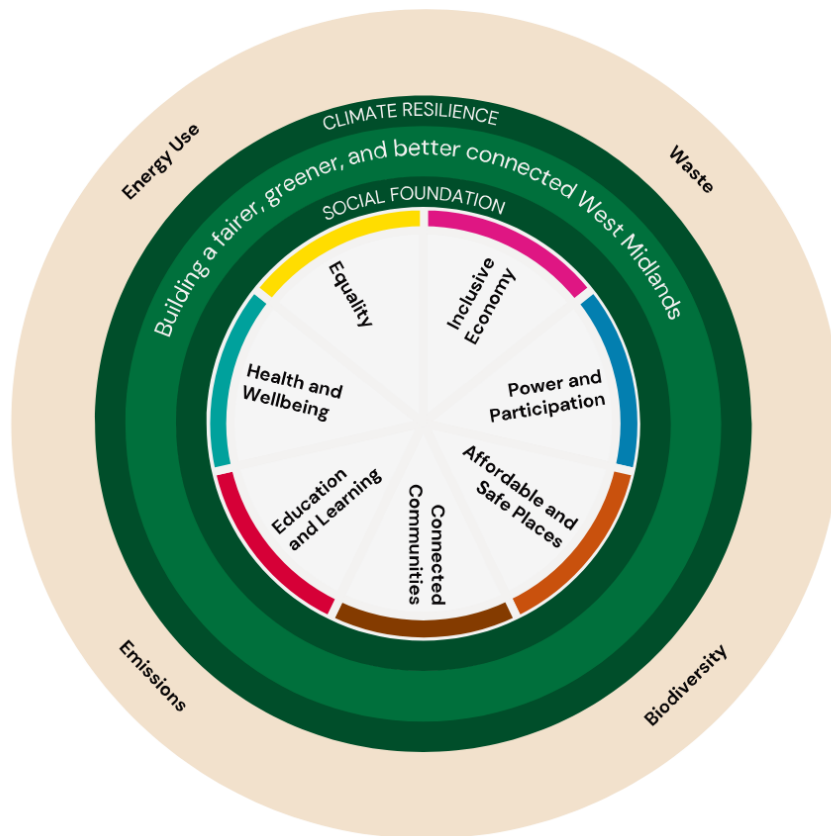
Global engineering consultancy Arup has [officially opened its new Midlands base](#) – one of its five largest global hubs – at Paradise Birmingham's One Centenary Way, welcoming clients and contacts to mark the occasion. Arup was a major contractor to Birmingham City Council supporting it to deliver the Birmingham 2022 Commonwealth Games, helping to deliver the Alexander Stadium, transport and infrastructure improvements city wide, as well as the Perry Barr masterplan, and the Sandwell Aquatics Centre.

[Spun Gold TV moves to Birmingham](#)

Leading British television producer Spun Gold TV (a 53 Degrees Global company) is [moving to a new headquarters in Birmingham](#) as the company prepares to celebrate its 20th anniversary this year.

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](#).



Outgoing Chief Executive of the Centre for Progressive Policy paints optimistic picture for future of Inclusive Growth in the UK

Despite economic challenges like Brexit fallout and stagnant productivity, hope is kindled from local leaders' commitment to inclusive growth, writes Charlotte Alldritt. Initiatives like the Centre for Progressive Policy's Inclusive Growth Network pioneer social and economic integration, while devolution efforts recognize broader factors like health and childcare. The evolving devolution agenda, led by regions like Greater Manchester and the West Midlands, offers promise. Despite bleak economic outlooks, initiatives like Keir Starmer's "Project Hope" and local efforts inspire optimism for fair, inclusive growth. Read the full article [here](#).

Inclusive economy

Social Mobility Commission releases state of the nation report

The [report](#) focusses on mobility outcomes, intermediate outcomes and drivers of social mobility and includes reviews of social mobility by local area. [The WMCA area scored](#) highly in promising prospects and research and development, but low on childhood poverty and disadvantage, precarious situations, and socio-cultural advantage. Social mobility is closely linked to inclusive growth. The WMCA's Inclusive growth work aims to improve the social mobility of its residents directly.

Power and participation

UK 2040 Options reports on power and place in the UK

The [report](#) delves into the complexities of rebalancing power and place in the UK, highlighting disparities in living standards and power distribution. It explores various perspectives on devolution, emphasizing the need for nuanced approaches to empower communities. Three "tribes" of thought—mayoralists, federalists, and communitarians—emerge, each advocating for different levels of power distribution. The discussion extends to enhancing local authorities' capabilities, fostering community

engagement, and reimagining democracy. Ultimately, the report calls for a multifaceted approach to address regional disparities and empower communities.

Affordable and safe places

House prices steady while rent rises continue to ease

According to [Zoopla](#), house prices across the West Midlands fell by an average of -0.4% in the year to December 2023. This compared to a national fall of -0.8% on average. Turning to rental prices, [Zoopla](#) reports that prices on new rentals were up 8.8% in the West Midlands region over the year to November 2023, 1.3 percentage points lower than the October figure. This compared to a national average of 9.0% in November. The [ONS](#) estimated annual inflation rates on **all rents** in the West Midlands region at 5.8% on the year to December 2023 (November: 6.0%). It is important to remember that while rent inflation is coming down, rents are still going up.

Connected communities

Office of Rail and Road (ORR) data shows Birmingham to Coventry has largest flow of passengers outside London

[Data](#) released by the ORR revealed that there were 2,146,702 journeys between Birmingham New Street and Coventry Station in 2022/23. This is the largest flow of passengers between two stations outside of London and reinforces the strength of our intra-regional connections. In fact, journeys within the WMCA area accounted for 3 out of the top 4 largest flows.

Station name	Main origin or destination station	Number of journeys (2022/23)
Coventry	Birmingham New Street	2,146,702
Edinburgh	Glasgow Queen Street	2,140,966
Wolverhampton	Birmingham New Street	1,718,454
Selly Oak	Birmingham New Street	1,489,510
Glasgow Central	Paisley Gilmour Street	1,380,496
Paisley Gilmour Street	Glasgow Central	1,380,496
Birmingham International	Birmingham New Street	1,271,054
Manchester Airport	Manchester Piccadilly	1,134,246
Huddersfield	Leeds	1,056,992
Stockport	Manchester Piccadilly	1,049,596

Social Market Foundation creates first measure of transport poverty in the UK

A new [work](#) by the Social Market Foundation has generated a new measure of transport poverty in the UK. As the largest household expense (excluding mortgage payments) for rural families and the second largest for urban ones, transport costs can contribute significantly toward overall rates of poverty. The study points to cars as the most expensive mode of transport and finds that every 10% increase in the speed of public transport relative to driving saves the average household over £434 per year. On a scale of 0 to 40 (highest transport poverty), the lowest rate of transport poverty in the WMCA region is in Birmingham (10) and the highest in Coventry, Sandwell and Dudley (all at 30). The report provides several recommendations to government, including raising the cost of driving and targeting extensions of public transport networks outside London where they would be most effective at reducing transport poverty.

Education and learning

Institute for Fiscal Studies releases annual report on education spending in England

The [report](#) examines education spending trends, noting an overall decline since 2010 despite recent increases. It analyses spending across various stages: early years, schools, further education (FE), and higher education. While there's a focus on addressing geographic disparities and supporting

disadvantaged students, challenges persist, including declining pupil numbers and reduced funding for adult skills. Higher education faces financial pressures, with declining resources per student and reduced support for living costs, impacting students' access and outcomes. Geographic disparities mean that while there is higher spending in deprived areas overall, cuts in spending disproportionately affect schools in these same areas. As a region with large pockets of deprivation, the WMCA area will have suffered disproportionately from the spending decline.

Health and wellbeing

Institute of Health Equity (IHE) publishes report: *Health Inequalities, Lives Cut Short'*

One million people in England lived shorter lives than they should have between 2011 and the start of the pandemic. Using ONS data, an IHE [report](#) explores the remarkably slow increasing life expectancy rates and calculates the number of excess deaths (deaths above the prior estimates) from 2011. Between 2011–15, there was an average of 10,300 excess deaths, up from 8,700 excess deaths in the decade prior to 2011. Excess deaths are much higher in areas of deprivation, with about 20% of excess deaths in 2011–19 occurring in England's most deprived areas. The publication includes a Coventry case study, where evidence finds that the city's excess death rates are lower than the average for England. Coventry City is a [Marmot City](#), part of the local authority's strategy to tackle health inequality, and has seen a significant decline in excess deaths since 2016/17.

Equality

Fawcett publishes report "Double Trouble: The Ethnicity Gender Pay Gap"

Various ethnicity pay gaps exist, with groups like Mixed White and Black Caribbean, Bangladeshi, and Pakistani earning significantly less than White British individuals. According to the [report](#), Black and minoritised women face compound effects, with pay gaps widening when compared to both White British women and men. Causes include pay discrimination, racism, and the ethnicity motherhood penalty. To address this, the report advocates for mandatory ethnicity pay gap reporting, anti-racism action plans, flexible work as the default, and banning salary history questions in job applications. A 'Right to Know' is also proposed to address illegal pay discrimination.

2.5 Latest Blog Roundup

L&W (Learning and Work Institute): Why 2024 should be a year for employer investment in training

Amidst record job vacancies and skills shortages, UK businesses face challenges as the Department for Education reports 36% of vacancies in 2022 were skills shortage vacancies. Despite a declining trend in employer investment in training, the UK lags behind the EU in training spend per employee. Inequality persists, with graduates four times more likely to receive workplace training. Young people, especially from disadvantaged backgrounds, experienced declines in job-related training. Urging employers to invest in upskilling, the [article](#) emphasizes the business benefits, citing successful examples from BritAsia TV, Greggs, and Nuneaton Signs.

CIPD (Chartered Institute of Personnel and Development): Age-diverse workforces

With older workers comprising a growing share of the UK workforce, employers must enhance recruitment, training, and retention practices to address potential skill and labour shortages as well as age discrimination, suggests the CIPD. In this [blog](#), the CIPD advocates for age-inclusive policies, emphasizing the benefits of age-diverse teams. The UK government is urged to launch an 'Age Confident' campaign, facilitate mid-life career reviews, and support flexible working initiatives. Employers are advised to conduct strategic workforce planning, analysing diversity and skills for future requirements. Improve recruitment by framing unbiased job adverts, circulating widely, and collecting age data. Invest in training, support health and wellbeing, offer flexible working, and discuss phased retirement options openly with older workers to avoid assumptions about retirement intentions.

Warwick Business School: What will 2024 bring for business and society?

This 2-part blog series considers the challenges and opportunities businesses and communities will face in 2024 ([1](#), [2](#)). Themes covered include digital transformation, changes in online retailing, inward investment, crisis in the NHS, the impact of AI on financial services and education, and the future of Ukraine. Specifically, the blogs note that Chinese e-commerce firms may disrupt online retailing, impacting businesses like Amazon. The NHS faces a workforce crisis, and AI-generated deepfake threats to democracy call for ethical regulations. And the UK's economic outlook is sluggish, but it remains attractive for foreign direct investment, focussed on regional strengths.

HEPI (Higher Education Policy Institute): Confronting higher education's class divide

In this [blog](#), the author reflects on a class ceiling exhibition, highlighting class divisions in elite universities. Despite personal success as a professor of social mobility, the author critiques individual upward mobility narratives, emphasizing the need for systemic change. The article advocates for socio-economic diversity among university staff, contextual admissions, and addressing social class biases to create a more inclusive higher education system. The author challenges deficit thinking and calls for an equity approach to level the learning playing field.

City-REDI

Place Matters: Universities and Local Innovation Systems

In a series of [blogs](#), Simon Collinson, Fumi Kitagawa and Tomas Ulrichsen examine the role of universities in regional development.

Unleashing the Regional Innovation Potential of Universities

In this [blog](#), the authors discuss how Universities can invest in innovation and wider knowledge exchange activities to boost the innovation performance of their regions.

Enhancing University Contributions to Local Growth by Targeting High-Potential Firms and Industries

In this [blog](#), the authors reflect on how particular kinds of local engagement between universities and firms can contribute to regional economic growth.

Universities' Role in Helping Regions Transition From Legacy Industries Into New Areas

In this [blog](#), the authors discuss the role of universities in relation to place-based industrial policies.

Workshop Insights: International Perceptions and Megatrends of Manufacturing

Chloe Billing [reflects on a recent workshop](#) she attended on International perceptions and megatrends of manufacturing.

What the Midlands is Doing to Meet Sustainable Transport Goals

Paige Davies [discusses the measures](#) the Midlands is taking to reach net zero.

Entrepreneurial Ecosystems in Cities and Regions: Emergence, Evolution and Future

Fumi Kitagawa [provides an overview](#) of the edited volume published by Oxford University Press: Entrepreneurial Ecosystems in Cities and Regions: Emergence, Evolution and Future, with her co-editors – Robert Huggins, Daniel Prokop (Cardiff University), Christina Theodoraki (TBS Business School) and Piers Thompson (Nottingham Trent University).

What is Place-Based Partnership Working and Why is it Important?

Place-based partnership working can have positive outcomes for neighbourhoods, cities and regions. Charlotte Hoole [looks at what makes a partnership successful](#), what challenges lay in the way of success and what policy changes are needed to support place-based partnership working.

The Importance of Good R&D Data and Current Challenges

Kelvin Humphreys and Kostas Kollydas [discuss why detailed R&D data is essential](#) and examine the challenges in current data collection and availability, particularly at the sub-national level.

Checking the Logic Behind Your Project

Megan Streb, from What Works Growth, [discusses how logic models should be an essential part of your project planning](#).

Industrial Path Development in the UK Space Sector: Processes of Legitimacy Building in the Establishment of Space 2.0

This [blog](#) reviews a new research paper by Dr Chloe Billing, Professor John Bryson, and Dr Tasos Kitsos published in Industry and Innovation which examines how legitimacy building enables the emergence of new industries.

The Heavy Weight of Covid Loans on the Hospitality Industry

Tracey Stephenson, Managing Director of Staying Cool, [discusses how the UK's hospitality industry suffered disproportionately](#) during the COVID-19 pandemic.

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