



Birmingham Economic Review 2016

Part 2: Workforce and Skills in Birmingham



UNIVERSITY OF
BIRMINGHAM



Foreword

We are pleased to be partnering with City-REDI (the City Region Economic Development Institute) and the Marketing Birmingham Regional Observatory on this new report examining the economy of Birmingham.

As we work our way through this period of uncertainty following the EU referendum, it has never been more important for us all, business community, public sector and beyond, to have a clear understanding of our city and how it relates to the regional economy.

This need is accentuated by the emergence of new, regional bodies aiming to tackle challenges and maximise opportunities in an ever more joined up way; such as the West Midlands Combined Authority, Midlands Connect and the Midlands Engine.

City-REDI, and the Birmingham Business School at the University of Birmingham that it is a part of, have been the driving forces behind the analysis in this report. It is primarily thanks to their knowledge and expertise that we have this valuable addition to the evidence base, setting out the strengths and challenges facing our great city.

For our part, the Greater Birmingham Chambers of Commerce, remains as ready now to champion the business community as we did when we were founded in 1813.

Today's Chamber represents over 2,500 members of all sizes and sectors and exists to help connect, support and grow local enterprises. Our members, some of whom feature in this report, form the bedrock of our communities through jobs creation and civic leadership.

Many of us in the business community feel as though Birmingham's time has come. National media coverage of Birmingham has begun to reflect the city's status as a world class place to live and work. Barely a week goes by with a report of a new organisation choosing to move to or increase its investment in Birmingham. With the high profile move of HSBC UK to Arena Central and the opportunities represented by HS2 on the horizon, our city's renaissance is truly in full swing.

This report highlights that there is much that we can be proud of as a city. But no city is without challenges. We hope to promote a shared understanding of what those challenges are, so that we, alongside many other organisations in the city, can stand ready to help play a part in finding a solution.



A handwritten signature in black ink, appearing to read 'Paul Faulkner'. The signature is stylized and fluid.

Paul Faulkner
Chief Executive of the Greater Birmingham Chambers of Commerce

Welcome

Welcome to the 2016 Economic Review of Birmingham, produced jointly by the Greater Birmingham Chambers of Commerce and City-REDI (the City Region Economic Development Institute), which is part of Birmingham Business School at the University of Birmingham.

Birmingham is our regional capital and the UK's second largest city. A thriving metropolitan centre with a growing population of over one million and economic output of over £23 billion. This review gives a clear and comprehensive analysis of Birmingham's economy, labour market and industry structure. It maps a wide range of economic data and key indicators to help us answer some critical questions.

To support firms in the region and maximise economic growth we need to better-understand our unique regional economic assets, the kinds of firms located here and our skills and capabilities. What is distinctive and different, attractive and unattractive about Birmingham relative to other UK (and global) city-regions? How do these differences underpin specific competitive strengths that we can build on and weaknesses that we must overcome?

Answers to these questions will form the basis of a stronger industry strategy, help local managers leverage our regional assets to grow their firms, and help us attract more business to the region. They will also help policymakers provide more precise and effective forms of enterprise support, to improve our growth prospects and turn our latent, potential competitive advantages into real growth, jobs and well-being for the people of Birmingham.

Our review is published in a post- Brexit context of uncertainty which poses a wide range of political, social and economic challenges. The current renaissance of the city-region, under a strong regional coalition of businesses, policymakers and anchor institutions, like the University of Birmingham, provides the foundations for us to succeed in this environment. An aspirational regional growth agenda, based on clear empirical evidence and robust analysis provides a key focus for this coalition and we are pleased to be contributing to this agenda.

I hope you find it informative and useful.



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



Executive Summary

This report provides an analysis of the current state of Birmingham's economy and labour market and how this may change and develop in the future. This first section forms the executive summary of three reports focusing on:

- 1) The Structure and Geography of the Economy of Birmingham
- 2) Workforce and Skills in Birmingham
- 3) Enterprise and Business Opportunities in Birmingham

Outside of London, Birmingham is the largest city economy in the UK. It is the West Midlands' regional centre of business, retail, leisure and culture. It is also the regional heart of employment with almost half a million people working in the city. Birmingham has a growing reputation as a location of international business. The city economy performs well on a number of measures. Economic output is growing and reached £23.2bn in 2014.

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

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

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

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

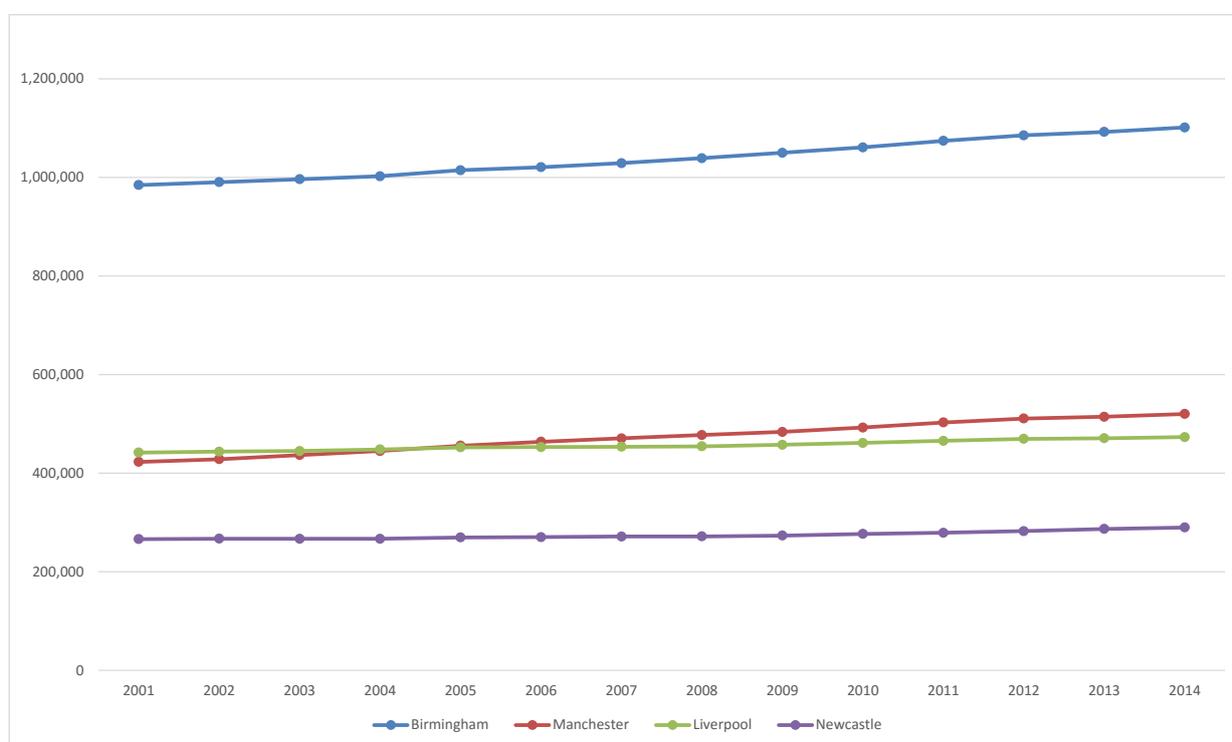
Demographic Profile of Birmingham

One of the key drivers of the economy is population growth, especially working-age population. The latest data available, for 2014, showed that the total population Birmingham was 1,101,360 million.

Birmingham's working age population has relatively low rates of economic activity and employment and high levels of unemployment. Low levels of economic activity and employment and high unemployment tend to be concentrated in the inner city and some deprived outer city estates.

- 714,556 aged 15-64
- 235,226 children under 16
- 142,548 65 and over

Chart 1: Population Change over Time



Source: ONS Crown Copyright, Mid-year Population Estimates

From 2001 the figures in Chart 1 show a continual growth in the population of Birmingham, but more recently this appears to have stabilised with figures indicating slower growth. The population level aged 18-24 increased over the past ten years, partly due to growth of the city's three universities, but there was a significant drop in those aged 25 to 44 years. Nevertheless, the city is the youngest major city in Europe, with under 25's accounting for nearly 40% of its population. There is also a gap that exists in terms of the proportion of 30 to 44-year-olds living in the area. This is especially significant as people in that age group might be expected to play a big part in increasing entrepreneurship. The challenge is to encourage greater retention of university graduates as well as more inward migration.

Birmingham Key Statistics

A number of datasets provide information about Birmingham's economic performance, including levels of employment, self-employment, part time, full time levels and overall economic activity. Much of this data comes from the Annual Population Survey 2015.

The Annual Population Survey (Table 1) estimated that 67.7% of those aged 16-64 in Birmingham were economically active – this is below the UK as a whole and below many comparable areas. Likewise, self-employment is also behind national levels.

Table 1: Employment and Unemployment (Jan 2015- Dec 2015)

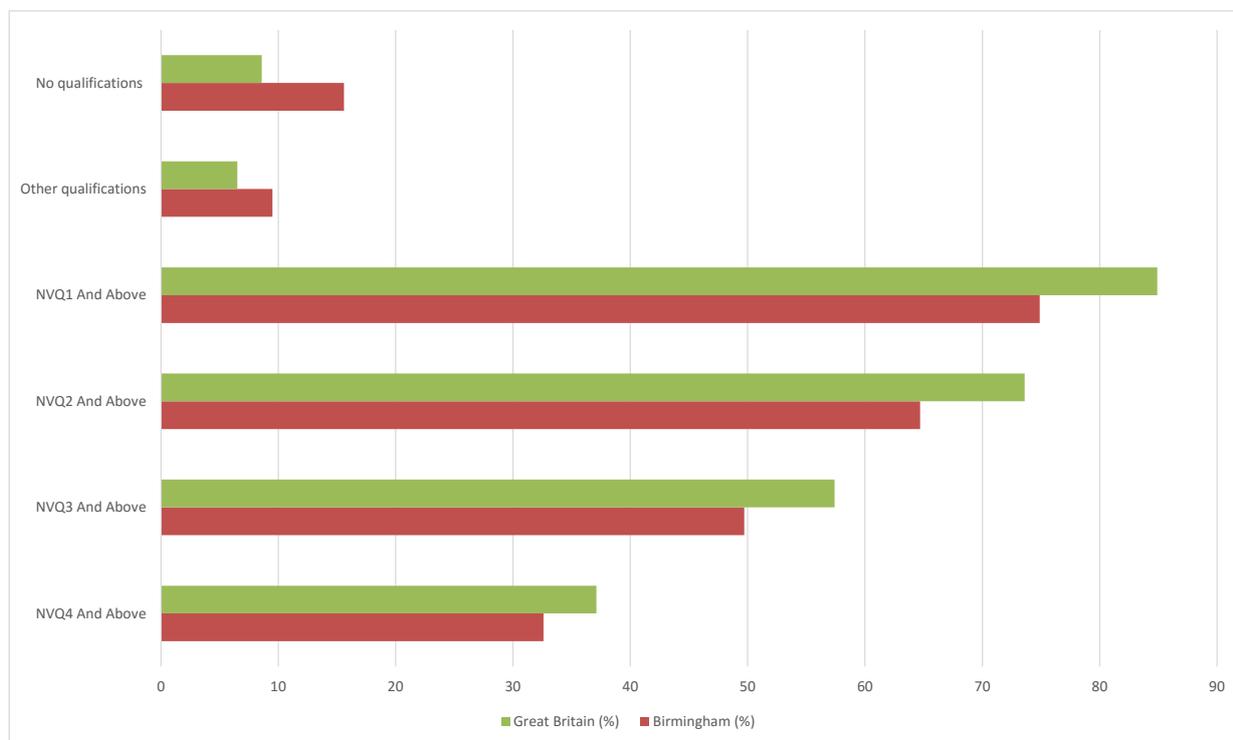
	Birmingham (numbers)	Birmingham (%)	Great Britain (%)
Economically Active	481,300	67.7	77.8
Employment Rate	437,600	61.5	73.6
Employees	376,500	53	63.1
Self-employed	59,100	7.9	10.2
Unemployed	45,300	9.4	5.2
Claimant count	29, 710	4.2	1.9

Source: ONS, Annual Population Survey

Gross Value Added (GVA) is the most commonly used measure of economic output. Birmingham's economic output totalled £23.2bn in 2014. In the same year GVA per head in Birmingham was £ 21,093. In most of the core cities, GVA per head has fallen relative to the national average since 1997. In those cities where there has been a fall, most of the fall has occurred since 2003.

An important aspect of developing the economy, both in terms of higher levels of GVA and higher job numbers, rests in developing the skills of the population. Chart 3 represents how Birmingham is above the national average for no formal qualifications but below average for all qualifications above and including NVQ1. It has a relatively low proportion of highly skilled residents. This suggests a 'skill gap' in the city, with the working age resident population of the city not holding the necessary skills to fully meet the skills requirements of employers in the city. This manifests itself in Birmingham being a large importer of workers from outside the city. This should not detract from the significant improvements made within the city over the past five years, dramatically raising the skills of pupils leaving secondary school and significantly reducing the number of 16 -24 year olds claiming unemployment benefits; a Birmingham City Council report released in July 2016 highlighted that the number of young claimants had fallen from 14,450 to 5,965 between 2012 and 2016.

Chart 3: Qualifications 2015



Source: ONS Crown Copyright, Annual Population Survey

Median gross weekly pay for full-time workers in Birmingham in 2015 was £488.20. This figure is a 1.9% increase on 2014. It is below the UK figure of £527.70 which saw a 1.8% increase from 2014.

Data on business births also give an indication of Birmingham's economic performance through enterprise and innovation. 2014 saw 5,295 business births in Birmingham. Whilst this figure is constant with 2013 levels, there has been a 43% increase in business births since 2009.

Data highlights that Birmingham has a large number of business start-ups, more than any other city outside of London, however only 36.3% of businesses survive beyond five years. Statistics also highlight that 7.9% of Birmingham's working age population is self-employed; less than the 10.2% national average.

Looking at the different sectors and industries within the city lets us consider their importance to the local economy. The analysis reveals that Birmingham has a much greater specialisation than national in jewellery manufacture, automotive, activities auxiliary to insurance and pension funding, and legal activities.

Birmingham's visitor economy has grown in recent years. Visitor numbers increased 2% between 2014 and 2015 to reach 38 million. This was 16% higher than 2010. Data also shows that Birmingham attracted 51 inward investment projects in 2015/16; 74% more than 2011/12.

Comment on Executive Summary

We frequently hear that Birmingham is the youngest city region in Europe; that we're adding more jobs to our economy than France; even that we have more canals than Venice. However, understanding what these things actually mean for the city is difficult.

This report looks to dig beneath the general understanding of our city's economy to better explain our current position and the challenges we face, what makes our city unique, and the opportunities ahead.

Given the disruption and uncertainty instigated this year by the EU Referendum, the GBCC believes that now is a perfect moment to take stock so that we may look forward with confidence and define our own future. The statistics presented in this executive summary are a useful starting point for this exercise.

Looking at Birmingham's demographics provides us with a perfect example of how the city's challenges and opportunities are often interlinked. Such a large population of Under 25s in the city is incredibly exciting because these young people will become the workforce of tomorrow and represent a great amount of potential. However, we need to understand this aspect of our city with relation to the current issues we have with skills and unemployment.

Our unemployment levels are still unacceptably high compared to national averages and the other core cities. As of August 2016, Birmingham's claimant rate was 6.3%. The next highest rate was in Liverpool at 5.1%. Understanding this in real terms is even more important considering how much larger Birmingham's population is than other cities. To put this into perspective, Birmingham has around 23,300 people claiming Job Seekers Allowance compared to Manchester's 6,000.

A young population is only an asset if we are able to equip them with the skills and opportunities they need to thrive as they enter the local workforce. In practice, this means closing the gap between business and education to help develop our skills base, becoming more attractive to graduates so that we retain talent in the city, and working together to address unemployment and skills gaps across Birmingham.

The city has made good progress in many of these areas, including strong performance on youth unemployment; however there is still a great deal of work to be done.



Elliot Mason
Policy & Patron Advisor at the Greater Birmingham Chambers of Commerce



Key Challenges and Future Opportunities

Post EU referendum, already challenging macroeconomic conditions have become more unpredictable. The main areas to watch are:

Trade: The EU is the largest trading partner for the UK, and with demand from emerging markets and China slowing the outcome of tariff and non-tariff barriers, the trade in services and renegotiation of trade deals outside the EU will all lead to uncertainty in export markets.

Foreign Direct Investment: membership of the EU is one of many factors affecting investment, outside the EU the UK could create a system of regulation more attractive to foreign investment and more beneficial to UK, the parallel fall in sterling could also help create favorable conditions.

Migration: skilled migrants have a significant impact on business and growth, currently and future changes to immigration policy could restrict that movement, at all levels of skills. This could lead to labour shortages in an already tight market. The sectors most affected are likely to be hotel and food, manufacturing and admin and support.

Business: the EU legislates in a number of areas and we have yet to understand how these areas will be affected, these include; product specification; competition; employment terms; health and safety; and consumer protection. If the UK leaves the EU it will be free to regulate businesses as it seems fit, however businesses that export to the EU will still have to adhere to EU laws.

Overall the economic conditions globally were challenging, and have been shaken by the referendum; however the underlying issues and opportunities within the city region remain the same.

Table of Contents

Executive Summary	4
Introduction	
The Economy of Birmingham	5
Employment	6
Skills & Education in Birmingham	8-9
Ethnic diversity: work, skills and education	10-11
Key Challenges & Future Opportunities	

Introduction

This report provides an analysis of the current state of Birmingham's economy and labour market and how this may change and develop in the future. This document focuses on 'Workforce and Skills in Birmingham'. It gives an overview of the economy of Birmingham through GVA (Gross Value Added) growth, GVA per head and growth by sector. It also considers skills and education in the city by exploring participation in education and assessing whether there is a skills gap in Birmingham. Lastly, it looks at the links between skills and ethnicity within the city.

Our analysis reveals that Birmingham has the following strengths:

- Recent significant reductions in unemployment and youth unemployment rate
- Higher than average student population
- High numbers employed in retail, health and professional services
- Growth in Construction and Manufacturing employment
- Strong supply of NVQ level 3 & 4
- Strong GVA Growth compared to other core cities

And highlights the following weaknesses:

- Higher than average unemployment
- Significant over-supply of NVQ level 1 & 2
- High proportion of working age population with no formal qualifications
- Lower than average GVA per head
- Lower than average GDHI per head
- Higher than average Job Seekers Allowance and National Insurance claimant count

£21,093 GVA per head in 2014

60.4% Employment rate

£488.20 Median gross weekly pay for full-time workers in 2015

32% of the working age population are educated to degree level or higher

£23.2 billion City GVA in 2014

75,100 students are registered to Birmingham's 5 universities

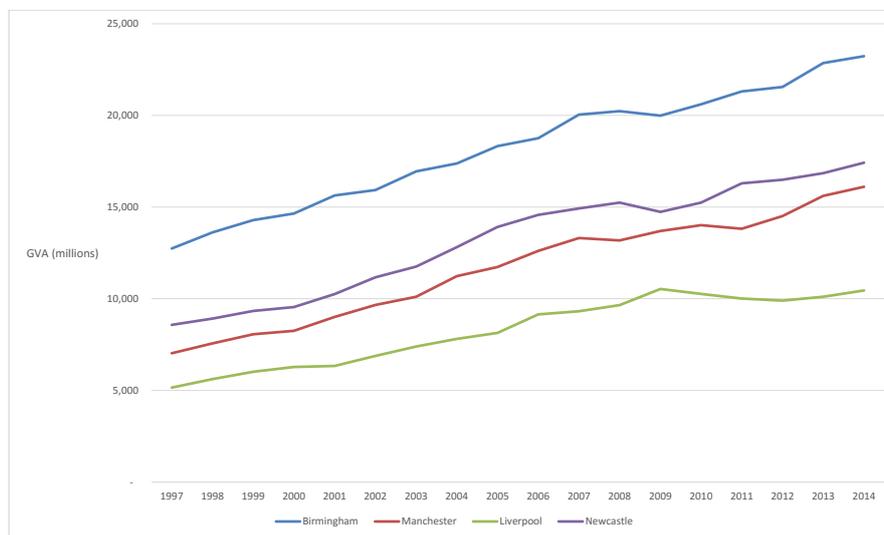


The Economy of Birmingham

Economic output is measured by GVA. GVA measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom. The 2008-09 recession hit employment and economic output across the country. As Chart 1 shows, Birmingham was no exception.

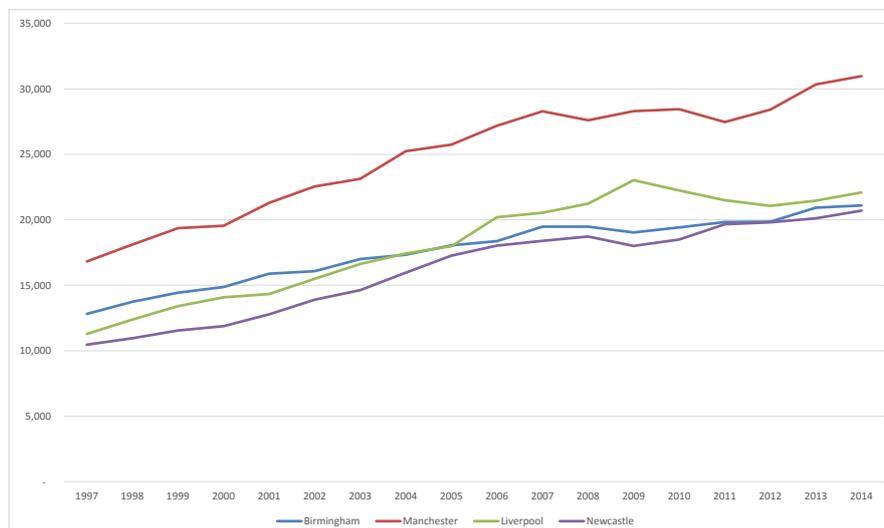
From the pre-recession peak in 2007 to the trough in 2009 the city lost around 40,000 jobs or approximately 7% of total employment. Over the same period around £1 billion of economic output was lost, approximately 5% of Birmingham's total GVA. Both employment and economic output suffered larger percentage falls in Birmingham than they did overall nationally highlighting that the city was hit disproportionately harder during the downturn. This was also true of Newcastle. Official GVA data provided by the ONS shows that the economy has recovered from the low point reached in 2009. It fell marginally in 2012 as the recovery stalled nationally but has otherwise been on an upwards trajectory.

Chart 1: GVA Growth in Core Cities



Source: ONS, Regional Gross Value Added

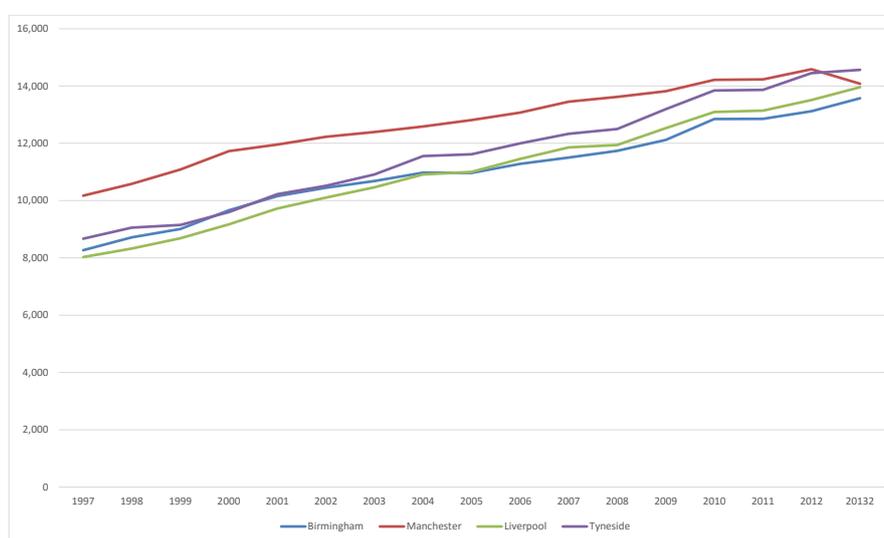
Chart 2: GVA per Head Core Cities



Source: ONS, Regional Gross Value Added

However, Chart 2 demonstrates that if we consider GVA per head and per worker the city significantly underperforms the national average (£24,958 in 2014) and several of the other core cities. Whilst the other core cities have seen a steady growth in this figure, Birmingham's GVA per head has grown at a much slower pace causing it to fall behind Manchester and Liverpool. The relative decline in economic output and employment growth in the city compared to other areas is a trend that had begun in the decade prior to the recession. This underperformance is also illustrated by GDHI (Gross Disposable Household Income) per head, shown in Chart 3 below where it is below the levels for all other core cities. GDHI is the amount of money that all of the individuals in the household sector have available for spending or saving after income distribution measures (for example, taxes, social contributions and benefits) have taken effect.

Chart 3: GDHI per Head at Current Basic Prices



Source: ONS, Regional Gross Value Added

Chart 4 displays GVA growth by sector. It demonstrates that public administration; education; health is the most significantly performing sector. After a rapid growth in the early 2000s this has recently decreased slightly but nevertheless remains by far the sector with the greatest economic output.

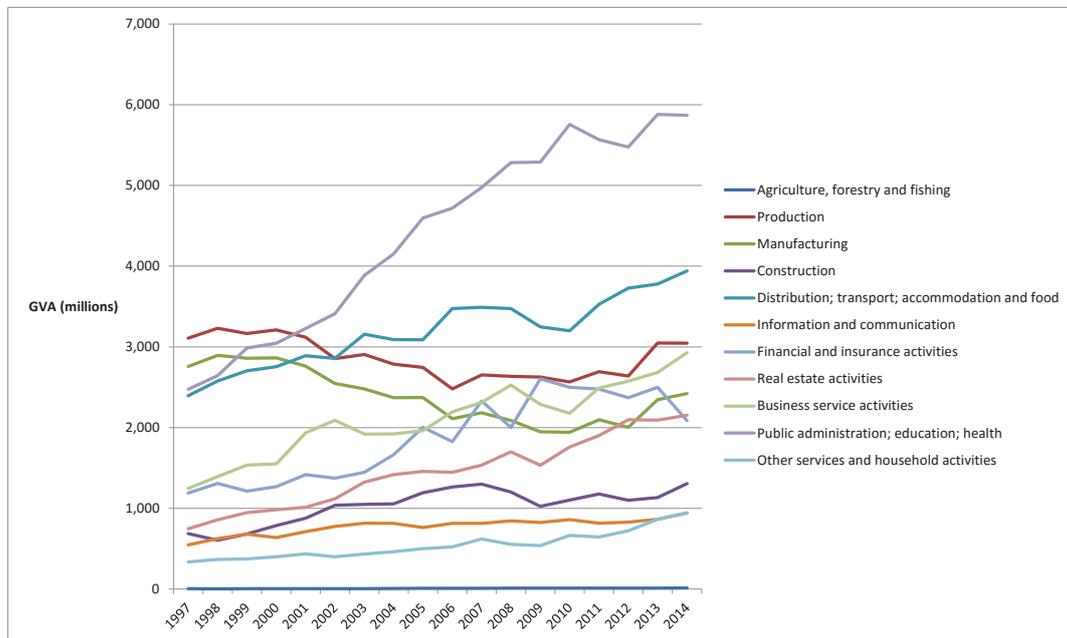
After a significant decline in manufacturing in the late 1990s and early 2000s the sector has seen an upturn in fortunes and has undergone something of a resurgence with major employers like JLR announcing expansion plans and the local supply chain benefitting from the strong upturn in the automotive sector. Employment figures reflect this highlighting the continued growth in manufacturing employment boosting net employment growth in the city.

Construction in the city has yet to demonstrate significant growth but a gradual pick up in domestic and commercial construction activity and some major infrastructure projects are seeing this turn around in the short to medium term.

The service sector accounts for a large share of economic output with business being more confident to take on staff and invest.

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

Chart 4: Growth by Sector



Source: ONS, Regional Gross Value Added



Employment

Table 1: Employment and Unemployment (Jan 2015- Dec 2015)

	Birmingham (numbers)	Birmingham (%)	Great Britain (%)
Economically Active	481,300	67.7	77.8
Employment Rate	437,600	61.5	73.6
Employees	376,500	53	63.1
Self-employed	59,100	7.9	10.2
Unemployed	45,300	9.4	5.2
Claimant count	29, 710	4.2	1.9

Source: ONS, Annual Population Survey

Table 1 shows that at 61.5%, Birmingham's employment rate is around average for core cities, but well below the national rate of 77.6%. 7.9% of those aged 16-64 are self-employed, below the national rate of 10.2%, but around average for the English core cities. Since the decline of the city's traditional manufacturing base began in the 1970s Birmingham has suffered from stubbornly high unemployment rates that have stood at around twice the national average in the subsequent decades. The unemployment data from the 2015 Annual Population Survey shows Birmingham's unemployment rate stood at 9.4%, significantly above the national rate of 5.2%. The city also has the highest unemployment rate of all the core cities. Unemployment increased rapidly in the city during the recession resulting in the highest levels of unemployment for over a decade. At 4.2%, the claimant count is also significantly higher than the national average of 1.9%.

Table 2: Economic Inactivity (Jan 2015- Dec 2015)

	Birmingham (Number)	Birmingham (%)	Great Britain (%)
Total	226,400	32.3	22.2
Student	76,000	33.6	26.2
Looking after family/ home	60,900	26.9	25.1
Temporary Sick	7,300	3.2	2.3
Long Term Sick	42,300	18.7	21.8
Retired	18,600	8.2	0.4
Other	20,400	9.0	10.1
Wants A Job	45,700	20.2	24.3
Does Not Want A Job	180,700	79.8	75.7

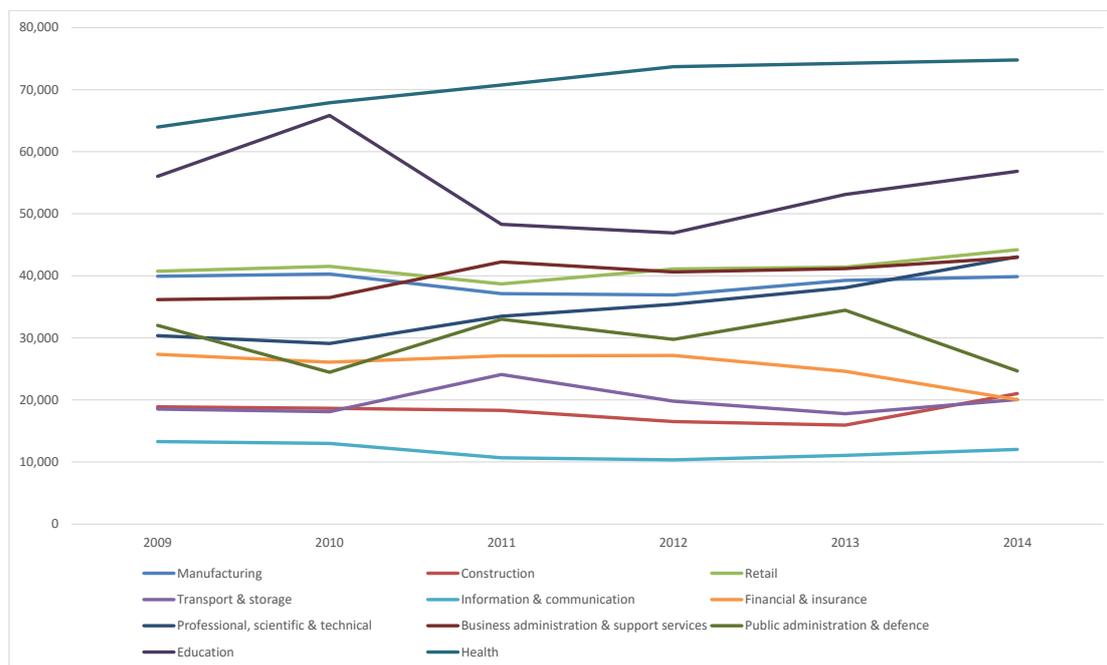
Source: ONS, Annual Population Survey

At 32.3%, Birmingham has the highest proportion of economically inactive residents of all the core cities (see Table 2). However, of these over a third (33.6%) are students. The proportion of students is higher than nationally and this should be viewed as a positive contribution to the city. Removing students from the data would remove much of the disparity in economic inactivity. 26.9% are looking after home and family. 18.7% are long-term sick or disabled, which is slightly below the national average.

Recent Trends

Chart 5 below uses the latest official workplace based employment data from the 2014 Business Register and Employment Survey (BRES) to show the employment structure in Birmingham by broad industrial sector since 2009. The chart shows that Health is the largest sector in Birmingham. This figure may reflect the number of large hospitals in the city. The next two largest sectors in terms of employment are Education and Retail. Education saw a rapid decline in 2011 and 2012 but has since gradually increased. Retail has shown a more gradual increase. Although not the largest employing sectors, Construction and Transport and storage have shown a recent increase, perhaps due to the investment in transport infrastructure in the city and the redevelopment of New Street Gateway. On the other hand, Public Administration and Financial and Insurance have seen a decline since 2013.

Chart 5: Employee numbers by sector and year

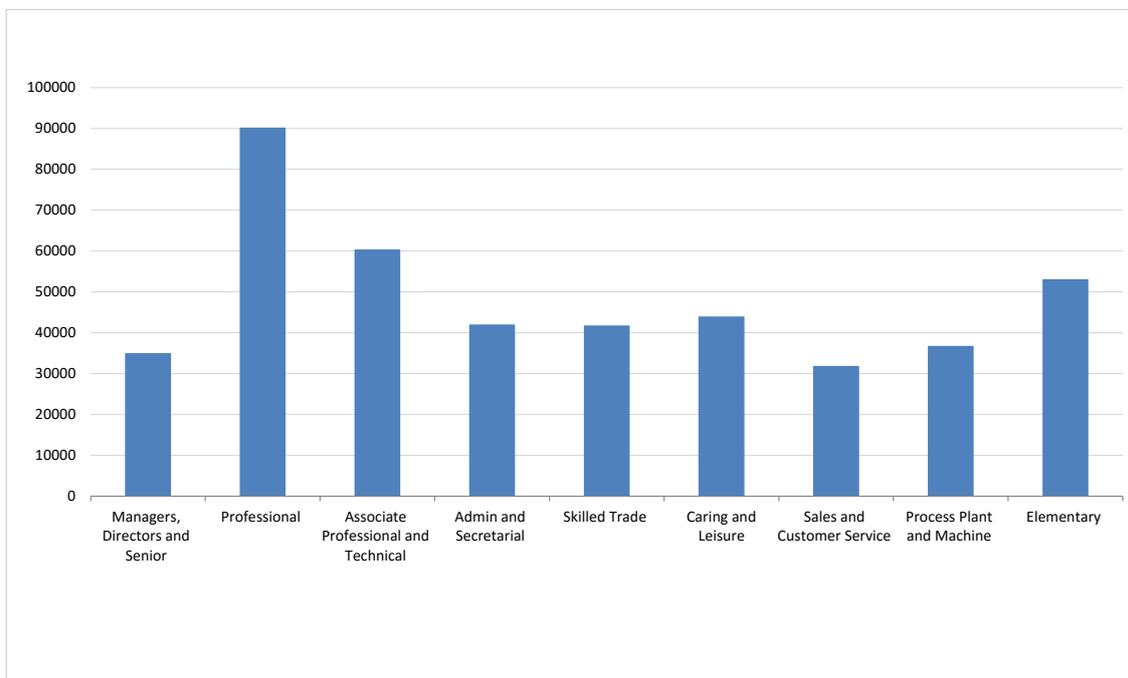


Source: ONS, Regional Gross Value Added

Median gross weekly pay for full-time workers in Birmingham in 2015 was £488.20. This figure is a 1.9% increase on 2014. It is below the UK figure of £527.70 which saw a 1.8% increase from 2014. However, people who work in the city earn more than the residents (£538.70 compared to £488.20). Workplace earnings in the city are similar to the figure for the UK. The difference between resident and workplace earnings reflects Birmingham's position as the regional capital and the large numbers of people who commute in to the city to work. It also highlights that not all Birmingham residents are able to access the better paid jobs in the city. The residents of all core cities earn less than those who work there. The gap in Birmingham is the third largest after Manchester and Nottingham.

Skills & Education in Birmingham

Chart 6: Employment by Occupational Group



Source: ONS, Annual Population Survey

Looking at employment by occupational group according to the Standard Occupational Classification in Chart 6 shows that Professional Occupations and Associate Professional and Technical are the biggest employing occupational groups. These are highly skilled professions. People employed in these groups are likely to be living in wealthier areas of the city such as Sutton Coldfield, Moseley and Harborne. However, also highly represented are Elementary Occupations which are low skilled roles.

Participation in Education

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

The 2015 Annual Population Survey, illustrated in Chart 7, shows that there are 226,000 working age Birmingham residents with degree level or higher qualifications. However, when these figures are analysed as a proportion of the working age population they show a less positive picture. Only 32% of the working age population in Birmingham are educated to degree level or higher - below the UK average (37.5%). There has been a small increase in the proportion of residents in the city with degrees since 2005 and this rate is growing. In 2013 for example 26% of residents in the city had a degree.

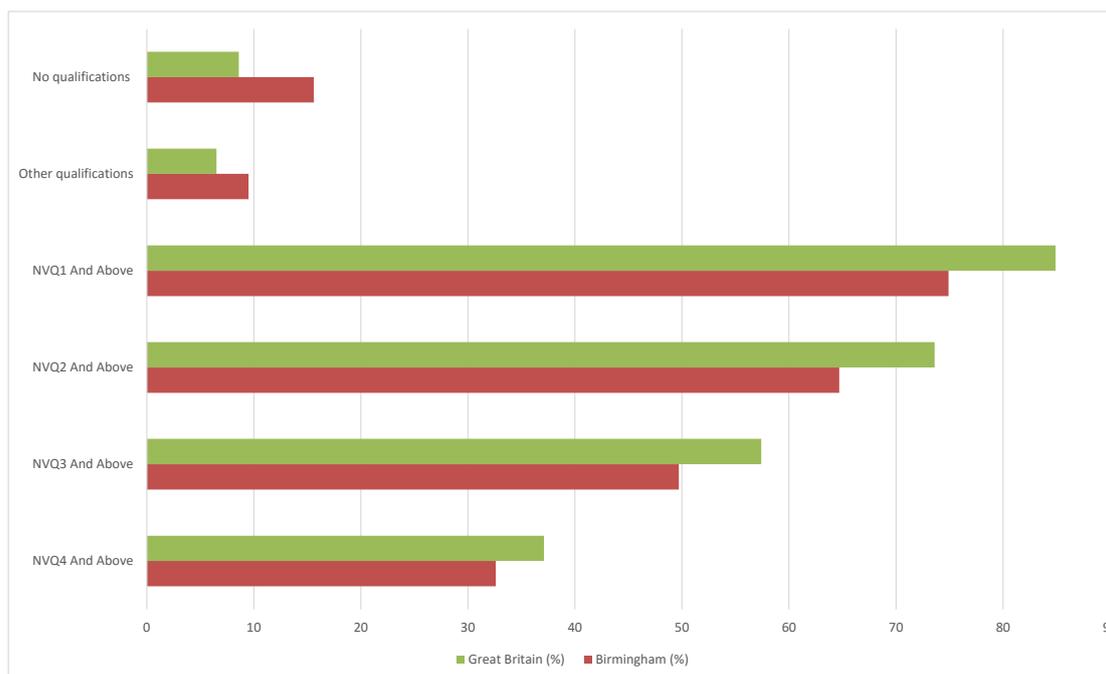
Even looking at a broader measure of a skilled workforce, using the proportion qualified to NVQ3 and above (often used as definition of a 'world class' workforce), Birmingham underperforms the UK. Only 49% of the workforce are educated to this level compared to 57.4% nationally.

A similar picture also exists at the other end of the skills spectrum. Birmingham has a high proportion of its working age population with no formal qualifications (15.6%). This proportion is significantly above the nation as a whole (8.6%). This skill shortage is a contributing factor to Birmingham's low proportion of employed residents, and associated high claimant unemployment rate.

GCSE attainment levels in the city have undergone a transformation in recent years. The number of pupils achieving 5 or more GCSEs at A*-C grade increased from 40.8% in 2000 to 64.7% in 2015. During this period the city's attainment rates moved from being well below the national average to surpass the England average in 2007.

At NVQ level 3, qualifications fall slightly below the national average. A level data is partial as it only covers school sixth forms, not attainment at FE and other colleges. It should also be noted that strong performance of the grammar schools in the city masks the under-performance of some schools.

Chart 7: Qualifications 2015



Source: ONS, Annual Population Survey

There are approximately 75,100 students registered to Birmingham's 5 universities – the University of Birmingham, Aston University, BCU, University College Birmingham and Newman University.

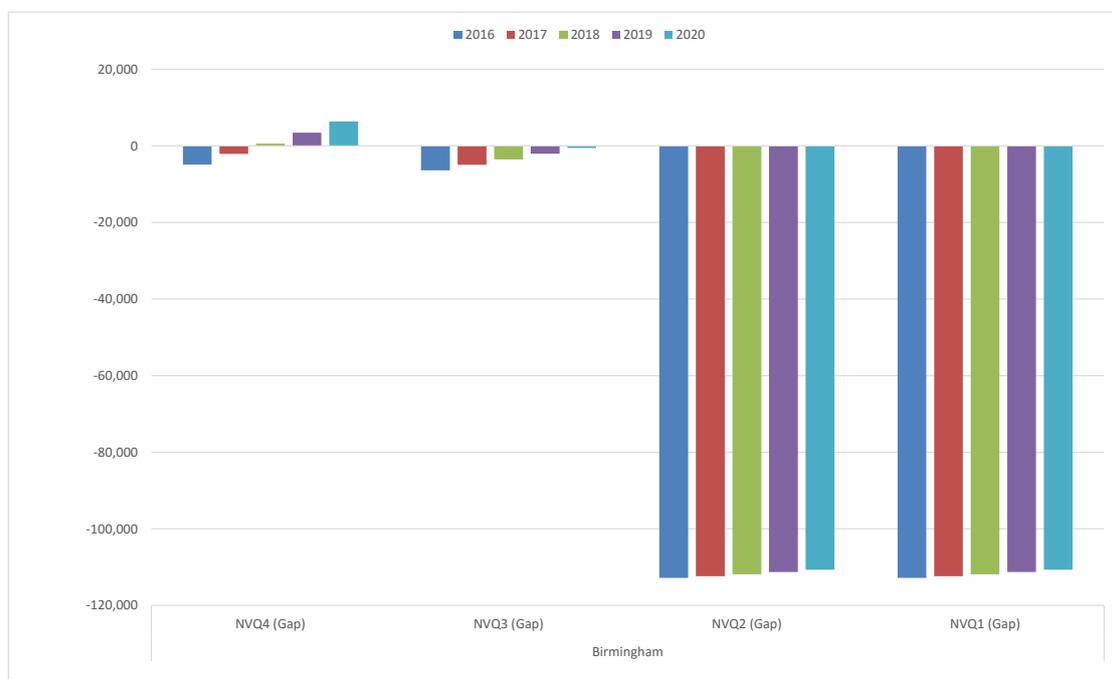
Of these, 53,750 were undergraduates, 18,845 postgraduates and 6,500 FE students. The 5 institutions vary both in size and in the balance of post-and undergraduates. The University of Birmingham has over 31,000 students and BCU around 23,000, whereas Newman College has only around 3,000 students. An analysis of the student population at these institutions shows that the proportion of both undergraduates and postgraduates who are full-time is greater in the city than in the UK. However, the proportion who are domiciled in the UK is slightly smaller at 88% for undergraduates, but only 60% for postgraduates.

Graduate retention is an important factor in improving the skill base of the resident population, and the high proportion of overseas students in the city may impact on this. The proportion of leavers obtaining first degrees from full-time courses who find employment or go on to further study is higher than the national average at the three largest of Birmingham's Universities. In 2013/14 29% of UK-domiciled first degree graduates from the three largest Birmingham Universities were working in Birmingham. In total, 40.4% of graduates from a Birmingham institution were working in the West Midlands 6 months after graduation.

Skills gap

The high proportion of its working age population with no formal qualifications, Birmingham's low proportion of employed residents, and associated high claimant unemployment rate raises questions over whether there is a skills gap in the city. Calculating the supply of skills by NVQ level in Birmingham from ONS data (2004-2014) and using working age population forecasts (minus economically inactive) gives the absolute number of people with specific NVQ levels. Using Oxford Economics occupation demand (2016-2020) NVQ demand in the city can be assumed. NVQ supply and demand can then be compared. Chart 8 below shows that supply at NVQ levels 3 and 4 is at a good level and can match demand. However, at NVQ levels 1 and 2 there is a massive over supply with no sign of this reducing in the future. This not only results in a shortage of skilled workers in the city but leads to high unemployment and a high claimant rate.

Chart 8: NVQ Supply Demand Gap



Source: City-REDI, Birmingham Business School

Ethnic diversity: work, skills and education

Birmingham's working age population is significantly more ethnically diverse than the country as a whole, and it is also the most diverse of all the English core cities. The city is home to large, established communities from the Asian sub-continent and the Caribbean. However, more recent migration has been much more varied, with people arriving in the city from a much larger number of countries and with very differing ethnicities, labour market status, immigration status, and often with little prior connection to the city. Indeed, EU migration has brought large numbers of migrants to the city, particularly from Poland and Romania. Together with the indigenous population these migrants have created the highly diverse population of Birmingham. This gives the city considerable economic challenges, but also some unique opportunities.

In the 2011 census, 238,313 Birmingham residents were born outside the UK. Of these around 45% arrived during the last decade. The largest ethnic group in Birmingham was White British with 570,217 (53.1%). This was down from 2001 (65.6%) and lower than the average in England (79.8%). Other large groups include Pakistani (144,627, 13.5%) and Indian (64,621, 6.0%) which have grown since the 2001 census, while people defining themselves as Black Caribbean (47,641, 4.4%) have declined.

There are wide variations in the qualification levels of different ethnic groups in the city. Pakistani and Bangladeshi residents are the least well qualified and in general the Indian and Black African groups have the highest qualification levels. Qualifications are improving in the city for all groups. Charts 9 and 10 show that residents from all major ethnic groups are less well qualified than the national average for their group. Charts 9 and 10 also demonstrate that younger residents are much better qualified than their older counter-parts. This is true for all ethnic groups. The gaps between the groups are much smaller for younger residents than for older residents. There is some evidence that women from some ethnic groups may be less well qualified than men. A large percentage of residents in some wards have no or little spoken English. This lack of skills has an impact on labour market status.

Chart 9: Birmingham Residents with No Qualifications

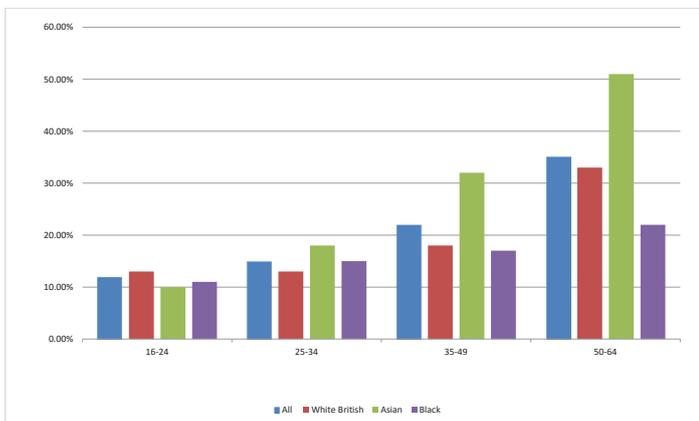


Chart 10: Birmingham Residents with NVQ3+

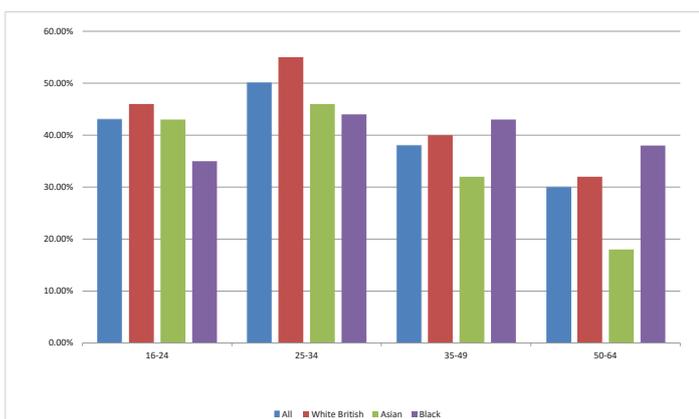


Chart 11 shows that employment rates vary widely between groups, with the White group having the highest employment rate (69%) and the Pakistani/Bangladeshi group the lowest (43%). Charts 12 and 13 show that a significant influence on the rate for the Pakistani/Bangladeshi group is the very low employment rates for women (24%) when compared to men (61%). Overall, 46% of Pakistani/Bangladeshi residents are economically inactive compared to 27% for the White group, 28% for the Black group and 34% for the Indian group. A significant factor in the low employment rate for the Pakistani/Bangladeshi group is the very high economic inactivity rate for women (70%). Pakistani and Bangladeshi residents who are employed are under-represented in higher occupations compared to other groups. The Black Caribbean and Black African groups have the highest claimant proportion and the Indian group the lowest.

It is important to note that women from the Pakistani/Bangladeshi group are very active in the informal workplace. The wives and daughters of business owners are often informally employed in their businesses. This means that the real issue is loss of tax income from employment, and cultural issues around how woman are viewed and what their contribution is or their independence. As such, low employment numbers masks a whole host of cultural issues. Policy put in place is about getting these women into employment when often it should actually be about getting their employment recognised.

Chart 11: Employment Rate by Ethnic Group

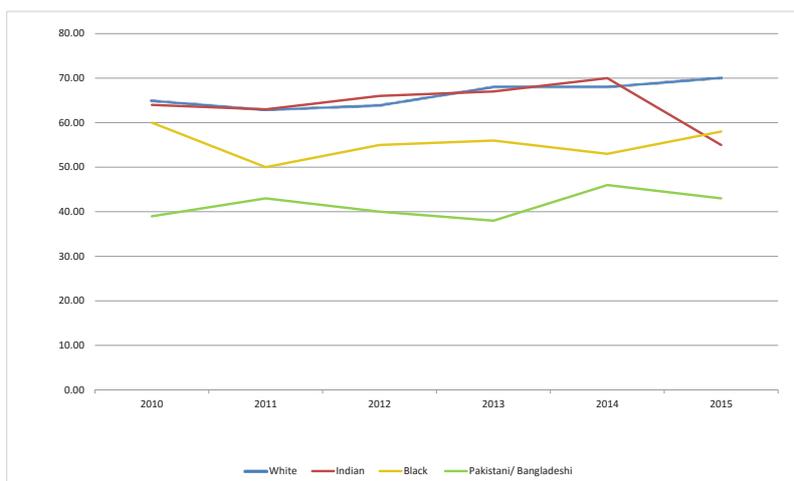
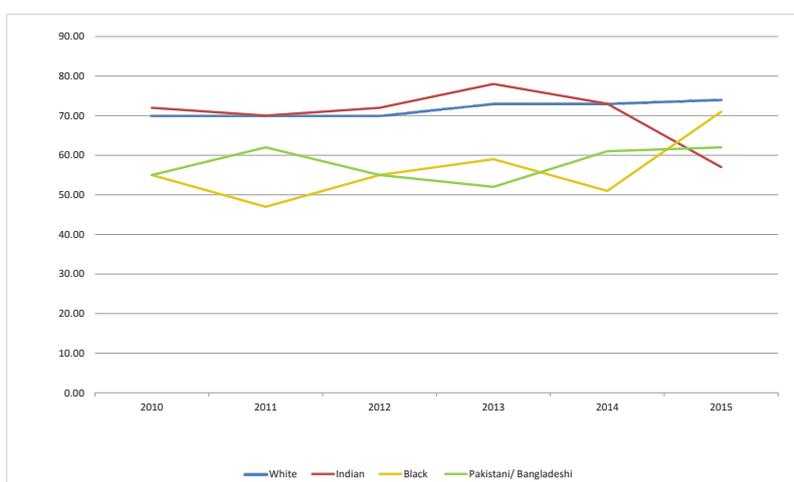


Chart 12: Male Employment Rate by Ethnic Group



Despite low skill levels and low labour market participation rates among some ethnic groups the ethnic make-up of the city does have its advantages and strengths. Birmingham has long been associated with ethnic entrepreneurship amongst groups such as South Asians. Some highly successful business ventures have been born out of migrant businesses such as East End Foods, one of the UK's leading spice, lentil and rice specialists, with an annual turn-over in excess of £180m. KTC, Awan Marketing, and Euro Packaging, are also great examples of successful enterprises and the South Asian community has produced many thriving microbusinesses. In April 2016, Sparkhill was named the independent shopping capital of Britain; highlighting the entrepreneurial spirit within the community. Birmingham's curry industry can also be attributed to South Asian migrant businesses.

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

It is important to note that there is a lag with these statistics and that over recent years, especially within the South Asian community, good progress has been made in overcoming some of the historic challenges. There are a strong number of start-up enterprises coming from ethnic minority communities and younger generations are not as inhibited by cultural barriers as their predecessors. Nevertheless, there is still work to be done in ensuring that these businesses have access to the support they need in order to grow and thrive.

A diverse population in the city also offers an array of international connections, a variety of languages and a blend of many different cultures. This makes Birmingham the culturally diverse city that it is today.

Chart 13: Female Employment Rate by Ethnic Group

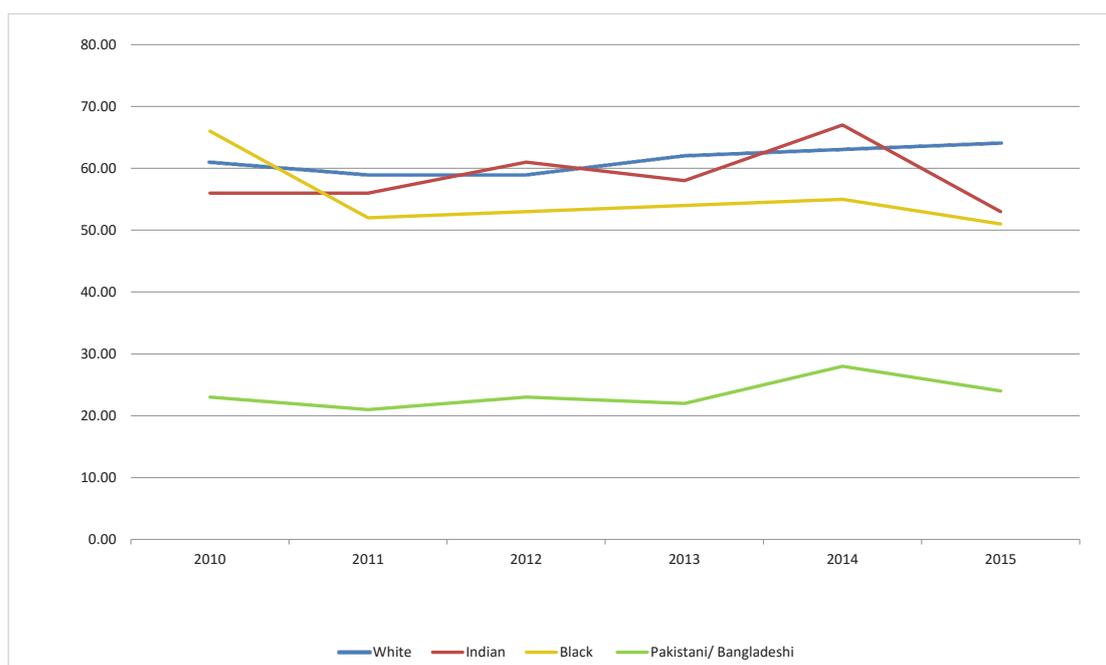


Chart 9/10/11/12/13 Source: ONS, Annual Population Survey

Key Challenges and Future Opportunities

The pattern of skills within Birmingham is typical of a major city, where supply of very local labour is low skilled as a result of inner city deprivation and high migration patterns which has led to hard to reach communities who may not have qualifications easily transferable to this country.

However Birmingham has a more pronounced version of this city skills underperformance. The high skilled labour force also follow longer commuting patterns, typical of cities, where more skilled, highly paid workers commute from more attractive areas to live. This skills supply and jobs mismatch results in high levels of commuting from more affluent surrounding areas of the region and makes it even harder for local unskilled labour to access high quality jobs within the city centre. However, qualifications are a proxy for skill levels, and an older or more migrant population can lack formal qualifications but still be highly skilled, fulfilling roles which are essential for business. Low productivity levels in the workforce as demonstrated elsewhere in the report, coupled with low skills levels do point to a structural skills deficit within the economy of Birmingham.

Given schools perform relatively well against national data, universities also perform well with relatively high retention in the region; it would point to an issue within the working age population and those already in employment. This creates a need to focus on adult education; and skills development within the workplace; upskilling or qualifying migrant populations in order to improve overall qualifications and performance in the workforce, alongside a focus on skills for business and employment within the general education structures.

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