



# Birmingham Economic Review 2018

## Chapter 2: People

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## **Introduction**

The annual Birmingham Economic Review is produced by the University of Birmingham's City-REDI and the Greater Birmingham Chambers of Commerce, with contributions from the West Midlands Growth Company. It is an in-depth exploration of the economy of England's second city and is a high-quality resource for organisations seeking to understand the city to inform research, policy or investment decisions. This year's Birmingham Economic Review has been organised according to the five foundations of the UK's Industrial Strategy, which aims to boost productivity and the earning power of the national economy. We hope this review will help to inform Birmingham's approach to the UK's Industrial Strategy and a more productive and inclusive local economy that draws on the strengths of the city and works across industry, academia and civil society.

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All Chapters of the *Birmingham Economic Review 2018* can be found online on the [Greater Birmingham Chambers of Commerce website](#) or via the contact details at the end of this document.

## People

### **Aim: “To generate good jobs and greater earning power for all” UK Industrial Strategy**

The Industrial Strategy emphasises a near historic high national employment rate, and world-class higher education system in the UK. It references the government's commitment to three million apprenticeship starts by 2020.

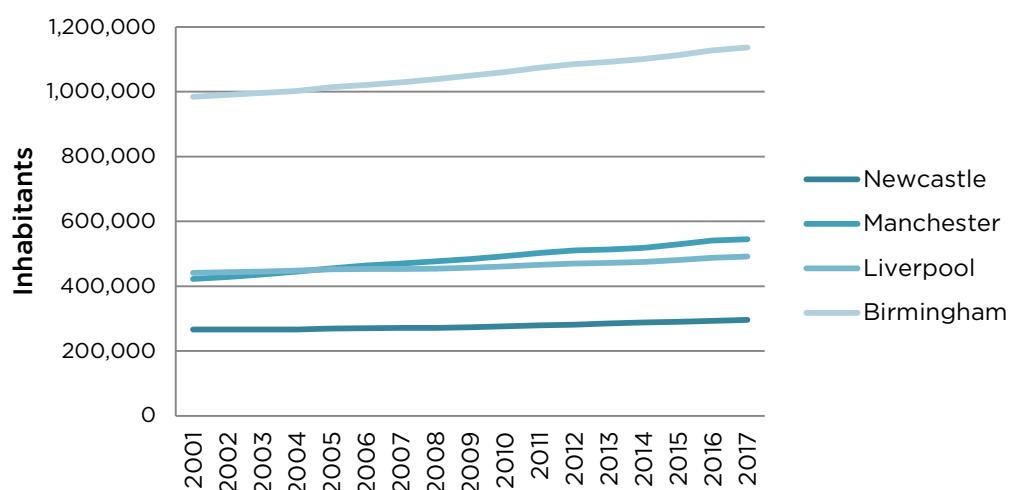
However, Birmingham's working age population struggles with relatively low rates of economic activity and employment. The city has high levels of unemployment, concentrated in the inner city and some deprived outer city estates. The city has world-class universities and FE colleges but persistent qualifications gaps, from NVQ Levels 1+ to 4+.

Ensuring inclusive access to employment and training, creating a world-class technical education system, increasing STEM skills, and equipping people for high quality jobs in the future are clear priorities set out by the Industrial Strategy and shared by stakeholders across Birmingham.

### ***Population & Employment***

The latest data available for mid-2017 estimated the total population of Birmingham as 1,137,123. Birmingham is the largest local authority area and city in the UK outside of London. The population of Birmingham has been rising steadily since 2001, with a 15.5% increase between 2001 and 2017. This percentage growth in the total population of Birmingham is higher than Newcastle (11.1%) and Liverpool (11.2%), but lower than Manchester which has seen an increase of 29.0% in its population over the same period. Population growth is one of the key drivers of the economy, especially growth in the working-age population of a city.

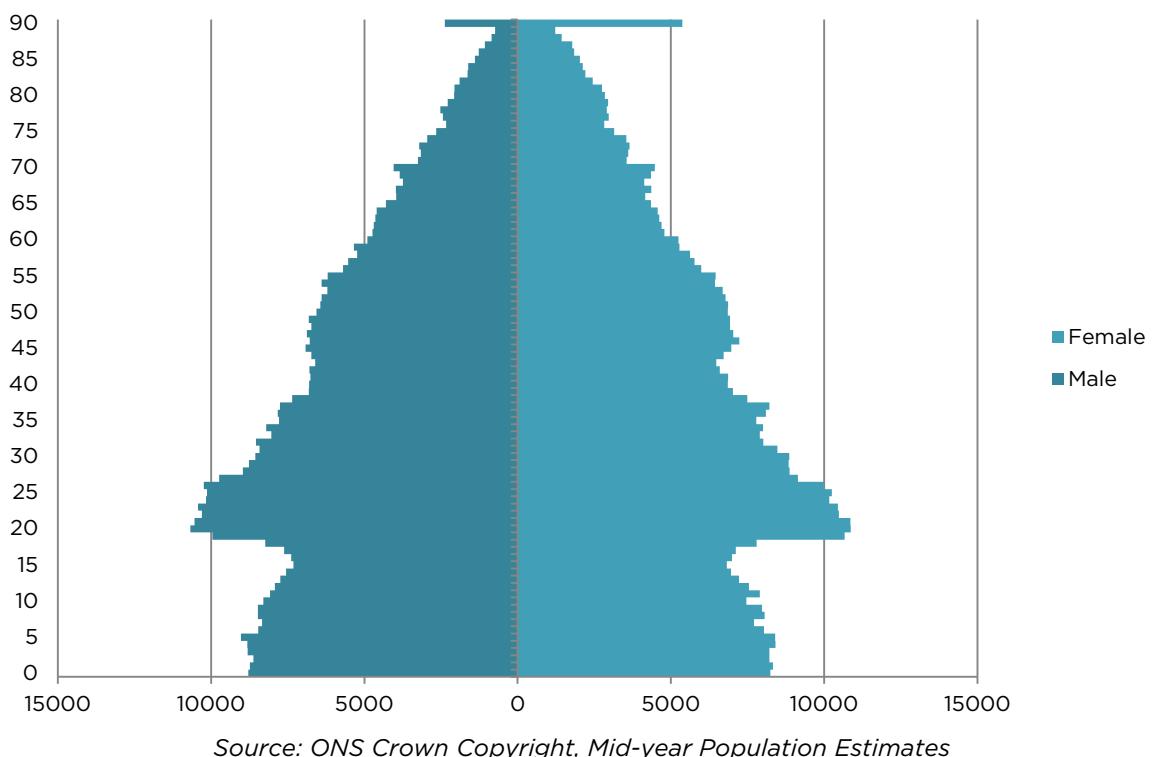
**Figure 1: Population Change Over Time**



Source: ONS Crown Copyright, Mid-year Population Estimates

The proportion of Birmingham's population aged 18-24 has increased over the last decade, partly due to the growth of the city's three largest universities. This makes the city one of the youngest major cities in Europe, with under 25's accounting for 37.8% of Birmingham's total population in 2017. Figure 3 shows the distribution of the population of Birmingham for all ages for males and females.

**Figure 2: Birmingham Population Pyramid, mid-2017**



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

The Annual Population Survey (Table 1) estimates that 69.4% of those aged 16-64 in Birmingham were economically active in the period Jan-Dec 2017 - this has been increasing in recent years but is still well below the percentage for Great Britain at 78.4%.

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

**Table 1: Economic Activity (Jan 2017 - Dec 2017), aged 16-64**

	Birmingham (numbers)	Birmingham (%)	Great Britain (%)
Economically Active	500,900	69.4	78.4
Employment Rate	458,900	63.6	74.9
Employees	391,500	85.3	85.4
Self-employed	65,900	14.4	14.2
Unemployed	42,100	8.4	4.5
JSA claimants Jan 2018	21,300	2.9	1.1

Source: ONS, Annual Population Survey

Table 1 shows that Birmingham's employment rate is estimated at 63.6% for 2017, well below the national rate of 74.9%. Birmingham's unemployment rate also remains high at 8.4% for those aged 16-64 in Birmingham, this is almost double the national rate of 4.5% and considerably higher than in other comparator cities such as Manchester (6.3%), Newcastle (6.3%) and Liverpool (5.9%).

Unemployment has been a major issue in the city since the decline of its traditional manufacturing base in the 1970s. Unemployment also increased rapidly in the city during the recession of 2007-08, resulting in the highest levels of unemployment for over a decade. At 2.9%, the Jobseeker's Allowance (JSA) claimant count is also significantly higher than the national average which stood at 1.1% for January 2018.

Self-employment, however, has risen significantly between 2016-2017 in Birmingham from 7.4% to 14.4%, exceeding the national level for 2017 at 14.2%.

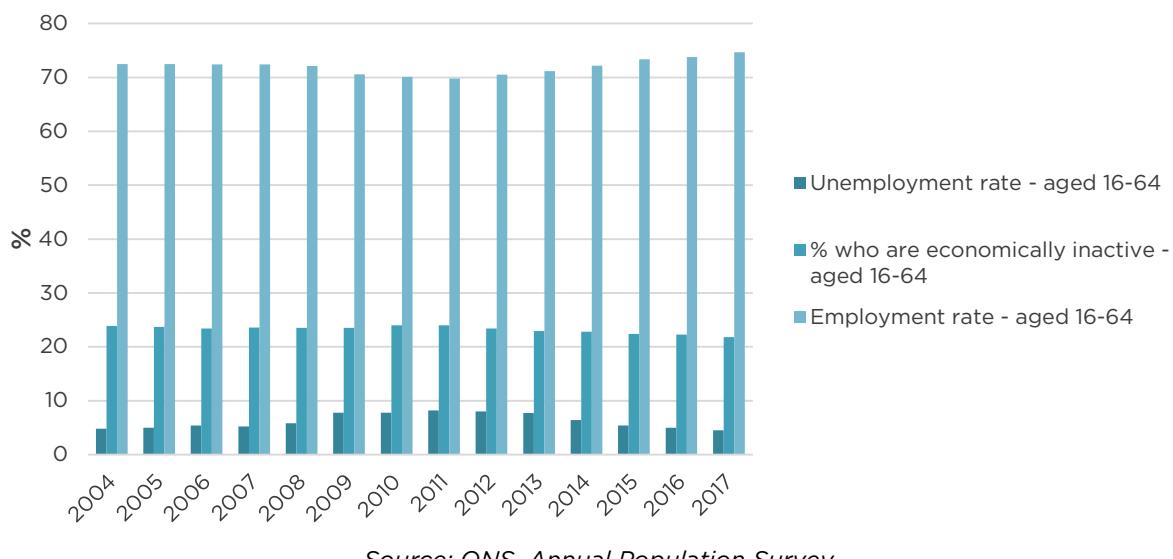
**Table 2: Economic Inactivity (Jan 2017- Dec 2017)**

	Birmingham (Number)	Birmingham (%)	Great Britain (%)
Total	220,600	30.6	21.6
Student	87,400	39.6	27.0
Looking after family/ home	61,500	27.9	24.4
Temporary Sick	4,300	2.0	2.1
Long Term Sick	36,800	16.7	22.1
Discouraged	-	-	0.4
Retired	11,300	5.1	13.2
Other	18,500	8.4	10.8
Wants A Job	34,100	15.5	22.7
Does Not Want A Job	186,500	84.5	77.3

Source: ONS, Annual Population Survey

At 30.6%, Birmingham had a much higher proportion of economically inactive residents in 2017 compared to the national figure of 21.6% (Table 2). However, of these over a third (39.6%) are students. The proportion of students is higher than the national figure (27.0%) and should be viewed as a positive contribution to the city. Removing students from the data would remove much of the disparity in economic inactivity between local and national figures. Another major group falling under those who are economically inactive in the city include those who are looking after their home and family (27.9%) - a decrease from 30.0% the previous year but still higher than the national average at 24.4% for 2017. Furthermore, of those who are economically inactive, 16.7% are classified as being long-term sick and 5.1% are retired, both falling below the national averages of 22.1% and 13.2% respectively.

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



Source: ONS, Annual Population Survey

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

Looking at employment by occupational group according to the Standard Occupational Classification in Table 3 shows that 'Professional Occupations' (19.2%) and 'Elementary Occupations' (13.5%) are the biggest employing occupational groups in 2017. The former is a highly skilled profession whilst the latter is a low skilled profession, highlighting polarisation in the local labour market in Birmingham.

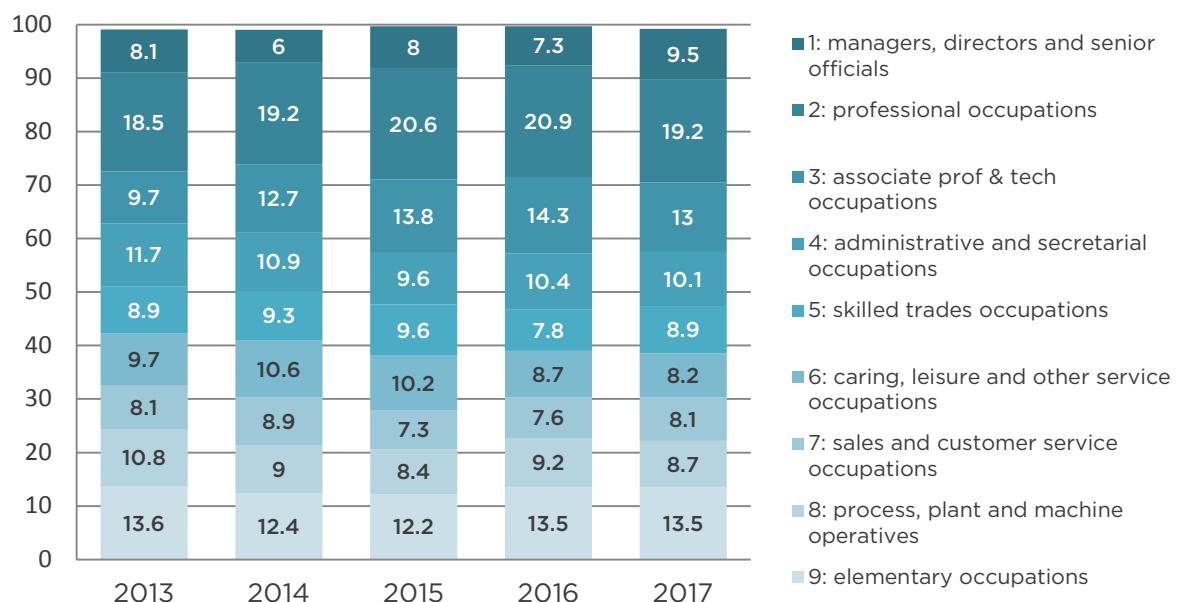
**Table 3: Employment by Occupation (%), Birmingham, 2013-2017**

SOC2010 Occupation/year	2013	2014	2015	2016	2017
1: Managers, directors and senior officials	8.1	6.0	8.0	7.3	9.5
2: Professional occupations	18.5	19.2	20.6	20.9	19.2
3: Associate prof & tech occupations	9.7	12.7	13.8	14.3	13.0

4: Administrative and secretarial occupations	11.7	10.9	9.6	10.4	10.1
5: Skilled trades occupations	8.9	9.3	9.6	7.8	8.9
6: Caring, leisure and other service occupations	9.7	10.6	10.2	8.7	8.2
7: Sales and customer service occupations	8.1	8.9	7.3	7.6	8.1
8: Process, plant and machine operatives	10.8	9.0	8.4	9.2	8.7
9: Elementary occupations	13.6	12.4	12.2	13.5	13.5

Source: ONS, Annual Population Survey

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



Source: ONS, Annual Population Survey

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

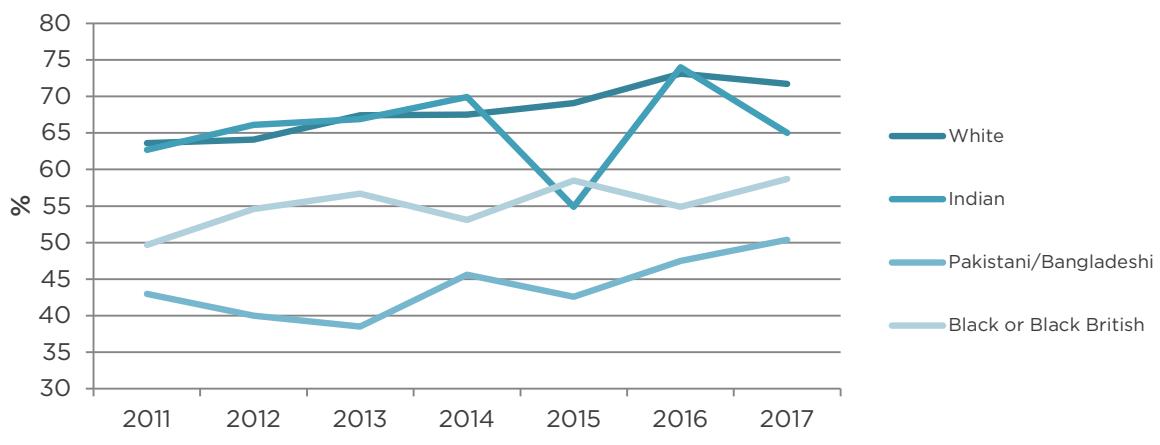
Birmingham's working age population is significantly more ethnically diverse than the country as a whole. According to the latest data from the Annual Population Survey, 44.8% of those aged 16-64 in Birmingham are non-white, making the city the most diverse of all the English core cities.

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

A diverse population in the city offers an array of international connections, a variety of languages and a blend of many different cultures.

However, Figure 6 shows that employment rates vary widely among different groups. The White group has the highest employment rate (71.7%), overtaking the employment rate for the Indian group which decreased significantly between 2016-17 from 74.0% to 65.0%. According to the Annual Population Survey, employment within the Indian group has fluctuated significantly since 2014. The Pakistani/Bangladeshi group had the lowest employment level (50.4%) in 2017, which despite having increased since 2011 has remained consistently lower than all other ethnic groups over this period.

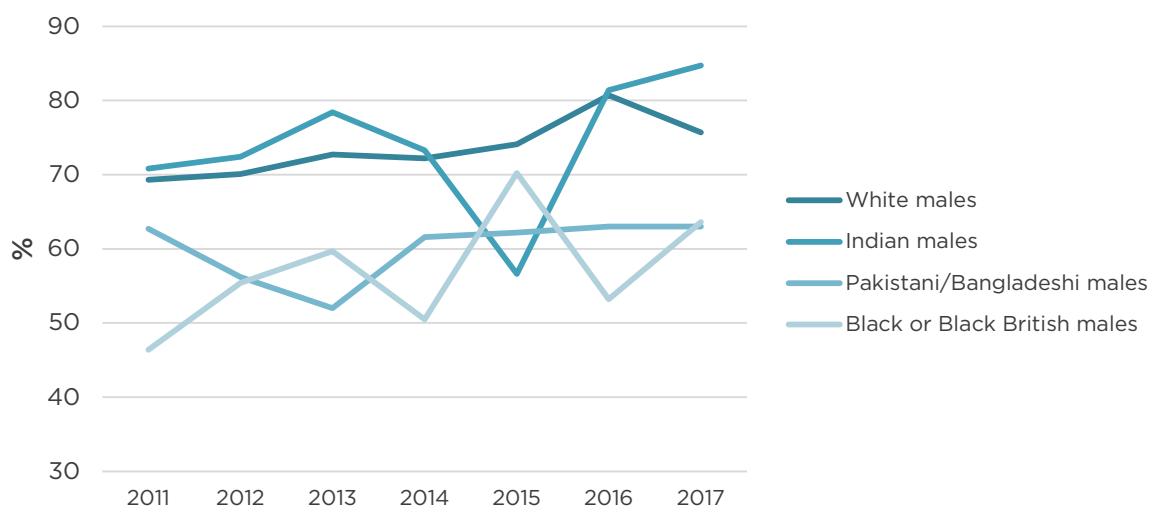
**Figure 5: Demographics in Employment Rates**



Source: ONS, Annual Population Survey

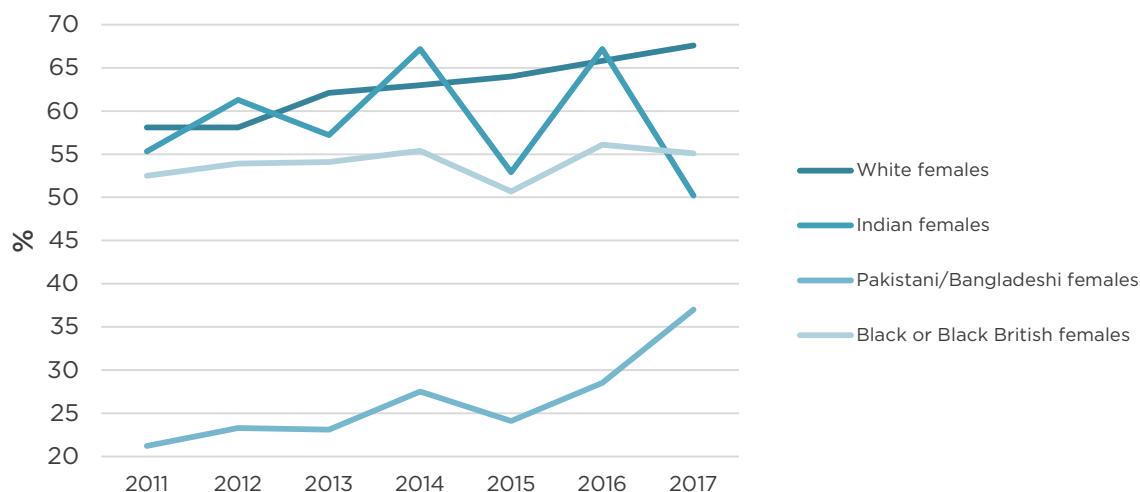
A significant factor in the low employment rate for the Pakistani/Bangladeshi group is the very low employment rate for women (Figure 7), which although improving compared to previous years, remained low at 37.0% in 2017. However, it is important to note that this figure does not take into account informal work.

**Figure 6: Male Employment Rate by Ethnic Group, Birmingham, 2011-2017**



Source: ONS, Annual Population Survey

**Figure 7: Female Employment Rate by Ethnic Group, Birmingham, 2011-2017**



Source: ONS, Annual Population Survey

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

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

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

Inclusive growth is a priority for local stakeholders and businesses. The West Midlands Combined Authority have recently launched an Inclusive Growth Unit, and its Leadership Commission has stressed that the leadership of organisations needs to better reflect the diverse nature of the West Midlands. The Asian Business Chamber of Commerce, part of the GBCC, are currently piloting an initiative, Diversity in Leadership, which seeks to support companies in improving the ways they attract, retain and develop diverse talent.

## **Skills**

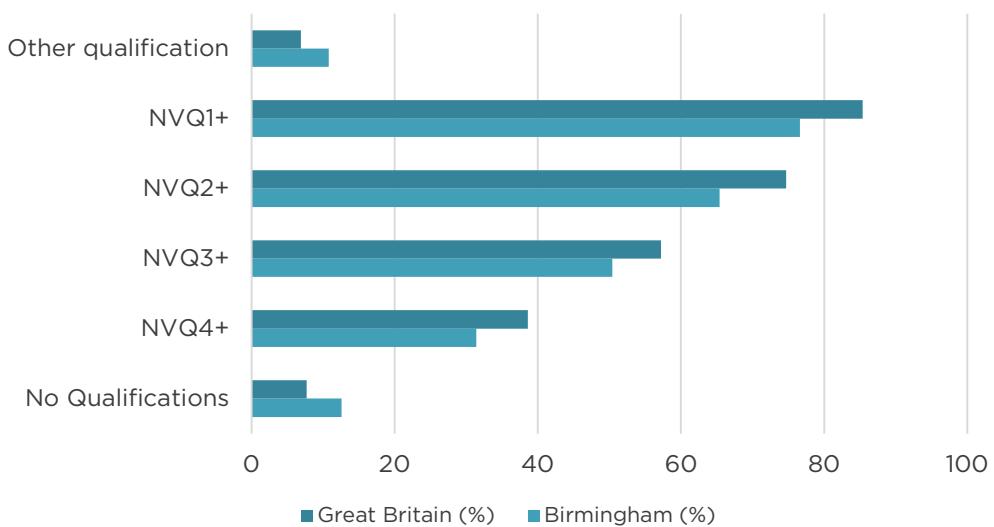
The skill levels of the resident population have a strong bearing on both the prosperity of the workforce and the competitiveness, productivity and performance of the Birmingham economy. With the current trend of more jobs in professional and technical occupations, the ability to take part and compete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

**Table 4: Qualifications (%), 2017**

	No Quals	NVQ4+	NVQ3+	NVQ2+	NVQ1+	Other Quals
Birmingham	12.6	31.4	50.4	65.4	76.6	10.8
Liverpool	13.1	35.0	52.2	71.7	82.1	4.7
Manchester	11.1	39.9	58.5	72.7	82.3	6.6
Newcastle	9.0	37.3	61.0	77.5	85.2	5.9
Great Britain	7.7	38.6	57.2	74.7	85.4	6.9

Source: ONS, Annual Population Survey

**Figure 8: Qualifications (%), 2017**



Source: ONS, Annual Population Survey

Data from the 2017 Annual Population Survey, presented in Table 4 and Figure 8, shows that 31.4% of Birmingham's working-age population have a degree or higher level qualification. This is below the national average which stood at 38.6% for 2017. There has, however, been a small increase in the proportion of residents in the city with degrees since 2005 and this rate is growing.

When using a broader measure of the skill level of a workforce, using the proportion qualified to NVQ3 and above (often used as the definition of a 'world class' workforce), Birmingham underperforms the national average. Only 50.4% of the workforce is educated to this level, compared to 56.9% nationally.

A similar picture also exists at the other end of the skills spectrum. Birmingham has a high proportion of its working-age population with no formal qualifications (12.6%). This proportion is significantly above the nation as a whole (7.7%), although this percentage has reduced from 14.2% in 2016. This could be partly due to Birmingham's large migrant population whereby qualifications obtained outside the UK are not being recognised. This skills shortage is a contributing factor to Birmingham's low proportion of employed residents, and associated high claimant and unemployment rates.

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

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

Birmingham also has a number of further education colleges, including Birmingham Metropolitan College (BMet), South and City College Birmingham (SCCB) and University College Birmingham (UCB).

### ***Qualifications Gap***

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

Due to changes in employment and sectoral growth, the findings suggest that Birmingham currently needs 68,331 more residents with NVQ Level 4+ qualifications and 5,988 more residents with NVQ Level 3 + qualifications to fill current skills gaps. In 2016, the NVQ4 skills shortage was 70,938, compared with a shortage of 7,725 residents with NVQ3 qualifications. This decline over the past year indicates a relatively positive outlook since the qualifications gap seems to follow a declining sectoral trend.

The city also has a shortage of residents qualified at NVQ levels 1 and 2. Such a deficit in skills, particularly at NVQ Levels 1 and 2 significantly constrains Birmingham's growth potential. To create a high skills equilibrium and raise productivity levels, a special focus on increasing skills at NVQ Level 2 seems to be crucial.

## Apprenticeships

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

**Table 5: Apprenticeship Starts**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Birmingham	10,400	10,950	9,310	11,470	10,620	10,860
West Midlands	60,470	62,430	52,410	61,240	60,910	60,330
England	515,000	504,200	434,600	494,200	503,900	489,100

Source: Department for Education

Apprenticeship frameworks, standards, funding mechanisms and end-point assessments are developed by national government. However, apprenticeship policy is a devolved policy. It is the responsibility of each local government to manage internal apprenticeship programmes and decide how their own apprenticeship levy funding is spent. It is therefore important that Birmingham knows 'what works' when it comes to setting their local apprenticeship programme. The What Works Centre have devised an apprenticeship toolkit that local authorities can use to support their decision making.

The West Midlands Combined Authority has additionally recently announced a skills deal with the Department for Education which could unlock up to £69million to boost digital and technical skills, job opportunities and productivity in the West Midlands through, in part, creating hundreds of new apprenticeships at small and medium sized businesses.

**Figure 9: Apprenticeship Toolkit Overview**

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

Source: What Works Centre

In April 2017, central government introduced the Apprenticeship Levy, a levy on employers in the UK to fund new apprenticeships. The levy is charged at a rate of 0.5% of the annual paybill of employers with a paybill of over £3 million per annum. Each levy-paying employer receives one annual allowance of £15,000 to offset against this levy payment.

Apprenticeships at all levels offer people vocational routes into work which allow businesses to develop the skills needed as workforces develop. Since the

government's '3 million starts' target and recent reforms were announced, the GBCC have been calling for a focus on quality over quantity, and a simplification of the apprenticeship system.

### **Low Pay Sectors & Productivity**

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

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

Policy recommendations for raising productivity include:

- The debate on productivity needs to involve employers and employer organisations for input into the suitability and utilisation of metrics for measuring productivity.
- Central government to use initiatives aimed at enhancing management practices as a platform for setting in place business systems and behaviours to enhance business performance (much like the Greater Birmingham Chamber of Commerce have done with the Growth Through People campaign).
- Central government to consider new models locally and sectorally for co-investment in skills that are aimed at raising productivity.

### **Consumer Price Index**

CPI figures (including owner occupiers' housing costs) released at the UK level show that the 12-month rate was 2.3% in July 2018, the same as June 2018. According to ONS, transport fares and computer gaming have produced the largest upward contribution to CPI over this period. However, these increases were offset by a decrease in the cost of clothing and footwear which fell by 0.4% between July 2017 and July 2018.

### **Gross Disposable Household Income**

Gross Disposable Household Income (GDHI) is the amount of money that all of the individuals in a household have available for spending or saving after income distribution measures (for example, taxes, social contributions and benefits) have taken effect. As can be seen in Table 6 below, in 2016 Birmingham had the second lowest GDHI per head of the included comparator core cities at £14,093. This, however, is an increase from the previous year when GDHI per head was £14,034,

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

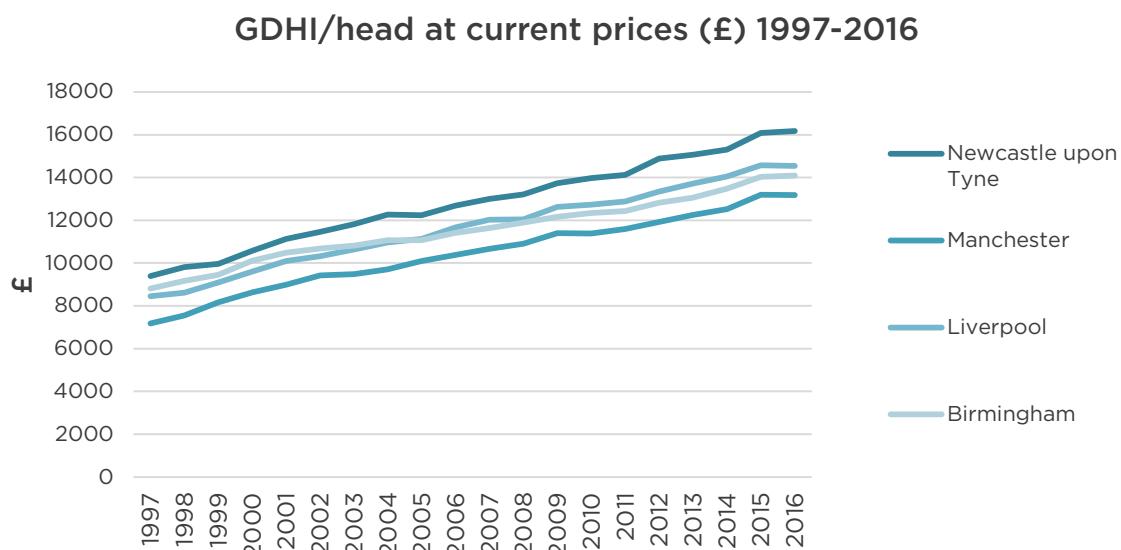
and has been steadily rising since records began in 1997. As shown in Figure 10, however, growth has been slower than in all other core cities over this period.

**Table 6: GDHI per head (£)**

	2015	2016
Newcastle upon Tyne	16,076	16,180
Manchester	13,189	13,184
Liverpool	14,566	14,538
Birmingham	14,034	14,093

Source: ONS, Gross Disposable Household Income

**Figure 10: GDHI per head at current prices (£), 1997-2016**



Source: ONS, Gross Disposable Household Income

### Gross Weekly Earnings

Median gross weekly pay for full-time workers living in Birmingham in 2017 was £523. This figure is a 5.6% increase on the figure for 2016, the largest growth that GDHI in Birmingham has seen since 2013.

Median gross weekly pay for Birmingham's full-time workplace population in 2017 was £549, higher than the median gross weekly pay for residents. The difference between resident and workplace earnings reflects Birmingham's position as the regional capital, and the large numbers of people who commute into the city to work in often highly-skilled, highly-paid jobs. This highlights that not all Birmingham residents are able to access the better-paid jobs in the city.

**Table 7: Median gross weekly pay for full-time workers (£), Birmingham, 2013-2017**

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

Source: ONS, ASHE

### **Consumer Borrowing**

Much of the growth in consumer spending has been predicated on a reliance on household borrowing. Data from the Bank of England revealed that unsecured consumer debt in the UK stood at £201.5bn at the end of July 2018, a level not seen since the middle of the global financial crisis in 2008. In 2017, British households spent on average £900 more than their income, amounting to a shortfall of nearly £25bn. A rise in consumer debt since 2016 was expedited by a rise in inflation – caused in part by a vote for Brexit- at a time of weak wage growth.

### **Public Health Indicators**

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

According to Birmingham's Health Profile Report for 2017/18 (Birmingham City Council)<sup>2</sup>:

- 56.4% of Birmingham's population live in the most deprived 20% of areas in England (IMD 2015).
- For the period 2013-15, average life expectancy in Birmingham was 79.6 years.
- For the period 2013-15, life expectancy in the most deprived areas in Birmingham was 8.6 years lower for men and 6.6 lower for women than in the least deprived areas.
- From 2001 until 2011, life expectancy gradually increased. However, from 2011 average life expectancy in Birmingham has plateaued.
- For the period 2013-15, male life expectancy at birth was 77.2 years (England 79.5 years) and for females it was 81.9 years (England 83.1 years).
- For the period 2013-15, Birmingham's under 75 death rate was 28% higher than the rate for England.
- For the period 2013-15, Birmingham had a considerably higher number of deaths resulting from infant mortality, with almost twice as many instances over this period (7.5 per 1,000) than the national average (3.9 per 1,000).

<sup>2</sup> [Birmingham Health Profile Report, 2017-2018](#)

Data published by Public Health England also shows that:

- In 2016/17, the prevalence of obesity (including severe obesity) among children in school year 6 in Birmingham was 25.2%. This is higher than the average for the West Midlands region (22.4%) and England (20.0%), as well as other core cities such as Liverpool (23.7%) and Newcastle (23.6%) but lower than Manchester (25.4%)
- In 2016, the fraction of mortality attributable to particulate air pollution in Birmingham was 6.2%. This is higher than the average for the West Midlands region (5.5%) and England (5.3%), as well as other core cities such as Manchester (5.2%), Liverpool (5.2%) and Newcastle (3.9%).

## **Expert Comment**

*Professor Anne Green, City-REDI, University of Birmingham*



A central challenge facing the Birmingham labour market is how to contribute to inclusive growth by providing access to 'good jobs' and addressing low-value low-wage low-skill work. This highlights a need for progression pathways in the labour market – from pre-employment interventions for those individuals who need them, through employment entry and sustaining employment to in-work progression. In turn, this requires knowledge about routes into and through the labour market and resilience in coping with transitions into the labour market and between jobs.

Skills are one key factor in in-work progression. The skills profile of the city's residents has been an ongoing cause for concern, 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. Only around two in three of Birmingham's residents have qualifications at Level 2 and above, compared with three in four of residents nationally. This suggests that one in three of Birmingham residents are in so-called 'skills poverty'. One in eight of the city's residents have no formal qualifications, compared with one in twelve nationally. These skills deficiencies are a contributing factor in a Birmingham's lower than average employment rate (64% in Birmingham, 75% for Great Britain.) Yet the fact that resident earnings in the city (gross weekly pay for full-time workers is £523) are lower than workplace earnings (at £550) indicates that in-commuters are taking a disproportionate share of the better-paid jobs available in the city.

Key challenges for policy are to address first, the 'more jobs gap' (comprising individuals who cannot get any work/ the amount of work they want) and secondly, the 'better jobs gap' (made up of people in insecure and/or low-paid jobs). Those individuals with no/ low skills are most vulnerable to falling into these 'gaps'. An increase in labour demand can help such individuals, especially through increasing the availability of permanent job opportunities and also by increasing wages.

International evidence on inclusive growth suggests a role for policies that identify and target sectors that are growing, are of strategic importance and have the potential to create middle- and high-income jobs. Inward investment and cluster policies have a role to play here. The insertion of clauses regarding skills development and job quality in procurement can help embed the importance of employment quality in city and business development policies and raise wage floors. But to reap the rewards of such demand-side policies it is necessary to prioritise co-ordination with supply-side policies to better connect and match

supply with demand. Sector-focused policies have an important role to play here, as do employability policies that look beyond employment entry to sustaining employment and in-work progression.

Looking forward, Birmingham is set to gain from the Skills Deal agreed with the West Midlands Combined Authority to boost digital and technical skills, support more young people into work and upskill and retrain people of all ages. An agile and responsive skills system is needed to provide individuals with the skills that are needed currently, and then to equip them with further new skills once technological changes mean some current technical skills are no longer required.

### **Expert Comment**

*Dr Catherine Harris, Coventry University*



Birmingham is the youngest major city in Europe, with under 25s accounting for nearly 40% of its population. 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 the city in relation to the current issues it has with skills and unemployment. A young population is only an asset if they are equipped with the skills and opportunities they need to succeed

as they enter the local workforce. In practice, this means closing the gap between business and education to help develop a sound 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's unemployment and claimant levels are still unacceptably high compared to national averages and the other core cities. However, both decreased from 2016. Another area of concern is economic activity, with 69.4% of those aged 16-64 in Birmingham being economically active, below the figure for Great Britain. As such, the city has a high proportion of economically inactive residents, at 30.6% compared to the national average of 21.6%. However, over a third of these are students and make a significant positive contribution to the city. Self-employment levels are encouraging at 14.4%, which is slightly higher than the national level. This is particularly promising given the low levels of 30 to 44-year olds living in the city, which is an age group often more likely to be entrepreneurial.

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. There are wide variations in the employment rates of different ethnic groups in the city. A significant factor in the low employment rate for the Pakistani/Bangladeshi group is the very low employment rate for women (37%).

This is something that should be targeted for improvement and would improve the overall employment rate and levels of economic inactivity.

As the details of the UK's exit from the European Union materialise, it is important to consider how arrangements will impact on Birmingham's population and employment opportunities. With demand for intermediate and higher-level skills rising and there being a skills gap in the city, Birmingham's businesses have increasingly met a large share of their labour needs through immigration. Brexit places this labour source under threat. In addition, many migrants from the EU are under the age of 25 and if they choose to leave the UK the assets offered by this young population cannot be realised. The city may also be less attractive to European students, both in terms of study and graduate retention. Migrants from the EU are particularly entrepreneurial and this could explain some of the high levels of self-employment in the city. However, Brexit could result in the loss of some of these businesses and the return migration of their owners, having a negative impact on both the economy and community cohesion. With this in mind, Brexit also threatens the cultural diversity of the city which offers an array of international connections, a variety of languages and a blend of many different cultures.

### **Business Insight**

*Suzie Branch-Haddow, Business Development Director Greater Birmingham Professional Services Academy, BMet*



"You must either modify your dreams or magnify your skills."

Wise words from the American Entrepreneur and author Jim Rohn. As a region, our dreams have been fast becoming a reality: we continue to attract international businesses to locate within our commercial hubs; our arts, cultural and hospitality offering mirrors that of many European counterparts;

and our confidence is growing as we play a bigger part on the international stage through securing high profile activity such as the Commonwealth Games.

With such huge strides under our belt, the last thing the West Midlands region wants to do now is modify our dreams. Therefore, to continue to grow, prosper and be a region of economic and social prosperity we HAVE to magnify our skills.

We all know this: "skills, skills, skills" is the main discussion topic and many a business roundtable and report from leading thinkers across the region, including the West Midlands Combined Authority, have identified our region's ability to grow and retain our own talent as a potential constraint. It's business critical.

With high numbers of our residents in low paid jobs, we must ensure that all communities benefit from the region's economic growth. Training, personal development and education need to be available to everyone in our region: young and old. Achieving this requires an agile and responsive skills system comprised of education and business partnerships.

The key words here are agile and responsive. We need to deliver on our skills pledges and promises and we need to do it quickly. A glance at the figures confirms this. At the moment, not only does the West Midlands region have an unemployment rate above the national average, it has also got the lowest employment rate of any of the mayoral combined authorities.

Add to this the employer uncertainty fuelled by Brexit and migration figures continuing to show an increase in EU workers leaving without being replaced by new ones coming in and people may think that we should be pressing the panic button on skills shortages.

However, if we look around us, we know that change is happening. Partnerships between business and all areas of education are growing and becoming stronger and stronger. For example, we are still home to the UK's first and only Professional Services Academy run by BMet, which reflects the critical role that Further Education can play in driving up skills and productivity in partnership with business.

The Academy based at BMet's Matthew Boulton College in central Birmingham, provides workshops, a mentor programme and real work experience to students in partnership with leading firms from the financial, legal, accounting and business community who are committed to fostering the professional talent of the city for potential future employment in their sectors.

Through our partnerships with Birmingham City Council, West Midlands Growth Company we have helped one business grow its workforce by over 380 people whilst simultaneously providing training to over 600 people in just 26 months.

These are just two examples of a plethora of activity taking place throughout the region. There are many schemes and initiatives now all working actively to grow our own talent. With programmes now scoping how they can maximise changes in the apprenticeship landscape, including the apprenticeship levy, to train and develop both new and current staff.

So, the activity is happening, the dream is becoming a reality. The call to action now to us all is clear: we need to magnify our efforts to magnify our skills.

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