



Birmingham Economic Review 2019

Chapter 4: Making Inclusive Economic Growth Happen

UNIVERSITY OF
BIRMINGHAM

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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 a high-quality resource for informing research, policy and investment decisions.

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

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

Making Inclusive Economic Growth Happen

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

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

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

West Midlands Local Industrial Strategy

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

The LIS for the West Midlands noted the region's strengths in sectors such as mobility and automotive; health and life sciences; and business and professional services¹. To that end, investment has been targeted in the development of battery research for electric cars and the nation-wide pilot of 5G internet to enable development of self-driving vehicles in the Future Mobility Zone. There is also a focus on digital rail, much of the research for which is being done at the University of Birmingham. HS2 and the Commonwealth Games are also part of the LIS, to unlock regeneration of Birmingham and the wider area. There is also the announcement that in 2021 Coventry will be the UK City of Culture, which will go some way to changing perceptions of the region beyond its boundaries.

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

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

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

Homelessness and Food Bank Usage

Figures from Shelter in 2018 showed that 320,000 people² in the UK – or one in every 200 people – have no fixed address or place to sleep, a number that has risen rapidly since 2010.

According to the statutory homelessness figures³ for the WMCA area, in the three-month period between October to December 2018, 4,365 households were assessed for being in critical need of somewhere to live. This was a reduction of 7.8% from the previous quarter. The figures estimate 284 rough sleepers across the WMCA in 2018, which is increase of 33% from the previous year. At the end of 2018, 3,422 households were living in temporary accommodation. This was an increase of 9.5% from autumn 2018.

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

On another measure of deprivation, in the 12 months to the end of March 2019 the Trussell Trust distributed 1.6 million three-day emergency food supplies to people with nothing to eat; a third of these went to children⁴. 142,234 emergency food parcels were distributed in the West Midlands. The most commonly cited reason given by one-third users of these food banks for why they were in desperate need is that their income does not cover their essential costs. This was followed by those who said they were either in benefit delays (one in five) or had seen changes to their benefits.

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

GVA

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

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

²https://england.shelter.org.uk/media/press_releases/articles/320,000_people_in_britain_are_now_homeless,_a_s_numbers_keep_rising

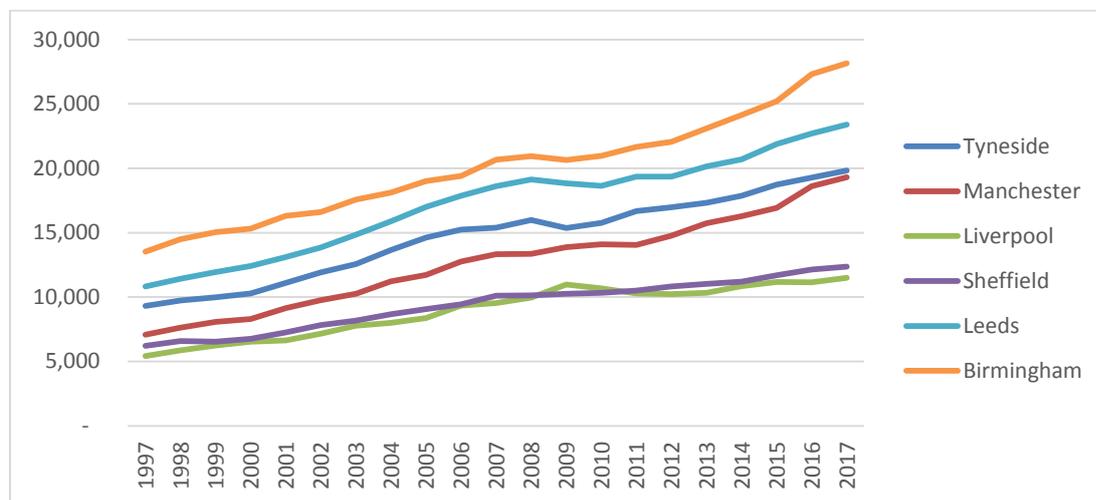
³<https://www.gov.uk/government/publications/statutory-homelessness-in-england-october-to-december-2018/statutory-homelessness-in-england-october-to-december-2018>

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

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

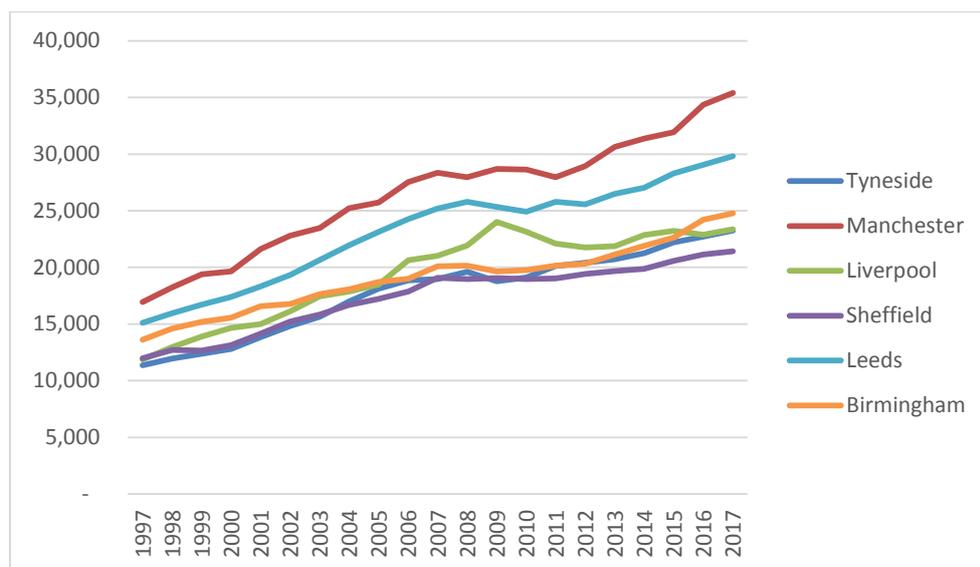
Official GVA data provided by the ONS shows that the economy has recovered from the low point reached in 2009. However, in terms of GVA per head, latest data from 2017 shows that Birmingham (£24,761) significantly underperforms the national average (£27,430) and other core cities such as Manchester (£35,410).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

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



Source: ONS, Regional Gross Value Added

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



Source: ONS, Regional Gross Value Added

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

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

Source: ONS, Regional Gross Value Added

GVA by Industry & Sector

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

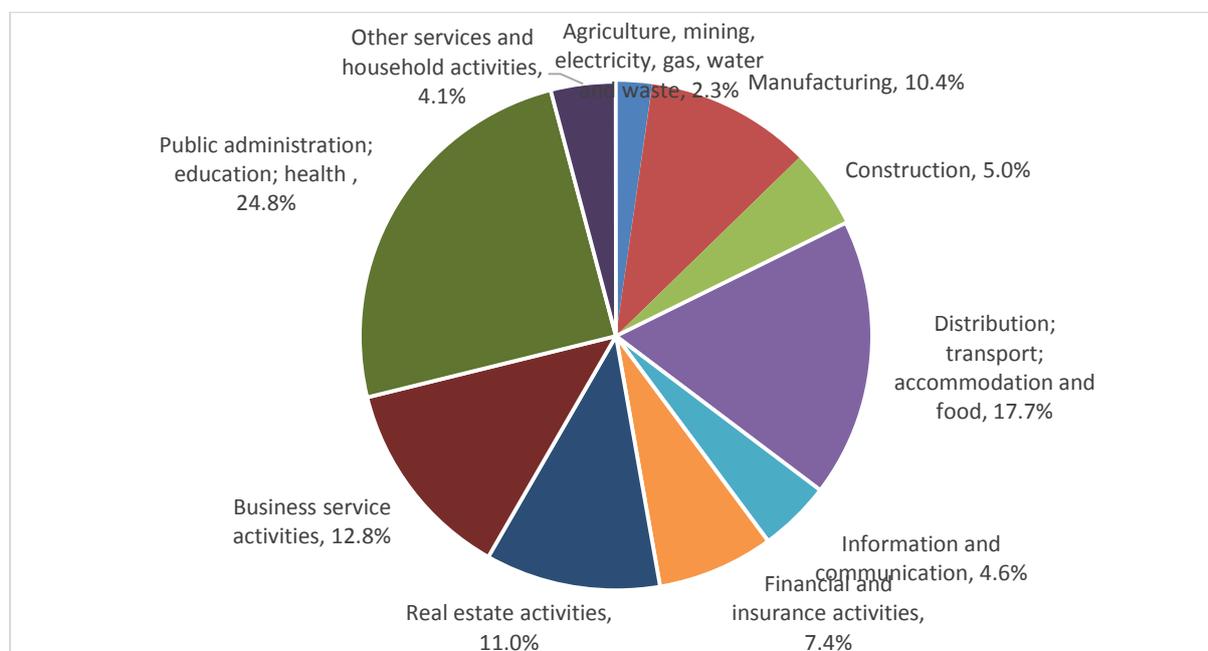
Table 18 shows that in terms of economic output, 'Public administration; education; health' remains the largest sector accounting for 24.8% of total GVA in Birmingham in 2017. After rapid growth in the early 2000s up until 2011, in recent years this growth has slowed down. Nevertheless, it remains by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

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

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

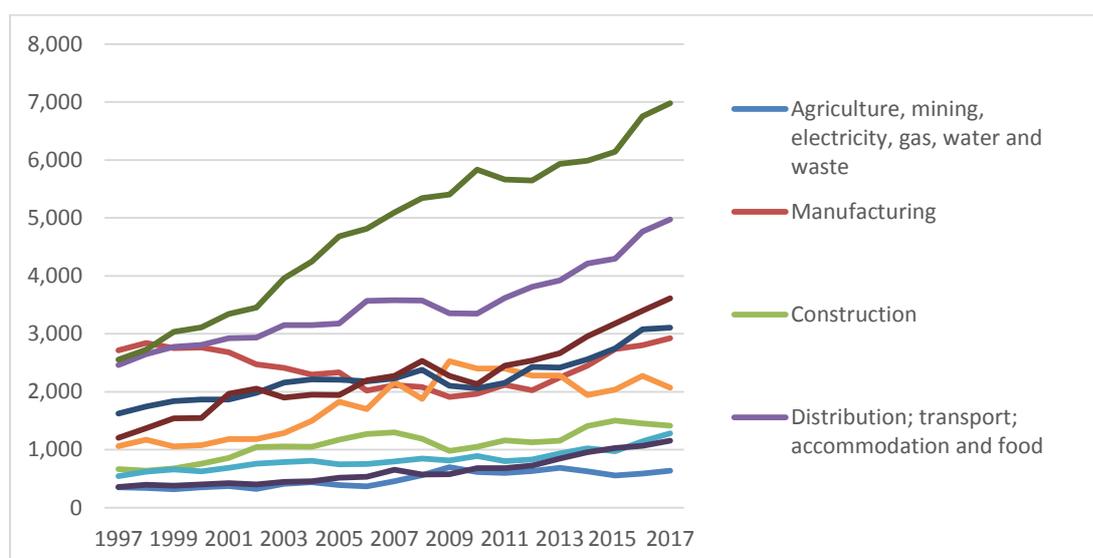
Source: ONS, GVA

Figure 3 GVA by Industry, Birmingham, 2017



Source: ONS, GVA

Figure 4 GVA by Industry, Birmingham, 1997-2016



Source: ONS, Regional Gross Value Added

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

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

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

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

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

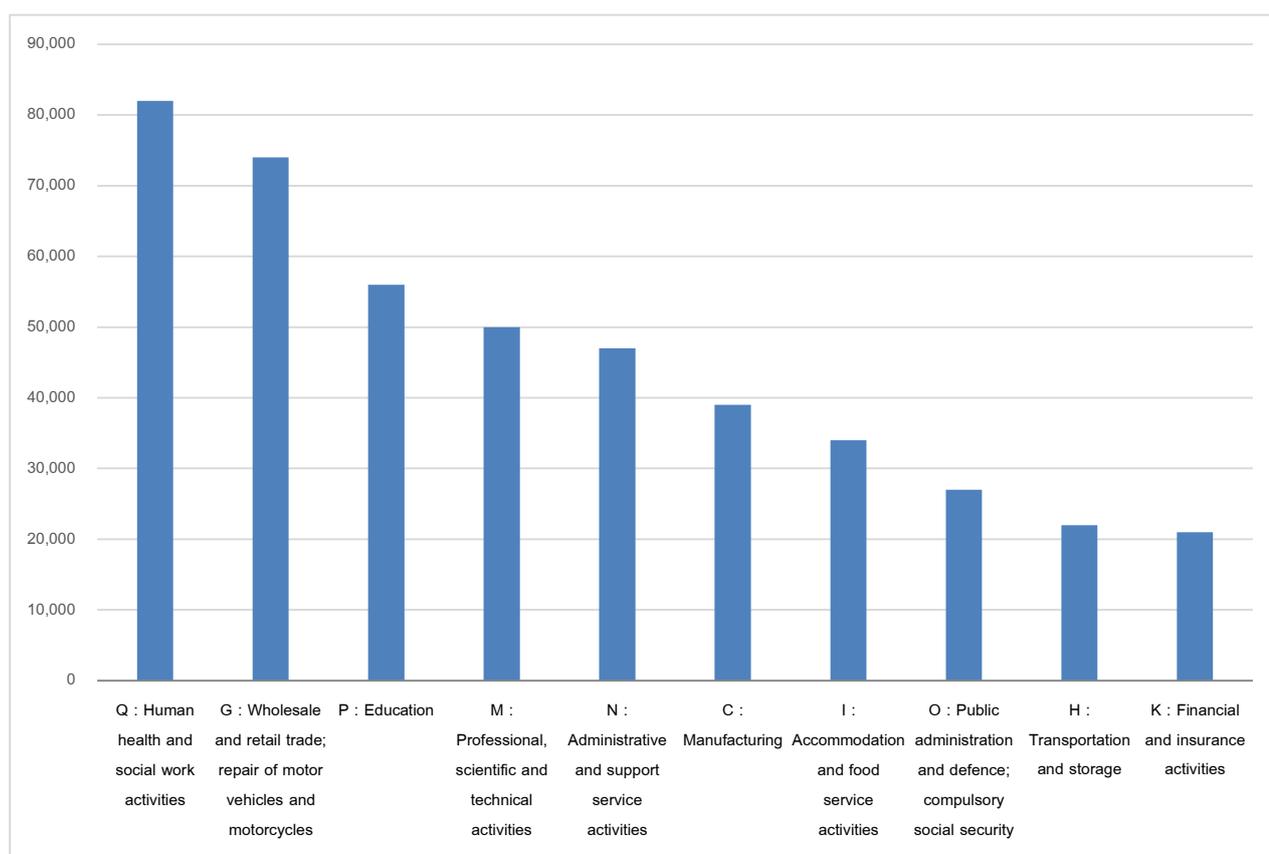
Although Brexit creates uncertainty, the pick-up in the service sector, along with manufacturing, should see employment growth in the city gather pace in the medium term from the relatively muted recovery in employment the city has experienced thus far.

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

Employee Shares

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

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



Source: ONS, Business Register and Employment Survey

Table 3 Employees by Sector, Birmingham, 2015-17

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

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

Source: ONS, BRES

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

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

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

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

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

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

UK Trade

Table 41 UK Trade, 2014-2017

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

Source: ONS, UK Trade

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

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

Table 5 UK Trade, June 2017 – June 2019

£ million seasonally adjusted

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

Source: ONS, UK Trade

Business Births, Deaths & Survivals

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

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

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

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

Source: ONS Business Demography

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

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

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

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

Source: ONS Business Demography

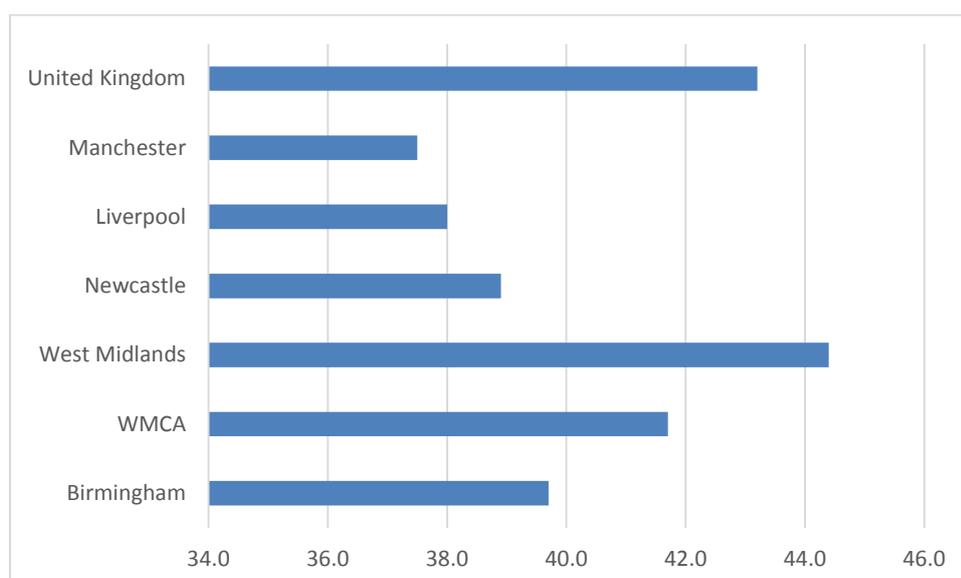
Another indication of the strength of an area's enterprises is business survival rates. Table 8 below shows the enterprise survival rate for businesses started in 2012. 39.7% of new businesses started in Birmingham in 2012 were still trading in 2017, compared to 43.2% nationally. The city is mid-ranking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

Table 8 Business 5 Year Survival Rates - 2012-2017

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

Source: ONS Business Demography

Figure 6 Survival Rates for Firms Born in 2011



Source: ONS Business Demography

Future of Professional Services

The Business, Professional and Financial Services sector is twice the size of the Manufacturing and Engineering sector in the West Midlands and in 2017 accounted for 28.2% of GVA and 20.3% of jobs (1 in 5 jobs). Employment in the sector is set to grow by 31%, and the sector's contribution to GVA is set to double by 2030. It is a thriving sector in its own right and is recognised as having a significant multiplier effect across the rest of the economy because of the services it offers. City-REDI recently conducted a review of the sector for the West Midlands Combined Authority which explored future prospects of the sector and the challenges facing business⁶.

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

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

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

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

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

Procurement & Anchor Institutions

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

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

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

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

Going forward, the report outlines the following three priorities for Birmingham⁷:

⁷ Local Wealth Building in Birmingham & Beyond: A New Economic Mainstream, 2018

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

Commercialisation

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

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

Expert Comment

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



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

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

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

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

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

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

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

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

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