



Connecting to

Success

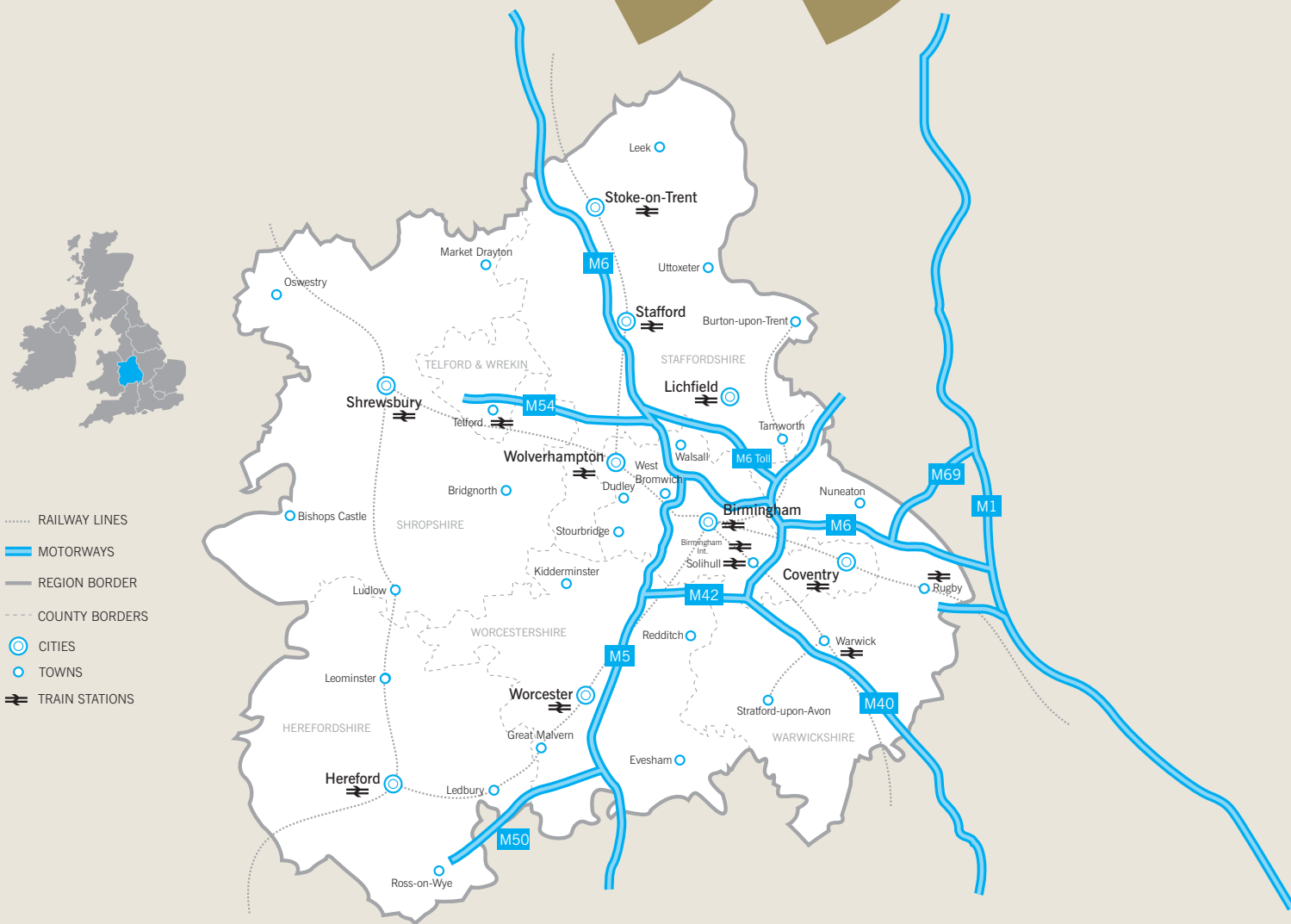
West Midlands Economic Strategy

Summary



The West Midlands Region
At the Heart of it all

The West Midlands of today is a
great place to invest, work,
learn, visit and live





Connecting to the UK

Infrastructure developments, such as the M6 Toll, put 75% of the UK population within a 5 hour drive

M6 Toll, Staffordshire

Foreword

The history of the West Midlands economy is one of reinvention and ingenuity, constantly adapting to changing circumstances and making the most from new opportunities. The West Midlands of today is a great place to invest, work, learn, visit and live. Located at the heart of the UK, the region contains fantastic diversity – in its businesses, its places and its people.

However, the region can and does need to do better to compete nationally and internationally. In 2005, output per head was 89% of the UK average. This equates to a £10 billion output gap – in other words, the region's economy would be £10 billion richer if our output per head were the same as the UK average.

The region also faces – and must play a part in responding to – the global challenge of climate change. It is not too late to take the necessary action to avoid its worst impacts. Moreover, the recent Stern Review¹ concluded that “tackling climate change is the pro-growth strategy for the longer term, and it can be done in a way that does not cap the aspirations for growth of rich or poor countries”.

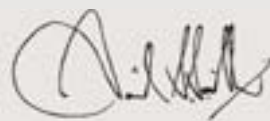
We have a strong base from which to build. The first West Midlands Economic Strategy, *Creating Advantage* (1999) set the direction for the economic development and regeneration of the region. It was strengthened and given greater focus in the Agenda for Action (2001). *Delivering Advantage* (2004) marked a further step forward. A great deal has been achieved since 1999, with partners across the region working together.

The process of developing *Connecting to Success*, the latest version of the Strategy, has been the most comprehensive and participative to date. It began with the building of a strong base of evidence to underpin the Strategy and has included two substantial phases of consultation, involving 12 major public consultation events across the region, numerous smaller meetings and almost 400 written consultation submissions.

Success, for the region, can only be achieved if we work together in partnership. Success will mean developing a vibrant business base, spread across our towns, cities and rural areas – providing opportunity that ensures all citizens in the region have the chance to participate in economic success. It will mean the West Midlands continuing to enhance its national and international reputation for the quality and diversity of its people and places – businesses and individuals will want to move here to participate in this renaissance. It will mean the West Midlands taking a leading role in the move towards a lower carbon economy – and setting standards that others will aspire to. We want partners from across the region to work together to achieve these aims.



Nick Paul,
Chair, Advantage West Midlands



Cllr David S Smith,
Chair, West Midlands Regional Assembly

¹The Economics of Climate Change, HM Treasury, Oct 2006.

Located at the heart of the UK, the region contains fantastic diversity – in its businesses, its places and its people



Connecting to the future

Birmingham is one of the UK's first city-wide wireless communication areas

Central Square – Brindleyplace, Birmingham

Summary

Vision

This Strategy sets an ambitious vision for the West Midlands:

'To be a global centre where people and businesses choose to connect.'

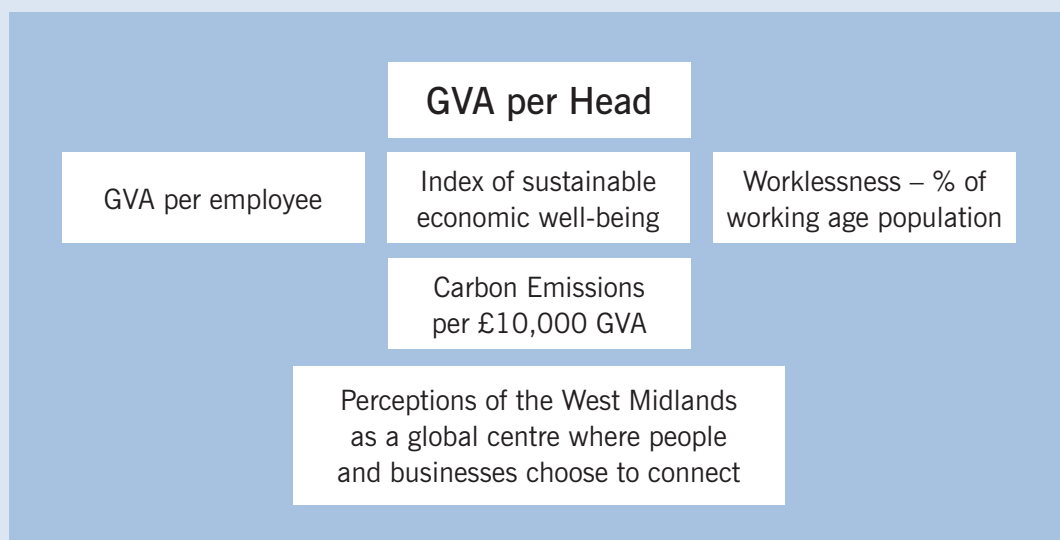
We want the West Midlands to maintain and enhance its attractiveness as a location in which people and businesses choose to invest, work, learn, visit and live. That means:

- Becoming a more prosperous region, but recognising that economic growth must support overall improvements in the quality of life and wellbeing of all the region's residents;
- Becoming a more cosmopolitan and inclusive region, making full use of the skills and talents of our people and ensuring equality of opportunity, across the region, in relation to the wealth and prosperity generated through continued economic growth;
- Becoming a more sustainable region, correctly valuing our natural, historic and cultural assets, seeking to minimise our use of the planet's resources and preparing for a low-carbon future.


We need to measure progress towards achieving our vision. Our headline focus is on closing the gap between the performance of the West Midlands and that of the UK as a whole. We will measure progress by tracking GVA² per head in the region compared with the UK average. If we performed at the UK average today, our economy would be around £10 billion richer. We want to close this 'output gap'.

But we do not seek economic growth at any cost. Growth must contribute to improvements in quality of life whilst respecting environmental limits. We have therefore identified five supplementary headline indicators, as shown in Figure 1 below.

Figure 1: Headline indicators of performance



²Gross Value Added, a measure of economic output.



To be a global centre where
people and businesses
choose to connect

Connecting to the wider world

Birmingham International Airport handles the highest proportion of business traffic in the UK, after London Heathrow

Birmingham International Airport, Solihull

Summary

The Challenge

To indicate the scale of our challenge, the following table (Figure 2) summarises the current performance of the West Midlands against each of the headline indicators. It compares the performance of the region with the English average and with the currently best-performing English region on each measure.

Figure 2: The headline indicators and the scale of the challenge

Indicator	West Midlands value	Gap with England average...		Gap with best performing region...		
		Comparator	Change needed	Region	Comparator	Change needed
GVA per head	£15,812	£17,677 ^a	Extra £10bn GVA ^b	South East ^c	£20,375	Extra £24.5bn GVA ^b
GVA per employee	£35,701	£39,816	Extra £9bn GVA ^d	East of England ^c	£44,589	Extra £21.1bn GVA ^d
% of working-age population who are “workless”	27.1%	25.7%	Extra 44,000 in work	South East	21.7%	Extra 173,000 in work
ISEW	£10,207	£10,682	n/a	South West	£12,595	n/a
Carbon emissions per £10k GVA	5.42	4.87	Reduce emissions by 4.72 million tonnes ^{3,e}	South East ^c	4.03	Reduce emissions by 11.83 million tonnes ^e
Perceptions	n/a	n/a	n/a	n/a	n/a	n/a

^aThis GVA figure relates to the UK, rather than the English average. The corresponding figure for England is £18,097.

^bAssuming no change in population. ^cLondon is actually the best-performing region on these measures, but given the role and nature of the capital city in the UK economy, it is felt that a comparison with the best-performing region excluding London is more appropriate. ^dAssuming no change in the number of employees. ^eAssuming no change in regional GVA.

³This is related to the Government’s overall carbon reduction goal for the region, set out in the West Midlands Regional Energy Strategy (2004), of a 60% reduction by 2050. This is stated as reducing the greenhouse gas equivalent of direct carbon emissions from 40 Mt of CO₂ to approximately 38 Mt by 2010, to 33 Mt by 2020 and to 17 Mt by 2050. It is also a subset of the ISEW, demonstrating how carbon reduction and other economic and social indicators contribute to overall wellbeing.

Context

The history of the West Midlands economy is one of reinvention and ingenuity, constantly adapting to changing circumstances and making the most of new opportunities. Half a century ago the region was one of the most prosperous in the country, experiencing rapid growth in population, output and employment. However, economic restructuring, market liberalisation and increasing globalisation have all impacted significantly upon the region's economy. Today, the West Midlands underperforms relative to national and international competitors. In 2005, output per head was 89% of the UK average. When scaled across the whole of the economy, this equates to a £10bn output gap – in other words, the region's economy would be £10bn richer if our output per head were the same as the UK average.

The region also needs to address the global challenge of climate change. The scientific evidence that climate change is occurring is overwhelming and widely accepted. However, it is not too late to take the necessary action to avoid its worst impacts. Indeed, the recent Stern Review⁴ concludes that 'tackling climate change is the pro-growth strategy for the longer term, and it can be done in a way that does not cap the aspirations for growth of rich or poor countries'. The West Midlands economy needs to be at the forefront of this sustainable growth path, reducing carbon emissions while at the same time increasing economic output and realising the associated business opportunities.

Research undertaken in the preparation of this Strategy concluded that 80% of the £10 billion output gap is attributable to the structure and productivity of the region's economy, while the remaining 20% can be accounted for by economic exclusion. Unemployment and economic inactivity varies significantly across the West Midlands, with particular areas (both urban and rural) experiencing concentrations of worklessness. Increasing the region's employment rate from 72.9% to the UK average of 74.1%⁵ would help address this 20% contribution to the region's output gap, both by increasing the output capacity of the West Midlands economy and by increasing demand for goods and services. It would also help address regeneration and social inclusion issues.

The remaining 80% of the output gap is due to a predominance of low productive sectors within the West Midlands economy (estimated to account for around one-third of the gap), and to generally low levels of productivity across the board. Structural causes of the output gap can be addressed by promoting diversification within the economy and encouraging new business formation in more high-value sectors. Addressing low productivity levels requires greater analysis of the main drivers of productivity – identified by HM Treasury⁶ as skills, enterprise, innovation, competition and investment.

While these drivers are all important and strongly interrelated, analysis concludes that low rates of innovation and a poor record on skills are the primary sources of the region's productivity challenge. The West Midlands performs poorly on levels of qualifications in the workforce, graduate retention, leadership and management, and work-based training, and ranks in the bottom quartile of regions on most skills indicators. There is weak demand for skills from businesses, particularly in relation to higher-level skills in private sector firms that are critical to the generation of added value in the region. The West Midlands also performs relatively poorly on some measures of innovation. Business investment in research & development as a share of output is falling relative to the UK average and the West Midlands is ranked 7th out of the nine English regions on this measure.

As well as current issues and factors influencing the region's economy, the WMES needs to consider the opportunities and challenges that will arise in future, particularly the impact of climate change; continuing globalisation and the need for the region to compete in the international market place; demographic change including an ageing workforce, international migration & increasing population diversity; and the continued march of technology, particularly information & communications technology.

⁴*The Economics of Climate Change*, HM Treasury, October 2006. ⁵Annual Population Survey, 2006.

⁶*Productivity in the UK Series*, HM Treasury.

Summary

Strategic Approach

The West Midlands economy is influenced by a complex range of interrelated factors. To address these factors, this Strategy focuses on the three main components of the economy – Business, Place and People.

- **Business** refers to the contribution that ‘businesses’ (a term used in its widest sense and including social enterprises and not-for-profit organisations) make to the productivity and growth of the regional economy, and to the demand for employment of the region’s workforce.
- **Place** focuses on the role of place in both attracting and enabling economic growth (i.e. high-quality locations and environments which encourage businesses and a highly skilled workforce); but also in dissuading or constraining economic activity (poor-quality environments can limit investment, reduce aspirations and lead to negative stereotyping).
- **People** refers to the contribution of the region’s population and their skills to the sustainable growth and increased productivity of the West Midlands economy; and to ensuring that everyone has the opportunity to develop to their full potential.

A successful and vibrant economy requires a balanced and strong contribution from all three components. It is impossible to influence the drivers of economic growth and achieve long-term prosperity without positive improvement in all three areas. A healthy and dynamic business base is essential to creating wealth and employment, but it is dependent upon a strong supply of high-quality human capital and consumers. Finally, neither businesses nor individuals will prosper unless the location where they are based meets their particular needs.

This Strategy is structured around these three main components of the economy – Business, Place and People, plus the need to provide a Powerful Voice for the region. The overall framework is summarised overleaf.

In common with other regions, the West Midlands faces a number of global challenges. These are:

- Climate change
- Continued globalisation
- Demographic change
- The march of technology

The West Midlands also faces a set of challenges that are more specific to the region. These relate to:

- Skills
- Enterprise
- Innovation
- Economic inclusion
- Transport

These challenges are a core focus of this Strategy. Its development has also been underpinned by three underlying principles, which we have sought to embed across the Strategy:

- Pursuing equality, reaping the benefits of diversity
- Valuing the natural environment
- Supporting urban and rural renaissance

Business	Place	People
<p>Seizing market opportunities</p> <ul style="list-style-type: none"> • Developing markets and sectors with the most wealth and employment potential • Creating economically sustainable new businesses • Competing in the global economy • Capitalising on sustainability and low-carbon opportunities 	<p>Increasing Birmingham's competitiveness</p> <ul style="list-style-type: none"> • Birmingham competing as a global city 	<p>Sustainable living</p> <ul style="list-style-type: none"> • Changing attitudes to sustainability and consumption
<p>Improving competitiveness</p> <ul style="list-style-type: none"> • Investing in business processes and enterprise • Stimulating employer investment in skills and training 	<p>Improving infrastructure</p> <ul style="list-style-type: none"> • Improving transport & communications to increase accessibility, efficiency & competitiveness • Supporting a secure, low-carbon energy infrastructure for the region • Sustainable management & utilisation of our land & property assets 	<p>Raising ambitions and aspirations</p> <ul style="list-style-type: none"> • Raising aspirations of leaders and managers • Driving up ambition and aspiration
<p>Harnessing knowledge</p> <ul style="list-style-type: none"> • Investing in high-value skills for the future economy • Stimulating innovation, creativity and knowledge generation 	<p>Sustainable communities</p> <ul style="list-style-type: none"> • Developing sustainable communities • Regenerating our most deprived communities • Maximising our cultural offer and natural assets 	<p>Achieving full potential & opportunities for all</p> <ul style="list-style-type: none"> • Skills for employment and enterprise • Defining employability
<p>Powerful voice</p>		
<p>Powerful voice for the West Midlands</p>		
<ul style="list-style-type: none"> • Improving the evidence base for policy 	<ul style="list-style-type: none"> • Engaging with UK, European & international decision-makers 	<ul style="list-style-type: none"> • Position the West Midlands as a global centre where people and businesses choose to connect

Summary

Summary of Strategic Objectives

The objectives of the Strategy under each of the four main themes: Business, Place, People and Powerful Voice are summarised in the following tables.

Business

Seizing market opportunities

In order to increase regional wealth, businesses in the West Midlands need to keep winning profitable orders. This means increasing the region's penetration of existing, attractive markets and capturing share of developing, growth and high-value markets. The region must build upon existing strengths, in its businesses and its people, and focus on areas where it can develop or maintain a distinctive competitive position. It needs to increase businesses' engagement in global markets in order to drive up their competitiveness and provide wider opportunities. The West Midlands must step up its performance in developing new products and services, implementing new processes, generating new businesses, and developing entrepreneurial business leaders. The public sector must support these goals through high-quality services.

Improving competitiveness

Productivity performance, measured by GVA per employee, is low in the West Midlands compared with the UK average and the most prosperous regions of Europe. For the West Midlands to grow its economy at a faster rate than the UK average, businesses will need to continuously improve their competitiveness, productivity, market profile and local supply chain linkages so they can take advantage of new product and market opportunities. Regional partners must create the right operating environment which provides access to appropriate financial and human resources as well as customers, suppliers and associated support.

Harnessing knowledge

The UK and West Midlands economies need to maximise their use of knowledge and creativity in order to compete in new global markets. The region must harness and grow our diverse knowledge assets and the competitive advantage tied up in the skills and attitudes of our people. West Midlands universities, with their complementary research, training and knowledge transfer skills, are well positioned to support these objectives and must develop an even greater focus on businesses' commercial needs.

Place

Increasing Birmingham's competitiveness

Birmingham, and its surrounding urban area, is a key driver of the West Midlands economy with a concentration of economically significant assets (such as universities, an internationally recognised financial and business services sector, and internationally recognised business tourism attractions). This agglomeration of assets, including major transport interchanges, brings people not just to the city, but to the West Midlands as a whole and opens up international markets in which the whole of the region can compete. It therefore plays an important role in shaping the perception of the region as a gateway for visitors, investors, business and potential new residents. We need to support the ongoing development of Birmingham to ensure that it remains economically competitive. We also need to promote Birmingham in its role as both a regional capital and a global city, and support its desire to be a resource-efficient and low-carbon economy capable of taking advantage of, and resilient to, climate change.

Improving infrastructure

Competitive regional economies require a comprehensive portfolio of infrastructure to support economic growth, which must be invested in and continuously improved to maintain competitiveness. Provision of transport, housing, land and property, and encouraging the use of technology, must be aligned with the economic needs of the region while recognising the need to meet the growing environmental challenge. More effective management and use of our infrastructure, including both transport and ICT, as well as more efficient use of resources including our natural environment, water and energy, is therefore key to ensuring that the region remains a competitive place to visit, live, work and do business.

Sustainable communities

Successful, thriving and growing economies require a network of high-quality sustainable urban and rural communities which attract and retain a diverse and thriving workforce, encourage enterprise, provide access to services and are designed to the highest quality.

Summary

People

Sustainable living

Long-term shifts in the region's environmental impact must be driven by changes in underlying patterns of consumption and demand. Changes in patterns of travel, waste production, energy use and overall consumption will encourage businesses to adapt their methods and stimulate the supply of lower-impact goods and services.

Raising ambitions and aspirations

To become a higher value added, more inclusive, region we need to create a more positive attitude to work and a stronger culture of life-long learning and continuous development among all the people of the West Midlands. This involves raising the aspirations of people at all skill levels, in and out of work from cradle to grave. This change has to be driven by inspirational leaders, and by the removal of barriers to investment in skills, employment and continuous development leading to a general rise in aspirations and ambitions.

Achieving full potential and opportunities for all

Raise the skill levels of all to increase employment opportunities and to meet demand for higher-level skills in the workplace, by providing better information and intelligence about the current and future skills needs of employers and better access to appropriate training at work and in local communities.

Powerful Voice

Powerful voice for the West Midlands

The West Midlands' prosperity and growth requires articulate and convincing advocacy of its needs, challenges and priorities. With a strong voice and a compelling evidence base, the region can attract increased investment, stimulate greater levels of ambition and animate support for its economic vision.

Focus & Delivery

This Strategy is intended to deliver sustainable economic development and growth in the West Midlands. This will be pursued by maximising the outcomes we can achieve within the constraints of the resources we have available. Prioritisation is therefore essential. While many of our proposed interventions will have a regional approach and impact, a significant number require targeting at a more local level to ensure the effective use of resources.

It is important that this targeting and prioritisation aligns closely with the West Midlands Regional Spatial Strategy. The West Midlands Economic Strategy will therefore target its spatial interventions on three primary areas. These are:

- 1. Areas of multiple market failure** – the Regeneration Zones which represent concentrations of deprivation and disadvantage within the region; the areas of greatest need and market failure;
- 2. Concentrations of knowledge assets** – including the High Technology Corridors, these represent agglomerations of innovative potential to support the diversification of our economy into higher value added sectors;
- 3. Birmingham** – as the major economic driver within the West Midlands economy, Birmingham hosts an agglomeration of essential economic assets and adds value to external perceptions as both a representative image, and a gateway to the region as a whole.

It is important to stress that this Strategy is not just about targeting those areas of need that we can identify now, or just the needs of our most deprived and disadvantaged areas. It is about ensuring the prosperity of all our cities, towns and rural areas and the region as a whole. This Strategy will therefore also focus more limited resources on a number of other settlements and locations. Again, these are designed to complement the spatial hierarchy set out in the West Midlands Regional Spatial Strategy. They are:

- **Market towns** – which, throughout the region, act as important centres within our rural economies
- **Locations facing economic change or responding to opportunity** – allowing the Strategy to respond flexibly, as and when required, to the exceptional challenges and opportunities that the region may face.

This Strategy can only be delivered in partnership. The region has a strong record in developing effective partnerships at the regional, sub-regional and local level. All of these will have a vital role to play in ensuring the success of this Strategy and the achievement of our vision. A Delivery Framework accompanies this Strategy, providing further detail on how it will be delivered.

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