



# 2014 Local Economic Assessment for Birmingham

December 2014

Economic Research & Policy  
Economy Directorate



## Foreword



**Birmingham is a growing city with a population of over one million and an economic output of over £21 billion per annum. It is the regional capital and the second largest UK city. Birmingham is a vibrant and thriving place to live, work, visit and do business in.**

With this context in mind, welcome to the 2014 update of Birmingham's Local Economic Assessment, something which was first undertaken in 2011. The assessment sets out to present a clear and comprehensive analysis of Birmingham's economy and labour market, focussing on its current state and how this may change and develop in the future. The assessment provides a detailed evidence base to inform the development of economic policy in Birmingham, and contributes to the economic evidence base for the Greater Birmingham and Solihull Local Enterprise Partnership.

The Local Democracy, Economic Development and Construction (LDEDC) Act 2009 placed a new duty on county councils and unitary district councils to prepare an assessment of the economic conditions of their area. While the guidance for this duty has subsequently been rescinded by Government, this assessment has been prepared in light of the core objectives set out in the guidance; to:

Provide a sound understanding of the economic conditions in the area and how they affect the well-being of residents and businesses.

Identify the economic linkages between the area assessed and the wider economy.

Identify the comparative strengths and weaknesses of the local economy and the nature and form of local economic challenges and opportunities.

Identify the constraints to local economic growth and employment and the risks to delivering sustainable economic growth.

This assessment has been produced by the Economic Research & Policy team, which is part of the Economy Directorate of Birmingham City Council.

I hope you find it both informative and useful.

**Mark Rogers**

**Chief Executive**

**Birmingham City Council**



## Introduction

Birmingham has both a young and diverse population, 38% of the population are under 25 resulting in Birmingham having the youngest population of any major European city. The city is also very diverse with 42% of the population being from a BME background, reflecting the city's rich and varied religious and cultural heritage.

Birmingham has a growing reputation internationally as a city, offering world-class business and cultural facilities. The city is at the heart of the West Midlands region and is the regional centre of business, retail, leisure and culture. Birmingham is a driver of the regional economy, with an economic output of over £21bn, which accounts for 21.5% of total output in the region. Birmingham is a major centre of employment with half a million people employed in the city. A large number of these jobs (around 190,000) are taken by in-commuters from outside the city.

Over recent decades the city has undergone a huge physical transformation with large areas of the city being regenerated. This has enabled Birmingham to develop into a modern internationally recognised location for commerce with a thriving business, retail and leisure offer.

The city boasts the largest concentration of businesses outside London home to over 30,000 companies including almost 900 international firms such as Jaguar Land Rover, Cadbury, Amey and Deutsche Bank. Whilst proudly maintaining its heritage as a centre for manufacturing the city has seen rapid growth in high value added sectors like financial and professional services and is an internationally recognised conference destination.

Birmingham is at the heart of the national road and rail network enabling excellent access to the UK market with over 90% of customers and businesses in the UK within a four hour drive of the city. Through Birmingham airport the city also has air connections to key markets in Europe, North America and Asia.

Nearly £1bn of investment in transport infrastructure will provide improved access for business as well as ease of movement for residents and visitors.

This investment includes:

- £600m investment in New Street Station creating a 21st century transport hub for Birmingham and the region
- £130m extension of the Metro network to New Street Station.
- £200m expansion of Birmingham Airport,

The planned development of HS2 will also link the city directly into Europe's high speed rail network and cut journey times to London to 49 minutes.



# Birmingham Key Facts



**£20.1  
BILLION  
GVA**



**OVER 1 MILLION  
PEOPLE**



**500,000  
Employed  
in City**



**HOME TO 691 INTERNATIONAL FIRMS**



**190,000  
In  
Commuters**

## **BIRMINGHAM KEY FACTS**



**31,000  
Active  
Businesses**



**WM Regional  
Exports 2013/14**

**£28.7  
BILLION**



**2013/14**

**F D I**

**€ \$ ¥**

**37 Projects**

**3,000+ Jobs**



**173,300**

**PEOPLE OF  
WORKING AGE WITH  
A DEGREE**

## Contents

<b>Executive Summary</b>	<b>8</b>
<b>1. Business</b>	<b>12</b>
1.1. Context	13
1.2. Economic Output	13
1.3. Structure of the Local Economy	14
1.4. Recession & Recovery	17
1.5. Competitiveness & Growth	22
1.6. Innovation	32
1.7. Sustainable Economic Growth	35
1.8. Enterprise	37
<b>2. Place</b>	<b>40</b>
2.1. Introduction	41
2.2. Functional Economic Geography	41
2.3. Commuting Patterns	44
2.4. Other Economic & Strategic Linkages	51
<b>3. People</b>	<b>60</b>
3.1. Introduction	61
3.2. Demography	61
3.3. Skills & Qualifications	64
3.4. The Labour Market & Economic Inclusion	71
3.5. Income & Deprivation	78

## Live Data & Useful Links

This assessment is based on analysis of key economic and labour market datasets, which are updated on an annual, quarterly or monthly basis. We have therefore provided live links to regularly updated publications on our website, to allow the most up-to-date data to be easily accessed. Thus enabling the key message from the LEA to be placed in the context of the latest developments .

### Business

[GVA](#) —updated annually

[Workplace Employment](#) —updated annually

[Business Statistics](#)— updated annually

### Place

[Constituency Profiles](#)—updated in 2015

### People

[Resident Employment](#) -updated annually

[Average Earnings](#) —updated annually

[Unemployment](#) —updated monthly

[Youth Unemployment](#) —updated quarterly

[Unemployment by Ethnicity](#) —updated quarterly

### Useful Links

[Business Birmingham](#) Birmingham's inward investment service offering information and advice to businesses looking to relocate to the City .

[Business Support](#) - links to a range of business support initiatives and services offered by the City Council

[Regeneration in Birmingham](#) - details of all the city's regeneration initiatives

[Greater Birmingham & Solihull LEP](#) - a partnership of businesses, local authorities and universities which supports private sector growth and job creation.

# Executive Summary

## Why a Local Economic Assessment?

The Local Economic Assessment provides an economic evidence base for the City, to facilitate the development of evidence based policies and strategies to meet the economic and labour market priorities for the City and its residents. This assessment has been prepared in order to present a clear, coherent and objective analysis of the local economy and labour market focussing on the current state of the city's economy and how the economy and labour market may change and develop in the future.

The assessment has been carried out under the themes of Business, Place and People.

## 1. Business

Birmingham is the largest city economy in the UK outside of London, the regional centre of business, retail, leisure and culture – acting as a regional hub for employment with half a million people working in the city.

The stock of active business in the city increased by 480 between 2011 and 2012 (+1.6%) to stand at 30,850, Birmingham accounts for 16.5% of all active businesses in the region and 48.5% of business in the GBSLEP, highlighting the city's position as a key economic driver.

Birmingham has a growing reputation as an international business location and the city economy performs well on a number of measures. Economic output totalled £21.2bn in 2012 which accounted for 21% of the total economic output in the West Midlands.

On a sectoral basis the public sector is the largest employer in the city accounting for a third of employment in the city. The financial and professional services sector is the largest in terms of economic output contributing around a third of the city's GVA.

The local economy has been hit hard by the 2008-09 recession and the recovery has this far been relatively fragile. Real GVA in the city fell sharply during the recession and despite the subsequent recovery it has still (using 2012 data) to return to pre-recession levels. Comparative measures of economic output like GVA per head and per worker show that the city underperforms the national average and several of the other core cities. The relative decline in economic output and employment growth in the city compared to other areas is a trend that had begun in the decade prior to the recession.

Economic forecasts for the period to 2030 show that economic output in the city is forecast to grow by around 2.5% per annum from 2015 a relatively healthy rate of growth but below the national rate of around 3% and that of other cities like Bristol, Leeds and Manchester. Employment forecasts estimate that the pre-recession employment peak will be reached and surpassed in 2019, as with economic output employment growth in the city is forecast to be weaker than the UK average and that achieved in other major cities.

Birmingham has a significant advantage compared to most other areas of the UK due to its geographical position which means that it is

within four hours travel time of 90% of the UK's population and business. The city is situated at the heart of the UK's motorway and rail network, with Birmingham Airport, the third busiest UK airport outside of London and the South East. The city's good physical connectivity brings significant growth opportunities for the local economy, enhanced by recent investment decisions in relation to High Speed Rail, city centre Metro, New Street Gateway and Birmingham Airport – which will further enhance national and international connectivity.

The City also benefits from a strong competitive offer in relation to its innovation assets and networks, the city is home to three universities with renowned research facilities in a variety of areas, including low carbon fuel technology, engineering, medical sciences and creative industries.

Research has shown the Greater Birmingham area has a competitive offer in the following sectors – both in terms of inward investment and indigenous growth:

- Advanced engineering – automotive and aerospace
- Business, financial and professional services
- ICT & Digital Media
- Life Sciences
- Food and Drink

The local economy has been very successful in recent years in attracting inward investment to the area. In 2013/14 the Greater Birmingham area saw more foreign direct investment (FDI) projects than any other area. The region has also seen strong export growth since emerging from recession with the West Midlands exporting more than any other region apart from the South East in Q2 2014.

## 2. Place

Birmingham is the regional capital and as such is the regional centre for commerce and industry, shopping and other leisure and cultural activities. Birmingham is also at the heart of the national road and rail network and is a public transport hub for the region. The city is also a centre for higher education and associated R&D based at the cities universities.

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

The strong labour market linkages across the area are demonstrated by the fact that 90% of employed residents of the functional economic area work within the area. Birmingham provides a large amount of employment for residents of other areas - being a net importer of 112,000 employees – many of which are in high skilled occupations.

Birmingham's labour market links are particularly strong with Solihull, Sandwell, Walsall, Tamworth, Dudley, Bromsgrove and Lichfield. Both in terms of providing employment for residents of these areas within the city and in terms of Birmingham residents commuting to these areas for work.

When placed alongside Birmingham's relatively low employment rate the high level of in-commuters suggests a degree of disjoints in the local labour market between residents' skill levels and jobs based in Birmingham.

Birmingham's residents also work, shop and make use of leisure, cultural and other facilities and institutions in the surrounding areas. The city therefore has strong economic and strategic linkages extending to and from the surrounding conurbation and wider region.

These linkages include an established local supply chain for a number of key industries in both the manufacturing and service sector. The local supply chain for these industries in turn forms an important part of the national supply chain with the automotive supply chain a particularly strong example of this.

The area is set to see several major infrastructure investments in the coming years which will further serve to enhance strategic linkages across the functional economic area:

- HS2 - 50,000 jobs £4bn GVA
- New St Gateway - 3,000 jobs £3bn GVA
- Metro Extension - 1,500 jobs £50m GVA
- Birmingham Airport Runway Extension - 19,000 jobs £800m GVA

### 3. People

Birmingham has a population of just over one million. The city has a relatively youthful age structure, and a large and diverse BME population, with 40% of working age residents being from an ethnic minority. Population projections suggest that Birmingham's working age population is expected to grow by more than 43,000 between 2011 and 2021.

When compared with the UK and the core cities Birmingham has a relatively low proportion of highly skilled residents and a high proportion of its working age population with no formal qualifications. There are large differences between qualification levels of residents from different parts of the city and between different ethnic groups.

GCSE attainment levels in the city have undergone a huge improvement over the past decade and are now similar to the national average. However, the improvement in GCSE

attainment has yet to pass through to an improvement in overall working age qualification levels.

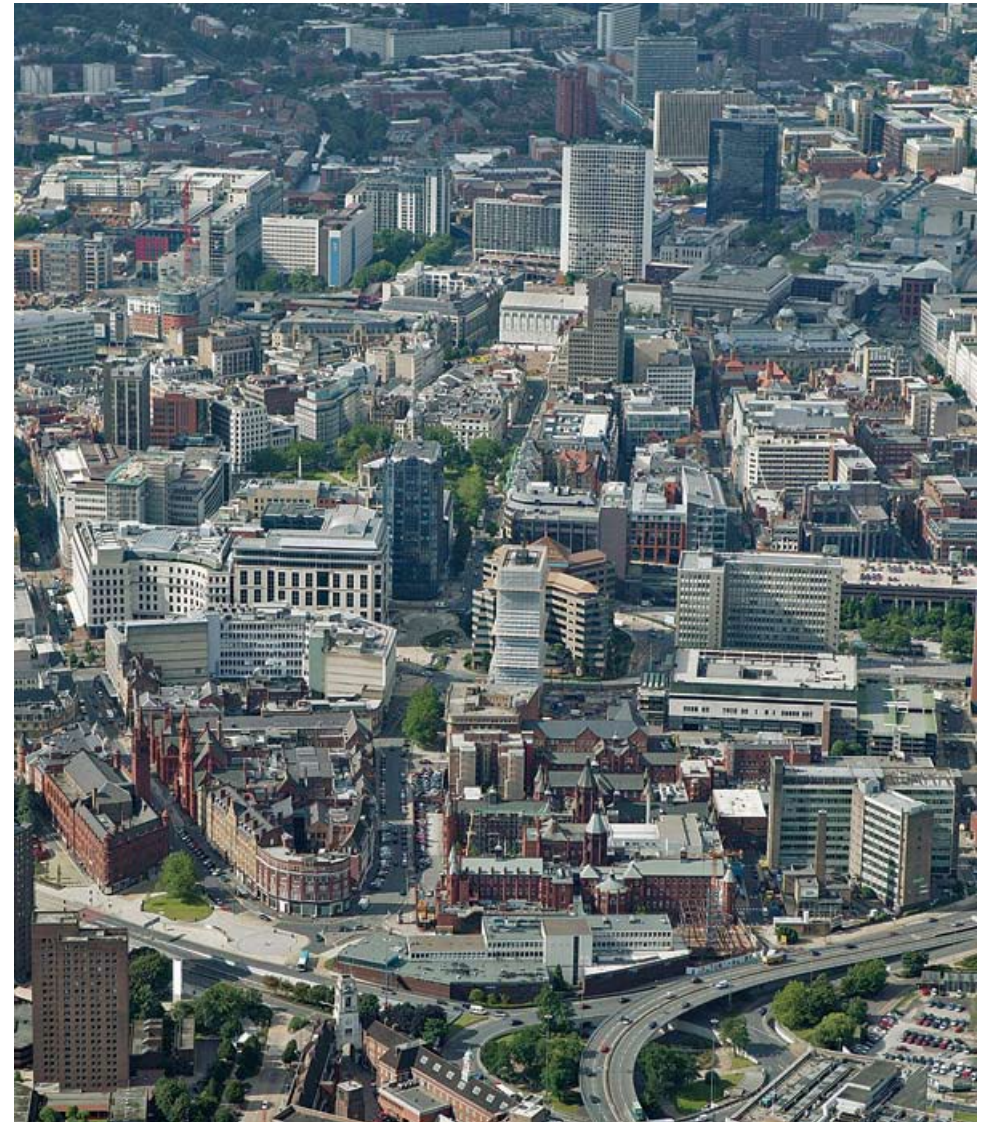
The available evidence seems to suggest that there is a 'skill gap' in the city, with the working age resident population of the city not holding the necessary skills to fully meet the skills requirements of employers in the city. This manifests itself in Birmingham being a large importer of workers from outside the city.

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

The city has a high youth unemployment rate and BME unemployment in Birmingham is significantly higher than for the White population.

Birmingham has lower resident earnings levels than the national average and within the city there is large variation in average household income and deprivation levels.

In Birmingham there is a clear link between, qualifications & skills, economic activity & employment, unemployment and deprivation levels. Those areas of the city that do poorly in relation to one of the factors are also likely to do poorly in relation to the others, with the inner city and some outer city estates consistently being the areas that perform less well.



# 1. Business

## Summary

Birmingham is the largest city economy in the UK outside of London, the regional centre of business, retail, leisure and culture – acting as a regional hub for employment with half a million people working in the city.

Birmingham accounts for 16.5% of all active businesses in the region and 48.5% of business in the GBSLEP, highlighting the city's position as a key economic driver.

Economic output in the city totalled £21.2bn in 2012 which accounted for 21% of the total economic output in the West Midlands region.

On a sectoral basis the public sector is the largest employer accounting for a third of employment in the city. The financial and professional services sector is the largest in terms of economic output contributing around a third of the city's GVA.

The local economy has been hit hard by the 2008-09 recession and the recovery has thus far been relatively fragile. Comparative measures of economic output like GVA per head and per worker show that the city underperforms the national average and several of the other core cities. The relative decline in economic output and employment growth in the city compared to other areas is a trend that had begun in the decade prior to the recession.

Economic Forecasts for the period to 2030 shows that economic output in the city is forecast to grow by around 2.5% per annum from 2015 a relatively healthy rate of growth but below the national rate of around 3% and that of other cities like Bristol, Leeds and Manchester. Employment forecasts estimate that the pre-recession employment peak will be reached and surpassed in 2019, as with economic output employment growth in the city is forecast to be weaker than the UK average and that achieved in other major cities.

The city's good physical connectivity brings significant growth opportunities for the local economy, enhanced by recent investment decisions in relation to High Speed Rail, city centre Metro, New Street Gateway and Birmingham Airport – which will further enhance national and international connectivity.

Birmingham also benefits from a strong competitive offer in relation to its innovation assets and networks, the city is home to three universities with renowned research facilities in a variety of areas.

Research has shown the Greater Birmingham area has a competitive offer in the following sectors – both in terms of inward investment and indigenous growth:

### Growth Sectors

- **Advanced engineering – automotive and aerospace**
- **Business, financial and professional services**
- **ICT & Digital Media**
- **Life Sciences**
- **Food and Drink**

The local economy has been very successful in recent years in attracting inward investment to the area. In 2013/14 the Greater Birmingham area saw more FDI projects than any other area. The region has also seen strong export growth since emerging from recession with the West Midlands exporting more than any other region apart from the South East in Q2 2014.

## 1.1 Context

Birmingham is at the heart of the West Midlands region and is the regional centre of business, retail, leisure and culture. Birmingham is a regional hub for employment with around half a million people working in the city. This results in Birmingham providing employment for over 190,000 in-commuters from outside the city. As the regional centre for commerce and industry, Birmingham also provides a significant proportion of the higher paid employment in the region.

Birmingham is the largest city economy in the UK outside of London and is a major retail centre and second only to London in terms of retail spend. The city is also a significant centre for tourism, in the Office for National Statistics *Travel Trends*, Birmingham was the 4<sup>th</sup> most visited city in the UK in 2013.

Birmingham has a growing reputation as an international business location and the city economy performs well on a number of measures. However the city has been hit hard by the 2008-09 recession and the recovery has thus far been subdued.

This section of the Local Economic Assessment will examine Birmingham's economy in detail – investigating its structure and economic performance, as well as issues around enterprise, competitiveness and innovation. It will also look at the future outlook for the local economy and labour market focussing on forecasts for economic and employment growth, sector prospects and the likely change in occupational structure and the impact this will have on skill requirements.

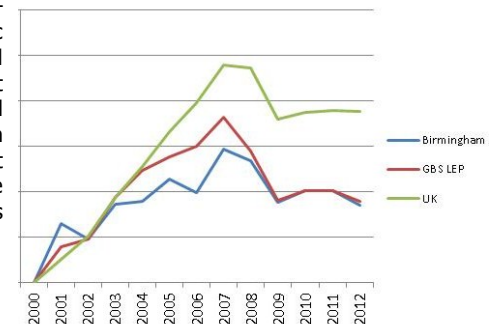


## 1.2 Economic Output

Birmingham's economic output totalled £21.2bn in 2012 which accounted for 21% of the total economic output in the West Midlands region. Real GVA in the city fell sharply during the recession and despite the subsequent recovery it has still to return to pre-recession levels. Indexed real GVA is shown in the chart below to allow comparisons of Birmingham's performance with the wider GBSLEP and the UK. All areas have seen broadly similar patterns (albeit with Birmingham underperforming in comparison to the UK as a whole) with a sharp decline in output during the recession followed by a muted recovery which stalled to a degree in 2012.

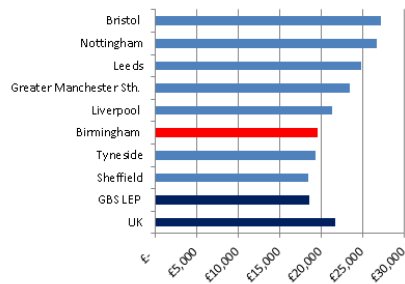
More up to date economic output data which is available at a national level indicates that the recovery picked up momentum during the course of 2013 (UK output +1.9%) this should be reflected in the local economy to some degree though national output growth is being driven by growth in London and the South East.

Chart 1.1 Indexed GVA 2000-2012



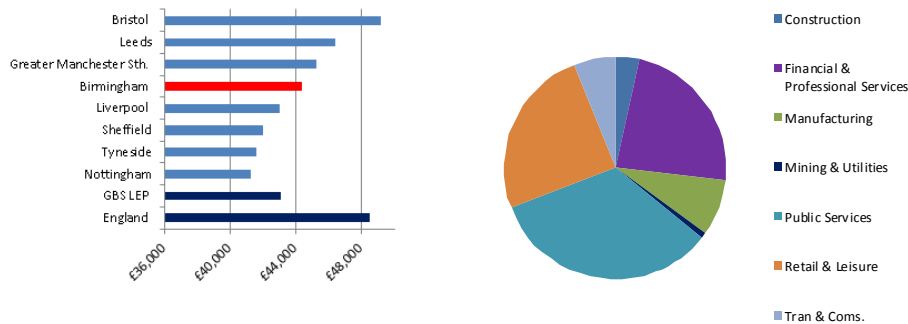
If we focus on some comparative measures of GVA like GVA per head and GVA per worker we can see that the city underperforms the national average and some other core cities. Chart 1.2 shows that in 2012 the city has a lower GVA per head (£19,253) than the UK as a whole (£21,541). Birmingham is also amongst the lower ranking core cities on this measure.

**Chart 1.2: 2012 GVA per head– Core Cities**



In Chart 1.3 below we focus on GVA per worker - a proxy measure of productivity. The chart shows a more positive picture to that of GVA per head shown above with Birmingham performing a little better in relation to the core cities on this measure.

**Chart 1.3: 2012 GVA per worker – Core Cities**



### 1.3 Structure of the Local Economy

#### 1.3.1. Employment Structure

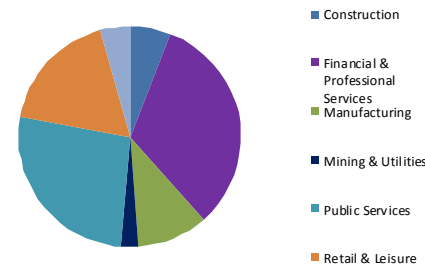
Chart 1.4 below uses the latest official workplace based employment data from the 2013 Business Register and Employment Survey (BRES) to show the employment structure in Birmingham by broad industrial sector. The chart shows that the public sector is the largest sector in Birmingham – accounting for around one third of all employment in the city (33.4% compared to 26.5% nationally). The next two largest sectors in terms of employment are Retail & Leisure (24.8%) and Financial & Professional Services (23.2%).

**Chart 1.4: Birmingham Employment Structure 2013**

#### 1.3.2. Economic Structure

Chart 1.5 below uses modelled economic output data from the Local Economic Forecasting Model (LEFM) by sector in the city for 2013 to highlight the relative size of the sectors within the local economy by output rather than employment. The chart shows that in terms of economic output Financial & Professional Services is the largest sector accounting for a third of economic output (32.5%) in the city, with the public sector the next largest contributor with 26.7%.

**Chart 1.5: Birmingham Economic Output Structure**



#### 1.3.3. Key Companies

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 hosts a large number of financial and professional services companies focused around Brindleyplace and Colmore Row including: Deutsche Bank; Royal Bank of Scotland; Wesleyan; KPMG; PwC, Deloitte and EY.

Birmingham has a strong legal services presence, with the Birmingham Law Society the largest in the UK and key companies including Wragge Lawrence Graham & Co., Pinsent Mason, DLA Piper, Eversheds, Squire Patton Boggs, SGH Martineau and Shoosmiths.

#### Sector Specialisms

Location Quotients (LQs) are a way of identifying the concentration of economic activity in a given area. If we calculate employment LQs for broad sectors in Birmingham compared to Great Britain we can see that Birmingham has a greater specialisation than nationally in the following sectors:

- Financial and insurance activities
- Public administration and defence; compulsory social security
- Human health and social work activities
- Education

This reflects Birmingham's position as one of the leading financial centres in the country outside London but also the city's over reliance on the public sector to provide employment.

If we look at a more detailed sector breakdown we can see that Birmingham has a much greater specialisation than nationally in the following industries.

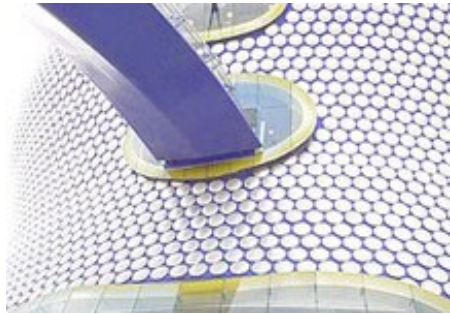
- Jewellery manufacture
- Automotive
- Activities auxiliary to insurance and pension funding
- Legal activities

As well as the above Birmingham also specialises in the manufacture of various other products including metal forging and medical instruments.



The city also host the headquarters of Europe's largest independent IT group, SCC, based in Sparkhill to the south east of the city centre.

The city centre is also home to a strong retail offer including Debenhams, Selfridges and Harvey Nicholls. This is set to be boosted further with the arrival of John Lewis in the city as the anchor for the Grand Central Birmingham development opening in 2015. The city is ranked as one of the top retail destinations in the UK behind London's West End and Glasgow.



Areas directly adjacent to the city centre continue to host a large number of engineering and manufacturing firms, alongside a range of creative industries businesses.

The Jewellery Quarter is home to over 400 jewellery businesses that continue to produce around 40% of the UK's jewellery, whilst Digbeth has seen a significant development of media and creative businesses, including award-winning media production companies such as Maverick TV.

There continues to be a strong manufacturing presence across the city, partly reflecting both the legacy of major automotive companies no longer in the city such as MG Rover and LDV and the continued presence of firms such as Jaguar Land Rover with a site in Castle Bromwich and one nearby in Solihull.

There are particular concentrations of engineering and metals-based companies in eastern areas such as Heartlands, Bromford and Tyseley and Aston to the north west of the city centre, whilst Bournville in south Birmingham has food manufacturer Cadbury.

Other significant manufacturing businesses in the city include; aluminium-manufacturer Alcoa in Kitts Green; aerospace-supplier Timet in Witton; TRW Automotive in Perry Barr; GKN and Goodyear Dunlop in Erdington and Sertec Group in Coleshill near Birmingham. The city's manufacturers also form part of the supply chain for other significant regional manufacturers like JCB and the BMW engine plant at Hams Hall.

The city's ethnic diversity has also encouraged the growth of some key Asian and Afro-Caribbean businesses, including the UK's leading supplier of Chinese and Oriental food, Wing Yip; East End Foods and Cleone Foods. The city is also home to the headquarters of the Islamic Bank of Britain (the first standalone Islamic retail bank in the UK).

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 University of Birmingham (amongst the global top 100 universities). In addition there are a range of smaller public sector bodies e.g. the Gambling Commission, OFWAT and the Criminal Cases Review Commission located in the city.

Birmingham is also a centre for business and leisure tourism and is a well established conference city boasting world-class facilities such as the International Convention Centre (ICC) and the NEC. The city has a diverse cultural offer and has developed a vibrant entertainment and cultural scene. Birmingham has also seen its creative industries sector grow significantly in size and importance in recent years.

## 1.4 Recession & Recovery

This section looks at how employment and economic output in the city have been affected by the recession and to what extent the local economy has recovered.

### 1.4.1. Pre-Recession Trends

In order to place the events of 2008 onwards into context it is useful to briefly look at the performance of the Birmingham economy in the decade prior to the beginning of the recession. Whilst the narrative at a national level is that this was a time of economic boom the reality in Birmingham during this period was somewhat different.

Steady economic growth was achieved during this decade but real GVA in the city grew at an average rate of around 2% per annum compared to 3% per annum for the UK.

Total employment grew in Birmingham between 1998 and 2008 (+3.2%) but at a much more modest rate than nationally (+9.2%) and across the core cities as a whole (+9.0%). Employment growth in the city was driven by growth in the public sector with private sector employment in Birmingham declining by over 31,000 (-8.7%) during this period.



The fall in private sector employment was largely driven by a large fall in manufacturing employment (-50,000) in the city, as the local economy experienced the latter phases of structural readjustment, resulting in the closure

of major employers such as MG Rover, LDV and Alstrom. The city also saw a slowing in the previously strong pace of growth in financial and business services sector. Birmingham's poor record on private sector employment growth in the period prior to the recession was in contrast to strong growth in the private sector nationally and in other core cities. It also meant the city was over reliant on the public sector and was harder hit by the government's austerity programme from 2010 onwards.

### 1.4.2. Employment & Economic Output in Recession & Recovery

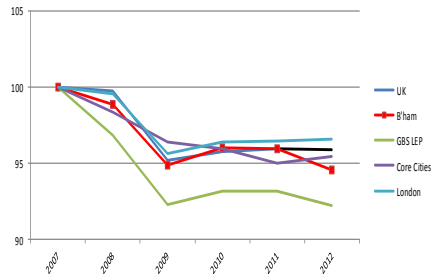
The 2008-09 recession saw employment and economic output in the city contract sharply. From the pre-recession peak in 2007 to the trough in 2009 the city lost around 40,000 jobs or approximately 7% of total employment. Over the same period around £1billion of economic output was lost, approximately 5% of Birmingham's total GVA. Both employment and economic output suffered larger percentage falls in Birmingham than they did overall nationally highlighting that the city was hit disproportionately harder during the downturn.

At a local level official GVA is only available up to 2012 so the full impact of the recovery which has strengthened in 2013 is yet to be reported in the available local data. This section will therefore focus on the recovery to 2012 and look at some modelled data to give an indication of what performance will have been in 2013 and what the shape of the recovery is forecast to be in the medium term.

Official GVA data provided by the ONS shows that the economy has recovered from the low point reached in 2009 but despite growing in 2010 and 2011 that economic output in the city is still below the pre-recession peak and fell marginally in 2012 as the recovery stalled. Chart 1.6 overleaf shows indexed real GVA growth for Birmingham with UK and core city comparisons. The chart shows that the city has seen a sharper contraction in economic output than that experienced nationally and in other major cities.

A breakdown of economic output by sector from the LEFM indicates that a decline in manufacturing and the retail & leisure sectors were the main contributors to the overall fall in economic output in the city during this period.

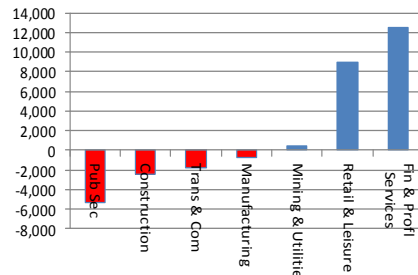
**Chart 1.6 Indexed GVA 2007-2012 Core Cities**



Workplace based employment (jobs based in the city) has also been hit hard by the recent recession and the latest data available for 2013 shows that despite employment recovering from the trough reached at the height of the recession it has yet to recover to its pre-recession peak. Employment in Birmingham reached its lowest level in 2010, since then it has recovered with overall employment growing by 20,100 between 2010 and 2013. This has been the result of growth in private sector employment in the city which has increased by 25,400 between 2010 and 2013 off-setting the -5,400 fall in public sector employment in the city.

Chart 1.7 looks at the change in employment by sector between 2010 and 2013; public services shows the largest decline followed by construction with transport & communications and manufacturing also seeing employment fail to recover. The sectors demonstrating the strongest growth in employment were financial & professional services and retail & leisure.

**Chart 1.7: Employment Change by Sector 2010-2013**



**Private Sector Employment Growth**

Whilst overall employment growth has thus far been subdued mainly due to a shakeout in public sector employment the city has performed well on generating private sector jobs during the recovery with 25,400 jobs created between 2010-2013. A recent study by the Centre for Cities, *Cities Outlook 2014* shows that outside London Edinburgh is the only city in the UK to have generated more private sector jobs.

As can be seen in chart 1.7 the majority of these private sector jobs have been created in the financial & professional services sector with over 12,000 jobs growth. Given the nature of this sector it is perhaps not surprising that spatially the bulk of these jobs have been created within the city centre. Outside the central business district Longbridge has seen relatively strong private sector jobs growth as the area continues the major redevelopment of the former MG Rover site.

With the government's austerity programme planned to run until 2018 it is likely that employment in public services in the city will continue to fall in the medium term.

The manufacturing sector nationally has seen an upturn in fortunes during 2013 and locally the sector has undergone something of a resurgence with major employers like JLR announcing expansion plans and the local supply chain benefiting from the strong upturn in the automotive sector. The 2013 employment figures reflected this highlighting the continued growth in manufacturing employment boosting net employment growth in the city. Although the continued sluggish growth in the Eurozone our main trading partner will be cause of concern for manufacturers.

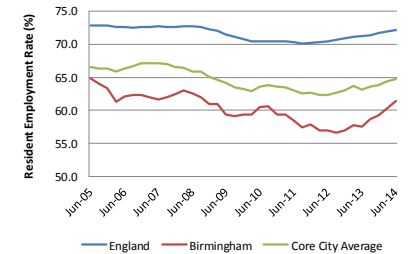
Construction employment in the city has yet to demonstrate growth but a gradual pick up in domestic and commercial construction activity and some major infrastructure projects should see this turn around in the short to medium term.

The service sector accounts for the lion's share of the economy and more recent indicators show this sector gathering momentum during 2013 with business being more confident to take on staff and invest. The pick-up in the service sector along with manufacturing and construction should see employment growth in the city gather pace in the medium term from the relatively muted recovery in employment the city has experienced thus far.

Whilst employment based in the city has begun to recover some of the ground lost during the downturn; resident based employment has been slower to react. Chart 1.8 shows how resident based employment rates have only really begun to pick up since the beginning of 2014. There is still a concern that Birmingham residents are not fully benefitting from the employment being generated in the city.

Chart 1.8 also highlights the low levels of resident employment in the city (61%) compared to nationally (72%) and the core city average (65%).

**Chart 1.8: Resident Employment Rates**



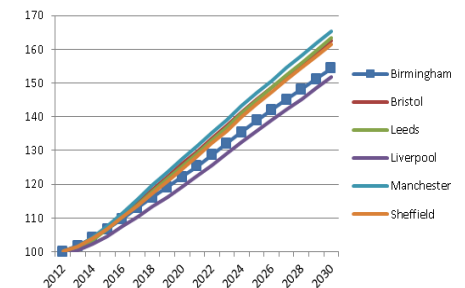
Female employment seems to be the main driver of the recent fall off in resident employment in the city and this may be a reflection of the decline in public sector employment in the city, an area that has a high proportion of female employees.

Resident employment and commuting patterns are explored in more detail in the People and Place sections of this report.

**1.4.3. Forecast for Economic Output & Employment**

Oxford Economics have produced some forecasts of economic growth for the core cities to 2030, forecast GVA growth for Birmingham and selected other core cities is shown in chart 1.9 below.

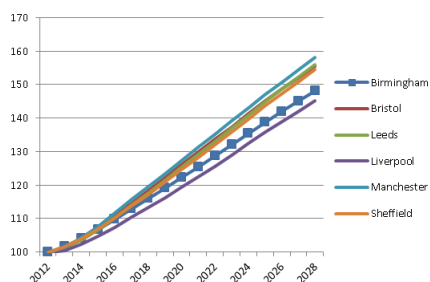
**Chart 1.9: Indexed GVA Growth Forecasts – Core Cities**



GVA is expected to grow in the city in 2013 by 1.5% before annual growth picks up over the following decade (2013-2023) averaging around 2.6% per annum. This is below the national average in this period of 3.1% and as can be seen from the chart the city underperforms cities like Bristol, Leeds and Manchester in relation to forecast GVA growth. It should be noted that this does not take account directly some of the major projects that are planned to take place in the city during this time, which will boost GVA.

Oxford Economics have also produced forecasts of employment growth for the Core Cities to 2030, forecast employment growth for Birmingham and selected other core cities is shown in chart 1.10 below.

**Chart 1.10: Indexed Employment Growth Forecasts – Core Cities**



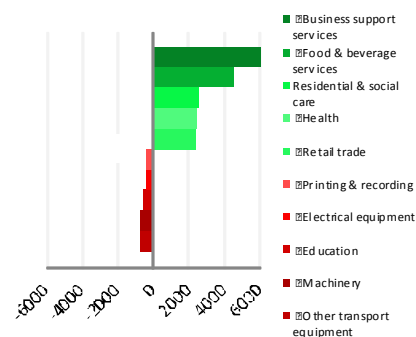
The data from Oxford Economics indicates that annual employment growth will be around 0.5% per annum between 2014 and 2020 (passing the pre-recession employment peak in 2019). As with forecast GVA growth this is below the national average in this period and as can be seen from the chart the city underperforms cities like Bristol, Leeds and Manchester in relation to forecast employment growth.

Stimulating private sector employment growth particular within the key financial and business services sector will be crucial to the future success of Birmingham's economy. Initiatives like the Enterprise Zone and the potential step change that could result from HS2 may see

the city outperform the forecasts for both GVA and employment growth.

On a sectoral basis the LEFM forecasts that the largest nominal growth in employment in Birmingham between 2013 and 2025 will be in Business Support services, reflecting the continued importance of the wider financial and business sector, an increase in employment in health and residential and social care perhaps reflects the demographic trends around an ageing population. There is also growth forecast in Food services. It should be noted that the sectoral forecasts from the LEFM are based on existing trends and do not directly take into account initiatives and policy that are being developed to target particular sectors in the local economy.

**Chart 1.11: Forecast Employment Change by Sector 2013-2025**



As well as a changing sectoral pattern of employment in the future there will also be a changing occupational structure in the city as employment going forward will be more knowledge intensive and require higher qualification levels. Table 1.12 shows forecast change in employment by occupational group in the city to 2025. The largest growth in employment will be in higher skilled occupations such as corporate managers and professional and technical occupations. The occupations that are forecast to decline most are lower skilled occupations such as plant and machinery operatives and admin and secretarial roles.

**Table 1.12: Forecast Employment Change by Occupation 2013-2025**

Occupational Group	2013	2025	Change 2013-2025
Corporate Managers	67,900	79,100	11,200
Managers and Proprietors	14,000	16,300	2,300
Science/Tech Professionals	16,200	21,900	5,700
Health Professionals	7,400	12,800	5,500
Teaching/Research Professionals	42,700	36,800	- 6,000
Business/Public service Professionals	16,000	18,600	2,500
Science Associate Professionals	9,700	9,900	200
Health Associate Professionals	39,000	40,100	1,000
Protective Service Occupations	1,500	2,600	1,100
Culture/Media/Sport Occupations	7,200	8,500	1,300
Bus/Public Serv. Assoc Professionals	23,500	31,700	8,200
<b>Higher Skilled Occupations</b>	<b>245,200</b>	<b>278,300</b>	<b>33,100</b>
Admin & Clerical Occupations	33,400	31,200	- 2,200
Secretarial & Related Occupations	4,900	2,400	- 2,500
Skilled Agricultural Trades	600	800	200
Skilled Metal/Elec Trades	21,100	18,800	- 2,300
Skilled Construct. Trades	8,200	7,600	- 600
Other Skilled Trades	8,400	4,600	- 3,800
Caring Personal Service Occs	43,900	53,800	9,900
<b>Intermediate Skilled Occupations</b>	<b>120,500</b>	<b>119,200</b>	<b>- 1,200</b>
Leisure/Oth Personal Service Occupations	6,700	7,200	500
Sales Occupations	29,300	26,700	- 2,600
Customer Service Occupations	8,200	12,900	4,700
Process Plant & Mach Operatives	26,000	22,200	- 3,800
Transport Drivers and Operatives	11,100	12,200	1,100
Elementary: Trades/Plant/Mach	26,200	28,100	1,900
Elementary: Clerical/Service	40,400	35,800	- 4,600
<b>Lower Skilled Occupations</b>	<b>147,900</b>	<b>145,200</b>	<b>- 2,700</b>

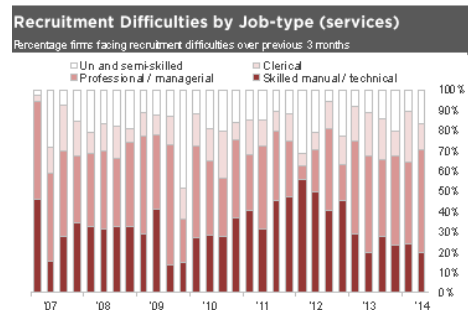
Birmingham's economic forecasts show that, while the economy is expected to show reasonable economic growth over coming years, employment growth will be relatively subdued with the base forecast estimating around 29,000 net jobs growth between 2013 and 2025. There will still however be a large number of job opportunities in the local economy, due to replacement demand e.g. job churn created by retirement, people leaving jobs etc. The LEFM estimates around 250,000 job opportunities will be generated in the city between 2013 and 2025. The majority of demand (33%) will be for those with degrees or equivalent. Although there will be demand for those with lower skill levels only 6.0% of the total 250,000 job opportunities will be for those without qualifications. Currently 117,000 or 17.5% of working age residents have no qualifications this highlighting the challenge residents face in competing for these jobs unless skill levels rise.

At present, the relatively poor skills profile of Birmingham residents means that many employers in Birmingham rely on workers from neighbouring areas to fill the skills gap. Only 60% of Birmingham's working age residents are in employment, well below the national employment rate of 72%, and many, particularly higher skilled, jobs in the city are taken by in-commuters.

There is also evidence to show that businesses are currently experiencing difficulties in recruiting skilled workers, the Quarterly Economic Survey undertaken by the Greater Birmingham Chambers of Commerce for Q2 2014 shows that of those firms facing recruitment difficulties that skilled and managerial vacancies are the most difficult to fill.



**Chart 1.13: QES Recruitment Difficulties**



### 1.5 Competitiveness & Growth

Research carried out for Birmingham City Council and Marketing Birmingham by IBM Plant Location International found that Birmingham's competitive strengths include:

- A central location within the UK, enabling investors to access a talented workforce base of around 2 million people.
- Three universities with renowned research facilities in a variety of areas, including low carbon fuel technology, engineering, medical sciences and creative industries.
- A diverse real estate offering, from top of the range office space in the city centre, to factory conversions in Digbeth and high -tech scientific research space adjacent to the universities, investors have the choice to choose the right working environment for their operations.
- Birmingham Airport, only 15 minutes from the city centre, has direct flights to over 60 international destinations ensuring connectivity to the rest of the Europe and further afield.

Other factors supporting business growth in Birmingham include:

- Birmingham's close proximity to London supports our financial and legal sectors. High Speed Rail would strengthen this further.

- Birmingham has a good international and national reputation as a conference city, utilising world- class facilities like the ICC and NEC. This plays a vital role in attracting visitors to the city and region supporting our visitor economy.

#### 1.5.1 Strategic Location & Infrastructure to Support Growth

Birmingham has a significant advantage compared to most other areas of the UK due to its geographical position which means that it is within four hours travel time of 90% of the UK's population and business. That is significantly more than the South East, or the metropolitan areas of the north. The city is situated at the heart of the UK's motorway and rail network, with Birmingham Airport, the third busiest UK airport outside of London and the South East, With 143 direct connections, including links to growth markets such as China, India, Dubai and South America. The city's good physical connectivity brings significant growth opportunities for the local economy, enhanced by recent investment decisions in relation to High Speed Rail, city centre Metro, New Street Gateway and Birmingham Airport – which will further enhance national and international connectivity.

Birmingham is a growing city - with the city's population expected to increase by up to 100,000 (approximately 10%) by 2026. This presents a number of implications for local infrastructure and service provision. To underpin this growth will involve the city:

- Significantly increasing the supply of housing whilst meeting people's aspirations for good quality housing choice.
- Improving infrastructure including transport, utilities, local services and amenities such as schools, health and social services and the leisure and cultural offer.

This will be achieved in the context of meeting the challenge of climate change and protecting and enhancing the environment and natural

resources. The new developments will be created on the principles of 'sustainable urban eco-centres'.

There are plans for housing in the sub-region to be developed, with a minimum of 50,600 (net) new dwellings being provided, with the potential for greater numbers in future plans. The plan is for smart homes of good sustainable design that create a sense of place and provide distinct destinations in the city.

Currently there is a growing demand for places in schools and this will continue with the expected increase in population. As well as increasing the number of school places the quality of education in the city will need to improve to ensure that residents have the qualifications and skills required to access the new employment opportunities being generated in the local economy.

As well as the physical infrastructure required to service the growing population the city's economy will also have to develop to provide the opportunities for economic and employment growth required to support the increased population.

To facilitate economic and employment growth the infrastructure of the city will need to develop. There are already significant developments to the city's infrastructure planned or underway, and more detail on these schemes is provided in Section 2.4 (page 50).



### 1.5.2 Growth Sectors

PA Consulting were commissioned by the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) and Marketing Birmingham to carry out research identifying where the sector strengths are for the Greater Birmingham area, and how these might lead to opportunities for both indigenous growth and inward investment. The research has built on earlier work for Birmingham (by IBM PLI) to identify key sectors with opportunities for growth, based on an analysis of both sectoral strengths and weaknesses, and also its national and global competitive position.

The work is informed by evidence from a range of sources and local expertise. One key aspect of this is the considerable strength of local universities which offer a wide range of sector expertise and innovation, often linked to their science parks.

The study confirmed that the Greater Birmingham area has a competitive offer in the following sectors – both in terms of inward investment and indigenous growth:

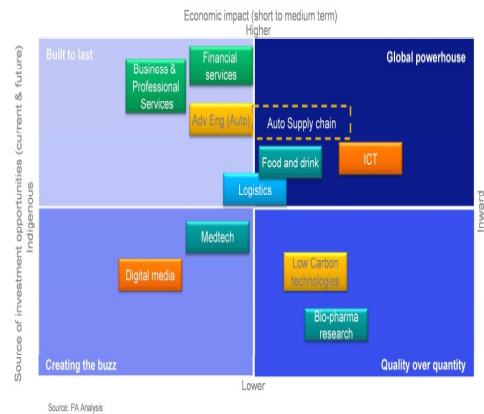


These sectors form the basis of the growth sectors that the GBSLEP is targeting through its *Strategy for Growth* and *Strategic Economic Plan* and Birmingham is supporting through the development of linked Economic Zones in the city (see section 1.5.3).



Chart 1.14 shows how the identified sectors are rated in terms of economic importance to the local area and which sectors are more likely to attract inward investment, with the top of the grid representing higher value-creating sectors and the right of the grid representing sectors driven relatively more strongly by inward investment, sub-sectors where opportunities may be linked are colour coded in the same colour.

**Chart 1.14: Priority Sectors**



### Advanced Engineering – Automotive and Aerospace

This sector employs around 115,000 people in 1,500 businesses across the West Midlands region, generating a turnover of around £13bn. The region accounts for 60% of the UK's automotive R & D and 30% of automotive turnover with the Greater Birmingham area at the heart of this activity.



It is estimated that this sector contributes £600m to the city's economy with 19,000 people employed by around 760 firms, 24 of which are headquarters

A number of high profile automotive companies are based in the area including Jaguar Land Rover (Castle Bromwich and Solihull) and MG Motor UK (Birmingham). The area has a history of attracting very large international manufacturers e.g. BMW (Germany), Tata (India), Faurecia (France) and SAIC (China).

The area is also well placed to tap into the emerging green automotive sector which in the longer term could offer significant opportunities for the sector. The region has a track record of private and public sector working together to innovate. For example the region hosts the UK's largest Ultra Low Carbon Demonstrator programme (CABLED), bringing together universities, local authorities and large private sector companies.

In addition to automotive, which offers the greatest opportunity for growth; there are also opportunities within *aerospace*, building on existing capability for the development of new technologies within the LEP. GKN and Goodrich have plants in the region and support a range of suppliers of new technologies for the aerospace sector. With air traffic estimated to grow by around 5% per annum and the LEP is well placed to capitalise on this.

The area strengths include proximity to markets, concentration of suppliers, a skilled workforce, R & D centres of excellence and government support. Building on established links beyond the LEP, especially to the Black Country.

## Business, Financial and Professional Services

Birmingham has the largest concentration of Financial & Professional services outside the capital and the sector accounts for a significant proportion of employment across the GBSLEP, and in particular in Birmingham and Solihull.

The sector is estimated to contribute around £4bn to Birmingham's economy with over 1,900 firms employing over 115,000 people in the city.

A number of large national and global firms have offices in the city, including RBS, Deutsche Bank, Wragge Lawrence Graham & Co, PwC. Nearly 300 companies in this sector are headquartered in Birmingham and there is a good track record of attracting inward investment in this sector.

The areas record of attracting inward investment should place it in a good position to take advantage of relatively small but fast growing markets in emerging economies, such as Indonesia, Russia and India, as well as the more established markets, but slower growing markets such as the EU and US. HS2 will also provide a significant stimulus to investment in this sector.



## ICT and Digital Media

This sector is relatively small but very diverse - ranging from large global IT services to one or two person games developers. Birmingham and Solihull in particular host a wide variety of digital and creative businesses, and there is a nearby cluster in Leamington Spa.

The Digital & Creative sector is estimated to generate around £890m for the Birmingham economy with 6,000 firms within the city, 61 with headquarters in Birmingham.

The area has had some success in attracting large ICT operations such as Fujitsu and CSC, and a number of large systems software developers are headquartered in Birmingham (Declam plc, Specialist Computer Holdings Ltd). There is growth in digital media but the volume of jobs is smaller, with the sub-sector characterised by many micro firms, some clustered around Digbeth.

The sector is evolving rapidly, with current emerging areas including on-line social games, mobile games, and gamification (making technology more accessible and fun).

E and mobile-commerce are both fast-growing globally, with current trends towards mobile payment (using phones to make payments in-store), connected retail (free in-store wi-fi enabling potential purchasers to compare prices, order items) and flash sales (time-limited on-line offers).

The UK has a high standing globally across the ICT and digital media sector, with the largest digital media sector in the EU. The sector is likely to be a key driver for the UK's economy. It is also highly competitive, with Birmingham and the wider LEP having to compete with strong offers from other large cities such as London and Manchester.

The area's primary assets are cost effectiveness and high connectivity:

- Strong presence of ICT and digital media firms combined with easy transport links to the rest of the UK and beyond
- A large, young and diverse population provides access to both talent and markets
- Research centres of excellence and a large graduate pool.
- Wide range of cost-effective accommodation from Grade A officers, to incubator units.

## Life Sciences

This is another relatively small sector where the area has a limited but specific offer. The sector is estimated to contribute around £180m to the Birmingham economy providing employment for 1,600 people. There are 233 firms in the city, a small number but one that has seen a 45% increase since 2005.

The UK is a global leader in life sciences, and historically has been a key source of high-skill, high-tech jobs and in 2010 accounted for more than a quarter of all business R & D.

Around 200 life sciences firms employing around 2,000 people are based in the LEP, around 1% of the UK total. Around one third of these firms manufacture medical and surgical equipment. Birmingham is also home to a number of clinical trial centres and oncology units, and has attracted a number of Contract Research Organisations (CROs).

A number of challenges face the sector at a national level - the regulatory environment, lower cost of production overseas and funding issues. And the LEP specifically faces further challenges as it currently has a less developed sector than some other competitor cities. Nevertheless the area does have a number of assets including:

- A large and diverse population, coupled with the largest clinical trial base in the UK.
- Excellent transport links and a range of accommodation from Grade A office space to research facilities.
- A large number of clinical trial centres and research units.

The area's position relative to its competitors is not strong, but it has some niche strengths that offer opportunities for growth including:

- Clinical trials
- Medical and surgical equipment manufacture or research

The £24m Institute for Translational Medicine which opens in 2015 has the potential to substantially enhance Birmingham's contribution to the UK's Life Sciences export potential, including translational research, world class clinical IT infrastructure, clinical trials expertise and new hospital design.



## Food & Drink

Food and soft drinks is the largest sub-sector of manufacturing and is a significant contributor to the UK economy. There are almost 7,000 food and drink manufacturing companies operating on 10,000 sites across the UK, including a significant proportion of the top 25 global companies. The sector is growing at a faster rate than most other sectors of manufacturing.

Food and drink is also a driver of the GBSLEP and regional economy, with Cadbury in Birmingham, and Nestle and Coors in the wider West Midlands.



There are several large scale expansions already underway, including East End Foods at the old HP Sauce site, and the area is developing a cluster around ethnic cuisine.

Birmingham has a growing reputation for high quality restaurants and an established reputation for ethnic cuisine at all levels of the market, and this could be developed further.

The area's offer could include:

- A focus on food processing and production – offering an integrated package of Manufacture, R & D and logistics
- Food retail / restaurants

### 1.5.3. Economic Zones

In order to develop the growth sectors that the area has an identified competitive advantage in, the City has adopted a spatial approach and identified six Economic Zones marrying the growth sectors with the City's spatial opportunities.

It is estimated that the six Zones have the potential to attract £1.5bn of Investment, generating in the region of 1.8 million sq. m of new floor space and create 50,000 new jobs:

#### The Economic Zones

##### Advanced Manufacturing Hub

The Hub captures the importance of the advanced manufacturing sector to the region. Based at the Aston Regional Investment Site it will provide opportunities for the growing automotive supply chain as well as other advanced manufacturing activity

£20m public sector investment in site assembly and access improvements sees a de-risked site with sectorally targeted benefits offered to the market in phases. The first phase of 10.5 hectares is available for development

##### Tyseley Environmental Enterprise District

To exploit the growth in resource recovery and low carbon technologies, Tyseley is designated as the city's Environmental Enterprise District. Proposals at Tyseley Wharf and Energy Way for new high quality business park environments, along with property assistance programmes, will improve the range and quality of property available to business. Work with academic institutions and local businesses to foster environmental technologies symbiosis and the opportunities for green energy solutions supports Tyseley as a principal location for the low carbon economy in Birmingham.

##### The Food Hub

To capture interest in the city from the food industry the opportunity exists to form a cluster of food processing, manufacturing and distribution businesses as a Food Hub. The requirements of this sector can be met at the former IMI site in north Birmingham, with its access to the motorway network and availability of serviced plots for bespoke development

##### The City Centre Enterprise Zone

The Birmingham City Centre Enterprise Zone (EZ) will support the accelerated delivery of growth in the city centre. A range of incentives are on offer for investors and businesses including rates relief, simplified planning, digital infrastructure, business support and investment in infrastructure.

The 26 sites which make up the EZ include major developments sites such as Paradise Circus and Arena Central, which offer potential for significant growth in Financial and Professional Services and ICT. Refurbished business space on the fringe of the city centre in Digbeth and the Jewellery Quarter offers particular opportunities for the thriving creative and digital media sectors.

##### Life Sciences Campus

The Queen Elizabeth Hospital Birmingham and the University of Birmingham in Edgbaston provide the focus for the clustering of activity associated with medical technologies. A Life Sciences Campus will enable these world renowned institutions to promote their reputation for medical technology and provide a basis for growth bringing high value jobs to the city. Within an overall Campus masterplan, including the recent opening of the National Institute for Health Research and launch of the new Centre for Translational Inflammation Research, we will work with partners to secure opportunities for new facilities.

##### Longbridge ITEC Park

Longbridge presents a unique opportunity for businesses requiring large floorplates with high-spec fittings set within a new high quality town centre accessible by public transport and offering a wide range of local facilities for staff. An ITEC Park will be particularly suited to:

- IT services
- Business process outsourcing
- Cloud computing
- Data mining
- E-commerce

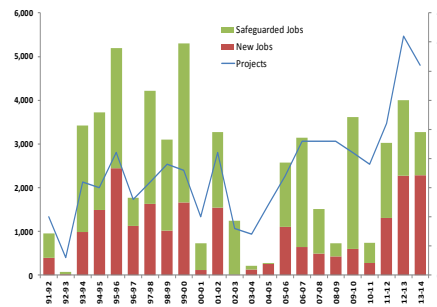
### 1.5.4. Inward Investment

The securing of new inward investment and the economic benefit that this brings to the city is a vital competent of the future economic growth and prosperity of the local economy, safeguarding and creating new employment and bringing new businesses and business investment to the city.

In recent years, Birmingham has been successful in attracting a number of significant inward investment projects and jobs. Data from Marketing Birmingham for 2012/13 shows there were 41 inward investment projects in the city creating a total of 2,271 new jobs and safeguarding a further 1,732 jobs. This represents a 52% increase in investment projects compared to the previous year. Associated job numbers were also considerably up on 2011/12, with 64% more jobs created than the previous year.

Data for 2013/14 shows a slight fall in reported inward investment activity last year, in 2013/14 there were 37 projects creating 2,192 new jobs in the city and safeguarding a further 986, a total of 3,178 jobs.

**Chart 1.15: Birmingham investment projects 1991- 2013 and associated employment**

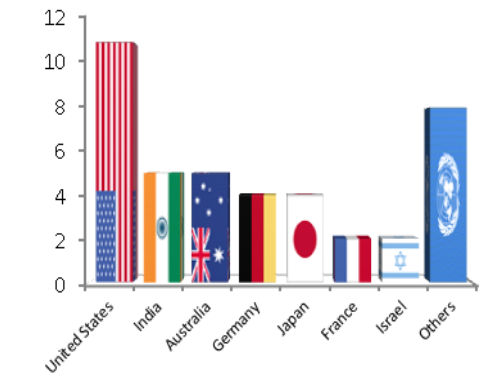


The chart below shows the country of origin for inward investment in the city. In 2012/13 the United States, as for the GBSLEP, the Region and the country as a whole, is the largest investor into Birmingham with 11 projects, just over a



quarter of the total. India was second equal with Australia with 5 projects with Germany and Japan both providing 4 projects. France and Israel provided 2 and there was one project each from Brunei Darussalam, Canada, China, Latvia, Portugal, Russia, Switzerland and the United Arab Emirates.

**Chart 1.16: Investments into Birmingham by Market 2012/13**





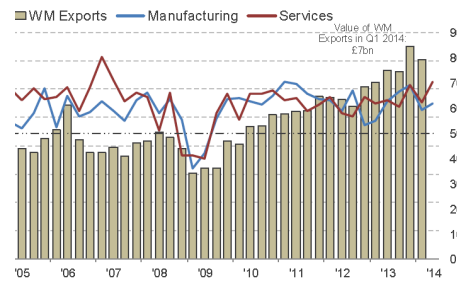
### 1.5.4. Export Growth

Regional export data (goods only) from HMRC shows exports have grown significantly in the region since the economy exited recession. West Midlands exports in 2013/14 stood at £27.8bn making the region the third biggest exporting region behind the South East and London, in Q1 2014 the region exported more than the capital for the first time since records began in 1996. Regional exports in 2013/14 were 82.3% up on the level recorded in 2009/10, the biggest increase of any region and three times greater than the expansion recorded at a UK level (27.2%) during this period.

Businesses in the area have significant potential to further exploit export markets, currently only around 20% of businesses export this is in line with the UK average but well down on the levels achieved in Germany (35%). The recent boost in exports has been largely driven by the success of the areas automotive sector with companies like JLR posting very strong export numbers. The manufacturing and automotive sector in particular offers significant opportunities for local businesses to drive their growth by tapping into large emerging markets.

The Q2 2014 Chamber of Commerce Quarterly Economic Survey (QES) shows the pace of growth in exports sales for both service and manufacturing firms accelerating in the second quarter of 2014 with the service sector export sales index at its highest level since 2007.

**Chart 1.17: Export Sales Index**



### WM Exports 2013/14



### 1.6 Innovation

**“the act or process of introducing new ideas, devices, or methods” (Webster’s)**

Innovation or the ability of firms to continually adapt and adopt new ways of doing things, develop new products and tap into new markets is vital to Birmingham’s future prospects and its ability to compete in the global knowledge economy. Birmingham has a tradition of innovative activity and significant knowledge / innovation assets that have the potential to drive future growth in the economy.

#### 1.6.1. World Class Universities

The city is home to five universities that in 2012/2013 had a student population of over 76,000, producing a large supply of highly skilled graduates. The University of Birmingham is part of the Russell Group of leading UK universities and is ranked among the top 100 universities globally. The city’s three main universities engage actively in research and knowledge transfer at a local / regional, national and international level. The University of Birmingham has a range of

internationally recognised strengths; Aston and Birmingham City University (BCU) also have nationally and internationally recognised specialist strengths.

This research base, together with business and public sector expertise and drive, give the sub-region real strength in research and innovation in the fields of:

- Advanced Material characterisation and use - including nanotechnology and composites
- Energy - including Hydrogen and fuel cells, bioenergy
- Low Carbon Technologies - including low carbon vehicles
- Innovative Healthcare - ranging from medical devices to clinical trials
- Digital Technologies - including use of social media and 3-D imaging

These research strengths also link in well and provide synergy with the identified growth sectors covered in the previous section.



#### 1.6.2. Innovation Assets / Networks and Facilities

As well as the role of universities mentioned above, Birmingham has a number of high tech business parks and initiatives that are helping to foster innovative practices and high tech industry. These include:

**Birmingham Science Park Aston** - which is an increasingly high tech and young entrepreneur focussed science park in the heart of Birmingham

**Birmingham Research Park** - at the University of Birmingham. A number of spin-outs from the city’s universities have started on these sites, with many still located there.

**Longbridge Technology Park and Innovation Centre** - Situated on the former MG Rover site, is a key link in the Central Technology Belt (CTB), the high technology corridor running along the A38 from the centre of Birmingham southwest to QinetiQ in Malvern, Worcestershire. Other developments along the CTB include the Queen Elizabeth hospital - a leading centre for healthcare R&D with a key role to play in the development of the City’s life sciences sector.

**Birmingham Science City** - In recognition of the City’s strong science-based assets – which have particular potential to attract a critical mass of innovative businesses and become drivers of regional, Birmingham was awarded Science City status by the Chancellor of the Exchequer in 2005. The Birmingham Science City partnership is proving to be an effective mechanism for collaboration amongst the research community, private and public sectors – acting as a catalyst for the commercialisation of research strengths.

### Birmingham's Smart City Commission -

The Commission, has representatives from academia, business, health, transport, education, utilities and local government was established in 2012 to drive the long-term vision and strategic leadership that will lay the foundations for Birmingham's future. By shaping the technological solutions and partnerships to deliver a joined up approach to deal with the immediate and future challenges the city faces around:

- Sustainable economic growth
- Connectivity and infrastructure
- Climate change and the green agenda
- Digital inclusion and skills

### 16.3. Universities as Economic Drivers

As well as the crucial role they play in research and innovation the city's universities also make a significant contribution to the local economy as major employers, educators and investors. Oxford Economics have undertaken some research to calculate the economic impact the University of Birmingham has on the local and regional economy. The study shows that in 2011/12 the University of Birmingham alone (not including Aston and BCU) has the following economic impacts:

- Generated £898m of spending in Birmingham with over £1bn in the West Midlands economy.
- In total, the University supported a value-added contribution of over £460 million to Birmingham's economy in 2011/12 (or 2.2% of the city's total). The University's impact on the wider West Midlands region was larger at £530 million, or 0.5% of the region's gross value added.
- Supports 9,650 jobs in the city (11,830 jobs regionally) including a high proportion of highly skilled roles.
- Is a net importer of talent to the region.

- Acts as an international gateway to the city attracting overseas students, visitors and spending.
- Attracted £145.5 million research funding in 2011/12, 87% of the research income received by all Birmingham Higher Education Institutions and 12% of the region's total R&D spend.

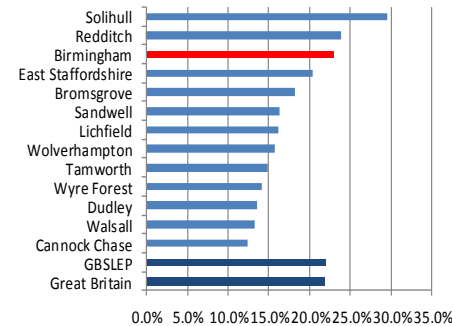


### 1.6.4. Knowledge Intensive Employment

As the regional centre for commerce, Birmingham has a significant concentration of knowledge intensive business and professional service companies located in the city, which have been and will be integral in promoting economic and employment growth in the city.

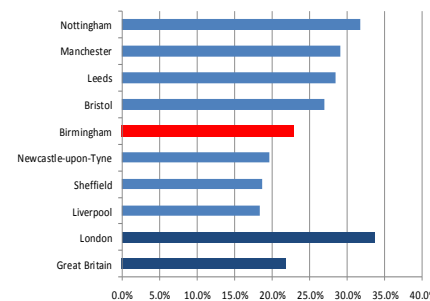
Chart 1.18 shows that Birmingham has a high proportion of its employment based in private sector knowledge intensive industries – compared to areas surrounding Birmingham. With almost a quarter (23%%) of all jobs based in private sector knowledge intensive industries, Birmingham's proportion is also above the GBSLEPs (22.0%) and national average (21.9%).

**Chart 1.18: Proportion of Employment in Knowledge Intensive Industries**



However, the private sector knowledge intensive employment position looks far less positive when compared with the other English core cities (displayed in Chart 1.19) with Birmingham ranking the 5<sup>th</sup> highest of the 8. It should be noted that the position in Manchester and Nottingham may be slightly inflated by the fact both areas boundaries are quite tightly drawn around their city centres where private sector knowledge intensive activity is often concentrated.

**Chart 1.19: Proportion of Employment in Knowledge Intensive Industries**



### 1.7 Sustainable Economic Growth

One of the challenges the city's economy will face in the future is to grow in a sustainable way meeting the challenges of climate change through reducing carbon emissions whilst ensuring the economy continues to grow and provide the jobs to support a growing population and the goods and services this population require.

#### 1.7.1. Transition to a Low Carbon Economy

In order for the global community to tackle the issue of global warming and climate change and address the long-term viability of fossil fuels to drive the global economy a transition to a low carbon economy will be required.

This transition to a low carbon economy will accelerate structural change in Birmingham and the UK economy creating new markets and driving innovation. This process will present both opportunities and threats for the local economy. It has been estimated that the market value of low carbon and environmental services could be over £100bn in the UK and £3 trillion worldwide.



Many carbon intensive firms and business models will be under threat and will need to adapt to survive. Birmingham has a strong tradition in some carbon intensive industries such as automotive, which while not as large as it once was, still employs a large number of local people. As the sector undergoes profound change it will be important for firms to adapt to survive and while there are nascent centres of low carbon vehicle activity emerging in the region there is still the potential for job losses.



Birmingham City Council is heavily involved in reducing CO2 emissions in the city and developing a low carbon economy, the City is working towards this by engaging with partners and initiatives such as Birmingham Science City, the Energy Technologies Institute, Birmingham Science Park Aston and the research programmes of Birmingham, Aston and Warwick Universities.

This partnership approach is seeking to foster the development of new innovative green businesses in the city as demonstrated through initiatives like the Tyseley Environmental Economic Zone. The development of a strong low carbon and environmental services sector in the city would enable the local economy to tap into the potentially huge future market for these types of goods and services and provide highly skilled knowledge intensive employment in the local economy.

There is, however, intense competition amongst areas to develop a competitive low carbon economy. A recent report identified the key low carbon industries that Birmingham has a potential comparative advantage in:

- Construction;
- Manufacture of motor vehicles and transport;
- Manufacture of non-metallic goods;
- Public services.

A further study also identifies that the city is well placed to use its manufacturing and engineering expertise to develop low carbon energy and energy efficiency sectors.

It is vital that Birmingham focuses on areas of strength if it is to be successful in benefitting from developing a low carbon economy. For example, Birmingham's automotive base and research expertise means the city is well placed to benefit from the low carbon vehicle industry. Various measures have been taken to develop this industry in the City, including: Birmingham City Council's commitment that by 2015 all vehicles procured by the council should be electrically powered or run on liquefied petroleum gas, the CABLED low carbon vehicle demonstration project and the Intelligent Zero Emissions Vehicles project.

While growth of the low carbon sector is most likely where Birmingham already has some commercial or academic expertise, it will also require the same conditions that support other high value technology sectors.

- Simplifying access to the research base;
- Providing quality transport infrastructure;
- Provision of appropriate premises;
- Access to qualified labour;
- Access to entrepreneurial start up finance for new companies.

As well as ensuring the city makes a successful transition to a low carbon economy the city also faces the challenge of developing the infrastructure to meet the requirements of a growing population and to support sustainable economic growth in the city.

## 1.8 Enterprise

### 1.8.1. Self-Employment

Self-employment can give a good indication of the levels of entrepreneurial activity by residents of a given area and is often used as a proxy measure for this. The city has a lower level of self-employment than nationally, 7.9% of Birmingham's working age population (16-64) are self-employed compared to 9.8% nationally. The city is mid ranking amongst the English core cities, with the same self-employment rates as the core city average.

If we look at self-employment broken down by gender we can see that Birmingham has a particularly poor level of female self-employment - just 6.7% of Birmingham's working age female population are self-employed, compared to 9.8% nationally and over 12% in London. Female self-employment rates in the city are the second lowest of all the core cities.

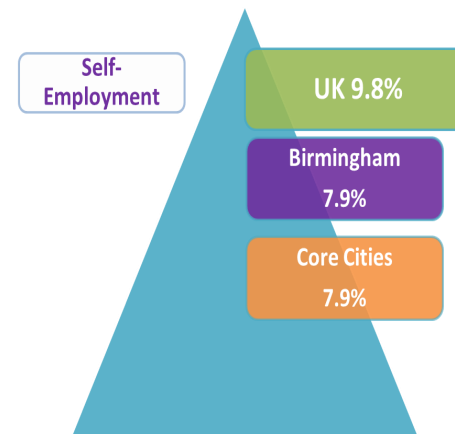


Table 1.20 uses 2011 Census data to look at self-employment rates in the city for different ethnic groups. The data is not directly comparable with the headline self-employment data quoted above. It does, however, give a good indication of self-employment and, in turn, entrepreneurial activity by ethnic group. The Indian and Pakistani ethnic groups in the city have the highest levels of self-employment whilst those from a mixed race or black ethnic groups have much lower levels of self-employment. Female self-employment rates in some BME communities in the city are extremely low with for example only 1.4% of Bangladeshi women in the city self-employed.

**Table 1.20: Self-Employment by Ethnic Group 2011 Census**

Ethnic Group	Self-Employed	%
Pakistani	8,784	10.1%
Indian	4,505	9.5%
Other Asian	1,892	9.2%
<b>All People</b>	<b>53,291</b>	<b>7.8%</b>
White	30,951	7.7%
Other ethnic group: Total	967	7.1%
Bangladeshi	1,298	6.9%
Chinese	612	5.9%
Black Caribbean	1,741	5.4%
Black Other	566	5.1%
Mixed	1,116	4.7%
Black African	859	4.5%

### 1.8.2. Business Start-Ups

In this section we use official ONS data to look at business start-ups in the city: The ONS Business Demography dataset for 2012 (latest available) provides data on enterprise births in the UK which allows for comparisons between Birmingham and other areas.

The stock of active business in the city increased by 480 between 2011 and 2012 (+1.6%) to stand at 30,850. Birmingham accounts for 16.5% of all active businesses in the region and 48.5% of business in the GBSLEP, highlighting the city's position as a key economic driver.

Table 1.21 shows the total number of enterprise births and enterprise births per 10,000 of the population (which represents an enterprise birth rate to enable comparison between different areas). We can see from the table that Birmingham is mid ranking in the core cities and has a start-up rate below the national average and slightly below the GBSLEP average. The business birth rate in London is significantly higher than in any of the core cities.

**Table 1.21: Business Births 2012**

Area	Business Start-Ups	Rate
Manchester	2,545	49.8
Bristol	2,055	47.5
Leeds	2,970	39.2
<b>Birmingham</b>	<b>3,925</b>	<b>36.2</b>
Newcastle upon Tyne	950	33.6
Liverpool	1,515	32.3
Nottingham	980	31.7
Sheffield	1,605	28.8
GBSLEP	7,305	37.3
London	65,095	78.3
West Mid	19,650	34.8
UK	269,565	42.3

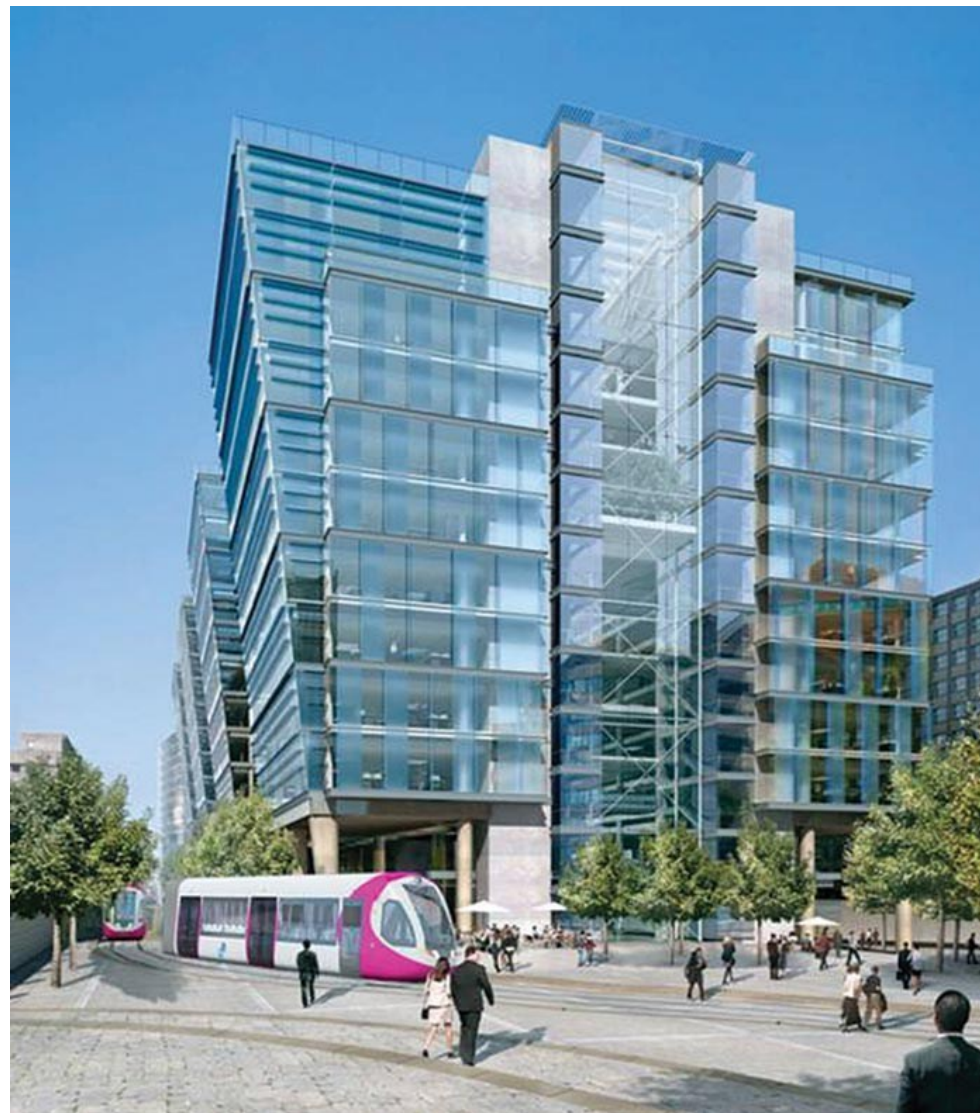
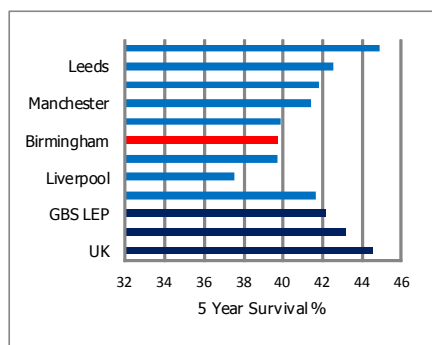
Birmingham does however have the strongest growth rate in business start-ups with the number of start-ups in 2012 up by 6.8% on 2011; this compares to growth of 3.1% nationally and was the largest increase

amongst the core cities also outperforming London (6.0%).

### 1.8.2 Business Survival Rates

Another indication of the strength of an areas business base are business survival rates, chart 1.22 below shows the proportion of business started in 2007 that have survived 5 years. 39.8% of new business started in Birmingham in 2007 were still trading in 2012 compared to 44.6% nationally and 42.2% in the GBSLEP. The city is lower ranking amongst the core cities having the third lowest 5 year survival rates behind Liverpool and Sheffield.

**Chart 1.22: 5 Year Business Survival Rates**



## 2. Place

### Summary

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

The strong labour market linkages across the area are demonstrated by the fact that 90% of employed residents of the functional economic area work within the area. Birmingham provides a large amount of employment for residents of other areas - being a net importer of 112,000 employees - many of which are in high skilled occupations.

Birmingham's labour market links are particularly strong with Solihull, Sandwell, Walsall, Tamworth, Dudley, Bromsgrove and Lichfield. Both in terms of providing employment for residents of these areas within the city and in terms of Birmingham residents commuting to these areas for work.

When placed alongside Birmingham's relatively low employment rate the high level of in-commuters suggests a degree of disjoint in the local labour market between residents' skill levels and available jobs in Birmingham.

Birmingham is the regional capital and as such is the regional centre for commerce and industry, shopping and other leisure and cultural activities. Birmingham is also at the heart of the national road and rail network and is a public transport hub for the region. The city is also a centre for higher education and associated R&D based at the city's universities.

Birmingham's residents also work, shop and make use of leisure, cultural and other facilities and institutions in the surrounding areas. The city therefore has strong economic and strategic linkages extending to and from the surrounding conurbation and wider region.

These linkages include an established local supply chain for a number of key industries in both the manufacturing and service sector. The local supply chain for these industries in turn forms an important part of the national supply chain with the automotive supply chain a particularly strong example of this.

The area is set to see several major infrastructure investments in the coming years which will further serve to enhance strategic linkages across the functional economic area:

- HS2 - 50,000 jobs £4bn GVA
- New St Gateway - 3,000 jobs £3bn GVA
- Metro Extension - 1,500 jobs £50m GVA
- Birmingham Airport Runway Extension - 19,000 jobs £800m GVA



### 2.1 Introduction

Birmingham is the regional capital of the West Midlands; it has a population of over one million and is a driver of the regional economy. As such, Birmingham is a major centre of employment with over half a million people employed in the city - 190,000 of these jobs are taken by in-commuters from outside the city. As the regional centre for commerce and industry, Birmingham also provides a significant proportion of the higher skilled and higher paid employment in the region.

This section examines Birmingham's economic geography, its relationship to its neighbouring authorities and the strategic and economic linkages that exist between the city and other areas in the region.

### 2.2 Functional Economic Geography

It is widely recognised that economic activity does not neatly fit within the administrative boundaries of local government that are used to define Birmingham and its neighbouring areas. In practice the functional economic geography of the area crosses these boundaries. The local economy and labour market is characterised by a series of complex interdependent relationships between Birmingham and its neighbouring local authorities. The movement of people across the functional economic area for work, leisure, study and other purposes results in a complicated pattern of economic linkages between these areas - with consumers earning money and purchasing goods and services within and outside their area of residence.

A similarly complex pattern is in existence for the purchase and supply of goods and services across the area in the business to business market. With the large concentration of businesses in Birmingham not only supplying employment for residents in neighbouring authorities but also sourcing goods and service from businesses in the surrounding areas.

### 2.2.1 Local Enterprise Partnerships

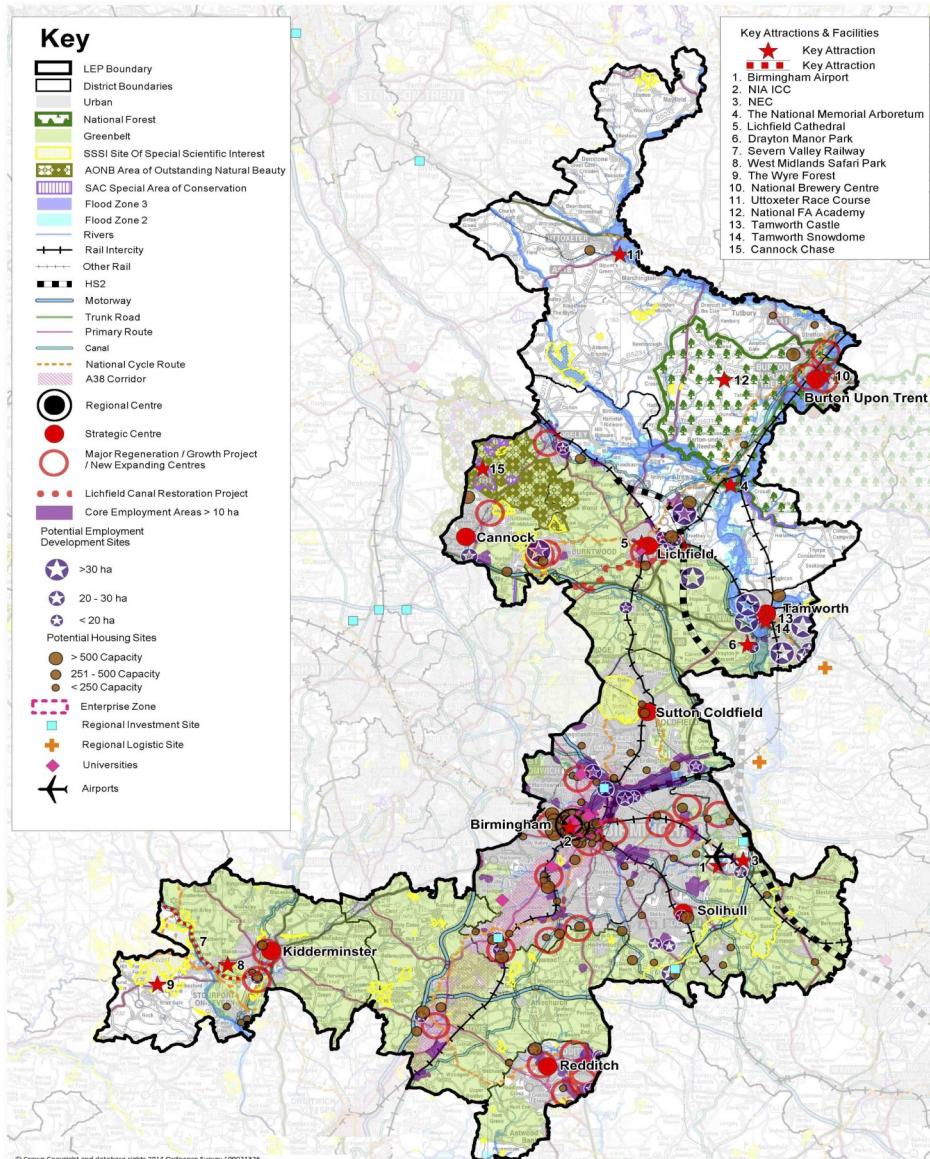
Local Enterprise Partnerships (LEPs) were created by Government in 2010 to bring business and local authorities together to take on the duty of leading economic development across geographies that better matched functional economic areas. There are currently 39 LEPs across England, with the following 6 LEPs in the West Midlands region:

- Black Country LEP
- Coventry & Warwickshire LEP
- Greater Birmingham & Solihull LEP
- The Marches LEP
- Stoke on Trent & Staffordshire LEP
- Worcestershire LEP

The [Greater Birmingham & Solihull Local Enterprise Partnership](#) (GBSLEP) is made up of the following local authorities that have strong cross boundary strategic and economic linkages; Birmingham, Bromsgrove, Cannock Chase, East Staffordshire, Lichfield, Redditch, Solihull, Tamworth and Wyre Forest. The GBSLEP area has a population of 1.96m, and is home to over 900,000 jobs.

The map overleaf shows the geography of the GBSLEP and some of the key strategic sites and transport linkages in the area.

**Map 2.1: Geography of GBSLEP**



The complexity of drawing LEP boundaries that fully capture a given areas functional economic geography is such that some authorities are part of more than one LEP area. In the GBSLEP the Staffordshire districts are also part of the Stoke on Trent LEP and the Worcestershire districts are also part of the Worcestershire LEP. As well as some areas being in more than one LEP it is very challenging to entirely capture a functional economic area within one LEP. This is the case locally where strong economic links exist between the GBSLEP and the Black Country LEP and the Coventry and Warwickshire LEP. These linkages have been recognised and cross LEP working is taking place on a number of key strategic economic and transportation issues.

**2.2.1. Birmingham's Functional Economic Area**

If we examine commuting patterns, local supply chains, travel for retail & leisure and other strategic linkages in the sub region we can identify what geography constitutes Birmingham's functional economic area.

Table 2.1 below shows the relative size of each of the local authority areas that form part of the city's functional economic geography as well as some key economic indicators (where available) including economic output, employment and enterprise levels.

**Table 2.1: Headline Economic Indicators**

Area	Total Population	GVA 2012	Total Jobs 2012	Employment Rate (%)	Total Businesses 2012
Birmingham	1,085,400	£21.1bn	522,000	60.3	30,860
Bromsgrove	94,300	n/a	40,000	83.4	4,520
Cannock Chase	97,900	n/a	42,000	69.0	3,415
Coventry	323,100	£6.1bn	158,000	65.7	8,770
Dudley	313,600	£3.9bn	124,000	71.1	9,720
East Staffordshire	114,400	n/a	61,000	82.8	4,060
Lichfield	101,200	n/a	51,000	73.7	4,520
North Warwickshire	62,200	n/a	42,000	74.0	2,655
Redditch	84,400	n/a	40,000	77.6	2,715
Sandwell	311,300	£5.2bn	131,000	65.5	7,660
Solihull	207,400	£4.9bn	113,000	71.8	7,595
Tamworth	77,100	n/a	33,000	72.0	2,250
Walsall	270,900	£3.6bn	105,000	62.0	7,210
Wolverhampton	251,000	£4.5bn	122,000	62.7	6,695
Wyre Forest	98,100	n/a	38,000	74.6	3,645
<b>Area Total</b>	<b>3,631,000</b>	<b>n/a</b>	<b>1,622,000</b>	<b>66.5</b>	<b>106,290</b>

### 2.3 Commuting Patterns

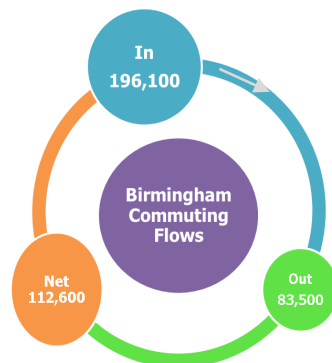
One available source of information that can give a strong indication of economic linkages between areas is travel to work data. In this report we use 2011 Annual Population Survey Travel to Work data to analyse the commuting patterns across the area focussing on travel flows in and out of Birmingham.

The strong labour market linkages across the area are demonstrated by the fact that 90% of employed resident of the functional economic area work within the area.

Table 2.2 below shows the levels of commuting to and from Birmingham and the surrounding local authorities. It is clear that Birmingham provides a large amount of employment for residents of other areas - being a net importer of over 112,000 employees.

To some degree this would be expected, as a core city Birmingham is an employment hub for its hinterland areas. However, the

magnitude of the in-commuting levels coupled with the relatively low levels of employment amongst Birmingham's resident population, indicates a disconnect between local residents and the jobs generated in the city.



**Table 2.2: Net Commuting**

Area	Total In-Commuting	Total Out-Commuting	Net In-Commuting
Birmingham	196,100	83,500	112,600
Bromsgrove	10,100	26,200	-16,100
Cannock Chase	20,800	20,700	100
Coventry	70,700	32,200	38,500
Dudley	31,500	67,500	-36,000
East Staffordshire	23,000	16,300	6,700
Lichfield	17,500	24,400	-6,900
North Warwickshire	16,300	14,700	1,600
Redditch	9,700	16,700	-7,000
Sandwell	51,000	71,200	-20,200
Solihull	46,400	55,300	-8,900
Tamworth	14,000	15,600	-1,600
Walsall	30,200	52,000	-21,800
Wolverhampton	54,600	33,100	21,500
Wyre Forest	9,000	18,100	-9,100

#### 2.3.1. In-commuting

Birmingham's labour market is closely linked to those of the surrounding authorities. Table 2.3 overleaf shows in-commuting to Birmingham from the functional economic area. If we look at total in-commuting to Birmingham from this area 150,300 commute to the city - this equates to 14.7%, or approximately one in seven, of all employed residents of areas surrounding Birmingham working in the city. If we include Birmingham residents, 33%, or one in three workers in the functional economic area work in Birmingham.

Within the functional economic area a strong relationship exists between Birmingham and Solihull with 35% of Solihull's employed residents working in Birmingham and 6% of Birmingham's employed residents being employed in Solihull. There are also strong in-commuting linkages with Sandwell, Walsall, Tamworth, Dudley, Bromsgrove and Lichfield.

The data is mapped in Map 2.5, which clearly highlights the areas where Birmingham's in-commuters travel from.



**Table 2.3: Total In-Commuting to Birmingham**

Area of Residence	Total in Employment 2011	Employed in Birmingham	% Employed in Birmingham
Birmingham	398,800	313,300	78.6%
Solihull	95,000	33,100	34.8%
Sandwell	121,200	40,300	33.3%
Walsall	104,300	18,700	17.9%
Tamworth	31,100	5,500	17.7%
Dudley	139,100	20,300	14.6%
Bromsgrove	41,500	5,200	12.5%
Lichfield	45,400	5,300	11.7%
North Warwickshire	29,400	3,100	10.5%
Redditch	38,400	2,800	7.3%
Wolverhampton	94,300	6,300	6.7%
Cannock Chase	43,700	2,900	6.6%
Coventry	134,700	4,700	3.5%
Wyre Forest	48,400	1,300	2.7%
East Staffordshire	54,800	800	1.5%
Functional Economic Area (excluding B'ham residents)	1,021,300	150,300	14.7%



**2.3.2 Out Commuting**

Table 2.4 below shows a detailed analysis of where Birmingham residents work; it highlights the significant contribution they make to the local labour markets of the surrounding authorities. As with the in-commuting patterns identified earlier the strongest out-commuting links are with Solihull, where nearly 24,000 Birmingham residents work - equating to approximately 6% of all Birmingham's working residents. This means that nearly one in four (24.9%) jobs in Solihull are taken by Birmingham residents.

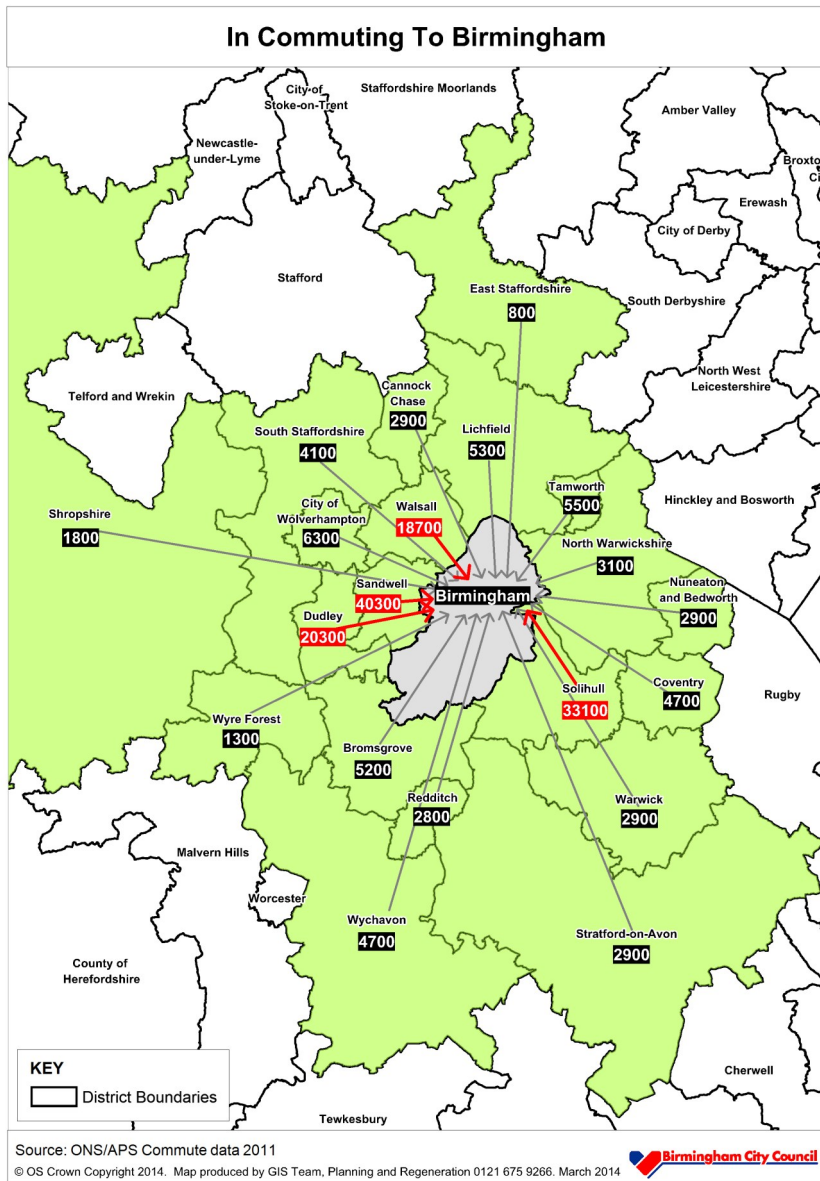
Again strong links are evident with Sandwell where 9.3% of jobs (11,100) in that area are taken by Birmingham residents. Birmingham residents also account for 10% (4,000) of the workforce in North Warwickshire and around 6% in Bromsgrove, Redditch and Tamworth.

**Table 2.4: Out Commuting by Birmingham Residents**

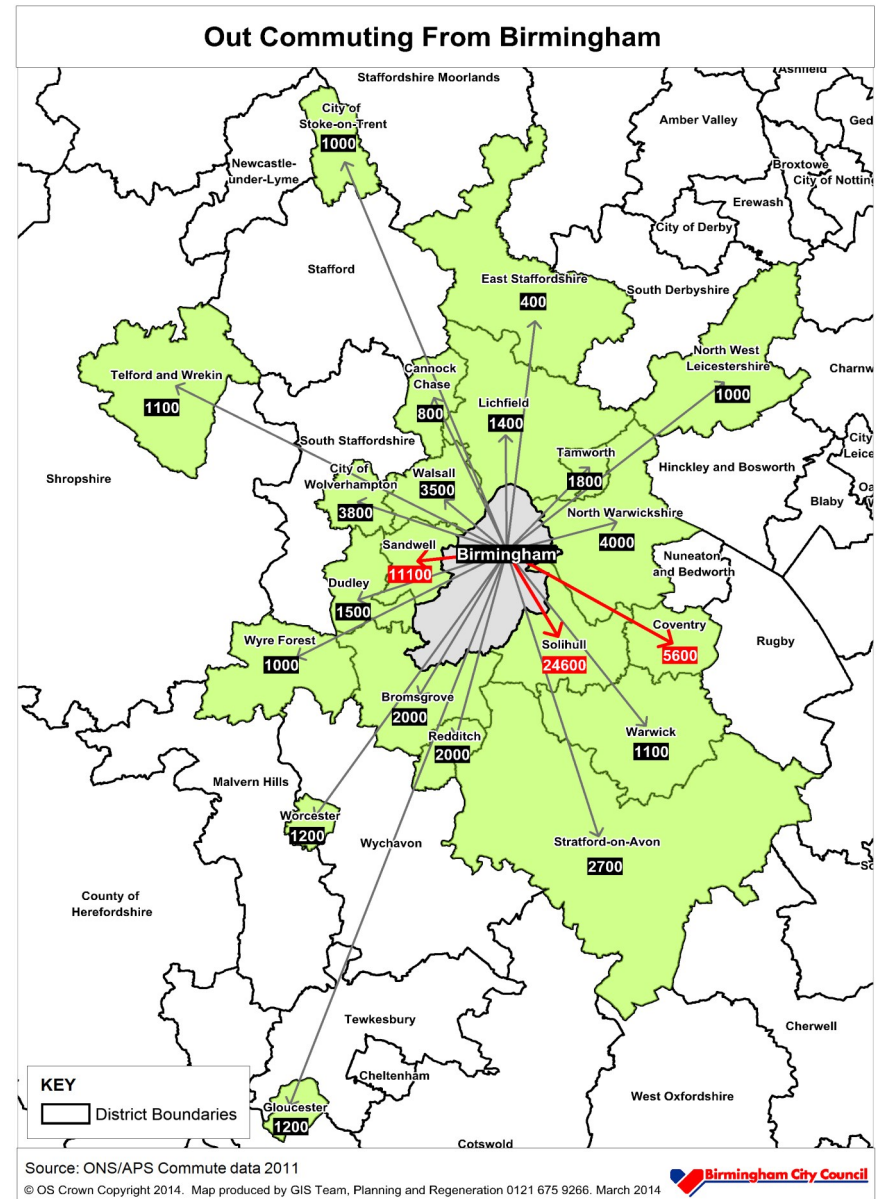
Area of Workplace	Total Out Commuting from Birmingham	% of Employed Birmingham Residents	Total Jobs 2011	% of Jobs Taken by Birmingham Residents
Solihull	24,600	6.2%	98,900	24.9%
Sandwell	11,100	2.8%	119,400	9.3%
Coventry	5,600	1.4%	143,400	3.9%
North Warwickshire	4,000	1.0%	40,000	10.0%
Wolverhampton	3,800	1.0%	112,900	3.4%
Walsall	3,500	0.9%	95,100	3.7%
Bromsgrove	2,000	0.5%	34,100	5.9%
Redditch	2,000	0.5%	36,300	5.5%
Tamworth	1,800	0.5%	27,100	6.6%
Dudley	1,500	0.4%	113,600	1.3%
Lichfield	1,400	0.4%	41,200	3.4%
Wyre Forest	1,000	0.3%	32,700	3.1%
Cannock Chase	800	0.2%	34,500	2.3%
East Staffordshire	400	0.1%	58,000	0.7%
Functional Economic Area (excluding B'ham)	63,500	15.9%	987,200	6.3%



Map 2.5: In-Commuting to Birmingham 2011



Map 2.6: Birmingham Out-Commuting 2011



### 2.3.3. Commuting Patterns by Occupational Group

There is currently no data available that breaks down commuting patterns by occupation. We can however, compare APS data on resident and workplace based employment by occupational group to give an indication of the differing patterns of occupation for Birmingham residents and for those who work in the city.

Table 2.7 below shows the difference between the occupational structure of those who live in Birmingham and work either in the city or elsewhere and those who work in Birmingham (including residents and in-commuters).

**Table 2.7: Resident and Workplace Employment by Occupational Group 2013**

Occupational Group	Birmingham Residents		Birmingham Workers		% Point Difference
	Number	%	Number	%	
1: managers, directors and senior officials	33,000	8.1%	46,800	8.9%	0.8%
2: professional occupations	75,900	18.6%	112,400	21.4%	2.7%
3: associate prof & tech occupations	39,900	9.8%	65,100	12.4%	2.6%
<b>Higher Skilled Occupations</b>	<b>148,800</b>	<b>36.5%</b>	<b>224,300</b>	<b>42.6%</b>	<b>6.1%</b>
4: administrative and secretarial occupations	48,800	12.0%	66,700	12.7%	0.7%
5: skilled trades occupations	36,600	9.0%	45,100	8.6%	-0.4%
6: caring, leisure and other service occupations	39,800	9.8%	47,000	8.9%	-0.8%
<b>Intermediate Occupations</b>	<b>125,200</b>	<b>30.7%</b>	<b>158,800</b>	<b>30.2%</b>	<b>-0.5%</b>
7: sales and customer service occupations	33,600	8.2%	36,700	7.0%	-1.3%
8: process, plant and machine operatives	43,700	10.7%	48,500	9.2%	-1.5%
9: elementary occupations	56,100	13.8%	57,800	11.0%	-2.8%
<b>Lower Skilled Occupations</b>	<b>133,400</b>	<b>32.7%</b>	<b>143,000</b>	<b>27.2%</b>	<b>-5.6%</b>
<b>Total</b>	<b>407,400</b>	<b>100%</b>	<b>526,100</b>	<b>100%</b>	n/a

The table clearly identifies that the city is a net importer of workers as there are more jobs located here than residents in employment. It also shows that those who work in the city are more likely to be in higher skilled occupations. 42.6% of workplace based employment in Birmingham is in managerial and professional occupations whilst only 36.5% of Birmingham's residents have these occupations. At the other end of the occupational spectrum a greater proportion of Birmingham residents are employed in lower skilled occupations (32.7%) compared to those who work in the city (27.2%).

This pattern reflects Birmingham's position as the regional centre for employment with its concentration of knowledge intensive jobs. The occupational breakdown suggests that many of these higher skilled and better paid jobs in the city are taken by in-commuters from the surrounding areas.

### 2.4 Other Economic & Strategic Linkages

Birmingham is the regional capital and as such is the regional centre for commerce and industry, shopping and other leisure and cultural activities. Birmingham is also at the heart of the national road and rail network and is a public transport hub for the region. The city is also a centre for higher education and associated R&D based at the cities universities.

Birmingham's residents also work, shop and make use of leisure, cultural and other facilities and institutions in the surrounding areas. The city therefore has strong economic and strategic linkages extending to and from the surrounding conurbation and wider region.

#### 2.4.1. Infrastructure

The areas transport infrastructure is a key enabler to the local economy. An efficient system enables people to access jobs and businesses to more easily move their goods and services and access wider markets. Birmingham is at the heart of the UK's road and rail network and serves as a regional infrastructure hub. These linkages help to enable the movement of people throughout the functional economic area for work, study and leisure and offer the city considerable economic

advantages with the city's geographical position meaning it is within four hours travel time of 90% of the UK's population and business, significantly more than the south east, or the metropolitan areas of the north.

Birmingham's location at the heart of the motorway and rail network does however result in congestion which has significant impacts on the local economy, slowing the movement of people, goods and services. It is estimated that congestion costs the West Midlands economy in the region of £2bn per annum in lost economic output.

Currently Birmingham residents make about 2.8 million journeys per day with a further half a million journeys made in and out of the city by people who live elsewhere.

Forecasts show the city's population is set to grow over the next two decades and this will place additional strain on transport infrastructure. It is estimated that by 2031 there will be an additional 80,000 cars in Birmingham and an extra 200,000 daily car trips. The areas rail network is already close to capacity with rail patronage in the West Midlands Metropolitan Area having increased by 94% since 2000/1. Demand is forecast to grow significantly in the coming years with passenger growth of around 5% per annum outstripping planned growth in capacity (2.5% per annum).

**Birmingham Residents make around 2.8 million journeys each day**



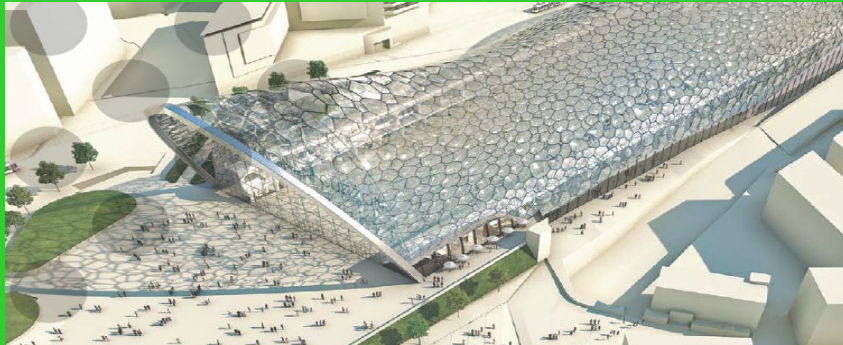
50%

50%

West Midlands Household Travel Survey (HHTS)

The [Birmingham Connected](#) white paper sets out the vision for transport in the city and surrounding area for the next 25 years. Improving connectivity across the functional economic area whilst meeting the forecast increase in demand on the areas road and rail network will be extremely challenging. There are a number of major infrastructure schemes in the area that should significantly enhance connectivity across the functional economic area and to other parts of the UK and internationally.

## HS2



High Speed 2 is potentially the most significant transport infrastructure project in the UK since the motorways were built in the 1950s and 1960s. HS2 will have a significant impact on the economic and transport landscape in the Greater Birmingham area. The project will see the construction of a new high speed rail line from London to Birmingham (via Birmingham Airport) in Phase One, which will cut journey times between Birmingham and London from 85 to 49 minutes. The network will be extended to Manchester and Leeds in Phase Two.

Construction of Phase One is due to start in 2017 and be completed by 2026/7, with Phase 2 scheduled for 2023-33. The £50bn project will be one of the largest civil engineering projects ever undertaken in the UK and will free up a large amount of capacity on the existing network and significantly cut journey times to and from London.

The project is expected to have significant economic benefits for the local area attracting new business and investment to the city as well as enabling existing businesses to benefit from greater connectivity with London and other major UK cities and markets on the continent. It is estimated that the project could create 50,000 jobs in the West Midlands Metropolitan area and boost the local economy by £4bn per annum. The new station to be built in Birmingham city centre will also help to transform the Eastside area of the city centre stimulating regeneration in this part of the city.



## New St Gateway

The £600m redevelopment of Birmingham New St Station is due to be completed in 2015. The project sees the complete redevelopment of the 1960s New Street railway station and the Pallasades Shopping Centre above (to be renamed Grand Central). The project aims to enhance the station to cope with increased passenger numbers as well as expected future growth in traffic.



The project is expected to create around 3,000 jobs and boost regional economic output by £3bn a year.



## Midland Metro Extension

Work to extend the Midland Metro into Birmingham City Centre has started. When the extension opens in 2015, it will greatly improve links between the Black Country and central Birmingham by linking to the National Rail network at Birmingham Gateway - New Street. It is expected to deliver £50m per annum to the region's economy and create around 1,500 jobs.

Further extensions to the Network are planned which will provide valuable new transport corridors through some of the most deprived local areas, improving access to jobs and services for residents as well as attracting new business and developments to these areas. It has been estimated by Centro that Midland Metro extensions have the potential to create 14,500 new jobs adding £513 million to the region's economy.



Further extensions to the Network are planned which will provide valuable new transport corridors through some of the most deprived local areas, improving access to jobs and services for residents as well as attracting new business and

### Birmingham Airport Runway Extension

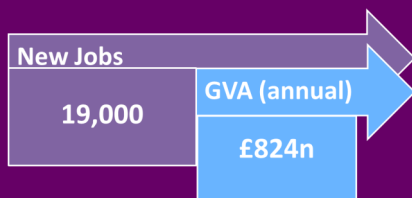


further, bringing new long-haul destinations within direct range for the first time. Routes to cities including Beijing, Shanghai, Tokyo, Bangkok, Los Angeles, Las Vegas and Johannesburg, will cater to both business and leisure travellers, removing the need to journey outside the region before flying. The runway extension will generate spare long-haul capacity, enabling Birmingham Airport to significantly boost the number of passengers it handles.

Birmingham Airport is one of the largest employment centres in the West Midlands Region supporting over 10,000 full time equivalent (fte) jobs and generating around £300m of economic output. The airport currently handles around 9 million passengers a year, making it the seventh busiest UK airport. This is a considerable under-utilisation of one of the area's most significant economic drivers.

The three year runway extension project is due to open in summer 2014. This will enable aircraft to carry more fuel and fly

The economic impact of Birmingham Airport is expected to rise as a result of the runway extension to 19,000 fte jobs and £824m of annual economic output by 2030.



### 2.4.2. Supply Chain

Birmingham is at the heart of a complex supply chain for a number of key industries in both the manufacturing and service sector. The local supply chain for these industries in turn forms an important part of the national supply chain. The functional economic area has the most significant concentration of automotive and advanced engineering acuity in the country, with the sector employs around 115,000 people in 1,500 businesses across the West Midlands region, generating a turnover of around £13bn. The region accounts for 60% of the UK's automotive R & D and 30% of automotive turnover, with the Greater Birmingham area at the heart of this activity.

The area is home to major automotive manufacturers including JLR, BMW, Aston Martin and MG Rover as well as related companies like JCB. There is also a large concentration of Tier 1 and 2 supply chain companies in the area servicing these manufacturers and other major automotive and engineering companies located elsewhere in the UK and overseas. .

In addition to long established automotive sector, there is also a concentration of aerospace companies in the area with firms like GKN and Goodrich having plants in the area supporting a range of suppliers in the aerospace sector.

As the regional centre for commerce Birmingham is at the heart of a strong concentration of financial & business services companies, with the city the third largest financial centre in the country. The sector is estimated to contribute around £4bn to Birmingham's economy with over 1,900 firms employing over 115,000 people in the city. A number of national and global firms have a significant presence in the area, including Lloyds, HSBC, RBS, Deutsche Bank, KPMG, PWC and Deloitte.

These higher value added service firms are mainly concentrated in Birmingham city centre, providing financial, legal and other professional services to the wider business community in the region. The activity of the financial and professional services sector also supports a 'supply chain' of other business in related sectors and those providing additional support services. The sector for example generates a large amount of business tourism which has a positive benefit for the accommodation and leisure sector in the region.

### Logistics Hub

In the north and east of the functional economic area there is a strong concentration of national and regionally significant logistics sites which give the area a strong offer in this sector. North Warwickshire contains the Hams Hall Regional Logistic Site and also Birch Coppice which are both large sites of over 50 hectares containing large rail linked (the West Coast Main Line) warehousing and distribution facilities for companies like Sainsbury's, DHL and Wincanton. The distribution facilities on these sites are often national facilities but also serve the Birmingham/West Midlands conurbation. There are also a number of large warehousing and distribution facilities in Tamworth & Lichfield e.g. Fradley Industrial Estate in Lichfield and together with North Warwickshire and Birmingham form part of what the property market refers to as the 'Golden Triangle' of logistics development formed by the M1, M6 and M42.

### 2.4.3. Strategic & Physical Assets

The functional economic area is home to a number of physical and strategic assets that provide strong linkages across the area and will play a vital role in driving economic growth in the area in the future.

#### Economic Zones

A number of economic zones have been created to marry the spatial opportunities in the area with the sectors that have been identified as driving growth in the local economy. Within Birmingham there are six Economic Zones including the city centre Enterprise Zone, which were discussed in the Business section (1.5.3). It is estimated that the six Zones have the potential to attract £1.5bn of investment, generating in the region of 1.8 million sq. m of new floorspace and create 50,000 new jobs. Elsewhere in the functional economic area there are significant linkages and opportunities provided by:

#### UK Central

It is estimated that the regional strategic economic assets represented by the airport, the NEC, the Birmingham and Blythe Valley Business Parks, JLR and Solihull Town Centre currently support some 100,000 jobs across the region and contribute £5.1bn to regional GDP.



The UK Central Masterplan published in June 2013 outlines plans to capitalise on the potential of the gateway site, which include:

- Investment in local connectivity, including new modes of rapid transit to create a genuinely connected network
- Investing in green infrastructure as a vital economic asset
- Targeting investment in Junction Six of the M42 to facilitate the growth of Birmingham Airport, the NEC and Birmingham Business Park.
- Delivering managed growth around four key locations, namely North Solihull, Solihull Town Centre, Blythe Valley Business Park and the Hub – the epicentre of UKC which includes the NEC, airport, Birmingham Business Park and the proposed High Speed Rail station.
- The creation of a special purpose delivery vehicle called UKC Limited, staffed to procure and deliver schemes identified in a strategic business plan and accelerating planning, funding and implementation.
- Piloting a Single Local Growth Fund, and attracting additional private sector investment

The development of the strategic assets located in the area has the potential to create in excess of 100,000 jobs by 2040, boosting regional economic output by £15.5bn per annum by 2040.

#### *Birmingham Airport*

Birmingham Airport is located within Solihull's boundary at the centre of the national motorway system and has first class access to national and local road networks. The Airport is also located at the centre of the national rail network and is linked directly to Birmingham International Railway Station. The Airport is the second largest regional airport in the UK and provides access to air travel for a catchment area of some 8 million people living

within 1 hour travel time (and 36 million people living within 2 hours travel time).

The airport is 49% owned by the seven West Midlands Metropolitan authorities with Birmingham being the largest local authority shareholder (shareholding was based on population). The airport itself is a major centre of economic activity and employment. Currently, there are some 7,500 jobs supported on-site (with further jobs off-site) and the Airport is estimated to contribute £272 million to the regional economy.

Birmingham Airport serves a key role as a major contributor to Birmingham's international profile and the local economy. The airport is central to Birmingham operating as an international business destination, providing access to global markets for local business and facilitating inward investment. The airport also plays a role in the city's visitor economy.

The proposed extension of Birmingham Airport is one of the agreed Impact Investment Locations – identified as being a catalyst for growth in the West Midlands. Extending the runway at the airport would enable and improve access to existing and emerging markets in the Asian sub-continent, South East Asia, China, the Far East and the west coast of North America.

#### *The NEC*

The NEC and LG Arena (based in Solihull) constitute two of the five venues that make-up the NEC Group, the others being the ICC, Symphony Hall and the NIA in Birmingham city centre.

The NEC is one of the busiest exhibition centres in Europe, with 21 halls totalling 200,000sqm of exhibition space on a 650-acre site. The NEC stages around 160 trade and consumer exhibitions each year, including national and internationally significant events and attracts over four million visitors each year.

The economic benefits of The NEC Group venues to Birmingham and the region are significant. The latest study undertaken by KPMG reports that the venues generated £711 million of expenditure and supported nearly 22,000 full-time equivalent jobs.

In February 2006 it was estimated that over the previous thirty years The NEC had welcomed more than 90 million visitors, staged more than 2,500 events and generated more than £20 billion for the regional economy.

#### *E3i / Enterprise Belt*

The E3i belt includes a number of sites in a 20-40 km area straddling southern Staffordshire and north Worcestershire. This area combines 'economic', 'entrepreneurial', 'environmental' and 'innovation' factors to create the conditions for business growth and potential for sustainable, knowledge-based economic growth.

The GBSLEP is using various tools it has available to unlock the potential of the Enterprise Belt, including using Growing Places funding, business rate uplift from the Birmingham City Centre Enterprise Zone and simplified planning.

#### *World class universities*

The area is home to ten universities that in 2012/13 had a student population of over 181,000, producing a large supply of highly skilled graduates. The functional economic areas universities also make a significant contribution to the local economy as major employers and investors. Oxford Economics have undertaken some research to calculate the economic impact the University of Birmingham has on the local and regional economy. The study shows that in 2011/12 the University of Birmingham alone generated over £1bn of spending in the West Midlands economy, generating £530m of GVA and supporting 11,890 jobs regionally.

The areas universities and FE colleges work closely with business to provide high quality education and skills training across the area: supporting the development of skills from entry to post-graduate degree level and across all industrial and business sectors.

The areas universities engage actively in research and knowledge transfer at a local, regional, national and international level. This research base, together with business and public sector expertise, give the area real strength in research and innovation in the fields of:

- Advanced material characterisation and use - including nanotechnology and composites
- Energy - including Hydrogen and fuel cells, bioenergy
- Low Carbon Technologies - including low carbon vehicles,
- Innovative healthcare - ranging from medical devices to clinical trials
- Digital Technologies - including use of social media and 3-D imaging,

These research strengths also link in well and provide synergy with the identified growth sectors.



### Longbridge

The former MG Rover site at Longbridge is partly contained in Bromsgrove. As such the plans to redevelop this strategic site, including the Longbridge Area Action plan, are jointly undertaken by both Bromsgrove District Council and Birmingham City Council. The Longbridge development comprises:

- The biggest regeneration scheme in the West Midlands and one of the largest in England;
- Over 140 hectares of development land. A major role in supporting and restructuring the West Midland's economy through securing technology based businesses and traditional employment.

A total jobs target of 10,000 for the whole development across a wide range of sectors.

#### 2.4.4 Cultural Assets & the Visitor Economy

Birmingham and the surrounding area contains a number of internationally and nationally significant visitor and cultural assets including but not limited to, major venues like the NEC, ICC, NIA. Sporting centres including Edgbaston Cricket Ground, the Belfry golf centre and the National FA Centre. The area also boasts world class cultural assets such as The Royal Shakespeare Company, the CBSO and Birmingham Royal Ballet.

The area also has a range of tourism attractions, which Visit England record as having large annual visitor numbers. This includes Cadbury World (663,000 visitors), Coventry Cathedral (324,000) and the Black Country Museum (230,000).

Birmingham in particular benefits from having a very strong retail offer drawing consumers in from across the functional economic area and further afield. CACI Retail Footprint data shows that Birmingham was the third largest shopping destination in the UK in 2011.

**Table 2.9: Top Retail Destinations by Expenditure, 2011**

Rank	Location	Annual Expenditure
1	London - West End	£3,270m
2	Glasgow	£2,480m
<b>3</b>	<b>Birmingham</b>	<b>£2,430m</b>
4	Manchester	£2,340m
5	Liverpool	£1,790m
6	Nottingham	£1,730m
7	Leeds	£1,490m
8	Westfield London	£1,460m
9	Newcastle Upon Tyne	£1,240m
10	Norwich	£1,180m

The areas strong visitor offer has been confirmed in the Office for National Statistics International Passenger Survey findings which show that Birmingham is the 4<sup>th</sup> most visited UK city by international visitors in 2012, with Coventry and Stratford upon Avon 24<sup>th</sup> and 39<sup>th</sup> respectively .

**Table 2.10: Most Popular Destinations for International Visitors**

Rank	Town/City	Visits (000s)
1	London	15,461
2	Edinburgh	1,256
3	Manchester	932
4	Birmingham	713
5	Liverpool	550
6	Glasgow	521
7	Oxford	430
8	Cambridge	398
9	Bristol	395
10	Brighton / Hove	345
24	Coventry	141
39	Stratford-upon-Avon	82
66	Warwick	53
79	Leamington Spa	39
81	Wolverhampton	38
84	Solihull	37
91	Worcester	34

It is clear that the Greater Birmingham area has a strong and growing visitor economy – encompassing both business and leisure tourism. Generating nearly £6 billion of expenditure and supporting 71,000 jobs. Numbers of tourists visiting the area and tourism spend grew between 2011 and 2012 despite the challenging economic climate.



# 3. People

## Summary

Birmingham has a population of just over one million. The city has a relatively youthful population, and a large and diverse BME population, with 40% of working age residents being from an ethnic minority. Population projections suggest that Birmingham's working age population is expected to grow by more than 43,000 between 2011 and 2021.

When compared with the UK and the core cities Birmingham has a relatively low proportion of highly skilled residents and a high proportion of its working age population with no formal qualifications. There are large differences between qualification levels of residents from different parts of the city and between different ethnic groups.

GCSE attainment levels in the city have undergone a huge improvement over the past decade and are now similar to the national average. However, the improvement in GCSE attainment has yet to pass through to an improvement in overall working age qualification levels.

The available evidence seems to suggest that there is a 'skill gap' in the city, with the working age resident population of the city not holding the necessary skills to fully meet the skills requirements of employers in the city. This manifests itself in Birmingham being a large importer of workers from outside the city.

Birmingham's working age population has relatively low rates of economic activity and employment and high levels of unemployment. Low levels of economic activity & employment and high

unemployment tend to be concentrated in the inner city and some deprived outer city estates.

The city has a high youth unemployment rate and BME unemployment in Birmingham is significantly higher than for the White population.

Birmingham has lower resident earnings levels than the national average and within the city there is large variation in average household income and deprivation levels.

In Birmingham there is a clear link between, qualifications & skills, economic activity & employment, unemployment and deprivation levels. Those areas of the city that do poorly in relation to one of the factors are also likely to do poorly in relation to the others, with the inner city and some outer city estates consistently being the areas that perform less well.



## 3.1 Introduction

Section 3 moves away from looking at Birmingham's economy, and its economic linkages with surrounding areas, to focus on the city's resident population. It investigates the demographic structure of the population, but principally concentrates on issues relating to the resident labour market, such as skills levels, economic activity, employment and unemployment.

## 3.2 Demography

### 3.2.1 Historic Context

Birmingham is the second largest city in the UK, and has one of the youngest and most diverse populations of any major European city.

The advent of the industrial revolution and the emergence of Birmingham and the surrounding area as Britain's industrial heartland transformed Birmingham from a small town to a large and important city. By the end of the 19th century the population had risen to just over half a million, and by the 1960s to one million.

Such a rapid increase in population could only be achieved with a considerable level of immigration, and the city has continued to attract new arrivals to this day.

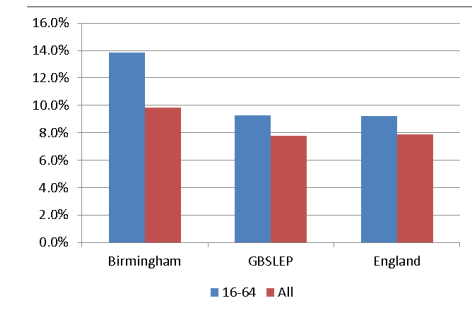
During the 1980s and 1990s Birmingham's population was generally decreasing, continuing a trend of reduction since the 1960s. However, since around the turn of the century the City's population has grown, and at a faster rate than the region or nationally.

### 3.2.2 Birmingham's population today

The 2011 Census recorded the population as 1,073,045, and the 2013 mid-year population estimate figure of 1,092,300 shows the population continues to rise.

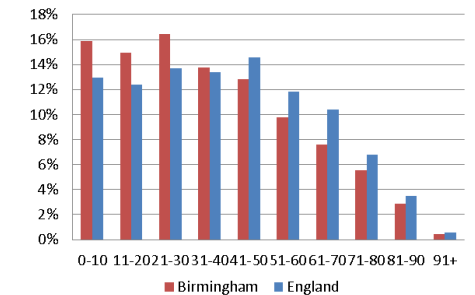
Between 2001 and 2011 the number of people of working age (16-64) increased by 83,968 (13.9%), compared to 9.2% for England. (Chart 3.1).

**Chart 3.1: Population Change 2001 – 2011**



Birmingham has a relatively youthful population (Chart 3.2). 47% of residents are 30 or younger, compared with the England average of 39%. In contrast, only 26% of the city's residents are older than 50; the national average is approximately 33%.

**Chart 3.2: Age Structure for Birmingham and England 2011**



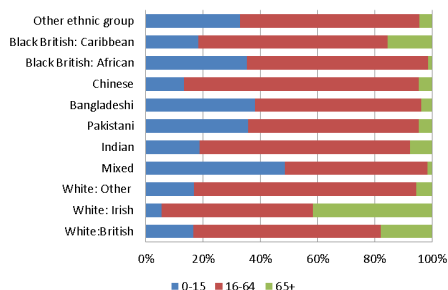
Birmingham's is a highly ethnically diverse city, and has been called 'super-diverse', with a much larger proportion of BME residents than nationally.

Looking at the total population in 2011, the largest ethnic group overall was White British with 570,217 (53%), down from 2001 (66%) and lower than the average in England (80%). The largest minority ethnic (BME) group in Birmingham is Pakistani (144,627, 18%), followed by Black Caribbean (96,360, 9%) and Indian (64,621, 6%).

The age profile of the different ethnic groups varies (Chart 3.3). The white Irish group has the oldest profile and the mixed group the youngest. The Pakistani, Bangladeshi, Black African and 'Other' groups all have a larger proportion of under15s than the White British group.

These different age profiles impact on the make-up of the working age population.

**Chart 3.3: Age profile by ethnic group in Birmingham 2011**



An analysis of the working age population (Chart 3.4) clearly shows how the ethnic make-up in the city's potential workforce varies from England as a whole. 54% of the Birmingham working age population is White British compared to 85% for England. All other groups constitute a greater proportion compared to England, and this is most apparent in the Pakistani group, which constitutes 12% of the Birmingham working age population compared to 2% for England.

**Table 3.4: Resident working age (16-64) Population by Ethnic Group 2011**

Ethnic Group	Birmingham No.	Birmingham %	England %
All People	690,150		
<b>White: Total</b>	<b>407,697</b>	<b>59%</b>	<b>85%</b>
British	373,231	54%	78%
Irish	11,643	2%	1%
Other	22,546	3%	1%
<b>Mixed/multiple ethnic group:</b>	<b>23,664</b>	<b>3%</b>	<b>2%</b>
<b>Asian Total</b>	<b>183,637</b>	<b>27%</b>	<b>8%</b>
Indian	47,484	7%	3%
Pakistani	86,260	12%	2%
Bangladeshi	18,932	3%	1%
Chinese	10,423	2%	1%
<b>Black Total</b>	<b>61,497</b>	<b>9%</b>	<b>4%</b>
African	18,959	3%	2%
Caribbean	31,541	5%	1%
<b>Other ethnic group</b>	<b>13,655</b>	<b>2%</b>	<b>1%</b>

There is considerable geographic variation in the ethnic mix across the city, with BME groups most highly concentrated in the inner city area. In 5 inner city wards the white working age population constitutes less than 20% of the population, whereas in 14, mainly outer city wards, the proportion is over 80%.

There is a large variation in the employment rates for different ethnic groups, which impacts on the overall employment rate for the city, and has other implications for the labour market. This is explored in more detail later in Section 3.3.4.

Overseas migrants arriving between the 1950s and 1980s were mainly from the Indian sub-continent and the Caribbean, and this is reflected in the ethnic make-up of the city today. These populations are concentrated in the inner city, particularly to the north-west, south and east of the city centre. More recent trends have seen people arriving from many different parts of the world, including eastern Europe, Africa and the Middle East. The 2011 census showed the highest concentration of the newest migrants (resident less than 10 years), were also found in the inner city in Ladywood, Nechells and Soho wards.

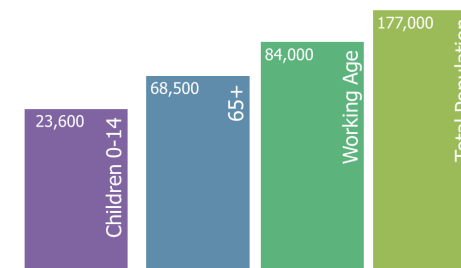
In total there were around 13,000 residents (of all ages) from eastern Europe in 2011, and of these the Polish group is by far the largest (8,404).

The 2011 Census shows that the majority (77.8%) of Birmingham residents were born in the UK. This proportion was below England (86.2%) and the West Midlands (88.8%) averages. 238,313 Birmingham residents were born overseas, of these, 44% (103,682) have been resident in the UK for less than 10 years.

### 3.2.3. Future Projections

Population projections from the ONS suggest that Birmingham's population is expected to continue to grow, with a projected increase of around 177,000 between 2013 – 2037.

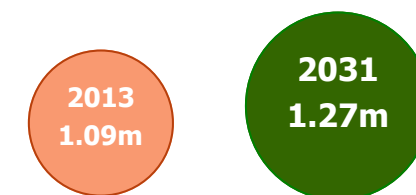
### Forecast Population Growth 2013 - 2037



While overall Birmingham's population is projected to grow at slightly over the national average, there are considerable differences when broken down by age group. In particular, the working age population will grow at nearly twice the national rate, whereas the number of older people in Birmingham will grow by significantly less than the national average. This has implications for employment rates in the city, which are already low, as jobs will need to be created just to maintain existing employment rates.

There are no up-to-date projections of population by ethnicity, but age profile data from Chart 3.3 indicates that, unless there are large shifts in populations, the proportion of some BME communities in the city, such as Pakistani, Bangladeshi and Black African is likely to increase relative to the proportion of white residents.

### Birmingham's Population





### 3.3 Skills & Qualifications

The skill levels of the resident population have a strong bearing on both the prosperity of the workforce as well as the competitiveness, productivity and performance of the Birmingham economy. With the current trend of more jobs in professional and technical occupations, the ability to take part and compete in the labour market is increasingly dependent on skill levels and qualifications attained.

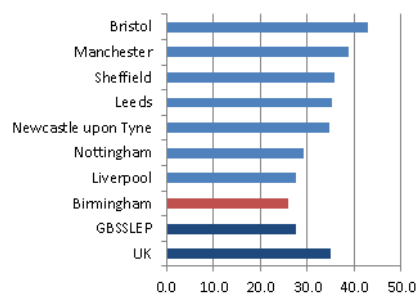
The skills profile of the city's residents has been a cause of concern for some time with Birmingham residents less likely to have high level qualifications and more likely to have low or no qualifications than residents of other major cities and nationally. The following sections highlight this issue and attempt to identify the link between skills and labour market participation and to identify some of the root causes of the city's underperformance in relation to skills.

#### 3.3.1. Highly Skilled Residents

Birmingham has a large pool of highly skilled residents for businesses to draw upon. The 2013 Annual Population Survey shows that there are 173,000 working age Birmingham residents with degree level or higher qualifications. However, when these figures are analysed as a proportion of the working age population they show a less positive picture. Only 26% of the working age population in Birmingham are educated to degree level or higher - below the UK average (35%), and the lowest proportion of the eight English core cities (Chart 3.5).

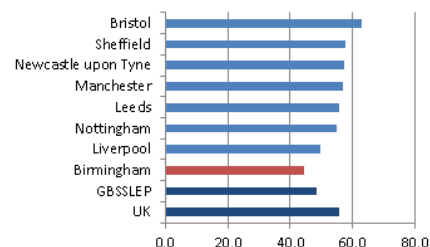
Although there has been a small increase in the proportion with degrees since 2005, all other core cities have seen significantly greater percentage point increases over the same period. This has created a widening gap between the city and the core city average over the period and this is concerning for the city's economic competitiveness.

**Chart 3.5: Working Age Population - % with High Level Qualifications (NVQ 4+)**



Even looking at a broader measure of a skilled workforce, using the proportion qualified to NVQ3 and above (often used as definition of a 'world class' workforce), Birmingham underperforms the LEP and the UK, and again is the lowest ranked core city. Only 44% of the workforce are educated to this level compared to 56% nationally (Chart 3.6).

**Chart 3.6: Working Age Population - % with NVQ3+ Qualifications**

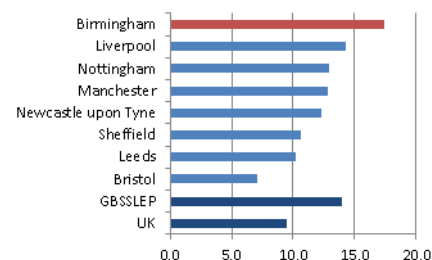


#### 3.3.2. Residents with No Qualifications

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 (17%), and is ranked lowest of all the English core cities (Chart 3.7). This proportion is above the average for the GBSLEP (14%) and significantly above the

nation as a whole (10%). This skill shortage is a contributing factor to Birmingham's low proportion of employed residents, and associated high claimant unemployment rate.

**Chart 3.7: Working Age Population - % with No Formal Qualifications**

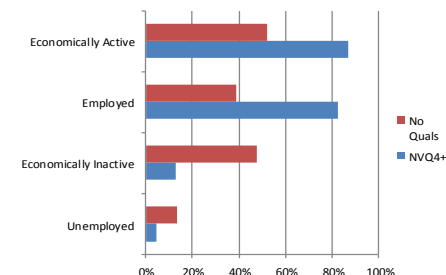


#### 3.3.3 Skill Levels & the Labour Market

There is a clear link between skills and labour market participation. Those with NVQ 4+ are much more likely to be in employment than those

with low or no qualifications. 83% of working age residents with NVQ4+ qualifications are in employment compared to 39% of those with no qualifications. The converse is true at the other end of the labour market spectrum, with only 5% of those with NVQ4+ unemployed compared to 13% for those with no qualifications.

**Chart 3.8: Skill Levels and Labour Market Participation - % 16-64**



**Table 3.9: Qualifications by Ethnic Group (16-74 age group)**

Ethnic Group	No qualifications		NVQ2+		NVQ3+		NVQ4+	
	No.	%	No.	%	No.	%	No.	%
All People	233,835	28%	429,869	52%	298,248	36%	190,335	23%
White British	140,903	30%	256,087	54%	172,435	36%	105,795	22%
White Other	3,613	15%	12,350	51%	10,185	42%	7,867	33%
Mixed Race	4,914	20%	14,203	58%	9,011	37%	4,756	19%
Indian	9,412	18%	31,629	60%	25,448	48%	18,108	34%
Pakistani	32,676	35%	36,141	39%	24,234	26%	14,908	16%
Bangladeshi	7,125	35%	7,404	37%	4,812	24%	2,789	14%
Chinese	1,715	16%	6,878	62%	6,225	57%	5,017	46%
Black African	3,272	17%	11,260	58%	8,401	43%	6,035	31%
Black Caribbean	9,371	24%	21,320	55%	13,971	36%	8,803	23%
Other	3,618	25%	6,929	47%	5,441	37%	3,926	27%

### 3.3.4. Skill Levels within Birmingham

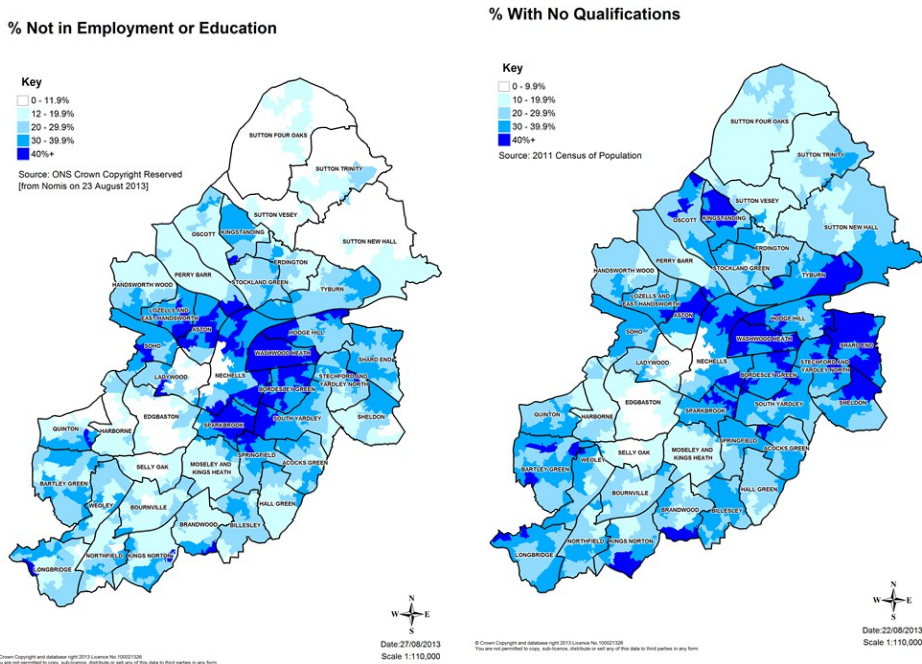
The 2011 Census data allows for a more detailed examination of the skills situation within the city. Due to differences in methodology and timing the exact rates differ from those quoted in previous sections, which use the APS, but they do serve to illustrate differing skills profile between ethnic groups in the city and between different areas of the city.

There are large disparities in skill levels between the different ethnic groups, with 35% of (16-74 year olds) Pakistani and Bangladeshi residents having no qualifications, while in contrast White Other (15%) and Chinese (16%) residents have much lower rates (Table 3.9).

The differences between the groups are apparent at all qualification levels, with the Pakistani and Bangladeshi communities having the lowest attainment rates and, in general, the White Other and Indian groups the highest. And these differences are reflected in the different employment rates for these groups.

There are also large differences between qualification levels of residents from different parts of the city. Some parts of the city have much higher rates of highly skilled residents than others - for example the proportion of the working age population qualified to NVQ level 4+ is over 40% in 5 wards (Harborne, Moseley & Kings Heath, Ladywood, Sutton Four Oaks and Sutton Vesey), but in 4 wards it is under 15%, and in Shard End it is only 11%.

**Chart 3.10: Maps Showing Concentrations of Residents With No Qualifications Alongside Those Not in Employment or Education**



In general the highest concentrations of residents with no qualifications are found in the more deprived inner city, particularly to the east of the city centre, but also outer city estates. In 5 wards over 30% of the working age population have no qualifications - Washwood Heath, Bordesley Green & Sparkbrook in the inner city and the more outer city wards of Kingstanding and Shard End. Chart 3.10 shows the pattern of working age residents with no qualifications alongside a map of those not in employment or education, and the correlation is clear.

Overall, 5% of the city's working age population cannot speak English well or very well, higher than in England (2%). But there is wide geographic variation. In 7 of the city's 40 wards the proportion is over 10%, and is 17% in one ward. Poor English has a barrier to employment and there is a strong correlation between wards with high unemployment and a high proportion who cannot speak English well.

### 3.3.5. GCSE Attainment Levels

GCSE attainment levels in the city have undergone a transformation in recent years. The number of pupils achieving 5 or more GCSEs at A\*-C grade increased from 40.8% in 2000 to 87.6% in 2013. During this period the city's attainment rates moved from being well below the national average to surpass the England average in 2007. In 2013 using this measure, Birmingham's GCSE attainment rates were 4.5 percentage points above the national rate.

If we look at the key measure of 5 GCSE A\*-C including English and Maths, attainment rates in Birmingham have also demonstrated significant improvement and, the rate for 2013 was 59.8%, around 1 percentage point below the national average. 21.7% achieved the English Baccalaureate, slightly below the national figure of 22.9%. Good language and numeric skills are required by employers so if Birmingham's young people are to take full advantage of the job opportunities in the city, attainment including English and Maths will need continued focus. The city out-performs the average for both its statistical neighbours and the core cities.

However, there are wide variations across the city, with under 50% of pupils achieving 5 GCSE A\*-C including English and Maths in Kingstanding, Ladywood, Shard End, Sheldon and Soho wards, but over 80% in Sutton Four Oaks, Sutton Trinity and Sutton Vesey wards.

Ethnic groups that under-perform the city average include Black Caribbean, Somali and Pakistani. Girls out-perform boys by around 10 percentage points, but this is also a trend at a national level.

Although GCSE results have improved greatly in recent years, and the proportion of 16 year olds gaining 5 or more GCSEs at A\*-C grade is now close to the national rate, it will take some time for this to significantly influence the overall working age qualification rates. However, if we look at the cohort that would be expected to see the first improvement in qualification levels filtering through from the increase in GCSE attainment rates, the results are generally encouraging.

Census data shows that only 11% of those aged 16-24 in the city have no qualifications compared to 19% for those aged 25-49 and 35% for those aged 50-64. At NVQ level 3 the difference is also stark with 29% of 16-24 year olds educated to that level, 12% of those aged 25-49 and 8% of those aged 50-64. Figures for 16-24 year olds are broadly in line with figures for England and Wales.

### 3.3.6 A-Level Attainment

A level data is partial as it only covers school sixth forms, not attainment at FE and other colleges.

The Key Stage 5 results for 2013 are either in line with, or above, national levels in the four main A level indicators.

However, it should be noted that strong performance of the grammar schools in the city masks the under-performance of some schools.

### 3.3.7. Graduate Numbers & Retention



**75,000 Students**

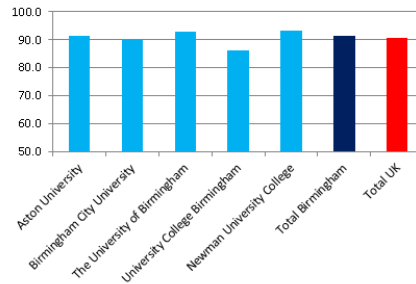
There are approximately 75,100 students registered to Birmingham's 5 universities – the University of Birmingham, Aston University, BCU, University College Birmingham and Newman University. Of these 53,750 were under-graduates, 18,845 post-graduates and 6,500 FE students.

The 5 institutions vary both in size and in the balance of post-and under-graduates, The University of Birmingham has over 31,000 students and BCU around 23,000, whereas Newman College has only around 3,000 students.

An analysis of the student population at these institutions shows that the proportion of both undergraduates and postgraduates who are full-time is greater in the city than in the UK. However the proportion who are domiciled in the UK is slightly smaller at 88% for undergraduates, but only 60% for post-graduates. Graduate retention is an important factor in improving the skill base of the resident population, and the high proportion of overseas students in the city may impact on this.

The proportion of leavers obtaining first degrees from full-time courses who find employment or go on to further study is higher than the national average at three of Birmingham's Universities, and only slightly lower at the other two. There is however, no data on the type of job and whether the post reflects the qualifications obtained (Chart 3.11). Anecdotally, graduates are currently experiencing difficulties in the labour market using the skills they have obtained in tertiary education.

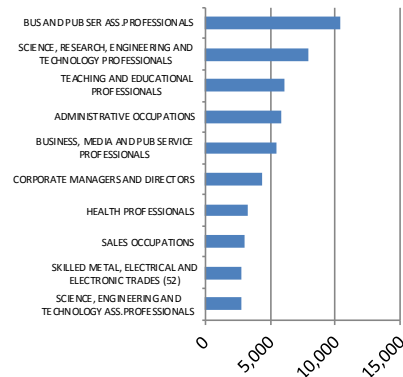
**Chart 3.11: % of First Degree Leavers who Find Employment of Further**



### 3.2.7. Current & Future Skills Demand

In the first six months of 2014, on average around 10,000 jobs were advertised each month in the Birmingham travel to work area. An analysis of the top occupations shows that the most commonly advertised jobs are, in the main, higher skilled occupations. Chart 3.12 gives details of the most commonly advertised jobs in the first six months of 2014.

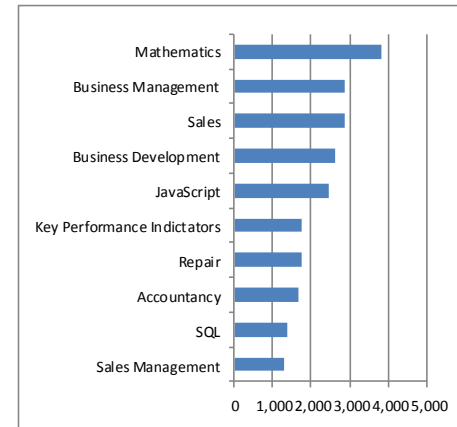
**Chart 3.12: Vacancies by Occupation Jan - June 2014**



Many of the occupations are related to sales, finance, teaching and nursing or IT, which many requiring high level qualifications.

The data also allows for an analysis by skill required, although it should be noted that skills are only specified in around 50% of the advertised vacancies, and these may not be representative of all vacancies. Chart 3.13 shows the most commonly sought skills in the first half of 2014.

**Chart 3.13: Vacancies by Skills Required Jan - June 2014**



Of those skills specified, there is a range of generic business skills sought as well as some specific IT skills. The available evidence suggests that there is a 'skill gap' in the city, with Birmingham's working age resident population not holding the necessary skills to fully meet the skills requirements of employers in the city.

The Quarterly Economic Survey for April – June 2014, undertaken by the Birmingham Chamber of Commerce Group for the Greater Birmingham



area, shows the percentage of firms attempting to recruit remains high, but the proportion of firms that are experiencing recruitment difficulties continued to increase with 66% of manufacturing firms reported recruitment difficulties and 64% of service firms.

Skilled manual/technical jobs were the hardest to recruit to for manufacturers and service sector firms had the most difficulty in recruiting professional and managerial staff.

Analysis for 2013 by the UK Centre for Employment & Skills on vacancies which are proving difficult to fill due to the establishment not being able to find applicants with the appropriate skills, qualifications or experience shows that 23% of all vacancies in the city are skill shortage vacancies; the fourth highest core city rate behind Bristol, Liverpool and Manchester.

Given the move to a more knowledge based economy in future years it is likely that the employment situation for Birmingham residents could deteriorate even further without significant improvement in resident skill levels. However, there is evidence that skill levels are improving particularly for young people. Although this has yet to make a significant impact on the overall skill shortage, it does indicate that in future years the city's overall skill levels will improve and hopefully result in improved labour market competitiveness.

This disjoint between skill levels and skill requirements in the city manifests itself in Birmingham being a large importer of workers from outside the city. Around 196,000 people commute into Birmingham for work each day, accounting for well over a third of employment in the city. Around 84,000 Birmingham residents do commute outside the city for work; this however still results in Birmingham having a very large number (112,000) of net in-commuters to the city.

In order to better understand the demand for skills in the future we have used our Local Economic Forecasting Model (LEFM) which gives projections of how economic output and employment in the local economy may change. The projections show that Birmingham's economy is expected to show reasonable economic growth over the next decade, but that over this period employment growth is expected to be subdued with the number in work only just overtaking pre-recession levels by 2025.

Modest growth is projected in sectors including health, food & beverage services, business support and residential & social care, while a decline in employment is projected in metal products and education. It should be noted however that these forecasts are a macro economic base forecast and do not directly take into account local interventions that will generate employment e.g. HS2.

The model suggests increases in some occupations including, caring & personal services, corporate managers, business

associate professionals and scientific & technical professionals. But there are likely to be reductions in other occupations including elementary clerical, secretarial and process plant & machine operatives.

The economy may not generate any net employment growth in this period but there will be job churn in the local labour market due to factors such as retirement and migration. This churn is known as replacement demand and estimates from the LEFM forecast that between 2013 and 2025 there will be 250,000 job openings in the city due to replacement demand.

Table 3.14 shows replacement demand in the city by the qualifications that will be required by employers. It is clear that there will be an increase in the requirements for higher level skills and a decrease in the requirement for lower level skills. A third of all job openings will be for those with degree or higher qualifications with only 6% of jobs for those with no qualifications. To put this in context currently 17.4% of working age residents in the city have no qualifications.

**Table 3.14: Replacement Demand by Qualification**

	Degree and above	HE (below Degree) & FE	GCSE Level Quals	No Qualification	Total Requirement
Number	82,400	75,300	77,900	14,900	250,500
% of Total	32.9%	30.1%	31.1%	5.9%	



### 3.4 The Labour Market

#### 3.4.1. Introduction

The labour market section includes an analysis of the characteristics both of working age residents who are engaged in the labour market (economically active) and those who are not (economically inactive). There is also a more detailed analysis of the characteristics of employed and unemployed residents. Finally, there are short sections on earnings and deprivation. The section draws on a range of datasets including the 2011 Census and the ONS Annual Population Survey (APS).

#### 3.4.2. Overview of the Working age Population and Economic Activity

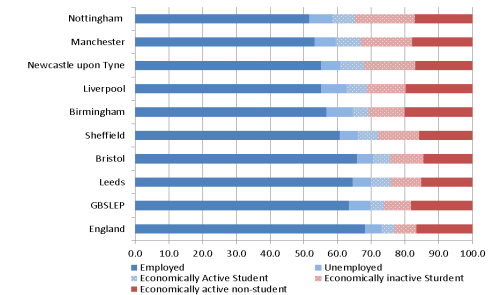
This section includes a broad analysis of the working age population by labour market participation, plus some top level detail on those who are economically active.

The economically active population includes both those who are in work (employed) and those who are not in work but are actively seeking work (unemployed). Sections 3.3.4 and 3.3.5 provide a more detailed breakdown of these residents.

#### Working Age Population

There were 690,150 working age residents in the city in 2011, and of these 478,583 or 69% were economically active. This is considerably lower than the England average (77%), and the 4<sup>th</sup> lowest rate of the core cities. Students account for around 15% of the working age population, and of these around one third are economically active. 8% of working age residents are unemployed, the highest proportion of all the core cities and higher than England (5%). Note that due to timing and methodological differences, these figures are not directly comparable with economic activity rates obtained from the ONS Annual Population Survey. But we have used Census data in this section as it provides a more detailed geographic and cohort breakdown.

**Chart 3.15: Working Age Population - Core Cities 2011**

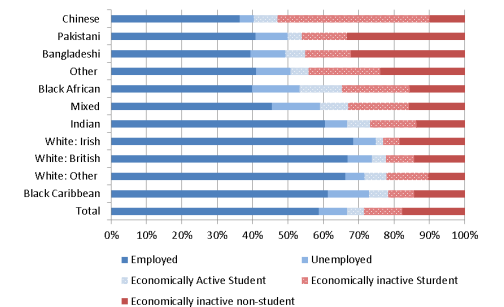


There is wide geographic variation in labour market status across the city. In the four Sutton wards the economic activity rate is over 80%, but in 7 wards it is under 60%.

#### Working Age Population by Ethnicity

Chart 3.16 gives a breakdown of the working age population of Birmingham by ethnicity. Note that as economic activity data has not to date been released by ethnicity for the 16-64 population, we have used a proxy measure for the working age population (the non-retired population) in this chart and numbers may vary from those quoted elsewhere. Some of the ethnic groups, such as Chinese, have a high proportion of students, and this is a key factor in this group having the lowest economic activity rate. In contrast the Black Caribbean has the highest rate, largely driven by the low proportion of students and high unemployment rate.

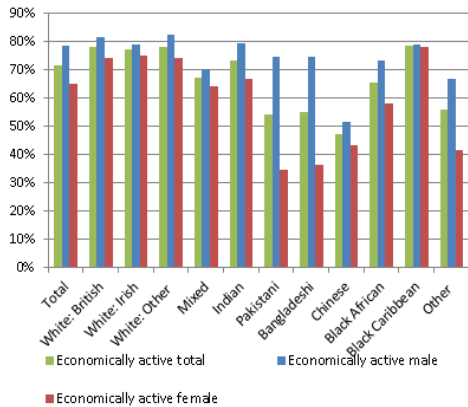
**Chart 3.16: Breakdown of the Working Age Population – Major Ethnic Groups 2011**



### Economic Activity by Ethnicity and Gender

72% of the non-retired population are economically active, but the figure for males is 78% and for females 65% (note that students cannot be separately identified when analysing by gender and ethnicity). The gender differences are much larger for some groups as Chart 3.17 shows. For example 74% of Pakistani males are economically active but only 34% of females. There is a similar pattern for those of Bangladeshi heritage. However for the Black Caribbean group the proportions are almost identical for both genders.

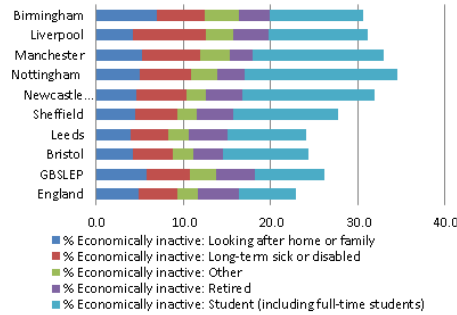
**Chart 3.17: Economic Activity by Ethnicity and Gender**



### 3.4.3 Economic Inactivity

This section analyses the economically inactive population –those who are not in work and not seeking work. Chart 3.18 provides a breakdown for Birmingham and the other core cities. It shows that, at 19.9%, Birmingham has the highest proportion of economically inactive residents of all the core cities when students are excluded. Of these, the majority (7.0%) are looking after home and family, 5.5% are long-term sick or disabled, around average for the core cities.

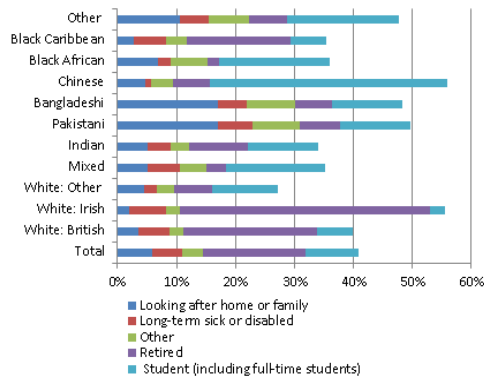
**Chart 3.18: Economic Inactivity - Core Cities 2011**



### Economic Inactivity by Ethnicity and Gender

There are large variations in the reasons for economic inactivity between different ethnic groups (Chart 3.19). The Pakistani and Bangladeshi groups have the highest proportion who are looking after home and family. The Black Caribbean, white British, and in particular the white Irish groups have the highest proportion who are retired, reflecting the older age profile of these groups. A very large proportion of the Chinese population are students. The Irish and Pakistani groups have the largest proportion who are sick and disabled.

**Chart 3.19: Economic Inactivity – Major Ethnic Groups 2011**



An analysis of economic inactivity by ethnic group and gender shows that economic inactivity rates for women are higher than for men in all groups apart from the Black Caribbean group. Around two-thirds of Pakistani and Bangladeshi women are economically inactive, much lower than their male counterparts and significantly below the city average for women

### Economic inactivity Within the City

There are large geographic variations within the city, with an economic inactivity rate (excluding students) of 30% or more in 3 wards (Bordesley Green, Sparkbrook and Washwood Heath), but a rate of 15% or less in 8 wards. A proportion of this difference is driven by the very high economic inactivity rates for women in some wards – over 40% in 4 wards (Bordesley Green, Sparkbrook, Springfield and Washwood Heath).

In some wards, including Washwood Heath and Bordesley Green, the proportion looking after home or family is as high as 15%. Over 8% are long-term sick or disabled in four wards – Kingstanding, Shard End, Sparkbrook and Tyburn.

Around 44% of the economically inactive population are students in Selly Oak ward. There are also a high proportion of economically inactive students in Nechells (21%) and Edgbaston (29%).

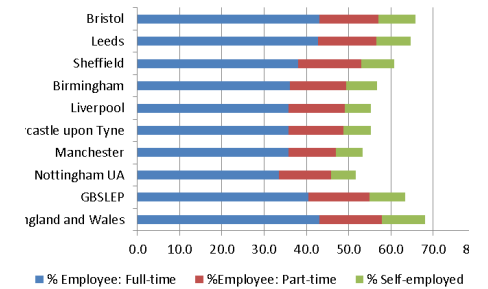
### 3.4.4. Employment

This section draws mainly on data from the Census as this provides a detailed breakdown of the employed population. However data from the ONS Annual Population Survey is used to analyse recent trends.

According to census data, at 57%, Birmingham's employment rate is around average for core cities, but well below the rate for the GBSLEP (63%) and the national rate of 68%. Part-time working accounts for 23% of all employment in the city, slightly above the national proportion of 22%.

Around 7% of those aged 16-64 are self-employed, below the national rate of 10%, but around average for the English core cities.

**Chart 3.20 Breakdown of Employment - Working Age Population - Core Cities 2011**



When students are excluded a slightly different picture emerges, with Birmingham having, with Liverpool, the joint lowest employment rate (67%) and the joint highest economic inactivity rate (24%).

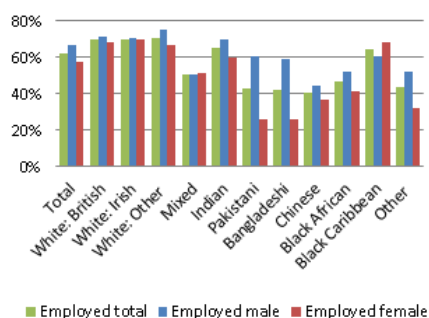
However, the rate for the city as a whole hides substantial variations between different groups and communities within the city and this is explored in the next few sections.

### Employment by Gender and Ethnicity

Around 62% of the non-retired population are employed, but the figure for males is 67% and for females 58%. Overall, the White Other group has the highest employment rate (71%) and the Pakistani and Bangladeshi groups the lowest (43%). In all groups apart from Black Caribbean the female rate is lower than the male rate. The gender differences are very large for some groups (Chart 3.21). While there is only a 4 percentage point difference in the male and female employment rate for the White British group, for the Pakistani group it is 35 percentage points (61% for males, 26% for females), and for the Bangladeshi group 33 percentage points (59% for males, 26% for females).

Birmingham has a higher proportion of Pakistan and Bangladesh residents than other core cities. This is a major, but not exclusive, contributor to the city's low overall employment rate. Population projections suggest these groups will be making up a larger proportion of the total population in the future. Unless skill levels can be raised this will have implications for job prospects for an increasing proportion of local residents as they compete in a challenging local labour market with better skilled in-commuters.

**Chart 3.21 Employment by Ethnicity and Gender Birmingham 2011**



### Employment and Disability

The employment rates of those in good health are massively higher than for those in poor health. The census includes a measure of whether day to day activities are limited, and this has been used as a proxy measure for disability. The data shows that even those whose day to day activities are limited a little have much lower (47%) employment rates than those whose day to day activities are not limited (67%). Those whose activities are limited a lot have an employment rate of only 20%.

### Employment Within the City

As with all economic activity related characteristics, employment rates vary enormously across the city, driven largely by demographic factors and skill levels. This is discussed in Section 3.2.4 and Chart 3.10 provides a map showing the wide geographic variations.

Six wards (the 4 Sutton wards plus Bournville and Oscott) have employment rates above 70%. But for 7, mainly inner city, wards the rate is below 50% (Lozells & East Handsworth, Bordesley Green, Nechells, Selly Oak, Aston, Sparkbrook and Washwood Heath). The low rate for Selly Oak however, is the result of the very high student population.

### Full-Time and Part-Time Employment

The proportion of residents aged 16-64 who are in part-time employment is relatively constant across the city, with all wards apart from those with a high proportion of students having between 10% and 15% of the working age population in part-time employment. However it appears to be full-time employment that is driving the majority of the geographic differences in employment rates. For example, the adjacent wards of Perry Barr and Lozells & East Handsworth have part-time employment rates of 13.8% and 13.5% respectively, but their full-time employment rates are 40.2% and 22.7%. The White groups have the highest full-time employment rate, just under 45%, followed by the Indian group (38%).

Part-time employment also varies by ethnicity and gender. In general a higher proportion of women work part-time than men, and this is true for all ethnic groups apart from the Bangladeshi groups, where more men are employed part-time than full-time. Across the city 9% of non-retired men are part-time employees (43% are full-time employees), but this rises to 14% for Pakistani men (26% full-time) and 25% (18% full-time) for Bangladeshi men.

For women the picture is rather different. Overall 20% are part-time employees and 31% full-time employees. But for both the Pakistani and Bangladeshi groups the proportions are almost identical at around 10%. In contrast, while 22% of Black Caribbean women are part-time employees 39% are full-time employees.

### Self-Employment

Self-employment is discussed in more detail in Section 1.8.1 in the context of enterprise. However, in this labour market section we briefly explore differences in self-employment rates by gender and ethnicity and across the city.

Self-employment rates are much higher for non-retired men (12%) than women (4%) and this is true for all major ethnic groups. For men the Pakistani (18%) and Irish groups (16%) have the highest rates but for women it is the White Other (6%) and Indian groups (5%) that have the highest rates.

Within the city self-employment rates vary widely, from 10% or over in 6 wards (the four Sutton wards, Moseley & Kings Heath and Hall Green), to under 5% in Aston and Nechells wards.

### Occupation Profile

The occupational profile for Birmingham's residents is broadly similar to the UK but the city has lower proportions of residents in the higher skilled occupational groups and a larger proportion in the lower skilled groups.

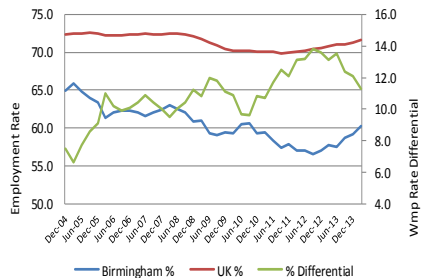
Within the city there are marked gender differences. Males are much more likely to be employed as managers & directors and in skilled trade jobs whereas women have much larger concentrations in caring occupations and admin and secretarial roles.

**Table 3.22 Occupational Structure %**

Occupation	All People %		Males %		Females %	
	B'ham	UK	B'ham	UK	B'ham	UK
managers, directors and senior officials	8.0	10.2	9.6	12.8	5.9	7.1
professional occupations	18.7	19.8	15.8	18.9	22.3	20.9
associate prof & tech occupations	11.8	14.0	12.3	15.1	11.3	12.7
administrative and secretarial occupations	11.2	10.7	4.5	4.6	19.5	17.8
skilled trades occupations	9.7	10.7	16.9	18.0	0.8	2.2
caring, leisure and other service occupations	8.4	9.1	5.0	3.1	12.8	16.1
sales and customer service occupations	7.8	7.9	4.2	5.5	12.3	10.7
process, plant and machine operatives	10.3	6.3	17.1	10.3	1.9	1.6
elementary occupations	13.1	10.7	13.6	10.9	12.5	10.5

The latest resident employment data from the ONS for the 12 months to June 2014 shows that after falling during the recession that employment rates in the city are now beginning to slowly pick up. However, employment rates in the city (61.4%) are still well below the level recorded for the UK as a whole (71.9%) and are yet to recover to pre-recession levels. The chart also highlights that during the recession the employment rate differential between the city and the national average widened and it has yet to return to pre-recession levels.

**Chart 3.23 Working age Employment Rate 2004-2013**



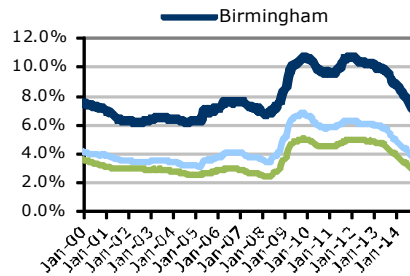
**3.4.5 Unemployment**

Since the decline of the city's traditional manufacturing base began in the 1970s Birmingham has suffered from stubbornly high unemployment rates that have stood at around twice the national average in the subsequent decades. The latest Job Seekers Allowance (JSA) Claimant Count unemployment data for September 2014 shows Birmingham's seasonally adjusted unemployment rates stands at 7.0% significantly above the national rate of 3.0%. The city also has the highest unemployment rate of all the core cities.

Unemployment increased rapidly in the city during the recent recession resulting in the highest levels of unemployment for over a decade (Chart 3.24). The double dip nature of the recession is reflected in the two peaks in

2009/10 and 2012. Unemployment in the city increased at a faster pace than unemployment nationally, which resulted in a widening of the unemployment gap between Birmingham and the UK. However, since the recovery began to gather pace in 2013 unemployment in the city has fallen sharply and at a faster rate than nationally resulting in the gap returning to pre-recession levels.

**Chart 3.24: Seasonally Adjusted JSA**



**Table 3.25: Unadjusted Unemployment September 2014**

Area	Number	%
<b>Birmingham</b>	<b>34,160</b>	<b>7.1%</b>
Liverpool	13,039	6.1%
Nottingham	9,383	6.1%
Manchester	12,031	4.5%
Newcastle-upon-Tyne	6,014	4.2%
Sheffield	11,575	3.8%
Leeds	16,130	3.7%
Bristol	6,799	2.7%
Core Cities	109,131	4.8%
West Midlands	99,129	3.7%
GBSLEP Area	42,421	4.6%
Greater London	137,884	3.2%
United Kingdom	923,240	2.9%

*Long-term Unemployment*

In September 2014 13,170 residents had been claiming JSA for 12 months or more, equating to 39% of all JSA claimants. The city's long-term unemployment rate is 2.7%, well above the national rate of 0.9%.

Analysis of long-term unemployment trends should be undertaken with caution as they can be influenced by changes in policy and eligibility criteria as well as economic conditions. However the data shows a lag in long-term unemployment compared to overall unemployment, and the sharp rise seen through 2011 and 2012 only slowly easing back. Long-term unemployment rates are falling more slowly than overall unemployment, indicating that there is a residual pool of residents who are finding it particularly challenging to move into work despite the economic recovery.

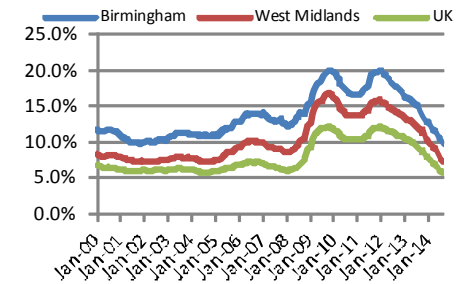
*Youth Unemployment*

As with overall unemployment Birmingham has a high level of youth unemployment (18-24), seasonally adjusted youth unemployment figures show that in August 2014, 7,712 young people were unemployed in Birmingham. A youth unemployment rate of 9.8%, well above the UK youth unemployment rate of 5.7% and the second highest rate amongst the core cities.

Birmingham, along with other parts of the UK, experienced a sharp rise in the level of youth unemployment during the recession. As with overall unemployment the double-dip nature of the downturn can be clearly reflected in the youth unemployment rates (Chart 3.26). Young people in the city were disproportionately hit during the recession with youth unemployment rising more sharply in the city than nationally resulting in a widening of the gap with the UK.

However the rate has been falling sharply since the beginning of 2012, and the gap with the UK has been closing and is now back to levels seen prior to the beginning of the downturn.

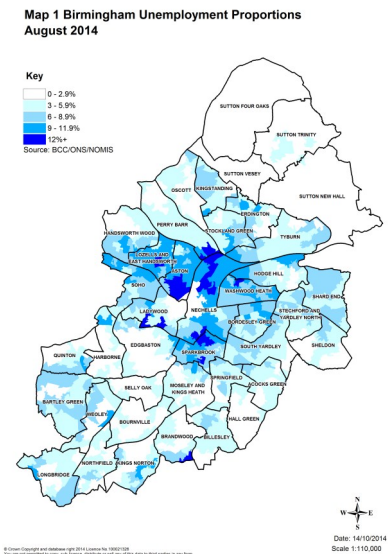
**Chart 3.26: Seasonally Adjusted Youth Unemployment**



*Unemployment Within Birmingham*

Within Birmingham there are large variations in levels of unemployment, (Chart 3.27) ranging from a rate of 1.2% in Sutton New Hall to 17.0% in Aston (nearly six times the national average). The majority of unemployment in the city is concentrated in the inner city wards with some pockets in deprived outer city areas.

**Chart 3.27: JSA Unemployment Map August 2014**



### Unemployment by Ethnic Group

Chart 3.28 below shows a breakdown of JSA unemployment claimants by ethnic group. It shows the claimant proportion is highest for the Black Caribbean group (12.4%) and lowest for the Indian group 3.0%. All the BME groups, apart from Indian, have a claimant proportion higher than the white group. The claimant proportions are significantly higher than nationally for all groups.

It should be noted that although the Black Caribbean group has the highest unemployment proportion, overall this group is more engaged in the labour market than the Pakistani and Bangladeshi groups, who have lower claimant proportion, but a much larger percentage who are economically inactive.

**Table 3.28: Unemployment by Ethnicity January-March 2014**

Ethnic Group	Birmingham		England
	Number	Claimant Proportion	Claimant Proportion
White	17,808	4.4%	2.5%
Indian	1,403	3.0%	1.6%
Pakistani	5,747	6.7%	3.8%
Bangladeshi	1,393	7.4%	3.9%
Black Caribbean	3,902	12.4%	8.3%
Black African	2,062	10.9%	5.1%
<b>Total</b>	<b>41,372</b>	<b>6.0%</b>	<b>2.9%</b>

### 3.5 Income & Deprivation

In this section average earnings data from the ONS and specialist data from Experian is examined to map earnings and household income in the city. 2011 Census data is used to analyse and map the levels of deprivation in the city and to highlight the links between deprivation, qualifications, skills and participation in the labour market.

#### 3.4.1. Average Earnings

Average earnings from employment is one indicator of income levels in an area. Average full time weekly gross earnings for the core cities, the West Midlands region and the UK are displayed in Chart 3.29 opposite.

Birmingham residents earn slightly less on average (£479) than the regional (£483) and

national averages (£518). This places Birmingham in the mid rankings of the core cities.

But people who work in the city earn more than the residents (£519 compared to £479) and more than the surrounding region (£485). Workplace earnings in the city are similar to the figure for the UK.

The difference between resident and workplace earnings reflects Birmingham's position as the regional capital and the large numbers of people who commute in to the city to work. It also highlights that not all Birmingham residents are able to access the better paid jobs in the city. The residents of all core cities earn less than those who work there. However, the gap in Birmingham is the third largest after Manchester and Nottingham.

**Table 3.29 Average Full-Time Weekly Earnings 2013**

Resident Earnings		Workplace Earnings	
Area	Weekly Pay – Gross (£)	Area	Weekly Pay – Gross (£)
Leeds	498	Manchester	525
Bristol	494	Bristol	523
Newcastle upon Tyne	486	<b>Birmingham</b>	<b>519</b>
<b>Birmingham</b>	<b>479</b>	Liverpool	505
Sheffield	478	Leeds	502
Liverpool	474	Newcastle upon Tyne	496
Manchester	462	Sheffield	491
Nottingham	415	Nottingham	461
West Midlands Region	483	West Midlands Region	485
United Kingdom	518	United Kingdom	518

There is a large disparity between different parts of the city in terms of average earnings, with Hodge Hill constituency residents earning the least (£411) and Sutton Coldfield constituency residents the most (£598), with a strong correlation between skill levels and income.

#### 3.4.2. Average Household Income

Earnings data only includes income from employment, and is based on individuals not households. By contrast household income data from Experian provides an insight into total household income, which includes, for example, benefit payments.

In 2012, 29% of Birmingham households had an income of between £15,000 and £25,000 and a further 29% an income of £25,000-£39,000. But 23% had an income of below £15,000. In 7 wards this proportion was over 30% indicating areas of very low household income (Aston 37%, Bordesley Green 31%, Lozells & East Handsworth 35%, Nechells 38%, Soho 31% and Washwood Heath, 34%). Income is also very low in Selly

Oak ward, but this is influenced by the large number of students.

In 9 wards less than 10% of households had an income of more than £40,000, however, in 3 of the Sutton wards this proportion was over 50% indicating very large inequalities in income across the city.

As would be expected there is a correlation between the wards with low household income and those with high unemployment and low resident skill levels.

#### 3.4.3. Child Poverty

Data from 'End Child Poverty' published in 2013 shows that at 31% Birmingham has one of the highest child poverty rates of all the local authorities in the UK with 84,114 children living in poverty. However some areas of the city have much higher rates, with Ladywood constituency having a rate of 42% and Hodge Hill 37%. This contrasts with Sutton Coldfield which has a rate of 7%.



Table 3.30	Child Poverty by Constituency	
Constituency	Number	Rate
Sutton Coldfield	1,276	7%
Selly Oak	5,238	25%
Edgbaston	5,038	27%
Perry Barr	7,761	27%
Yardley	8,709	30%
Northfield	7,718	32%
Hall Green	10,911	32%
Erdington	8,004	33%
Hodge Hill	15,634	37%
Ladywood	13,813	42%
<b>Birmingham</b>	<b>84,114</b>	<b>31%</b>

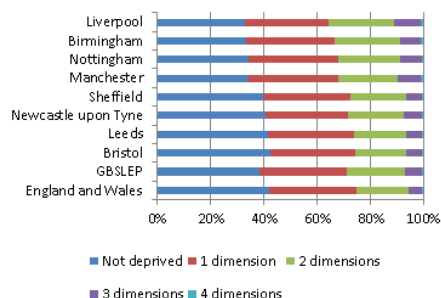
At a ward level the differences are even larger with 5 wards (Nechells, Sparkbrook, Ladywood, Aston and Kingstanding) all having a rate above 40% but Sutton Vesey ward having a rate of below 5%. Again the areas with the highest levels of child poverty are also those with high levels of economic inactivity, high levels of deprivation and low resident skill and qualification levels.

#### 3.4.4. Deprivation

The 2011 Census includes a measure of household deprivation using a range of 4 'dimensions' relating to employment, education, health and housing.

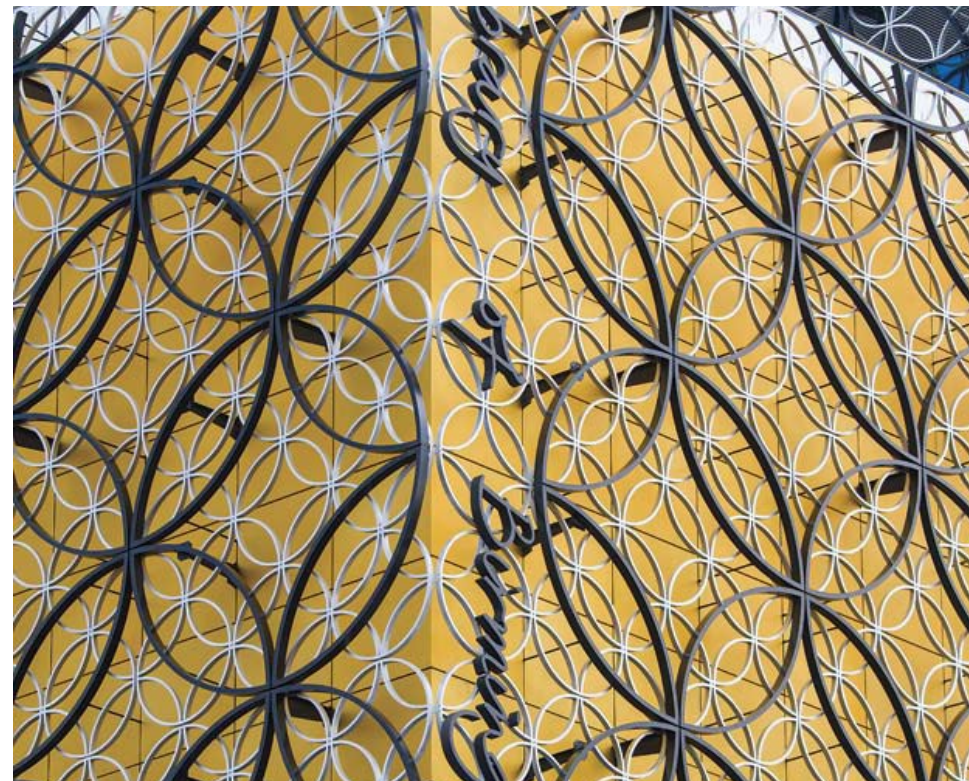
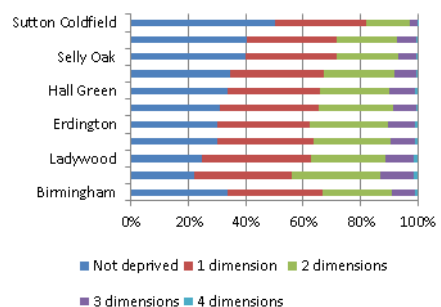
66% of households in the city experience at least one dimension of deprivation, above the core city average of 63%, and well above the England and Wales figure of 42%. Around 33% experience 2 or more dimensions, compared to 30% for the core city average and 25% for England and Wales (Chart 3.31).

**Chart 3.31 Household deprivation dimensions for Birmingham and Core Cities**



Within the city there are also large variations (Chart 3.32). Only 22% of households do not have a deprivation dimension in Hodge Hill constituency compared to 50% in Sutton Coldfield. 44% have 2 or more dimensions in Hodge Hill compared to 18% for Sutton Coldfield. Of all Birmingham's constituencies only Sutton Coldfield has more households with no dimensions and more households with 2 or more dimensions than the England and Wales average.

**Chart 3.32 Household deprivation dimensions for Birmingham constituencies**



Economic Research and Policy  
Birmingham City Council  
PO Box 14439  
Birmingham  
B2 2JE

Follow us on Twitter @BhamEconomy

Phone: 0121 303 3760

[www.birmingham.gov.uk/birminghameconomy](http://www.birmingham.gov.uk/birminghameconomy)

Email: [BirminghamEconomy@birmingham.gov.uk](mailto:BirminghamEconomy@birmingham.gov.uk)

