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West Midlands Revival Plan

A business manifesto for regional prosperity

February 2021

Regional Growth

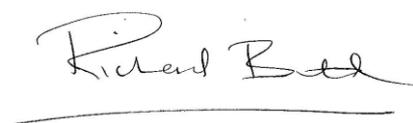
Foreword

The COVID-19 pandemic has exposed the vulnerabilities in our local economy. It has highlighted the growing challenges our region faces and exacerbated the pre-existing inequalities in health, educational attainment, innovation and economic development.

The impact of the virus on these pre-existing challenges risks long-term economic and social scarring on the region's economy. Economic forecasts consistently show the West Midlands to be one of the worst affected by any economic crisis, in part due to the region's industrial and demographic mix. Towns and cities such as Birmingham, Wolverhampton and Walsall have seen their economies decrease by more than 11.7% in 2020.¹ In our core cities, months of restrictions to bring the virus under control have had significant, long-term impacts on business communities, resulting in closures, reduced investment and a prolonged sense of uncertainty about the future.

However, as we emerge from the pandemic there are now opportunities. Opportunities to do things differently, to champion the region's dynamism on the world stage, to transform digital and physical infrastructure on the race to net zero and to stimulate job creation, securing an inclusive workforce that is fit for the future. The region's diverse sector strengths in automotive, finance, health and creative industries are its key to recovery. Alongside world-class universities, further educational institutions and innovative businesses, the West Midlands remains at the cutting edge of technological breakthroughs, digital connectivity and manufacturing advances – leading innovations that will change the way we live, travel and communicate in a post-pandemic future.

To address the challenges of COVID-19 and to capitalise on future opportunities, such as the UK City of Culture 2021 in Coventry and the Birmingham Commonwealth Games scheduled for 2022, it is essential that the newly elected mayor works collaboratively with businesses and stakeholders to champion a strong economic vision for the region. The CBI, alongside the wider business community, stands ready to support to ensure the West Midlands can revive and thrive in the future.



Richard Butler
CBI Director for the West Midlands and Oxfordshire



Introduction

The West Midlands is one of the largest conurbations outside of the capital, with the West Midlands Combined Authority (WMCA) area home to over 4 million people. Its central location places it at the heart of the UK's transport network and firmly positions the region as a dynamic and ambitious place to live and work.

However, the West Midlands is not without its challenges. The region underperforms on its skills and educational attainment levels with the number of people with no formal qualifications increasing by 2.4% in 2020 compared to a UK wide decrease of -1.3%. It has a higher-than-average unemployment rate of 5.5% compared to 4% for the UK and overall deprivation is high with 34.5% of local areas in the most deprived in the country.

To tackle these challenges the mayor must lead a vision which develops sectors of the economy positioning the region at the forefront of new technical and skill-based production and innovation. The mayor will also need to consider how to raise the skill levels of the region by working in partnership with providers and business to address the regional disparities. COVID-19 has created a generation of young people who will need support and strong leadership to enable them to become part of the workforce of tomorrow. Investment in health and wellbeing services are required to ensure the workforce is supported to adapt and embrace new ways of working.

The challenges faced by the region and existing inequalities that have been exacerbated by the pandemic are not insurmountable. This manifesto sets out a way where business and government can work together and ensure that the West Midlands achieves its full potential during recovery and beyond. This is based upon three driving principles:

Champion regional dynamism and global competitiveness to raise living standards

At the forefront of any plan to revive and thrive must be a strong economic vision ensuring the region is an attractive place for businesses to invest. This vision should build upon and celebrate the distinctiveness of the region and be aligned with the opportunities set out within the West Midlands Local Industrial Strategy.²

Transform digital and physical infrastructure on the race to net zero

There must be a collaborative effort to improve connectivity across the West Midlands and beyond to give firms access to the widest pool of talent possible, and to transport goods more easily. Connectivity plans, as we begin the race to net zero, should be developed and delivered with key partners, embracing new ways of working and reflective of the towns and cities of tomorrow.

Stimulate job creation and secure an inclusive workforce for the future

Skills shortages remain a key issue for many businesses across the region. Addressing the long-standing skills gaps by working with business and education leaders must be a priority for the mayor. Residents whose jobs have either been lost or remain uncertain should be given the opportunity to reskill, particularly towards opportunity industries.

Champion regional dynamism and global competitiveness to raise living standards

For any business to compete globally they must have a strong footing at home on which to stand – and the confidence to push ahead. Many businesses across the West Midlands have shown an extraordinary resilience, determination and grit when it comes to dealing with an uncertain future, but more must be done to address the barriers to growth that they continue to face, firstly by championing a pro-business regulatory environment.

As manufacturing looks to become increasingly automated, the West Midlands, along with other parts of the UK, continues to fall behind competitors in Northern Europe when it comes to expenditure on research and development. More must be done to champion investment as the West Midlands sits well-below the average for government and public spending (NESTA 2020).³

Recommendation: Ensure recovery plans provide a strong economic vision for the region, kickstart R&D investment and innovation in business.

- Building upon recovery plans already underway, the mayor must turbocharge recovery plans and champion a strong economic vision for the future. This vision should focus on key projects and outcomes, dynamic business support, investment in skills, improvements in digital connectivity and physical infrastructure to ensure a successful recovery.
- Collaborate with Local Enterprise Partnerships (LEPs), universities, industry, and national government to champion a long-term strategy for stimulating investment and innovation in the region. This could be done through the High Value Manufacturing Catapult, fostering industry innovation around areas of clean energy generation and battery production.



The West Midlands is a strong exporting region. At the close of 2019, 9.1% of all goods exported from the UK were produced in the region,⁴ and as we enter a new phase of the relationship with the European Union (EU), the mayor must act as an effective international ambassador, focusing on uplifting exports and making the region a destination of choice for Foreign Direct Investment (FDI).

The mayor's ambitions for the region should also extend beyond the EU. As a globally facing region the mayor should aspire to increase levels of inbound and domestic tourism, working with destination marketing organisations to present a clear and cohesive offer to visitors. The mayor should also look to showcase the region at upcoming international events such as the Coventry City of Culture 2021 and the Birmingham 2022 Commonwealth Games.

Recommendation: Promote exports as a driver of prosperity and recovery.

- Develop and enhance strong relationships with the Department for International Trade (DIT) to support and champion export growth across the region. This should include providing additional support to local Growth Hubs to be proactive in the identification of export potential.
- Support businesses, through business support organisations and key stakeholders, both experienced and new to exporting, to navigate the new trading relationship with the EU, helping them to diversify their supply chains into new global markets.
- Revitalise trade support programmes, aligning them with the Midlands Engine Internationalisation Strategy⁵ to develop and lead trade missions, both inward and outgoing, working in partnership with business organisations and other key stakeholders. This should be tied to the existing sectoral strengths and areas of international competitiveness in the region.



Recommendation: Raise the international profile of the region and be proactive in attracting new investment and tourism.

- Develop and keep updated a comprehensive investment prospectus with key sectors and opportunities, support the promotion of this prospectus to those in post at embassies and consulates around the world.
- Support measures to attract inward investment, including new incentives to make the region more attractive to investors. This includes the creation of a comprehensive, [non-financial] landing package for inward investors that helps them navigate and understand the opportunities of the region.
- Promote regional, national, and international tourism and corporate travel, when safe to do so, back into the West Midlands, utilising the Coventry UK City of Culture 2021 and 2022 Commonwealth Games in Birmingham as platforms, stimulating consumer demand in the hospitality and corporate travel sector and our world-renowned visitor attractions. This would assist in raising the region's international profile and ensuring that businesses can contribute to strategies and procurement opportunities related to these events.



Transform digital and physical infrastructure on the race to net zero

Building back greener and stronger must be at the core of the region's recovery from the pandemic. The impact of the virus has been severe and sectors where we have previously seen growth and expansion, such as construction and higher education, are now the hardest hit making our three cities, Birmingham, Coventry and Wolverhampton particularly vulnerable.

Overcoming these challenges is possible. The region's diverse economy is also its strength. It has an economy that cuts across all sectors and sizes, with a higher percentage of jobs when compared to the England average – in sectors such as advanced manufacturing and engineering (11.4% vs 8.0%), logistics and transport technologies (5.9% vs 4.9%), and the retail sector (16.6% vs 15.3%) (WMCA State of the Region Report 2020).⁶ The region also performs highly in terms of new business start-ups, increasing 16.8% between 2018 and 2019 (ONS 2020).⁷

As a forward-facing region, the West Midlands can help lead the UK's response to climate change and make progress in the race to net zero. The WMCA's Green Paper⁸ on climate action is a welcomed development, however interventions should also look to build on the ambitious targets set by the WMCA for carbon neutrality by 2041. This target sets a clear roadmap for business investment and provides opportunities for the region to deliver a new green infrastructure and jobs.

Recommendation: Back a green recovery by ensuring all projects and funding promote a more sustainable future.

- Deliver infrastructure projects that consider sustainability and promote a greener future. Use future government funding or initiatives, including the UK Shared Prosperity Fund (UKSPF) and Levelling Up Fund, to develop low-carbon methods of construction and retrofitting processes.
- Work with central government to decarbonise heat and improve the energy efficiency of homes and buildings. The mayor should seek to build upon the Regional Energy Strategy⁹ and incorporate the work of the #WM2041 Programme and complement announcements within the Heat and Buildings Strategy, due from central government. Any roll-out programme for low-carbon heat must be locally formulated and delivered if it is to be a success.
- Ensure the region utilises the opportunity presented by COP26 being hosted in the UK to form the basis of an ongoing conversation and highlight the potential of a greener, more sustainable future to the business community. The mayor should represent the region at COP26, and in partnership with LEPs and local authorities, promote the opportunities in the West Midlands such as the construction of the battery Gigafactory in Coventry and other renewable technologies.

Recommendation: Set out a clear plan to improve living standards and create good jobs, championing investment opportunities and ensuring that no part of the combined authority is left behind.

- Set out a long-term vision for the region that considers the impacts of COVID-19, future of towns and cities and how to build back better so that the economic benefits are felt by all residents of the WMCA.
- Champion the region's bid to host a battery Gigafactory providing the scale needed for the UK to be a global contender. This would provide an additional £730 million to the local economy and over 10,000 new direct and indirect jobs in battery research and manufacturing (WMCA).¹⁰
- Lead the way with how the combined authority procures goods and services through the use of social value in procurement. This should include providing support for businesses to engage with their corporate social responsibility and social value potential, going beyond the balance sheet to drive meaningful change within the region.



Recommendation: Deliver a vision on the future of infrastructure and connectivity within the area, including digital and housing policy.

- Maximise devolved powers to develop an integrated, low-carbon public transport system. This should include backing a regional “tap in and tap out” style “multi-modal” system for public transport fares. Through a single smart card, bank card or electronic device, it would allow passengers to pay for buses, trams and rail journeys across the whole of the Midlands.
- Expand the region’s electric vehicle charging network, specifically through the creation of bold and ambitious targets for the installation of electric vehicle charging points across the combined authority.
- Pledge support for the £3.5 billion Midlands Engine Rail¹¹ programme which includes the Midlands Rail Hub,¹² unlocking additional capacity and improving journey times between Birmingham and major towns and cities including Nottingham, Coventry and Leicester. The mayor should also champion the full delivery of HS2, a scaled back version will not deliver the key economic growth needed to kickstart further investment into the region.
- Convene and support local authorities with the roll out of gigabit-capable broadband and 5G across the region. This includes supporting local authorities to work closely with network providers and embed digital infrastructure their economic development plans. Support businesses to diversify and develop digital expertise creating a vibrant digital cluster and ecosystem that supports digital innovation, collaboration and communication.
- Seek strategic planning powers to streamline and speed up construction of a variety of housing stock including affordable and starter homes. New housing strategies should consider and respond to changing living, commuting and working patterns, consumer demand and affordability as a result of COVID-19.



Stimulate job creation and secure an inclusive workforce for the future

People are the most important asset of any business. Businesses also need a simple, stable and coherent skills system that encourages them as employers to invest in training and professional development.

The region is home to a range of world-leading higher and further education institutions, however access to skills continues to be a major challenge for many businesses. Pre-pandemic the region faced challenges with reskilling and retraining its workforce.¹³ Research undertaken by the CBI, based on pre-COVID data, showed that nine in ten workers across the country will need some form of reskilling by 2030.¹⁴ As a result of the pandemic and shifting consumer behaviour, some jobs will change radically, and some incrementally. This issue is likely to be compounded by the regionalised impacts of COVID-19 and the UK's departure from the EU, as well as the impacts of Artificial Intelligence and Automation on those industries across the West Midlands that have a high concentration of jobs set to be impacted by automation.

Developing a compelling long-term vision for the region will go some way to attracting new businesses and retaining top talent. Ensuring the workforce is match fit is key to the region's economic recovery, however, to develop a globally competitive advantage in sectors such as advanced manufacturing, automotive, aerospace, creative, life sciences and health.¹⁵

Recommendation: Focus on making the skills environment work for the West Midlands, with an emphasis on aligning local skills provision with current and future needs based on the strategic vision for the region.

- Bring together higher education, further education and training providers, alongside businesses to identify and remedy existing skills gaps. The mayor should use devolved adult education budgets to support in the retraining and reskilling needs of the West Midlands region, considering where future growth opportunities and skills gaps may be in the future.
- Continue to support businesses to engage with the Apprenticeship Levy and other skills and training schemes, such as Kickstarter, making sure that these solutions are appropriate for the West Midlands skills needs.
- Champion existing collaboration and provide support between business and education by performing a convening role, working with business, the Careers and Enterprise Company and local stakeholders to help bring education and business closer together.

Recommendation: Advocate and be a strong voice to encourage the creation of good jobs at pace.

- Facilitate partnerships to promote the creation of good jobs outside of funding or government initiatives. Any future government funding or initiatives should be used to deliver projects that result in the creation of good jobs at pace.
- Support the creation of locally led Jobs and Skills Hubs to align support for those seeking employment with opportunities to retrain. This Hub should align with the work of local growth hubs and LEPs in supporting businesses to identify future skills needs and to offer longer term employment.

Recommendation: Lead a diverse, inclusive West Midlands.

- Champion diversity and inclusion within the combined authority itself, its constituent members in the Black Country LEP, the Coventry and Warwickshire LEP and the Greater Birmingham and Solihull LEP areas and informal business groups established by the combined authority. The mayor should do this by using convening power to encourage the public and private sector to take part in a shared initiative to increase opportunities for diversity and inclusion across the region.
- Collaborate with the private and public sectors to improve support for business to better enable the exchange of D&I good practices, such as the CBI's Change the Race Ratio campaign,¹⁶ seeking to close existing pay gaps and to champion these good practices outside the region.



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