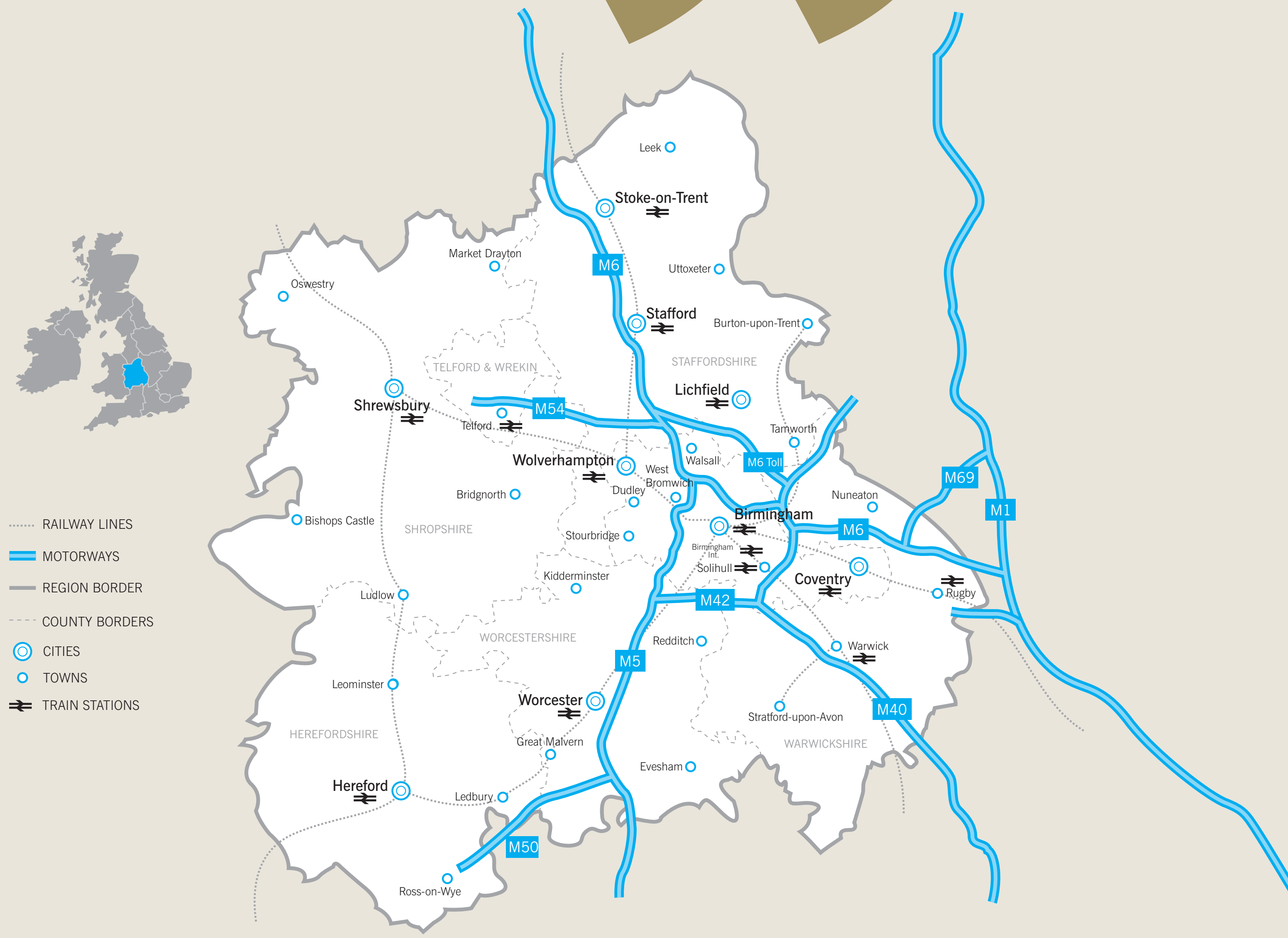
Connecting to success

West Midlands Economic Strategy

The West Midlands Region
At the Heart of it all

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



Contents

Advantage West Midlands
www.advantagewm.co.uk

West Midlands Regional Assembly
Speaking out for the region

Foreword

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

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

The region also faces – and must play a part in responding to – the global challenge of climate change. It is not too late to take the necessary action to avoid its worst impacts. Moreover, the recent Stern Review[1] concluded that "tackling climate change is the pro-growth strategy for the longer term, and it can be done in a way that does not cap the aspirations for growth of rich or poor countries".

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

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

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

Nick Paul,
Chair, Advantage West Midlands

Cllr David S Smith,
Chair, West Midlands Regional Assembly

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

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

Connecting to the future

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

Central Square – Brindleyplace, Birmingham

Summary

Vision

This Strategy sets an ambitious vision for the West Midlands:

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

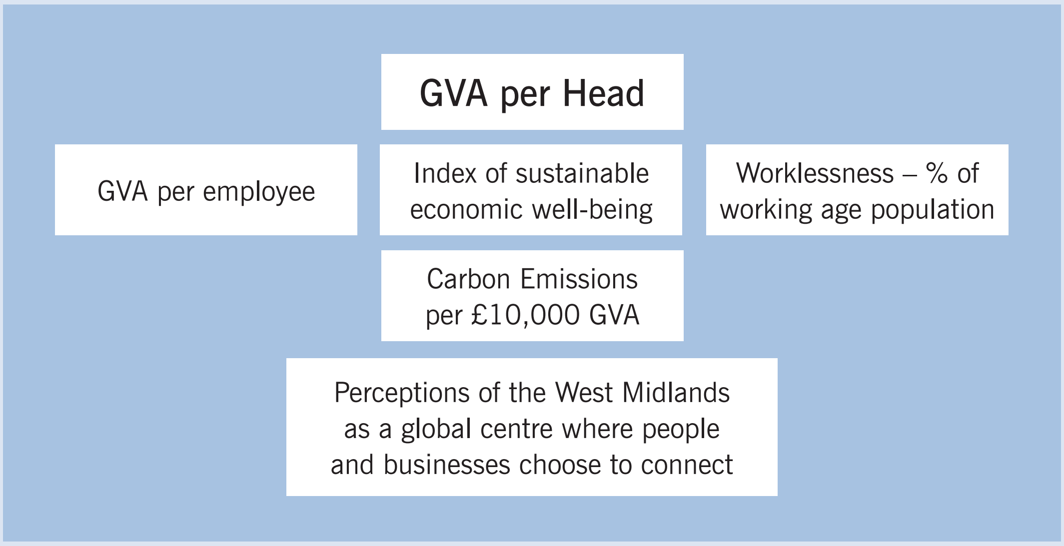
We want the West Midlands to maintain and enhance its attractiveness as a location in which people and businesses choose to invest, work, learn, visit and live. That means:

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

We need to measure progress towards achieving our vision. Our headline focus is on closing the gap between the performance of the West Midlands and that of the UK as a whole. We will measure progress by tracking GVA[2] per head in the region compared with the UK average. If we performed at the UK average today, our economy would be around £10 billion richer. We want to close this 'output gap'.

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

Figure 1: Headline indicators of performance



[2]Gross Value Added, a measure of economic output.

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

Connecting to the wider world

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

Birmingham International Airport, Solihull

Summary

The Challenge

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

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

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

[a]This GVA figure relates to the UK, rather than the English average. The corresponding figure for England is £18,097. [b]Assuming no change in population. [c]London is actually the best-performing region on these measures, but given the role and nature of the capital city in the UK economy, it is felt that a comparison with the best-performing region excluding London is more appropriate. [d]Assuming no change in the number of employees. [e]Assuming no change in regional GVA.
[3]This is related to the Government's overall carbon reduction goal for the region, set out in the West Midlands Regional Energy Strategy (2004), of a 60% reduction by 2050. This is stated as reducing the greenhouse gas equivalent of direct carbon emissions from 40 Mt of CO_2 to approximately 38 Mt by 2010, to 33 Mt by 2020 and to 17 Mt by 2050.
It is also a subset of the ISEW, demonstrating how carbon reduction and other economic and social indicators contribute to overall wellbeing.

Context

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

The region also needs to address the global challenge of climate change. The scientific evidence that climate change is occurring is overwhelming and widely accepted. However, it is not too late to take the necessary action to avoid its worst impacts. Indeed, the recent Stern Review[4] concludes that 'tackling climate change is the pro-growth strategy for the longer term, and it can be done in a way that does not cap the aspirations for growth of rich or poor countries'. The West Midlands economy needs to be at the forefront of this sustainable growth path, reducing carbon emissions while at the same time increasing economic output and realising the associated business opportunities.

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

The remaining 80% of the output gap is due to a predominance of low productive sectors within the West Midlands economy (estimated to account for around one-third of the gap), and to generally low levels of productivity across the board. Structural causes of the output gap can be addressed by promoting diversification within the economy and encouraging new business formation in more high-value sectors. Addressing low productivity levels requires greater analysis of the main drivers of productivity – identified by HM Treasury[6] as skills, enterprise, innovation, competition and investment.

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

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

[4] *The Economics of Climate Change*, HM Treasury, October 2006. [5] Annual Population Survey, 2006.
[6] *Productivity in the UK Series*, HM Treasury.

Summary

Strategic Approach

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

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

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

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

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

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

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

- Skills
- Enterprise
- Innovation
- Economic inclusion
- Transport

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

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

Business	Place	People
Seizing market opportunities	Increasing Birmingham's competitiveness	Sustainable living
• Developing markets and sectors with the most wealth and employment potential • Creating economically sustainable new businesses • Competing in the global economy • Capitalising on sustainability and low-carbon opportunities	• Birmingham competing as a global city	• Changing attitudes to sustainability and consumption
Improving competitiveness	Improving infrastructure	Raising ambitions and aspirations
• Investing in business processes and enterprise • Stimulating employer investment in skills and training	• Improving transport & communications to increase accessibility, efficiency & competitiveness • Supporting a secure, low-carbon energy infrastructure for the region • Sustainable management & utilisation of our land & property assets	• Raising aspirations of leaders and managers • Driving up ambition and aspiration
Harnessing knowledge	Sustainable communities	Achieving full potential & opportunities for all
• Investing in high-value skills for the future economy • Stimulating innovation, creativity and knowledge generation	• Developing sustainable communities • Regenerating our most deprived communities • Maximising our cultural offer and natural assets	• Skills for employment and enterprise • Defining employability

Powerful voice		
Powerful voice for the West Midlands		
• Improving the evidence base for policy	• Engaging with UK, European & international decision-makers	• Position the West Midlands as a global centre where people and businesses choose to connect

Summary of Strategic Objectives

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

Business

Seizing market opportunities

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

Improving competitiveness

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

Harnessing knowledge

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

Place

Increasing Birmingham's competitiveness

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

Improving infrastructure

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

Sustainable communities

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

Summary

People

Sustainable living

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

Raising ambitions and aspirations

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

Achieving full potential and opportunities for all

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

Powerful Voice

Powerful voice for the West Midlands

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

Focus & Delivery

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

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

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

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

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

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

1. Vision

1.1 The West Midlands Vision

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

The West Midlands of Today

The West Midlands is already a great place to invest, work, learn, visit and live. Located at the heart of the UK, the region contains fantastic diversity – in its businesses, its places and its people.

This vibrant region comprises the counties of Shropshire, Staffordshire, Warwickshire and Worcestershire; the unitary authorities of Herefordshire, Stoke-on-Trent, and Telford & Wrekin; and the seven metropolitan districts of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton.

Invest and Work

The West Midlands was the birthplace of the industrial revolution – the product of entrepreneurship, technology, skills, natural assets and a passion to succeed. Three centuries later those same elements are again driving the West Midlands forward – building new businesses, applying diverse talents to new fields of endeavour and translating knowledge into economic success. The West Midlands of today boasts a world-class business environment, with highly developed supply chains and professional service networks that complement our impeccable industrial pedigree. Internationally famous names like Cadbury Schweppes, JCB and Wedgwood started, and continue to prosper, in our region. The central location of the West Midlands, its impressive infrastructure and ready-made skill base have led companies like Fujitsu, Vodafone and Müller to relocate to the region. The region's business base also houses great diversity, which is mirrored in our entrepreneurs and business leaders. With high levels of enterprise among some black and minority ethnic communities and also among much more recent migrant communities, we have the opportunity to capitalise on our international connections.

Visit and Live

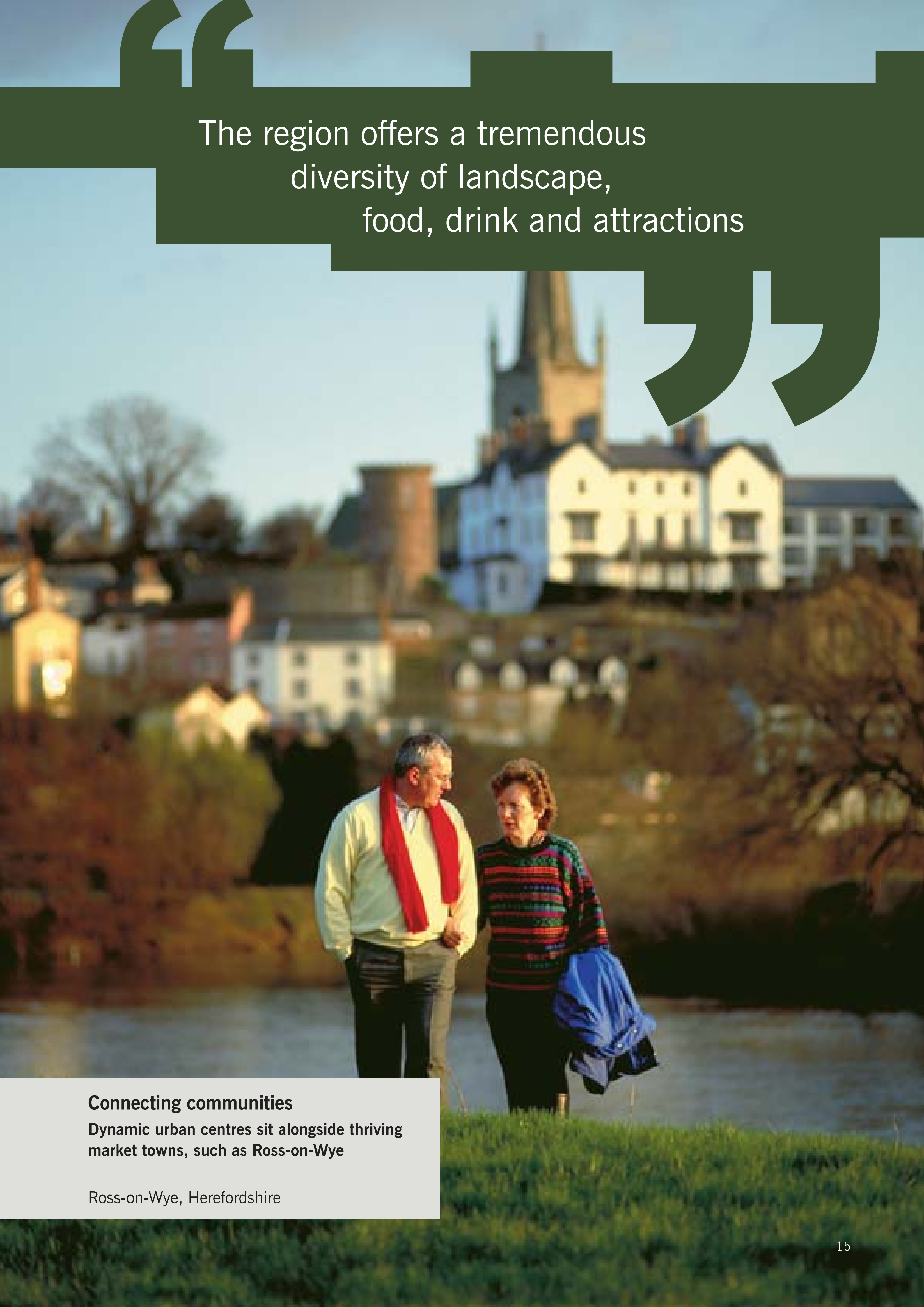
The West Midlands has a highly diverse population which brings together contrasting cultures and provides the regional economy with a bridge to a wider world of commercial opportunities. New migrants from European Union accession states have very recently added to the region's variety. This vibrant mix is reflected in a very young population in our major urban areas, particularly Birmingham, whose energy and spirit is vital to achieving our vision.

The region also offers a tremendous diversity of landscape, food, drink and attractions: from the rolling beauty of the Malvern Hills, to the world-class shopping facilities of Birmingham; from the magic of Shakespeare's Stratford to the industrial heritage of the Black Country and the UNESCO World Heritage site at Ironbridge; from the culinary offers of the Balti Belt to Ludlow's Michelin-starred restaurants. The West Midlands is also home to many prestigious sporting and leisure events including test match cricket at Edgbaston, the European Indoor Athletics Championships, Ryder Cup golf at the Belfry, Davis Cup tennis and racing at Worcester, Wolverhampton, Stratford, Warwick, Hereford and Utoxetter.

Learn

As the region that gave the world Shakespeare and the dictionary, we also have some of the finest educational establishments in the country. From the earliest pre-school care through to advanced research and academic institutions, opportunities are plentiful and standards are high. MBA courses at Aston and Warwick rank among the world's finest and IBM rates Aston as Europe's best university in terms of quality of recruits.

“The region offers a tremendous diversity of landscape, food, drink and attractions”



Connecting communities

Dynamic urban centres sit alongside thriving market towns, such as Ross-on-Wye

Ross-on-Wye, Herefordshire

1. Vision

The West Midlands of the Future

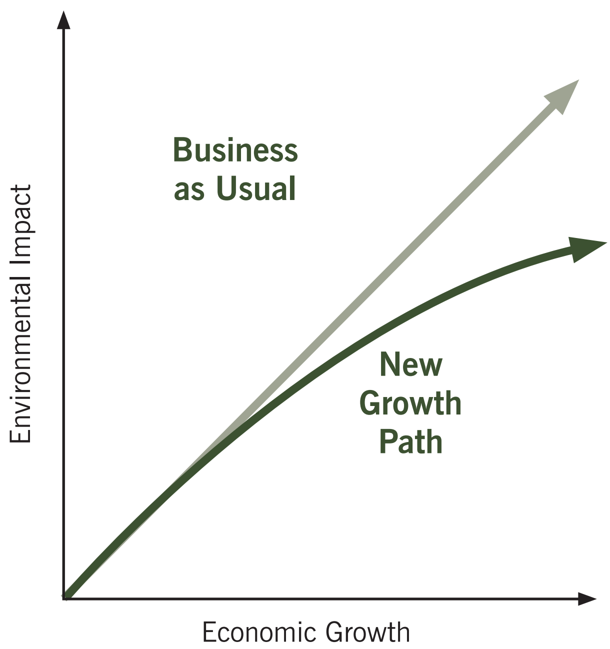
We want the West Midlands to maintain and enhance its attractiveness as a location in which people and businesses choose to invest, work, learn, visit and live. That means:

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

Success for the region will be apparent in integrated leadership and solutions. Success will mean developing a vibrant business base, spread across our towns, cities and rural areas – providing opportunity that ensures all citizens in the region have the chance to participate in economic success. It will mean the West Midlands continuing to enhance its national and international reputation for the quality and diversity of its people and places – businesses and individuals will want to move here to participate in this renaissance. It will mean the West Midlands taking a leading role in the move towards a lower carbon economy – and setting standards that others will aspire to.

Economic Growth & Environmental Impact

Historically, economic development has been strongly related to negative environmental impact – more growth requiring more resources, creating more waste and generating increased levels of pollution and emissions (particularly carbon dioxide and other greenhouse gases). However, this no longer needs to be the case. Advances in technology, process and product innovations now enable significant efficiency gains – allowing natural resources to stretch 5, 10, even 100 times further. Renewable energy and other environmental technologies can mitigate, or even reverse, the environmental impacts associated with further growth, making sustainable communities and zero-emission developments a reality. Exploiting and developing these opportunities can help us break the link between economic growth and environmental impact, creating a 'win-win' situation.



It is often assumed that this new growth path will cost more and reduce the competitiveness of the economy. The recent Stern Review of the Economics of Climate Change concluded that it is cost effective to take action now to avoid the worst impacts of climate change. Tackling climate change is the pro-growth strategy for the future. Whilst at the global level Stern estimates that many of the actions are cost neutral or negative (for example around energy efficiency), overall action now could cost up to 1% of GDP (compared with 5% – 20% later, if we do nothing). At the regional and national level there are significant economic opportunities available via this new growth path.

For example, the UK market for environmental or low-carbon technologies is expected to grow to £10 billion in the next three years, with the worldwide market growing to $1 trillion over the same period, followed by annual increases of £70 billion ('The business opportunities for SMEs in tackling climate change', Shell Springboard, October 2006). This is an opportunity that the West Midlands is extremely well placed to exploit. Already, companies in the region – ranging from high technology businesses such as Converteam Ltd with its advanced electric machines, through to medium added-value businesses such as Gifford's Ltd with recycled waste wood products – are demonstrating increasing growth as the market for low-carbon goods and services continues to develop. The decision that the Midlands will host the National Energy Technologies Institute further strengthens our knowledge base. Low-carbon opportunities will be available across most of the region's business base. More widely the need for improved resource efficiency, within manufacturing in particular, provides an additional way for businesses to improve their competitive position.

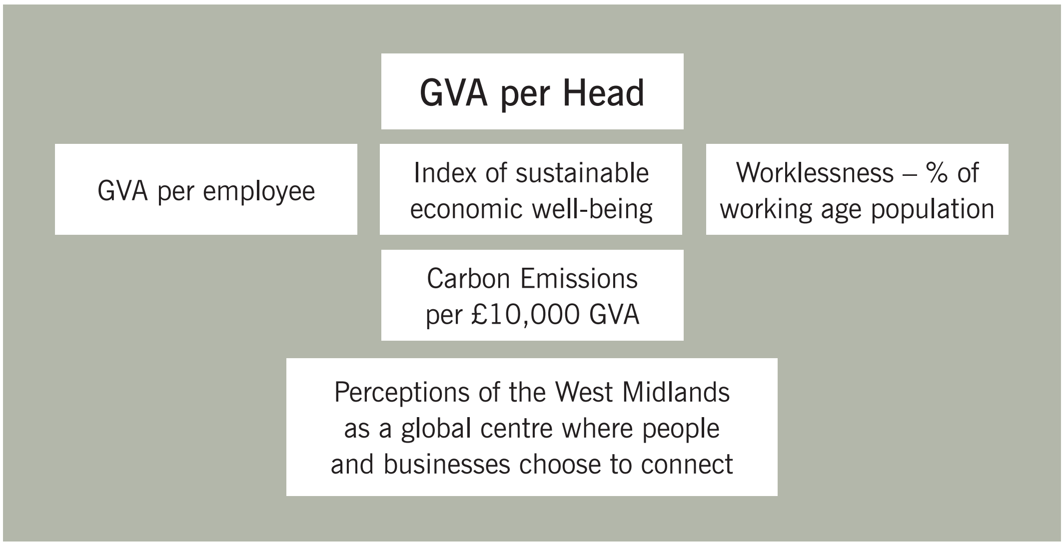
1.2 Measuring Progress

We need to measure progress towards achieving our vision. Our headline focus is on closing the gap between the performance of the West Midlands and that of the UK as a whole. We will measure progress by tracking GVA[7] per head in the region compared with the UK average. If we performed at the UK average today, our economy would be around £10 billion richer. We want to close this 'output gap'.

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

- **GVA per employee** – a measure of economic productivity
- **Worklessness** – a measure of unemployment and economic inactivity
- **Index of Sustainable Economic Wellbeing**[8] – which can be viewed as a measure of the extent to which economic growth is supporting improvements in sustainable wellbeing for our citizens
- **Carbon emissions per unit of GVA generated** – a measure of the extent to which we are successful in decoupling economic growth from carbon emissions
- **An Indicator of Perceptions of the region as a global centre where people and businesses choose to connect** – in some sense a leading indicator but also a reality check on what the more standard economic and social statistics are telling us. This will involve assessment of the perceptions of a number of specific stakeholder groups.

Figure 1: Headline indicators of performance



[7]Gross Value Added, a measure of economic output. [8]The regional index of sustainable economic well-being (R-ISEW) has been developed by the New Economics Foundation. For further information see, for example, Jackson, T (2004), *Chasing Progress? Beyond measuring economic growth*, London: New Economics Foundation.

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

Further information on how the region currently measures up and on how we will track future progress is provided in Section 9, Monitoring Performance.[9]

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

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

[a]This GVA figure relates to the UK, rather than the English average. The corresponding figure for England is £18,097.
[b]Assuming no change in population. [c]London is actually the best-performing region on these measures, but given the role and nature of the capital city in the UK economy, it is felt that a comparison with the best-performing region excluding London is more appropriate. [d]Assuming no change in the number of employees. [e]Assuming no change in regional GVA. [f]This is related to the Government's overall carbon reduction goal for the region, set out in the West Midlands Regional Energy Strategy (2004), of a 60% reduction by 2050. This is stated as reducing the greenhouse gas equivalent of direct carbon emissions from 40 Mt of CO_2 to approximately 38 Mt by 2010, to 33 Mt by 2020 and to 17 Mt by 2050. It is also a subset of the ISEW, demonstrating how carbon reduction and other economic and social indicators contribute to overall wellbeing.
[9]A more detailed report, describing the baseline position of the region against each of the indicators identified in this Strategy is available as a supporting document. Where possible, this report contains greater disaggregation of the data, providing information for different areas (urban and rural) and communities. Copies can be obtained from the WMES web pages at **http://www.advantagewm.co.uk**

The Index of Sustainable Economic Wellbeing

It is increasingly recognised that genuine progress or development requires more than just economic growth. Despite the unprecedented and sustained growth of economic output over the past few decades, questions are being raised as to what impact this has really had on personal and societal welfare. Are people genuinely better off now than they were twenty or thirty years ago – despite significant increases in income? Furthermore, how much of this growth has been at the cost of the environment in terms of resource depletion and pollution?

The Index of Sustainable Economic Wellbeing (ISEW), developed by the New Economics Foundation, seeks to provide a more rounded measure of progress by adjusting the standard measure of economic output (GVA) to place a monetary value on elements that relate to social welfare and environmental impact. These additional elements include the outputs from domestic labour and volunteering; public expenditure on health and education; costs of income inequality, crime, commuting and car accidents; costs of environmental pollution, loss of natural habitats and resource depletion; and contribution to climate change. ISEW has been calculated for England, and for each of the nine regions.

1.3 Cross-cutting Challenges and Underlying Principles

Economic growth must support improvements in wellbeing and quality of life. The region's economic growth must be sustainable within environmental limits. This Strategy has therefore been developed in the context of a series of long-term economic, social and environmental challenges and on the basis of several underlying principles. The response to these challenges and the application of these principles has been embedded throughout the Strategy, through the use of statutory best practice such as the sustainability appraisal which integrated a series of perspectives such as future proofing, preparing for a lower carbon economy, strategic environmental assessment and equality and diversity.[10]

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

- Increased impacts of climate change and energy security
- Continued globalisation
- Demographic change
- The march of technology

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

- Skills
- Enterprise
- Innovation
- Economic inclusion
- Transport

[10] Further information about the sustainability appraisal, which incorporates the requirements of the strategic environmental assessment Directive EC/42/2001 process relating to this Strategy, together with copies of the relevant reports, can be obtained from the WMES web pages at **http://www.advantagewm.co.uk**

These global and regional challenges are discussed in more detail in sections 2 and 3 of the Strategy. In addition, we have sought to include three underlying principles in all aspects of the Strategy:

- **Pursuing equality, reaping the benefits of diversity** – It is vitally important that: the actions and initiatives undertaken as a result of this Strategy do not disadvantage any particular group; the Strategy identifies and makes the most of opportunities to actively promote equality of opportunity; the Strategy celebrates and reaps the benefits of the diversity that exists within the West Midlands.
- **Valuing the natural environment** – Understanding and enhancing the value of our natural capital in the form of parks, landscapes and the region's wildlife is vital as it supports our wider quality of life and wellbeing. The natural environment also performs many important economic functions such as food and energy production, flood storage, carbon and heat sinks, retention and attraction of businesses. The Strategy recognises the business opportunities this presents through high-growth markets and low-carbon opportunities, while taking into account the quality and type of our land, built environment and infrastructure and helping people at home and work to engage in more environmentally friendly practices.
- **Supporting urban and rural renaissance** – By aligning this Strategy with the West Midlands Regional Spatial Strategy, we are seeking to ensure that jobs and people are attracted to vibrant urban areas, while at the same time supporting the development of sustainable rural communities. Whilst the basic challenges facing rural areas are the same as for urban areas, it is sometimes necessary for them to be addressed through distinctive approaches. In addition, specific and unique challenges exist for rural areas that must be dealt with using a different approach.[11] This 'rural proofed' approach is followed by the Strategy as a whole, thereby ensuring all objectives are equally applicable to rural and urban circumstances and that all groups responsible for delivery 'think rural'. There is particular focus on rural renaissance in the objectives around place, in the section in the Delivery Framework on sub-regions, and through ongoing work to ensure the monitoring indicators used, wherever possible, can be applied at a more detailed sub-regional, urban and rural level.

Progress in responding to the challenges, and in monitoring the effect of applying these principles, will be assessed at a strategic level using the headline and outcome indicators set out in Section 9.

[11]For example, see the Rural Renaissance Framework, produced by Advantage West Midlands, at **http://www.advantagewm.co.uk** This framework will be revised following the publication of this Strategy.

2. Context

2.1 Introduction

The West Midlands has a strong history of innovation and entrepreneurship, responding positively to economic change and continually reinventing itself to remain a significant player in national and international economic growth. The industrial world was born in a valley in Shropshire, the product of entrepreneurship, technology, skills, natural assets and a passion to succeed. Three centuries later those same elements are again driving the West Midlands forward – building new businesses, applying diverse talents to new fields of endeavour and translating knowledge into economic success.

Today, the region again faces the need for economic restructuring and reinvention, continuing a process that has been underway for at least 40 years.

2.2 Economic Context

Regional Economic Performance

Half a century ago the West Midlands region was one of the most prosperous in the country, experiencing rapid growth in population, output and employment. However, economic restructuring, market liberalisation and increasing globalisation of trade have all had a significant impact on the region's economy. Despite steady growth since the early 1990s, the region still underperforms relative to national and international competitors. In 2005, economic output (Gross Value Added) per head was 89% of the UK average. When scaled across the whole of the economy, this equates to a £10bn 'output gap' – in other words, the region's economy would be £10bn richer if our output per head were the same as the UK average.

Looking internationally, although the region outperforms the average across the enlarged EU, it lags behind the most prosperous European regions in output per head terms.[12]

Total economic output is essentially determined by two key factors – the number of people in employment, and the productivity of each of those workers. Research undertaken in developing this Strategy concluded that around 80% of the '£10bn output gap' is attributable to the productivity of the economy, while the remaining 20%[13] can be attributed to economic exclusion, leading to a lower than average employment rate[14] in the region – currently 72.9% to the UK average of 74.1%.[15] Closing this gap would add an additional £2bn to the region's economic output. It would also help to address regeneration and social inclusion issues, particularly as the West Midlands has one of the highest employment rate differentials between white and non-white ethnic groups (a difference of 20.5%, compared to an English average of 16.5%[15]).

[12]Output per head in the West Midlands, in 2004, was 110.1% of the average for the EU27 countries but was 97.3% of the average for the original EU15 countries, measured on a purchasing power standard basis (Eurostat). [13]This analysis is based on a number of assumptions and is intended to indicate the broad nature of the challenge, rather than determine the precise means through which the 'gap' should be closed. For example, it assumes that the recently workless enter the labour force at the regional average level of GVA per employee. [14]The employment rate refers to the percentage of the resident working-age population that are in work or who are self-employed. [15]Annual Population Survey, 2006.

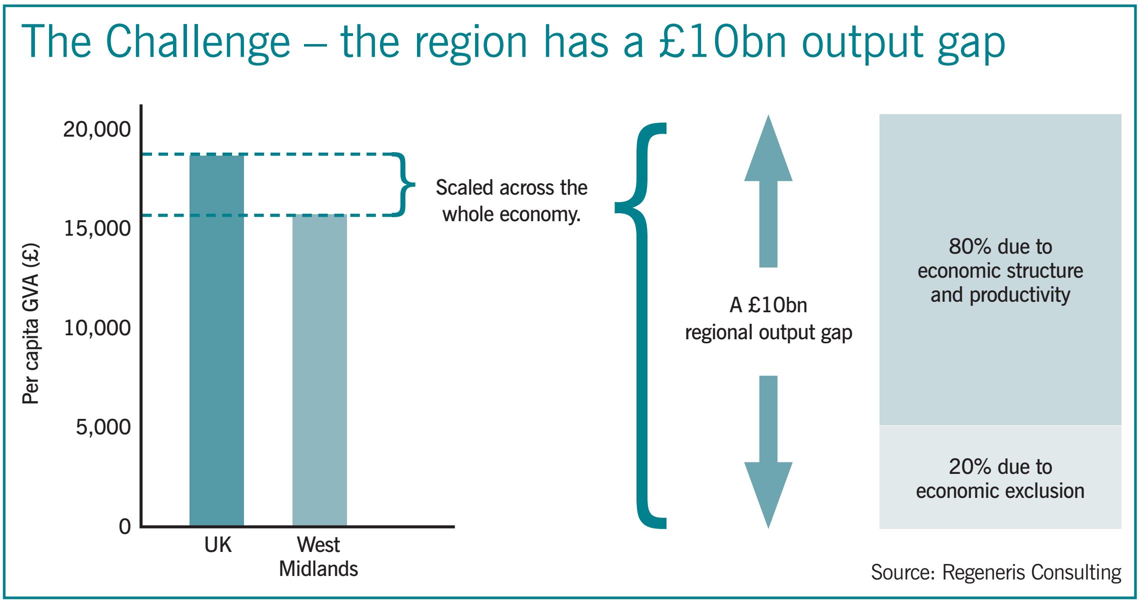
> Raising productivity presents the greatest challenge for the region

Connecting to R&D

Malvern Hills Science Park, Worcestershire, offers incubator units enabling high-technology companies to connect with the ideal environment in which to grow

Malvern Hills Science Park, Worcestershire

Figure 3: Economic output per person, 2005



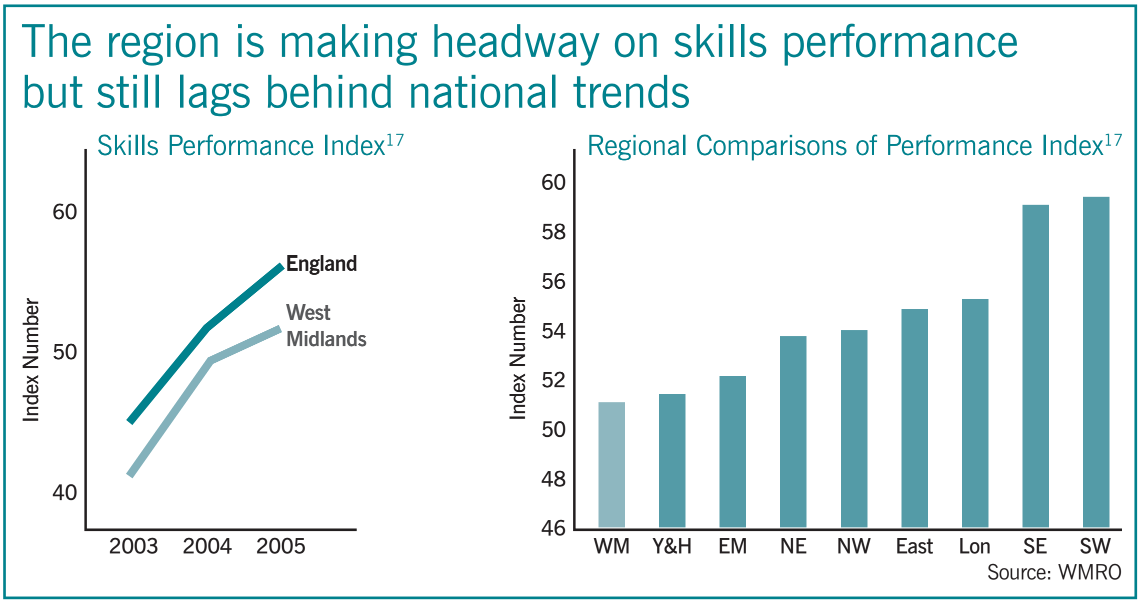
In terms of economic performance, raising productivity presents the greatest challenge for the region. The productivity of an economy is partly determined by its industrial structure (i.e. the types of businesses that are present), & partly by five key 'drivers' – innovation, skills, enterprise, investment and competition.[16] Analysis of the structure of the West Midlands economy suggests that up to one-third of this productivity gap is caused by the region's business base being skewed towards sectors where the GVA per head tends to be low, and two-thirds due to generally lower levels of productivity within the organisation concerned. The West Midlands is unusual among UK regions in combining an under-representation of high value added sectors – such as pharmaceuticals, oil and gas and investment banking – with a preponderance of medium value added sectors whose productivity performance is currently poor in national terms, but provides opportunities for improvement.

Research into the different drivers of productivity within the region concluded that a poor record on both supply and demand for skills and lower rates of some forms of innovation are the primary sources of the West Midlands' productivity challenge. The performance of the region against these and other drivers is summarised in the following paragraphs.

On both supply and demand for skills, and the operation of the labour market, the region's performance has improved significantly over recent years. However, improvements in other regions mean that the gap in performance between the best-performing regions and the West Midlands has failed to narrow. Qualifications are not the only measures of skills but the region performs poorly on levels of qualifications in the workforce, graduate retention, leadership and management, work-based training and levels of economic activity. It ranks in the bottom quartile of regions on most skills indicators. More positively, qualifications attainment levels for young people have improved significantly and there is evidence that the region is starting to close the gap with the England average on a number of measures of qualifications attainment and on the proportion of the regional workforce with skills deficiencies.

[16]*Productivity in the UK Series*, HM Treasury.

Figure 4: Skills performance index



There is, however, weak demand for skills from businesses, particularly in relation to higher-level skills in private sector firms that are critical to the generation of added value in the region. This manifests itself in terms of lower than national average levels of business investment in skills and poor alignment between supply and demand for skills. Skill gaps and skill shortages are two among a number of critical factors holding back not only economic performance but the wellbeing and life-chances of individuals.

Partners within the Regional Skills Partnership have bench-marked the West Midlands' performance on skills against other regions and begun to establish a sense of the size of the skills challenge. For example, in 2005 there were 380,000 private sector jobs employing people qualified to degree level or above in the region and 20,000 new graduates found employment within the regional economy. To close the gap with the English average we would need a total of 70,000 more graduate-level jobs and to close the gap with one of the better-performing regions we would need to employ 3,200 more new graduates each year.

The Regional Skills Partnership also plans to look at the projections for future skills performance within the West Midlands and the extent to which these will meet the 'World Class Skills' challenges of the recent Leitch report.[18]

[17]The Skills Performance Index is generated through scores allocated to a set of 10 separate indicators developed by WMRO on behalf of the Regional Skills Partnership, including GCSE attainment, higher level qualifications, participation in job related training and graduate retention. [18]*Leitch Review of Skills*, HM Treasury, Dec 2006.

Regional performance on skills also needs to be seen in a European and international context – while the West Midlands performs poorly within the UK, the UK overall lags behind many European and international competitors. For instance, in terms of NVQ2, national attainment levels are nearly 25% lower than the USA and Germany and nearly 20% lower than Japan, Norway and Sweden.

The region also performs relatively poorly on certain measures of innovation. Business investment in R&D as a share of output is falling relative to the UK average and the West Midlands is ranked seventh out of the nine English regions on this measure. Investment in R&D can, however, be a relatively poor measure of genuine innovation, particularly because the dominant sectors in the West Midlands do not include pharmaceuticals, which provides around one-third of the UK's business R&D. Survey evidence shows that 55% of firms in the region are considered to be 'innovation active', slightly below the average of 57% for all English regions. However, the West Midlands is ranked bottom of the nine regions in terms of percentage of turnover attributable to innovation (36% compared to the national average of 41%).[19] This survey-based measure of innovation can also be criticised as responses depend very much on the sectors involved, and the way in which the specific questions are phrased.

The region performs better on measured innovation outputs (such as patent registrations per million inhabitants), although this is dominated by larger firms and SMEs generally account for relatively fewer outputs on this measure. The region needs greater levels of investment and innovation to increase productivity across all sectors, and to help diversify the economy towards more knowledge-intensive and high value added sectors.

The region makes poor use of information and communication technologies (ICTs). Analysis of data provided by Point Topic[20] shows that 66% of West Midlands businesses have internet access, compared with a national average of 86% – the worst-performing region in England. Furthermore, 30% of West Midlands businesses utilise eCommerce, compared with a national average of 39% – ranking the region fourth from bottom (eCommerce is defined as taking orders or payments online). A recent government report[21] highlights the contribution of ICTs to productivity growth. Studies indicate[22] that ICT has the potential to significantly raise productivity and GVA in the West Midlands, as well as to reduce carbon emissions. The region's universal broadband coverage provides a good platform from which to realise this potential.

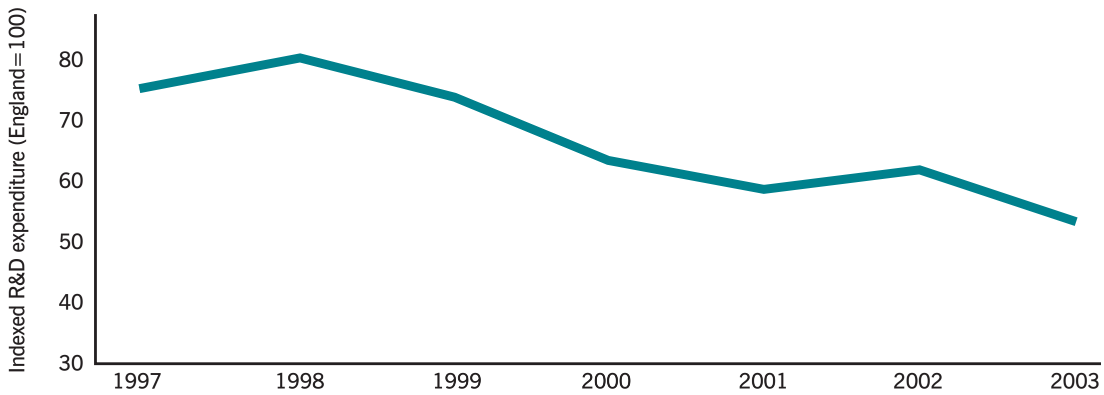
Overall, levels of start-up activity in the West Midlands are similar to the UK as a whole; the region is middle ranking on this driver when compared to other regions. West Midlands people have generally favourable attitudes to entrepreneurship, more so than in some competitor regions.[23] However, levels of female entrepreneurship in the West Midlands are lower than for males, and evidence from the Global Entrepreneurship Monitor suggests that ethnic minorities in the West Midlands are proportionally less likely to be involved in enterprise than those in other regions. Increased volumes of new business and higher levels of entrepreneurship in general can help change the sectoral composition of the region's economy and drive up participation, but this generally takes a long time to have an impact and is not the most important factor in closing the output gap. The West Midlands must also focus on the wider enterprise agenda in its existing businesses.

[19]BERR Community Innovation Survey 2004. [20]Business Broadband Survey 2, Point Topic, March 2007.
[21]*Raising UK Productivity – Unlocking the potential of information and communications technology*, DTI, June 2007.
[22]West Midlands high impact ICT Strategy, Adroit Economics Ltd, November 2007 and work by Regeneris Consulting, Adroit Economics and InterConnect Communications. [23]Global Entrepreneurship Monitor UK, 2006.

The remaining two key drivers of productivity – investment (defined as capital investment by businesses rather than public sector or inward investment) and competition, are perceived by economists to be generally less susceptible to regional policy and influenced to a greater degree by policies at a national and/or European level. However, the quality and quantity of private sector capital investment is particularly important in a region such as the West Midlands, with a higher than average proportion of manufacturing industry. The fact that investment is only average suggests that there is a need and opportunity for more, not only as a driver of regional productivity but also to maintain and improve international competitiveness – modern capital and process investment not only adds power to the elbow but also skill to the mind.
Other important factors influencing sub-national productivity include the reliability and capacity of the transport network[24] and the quality of life offered within the region.[25]

Figure 5: Total expenditure on research and development in the West Midlands as a % of GVA (England = 100)

R&D in the region is falling further behind the England average



Source: BERD, National Statistics

[24]See the Eddington Transport Study, 2006. [25]The Functioning Economic Geography of the West Midlands, WMRO/Birmingham University 2006.

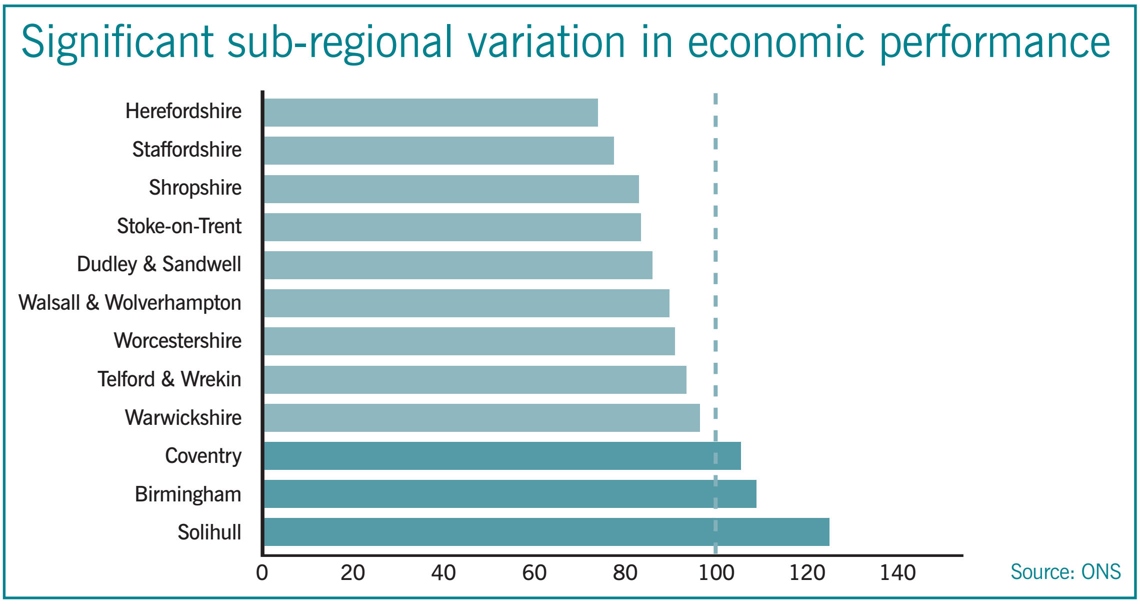
Sub-regional Variation

The West Midlands is a particularly diverse region, including sparsely populated rural areas as well as large, sprawling cities, market towns and villages. Many communities face significant disadvantage and deprivation. Economic structure and performance varies significantly across the region, depending on the location, resources and the economic history of different areas.

There is significant variation in terms of economic output (GVA) per head of population. Some areas, such as Birmingham, Solihull and Coventry, exceed UK average GVA per capita, while others, such as Herefordshire and Shropshire, are significantly below average. Solihull, in particular, has experienced rapid growth in GVA per capita. Between 1995 and 2004 it was the fastest-growing sub-regional economy in the country (growth of 115% compared to growth of the whole UK economy of 58% over the same period).

Given the diversity of the region, the economic challenges and opportunities also vary significantly from area to area. For instance, while the Birmingham and Solihull 'sub-region' has particularly high levels of GVA per head, the employment rate of the resident population is quite low and there are significant communities experiencing deprivation and worklessness. In contrast, the rural west of the region is characterised by generally low levels of GVA per head, but has above average skills and enterprise levels. Furthermore, whereas the rural west has an ageing population, Birmingham has a particularly youthful and diverse one – with a higher proportion of people aged under 20 than the average for the UK, and indeed any other major European city.

Figure 6: Output per head by sub-region (UK = 100)



The European Context

The European Single Market provides a crucial framework within which this Strategy will be delivered. The advantages of a market with 493 million people, with no internal borders, free movement of goods, services, capital and in most cases people are now very evident. It has played an essential role in the considerable growth of trade between countries, the increased interweaving of economies and business life, the growth of a financial Europe and the ever-greater mobility of workers and students. In the next 20 years the European Economic Area is likely to deepen and extend further. West Midlands companies and staff have to be comfortable and confident working in this market, while regional policy-makers have to understand and influence the EU institutions responsible for environmental policy and legislation.

Future Challenges

Economic modelling[26] suggests that if the economy continues on its current trend path ('business as usual'), the output gap between the West Midlands and the UK average will continue to grow. The number of jobs is expected to rise more quickly than the working age population, but there will also be a big increase in the number of people in the region aged 65 and over.

The sectoral make-up of the region's economy is likely to continue to change and diversify. Though likely to account for a declining share of employment, manufacturing will remain an important contributor to future prosperity, particularly in output terms, and could continue to be more important to the West Midlands than to other regions. The sector as a whole generates 30% higher GVA per employee than the regional average, but further emphasis on increased capital investment in this sector could be an important driver of future productivity growth and competitiveness. It is also an important driver of innovation and best practice systems. Projections show that the changing structure of employment favours higher-level, non-manual occupations and a range of generic skills, with fewer opportunities for people with low skill levels across all industries. There are likely to be particular opportunities in technical and professional services.

Major global challenges were also identified during the development of this Strategy and as part of its 'future proofing'.[27] These include:

- Increased impacts of climate change and energy security
- Continued globalisation
- Demographic change
- The march of technology

These challenges, and the responses to them, are discussed further in the following section.

[26] *Future Prospects for the West Midlands Economy and Employment*, Warwick Institute for Employment Research, 2006.
[27] *Futures drivers affecting the West Midlands Economy*, Forum for the Future, November 2006.

Achievements to date

There have been two previous versions of the West Midlands Economic Strategy: *Creating Advantage* (1999) and its associated action plan, *Agenda for Action* (2001) – and *Delivering Advantage* (2004). Though it is extremely difficult to quantify the precise impact of the Strategy on the regional economy, it is clear that much has been achieved since 1999.

An evaluation of the West Midlands Economic Strategy, undertaken by GHK Consulting as part of the evidence-building phase for the review of the Strategy, concluded that the two previous versions of the Strategy had generated significant strategic added value to economic development and regeneration activity in the region. GHK also evaluated the three 'key delivery mechanisms' identified in *Delivering Advantage*: Regeneration Zones, High Technology Corridors and Business Clusters. Their study concluded that Zones, Corridors and Clusters were adding value, building capacity and strengthening partnership working across the region. Examples of specific projects and the challenges they addressed include:

- **Centre for the Built Environment in Bordesley Green, Birmingham**: A Regeneration Zone project, responding to the skills and enterprise challenges. The project involved £16 million of expenditure to convert a Victorian building to provide a super-college that would help to address the shortage of skilled workers in the construction industry in the region. The project will train around 2,500 students per year to become bricklayers, electricians, plumbers, plasterers, roofers and other skilled workers, up to NVQ level 3 standard.
- **Walsall Waterfront**: A Regeneration Zone project, addressing the enterprise and housing challenges, involving developer Urban Splash. The scheme comprises a vibrant, high quality mixed use development on a 6.5 hectare site in the town centre. It is expected to create 965 new jobs.
- **E-Innovation Centre, Telford**: A £5.5 million landmark development in the Wolverhampton – Telford Corridor, responding to the enterprise and innovation challenges. Sited at the University of Wolverhampton campus in Priorslee, the centre provides start-up premises and grow-on space for companies involved in high-technology businesses such as e-commerce and e-engineering.
- **WindSupply**: An Environmental Technologies Cluster project to assist businesses diversify into the wind turbine market, addressing the enterprise and manufacturing challenges. The project began in 2003 and quickly grew to involve thousands of companies nationally. Many more local companies are now servicing the supply chains of international wind turbine companies as a result and it is anticipated that businesses in the region will benefit from an additional £250 million of orders over a three year period.

More broadly, across Business, Place, People and Powerful Voice, examples of other achievements to date include:

Business

- Through a number of initiatives the business-led Regional Finance Forum, established in 2001, has helped improve access to finance for a range of businesses across the region. It is estimated that around 400 businesses are currently benefiting from support totalling about £65 million per annum. Of particular note, European Commission State Aid clearance was recently secured for Investbx, the Advantage West Midlands initiative to create an electronically-based regional share exchange for small and medium sized enterprises. The scheme commenced operation in 2007.
- The Rover Task Force (2000-01) identified areas in the region that were particularly dependent on traditional automotive industries and where there was a pressing need to modernise and diversify the business base. The region's three High Technology Corridors were designated, as a result. The corridors were identified as one of the key delivery mechanisms for Delivering Advantage. The impact of the final closure of MG Rover, in April 2005, for the Longbridge workers and for the companies in the supply chain was substantially mitigated through this activity. As a result of the support provided, over three quarters of the workers affected had found new jobs by the end of March 2006. It is also estimated that only eleven companies in the supply chain closed, far fewer than anticipated.
- The Premium Automotive Research and Development Programme (PARD) at Warwick University is a £70 million high-technology research and development facility established to support up to 50,000 manufacturing jobs. To date it has worked with 200 companies, providing access to the latest technologies to help them modernise and diversify.
- The North Staffordshire Regeneration Zone was instrumental in helping North Staffordshire become the winner of the national City of Enterprise Award.
- Birmingham was designated as a 'Science City' early in 2005 – one of six, the others being York, Manchester, Newcastle, Nottingham and Bristol. Science Cities are characterised by an exciting mix of world-class science and technology in their universities and research organisations, businesses capable of turning this knowledge into new products and services, and the communities, skills and infrastructure to help do this. Birmingham and its surrounding area is a focus for this activity, drawing in the technological, business and commercial strengths of the whole of the West Midlands. The Science City initiative has led to collaborative working between the region's two largest research universities, Warwick and Birmingham, to strengthen the region's research base and improve knowledge transfer in energy, translational medicine and advanced materials.

Place

- Birmingham, the city centre and beyond, has been undergoing a transformation. The new Bullring, the regeneration of Eastside, the redevelopment of Fort Dunlop and now the scheme to radically improve New Street Station are all playing their part in the city's regeneration. Eastside, alone, is one of the largest regeneration schemes in Europe and is expected to create around 5,000 jobs over the ten year life of the project. As well as improving Birmingham's competitiveness as a place, all these schemes have significantly improved perceptions of the city and the region.
- Work is also underway to regenerate over 300 acres of the former MG Rover works at Longbridge, and bring new and sustainable employment to south-west Birmingham. The first two new buildings at the Longbridge Technology Park have already been completed and the area action plan process for a new town centre development is progressing well.
- Large-scale land assembly and the reclamation of a polluted site has taken place at i54, in the Black Country. 96 hectares of land have been reclaimed as the first step towards a major employment site within the Wolverhampton–Telford High Technology Corridor that should create 6,700 jobs by 2020.
- At the region's other Major Investment Site, Ansty, work is now beginning on the infrastructure works to pave the way for the first investor – Ericsson – who will create a £60 million research and development facility, bringing 600 jobs to the site.
- Pride in Camp Hill, Nuneaton, is a £160 million ten year physical and social regeneration initiative to transform one of the region's most deprived communities, which suffered as a result of the decline in the mining industry. The Pride in Camp Hill Board is truly community-based, incorporating a wide variety of partners and including a Residents' Forum.
- Through the Regional Broadband Access project, basic level broadband infrastructure is now available throughout the region.
- An evaluation of the Market Towns Initiative (ERM, 2004) concluded that a considerable amount had been achieved in a short time. Beyond the immediate outputs of the programme, a number of far-reaching benefits had been realised, including the empowerment of local communities, good practice exchange and leverage of public and private sector funding. The towns of Evesham and Pershore won first prize in the National Market Towns Awards in 2004 and 2005 respectively.

People

- Since its formation in 2005, the Regional Skills Partnership has been successful in influencing partners (in particular, the Learning and Skills Council, Advantage West Midlands and the Higher Education Funding Council) to change their priorities for investment in skills in the light of evidence about current and future demand. The Skills Performance Index, developed by the Regional Observatory, on behalf of the Regional Skills Partnership, has been recognised nationally as good practice and is being adopted in a number of other regions.
- The new integrated skills and business support brokerage service is working with employers to help them understand the business benefit of investing in skills. Meanwhile, local authorities, Job Centre Plus and other partners are using 'public service compacts' to increase recruitment into local authorities from the most disadvantaged wards.
- The region has historically performed poorly in terms of qualifications attainment. There is some evidence to suggest that efforts by regional partners are beginning to show results, with improvements in the regional position on Level 2, 3 and 4 qualifications. There has also been a sharp increase in the percentage of Apprentices (of all ages) achieving their full framework – from 40% in 2004/05, to 54% in 2005/06 and 65% in 2006/07 (provisional).

Powerful Voice

- The creation of the West Midlands Regional Observatory, in 2002, has significantly improved the evidence base underpinning regional and local strategies. The first full State of the Region report was published in 2004 and annual updates have followed. The next full report is due in 2008.
- The creation in 2003 of RegenWM, the regional centre of regeneration excellence, has significantly improved capacity in the West Midlands to share best practice in regeneration and develop the skills of regeneration practitioners. The West Midlands was the first region to establish such a centre, with the approach regarded, nationally, as setting the standard for other regions to match.
- Three business-led strategic Boards – the Enterprise Board, the Innovation and Technology Council and the Regional Skills Partnership – have been established to help champion the interests of the region, secure strategy and policy alignment and prioritise regional activity.
- Perceptions of the region – and of Birmingham in particular – have improved significantly in recent years. This has been an important factor in helping to attract the 675 foreign direct investments that have been made in the West Midlands since 1999, creating over 31,000 new jobs and safeguarding 75,800 more.

2.3 Resources

To set the region's economic development challenge in context, we estimate[28] that around £120 billion of public sector resources will come into the West Midlands over the next five years. That is equivalent in value to about one-quarter of regional GVA over the same period. Around £20 billion of the £120 billion – approximately 4% of regional GVA – is estimated to be related directly to economic development and regeneration activity. £2.2 billion of this – less than 0.5% of regional GVA – will be deployed by Advantage West Midlands, plus European Structural Funding, and hence will be fully influenced by this Strategy.

Beyond the resources deployed by Advantage West Midlands, we estimate that a further £23 billion of the £120 billion of total public sector resources are likely to be significantly or partially influenced by this Strategy. In total, therefore, this Strategy should influence the use of around £25 billion of public sector resources – equivalent to approximately 5% of regional GVA – over a five-year period. In terms of the main themes of the Strategy, of this £25 billion we estimate that around £1.3 billion will be related to Business, £16 billion will be related to Place and £7.9 billion will be related to People.

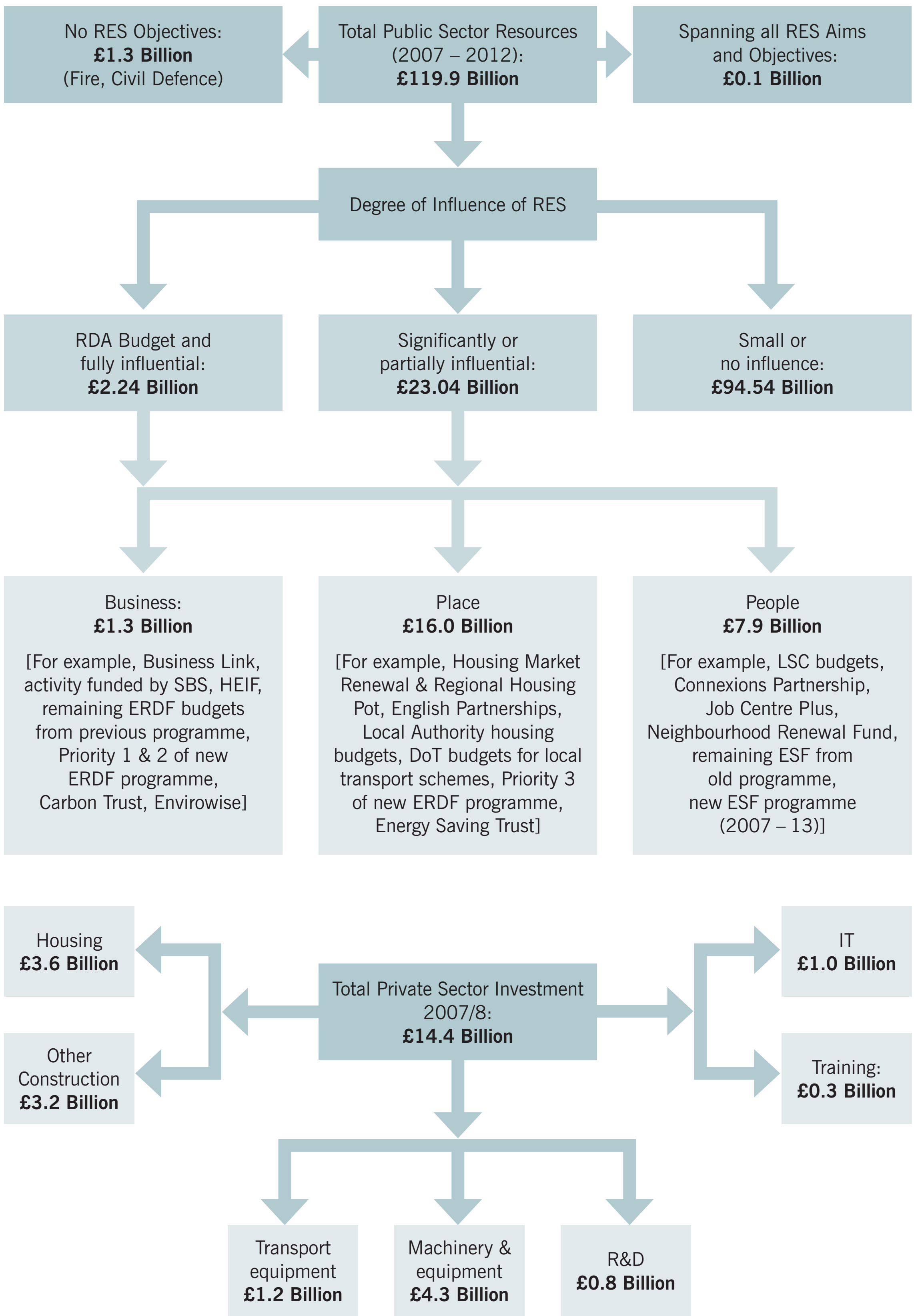
We hope that this Strategy will be able to do more than that. It should also influence the use of private sector resources. For example, based on a rough estimate, we think that a total of around £14.4 billion will be spent in 2007/8 alone by the private sector on investment activities related to this Strategy.

The underlying principles and cross-cutting challenges set out in this Strategy will be most effectively addressed if all partners modify their activities in response.

Figure 7 summarises the results of our analysis of the public and private sector resources that are either available, or may be subject to leverage or influence, to help deliver this Strategy. The task for all of us is to ensure the Strategy becomes ever-more influential when it comes to allocating resources relevant to the region's economic development and regeneration.

[28]This estimate is made on a provisional basis. The allocation of resources between the three main themes (Business, People and Place) is based on a subjective judgement. The estimate draws on current known resource plans as in September 2007 and assumes zero real growth in resources beyond 2007/08. It is expressed in current (cash) prices.

Figure 7: Resources available to help deliver the Strategy, 2007–12



3. Strategic Approach

3.1 Business, Place and People

Section 2 summarised the current performance of the region's economy, using headline indicators based on the Treasury's economic growth framework. This showed that the economy as a whole is underperforming compared to the UK average – particularly in relation to the key drivers of employment, skills and innovation. There is also significant sub-regional and sectoral variation.

While this evidence and data are useful in highlighting particular areas of strength or weakness in the region's economy, they cannot and do not explain why this is the case. For example, why are levels of innovation in the region lower than average, and what actions could be taken to change this? Why do employment rates vary so much across the West Midlands, and what are the barriers that prevent more people entering employment? The drivers of economic growth are influenced by a complex range of interrelated factors and issues, which need to be identified and understood before they can be addressed effectively. To aid analysis of these factors and issues, they can be broadly considered under the three main components of the economy – Business, Place and People.

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

A successful and vibrant economy requires a balanced and strong contribution from all three of these components. It is impossible to change the drivers of economic growth and achieve long-term prosperity without positive improvement in all three areas. A healthy and dynamic business base is essential to creating wealth and employment within the region, but is dependent upon inspirational leaders and managers, as well as a strong supply of high-quality human capital and consumers. Finally, neither businesses nor individuals will prosper or remain unless the location where they are based meets their particular needs and requirements. This Strategy is structured around these three main components: Business, Place and People, plus the need to provide a Powerful Voice for the region. The overall framework is summarised overleaf.

A healthy and dynamic business base is essential to creating wealth & employment

Connecting with enterprise

All across the region, thriving enterprises large and small are contributing to a growing West Midlands economy

Reg Martins & Sons, Ludlow, Shropshire

3. Strategic Approach

Business	Place	People
Seizing market opportunities	**Increasing Birmingham's competitiveness**	**Sustainable living**
• Developing markets and sectors with the most wealth and employment potential • Creating economically sustainable new businesses • Competing in the global economy • Capitalising on sustainability and low-carbon opportunities	• Birmingham competing as a global city	• Changing attitudes to sustainability and consumption
Improving competitiveness	**Improving infrastructure**	**Raising ambitions and aspirations**
• Investing in business processes and enterprise • Stimulating employer investment in skills and training	• Improving transport & communications to increase accessibility, efficiency & competitiveness • Supporting a secure, low-carbon energy infrastructure for the region • Sustainable management & utilisation of our land & property assets	• Raising aspirations of leaders and managers • Driving up ambition and aspiration
Harnessing knowledge	**Sustainable communities**	**Achieving full potential & opportunities for all**
• Investing in high-value skills for the future economy • Stimulating innovation, creativity and knowledge generation	• Developing sustainable communities • Regenerating our most deprived communities • Maximising our cultural offer and natural assets	• Skills for employment and enterprise • Defining employability

Powerful voice		
Powerful voice for the West Midlands		
• Improving the evidence base for policy	• Engaging with UK, European & international decision-makers	• Position the West Midlands as a global centre where people and businesses choose to connect

3.2 Cross-cutting Challenges

This Strategy has been developed to provide a regional response to a series of long-term economic, social and environmental challenges.

Global Challenges

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

Increased Impacts of Climate Change and Energy Security – Preparing for a Lower Carbon Economy

The challenge of climate change (the inevitable impacts of a changed climate during the first half of this century, and efforts to act now to reduce any additional climate impacts at the end of the century) coincides with concern over energy security. Global consumption of fossil fuels is rising, while many of the remaining reserves are found in politically unstable regions in the world. The need to conserve and diversify energy sources, reduce carbon emissions and other greenhouse gases, and to also adapt to changing weather presents a complex series of challenges and opportunities. This will have knock-on effects on globalisation, demographic change and economic inclusion as we see changing global agricultural production, a growing market for more energy-efficient or low-carbon products and services, and more environmental refugees, displaced due to flooding or drought. While businesses and communities will need to adapt to a changing climate and rising energy prices, significant economic opportunities will also arise. Indeed, the Stern Review[29] of the Economics of Climate Change concludes that 'tackling climate change is the pro-growth strategy for the longer term'.

A low-carbon West Midlands economy will capture the economic benefits of increasing efficiency whilst reducing direct carbon emissions and using the region's strengths in engineering, science and technology to deliver low-carbon solutions to national and international markets. For our businesses, this means exploiting fully the opportunities for both existing and new enterprises to ensure the region secures a reputation for profitable low-carbon enterprise. For our places, this means creating the conditions for growth by optimising transport networks and developing a low-carbon built environment through energy efficiency and renewable resource use. For our people, this means up-skilling to secure the benefits of new employment opportunities emerging from a low-carbon economy, along with behavioural change, to enhance quality of life.

This is the UK's first low-carbon Regional Economic Strategy; one that responds to current challenges and opportunities by adopting a consistent approach to mitigation of and adaptation to climate change throughout. For example, the WMES is estimated to have a direct or indirect influence over 20% of the region's carbon emissions, through the implementation of national and international policy or the programmes of its regional partners.[30]

Our key task is to accelerate current progress on addressing the productivity gap while reducing our overall carbon emissions from the biggest sources – industry, domestic and transport – and responding successfully to future challenges such as climate impacts and globalisation. We recognise that most of the measures within this Strategy can do both, such as the general strategic business approach of exploiting high-growth markets, investing in future skills and improving competitiveness and innovation, and helping our knowledge base capitalise on and manage the transition to a low-carbon economy.

[29]*The Economics of Climate Change*, HM Treasury, Oct 2006. [30]Further information is provided in supporting documents and evidence base covering the low-carbon economy and the low-carbon assessment process as part of the sustainability appraisal report.

Responding to the changing climate will mean re-thinking our built environment and wider infrastructure needs to build in resilience to climate impacts. We will also need to improve our energy infrastructure, use of the transport network, and the standards of our new and renewed built environment. We need to encourage people at home and in their workplaces to stimulate demand for more sustainable goods, services, and working practices. There must be a partnership between the public sector, business and the knowledge base in driving this agenda.

Progress towards a low-carbon economy will be monitored at a strategic level through the headline and outcome indicators set out in Section 9. There is a close link here with the overall carbon reduction goal for the region, which is in line with the Government target of a 60% cut in 1990 levels by 2050. The Regional Energy Strategy sets this out as reducing the greenhouse gas equivalent of direct carbon emissions from 40 Mt of CO_2 to approximately 38 Mt by 2010, to 33 Mt by 2020 and to 17 Mt by 2050.[31]

Continued Globalisation

The West Midlands has felt the impacts of globalisation more strongly than other regions, and will continue to do so because of its still significant manufacturing base. China and India probably pose both the greatest threat and largest opportunity – they are two of the fastest-growing economies in the world (over the past 25 years, China has experienced an average growth of 9% p.a.) and together have a population of 2.4bn – over one-third of the world's population. However, the West Midlands is also part of the world's largest single market – the EU – with a GDP of $13 trillion in 2005, a population of 493 million people, and a bigger trading area than the US and Japan combined. Exploiting the economic opportunities arising from this single market is crucial to the long-term success of the region's economy. A globalised economy is an inter-dependent economy.

The success of this Strategy will hinge on the impact the West Midlands can make in Europe and beyond. An outward-looking perspective is crucial to the overall Strategy and each theme within it. Under Business, we look to expand existing export markets, reach into new ones and develop new international relationships and business models. Under Place, we look to attract more inward investment – companies large and small – into Birmingham, neighbouring cities and research and science parks across the region. Under People, we want employees to be comfortable working in the Single Market and we welcome new migrants with talents and skills to make the West Midlands economy work better.

[31] West Midlands Energy Strategy (2004) WMRA, GOWM, AWM.

Demographic Change

The West Midlands will be profoundly affected by a number of demographic changes – the generally ageing workforce (though with a youthful Birmingham), international and internal migration, and increasing diversity among the population – all of which present challenges to the economy, but also significant market opportunities.

The need to adapt and respond to these demographic changes is fundamental to the success of the West Midlands economy and is therefore integrated throughout this Strategy. Under Business, we will support and encourage businesses to exploit the market opportunities that are being created (e.g. the growing strength of the 'grey pound'), and help maximise the global links of the region's diverse population. Under Place, we will foster and support the wide variety of cultures that exist within the West Midlands, and ensure the growth of strong and sustainable communities. Under People, we will ensure that all of our population have the necessary skills and opportunities to compete in the modern economy.

The March of Technology

Information and communication technologies (ICTs) are essential in developing the regional economy and capitalising on low-carbon growth. They underpin an ever-growing range of business processes, form the basis for new products and services, transcend the remoteness of some of the region's more sparsely populated areas and set new challenges for our skills and infrastructure offer. In alliance with more traditional capital investment they form the process base of high-value, product-based businesses. The region's competitiveness depends heavily on its ability to exploit the potential of ICTs.

The Strategy will seek to improve the levels of business ICT adoption, help the region's business maximise the ever-increasing market opportunities in this field, increase the quantity and quality of ICT advisers/suppliers, develop the ICT skills of the workforce, and maintain a competitive broadband infrastructure across the region.

Regional Challenges

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

Skills

The West Midlands faces a substantial challenge across the skills spectrum. Lifting regional business performance, stimulating enterprise and widening social and economic opportunity all require higher-level skills. Workforce development, educational attainment, leadership and individual aspirations are absolutely vital. This Strategy commits the region to this – raising aspirations, encouraging inspirational leadership, driving up demand for skills and ensuring that suppliers of training and skills are fully responsive to the needs of employers. The Strategy emphasises the vital role of high-quality environments in attracting and retaining highly skilled people and businesses, and confronts head-on the need to stimulate a greater appetite for such skills among people living and working in the region.

In developing this Strategy we have considered both supply and demand-side skills issues and the need to link skills more closely to innovation and enterprise, to the other drivers of productivity, and to long-term challenges. For example, it is necessary to develop appropriate energy and construction skills to support the move towards lower-carbon developments. We have also focused on ways to integrate skills and employment policies to underpin regeneration programmes, and the West Midlands Regional Spatial Strategy, to enable all individuals in the region to progress and to reach their full potential.

Enterprise

Measured levels of start-up activity in the West Midlands are broadly comparable to those in the UK as a whole. Recent evidence[32] shows that there is a need and an opportunity for companies, particularly SMEs, to adopt a more enterprising and customer-facing approach to their business. Enterprise – in the form of being outward looking, taking risks and developing customer relationships – is fundamental to the development of a high-value, competitive economy. This is important not just for new business start-ups, but also for existing businesses and employees in general.

The Strategy focuses on the need to stimulate enterprising behaviour across the board. Businesses need to become more entrepreneurial, places need to be conducive to enterprising behaviour, and we need to nurture and grow a stronger enterprise culture throughout the West Midlands' population.

Innovation

Innovative business activities are vital in the fast-moving and highly competitive global markets in which West Midlands businesses must compete. Support for low-carbon innovation through research and demonstration of new and emerging technologies is key to capitalising on climate change. It will not be possible to sell products and services based on yesterday's knowledge using yesterday's processes.

Tackling the innovation agenda and placing the region at the heart of the UK's high-value economy also requires action from the supply side; ensuring the skills and attitudes of people living and working in the region are the correct ones; ensuring businesses have the right mix of people; and ensuring an attractive supply of premises that meet the needs of business. Traditional and established firms – including those in rural communities – need to use new ways to develop and access employment opportunities, and new forms of service delivery, to meet the challenges of competitiveness and productivity.

Economic Inclusion

A significant element of the West Midlands' output gap with the rest of the country (20% of the £10bn gap) is caused by low levels of economic activity and disengagement from the world of employment. Economic inclusion is not a stand-alone issue.[33] The quality, sustainability and accessibility of the employment offer, the skills held by individuals and their attitudes to improving their skills are critical dimensions of social exclusion. They need to be taken into account by policy-makers, along with housing, health, environment and other dimensions of social exclusion.

Economic inclusion needs to be addressed in a co-ordinated way across this Strategy – so that access to economic opportunities is available to everyone. The word 'access' is central to this in terms of:

- **Skills** – ensuring workers have the skills necessary to meet the demands of employers;
- **Enterprise** – ensuring all communities have access to support (finance and advice) to allow them the opportunity to create and sustain enterprises;
- **Transport** – equality of access to transport is a critical element of ensuring access to employment opportunities;
- **Innovation** – ensuring access to, and utilisation of, the knowledge assets that exist in all our communities.

It is also important to distinguish between actions that should be taken at the regional level, and those that should be taken at a sub-regional or local level. This Strategy provides an overarching framework for the region. Whilst there are some common issues in defining 'exclusion', the pattern varies considerably across the region, and the actions needed to address the problem can also vary – for example, addressing access issues in remote rural areas will not require the same actions as in the major urban areas. Therefore, the lead in addressing sub-regional and locally specific issues rests with sub-regional partnerships and local strategic partnerships. The roles of different sectors in supporting economic inclusion are another key dimension of the Strategy.

Transport

Improving access to employment and ensuring good connections between businesses and their customers is essential to supporting sustainable growth across the West Midlands economy. The region is located in an advantageous position in the centre of the country. However, this means that large numbers of people and large volumes of goods from outside the West Midlands travel on the region's networks, putting additional pressures on transport infrastructure and services, which could limit our ability to prosper and grow.

We recognise the significance of both external and internal transport constraints and the need to tackle 'mobility' in an integrated way. It is important that we encourage both the adoption of sustainable forms of transport and improvements to transport networks and services to help people access jobs and support business competitiveness, as well as reducing the impact our transport habits have on the environment. We also need to understand how we can get more capacity from our existing transport networks by managing them more effectively, and how new technologies can help business maximise efficiency in travel and logistics practices.

[32]Customer needs evaluation for business support, CI Research and Forum for Excellence, 2007, carried out on behalf of the Regional Enterprise Board. [33]It is seen by government as one key element of the wider social inclusion agenda, as set out in *Reaching Out, An Action Plan on Social Exclusion*, published in September 2006.

4. Business

4.1 Scope

Businesses are the engine of economic growth and prosperity. The region must establish clear and ambitious targets with its business community in order to deliver a step-change in performance. However not all businesses are the same and they require different approaches to achieve their potential. In particular, the focus will be upon:

- Creating new businesses both to develop economic activity and inclusion, and to attack some new and valuable markets;
- Growth and development in existing businesses, particularly those in the mid-sized bracket;
- Stimulating new strategic industries for both products and services in growth and value added markets.

Business support is central to meeting the aspirations set out in this Strategy, and for improving the economic performance of the region. In delivering against these objectives and priorities it is important to recognise the changes that the region is making to simplify access to, and improve delivery of, business support.

An integrated regional business support structure has already been implemented. This includes an integrated skills and general business support brokerage service, designed to provide enhanced, focused and wide-ranging support to new and existing businesses. When coupled with a streamlining of business support products and services this should ensure that support will be more easily accessible for all individuals and businesses in the region.

These changes are in line with the Chancellor's 2006 Budget challenge to streamline all publicly funded business support. They will lead to greater collaboration between regional partners in pursuit of a cohesive and simplified business support infrastructure across the whole region. By adopting this approach we aim to ensure that the West Midlands provides the best environment possible for establishing and growing sustainable, resource-efficient and innovative businesses.

Businesses in the region recognise the need to evolve in order to compete

Connecting to innovation

The West Midlands is home to the highest quality research organisations, including CERAM, Stoke-on-Trent, Staffordshire

CERAM, Stoke-on-Trent, Staffordshire

4.2 Strengths and Opportunities for the Region

The West Midlands has a diverse and growing base of businesses, many of which are in sectors with real growth potential. The location and historic structure of the region – together with Birmingham's position as a centre of business activity – provides us with a strong competitive edge to further grow our regional prosperity.

A range of existing sectors exhibit strong potential for future economic growth and employment opportunities. These are primarily those addressed by the region's priority business clusters. Manufacturing is still a major employer that is generating higher-value employment more quickly than the rest of the economy, and significant elements within this broad sector have a strong future, particularly the higher-value strands focused on product and service development, and design. Companies that make the necessary investment and innovation in processes, products, people and markets are demonstrating that there can be a strong and high value added future for manufacturing. The BMW engine plant at Coleshill and JCB are two strong examples. Manufacturing and our base of rural businesses also put us in a good position to capitalise on opportunities in the low-carbon economy such as environmental, transport and building technologies. ICT and digital content and associated creative industries also have healthy prospects, and we have a fast-growing service sector in some vital professional, business and technical services markets.

The West Midlands has a strong and extensive research base in its universities, private institutions, commercial R&D and engineering facilities. Though this research base is smaller than in some other regions, our strength continues to be the exploitation of ideas by new products and processes rather than pure R&D. These strengths are often difficult to identify by analysing traditional economic statistics. One example is in the area of component development for the aerospace industry. The Innovation and Technology Council has identified five areas in particular that are important focuses for investment. These are transport technology, advanced materials, energy, medical technologies and digital media.

The region also has a comprehensive range of venture capital and loan funds to address the equity gap experienced by early-stage businesses. Its mid-sized and larger businesses also benefit substantially from access to comprehensive, world-class financial and business services, particularly in Birmingham. Foreign-owned local businesses are taking advantage of this support to become stronger world players, bringing benefits to the region.

The region's business base houses great diversity, which is mirrored in our entrepreneurs and business leaders. The West Midlands has high levels of enterprise in some BME communities, which offer us potentially strong international links. The strength of the social enterprise sector can help to encourage business formation overall and particularly amongst the region's disadvantaged groups. Bringing new people to the region and encouraging enterprise amongst all age groups can increase enterprise.

The success of international companies is often associated with strong and developed brands that drive volume and value. The region already has a strong business base and association with a number of world-class businesses and brands such as JCB, Cadbury Schweppes, Land Rover, Fujitsu and Mini.

Businesses in the region recognise the need to evolve in order to compete. We are well served by some strong underlying attitudes to entrepreneurship with high numbers of people seeing self-employment as a good career choice. Our universal broadband coverage provides an excellent platform from which to step up adoption and exploitation of ICT's undoubted potential.

The region is well placed, geographically and economically, to take advantage of the opportunities associated with the London 2012 Olympic and Paralympic Games. For example, the total value of contracts likely to accrue from Olympic Development Agency (ODA) and London Organising Committee of the Olympic Games activity will run into billions of pounds. The ODA alone anticipates that it will procure up to 2,000 contracts directly. Working through business support providers we must use the 2012 Games as a catalyst, to help train up regional businesses with the long-term skills needed to bid for the £150 billion worth of public sector contracts available annually. Whilst many of the region's sporting venues can play an important role in the years leading up to the Games and during 2012, acting as locations for pre-Games training camps, the region can also attract conferences and other business events, which will be drawn to an Olympic host country. For example, the NEC has already secured the Rotary International Convention in 2009.

The Priority Business Clusters

- Aerospace
- Automotive
- Building Technologies
- Business & Professional Services
- Environmental Technologies
- Food & Drink
- High Value Added Consumer Products
- ICT
- Manufacturing
- Medical Technologies
- Rail
- Screen Image & Sound
- Tourism & Leisure

Clusters will increasingly direct their activity at specific markets attractive to the region and with the greatest prospects for long-term wealth creation. These focuses are currently evolving. Further detail is provided in the Delivery Framework associated with this Strategy.

4.3 Weaknesses and Threats for the Region

Despite our strengths, the West Midlands needs to face up to a number of important challenges if we are to turn our undoubted potential into more competitive businesses and greater prosperity for all. The region's output gap is attributable partly to industrial structure and partly to levels of productivity and employment. The region is unique among UK regions in combining an under-representation of high value added sectors – such as pharmaceuticals, oil and gas and investment banking – with a preponderance of medium value added sectors whose productivity performance is currently poor in national terms but with potential for improvement.

The need to improve skill levels is probably the number one challenge facing the West Midlands. Although some progress has been made over the last few years, we still have a relatively weak private sector demand for skilled people and substantial numbers of poorly qualified people in the labour market, relatively high levels of economic inactivity and too few people qualified to degree level. This trend is partly a result of the contraction in manufacturing employment, meaning lower levels of recruitment of the increasing number of graduates emerging from our universities replacing the traditional, just as skilled, but lower qualified staff. The public sector has seen the reverse trend.

Employers complain that it is difficult to recruit people with the right skills and attitudes to work, but they also have a poor record of investing in the skills of their current workforce. Our private sector employs fewer graduates and has a poor track-record in investing in skills development. Future competitive challenges to the region are likely to require greater specialisation in skills and new business processes to enable businesses to innovate and respond to climate change, globalisation and migration. There are already substantial numbers of vacancies in the region's economy which cannot be filled because of apparent skills shortages. The deficit stretches right across the spectrum from basic employability, through to complex technical skills and on to management and leadership competence, which is in turn affecting businesses' ability to innovate, take advantage of new business opportunities and deploy the skills sets which are already available to them.

The undoubted interest among West Midlands' residents in enterprise has not resulted in a tide of new business start-ups. New firm registrations per head are just below the UK average and there are distinct areas of under-representation, for example among women, disabled people and in some ethnic minority communities, and in some locations such as the urban centres and more northerly parts of the region. Not enough new businesses are created in higher-value sectors. New starts are important in changing the composition of our business base and allowing people to realise their potential, but they are not likely to make the most substantial contribution to closing the output gap. By contrast the potential for growth and value development in existing businesses is strong, particularly as some medium value added businesses are currently under-invested in processes and skills. Consequently, the region also needs to promote enterprise and innovation amongst its existing businesses and employees.

Existing businesses need to raise their levels of investment, in plant and machinery, hard and soft businesses processes and R&D. Most business in the region is not R&D driven; investment in R&D is low and has been falling in the recent past. There is a need for some strategic change in the business base, which will both justify and exploit new knowledge acquisition. Survey evidence suggests that the West Midlands also has the lowest proportion of 'innovation active'[34] firms of any region in England, though we perform better on measured innovation outputs. Manufacturing has been the traditional source of R&D in the West Midlands, but this sector is contracting in employment terms and there is a risk this will further erode the knowledge and innovation base of the region. Concerns over the relevance of traditional innovation statistics has led some groups to look for improved ways of measuring innovation.[35]

The business community identifies business crime as a major constraint to establishing and growing businesses. Business crime covers a wide range of offences, including vandalism, burglary and fraud. While there is no national definition of business crime, crime and fear of crime acts as a serious inhibitor to economic growth; through direct increases in business costs, the diversion of management time away from running the business, a general lowering of morale amongst the workforce or as a deterrent to investment.

According to the British Chambers of Commerce,[36] nationally crime against business shows no sign of diminishing. If anything, it appears to be escalating – 64% of all businesses surveyed had experienced at least one crime in the preceding 12 months, up from 58% in the 2001 survey; one-third of all premises had been burgled during the past year; a further 19% of businesses had suffered from attempted burglary; nearly a third of all firms had experienced damage to vehicles and almost one-quarter had been victims of structural damage (including vandalism). Taking into account the loss of trade, the disruption to business activity and increases in insurance premiums, the BCC estimated that the average cost of crime per business was over £8,000 per year. In the West Midlands it has been estimated that the cost to business and the criminal justice system is around £123 million per annum.[37] This affects entrepreneurship, not only threatening the viability of existing businesses but also restraining the development of new businesses.

These long-standing challenges to the region are rapidly being supplemented with new challenges and opportunities. Reduced barriers to international trade, international labour flows, rapid technological development, and the rapidly expanding low-carbon agenda are all impacting on business. Although the region now has a comprehensive broadband infrastructure this cannot replace the need for an efficient and effective transport network. Low levels of ICT awareness and adoption also represent a threat to the region's competitiveness. Our businesses must not only play their role in reducing carbon emissions and environmental degradation – they must also prepare themselves to exploit the market opportunities emerging from this growing agenda.

[34]This is a measure of companies engaged in product/process development or which have invested in innovation or introduced new products, services or processes to the market. Source: DTI Innovation Survey. [35]For example, the CBI and the EEF are collaborating on trying to provide some more reliable innovation indicators. There is a similar issue with the statistics on knowledge intensive service industries where traditional statistics, which use outdated structures, suggest knowledge-intensive/high-tech service sector employment remains relatively low within the West Midlands. Statistics from trade associations show a more positive picture. [36]*Crime against Business Survey*, British Chambers of Commerce, 2004. [37]Business Crime in the West Midlands, Government Office for the West Midlands, 2004.

4.4 Strategic Objectives and Priorities

Analysis of these key issues has led to the development of the following strategic objectives and priorities. The priorities in the following table are numbered to allow easy cross-referencing with the Delivery Framework associated with this Strategy.

Strategic Objective: Seizing Market Opportunities	
In order to increase regional wealth, businesses in the West Midlands need to keep winning profitable orders. This means increasing the region's penetration of existing, attractive markets and capturing share of developing, growth and high-value markets. The region must build upon existing strengths, in its businesses and its people, and focus on areas where it can develop or maintain a distinctive competitive position. It needs to increase businesses' engagement in global markets in order to drive up their competitiveness and provide wider opportunities. The West Midlands must step up its performance in developing new products and services, implementing new processes, generating new businesses, and developing entrepreneurial business leaders. The public sector must support these goals through high-quality services.	
1.1	Developing markets and sectors with the most wealth and employment potential
	Focus: Develop the region's priority markets and sectors, building on its particular strengths in both manufacturing and services, through a clustering and related market exploitation programme.
	Rationale: The prosperity of the region depends on growth in those markets which offer the greatest prospects for long-term wealth creation and employment, and where we can build competitive strengths. The region must adopt a far-sighted approach to developing new services and products which will flourish in the target markets and which exploit distinctive regional strengths. The 13 West Midlands business clusters will increasingly direct their activity at a number of evolving market focuses. Both the clusters and the market focuses are described in more detail in the section on business clusters in the Delivery Framework.
1.2	Competing in the global economy
	Focus: Increase the value of international trade carried out by West Midlands businesses, expand the number of businesses succeeding in overseas markets and generate a stronger flow of inward investment to the region.
	Rationale: The growth of the West Midlands economy depends on greater numbers of its businesses operating internationally and investing in the region. Although manufacturing already has a high level of direct foreign investment, as the pressures from emerging economies grow and the barriers to new markets fall away, international trade and inward investment will become more vital aspects of the economy. Building networks, developing international partnerships and establishing global supply chains will be essential success factors for highly competitive markets and companies in the future. The West Midlands has some unique strengths to build on, with its diverse population and high-profile businesses amongst some black and minority ethnic communities. It needs to expand the base of sectors and businesses which are capitalising on international opportunities and stimulate growing levels of investor interest in the region.

1.3	Creating economically sustainable new businesses
	Focus: Drive up the creation, growth & survival of economically sustainable and competitive new businesses (including social enterprise), particularly high-growth companies and new enterprises from under-represented groups and communities. This will require innovative approaches recognising that the definition of business needs to be flexible enough to capture a wide range of models and recognising the role of the voluntary and community sector.
	Rationale: The West Midlands economy generates fewer new businesses than the average for the UK as a whole and our enterprise performance is not bridging the wealth gap. The region needs to increase levels of entrepreneurship, tap into favourable attitudes among potential entrepreneurs, address barriers to sustainable business start-ups and boost economic prospects for new business. The region needs to raise its enterprise capability in two key areas: i. **High-growth companies:** the current make-up of newer businesses does not suggest sufficient numbers of these important wealth creators; *and* ii. **Among under-represented places and groups:** enterprise performance varies significantly across the region, with notable underperformance in the most deprived urban areas, among women, disabled people and in certain BME groups. We also need to recognise the potential that exists among 'grey economy' entrepreneurs and in the social enterprise sector.
1.4	Capitalising on sustainability and low-carbon opportunities
	Focus: Stimulate a proactive and ambitious business response to the economic opportunities of the low-carbon agenda by exploiting new markets and ways of working, and by responding ambitiously to the challenges of energy and resource efficiency and climate change adaptation.
	Rationale: The low-carbon and resource efficiency agendas present both opportunities and challenges to the West Midlands economy. Business generates one-third of the region's carbon emissions and has a crucial role in developing new services and products in these markets. Businesses must adopt a far-sighted approach to the wealth-generating potential tied up in this agenda and respond proactively to growing pressure to reduce their own total carbon emissions and adapt to the changing climate. The public and regulated sectors, with a focus on improving overall quality of life, must be prepared to consider seriously the imaginative procurement of new technical solutions.

<table>
<tr><td colspan="2">Strategic Objective: Improving Competitiveness</td></tr>
<tr><td colspan="2">Productivity performance, measured by GVA per employee, is low in the West Midlands compared with the UK average and the most prosperous regions of Europe. For the West Midlands to grow its economy at a faster rate than the UK average, businesses will need to improve their competitiveness, productivity, market profile and local supply chain linkages so they can take advantage of new product and market opportunities. Regional partners must create the right operating environment which provides access to appropriate financial and human resources as well as customers, suppliers and associated support.</td></tr>
<tr><td>1.5</td><td>Investing in business processes and enterprise</td></tr>
<tr><td></td><td>Focus: Drive up productivity by boosting levels of process and product effectiveness and innovation, quality design, ICT adoption, supply-chain and inter-firm collaboration and market-facing enterprise. These processes need streamlined business support services that are simple to access so they become hallmarks of the West Midlands economy.</td></tr>
<tr><td></td><td>Rationale: The West Midlands has low business productivity compared with the national average in terms of GVA per employee. All the region's businesses need to improve their key business proficiencies, e.g.:
• Enterprise
Strategy formulation and longer term planning
Development of new markets
• Innovation
Generating orders
Creating new and improving existing products and services
• Operations
Resource efficiency
Fulfilling orders
Financing growth</td></tr>
<tr><td>1.6</td><td>Stimulating employer investment in skills and training</td></tr>
<tr><td></td><td>Focus: Increase employer investment in training and skills development whilst raising employer awareness of the business case for workforce development.</td></tr>
<tr><td></td><td>Rationale: A skilled workforce allows businesses to be more competitive and productive, but current employer investment in skills is far too low. For businesses in the West Midlands to acquire the right skills and knowledge to grow, they need to understand and act upon the business case for greater investment in relevant skills training. The West Midlands has the lowest proportion of its staff undergoing training of any region in England, whilst there are 12,000 vacancies (21% of all vacancies) in West Midlands businesses which are identified as hard to fill due to skills shortages.</td></tr>
</table>

Strategic Objective: Harnessing Knowledge	
The UK and West Midlands economies need to maximise their use of knowledge and creativity in order to compete in new and globally competitive markets. The region must harness and expand the diverse knowledge assets and the competitive advantage tied up in the skills and attitudes of its people. The West Midlands' universities, with their complementary research, training and knowledge transfer skills, are well positioned to support these objectives and must develop an even greater focus on the commercial needs of business.	
1.7	Investing in high-value skills for the future economy
	Focus: Increase the number of people with graduate-level skills employed in the West Midlands economy by up-skilling the current workforce and recruiting and retaining more people with the skills needed to develop and deliver higher value added products and services.
	Rationale: The region must compete more effectively on the basis of its skills, ingenuity and know-how. To be more competitive globally we need more people with higher-level skills in the private sector. A further 70,000 people with graduate-level skills need to be employed (or self-employed) in the West Midlands economy. Part of the answer lies in encouraging greater numbers of the graduates produced by our universities to stay and work in the West Midlands but this needs to be combined with efforts to ensure that employers are aware of the business benefits of higher skills, and where appropriate up-skill their workforce. At the same time, we need to ensure the skills and abilities of graduates already in employment are utilised effectively.
1.8	Stimulating innovation, creativity and knowledge generation
	Focus: Take the West Midlands to the forefront of intellectual property development and drive forward the commercialisation of technical and non-technical knowledge and creativity within the region's research institutions, the public sector and businesses.
	Rationale: The region has a strong research and development base within its universities, hospitals and other public sector institutions as well as business and private sector R&D facilities. These are underpinned by the Innovation and Technology Council and Birmingham's status as a Science City supporting the common themes of transport technology, advanced materials, energy, medical technologies and digital media. We need to better utilise these knowledge assets and those of the region's creative economy. Currently year-on-year spending on R&D is falling and levels of total R&D investment in the region are now the lowest of all the English regions. Our objective is to increase the commercialisation of opportunities generated by research institutions and businesses in the West Midlands, supported by increased development of intellectual property, access to appropriate finance and increased potential for public procurement to stimulate innovation.

5. Place

5.1 Scope

The West Midlands is an exceptionally diverse region. With natural assets (such as parts of the Peak District National Park, and the Shropshire hills), cultural assets (like Warwick Castle and Stratford-upon-Avon), and major urban centres (Birmingham, Coventry, North Staffordshire and the Black Country) it is an outstanding place in which to invest, work, learn, visit and live. Place is about more than just our spatial landscape and the physical distribution of our assets, however. To deliver the urban and rural renaissance that is fundamental to the West Midlands Regional Spatial Strategy (WMRSS), we will require a combination of spatial and physical development responses.

Place provides the context in which the region's businesses and residents generate, and choose to connect to, economic prosperity. Understanding how economic, social and environmental factors interact in different localities is therefore fundamental in shaping policies to encourage sustainable economic development and wellbeing across the region. The West Midlands needs to create sustainable communities which attract and retain both competitive businesses and highly skilled people as well as promoting economic and social inclusion. We recognise that poor-quality environments can limit investment from the private sector, reduce aspirations, and lead to negative perceptions of many local areas. This can also affect people's perception of the region as a whole. Applying high-quality design and development principles, and integrating them within wider programmes of activity, can reduce negative perceptions of the region, improve the quality of the environment and reduce the carbon impact, while also improving overall quality of life.

Place is about more than just the spatial element of this Strategy but it does have considerable spatial implications. The spatial focus for the Strategy is considered further in Section 8.

> Travel demand is expected to grow and travel patterns to become more diverse in the future

Connecting to the capital

170 direct rail services every weekday link the West Midlands with London, including services from Warwick Parkway

Warwick Parkway, Warwickshire

5.2 Strengths and Opportunities for the Region

Its central location at the heart of the country's transport network is an intrinsic part of the West Midlands' offer. We have unrivalled connections to all parts of the UK and to international markets. Our position in relation to the UK motorway network, combined with high-speed rail connectivity and an international airport, are enviable assets which can sustain and accelerate further growth. The region is already home to a number of national institutions such as the National Exhibition Centre, International Convention Centre, National Indoor Arena, the Birmingham Royal Ballet and the Royal Agricultural Society at Stoneleigh. We have great potential to further exploit our central location and connectivity.

Birmingham is the region's central economic powerhouse, boasting a concentration of economic drivers including key business sectors, universities, and tourism assets. It competes on an international footing, acting as a gateway to the entire region. Birmingham's Science City designation further consolidates its position as the focal point of our economic growth ambitions, yet it is not the only centre in which growth can be achieved. Our other urban centres, such as Coventry, the Black Country and North Staffordshire all represent agglomerations of assets and opportunities for future development and growth.

The West Midlands has some extremely well-performing areas which offer a high-quality living environment, support a strong base of enterprising firms and experience high demand from inward investors. Beyond our regional capital, the West Midlands contains great diversity among its other cities, larger shire towns, market towns and rural communities which has led to strong patterns of inward migration. Together, this network of places constitutes a compelling offer to current and potential residents of the region looking for a high quality of life including access to unique heritage locations, areas of outstanding natural beauty and major cultural assets.

This diversity applies not only to our network of places but to our people. New people coming to the region can bring new businesses, new skills and improved international connections – adding value and vibrancy to our cultural offer. At the same time, we are a young region with a high proportion of people under 30, especially in the urban areas. As a result, interest in living in and moving to the region is projected to continue growing, and the need for significant housing growth is recognised in the Regional Spatial Strategy.

The region's substantial land base offers great scope and potential for supporting further economic growth. Our rural land mass is one of our key assets which offers significant economic, leisure and environmental potential and can help the region adapt to meet its most pressing challenges, through energy production and food sourcing. The West Midlands also has a stock of under-utilised industrial land which can sustain further expansion of the economy.

5.3 Weaknesses and Threats for the Region

The region's central location generates enormous demands on our transport network from commuters, visitors and through traffic. Travel demand is expected to grow and travel patterns to become more diverse in the future, placing even greater pressure on the transport infrastructure. Many transport networks are already heavily congested; journey times are increasing, and reliability is falling. This is already affecting air quality, health and the environment, and it will impact on the region's competitiveness. Heavy traffic has begun to undermine perceptions of the West Midlands as a good place to live and do business. Attracting investment in our infrastructure, including at national level, will only be achieved if the region can demonstrate leadership in tackling transport problems.

Likewise the growth in housing and the expansion of communities across the region needs to be co-ordinated if we are to avoid unsustainable developments that damage the environment and do not provide appropriate links to transport and employment opportunities. This will mean considering the social and environmental implications of growth opportunities, particularly when it comes to resource use and carbon emissions. We must also be aware of the role of the economy in maintaining community cohesion, reducing crime and promoting healthy and fulfilling lives.

Parts of the region have substantial and profound levels of deprivation driven by social, economic and physical problems. Our focus in tackling these issues is on providing access to opportunity as well as creating the conditions for growth. The region has pockets of deep and interlocking deprivation, the most substantial of which are located in our major urban areas and have been targeted through the Regeneration Zones (over 80% of the most deprived areas in the region are located in RZs). The pattern is not straightforward, however. Deprivation and disadvantage are also found in rural areas but are often overlooked because they are not as geographically concentrated as in urban areas.

At the same time, rural areas have seen growing demands on housing which have driven up prices, created threats to affordability for certain groups, placed additional pressure on the stock of land and contributed to the outward migration of people under 30. Urban areas have also seen a growth in house prices that presents a potential challenge to our future ambitions.

The West Midlands has a significant and increasing amount of brownfield and derelict land that is often not attractive for private investment. Forecast changes in economic structure suggest the number of such sites will grow. Several areas will require focused attention to avoid the risk of such sites detracting from our ambitions. Although derelict and brownfield sites present challenges in attracting investment, they offer opportunities for regeneration. It is essential to ensure that development aims to bring brownfield land back into use in a constructive way that contributes to meeting wider regional objectives.

Like the rest of the UK, the West Midlands needs to confront the growing challenge posed by climate change, rising energy costs and shifting patterns of consumption and demography. This means the existing built environment and infrastructure will need to evolve to stay in line with the needs of the future economy. Using our resources more efficiently, and reducing the impact of climate change as it occurs, will be fundamental in the future. For example, in supporting Birmingham International Airport in enabling long-distance business travel, it will be essential to manage the carbon impact of such travel so that the low-carbon ambitions for the region can still be met. It is equally important to ensure that the region is resilient to climate change impacts as they happen – hot summers, floods, and even scarcity of water resources, are all threats for which the region must be prepared.

5.4 Strategic Objectives and Priorities

Analysis of these key issues has led to the development of the following strategic objectives and priorities. The priorities in the following table are numbered to allow easy cross-referencing with the Delivery Framework associated with this Strategy.

Strategic Objective: Increasing Birmingham's competitiveness	
Birmingham, and its surrounding urban area, is a key driver of the West Midlands economy with a concentration of economically significant assets (such as universities, an internationally recognised financial and business services sector, and internationally recognised business tourism attractions). This agglomeration of assets, including major transport interchanges, brings people not just to the city, but to the West Midlands as a whole and opens up international markets in which the whole of the region can compete. It therefore plays an important role in shaping the perception of the region as a gateway for visitors, investors, business and potential new residents. We need to support the ongoing development of Birmingham to ensure that it remains economically competitive; we also need to promote the city as a regional capital and global city that aspires to a resource-efficient and low-carbon economy capable of taking advantage of, and resilient to, climate change.	
2.1	Birmingham competing as a global city
	Focus: Promote Birmingham to encourage investment and development and improve its competitive standing as a global city and asset for the region as a whole.
	Rationale: Many of the images and associations of the West Midlands in the UK and internationally are based on Birmingham. The city has a concentration of economically and culturally significant assets that attract people to the region. However, perceptions amongst outsiders are often weak, partial, and outdated. As the leading city in the region and our one internationally recognised economic powerhouse, Birmingham plays a hugely important role in shaping more up-to-date perceptions of the region among visitors, investors, business and potential new residents. Supporting Birmingham will therefore enable the city to function as a competitive hub and gateway to the region, which will need to evolve with time to meet changing needs, so that Birmingham can continue to be a globally significant city for the benefit of the region as a whole.
Strategic Objective: Improving Infrastructure	
Competitive regional economies require a comprehensive portfolio of infrastructure to support economic growth, which must be invested in and continuously improved to maintain competitiveness. Provision of transport, housing, land and property, and encouraging the use of technology, must be aligned with the economic needs of the region while recognising the impact and responses required to meet the growing environmental challenge. More effective management and use of our infrastructure, including both transport and ICT, as well as more efficient use of our resources, including our natural environment, water and energy, is therefore key to ensuring that the region remains a competitive place to visit, live, work and do business.	

2.2	Improving transport and communications to increase accessibility, efficiency and competitiveness
	Focus: Enable business and people to access markets, opportunities, jobs and services by improving the efficiency, reliability and capacity of the region's transport and communication networks. This will mean making the best use of existing networks, increasing the availability of public transport for example, and maximising the use of technology and new infrastructure where required and appropriate. This will not only improve internal and external connections, but will help the region achieve its aim to be more efficient in its resource use.
	Rationale: The West Midlands is located at the centre of the country's transport network and has excellent air, rail and road links. However, this advantageous central location is being threatened by increasing congestion on the road networks and overcrowding on the rail networks, leading to longer journey times and a drop in the reliability of transport services. This is limiting the opportunities for business and people to reach markets, services and jobs, increasing costs to business and negatively impacting on our environment. Our focus will therefore be on more efficient use of the existing network to improve competitiveness while reducing the impact of a major source of carbon emissions. The West Midlands now has comprehensive access to entry-level broadband, and second-generation access is being delivered where it is commercially viable to do so. These and other available technologies can play a crucial part in reducing pressure on the transport system and promoting the region's competitiveness, if more businesses can be encouraged to adopt and exploit them.
2.3	Sustainable management and utilisation of our land and property assets
	Focus: Ensure an appropriate supply of employment land and premises which accords with the region's economic, environmental and spatial priorities as well as meeting the needs of business and communities.
	Rationale: The geography of the West Midlands is one of our greatest assets, performing a variety of roles from commercial to residential purposes, and from agricultural production to culture and leisure. This environmental diversity is a critical factor in helping us realise the region's future growth objectives. In order to make optimal use of its physical resources, the region needs to remove the barriers to the re-use of brownfield land and rejuvenation of premises, while supporting attractive communities and competitive business locations.
2.4	Supporting a secure, low-carbon energy infrastructure for the region
	Focus: Encourage more efficient use of resources and promote economic growth through the secure development, production and efficient use of our energy infrastructure.
	Rationale: The environmental impact of a changing climate will place considerable strains on our economy. The security and cost of our energy supply, carbon constraint, and the rising demands from people and businesses within the region, pose particular risks. Managing the impact of climate change, and responding to threats to future growth in a sustainable way, is key to ensuring that the region can prosper in the long term.

Strategic Objective: Sustainable Communities	
Successful, thriving and growing economies require a network of high-quality, sustainable urban and rural communities which attract and retain a diverse and thriving workforce, encourage enterprise, provide access to services and are designed to the highest quality.	
2.5	Developing sustainable communities
	Focus: Encourage a network of high-quality, attractive and sustainable urban and rural communities which attract and retain a diverse and thriving workforce contributing to, and prospering from, the region's growing economy as well as having access to necessary amenities and a good quality of life.
	Rationale: Successful, thriving and growing economies require a balanced and co-ordinated approach to housing and employment land development. This balance must be achieved across the region's diverse urban and rural communities in a way that reduces transport demands and energy use, meets people's evolving residential needs, and contributes to an environmentally efficient and well-designed physical environment. Families and businesses will be attracted to communities which offer access to services, where all crime, including that against the person and business, is low, and which are welcoming to all sections of society.
2.6	Regenerating our most deprived communities
	Focus: Regenerate and support the sustainable development and growth of our most deprived areas, developing links with economic and employment opportunity and bolstering cohesion. Our aim is not to deliver short-term benefits but to plan interventions that meet the regeneration challenge and achieve long-term economic goals.
	Rationale: The region has a significant number of highly deprived communities which demand a co-ordinated and holistic approach to regeneration. Business performance, poor environmental conditions, low-quality housing, lack of affordable housing, limited transport links, and a lack of enterprise (including social enterprise) commonly stand out as key factors holding these areas and individuals back from achieving their potential. Low educational attainment and skills, poor health, low levels of employability and limited aspirations tend to compound these physical challenges. The diverse and changing nature of the population in our deprived areas poses a specific challenge in addressing economic inclusion, ensuring community cohesion and providing equality of access to facilities and services. To deliver economic growth and prosperity for the benefit of all, we must focus on the sustainable growth of our most deprived areas, developing links into economic and employment opportunities and ensuring the engagement of local people, communities and employers in the process.

2.7	Maximising our cultural offer and natural assets
	Focus: Accelerate the attraction, relocation and retention of visitors, people and businesses to the region by promoting our high quality of life and strong heritage, natural environment and cultural offer, as well as our tourism and rural assets, to maximise benefits for the region as a whole.
	Rationale: The drive to attract ambitious people and businesses is becoming more intense and is increasingly driven by quality-of-life factors as well as the commercial market. Drivers such as the natural environment, our woodlands, rural areas, our heritage offer, visitor attractions, and cultural pursuits are all increasingly important in attracting visitors, new residents, and businesses to a region. The West Midlands' cultural, heritage and natural assets, taking in the Royal Shakespeare Company, CBSO, Alton Towers, the Peak District, Cotswolds and Wye Valley all represent assets that the region can promote. Along with its social and ethnic diversity, these are significant elements of the region's competitive offer which can support economic growth, if they are championed and continually supplemented.

6. People

6.1 Scope

The West Midlands is home to 5.25 million people – nearly 1 million of whom live in Birmingham – who collectively and individually represent our single greatest asset for economic growth and will determine much of our future economic success. The skills and economic inclusion agendas represent the core challenge facing the economy. Our ability to attract, retain and develop enterprising and innovative individuals in competitive, open labour markets will be absolutely crucial as we try to achieve our ambitions. Growth in regional prosperity must be achieved in a sustainable manner which shares the benefits more widely, whilst continuing to harness the talents and potential of investors, innovators and decision-makers.

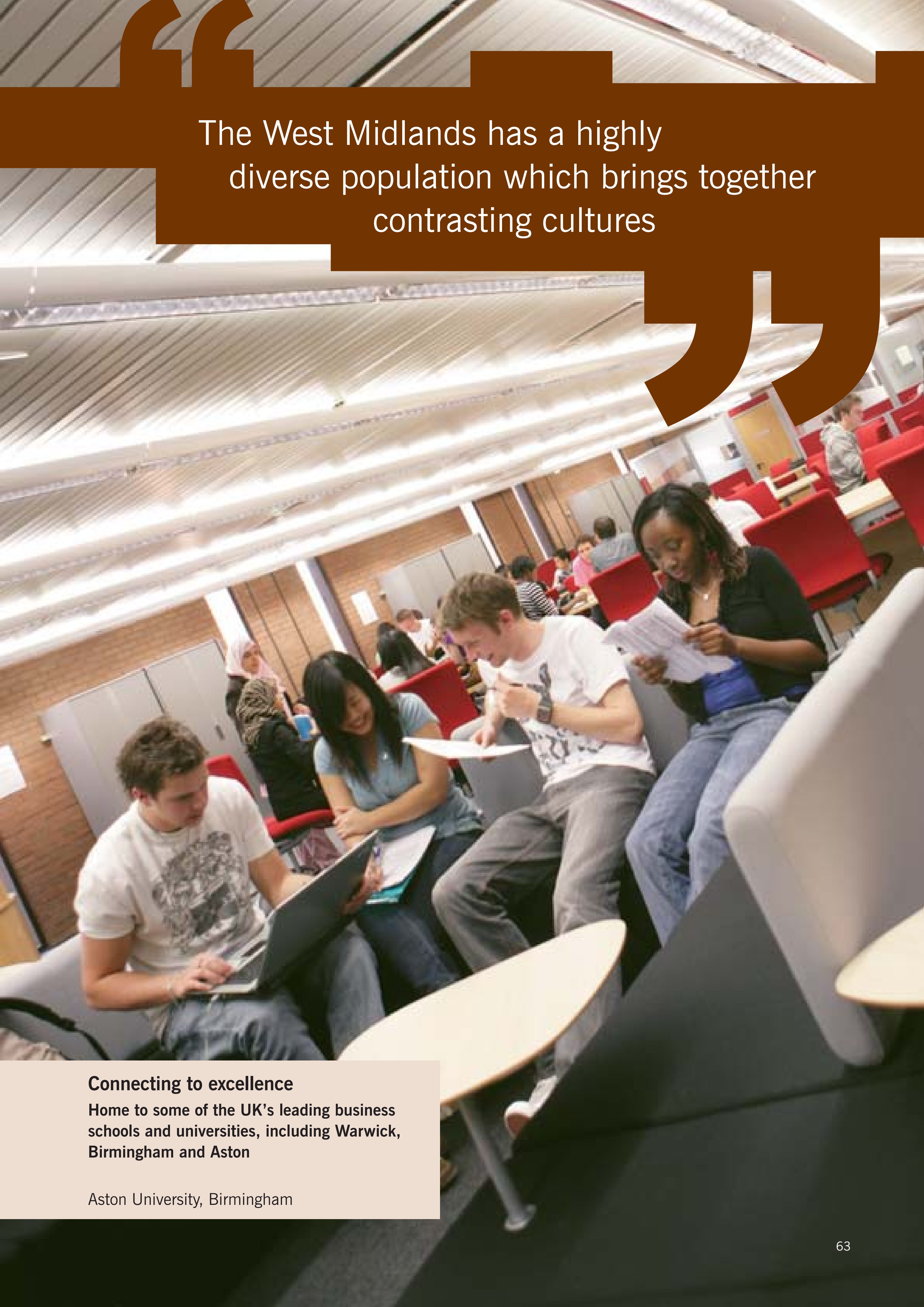
6.2 Strengths and Opportunities for the Region

The West Midlands has a highly diverse population which brings together contrasting cultures and provides the regional economy with a bridge to a wider world of commercial opportunities. New migrants from European Union accession states have very recently added to the region's variety. This vibrant mix is reflected in a very young population in our major urban areas, particularly Birmingham, whose energy and spirit is vital to securing our economic objectives.

The West Midlands has invested substantially in its Further and Higher Education base and now has a strong learning infrastructure on which to build a stronger portfolio of skills that are more aligned to business need – in terms of both the content and the mode and style of delivery of the skills. We have some outstanding teaching to complement our strong research base, which generates a steady supply of highly skilled graduates each year. We are also seeing a growth in the market for work-based learning to up-skill our current workforce; 70% of whom will still be in work in 2020.

There is no room for complacency, but the rise in knowledge-based businesses, the growth in house prices, trends in traffic congestion and the recent growth in the city centre economy of Birmingham all demonstrate that the region already competes in international labour markets which draw upon knowledge, expertise and management leadership.

> The West Midlands has a highly diverse population which brings together contrasting cultures



Connecting to excellence

Home to some of the UK's leading business schools and universities, including Warwick, Birmingham and Aston

Aston University, Birmingham

6.3 Weaknesses and Threats for the Region

The single greatest factor influencing the productivity of the West Midlands economy is the poor skills profile. Although within the region there are pockets of excellence with a strong culture of continuous professional development, too few employers invest in the skills of their people. Compared with other regions, the West Midlands has a weak culture of education, learning and skills. Qualifications are not the only measure of skills and talents but this manifests itself in too few people at the higher end of the qualifications spectrum and too many at the lower end. From NVQ Level 2 upwards, the region's supply of labour falls short. Aspirations among learners and employers are too low. This is particularly pronounced in the lower-value parts of the economy and among already disadvantaged groups facing deprivation and economic hardship, including some BME groups, disabled people and ex-offenders.

Even where strong skill-sets are available to business, we do not have sufficient people with the leadership, management and entrepreneurial abilities to inspire, innovate, drive change and get the maximum out of the knowledge available to them. Too many people are employed in jobs which do not enable them to continuously develop and optimise their potential. We know that the world-class businesses in the region are responding positively to the challenges and opportunities associated with globalisation, new technology and the environmental agenda. However it is not clear that we have sufficient knowledge and foresight to exploit these opportunities and seize their economic potential. For example, the low-carbon, high-tech economy requires a diverse set of skills which are not yet adequately understood or prepared for.

Like other regional economies in the UK, our workforce is quickly ageing and diversifying, often leading to an even more challenging supply of skills and placing additional pressures on business practices. Workforce development and business involvement in the design of training are key areas where a step-change is required if we are to better align our investment in skills infrastructure with the needs of a competitive economy. Volunteering and community participation will also become increasingly important aspects of the life and work experience people bring to their employment, as will the way businesses engage with local communities.

Our low qualifications challenge is further compounded by significant numbers of young people not in education, employment or training (NEET) and some entrenched attitudes which sustain worklessness. Economic inactivity explains a major element of the region's output gap with the rest of the country (20%) and is underpinned by too many people having no qualifications and demonstrating limited work-readiness. Unsurprisingly these patterns coincide with, and are reinforced by, deprivation, child poverty and poor health, which all further complicate the challenge and stand in the way of creating a wider share of regional prosperity.

6.4 Strategic Objectives and Priorities

Analysis of these key issues has led to the development of the following strategic objectives and priorities. The priorities in the following table are numbered to allow easy cross-referencing with the Delivery Framework associated with this Strategy.

Strategic Objective: Sustainable Living	
Long-term shifts in the region's environmental impact must be driven by changes to underlying patterns of consumption and demand. Changes in patterns of travel, waste production, energy use and overall consumption will encourage businesses to adapt their methods and stimulate the supply of lower-impact goods and services.	
3.1	Changing attitudes to sustainability and consumption
	Focus: Encourage and help people at home and at work to shift choices and patterns of consumption, procurement, and travel and take advantage of goods and services which are sustainable into the long term.
	Rationale: To meet UK targets for reductions in CO_2 emissions, the West Midlands must consider the three key sources of emissions: the home, transport and the economy. The region must take a proactive lead in shifting business, consumer and public sector consumption and procurement to meet the growing supply of low-impact products and processes. For the West Midlands to be at the forefront of the low-carbon agenda, attitudes and choices need to focus on alternative patterns of travel, new consumer products, increased use of technology, changes in working practices, promotion of healthy working practices, small-scale energy production through renewables and investment in energy reduction.

Strategic Objective: Raising Ambitions and Aspirations	
To become a higher value added, more inclusive region we need to create a more positive attitude to work and a stronger culture of life-long learning and continuous development throughout all people of the West Midlands. This involves raising the aspirations of people at all skills levels, in and out of work from cradle to grave. This change has to be driven by inspirational leaders, and the removal of barriers that prevent investment in skills, employment and continuous development leading to a general rise in the aspirations and ambitions of everyone in the region.	
3.2	Raising aspirations of leaders and managers
	Focus: Ensure that the region has the highest-quality leaders and managers who are able to inspire people to drive innovation, enterprise and productivity and make the most of their skills and talents.
	Rationale: In the highly competitive global markets where West Midlands businesses need to succeed, attracting, retaining and utilising high-quality leaders and managers who reflect the diversity of the region and its changing demography is absolutely critical. Knowledge-based businesses and those in competitive and highly complex markets need to call upon world-class leadership and decision-making skills. The UK economy has some world-class business leaders but a long tail of weaker-performing business leaders and managers. The West Midlands is no different; indeed, average earnings for managers are markedly below UK levels. The region's pockets of excellence need to be exploited and extended in order to reach into those sectors, markets and local communities which currently fall short.
3.3	Driving up ambition and aspiration
	Focus: Create a culture of employment, enterprise and learning throughout the region; remove the barriers that prevent investment in skills; raise aspirations and ambitions for skills, employment and continuous personal development that meets the growing demands of the economy and inspires all young people and adults to grow and make the best of their talents and opportunities.
	Rationale: Too many people in the West Midlands either have low ambitions and aspirations or encounter too many barriers preventing them realising their ambitions and contributing to economic prosperity. As a result too many people are out of work, too many people both in and out of work do not have the higher-level skills needed to raise productivity, and there is an insufficiently entrepreneurial culture.

Strategic Objective: Achieving Full Potential and Opportunities for All	
Raise the skill levels of all to increase employment opportunities and meet demand for higher-level skills in the workplace, by providing better information and intelligence about the current and future skills needs of employers and better access to appropriate training at work and in local communities.	
3.4	Skills for employment and enterprise
	Focus: Increase levels of employment in higher value added jobs and reduce economic inactivity – particularly in the region's most disadvantaged areas – by ensuring that once people's aspirations have been raised, and barriers removed, they are better able to gain the skills they need for employment and progression to the higher value added jobs of the future.
	Rationale: Too many are under-qualified, particularly when compared to other regions. The West Midlands has the highest proportion of non-qualified workers in England and a deficit is apparent across all qualification levels from NVQ level 2 to level 5 and beyond. These trends are creating poor productivity in the region as well as feeding the low level of economic activity which accounts for around 20% of the region's £10bn output gap. The West Midlands must ensure that every adult and young person has basic skills for employability and opportunities to progress to higher value added jobs and skills. There must be a particular focus on worklessness in the region's urban centres, particularly around Birmingham, the Black Country and Stoke-on-Trent. Overall, the West Midlands needs to reduce the number of adults of working age with no formal qualifications by 230,000, play its part in meeting the national goal of improving the basic skills of 2.25m adults by 2010, and increase the overall numbers of people with intermediate and higher skills at levels 3, 4 and 5.
3.5	Defining employability
	Focus: Respond proactively to evolving economic needs and demographic patterns to ensure a strong match between skills requirements and learning opportunities by ensuring that employers articulate their current and future skill needs and make full and effective use of all the skills and talents within our diverse and dynamic population.
	Rationale: Economic opportunities and employer requirements are continually evolving and becoming more complex. At the same time, demographic and social changes will have a profound impact on the scale and quality of the region's workforce. Better intelligence is required to ensure the supply of and demand for human resources stays in balance. Employers need to play their part by providing information and intelligence about their current and future skill needs. They also need to be supported to tap into the talents and competencies in the region, to promote healthy workplaces and to champion equality and diversity in the workplace.

7. Powerful Voice

7.1 Scope

The West Midlands is a large and potentially powerful player in a national and international context. However, building a reputation outside the region which communicates the passion and pride felt by West Midlands citizens remains a challenge. Providing a powerful voice for the region means understanding and being able to articulate the factors that are influencing the development of the region. It is about using that information effectively to influence decision-makers in government, businesses and other organisations at national and international levels. Finally, providing a powerful voice is also about changing the way others think of the West Midlands to attract potential new investors, businesses, visitors (for business or pleasure), students and residents to the region and to retain those that currently choose to locate here.

7.2 Strengths and Opportunities for the Region

One of the great strengths and opportunities for the West Midlands lies in the diversity of its people and places, and the range of experiences that the region offers. Perhaps the most important single place is Birmingham, as many of the images and associations of the region in the UK and internationally are based on perceptions of Birmingham as a city and as the regional capital. We have cultural, sporting, heritage and events assets across our region that would shame some small European countries – gateway locations which we need to exploit, alongside a developing shared sense of 'West Midlands', to the full. The region's business base also houses great diversity, which is mirrored in our entrepreneurs and business leaders. With high levels of enterprise among some black and minority ethnic communities and also among much more recent migrant communities, we have the opportunity to capitalise on international connections.

The West Midlands already has a good record for attracting investment. We have consistently been among the best UK regions for attracting business investment. There are currently around 2,145 overseas companies located in the region from 40 countries, employing some 220,000 people – 10% of the region's workforce. More than 124 million business and leisure tourists visit the West Midlands every year, adding £6 billion to the region's economy. Major cultural and sporting events held recently in the region include the European Indoor Athletics Championships and the BBC Sports Personality of the Year. The town of Much Wenlock in Shropshire holds the annual 'Wenlock Olympian Games', acknowledged by the International Olympic Committee as the birthplace of the modern Olympics. This offers an unparalleled opportunity to focus the attention of the world's media on this region, in the run-up to the London 2012 Olympic and Paralympic Games. Many of the region's venues can play an important role in the years leading up to the Games and during 2012, acting as locations for pre-Games training camps. Birmingham has already negotiated for the USA Track and Field team to train in the city, in the years leading up to the 2012 Games.

> "The West Midlands is a large and potentially powerful player in a national and international context"

Connecting to Europe

Thousands of European business people have been inspired to take a fresh look at the West Midlands through regional promotion efforts at events such as the Central Europe Property & Investment Fair 2007

CEPIF, Poland

As one of the first industrial regions of the world, the West Midlands, through the innovations of its people and businesses, has witnessed considerable environmental change. However, the inherent ingenuity that made the West Midlands an industrial centre can also be applied to responding to environmental change and impact in the future. With a high concentration of environmental technology companies, its manufacturing base diversifying into wind turbines, and its knowledge on resource efficiency, the region has the potential to take a lead in responding to climate change.

The West Midlands Regional Marketing Strategy, developed in consultation with a broad range of regional partners, aims to help regional partners and stakeholders to market the region more effectively. Many are already demonstrating their commitment to developing a more powerful image for the region through delivery of well executed, forward-looking activities.
The West Midlands Ambassadors group brings together dynamic leaders in business, politics, sports, media and the arts to help promote the region.

West Midlands in Europe, the representation office for the region in Brussels, has given the region a high profile on the European stage which has helped West Midlands organisations to develop successful partnerships and projects in the enlarged single market and on the international stage. They have helped secure EU funding for transnational projects that have benefited the region's businesses, its research potential, the cultural sector and rural development.

7.3 Weaknesses and Threats for the Region

In an increasingly competitive world, if regional economies are to continue growing and attracting investment, they need to be as effective as possible at promoting themselves to potential investors, businesses, tourists and new residents. The West Midlands must compete, with other UK regions and countries, but more importantly on a European and international basis.

There is currently no shortage of marketing, promotional and lobbying activity targeted at national and international audiences. If we are to change the way others think of the West Midlands we need to develop a shared self-image which not only recognises the need for different parts of the region to make the most of their own individual assets or to argue their specific case, but also allows us to speak and act collectively, with one voice. The more disparate our approach towards promoting our region and attracting investment, the less effective we will be on the national, European and international stage. To be more effective, the West Midlands needs to develop a strong and cohesive regional voice and not be afraid to use this voice where we have a strong message to give. The voice must be recognised and supported by all areas and communities in the region and reflect the wide diversity of the population. Having a powerful voice is about what we have to say as well as how we say it.

7.4 Strategic Objectives and Priorities

Analysis of these key issues has led to the development of the following strategic objectives and priorities. The priorities in the following table are numbered to allow easy cross-referencing with the Delivery Framework associated with this Strategy.

Strategic Objective: Powerful Voice for the West Midlands	
The West Midlands' prosperity and growth requires articulate and convincing advocacy of its needs, challenges and priorities. With a strong voice and a compelling evidence base, the region can attract increased investment, stimulate greater levels of ambition and animate support for its economic vision.	
4.1	Improving the evidence base for policy
	Focus: Understand, share and deploy information about the development of the region to help refine, monitor and evaluate strategy and the implementation of policy.
	Rationale: Successful regions are able to understand and articulate the factors that influence their development at local, sub-regional and regional scale. They use this information to develop, refine, monitor and evaluate strategy and the implementation of policy. A strong and shared evidence base is also vital in developing common approaches to regional issues and in influencing important decision-makers within and outside the region.
4.2	Engaging with UK, European and international decision-makers
	Focus: Pursue effective engagement with, and seek to influence, decision-makers in business, government, and other organisations at national and international levels to benefit the region.
	Rationale: Successful regions are able to articulate and deploy information about the factors influencing their development to decision-makers in government, business, the third sector and other organisations at national and international levels. Whilst recognising the need for different parts of the region to make the most of their own individual assets or to argue their specific case, successful regions also know when to speak and act collectively, with one voice. For the West Midlands this is about a diverse region working together to realise its potential by maximising the value of its recognised assets in attracting business tourism, events and inward investment into the region.
4.3	Position the West Midlands as a global centre where people and businesses choose to connect
	Focus: Develop and implement a strategy to promote the region and attract and retain potential new investors, businesses, visitors, students and residents.
	Rationale: Successful places attract and retain people and businesses. One of the West Midlands' great strengths and opportunities is the diversity of people and places that comprise the region. We need to make the most of our local and sub-regional assets, but successful regions also know when and how to act collectively in a way that engages, reflects and energises all elements of the region's population (for example by age, ethnicity and location). We need a strategy to ensure we achieve this.

8. Focus and Delivery

8.1 Focus

This Strategy aims to deliver sustainable economic development and growth in the West Midlands. We need to maximise the outcomes the region can achieve within the constraints of the resources available. It is therefore essential that we prioritise our interventions according to the impact those resources can achieve.

Many of the interventions set out in this Strategy will have a region-wide impact, focused on the region's overall needs. For example, targeting new investments, delivering infrastructure, and ensuring a sustainable balance in our land use, will all have an impact at the regional scale. Other interventions, especially those that are thematic (such as business support) will most appropriately be delivered at the regional scale. However, a considerable amount of activity, such as that in response to economic decline and deprivation, will most appropriately be delivered by targeting smaller spatial areas, even when supporting an overall regional goal. For these reasons, this Strategy is more spatially targeted than previous versions. It ensures a greater focus of resources in those areas where the greatest impact can be achieved.

This prioritisation has obvious spatial implications. This Regional Economic Strategy has been developed to align closely with the West Midlands Regional Spatial Strategy as it goes through its own review process. In the development and review of each strategy, Advantage West Midlands and the West Midlands Regional Assembly have worked closely to ensure that an economically prosperous and environmentally sustainable future can be achieved for the region.

Our headline focus is on closing the gap between the performance of the West Midlands and that of the UK as a whole

Connecting to the UK

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

M6 Toll, Staffordshire

8. Focus and Delivery

The West Midlands Regional Spatial Strategy seeks to secure sustainable communities through policies which support urban and rural renaissance. By aligning with the West Midlands Regional Spatial Strategy this Strategy focuses its economic interventions on three primary areas. These are the locations in which spatially targeted resources will be deployed. The primary areas of spatial focus in this Strategy are:

1. **Areas of multiple market failure** – The Regeneration Zones, which represent concentrations of deprivation and disadvantage and include 84% of our most deprived local areas[38] – remain the areas of greatest need on which we should focus our efforts. The West Midlands Regional Spatial Strategy, conscious of the need to boost economic growth within our urban centres, prioritises development within the major urban areas of Birmingham/Solihull, the Black Country, North Staffordshire, and Coventry. Although the Rural Zone responds to the dispersed needs of remote rural areas and tackles the need for rural renaissance, the other Regeneration Zones aim to tackle the considerable market failures concentrated in those same urban settings. Together, the prioritisation of the major urban areas within the West Midlands Regional Spatial Strategy, and the objectives of the Regeneration Zones, aim to promote the economic restructuring and growth, as well as the physical, environmental and social renewal of these urban locations.
2. **Concentrations of knowledge assets** – Including the High Technology Corridors – represent agglomerations of innovative potential to support the diversification of our economy into higher value added sectors. Although extending across district boundaries and covering both urban and rural areas, major knowledge assets, and important communication links, the corridors represent key mechanisms for promoting regional-scale growth while supporting development and opportunity within the major urban areas. In addition, Birmingham Science City, and assets such as the National Institute of Energy Technologies as well as the cluster of knowledge assets in North Staffordshire, will be important in supporting those areas where economic growth is most needed, and where economic opportunity exists.
3. **Birmingham** – As the major economic driver within the West Midlands economy, Birmingham hosts an agglomeration of essential economic assets and adds value to external perceptions as both a representative image, and a gateway to the region as a whole. Supporting Birmingham, as a centre of regional growth with ambitions of reducing its carbon impact, is therefore important.

[38]Those Super Output Areas (SOAs) in the region which fall within the 10% most deprived in England according to the 2004 Index of Multiple Deprivation. Overall 84% of these most deprived SOAs are in the Regeneration Zones, yet overall the RZs only account for 37% of all SOAs overall in the region.

This Strategy also recognises that significant economic activity and opportunity exists beyond the areas set out above. There is a need to ensure the prosperity of all our places and of the region as a whole. This Strategy also, therefore, identifies the need for more limited investment in a number of other settlements/locations. Again, these are designed to complement the spatial hierarchy set out in the West Midlands Regional Spatial Strategy as follows:

Market towns – Market towns throughout the region act as important centres within the rural economy. The importance of supporting these areas is confirmed by experience from recent initiatives (including, for example, in the Rural Regeneration Zone). The focus on market towns has proven a successful way of stimulating employment, investment and services in the rural areas. Sustaining this success will be essential in ensuring the long-term viability and contribution of our rural economy.

Locations facing economic change or responding to opportunity – evidence shows that numerous interconnected factors impact on the overall economy and on an area's economic growth or decline. In the physical sense, issues such as housing, the quality and supply of business space, quality of infrastructure and the overall attractiveness of an area can be key, but there are often associated issues relating to skills and levels of enterprise that may require public sector intervention. Issues that many locations may face include:

- A loss of comparative advantage/economic specialism which causes considerable strain on the sustainability of a local economy (e.g. as witnessed in those areas that suffered as a consequence of the collapse of coal mining).
- Where an 'economic shock', such as the loss of a major local employer, calls for a proactive economic development response.
- Where a new economic opportunity emerges that can provide sustainable economic outcomes for a local area and the region as a whole (e.g. the diversification into wind turbine manufacturing and associated supply chains around Rugby).
- Areas where localised market failure and a lack of access to economic opportunity results in local concentrations of disadvantage and deprivation.

The identification of these settlements/locations is intended to allow the region the flexibility to respond, as and when required, to the exceptional challenges and opportunities that it may face.[39] These locations may not need significant support and the region's response will be proportional to the impact required. Overall the allocation of resources will continue to be concentrated in those areas of greatest need.

[39]These areas will include those local regeneration areas identified in the WMRSS as well as the identified settlements of significant development where there is potential for future sustainable growth.

8.2 Partnerships

This Strategy can only be delivered in partnership. The region has a strong record of building effective partnerships.

Regional Partnerships

At regional level, a number of partnerships or boards have been established to help address the most important economic development and regeneration issues. These partnerships or boards, though different in their precise role and functions, are generally composed of the most important delivery organisations, 'experts' and 'customers' for the issues in question. Their functions typically include acting as sounding boards and sources of expertise for the development of regional policies and they sometimes also provide a forum for the co-ordination and prioritisation of activity. The partnerships or boards which have a role in relation to the delivery of this Strategy are identified in the associated Action Plan.

Sub-Regional and Local Partnerships

The role of partnerships is equally vital at sub-regional and local levels. Sub-regional partnerships often bring together a range of organisations from the public, private and 'third' sectors. Their size, scale and precise remit vary across the region, dependent on local circumstances, but they typically play an important role in developing & setting strategy at a more local level. These partnerships also provide an important link between thinking at regional and local levels and the integration of economic, social and environmental priorities. They play an important role in identifying the relevant objectives and priorities of this Strategy and tailoring them to their own particular circumstances, issues and opportunities.

Local Strategic Partnerships (LSPs), through Sustainable Community Strategies, are best placed to identify and address particular and specific local economic development issues, and are crucial in terms of aligning and co-ordinating the activities of local partners and stakeholders. Local Area Agreements, and the emerging concept of Multi-Area Agreements, provide a mechanism that could potentially help improve co-ordination of – and engagement in – economic development and regeneration activity at regional, sub-regional and local levels, and with other social and environmental priorities.

Working Across Regional Boundaries – Opportunities for Cross-Regional Growth

The central location of the region presents a number of opportunities for cross-regional activity on economic development and regeneration. Examples include:

- **North West** – Important strategic transport links (particularly along the M6 and West Coast Mainline); potential to enhance economic linkages between the Potteries/South Cheshire area
- **South West** – Interaction between housing markets (Gloucester/Cheltenham sub-region); tourism & rural regeneration
- **South East** – Important strategic transport links (M45-M1, M40 and West Coast Mainline); economic linkages (car industry and high-tech engineering); the implications of the Sustainable Communities Plan
- **East Midlands** – Smart Growth: Midlands Way; regional logistics agenda – links to DIRFT; roles of BIA and East Midlands Airport; the National Forest; interrelationship with Milton Keynes South Midlands Growth Area; functional/ labour market linkages between major settlements (Rugby, Nuneaton, Tamworth, Burton, Coventry); Peak District National Park; Midlands Aerospace Alliance; Midlands joint hosting of the National Energy Technologies Institute
- **Wales** – Tourism links and complementary rural regeneration policies; shared use of physical natural resources such as water; the Central Wales–West Midlands Memorandum of Understanding.

International Partnerships

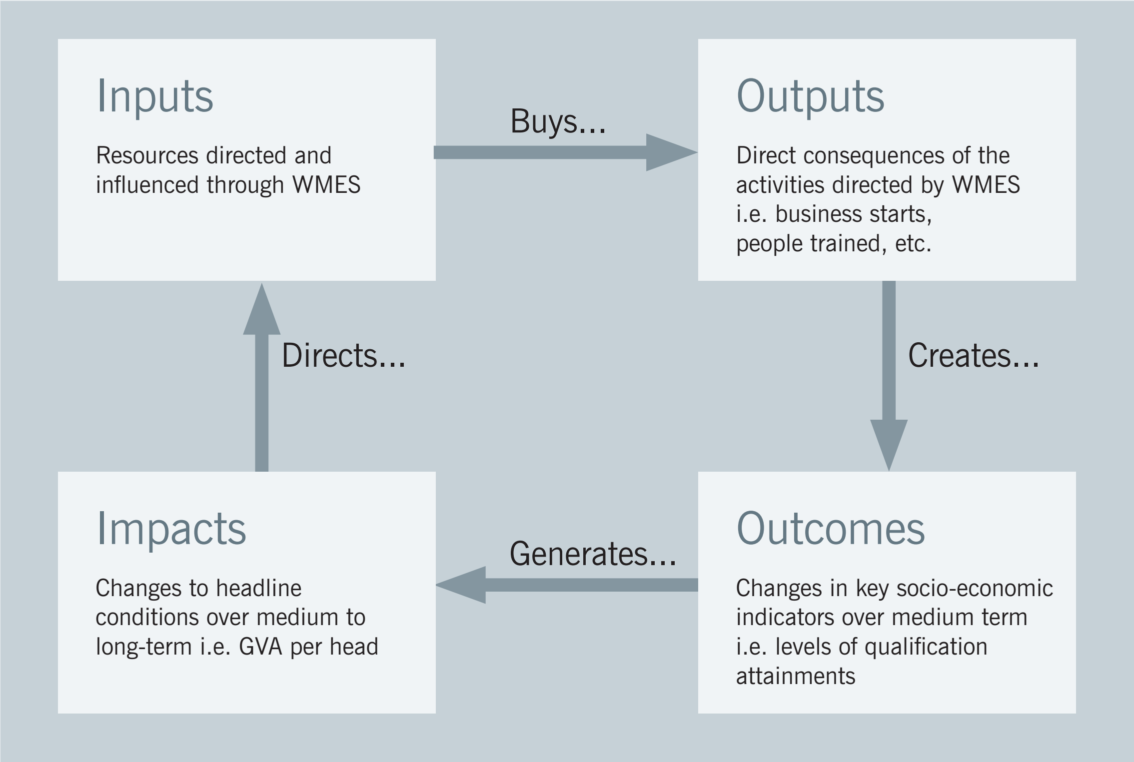
International trade, exports and inward investment are all important factors in helping the region to grow. The Regional International Trade Strategy Group provides a focus for effort at regional level. Our biggest and most important focus will be within the European Union. Its policies will shape much of the context of this Strategy; its funding programmes offer major opportunities for our companies and institutions. The West Midlands in Europe presence in Brussels provides an important mechanism to maximise our influence in the corridors of power; to link up with other regions; and to develop networks that will help the region to influence policy and access resources. In the future the international dimension of climate change and the growing market in trading in solutions will also become more important.

9. Monitoring Performance

9.1 Overall Approach

To monitor progress toward achieving our vision we will look at the inputs, outputs, outcomes and impacts directed by the Strategy.

Figure 8: Overall approach to monitoring performance

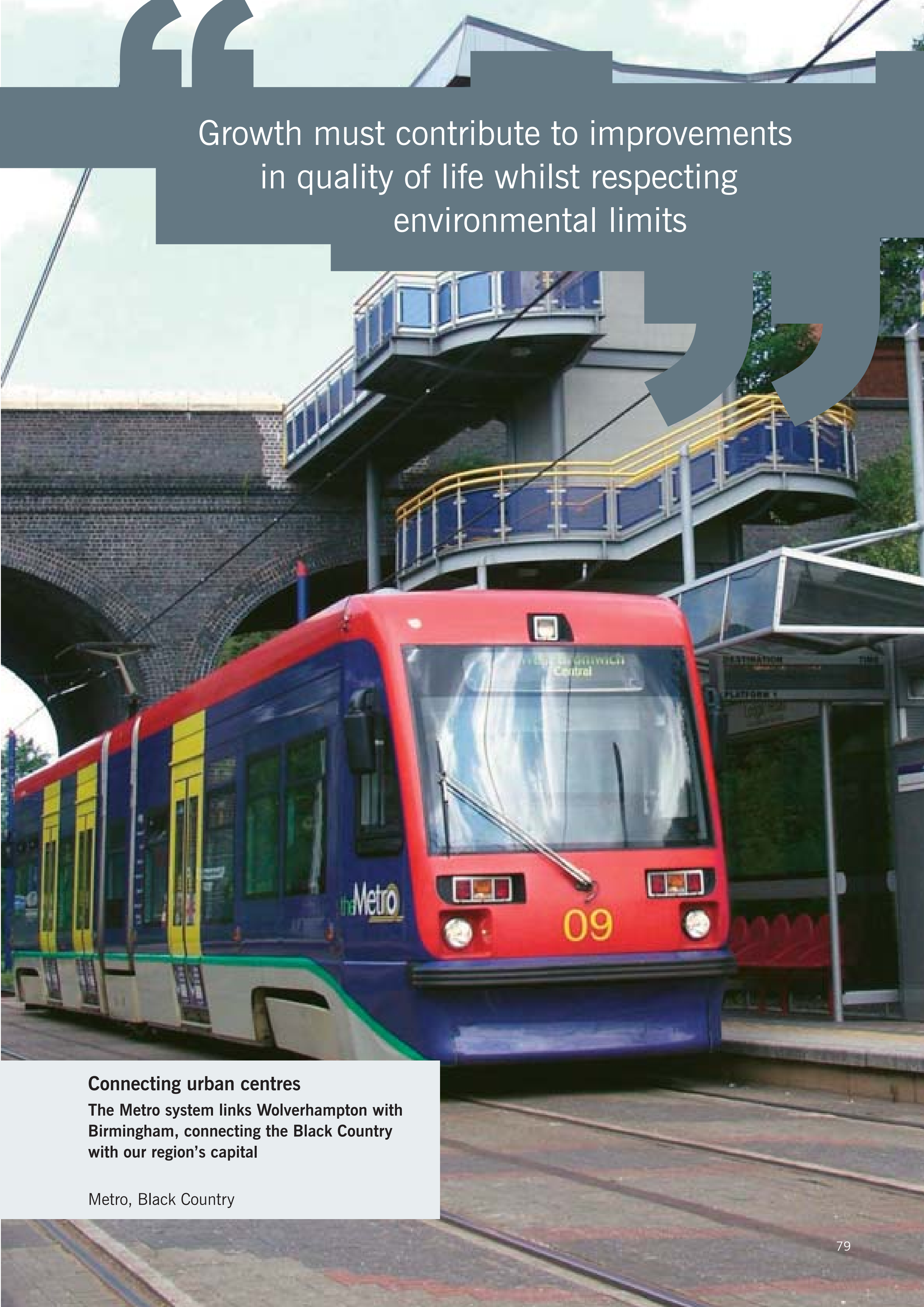


9.2 Impact and Outcome Measures

As explained in Section 1, we propose using one headline impact indicator (GVA per head), supported by five supplementary indicators to monitor progress towards achieving our vision.

Most of these measures of headline impact can only be used to assess progress over the medium term. This is because the data used, for example for regional GVA, are often only available with several years' lag. In addition, the indicators are influenced by a wide range of factors – some of which are beyond the control of the region and of this Strategy.

It is therefore also important to measure progress using a set of lower-level indicators, which are more directly related to the specific objectives and actions set out in the Strategy. These 'outcome' indicators have been selected in such a way that, all other things being equal, positive progress on them will lead (in time) to an improvement in the headline impact indicators. These outcome indicators have also been selected on the basis of their suitability for measuring progress against the objectives and priorities under the main themes of this Strategy – Business, Place and People.



> Growth must contribute to improvements in quality of life whilst respecting environmental limits

Connecting urban centres

The Metro system links Wolverhampton with Birmingham, connecting the Black Country with our region's capital

Metro, Black Country

9. Monitoring Performance

The table in Figure 9 provides the current baseline data for the headline impact and outcome indicators for the West Midlands and the UK/England. For each indicator where the relevant data is available, column four of the table also shows the ranking of the West Midlands among English regions. Column five shows the trend in the region's performance relative to the UK/England. Column six shows the year or time period to which the latest available data relate.

Further information about these indicators, together with a more detailed analysis of the current baseline position, is available in a supporting document.[40] Where the statistics are available, this report also contains greater disaggregation of the data, providing information for different areas and communities. This information will help in measuring progress against the underlying principles of this Strategy.

Figure 9: Baseline position and trend against headline and outcome indicators

Indicator	West Midlands baseline	England baseline	Ranking	Trend[41]	Date
Headline					
Gross Value Added per head	£15,812	£18,097	Middle	Worsening	2005
Index of Sustainable Economic Wellbeing	£10,207	£10,682	Middle	Worsening	2005
Worklessness[42]	27.1%	25.7%	Middle	Worsening	Jan–Mar 07
GVA per employee	£35,701	£39,816	Middle	Stable	2005
CO_2 emissions per £10k GVA[43]	5.42	4.87	Middle	Stable	2005
Perceptions indicator	(to be developed)				
Business					
% of regional GVA generated by foreign-owned companies	18.7%	19.9%	Middle	Worsening	2004
Exports of goods as % of GVA	20.1%	18.2%	Middle	Improving	2006
New VAT registrations per 10,000 population	34.3	38.8	Middle	Stable	2006
3-year survival rates for new VAT registered enterprises	70.6%	71.2%	Bottom	Stable	2002[44]
Total industry & commercial energy consumption (GWh) per £billion GVA	668	651	Middle	Worsening	2004
Industrial & commercial waste	(to be developed)				
% of businesses which are "innovation active"	55%	57%	Bottom	n/a	2002–04
Total Entrepreneurial Activity	5.3%	5.8%[45]	Middle	Stable	2006

Indicator	West Midlands baseline	England baseline	Ranking	Trend[41]	Date
ICT adoption by businesses	(to be developed)				
% staff trained by employer over the last 12 months	56%	61%	Bottom	Worsening	2005
% people employed in knowledge based occupations in the private sector who have qualifications at level 4 or above	33%	42%	Bottom	Worsening	April–June 2007
% turnover attributable to innovation	36%	41%	Bottom	n/a	2002–04
Total HEI income (£million) from business and community interactions	166.8	201.1[46]*	Middle	Worsening	2005–06
Business expenditure on R&D as % of GVA	0.87%	1.37%	Middle	Improving	2005
Place					
Visitors from outside UK staying overnight in the former West Midlands county (1,000)	1,032[47]	27,586	n/a	Improving	2006
Average vehicle delay for the slowest 10% of journeys on the strategic road network (mins per 10 vehicle miles)	4.00[4548]	4.11	n/a	Improving	May 06–April 07
% of all trips made by public transport	8.2%	9.9%	Middle	Worsening	2004–05
Total fuel consumption for road transport per head of population (kg per person)	714	666	Middle	Improving	2005
% of land used for developments previously developed	62%	59%	Middle	Stable	2002–05
CO_2 emissions (kg carbon) per resident	2,380	2,470	Middle	n/a	2005
Regional variation in the ratio of median gross weekly pay of those living in a local authority area to that of those working in the same area	0.56	0.53*	Middle	Stable	2007
Regional variation in Housing Affordability Index	6.76	6.62*	Bottom	Worsening	2006

Indicator	West Midlands baseline	England baseline	Ranking	Trend[41]	Date
Proportion of super output areas in 10% most deprived nationally on the economic deprivation index	13.6%[49]	10%	Middle	n/a	2004
% of working-age benefit recipients who live in the most deprived 20% of super output areas	47.5%	40.2%	Middle	Stable	May 2007
Rural disadvantage indicator (to be developed)[50]					
% of adults engaging in more than one cultural sector during the year	81%	84%	Middle	n/a	2005–06
Amount spent (£million) by visitors to region for holiday/ leisure purposes	807	1,710*	Bottom	Improving	April–June 2007
Natural environment indicator (to be developed)					
People					
% people usually working from home or travelling to work using sustainable means of transport	23.9%	31.3%	Bottom	Stable	Oct–Dec 2006
% household waste which is recycled or composted	28.6%	30.9%	Middle	Improving	2006–07
% people who are, or have thought about becoming, self-employed/ business owners	25%	25%	Middle	Stable	2005
% working-age population qualified to NVQ level 2 or higher	61%	64%	Bottom	Improving	April–June 2007
% 16- and 17-year olds participating in education or work-based learning	80.7%	81.1%	Bottom	Stable	2005
% jobs subject to either a skills gap or a skills shortage vacancy	5.7%	6.4%	Top	Improving	2005
Regional Skills Performance Index	50.8	55.0	Bottom	Improving	2005
Difference between working-age employment rate for white and non-white ethnic groups	20.5%	16.5%	Bottom	Stable	2006

Indicator	West Midlands baseline	England baseline	Ranking	Trend[41]	Date
Difference between employment rate for people aged between 50 and retirement age and for the rest of the working-age population	0.3%	3.0%	Top	Improving	April–June 2007
Difference between employment rate for people with a disability and for the rest of the working-age population	32.4%	29.0%	Bottom	Worsening	2006

[40]The supporting document is available on the WMES web pages at: **http://www.advantagewm.co.uk** [41]Where data is available, the trend is based on movements over the last five years. Otherwise, the trend is compared with the earliest year for which data are available. [42]Percentage of the working-age population who are unemployed or economically inactive. [43]Emissions are counted in the region where they are produced, except that emissions from electricity generation are reallocated to the region where the electricity is consumed. [44]This refers to businesses registered in 2002 and surviving until 2005. [45]This is the UK average figure since the England figure is not published separately. [46]Since this is based on HE Institutions in each region, regional figures will be highly influenced by the number and type of institutions located there. [47]Since this is a figure for the West Midlands county (not the region), there is no regional comparison possible. [48]The method of calculation for the regional version of this indicator does not allow for regional comparisons, as some routes would be double-counted. [49]This is the figure for the 2004 Index of Multiple Deprivation – the new economic deprivation index is not yet available. [50]An indicator of rural disadvantage will be developed incorporating appropriate income and employment measures which concentrate on local economies, alongside measures of access to key services, including housing and training and skills development. *Indicates that the England baseline is the average of the regional figures because figures for England are not comparable.

The Role of the West Midlands Economic Strategy and Links to Other Regional Strategies

The Role of the Regional Economic Strategy

The role of the Regional Economic Strategy is to set the agenda and provide leadership for achieving economic development in the region. The DTI – 2005 Guidance to RDAs on Regional Strategies states that 'The role of the Regional Economic Strategy is to provide a shared vision for the development of the region's economy, to improve economic performance and enhance the region's competitiveness. The aim is that the Strategy is owned by the whole region and draws on the resources of all the major partners in the region. It needs to provide a strategic vision for the region, backed by a firm evidence base which will help ensure its influence on other regional strategies, and that these are mutually reinforcing, and on national and regional policies. It needs to ensure that delivery is effective at all levels. And it needs to identify priorities and ensure that common goals are adopted.'

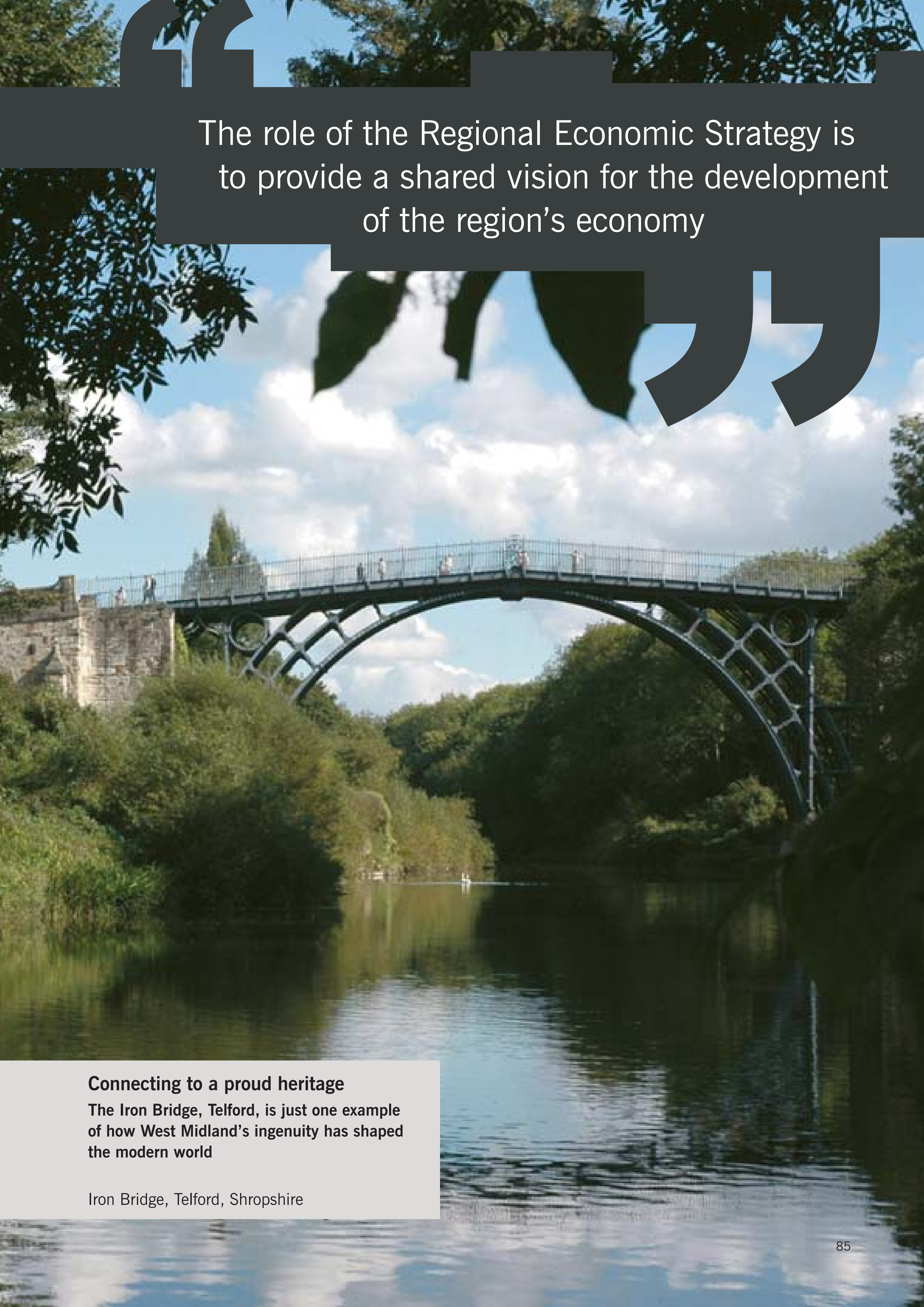
By aligning with other regional strategies and by seeking to influence the spending of other partners in the region, the Strategy directs the region's resources towards achieving the shared West Midlands Economic Strategy vision.

Relationship with the Regional Spatial Strategy

The West Midlands Regional Spatial Strategy (WMRSS) sets out the long-term spatial planning framework for the region. Incorporating the Regional Transport Strategy, the WMRSS provides a coherent framework for the development of local authority development plans and local transport plans.

The Regional Economic Strategy and the WMRSS work together. Whilst the WMRSS focuses on spatial and land-use related issues, the economic strategy provides the policy context for economic issues as they relate to development and regeneration. The West Midlands Regional Assembly and Advantage West Midlands have worked closely together to strengthen the relationship and ensure alignment between the two strategies.

The role of the Regional Economic Strategy is to provide a shared vision for the development of the region's economy



Connecting to a proud heritage

The Iron Bridge, Telford, is just one example of how West Midland's ingenuity has shaped the modern world

Iron Bridge, Telford, Shropshire

10. Appendix 1

List of linked strategies and other regional frameworks (this list is not exhaustive)

Linked strategies and other regional frameworks	Lead Partner/ Owner	Status
Regional Spatial Strategy (RSS)	West Midlands Regional Assembly	Regional Planning Guidance for the West Midlands (RPG11) published 2004. Currently being partially revised.
Regional Sustainable Development Framework	Sustainability West Midlands	Version two published July 2006
Regional Housing Strategy	Regional Housing Board	Published 2005
Regional Energy Strategy	Energy West Midlands	Published Nov 2004
Regional Transport Delivery Plan	Regional Transport Partnership (WMRA)	Published Spring 2007
Regional Cultural Strategy 2001–2006	West Midlands Life	Published Jan 2001 (review to start Sept 07)
Regional Marketing Strategy	Advantage West Midlands	Published Dec 2002
Regional Business Support Framework	Regional Enterprise Board	Consultation Draft 2007
Regional Access to Finance Framework	Regional Finance Forum	Updated 2006
Regional Skills Partnership Priorities for Action (Invest in Skills, know your bottom line)	Regional Skills Partnership	Published 2006
Regional ESF Framework 2007–2010	Regional Skills Partnership	Published 2007
Regional Innovation Strategy	Innovation and Technology Council	Second Phase published 2004
Digital West Midlands – The Regional ICT Strategy	ICT Steering Group	Published 2006
West Midlands Visitor Economy Strategy	Tourism West Midlands	Published 2004
Regional Water Strategy	Environment Agency	Published 2005
West Midlands Climate Change Action Plan	WMRA	Consultation Draft July–Sept 2007
Regional Waste Strategy	WMRA	Part of partial review of Regional Spatial Strategy.
Strategy for Sustainable Food and Farming (SSFF) and West Midlands Food & Drink Delivery Plan	SSFF Coordination Group (GOWM)	Updated Nov 2006

Linked strategies and other regional frameworks	Lead Partner/ Owner	Status
Regional Biodiversity Strategy	West Midlands Biodiversity Partnership	Published 2005 Delivery Plan 2007–08
Regional Social Enterprise Framework	West Midlands Social Enterprise Network	Published 2004
Regional European Strategy	West Midlands Regional Assembly	Published 2005
Regional Forestry Framework	West Midlands Regional Assembly	Published 2004 Delivery Plan 2007–10
Regional Freight Strategy	West Midlands Regional Assembly	Published 2007
Regional Health & Well-being Strategy	West Midlands Regional Assembly	Consultation ends July 2007 – for publication early 2008
Investing for Health Strategy	Strategic Health Authority	Consultation ends early Oct 2007
Regional International Trade Strategic Plan	UKTI / Advantage West Midlands	Published 2005 – currently being refreshed
Regional Language Strategy	Advantage West Midlands	Published 2003
West Midlands Minority Ethnic Business Forum Strategy	West Midlands Minority Ethnic Business Forum	2007–08 Reviewed annually
Regional Rural Renaissance Framework & the Regional Rural Delivery Framework	Rural Affairs Forum	Published 2005 & 2006 respectively
Regional Plan for Sport 2004–2008	Sport England West Midlands	Published 2004

Linked Programmes/ Initiatives	Lead Partner/ Owner	Status
West Midlands Regional Concordat	West Midlands Regional Assembly	Third Edition published July 2006
West Midlands European Regional Development Fund (ERDF) Regional Competitiveness and Employment Programme 2007–2013	Advantage West Midlands	Final Draft (Commission Approval expected Nov 2007)
English ESF Programme 2007–2013	Department for Work and Pensions	Published 2007
Science City Prospectus	Birmingham Science City Partnership Board	2006

10. Appendix 2

Glossary

Term:	Definition:
BME	Black and Minority Ethnic (groups)
Climate adaptation	Ensuring buildings, people, and business processes will be able to adapt to the existing and future impacts of the changing weather associated with climate change.
Economically active	People aged 16 and over who are either in employment or unemployed but actively seeking employment.
Economic activity rate	The percentage of the working age population (16 – 60/64) that are either employed, self-employed, or actively seeking work (unemployed).
Economically inactive	People who are neither in employment nor unemployed. This group includes people looking after a home, the retired and some students.
Economic inactivity rate	The percentage of the working age population (16 – 60/64) who are neither employed nor classified as unemployed. This includes students, those who are retired or looking after the home, and those on Incapacity Benefit or Severe Disablement Allowance.
Economic inclusion	The term used to describe policies, programmes and interventions targeted at groups of people or places which are not fully able to participate in mainstream economic life either as a consumer, producer or both. This is not solely about being in employment – people can be excluded from other elements of the economy such as access to financial services; many people are in and out of employment on a regular basis.
Employment rate	The percentage of the working age population (16 – 60/64) who are in employment or who are self-employed.
Future proofing	A process where key drivers or uncertainties of change, such as climate or demographics are identified and policy and actions are tested against these criteria to see how resilient they are to change and therefore able to navigate towards the desired vision or outcome.
GDP	Gross Domestic Product – a measure of the net total output or income generated by an economy. It is broadly the same as GVA (see below), but GDP includes taxes (less subsidies) while GVA does not.
GEM	Global Entrepreneurship Monitor – a research programme that provides an annual assessment of entrepreneurship across the world.
GVA	Gross Value Added – a measure of the net total output or income generated by an economy. Essentially it is the difference between the value of the goods and services produced in an economy and the cost of raw materials and other inputs which were used in their production.
GVA per capita	The Gross Value Added of the economy divided by the resident population.
GVA per employee	The Gross Value Added of the economy divided by the number of people in employment.

Term:	Definition:
HTC	High Technology Corridor
ICT	Information and Communications Technology
ISEW	Index of Sustainable Economic Wellbeing – a measure that adjusts the usual measure of economic performance – GVA – by costing various social and environmental factors (such as income distribution, household labour, spending on health and education, crime and environmental damage) to provide a broader measure of progress. This adjusted measure can then be compared to the UK performance using per capita figures.
Low-carbon economy	Economy that produces goods and services of increasing value while reducing the associated greenhouse gases in their production, use and disposal. Low-carbon goods, services and skills are related to achieving this outcome and can be specialist e.g. wind turbine manufacturer or micro-generation domestic installers, or changes within mainstream processes, for example a food manufacturer improving the efficiency of its logistics or production process, or plumbers learning how to also install solar heating.
LSP	Local Strategic Partnership – a non-statutory partnership in a local authority area that brings together a wide range of partners from the public, private, community and voluntary sectors to identify and address local issues.
MUAs	Major Urban Areas
NUTS	Nomenclature of territorial units for statistics (NUTS) was created by the European Office for statistics (Eurostat) in order to create a single and coherent structure of territorial distribution. European Union Member States represent the top level of this hierarchy, followed by NUTS 1,2 and 3. In the UK, NUTS 1 are Government Office Regions, NUTS 2 are sub-regional groupings of counties & unitary authorities (27 in total), and NUTS 3 are counties & unitary authorities.
NVQ	National Vocational Qualification – often used as a way of standardising different types of qualifications. NVQ 1 equivalent can be regarded as fewer than 5 GCSEs at grades A – C; NVQ2 equivalent as more than 5 GCSEs at grades A – C; NVQ3 equivalent as 2 or more A levels; NVQ4 or above can regarded as Higher National Diploma, Degree and Higher Degree level qualifications.
“Output gap”	A term used to explain the difference between the actual performance (in terms of GVA) of the West Midland’s economy and what the performance could be if the region operated at UK average levels.
RES	Regional Economic Strategy

Term:	Definition:
WMRSS	West Midlands Regional Spatial Strategy – part of the national planning system, providing a framework for the region on long term land use and transport planning and guiding the preparation of Local Development Frameworks.
RZ	Regeneration Zone
SME	Small to Medium Enterprise – employing less than 250 people with an annual turnover less than £50m.
SOAs/LSOAs	Super Output Areas/Lower layer Super Output Areas – a relatively new statistical geography developed by the Government to create consistent and comparable areas based on population size. There are 175,434 Output Areas in England & Wales, each housing an average population of 300 and 125 households. Lower Layer Super Output Areas group these Output Areas together to create 34,378 geographies, with an average population of 1500.
Social enterprise	A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.
Strategic Environmental Assessment (SEA)	A legal requirement for certain plans and programmes to assess likely significant environmental impact and address them through mitigation measures. All Regional Economic Strategies are required to undertake an SEA.
Sustainable communities	Sustainable communities are places where people want to live and work, now and in the future. They meet the diverse needs of existing and future residents, are sensitive to their environment, and contribute to a high quality of life. They are safe and inclusive, well planned, built and run, and offer equality of opportunity and good services for all.
Sustainable development	Development that meets the needs of current generations without compromising the ability of future generations to meet their own.
Sustainability Appraisal (SA)	A wider appraisal than the SEA, looking at the extent to which a strategy addresses the key principles of sustainable development (social, environmental and economic).
Third sector	The voluntary and community sector and social enterprises, collectively.
Unemployment Rate	The percentage of people of working age who are unemployed.
Urban regeneration	The resolution of urban problems, which seeks to bring about a lasting improvement in the economic, physical, social and environmental conditions of an area.

Term:	Definition:
Urban renaissance	A vision of widespread urban regeneration based on design excellence, community involvement and social wellbeing, as well as a viable economic framework.
WMRA	West Midlands Regional Assembly
Worklessness	Worklessness can be measured in different ways. As a headline indicator in this Strategy, worklessness is defined as the percentage of the working-age population who are unemployed or economically inactive. There are other ways of measuring worklessness, however. For example, it can be defined as the percentage of the working-age population who are unemployed or in receipt of one or more working-age benefits.

Birmingham


wine

For further copies of this document, please contact:

Advantage West Midlands
3 Priestley Wharf
Holt Street
Aston Science Park
Birmingham B7 4BN

Tel: +44(0)121 380 3500
Fax: +44(0)121 380 3501

PRINTED ON ENVIRONMENTALLY FRIENDLY PAPER.

NAPM APPROVED RECYCLED PRODUCT. PRODUCED AT A MILL THAT HAS BEEN AWARDED THE ISO14001 CERTIFICATE FOR ENVIRONMENTAL MANAGEMENT.

THE PULP IS BLEACHED USING AN ELEMENTAL CHLORINE FREE (ECF) PROCESS.

REVIVE 50:50 SILK PRODUCED USING 50% RECOVERED FIBRE AND 50% VIRGIN WOOD FIBRE PRODUCT WITH FSC CERTIFICATION.

Text-only versions of this brochure can be provided in large print, braille and other languages. Please contact the Advantage West Midlands Marketing Team on 0121 380 3500.