

Connecting to success

West Midlands Economic Strategy

Strategy

Draft at 17th September 2007

Please note:

- ***The draft WMES comprises two main documents:***
 - ***Strategy (this document)***
 - ***Delivery Framework***
 - ***Plus there will be a supporting document containing further information about the context, evidence and rationales underpinning the strategy***
- ***This draft has yet to be approved by the Advantage West Midlands Board***
- ***The text has yet to be proof read and further work will be undertaken on the copywriting, design and presentation of the document***

FOREWORD (1 side)

To be completed ...

DRAFT

SUMMARY (4 - 6 sides)

To be completed ...

DRAFT

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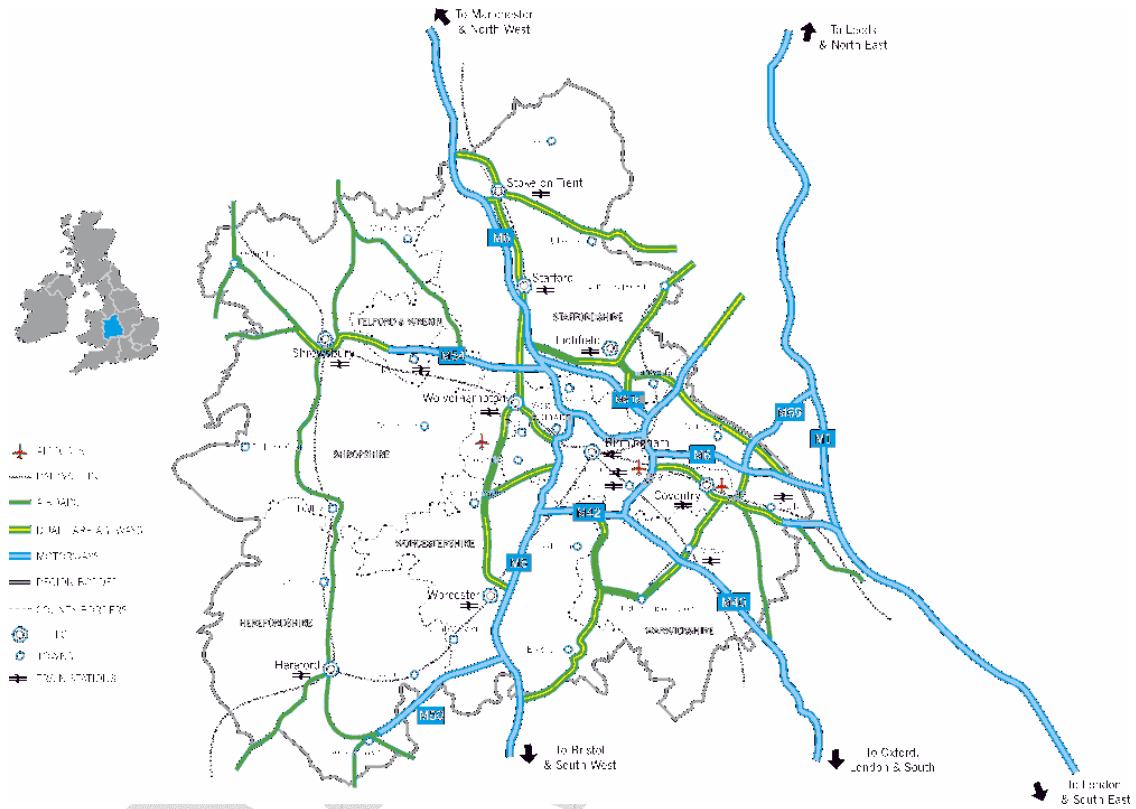
APPENDICES:

Appendix I – Role of WMES and links to other regional strategies

Appendix II – Glossary

The West Midlands

(Note: Expand to full page map?)



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 in which 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 in its people.

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

Invest and work

[Drafting note: Add text on diversity of the region's business base]

As the birthplace of the Industrial Revolution, the West Midlands was once known as the workshop of the world. Now, 150 years on, our region continues to influence the world. The West Midlands boasts a world-class business environment, with highly developed supply chains and professional service networks that complement our untouchable industrial pedigree. Internationally famous names like Cadbury Schweppes, JCB and Wedgwood started, and continue to prosper, in our region. The West Midlands' central location, impressive infrastructure and ready-made skill base have led companies like Fujitsu, Vodafone and Muller to relocate to the region.

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 accession states have very recently added to the regions 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 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; from the culinary offers of the Balti Belt to Ludlow's Michelin-starred restaurants. Visitors can be amazed by the UNESCO World Heritage site of Ironbridge Gorge; rediscover the grand age of steam on the Severn Valley Railway; throw pots at Wedgwood in Staffordshire; be incarcerated in Warwick Castle's mediaeval dungeon; experience the ultimate chocolate sensations at Cadbury World in Birmingham; meander on the extensive waterway network or experience exhilarating rides at Alton Towers. 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 race courses at Worcester, Wolverhampton, Stratford, Warwick, Hereford and Uttoxeter.

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 as some of the world's finest and IBM rates Aston as Europe's best in terms of quality of recruits.

The West Midlands of the future

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:

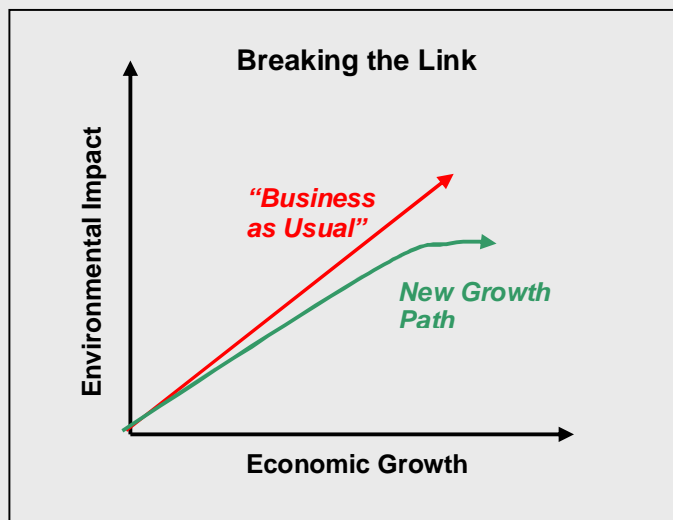
- becoming a more prosperous region, but recognising that economic growth must support overall improvements in the quality of life and wellbeing of all the region's residents;
- becoming a more cosmopolitan and inclusive region, making full use of the skills and talents of our people and ensuring equality of opportunity 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.

[Drafting note: Add text here that describes 'what success will look like' in relation to the Business, Place, People and Powerful Voice themes]

[Drafting note: Further modifications to be made to the following text box to illustrate more about what is meant by a 'low carbon economy']

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 to break the link between economic growth and environmental impact, creating a “win-win” situation.



It is often assumed that this new growth path, which seeks to break the link with increased environmental impact, 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 that climate change may generate. 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 world wide 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 sectors - such as Convertteam Ltd, with advanced electric machines - though to medium added value sectors - 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. 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 toward 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 GVA¹ per head in the region (£15,812 in 2005) compared with the UK average (£18,051 in 2005). 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 therefore identify five supplementary headline indicators:

- GVA per employee – a measure of economic productivity
- Worklessness – a measure of unemployment and economic inactivity
- Index of Sustainable Economic Well-being² – which can be viewed as a measure of the extent to which economic growth is supporting improvements in sustainable well-being 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.

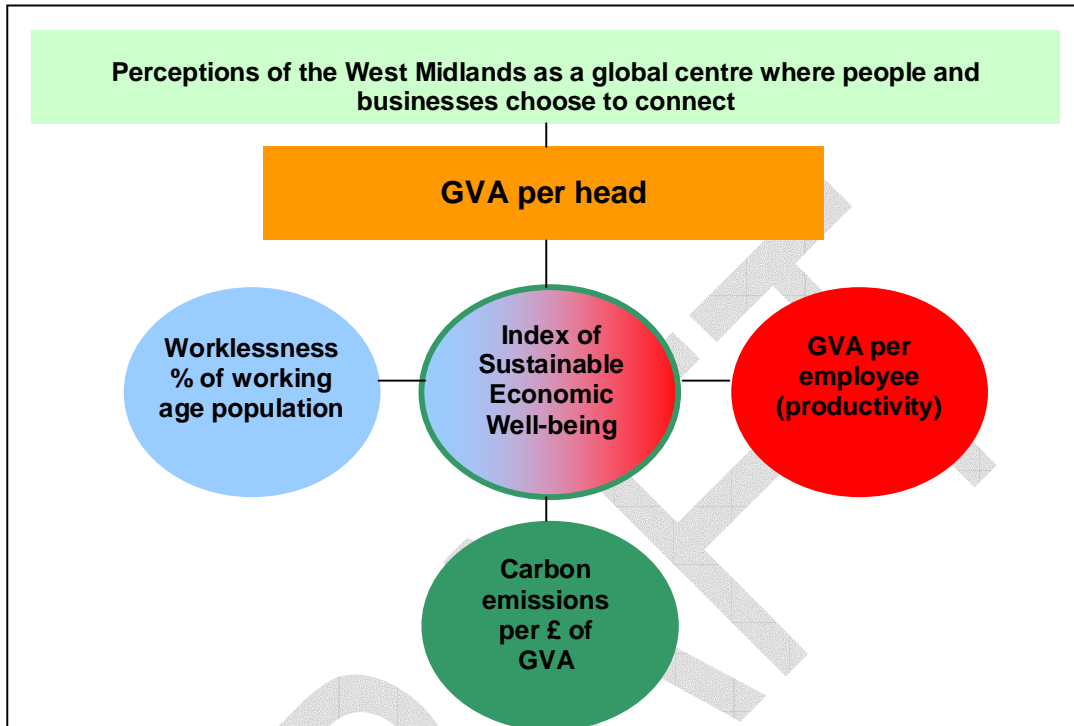
Further information on how the region currently measures up and on how we will track future progress are provided in section 9, Monitoring Performance.

¹ Gross Value Added, a measure of economic output.

² The regional index of sustainable economic well-being (R-ISEW) has been developed by the New Economics Foundation. It is a composite indicator of wellbeing that adapts conventional economic indicators such as GDP/GVA by including financial estimates of economic, social and environmental costs and benefits that lie outside the standard accounting framework. For further information see, for example, Jackson, T (2004), *Chasing Progress? Beyond measuring economic growth*, London: New Economics Foundation.

Headline measures of performance

(Note: Need to re-draw this graphic to better illustrate the relationship between the indicators)



The Index of Sustainable Economic Well-being

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 Well-being (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) by placing 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 Underlying principles

Economic growth must contribute to improvements in quality of life. The region's economic development must be sustainable. This strategy has therefore been developed in the context of a series of long-term economic, social and environmental challenges, the responses to which have been embedded throughout the strategy. This has occurred through the application of statutory and non-statutory best practice such as the sustainability appraisal which integrated a series of processes such as future proofing, low carbon, strategic environmental assessment, equality and diversity, and drew on a number of other assessments.³

These challenges are discussed in more detail as part of the strategic approach in section 3, and include:

- Future issues of globalisation, climate change, demographic change, technology.
- Preparing for a lower carbon economy
- Equality, diversity and economic inclusion
- Valuing the environment
- Urban and rural renaissance
- Skills
- Enterprise
- Innovation
- Transport

³ 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 review web pages as <http://www.advantagewm.co.uk/wmesreview.html>.

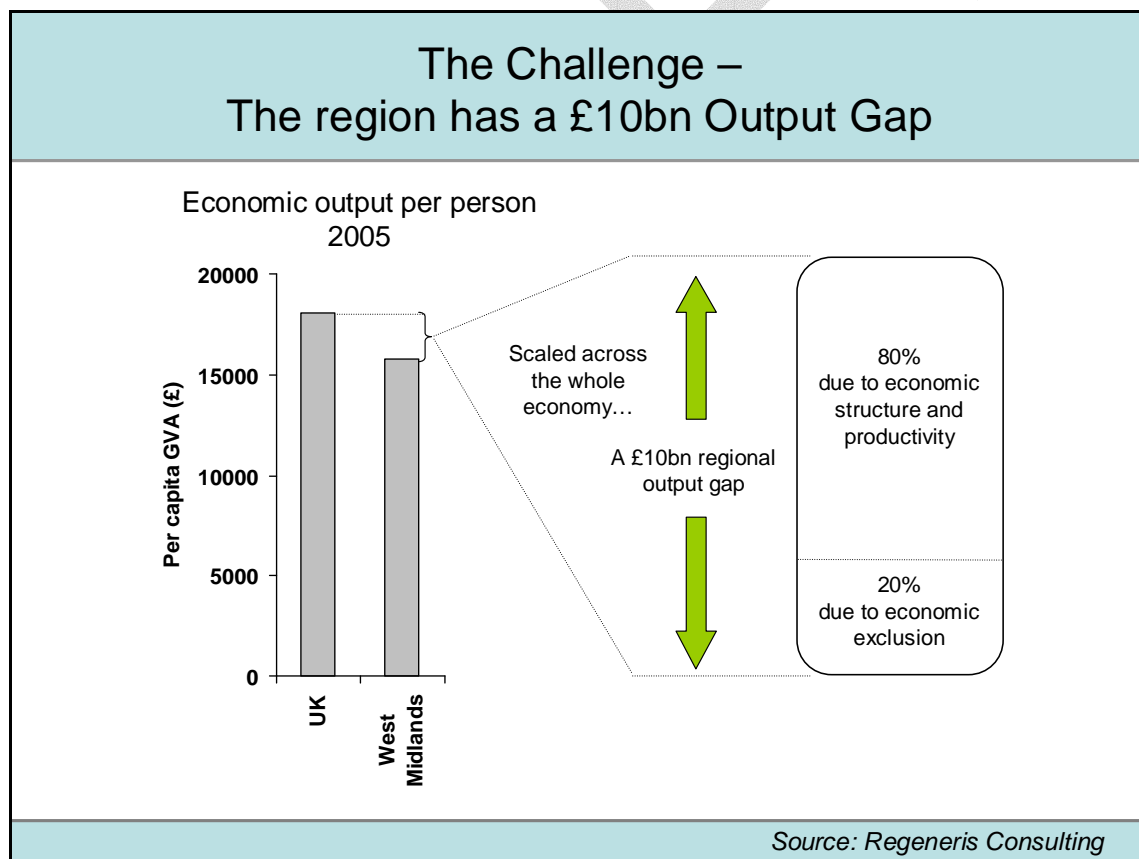
2. CONTEXT

2.1 Introduction

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 population, output and employment growth. 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 1990's, the region still underperforms relative to national and international competitors. In 2005, economic output (Gross Value Added) per head was 92% 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.



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%⁴ can be attributed to economic exclusion, leading to a lower than average employment rate⁵ in the region – currently 72.7% compared to the overall UK rate of 73.9%⁶. Closing this gap (which would require an additional 39,000 people entering employment) would add an additional £2bn to the region’s economic output and would also help to address significant regeneration and social inclusion issues.

Raising productivity therefore presents the greatest challenge to the region. The productivity of an economy is partly determined by its industrial structure (i.e. the types of businesses that are present), and partly by five key “drivers” – innovation, skills, enterprise, investment and competition⁷. 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 low productive sectors, and two-thirds due to generally lower levels of productivity within the workforce. 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.

Research into the different drivers of productivity within the region concluded that a poor record on both supply and demand for skills and low rates of innovation are the primary sources of the region’s 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 but, given the improvements in other regions, it has failed to narrow the gap in performance between the best performing regions and the West Midlands. Qualifications are not the only measures of skills but the region performs poorly on school level attainment, 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. 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. 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 the critical factors holding back both economic performance and the well-being and life-chances of individuals.

Partners within the Regional Skills Partnership have bench-marked the West Midlands’ performance on skills against other regions and have now also started to establish a sense of the size of the challenge that is faced. 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 were newly employed within the regional economy.

⁴ 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.

⁵ The employment rate refers to the percentage of the resident working age population that are in work or who are self employed

⁶ Annual Population Survey, Oct 2005-Sept 2006

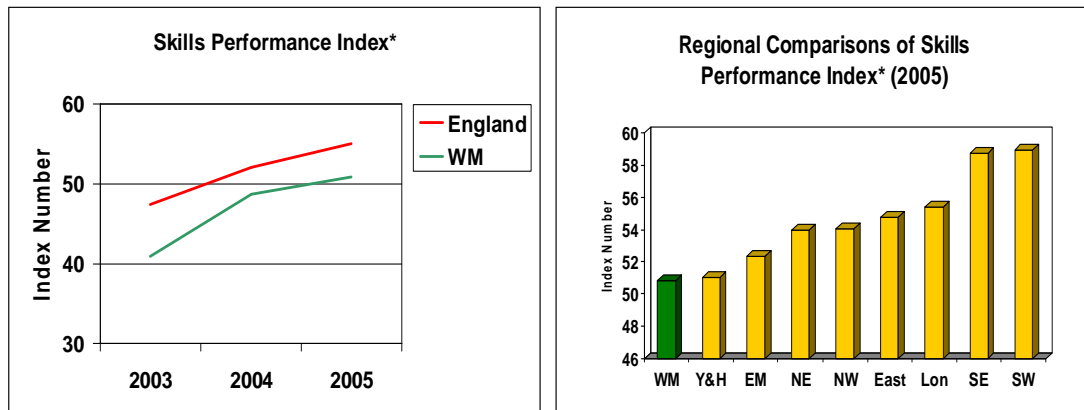
⁷ Productivity in the UK Series, HM Treasury

To close the gap with the English average we need a total of 70,000 more graduate-level jobs and to close the gap with one of the better performing regions we 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 Leitch⁸ report.

Regional performance on skills 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 NVQ 2, national attainment levels are nearly 25 percentage points behind the USA and Germany and nearly 20 percentage points behind Japan, Norway and Sweden.

The region performs poorly on a composite indicator of skills performance



**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 GSCE attainment, higher level qualifications, participation in job-related training and graduate retention*

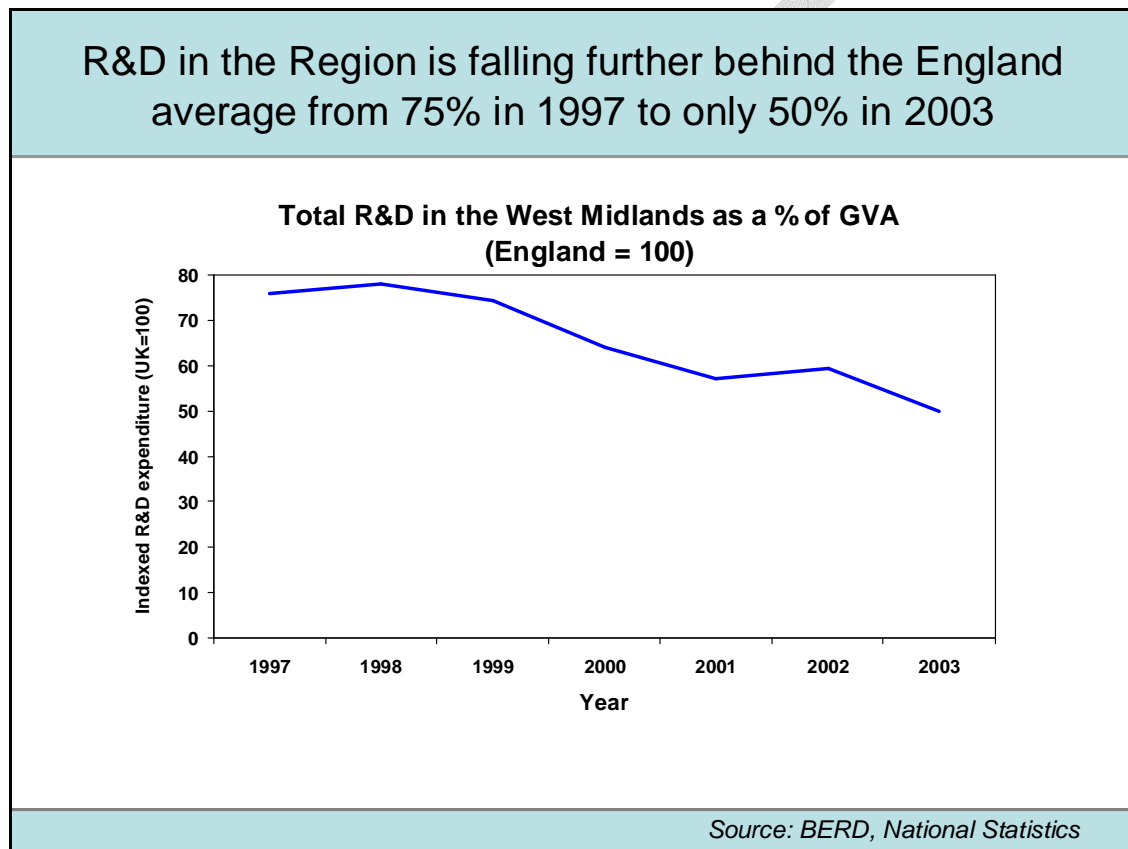
Source: WMRO

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 7th out of the nine English regions on this measure. Investment in R&D is, however, a relatively poor measure of genuine innovation. Survey evidence shows that 55% of firms in the region are considered to be “innovation active”, slightly below the average for all regions across England of 57%. However, the West Midlands

⁸ Leitch Review on Skills, HM Treasury, Dec 2006

is ranked bottom of all nine regions in terms of percentage of turnover attributable to innovation (36% compared to the national average of 41%)⁹ This survey based measure of innovation can also be criticised as responses depend very much on the way the specific questions are phrased and perceived.

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



The region makes poor use of Information & Communication Technologies (ICTs). From analysis of data provided by Point Topic¹⁰, 66% of West Midlands businesses have internet access, compared with a national average of 86% - the region is at the bottom of the league – and 30% of West Midland's businesses utilise eCommerce, compared with a national average of 39% - the region is 4th from the bottom of the league (eCommerce being defined by taking orders or payments on line). A recent government report¹¹

⁹ BERR Community Innovation Survey 2004

¹⁰ Business Broadband Survey 2, Point Topic, March 2007.

¹¹ Raising UK Productivity - Unlocking the potential of information and communications technology, DTI, June 2007.

highlights the contribution of ICTs to productivity growth. In the West Midlands studies¹² have indicated that the use of ICT has the potential to significantly raise productivity and GVA.

Overall, levels of enterprise activity in the West Midlands are similar to the UK as a whole, with the region attaining 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 regions¹³. 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, in proportionate terms, 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 make a contribution to changing the sectoral composition of the region's economy and help drive up productivity levels but they are not the most important factor in closing the region's output gap. The region must focus on the wider enterprise agenda in its existing businesses.

The remaining two key drivers of productivity – investment (defined as capital investment by businesses rather than public sector or inward investment) and competition are less susceptible to regional policy as they are largely influenced by policies at a national and/or European level. Nevertheless, the quantity of private sector capital investment is very important as a driver of regional productivity growth. Other important factors influencing sub-national productivity include the reliability and capacity of the transport network¹⁴ and the quality of life offered within the region¹⁵.

Sub-regional variation

The West Midlands is a particularly diverse region, ranging from sparsely populated rural areas to large cities and surrounding urban conurbations, affluent small towns and villages, along with communities facing significant disadvantage and deprivation. Economic structure and performance varies significantly across the region, depending on the location, resources and 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 are significantly below. Indeed, Solihull has experienced significant growth in GVA per capita, and between 1995 and 2004 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 many significant areas of deprivation and

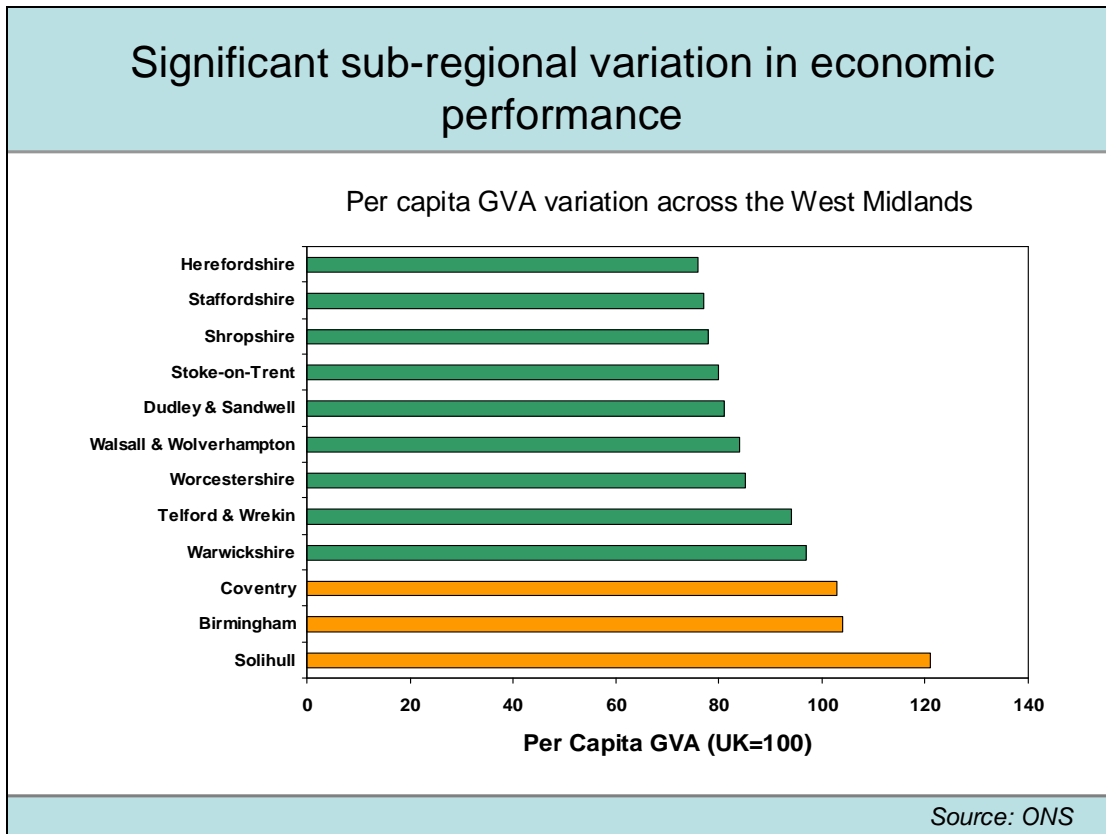
¹² West Midlands high impact ICT Strategy, Adroit Economics Ltd, October 2007 and work by Regeneris Consulting and Adroit Economics.

¹³ Global Entrepreneurship Monitor UK, 2006

¹⁴ See the Eddington Transport Study, 2006

¹⁵ "The Functioning Economic Geography of the West Midlands", WMRO/Birmingham University 2006

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 the region, and indeed any other major European city.



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 next 20 years this 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 and shapers have to understand and influence the EU institutions which will frame much economic and environmental policy and legislation.

Future challenges

Economic modelling¹⁶ suggests that were the economy to continue on its current trend path (“business as usual”), the output gap between the West Midlands and the UK average will continue to grow. Employment levels are expected to rise, but not by as much as the forecast increase in the size of the labour force, raising the prospect of increased unemployment in the region. 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. The sector as a whole generates 30% higher GVA per employee than the regional average and is an important driver of innovation. Increased capital investment in this sector could be an important driver of future productivity growth. 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.

There are also major global challenges identified in the work undertaken to develop this strategy and as part of its ‘future proofing’. These are:

- **Climate Change** – the scientific evidence that climate change is occurring is overwhelming and widely accepted, and it is clear that this global challenge will have significant impacts (both positive and negative) for the region’s economy. While businesses and communities will need to adapt to a changing climate, and rising energy prices, there will also be significant economic opportunities to be grasped. Indeed, the recent Stern Review¹⁷ of the Economics of Climate Change concludes that “*tackling climate change is the pro-growth strategy for the longer term*”.
- **Continued globalisation** – the West Midlands has and will continue to feel the impacts of globalisation more strongly than other regions, because of its still significant manufacturing base. China and India probably pose both the greatest threat and opportunity to the region, but we must also exploit the economic benefits of being part of the world’s largest single market – the EU.
- **Demographic change** – the region 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 march of technology** – ICT and applied technology will continue to change the way we work, and will be crucial in improving the efficiency and productivity of the regional economy as well as enabling business in the global economy.

¹⁶ “Future Prospects for the West Midlands Economy and Employment”, Warwick Institute for Employment Research, 2006

¹⁷ The Economics of Climate Change, HM Treasury, Oct 2006

Achievements to date

There have been two previous versions of the West Midlands Economic Strategy – “*Creating Advantage*”, which was published in 1999, and “*Delivering Advantage*”, published in 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.

[Drafting note: Add text illustrating what progress has been made across the region under each of the main strategic themes, Business, Place, People and Powerful Voice.]

2.3 Resources

To set the region’s economic development challenge in context, we estimate¹⁸ that around £120 billion of public sector resources will come into the region over the next 5 years. That is equivalent in value to around 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 directly related to economic development and regeneration activity. £2.2 billion of this – less than 0.5% of regional GVA – will be resource 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,

¹⁸ 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.

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.

Figure X (overleaf) 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 that the influence of this strategy on the allocation of resources relevant to the region's economic development and regeneration is maintained and, wherever possible, extended.

[Drafting note: Add into the diagram or the above text some detail of the funding streams falling under each strategic theme:

Business

Business Link

*Activity funded by SBS and what was DTI - e.g. enterprise fund HEFCE funding - HEIF
Some remaining ERDF budgets from previous programme Priority 1 of the ERDF
programme 2007-13*

People

LSC budgets

Connexions Partnership

Job Centre Plus

Neighbourhood Renewal Fund

Some remaining ESF spend from previous programme

Budgets within the ESF programme 2007-13

Place

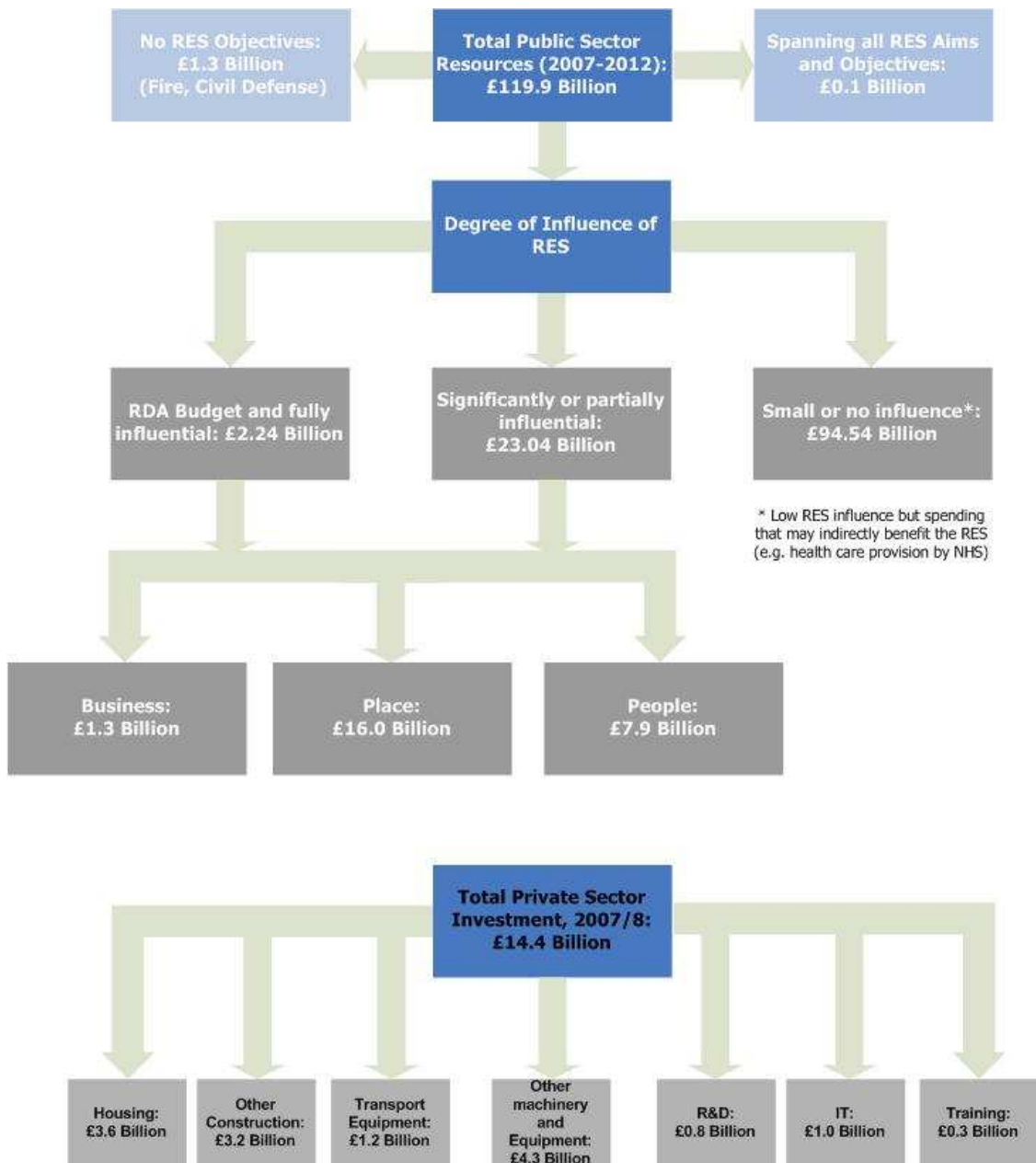
Housing Market Renewal and Regional Housing Pot

English Partnerships

Local Authority budgets relating to Housing

*Department of Transport budgets for local transport scheme and maintenance DCMS
budgets DEFRA budgets. Some remaining ERDF spend Priority 3 of ERDF programme
2007-13]*

Resources available to help deliver the strategy, 2007 - 2012



3. STRATEGIC APPROACH

3.1 Business, places and people

The previous chapter summarised the current performance of the region's economy, using headline indicators based around the Treasury's economic growth framework. This showed that the economy as a whole is underperforming compared to the UK average – particularly around the key drivers of employment, skills and innovation – whilst also highlighting significant sub-regional and sectoral variation.

While this evidence and data is useful in highlighting particular areas of strength or weakness in the region's economy which contribute to its relative position in the UK, 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 region, 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 to develop effective approaches to addressing them. 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) makes 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) but also in dissuading or constraining economic activity (for example, poor quality environments that can limit investment, reduce 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 of these 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 who can drive innovations and enterprise 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.

It is also important that we do not just address areas of weakness and market failure, as this will only go some of the way to influencing the key drivers of economic growth and reducing the £10bn output gap. We must also build on our particular strengths and exploit the significant opportunities that exist or are emerging in our region.

The remainder of this strategy is therefore structured around the three key components of the economy – Business, Place and People. It addresses both strengths and opportunities (investing in success) and weaknesses and threats (tackling need). The overall strategic framework and its main components are illustrated below.



3.2 Challenges

This strategy has been developed in the context of a series of long-term economic, social and environmental challenges, the responses to which have been embedded throughout the strategy.

Global challenges

In common with other regions, the West Midlands faces a number of global challenges. They were set out in section 2 to include climate change and associated issues of

energy security; continued globalisation; demographic change and the march of technology.

Lower carbon economy – preparing for climate change, energy security and carbon constraint

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 this century) is also coinciding with concern over energy security as global consumption of the fossil fuels increases while the remaining reserves are often in politically unstable regions in the world. These pressures on energy, the type of energy, existing and future legislation on reducing carbon emissions and other greenhouse gasses, while also adapting to changing weather present a complex series of challenges and opportunities. This will have knock on effects on globalisation and 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.

This is the UK's first Low Carbon Regional Economic Strategy, developed to consistently tackle the relevant issues throughout the Strategy and accompanying Delivery Framework.¹⁹ These include a headline indicator measuring the improved of economic efficiency (profits up, carbon down). The general strategic approach of exploiting high growth markets, investing in future skills and improving competitiveness and innovation, and promoting what we do supports this approach. However in order to reflect the three biggest sources of carbon emissions within the region – business, domestic, and transport - specific objectives have been included to help business capitalise or manage the transition to a low carbon economy and changing climate, the type of our built environment and wider low carbon infrastructure needs and resilience to climate impacts, and how we harness the procurement and behaviour power of West Midlands people at home and in their workplaces to stimulate the demand for more sustainable goods, services, and work practices.

Continued globalisation

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. That outward-looking perspective is crucial to the overall strategy and each theme within it. Under business, we look to expand existing export markets and reach into new ones. Under place, we look to attract more inward investment – companies large and small- into Birmingham, neighbouring cities and onto 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.

Demographic change

[Drafting note: Paragraph to be added]

¹⁹ 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.

The march of technology

Information and Communication Technologies (ICTs) are essential in the development of the regional economy. They permeate through and underpin an ever-growing range of business processes, transcend the remoteness of some of the region's more sparsely populated areas and set new challenges for our skills and infrastructure offer. The region's competitiveness depends in large-part upon our ability to exploit the potential of ICTs ensuring they have a central place in improving economic performance.

If only limited action is undertaken to exploit the potential of ICT, we risk widening the region's output gap. More substantial action is required for the West Midlands to become a leading region in terms of ICT adoption and use. This could help to significantly close the output gap. To realise this potential, actions are required to improve levels of business ICT adoption, the quantity and quality of ICT advisers/suppliers, the ICT skills of the workforce and to maintain a competitive broadband infrastructure.

Regional challenges

Skills

Ensuring that every adult and young person has basic employability skills and opportunities to progress; every employer has the skilled people they need, is making effective use of their employees' skills and is investing in workforce development; and the West Midlands has a growing number of high performing organisations, a knowledge rich economy and a strong enterprise culture.

The West Midlands region faces a substantial challenge across the skills spectrum. Lifting regional business performance, stimulating enterprise and widening social and economic opportunity are all underpinned by raising demand for and increasing investment in skills and ensuring a better alignment between supply and demand for skills. Skills imperatives such as workforce development, educational attainment, leadership and individual aspirations are absolutely vital. This strategy commits the region to driving up demand for skilled employees in the workplace, emphasises the vital role of quality places in attracting and retaining highly skilled people and businesses, and confronts head-on the need to stimulate a greater appetite for skills among people living and working in the region.

In relation to skills, in developing this strategy we have considered both supply and demand side issues and the need to link skills more closely to innovation and enterprise and the other drivers of productivity. 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 individuals to progress and to reach their full potential.

Enterprise

Levels of enterprise activity in the West Midlands are broadly comparable to those in the UK as a whole. Enterprise is a vital ingredient in the competitive mix and demands a business environment which welcomes new businesses and provides an operating environment which allows them to access customers, suppliers and an enterprising base of employees. The Strategy focuses on the need to stimulate enterprising behaviour across the region's businesses, schools, universities and communities through, improved skills and a stronger enterprise culture across the board.

Innovation

An innovative business base is vital in the fast-moving and highly competitive global markets in which West Midlands businesses must compete. Tackling the innovation agenda and placing the region at the heart of the UK's high value economy requires a combined effort not just on the technological front, but on the skills and attitudes of people living and working in the region to ensure businesses have the right mix of people; in the land property arena so there is an attractive supply of premises which meet the needs of innovative businesses; and, on the enterprise front to drive up the creation of new businesses.

Equality, diversity and economic Inclusion

It is vitally important that the actions and initiatives undertaken as a result of this strategy do not disadvantage any particular group and that the strategy identifies and makes the most of opportunities to actively promote equality of opportunity and celebrates and reaps the benefits of the diversity that exists within the West Midlands. Our focus on economic inclusion is a key way of achieving this and tackling the GVA gap

A significant element of the region's output gap with the rest of the country (20% of the £10bn gap) is driven by low levels of economic activity and disengagement from the world of employment. Economic inclusion is not a stand-alone issue²⁰. The quality, sustainability and accessibility of the employment offer and the skills held by individuals and their attitudes to improving their skills are critical dimensions of policy on social exclusion, and need to be integrated alongside policies for housing, health, and other dimensions of social exclusion.

As a result, the economic inclusion agenda needs to be addressed in a co-ordinated way across this strategy - in a way that ensures that access to economic opportunities is provided for everyone. The word "access" demonstrates how economic inclusion is an integral part of policy for: Skills - ensuring everyone has 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 utilization of, the knowledge assets that exist in all our communities.

It is also important that we understand what is appropriate to take forward at the regional level, and what is more appropriate to take forward 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 them can also vary – for example, addressing access issues for those in remote rural areas will not require the same form of activity 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 for different sectors in supporting economic inclusion are another key dimension of the strategy.

²⁰ 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.

Transport

Improving access to employment, and ensuring good connections between businesses and their customers is essential to enabling stability and supporting sustainable growth across the West Midlands economy. The region is located in an advantageous position in the centre of the country. However, this leads to large volumes of people and goods from locations outside of the West Midlands travelling on the regions 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. 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 through managing them more effectively, and how new technologies can assist business to maximise efficiency in business travel and logistics practices.

Valuing the natural environment

Understanding and enhancing the value of our natural capital in the form of parks, landscapes and land based industries and the region's wildlife is vital as it supports the wider quality of life and wellbeing we are also seeking economic development to support. 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 strategic approach taken is to recognise the business opportunities this presents through high growth markets and low carbon opportunities, but also the quality and type of our built environment and infrastructure, a specific objective supporting the role of our natural and cultural assets, and supporting West Midlands people at home and work to support more environmental practices and products.

Supporting urban and rural renaissance

By aligning this strategy with the 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 it is recognised that many of the challenges facing the region's rural areas are qualitatively the same as those faced in urban areas, it is also recognised that sometimes distinctive approaches are needed to generic issues, or that specific and unique challenges exist for rural areas that must be dealt with using a different approach²¹. This approach is supported through the objectives around place, the section on sub-regions, and ongoing work to ensure our indicators can where possible be used at a more detailed urban, rural, and sub-regional level.

²¹ For example, see the Rural Renaissance Framework, produced by Advantage West Midlands, at <http://www.advantagewm.co.uk/rural-renaissance-framework.pdf>. This framework will be revised following the publication of this strategy. *(Note: Need to update hyperlink)*

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 and vigorously pursue three main objectives:

- seizing market opportunities
- improving competitiveness
- harnessing knowledge.

Together these strands will underpin the priorities that follow to drive up productivity and stimulate demand for employment among the region's workforce. 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 including an integrated skills and general business support brokerage service, designed to provide enhanced, focused and wide ranging support to the region's new and existing businesses has already been implemented. 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, which are in line with the Chancellor's 2006 Budget challenge to streamline all publicly funded business support, will require 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 individuals and businesses to start and grow sustainable, innovative businesses. It should increase the number of businesses improving their overall performance and help the region meet the challenges it faces.

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, although presenting some recent challenges - together with Birmingham as a centre of business activity - provides us with a strong competitive edge to further grow our regional prosperity.

A range of existing sectors, primarily those addressed by the region's priority business clusters, exhibit strong potential for future economic growth and employment opportunities. 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. Manufacturing and our base of rural businesses also put us in a strong position to capitalise on opportunities around the low

carbon economy. ICT & Digital Content and associated creative industries also have healthy prospects, and we have a fast-growing service sector in some vital professional services markets.

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

Clusters will increasingly direct their activity at specific markets attractive to the region. These focuses are currently evolving. Further detail is provided in the Delivery Framework.

The West Midlands has a strong and extensive research base located among its universities, private institutions, in commercial R&D and engineering facilities. Our businesses continue to be relatively strong on innovation performance, generating a decent flow of patents and product innovations. The region also has a comprehensive range of venture capital and loan funds to address the equity gap experienced by early stage businesses which can support further collaboration with the region's research base.

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 amongst our more disadvantaged groups. Bringing new people to the region and encouraging enterprise amongst all age groups can increase enterprise. The region already has a strong business base with a number of world-class businesses and brands such as JCB and Cadbury Schweppes.

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 us with 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 approximately £30 billion worth of tenders associated with the London 2012 Olympic & Paralympic Games. 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.

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 determined partly by industrial

structure and partly by 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.

In raising productivity and employment, skills 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 demand for skilled people from our employers 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. 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 effectively 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 yet translated itself into a significant tide of new business start-ups and too few people actually expect to start a business in the next three years. New firm registrations per head are below the UK average and there are distinct areas of under-representation, for example among women and in some ethnic minority communities, and in some locations such as the urban centre and more northerly parts of the region. The profile of start-ups is not yet generating sufficient numbers of new businesses in higher-value sectors. New starts are important to changing the composition of our business base and allowing people to realise their potential, but are not likely to make a substantial contribution to closing the output gap. Consequently, the region also needs to maintain its focus on the wider enterprise and innovation agenda amongst its existing businesses and employees.

Our existing businesses need to raise their levels of investment, in capital and in R&D. Business investment in R&D is low and has been falling in the recent past. The West Midlands also has the lowest proportion of innovation active²² firms of any region in England, though we perform better on measured innovation outputs. Manufacturing has been our traditional source of R&D, 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. At the same time, knowledge-intensive/high-tech service sector employment remains relatively low within the West Midlands.

²² 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

(Note: The following inserted text on business crime looks a bit out of place – need to strengthen somehow?)

The business community identifies business crime as a major constraint to establishing and growing businesses. It has been estimated that the cost to business and the criminal justice system is around £123 million per annum²³. This affects entrepreneurship, impacting not only on the viability of existing businesses but also restrains the development of new businesses.

These long standing challenges to the region are being quickly supplemented with new threats from the changing global environment. Reduced barriers to international trade, international labour markets, significant technological development and the rapidly expanding low carbon agenda are all changing the drivers and priorities impacting on business. Although the region now has a comprehensive broadband infrastructure in place 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 play their role in reducing carbon emissions and environmental degradation, but should also be preparing themselves to exploit the market opportunities emerging from this growing agenda.

4.4 Strategic objectives and priorities

Analysis of these key issues has led to the development of the following strategic objectives and priorities:

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 new growth 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. 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

²³ Business Crime in the West Midlands, Government Office for the West Midlands, 2004.

	<p>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 region's 13 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 of the Delivery Framework.</p>
1.2	Competing in the global economy
	<p>Focus: Increase the value of international trade engaged in by West Midlands businesses and expand the number of businesses succeeding in overseas markets and generating a stronger flow of inward investment into the region.</p>
	<p>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 a more vital aspect 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.</p>
1.3	Creating economically sustainable new businesses
	<p>Focus: Drive up the creation, growth and survival of economically sustainable and competitive new businesses, 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.</p>
	<p>Rationale: The West Midlands economy generates lower numbers of new businesses than 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 to increase the creation, growth and survival of new businesses in two key areas:</p> <p>(i) High-growth companies: the current make-up of newer businesses does not suggest sufficient numbers of these important wealth creators and</p> <p>(ii) Among under-represented places and groups: enterprise performance varies significantly across the region, with significant underperformance in the region's</p>

	most deprived urban areas, and among women and certain BME groups. We also need to recognise the potential that exists within '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.
Strategic objective: Improving competitiveness	
Productivity performance, measured by GVA per employee in the West Midlands, is low 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 and 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	
1.5	Investing in business processes and enterprise
	Focus: Drive up productivity by boosting levels of process and product innovation, quality design, ICT adoption, supply-chain & inter-firm collaboration and entrepreneurial attitudes. These business processes need to be supported through streamlined business support services that are simple to access so they become hallmarks of the West Midlands economy.
	Rationale: The West Midlands has low business productivity performance which manifest itself in a gap with the national average in GVA per employee performance. All the region's businesses need to be ready to improve their key business proficiencies i.e.: <ul style="list-style-type: none"> • Strategy formulation and longer term planning • Development of new markets • Generating orders • Creating new and improving existing products and services • Resource efficiency

	<ul style="list-style-type: none"> • Fulfilling orders • Financing growth
1.6	Stimulating employer investment in skills and training
	Focus: Increase employer investment in training and skills development whilst raising employer awareness of the business case for workforce development.
	Rationale: A skilled workforce allows business 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 their businesses, 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 4,000 vacancies in West Midlands businesses which are directly due to skills shortages.
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 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 business' commercial needs.	
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 economy. 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 into higher skilled jobs. At the same time, we need to ensure the skills and abilities of graduates who are already in employment are effectively utilised.
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 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 its businesses and private sector R&D facilities. These are underpinned by Birmingham as a Science City. We need to better utilise these knowledge assets and those found in the content generated by 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 increasing the potential for public procurement to stimulate innovation.

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5. Place

5.1 Scope

The West Midlands is an exceptionally diverse region – with natural assets like the peak district and Shropshire hills, cultural assets like Warwick Castle and Stratford-upon-Avon, and our major urban centres of Birmingham, Coventry, North Staffordshire and the Black Country, the West Midlands is an exceptional place in which to live, work, study and play. Place however is about more than just our spatial landscape and the physical distribution of our assets. To deliver urban renaissance and rural renaissance, as encouraged within the WMRSS, we will require the combination of spatial and physical development responses, integrated with efforts that will make our businesses, and communities, sustainable for years to come.

Place does however, provide the context in which the region's businesses and residents generate economic prosperity. Understanding how economic, social and environmental factors interact in different localities is therefore fundamental to shaping policies to encourage sustainable economic development 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 - impacting on peoples' perception of the region as a whole. Creating a better place, applying high quality design and development principles, and integrating such to wider programmes of activity, can improve the quality of our environment, act on negative perceptions, while improving overall quality of life.

Although Place is about more than just the spatial elements of our activity – it does have considerable spatial implications. The spatial focus of our interventions is therefore considered in Section 8, demonstrating our alignment with the WMRSS, and defining the prioritisation of our response.

5.2 Strengths and opportunities for the region

Our central location at the heart of the country's transport network, is an intrinsic part of our offer and provides us with unrivalled connections to all parts of the UK and international markets. Our position within 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. Moving forward, we have great potential to further exploit our central location and connectivity.

Birmingham is our central economic powerhouse which boasts a concentration of economic drivers including key business sectors, Universities, and tourism assets, and, competes on an international footing acting as a gateway to the entire region. The City's Science City designation further consolidates its position as the focal point at the heart of our economic growth ambitions.

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 inwards migration. Together, this network of places constitutes a compelling offer to current and potential residents of the region looking for a strong quality of life backed up with unique heritage locations, areas of outstanding natural beauty and major cultural assets. This diversity extends beyond just our network of places but to our people too. 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 our population under 30 years of age. As a result, interest in living in and moving to the region is projected to continue to grow and significant housing growth is predicted in the Regional Spatial Strategy to meet that demand.

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 and realisation of our ambitions.

5.3 Weaknesses and threats for the region

Our 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 region's entire transport infrastructure. Many of its transport networks are already experiencing high levels of congestion; journey times are increasing and reliability is falling. This will impact on the region's competitiveness, is already affecting air quality, health and the environment, and has begun to undermine perceptions of the West Midlands as a place to live and do business. Attracting investment in our infrastructure, including that from the national scale, will only be achieved if the region can demonstrate leadership in obtaining a more efficient use of the existing networks, encouraging behavioural change, and by demonstrating the regions ability to deliver.

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, which do not offer appropriate links to transport and employment opportunities and that do not damage our environment in a unsustainable way. This will require reconciling economic growth opportunity with the resource use and carbon impact implications especially through the use and development of our transport infrastructure. 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 experience substantial and profound levels of deprivation driven by social, economic and physical problems. Our focus therefore is on tackling these issues by providing access to opportunity as well as creating the conditions for growth. The region has pockets of deep and inter-locking 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 however is not entirely straightforward. Deprivation can exist beyond the major urban areas including within our rural areas where it can often be overlooked as rural deprivation is often not as geographically concentrated as it is in urban areas.

At the same time, rural areas have been the focus of growing demands on housing which have driven up prices, created threats to affordability, placed additional pressure on the stock of land and contributed to the outward-migration of people under the age of 30. Urban areas have also experienced a significant growth in prices which, despite wider choice and greater accessibility, also presents a potential challenge to our future ambitions.

The region has significant and growing levels of brownfield and derelict land that are not obvious candidates for private investment. Forecast sectoral changes and the upheaval that this is likely to cause, suggest the volume of challenging sites will grow. Although such sites present opportunities for investment, they can also offer the opportunity to regenerate many areas and they may require focused attention to avoid the risk of such sites detracting from our ambitions. Essential therefore will be ensuring that development aims to bring our brownfield land back into use in a constructive way and that it is well designed, and contributes to meeting wider regional objectives.

Like the rest of the UK, the West Midlands needs to confront the growing challenge from climate change, rising energy costs and shifting patterns of consumption and demography which mean the existing built environment and infrastructure will need to evolve to stay in line with the needs of the future economy.

5.4 Strategic objectives and priorities

Analysis of these key issues has led to the development of the following strategic objectives and priorities:

Strategic objective: Birmingham competing as a global city	
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 to not just 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 therefore need to support the on-going development of Birmingham to ensure that it remains economically competitive as well as promoting the City, through it's regional capital role and global city ambitions and through it's desire to be 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: Encourage investment, development and promotion of Birmingham to improve its competitive standing as a global city and asset for the region as a

	whole.
	<p>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 yet often, perceptions amongst outsiders are weak, partial, and outdated. Therefore, as the leading city in the region and our one internationally recognised economic powerhouse, Birmingham plays a hugely important role in shaping perceptions of the region for 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.</p>
	<p>Strategic objective: Improving infrastructure</p>
	<p>Competitive regional economies require a comprehensive port-folio 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.</p>
2.2	<p>Improving transport and communications to increase accessibility, efficiency and competitiveness</p>
	<p>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 transport and communication 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 support the regions aim to be more efficient in it's resource use.</p>
	<p>Rationale: The West Midlands is located at the centre of the country's transport network providing transport links within the region, to other regions and to ports and airports. 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 reductions in 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 the more efficient use of the existing network to improve competitiveness while reducing the</p>

	<p>impact of what is, one of the regions largest sources of carbon emissions. The West Midlands now has comprehensive access to entry level broad band, with second generation access is being delivered where it is commercially viable to do so. Using this technological infrastructure, and other technologies that are available, can play a crucial part in reducing the constraints on the transport system and on the Region's competitiveness, if adoption and exploitation of new technologies is driven up.</p>
2.3	Sustainable management and utilisation of our land and property assets
	Focus: Ensure an appropriate supply of employment land and premises which meets the region's economic 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 and is a critical factor in helping us realise the region's future growth objectives. From the management of our natural and agricultural assets to the use, and re-use of our urban land and the property it supports, the geography of the West Midlands performs a variety of roles from commercial to residential purposes, and from agricultural production to culture and leisure, all of which support the region's economic and spatial priorities, as set out in the Regional Spatial Strategy. In order to make optimal use of its physical resources, the region needs to continually remove the barriers to the re-use of brownfield land and rejuvenation of premises, while supporting attractive communities and delivering competitive business destinations.
2.4	Supporting a secure, low carbon energy infrastructure for the region
	Focus: Encourage more efficient use of resources and maintain an environment for 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 threat of increased demand amongst people, businesses and places with the region pose us 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 amenity 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 priority must be tackled across the region's diverse pattern of urban and rural communities in a which reduces transport demands and energy use, meets people's evolving residential needs, and contributes to a high quality 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 to deliver prosperity. Our aim is not to deliver short-term benefit but to forward plan interventions to 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 (and lack of affordable) housing, limited transport links, and a lack of both 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. There are also areas where there are challenges to be addressed in integrating communities with each other and in ensuring equality of access to facilities and services. To deliver economic growth and prosperity for the benefit of all, we must regenerate and support the sustainable growth of our most deprived areas, developing links into economic and employment opportunity and ensuring the engagement of local people and communities in the process.
2.7	Maximising our cultural offer and natural assets
	Focus: Accelerate the attraction, relocation and retention of visitors, people and businesses into the region by utilising our high quality of life and strong heritage 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 getting ever 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.
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6. People

6.1 Scope

The West Midlands is home to 5.25 million people - nearly 1 million of who 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 taken forward 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 accession states have very recently added to the regions 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 underline that the region already competes in international labour markets which draw upon knowledge, expertise and management leadership.

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 being 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.

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 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.

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:

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 CO2, 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 that 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 world-class business leaders but it 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 and 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 and too many people both in and out of work do not have the higher level skills needed to raise productivity.

Strategic objective: 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.	
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 peoples’ 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 low levels of economic activity which accounts for around 20% of the region’s £10bn output gap. The region must ensure that every adult and young person in the region has basic skills for employability and opportunities to progress to higher value added jobs and skills. There will need to be a particular focus on the concentrated challenge 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 and 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 is the diversity of the people and places that comprise the region, and the range of experiences that presents. 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.

[Drafting note: Add text on the opportunities that stem from our diverse communities and global 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 Olympic 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 & Paralympic Games.

The West Midlands Regional Marketing Strategy, developed in consultation with a broad range of regional partners, exists to guide regional partners and stakeholders in their work 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 West Midlands 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, for example, 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, continuing to grow and attract investment requires regions 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.

The strength of regional diversity means 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 both 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. Having a powerful voice is as much about what we have to say as it is about 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:

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 are influencing 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 government, business 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 engage with and influence 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. Whilst recognising the need for different parts of the region to make the most of their own individual assets, successful regions also know when and how to act collectively. We need a strategy to ensure we achieve this.

8. FOCUS AND DELIVERY

8.1 Focus

This strategy is intended to deliver sustainable economic development and growth in the West Midlands. This will be done by maximising the outcomes we can achieve within the constraints of the resources we have available. It is therefore essential that we prioritise our interventions in accordance with the scale of impact that those resource allocations can achieve.

This means we will prioritise our resources in ways that most appropriately meet our objectives. Many interventions will have a region wide impact, focussed on delivering against the regions overall needs – targeting new investments, delivering infrastructure, and ensuring a sustainable balance in our land use for example, will all have an impact at the regional scale. Other interventions, especially those that are thematic (such as business support from the Business Link) 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 WMES is more spatially targeted than our previous strategies – in doing so, it ensures a greater prioritisation of our limited resources on those areas where greatest impact can be achieved.

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

This strategy will therefore target its spatial interventions on three primary areas. These are the primary locations in which our spatially targeted resources are deployed – and each is also closely aligned with meeting the objectives of the WMRSS. Our primary areas of spatial focus are:

1. The Regeneration Zones, which represent concentrations of deprivation and disadvantage within the region, contain 84% of our most deprived local areas²⁴ – these remain the areas of greatest need and market failure on which we should focus our efforts. The WMRSS, conscious of the need to boost economic growth within our urban centres, prioritises development within the Region's MUAs of Birmingham/Solihull, the Black Country and North Staffordshire, and Coventry. Although the Rural Zone responds to the dispersed needs of remote rural areas, the other Regeneration Zones aim to tackle the considerable economic market failures concentrated in those same urban settings. Together, the prioritisation of the MUAs within the WMRSS, and

²⁴ 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.

the objectives of the Regeneration Zones, aim to promote the economic restructuring and growth, as well as the physical 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 driving forward regional scale growth while supporting development and opportunity within the MUAs. In addition, the important contributions of Birmingham Science City, and the cluster of knowledge assets in North Staffordshire, re-asserts the importance of using our knowledge resource to support those areas where economic growth is most needed.
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. The WMRSS also recognises these attributes – not only is Birmingham an MUA, but it is also acknowledged as a ‘world city’ and ‘major Regional capital of European and international standing’. Supporting Birmingham, as a fulcrum of regional growth is therefore important.

Importantly however, 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 urban centres, it is also about ensuring the prosperity of all our places and the region as a whole. This strategy will also focus more limited resources on a number of secondary areas of spatial focus. Again, these are designed to complement the spatial prioritisations of the WMRSS. The secondary areas of special focus are:

- Market towns – Market towns throughout the region act as important centres within our rural economies. That supporting such is important is acknowledged both within the WMRSS, and through our own activities (including the Rural Regeneration Zone) which have been delivered over recent years. The focus on market towns has proven a successful way of developing a variety of strongly performing centres for employment, investment and services in the region’s rural areas - sustaining and adding value to these positive benefits 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 there is an ever more complicated relationship between a range of factors impacting on the overall economy and contributing to an areas sustainable economic growth or economic decline. In the physical sense, issues such as housing, the quality and supply of business space, and quality of infrastructure can be key, but there are often issues of skills needs, enterprise deficits and a reduction of an areas overall attractiveness, which can result in the need for a public sector response. 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 (eg. as witnessed in those areas that suffered as a consequence of the collapse of coalmining)

- Where a 'economic shock', such as loss of a major local employer, results in the need for a pro-active 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
- Areas where localised market failure and a lack of access to economic opportunity results in local concentrations of disadvantage and deprivation.

The identification of secondary areas of spatial focus is therefore designed to allow the Region the flexibility to respond, as and when required, to the exceptional challenges and opportunities that the Region may face²⁵. These locations may not need significant support and our response will be proportional to the impact required. Overall our allocations of resource will continue to be concentrated in those areas of greatest need - in line with our primary areas of spatial focus.

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 facing the region. 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 and setting strategy at a more local level. These partnerships also provide an important link between thinking at regional and local levels. They play an important role in identifying the relevant objectives and priorities contained within 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 to improve co-

²⁵ 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.

ordination of - and engagement in - economic development and regeneration activity between regional, sub-regional and local levels.

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 and 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
- Wales – Tourism links and complementary rural regeneration policies; the Central Wales – West Midlands Memorandum of Understanding.

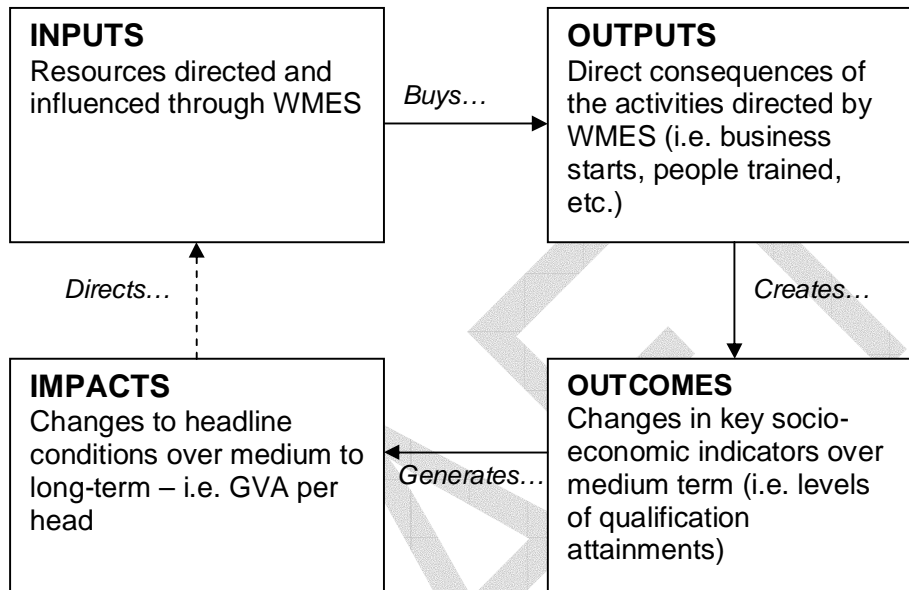
International partnerships

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.

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.

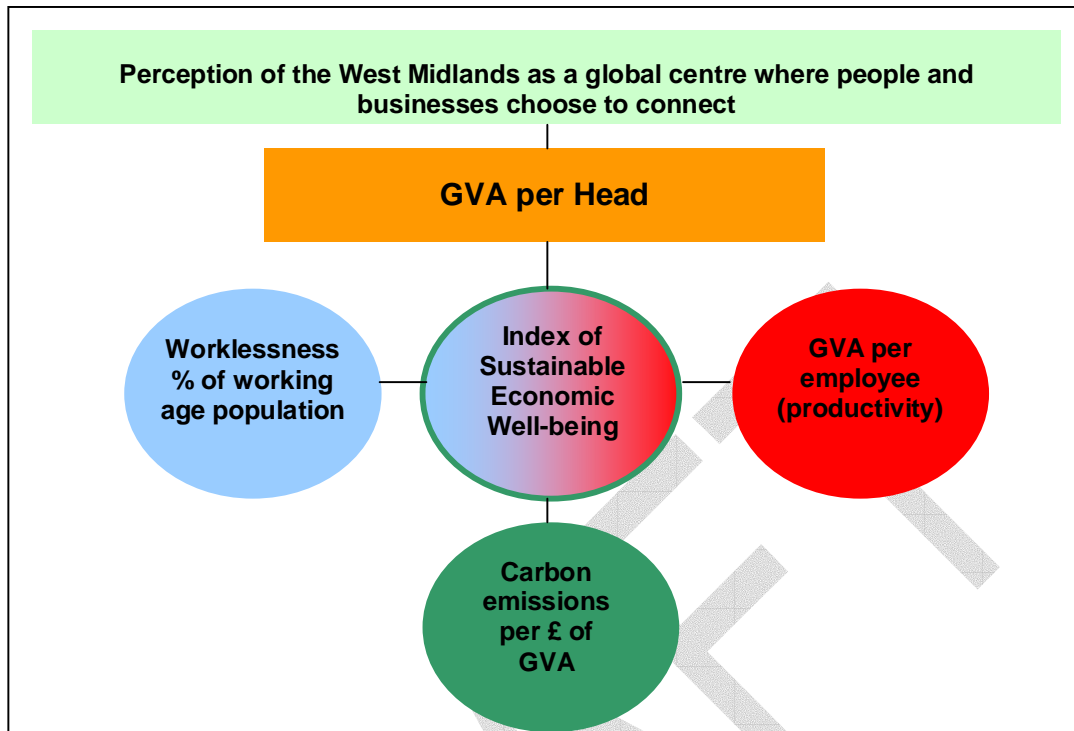


9.2 Impact and outcome measures

As set out in Section 1, underpinning the Vision we propose one headline impact indicator (GVA per head), supported by five supplementary indicators that we will use to monitor progress toward achieving our vision.

(Note: Graphic to be updated as per section 1)

Headline impact measures



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, is 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 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 these 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.

The following table provides the current baseline data for the headline impact and outcome indicators for the West Midlands and the UK/England. The trend in the region's performance relative to the UK/England is also shown²⁶.

(Note: The following table, list of indicators, data and footnotes are still at the working draft stage and may need further work.)

²⁶ Further information about these indicators, together with a more detailed analysis of the current baseline position, is available in a supporting document available on the WMES review web pages at: <http://www.advantagewm.co.uk/wmesreview/wmesreview.html>.

Baseline position and trend against headline and outcome indicators

Indicator	West Midlands baseline	England baseline	Trend compared to England ²⁷	Date
Headline				
Gross Value Added per head	£15,812	£18,097	Worsening	2005
Index of Sustainable Economic Well-being	£10,207	£10,682	Worsening	2005
Worklessness ²⁸	16.0%	14.2%	Worsening	Jan-Mar 2007
GVA per employee	£35,701	£39,816	Stable	2005
CO2 emissions per £10,000 GVA ²⁹	5.57	5.02	n/a	2004
Perceptions indicator	n/a	n/a	n/a	
Business				
Percentage of regional GVA generated by foreign-owned companies	18.7%	19.9%	Worsening	2004

²⁷ 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.

²⁸ This is based on the DWP Working Age Client Group dataset. This is probably a better method of calculating worklessness, particularly as it is available for a wide range of geographies. It will be necessary to use this source for the indicator in the Place section relating to worklessness for this reason.

²⁹ This uses the new DEFRA methodology for calculating emissions, where electricity emissions are allocated to the location where the electricity is used, not where it is generated. Since the region is a net importer of electricity, this means the regional figure is higher than it was on the previous basis, where electricity emissions were allocated to the generating location (whilst there is little change in the national figure). 2004 is the first year for which data is available on this basis

Indicator	West Midlands baseline	England baseline	Trend compared to England ²⁷	Date
Exports of goods as % of GVA	20.1%	18.2%	Improving	2006
New VAT registrations per 10,000 of population	34.0	38.2	Stable	2005
3-year survival rates for new VAT registered enterprises	70.6%	71.2%	Stable	2002 ³⁰
Total industry and commercial energy consumption (GWh) per £billion GVA	668	651	Worsening	2004
Percentage of businesses which are "innovation active"	55%	57%	n/a	2002-04
Business expenditure on R&D as % of GVA	0.87%	1.37%	Improving	2005
Total Entrepreneurial Activity	5.3%	5.6%*	Worsening	2006
Percentage of staff trained by their employer over the last 12 months	56%	61%	Worsening	2005
Percentage of people employed in knowledge based occupations in the private sector who have qualifications at level 4 or above	34%	40%	n/a ³¹	2005
Percentage of turnover attributable to innovation	36%	41%	n/a	2002-04

³⁰ This refers to businesses registered in 2002 and surviving until 2005

³¹ This is a new measure developed by WMRO Skills Team. It has not yet been backdated to allow trends to be calculated and we have not yet produced data for other regions. We will do both in time for the full report.

Indicator	West Midlands baseline	England baseline	Trend compared to England ²⁷	Date
Total HEI income (£million) from business and community interactions ³²	166.8	201.1 ^{33*}	Worsening	2005-06
Place				
Visitors from outside the UK staying overnight in the former West Midlands county (thousands)	1,007 ³⁴	25,323	Improving	2005
Average vehicle delay for the slowest 10% of journeys on the strategic road network (minutes per 10 vehicle miles)	4.00 ³⁵	4.11	Improving	May 06-Apr 07
Percentage of all trips made by public transport	8.2%	9.9%	Worsening	2004-05
Percentage of land used for developments which was previously developed	67%	62%	Stable	2001-04
Carbon dioxide emissions ³⁶				
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	0.44	0.57*	Improving	2006

³² This covers a wide variety of income streams. We may need to revisit this to consider whether it is appropriate to include them all.

³³ Since this is based on HEIs in each region, regional figures will be highly influenced by the number of HE institutions located there.

³⁴ Since this is a figure for the West Midlands county (not the region), there is no regional comparison possible.

³⁵ The method of calculation for the regional version of this indicator does not allow for regional comparisons, as some routes would be double-counted.

³⁶ Further work is required to determine the most appropriate method to adopt for monitoring regional emissions of carbon dioxide.

Indicator	West Midlands baseline	England baseline	Trend compared to England ²⁷	Date
Regional variation in Housing Affordability Index	6.76	6.62*	Worsening	2006
Proportion of super output areas in 10% most deprived nationally on the economic deprivation index	13.6% ³⁷	10%	n/a	2004
Percentage of workless population of working age living in the most deprived 20% of super output areas	47.4%	40.1%	Stable	February 2007
Percentage of adults engaging in more than one cultural sector during the year	81%	84%	n/a	2005-06
Amount spent (£million) by visitors to the region for holiday/leisure purposes	807	1,710*	Improving	2005
People				
Percentage of people usually working from home or travelling to work using sustainable means of transport	23.9%	31.3%	Stable	Oct-Dec 2006
Percentage of household waste which is recycled or composted	25.1%	26.7%	Improving	2005-06
Percentage of people who are already, or have thought about becoming, self-employed/business owners	25%	25%	Stable	2005
Percentage of working age population qualified to NVQ level 2 or higher	61%	64%	Stable	Apr-Jun 2007

³⁷ This is the figure for the 2004 Index of Multiple Deprivation – the new economic deprivation index is not yet available

Indicator	West Midlands baseline	England baseline	Trend compared to England ²⁷	Date
Percentage of 16- and 17-year olds participating in education or work-based learning	81%	81%	Stable	2005
Percentage of jobs subject to either a skills gap or a skills shortage vacancy	5.7%	6.4%	Improving	2005
Regional Skills Performance Index	51	55	Improving	2005
Difference between working age employment rate for white and non-white ethnic groups	20.5%	16.5	Stable	2006
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%	Improving	2006

* This is the average of the regional figures (not the national average) – either because the national average is not available or because it is not comparable

Key to colour coding:

Colour	Comparison with UK/England baseline	Trend compared to UK/England
	Bottom third of English regions	Worsening
	Middle third of English regions	Stable
	Top third of English regions	Improving
	Not applicable/available	Not applicable/available

Appendices

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Appendix I

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 pulls together 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.

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	West Midlands Regional Assembly	Regional Planning Guidance for the West Midlands (RPG11) published in 2004. Currently undergoing a partial revision.
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 November 2004
Regional Transport Delivery Plan	Regional Transport Partnership (WMRA)	Published Spring 2007
Regional Cultural Strategy 2001 - 2006	West Midlands Life	Published January 2001 (review to commence 2007)
Regional Marketing Strategy	Advantage West Midlands	Published December 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 European Structural Funds (ESF) Framework 2007-2010	Regional Skills Partnership	Published 2007
Regional Innovation Strategy	Innovation and Technology Council	Second Phase published 2004
Regional ICT Strategy (Digital West Midlands)	ICT Steering Group	Published 2006

West Midlands Visitor Economy Strategy	Tourism West Midlands	Published 2004
Regional Water Strategy	Environment Agency	Published 2005
Strategy for Sustainable Food and Farming (SSFF) and West Midlands Food & Drink Delivery Plan	SSFF Coordination Group (GOWM)	Updated November 2006.
Regional Biodiversity Strategy	West Midlands Biodiversity Partnership	Published 2005
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
Regional Freight Strategy	West Midlands Regional Assembly	Published 2007
Regional Health & Well-being Strategy	West Midlands Regional Assembly	Consultation ends July 2007 – for publication 2007.
Regional International Trade Strategic Plan	UKTI / Advantage West Midlands	Published 2005 – currently being refreshed.
Regional Language Strategy	Advantage West Midlands	Published 2003
Rural Renaissance Framework and the Regional Rural Delivery Framework	Rural Affairs Forum	Published 2005 and 2006 respectively
Regional Plan for Sport	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 ERDF Regional Competitiveness and Employment Programme 2007-2013	Advantage West Midlands	Final Draft (Commission Approval expected November 2007)
English ESF Programme 2007-2013	Department for Work and Pensions	Published 2007
Science City Prospectus	Birmingham Science City Partnership Board	2006

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Appendix II

Glossary

(Note: To be updated ...)

Term:	Definition:
BME	Black and Minority Ethnic groups
Economic activity rate	The proportion of the working age population (16-60/64) that are either employed, self-employed, or actively seeking work (unemployed)
Economic inactivity rate	The proportion 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 who on Incapacity Benefit or Severe Disablement Allowance
Employment rate	The proportion of the working age population (16-60/64) who are in employment or who are self-employed.
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
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 pollution environmental damage) to provide a broader measure of progress. This adjusted measure can then be compared to the UK performance using per capita figures
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 be 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 Midlands Economy and what the performance could be if the region operated at UK average levels.
RES	Regional Economic Strategy
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.
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
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)
WMRA	West Midlands Regional Assembly
Worklessness	Those who are unemployed or claiming incapacity benefit or severe disablement allowance.