

Institution: University of Birmingham		
Unit of Assessment: UoA 17, Business and Management Studies		
Title of case study: Industrial Strategy in the West Midlands and beyond: Changing policy and practice towards growth in professional and business services		
Period when the underpinning research was undertaken: 2007-2018		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s):	Role(s) (e.g. job title):	Period(s) employed by submitting HEI:
Chloe Billing	Research Fellow	2016-present
George Bramley	Senior Policy and Data Analyst	2017-present
John Bryson	Professor	1994-present
Simon Collinson	Professor	2012-present
Anne Green	Professor	2017-present
Raquel Ortega Argiles	Professor	2016-present
Rebecca Riley	Business Development Director	2015-present
Abigail Taylor	Research Fellow	2018-present
Period when the claimed impact occurred: 2017-2020		
Is this case study continued from a case study submitted in 2014? No		
<p>1. Summary of the impact</p> <p>The UK Industrial Strategy and Local Industrial Strategies (LIS) are crucial vehicles to boost productivity, earnings and inclusive economic growth across the UK. City-REDI has shaped the formulation and framing of the West Midlands Local Industrial Strategy and related investment policies, on regional innovation, skills, 5G and transport. It has also shaped national policy for economic growth through recommendations underpinning national sector support and the Recovery Advice for Business Scheme, providing advice for small firms (announced by the Treasury in the March 2020 Budget). City-REDI's recommendations have ensured that for the first time the professional and business services (PBS) sector has become a sectoral priority and a future market opportunity for regional economic growth. As a result, use of City-REDI's evidence and recommendations have also led to £2bn of new investment in the region due to demonstrating the importance of the sector, its growth capacity and the need for better infrastructure to accelerate growth.</p>		
<p>2. Underpinning research</p> <p>Improving productivity is a key challenge in the UK. In 2017/18, Gross Value Added (GVA) per head in the West Midlands was £3,545 lower than the UK average. The UK Industrial Strategy aims to boost productivity and earnings throughout the UK, while Local Industrial Strategies (LIS) promote local economic policy to achieve inclusive economic growth at sub-national level.</p> <p>Traditionally, studies of regional economic development in the Global North have focused on manufacturing, but recently foci have broadened. John Bryson's academic studies, as part of an international network, highlighted the overlooked but important role of service industries in regional economies (including the West Midlands) (R1), driving innovation and growth in other sectors (R2, R3). Raquel Ortega Argiles and colleagues advocate a smart specialisation place-sensitive approach to economic development based on analyses of the strengths and potential of an economy (R4). Building on these foundations, City-REDI (City-Region Economic Development Institute), a multi-disciplinary research institute concerned with advancing academic understanding of city-regions and changing regional and national economic growth policies, has undertaken 2 mixed methods policy-oriented research studies on the PBS sector in the West Midlands (R5, R6), involving analyses of conventional economic indicators using secondary data</p>		

sources and in-depth interviews with over 50 businesses, supplemented by focus groups and stakeholder discussions.

The potential of the PBS sector in the West Midlands to support productivity growth is huge, with GVA forecast to double between 2015 and 2030, while employment is expected to grow by 31%. The sector employed around 400,000 people in 2019, contributing 27% of the region's economy that is worth £105bn of GVA according to the 2020 State of the Region report (S8 p.76).

Key Findings

1. *Growth in the PBS sector links to wider growth in the economy and when the sector is absent other sectors suffer.* The PBS sector has a symbiotic relationship with the health and growth of the UK economy. It is a macro asset that plays a key role in helping regional economies to thrive, from supporting business planning, financial management and exporting to technology development, recruitment and marketing (R1, R3, R5, R6).
2. *The regional economic contribution of the sector is significant and the sector in the West Midlands has the potential to become a more important national and global player.* The PBS sector is a key contributor to West Midlands Gross Value Added (GVA) and employment. The sector employs just over 400,000 people and contributes over £28bn of GVA to the West Midlands economy. The West Midlands offers a full range of PBS services and this means it is the largest cluster outside London and is able to compete on a global stage (R5, R6).
3. *The sector is an important source of high and medium incomes with strong potential for local people to access these jobs.* The occupational structure of PBS sector in the West Midlands is biased towards professional and technical occupations, not 'back office' functions (R5, R6).
4. *The positive aspects of the sector need to be promoted.* To fill future skills requirements and foster innovation there is a pressing need to diversify the workforce and to promote the sector as a good career path with jobs that add value to the economy, people and places (R5, R6).
5. *Government and the PBS sector need to work together to raise and to satisfy sectoral demand.* There is a crucial role for government and the PBS sector to collaborate on raising demand for PBS services. Raising demand would reduce the need for government intervention in supplying business support to address market failure where businesses fail to fully appreciate how they would benefit from PBS services (R6).
6. *Policy needs to be sensitive to local circumstances.* Locally sensitive policy interventions, based on development of a differentiated understanding of the sector locally are needed (R6, R1, R4). Future growth requires investment in the public infrastructure which services this sector, such as transport, housing, digital and skills/education.

3. References to the research

R1. Taylor, M., and Bryson, J. R. (2012) 'West Midlands (UK) regional planning (1999–2012), functioning economic geography and the E³I belt: coping with uncomfortable truths', in Stimson, R. and Haynes, K. E. (eds) *Studies in Applied Geography and Spatial Analysis: Addressing Real World Issues*, Edward Elgar, Cheltenham, 196–216.

R2. Bryson, J. R., and Daniels, P. W. (2007) 'A Segmentation Approach to Understanding Business and Professional Services in City-Regions: Shifting the Horizon beyond Global Cities', in Rubalcaba, L., and Kok, H. (eds) *Business services in European Economic Growth*, Palgrave MacMillan, 251–262.

R3. Love, J., Roper, S., and Bryson, J. R. (2011) 'Openness, Knowledge, Innovation and Growth in UK Business Services', *Research Policy* 40 (10): 1438–1452. DOI: 10.1016/j.respol.2011.05.016

R4. Prenzel, P., Ortega-Argilés, R., Cozza, R., and Piva, M. (2018) 'Interplay between regional and industrial aspects in the R&D-productivity link: Evidence from Europe', *Regional Studies*, 52 (5): 659–672. DOI: 10.1080/00343404.2017.1329586

R5. Riley, R., Green, A., and BPS Birmingham (2018) [*An investigation into the foundations of productivity for business, professional and financial services in West Midlands Combined Authority.*](#)

R6. Riley, R., Billing, C., Bramley, G., Green, A., Hoole, C., and Taylor, A. (2020) 'Professional & Business Services Sector: Creating Further Demand and Growth Outside London', *BEIS Research Paper 2020/006*. Available on [UK Government website](#).

Research Funding: City-REDI's expertise in sector-focused region-based studies pertinent to debates on productivity is recognised in an ESRC grant (ES/S002278/1) of £998,000 (divided 50% University of Birmingham, 50% University of Warwick, 1.1.2019–31.12.21) for the project *From Productivity to Prosperity: Inclusive Growth for the West Midlands*. City-REDI was awarded a four-year (2019–2023) £11.8m funding package for WMREDI (West Midlands Regional Economic Development Institute) from Research England in partnership with the WMCA, LEPs and the WMGC (Research England award: Project ID 724390 – West Midlands Regional Economic Development Institute (WMREDI)).

4. Details of the impact

City-REDI has impacted **local and national policy for economic growth**. Specifically, we **shaped the West Midlands Local Industrial Strategy (S1)**, providing evidence to make the Professional and Business Services (PBS) sector core to economic development and to attract over £2bn of new funding into the region. We have also directly and materially contributed to and provided evidence for **the national sector support and the Recovery Advice for Business Scheme**.

1. Shaped the content and implementation of the West Midlands Local Industrial Strategy (LIS) and put PBS at its centre

We have **shaped the West Midlands Local Industrial Strategy (LIS), the first LIS to be published in the UK, making the PBS sector a central focus for economic development in the region (S1, S2, S3; R5, R6)**. This is a key change in economic planning for the region, as the previous West Midlands Combined Authority Strategic Economic Plan (2016) prioritised manufacturing. According to the West Midlands LIS director (2017–2019) "City-REDI's research study was instrumental in repositioning the traditional view of the region, by outlining that growth in the West Midlands was not just driven by the manufacturing sector. Indeed, the work shaped the concept of the 'Modern Services' market opportunity building the region's reputation as a high-value business and professional services location benefiting from a highly diverse and highly skilled local workforce, through investments in the construction sector, the business environment, infrastructure and skills. This has led to new investment priorities in the region." (S3). This focus for the region is already proving successful with the West Midlands now marketed for firms and workers as a destination of choice across the full spectrum of PBS activities. This new and positive emphasis on the region as a high-value business and professional services location is also reflected in the West Midlands Investment Prospectus (S4). In addition, the West Midlands Growth Company (WMGC), the group responsible for attracting investment, jobs and visitors to the area, and supporting the delivery of the LIS, notes that as a consequence of City-REDI's engagement and the resulting changes: **"The contribution of the Business, Professional and Financial Services sector to the region is accelerating**. The sector contributes 30% by value and 25% by jobs of inward investment projects to the region handled by the West Midlands Growth Company" in 2019 (S5; R5, R1).

WMGC's new regional brand proposition and investment prospectus also **highlights the importance of the PBS sector** based on City-REDI's work and emphasises that high-value jobs are worth £10bn to the region (R5, R6; S4), again showing the **change to West Midlands' strategy**. The Senior Manager and Sector Lead at WMGC confirms City-REDI's contribution to this, stating that City-REDI's work "enabled us to materially change and substantiate the proposition we are able [to present] to potential sectoral investors to the West Midlands. [And has] Shift[ed] the focus of our inward investment activity to concentrate on high quality jobs in the sector [...] This is reflected in our Investment Prospectus where we promote the region as a destination of choice with a full services offer" and "generated a harmonised regional narrative", making it "easier for us to shape messages targeted at potential inward investors" (S5).

We have directly enabled the West Midlands to be positioned in the LIS as **a region at the forefront of the national transition to new technologies, products and services in the PBS sector**, able to improve productivity and economic inclusivity (S1, S2, S3, S6, S7; R1, R5, R6). The West Midlands Combined Authority (WMCA) now prioritises policies based on physical/digital connectivity, place attractiveness, innovation and skills development to provide for/mitigate risks to the PBS sector in the region. The former Director of WMCA Industrial Strategy confirms City-REDI's role, City-REDI "enabl[ed] business leaders such as the Mayor and the LEP to understand the needs of the sector and to champion the sector and the West Midlands with central government and inward investors", supporting "the WMCA to make an evidence-based case with central government departments regarding the significance of the sector and to influence policy development with the national sector team" (S3). City-REDI's "work shaped the WMCA Regional Skills Plan, setting out ambitions to move more people into employment in higher-skilled jobs in order to support business growth and prosperity that more communities can benefit from" and their "work was also used to establish the Digital Skills Partnership, identifying the digital skills provision to attract and retain investment and talent in the region" (S3; S8a, S8b).

The Greater Birmingham and Solihull Local Enterprise Partnership (LEP), who have a central role in deciding local economic priorities and undertaking activities to drive economic growth and create local jobs, confirm that City-REDI's "evidence bases have been pivotal in **shaping our policy work and intervention design**" (S2). They confirm that it was City-REDI who showed the "importance of innovation and links with the technology sector" such that "this is **now one of the highest priority areas of intervention** [...] for the 2030 Modern Services (PBS) new market opportunity" (S2). That our work is effective is further shown by the LEP's recent commission to City-REDI to "provide greater understanding of the 'prof-tech' asset base" in order to "support innovation led growth" and "increased resilience to technology-led disruption" (S2). This work is being implemented and a Prof-tech cluster was launched in December 2020. In addition, there is also "a pilot directly tied to exploring a new Innovation District for Modern Services, developed in collaboration from the City-REDI research and being tested with industry [...] we understand that this would be the first city-centre, services oriented Innovation District globally" (S2).

2. City-REDI's evidence base has enabled the West Midlands region to secure 2.116bn of extra funding to support the development of the Professional and Business Services Sector

Funding which has been secured using our work as evidence includes (R5, R6):

- £2bn Midlands Rail Hub investment to attract the necessary skilled workers utilising City-REDI's evidence around connectivity and skills, and the growing city centre sector hub (S3).
- £65m funding secured for the regional Skills Deal based on the Regional Skills Plan (including Cyber Skills Immediate Impact Fund and public private levy for apprenticeships) (S3).
- £50m awarded for the digital infrastructure (£25m from WMCA matched by a further £25m from central government), utilising evidence provided by City-REDI for the 5G testbed business case presented to central government (S3).
- £1m West Midlands Innovation Fund redesigned based on City-REDI evidence on the importance of business innovation (S3).

3. Shaped national policy with regard to the Professional Business Services Sector

City-REDI has **shaped national PBS support strategies for Small and Medium Sized Enterprises (SMEs), especially during the Covid 19 crisis**, specifically through the role out of Recovery Advice for Business Scheme, estimated to be worth £12m (S6; R6). The Recovery Advice for Business Scheme (hosted by Enterprise Nation with support from Department for Business, Energy and Industrial Strategy (BEIS) and the Professional and Business Services), launched in July 2020, provides SMEs access to free, one-to-one advice with an expert adviser to help them through the coronavirus pandemic and to prepare for long-term recovery. The Head of

Policy at BEIS states “[City-REDI] research also contributed to the PBSC’s action plan for the BEIS Productivity Review November 2019 to increase SMEs use of professional business support services and make it easier for SMEs to find good quality support.” (S6)

City-REDI also **shaped priority areas in the national Professional and Business Services Sector Deal** (sector deals are a partnership between the Government and industry on sector-specific issues and can create significant opportunities to boost productivity, employment, innovation and skills) and plans for its implementation (S6). According to the Head of Policy at the BEIS: “research undertaken by City-REDI has helped to shape the ‘Place’ element of the proposed Sector Deal and plans for its implementation, both in the short-term and over the next five years” (S6). BEIS acknowledges explicitly the importance of place-sensitive policy, noting that City-REDI’s work “has improved appreciation of policy makers of the need to recognise the different roles that the sector plays locally and consequently how any initiatives to improve productivity should be tailored to those local conditions. This will become increasingly important post-Covid” (S6). This change was based upon City-REDI’s recommendations (presented through the Professional Business Services Council (PBSC)) that: policy needs to be sensitive to local circumstances in addressing barriers to growth (R6, R4); and Government and the PBS sector need to work together to raise demand across the economy for PBS services, as the PBS sector is crucial to regional and local economic development (R6). The proposed Sector Deal was due to be launched in late March 2020 but the Covid-19 pandemic meant that the launch was postponed. However, as outlined above, recommendations from the research have been embedded into Covid-19 response activities. Looking ahead, the findings of the research are likely to inform place-based interventions to boost growth and productivity. For example, in December 2020, City-REDI was commissioned to examine the ‘Future Business District’ by Colmore Business Improvement District (BID) and partners in the light of the Covid-19 crisis and other future megatrends relating to the economy and society; the Colmore BID covers the area in central Birmingham which is the main location for business and professional services organisations in the city.

5. Sources to corroborate the impact

- S1.** HM Government West Midlands [Local Industrial Strategy](#) (2019), esp. pp. 31-34 [Available as PDF]
- S2.** Testimonial - West Midlands Local Industrial Strategy Lead for Business, Professional & Financial Services Sector and Modern Services, Greater Birmingham and Solihull LEP (6th November 2020) [Available as PDF]
- S3.** Testimonial - former Director of Industrial Strategy (2017–2019), WMCA (5th November 2020). [Available as PDF]
- S4.** [West Midlands Investment Prospectus](#) (2018), esp. pp. 9–11, 20 and 23 [Available as PDF]
- S5.** Testimonial - Senior Manager and Business, Professional and Financial Services Lead, West Midlands Growth Company (WMGC) (25th February 2020) [Available as PDF]
- S6.** Testimonial - Head of Professional & Business Services Domestic Policy, Department for Business, Energy and Industrial Strategy (BEIS) (9th July 2020) [Available as PDF]
- S7.** West Midlands Regional Economic Development Institute Partnership (WMREDI) (2020) [State of the Region 2020](#), City-REDI research embedded throughout, for specifically the PBS sector see pp.89-91.
- S8.** Evidence of influence on WMCA’s Regional Skills Plan:
 - a. West Midlands Combined Authority [Regional Skills Plan](#) (2018), esp. p.4 [Available as PDF]
 - b. [Skills Plan launch press release](#) (25th June 2018) [Available as PDF]