West Midlands Regional Observatory

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The West Midlands' Knowledge Economy

A State of the Region Thematic Report

7 August 2009

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European Regional Development Fund
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Investing in jobs and skills

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Key drivers of the knowledge economy

Knowledge intensive industries include high and medium technology manufacturing as well as knowledge intensive services which include ICT, business & professional services, cultural services, education and healthcare. These industries rely on innovation and knowledge to gain competitive advantage.

Knowledge intensive organisations and knowledge workers have been attracted to places with:

- The right mix of skilled workers – knowledge intensive industries require graduates and others with higher level skills but also people with intermediate and technical level skills.
- A range of key 'knowledge assets' such as universities, healthcare institutions and research and science parks. The public sector can act as a key driver of economic growth with research facilities attracting spin-off businesses in areas such as bio science, pharmaceuticals and medical and environmental technologies, creating high value employment and increasing innovation and enterprise.
- Local place based assets such as an attractive environment and good quality of life. Places with access to high quality retail, leisure and cultural facilities, housing and public services are more likely to attract and retain knowledge intensive businesses and workers.

This report reviews what emerged from the discussions in the State of the Region dialogue on the knowledge economy concerning:

- The key issues and challenges that need to be addressed to strengthen the knowledge economy in the West Midlands
- Policy implications and priorities for action

Attracting high value added international businesses

The region has a relatively poor record in attracting high value added international businesses. To address this there is a need to:

- Focus activity on 'niche clusters' where the region has strengths
- Target appropriate foreign companies via a coordinated programme of activity in key overseas markets

Stimulating the demand for higher level skills

There is a relatively low demand for knowledge workers from the region's private sector organisations, which is resulting in significant numbers of graduates and other 'knowledge workers' leaving the region to secure employment in better paid, higher skilled and higher value added sectors of the economy.

There is a widespread recognition among businesses, however, that graduate and other higher level skills will be critical to their future business success. There is often a perception, however, that graduates are deficient in the skills required and few firms provide specific training and development to address these issues. To more effectively exploit 'latent' demand for higher level skills there is a need for AWM, the West Midlands Higher Education Association and individual universities to:

- Increase the availability of work placements that help graduates to acquire the skills they need to access employment
- Improve access to the research and training expertise of the region's universities
- Improve the effectiveness of careers information, advice and guidance

Strengthening the region's 'offer to knowledge intensive businesses and knowledge workers

At the same time graduates' perceptions of the West Midlands as a place to live and work are highly polarised. While graduates who have elected to remain here after completing their studies tend to hold very positive views, those that have left to work elsewhere, are much more negative about the region. It may be, however, that these perceptions are becoming increasingly outdated as initiatives to regenerate the region begin to have an impact. To strengthen the region's 'offer' to knowledge intensive businesses and knowledge workers action by AWM, Marketing Birmingham and others charged with marketing and promoting the region is required in two areas:

- Enhancing 'hard' and 'soft' factors that are likely to make the region a more attractive place to live and work
- Countering negative, often outdated perceptions of the region and placing as much emphasis on attracting skilled people to the region as on attracting businesses

Widening participation in higher education

Many of the region's key urban centres are characterised by low levels of 'human capital' in terms of the supply of highly skilled 'knowledge workers' and will struggle to attract knowledge intensive businesses and jobs. Within these areas skills attainment is particularly low among older people and certain ethnic minority communities and the gap between better and poorer performing areas of the region is widening year on year.

To address these issues it will be important to widen participation in higher education, particularly within these disadvantaged groups. While the situation is improving year on year rates of both applications to higher education and acceptances by universities are still much lower than for the population as a whole.

Increasing the uptake of leadership and management development by businesses

Gaps and deficiencies in the skills of many of the region's managers and leaders and limited investment in training and development inhibit their ability to effectively harness and deploy the skills and technologies available to them. To increase the uptake of leadership and management development by the region's businesses it will be important for both commissioners (for example AWM and the LSC) and providers (for example universities, FE colleges and private training providers) to:

- Adopt a more entrepreneurial approach with the development of more flexible training provision and a focus on outcomes such as improved business performance
- Make the case to businesses for investment in training followed up with more effective business engagement

Tracking progress and impact

It will be important to both track progress with each of these activities and to assess their collective impact on the development of the region's knowledge economy in terms of, for example:

- Numbers of international businesses attracted to the region, the jobs they support, their productivity in terms of GVA per employee and the exports they generate
- Recruitment of higher skilled 'knowledge workers' by the region's businesses, particularly in knowledge intensive private sector industries where demand has been relatively weak
- Retention of graduates from the region's universities within the West Midlands economy, notably those in subjects such as mathematics & computer science, business & administrative studies, law, biological sciences, physical sciences and architecture & planning who are most likely to leave in search of employment

- Attainment of higher level skills across the region, especially in urban centres where attainment rates are low and falling further and further behind
- Business investment in leadership and management development and reductions in skill gaps and deficiencies

Introduction

Since 2004, the Observatory has been publishing annual State of the Region reports to inform strategic thinking and policy development in the region. Whilst we will continue to publish the annual reports, we have restructured the State of the Region process so that it will bring the reports closer to the needs of policy makers across the region.

Evidence-based policy can only become a reality if those producing the evidence and those making the policy work together. There needs to be an ongoing dialogue between the two groups rather than just occasional contact. The new State of the Region process provides exactly that. It consists of a series of thematic dialogues. Each starts with a workshop bringing together the key policy and decision makers with the researchers and analysts who supply evidence. The workshops receive "think-pieces" from experts in the field drawn from across the country to provide a fresh perspective and stimulate debate. Following the workshop, a work programme is produced to develop the regional evidence base and link it to policy developments, involving colleagues from across the region, and beyond it, throughout the process.

One of the outputs of each dialogue is a thematic report, in some cases more than one. These set out the key evidence and how it links to policy. This report is one of these State of the Region Thematic Reports.

Background

This thematic report has been produced as a result of a State of the Region dialogue focusing on the key issues and challenges that need to be addressed in the development of a ‘knowledge economy’ in the West Midlands, with growth driven by high technology, knowledge based businesses that develop high quality, internationally competitive products and services. Activity so far has included:

- An initial seminar, held in September 2008, to provide key stakeholders, policy makers and academics from around the region with an initial review of research in this area and the key issues that need to be addressed. This helped to inform the direction that the dialogue has taken, ensuring that it produces evidence of real value to policy makers[1]
- A workshop at the Observatory’s annual conference in October 2008 where a series of expert speakers presented further research findings and highlighted some of the work that is already being done to address the issues

This report highlights key messages the seminar and workshops relating to:

- The key drivers of the knowledge economy nationally
- The key issues and challenges that need to be addressed to strengthen the knowledge economy in the West Midlands
- Policy implications and priorities for action

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[1] For details of speakers at both events see Appendix 1

Key drivers of the knowledge economy

Key drivers of the knowledge economy

Knowledge intensive industries include high and medium technology manufacturing as well as knowledge intensive services which include ICT, business & professional services, cultural services, education and healthcare. These industries rely on innovation and knowledge to gain competitive advantage and they have benefitted from a tripling of expenditure by UK businesses on 'intangibles' such as research and development, software, marketing and design over the last 30 years[1].

Between 1995 and 2005 employment in these activities has risen sharply – every job in other parts of the UK economy has been matched by 12 created in knowledge intensive industries. The UK is now the world leader in trade in knowledge based services in terms of its share of GDP.

Locations that have successfully attracted and supported the growth of knowledge intensive industries have boomed. Key examples include:

- London, Aldershot, Crawley, Luton, Milton Keynes, Peterborough, Reading, Swindon, and Warrington which have particularly strong and productive private sector knowledge economies
- Bristol, Derby, Ipswich, Leeds, Manchester, Northampton, Southampton which have growing private sector knowledge economies that are driving significant improvements in economic performance
- Oxford, Cambridge, Gloucester, Leicester, York which have strong and productive public sector knowledge economies

In particular knowledge intensive organisations and knowledge workers have been attracted to places with:

- The right mix of skilled workers – knowledge intensive industries require graduates and others with higher level skills but also people with intermediate and technical level skills. Places with a limited supply of people with these skills will struggle to attract knowledge intensive businesses and jobs. In many cases there will be a need for up-skilling and raising of attainment, especially in areas and communities characterised by economic, social and skills related deprivation.
- A range of key 'knowledge assets' such as universities, healthcare institutions and research and science parks. The public sector can act as a key driver of economic growth with research facilities attracting spin-off businesses in areas such as bio science, pharmaceuticals and medical and environmental technologies, creating high value employment and increasing innovation and enterprise.

Local place based assets such as an attractive environment and good quality of life. Places with access to high quality retail, leisure and cultural facilities, housing and public services are more likely to attract and retain knowledge intensive businesses and workers.

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[1] Source: The Work Foundation, Ideopolis II Final Report, July 2008 http://www.theworkfoundation.com/research/publications/publicationdetail.aspx?oItemId=188&parentPageID=102&PubType

Developing the region's knowledge economy - key issues and policy implications

Attracting more high value added international businesses to the region

Key issues and challenges

In recent years some 2,300 international businesses have been attracted to the region, directly employing 430,000 people and accounting for 18% of regional GVA. However in relative terms the West Midlands has been less successful than many other regions in attracting these businesses and particularly those focusing on higher value added products, services and markets.

While average productivity (in terms of GVA per employee) for international businesses is 33% higher than that of indigenous West Midlands companies this lags behind all other English regions, Scotland and Wales. The West Midlands also lags behind all other regions in terms of GVA generated by exports per employee[1].

Policy implications

Attracting more knowledge intensive businesses that supply high value added products and services to international markets is critical to the development of a strong and productive knowledge economy in the region. AWM's International Business Action Plan identifies a series of key actions to do this, including:

- Focusing activity on six **'niche clusters'** where the region has strengths based on the availability of market opportunities and an appropriate skills and knowledge base - automotive engineering & aerospace, ICT, business & professional services, environmental technologies, building technologies and medical technologies
- Targeting appropriate foreign companies via **a coordinated programme of activity in key overseas markets**, disseminating key messages via a network of intermediaries

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[1] AWM International Business Action Plan http://www.advantagewm.co.uk/what-we-do/helping-business/international-investment.aspx

Exploiting 'latent' demand for higher level skills

Key issues and challenges

The demand for higher level skills from public sector organisations compares well with that in other regions. Some 50% of staff working in the region's public sector organisations are qualified to degree level or above[1] and knowledge intensive public sector services have been key drivers of growth in recent years[2].

'Knowledge assets' such as universities and healthcare institutions play a particularly important role in some localities – notably Coventry, Wolverhampton, Newcastle-under-Lyme, Stafford, Shrewsbury and Stoke-on-Trent. Between 2001 and 2006 some 48,000 net new jobs have been created in health & social care and some 22,500 net new jobs have been created in education across the region[3].

In contrast, however, less than 24% of those working in private sector industries in the region had higher level skills and qualifications in 2007 - well below the England average of 28%. This reflects both the region's historical reliance on low productive sectors and its relatively poor record in attracting knowledge intensive international businesses discussed in the previous section. To close the gap the region's private sector firms would need to recruit an additional 70,000 highly skilled staff.

Nevertheless recent research highlights that many of the region's businesses are looking to move into higher value added products, services and markets and a quarter indicate that graduate and other higher level skills will be critical to their future business success[4]. Some 60% of those who have recently recruited graduates, moreover, and 70% of those from higher value added private sector industries (i.e. those in manufacturing, engineering, construction, utilities and knowledge based services[5]) were of this view.

If this potential is to be unlocked and converted into real and tangible demand, however, a range of issues and barriers need to be addressed:

- 20% of all employers and a quarter of those from higher value added private sector industries feel that graduates tend to lack the work-based and business-specific skills they require, creating a 'catch 22' situation for many graduates who have not had the opportunity to develop these skills. Many also perceive that graduates are likely to lack 'soft' skills like communication and team working.
- However while training and development is vital to help address any skill deficiencies that graduates may have when seeking employment, only 28% of all graduate employers in the region and 14% of those in higher value added private sector industries are making this investment

Policy implications

A range of activity is already being put in place to address these issues and barriers:

- ***Work placements*** are proving to be of particular value in helping graduates to acquire the skills they need to access employment. Three quarters of graduates taking part have confirmed that their placement was essential in helping them to do this, with many being offered jobs by their placement employer[6].
- In STEM subjects such as mathematics & computer science, engineering and technologies and in medicine & dentistry, education and business & administration placements are working particularly well. There may be merit in increasing their availability in others. There is also scope to increase the involvement of the region's knowledge intensive private sector employers, who at the moment are less likely to be involved than those in the public sector, in the initiative.
- To further support the region's businesses as they seek to access and develop higher level skills work is on-going to offer ***improved access to the research and training expertise of the region's universities***. The Higher Education Access to Research and Training (HEART) project, being developed by the West Midlands Higher Education Association, Business Link and the Manufacturing Advisory Service, will offer[7]:
    - A web based directory of the skills and services available to local businesses from universities (for example short courses, events and facilities)
    - An enquiry management system supporting collaboration between businesses, universities and specialist business advisors

Effective **careers information, advice and guidance** is also critical to ensure that graduates are well informed about the career opportunities available in the region and that employers can access the higher level skills they need. However only a quarter of graduates utilise the careers services offered by their university and only 25% of graduates feel that the HEI careers services they utilised were effective. It is felt that:

- Services are too generic with a lack of specialist knowledge and information that can be tailored to the needs of the individual – for example relating to the subject of study or a particular career path
- The range of information, advice and guidance offered is too narrow in terms of the range of career pathways available – advice is often still mostly centred on the traditional 'milk round' and graduate training schemes available from the large Plcs and multinationals

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[1]Source: ONS Labour Force Survey 2007

[2] Source: AWM/HEFCE/West Midlands Regional Observatory, University challenge: the region's knowledge economy and the demand for higher level skills, 2008 http://www.wmro.org/resources/res.aspx?p=/CmsResource/resourceFilename/2331/university-challenge_v1.0_report_AP.pdf

[3] Source: West Midlands Regional Observatory, Regional Skills Assessment 2008 http://www.wmro.org/pageRedir.aspx/658/

[4] Source: WMHEA/LSC/AWM/West Midlands Regional Observatory: Graduate retention, attraction and employment study, 2008 http://www.wmro.org/pageRedir.aspx/400/

[5] The relatively small sample size (just under 400 employers in total were surveyed) means that we have been restricted to providing analysis for these broad industry groupings

[6] Source: WMHEA/LSC/AWM/West Midlands Regional Observatory: Graduate retention, attraction and employment study, 2008

[7] Source: WMHEA 2008

Developing the regional 'offer' to knowledge intensive businesses and knowledge workers

Key issues and challenges

The relatively low level of demand for higher level skills from the region's private sector discussed in the previous section is having a significant impact on the retention and attraction of graduates and other 'knowledge workers'. Some 40% of graduates leave the region to secure their first job, predominantly to go to London (12%) and the South East (8%). Graduates in mathematics & computer science, business & administrative studies, law, biological sciences, physical sciences and architecture & planning are most likely to leave the region to secure jobs in higher value added private sector industries such as high technology manufacturing and knowledge based services such as professional & financial services and IT & telecommunications. [1].

While the action to stimulate more demand for higher level skills discussed above will help to improve graduate retention it will also be important to ensure that the region is perceived as an attractive place to live and work. Pan-European research has demonstrated that[2]:

- 'Hard' location factors such as infrastructure (both physical and digital), land and real estate prices, salary costs and wage differentials, house prices and the cost of living are important
- But 'softer' factors such as the availability of cultural, leisure and recreation facilities, a 'cosmopolitan' atmosphere, the 'look and feel'of an area, the quality of the environment, a culture of tolerance and diversity and safe and attractive neighbourhoods are seen as increasingly important as people make locational decisions

Other research shows that perceptions among graduates and other highly skilled knowledge workers of the West Midlands as a place to live and work are highly polarised[3].

- Encouragingly graduates who have elected to remain here after completing their studies tend to hold very positive views (two thirds feel that the region is an attractive place to work and 70% would seek work here in the future) – even more so than those who originated from the region (of which 58% feel that the West Midlands is an attractive place to work and 74% would seek work here in the future).
- Those that have left to work elsewhere, however, are much more negative about the region with only 40% feel that the region is an attractive place to work and just 30% feel that they would seek work here in the future. Issues such as the standard of living, salary levels, crime & safety and the extent to which Birmingham has the 'buzz' of places like Manchester or Edinburgh are quoted.

It may be, however, that these perceptions are becoming increasingly outdated as initiatives to regenerate the region (e.g. the renaissance of Birmingham and investment in high technology business) begin to have an impact. Indeed the research reveals that those that previously left the region but have now returned have very positive perceptions of the region with some 60% feeling that the region is an attractive place to work and nearly 70% feeling that they would seek work here in the future.

Policy implications

To strengthen the region's 'offer' to knowledge intensive businesses and knowledge workers action in two key areas is required:

- Enhancing 'hard' and 'soft' factors that are likely to make the region a more attractive place to live and work, for example:
  - Exploiting the ***distinctiveness of Birmingham and its city centre***, identifying what may be unique about the 'Birmingham offer'
  - Exploiting the ***role the region's universities can play in attracting talent***
  - Creating ***safe, clean and green neighbourhoods*** and promoting community cohesion
  - Offering a ***range of quality housing provision***, for young single professionals as well as families
- ***Countering negative, often outdated perceptions of the region***, particularly among people who have previously left to live and work elsewhere. Organisations charged with marketing and promoting the region need to ***place as much emphasis on attracting skilled people to the region as on attracting businesses***.

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[1] Source: WMHEA/LSC/AWM/West Midlands Regional Observatory: Graduate retention, attraction and employment study, 2008

[2] University of Birmingham: ACRE international research project 2008 http://www2.fmg.uva.nl/acre/

[3] Source: WMHEA/LSC/AWM/West Midlands Regional Observatory: Graduate retention, attraction and employment study, 2008

Increasing the region's 'human capital'

Key issues and challenges

As highlighted in the section on key drivers of the knowledge economy, places with low levels of 'human capital' in terms of the supply of highly skilled 'knowledge workers' will struggle to attract knowledge intensive businesses and jobs. In many cases there will be a need for up-skilling and raising of attainment, especially in areas and communities characterised by economic, social and skills related deprivation.

Across the region as a whole the percentage of working age adults qualified to level 4 and above has increased from 25% in 2005 to 28% in 2007. This is still below the England average of 30%, however, and to close the gap 77,000 more people of working age would need to progress within the education system and attain higher level qualifications[1].

In some parts of the region rates of higher level qualification attainment are above the regional average and in some cases (notably in Shropshire, Warwickshire and Solihull) above the England average. In others, however, rates are much lower and the size of the challenge to close the gap with the England average in a number of urban areas is particularly significant. For example 26,000 more people in Sandwell, 24,000 more people in Birmingham and 19,000 more people in Stoke-on-Trent would need to attain a level 4 or above[2].

In addition the gap in attainment between poorer performing and better performing areas is widening year on year as those who are already relatively well qualified continue to be most likely to improve their qualification levels with disadvantaged areas and groups falling further behind. For example, over the last 5 years the proportion of people qualified to level 4 and above has risen the most in areas such as Warwickshire, Worcestershire and Shropshire while the proportion has remained unchanged or fallen in Sandwell, Walsall and Wolverhampton.

These trends reflect a number of inter-related factors:

- Significant numbers of young people, having left compulsory education at 16 with few qualifications, ending up not in further education, employment or training
- The out migration of people who gain better skills and qualifications from urban areas to the surrounding 'shire counties'
- Leaving a core population of disadvantaged and hard to reach individuals, which are falling further behind

Policy implications

To address these issues it will be important to ***widen participation in higher education***, particularly within these disadvantaged groups. In 2006 18-19 year olds from these groups accounted for just 15% of those applying to study in higher education in 2006 but 20% of all young people in the region. Furthermore only 75% of young people from these groups had their applications accepted compared with 85% of all young people in the region[3].

Nevertheless while there is still a long way to go to eliminate these inequalities there is encouraging evidence that they are starting to be addressed. Between 2002 and 2006 applications to study in higher education from 18-19 year olds from disadvantaged groups increased by some 23%, which compares with just 4% for all 18-19 year olds in the region. Over the same period there was a growth of some 19% in numbers of applications accepted from 18-19 year olds from these groups which compares with a rise of 4% for all young people in the region.

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[1] Source: West Midlands Regional Observatory, Regional Skills Assessment 2008

[2] Source: AWM/HEFCE/West Midlands Regional Observatory, University challenge: the region's knowledge economy and the demand for higher level skills, 2008

[3] Source: Aimhigher: progression to higher education in the West Midlands: trends in the participation of disadvantaged learners, 2008

Leadership and management skills for the knowledge economy

Key issues and challenges

The attraction of additional high value added businesses and highly skilled workers are clearly key elements in the development of a knowledge economy in the region. It will also be critical, however, to ensure that firms have the capability to effectively harness and deploy the skills and technologies available to them. Specifically leaders and managers have a critical role to play in[1]:

- The intelligent deployment of information technology, which can enable organisations to make dramatic leaps in productivity and redefine competition within whole sectors.
- Promoting innovation. Research suggests that the most innovative companies have visionary managers and leaders that inspire their workforce, management teams with a commitment to investment in innovation, the stamina to see things through and an openness to new people and ideas and have introduced systems, structures, processes, culture and networks that stimulate creativity.
- The effective development and deployment of workforce skills to support improvements in business performance

However overall the skills and capabilities of leaders and managers in the West Midlands tend to lag behind many other regions:

- They are less well qualified than in England as a whole - in particular nearly 22,000 managers and leaders (6% compared with 5% nationally) have no formal qualifications
- Around 3% of the region's managers and leaders (around 10,000 and well above the England average) are deemed to be deficient in important skills. As well as specific management skills these include more generic problem solving, team working and communication skills

Indeed the West Midlands Economic Strategy states that *'even where strong skill sets are available to business, we do not have sufficient people with the leadership and management abilities to innovate, drive change and get the maximum out of the knowledge available to them'* ***[2]***

Despite this, however, the demand for leadership & management training and development remains relatively limited in the region. In 2008 less than half of employers invested in such training and of those that did only 14% utilised training available from public sector providers such as universities and FE colleges.

While a number of issues and barriers contribute to the limited uptake of leadership and management training a particular issue is that much of the formal, externally provided training and development on offer from the public sector is too generic with insufficient emphasis on the specific issues, concerns and problems at an individual business level. The vast majority of business investment is in leadership and management development offered by private sector providers. These organisations, who unlike those in the public sector are not constrained by funding regimes, curriculum structures and assessment requirements, are able to offer support tailored to specific business needs.

Policy implications

To help develop the region's knowledge economy public sector agencies in the region need to respond to these clear signals from the 'market' for management & leadership development. While initial attempts by to develop innovative new approaches that meet these requirements have met with considerable success it will be important to now build on this by[3]:

- Making the ***business case for investment in training*** with high profile leaders and managers spreading the message
- Developing ***more flexible training provision*** in terms of its content, duration and delivery

- Adopting a more ***entrepreneurial approach*** with focus on outcomes (i.e. business impact) rather than process (i.e. qualifications)
- More effective ***engagement with businesses*** via networks of specialist brokers

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[1] Source: Regional Skills Partnership/West Midlands Regional Observatory: leadership and management skills balance sheet, 2008 http://www.wmro.org/resources/res.aspx?p=/CmsResource/resourceFilename/2114/Skills-Balance-Sheet-Management-and-Leadership_V1.0_Report_RK.pdf

[2] Source: West Midlands Economic Strategy 2008 http://www.advantagewm.co.uk/Images/WMES_tcm9-9538.pdf

[3] Source: Regional Skills Partnership leadership, management and entrepreneurship work stream plan

Conclusions

Via this dialogue we have identified many of the key drivers of the knowledge economy and a number of the issues and challenges that need to be addressed to develop a knowledge economy in the West Midlands. These relate to a number of policy areas.

Attracting high value added international businesses

The region has a relatively poor record in attracting high value added international businesses. To address this there is a need to:

- Focus activity on 'niche clusters' where the region has strengths
- Target appropriate foreign companies via a coordinated programme of activity in key overseas markets

Stimulating the demand for higher level skills

There is a relatively low demand for knowledge workers from the region's private sector organisations, which is resulting in significant numbers of graduates and other 'knowledge workers' leaving the region to secure employment in better paid, higher skilled and higher value added sectors of the economy.

There is a widespread recognition among businesses, however, that graduate and other higher level skills will be critical to their future business success. There is often a perception, however, that graduates are deficient in the skills required and few firms provide specific training and development to address these issues. To more effectively exploit 'latent' demand for higher level skills there is a need for AWM, the West Midlands Higher Education Association and individual universities to:

- Increase the availability of work placements that help graduates to acquire the skills they need to access employment
- Improve access to the research and training expertise of the region's universities
- Improve the effectiveness of careers information, advice and guidance

Strengthening the region's 'offer to knowledge intensive businesses and knowledge workers

At the same time graduates' perceptions of the West Midlands as a place to live and work are highly polarised. While graduates who have elected to remain here after completing their studies tend to hold very positive views those that have left to work elsewhere, however, are much more negative about the region. It may be, however, that these perceptions are becoming increasingly outdated as initiatives to regenerate the region begin to have an impact. To strengthen the region's 'offer' to knowledge intensive businesses and knowledge workers action by AWM, Marketing Birmingham and others charged with marketing and promoting the region is required in two areas:

- Enhancing 'hard' and 'soft' factors that are likely to make the region a more attractive place to live and work
- Countering negative, often outdated perceptions of the region and placing as much emphasis on attracting skilled people to the region as on attracting businesses

Widening participation in higher education

Many of the region's key urban centres are characterised by low levels of 'human capital' in terms of the supply of highly skilled 'knowledge workers' will struggle to attract knowledge intensive businesses and jobs. Within these areas skills attainment is particularly low among older people and certain ethnic minority communities and the gap between better and poorer performing areas of the region is widening year on year.

To address these issues it will be important to widen participation in higher education, particularly within these disadvantaged groups. While the situation is improving year on year there rates of both applications to higher education and acceptances by universities are still lower than for the population as a whole.

Increasing the uptake of leadership and management development by businesses

Gaps and deficiencies in the skills of many of the region's managers and leaders and limited investment in training and development inhibit their ability to effectively harness and deploy the skills and technologies available to them. To increase the uptake of leadership and management development by the region's businesses it will be important for both commissioners (for example AWM and the LSC) and providers (for example universities, FE colleges and private training providers) to:

- Adopt a more entrepreneurial approach with the development of more flexible training provision and a focus on outcomes such as improved business performance
- Make the case to businesses for investment in training followed up with more effective business engagement

Tracking progress and impact

It will be important to both track progress with each of these activities and to assess their collective impact on the development of the region's knowledge economy in terms of, for example:

- Numbers of international businesses attracted to the region, the jobs they support, their productivity in terms of GVA per employee and the exports they generate
- Recruitment of higher skilled 'knowledge workers' by the region's businesses, particularly in knowledge intensive private sector industries where demand has been relatively weak
- Retention of graduates from the region's universities within the West Midlands economy, notably those in subjects such as mathematics & computer science, business & administrative studies, law, biological sciences, physical sciences and architecture & planning who are most likely to leave in search of employment
- Attainment of higher level skills across the region, especially in urban centres where attainment rates are low and falling further and further behind
- Business investment in leadership and management development and reductions in skill gaps and deficiencies

Appendix 1 - Seminar and workshop speakers

Initial seminar on 18th September 2008	
Chair: Roger McKenzie - TUC Regional Secretary and Observatory Board member	
Speakers	
Alexandra Jones - Associate Director, the Work Foundation	Opportunities and challenges for places in the knowledge economy
Andy Phillips - Head of Skills Research, West Midlands Regional Observatory	The West Midlands knowledge economy - strengths and weaknesses
Graham Hooley - Pro Vice Chancellor, AstonUniversity and West Midlands Higher Education Association Skills Policy Group	Graduate retention and attraction
Richard Butler - Head of Inward Investment, Advantage West Midlands	The role of international trade and overseas investment in developing a knowledge economy
Workshop at the Observatory Annual Conference on 13th October 2008	
Chair: Roger McKenzie - TUC Regional Secretary and Observatory Board member	
Speakers	
Dr Julie Brown - Birmingham University/Acre international research project	The attractiveness of the region for creative knowledge workers: international comparisons
Dr Helen Brown, Director, West Midlands Higher Education Association	A joined up approach to knowledge working: the HEART internet portal on the research expertise of the Region's universities
Andy Phillips - Head of Skills Research, West Midlands Regional Observatory	The skills and capabilities of the region's leaders and managers: demand side and supply side issues
Derek Hartshorne, Business Development Manager, LANTRA Sector Skills Council	Up-skilling the region's leaders and managers

Full document information

Title	West Midlands' Knowledge Economy: A State of the Region Thematic Report
Date created	7 August 2009
Type	Report
Description	This report highlights important messages relating to the key features of the knowledge economy in the West Midlands, the key issues and challenges that need to be addressed to strengthen it further and policy implications and priorities for action.
Creator	Skills Research Team West Midlands Regional Observatory Level 3, Millennium Point Curzon Street Birmingham, B4 7XG
Publisher	West Midlands Regional Observatory Website: www.wmro.org
Rights	West Midlands Regional Observatory 2009
Document contact	Andy Phillips Head of Skills Research West Midlands Regional Observatory Tel: 0121 202 3251 Email: andy.phillips@wmro.org
Location	West Midlands Regional Observatory
Coverage, Time period	2009
Coverage, Geographical	West Midlands
Format	PDF
Subject keywords	higher level skills, graduates, employers, West Midlands, sector, skill gaps, recruitment issues, training issues, employment, region, sub-region, occupation, sector, careers
Date available	7 August 2009
Cost	Free
Access restrictions	Read only
Language	English
Identifier URL	
Status	Version 1.0

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