



Shaping Midlands Cities

Productivity, inclusion and global horizons

In the context of the levelling up agenda and the government's goal of growing the UK's innovation industries, the Midlands Engine has teamed up with leading independent think tank Centre for Cities, commissioning a report to better understand the geography of the Midlands' economy and offer recommendations on increasing productivity. *All Cylinders: the role of the Midlands Engine in the British economy* was launched at the Midlands Engine Quarterly Economic Briefing in May and served as a jumping off point for a wide-ranging panel discussion on how the region's cities could be key to boosting the regional and national economy.

This insight is a short summary of the Midlands Engine Quarterly Economic Briefing which took place in May 2023 and also served as the official launch of the All Cylinders: The role of the Midlands Engine in the British Economy report. The main report can be found in the [Midlands Engine Resource Library](#).

Bringing together perspectives from the public and private sectors and academia, the panel comprised of **Ruth Brown**, Associate Director, Midlands Economics Leader, Arup; **John Forkin**, Managing Director, Marketing Derby; **Rachel Granger**, Professor of Urban Economies, De Montfort University and

Paul Swinney, Director of Policy and Research, Centre for Cities. All shared their region-specific knowledge and wider experience to build a picture of the challenges and opportunities on the horizon for the Midlands and its cities.

What factors are shaping our cities for the future?

In the past few years there have been undeniable shifts in the way we work, live and spend free time in our cities. As we all adapt to a post-pandemic world, new considerations around how our cities can and should function are developing all the time. A thread that ran through much of the discussion was the way in which **cities in the Midlands and the wider UK are rapidly needing to broaden their horizons to consider more global issues.**

These include access to resources and how we all make best use of them, sustainability and the green agenda, and facing up to competition on an increasingly international scale. Sir John Peace, Chair of Midlands Engine, also raised the point that global markets are moving much faster than the UK and there's a question around whether there's

enough recognition of the sheer scale of the problem we face as a region and a nation.

The impact of AI was also raised as another megatrend that will play a role in shaping our cities moving forwards. It was suggested that with the advent of any new technology down through the centuries there has always been debate around how it could wipe out jobs and change the world. And while technological progress does impact the economy, it's important to note that there are many more different types of jobs than there were even 50 years ago. So it may be more of a case that the ways of working or key sectors are changing, but the high value of human knowledge and the transfer of that knowledge remain the same.

"I don't think AI is necessarily going to mean a reduction in the number of jobs, but we might work less, which I think most people would probably think is a good thing... [This brings a] challenge around the need to get more productive if we're going to work less. So it's about producing more with less time, rather than producing less because clearly people want to at least maintain their incomes or have higher income."

Paul Swinney, Director of Policy and Research, Centre for Cities

Picking up the idea of changes to ways of working, the discussion encompassed hybrid working and how businesses and cities are having to adapt to maximise their benefits while also holding onto the importance of bringing people together and connecting teams. **The prevalence of hybrid working has also brought about other ideas around working patterns** that may have been viewed as experimental just a few years ago, but are now being considered as practical and beneficial, such as spreading working hours whenever suits across seven days or companies embracing the four-day week.

Productivity is the next topic that naturally follows on from these ideas when considering

the practicalities of making more flexible working patterns effective for everyone.

For example, productivity and employee wellbeing have been shown to benefit from working a four-day week, but there is sometimes a mismatch with client expectations. It's not as easy as just saying everyone can work Monday to Thursday and have an extra day tagged onto the weekend. So, while **the panel agreed that the four-day week may well become the norm within a few decades**, there are logistical challenges that will need to be addressed in the short-term to make that transition happen.

How does infrastructure impact a cities productivity?

The way a city functions can be seen as the keystone of its productivity. And it's clear that a place's infrastructure is a crucial part of every inward investment decision, with firms looking in minute detail at how the movement of its people and products would work in each potential location. The panel highlighted that **infrastructure isn't just about getting in and out of the city centre**, it's also about getting around the city, developments on the outskirts and also links between cities and across the region.

As part of the discussion, the point was raised that there is often a temptation to pin everything on improving transport links, with regions aspiring to having the kind of public transport system seen in London or strong-performing European or Scandinavian cities. But it was suggested that **the data doesn't necessarily support the idea that it's the good public transport that is the key driver of their success**. As with most issues, it may be a more nuanced question of finding a balance and delving into whether the cost of transport

improvements would be worth it, and whether it would deal with larger underlying drivers for cities' underperformance.

The role of road networks and private cars was discussed with differing views contributing to the debate. On the one hand, it was flagged that road connections in the Midlands are good between the majority of places, so it could be argued that public transport isn't as crucial an issue here as elsewhere. But the point was also put that private car travel is expensive, and perhaps even more markedly so in the Midlands as a region where there is a high proportion of households with lower income than the rest of the UK. From a private sector point of view, efficient public transport can be seen as an important part of the hybrid working debate, affecting firms' success in encouraging people to come into the office. Equally, the reality of the situation as it stands is that parking availability is still very high up, or at the top of, the list for many firms looking for the most viable place to locate their business.



As with many issues facing the region and the UK, collaboration and connecting the dots across sectors will be key to overcoming pressing issues in Midlands cities including logistics, transport, jobs, quality of life and housing.



What changes could cities focus on to increase productivity?

Throughout the panel discussion there was an acknowledgement that boosting cities' productivity doesn't need to be an either/or argument. **Productivity doesn't need to come at the expense of sustainability, inclusivity or aiming for net zero**, for example. Looking at how cities can develop into the future has many layers and the point was made that if we keep doing things the same way, then the same mistakes will only continue to be made.

As with many issues facing the region and the UK, **collaboration and connecting the dots across sectors will be key to overcoming pressing issues in Midlands cities** including logistics, transport, jobs, quality of life and housing. All these elements are so interconnected that it's impossible to pinpoint individual areas that can be 'fixed' independently of all the others. But it was suggested that fresh thinking in where we're building communities and how city centre buildings are used can create positive shifts across productivity, sustainability and wellbeing by making it easier for people to make beneficial choices.

"We're bringing our office to Birmingham city centre for a number of reasons: we want to be much closer to our clients and collaborators, we want to be better connected to all of the ecosystems that our city has – business, education and the community and the residents there, and it's really going to help us accelerate our transition to cleaner and greener ways of working with greater use of public transport and more sustainable working practices."

Ruth Brown, Associate Director, Midlands Economics Leader, Arup

"We need to be much smarter at redesigning particularly our city centres, so that we have places of work where people live and where they consume – a much more effective use of spaces. And if we've learned anything over the last two to three years with COVID, we know that single use buildings are a recipe for disaster."

Rachel Granger, Professor of Urban Economics, De Montfort University

Skills and education was another topic that all the panellists felt needed addressing in the Midlands.

In the context of AI, emerging technologies and future jobs, it was felt that there is a real opportunity for the Midlands to be proactive and get ahead to prepare people, instead of waiting to see the impact on cities and then responding. Focusing firstly on the region's sector strengths in manufacturing, logistics, agriculture and services, and looking at other growth areas, was seen as a crucial course of action.

It was acknowledged that there is a good foundation in the region of industry, universities and other education providers innovating and working together, but that **there remains a problem with graduate retention.**

London and Manchester are often perceived to be the location where graduates need to head to progress their career. So it's not just about retaining graduates in their first jobs, but also growing their skills and supporting entire careers in the Midlands.

"I think most people recognise mixed developments and mixed cities; repurposed cities are good. But the problem is funding them. Most investors, in terms of capital investment, are very siloed. They tend to predominately fund X or a little bit of Z. And trying to find a genuine mixed development, which has a developer and a funder, is very difficult due to the way funding is structured at the moment."

John Forkin, Managing Director, Marketing Derby





What policy changes could help our cities most?

To round up the discussion, panel convener Roger Mendonça asked panellists to zone in on the key changes they think are required to take cities in the right direction.

Offering a view from the private sector, Ruth Brown, Associate Director, Midlands Economics Leader at Arup pinpointed longer term certainty as a crucial change needed to help businesses in Midlands cities and therefore help the economy.

“Certainty over national infrastructure, whether it’s transport or energy sector, is really key. We’re really at our best when we can plan around better certainty of where our income is going to come from. Also having a clearer idea of the investment pipeline, not over shorter control periods but longer than four-to-five-year control periods.”

She also brought up the need for more devolved spend in the cities and the positive steps that seem to be happening towards more devolution. Around procurement, she referenced the importance of removing unnecessary bureaucracy. While large companies are able to absorb the expense to a certain extent, it’s often prohibitive for smaller companies as the levels of bureaucracy mean they’re unable to win work, so looking at better ways of tendering opportunities was a crucial change for companies of all sizes.

“When we build the networks and connect people in a better way, bringing universities and skills together with some of the traditional manufacturing and services, we get much more output per unit of resource that we put in.”

Bringing a perspective from academia, Rachel Granger, Professor of Urban Economies at De Montfort University felt that the Midlands economy has all the ingredients to be the best in the UK.

She spoke about the region’s significant manufacturing – in the broadest sense of logistics, transport etc. – plus high-level creative industries, which provide a potential pipeline of producer services, combining to provide a really big problem-solving capability and, as a result, incremental innovation.

“But what we need are better connections. If we connect better, that enables us to move away from things like economies of cost which we can’t do internationally. We’ve lost that capability. It moves us into economies of scope. So when we produce things, we produce it for multiple purposes. When we’ve got skills, we use them for multiple purposes.”

“When we build the networks and connect people in a better way, bringing universities and skills together with some of the traditional manufacturing and services, we get much more output per unit of resource that we put in. That’s the future. It’s a very simple one. And then add that to inclusive growth, making sure that local households are involved in that problem solving, and you’ve got a perfect combination of producing wealth and moving it around the economy, retaining it in the in the East and West Midlands to close that productivity gap.”

John Forkin, Managing Director at Marketing Derby spoke about the scale of the income gap in the UK and recent reports that the disparity between London and the South East versus the rest of the UK is now larger than the gap between East and West Germany when the country was divided.

“If that is the case, I think the UK is in danger of living in an era of illusion. There is resistance to industrial strategy, to interventions. But in Germany it took trillions of Euros to get over the problem. And lots of people are saying this country’s levelling up challenge cannot be fixed with the odd 20 million thrown here and there.”

He also touched on the challenge of levelling up within Derby, referencing it as a tale of two cities, despite having some of the highest salaries outside of London. As a result, one of the policies at Marketing Derby as part of their inward investment strategy is seeing inward investment as a social mobility tool as much as anything else.

Wrapping up, **Paul Swinney, Director of Policy and Research at Centre for Cities** pointed out that the government narrative does seem to have shifted from seeing subnational growth or local growth as totally disconnected from national performance, as evidenced by the wording used in the Levelling Up White Paper and even the most recent budget.

“It’s great that they’ve moved into that space, but I think the issue is that probably we haven’t seen as much policy delivery to back those words up. So strategically, it seems like they’re moving in the right direction, but clearly if you don’t have any action that comes from it, then that means you’re in exactly the same position.”

He referenced the potential of the Trailblazer deals for West Midlands and Greater Manchester, as well as the awards of innovation zones to the West Midlands Combined Authority and East Midlands within the Midlands Engine, but made the point that more action is needed not just in terms of the number of policies but in terms of the money that’s put behind them. To conclude, he circled back to Sir John’s earlier point, suggesting that we’re not quite at the point yet where the scale of the challenge in this country has been recognised and matched by the scale of the response.

