West Midlands
Economic Impact Monitor

WM REDI CITY REDI

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This monitor aims to pull together information across regional partners to understand the impacts of Covid-19 on the economy. Where possible it will utilise all forms of quantitative and qualitative intelligence. However, we urge caution in the use of the contents as this is an emerging situation.

This week the Prime Minister and the President of the European Commission announced a new agreement – the Windsor Framework – to change the way the Northern Ireland Protocol operates, including by removing checks on goods from Great Britain remaining in Northern Ireland. Inflation in the Euro area is decelerating. However, concerns about the impacts of the rising cost of living in the UK remain.

Global, national and regional outlook

- Eurozone inflation is decelerating. The Euro area annual inflation rate was 8.6% in January 2023, down from a peak of 10.6% in October 2022.
- The Global Trade Outlook report produced by the Department for Business and Trade and the Department for International Trade shows that global trade is projected to grow broadly in line with global GDP over the next 30 years. By 2050 it is expected to double in real terms and almost quadruple in dollar terms to reach close to $100 trillion.
- The UK is expected remain one of the top 10 trading nations out to 2050. UK exporters are well-placed to capitalise on an expanding global middle class, as richer populations tend to buy high-value goods and services that UK businesses specialise in. But rapid trade growth elsewhere means that by 2050, the UK is expected to account for 2.5% of global exports, down from 3.1% in 2021.
- A new Windsor Framework has been announced that aims to significantly reduce the number of checks needed between Northern Ireland and Great Britain. The arrangements outlined in the Framework will see two lanes created for goods arriving in Northern Ireland from Great Britain: a green lane for goods remaining in Northern Ireland and a red lane for goods which are being sent on to the EU (Republic of Ireland). Products going through the green lane would see checks and paperwork scrapped, whilst red lane goods will be subject to checks. In addition to the new trading lanes, a Stormont brake is proposed that would allow the Northern Ireland Assembly to object to new EU rules.
- It was expected that from April 2023 the cap on energy bills would be removed, ending the energy price guarantee and support available for UK households but the government has announced it will cap the average annual energy bill at £3,000 (or £3,250 dependent on payment methods). Under the current energy price cap set by the government, based on annual energy usage, the average WMCA area household spends around £2,629 on energy bills. This is slightly higher than the England average, largely due to higher electricity usage amongst WMCA area households.
- Insights from the ONS Winter Pressures Survey highlight the continuing impact of the rising cost-of-living and difficulties accessing NHS services. 9% of adults reported they had often or sometimes run out of food and could not afford to buy more in the past month. 34% agreed that increases in the cost of living had negatively affected their mental health. Of those waiting for NHS treatment, 70% reported it had negatively affected (either strongly or slightly) their life.
- An ONS survey on the impact that the cost of living is having on students in higher education showed that 91% of students were either somewhat or very worried about the rising cost of living. In response to the rising cost of living, 30% of students had taken on new debt; of those that did, 71% reported they did so because their student loan was not enough to support their living costs. The average level of life satisfaction among higher education students (5.8) was significantly lower than the adult population in Great Britain (6.9).

Real time indicators on economic activity and social change

- Nationally, between the 10th and 17th February 2023, total online job adverts decreased by 3.2%. On the 17th February 2023, total online job adverts were at 113.6% of their average level in February 2020. In the West Midlands online job postings fell by 2.8% and on the 17th February 2023, this was 113.1% of the average level in February 2020.
- The System Average Price (SAP) of gas decreased by 11% in the week to 19th February 2023 (from the previous week), it was 27% lower than the equivalent level in 2022. However, when compared to the pre-Covid-19 baseline, SAP of gas was 434% higher.
- Results of the Business Insights and Conditions Survey show that 31.1% of responding West Midlands businesses reported that turnover in January 2023 had increased when compared to the previous calendar month. 33.4% of West Midlands businesses reported turnover had stayed the same. However, 26.5% had reported that turnover had decreased.

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- 42.7% of West Midlands businesses reported that energy prices were a factor for the business to consider rising prices in March 2023.
- 33.4% of responding West Midlands businesses reported the prices of goods or services brought in January 2023 when compared to the previous month had increased. 49.6% reported that prices had stayed the same.
- 25.2% of West Midlands businesses expect the number of employees will increase in March 2023, 57.4% expected the number of employees to stay the same and 5.3% of West Midlands businesses expect the number of employees to decrease.
- 30.5% of responding West Midlands businesses reported experiencing difficulties in recruiting employees in January 2023. However, 38.7% of West Midlands businesses did not experience any difficulties.
- For the next 12 months, 41.6% of West Midlands businesses expect that overall performance will increase, 34.1% expect performance will stay the same and 9.6% expect performance will decrease.
- Results from the Opinions and Lifestyle Survey reveal that respondents felt the four main issues facing the UK were; the cost of living (91%), NHS (85%), economy (74%) and climate change & the environment (58%).
- 48% of adults who pay energy bills said they found it very or somewhat difficult to afford them in the latest period (up from 47% in the previous period). This was higher at 64% among those in the most-deprived areas in England compared with 35% for the least-deprived areas.

Levelling Up

- Local authorities have had a 20% reduction in real funding since 2010 and regarding Levelling Up funding were bidding for a centralised pot of money for the 'opportunity' to build something in their area. 74% of the 834 bids submitted were not accepted - the competitive funding nature of funding to reduce inequalities, is still creating a gap between winners and losers. A patchwork approach to funding is not conducive to supporting local areas with the control or resources to realise the ambitions they have.
- To make the most transformational impact, the funding needs to land in the pockets of the people and places that experience these inequalities in the first place. The principles of Doughnut Economics and Community Wealth Building emphasise that the economy and funding should be inclusive 'by design'.
- Practical implementation of projects matter. This means that a strategic case for the project must include a link to the future economic vision. Embedding a social value weighting into the procurement of projects is important to ensure additional value is created for the people who live and work in the local area.

Devolution in England: Labour's Plan to Put "The Right Powers in the Right Places"

- In December 2022, the Labour Party published a new report: A New Britain: Renewing our Democracy and Rebuilding our Economy promising *"the biggest ever transfer of political power out of Westminster and into the towns, cities, and nations of the UK" and* providing 40 recommendations across a range of themes covering various facets of the UK's constitutional arrangement.
- To bring "the right powers in the right places" the report makes 10 recommendations: (1) Towns and cities in England to be given new powers to drive growth; (2) A radically reformed suite of place-based, innovation-led R&D programmes, with Mayors and local leaders in all parts of the UK playing a key role in design and delivery; (3) The UK Infrastructure Bank should be given an explicit mission to address regional economic inequality in infrastructure provision; (4) The British Business Bank should be given a new remit to promote regional economic equality in access to investment capital; (5) An economic growth/prosperity plan for every town and city to contribute to shared prosperity, owned by Councils, Mayors, towns and cities working in partnership; (6) 50,000 civil service jobs should be transferred out of London, saving at least £200m per year, and more Agency and Public Bodies Headquarters moved out of London; (7) Local government should be given greater long-term financial certainty;(8) Local government should be given more capacity to generate its own revenue; (9) Local leaders should be able to take new powers from the centre; (10) There should be "double devolution" that pushes power closer to people.
- Some of the recommendations are a continuation of the current government's plans to level up, including devolution of power – including in relation to skills, FE and transport - to existing combined authorities and partnerships of local authorities. Others are directed to a more fundamental change of the subnational governance system. New elements include: (a) A move away from competitive bidding processes towards 3-year block grants; (b) a commitment to neighbourhood-level devolution; and (c) local institutions being given rights to take powers from central government.

International Migration and the UK Labour Market

- Employment of workers from outside the UK is one possible strategic and tactical response to address labour and skills shortages.
- International migrants are typically younger than the UK population overall; they generally lower the average age of the workforce. Analysis by the ONS of all people arriving in England and Wales in the year before the 2021 Census shows that their median age was 26 years, compared with 40 years for the overall population.

- The size and composition of flows are influenced by immigration policies. Immigration policies in both the UK and other countries matter because they influence the relative attractiveness of alternative destinations.
- Net migration was at a high level of 504,000 in the year ending June 2022; the opening of new routes for Ukrainians and Hong Kong British Nationals (Overseas) status holders were key factors here.
- EU net migration decreased sharply from 2016 onwards and then remained low. Between March 2016 and March 2020 EU net migration fell by 58%, with a 126% fall for EU-8 migrants (from Eastern & Central Europe).
- From 1st January 2021 the UK has had a new immigration system. Free movement arrangements for European Economic Area (EEA) nationals have been revoked. There is now a single skills-based system for all migrants to the UK that makes no distinction on the basis of nationality. Migrants coming to work in the UK need to be sponsored by an employer and work in at least a middle-skilled job paying a wage equal to or above a minimum salary threshold. There is no provision for migration to low-skilled jobs except on a temporary basis.
- Estimates from the All-Party Parliamentary Group on Migration Inquiry in 2021 on The Impact of the New Immigration Rules on Employers in the UK shows that international migrants face much higher costs in the UK than in various competing destinations.
- Qualitative research conducted by the MAC focusing on employer experiences of skills shortages and migration indicates that both the Covid-19 pandemic and changes to the immigration system in 2021 have had a major impact on businesses and international migration, with the Covid-19 pandemic tended to be viewed as a short-term threat that would be overcome but the ending of free movement was seen as an ongoing threat.

Changing labour market participation of people aged 50 years and over

- There has been considerable recent debate about levels of economic inactivity in the UK. Much of this debate has focused on economic inactivity amongst those aged 50 years over and the relative contributions of early retirement and of ill-health, alongside other factors.
- Prior to the Covid-19 pandemic labour market participation amongst older workers was increasing, particularly amongst older women, while labour market participation rates amongst younger people decreased. Since the Covid-19 pandemic the increase in economic inactivity amongst older people has reinforced the ageing effect of an older population.
- The reversal of the previous trend of an increase in participation rates occurred at a time when the cohort aged 50-64 was particularly large. In the next decade it would be expected that nearly everyone in this large birth cohort would be retired.
- In a study on the rise in economic inactivity in people in their 50s and 60s published in summer 2022, the IFS concluded that a lifestyle choice to retire as a result of changes in preferences and priorities following the Covid-19 pandemic is the major factor explaining the increase in economic inactivity in this age group.
- There has been a rise in long-term sickness in the UK since the start of the Covid-19 pandemic albeit long-term sickness was on an upward trend before the Covid-19 pandemic hit. ONS analysis shows that between June 2019 and June 2022 the number of people aged 50-64 who were economically inactive due to long-term sickness rose by 16%, from nearly 1.137 million to 1.320 million.
- The ONS Over 50s Lifestyle Study conducted in August 2022 on adults aged 50 to 65 years shows that of those who left or lost their job since the start of the Covid-19 pandemic and had not returned to work only a small minority were looking for work: 14% of those aged 50-59 years and 6% of those aged 60-65 years. A key reason for not returning to work was retirement, cited by 37% of 50-59 year olds and 60% of 60-65 year olds.
- Labour demand factors – including flexible working hours and good pay - are likely to play an important role in enticing the over 50s back into the labour force.
- Research by Phoenix Insights on What is driving the Great Retirement?, based on polling of residents aged over 50 years in the UK, Germany and the USA showed that there are significantly more negative attitudes to work in the UK than in Germany and the USA and views towards work have been changed more profoundly by the Covid-19 pandemic. 58% of workers in the UK said they liked their job, compared to 74% in the USA and 73% in Germany.
- Policy needs to recognise the diversity of older people who are economically inactive, the reasons for their inactivity and their desire (or otherwise) to return to the workforce. There is a clear distinction between those who have withdrawn from the workforce voluntarily before State Pension Age and have the financial capability to sustain their desired lifestyle and those who have left low-paid work because of ill-health and who are not financially comfortable.
- The Learning and Work Institute highlights the need for individually tailored support via trusted institutions. There is a role for place-based policy here through shaping the local employment support offer and aligning it with other local provision. The Resolution Foundation points to possible reform of the role of access to tax-relieved financial pension wealth from the age of 55 years which currently helps to support early retirement.

Global, National and Regional Outlook

Alice Pugh, WMREDI

Global

Eurozone Inflation decelerates

The EU has published its inflation estimates for January across the EU and Eurozone. In the Eurozone consumer prices rose 8.6% in January 2023 versus January 2022. However, this is down from a peak which saw inflation hit 10.6% in October 2022 and is the lowest the rate has been since June 2022. Most countries within the EU are seeing inflation decelerate and prices are slowly starting to come back down.

Global Trade Outlook

The Global Trade Outlook report produced by the Department for Business and Trade and the Department for International Trade sets out the following key findings regarding the future of global trade:

- Global trade is projected to grow broadly in line with global GDP over the next 30 years. By 2050, it is expected to double in real terms and almost quadruple in dollar terms to reach close to $100 trillion.
- Emerging economies are likely to account for a growing share of trade as economic power shifts east. Seven of the largest emerging economies are projected to match the G7's import market size by 2050.
- The industrial structure of global trade is very different to GDP – goods sectors dominate trade. But global trade is expected to gradually become more services-oriented over time. Service sectors are expected to account for 28% of global trade by 2035, up from 25% pre-pandemic.
- Global trade is concentrated among high-income countries. In 2021, almost 70% of global import demand came from the world's 58 high-income countries. By 2050, as prosperity spreads and more countries graduate to high-income status, this share could rise to 84% of global import demand.
- The UK should remain one of the top 10 trading nations out to 2050. UK exporters are well-placed to capitalise on an expanding global middle class, as richer populations tend to buy high-value goods and services that UK businesses specialise in. But rapid trade growth elsewhere means that, if past trends continue and in the absence of policy changes, the UK share of global exports is likely to fall. By 2050, the UK is expected to account for 2.5% of global exports, down from 3.1% in 2021.

National

The Windsor Framework

A new Brexit deal for Northern Ireland has been announced, building on the current Northern Ireland Protocol, which led to significant disagreements between the UK and European Union (EU). Before Brexit there were no border checks between Northern Ireland and the Republic of Ireland, as they both had the same trading regulations under the EU. However, when the UK left the EU, a new trade agreement was needed as the UK was no longer a member of the EU and became subject to goods checks on movements between the UK and EU countries. Any land border between Northern Ireland and the Republic of Ireland was controversial issue given historical circumstances.

The original agreement that Boris Johnson established during his premiership, was the Northern Ireland protocol. This agreement established a sea border between Northern Ireland and the rest of the UK, rather than having a land border with the Republic of Ireland. Unionists said the agreement effectively cut Northern Ireland of from the rest of the UK and refused to return to Stormont until the issues were resolved. Businesses also complained that the checks under the Northern Ireland Protocol were expensive and cumbersome, as the additional checks were leading to increased costs and delays.

The new Windsor Framework aims to significantly reduce the number of checks needed between Northern Ireland and Great Britain. The new deal will see two lanes created for goods arriving in Northern Ireland from Great Britain, a green lane for goods remaining in Northern Ireland and a red lane for goods which are being sent on to the EU

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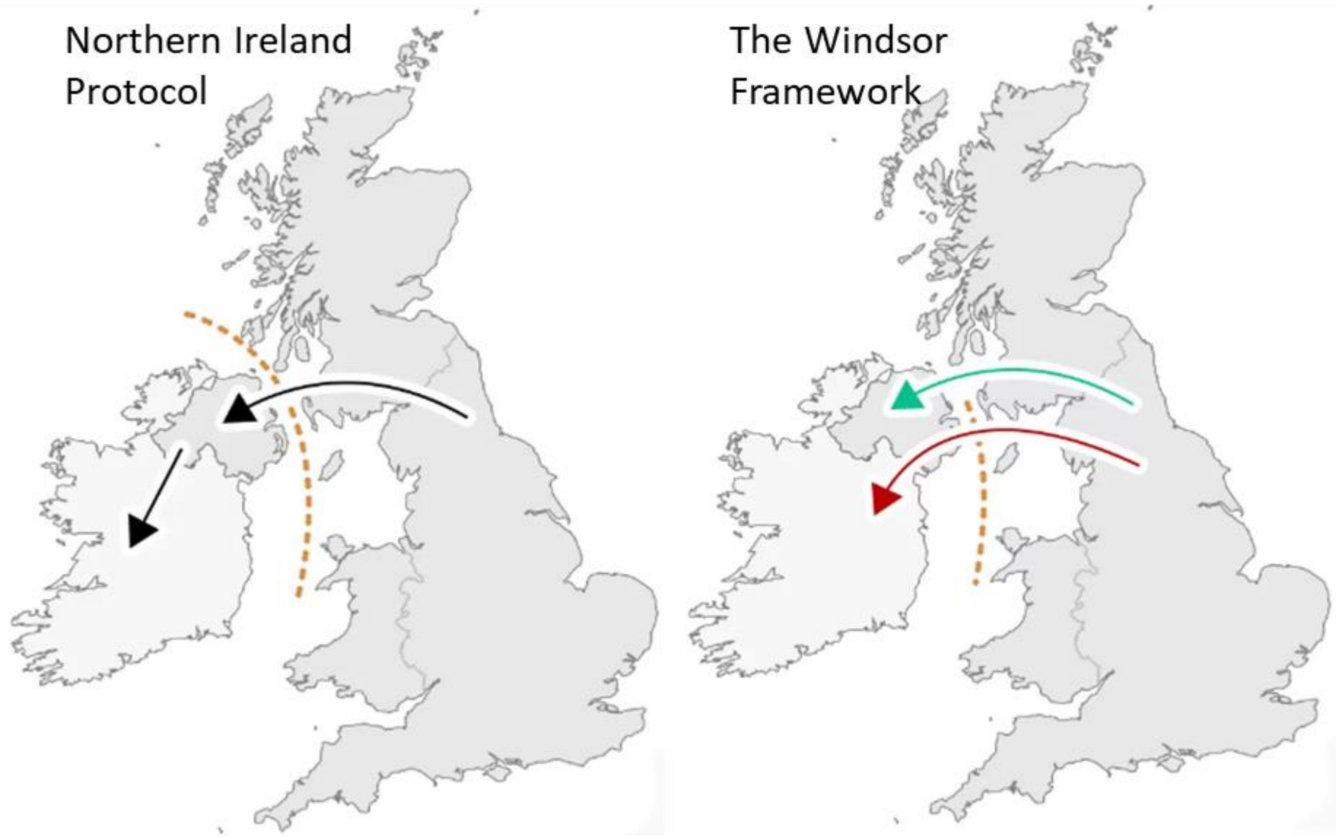
(Republic of Ireland). Products going through the green lane would see checks and paperwork scrapped, whilst red lane goods will be subject to checks. The maps below demonstrate how the new agreement will change current practice.



Source: BBC, 2023

In addition to the new trading lanes, the Stormont brake is set to be introduced. This would allow the Northern Ireland Assembly to object to new EU rules. The process would be triggered if 30 Northern Ireland politicians from two or more parties sign a petition. The brake could not be used for "trivial reasons" and would be reserved for "significantly different" rules, according to the BBC. Once the UK tells the EU the brake has been triggered, the rule cannot be implemented. The process would not be overseen by the European Court of Justice, but the court would still have a final say on whether Northern Ireland is following certain EU rules.

The question now going forward is whether the new agreement will be accepted within Parliament; however early indicators suggest there is very little opposition to this agreement on both sides of the house. Therefore, the likelihood is this will pass through government unopposed and will hopefully, address the border issues created by the original Northern Ireland protocol.

Energy Price Guarantee

It was expected that from April 2023 the cap on energy bills would be removed, ending the energy price guarantee and support available for UK households. This could have seen average annual energy bills reaching upwards of £6,000 according to City REDI analysis. Now the government has announced it will cap the average annual energy bill at £3,000 (or £3,250 dependent on payment methods), which is £500 more than consumers are currently paying but, more than half the price that would have otherwise been expected if there was no cap.

In the context of the cost-of-living crisis this will be a relief to many households in the UK. The policy change has largely been allowed by reduction in wholesale energy prices, enabling the government to keep the cap in place all be it at a higher level.

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Strikes
Around 133,000 members of the civil service Public and Commercial Services (PCS) union are expected to strike on 15th March - the day of the Spring budget. This is an increase of 33,000 workers since the previous strike earlier in the year. The workers and unions are calling for a 10% pay rise, better pensions, job security and no cuts to redundancy terms. This rate matches inflation which is around 10.1% at the moment, meaning current employees will retain their current real wages. However, the government has said the rise is unaffordable, offering a 2% to 3% rise instead. Currently, several unions are planning strikes for this day, including teachers, junior doctors and tube drivers.

Winter Pressures Survey
The ONS has released insights from the Winter Pressures Survey, which examines how cost-of-living rises and difficulties accessing NHS services are affecting people during the winter months. The survey was conducted between the 18th and 29th January. The key findings were:

- Around 1 in 11 (9%) adults reported they had often or sometimes run out of food and could not afford to buy more in the past month.
- Around 1 in 8 (13%) reported they had cut down meal size or skipped meals in the past month because there was not enough money for food; 21% of these adults reported they had done so on more than 14 days in the month.
- Of those waiting for NHS treatment, around 7 in 10 (70%) reported it had negatively affected (either strongly or slightly) their life and around 2 in 10 (18%) reported an appointment had been cancelled or delayed in the past month.
- Around 6 in 10 (58%) adults who had sought a GP practice appointment received one within a week, 16% within one to two weeks, 8% within two to three weeks, and 5% more than three weeks.
- Around a third (34%) agreed (strongly agreed or agreed) that increases in the cost of living had negatively affected their mental health.

Cost of Living and Higher Education Students
This ONS survey release looks at the impact that the cost of living is having on students in higher education, including information on behaviours, plans, opinions and well-being of higher education students. The key findings of the survey were:

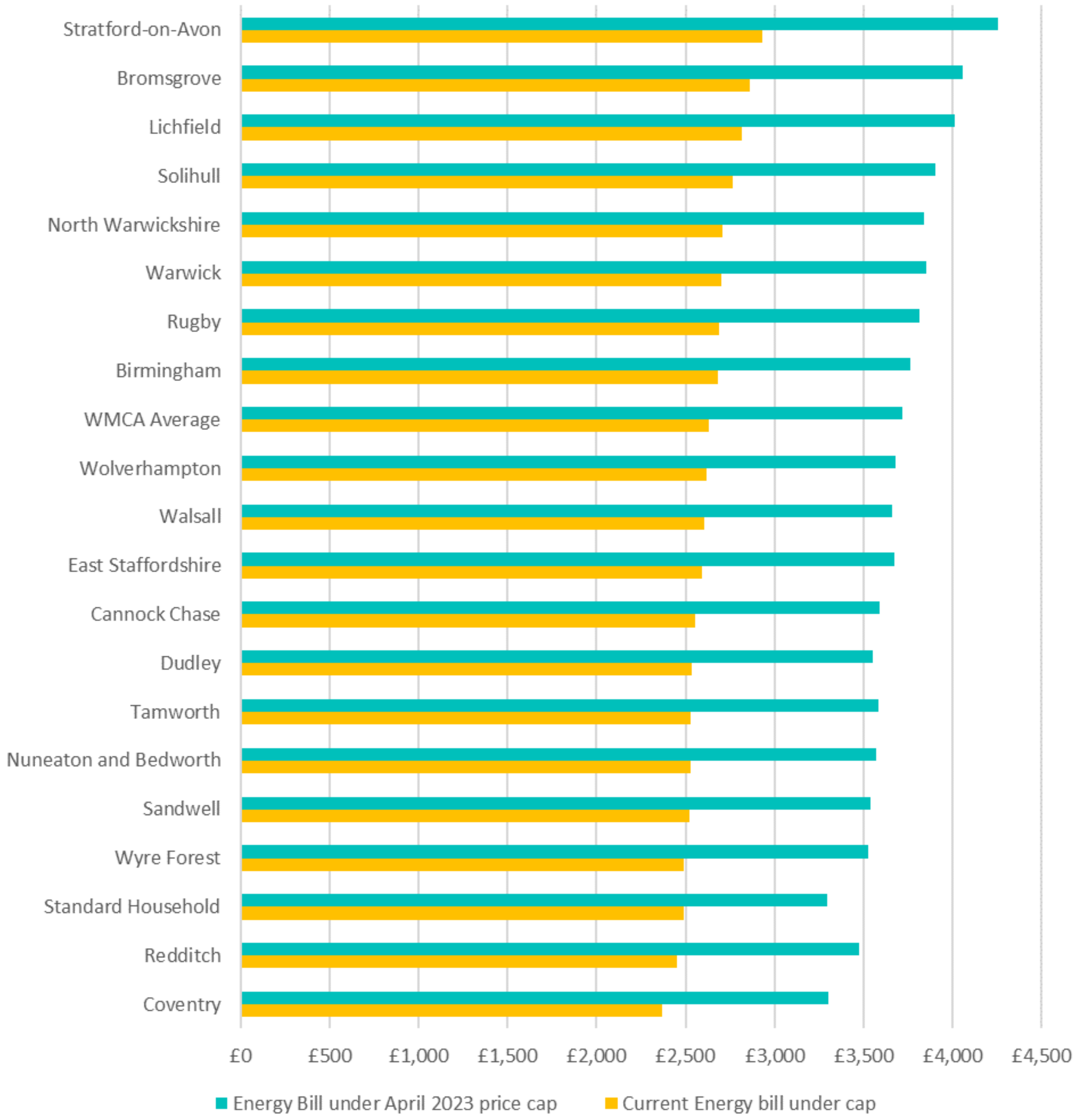
- More than 9 in 10 (92%) higher education students reported that their cost of living has increased compared with last year, similar to students in early November 2022 (91%).
- More than 9 in 10 (91%) students were either somewhat or very worried about the rising cost of living, the same as in early November 2022.
- Around half (49%) of students felt they had financial difficulties, with 33% saying these were minor and 16% saying they had major financial difficulties; this is similar to students in early November 2022.
- More than two-thirds (68%) of students were receiving a student loan; of those, nearly 6 in 10 (58%) said it did not cover their living costs, while one in four (25%) said that it covered their living costs but only just.
- In response to the rising cost of living, 3 in 10 (30%) students had taken on new debt, a significant increase from early November 2022 (25%); of those that did, 71% reported they did so because their student loan was not enough to support their living costs.
- More than three-quarters (78%) of students were concerned that the rising cost of living may affect how well they do in their studies; more than one-third (35%) of students reported they are now less likely to do further study after their course has completed.
- The average level of life satisfaction among higher education students (5.8) was significantly lower than the adult population in Great Britain (6.9).
- Around 46% of students reported their mental health and well-being had worsened since the start of the autumn term 2022; this is similar to students in early November 2022 (45%).

Regional

Energy Price Guarantee

The graph below demonstrates the impact that the new energy price cap will have on energy bills within the WMCA area. Under the current energy price cap set by the government, based on annual energy usage, the average WMCA household spends around £2,629 on energy bills. This is slightly higher than the England average, largely due to higher electricity usage amongst WMCA households. The new cap from April will see the average WMCA household energy bill increase to £3,719. This is an increase of £1,090 in the average WMCA household energy bill, or a 40.5% increase. Comparatively, the UK Standard Household energy bill is expected to increase by £804 to £3,295, a 41.7% increase. This is a massive increase in energy bills, especially during a cost-of-living crisis.

Energy Bills under the current energy cap comparative to energy bills under the April 2023 price cap, by LA



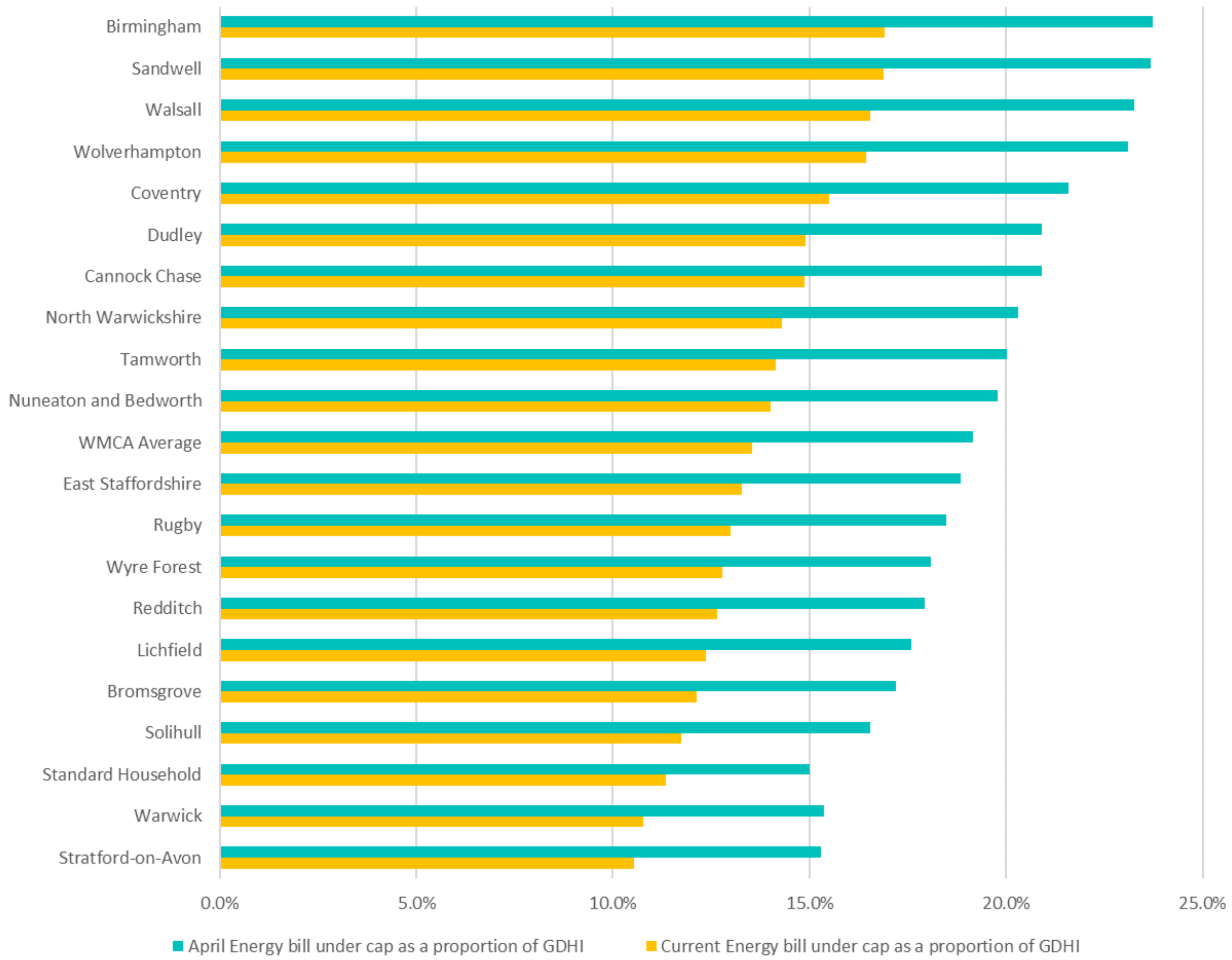
Estimates based on Data Sources from: ONS, Sub-national electricity consumption statistics from 2005 to 2021 and Sub-national gas consumption statistics from 2005 to 2021, 2023. Cornwall Insight, 2023.

However, the government had originally planned to entirely remove the energy cap which would have seen energy bills increase to around £4,000 and upwards, dependent on energy usage and payment method, for both the UK average and WMCA average UK households. The reason for the policy change is the fall in wholesale energy prices, which has allowed the government to continue support all be it at reduced levels.

Under the current cap as a proportion of Gross Disposable Household Income (GDHI) energy bills account for 13.5% of income for the average WMCA household. By April 2023 the forecast is for this to rise to account for 19.2% of the average GDHI. Comparatively, current energy bills for the average UK household account for around 11.3% of GDHI, expected to rise to 15% when the new cap is introduced. This will mean that even the average UK household will likely be in fuel poverty from April.

However, energy usage will likely start to fall from this month as winter comes to an end and energy usage, especially gas for heating, is reduced. Furthermore, as the year continues the energy cap is expected to continue to fall as wholesale prices continue to drop. The April cap is expected to remain in place to June, at which point a new cap will likely be introduced in line with the reducing wholesale prices. Looking forward it would appear that energy bills are expected to reduce, with Cornwall Insight forecasting the average UK energy price to reach £2,112 in Q3 (Jul-Sept) and £2,118 by Q4 (Oct-Dec).

Energy Bills as a proportion of Gross Disposable Household Income, by LA



Data Source: Regional gross disposable household income: local authorities by ITL1 region, ONS, 2022

The Devil and the Detail: The Two Things Hiding Behind the UK Levelling Up Fund

Hannes Read, WMREDI

Whilst the Levelling Up Fund provides much-needed support for local regions, Hannes Read discusses two issues with the programme. The patchwork delivery of funding and a lack of focus on how the funds are spent.

The continued patchwork approach to regional economic development is the devil behind the Levelling Up Fund. Despite the roots of the phrase 'levelling up' looks at addressing persistent economic inequalities; the term gave the opportunity to discuss a wide range of topics, including capital projects and building new cycle paths. Of course, support to improve those things is important and necessary. The 12 levelling up 'missions' put some metrics and definitions behind the slogan. But, whilst the relative merits and drawbacks have been discussed at length, there are bigger issues at play. Despite the welcome funding becoming available, the patchwork approach to public investment, where funding comes from competitive bids which means many places miss out, remains.

In amongst the novelty and discussion around the Levelling Up Fund, a big oversight is being made. Local authorities, who have had a 20% reduction in real funding since 2010, are bidding for a centralised pot of money for the ***opportunity*** to build something in their area. 74% of the 834 bids submitted were not accepted. But, ironically, the competitive funding nature of funding to reduce inequalities, is still creating a gap between winners and losers. There is patchwork approach to funding.

The Levelling Up Fund is like a devil on your shoulder. On the one shoulder, it is a welcome source of public investment money. But on the other, the patchwork approach to funding is not conducive to supporting local areas with the control or resources to realise the ambitions they have.

Detailing the Issues

Alongside the devil, comes the detail. The detail of how a project is put into place and integrated into the local economy is what, ultimately, matters. But, to make the most transformational impact, the funding needs to land in the pockets of the people and places that experience these inequalities in the first place. As the principles of Doughnut Economics and Community Wealth Building emphasise, the economy and funding should be inclusive ***by design***.

Local authorities can have a significant influence to reduce inequalities and maximise the impact of levelling up funding. The detail is not seen in the headline funding announcements. Rather, this goes on in an iterative, detailed process to maximise the overall aims of the Levelling Up Fund.

Detailing the Vision

This section will outline that whilst Morecambe's successful Levelling Up Fund bid brings together a strategic case for economic development, it is the practical process of how the plan is put in place that makes the difference. Morecambe was one of the places to win funding in Round 2 of the Levelling Up Fund. They won £50m for Eden Project Morecambe, a marine science visitor hub on Morecambe Bay. The coming Eden Project Morecambe is an opportunity for Morecambe to move beyond tourism and break into a science-led, learning-based economic path. The Eden Education Strategy links Morecambe Bay, a Site of Special Scientific Interest, with traineeships at Lancaster & Morecambe College and Morecambe Bay Curriculum Lancaster University.

Putting the Vision into Practice

The practical implementation of the project does not grab headlines, but it is vitally important. The vision for an inclusive economy in the Lancaster City Council area, which includes Morecambe, is set out with the Community Wealth Building strategy in the corporate plan. This vision is put into place in two practical steps.

The first is through Employment and Skills Plans. As the planning authority, Lancaster City Council can ensure contractors of large-scale projects support the upskilling and development of local workers working on site. The Employment and Skills Plan that supported the £6m redevelopment of Lancaster University's sports centre delivered 10 weeks of work placements to six local students, which provided 16 qualifications and two full-time roles at the firm Conlon Construction. With almost ten times the funding available for Eden Project Morecambe, the potential for Employment and Skills Plans to support upskilling in Morecambe and across the country, is significant.

Second is the importance of social value being embedded into the procurement process. At Lancaster City Council, social value is incorporated into the procurement strategy to ensure that large-scale projects support wider objectives of climate action, community engagement, and community wealth building. The broader impacts of the project can be written into the contract to ensure monitoring, evaluation, and accountability for making a difference to the people and places that the Levelling Up Fund aims to address.

It is only by putting in place these details; to ensure the economic vision works with the strengths of a local area, and implement an Employment and Skills Plan and social value procurement strategy that can divert the benefits of the Levelling Up Fund to the people and places that the fund aims to support.

Recommendations

- The strategic case for the project must include a link to the future economic vision. Every place has strengths and disadvantages. Connecting the economic strengths to the strengths of a place and the challenges to address will bring together the whole vision.
- Planning permissions need to be signed off with an Employment and Skills Plan to show how contractors will employ and upskill local workers.
- Embedding a social value weighting into the procurement of projects to ensure additional value is created for the people who live and work in the local area.

Labour's Plan to Put "The Right Powers in the Right Places"

Charlotte Hoole and Matt Lyons, WMREDI

In December 2022, the Labour Party published a new report which promised to decentralise political power in the UK by putting "the right powers in the right places".

Dr Charlotte Hoole and Dr Matt Lyons evaluate how Labour's proposals differ from the current system and what it could mean for the West Midlands.

In December 2022, the Labour Party published a new report: A New Britain: Renewing our Democracy and Rebuilding our Economy promising ***"the biggest ever transfer of political power out of Westminster and into the towns, cities, and nations of the UK".*** The report was produced by The Commission on the UK's Future, an organisation chaired by former Prime Minister Gordon Brown, and provides 40 recommendations across a range of themes covering various facets of the UK's constitutional arrangement. In this blog, we attempt to unpack one of the major themes of the report on 'Devolution within England' found in Chapter 7. We do this by responding to four key questions:

- What are the main problems with the current system of subnational governance?
- What does the report say on English devolution and what powers are included?
- How do the proposals compare to the current government's approach to devolution?
- What could this mean for the West Midlands?

What are the main problems with the current system of subnational governance?

Work carried out by the LIPSIT project, involving Professor Simon Collinson and Dr Charlotte Hoole from City-REDI/WMREDI, examines the challenges of the current organisational arrangements of local and regional governance in the UK in the context of 'levelling-up'. Based on research from 59 interviews across 8 case study UK regions, together with practitioner workshops and statistical analysis, in the final report published in 2021 it was concluded:

"… the UK's existing system of subnational governance makes what is already a difficult task levelling up – even more difficult. This is because levelling up is a multi-level and cross-sector agenda that requires long-term and strategic interventions at the local level, often requiring close coordination and partnership working by government agencies and the private and third sectors. However, the UK's subnational system is geared towards short-term and fragmented interventions, with much of it controlled by central departments, often themselves poorly coordinated. In addition, there is a disjointed and unsettled system of spatial governance." (Newman et al., 2021)

The key challenges highlighted were:

- concern about the way that funding is distributed from the centre;
- problems with the organisation, interaction and separation of the various layers of government in the UK, and with the institutions themselves;
- problems with how subnational institutions interact with local stakeholders.

What does the report say on English devolution?

To bring "the right powers in the right places" the report makes 10 recommendations:

1. Towns and cities in England to be given new powers to drive growth.
2. A radically reformed suite of place-based, innovation-led R&D programmes, with Mayors and local leaders in all parts of the UK playing a key role in design and delivery.
3. The UK Infrastructure Bank should be given an explicit mission to address regional economic inequality in infrastructure provision.

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4. The British Business Bank should be given a new remit to promote regional economic equality in access to investment capital.
5. An economic growth/prosperity plan for every town and city to contribute to shared prosperity, owned by Councils, Mayors, towns and cities working in partnership.
6. 50,000 civil service jobs should be transferred out of London, saving at least £200m per year, and more Agency and Public Bodies Headquarters moved out of London.
7. Local government should be given greater long-term financial certainty.
8. Local government should be given more capacity to generate its own revenue.
9. Local leaders should be able to take new powers from the centre.
10. There should be "double devolution" that pushes power closer to people.

The powers proposed cover: skills & further education (FE); full employment; transport and infrastructure; energy and the environment; wealth within communities; housing and development; childcare; culture and sport; and accountability and scrutiny.

The devolution of new powers and responsibilities is one which has been called for by regional studies researchers and policy groups. However, the devolution of new responsibilities without new funding could stretch sub-regional governments beyond their institutional capacity. Therefore, there is a tension between more or better decentralisation.

"Like a tennis player cannot play without a suitable racket, subnational governments cannot fulfil their responsibilities or functions if they are not accompanied with the sufficient and adequate funding." **(**Rodrígues-Pose & Vidal-Bover, 2023**).**

Labour criticises the 'highly fragmented, centralised and inefficient' nature of skills funding and provision in the UK. They also criticise the recently implemented Local Skills Improvement Plans (LSIPs) as 'side-lining democratically elected local leadership' by giving too much weight to employer input. Instead, they propose merging current centrally run skills funding streams and devolving them to the sub-regional level (metro mayors and combined authorities). The logic is that governance at that level will prioritise which qualifications to fund based on local needs, informed by local businesses and universities. They also call for a new UK-wide skills survey with the findings to provide local governments with better data about the skills needs across different sectors at the regional and national levels.

Regarding full employment and good jobs, Labour criticises the move in 2011 to use private contractors to run Job Centres. Their solution is to devolve the administration of Jobcentre Plus into functional economic areas. These centres will be responsible for bringing together information on the local jobs market, integrated into local health services, to create centres of excellence for local and regional labour market information able to inform regional and national policy. The funding will come from a mix of DWP, the UK Shared Prosperity Fund (SPF) and other skills funding. The aim of this is to provide an approach more tailored to the needs of regional labour markets.

In relation to powers over transport and infrastructure, the report is critical of the poor provision of public transport, particularly in the poorest areas. Labour proposes that control and funding over bus services need to be at a local level, with increased use of franchising to bring bus operation into public hands. They suggest local leaders have partnership agreements between local authorities, national rail and rail operators, with rail operators required to collaborate with partners on issues such as integration and smart ticketing. They outline the need for long-term infrastructure budgets.

To address energy and the environment, Labour proposes that some mayors will have the power to set energy efficiency targets for new buildings. There will also be opportunities for electric vehicle points and retrofitting to be funded by consolidated block grant funding. To address housing issues, compulsory purchase orders will be made easier to acquire and local authorities will have increased power to regulate short-term and holiday lets.

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How do the proposals compare to the current government's approach to devolution?
Some of the recommendations are a continuation of the current government's plans to level up the country, while others are directed to a more fundamental change of the subnational governance system.

What's current?

- Power is to be devolved to existing mayoral combined authorities and elsewhere to partnerships between local authorities.
- Most of the powers to be devolved, such as those relating to skills, FE and transport, are a continuation of current proposals.

What's new?

- A move away from competitive bidding processes towards 3-year block grants.
- A commitment to neighbourhood-level devolution.
- Local institutions are to be given rights to take powers from central government.

The continuation of the combined authority/regional partnership model avoids adding a new layer of spatial governance to an already complex subnational governance landscape. However, this setup presents challenges in terms of disputes over boundaries and priorities. The biggest gamechanger is the promise of block funding instead of relying on competitive bid processes, with currently short-term, ad hoc competitive funding being the biggest barrier to building capacity and capability in regions. Another significant change is the changing relationship between central government and regional partnerships with local institutions given the right to take powers away from central government. However, the caveat that local institutions need to demonstrate the capacity and capability to take on these could pose a barrier. On the commitment to neighbourhood-level devolution, more detail is needed to understand how it might work.

It is welcome to see the report proposing a new skills survey and emphasising the devolution of some aspects of skills and training. Previous reports have called for a greater understanding of local skills gaps and conducted research across various fields to better understand the issues facing regional skills. In December 2022, the City-REDI / WMREDI Universities and Regions Forum Policy Briefing suggested devolution could play a key role in addressing some of these issues. Furthermore, as part of an ongoing project with the Creative Industries Policy & Evidence Centre, an upcoming report finds that regionally focused skills approaches can be beneficial to close skills gaps and boost productivity.

On transport and infrastructure, Labour has made bolder and more detailed proposals, notably on bus franchising. Under Labour's plans, it will be easier for local governments to take control of bus operations allowing for greater control over routes, ticketing, and prices. Broadly, this has the potential to be positive for regions with lower bus prices a significant benefit to low-income households and boosting productivity.

On energy and environment, the report is light on detail for significant topics that need direct policy action. While electric vehicle points are required, and new build housing should be more energy efficient, plans could have gone further – for example, bringing forward the ban on gas boilers for new homes, requirements for rooftop solar or conditions on housing density.

Housing is acutely in a crisis of supply and affordability in some regions and much less so in others. Different regions may want to take different actions to tackle their local issues. Compulsory purchase to develop vacant sites and regulation of holiday lets is a welcome step forward. However, for such a critical issue for many regions, the proposals are too small in scope. Powers over council housing targets funded through consolidated block funding could have been a more significant action to increase the housing supply.

What could this mean for the West Midlands?
Labour's proposals on devolution could see positive changes in the West Midlands and should be welcomed as steps forward on a journey to greater regional autonomy. For example, powers over training and skills provision would

allow the WMCA to respond better to its specific local skills needs and future projections. This is potentially very consequential for the West Midlands with its core industry, manufacturing facing significant turbulence in the coming years. One projection suggests a 40 per cent reduction in manufacturing employment by 2040 alongside a significant increase in demand for digital skills. There are, however, still key powers that will be retained in Westminster. Perhaps the most important example is those relating to housing. In short, poor control of a region's housing stock can have negative social and economic impacts. While Labour's proposals on housing appear to be an improvement on the current approach, they do not give local leaders the power to scale up private and social housing developments to the extent the current housing crisis demands, particularly in relation to affordable housing. Shortages of housing over time can negatively affect regional in-migration which in turn can have consequences for growth and productivity uplift. More generally, there is the issue of what happens in the West Midlands beyond the WMCA that requires further attention going forward.

Under current government plans, the West Midlands Combined Authority (WMCA) has been named as a 'trailblazer' of a new devolution deal (alongside Greater Manchester) that promises more powers and funding for the region. The West Midlands will benefit from a model that continues to favour a Mayoral model of sub-national governance, and it is important that the WMCA share policy learning with and from other mayoral combined authorities. In the short-term, it would be hoped that new proposals do not slow down the process towards potentially more powers and funding for the WMCA (albeit none have yet been defined or agreed). On the face of it, Labour is offering more devolution with block funding being the most significant departure from the current system for the region. However, with the Chancellor's Spring Budget 2023 just around the corner, the extent to which Labour's proposals are different from what the current government's 'trailblazer' devolution deal will offer the region may change.

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International Migration and the UK Labour Market: Changes and Challenges

Anne Green, WMREDI

This blog is part of a series looking at the UK Labour Market. See also: - Why are the Over-50s Leaving the Workforce?- Labour Market Flows and Future Participation Flows and What Are the Current Challenges in the UK Labour Market and How Can They Be Addressed?

The role of international migration in the UK labour market

Immigration is a key economic and social issue: it has fuelled economic growth and prosperity, changed the demographic composition of the UK and shaped much of the political agenda. Many of the UK's labour and skills needs have been met by international migration. This is because employment of workers from outside the UK is one possible strategic and tactical response to address labour and skills shortages. As noted in a review commissioned by the Migration Advisory Committee on Employer decision-making around skill shortages, employee shortages and migration and outlined in a previous City-REDI blog on Changes to the UK Immigration System After the Brexit Transition Period, it is a means of making numerical adjustments to, and changing the quality of, labour supply.

Attracting international migrants has been an important way in which the government and employers have sought to meet labour and skills needs in the UK economy for many years. In the immediate aftermath of World War II, the Commonwealth was a key source of incoming labour. More recently – at least until Brexit - the European Union (EU) has been a major source of international migrants to the UK.

The size and composition of flows are influenced by immigration policies. Immigration policies in both the UK and other countries matter because they influence the relative attractiveness of alternative destinations.

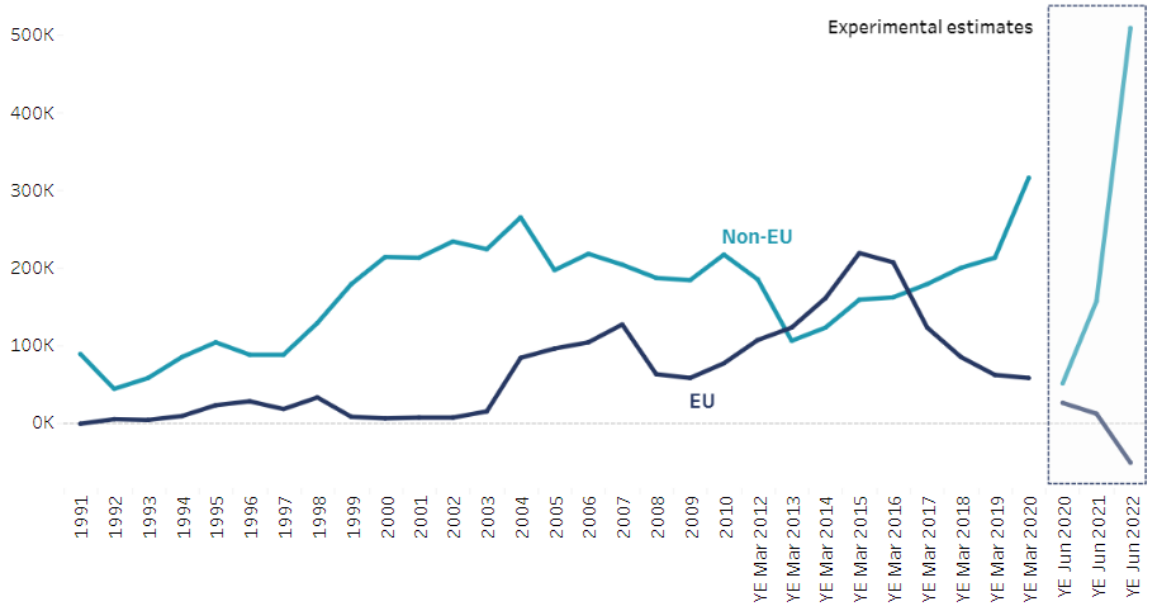
Recent trends in international migration to the UK

The Migration Observatory notes that net migration is a commonly used measure of the overall scale of migration in the UK. This measure takes account of those moving to the UK and those leaving.

In recent years net migration has been impacted by Brexit (and associated changes in the UK immigration system) and the Covid-19 pandemic and restrictions on international mobility. According to the Office for National Statistics total net migration was at a high level of 504,000 in the year ending June 2022, with the opening of new routes for Ukrainians and Hong Kong British Nationals (Overseas) status holders being key factors here. Other factors in the increase were an increase in international students, which likely is a function of the strategy of increasing and diversifying foreign student recruitment and the reintroduction of post-study work rights post-Brexit. A further factor in the increase was skilled workers on work visas; here the health and care sector played a primary role in driving the increase.

Over the most recent years the increase in overall net migration has been driven by non-EU migration (as shown in the Figure below). By contrast, EU net migration decreased sharply from 2016 onwards and thereafter remained low. Between March 2016 and March 2020 EU net migration fell by 58%. This aggregate figure disguises a 126% fall for EU-8 migrants (from Eastern and Central Europe), compared with 40% for EU-2 migrants (from Bulgaria and Romania) and 42% for EU-14 migrants (from the longer-standing EU member countries in western Europe).

Estimates of net migration and immigration of EU and non-EU citizens in the UK per year, 1991 to year ending June 2022

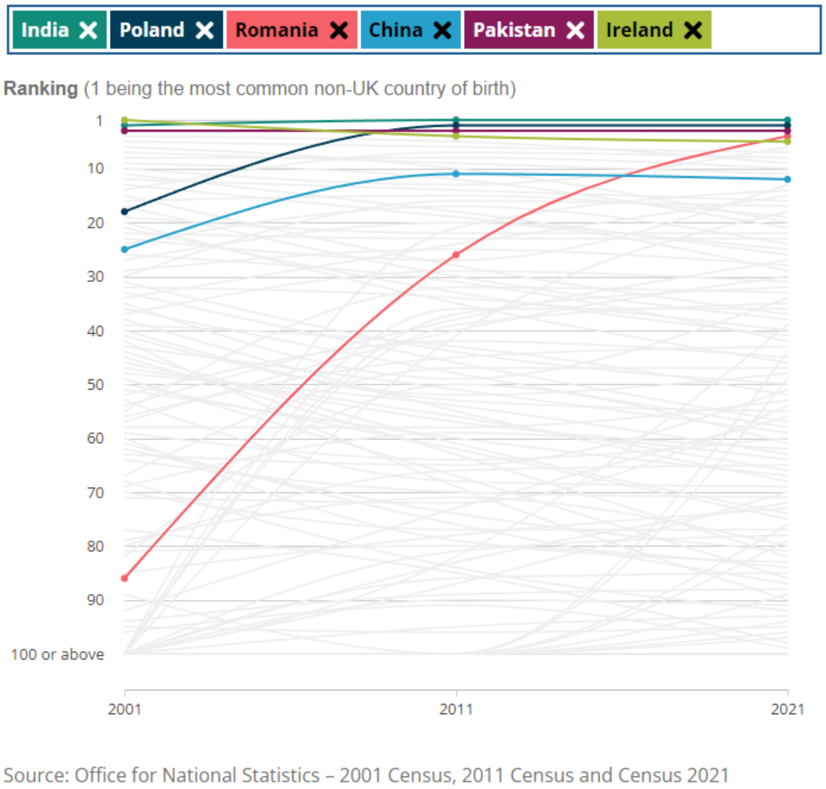


Source: Figure 3 in [Net Migration to the UK]

Changing migrant stocks

The recent publication of 2021 Census of Population data provides a longer-term view of the changing stocks of people born outside the UK according to selected country of birth. India accounts for the largest single number in 2021, followed by Poland, Pakistan, Romania and Ireland. Eastern European countries such as Poland and Romania have risen up the rankings over the 20-year period (as shown in the Figure below), largely reflecting immigration to the UK after their accession to the EU.

Changing rank of selected non-UK countries of birth, 2001, 2011 and 2021, England and Wales



Source: [Census of Population, ONS. The changing picture of long-term international migration, England and Wales: Census 2021]

Hence changing immigration rules, alongside historical links, geographical proximity and size of source country play a role here.

UK immigration policy

Prior to Brexit EU citizens coming to work in the UK were eligible to take up employment in any job. As an EU member state, the UK was unable to use any kind of visa system to control migration from other EU member states except in very particular circumstances; (following the following the accession of Bulgaria and Romania to the EU in 2007, the UK limited opportunities for Bulgarians and Romanians to work in the UK). By contrast, citizens of countries outside the EU were subject to immigration control and did not have the right to enter the UK to work without a visa.

From 1st January 2021 the UK has had a new immigration system. Free movement arrangements for European Economic Area (EEA) nationals have been revoked. There is now a single skills-based system for all migrants to the UK that makes no distinction on the basis of nationality; (Irish citizens are a special case here under the provisions of the Common Travel Area where there are reciprocal rights for UK and Irish citizens). Migrants coming to work in the UK need to be sponsored by an employer and work in at least a middle-skilled job paying a wage equal to or above a minimum salary threshold. There is no provision for migration to low-skilled jobs except on a temporary basis.

In comparison with the previous Points Based Immigration System (PBS) the current skills-based system has been expanded to include middle-level skills and has a lower salary threshold. This means that the current UK immigration system is less liberal for EU workers and more liberal for non-EU workers than the one that preceded it. Some of the key immigration routes are outlined below.

To work in the UK under the **'Skilled Worker route'** individuals require 70 points under the PBS. Some of these points are non-tradeable (i.e. every individual needs to meet them): (1) a job offer from an approved sponsor; (2) a job offer at the required skill level (i.e. Regulated Qualifications Framework [RQF] 3): A level or equivalent); and (3) ability to speak English at a required level. Together these make 50 points. The additional 20 points required can be attained by earning a salary that equals or exceeds the general salary threshold of £25,600 (£10.10 per hour) or the going rate for the occupation (whichever is highest). If this salary threshold is not met there is scope to earn extra points (provided a lower minimum salary threshold is met) by having a job offer in a specified shortage occupation (i.e. designated by the Migration Advisory Committee as being on the Shortage Occupation List [SOL]) or a PhD relevant to the job. Within the Skilled Worker route there are exemptions to some of the above requirements for those on a Health and Care visa.

There is also a **'Graduate route'** which allows international graduates who have been awarded their degree from a UK university to stay in the UK and work, or look for work, at any skill level for at least two years. For those with a PhD or other doctoral qualification the visa will last for 3 years. The Graduate route is unsponsored – i.e. applicants do not need a job offer to apply to the route. There is no minimum salary requirement and there are no caps on numbers. Graduates on the route can work flexibly and switch jobs. After two years a switch to the Skilled Worker route is possible providing that the conditions of that route are met. International student visas are currently the subject of much political debate, with indications existing that the government may seek to place new restrictions on international student visas. Universities have argued that international students bring substantial economic and other benefits.

The **intra-company transfer (ICT) route** allows multinational organisations to facilitate temporary moves into the UK for key business personnel through their subsidiary branches, subject to ICT sponsorship requirements being met. The route requires applicants to be in roles skilled to RQF 6 (graduate level equivalent). There is a different minimum salary threshold from the main Skilled Worker route.

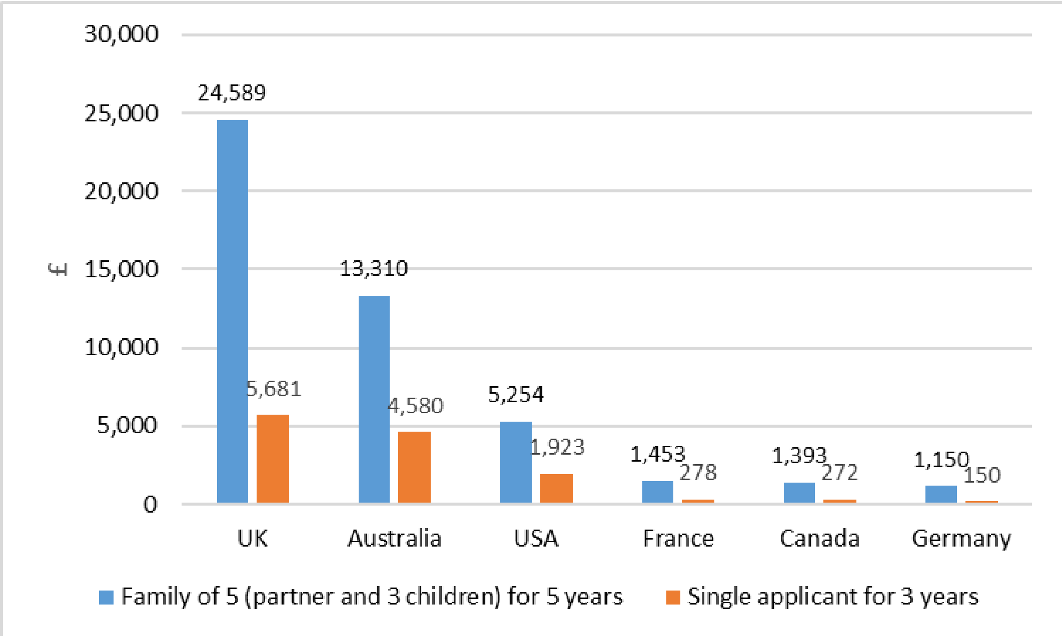
From the outset of discussions on post Brexit immigration policy the Government confirmed that it would not implement a route for low-wage workers (i.e. those requiring only short-term training). It cited instead the need to invest in staff retention, productivity and automation, rather than rely on migrant workers. This means that sectors and occupations particularly reliant formerly on EU migrant free movers to fill jobs which do not require high and medium skills levels have been hit particularly hard by changes in immigration policy. The industries most affected by these changes are estimated to be wholesale and retail trade along with public administration, education and health.

Immigration policies in other countries – and why they are important

The UK competes for skilled labour with other countries. In this regard the costs of using the skilled worker visa system is emerging as a key challenge. In the UK there is an application fee for a skilled worker visa (which varies according to whether an application is made from within or outside the UK, whether the job is on the Shortage Occupation List, the length of time in the UK, etc.) and an annual health service charge. An individual also needs to demonstrate that they can support themselves by showing that they have a certain amount of money in a bank account.

The All-Party Parliamentary Group on Migration Inquiry in 2021 on The Impact of the New Immigration Rules on Employers in the UK estimated comparative costs for skilled workers. The much higher costs in the UK than in various competing destinations are immediately apparent in the Figure below.

Visa fee comparison, 2021



Source: Report_APPG-Inquiry-Paper_-1.pdf (appgmigration.org.uk)

Alongside these lower costs, the Recruitment & Employment Confederation highlights that countries such as Canada and Germany are active in targeting immigrants to fill skill shortage occupations. Immigration and Skills Canada has implemented a Global Skills Strategy to support businesses in attracting foreign talent through simplification of the administrative process. Measures include shorter processing times for applications and exemptions from acquisition of work permits to skilled workers most in demand. In Germany the Federal Ministry of Labour and Social Affairs has sought to attract skilled workers via offering vocational training qualifications – including learning German in order to ease integration into German society.

So, in terms solely of costs, the UK appears as a relatively unattractive destination vis-à-vis competitors.

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Employers and the new skills-based immigration system

Qualitative research conducted by the MAC between November 2000 and May 2021 focusing on employer experiences of skills shortages and migration across three sectors - construction, manufacturing and IT - highlighted that both the Covid-19 pandemic and changes to the immigration system in 2021 had a major impact on businesses and international migration. However, **the Covid-19 pandemic tended to be viewed as a short-term threat** that would be overcome in the long-term, while **the ending of free movement was viewed more as an ongoing threat**. The research highlighted concerns about the costs of using the skilled worker visa route, particularly for workers in medium-skilled roles. Other challenges included the English language requirement in some instances where workers otherwise meet skills requirements, difficulty in meeting the earnings threshold (especially outside London and the South East), and that the immigration system no longer caters for employers who require flexible labour to undertake short-term tasks; previously EU nationals could come to the UK for short periods to undertake particular tasks.

Reflecting how the immigration system has implications for the numbers and composition of migrant flows, it appears that the post-Brexit immigration system has substantially reduced work migration from the EU. By contrast, in the second quarter of 2021, non-EU citizens' demand for work visas had returned to numbers relatively close to pre-pandemic levels, after a decline during the Covid-19 pandemic. At the end of 2022 the MAC reported that up to 2022 quarter 2, EEA nationals made up around 7% of the cumulative total of skilled worker visa applications.

Looking ahead

International migration is one potential means of increasing the supply of labour in the UK. Importantly, migrants are typically younger than the UK population overall and if in work they generally lower the average age of the workforce. Analysis by the ONS of all people arriving in England and Wales in the year before the 2021 Census shows that their median age was 26 years, compared with 40 years for the overall population. In turn, this younger age profile of migrants has implications for fertility rates and so for the demographic structure of the UK.

The extent to which employers turn to international migration as opposed to other alternatives to address labour and skills shortages depends in part on the relative ease and costs incurred in complying with the immigration system. Likewise, potential immigrants may choose to go to alternative destinations. The relative attractiveness of the UK matters.

Changing labour market participation of people aged 50 years and over

Anne Green, WMREDI

This blog is part of a series looking at the UK Labour Market. See also: - Why are the Over-50s Leaving the Workforce?- Labour Market Flows and Future Participation Flows and What Are the Current Challenges in the UK Labour Market and How Can They Be Addressed? as well as a blog in summer 2022 focusing on Over 50s in the labour market.

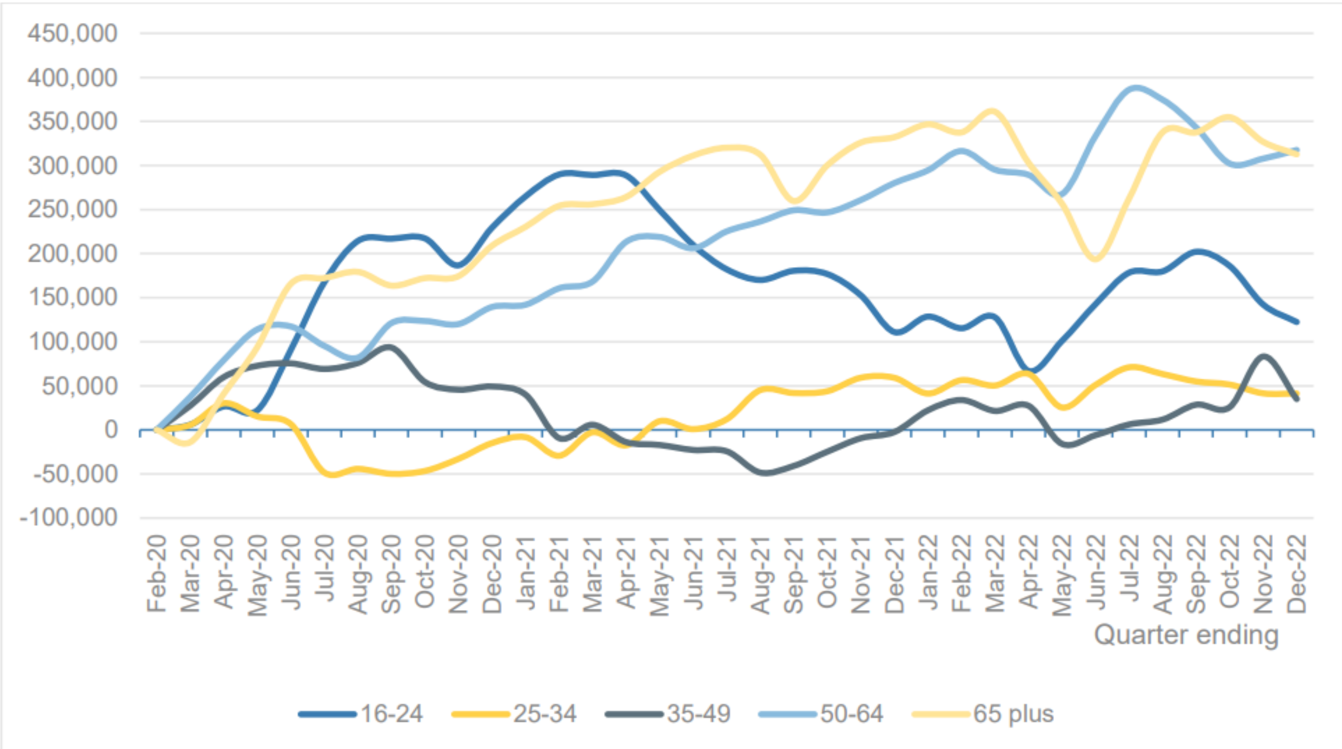
Introduction

There has been considerable debate in recent weeks and months about levels of economic inactivity in the UK. Much of this debate has focused on economic inactivity amongst those aged 50 years over and the relative contributions of early retirement and of ill-health, alongside other factors. In late December 2022 the House of Lords Economic Affairs Committee in their report 'Where have all the workers gone?' concluded that early retirement was the largest contributor to rising inactivity. Coupled with an ageing population, this is leading to labour supply shortages.

Prior to the Covid-19 pandemic labour market participation amongst older workers was increasing, particularly amongst older women, while labour market participation rates amongst younger people decreased. Since the Covid-19 pandemic the increase in economic inactivity amongst older people has reinforced the ageing effect. The UK stands out internationally in terms of the size of the increase in inactivity.

Hence, the rationale for the focus on people aged 50 and over becoming economically inactive is clear. The figure below shows that those aged 50 and over dominate the increase in economic inactivity between the start of the Covid-19 pandemic and the end of 2022.

Change in level of economic inactivity by age since start of Covid-19 pandemic

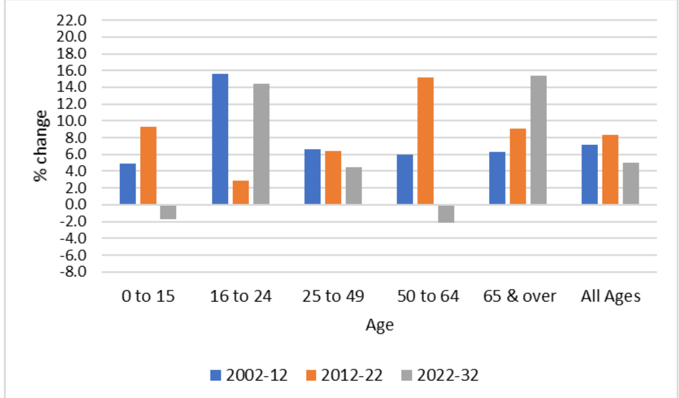


Source: Labour Force Survey, Figure 4 in IES Briefing: Labour Market Statistics, February 2023

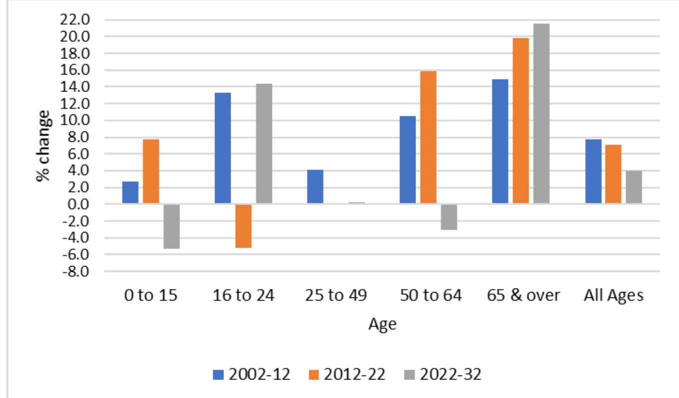
Demographic factors

The Covid-19 pandemic coincided with a larger than average cohort of people aged 50-64. In the UK births peaked immediately after World War II and then again in 1964. So, in 2020 many people in this cohort would have been in their mid-50s. Hence, the reversal of the previous trend of an increase in participation rates occurred at a time when the cohort aged 50-64 was particularly large. This is evident in the Figure below which shows changes in the relative size of different age cohorts in the West Midlands Combined Authority (WMCA) area and England in three ten-year periods: 2002-12, 2012-22 and 2022-32. The general patterns of change are similar across the two areas, although the increase in the population over 65 years is more marked in England than in the WMCA area. However, it is the change in the population aged 50-64 that is most marked in 2012-22. By 2032 it would be expected that nearly everyone in this large birth cohort would be retired – even accounting for the rise in the State Pension Age - and there will be a larger elderly population to support.

Percentage change in population by age group, 2002-12, 2012-22, 2022-32, West Midlands Combined Authority Area
(source: Population Estimates and Population Projections)



Percentage change in population by age group, 2002-12, 2012-22, 2022-32, England
(source: Population Estimates and Population Projections)



Understanding changes in labour market participation: early retirement, sickness and other factors

In a study on the rise in economic inactivity in people in their 50s and 60s published in summer 2022, the IFS concluded that a lifestyle choice to retire as a result of changes in preferences and priorities, possibly in combination with changes in the nature of work that make it less attractive following the Covid-19 pandemic, is the major factor explaining the increase in economic inactivity amongst people aged 50-69 years. Of course, there were other factors too. Involuntary exit played a role: IFS analysis indicates that 37% of the increase in 50-69 year olds leaving the labour force between 2017-19 and 2020 was driven by redundancies or dismissals. However, redundancies and dismissals only made up 11% of the growth in higher inactivity rates as the economy recovered. Health-related reasons for leaving the labour force accounted for 5% of the increase in economic inactivity amongst 50-69 year olds according to the IFS.

There has been a rise in long-term sickness in the UK since the start of the Covid-19 pandemic albeit long-term sickness was on an upward trend before the Covid-19 pandemic hit. Analysis by the ONS shows that in the period from the quarter ending June 2019 to the quarter ending June 2022 the number of people aged 50-64 who were economically inactive due to long-term sickness rose by 16%, from nearly 1.137 million to 1.320 million. In relative terms, however, the relative increase in long-term sickness was higher amongst the 25-34 years and 16-24 years age groups at 42% and 29%, respectively (as shown in the Figure below). In recent research on The Great Retirement or the Great Sickness, LCP point to a marked growth in people self-identifying as long-term sick and a growth in the numbers of people previously categorised as short-term sick becoming long-term sick. However, analysis by ONS reveals that most people who became long-term sick in 2021 and 2022 were already out of the workforce.

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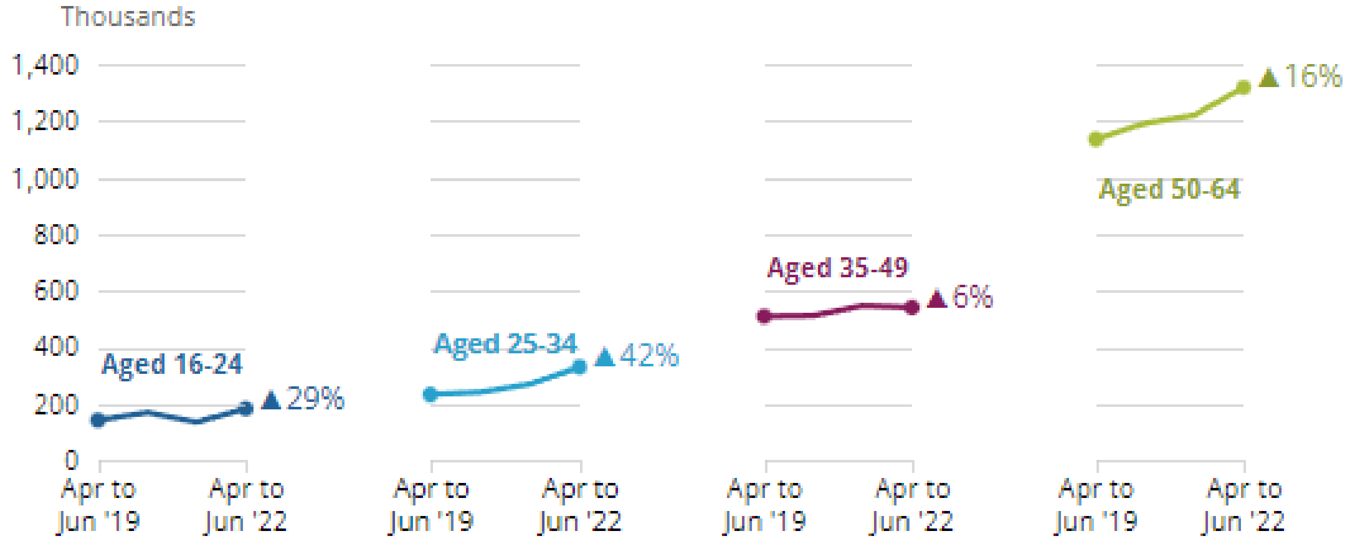
Change in economic inactivity owing to long-term sickness by age group, UK, 2019-2022



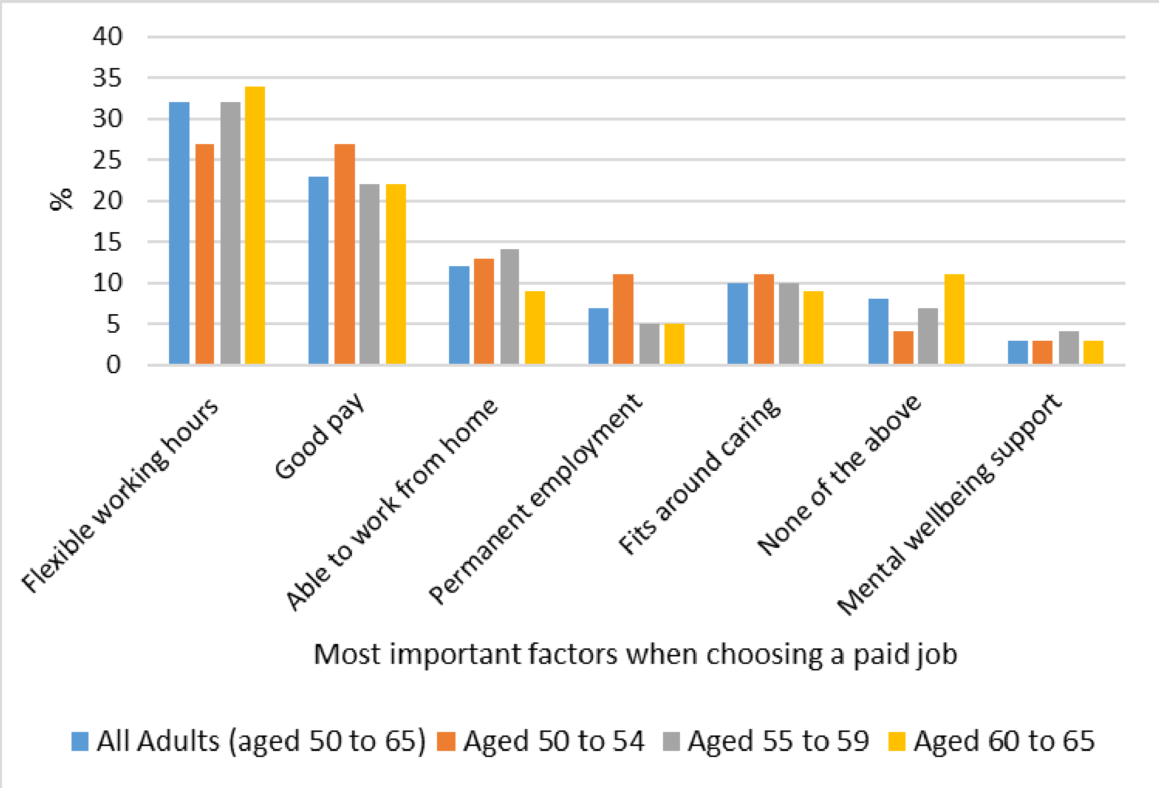
Source: Labour Force Survey, ONS 2022 **Half a million more people are out of the labour force because of long-term sickness**

While there is some dispute amongst commentators regarding the extent to which long-term sickness as opposed to early retirement contributed to rising economic inactivity amongst people aged over 50 years during, and in the aftermath of, the Covid-19 pandemic there is consensus on the fact that pressure on the NHS is likely to be a factor contributing to the increase in long-term sickness. An ageing population puts pressure on the NHS in any case while the Covid-19 pandemic has led to disruptions in the management of chronic diseases, waiting times for routine treatment has been extended and longer waiting times to initial diagnosis mean that individuals will likely be sicker before any treatment starts. Moreover, research from Phoenix Insights suggests that the UK has experienced relatively poor access to health care since the Covid-19 pandemic in comparison with other countries.

The ONS has conducted an Over 50s Lifestyle Study to gather more information from adults aged 50 and over in Great Britain to better understand their motivations for leaving work and whether they intend to return. Analysis conducted in August 2022 on adults aged 50 to 65 years who left or lost their job since the start of the Covid-19 pandemic (in March 2020) and had not returned to work showed that only a small minority were looking for work at the time of the survey – 14% of those aged 50-59 years and 6% of those aged 60-65 years. A key reason for not returning to work was retirement, cited by 37% of 50-59 year olds and 60% of 60-65 year olds. However, the number of respondents who indicated that they would consider returning to work was higher than the number of those who were actually searching, with marked variations by sub-group apparent: 86% for 50-54 year olds, 65% for 55-59 year olds and 44% for 60-65 year olds. However, over half of these respondents had not looked for a job since leaving the labour market.

The figure below shows the most important factors cited by people aged 50-65 years who had left their job since the start of the Covid-19 pandemic and had not returned; (respondents could select more than one option and only the most popular options are shown). The importance placed on flexible working hours is apparent, particularly for those in the oldest age groups. Good pay and permanent employment are also amongst the most commonly cited factors, especially at the younger end of the 50-65 years age range. This highlights the importance of labour demand factors in encouraging economically inactive people age 50 years and over back into employment.

Most important factors in choosing a paid job by age group, Great Britain, 2022



Source: Over 50s Lifestyle Survey, ONS 2022 [Reasons for workers aged over 50 years leaving employment since the start of the coronavirus pandemic - Office for National Statistics]

The UK experience in an international context

Rising economic inactivity during the Covid-19 pandemic was a common experience internationally. However, whereas in several countries inactivity rates have fallen since a reduction is less apparent in the UK. Research by Phoenix Insights on [What is driving the Great Retirement?], based on polling of residents aged over 50 years in the UK, Germany and the USA, with a booster sample of 50-64 year olds who are not in the workforce, showed that:

- There are significantly more negative attitudes to work in the UK than in Germany and the USA and views towards work have been changed more profoundly by the Covid-19 pandemic. 58% of workers in the UK said they liked their job, compared to 74% in the USA and 73% in Germany. 42% of UK respondents who left the workforce after the onset of the Covid-19 pandemic said that they retired simply because they did not want to continue working compared with 33% who retired before the Covid-19 pandemic. In the UK older workers' views seem to have been changed more by the Covid-19 pandemic than was the case for their counterparts in the USA and Germany: 40% of workers in the UK said that the coronavirus pandemic made them rethink how they view working, compared to 28% in the USA and 30% in Germany.
- Reasons for leaving the workforce also differ. Looking at the most common answers for leaving the workforce, 25% of UK respondents said they chose to leave the workforce because they did not want to continue working. In the USA the most common responses amongst workforce leavers were they had reached retirement age (26%) or were unable to work due to health reasons (26%). Amongst German respondents the most common response was being unable to work due to health reasons (37%). In the UK respondents were more likely to cite multiple factors for leaving than in the USA or Germany.
- Relatively higher levels of financial comfort are evident amongst 50-64 year olds in the UK than in the comparator countries. 18% of economically inactive respondents in the 50-64 years age group in the UK reported being a lot or somewhat better off as a result of the Covid-19 pandemic compared with 8% of respondents in the USA and 4% in Germany. The polling also suggests that home ownership plays a role in decision-making about when to retire and/or reduce their hours of work, so emphasising underlying socio-economic inequalities in decisions about retirement. The influence of (non-)home ownership is greater in the UK than in the other countries.

Overview and policy implications

The Covid-19 pandemic impacted everyone – whether in employment or not. For those in employment the pandemic provided an opportunity to reassess their job in the light of changed circumstances. For some workers, whatever their age, this reassessment led to a re-evaluation of what they wanted from work in terms of pay, flexibility, sociability, etc. Subsequently this could lead to an appraisal of whether their job role aligned (especially if the nature of work and the workplace changed following the pandemic) with what they wanted from work, alongside a recalibration of work-life balance. Some older workers in more favourable economic circumstances, and especially those with occupational pensions and/or who owned their homes outright, were able to, and decided to, retire early.

Of course, not all older workers were able to make such a decision. Some workers faced redundancy or had the opportunity to take voluntary redundancy and withdrew from the labour market. Older workers were more likely to be made redundant than there younger counterparts and once out of the labour market they take longer on average to return. Some suffered ill-health – whether or not related to Covid-19 – and withdrew from the labour market.

Interacting with all of the factors outlined above are household and family circumstances, including whether a partner (if there is one) is in work, caring responsibilities for, and health of, family and friends, and financial incomings and outgoings, all influence decisions on how and when to exit the labour market. Individuals' context matters.

This suggests that policy needs to recognise the diversity of older people who are economically inactive, the reasons for their inactivity and their desire (or otherwise) to return to the workforce. There is a clear distinction between those who have withdrawn from the workforce voluntarily before State Pension Age and have the financial capability to sustain their desired lifestyle and those who have left low-paid work because of ill-health and who are not financially comfortable. The Learning and Work Institute suggests that this latter group needs individually tailored support via trusted institutions. There is a role for place-based policy here through shaping the local employment support offer and aligning it with other local provision, including integration with health services and tailoring the skills offer to the needs of local employers, to help people back into work. The Resolution Foundation points to the role of access to tax-relieved financial pension wealth from the age of 55 years as helping to support early retirement of the former group and suggests that reforms to private pensions and the capping of tax-free lump sums may be pressing policy priorities here.

On the demand side of the labour market improving job quality has a role to play in stemming out-flows of older workers from employment and also encouraging people to return to the workforce. 'Good work' is important for all age groups but arguably it is particularly so for older workers who are more likely than younger workers to have health issues and/or caring responsibilities.

ONS economic activity and social change in the UK, real-time indicators

Black Country Consortium Economic Intelligence Unit

On the 23rd February 2023, the Office for National Statistics (ONS) released 'economic activity and social change in the UK, real-time indicators' statistical bulletin. These statistics are early experimental data and analysis on economic activity and social change in the UK. These faster indicators are created using rapid response surveys, novel data sources, and experimental methods.

ONS also provides on a fortnightly basis the social insights on daily life and events, including impacts on health and well-being and the cost of living crisis from the Opinions and Lifestyle Survey (OPN).

Online Job Adverts

Figures are taken from jobs adverts provided by Adzuna. The Adzuna categories do not correspond to SIC categories and therefore not comparable with the ONS Vacancy Survey. Please note, Index of job adverts on Adzuna by category, 100 = average job adverts in February 2020.

Nationally, between the 10th and 17th February 2023, total online job adverts decreased by 3.2%. On the 17th February 2023, total online job adverts were at 113.6% of their average level in February 2020. Out of the 28 categories (excluding unknown) 22 decreased; the largest weekly decrease was in "transport/logistics/warehouse" which fell by 31.3% (to 143.7% of the average level in February 2020). Of the 6 categories that increased, the highest increase was in "wholesale & retail" which rose by 5.4% (to 174.0% of the average level in February 2020). There were 6 categories that were below the February 2020 average level, with the lowest in "legal" at 68.6%.

Excluding Scotland (increasing by 1.3%), online job adverts decreased for all other UK regions between the 10th and 17th February 2023. The West Midlands online job postings fell by 2.8% and on the 17th February 2023, it was at 113.1% of the average level in February 2020. There were 3 regions that were below the February 2020 levels; East of England (96.2%), the South East (98.3%) and London (98.4%). In contrast, Northern Ireland had the highest levels on the 17th February 2023 at 147.5% of the average level in February 2020.

Potential Redundancies

HR1 forms are used by employers to notify the Insolvency Service's Redundancy Payments Service of potential redundancies. They are only required when firms wish to make 20 or more redundancies. The data is presented in a week-ending Sunday format. The data does not record the total number of redundancies; they record the number of potential redundancies filed on HR1 forms.

On the 5th February 2023, across the UK there were 69 employers proposing 5,307 potential redundancies. The potential redundancies 4-week rolling average was 6,135 and the employers proposing redundancies 4-week rolling average was 68. When indexed (100 = weekly average from week ending 21st April 2019 to week ending 23rd February 2020), the potential redundancies 4-week rolling average was 125 and the employers proposing redundancies 4-week rolling average was 122.

System Average Price of Gas and System Price of Electricity

The System Average Price (SAP) of gas decreased by 11% in the week to 19th February 2023 (from the previous week), it was 27% lower than the equivalent level in 2022. However, when compared to the pre-Covid-19 baseline, SAP of gas was 434% higher. The System Price of electricity fell by 17% in the week to 22nd January 2023, was 21% lower than the equivalent level in 2022, but 292% higher than the pre-Covid-19 baseline.

Business Insights and Conditions Survey

The final results from Wave 76 of the Business Insights and Conditions Survey (BICS) based off the 5,314 businesses surveyed across the West Midlands that businesses have a presence in with a response rate of 26.7% (1,418) and 3,280 businesses that are head quartered in the West Midlands, with a response rate of 25.0% (820). Please note, the survey reference period was 1st to 31st January 2023 with a survey live period of 6th to 19th February 2023. Also, the data used is unweighted for regions and response levels can be low so the following results should be treated with caution when evaluating impacts. Due to weighted data being available for the UK a comparison has not been included.

Financial Performance

31.1% of responding West Midlands businesses reported that turnover in January 2023 had increased when compared to the previous calendar month. 33.4% of West Midlands businesses reported turnover had stayed the same. However, 26.5% had reported that turnover had decreased.

35.4% of West Midlands businesses expect turnover to increase in March 2023. While, 45.8% reported expectations of turnover to stay the same. However, 7.8% of West Midlands businesses expect turnover decrease in March 2023.

Prices

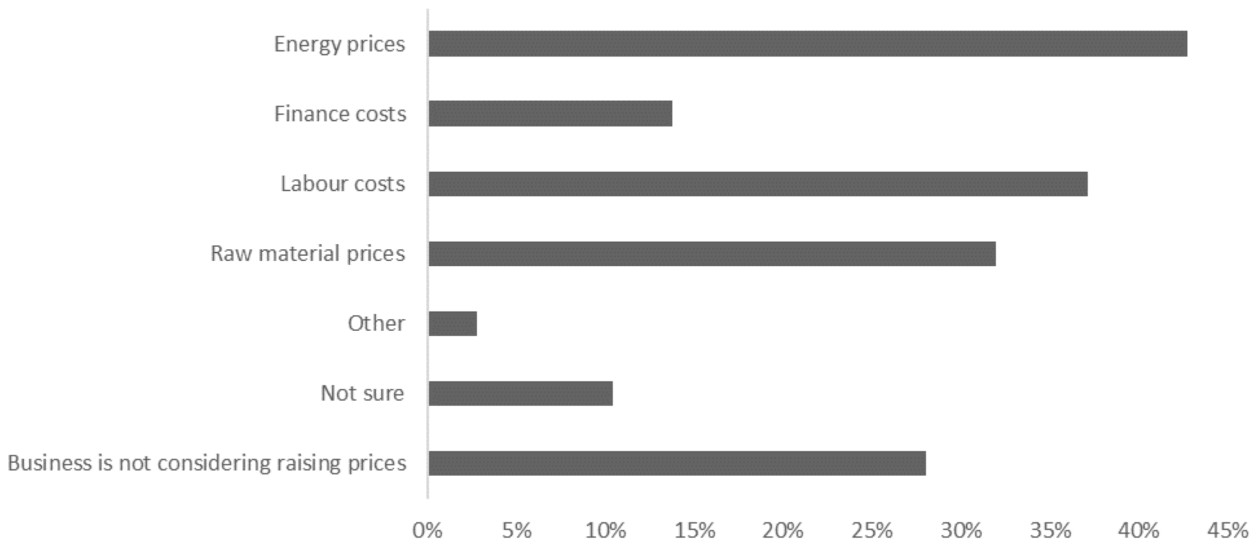
33.4% of responding West Midlands businesses reported the prices of goods or services brought in January 2023 when compared to the previous month had increased. 49.6% reported that prices had stayed the same and 1.1% of West Midlands businesses reported that prices of goods or services brought had decreased.

20.3% of West Midlands businesses reported the prices of goods or services sold in January 2023 when compared to the previous month had increased. 65.2% reported that prices had stayed the same and 2.1% of West Midlands businesses reported that prices of goods or services sold had decreased.

24.3% of West Midlands businesses expect the prices of goods or services sold in March 2023 to increase. 58.3% expect prices to stay the same and less than 1% expect the prices of goods or services sold to decrease.

42.7% of West Midlands businesses reported that energy prices were a factor for the business to consider rising prices in March 2023. While, 28.0% of responding West Midlands businesses reported to not be considering raising prices in March 2023.

Factors (if any) causing West Midlands businesses to consider raising prices in March 2023:

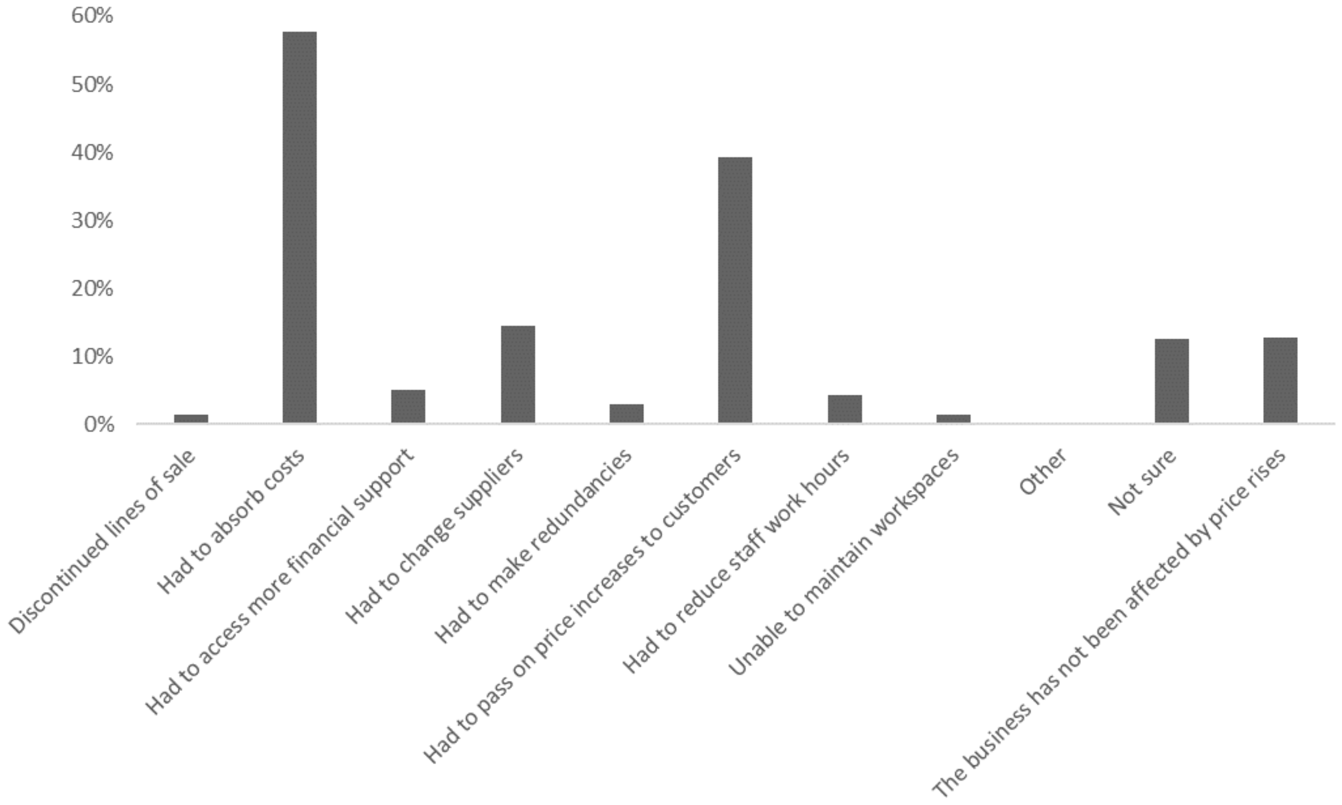


Energy Prices

4.5% of responding West Midlands businesses reported production had been affected by recent increases in energy prices, 18.2% of West Midlands businesses reported suppliers had been affected and 24.8% of West Midlands businesses reported that both production and suppliers were affected. While 24.8% of West Midlands businesses reported to not being affected by the recent increases in energy prices.

Impacts of Price Rises
57.7% of West Midlands businesses have had to absorb costs due to price rises.

Reasons (if any), West Midlands businesses have been affected by price rises:



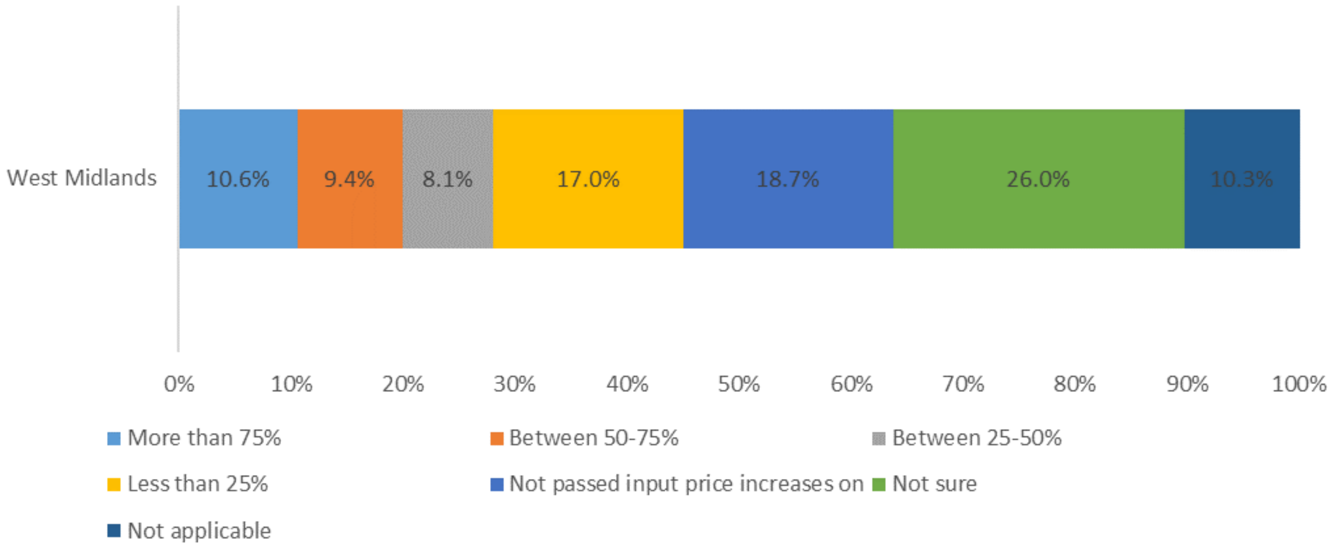
Demand for Goods and Services
17.4% of responding West Midlands businesses reported that domestic demand for goods and services in January 2023 when compared to the previous month had increased. 48.2% reported the domestic demand had stayed the same and 16.1% of West Midlands businesses reported the domestic demand for goods and services had decreased.

6.2% of West Midlands businesses reported that international demand for goods and services in January 2023 when compared to the previous month had increased. 23.6% reported the international demand had stayed the same and 5.8% of West Midlands businesses reported the international demand for goods and services had decreased.

Late Payments
28.1% of responding West Midlands businesses reported that the number of late payments from customers over the last 6 months had increased. 39.9% reported that the number of late payments had stayed the same and 1.5% of West Midlands businesses reported the number of late payments had decreased.

Input Price Increases
10.6% of responding West Midlands businesses reported that more than 75% of input price increases had been passed on to customers over the last 6 months.

How much West Midlands businesses input price increases have been passed on to customers over the last 6 months:



Number of Employees

19.6% of responding West Midlands businesses reported in January 2023 when compared to the previous month, that the number of employees increased, 58.6% reported the number of employees had stayed the same and 14.3% of West Midlands businesses reported the number of employees had decreased.

25.2% of West Midlands businesses expect the number of employees will increase in March 2023, 57.4% expected the number of employees to stay the same and 5.3% of West Midlands businesses expect the number of employees to decrease.

Recruitment Difficulties

30.5% of responding West Midlands businesses reported experiencing difficulties in recruiting employees in January 2023. However, 38.7% of West Midlands businesses did not experience any difficulties.

EU and Non-EU Workers

2.1% of responding West Midlands businesses reported the number of workers from within the EU had increased in January 2023 when compared with the same period in the previous year. 23.8% of West Midlands businesses reported the number of workers within the EU had the stayed the same and 7.9% reported a decrease.

3.8% of West Midlands businesses reported the number of workers from outside the EU had increased in January 2023 when compared with the same period in the previous year. 16.0% of West Midlands businesses reported the number of workers outside the EU had the stayed the same and 3.6% reported a decrease.

Net Zero

14.8% of responding West Midlands businesses are very concerned about the impact of climate change may have on the business and a further 43.0% were somewhat concerned. While 24.0% of West Midlands businesses reported no concerns.

19.6% of West Midlands businesses have a climate change strategy to help protect the environment.

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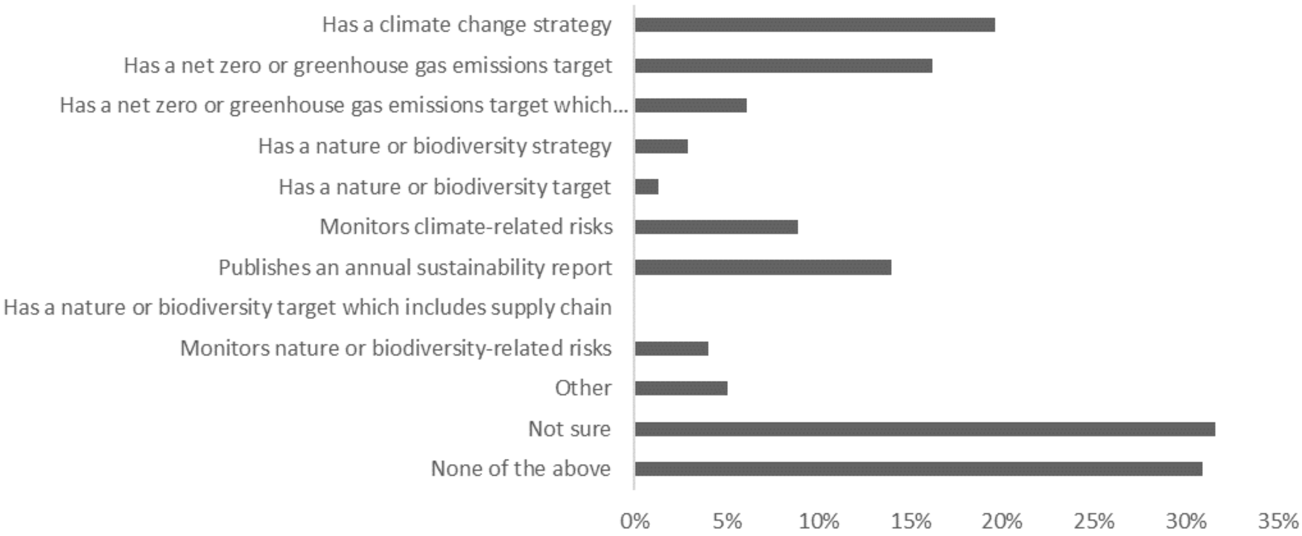
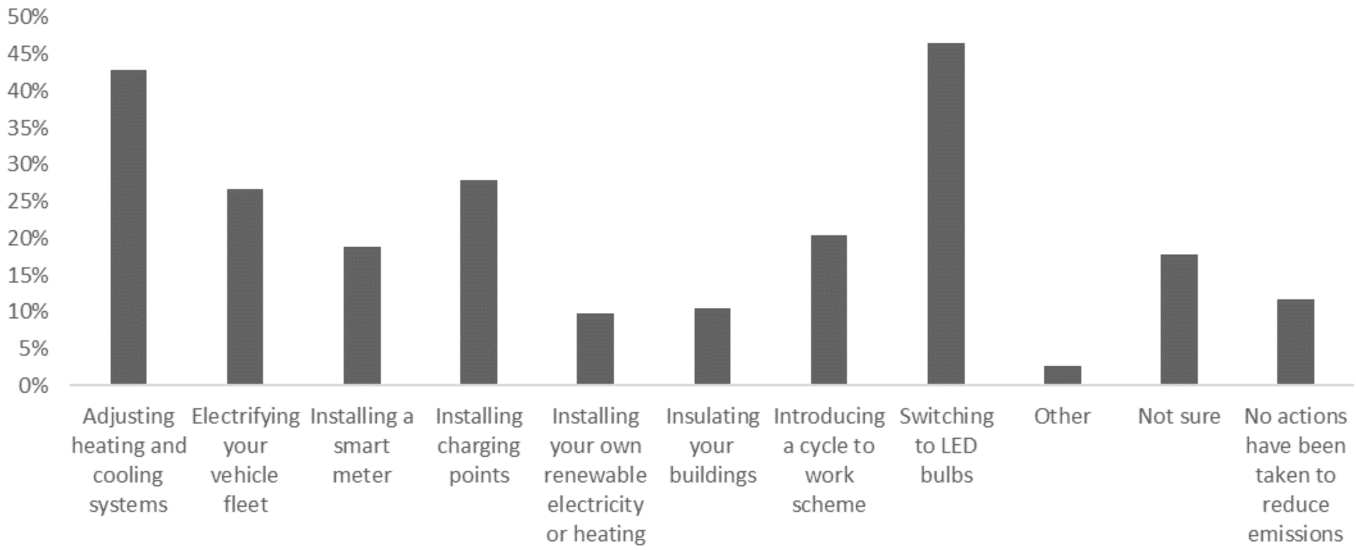
Actions (if any), West Midlands businesses have taken to protect the environment:



46.5% of West Midlands businesses have switched to LED bulbs in order to reduce carbon emissions.

***Actions (if any), West Midlands businesses have taken to reduce carbon emissions*:**



Debts and Insolvency

3.0% of responding West Midlands businesses reported that debt repayments were between 50% and 100% of turnover in January 2023. 3.4% of West Midlands businesses reported that repayments were between 20% and 50% of turnover. 26.1% of West Midlands businesses reported that repayments were up to 20% of turnover.

48.8% of West Midlands businesses reported high confidence to meet the current debt obligations, 14.6% had moderate confidence and 1.6% had low confidence.

5.5% of West Midlands businesses reported to be at moderate risk of insolvency, 45.5% reported low risk and 38.2% reported no risk.

Overall Performance

32.9% of responding West Midlands businesses reported that overall performance in January 2023 increased when compared to the same period in the previous year. 39.9% of West Midlands businesses reported that performance had stayed the same and 17.3% reported that performance had decreased.

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For the next 12 months, 41.6% of West Midlands businesses expect that performance will increase, 34.1% expect performance will stay the same and 9.6% expect performance will decrease.

Public Opinions and Social Trends

Please note, a breakdown by region is no longer provided within this dataset due to the smaller responding sample size of the Opinions and Lifestyle Survey (OPN). Estimates are based on data collected between 8th to 19th February 2023 (the "latest period") and the 25th January to 5th February 2023 (the "previous period").

Important Issues Facing the UK

In the latest period, respondents felt the four main issues facing the UK were; the cost of living (91%), NHS (85%), economy (74%) and climate change & the environment (58%).

Household Finances

18% of adults reported to having no savings in the latest period (up from 16% in the previous period).

7% of adults reported to having a direct debit, a standing order, or a bill that they were unable to pay in the past month (remained the same as the previous period). This increased to 19% for the most-deprived areas of England compared with 2% for the least-deprived areas of England.

Personal experiences of shortages of goods

25% of adults reported that they could not find a replacement when the items they needed were not available when food shopping in the past two weeks. 22% of adults experienced shortages of other (non-essential) food items in the past two weeks.

Paying Energy Bills

48% of adults who pay energy bills said they found it very or somewhat difficult to afford them in the latest period (up from 47% in the previous period). This was higher at 64% among those in the most-deprived areas in England compared with 35% for the least-deprived areas. People in the most-deprived areas were more likely to report being behind on their energy bills at 12% compared with the least-deprived areas at 3%.

Rent or Mortgage Payments

27% of those who are currently paying rent or mortgage payments reported that these payments have gone up in the last six months (down from 31% in the previous period).

33% of those who are currently paying rent or mortgage payments reported that they are finding it very or somewhat difficult to make these payments (down from 30% in the previous period).

Industrial Action

39% of adults reported industrial action as an important issue in the UK. A higher proportion in the older age groups reported this being an important issue, with 44% of people aged 50 to 69 years and 49% of those age 70 years and over reporting this. This is compared with 30% for those aged 16 to 29 years and 35% for those aged 30 to 49 years.

3% of working adults said that they had missed work because of industrial action[1] (remaining the same from the previous period).

11% of adults reported being disrupted by rail strikes. Of these disruptions, 7% of adults were unable to work, 17% unable to work hours as planned and 45% were unable to take part in leisure activities.

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[1] This includes those taking part in industrial action, as well as those affected by industrial action.

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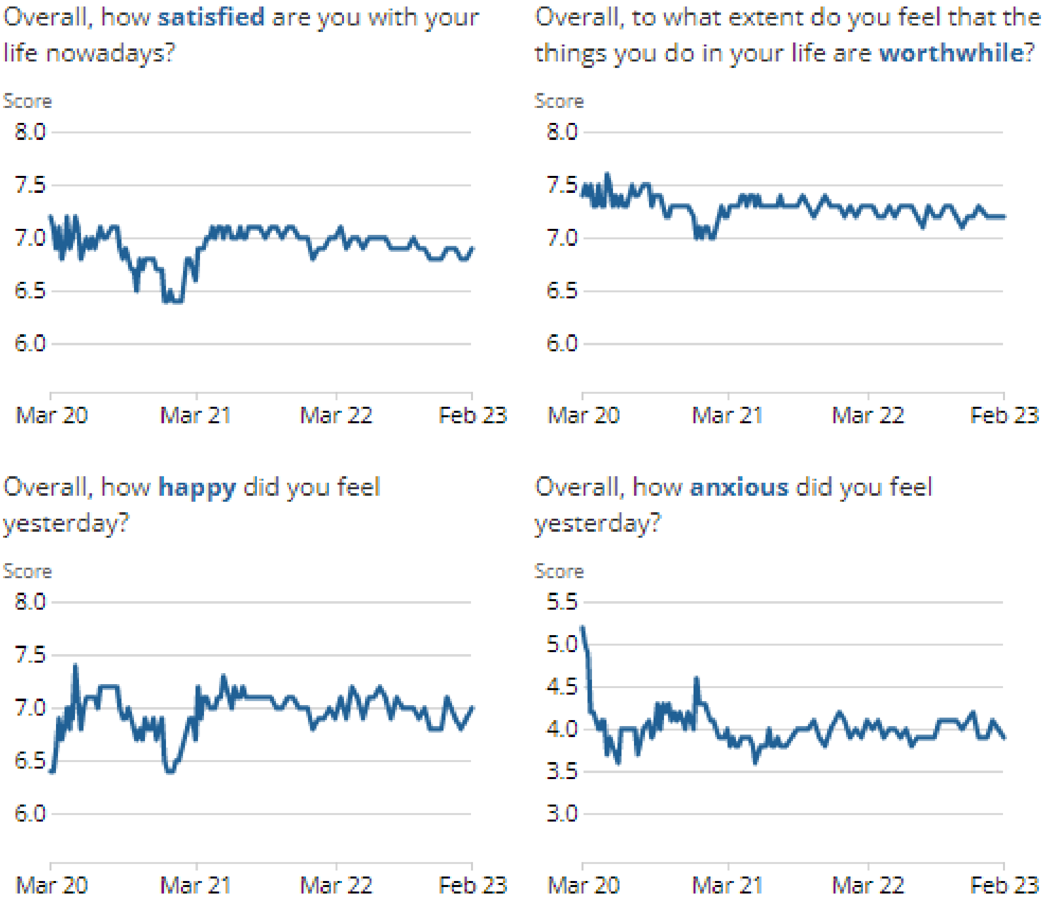
Personal Well-Being
Life satisfaction – increased to 6.9 in the latest period (from 6.8 in the previous period).

Feeling that the things done in life are worthwhile – remained at 7.2 from the previous period.

Happiness – increased to 7.0 in the latest period (from 6.9 in the previous period).

Anxiety – decreased to 3.9 in the latest period (from 4.0 in the previous period).

Levels of personal well-being, Adults in Great Britain, March 2020 to February 2023:



Source: Office for National Statistics – Opinions and Lifestyle Survey

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Disclaimer: The contents of this document are based on the latest data available and the contribution of regional partners in a fast paced environment, therefore we urge caution in its use and application
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