

# City-REDI Podcast- Productivity in the West Midlands

## **Rebecca Riley:**

Hello and welcome to the City REDI podcast. Today we'll be talking about productivity in the West Midlands. I'm Rebecca Riley, Associate Professor, City-REDI, WMREDI University of Birmingham. And today we'll be talking to Charlotte Horobin, Region Director of Midlands and East of England, Make UK.

Charlotte, Welcome to the podcast. Please can you tell us a bit about yourself and your role?

## **Charlotte Horobin:**

Yeah, absolutely. And it's a pleasure to be taking part in this podcast today. I'm so I'm the region director across the Midlands on the East of England, for Made UK, which is the national body representing manufacturers. I've got a really privileged role. I get to engage with numerous business leaders from within our manufacturing sector, understanding what their challenges are, celebrating their successes, and ultimately trying to ensure that they've got the right tools and connections in order to be more competitive and ultimately to grow.

## **Rebecca Riley:**

Thanks Charlotte. This podcast is reflecting on some of the findings of a recent report looking at productivity in the West Midlands. And I suppose the first the first question really is do our report findings chime with your knowledge of the manufacturing sector in the West Midlands?

## **Charlotte Horobin:**

Yeah, absolutely. I think it's fair to say we have seen sluggish productivity growth since the financial crash 2008. The West Midlands manufacturing sector typically performs around about six out of nine regions as we measure it. So absolutely kind of aligning with what we're seeing in the West Midlands that there is more to do, but we must absolutely recognize the importance of our manufacturing sector and we always talk about manufacturers investing in a place laying down bricks and mortar and therefore so important to community growth and being part of a I guess, a rich tapestry within a local economy.

But I think it's the report really highlights the interconnectivity between all of the different sectors in the West Midlands that it's not one sector is more important than the other, but rather we all need you know, we need accountants, we need professional services, we do need industry, we need strong schools and excellent health care facilities.

So for me, it just underpins how there isn't one party that is more important. But we do absolutely need to get everybody kind of hitting the right notes at the right time to unlock true growth in the region.

**Rebecca Riley:**

I think one of the findings within the report was around if the West Midlands have the same industrial structure as Great Britain, but it retained its average productivity. It would actually have it would actually increase the percentage point gap in productivity.

But if virtually if we kept our industrial structure, which retains that strength, then in manufacturing, each industry had the same productivity as Great Britain, the gap would narrow to one percentage point. So, what do you think is driving that low to firm productivity in the West Midlands that needs to be addressed?

**Charlotte Horobin:**

I think there's a few things that we would point to towards productivity. Now, I must say actually many of our manufacturing members will say that their UK site is often the most productive, but actually the economic policies and the structure that surrounds them sometimes as well, then on an international scale makes them less competitive.

But focusing on the exam question of productivity, there are certain things definitely we could point to, and I think we've got a cultural issue of underinvestment in the UK. So historically what we've tended to see is that a boom in orders and the need to deliver output has often then led manufacturers to recruit people to do the jobs today as opposed to long term investments into digital technology that could fill that gap. With that, we've therefore got perhaps higher labour content levels than in other nations. And ultimately for me, this comes down to leadership.

And whilst it's really hard to measure leadership, it's a little bit intangible, isn't it? We do see that actually. It's not that the UK is poor at developing leaders, but rather we've got quite a broad spectrum. So internationally places like the US and Germany tend to have some very solid methodology in terms of developing leaders investing in management skills. In the UK, what we tend to see are the really, really good examples or actually pretty poor examples and not a lot of structure in between. We've also got quite complex manufacturing operations here, so we can often be producing quite complex parts.

What we're extremely good at is typically low volume and high value and actually the way that services have every kind of tagged, the way into manufacturing. So rather than selling a product you're selling, say, power by the hour or heat as a service and making sure that that connection into the customer and delivers real revenue back to the manufacturer for the long term can make the operations yet quite complex. Business size is also something that I point towards saying bigger is better and you get economies of scale. And what we have often seen is that there's a lot of support perhaps for start-ups scale up and when we get our businesses to that kind of what you describe in Germany, I guess is a metal sheet and a lot of the support come kind of tail away.

So, I think we perhaps need to think about the way in which we support those businesses to continue to grow and then in sort of latter years, employee wellbeing.

And you know, the pandemic really has put a spotlight on the health care and wellbeing of our workforce. But also, the more technology we embed into businesses, that also starts to apply pressure because where someone may have been operating a piece of kit historically today, it might be that they are responsible for a bank of equipment that's working. So hopefully that starts. Just bring a few of those pennies to light as to where we might see some of the gaps in productivity

creeping in. Our interest in the ever evolving of skills and requirements and within the workforce to meet the demands is quite interesting.

**Rebecca Riley:**

One of the things in the report that we also found was that in the older firms are overrepresented in that bottom 20% of performers and the younger firms are overrepresented in the top 20% of performers. How do you think we can help firms learn from one another within a highly competitive environment?

**Charlotte Horobin:**

It is interesting isn't it, I guess if you've got a blank sheet of paper, it's easier to lay down the plans for the future rather than trying to tinker with a structure that is already there. So, I don't think that that's a surprise. Urm we definitely find that bringing manufacturers together who can share best practice without fear of competition. So, you know, if you've got a food and drink manufacturer, there's probably a lot they could learn from, say, an automotive supplier. That's a really brilliant way to start to win hearts and minds without fear of pinching each other's homework. So definitely buy in to that peer-to-peer best practice sharing and also bringing the next generation in who are digitally native.

Getting those guys into our businesses to perhaps get more out of software and instruments and tools that are already there and approach things with a different point of view. Again, we've seen some really great success stories by doing that too,

**Rebecca Riley:**

I mean, you talked about the current support system being more at the early stages and that middle stage of things that you've just described. There are more at the, you know, scale up area. Is there any other sort of recommendations for policy in that?

**Charlotte Horobin:**

We think simplification and meaningful intervention is what our members would point to often, but I think it's a cry out for more money and actually free pots of stuff isn't really what our members tend to engage with, tax breaks, tax relief. So, things like R&D tax credits are a particularly well used by UK manufacturing. In fact, the sector, which was responsible for two thirds of business R&D programs like Made Smarter, can really resonate with the sector because it's got, you know, a clear indication of what it's there to do.

It's for the manufacturing sector to, you know, do things in a smart way to embed technology. But again, we need to make sure that we've got these programs for the long term, because as you note, that all too well, our manufacturers don't operate on a once two-year cycle.

They, you know, business planning is 5 to 10 years plus looking into the future, things like help to grow digital, you know, the scheme really means well, but a £5,000 intervention really isn't

meaningful for a manufacturer. So, we've got to make sure that the sector that is going to take its time, that it's worth the energy to do so. I just don't know.

**Rebecca Riley:**

In terms of the back to report again, there was this real differences in productivity in sort of subregional areas. So, Solihull, Warwickshire and Coventry really stand out as drivers not only in this region but actually nationally. Could you explore what that why that might be and what's driving that?

**Charlotte Horobin:**

Yeah. Or do you think that this is a positive output from having world class universities, but especially in the geographies that you highlight, which of course got two amazing high value manufacturing catapult in Warwick Manufacturing Group and also the Manufacturing Technology Centre.

And then you've got this flourishing innovation community almost being born out of engaging within the region. So, I think our kind of mobility supply chain, what we do, I think historically just talked about automotive, but actually the opportunity now for those businesses to be supplying aerospace for very light rail and automotive, that's created a really amazing melting pot with hopefully innovations that we can commercialize and capitalize to keep the manufacturing that here in the UK.

**Rebecca Riley:**

I mean, I suppose the coming back to the earlier question about the industrial mix, there is a there is a danger that the public policy and investment shifts are industrial mix, which could actually be negative for us in the region if we if we are not careful about policy, how do you think we could drive and maintain the industrial mix?

**Charlotte Horobin:**

I think we've therefore got to think about what's important to industry and long-term ism is definitely one of those things. So, our members are absolutely crying out for a long term industrial strategy now that I think is within the West Midlands grasp to be able to think about what that means for the region for the long term.

And that really is going to be about being able to access a resilient supply, as is clean energy. It's really going to be about accessing skills both an existing workforce, but also the next generation of talent coming through.

It's going to be about having those assets to innovate. So, we're blessed with amazing universities and catapult centres, as we've already highlighted. And then we've got to join the dots so that, you know, transport and more importantly, digital infrastructure all very important that we also need to make sure we've got that strategic space and always carved out for our manufacturers to be able to build purpose built facilities because that is an issue and trying to find economically viable and sites that can be connected up to the grid, etc., for manufacturers to come and be housed in.

**Rebecca Riley:**

And final question, really, and you've already alluded to some really good government policy, and I'm just wondering whether there are any sort of broader, wider policies or activities that government should do to facilitate growth in the West Midlands and the UK.

**Charlotte Horobin:**

I think one of the key things that many business representative organizations are pointing to is the huge need to reform the apprenticeship levy. And alternately think about how we think about skills, not just for apprentices but for the whole economy.

I think as we transition to net zero and we see more digital transformation into our businesses, it's going to be really key again that we can upskill and increase skill our existing workforce too. So, if I were to not throw too much out there because there's plenty to go out, but what do I think some of the big issues there?

I think being able to access skills for the future is going to be really important and making sure that we can again become more resilient in terms of the type of energy that we use. And having access to that energy will be very important also.

**Rebecca Riley:**

And that just to sort of round up, I think the skills and the energy a big issues facing many sectors at the moment. And I think from you know, from what you've said as well, it's good to reflect that there are processes and activities and networks there that we probably need to just look at them and reform them rather than think of new ideas to tackle some of the issues. Well, thank you very much for a great chat around productivity. I do think that it is a challenge now after the last three years as well, helping the manufacturing sector to to get back on onto that growth pathway that we've had.

I think I agree completely with you in two key areas around energy and skills supply, both of which need long term solutions, not short-term political policies in place. So, thank you very much and hope to speak to you soon.