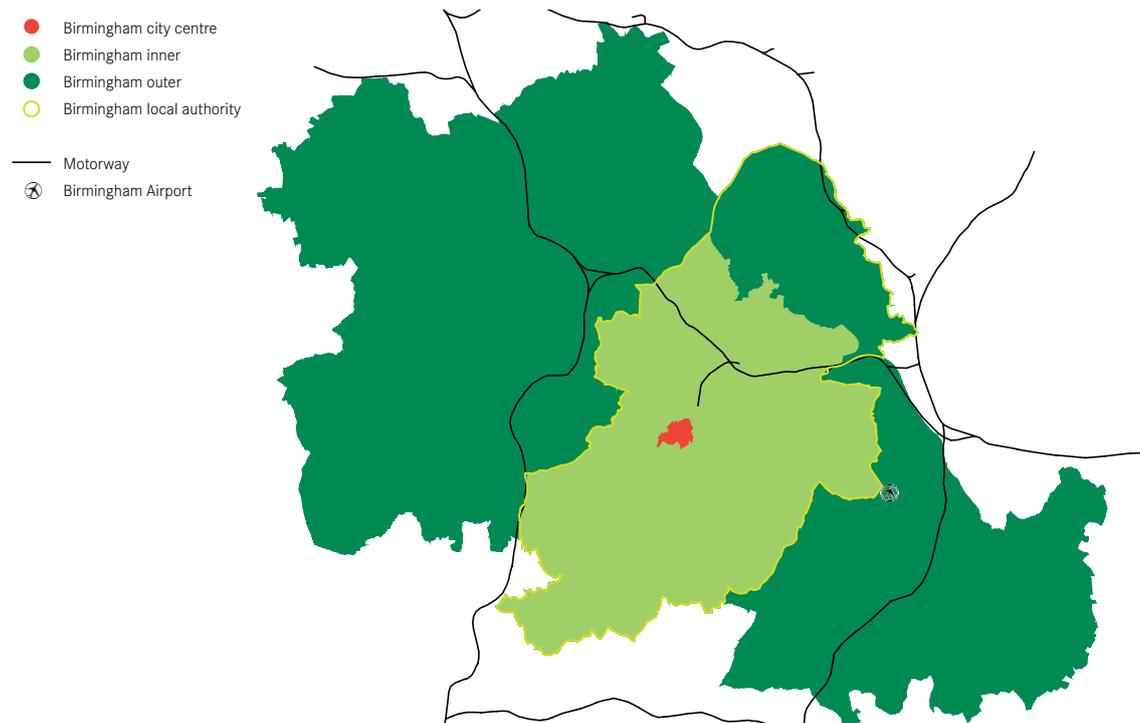




Beyond the High Street: Birmingham Analysis

by Ed Clarke, Paul Swinney & Dmitry Sivaev, October 2013

Figure 1: Birmingham – Definition of areas



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Summary

The story of Birmingham's economy between 1998 and 2011 was one of increasing economic concentration in the city centre. As a whole the city performed poorly in terms of private sector job creation. But the performance of the city centre provided a stark contrast, creating many thousands of extra private sector jobs. This meant that economic activity in Birmingham centralised through the period.

This paper will consider private sector jobs over the two periods; between 1998 and 2008, a decade of national growth; and between 2008 and 2011, a period of economic recession and slow growth. The city as a whole will also be split into three areas: the city centre, the inner city (comprising the built up area of Birmingham local authority) and the outer city (see Figure 1). Together it will be referred to as 'city wide'.

The Primary Urban Area (PUA) of Birmingham is particularly large, including Wolverhampton, Walsall, Sandwell, Solihull and Dudley local authorities. As such the city centre makes up a smaller part of the economy than more tightly defined cities. However, as will be discussed, the economy in the centre is markedly distinguishable from both the inner and outer city areas in terms of its performance in recent years.

The city centre is growing relative to the rest of the city.

Private sector jobs in Birmingham fell by 11 per cent between 1998 and 2011. In contrast, the city centre performed far better than the rest of the city, seeing private sector jobs growth of 17 per cent. Most of the fall in jobs was in the inner city (-17 per cent) and to a lesser extent outer city (-11 per cent). This would imply that along with the draws of the city centre, businesses that do not require the services of the core may choose to locate in the outer city with the inner city less attractive to businesses.

Figure 2 breaks down the share of jobs in the city by area, and by time periods. A higher share of Birmingham's private sector jobs have concentrated in the strong city core. The city centre has increased its share of private sector jobs from 8 per cent to 10.5 per cent, during which there was a fall in the inner city's share from 32 per cent to 29 per cent. The outer city's share has remained relatively constant.

Figure 2: Distribution of private sector jobs in Birmingham, 1998, 2008, 2011

	City centre	Inner	Outer
1998	8.0%	32.3%	59.7%
2008	10.3%	29.0%	60.7%
2011	10.5%	30.0%	59.5%

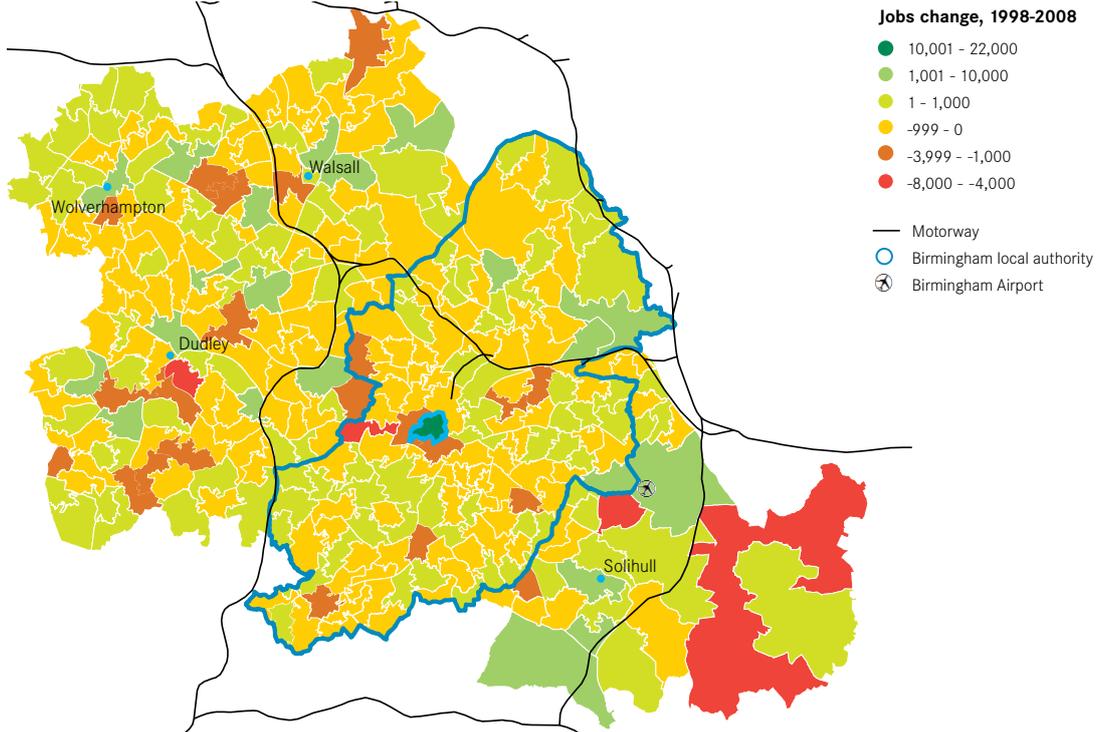
Source: Source: ONS 2013, Business Structure Database

Figure 3 shows the geography of Birmingham's private sector jobs growth in the decade between 1998 and 2008 in more detail. This shows a clear spatial pattern; the strong city centre is surrounded by more poorly performing areas in the inner city area.

The city centre was not the only area of strong private sector jobs growth. Within Solihull, the area including Birmingham Airport had positive growth during this period and the area containing the Briery Hill Enterprise Zone also saw much stronger private sector jobs growth than Dudley local authority as a whole. The regeneration site at Longbridge also stands out in the South East of the city where, after the closure of the Rover factory there have been significant fluctuations in jobs numbers at this local level. The majority of areas in Birmingham local authority saw private sector job losses. This was most acute in Edgbaston, while the area around the city centre also saw relatively large declines.

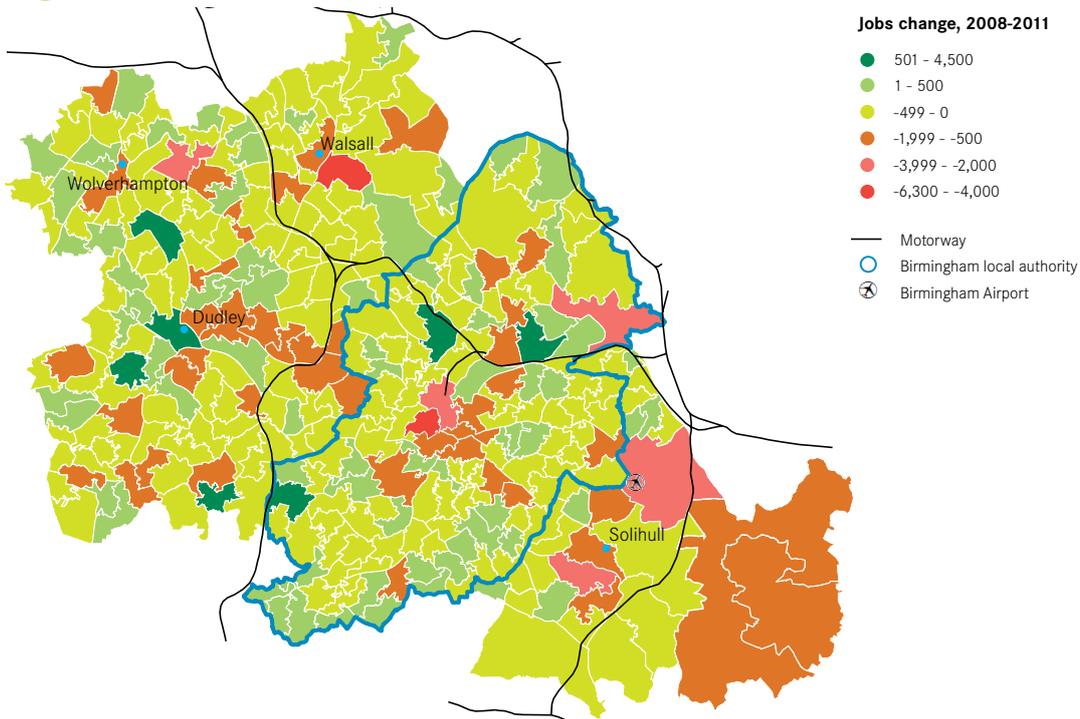
The period 2008-2011 saw many more areas of jobs losses than jobs growth across the city. Figure 4 shows the spatial pattern of this in more detail (note the different scale). Whilst the city centre has lost a large number of private sector jobs given its area, it again outperformed the wider Birmingham economy, losing 8 per cent of its 2008 jobs, lower than the average for Birmingham (10 per cent).

Figure 3: Private sector jobs change in Birmingham, 1998-2008



Source: ONS 2013, Business Structure Database, contains Ordnance Survey data © Crown copyright and database right 2011

Figure 4: Private sector jobs change in Birmingham, 2008-2011



Source: ONS 2013, Business Structure Database, contains Ordnance Survey data © Crown copyright and database right 2011

Isolated pockets of major private sector job losses between 2008 and 2011 are visible in some of the areas that enjoyed growth in the decade before including Longbridge, Wednesfield, Walsall and the Airport area. These out of town sites have proved less resilient since the downturn than the strong city centre core although areas to the South of the outer city have seen a growth in jobs over this time.

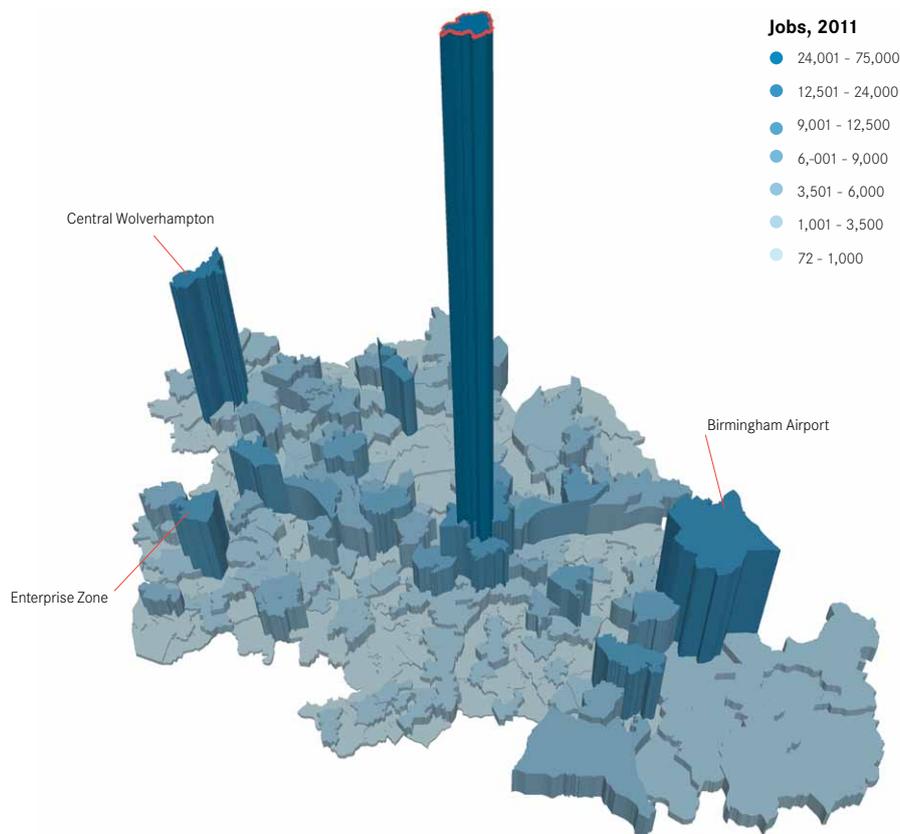
Business Movements

Business movements (1998-2008) also show that Birmingham city centre's economy is outperforming the rest of the city. The outer and inner city areas both lost large amounts of businesses to the rest of the UK (a net flow of -313 and -260 businesses respectively) over the decade. While the city centre also saw a net outflow of one business to the rest of the UK, it did see a net inflow of seven businesses from the inner city and eight from the outer city. This supports the private sector jobs data to show that the city centre economy has performed more strongly relative to the inner and outer areas of Birmingham.

The city centre is home to many of Birmingham's jobs

The spatial distribution of private sector jobs in Birmingham in 2011 (Figure 5) reflects much of the pattern of change since 1998. There is clearly a very strong core, with jobs concentrated in the city centre. Other areas of higher density are the airport to the East and Central Wolverhampton. There is also a clear linear pattern of jobs along the M6 towards Fort Dunlop to the East of the city and West Bromwich to the West. These areas with good transport links in the outer city area are home to jobs in businesses that might prioritise lower rents and road access over the service benefits of the city centre core.

Figure 5: Private sector jobs in Birmingham, 2011



Source: ONS 2013, Business Structure Database, Contains Ordnance Survey data © Crown copyright and database right 2012

Sector analysis

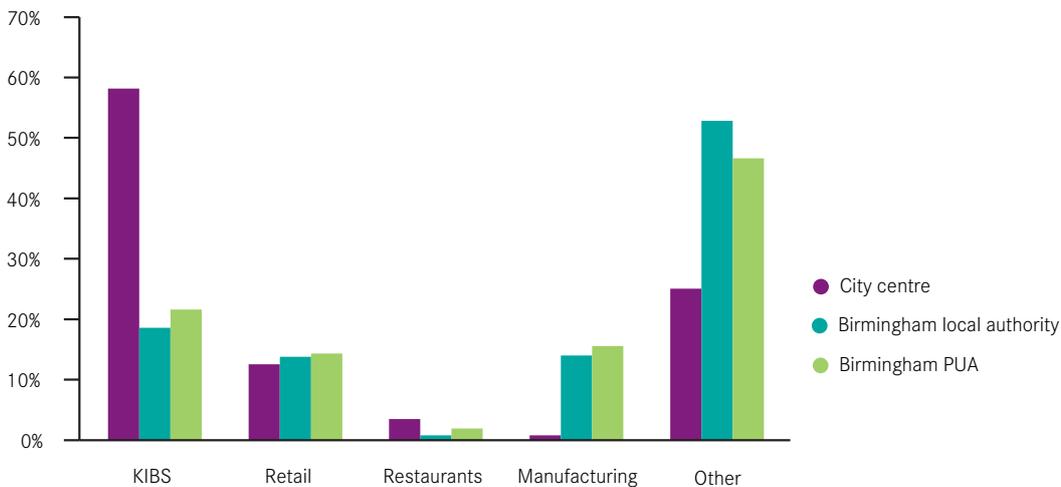
A quarter of office jobs in Birmingham (2011) are in the city centre (as compared with 10.5 per cent of private sector jobs overall). These jobs make up 62 per cent of private sector jobs in the city centre (Figure 6); compared with 45 per cent for the local authority and just 26 per cent for Birmingham as a whole. This means that Birmingham’s office market is very centralised, in part due to its status as the region’s capital and is supported by strong demand for office space.

Figure 6: Office based jobs as share of total jobs by area in Birmingham, 2011



Source: ONS 2013, Business Structure Database

Figure 7: Share of private sector jobs by sector in Birmingham and its city centre, 2011

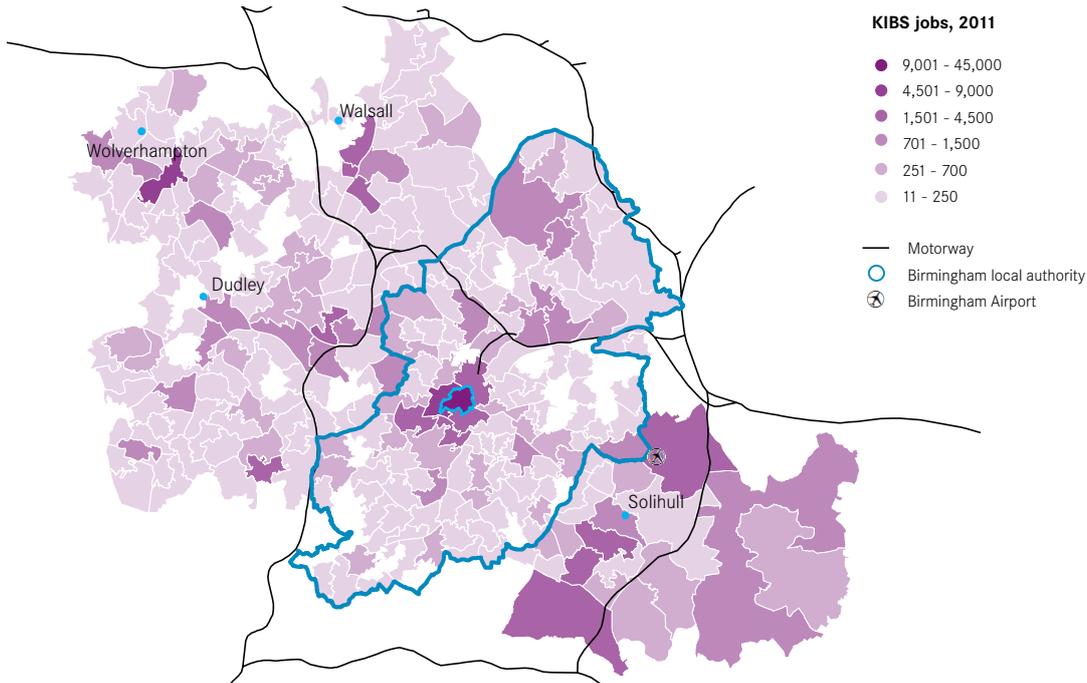


Source: ONS 2013, Business Structure Database

The structure of the economy can also be broken down by industry, with the city centre clearly specialising in the knowledge intensive business services (KIBS, 58 per cent) and retail (13 per cent) sectors (Figure 7). Conversely, whilst manufacturing still makes up a significant share of the city (16 per cent) and local authority’s (14 per cent) private sector jobs, it makes up less than 1 per cent of the city centre’s jobs.

The number of KIBS jobs located in Birmingham’s core between 1998 and 2011 increased by 35 per cent in the city centre, relative to 25 per cent in the city as a whole. Within this time there are again two distinct periods. Between 1998 and 2008 Birmingham saw a substantial 33 per cent rise in KIBS jobs. The city centre comfortably outperformed this, increasing KIBS jobs by almost half (44 per cent) over the decade. This was reversed somewhat during the downturn; between 2008 and 2011, KIBS jobs fell by 6 per cent in both the city centre and in the Birmingham PUA.

Figure 8: Distribution of KIBS jobs, 2011



Source: ONS 2013, Business Structure Database 2013, contains Ordnance Survey data © Crown copyright 2011

Figure 8 shows that while there are a considerable number of KIBS jobs in Wolverhampton and inner city Birmingham, the city centre is the hub, with the highest number of KIBS jobs in the city. Walsall and West Bromwich are also visible as areas with slightly more KIBS jobs. In the South West of the city area close to Solihull there is a pocket of KIBS jobs around the Shirley Business Park.

Business size

The average business in Birmingham has 10 employees; this has remained relatively stable since 1998. Birmingham’s city centre, in contrast, typically has a much larger business than the city wide figure. Whilst there has been a contrast in business size since 1998 between the city centre and city as a whole, the difference widened by a quarter to 2008, from a difference of 9.3 to 11.7 employees. This suggests that private sector jobs growth in the decade before the downturn was driven by larger firms based in the city centre.

Figure 9: Average business size (by number of employees) in selected cities and their centres, 2011

City	City wide	City centre
Milton Keynes	10.9	28.1
Swindon	12.9	22.8
Birmingham	10.0	20.5
Reading	9.6	18.0
Newcastle	11.2	16.5
Leeds	11.1	14.8
Swansea	9.5	12.6
Wakefield	10.5	12.9
Brighton	6.6	11.6

Source: ONS 2013, Business Structure Database

Conclusions

Birmingham's employment story since 1998 has been one of the city centre vastly outperforming the rest of the city and supporting a high proportion of office based, knowledge intensive business service jobs.

The city centre enjoyed significant jobs growth in the decade 1998–2008 which was in contrast with the rest of the city (despite pockets of growth). Since the economic downturn the city as a whole has suffered. However, the city centre has lost a lower proportion of jobs than the inner and outer city areas. The growth and relative resilience of the city centre is partly due to the appeal to larger office based businesses which have driven its recent economic performance.

Outer Birmingham has performed better than the inner city, although not as well as the centre. This is especially true closer to the access points of the motorway junctions and airport. Whereas the inner city benefits from neither the services of the centre nor the transport links and lower rates of the outer city.

Future job creation is unlikely to be solely the preserve of Birmingham city centre, and any growth should be supported elsewhere too. But if globalisation continues to influence the industrial specialisms of countries as it has in the past then the UK will continue to specialise in knowledge intensive service activities. This has two implications for future growth in Birmingham. Firstly, the city centre is likely to play an ever increasing role in Birmingham's overall economy as these businesses look to take advantage of the benefits of density that the city centre provides. Secondly, it is likely to mean that employment in manufacturing will continue to be squeezed as UK manufacturing attempts to increase productivity with a smaller workforce to remain competitive.

In order to support future jobs growth in the city, Birmingham City Council and its partners should focus economic development measures in the centre. This means minimising barriers to future growth in the area – such as the cost of office space and congestion – to allow businesses to start-up, locate from elsewhere and expand. Encouraging the further concentration of knowledge intensive private sector jobs in the city centre by moderating any future increases in these costs means the city will be well placed to capitalise on future growth.

It also means that the public sector will need to take steps to deal with industrial buildings outside of the city centre to deal with these changing economic circumstances. Vacant buildings can create urban blight which has a negative impact on both businesses and residents that are located next to them. To deal with this all authorities across Birmingham should allow either change of use of these buildings or remove them if there is no demand for their use.

Appendix

Definition of city areas

Birmingham city centre was defined according to the location of businesses and roads within the city centre, is a subset of the MSOAs Birmingham 049, Birmingham 050, Birmingham 059 and Birmingham 068. It stretches from Lancaster Circus in the east to where Broad Street meets Islington Row Middleway in the west, and from where Newhall Street crosses the Birmingham and Fazeley Canal in the north to the Wholesale Markets site in the south.

Source of Business data

The Centre for Cities uses data that has been extracted using individual business records from the Office for National Statistics' (ONS) Business Structure Database (BSD). The BSD is derived primarily from the Inter-Departmental Business Register (IDBR), which is a live register of data collected by HM Revenue and Customs via VAT and Pay As You Earn (PAYE) records and is complimented with data from ONS business surveys. The BSD covers any business liable for VAT (turnover exceeds the VAT threshold) and/or has at least one member of staff registered for the PAYE tax collection. For this reason some of the data will not align with the broader Annual Business Inquiry because this is survey-based. The BSD allows for a finer grain of analysis, however we remove figures which could compromise the anonymity of the data. It also allows for longitudinal comparisons.

Non-geographic postcodes

Businesses were matched to our defined areas by their postcodes. In this process we excluded all non-geographic postcodes, such as PO Boxes, as the location they are given does not give an indication as to the location of the business.

This means that in some instances the jobs growth figures that Centre for Cities has presented in the past on private sector jobs growth between 1998 and 2008 in cities do not align to those presented from analysis on BSD data when non-geographic postcodes are excluded.

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