

Written evidence submitted by City-Regional Economic Development Institute (City-REDI) and West Midlands Regional Economic Development Institute (WM REDI)

Author: George Bramley.

Contributors: Dr André Carrascal-Incera, Dr Chloe Billing, Dr Abigail Taylor, Dr Fengjie Pan, Dr Diana Gutiérrez-Posada, Rebecca Riley, Dr Anastasios Kitsos, Professor Anne Green, Professor Raquel Ortega-Argilés, Professor John Goddard, Professor Simon Collinson.

Background

West Midlands Regional Economic Development Institute (WMREDI)

The City-Regional Economic Development Institute (City-REDI) and West Midlands Regional Economic Development Institute (WM REDI) are sister institutes at the University of Birmingham. Their aim is to improve prosperity and inclusive economic growth at the sub-national level in the UK and develop practical insight in order to better inform and influence regional and national economic growth policies. They were established in 2015 and 2019 respectively to undertake academic research and policy analysis on the unevenness of economic growth at the UK sub-national level, the complex interrelationships behind socio-economic phenomena and the policies to address inequality at the individual and regional levels.

West Midlands Economic Impact Monitor

During the COVID-19 pandemic, the institutes are preparing the [West Midlands Economic Impact Monitor](#) bringing together intelligence from the wider WM REDI partnership to inform the *West Midlands Combined Authority COVID-19 Economic Impact Group*. Our response to the inquiry aims at highlighting the heterogeneous spatial nature of the impact of COVID-19 on businesses and workers. This response is based on original research and evidence collection at the institute. The topics covered revolve around the impact of COVID-19 on businesses and labour markets covering a range of topics from the economic impact at the sub-national level with a particular focus on the West Midlands to policy aspects that can enhance local resilience performance such as volunteering, labour market policies and homeworking.

WM-REDI Partners

The West Midlands Economic Impact Monitor is produced in partnership with Aston University, Birmingham City Council, Birmingham City University, Black Country Consortium Economic Intelligence Unit, BPS Birmingham, Coventry and Warwickshire LEP, Greater Birmingham Chambers of Commerce, Greater Birmingham and Solihull Local Enterprise Partnership, Midlands Engine, UK Research and Innovation and the West Midlands Combined Authority. Where appropriate we have included evidence they have provided for the Monitor in this submission.

We start by providing a summary that highlights the key points of the evidence that follows.

Summary of Key Points

West Midlands Context

- West Midlands' large manufacturing sector and local supply chains, business structure and the scale of the education sector (notably higher education) suggest the region may be particularly vulnerable. Approximately 20 per cent (20,500) of businesses and 15 per cent (188,000) of employment are in sectors directly affected by the lockdown.

A) Job Protection Scheme and Self-employment

- Evidence from previous recessions indicates that while exits to unemployment take place rapidly, (re)entries to employment take longer. From a policy perspective key priorities to address challenges of heightened unemployment are: (1) investment in new active labour market programmes for those out of work; (2) refocusing skills and training to support recovery; (3) an integrated and coherent offer to support young people; (4) an orderly withdrawal from the Job Retention Scheme; (5) use of existing local partnership arrangements to ensure policies are joined up at a local level; and (6) planning for the future to achieve high quality more productive employment with improved opportunity and security.
- [Volunteering can significantly assist during the crisis](#) as well as during the recovery period with evidence suggesting strong links between voluntary activity and the ability to gain, maintain and improve employment.
- [Our review of the role of short-time working schemes in France and Germany](#) for mitigating the impact of financial crises emphasises the need to keep rules simple and make them consistent with existing unemployment benefit rules to ensure take up. France now requires that employees have continued access training and professional development. This highlights the opportunity available to use the time when employees are furloughed to promote engagement with online training courses. Given the UK's poor level of basic digital skills, expanding provision of online platforms focusing on digital skills would appear particularly important
- There remains a gap in support for people who have recently become self-employed.
- Some businesses reported that if the capability to furlough on a part-time basis were available before August, this would help them reopen more effectively.
- There is the need for provision for directors paid through dividends who are unable to access the furlough support at their existing salary levels or self-employed income support scheme

B) Support to business

- [Our review of business support in the UK, Spain and Ireland](#) and of short-time working in France and Germany show that ease of access to support is paramount. Continuing access to professional/occupational training and opportunities for digital skills development for staff on short-time working are also important. Evidence on support measures from China highlight an emphasis of business support on transforming/ optimising business models, increasing risk resistance capability and online vocational training.
- There is a [need for improvement on advice, support and legislation on homeworking](#) in order to maximise the benefits and minimise the costs of homeworking for local economies.

- While there has been a strong take up of government assistance, half reported they would not survive beyond three months without additional support, access to support being made simpler and extra support to costs. As part of recovery businesses will be looking for support with finance, marketing and promotion – and market intelligence to help them identify new opportunities.
- LEPs in the West Midlands report that enquiries in April and May continue to be largely from self-employed, single director limited companies or retail units looking to access support as do not currently qualify for currently available schemes.
- A significant number of small businesses have struggled to access CBILS. There had been delays in banks being able to process applications and there are reports of businesses previously considered viable failing to individual banks' lending criteria. Whereas for the Bounce Back Loans Scheme businesses have found the application process relatively straightforward and the payments have arrived promptly.

C) Other government intervention

- Universities have a central role to play in the local and national resilience performance during the recession and the recovery stage - from research and innovation, to expenditure that supports local demand. Our estimates identify significant variation of multiplier effects from student spending in different UK regions with up to 4.2 per cent of GVA and employment generated in the West Midlands. These multiplier effects are under threat with the expected reduction of student numbers in autumn 2020.

D) Economy, public finances and monetary policy

- The decision to **end of the lock-down** is extremely complex. A potential sequence based on other countries' experience is **1) Schools and universities** (with specific measures such as different lunch times, enhanced cleaning, smaller classrooms, increased reliance on e-learning, etc.); **2) Commercial activity** (retail) with possible gradation (e.g. maximum number of people allowed, etc.); **3) Social activity** measures (restaurants, cafes, etc.), with possible gradation (restricted opening hours, maximum number of people allowed, etc.); **4) Mass gatherings** (e.g. festivals, concerts, etc.); **5) The gradual reintroduction of full transport services** / phasing out of travel restrictions (private cars, trains, planes – then buses later etc.).

Published analysis underpinning our Summary of Key Points is listed below with embedded hyperlinks

[West Midlands Weekly Economic Impact Monitor - all issues](#)

[The Uneven Economic Impact of COVID-19: Evidence From Claimant Counts](#)

Blog by [Tasos Kitsos](#), 27 May 2020

[Capitalising on the Growing Army of Volunteers in the West Midlands During COVID-19](#)

Blog by [George Bramley](#), 26 May 2020

[The Impact of COVID-19 on Firm Innovation: The Case of the West Midlands](#)

Blog by [Chloe Billing](#), 19 May 2020

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[‘Getting on the Ladder’ – Challenges Facing Young People Leaving Education During COVID-19](#)

Blog by [Professor Anne Green](#), 12 May 2020

[COVID-19 Diversification Measures: What Local and Regional Governments Can Do?](#)

Blog by [Professor Raquel Ortega-Argiles](#), 7 May 2020

[The Role of Short-Time Working Schemes in Mitigating the Impact of Financial Crises: Learning From France and Germany](#)

Blog by [Dr Abigail Taylor](#), 5 May 2020

[COVID-19: Unemployment and Labour Market Policy Priorities](#)

Blog by [Professor Anne Green](#), 29 April 2020

[Universities and Regional Economies: Multiplier Effects and the Impact of COVID-19](#)

Blog by [Dr Tasos Kitsos](#), 29 April 2020

[Estimates of the Local Impact in the West Midlands of the OBR Scenario of a 35% Reduction in Real GDP in Q2 2020](#)

Blog by [Professor Anne Greene](#), 28 April 2020

[COVID-19 Business Support Measures: Insights from the UK, Spain and Ireland](#)

Blog by [Professor Raquel Ortega-Argiles](#), 22 April 2020

[The Uneven Spatial Footprint of the Coronavirus \(COVID-19\) Shutdown](#)

Blog by [Dr Tasos Kitsos](#), 21 April 2020

[The Role of Civic Universities in the Coronavirus Crisis and Beyond](#)

Blog by [Professor John Goddard](#), 9 April 2020

[Identifying Exposure: What Do the IFS Estimates on the Coronavirus Sector Shutdown Mean for the West Midlands?](#)

Blog by [Dr Tasos Kitsos](#), 8 April 2020

[The Long-Term Impact of Homeworking Arising From the Coronavirus \(COVID-19\) Crisis](#)

Blog by [Dr Chloe Billing](#), 7 April 2020

[Local Resilience and the Coronavirus \(COVID-19\) Economic Crisis](#)

By [Dr Tasos Kitsos](#), 2 April 2020

[Contagion: The Economic and Social Impacts of Coronavirus \(Covid-19\) on the West Midlands](#)

By [Professor Simon Collinson](#).

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