



# Inclusive growth in the **West Midlands:** an agenda for the new Mayor

The election of the first Mayor for the **West Midlands** is an opportunity to demonstrate how a major city region can achieve more inclusive growth – that is growth that benefits everyone. Recent political events have demonstrated the need for this. More positively, inclusive growth will enable a stronger and more sustainable economy, reduce the demands on public spending and benefit society.

## Key points

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- The election of a Mayor for the West Midlands is an opportunity to demonstrate how to achieve inclusive growth – growth that benefits everyone across the city region. Such an approach would have clear economic, fiscal and social benefits.
- Each time an out-of-work benefit claimant moves into a job paying the voluntary Living Wage (which is set with regard to the cost of essentials) the boost to the local economy is £14,400 on average.
- In the West Midlands mayoral area just under 600,000 people are income deprived and three in ten children are growing up in poverty. The employment rate (65%) is below the English average (74%), and masks major inequalities: employment among people from ethnic minority backgrounds stands at 54%. One in five working families in the city region also rely on in-work tax credits to top up their low pay, substantially higher than the average for England (one in seven).
- Creating more and better jobs and connecting people in poverty to opportunities are at the heart of an inclusive growth agenda. Too often the bottom end of the labour market is overlooked in local economic strategy.
- If the Mayor wants to deliver serious progress, their power to influence will be as important as their formal powers. Inclusive growth and solving poverty should be central organising principles for their administration. In their first 100 days a cabinet position responsible for inclusive growth should be created, success measures to deliver inclusive growth defined, and stakeholders from business, civil society and public services convened to develop a city-region-wide strategy for inclusive growth and solving poverty.

# Introduction

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The West Midlands faces significant challenges to creating an inclusive economy: just under 600,000 people are income deprived<sup>1</sup> and three in ten children are growing up in poverty.<sup>2</sup> A significant minority of businesses report vacancies they cannot fill due to skills shortages – ranging from 18% in the Greater Birmingham and Solihull Local Enterprise Partnership area to 28% in the Black Country (across England it is 22%) (UKCES, 2015). The challenge is not simply to get more people into work: in the UK today 55% of people experiencing poverty live in working households (Tinson, A. et al, 2016). Creating more and better jobs and connecting people in poverty to opportunities are at the heart of an inclusive growth agenda.

# About this briefing

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This briefing is based on the best available research and analysis for the Joseph Rowntree Foundation into how to grow an inclusive economy at the city regional level<sup>3</sup> and how this can contribute to solving poverty in the UK (JRF, 2016a). It draws on evidence from experts, policy makers and practitioners, and members of the public, including those with first-hand experience of poverty. In it we apply some of the main findings and recommendations from that work to the opportunities and challenges facing the West Midlands.

# Why would a Mayor prioritise inclusive growth?

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Attracting, retaining and generating investment to grow the economy is vital for a more prosperous city region. But while growth is necessary, it is not sufficient on its own to develop an economy that works for everyone and where poverty is lower.

A more inclusive West Midlands economy would see more people in employment, and more jobs with decent pay and prospects, bringing economic benefits. Each time an out-of-work benefit claimant moves into a job paying the voluntary Living Wage (which is set with regard to the cost of essentials) the local economy is boosted by £14,400 on average. This combines the value of the economic output from the additional worker and their increased spending power in the local economy. (Bivand, P. and Simmonds, D. 2014).

Education and skills are vital for people to make the most of economic opportunities, but children from low-income backgrounds achieve worse results at every stage of their education compared to those from better-off homes. This deprives businesses of talent. It also reduces people's earnings potential, reduces the tax take and increases the risk that poverty will be passed from one generation to the next.

Inclusive growth that helps to deliver lower poverty would also release resources that could be put to more productive use. An estimated £1 in every £5 spent on public services is linked to poverty, with the costs falling heavily on the health service, education and the police and criminal justice system (Bramley, G. et al, 2016).

JRF's definition of poverty is:

When a person's resources are well below their minimum needs, including the need to take part in society.

Ultimately, poverty is harmful to those who experience it, scarring their prospects, worsening mental and physical health and shortening lives. Healthy life expectancy is seven years shorter in Wolverhampton compared to Solihull for men, and nine years shorter for women.

In other words, growing the economy and reducing poverty are not separate areas of activity. Poverty is caused by unemployment, low wages and insecure jobs, lack of skills, family problems, an inadequate benefits system and high costs (especially for housing). Developing a more inclusive economy will make a significant contribution to solving poverty in the UK.

# An overview of prosperity and poverty in the West Midlands

The West Midlands is one of the fastest growing areas of England, it attracts high levels of inward investment and the number of jobs is growing (West Midlands Combined Authority). Nonetheless, poverty is real in the West Midlands. Three in ten children are growing up in poverty and one in five working families rely on in-work tax credits to top up low pay.<sup>4</sup> For the country as a whole these figures are one in five and one in seven respectively. 12% of the working age population receive out-of-work benefits compared to 8% in England.

The West Midlands mayoral area faces challenges both in boosting prosperity and making sure people in poverty benefit from economic opportunities.

**Table 1: Indicators of prosperity and inclusion**

	West Midlands mayoral area	England
<b>Prosperity</b>		
Gross Value Added per capita (£)	20,900	26,200
Jobs per 100 residents	75	83
Businesses per 1,000 residents	32	44
<b>Inclusion</b>		
Employment rate	64.5	74.0
Unemployment rate	8.1	5.1
% out of work benefit receipt	11.8	8.4
Median gross weekly pay (full-time)	£497	£545



A clear challenge is the number of jobs. There are eight fewer jobs per 100 people in the West Midlands mayoral area than in England as a whole, and there are fewer businesses and a smaller economic output per person. Apart from Greater Manchester, the area does better on these measures compared with other areas electing mayors.

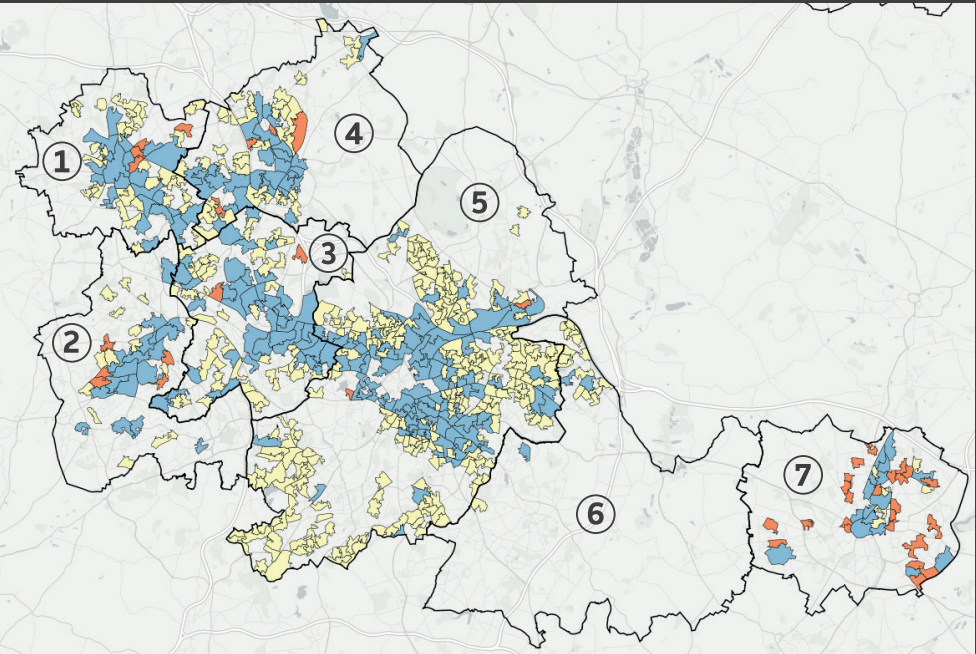
The biggest challenge to the Mayor in achieving inclusive growth will be the employment rate, which is nearly 10 percentage points below the national average, and lower than the other areas electing mayors.

In particular, there is a need to focus on the employment rate of people from black and minority ethnic (BAME) backgrounds. Across England the BAME employment rate is below average (64% compared to 74%), but the picture is particularly stark in the West Midlands mayoral area, where the ethnic minority employment rate is just 54%.

Improving employment prospects isn't just a question of increasing the number of jobs. The quality of jobs and people's ability to access opportunities also matters. JRF has examined the relationship between deprived areas and local labour markets (Rae, A. et al, 2016). In the West Midlands mayoral area the vast majority of deprived areas are geographically well connected to local job opportunities. This is particularly the case in Birmingham, where 99% of deprived neighbourhoods either contain more jobs than working age people or are well connected to other areas with many jobs. This analysis suggests that barriers to work such as lack of skills, caring responsibilities, health and disability are the primary challenge, rather than access issues such as transport.

The picture is a little different outside Birmingham. While most deprived areas in the Black Country and Coventry are also well served by local labour markets, there are pockets of labour market disconnection. Here, thinking about transport investment, as well as the other barriers to work, is likely to be necessary to connect people in these areas to job opportunities.

**Fig 1: Labour market disconnection among deprived neighbourhoods in the West Midlands**



**Key**

- Disconnected
- Connected
- Large number of jobs

**Local authority**

- ① Wolverhampton
- ② Dudley
- ③ Sandwell
- ④ Walsall
- ⑤ Birmingham
- ⑥ Solihull
- ⑦ Coventry

**Note**

Map shows neighbourhoods that are in the fifth most deprived nationally.  
Neighbourhoods have been classified according to their relationship with local labour markets.  
**Disconnected** = residents have few work locations accessible;  
**Connected** = residents in the area have many different work locations accessible;  
**Large number of jobs** = neighbourhoods have more jobs than the working age population.

# How can a Mayor promote inclusive growth and help solve poverty?

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## More and better jobs

From the data it is clear that the West Midlands Mayor needs to focus on investment and enterprise in order to drive job creation. But all too often the bottom end of the labour market is overlooked in local economic strategy. For inclusive growth, the quality of jobs created and the skills and capabilities of local residents to take them up is every bit as important as the number of jobs.

In the West Midlands mayoral area 38% of the population are employed in higher level occupations, compared to a national average of 45%. On this indicator, the West Midlands also lags other areas electing mayors including Tees Valley, Liverpool and Greater Manchester. In 2014 a quarter of the population were paid below the voluntary Living Wage (which is set with regard to the cost of essentials); in Sandwell three in ten employee jobs were paid below this level (Office of National Statistics, 2015). The proportion of the population claiming in-work tax credits is higher than the national average. Good jobs and higher wages are essential to address in-work poverty and deliver inclusive growth.

A 'whole economy' approach is needed. Alongside the targeting of traditional high growth sectors, activities to raise the productivity and pay in low pay sectors should also be a priority. The potential of the social economy to create jobs and innovate should also be part of the Mayor's thinking. There are an estimated 450-500 social enterprises in the Greater Birmingham and Solihull Local Enterprise Partnership area. Survey results indicate a high level of innovation and investment, with 78% of respondents developing new products or services in the past 12 months, and £36million per year being invested to achieve their social mission (Digbeth Trust and Birmingham and Solihull Social Enterprise Consortium, 2013).

The Mayor will have a number of tools at their disposal. The creation of a £36.5million per year city regional Investment Fund will provide freedom

to direct spending according to locally determined success measures; these should be set to drive inclusive growth. The devolution of business support services also presents a resource to further the goal of inclusive growth.

To deliver more and better jobs JRF recommends:

**Raising productivity in low pay sectors** – the Mayor should work with businesses and industry bodies in sectors most affected by the introduction of the National Living Wage, such as retail and hospitality, to ensure their response is higher productivity among low paid workers. This is a route to higher pay for workers and a more prosperous economy for everyone. Lagging productivity in low-pay sectors accounts for around a third of the UK’s productivity gap with leading Western European economies. Promising approaches in low-pay sectors include: taking a broader view of innovation to include processes, design and marketing; improving management skills through training and business support services; and encouraging business models that ensure firms invest in employees’ skills and think long term.

**Support growth sectors to reduce poverty** – as part of the business support offer, draw on international evidence to test a sector employment programme approach. This can be an effective way of supporting people into better jobs, while supporting growth sectors to tackle shared problems such as skills shortages. Successful programmes share a number of characteristics:

- **Focused on business needs:** delivered by organisations that understand the selected sector, and can secure buy in from businesses on the basis of identified problems such as skills shortages or high staff turnover.
- **Strong partnership working:** able to work with training providers and employment support providers to broker a bespoke response to business needs.

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- **Offer personalised support for individuals:** work with low-paid employees and unemployed people to access the opportunities being created.

**Connect economic development and poverty reduction** – where economic development leads to new jobs or local anchor institutions (the biggest local spenders and employers such as local authorities, universities, the NHS) are recruiting staff, action should be taken to ensure local people with barriers to the labour market benefit. Anchors can also use their procurement spending power to support local economic vitality, learning from places like Chicago (JRF, 2016b). The Mayor can support this activity by backing the Birmingham Business Charter for Social Responsibility and using planning obligations more systematically.

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## Raising education and skill levels

Just over half of children from deprived backgrounds in the West Midlands mayoral area reach a good level of development at age five. This is similar to the national average and slightly higher than other areas electing mayors. However, this still leaves half of children from deprived backgrounds starting school with ground to make up. Once at school just over a third (35%) of children eligible for free school meals attain five good GCSEs including English and Maths in the West Midlands mayoral area, similar to the national average (33%).<sup>5</sup> Looking at the wider workforce, 63% have qualifications at NVQ level 2 or above, 10 percentage points behind the national average, and notably worse than other areas electing mayors.<sup>6</sup>

Training and skills will be a crucial tool for promoting inclusive growth and solving poverty. This is an area where the Mayor will have some significant powers with the devolution of adult skills funding.

The West Midland’s flexible labour market requires workers to be highly adaptable, meaning access to training and re-training throughout working life will only become more important. Training can have a demonstrable impact on earnings: moving from a level 2 to a level 3 qualification is associated with between a 2 and 15 percentage point increase in the chances of employment and between a 9 and 11 percentage point increase in earnings.

The challenge is twofold: first to improve the level of education and skills among the West Midlands population; second, and related, to get the incentives right so that the training and skills system both responds to the needs of employers and supports the drive to help people move into work and to move on up to a better job once they are in work.

To boost education and skills, JRF recommends:

**Use soft power to drive a focus on closing the education attainment gap** – work with local education authorities and the Regional Schools Commissioner to drive a focus on using evidence effectively and schools supporting one another to improve attainment among children from low income backgrounds. Over time there may be a case for the powers of the Regional Schools Commissioner to transfer to the Mayor.

**Reorient training and skills provision to support inclusive growth** – the Mayor will have responsibility for commissioning for outcomes in adult skills. The training and skills system could make a greater contribution to reducing poverty with a focus on higher employment, higher earnings and progression to further learning. Some funding to providers should be contingent on the outcomes they achieve, to incentivise a stronger connection to the needs of businesses and individuals.

**Meet all basic skills needs by 2030** – trial a new basic skills programme focused on meeting all functional basic literacy, numeracy, digital and English language skills needs. Based on the Learning and Work Institute’s ‘Citizen’s Curriculum’ it should work with learners to tailor a programme of learning to their needs, and judged by the outcomes achieved, rather than by qualifications gained.

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## Support people to get into work and get on at work

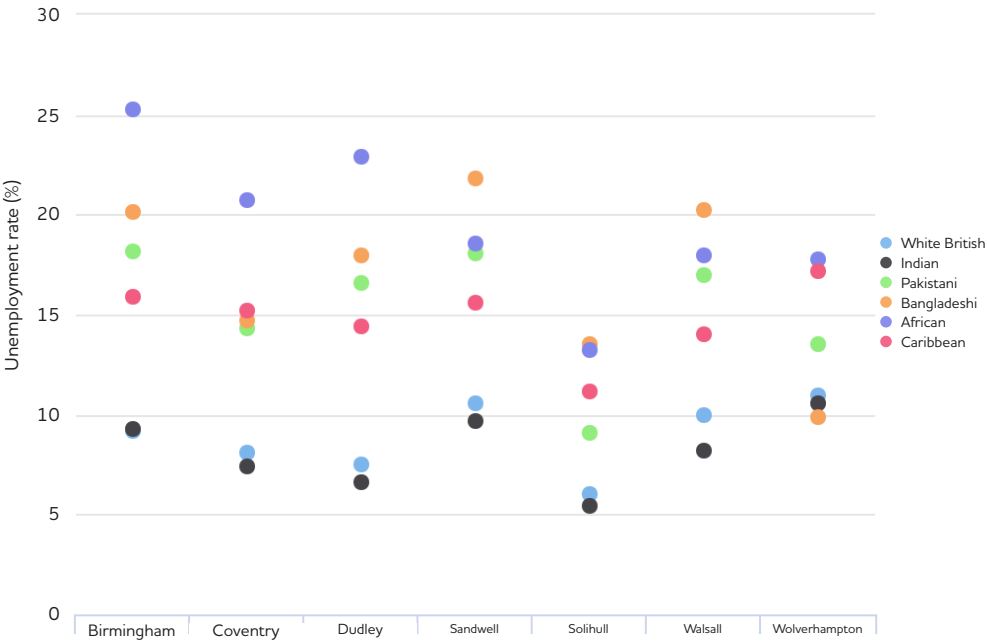
The West Midlands mayoral area has a low employment rate and high unemployment. The proportion of working age adults who are economically inactive (not looking for work because they are studying, looking after family, disabled or sick – 30%) is 8 percentage points higher than the national average, and higher than other areas electing mayors. There are stark differences in the unemployment rate for different ethnic groups. People from Pakistani, Bangladeshi, Black African and Black Caribbean backgrounds have particularly high unemployment rates, although rates vary between different parts of the city region.

The large proportion of in-work tax credit recipients indicates that once in work households are not escaping low income. This problem is accentuated for people from ethnic minority backgrounds who tend to be underrepresented in high-level occupations, and over-represented in low and mid-level occupations in the area (Catney, G. and Sabater, A. 2015). Action on employment in the city region needs to focus not only on supporting people to get into work, but supporting them to progress once in work.

The Mayor will have some powers over employment support for people with significant barriers to work (the Work and Health Programme), and more significant powers in relation to adult skills and training. This is an area where the Mayor can make a difference.



**Fig 2: Unemployment rate by ethnic group in West Midlands Mayoral area local authorities.**



Source: Catney, G. and Sabater, A. 2015. Ethnic minority disadvantage in the labour market.

To support people to get into work, and to get on at work, JRF recommends:

**Employment support incentivised to support inclusive growth –** all employment support services should be given the same core target to reduce poverty through higher employment and earnings. This will help to focus activity on the outcomes that matter most for poverty and inclusive growth.

**Trialling employment support programmes that build on the evidence**

– given the high unemployment rate, outreach to ethnic minority groups should be a priority. A National Audit Office review found the Ethnic Minority Outreach Scheme and the Ethnic Minority Flexible Fund were effective (Wood, C. and Wybron, I. 2015). The Mayor should work with Job Centres to use their discretionary funding to build on these approaches. In addition, the Work and Health programme should build the interventions evidenced to work for long term unemployed, economically inactive and disabled people. These include the confidence and motivation boosting role of personal advisers and peer support, work experience and work trials, and Individual Placement and Support schemes (where rapid entry into a mainstream job is complemented by on-the-job training and ongoing support to sustain employment) for people with learning difficulties and severe and enduring mental health difficulties. Specialist or voluntary and community sector providers are often best placed to deliver such services.

**Trial services to support people to progress in work** – simply getting a job is not always sufficient to escape poverty, and four out of five low paid workers fail to fully escape low pay over 10 years. The Mayor should make the ability to get on a key part of their offer, and trial different approaches to supporting progression in work. Trials should combine coaching and support from advisers able to foster links with employers, well-targeted training linked to realistic career progression opportunities and financial incentive payments.

## Planning for inclusive growth

Cutting the cost of essentials – especially housing – is as important for solving poverty as increasing incomes. Continuing to increase the supply of housing across all tenures will be important to ensure economic success does not create affordability problems in the West Midlands mayoral area. Alongside the cost of housing, affordable access to jobs and essential services enables people to escape poverty.

The Mayor will have some considerable powers around housing, planning and transport. Ensuring there is a sufficient supply of sites for housebuilding will be a key responsibility, as will the control of a consolidated transport budget, powers over bus franchising and smart ticketing.

To plan for inclusive growth, JRF recommends:

**Developing homes with living rents** – the Mayor should try to secure greater flexibility on how Homes and Communities Agency investment can be spent in the West Midlands area. This would enable development of new homes to rent and buy based on a West Midlands Living Rent, which is linked to local incomes, making sure homes are affordable for low income workers. In addition, Birmingham’s Municipal Housing Trust has now built over 1,000 homes for rent. The Mayor should consider extending this good practice across the city region.

**Improving standards in the private rented sector** – the number of people living in the private rented sector in the West Midlands Mayoral area rose by 57% between 2001 and 2011. Nationally, one in three homes in the private rented sector does not meet the Decent Homes Standard. The Mayor should demand the return of selective licencing powers to local authorities, and promote integrated private rental sector services to tenants and landlords that: accredits landlords; offers training and information; enforces standards; provides a tenant matching service;

access to low cost loans to fund improvements to meet the Decent Homes Standard; and a limited rent guarantee service.

**A Housing First approach to homelessness** – the West Midlands mayoral area has a homeless rate that is almost twice the national average, with 20.5 local authority case actions<sup>7</sup> per 1,000 households homeless compared to 11.2 nationally (analysis uses the Homelessness Monitor methodology) (Fitzpatrick, S. et al, 2016). An urgent West Midlands-wide focus on homelessness prevention is required. This should be coupled with the scaling up of a *Housing First* approach as the default approach for homeless adults with complex needs. This involves moving people rapidly into ordinary housing with tailored support. It improves outcomes for the individual and offers potential for savings across public services, including health.

**Connect people in poverty** – use new public transport powers to prioritise connecting disconnected deprived areas to job opportunities, particularly in parts of the Black Country and Coventry (see Fig 1.). Poverty reduction must be an explicit part of the transport authority’s remit, reflected in decisions about routes, timetabling and fares.

## Use the soft power of the office of mayor

Inclusive growth is an agenda, not a new policy initiative – and it is an agenda that will require strong leadership from the Mayor. The Mayor can be the champion of inclusive growth: raising ambition, shaping strategy, inspiring action, marshalling resources, fostering collaboration and asking difficult questions. They can also convene and galvanise activity, drawing in actors from across the public, private and voluntary and community sectors. This includes holding central government to account for actions that impact on poverty and prosperity in the West Midlands Mayoral area, and continuing to fight for the devolution of powers and resources to enable the Mayor to solve poverty.

The ability to influence will be as important as how the Mayor uses their formal powers. JRF recommends the Mayor:

**Define and measure success** – A new vision for a more inclusive local economy needs to be underpinned by a new approach to measuring and monitoring performance. This means moving beyond simplistic economic measures of success to capture whether people and places in poverty actually benefit from growth. JRF, with Sheffield Hallam University, has begun to develop a tool for monitoring inclusive growth (Beatty, C. Crisp, R. and Gore, T. 2016). A new approach to how the costs and benefits of projects are appraised and how value for money is calculated would enable major capital and revenue investment decisions to contribute to inclusive growth objectives.

**Lead by doing** – the Mayor must lead through actions as well as words. The potential for collaboration across local anchor institutions to set the tone for the economy is huge. The Mayor can play a pivotal role in corralling anchor institutions to ensure their practice as employers and procurers of goods and services is geared towards creating a more inclusive local economy.

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**Make inclusive growth a shared agenda for the whole city region**

– Inclusive growth is not just the job of the Mayor, but the whole city region – its businesses, employers, institutions, service providers and communities. The Mayor should help champion a direct role for citizen’s here too. An inclusive growth strategy must draw on the ideas and direct experience of local people, communities and voluntary and community sector organisations.

## The first 100 days

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A Mayor committed to a West Midlands that works for everyone should make solving poverty and delivering more inclusive growth the organising principles for their mayoral team, their policy development and investment decisions.

The **first actions should be** to:

- Create a cabinet position with responsibility for Inclusive Growth, integrating social and economic policy responsibilities.
- Define what success looks like and set ambitious targets that focus action on delivering more and better jobs, increasing the employment rate, and boosting educational attainment from the early years to adult skills.
- Convene stakeholders across business, civil society, economic development, employment and skills providers, education and early years providers and other public service providers to develop a city-region wide strategy for inclusive growth and solving poverty.

To discuss in more detail, please contact us at  
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## Notes

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1. Data from the English Indices of Deprivation, <https://www.gov.uk/government/statistics/english-indices-of-deprivation-2015>. The definition of income deprived includes both those people that are out-of-work, and those that are in-work but who have low earnings (and who satisfy the respective means tests). Further details available at pp.29-30 of the technical report: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/464485/English\\_Indices\\_of\\_Deprivation\\_2015\\_-\\_Technical-Report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/464485/English_Indices_of_Deprivation_2015_-_Technical-Report.pdf).
2. Figures from Children in Low Income Families, <https://www.gov.uk/government/statistics/personal-tax-credits-children-in-low-income-families-local-measure-2014-snapshot-as-at-31-august-2014-30-september-2016>.
3. See JRF's work on Cities Growth and Poverty: <https://www.jrf.org.uk/cities-towns-neighbourhoods/cities> and JRF's response to the RSA's Inclusive Growth Commission <https://www.jrf.org.uk/report/rsa-inclusive-growth-commission>.
4. Proportion of working families in receipt of tax credits are an estimate, based on dividing the number of working benefit units receiving tax credits by the total number of working benefit units. Tax credit receipt taken from HMRC data: <https://www.gov.uk/government/statistics/personal-tax-credits-finalised-award-statistics-geographical-statistics-2014-to-2015> Number of working benefit units based on working and workless households via NOMIS: <https://www.nomisweb.co.uk>, with an adjustment applied to account for multi benefit unit households based on the ratio of working benefit units to working households in FRS 2014/15 (1.2 : 1).
5. EYFS data covers 2015/16 academic year: <https://www.gov.uk/government/statistics/early-years-foundation-stage-profile-results-2015-to-2016>. GCSE data covers 2014/15: <https://www.gov.uk/government/statistics/revised-gcse-and-equivalent-results-in-england-2014-to-2015>.
6. Data is a three year average from the Annual Population Survey, accessed via NOMIS, <https://www.nomisweb.co.uk/>.
7. These include informal 'homelessness prevention' and 'homelessness relief' activity, as well as statutory homelessness acceptances.

This briefing:  
Inclusive growth in the **West Midlands**: an agenda for the new Mayor,  
is also available at:  
[www.jrf.org.uk/report/inclusive-growth-west-midlands-agenda-new-mayor](http://www.jrf.org.uk/report/inclusive-growth-west-midlands-agenda-new-mayor)

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This briefing forms part of JRF's work on solving poverty.  
JRF's comprehensive strategy, *We can solve poverty in the UK*,  
sets out recommendations on how all of us can act to solve poverty.  
You can find more information about this here:  
[www.jrf.org.uk/solve-uk-poverty](http://www.jrf.org.uk/solve-uk-poverty)



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