South Midlands Authorities
Economic Growth Strategy
and Action Plan

Evidence Base Report

April 2025

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Introduction

The South Midlands is a rapidly-growing, and innovative economy at the intersection of the South East, East, and East Midlands regions. Comprising the six local authority areas of Bedford, Central Bedfordshire, Luton, Milton Keynes, North Northamptonshire, and West Northamptonshire, the South Midlands Authorities Board will continue to build on the economic growth ambitions of the former South East Midlands Local Enterprise Partnership ('SEMLEP'), whilst also making the economic and social case for greater devolution at the regional level, as outlined by its recent proposal for a Strategic Mayoral Authority ('SMA') to HM Government.

Purpose of the Analysis

The analysis presented in this Evidence Base Report, and the associated Economic Growth Strategy ('EGS'), have been prompted by the following ambitions outlined by the South Midlands Authorities Board to:

1. Provide a framework for driving sustainable economic growth across the regional economy by building on current strengths whilst also seizing opportunities for growth;

2. Support the adoption of a strategic approach to the economy over the next five years which can be used to bid for local growth funding in the future; and

3. Focus on economic growth ambitions common and relevant to all six local authority areas.

Production of the evidence base and EGS follows the guidance outlined by HM Government following the withdrawal of Central Government support for Local Enterprise Partnerships ('LEPs'), which in addition to analysis of strengths and opportunities for growth over the next ten years, also identifies the need to determine the top public and private sector investment priorities at the regional level.

Consultation

Preparation of the evidence base analysis for the South Midlands has adopted an inclusive approach, by drawing on engagement with a range of local and regional stakeholders, as well as key organisations within the South Midlands. Early-stage engagement has been undertaken with economic development officers from across all local authorities in the South Midlands, in addition to a workshop where initial findings were presented and emerging priorities explored. Additional engagement with the newly-appointed South Midlands Business Board was also undertaken as part of this early-stage work.

Additional consultation with other key stakeholders (e.g. Growth Hub and Careers Hub) was also undertaken to help gain a better understanding of business needs, economic issues, and growth opportunities, in addition to challenges at the local and regional levels. Where relevant, insight gathered as part of these discussions has been incorporated in the commentary set out in this report.

A list of all stakeholders and consultees engaged as part of this Evidence Base Report is provided in Appendix 1.

Caveats and Limitations

The evidence base analysis presented in this report represents a point-in-time assessment which draws on a variety of sources, including publicly-available datasets and other evidence held by local authorities within the South Midlands. This report incorporates the latest data and other evidence available at the time of preparation in late 2024/early 2025. Whilst every effort has been made to ensure the robustness of the evidence used, it should be noted that the accuracy of data derived from third party sources has not been checked and/or independently verified by Lichfields.

Introduction

Structure of report

This report is structured as follows:

    An overview of the demographic profile of the local population characteristics within the South Midlands, including change, labour market engagement, in addition to skills and qualifications levels.

    An overview of the key place characteristics influencing local economic performance within the South Midlands by focussing on settlement structure, housing delivery, deprivation challenges, and key migration trends influencing the demand for housing.

    A review of the South Midlands' economy by considering employment change over the past 10-years, in addition to sector specialisations (including relative to the Industrial Strategy Green Paper), changes in enterprise and business formation, business survival rates, the provision of employment floorspace, productivity, earnings, and commuting trends.

    The Evidence Base Report concludes by drawing together the trends emerging from the data analysis presented, and considers key strengths across the South Midlands, whilst also highlighting some of the weaknesses the EGS will need to address.

Key Evidence Findings

Key Evidence Findings

The South Midlands stands at a critical juncture in its growth trajectory, having recently set out its ambitions for greater devolution to HM Government.

Characterised by rapid population growth, economic dynamism, and a diverse range of opportunities, the South Midlands economy plays a pivotal role in the UK economy.

Comprising the six local authorities of Bedford, Central Bedfordshire, Luton, Milton Keynes, North Northamptonshire, and West Northamptonshire, the South Midlands boasts a strong economic foundation, with a young and expanding working-age population, robust employment growth, and strategic geographic advantages. Whilst the region's economy exhibits great resilience, it also shows great alignment with the Government's priorities as outlined within the recently-published Industrial Strategy Green Paper. Key strengths within the South Midlands include advanced manufacturing and motorsport, logistics, and digital technologies (including artificial intelligence, or 'AI'), which together position the region as a hub of innovation and industrial expertise.

Key settlement such as Milton Keynes play a pivotal role in fostering collaboration between regional players and amongst different sectors of the economy, whilst areas such as Bedford and Northampton contribute greatly to sector diversity through their localised strengths and specialisations.

However, significant challenges persist. Housing affordability pressures, persistent pockets of deprivation, and skills-mismatch present some of the barriers to achieving equitable growth across the region. The South Midlands' productivity has generally lagged behind national trends, exacerbating local economic disparities, whilst differences in labour market participation and educational attainment further highlight the need for targeted interventions to bridge gaps and maximise the region's overall potential.

Engagement with stakeholders indicates that whilst it is excelling in many ways, the South Midlands is often defined by its surroundings (such as being part of the Oxford-to-Cambridge Arc, the Golden Triangle for logistics, or being part of Motorsport Valley). Whilst acknowledging its locational advantages, stakeholders believe that now is the time for the South Midlands to define its unique identity and proactively start shaping its future (particularly in light of the desire for greater devolution).

Against this backdrop, the EGS seeks to establish a clear vision for the future, by leveraging the South Midlands' inherent strengths, whilst also addressing vulnerabilities at both local and regional levels. The South Midlands EGS provides a pathway for achieving sustainable, inclusive and resilient growth to 2030, especially as the region seeks to build a new, more devolved future. This Strategy is built on the recognition that whilst the South Midlands has significant competitive advantages, the achievement of long-term success will require addressing foundational challenges, and fostering greater collaboration and interconnections between stakeholders from across the public, private, and academic sectors.

The analysis presented within this Evidence Base Report underscores the South Midlands' significant potential, and represents the starting point for creating a cohesive and forward-looking strategy that builds on the region's competitive advantages and challenges highlighted in this document.

Key Evidence Findings

Part 1: People

1. The South Midlands has a rapidly growing and young population, with the exception of young people between the ages between 20 and 24, reflecting the absence of large higher education providers, in addition to difficulties in retaining graduates.

2. The region enjoys strong labour market participation rates, surpassing the national average. However, there are considerable disparities between local authority areas (e.g. at 6.6%, the unemployment rate is highest in Luton, but lowest in North Northamptonshire where it is 1.4%).

3. However, there is some evidence of a tightening of the labour market with an overall decreasing number of people looking for jobs.

4. Despite improvement, educational attainment in the South Midlands lags behind national levels, with concerns about the availability of higher-level qualifications and gaps in the availability of STEM-related skills.

5. This means that the region is becoming more reliant on inward commuting to fill vacant roles, with skills shortages potentially impacting the region's potential for growth.

Part 2: Place

6. Despite the high delivery rates, housing affordability remains a challenge, particularly in areas with strong rail links to London (e.g. Bedford, Milton Keynes and Luton). Luton, in particular, faces significant outward migration driven by increasing housing pressures.

7. The region is relatively less-deprived overall, but significant pockets of deprivation persist, especially within urban areas (such as Luton, Corby and Wellingborough). Access to education and employment is a critical concern amongst rural, and semi-rural areas.

8. Overall, the South Midlands has seen a trend of net out-migration, with more people leaving the region in 2011 than moving in.

Part 3: Economy

9. The South Midlands has witnessed strong employment growth (+14.3% over the past decade) with strong sectoral specialisation in transport and storage, as well as manufacturing.

10. Despite the overall strengths, the South Midlands economy is characterised by a mix of highly-specialised economic sectors across different local areas, adding diversity and resilience to the region's economy.

11. However, productivity (per head) is below the national average, and has declined (i.e. by -3.1% between 2014 and 2024), widening the disparity to the national average (which has experience slight growth over the same period).

12. Business formation rates have fallen considerably since 2013, with medium- and long-term survival rates now being below the national average. Whilst micro-businesses now dominate the regional economy, engagement with local stakeholders suggests that support for scaling businesses remains critical.

13. The region's industrial and office markets are characterised by low vacancy rates and rising rents, signaling high demand for floorspace.

14. Where available, the data indicates that wage growth in the region has not kept up with rising inflation, which is likely to have further contributed to affordability challenges within the South Midlands region.

Part 1: People

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Part 1: People

Demographic Profile – Current population

The South Midlands is home to c. 1.8 million people[1], which is equivalent to 3.1% of the total population in England. West Northamptonshire and North Northamptonshire have the largest population of its six constituent local authority areas, with around 426,000 (equivalent to 24.0% of total South Midlands population) and 360,000 (or 20.2%) residents respectively.

Within the South Midlands, around 1.1 million people are of core working age (i.e. aged 16-64). This represents 63.4% of the region's population which is broadly in line with the national average (of 63.2%). However, within the region the size of the core working age population varies, with the largest urban centres (i.e. Luton and Milton Keynes) having a slightly higher proportion of core working age residents (at 64.9% and 64.6% respectively).

Building on the above, it is noted that the South Midlands has an overall younger population relative to the national average for England, with 20.7% of its population under the age of 16 (i.e. compared with 18.5% nationally). This trend is evident across all six local authority areas in the South Midlands.

Correspondingly, with 15.7% of residents aged 65 and over, the South Midlands also has a lower proportion of older residents relative to the national average (i.e. with 18.1% of total population aged 65 and over). Once more, this trend is reflected across most of the region's local authority areas, except for North Northamptonshire which has a similar proportion of residents aged 65 and over (i.e. of 18.1%) to the national average.

A look at the South Midlands' population pyramid suggests that the region has an overall higher proportion of younger residents relative to the national average. The exception to this is the proportion of young people aged 20-24 (i.e. of 5.4%) which is below the national average (i.e. of 6.0%).

This is likely to be a reflection of a lower-than-average provision of higher education providers within the South Midlands region (i.e. relative to its population size). However, it should be noted that this trend is reversed in locations where higher education institutions ('HEIs') are located (e.g. Luton which at 6.9%, has an overall higher proportion of residents aged 20-24).

Figure 1.1 Population pyramid for the South Midlands, 2021
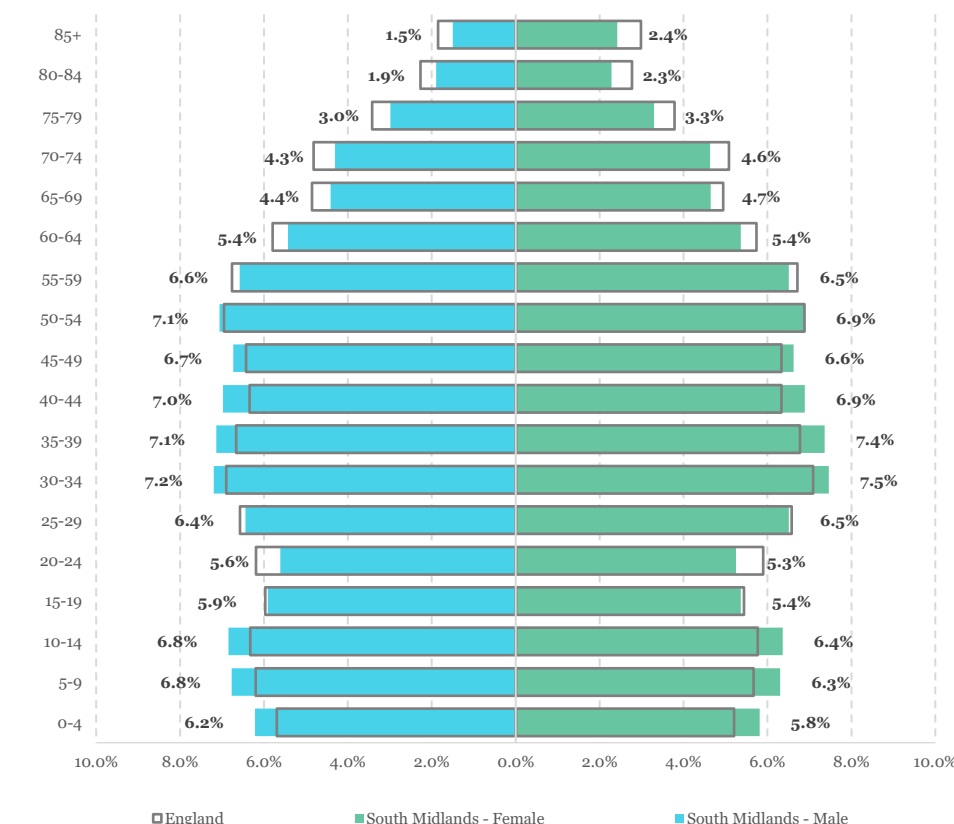
Source: ONS (2024), 2021 Census.

Part 1: People

Demographic Profile – Population change

Inter-census data suggests that between 2011[2] and 2021[3], the population of the South Midlands increased by approximately 221,000 people, or the equivalent to +14.2%, which was appreciably higher than the growth seen nationally (i.e. at +6.2%) over the same period.

With an extra 115,000 people aged 16-64, growth in the region's core working age population (i.e. of +11.4%) was almost three-times greater than the equivalent growth seen nationally (i.e. of +3.6). Overall, the evidence presented in Table 1.1 below suggests that growth amongst children (i.e. under 16s) and older people (i.e. aged 65+) in the South Midlands was also higher than the national average. However, whilst the South Midlands has an overall younger population, at +29.6% growth amongst older age residents was appreciably higher than the national average (i.e. of +16.7%).

At +3.3%, growth in the region's core working age population is anticipated to be higher than the equivalent growth nationally (i.e. of +2.1%), although this is expected to be below the growth rate seen between 2011 and 2021[5]. Likewise, at +42.6% growth amongst older residents (i.e. aged 65+) in the South Midlands will remain higher than the equivalent growth nationally (i.e. at +36.2%).

However, recent growth in the number of children (i.e. those aged under 16) will reverse, where the South Midlands is projected to see an overall decline of -6.5%. This decline is anticipated to be greater than that projected nationally (of -4.1%).

Figure 1.2 Employment growth in the South Midlands, 2014-2024

Source: ONS (2018), 2018-based Sub-national population projections.

Table 1.1 Population change, 2011 to 2021

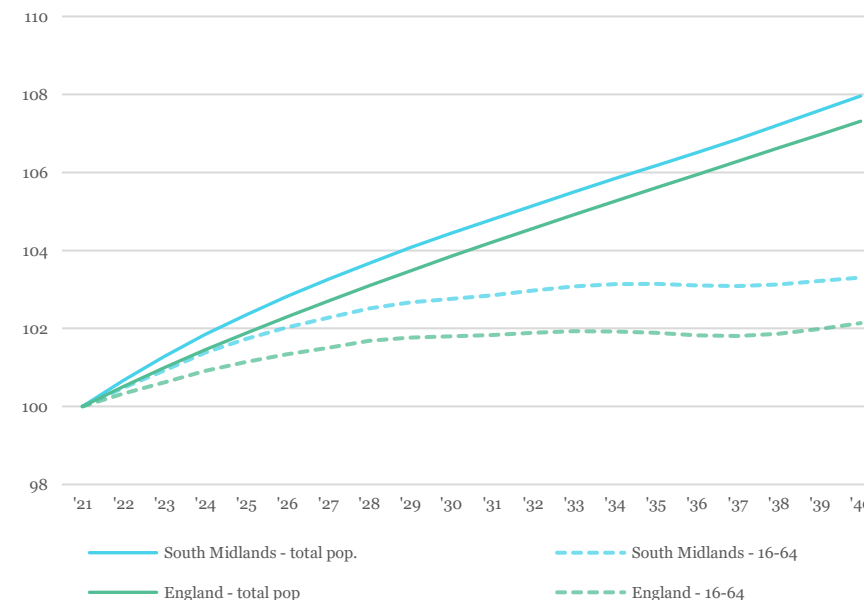|	South Midlands		England	
	Number	%	Number	%
0-15	+41,000	+12.6%	+460,000	+4.4%
16-64	+115,000	+11.4%	+1,277,000	+3.6%
65+	+66,000	+29.6%	+1,741,000	+16.7%
Total population	+221,000	+14.2%	+3,478,000	+6.2%

Source: ONS (2021), 2021 Census; and ONS (2011), 2011 Census.

Looking forward, population forecasts[4] for the South Midlands suggest that population growth in the region will continue to outpace the national average, albeit it will follow a similar trend as shown in Figure 1.2. In total, it is anticipated that the South Midlands' population will increase by a further 137,000 people by 2040. This is equivalent to a growth rate of +8.0% (i.e. relative to a 2021 starting point), which is higher than the anticipated growth nationally (i.e. of +7.3%).

[2] ONS (2011), *2011 Census*.

[3] ONS (2021), *2021 Census*.

[4] ONS (2018), *2018-based Sub-national population projections*.

[5] The annual growth rate for core working age population in the South Midlands between 2011-21 was +11.4%, whilst annual growth rate to 2040 is anticipated to be +3.3%.

Part 1: People

Labour market

The labour market in the South Midlands is characterised by a high labour market participation rate (also referred to as economic activity rate) amongst its core working age residents. At 80.8%, labour market participation in the South Midlands is higher than the national average (78.7%). Furthermore, the data[6] also shows that there are currently 33,400 unemployed residents within the South Midlands, which at 3.4% represents a lower unemployment rate than the national average (3.8%).

However, despite the overall strong performance across the South Midlands, the region experiences significant variation at the local level. Of the six local authorities, only Milton Keynes and Luton (i.e. with economic activity rates of 78.2% and 72.1% respectively) experience an overall lower labour market participation relative to the national average. In contrast, labour market participation in Bedford and Central Bedfordshire is recorded at 86.0% and 85.0% respectively. Likewise, the unemployment rate in the South Midlands varies greatly, ranging from 6.6% in Luton to 1.4% in North Northamptonshire.

Long-term data shows that labour market participation across the South Midlands has remained consistently high, increasing by 0.5 percentage points (from 80.5%) since 2014. Over the same period, the region's unemployment rate has fallen by 1.7 percentage points (from 5.1% in 2014), which is equivalent to a decline of around a third in the unemployment rate since 2014. In effect, this means that in 2024 there were around 10,000 fewer unemployed residents (relative to 2014) looking for work opportunities.

The data also shows that as of December 2024, there were around 29,000 economically inactive residents (i.e. 14.6%) in the South Midlands looking for a job. As per unemployment, the proportion of economically inactive residents who want a job[7] has also fallen by around a third since 2014.

This means that in aggregate, the potential pool of South Midlands residents looking for and/or who want a job adds up to around 62,000 residents, having declined considerably since 2014. This suggests that overall, the South Midlands is experiencing a tightening of the local labour market, with a declining pool of potential labour from which businesses can draw upon when seeking to recruit, which ultimately leads to greater reliance on net-inward commuting to fill vacant roles.

Figure 1.3 Unemployment and economically inactive residents who want a job, 2014 to 2024.
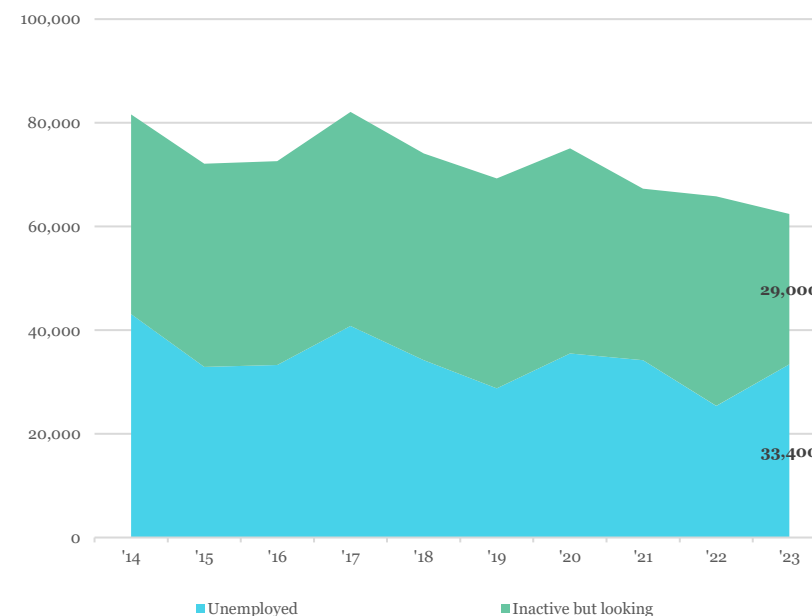
Source: ONS (2024), Annual Population Survey.

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[6] ONS (2024), *Annual Population Survey, 12-months to June 2024.*

[7] Whilst it is useful to have sight of the scale and volume of economically inactive residents who want a job, it is recognised that economically inactive people often face additional challenges when seeking to (re)join the local labour market and may require additional support.
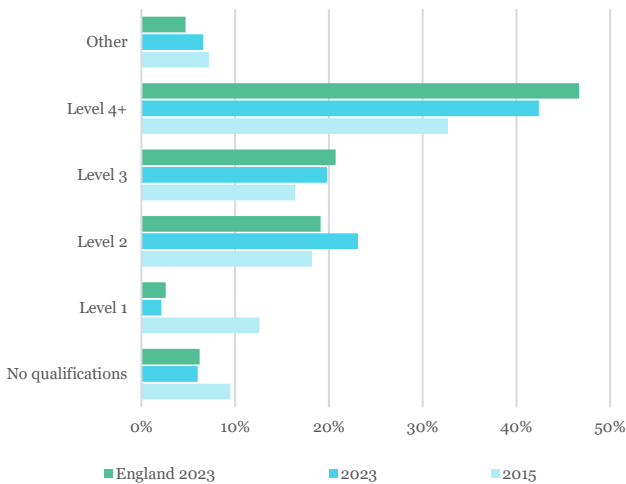
Part 1: People
Skills and qualifications (I)

ONS data[8] suggests that overall, educational attainment within the South Midlands is generally below the national average. At 42.4%, the proportion of residents with degree-level qualifications (i.e. National Vocational Qualification, or 'NVQ' level 4) or higher is lower than the national average (of 46.7%). The same applies to residents qualified to NVQ level 3[9], although the South Midlands is home to a higher proportion of residents qualified to NVQ level 2[10].

However, long-term data suggests that whilst the South Midlands lags behind the national average (i.e. in terms of overall qualification levels), the region has experienced a marked improvement in skills attainment since 2015. This includes an overall reduction in the proportion of residents with no qualifications (declining from 9.5% to 6.0%) and NVQ level 1[11] qualifications (declining from 12.6% to 2.1%), which suggests an overall trends towards higher-level qualifications.
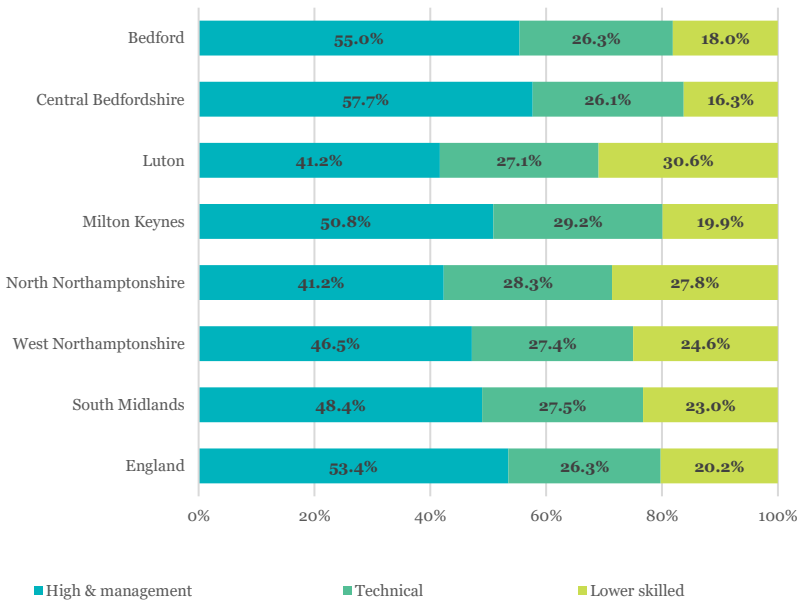
Data on resident occupations reflects the analysis on qualifications, and shows that the South Midlands has an overall higher proportion of residents in lower skilled and/or technical occupations relative to the national average.

However, the regional average disguises considerable variation at the local level, with Central Bedfordshire, Bedford, and Milton Keynes all having a lower proportion of residents in lower skilled occupations (i.e. relative to the national average). In the case of Bedford and Central Bedfordshire, the higher proportion of residents in higher skilled and/or management roles is likely to be linked to out-commuting (incl. to London), whilst in other locations the resident occupation profile reflects the local economy.

Figure 1.4 Resident qualifications, 2023

Source: ONS (2024), Annual Population Survey.

Figure 1.5 Resident occupations, 2023

Source: ONS (2024), Annual Population Survey.

[8] ONS (2024), *Annual Population Survey, 12-months to December 2023.*

[9] NVQ level 3 being defined as the equivalent of an A-level qualification

[10] NVQ level 2 being defined as the equivalent of a GCSE qualification (grades A* to C / 9 to 4)

[11] NVQ level 1 being defined as any other qualification below those outlined in level 2

Part 1: People
Skills and qualifications (II)

Despite the improvement in residents' skills and qualification levels, the 2022 Local Skills Report[12] and 2023 Local Skills Improvement Plan[13] ('LSIP') both highlight a number of skills shortages and challenges which act as constraints on business growth across the region. In particular, both reports indicate that skills shortages have left hard-to-fill vacancies in key growth industries, such as transport and storage, with the 2024 LSIP Progress Report[14] identifying the following challenges:

a) An overall negative shift in the perception of the availability of skilled staff for micro businesses;

b) A decrease in engagement for training with colleges, independent training providers ('ITPs'), and online providers;

c) The majority of hard-to-fill positions being in science, technology, engineering, and mathematics ('STEM') occupations;

d) Increased competition for labour, with employees demanding greater flexibility and higher salary expectations;

e) An increase in the number of organisations not prepared and/or unable to release staff during working hours, and inflexible times/durations for training courses; and

f) Employer engagement with schools remains low.

These challenges were also identified as part of engagement with local stakeholders (including the Growth Hub and Careers Hub), highlighting the long-term challenges associated with efforts to tackle local skills gaps. Engagement with stakeholders has highlighted the need for a more cohesive and collaborative approach between employers, education providers, local authorities and regional partnerships to better align training provision with current and future business needs.

Additionally, there is a pressing need for targeted initiatives to improve the pipeline of skilled workers, particularly in STEM and to improve awareness of the different career pathways available to younger people.

However, stakeholders have also raised concerns around the quality of basic (e.g. literacy, numeracy, English and basic digital) and interpersonal skills (such as personal resilience, self-motivation, flexibility and adaptability, honesty, humility, and curiosity), in addition to a lack of entrepreneurial awareness (which could in turn be impacting upon start-ups' long-term survival rates).

Recent years have seen the implementation of several measures aimed at tackling skills shortages. Amongst them are examples such as Cranfield University's plans to open a new campus in Milton Keynes (called MK:U) which will provide exclusively STEM-focused qualifications to better equip the workforce with the skills needed for careers in data analysis, data science, digital technology, advanced engineering, and supply chain management amongst others. This will completement provision at the South Central Institute of Technology ('IoT') located in Bletchley, which opened in 2023 and offers a range of courses in digital and cyber-technologies (including artificial intelligence, or 'AI').

Other examples include the recent collaboration between Oracle Red Bull Racing and the Milton Keynes College Group ('MKCG') to launch the STEMx initiative which sought to inspire the next generation of engineering talent in motorsport and Formula One ('F1'), with a focus on under-represented groups.

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[12] SEMLEP (2022), *South East Midlands Local Skills Report*. [Available at: Link]

[13] Northamptonshire and Milton Keynes Chamber of Commerce & Bedfordshire Chamber of Commerce (2023), *Local Skills Improvement Plan*. [Available at: Link]

[14] Northamptonshire and Milton Keynes Chamber of Commerce & Bedfordshire Chamber of Commerce (2024), *Stage 2: LSIP Progress Report* [Available at: Link]

Part 2: Place

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Part 2: Place
Settlement structure in the South Midlands

The South Midlands is home to a variety of settlements ranging from small market towns to larger settlements and cities, each contributing to the region's diverse economic base.

Milton Keynes is the only City within the South Midlands, with a population of around 287,000 across the local authority area. The Milton Keynes economy is fast-growing and highly-productive, characterised by a range of large, multinational companies, and a very high business start-up rate (i.e. relative to its size). The City has a nationally-renowned automotive research and development ('R&D') cluster, spearheaded by the Oracle Red Bull Racing base in Tilbrook.

Figure 2.1 Settlements by size in the South Midlands
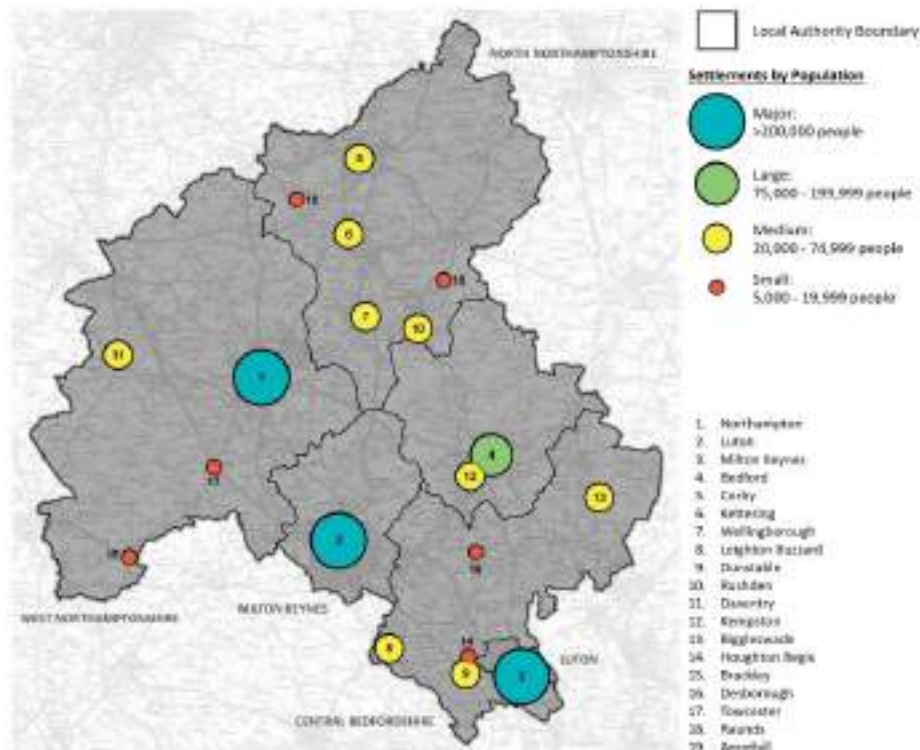
Northampton is the second largest settlement in the region (and the UK's largest town) with over 243,000 residents[15]. Other large settlements in the South Midlands include Luton (with around 233,500 residents) and Bedford (around 97,200 residents). Luton benefits greatly from the presence of Luton Airport, the 5th largest in the UK by aircraft movements[16], which provides a focus for the air travel industry and hosts several international firms' UK/European headquarters. Contrastingly, Bedford is home to an emerging medical technology industry and is harnessing its strategic location (i.e. within proximity to both Cambridge and London) to further grow this sector.

Smaller settlements include Corby, Kettering, Wellingborough and Rushden in North Northamptonshire, a local authority area broadly possessing strengths in advanced manufacturing and motor sport engineering. Leighton Buzzard, Central Bedfordshire's largest town, hosts large business headquarters including Connells Group and Tupperware. Other settlements attract sector-specific players, such as Cranfield and its internationally renowned specialism in aerospace. Brackley in West Northamptonshire contributes to the region's automotive and advanced manufacturing strengths and is the home of the Mercedes-AMG Petronas F1 team.

The region possesses strong infrastructure links, particularly to London, Birmingham, and the Midlands. The M1 runs south-north through the west of the region from London through to the East Midlands. The A5 and A6 also provide north-south connections, with the A14 and A428 providing east-west links through North and West Northamptonshire. However, other strategic east-west linkages are limited across the rest of the region.

This pattern is mirrored in the region's rail connections. The Midland Main Line and West Coast Main Line provide direct connections into London, Birmingham, Manchester, and Liverpool. Connections between towns within the region are more limited, although the proposed East West Rail line will help to address this. Luton Airport provides routes to international markets in Europe, North Africa and the Middle East.

Part 2: Place

Housing

Data from the Department for Levelling Up, Housing and Communities ('DLUHC') – now the Ministry of Housing, Communities and Local Government ('MHCLG') – shows that in 2023 there were c.759,000 dwellings in the South Midlands. This figure has increased by around 88,000 new homes since 2014, representing an increase of approximately +13.1%. This growth was appreciably higher than the average growth rate seen nationally (+8.6%) over the same period, with growth in Central Bedfordshire (+16.1%) being the strongest, followed by growth in Bedford and Milton Keynes (+15.3% for both).

Analysis of house prices in the South Midlands compared to (gross) median earnings shows that the region is relatively less affordable than the national average. Whilst median house prices are highest in Central Bedfordshire (at £362,000), the combination of relatively high prices and lower (resident) salaries in Luton, give the Borough an overall affordability ratio of 9.56, relative to 8.08 nationally. In contrast, median house prices in North Northamptonshire (at £253,700) are lower than the national average, which when combined with local median salaries provide an overall higher affordability ratio (7.58).

A review of current local plans suggests that local authorities in the South Midlands have committed to the delivery of over 125,000 new homes by the mid-2030s, as shown in Table 2.1. This figure does not include planned housing in West Northamptonshire which is progressing its first local plan as a new administrative area[17] following the reorganisation of local authorities and its establishment in April 2021. Taking account of other emerging/draft local plans, it is estimated that housing delivery across the South Midlands could total almost 170,000 new homes by the early 2040s. This figure could eventually be higher as local authority areas consider the implications of new guidance to delivering a sufficient supply of homes as included within the updated 2024 National Planning Policy Framework[18] ('NPPF).

This analysis suggests that by 2040, the South Midlands could experience significant housing growth in the region of around +20% (or higher) over 2023 figures.

Figure 2.2 Housing affordability ratio by local authority.
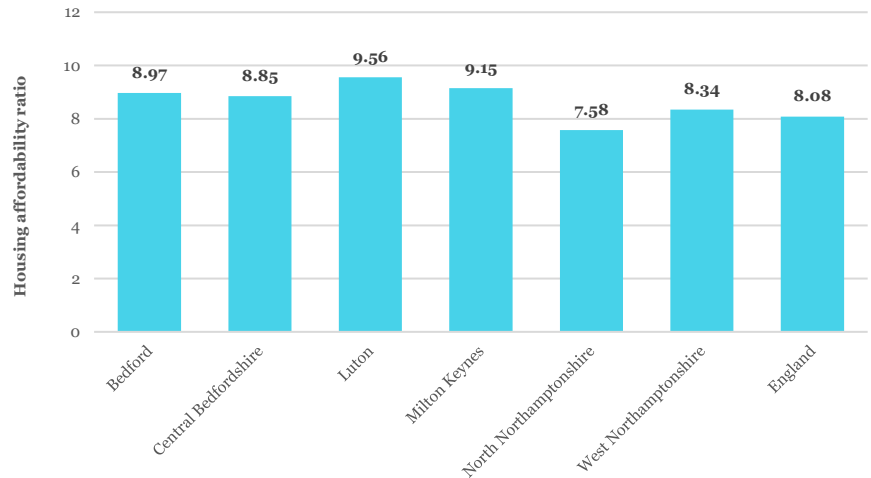
Source: ONS (2023), Annual survey or hours and earnings / ONS (2023), Median House Price.

Table 2.1 Local Plan housing delivery targets by local authority.

	Adopted Development Plan			Draft / Emerging Local Plan	
	Housing target	Delivery period	Annual delivery (dpa)	Housing target	Delivery period
Bedford	6,270	2020-2030	627	19,798	By 2040
C. Beds	44,756	2021-2035	3,197	-	-
Luton	8,500	2017-2031	607	-	-
Milton Keynes	30,900	2019-2037	2,575	-	-
N. Northants	35,000	2011-2031	1,750	-	-
W. Northants	n/a	n/a	n/a	30,668	By 2041
Total (by 2041)	125,426	-	-	169,622	-

Source: Lichfields analysis of Adopted Development Plans and Draft/Emerging Local Plans.

[17] previously comprising Daventry, Northampton and South Northamptonshire Districts.

[18] Ministry of Housing, Communities and Local Government ('MHCLG') (2024), *National Planning Policy Framework*. [Available at: Link]

Part 2: Place
Deprivation (I)

Whilst somewhat dated, the 2019 version of the Index of Multiple Deprivation[19] ('IMD') provides an overall comparison of the level of deprivation within an area relative to the rest of England, taking account of several measures of deprivation across seven domains (which comprise income, employment, education, health, crime, barriers to housing and services, and the living environment). Table 2.2 provides an overview of how local authorities within the South Midlands perform in terms of the overall IMD, and selected domains included within it.

It should be noted that as North Northamptonshire and West Northamptonshire were formed by the merger of multiple local authority areas following publication of the dataset in 2019, it is not possible to provide an overall rank for either local authority area. However, the evidence suggests that the majority of their former authorities are ranked within the 50% least deprived authorities in England, with the exception of Corby and Wellingborough in North Northamptonshire, as well as Northampton in West Northamptonshire which at the time were relatively more deprived.

The evidence presented in Table 2.2 shows that there is considerable variation in deprivation across the South Midlands, with Central Bedfordshire ranking amongst the 20% least deprived, whilst Luton ranks amongst the 20% most deprived. This evidence suggests that the South Midlands is home to pockets of persistent deprivation, especially in proximity to town centres.

The South Midlands' LSIP[20] finds that skills and education deprivation within the region's rural and semi-rural areas is exacerbated due to poor connectivity to both employment and education opportunities. As such, it has made tackling the digital skills gap a priority, in part to help improve accessibility and flexibility of training opportunities across the region. Previously, SEMLEP also identified the need for greater engagement between education providers and employers, with a focus on areas of social deprivation to help address inequality in employment opportunities[21].
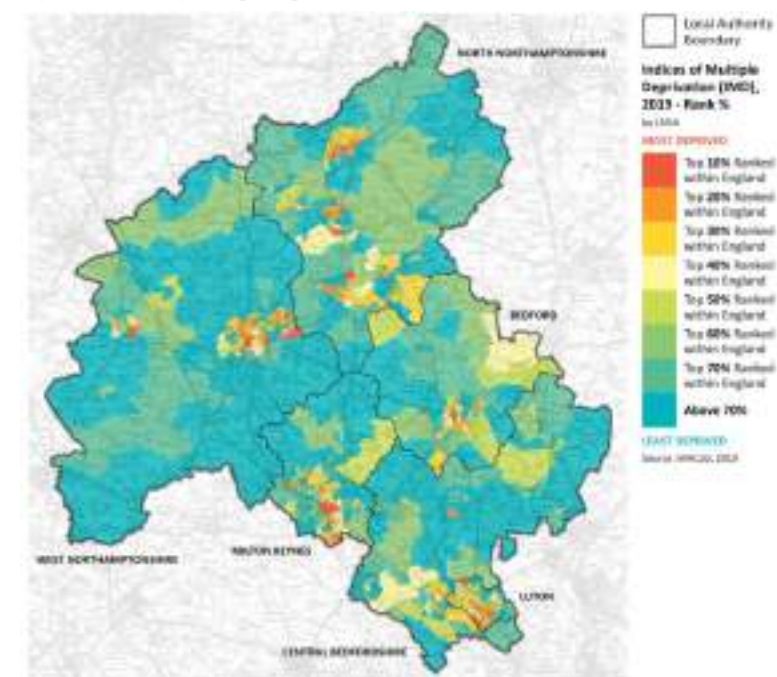
[19] MHCLG (2019), *English Indices of Deprivation 2019*.

[20] Northamptonshire and Milton Keynes Chamber of Commerce & Bedfordshire Chamber of Commerce (2023), *Local Skills Improvement Plan*. [Available at: Link]
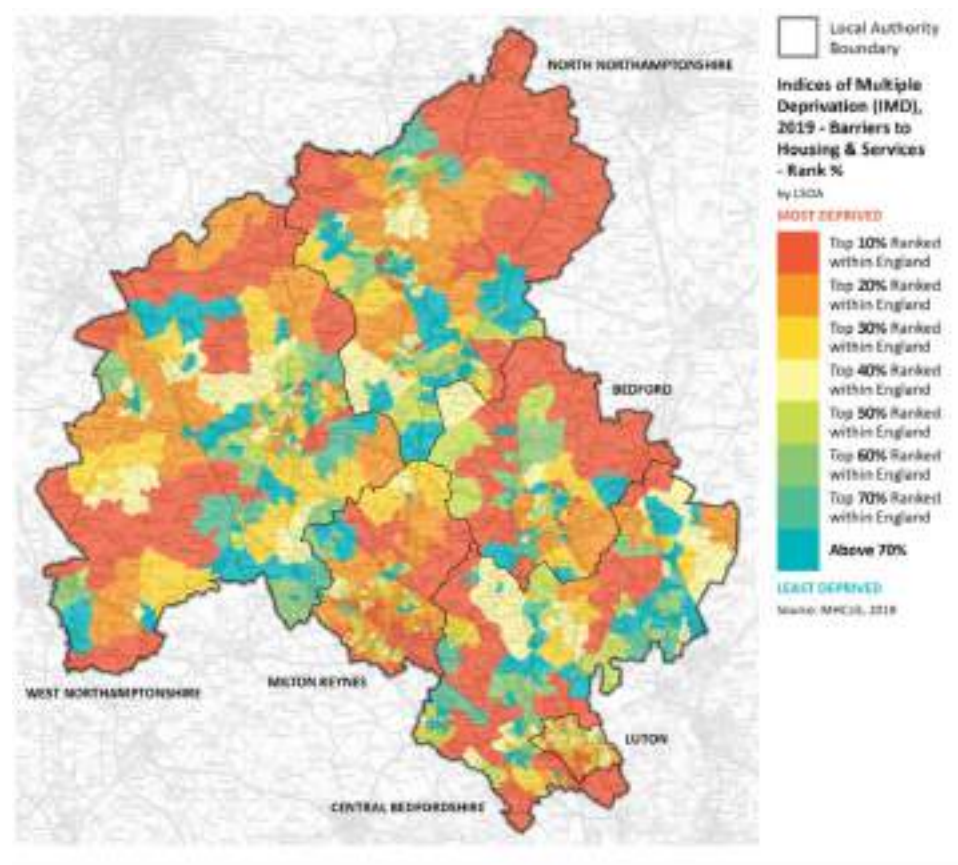
[21] SEMLEP (2022), *South East Midlands Local Skills Report*. [Available at: Link]

Table 2.2 Deprivation metrics for overall IMD, and income, employment, and education domains.

	Overall rank*	Overall decile**	LSOAs within 20% most deprived	Income rank*	Employment rank*	Education rank*
Bedford	156	40-50%	13.6%	149	156	167
Central Beds	264	80-90%	1.9%	247	262	183
Luton	52	10-20%	27.3%	49	98	45
Milton Keynes	172	50-60%	11.8%	152	196	169
North Northants	n/a	n/a	15.5%	n/a	n/a	n/a
West Northants	n/a	n/a	14.0%	n/a	n/a	n/a

* out of 317 local authorities, where 1 ranks as the most deprived;
** where 0-10% is the most deprived, and 90-100% is the least deprived;

Figure 2.3 Indices of Multiple Deprivation in the South Midlands

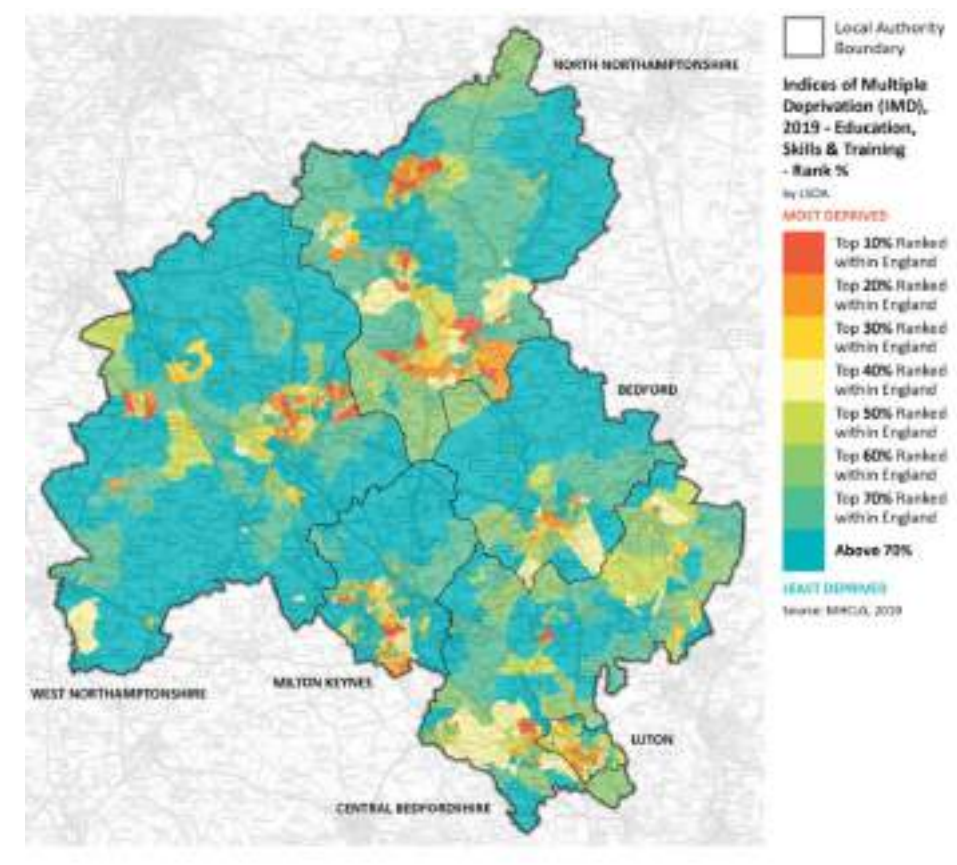# Part 2: Place
Deprivation (II)

Figure 2.4. below shows higher levels of relative deprivation across the South Midlands when considering barriers to housing and services. This reinforces the analysis of housing affordability present above, which is evident both within large urban areas such as Luton and Milton Keynes but also in the more rural areas of Bedford, North Northamptonshire and West Northamptonshire.

By comparison, the region performs more strongly in terms of education, skills and training, as shown in Figure 2.5. However, the area is characterised by pockets of deprivation particularly within proximity of urban areas. Corby (now part of North Northamptonshire) was ranked as the 10th most deprived local authority in England, followed by Luton (45th) and Wellingborough (58th) – also part of North Northamptonshire.

Figure 2.4 Indices of Multiple Deprivation in the South Midlands – barriers to housing and services domain

Figure 2.5 Indices of Multiple Deprivation in the South Midlands – Education, skills and training domain
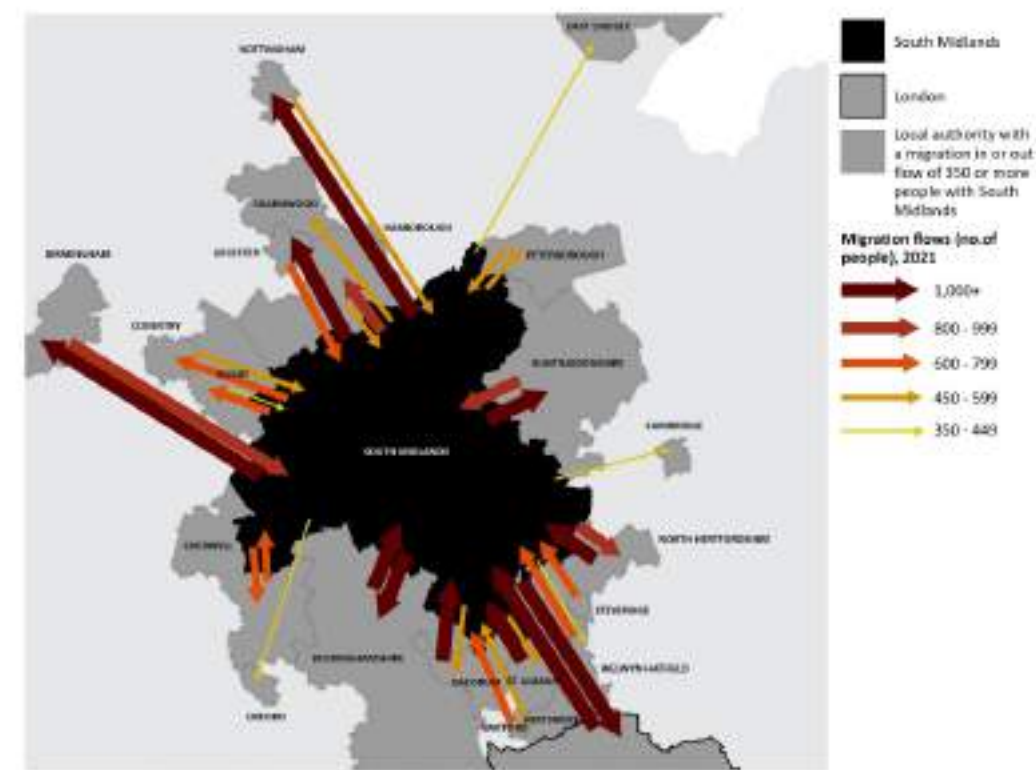
Part 2: Place
Migration in/out of the South Midlands (I)

Data from the 2021 Census[22] indicates that overall, the South Midlands attracts as many domestic in-migrants as those that leave to go to other parts of the country (i.e. excluding international migrants), with only around 30 more people leaving the region than moved to it in the year preceding the 2021 Census. Within the South Midlands, Central Bedfordshire has the greatest inward net-migration trend (with 2,250 more people moving into the district than moving out). Likewise, Bedford (with around +1,220) also experienced net-inward migration, whilst Milton Keynes (around -260), North Northamptonshire (around -290), West Northamptonshire (around -450) and Luton (around -2,400) all experienced an overall net-out migration.

This pattern may help explain why housing affordability pressures are lowest in North and West Northamptonshire, and could also indicate that affordability pressures in Luton may be forcing some residents out of the area. Top destinations for out-migration from the region include to Buckinghamshire, Birmingham, Nottingham, Huntingdonshire, and Leicester. With the exception of neighbouring Buckinghamshire, all of these authorities have a higher affordability ratio (i.e. ranging from 6.4 in Nottingham to 8.5 in Huntingdonshire) than Luton (i.e. of 9.6).

Top in-migration destinations to the South Midlands also includes Buckinghamshire, as well as North Hertfordshire (housing affordability ratio of 9.5), Dacorum (ratio of 11.1), Barnet (ratio of 15.2), and St Albans (ratio of 13.5). The relatively low affordability of homes in these areas are also likely to, in part, be driving inward migration to the South Midlands, or as people seek wider housing market choice.

Figure 2.6 Migration flow to / from the South Midlands

Source: ONS (2021), Origin and destination of migrants by age.

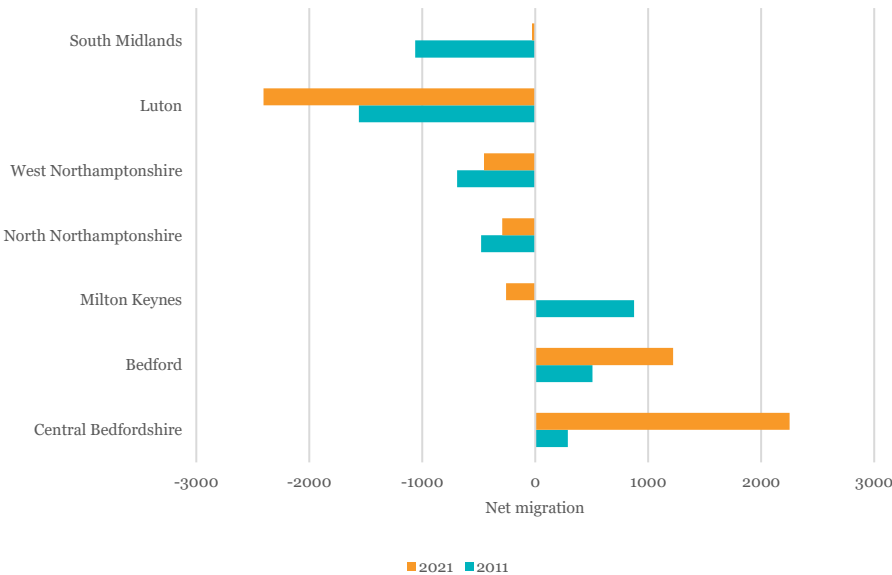[22] ONS (2021), *Origin and destination of migrants by age.*

Part 2: Place

Migration in/out of the South Midlands (II)

Compared to data collected in the 2011 Census[23], the South Midlands now takes in more domestic migrants, and in aggregate, has moved from being a net exporter of migrants (i.e. around -1,060 people in 2011) to its current migration position which is broadly in equilibrium (i.e. -30 people in 2021). This is largely driven by Central Bedfordshire which had a net inward migration of +290 in 2011 which increased to +2,250 people in the year preceding the 2021 Census. Conversely, Milton Keynes moved from being a net importer of migrants (i.e. +880 people in 2011) to a net exporter (i.e. -260 people in 2021), and the trend of net outward migration across Luton has increased from -1,560 in 2011 to -2,400 in 2021. This is summarised in Figure 2.7. This is also likely to reflect changes in housing affordability, as well as high the levels of housing delivery in Bedford and Central Bedfordshire.

Within the South Midlands, there are strong flows from Luton to Central Bedfordshire (with around +1,360), from Milton Keynes to West Northamptonshire (+760), and from West Northamptonshire to North Northamptonshire. This analysis indicates a general net flow of migrants from local authorities in the south, moving to authorities further north, again potentially reflecting lower levels of housing affordability in the south (i.e. relative to local authorities in the north of the South Midlands).

Figure 2.8 Net internal migration flows within the South Midlands

Figure 2.7 Net internal migration flows within the South Midlands

[23] ONS (2011), *Origin and destination of migrants by age.*

Source: ONS (2021), Origin and destination of migrants by age. / ONS (2011), Origin and destination of migrants by age.
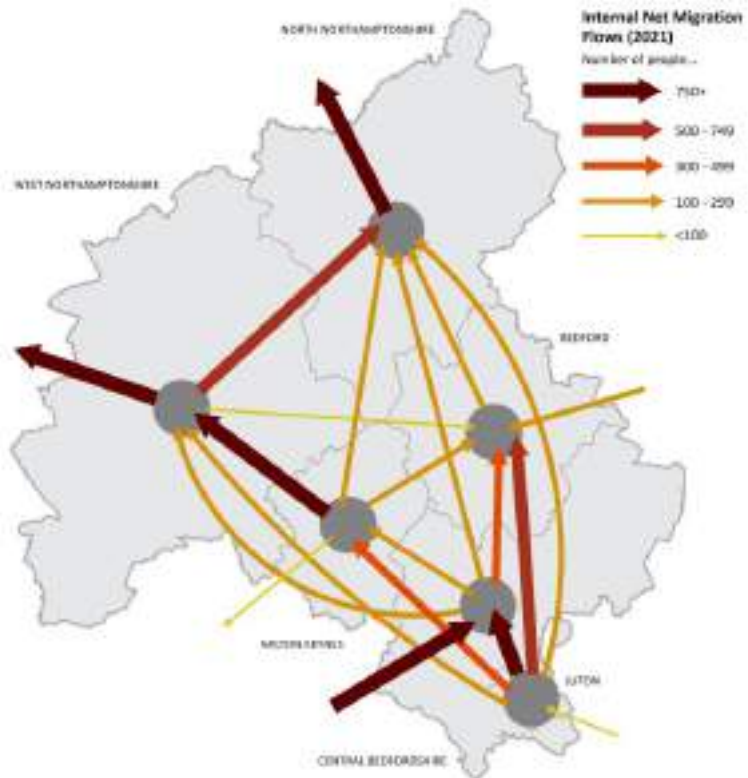
Source: ONS (2021), Origin and destination of migrants by age.

Part 3: Economy

LICHFIELDS

Part 3: The Economy

Employment

In 2024, the South Midlands supported c.970,000 workforce jobs[24], an increase of around 122,000 jobs (or +14.3%) over 2014 estimates. It is noted that this growth rate is higher than the national average (i.e. of +10.8%) over the same period. Within the South Midlands, West Northamptonshire accounts for the highest number of jobs (i.e. 261,000 jobs), followed by Milton Keynes (i.e. 209,800 jobs) and North Northamptonshire (i.e. 173,800 jobs).

When considering employment change between 2014 and 2024, Milton Keynes has displayed the fastest growth across the region, with a growth rate of +18.1%. This is appreciably higher than the growth rate seen nationally over the same period (i.e. 10.8%). Following Milton Keynes, North Northamptonshire and West Northamptonshire have the second- and third-fastest growth rates (i.e. at +15.9% and +14.7% respectively).

The evidence suggests that the number of workforce jobs across the South Midlands has grown consistently from 2014, with a small decline between 2019 and 2021 as a result of the Covid-19 pandemic. Following this, growth in the number of workforce jobs has increased steadily, and now is above pre-pandemic levels, as shown in Figure 3.1.

However, despite this growth, the overall concentration of employment within the South Midlands region has remained relatively unchanged since 2014 (see Figure 3.2). Whilst Milton Keynes, North Northamptonshire, and West Northamptonshire all increased their share of employment in the region, the period between 2014 and 2024 did not see any major shifts in the location of employment centres across the region.

Figure 3.1 Employment growth in the South Midlands, 2014-2024

Source: Experian (2024), Workforce jobs: June 2024.

Figure 3.2 Location of employment, 2014-2024
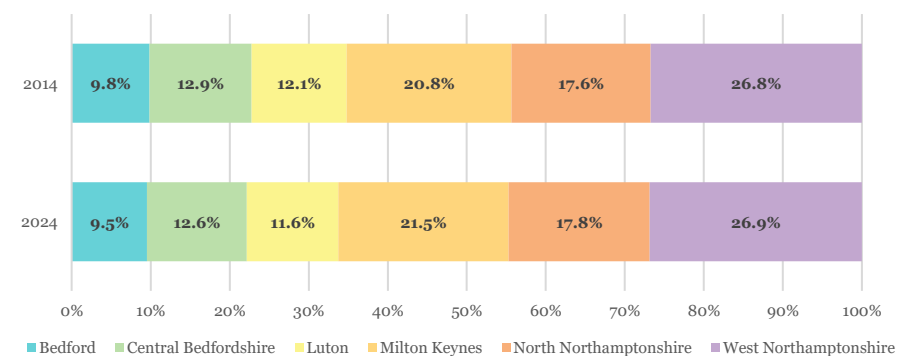
Source: Experian (2024), Workforce Jobs: June 2024.

[24] Experian (2024), *Workforce Jobs: June 2024.*

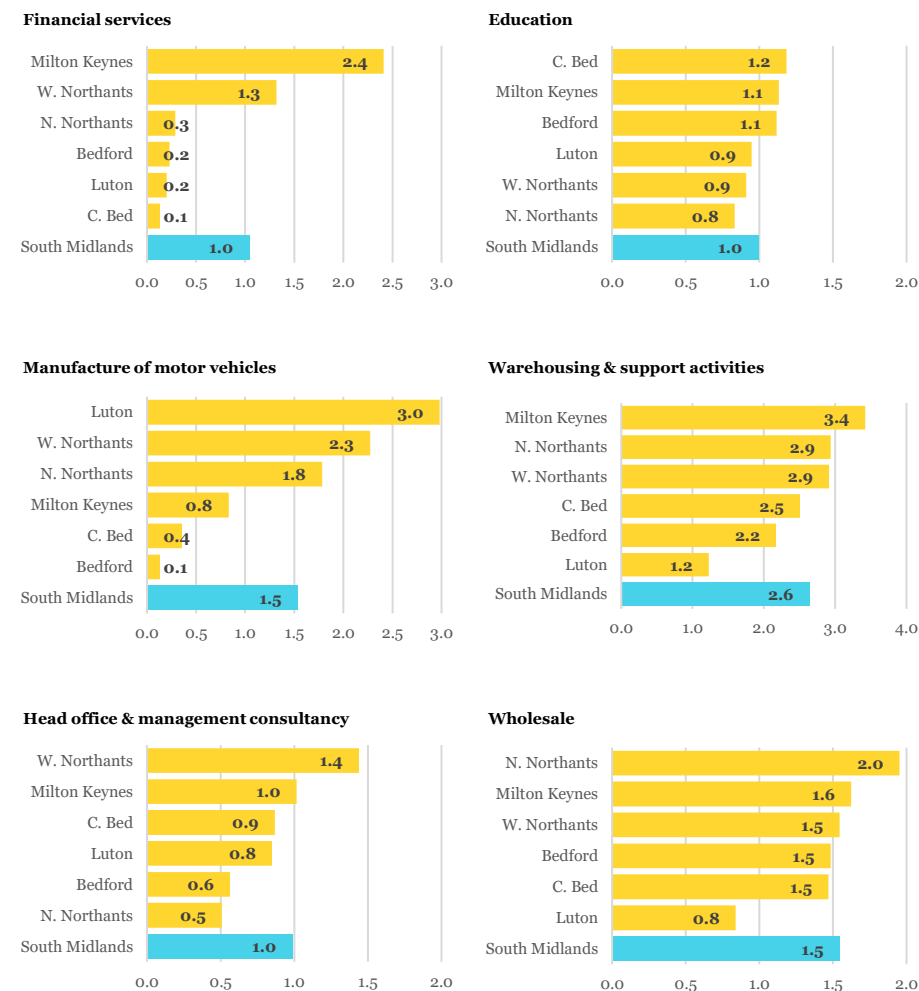# Part 3: The Economy

Employment sectors

Within the South Midlands, the largest employment sectors include health (i.e. with 101,000 employee jobs), business administration (with 98,000 employee jobs), and transport and storage – including postal (with 84,000 employee jobs).

Whilst not the largest employment sector, the transport and storage (which incorporates warehouse activities and logistics) in the South Midlands shows very high levels of specialisation (i.e. also defined as location quotient[25], or 'LQ') when compared with the national average (i.e. with LQ 1.9). This reflects the region's locational strengths provided via the strategic road network (i.e. anchored around the M1 which forms part of the logistics 'Golden Triangle'), in addition to the presence of Luton Airport which provides an international gateway into the region. Furthermore, the region also displays high levels of specialisation in manufacturing (i.e. with LQ 1.2), which incorporates advanced engineering.

A detailed look at economic strengths at the local authority level suggests that in addition to the overarching strengths highlighted above, the South Midlands' economy is characterised by a mix of highly-specialised economic sectors across different local areas. This diverse economic base not only fosters a strong and resilient economy, but also enhances the South Midlands' ability to adapt and recover from short term challenges and disruptions (such as the Covid-19 pandemic). Building on historical and local strengths, the diverse sectoral mix effectively reduces internal competition by promoting synergies across sectors and locations, allowing for complementarity and collaboration. These dynamics underpin a robust economic framework on which further growth and innovation can be built.

Figure 3.3 provides an overview of localised specialisation levels (i.e. LQs) for key sectors in the South Midlands economy.

[25] Location Quotient ('LQ') is a measure of a region's industrial specialisation relative to a larger region (in this case England). A LQ greater than 1.0 means that the smaller region (i.e. the South Midlands) has a higher level of specialisation than is seen across the larger region.

Figure 3.3 Localised specialisation levels (or LQs) for key sectors for the South Midlands economy

Source: ONS (2024), Business Register and Employment Survey, 2023.

Part 3: The Economy
Change in employment sectors (I)

However, when considering changes in sector-based employment, the data identifies transport and storage as the fastest-growing sector in the South Midlands. In aggregate, it is estimated that total employment increased by just under 50% between 2015 and 2023. This level of growth was outpaced only by employment growth within the property sector[26], having started from a much lower employment base (i.e. relative to transport and storage). Other fast-growing sectors over this period include the accommodation and food services sector (+30.1%), health (+29.5%), in addition to business administration and support (+25.6%). In contrast, the data shows that employment in retail (-11.4%), the arts, entertainment and recreation (-7.7%), and finance and insurance (-2.9%) has experienced a decline between 2015 and 2023.

In general, this analysis (see Figure 3.4) suggests that employment across the South Midlands has broadly followed national trends, and having been influenced by key macroeconomic shifts, such as an increase in online retail (i.e. resulting in a greater demand for logistics-related employment, accelerated by the Covid-19 pandemic[27]), and increased demand for health and social care reflective of an ageing population more generally.

Figure 3.4 Employment change 2015-2023
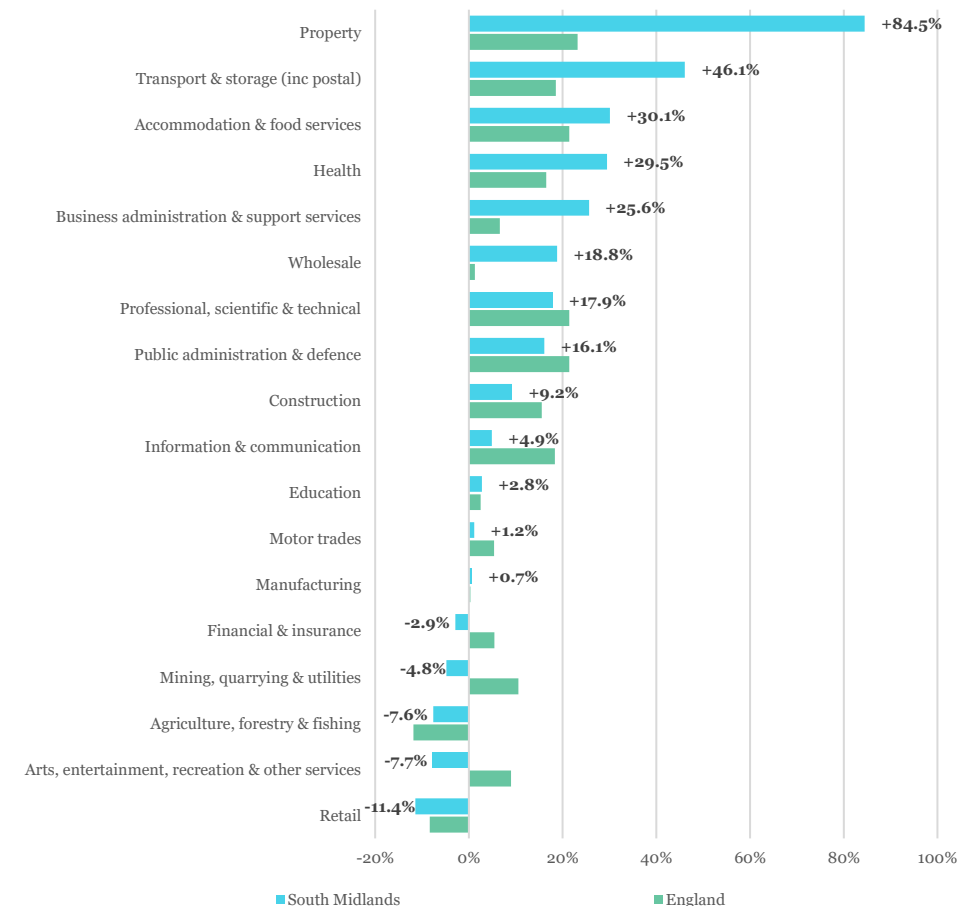
Source: ONS (2024), Business Register and Employment Survey, 2015 and 2023.

[26] having grown by +84.5% between 2015 and 2023.

[27] ONS data suggests that as of November 2024, 30p of every £1 expenditure on (total) retail is spent online. This represents an increase of around +9p pre-pandemic, having reached almost 38p of every £1 at the height of the Covid-19 pandemic in January 2021. For additional information, please see ONS (2024), *Internet sales as a percentage of total retail sales (ratio)*.

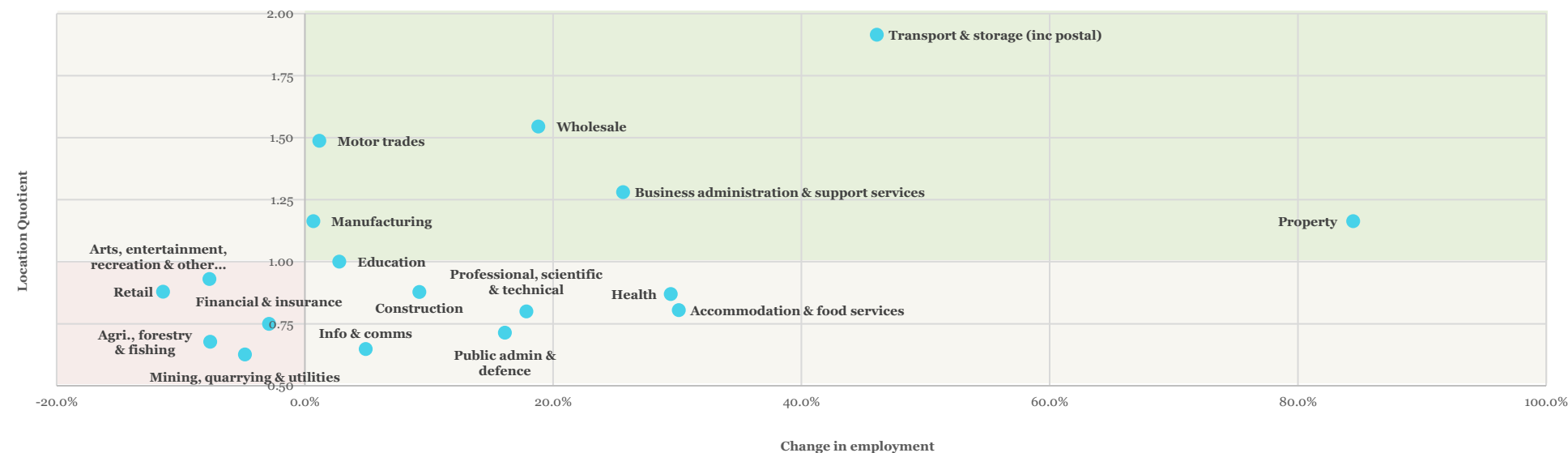# Part 3: The Economy
Change in employment sectors (II)

Building on the preceding analysis, Figure 3.5 examines sector-based employment specialisation across the South Midlands relative to employment changes between 2015 and 2023. The data highlights strong performance in a number of well-established sectors such as transport and storage, wholesale, as well as business administration and support services, which demonstrate both high levels of specialisation and strong growth. Much of this reflects broader trends, including the rise of online retail.

Motor trades and manufacturing both show relatively high levels of specialisation (i.e. LQ >1.0) but have experienced limited growth during this period. Conversely, a number of other sectors (such as construction, information and communications, health, accommodation and food, and the professional, scientific and technical sectors) have experienced

significant employment growth (i.e. of up to +30%), but display lower levels of specialisation. Together, these trends reflect a dynamic and evolving employment landscape, with emerging sectors presenting opportunities for further diversification and investment. The combination of high growth and lower specialisation suggests a need for targeted interventions to foster continued expansion in these industries. However, Figure 3.5 also highlights sectors which may require support, such as arts, entertainment and recreation, retail, and finance and insurance, which show declining employment and low specialisation levels.

This analysis underscores the importance of balancing growth in established sectors with emerging growth opportunities, while addressing vulnerabilities in underperforming sectors to ensure a resilient and sustainable regional economy.

Figure 3.5 Specialisation level and change in employment, 2015-2023

Source: ONS (2024), Business Register and Employment Survey, 2015 and 2023.

Part 3: The Economy
## Alignment with the Industrial Strategy Green Paper

In October 2024, the Government published the *Invest 2035: the UK's modern industrial strategy*[28] Green Paper consultation which sets out the Government's vision for a modern Industrial Strategy. To maximise its impact on growth, the green paper focusses on stimulating investment and activity in a number sectors with the highest potential for growth. More importantly, the Strategy seeks to target growth that is long-term, sustainable, inclusive, and resilient, and prioritises eight growth-driving sectors across services and manufacturing (i.e. based on both existing and emerging strengths nationally).

When analysing the region's economy through the lens of the Industrial Strategy, it is evident that the South Midlands' economy displays strong alignment with the Strategy's key drivers of growth. Whilst alignment is strongest with advanced manufacturing, professional & business services, and digital & technologies, the South Midlands hosts clusters and/or key businesses in each of the sectors identified (as outlined below).

(1) advanced manufacturing – motorsport and advanced engineering, Silverstone cluster;

(2) clean energy industries – Kettering Energy Park, and Chelveston Renewable Energy Park in North Northamptonshire;

(3) creative industries – video production cluster in Milton Keynes as well as plans to build the Universal theme park and resort near Bedford;

(4) defence – Lockheed Martin and Leonardo;

(5) digital & technologies – focus on artificial intelligence ('AI') and digital technologies in Milton Keynes;

(6) financial services – home to Barclaycard and Nationwide head offices (both in Northampton), Santander (in Milton Keynes) and Xero headquarters and Experience Centre (in Milton Keynes);

(7) life sciences – AstraZeneca's global corporate functions in Luton; and

(8) professional & business services which account for a high proportion of employment locally.

Figure 3.6 below provides an overview of localised specialisation levels (i.e. LQs) for the drivers of growth[29] identified within the Industrial Strategy.

Figure 3.6 Localised specialisation levels (or LQs) for Industrial Strategy sectors
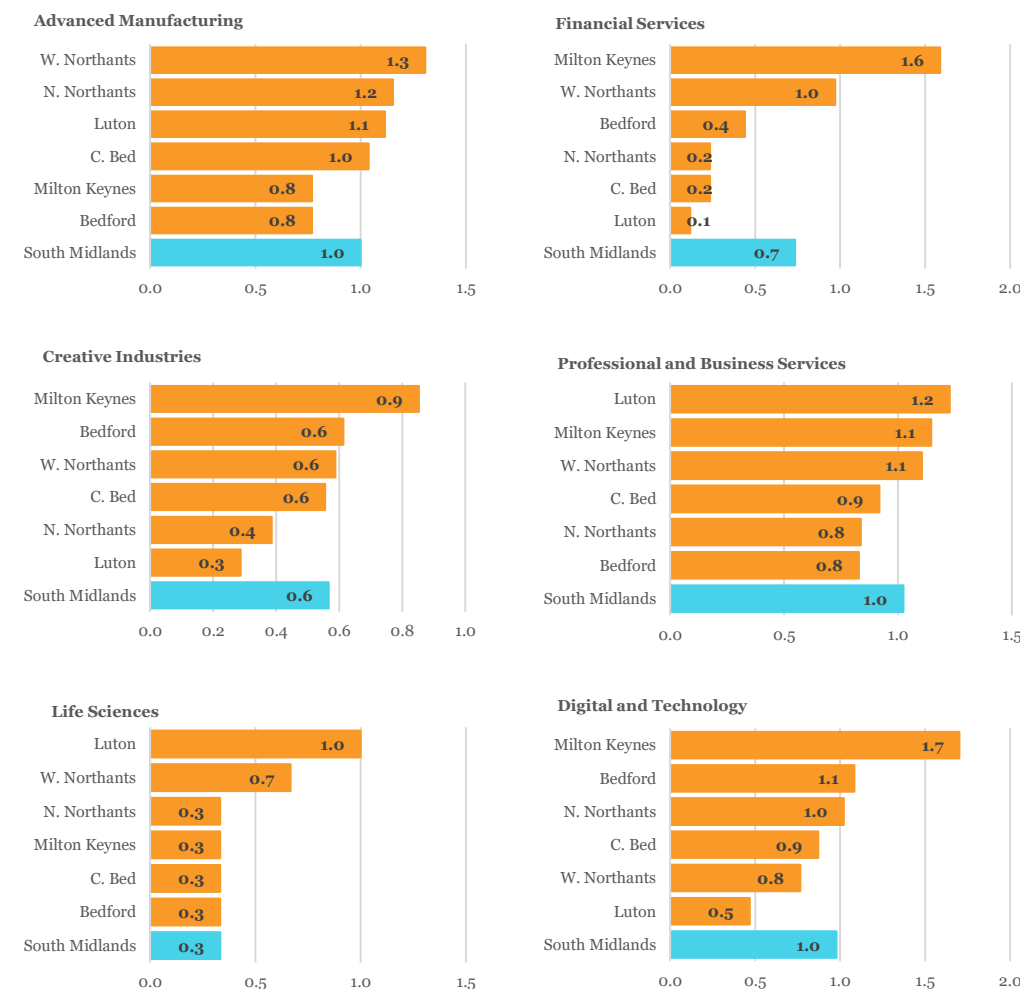
Source: ONS (2023), Business Register and Employment Survey.

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[28] Department for Business & Trade (2024), *Invest 2035: the UK's modern industrial strategy*. [Available at: Link]

[29] The clean energy and defence sectors do not have a recognised standard industrial classification ('SIC') code definition and therefore have not been included within the analysis presented in Figure 3.6.

Part 3: The Economy
Enterprises

In 2023, the South Midlands was home to around 80,800 active enterprises[30], which represents an increase of around 13,400 businesses (+19.9%) since 2014. This growth rate is higher than the national average (+13.3%) over the same period. Within the South Midlands, West Northamptonshire accounts for the highest number of businesses (20,200 enterprises), followed by North Northamptonshire (16,900 enterprises), Milton Keynes (13,700 enterprises) and Central Bedfordshire (13,000 enterprises).

However, when considering the change in the local business base between 2014 and 2023, North Northamptonshire displays by far the strongest growth across the region (with the addition of 4,200 businesses, or +33.4% growth), followed by Luton (i.e. with the addition of around 3,000 business, or +47.5% growth) and West Northamptonshire (with around 2,200 businesses, or +12.0%).

With around 90% of businesses employing fewer than ten people, the South Midlands economy is characterised by micro businesses (90.4% of all businesses in the South Midlands), a proportion which is slightly higher than that seen nationally (89.2%). Consequently, at 7.7% the proportion of small businesses in the South Midlands (i.e. employing 10-49 people) is slightly below the national average (8.7%).

Figure 3.7 Change in business base in the South Midlands, 2014-2023

Source: ONS (2024), Business demography UK (2023).

Table 3.1 Change in number of businesses and businesses by size

		South Midlands	England
Number of enterprises	2014	67,400	2.24 million
	2023	80,800	2.53 million
Change	2014-23	+19.9%	+13.3%
Size of business (2023)	Micro (<10 people)	90.4%	89.2%
	Small (10-49 people)	7.7%	8.7%
	Medium (50-249 people)	1.5%	1.6%
	Large (250+ people)	0.4%	0.4%

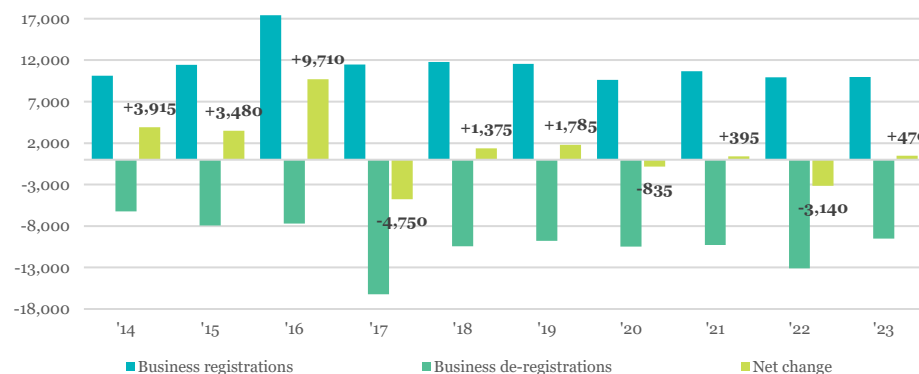*Source: ONS (2024), Business demography, UK (2023).*

Part 3: The Economy
Change in regional enterprises (I)

Whilst the analysis presented above shows that the business base in the South Midlands has increased at a much faster rate than the national average between 2014 and 2023 (+19.9% *vs* +13.3%), Figure 3.7 indicates that the business base is currently smaller than it was prior to the Covid-19 pandemic. Whilst this is also the case nationally, the difference from pre and post the pandemic nationally is much narrower than is seen across the South Midlands.

In part, this is due to the dynamic between business registrations and de-registrations. Business demography data[31] shows that in 2023 there were 470 new businesses, compared with almost 4,000 new businesses in 2014.

As shown in Figure 3.8 below, the number of registrations, de-registrations, and net enterprise growth since 2014, varies greatly across the South Midlands. While the pandemic has negatively impacted the business base in the South Midlands, the evidence below suggests that, compared to the mid- to late-2010s, annual growth in the region has substantially decelerated.

Business survival data suggests that whilst businesses in the South Midlands have strong short-term survival rates (i.e. of 1-year) relative to the national average, these struggle over the medium- to long-terms as evidenced in Figure 3.9 below.

A comparison of the latest business survival data (i.e. for businesses registered in 2018) with business survival data from 2017 (i.e. for businesses registered in 2012) suggests that whilst more businesses in the South Midlands survive their first year of trading (95.8% *vs* 92.4%), businesses' long-term survival rates have fallen appreciably. Whilst this decline is also evident nationally, it is noted that the South Midlands' performance overall has declined. As shown in Figure 3.9 below, 5-year survival rates for businesses registered in 2012 in the South Midlands (44.7%) were slightly higher than the national average (43.1%). However, the picture changes when businesses registered in 2018 are considered, with fewer businesses in the South Midlands (32.8% *vs* 39.4%) surviving beyond five years.

Figure 3.8 Business registrations, de-registrations and net growth, 2014-2023

Source: ONS (2024), Business demography, UK (2023).

Figure 3.9 Comparison of survival rates for businesses registered in 2012 (top) and 2018 (bottom) respectively
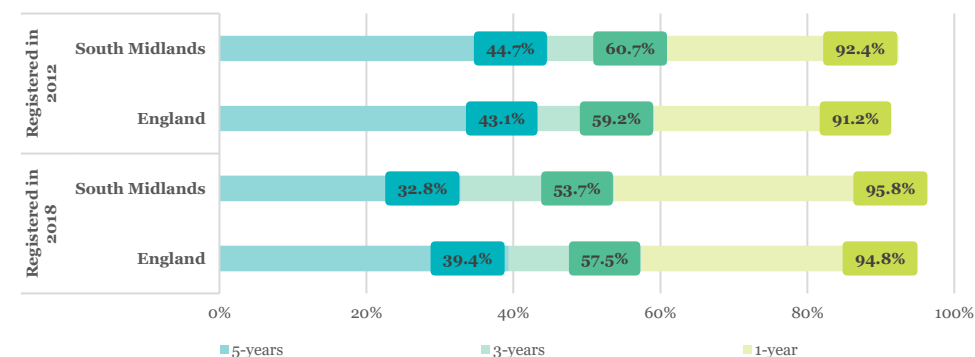
Source: ONS (2019), Business demography, UK (2017); and ONS (2024), Business demography, UK (2023).

[31] Office for National Statistics (2024), *Business demography, UK (2023)*.
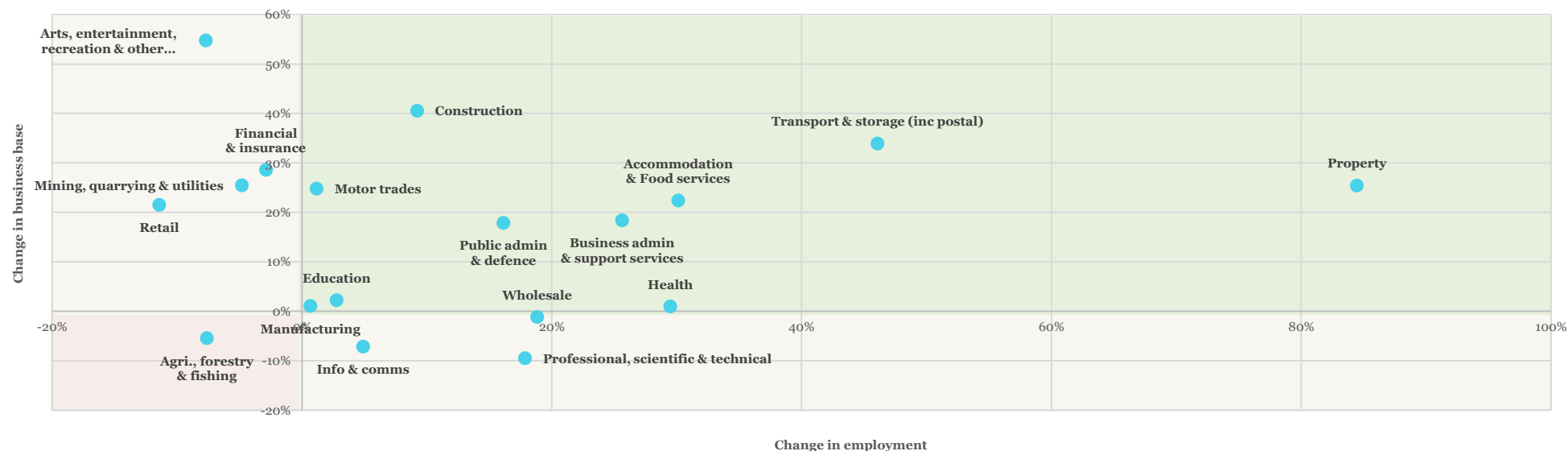
Part 3: The Economy
Change in regional enterprises (II)

Drawing on the preceding analysis, Figure 3.10 below shows employment growth relative to changes in the regional business base. It reveals strong performance across a number of key sectors (such as transport and storage, and business administration and support services), but also identifies notable vulnerabilities. Whilst employment in information and communications, as well as the professional, scientific and technical sectors has grown, the number of businesses operating in these sectors has declined. Conversely, sectors such as arts, entertainment and recreation, along with the financial services have seen an increase in the number of businesses, albeit a reduction in overall employment levels.

This analysis underscores the need to balance growth in established sectors with emerging industries, whilst also addressing structure vulnerabilities in underperforming areas.

Figure 3.10 Employment and business change, 2015-2023

Part 3: The Economy
Office and industrial floorspace

The South Midlands accommodates around 19m sq.m of industrial floorspace (including distribution and storage space) along with a further 3.3m sq.m of office floorspace[32]. There is also an additional 700,000 sq.m of industrial floorspace currently under construction across the region.

Within the South Midlands, North Northamptonshire accounts for the largest stock of industrial floorspace with 5.8m sq.m (30.5% of the South Midlands' total), followed by West Northamptonshire (with 5.7m sq.m, or 30.0%) and Milton Keynes (with 3.4m sq.m, or 17.9%). When considering office floorspace, Milton Keynes has the largest stock, with just under 1m sq.m (or the equivalent of 33.0% of all office floorspace within the South Midlands), followed by West Northamptonshire (with 840,000 sq.m, or 28.0%) and Luton (with 410,000 sq.m, or 13.7%).

At 5.0%, the vacancy rate for industrial floorspace is below the 8% 'normal' vacancy rate typically assumed to allow for churn within a functioning market. When coupled with a consistent rise in rents over the past ten years (from £5.00 per sq.ft. in 2015 to £9.50 per sq.ft. in 2024), the lower vacancy rate highlights a tightening market, typically characterised by under supply of industrial floorspace. Local vacancy rates vary greatly within the South Midlands, with Bedford (2.9%) and Central Bedfordshire (3.5%) experiencing very low rates, compared with 6.1% in Milton Keynes (albeit still considered to be low). Rents are highest in more urban local authority areas, such as Milton Keynes (at around £11.90 per sq.ft.) and Luton (at around £11.12 per sq.ft.), likely reflecting higher demand, and space constraints for new industrial premises.

Meanwhile, rents for office floorspace have fluctuated more than industrial premises but have still risen appreciatively from around £11.50 per sq.ft. in 2015 to around £17.00 per sq.ft. in 2024. Vacancy rates for office floorspace remained below 5.0% between 2015 and 2023 before jumping to 6.0% in 2024. Office vacancy rates are highest in West Northamptonshire (at 7.4%) and Milton Keynes (7.0%), and lowest in Central Bedfordshire and North Northamptonshire (both 3.9%).

At around £22.00 per sq.ft., office rents are highest in Milton Keynes, which are well above the second highest authority (i.e. Luton at £16.35 per sq.ft.), highlighting the strength of the city's financial and professional services sectors and their demand for office space.

Figure 3.11 The proportion of industrial and office floorspace by local authority (2024)
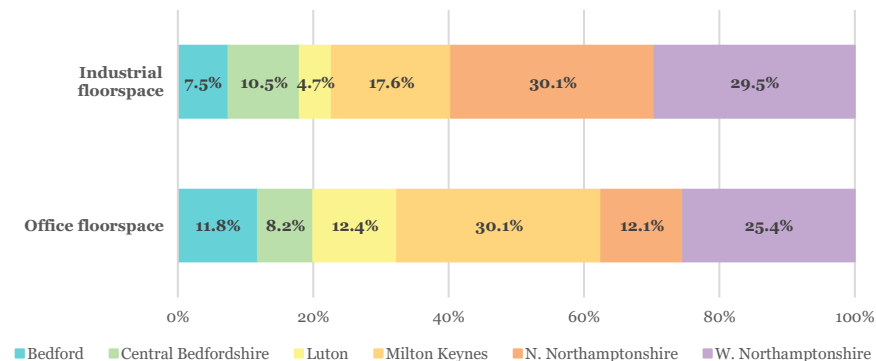
Source: CoStar Commercial Property Database (2025)

Figure 3.12 Vacancy rates for office and industrial premises in the South Midlands (2015 to 2024)
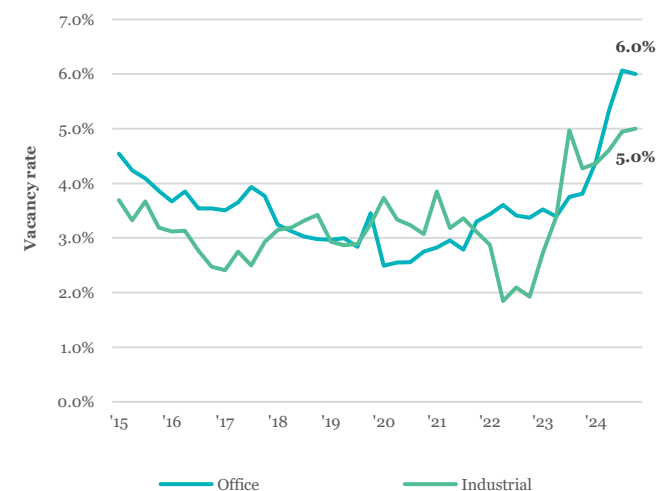
Source: CoStar Commercial Property Database (2025)

Part 3: The Economy

Productivity (I)

Productivity data[33] estimates that the South Midlands economy has made an overall annual economic contribution of £50.6 billion in 2024, which is equivalent to 2.5% of total national economic output. Long-term data suggests that over the past decade, the size of the South Midlands' economy has increased by just under £5.0 billion (or the equivalent +10.7%).

Whilst growing overall, annual data shows that the South Midlands' economy flatlined between 2017 and 2019, before experiencing a sharp decline during 2020 as a result of the Covid-19 pandemic, and returning to pre-pandemic levels during 2024. However, the data also shows that whilst in the period leading to 2019 economic output in the South Midlands generally grew in line with the national average, post-pandemic growth (i.e. from 2020 onwards) in the South Midlands was slower (as evidenced in Figure 3.13 to the right).

This slowing down (i.e. relative to the national economy) is primarily the result of declining labour productivity (i.e. per head) across the South Midlands. The Industrial Strategy Green Paper[34] identifies that the UK "*has had a poor productivity record over the past decade and a half*", despite the slight increase (+2.9%) since 2014. However, at around £52,000 gross value added ('GVA') per job, labour productivity in the South Midlands in 2024, is 3.1% below the equivalent figure (of around £53,700 GVA per job) recorded in 2014.

Figure 3.13 Growth in economic outputs, 2014-2024

Source: Experian (2024), Gross Value Added: June 2024

Figure 3.14 Change in productivity per head, 2014-2024

Source: Experian (2024), Workforce jobs and Gross Value Added: June 2024.
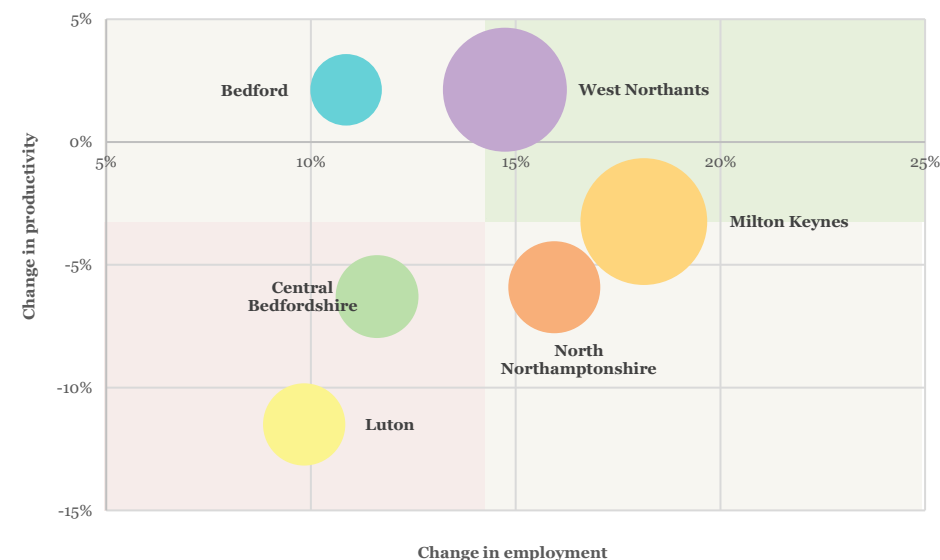
Part 3: The Economy
Productivity (II)

However, it should be noted that the decline in productivity is not universal, i.e. both in terms of sectors and/or within the South Midlands region. When considering employment sectors (i.e. total across the South Midlands), the data identifies strong productivity growth (measured in GVA per head) in information and communications (+49.8%), utilities (+14.5%) and professional services (+12.5%). In contrast, the data also shows that productivity declined across a number of key employment sectors in the South Midlands, including public services (-19.5%) as well as transport and storage (-18.6%).

Figure 3.15 illustrates change in labour productivity and employment relative to the South Midlands' average since 2014. It shows that overall, only West Northamptonshire has performed better than the South Midlands' average (i.e. both in terms of employment change and overall productivity change), experiencing positive productivity growth alongside Bedford, which had weaker employment growth. Milton Keynes and North Northamptonshire both experienced stronger employment growth relative to the regional average since 2014, although the decline in labour productivity was higher than the South Midlands' average.

Figure 3.15 also shows that Central Bedfordshire and Luton under-performed the South Midlands' average both in terms of employment change and change in productivity, although it should be noted that both local authorities experienced employment growth in line with the national average (+11.6% in Central Bedfordshire and +9.8% in Luton *vs* +10.8% nationally over the same period).

Figure 3.15 Change in productivity relative to employment change by local authority, 2014 and 2024

Note: Size of bubble represent number of jobs in 2023.
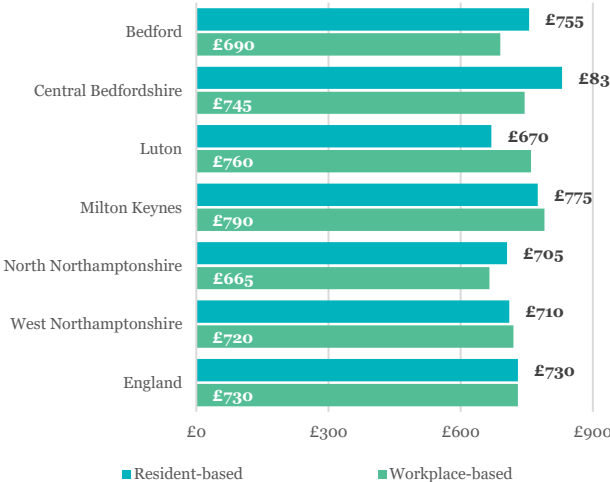*Source: Lichfields analysis*

Part 3: The Economy
Resident and workplace-based earnings

Analysis of resident and workplace-based earnings[35] for local authorities in the South Midlands shows that (gross) median weekly earnings for jobs in the region range from £690 in Bedford to £760 in Luton and £790 in Milton Keynes. However, analysis of (gross) median weekly earnings for residents in the South Midlands range more widely from £705 in North Northamptonshire to £830 in Central Bedfordshire.

Figure 3.16 below shows that in Bedford and Central Bedfordshire, resident-based earnings are higher than workplace-based earnings, suggesting higher levels of out-commuting for residents. This is expected considering the local authorities' proximity to Central London, and frequency of rail services connecting settlements along the East Midlands railway line to the capital. In contrast, workplace-based earnings in Luton are appreciably higher relative to resident earnings (i.e. despite the town's proximity and connectivity to Central London), which is likely driven by the ability of Luton Airport to offer competitive salaries.

Long-term salary data is not available for all six local authority areas in the South Midlands[36], and in some instances is incomplete. However, where available the data suggests that in most instances, wage growth since 2014 has been somewhat limited and did not keep up with inflation. In fact, this is the case both where resident-based salaries are higher and vice versa. Part of the housing affordability challenge identified previously stems from challenges associated with stagnant residents' pay relative to increasing house prices as shown previously.

Figure 3.17 Resident and workplace-based salaries - actual and adjusted for inflation, 2014 and 2024
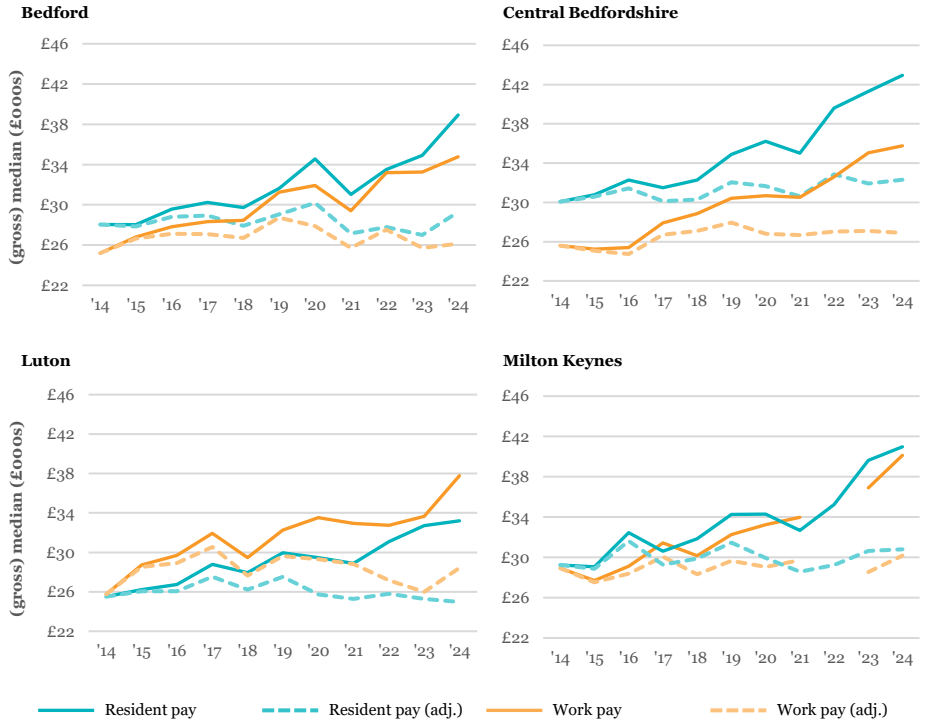
Figure 3.16 (Gross) median weekly resident and workplace-based earnings

Source: Source: ONS (2024), Annual Survey of Hours and Earnings, 2014.

Source: ONS (2024), Annual Survey of Hours and Earnings, 2014-2024.

Part 3: The Economy
Commuting

Analysis of ONS data shows that at the time of the 2011 Census[37, 38], the South Midlands was characterised as a net exporter of labour, with around 127,000 residents commuting outside of the region for work compared to around 92,000 workers commuting in (i.e. with around 35,000 out-commuting for work). The region maintains strong commuting links with London to the south, with around 11,000 daily out commuters to Westminster (including the City of London), more than any other out commuting destination. Other key commuting destinations include neighbouring authorities to the south such as North Hertfordshire (8,000), Aylesbury Vale (7,000) – now in Buckinghamshire, Dacorum (6,500), and St Albans (6,300). In comparison, the most common local authorities for in commuters to the South Midlands include Aylesbury Vale (8,400) – now in Buckinghamshire, Huntingdonshire, (5,600), Rugby (5,000), and North Hertfordshire (4,400), indicating a more local trend.

Of the six constituent authorities, Milton Keynes (with around 17,000 net in-commuters), Luton (+1,000), and West Northamptonshire (+100) were all net importers of labour, while Bedford (with 1,100 net out-commuters), North Northamptonshire (-18,500), and Central Bedfordshire (-33,600) were all net exporters of labour. This level of out commuting helps to explain the disparity between resident earnings and workplace earnings in Bedford and Central Bedfordshire, in addition to the disparity in workplace earnings and productivity within the region.

Within the South Midlands, the general north to south commuting flow is broadly replicated, with clear flows of labour towards Milton Keynes, and to a lessor extent Bedford and Luton. There is also a strong net flow of commuters from North Northamptonshire to West Northamptonshire.

Figure 3.19 Net internal commuting flows within the South Midlands

Source: Source: ONS (2011), Location of usual residence and place of work.

Figure 3.18 Commuting flows to / from the South Midlands
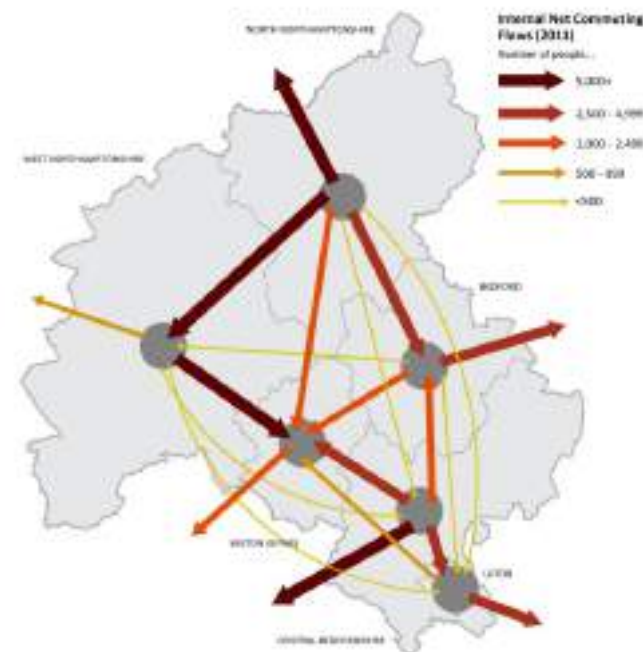
Source: Source: ONS (2011), Location of usual residence and place of work.

Part 4: Implications for the Economic Growth Strategy

Part 4: Implications for the Economic Growth Strategy
Strengths to build on, and weaknesses to address

The analysis presented within this Evidence Base Report identifies a number of strengths and weaknesses across the South Midlands economy that the EGS might focus on addressing.

Comprising the six local authorities of Bedford, Central Bedfordshire, Luton, Milton Keynes, North Northamptonshire and West Northamptonshire, the South Midlands boasts a strong economic foundation that has, over the past ten years experienced strong growth (i.e. relative to the national average). The South Midlands economy shows strong alignment with the Government's priorities as outlined within the Industrial Strategy Green Paper, in particular strengths in …

- … advanced manufacturing across West Northamptonshire, North Northamptonshire and Luton;

- … financial services in Northampton and Milton Keynes (albeit having experienced an overall decline in employment figures since 2015);

- … professional and businesses services in Luton, Milton Keynes and West Northamptonshire;

- … digital and technology sectors (including AI) in Milton Keynes and Bedford.

The South Midlands is home to a number of key businesses (e.g. Oracle Red Bull Racing, Mercedes-AMG Petronas F1 team, Santander, Nationwide, Astra Zeneca, Leonardo and Lockheed Martin) and assets (e.g. Silverstone, Bletchley Park, Kettering Energy Park and Chelveston Renewable Energy Park) which provide a strong basis for a strong and resilient economy. Together these businesses and assets provide a strong basis for the EGS, positioning the region as a hub for innovation and industrial expertise. The planned investment in the Universal resort and theme park in Bedford will also provide a major catalyst for growth, as will infrastructure upgrades such as the proposed East West Rail line.

The South Midlands also benefits from having a young and growing population, which over recent years has experienced strong growth amongst children and core working age residents.

However, the evidence base has also identified a number of challenges and tensions which the EGS will need to address. Housing affordability pressures, persistent pockets of deprivation and skills-mismatches present some of these challenges, and act as barriers to achieving more equitable and growth across the region.

Furthermore, the South Midlands economy has long suffered from falling productivity, with evidence suggesting that the region now lags behind national growth (which as identified by the Industrial Strategy Green Paper "*has had a poor productivity record over the past decade and a half*"). Without intervention, there is a risk that the South Midlands continues to fall behind, in the process exacerbating further local economic disparities. Whilst the region has seen an overall improvement in residents' skills and qualification levels, the South Midlands continues to lag behind the national average and is home to a higher proportion of residents in lower skilled occupations.

Linked to skills, stakeholders raised concerns around the quality of basic (e.g. literacy, numeracy, English and basic digital), and interpersonal skills (such as personal resilience, self-motivation, flexibility and adaptability), in addition to a lack of entrepreneurial awareness, and overall aspiration. Furthermore, engagement with employers has identified the need for targeted initiatives to improve the pipeline of skilled workers, particularly in STEM and to improve awareness of the different career pathways available to younger people.

Against this backdrop, the EGS provides the opportunity to establish a clear vision for the future, by leveraging the region's inherent strengths, whilst at the same time addressing the weaknesses identified above.

Appendix 1: Stakeholders

- Bedford Council

- Central Bedfordshire Council

- Luton Council (& consultants)

- Milton Keynes Council

- North Northamptonshire Council (& consultants)

- West Northamptonshire Council (& consultants)

- Growth Hub (Board & internal)

- Careers Hub

- LSIP / LSIF (& Northamptonshire Chamber of Commerce)

- University of Northampton

- Cranfield University

- Milton Keynes College Group

- Energy Efficiency Association

- South Midlands Business Board

- Department for Business & Trade

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