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Midlands Rail Hub: The productivity prize

Mind the gap





Laurence Turner

MP for Birmingham

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Rail investment is a spur to economic prosperity.

The UK as a whole needs the Midlands to succeed. But our transport networks are being held back by ageing infrastructure and pinchpoints that are choking off growth. And every minute sat on a delayed train is time denied for work, leisure and family. That's why Midlands Rail Hub is so important. Our connections between our cities and towns need to be improved if we are to make the most of HS2 and rebalance the economy.

I know from my own constituency that a good rail connection can make the difference when a company decides to invest. Works like the Kings Norton upgrade will dramatically improve the links within and between Birmingham, Worcestershire, Staffordshire and beyond. As this report sets out, every pound spent on Midlands Rail Hub is expected to return £1.50 in value. And higher wages could be worth billions to the economy each year.

Our region has for too long been the 'squeezed Midlands' with low levels of rail spending, lower wages, and fewer jobs. The Government's commitment to Midlands Rail Hub signals an important change.

We now need to get on with making it happen. I am grateful to Midlands Connect for preparing this important report.



Executive summary

Our analysis shows that by 2050, cities along Midlands Rail Hub’s route could see a boost of £14 billion every single year by closing the productivity gap with the rest of England.

Effective transportation systems are crucial for boosting productivity in towns throughout the Midlands and beyond. Efficient transport networks facilitate access to jobs, support innovation, and help attract businesses, ultimately contributing to economic growth. All this delivers higher growth, better wages, improved health of residents and ultimately more tax take for the government.

Our work has shown that productivity is up to 21% lower along Midlands Rail Hub route. Increasing transport investment in the Midlands has the potential to reduce journey times between major urban and industrial centres, bringing firms and workers closer together and making it cheaper and easier to communicate, compete and trade.

This will enable firms to access larger labour markets and skills, encourage expansion and enjoy economies of scale.

There is also the potential for a range of economic impacts due to transport connectivity, including and not exclusive to:

Removing physical barriers to trade: Creating improved trade links across routes previously hampered by physical barriers - opening markets for new trade and increasing competition, which may not have existed beforehand.

Accessing a skilled workforce: Better productivity through improved transport would deliver better trade between cities and economic hubs throughout the Midlands. Major employers such as HSBC and Goldman Sachs have located to the Midlands in recent years, likely due to improved transport links and a skilled labour market and major universities in places like Birmingham, Leicester, Nottingham and Derby.

Driving investment: The move towards higher skilled and professional jobs in the Midlands is driving significant growth and investment. The West Midlands is the UK’s leading regional location for foreign direct investment, according to the Department for Business and Trade. 130 projects landed in the West Midlands during the 2024/25 financial year – this is more projects than Northern Ireland and Wales both combined.

“The West Midlands is the heart of the national rail network, yet years of underinvestment has led to bottlenecks in our system. Trains are overcrowded and routes are underserved. This is stifling transport links and growth for the region and for the whole of the UK.

“The Midlands Rail Hub is the investment the region, and the UK, needs. It will open up routes across the Midlands and beyond, giving passengers more reliable and frequent services with shorter journey times.

“It will improve links to key locations such as Swindon, Cardiff, Leicester, Derby and Nottingham while connecting more of our local communities to the rail network. This is our vision for the future – one where residents have a faster, greener and more reliable way to access jobs, education and healthcare while contributing to the economic growth we so badly need.”



Mayor Richard Parker
Mayor of the West Midlands

What is Midlands Rail Hub?

Midlands Rail Hub is a £1.75bn blueprint for faster, better and more frequent connections across the Midlands. The scheme will add up to 10 additional trains on the rail network per hour and provide faster, more frequent or new rail links for over 50 locations including: Leicester, Bromsgrove, Nuneaton, Worcester, Hereford and Cardiff

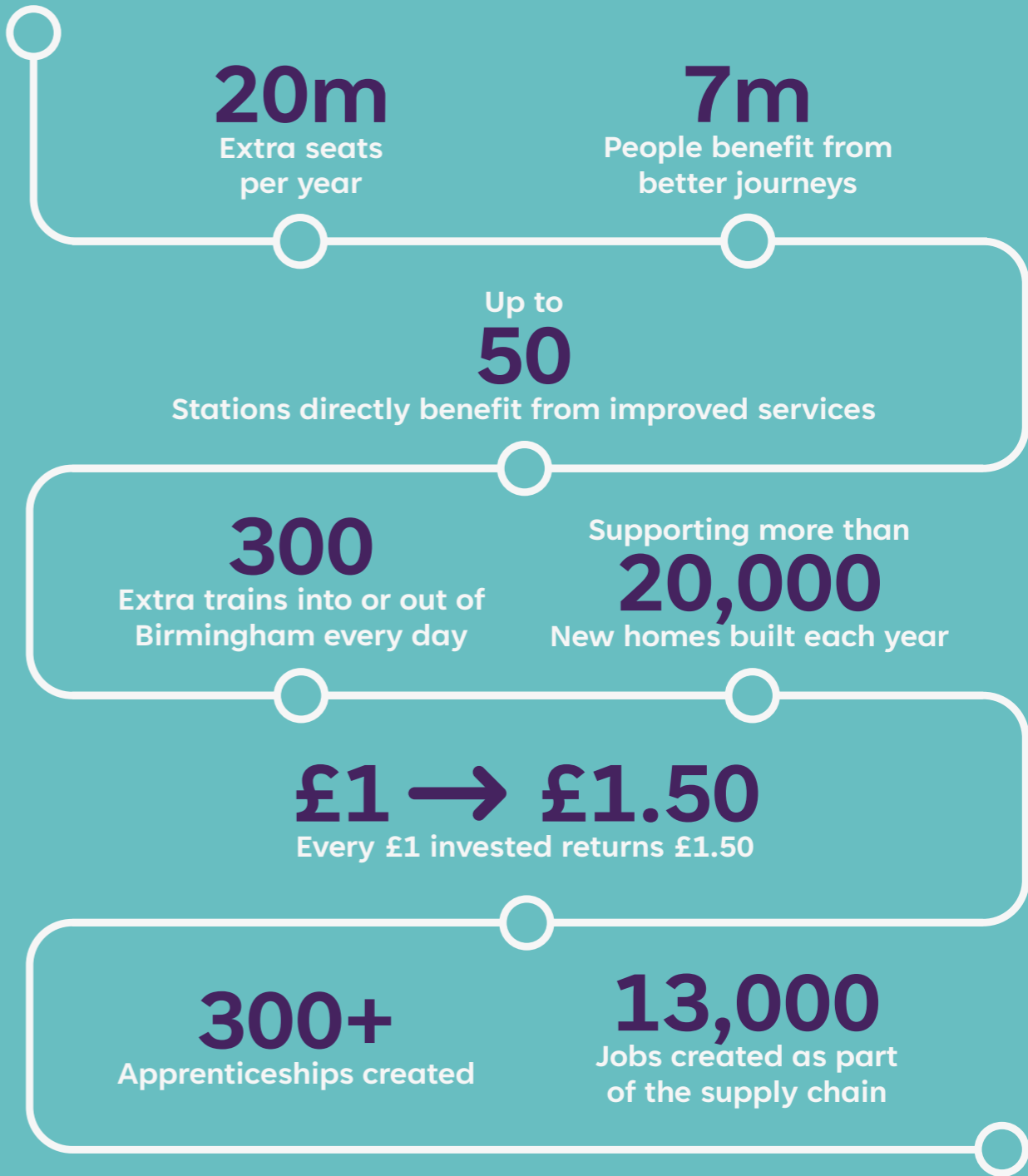
The Midlands Rail Hub proposes building two ‘chords’ as well as 10+ engineering interventions throughout the region – allowing us to offer up to 20 million extra seats for passengers and up to 300 extra trains every day, through the Midlands and beyond.

The West Chord: consists of improvements between Bordesley and Moor Street, allowing access to Birmingham Moor Street from the South-West and Wales, and making sure services are improved on the Hereford and Worcester corridors.

The East Chord: creates an access to Birmingham Moor Street from the East Midlands.



Midlands Rail Hub at a glance



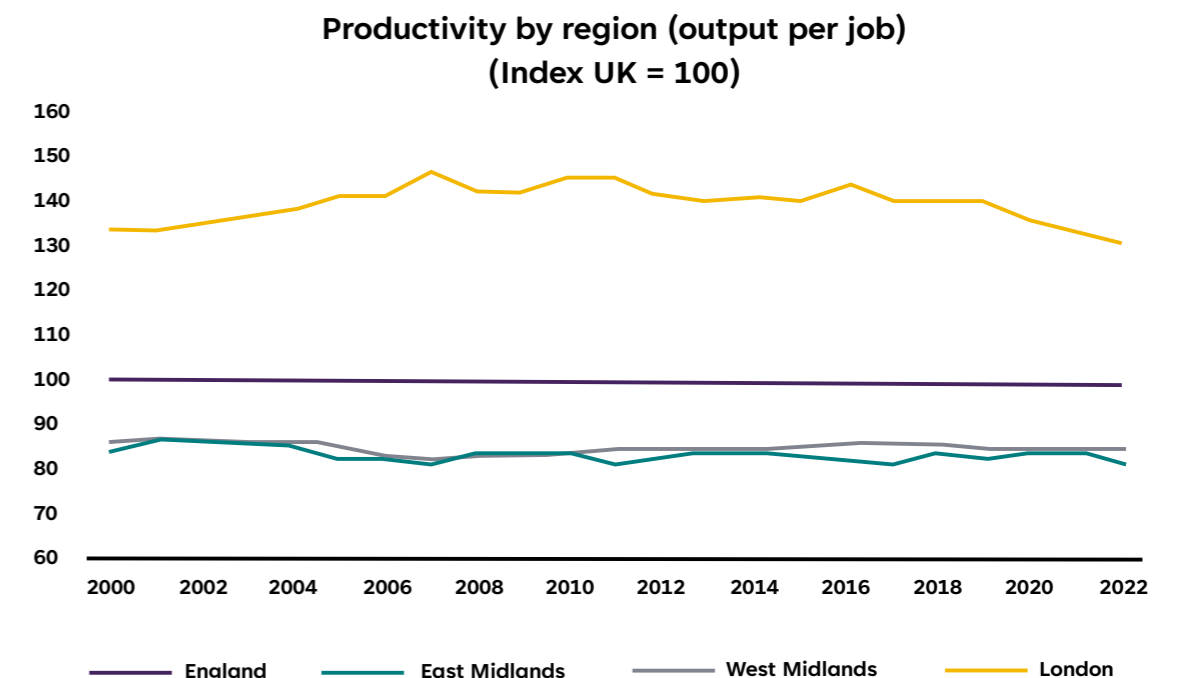


Productivity in the Midlands

Productivity in both the West and East Midlands is significantly lower than the overall average for England, consistently sitting around 10-15% since the 2000s.

Labour Productivity is defined as 'output per unit of labour input', showing changes in output over time for the same amount of labour input. It is an important factor in determining long-term economic growth and can be affected by factors including skills and qualifications, technological change, logistics and work environment.

There is a significant productivity gap, measured in output per job, between the West and East Midlands and the England average. The chart below shows long-term productivity by region, comparing the West and East Midlands with both the England average and London. This shows that the West and East Midlands have consistently sat 10-15% below the England average.



This could have a major impact on cities across the Midlands – areas with lower levels of productivity could struggle to retain and attract businesses and workers to the region. This can result in lower wages and higher levels of social deprivation.

The Productivity Institute, funded by the Economic and Social Research Council (ESRC), cites poor connectivity as a key driver of low productivity in the Midlands:

“Connectivity is poor, both physically and virtually. Many of the regions key value chains span east and west across the region, but policy frameworks do not support this. Intra-regional connectivity is too reliant on roads.”

In a recent publication analysing the Midlands productivity, it stated that “Formidable barriers challenge productivity growth. Skills shortages are particularly acute, with companies struggling to fill technical and digital roles, highlighting the gap between labour market supply and the needs of high-value industries. In addition, underinvestment in R&D constrains innovation, with the Midlands receiving only 5% of the UK’s R&D investment. This limitation is further compounded by infrastructure deficiencies, especially in transport and digital connectivity. There is also a need for cultural change within some sectors, where reluctance to adopt modern practices hinders competitive growth. The Midlands faces persistent skills gaps, particularly in advanced manufacturing, digital technology, and high-growth industries. Employer demand outpaces the current availability of workers with the requisite skills, and despite the region’s strong educational institutions, many graduates

“In order to fully close the productivity gap (i.e. match the UK productivity levels by 2030), the Midlands’ productivity performance would need to increase at a rate of more than 2% per year, meaning the region would need to return to (and exceed) productivity growth rates previously seen in the 1980s and 1990s.”

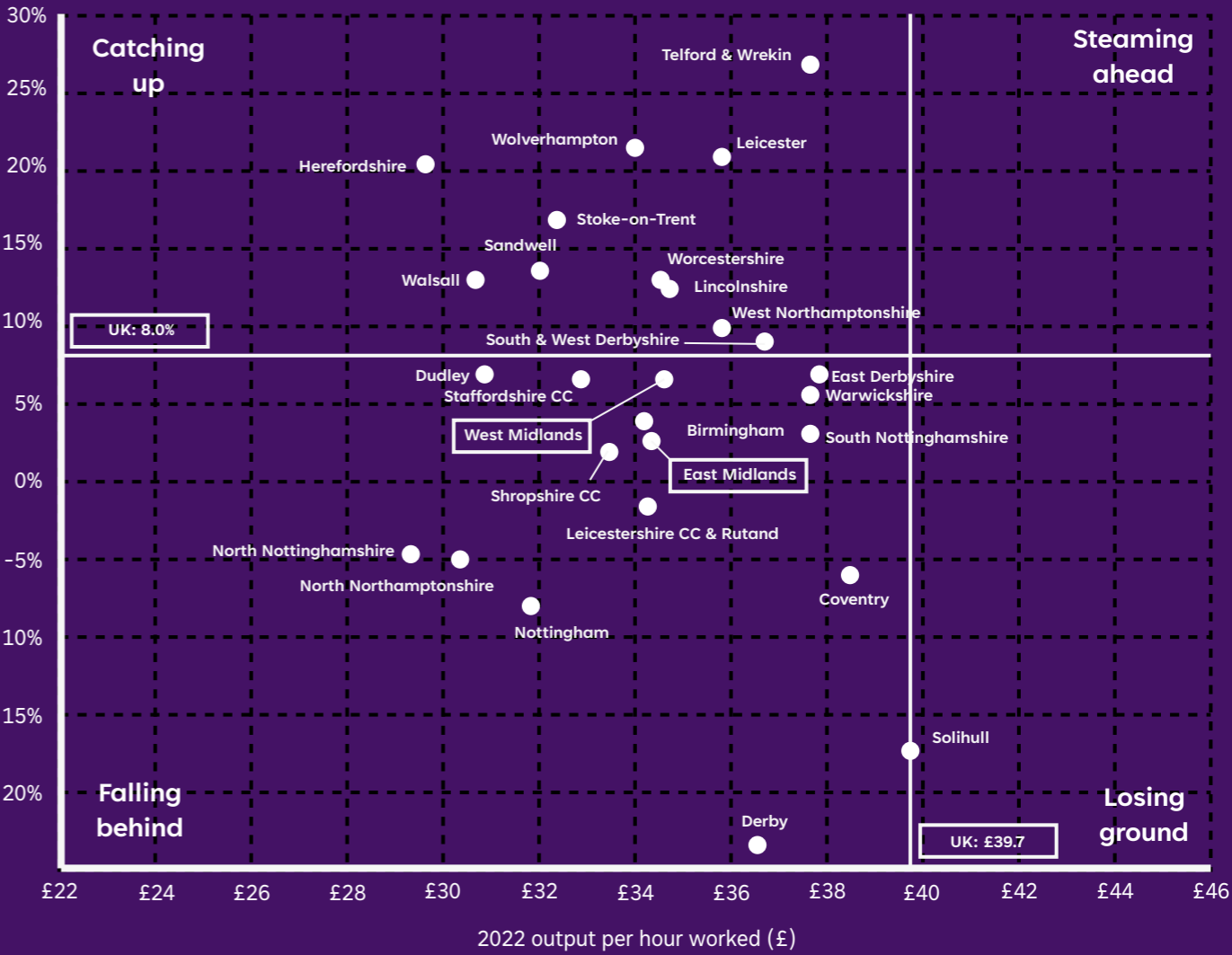
- The Productivity Institute

migrate to other regions with higher-paying opportunities. The impact is pronounced, with unfilled vacancies reducing overall productivity and innovation capacity.”

Data from the Office of National Statistics shows that cities in the Midlands are consistently below the England average in terms of productivity, with scores of 85 and 84 for Birmingham and Nottingham respectively.

Analysing changes in productivity across Midlands cities to see how they are performing over time, The Productivity Institute also found

that the majority of West Midlands cities “catching up” and the East Midlands “falling behind.”



Source: The Productivity Institute

Transport connectivity and productivity

Investing in transport connectivity can make cities more competitive and productive. It can reduce the cost of doing business, support increased agglomeration and promote linkages between key sectors of the Midlands' economy.

There are a number of case studies demonstrating how major transport projects can positively affect productivity:

1. Analysis by Pogonyi et al. (2019) suggests that the Jubilee Line Extension (JLE) caused a significant increase in value added (15 percent), mean firm productivity and the number of local business units in areas within 750m of JLE stations. Areas 750m to 1250m away from JLE stations experienced an increase in mean firm productivity. The JLE was a key factor in catalysing regeneration at certain sites along the route, particularly between Bermondsey and Canning Town. Estimates suggest that 3,000 trips switched from car to public transport each day for the morning peak period
2. The construction of the High Speed Rail Network in Spain, creating a line from Madrid to Barcelona, showed positive impacts on Gross Value Added likely due to improved labour productivity, as well as the number of businesses locating to the areas served by High Speed Rail. Stakeholders perceive that productivity gains observed in the intermediate cities were the result of better connectivity for major firms with regional offices in these cities, and possibly entry of some high productivity firms.
3. The completion of phase 1 West Coast Mainline upgrades (1998 to 2004) resulted in GVA per head increasing relative to national average in Greater Manchester South and Liverpool.

In 2022, Midlands Connect commissioned research into whether selected cities in the Midlands could reasonably develop into high-productivity office centres, and the extent to which rail connectivity might support this development. By looking at medium-sized cities in the Midlands, and examples elsewhere, the research determined that the key problem was in starting the process. In the absence of considerable existing office space, and a pool of potential workers, higher-productivity companies will locate elsewhere. Without higher-productivity companies, office rents are low, so there is no incentive for developers to invest, leading to a stuck market.

However, the research showed cities that had broken out of this trap by using public-sector finance to start building offices, typically near the railway stations. Good rail connectivity provided some support, as evidenced by the preference for sites close to the station. There is clear opportunity for other cities in both the West and East Midlands to follow this path.

Artist's impression of Moor Street internal concourse



Midlands Rail Hub and boosting productivity

Transport connectivity has an essential role in the efficient functioning of markets. It can increase productivity by enhancing connectivity between and within the Midlands’ cities. Transport infrastructure is therefore a key contributor of what will be required to deliver the aspirations for the Midlands. Our analysis shows that by 2050, cities along Midlands Rail Hub’s route could see a boost of £14 billion every single year by closing the productivity gap with the rest of England. If the below cities raise their productivity to the national average (£42/hr), we’d see these improvements in GVA:

Birmingham Currently £35/hr, 16% worse than average	→	£6,643m/yr
Nottingham Currently £34/hr, 19% worse than average	→	£2,780m/yr
Leicester Currently £36/hr, 15% worse than average	→	£1,808m/yr
Derby Currently £38/hr, 9% worse than average	→	£868m/yr
Hereford Currently £33/hr, 21% worse than average	→	£346m/yr
Gloucester Currently £33/hr, 21% worse than average	→	£1,007m/yr
Cheltenham Currently £40/hr, 6% worse than average	→	£252m/yr
Worcester Currently £38/hr, 9% worse than average	→	£359m/yr

Conclusions

There is clear evidence that improved transport connectivity can result in significant economic benefits. Midlands Rail Hub is a transformational rail project that has the potential to increase productivity across the Midlands and beyond.

Economic forecasts suggest that the Midlands Rail Hub will inject £240 million into the regional economy through its supply chain operations. An additional £45 million in social value is projected due to upskilling, enhanced job security, and sustained employment opportunities. These investments will create a positive feedback loop, boosting regional spending and supporting local businesses.

Midlands Rail Hub is more than just a transport project—it is a catalyst for economic growth and regional development. By enhancing connectivity, creating jobs, and stimulating investment, it promises to reshape the Midland’s economy and support the UK’s infrastructure ambitions well into the future.

Nearly three quarters (72%) of people surveyed in Kings Norton in 2025 believed that the Midlands Rail Hub will help fulfil the Government’s key mission of delivering growth.

