

# Wigan and the MIER

26<sup>th</sup> March 2009

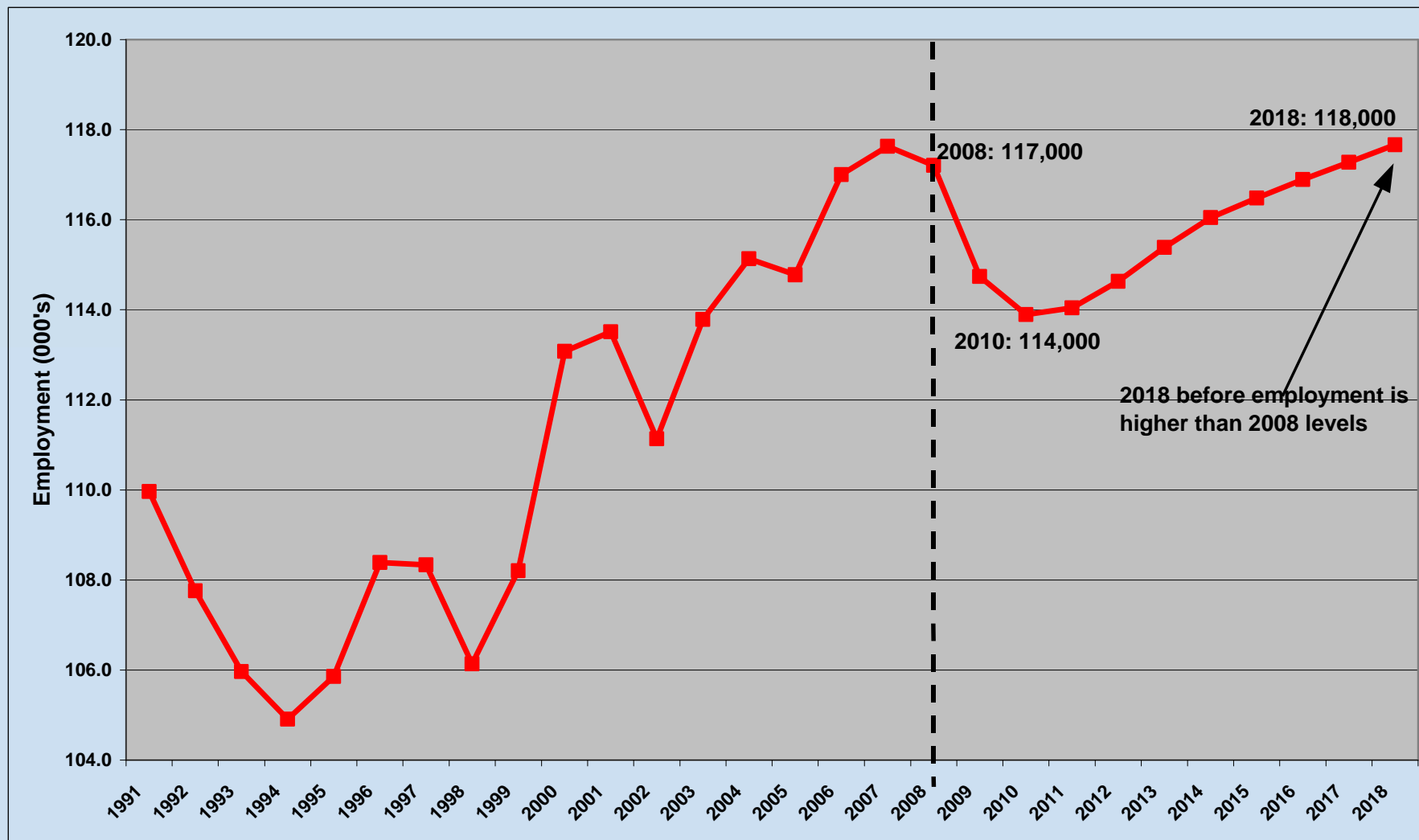
# 1: The Wigan Story

## **Wigan: People, Business and Place**

- Home to over 300,000 people
- Employment growth of 11,000 over the last decade
- 6.4% of sub-regional GVA output growth between 1998 and 2008 from Wigan
- GVA forecast at £3.5bn in 2008 (8% of GM)

# Recession: job losses inevitable

Wigan Employment 1991 to 2018 (000's)



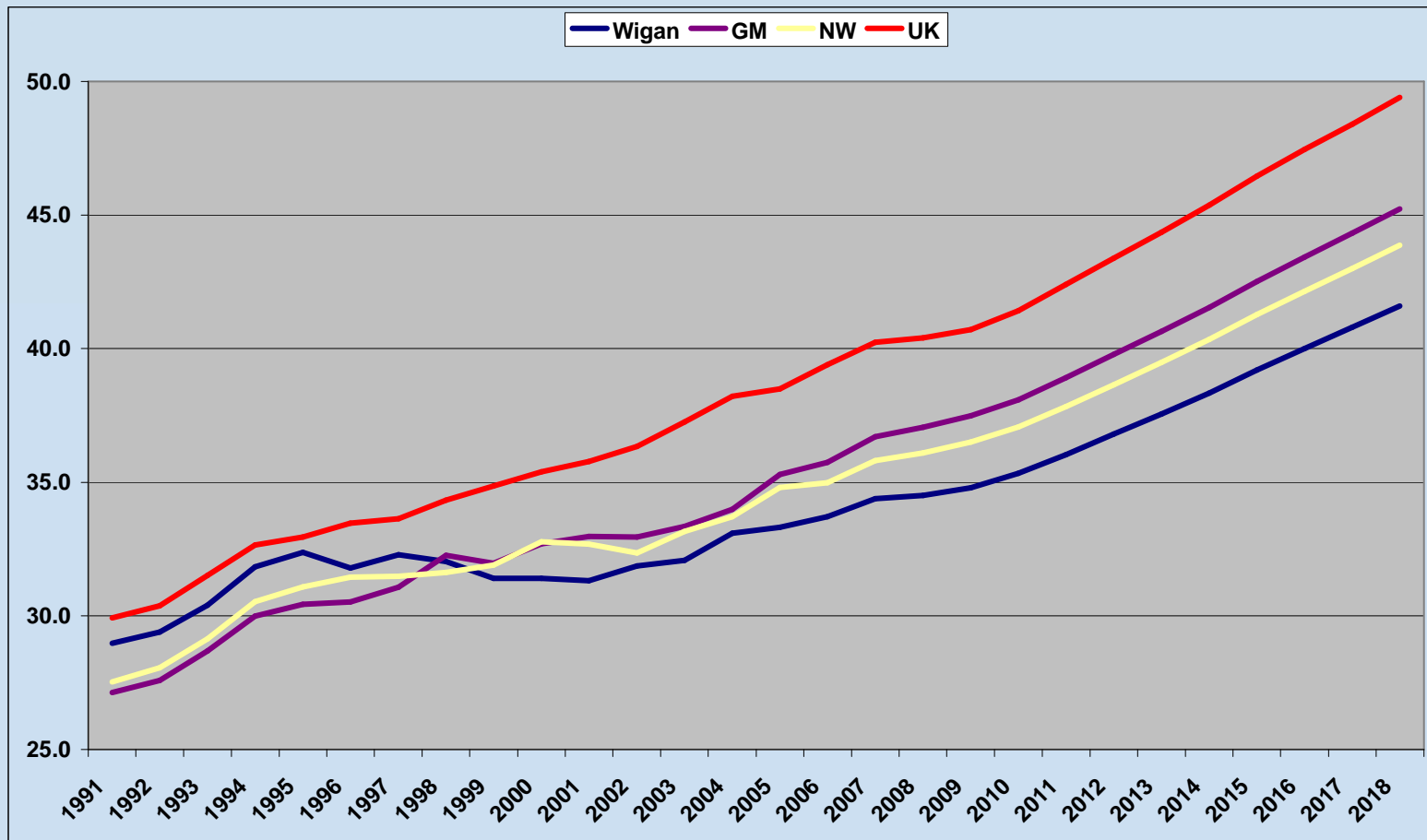
Source: Greater Manchester Forecasting Model, 2008 update

## Short term outlook: uncertain

- Major action on fiscal and monetary policy: effects of this?
  - Public Sector investment brought forward: no-one else will spend
  - Weakness of the pound may ultimately help exporters
  - Lower development costs
- however:**
- Low consumer spending / higher savings ratios
  - Deflation risk and many firms in 'wait and see' mode
  - Uncertainty as to when demand in national economy increases again
  - Global economy is weak & affecting key engines of growth - China suffering badly

# Lower workforce productivity levels although recent and forecast growth

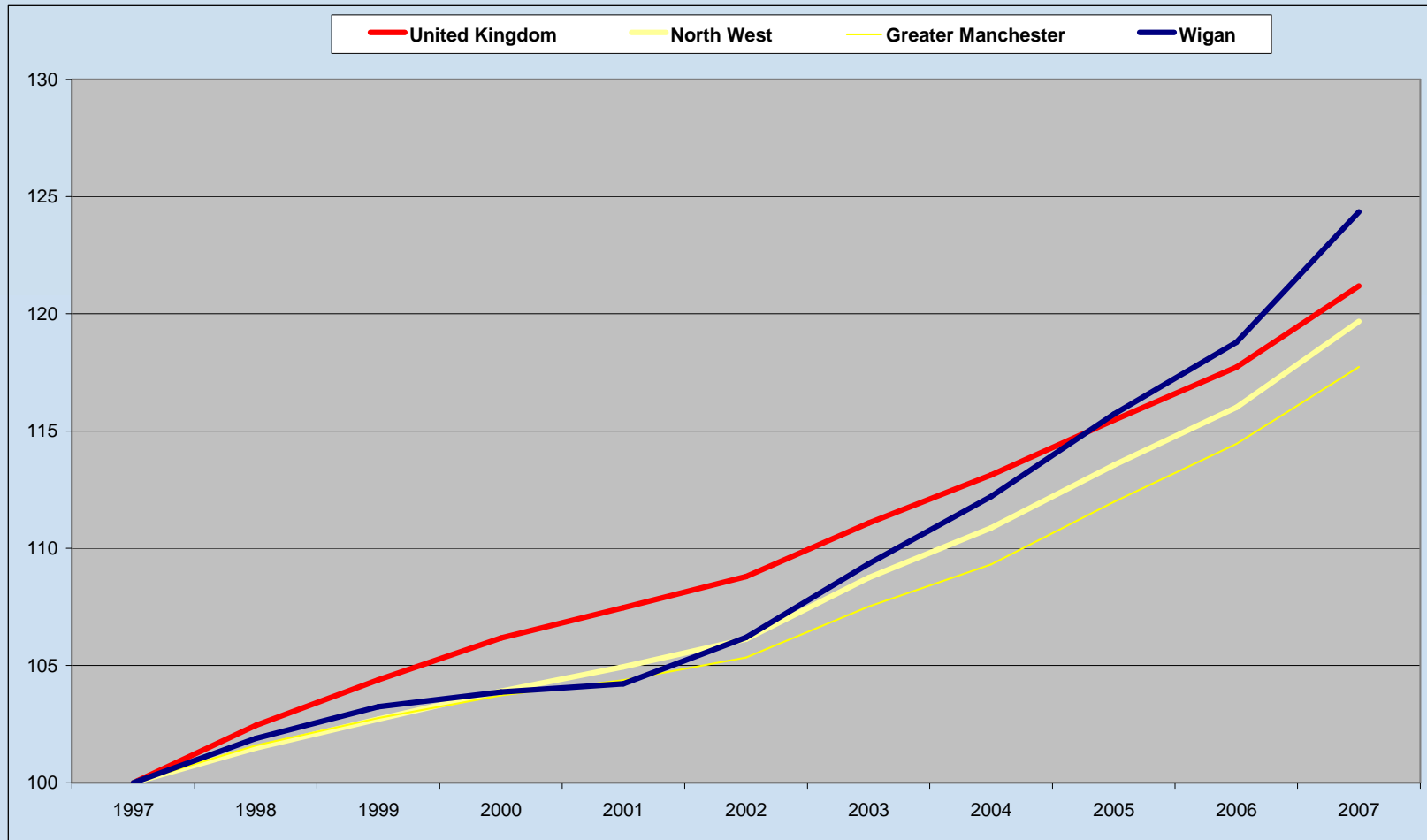
GVA per employee (£000's) 1991 to 2018



Source: Greater Manchester Forecasting Model, 2008 update

# However high relative growth in business activity over the last decade

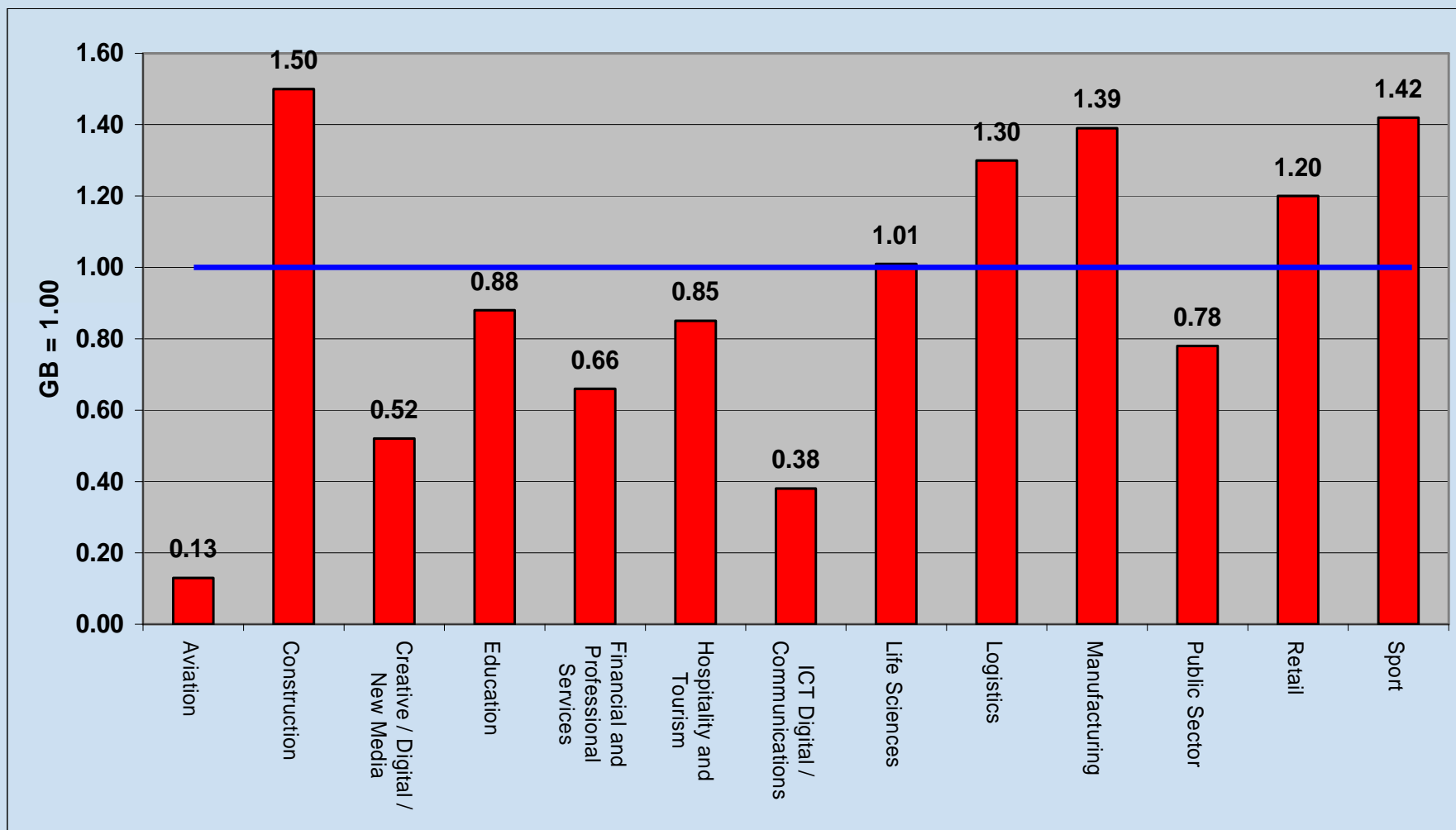
Stock of VAT registered businesses: Index 1997-2007



Source: ONS, VAT Statistics, 1997 to 2007

# Concentration of employees within 'traditional' industrial sectors

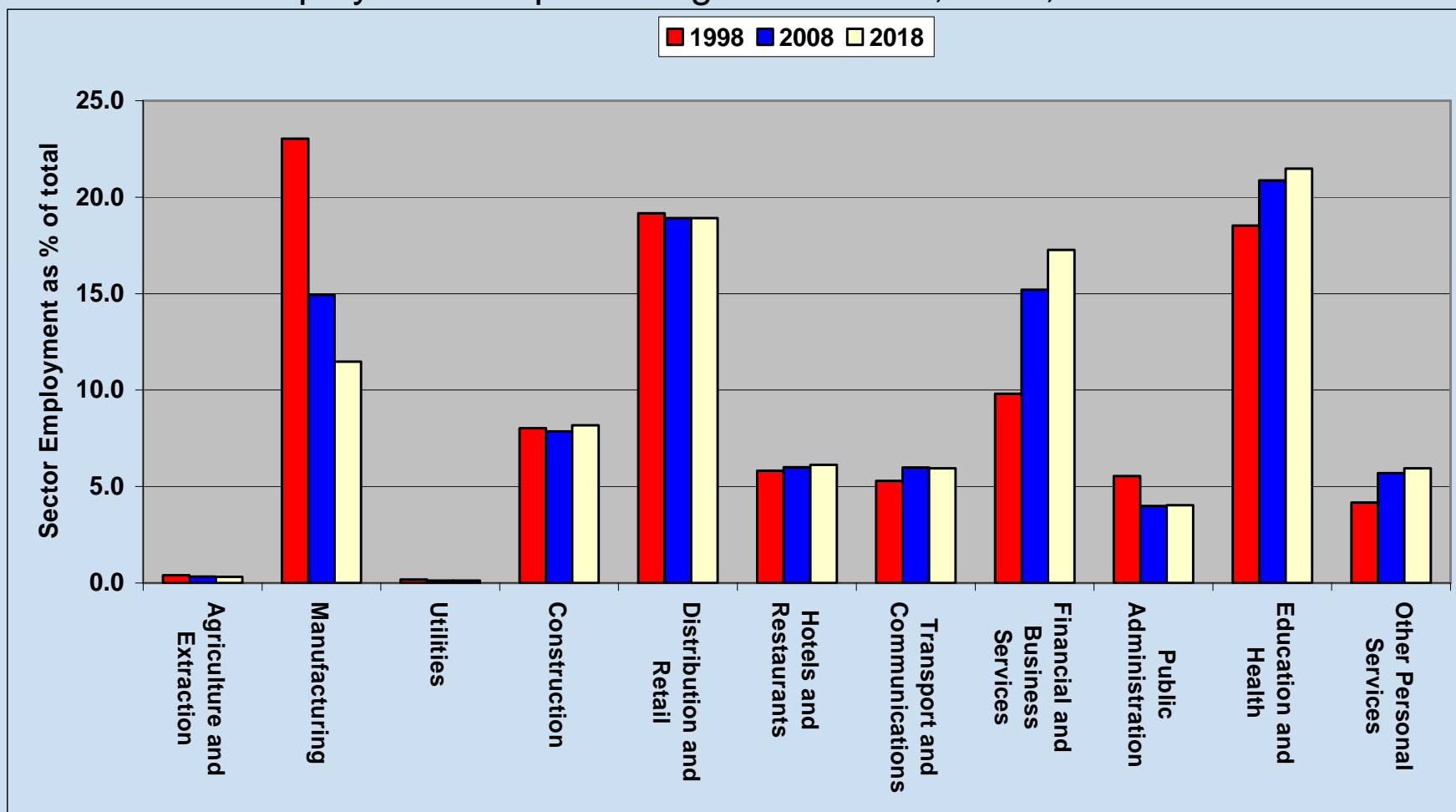
Employment concentrations by Key Sector in Wigan, 2007



Source: Annual Business Inquiry 2007

## Going forward, Manufacturing employment continues to fall with growing influence of other sectors such as Business Services

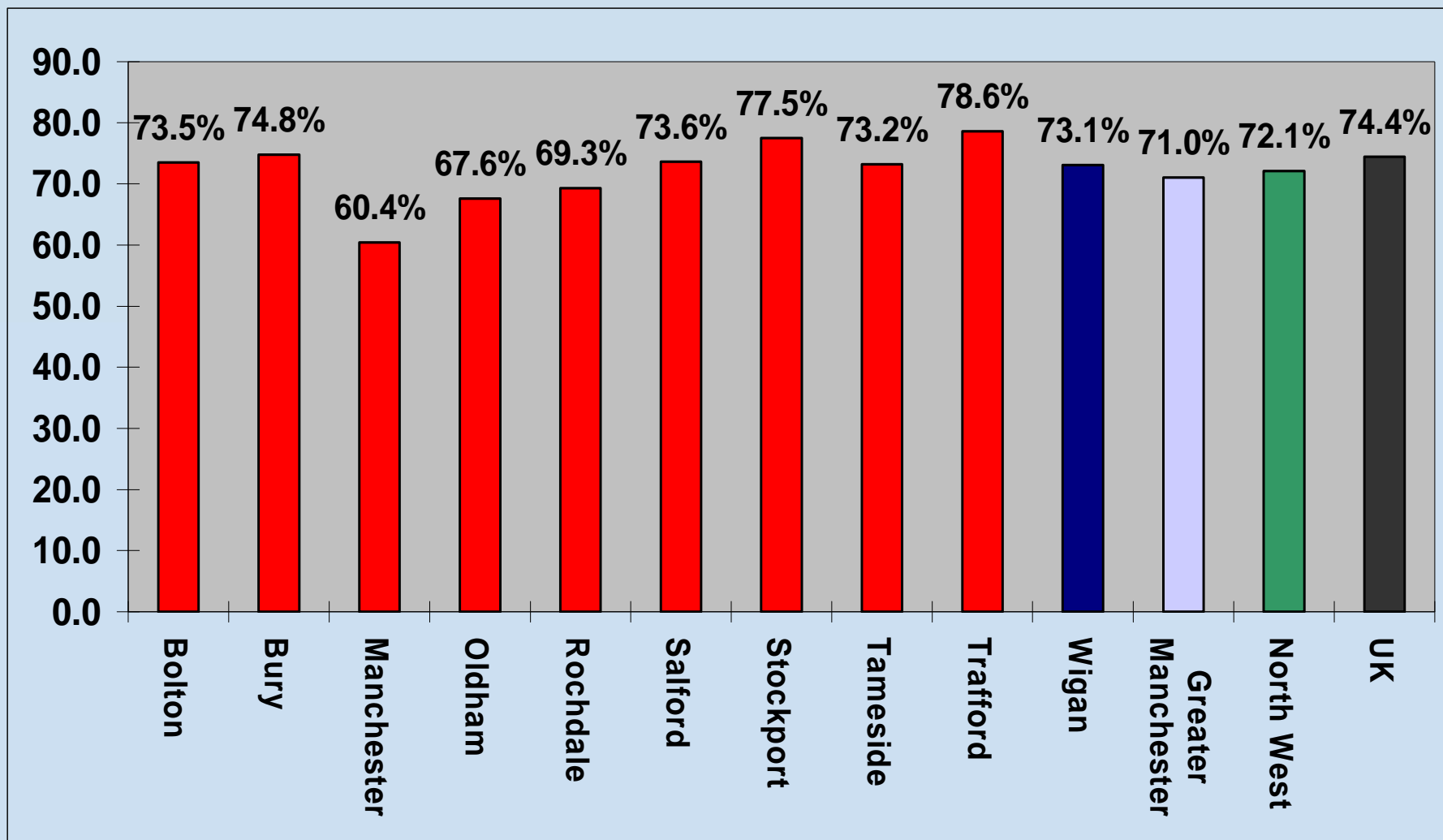
Sector employees as a percentage of the total, 1998, 2008 and 2018



Source: Greater Manchester Forecasting Model, 2008 update

## Resident employment rate above the sub-regional and regional levels

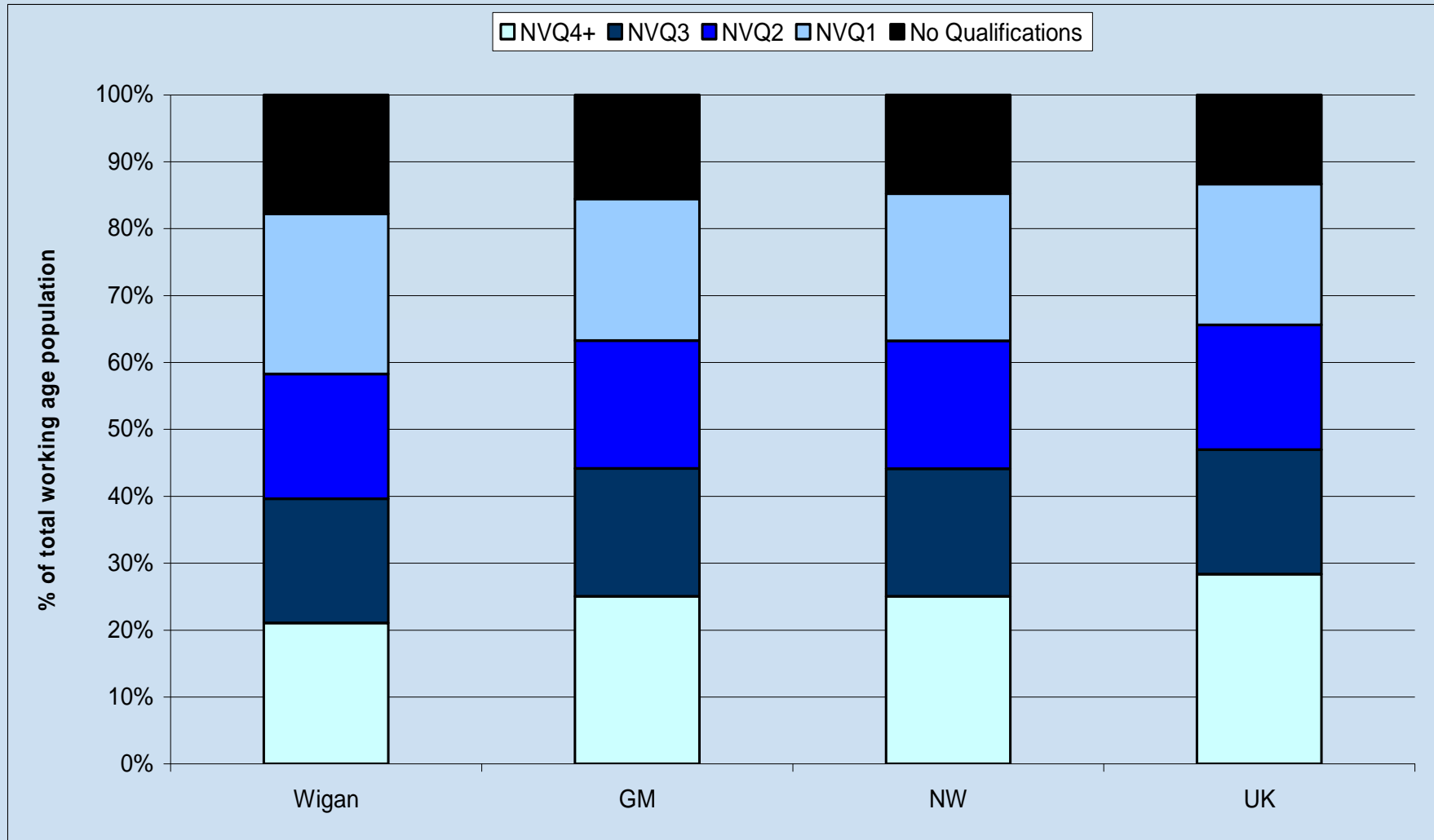
Employment rate (as a % of the working age population)



Source: Annual Population Survey, June 2008

## Resident population skills lower than sub-regional, regional and national averages

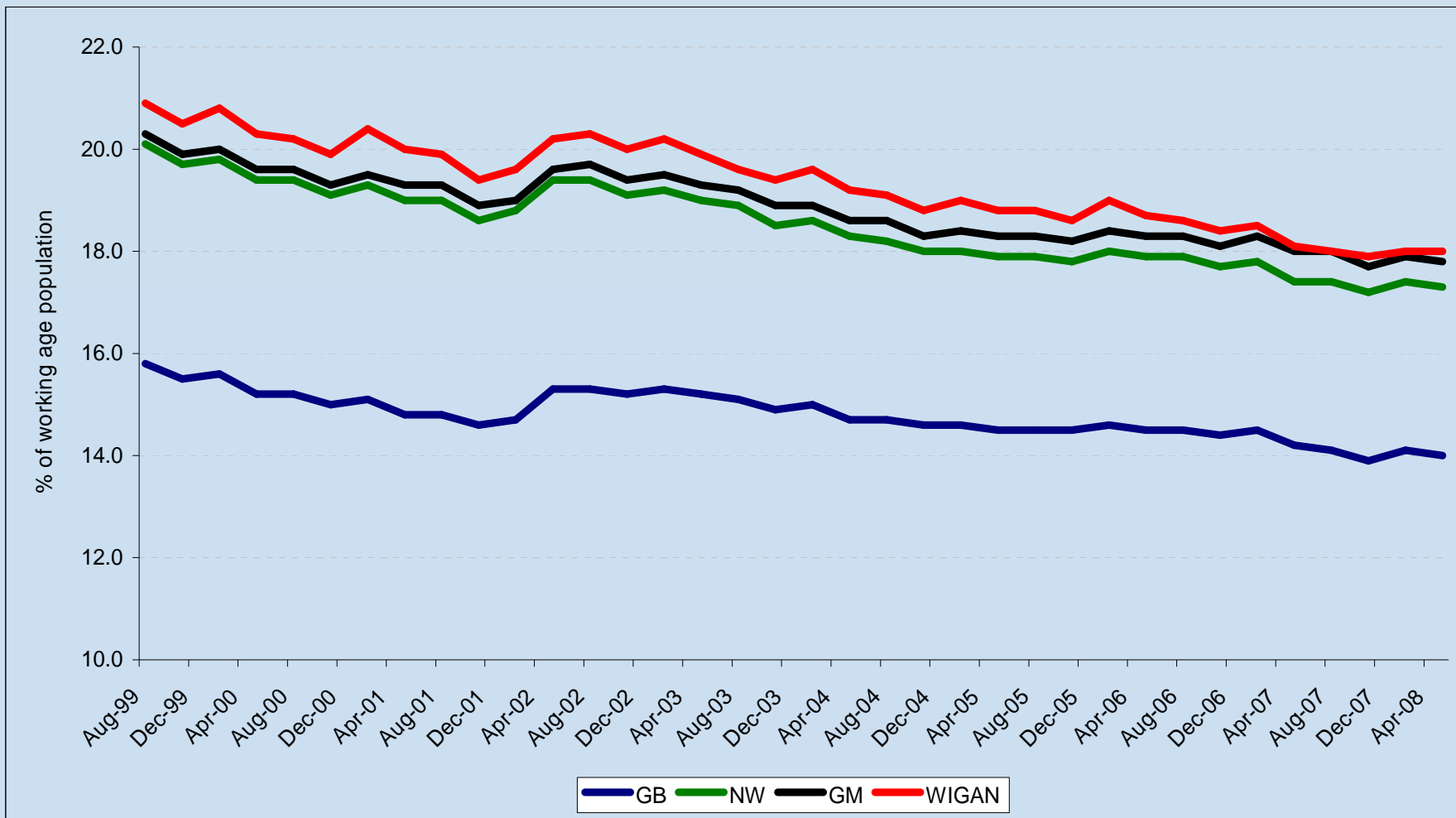
% of the working age population attaining NVQ Levels 1-4+



Source: Annual Population Survey, January 2007 to December 2007

# Consistently high benefit claimant levels above the national rate

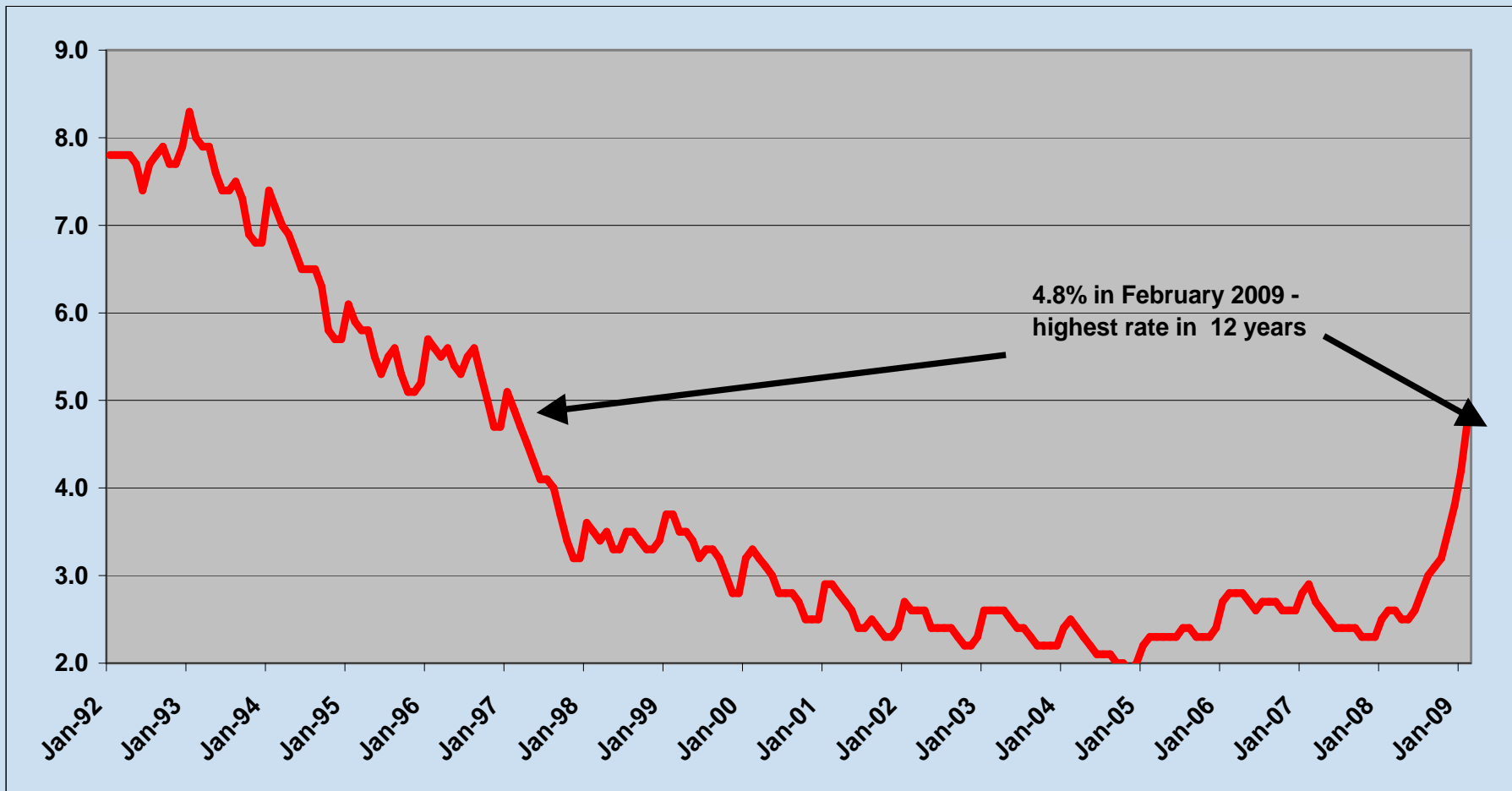
Total claimant levels August 1999 to May 2008 (as a % of the working age population)



Source: ONS, May 2008

## Jobseekers allowance claimant rates increasing sharply (historically still low however)

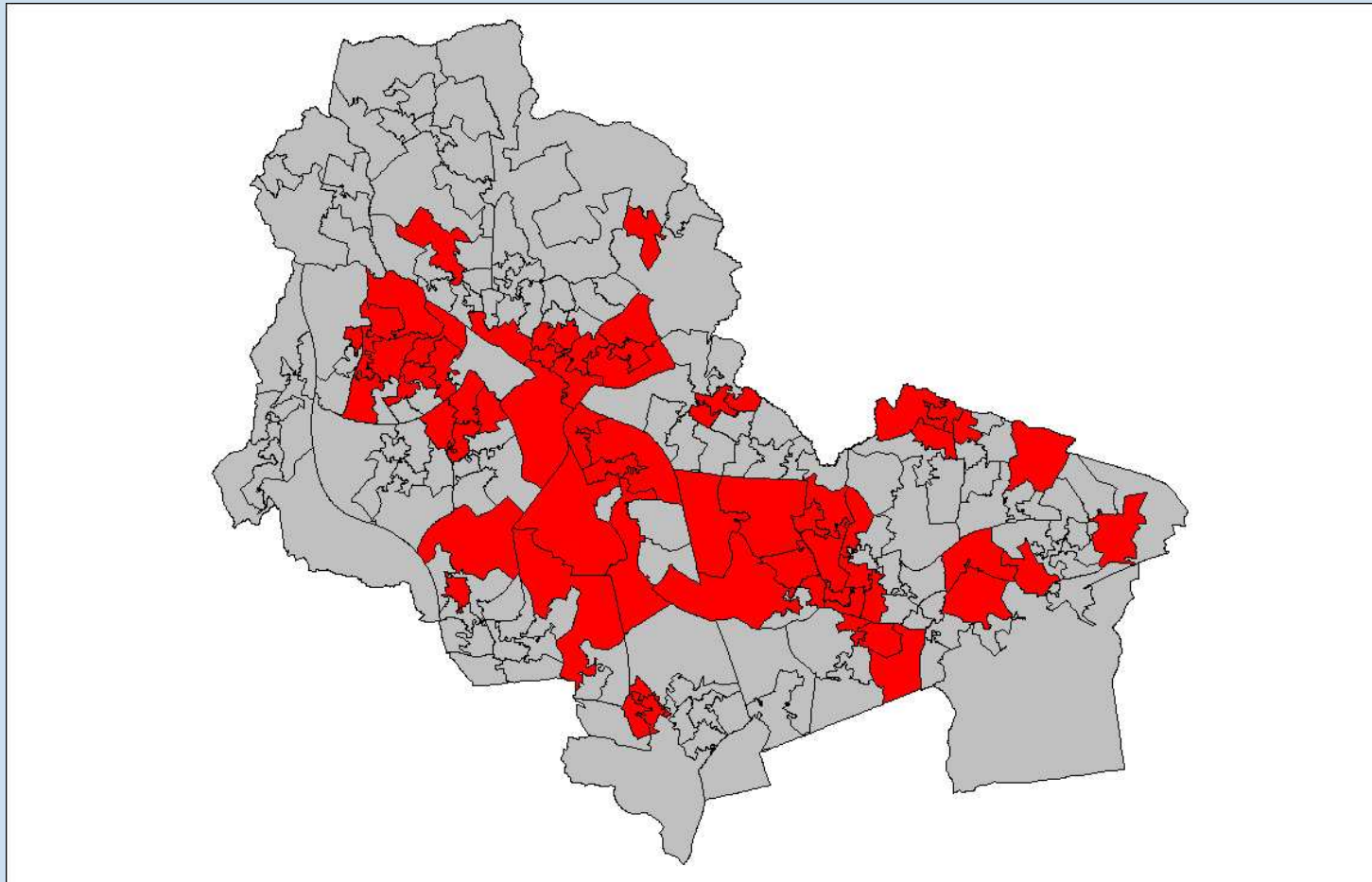
Jobseekers Allowance rates February 1992 to February 2009 (as a % of the working age population)



Source: ONS, January 2009

## Areas of deprivation across the borough where claimant levels are high

Super Output Areas in Wigan which are within the 20% most deprived in England (shaded in red)



Source: *Index of Multiple Deprivation, 2007*

## **Positioning Wigan in a GM context:**

### **What are its key assets?**

- Large population
- Strategic location within the North West
- External communications (motorway and rail)
- Potential for several vibrant towns across the borough
- Quality of life and natural environment excellent in many parts of the borough e.g Wigan Flashes

### **How does it link-up with and contribute to GM?**

- Improving connectivity with rest of conurbation
- Significant population important to wider labour market

# **Manchester Independent Economic Review: The Aims and Objectives**

## MIER: City Regions

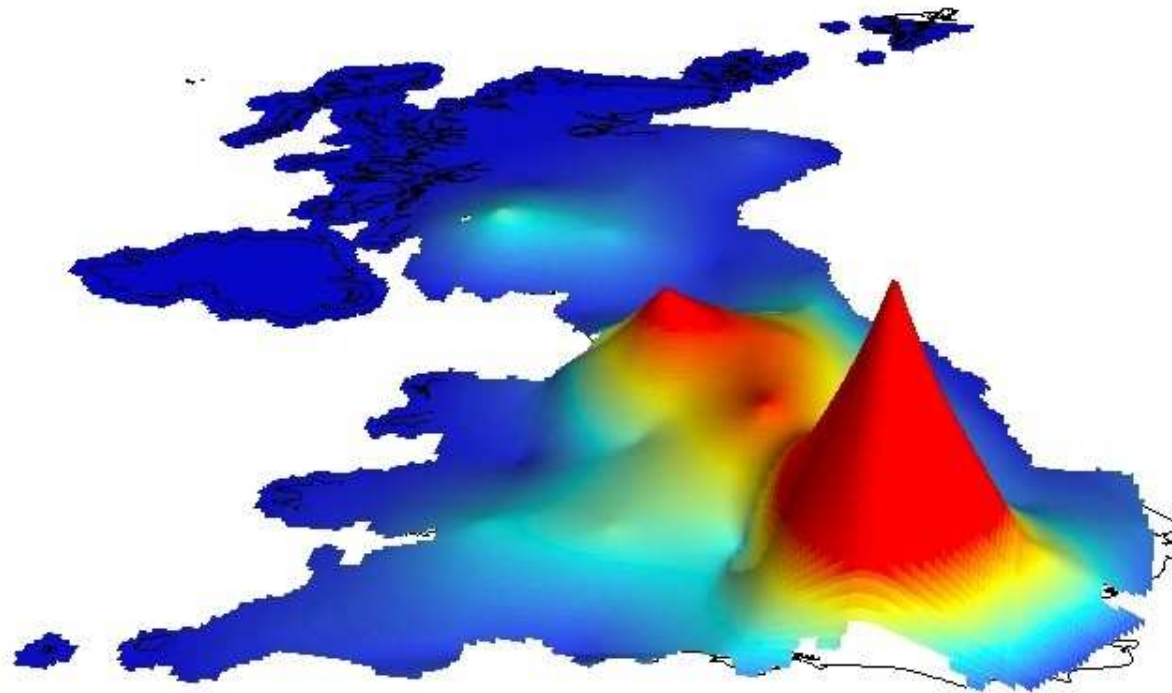
### Drivers of Growth:

- Large city-regions prime powerhouses and central nodes of world economy:
  - driven by size, diversity & options
  - built around dense urban cores/central business districts
  - Cities within these regions are interdependent with each other, their regional hinterlands and other city regions
  - ideas and knowledge driven, demise of goods producing cities, rise of tacit knowledge
  - labour market built on creativity and innovation

## Who are they?

- **Established Supersized**
  - New York, Tokyo, London, Paris
- **The BRIC'S**
  - Shanghai, Moscow, Mumbai, Sao Paulo
- **Mid-size Stars**
  - Munich, Stockholm, Toronto, Boston
- **Manchester?**
  - Becoming a mid-size star
  - but work to do (worklessness, attracting and retaining talent, upgrading skills, transport infrastructure)

# Economic Performance - A Spiky World



Source: <http://gecon.yale.edu/data.php>  
Yale world economic mapping

## MIER: About Delivering Results

### Impact:

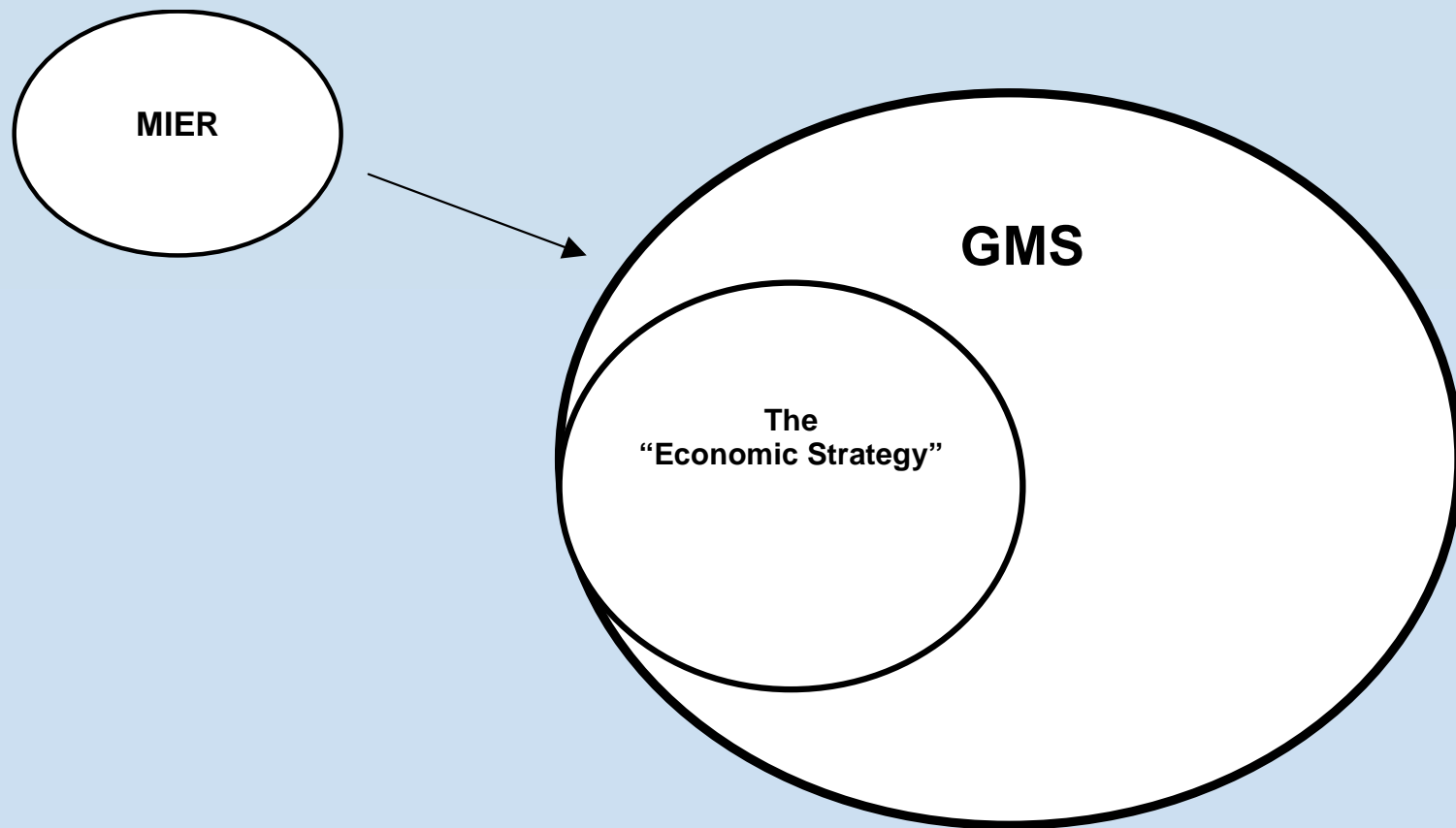
- High quality evidence-based research
- Enable GM's political and business leaders to:
  - set long-term economic strategies
  - understand economic priorities
- High profile report and vision for City Region
- Key narrative, positively affecting expectations

# What we're doing : The Economy - MIER

## Outline:

- 12 month programme of research
- Run independently of Government and its agencies
- Led by prominent economists and business leaders
  - Sir Tom McKillop (Chairman of The Review)
  - Jim O'Neill: Chief Economist at Goldman Sachs
  - Ed Glaeser: Professor of Economics, Harvard University
  - Diane Coyle: Managing Director of Enlightenment Economics
  - Jonathan Kestenbaum: Chief Executive NESTA.

# The Overall Relationship



# The Strategies and MIER

- **The MIER**
  - Huge body evidence designed to inform Economic Strategy
  - Seven component reports form economic narrative and provide pointers to ensure long-term sustainable economic growth
- **GMS**
  - The sub-region driven by AGMA and its seven strategic Commissions, moving towards unitary vision and common objectives
  - GMS incorporates aspirations and strategies of the ten Authorities and Commissions
- **The Economic Strategy**
  - Plan of actions needed to be accomplish much higher levels of growth
  - A sifting of all evidence, evaluation and analysis to form clear set of propositions for city
  - A step-by-step guide to implementation and responsibilities

# From MIER to eternity

- Mar, April** Roadshows, reports, communication of results
- April 6** Final reports published, major events
- April 21** Regional Strategy/GMS consultation event
- July 21-3** “GMS” finalised at Lowry Conference
- 2009** Common vision, principles and objectives, common policy to drive long-term sustainable economic growth implemented

# **Manchester Independent Economic Review: The Emerging Messages**

# Investment

- Getting FDI into Mcr is a “good thing”, e.g. not labour replacing
- Investment is largely by big, R&D intensive firms
- Investment in MCR R&D-focused in most sectors
- Positive “spillovers” are not sectoral but come from supply chains
- Big pool of skilled labour/talent probably most important pull
- Overly high reliance on G7 and debt-based finance

## So...

- More FDI needed - but will take opportunistic behaviour and new sources to move away from debt-base (no longer there)
- Policy focus needed to attract large domestic firms’ investment
- Networking should focus not on sectors but supply chain linkages, esp. with foreign firms (textiles, transport equipment ...)
- Ability to convert a workforce to order would be huge advantage

# Skills

- MCR has high concentration of knowledge sector workers, and best attraction and retention of “talent” outside London...
- ...however, no more than to be expected for our size, and no “tipping point”, so brain drain to London/SE still very strong
- High-level of skills not matched by productivity (wealth generation), due to northern GM and large level of unskilled
- Main high-level skills problem is lack of high-value jobs. Where they exist, the skills are found or attracted
- Apart from knowledge-intensive manufacturing (Astra Zeneca), Manchester city dominates knowledge-based industries
- High-level workers and employers increasingly gravitate to South of city region, which is virtuous for the city region as a whole

# Skills / 2

## So...

- MCR needs to continue to create high-level jobs to retain its brightest and attract more, esp. in severe economic downturn
- Demand and supply can be scaled up in tandem
- Main driver of demand is getting MCR firms and organisations to up their level of skills requirements, big need to incentivise that
- Of supply, remove blockers of upward educational mobility, build ladders of opportunity, release talent
- Hugely important to improve transport access to key employment centres, above all Manchester city centre
- Accept that the highly-skilled increasingly want to live in the South and that such coalescence is to broad benefit of city region

# Sustainable communities

- Economic growth benefited all parts of MCR, but impact uneven
- Better areas have done better, and the spiral is self-reinforcing
- Reductions in worklessness *not* driven by most deprived areas
- Where neighbourhoods have improved, may be displacement
- Formula for improving most deprived areas includes growing skills (to L3), less social housing and proximity to ec growth
- Access to lower order jobs key factor in improvement
- Arc of improvement in South of conurbation
- Educational disparities reinforce polarisation geography
- Housing market trends reinforce tendencies toward spatial polarisation (remoteness from mainstream; affordability)

# Sustainable communities/ 2

So...

- Policy needs better understanding of challenged area trajectory, i.e. gentrifier, escalator, transit or isolate
- If gentrifier, leave well alone and concentrate on displacement
- For escalator and transit, concentration on housing, transport and low-value jobs to avoid households being left behind
- Isolate areas need coordinated and multiple interventions with long-term commitment (>10 yrs) to policy; and less soc housing
- Worklessness symptom not cause: the need is to address education, skills and access to jobs...
- ...through attracting low-value jobs to population and improving transport access to jobs
- Policy needs to find ways to incentivise breaking of housing and worklessness silos, leading to full policy full integration

# Connectivity & trade

- NW firms not globally-engaged; MCR even more inward-facing
- Yet, exporters and trade linkages raise productivity
- Engineering, textiles, creative, digital all source locally
- Engineering, textiles, ICT trade and have global supply chains and good connections to Europe, China, Middle-East
- ICT & F&P particularly strong links to London/SE
- MCR more connected to London/SE than to rest of North

# Connectivity & trade / 2

So...

- Exposure to international competition would raise productivity, bringing increased prosperity, knowledge transfer and innovation
- International activities should shift esp. to emerging markets. Infrastructure, tourism & HEI MCRs all help with thickening
- Engineering key contributor and competitive advantage
- Mechanism and brand needed to promote “Mcr plc” to world
- Businesses, esp SME, scared of costs of internat market entry, need support and strong incentivisation

# Innovation & clustering

- No good understanding of how innovation spreads within MCR
- Firms need to know and trust each other to “exchange”
- Exchange does *not* take place through sector-based networking; innovation likelier from cross-industry gelling and “proximal connectivity” (like-minded people meeting)
- Large number of firms have no linkages within MCR (bridges)
- Some aspects of universities’ *modus operandi* incentivise secrecy (spin-offs). Incentivise to act as low-secrecy collaborative spaces

## So...

- Need to engineer stickiness to city region into bright young firms; need to attract far more through specific advantages
- Bring firms with international linkages into Manchester “society”
- (re)Create social market: like-minded leaders meet, interact
- Opportunity cost of sectoral networking activity: cut across

# Daresbury

- Daresbury not yet est. as one of UK's two “big science” facilities
- Current operational & management structures un-coordinated
- Need to look beyond securing capital funding in strategy
- Daresbury risks losing current partnerships, esp. Universities
- Benefits of research activity need spreading beyond campus

## **So...**

- Gvt needs to make significant and substantial investment to “walk the walk” of a di-polar big science model for UK
- They will not do so unless a new overall operating structure is constructed, with plan, champion and scientific advisory board
- Daresbury needs hotwiring into MCR economy

**MIER website for information on the projects and their reports together with the economic baseline:**

<http://www.manchester-review.org.uk/>