



The University of Manchester



# **Building on Economic Complexity:**

## **An Outline Framework to Guide Thinking on Addressing Spatial Inequalities in Greater Manchester**

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Justin Bentham and Alex Macdougall

**Inclusive Growth Analysis Unit**

## About the Authors

Dr Justin Bentham is an Associate of IGAU. He has 17 years' experience in local economic development and is Strategic Economic Growth Manager for Salford City Council. He is writing an independent academic capacity not as a representative of Salford City Council.

Alex Macdougall is an Assistant Researcher at the Inclusive Growth Analysis Unit.

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## 1. Introduction

The year 2019 has seen an increased focus on addressing spatial inequalities in Greater Manchester (GM), in the form of a revised GM Spatial Framework (GMSF), a focus on place in the GM Local Industrial Strategy (GMLIS) and the introduction of neighbourhood structures for public services. Analysis for the GM Independent Prosperity Review (GMIPR) provided new understanding of the strengths of the different local economies within GM.

This report aims to contribute to the further development of this agenda by proposing an outline framework for local economic development that integrates and builds on this recent analysis and on local approaches and thinking already underway within GM. The framework integrates economic factor endowments (land and labour) into the sectoral (enterprise and capital) based economic complexity analysis at the local level. It also includes wider forms of local asset (other forms of capital, institutions and infrastructure) in the sense of their intrinsic contribution to productivity, economic and social value. We argue that by better integrating these wider assets into economic strategy and thinking more about their capacity to provide quality employment and productive forms of activity for individuals in deprived areas and communities, GM can become better at tackling spatial inequalities and so contribute to inclusive growth.

The framework has been developed by building on and integrating existing GM strategy work, contributions from academic literature and research in this area, consultation via the GM local authority network and more detailed consideration of two local authorities and their existing activity in relation to the framework. It concludes with implications for GM policy going forward.

## 2. Uneven growth and neighbourhood deprivation in GM

In recent years economic growth in Greater Manchester has largely been concentrated in its regional centre. Whilst this agglomerated office and leisure-based service economy has provided many GM residents and places with prosperity, this has not translated into economic growth across the city region as a whole. Between 1998 and 2017, Manchester local authority (LA) on its own accounted for 45% of total GVA (deflated) growth in the city region. The northern LAs combined (Bolton, Bury, Oldham, Rochdale, Tameside, and Wigan) made up only 24%. In particular, post-recession recovery has been difficult for some of these areas, compared with those in the centre and south of GM. Rochdale, for example saw relatively meagre growth in total GVA (deflated) of £30 million between 2008 and 2017 and Tameside a decline of £196 million<sup>1</sup>. Future trajectories are also projected to diverge. According to the latest iteration of the Greater Manchester Forecasting Model, four GM local authority areas are set to experience employment decline in the next two decades: Oldham, Rochdale, Tameside and Wigan<sup>2</sup>. Of these, Rochdale and Tameside also saw no or negative employment growth between 2007 and 2017. This contrasts starkly with forecast growth in Manchester, Salford and Trafford. Jobs in Manchester are predicted to grow by around 67,600, in Salford by 22,100, and in

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<sup>1</sup> ONS dataset: *Regional gross value added (balanced) local authorities by NUTS1 region, UKD North West 1998-2017*. Release: 12<sup>th</sup> Dec 2018. Using deflated figures at 2016 prices.

<sup>2</sup> Oxford Economics (2018) *Greater Manchester forecasting model dataset*. Latest release: Oct 2019.

Trafford by 19,700, between 2018 and 2038. Stockport, Bolton, and Bury are forecast to experience growth, albeit below the GM average (Figure 1).

**Figure 1: Employment growth in Greater Manchester's local authorities (2018-2038)**



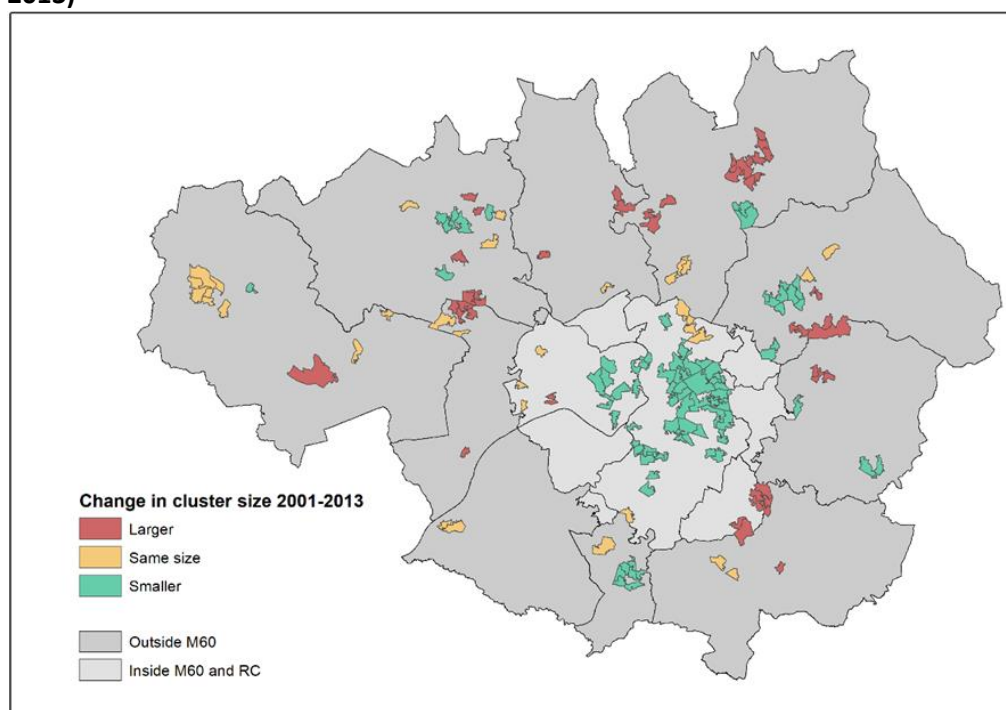
Source: Oxford Economics (2018) *Greater Manchester forecasting model dataset*. Latest release: Oct 2019.

These patterns of uneven growth have contributed to changing patterns of neighbourhood deprivation. At the start of the 2000s (which was a period of economic growth in GM), the city region had a deep income deprivation problem around the centre of the conurbation as well as medium sized pockets of severe deprivation around major town centres such as Rochdale and Oldham.<sup>3</sup> IGAU's recent analysis shows that in the decade or so that followed (our data permits analysis to 2013), income deprivation rates around the city region's core tended to improve, and many areas of severe income deprivation got smaller in their spread geographically<sup>4</sup>. With some exceptions, severely income deprived areas further away from the conurbation's core experienced the opposite trend. To a greater degree, income deprivation rates in these areas persisted at the same level or increased, and the spatial spread of severe income deprivation in many areas stayed the same or got larger (Figure 2).

<sup>3</sup> Macdougall, A. and Lupton, R. (2019) *Spatial patterns of income deprivation in Greater Manchester*. Inclusive Growth Analysis Unit.

<sup>4</sup> Although, other findings point out that rapid housing development and a changing demographic in and around central Manchester masks a slight *increase* in the number of poor people in the centre between 2001 and 2013; GMCA (2018) *Regional Centre as a residential and employment hub (draft report)* [not published].

**Figure 2: Change in the size of areas of severe income deprivation in Greater Manchester (2001-2013)**



Map from: Macdougall, A. & Lupton, R. (2019) *Spatial patterns of income deprivation in Greater Manchester*. Inclusive Growth Analysis Unit.

Despite the economic success of the city centre, there remain significant concentrations of deprivation close to the centre of the conurbation in Inner Manchester and Salford<sup>5</sup>. However, these trends in economic growth, employment and neighbourhood deprivation taken together suggest that there will be particular challenges in tackling areas of stubborn and severe deprivation in the north and east of GM unless the economies of these areas also develop and grow.

### 3. The GM policy response: An emerging paradigm shift?

These changing patterns of growth and deprivation have occurred within a particular policy context, and GM's recent approach to economic strategy is best understood in the national policy context. In the 2000s, the productivity gap with London and the South East came to be seen as a key challenge for GM. It was central to the Manchester Independent Economic Review published over a decade ago which concluded that GM was 'punching below its weight' on productivity.<sup>6</sup>

An economically productive GM remains central to national economic policy as part of an effort to rebalance the national economy through the Northern Powerhouse.<sup>7</sup> A key national priority is to drive

<sup>5</sup> For a fuller analysis of trends in spatial inequalities, see: Lupton, R., Hughes, C., Macdougall, A., Goldwyn- Simpkins, H. & Hjelmksog, A. (2019) *Inclusive Growth in GM 2020 and beyond: Taking stock and looking forward*. Inclusive Growth Analysis Unit. <http://documents.manchester.ac.uk/display.aspx?DocID=46396>

<sup>6</sup> GMCA (2009) *Manchester Independent Economic Review: Reviewers' report*; and, Manchester City Council (2009) *Prosperity for all: The Greater Manchester Strategy*.

<sup>7</sup> 'Northern Powerhouse' was first raised by George Osborne in a speech in Manchester in June 2014.

economic growth and development to narrow the productivity performance gap with London and the South East. The approach is to create a connected (via major infrastructure investment) Northern metro or mega city (with GM at its heart) that can form a globally competitive urban agglomeration, commensurate with London.<sup>8</sup> For GM to narrow the national productivity performance gap with London and the SE, it needs to focus on its industrial assets that have the greatest prospect of generating nationally and globally significant productive firms and employment. The sectors and firms in GM that fall into this category/meet this definition (high £GVA sectors) tend to be concentrated in the core of the conurbation because of the dynamics of urban agglomeration.

The GM Sector deep dives analysis published in 2016 confirmed that the driver of growth within the GM conurbation is its core<sup>9</sup>, located primarily in Manchester city centre but also parts of Salford and Trafford where agglomeration and clustering effects common to/found in cities globally have encouraged concentrations of residential and employment growth in recent years. Yet it also concluded that there are neighbourhoods across GM that have not felt the benefits of growth and that remain severely deprived, and act as a 'drag on the economic potential of the whole city region'.<sup>10</sup>

The formal creation of an elected mayor for GM in April 2017 has enabled greater consideration of the needs of local places. For example, more recently, the (draft) Greater Manchester Spatial Framework (GMSF) explicitly recognises the need for more inclusive growth and identifies land for future economic development opportunities in struggling economic areas.<sup>11</sup> Objective 5 of the plan is to reduce inequalities and improve prosperity. The plan identifies the need to 'boost northern competitiveness' and two significant growth opportunities are outlined: the *Wigan-Bolton Growth Corridor* and *M64 North East Corridor*. IGAU's analysis of this plan showed that two thirds of severely income deprived (SID) places (see Fig 2) were within a three-mile radius of at least one planned employment space, and 30% were within one mile of an employment site perimeter. In addition, the seven largest SID places that had the greatest signs of decline between 2001 and 2013 were within three miles of at least one proposed employment site<sup>12</sup>, potentially creating better access to employment opportunity for residents of those areas.

But the challenge for GM North is more fundamental. As acknowledged, many of the major growth assets and opportunities in GM are currently situated within Manchester, Salford and Trafford.<sup>13</sup> It is very clear that the GM 'core growth area' will continue to be the primary driver of the GM economy and so agglomeration effects are expected to continue.<sup>14</sup> New solutions and different thinking will be required if we are to address the problems regarding imbalances in GM, outlined in section 1, for which a centre agglomeration focus has not worked.

What is interesting and new in city-region level policy and analysis is the consideration by the GM Independent Prosperity Review panel of 'economic complexity'.<sup>15</sup> It marks an important break with

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<sup>8</sup> City Growth Commission (2014) *Unleashing metro growth: Final recommendations*. London: RSA.

<sup>9</sup> New Economy (2016) *Deep Dives: Phase 1 summary report (final report)*.

<sup>10</sup> As footnote 9, p.70.

<sup>11</sup> GMCA (2019) *Greater Manchester's plan for homes, jobs and the environment (Greater Manchester Spatial Framework 2019 draft)*.

<sup>12</sup> Macdougall, A. & Lupton, R. (2019) *Location of planned GMSF employment spaces in relation to severely income deprived places*. Inclusive Growth Analysis Unit.

<sup>13</sup> As footnote 11, p.41.

<sup>14</sup> As footnote 11, p.46.

<sup>15</sup> GMCA (2019) *Greater Manchester Independent Prosperity Review: Audit of Productivity*.

previous economic analysis of functional economic areas which assume regional or local economic geographies based on a single travel-to-work area.<sup>16</sup> This opens up a new way of thinking about local economies and economic development in GM through more sophisticated consideration of the distinctive competitive advantages of places. It begins with local places (the 10 GM districts), maps their respective and distinctive sectoral comparative advantages (including specialisation) and builds from these to identify their sectoral assets and strengths (in particular cluster development opportunities) – what these places are good at doing that can be built on for future growth strategy. The economies of GM’s 10 districts are diverse and offer unique assets and opportunities. The logic of this approach is that the GM economy can be something greater than the sum of its parts, but that can be best achieved through a greater understanding of, and focus on supporting, the parts; not simply the whole.

#### **4. An outline framework for local economic development tackling spatial inequalities**

A better understanding of economic complexity can open up a new way of thinking about productivity beyond simply supporting urban core agglomeration. Building on the concept of economic complexity this report seeks to add value to current GM policy development by highlighting the need to consider what assets already exist in areas that have been struggling economically, and how they may help contribute to a deeper understanding of productivity. It develops an outline framework that serves as a method to begin to identify place-based economic assets throughout GM that can assist in the development of a more integrated approach to tackling spatial inequalities across GM.

Figure 3 summarises the proposed categories of the assets framework, including some provisional indicators<sup>17</sup> corresponding to each, that draw on recent work by Oxford Consultants for Social Inclusion (OCSI) on measuring assets in ‘left behind’ areas<sup>18</sup>. The framework is made up of two interrelated parts: the first builds in traditional economic factor endowments, and the second proposes a set of five categories of wider local assets to be considered. The components in the framework support each other directly and indirectly in a local place in complex ways, indicated by the double-headed arrow.

Section 5 will take each category in turn to show how and why they are important considerations for the view of local economic development that we are proposing.

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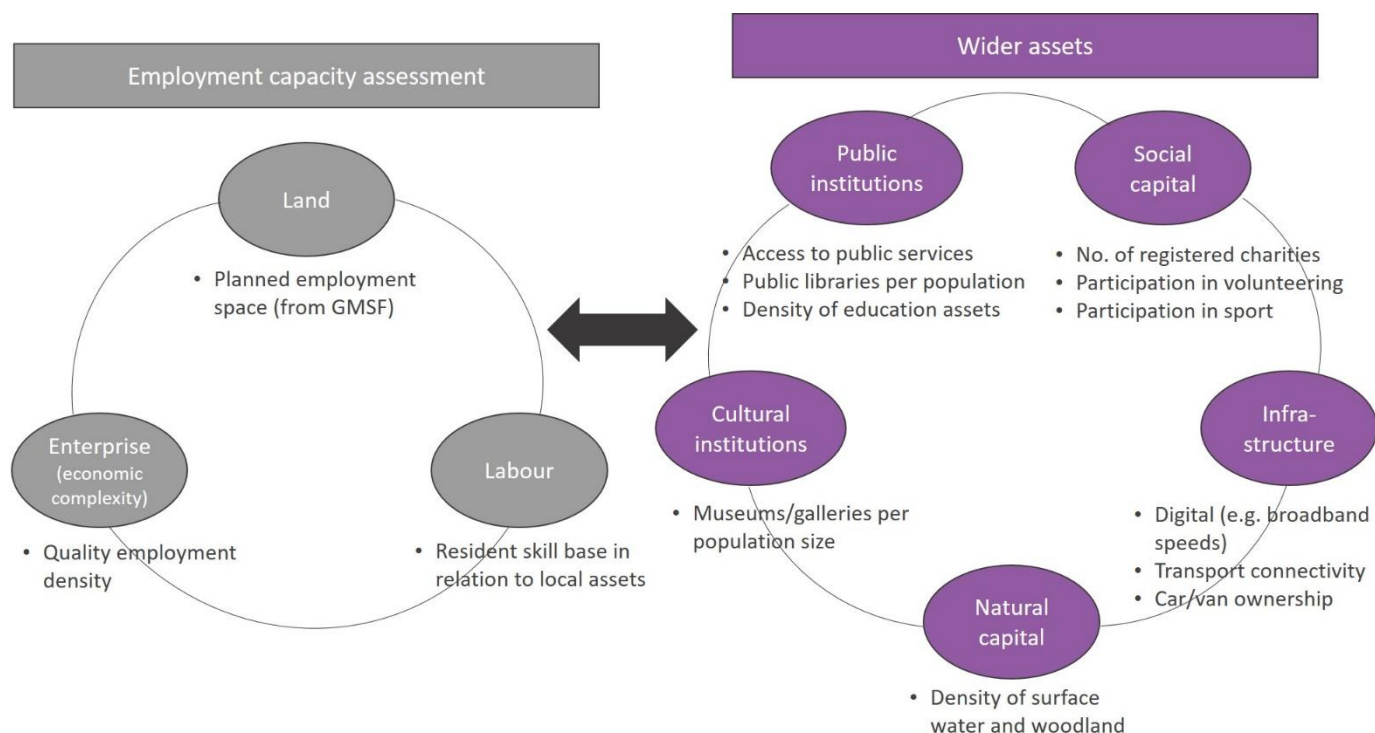
<sup>16</sup> GMCA (2019) *Greater Manchester Independent Prosperity Review: Economic Complexity Analysis*.

<sup>17</sup> These indicators are by no means complete and further indicators can be developed. The purpose of including indicators here is to provide examples of what could be measured and monitored. The framework aims to assist with better marshalling of relevant data to help with the problem of spatial inequalities. The data used to measure and monitor progress is constrained by national datasets, however there is a need to examine this in detail including making greater use of data available locally. More work is needed to better understand inequalities and measures of inclusive growth.

<sup>18</sup> This approach is informed also by a useful method recently developed by Oxford Consultants for Social Inclusion (OCSI) to measure the value of place base assets in left behind areas using ‘Community assets’, ‘Funding’, ‘Infrastructure’ and ‘People and Participation’ as asset categories: [https://localtrust.org.uk/wp-content/uploads/2019/08/Left\\_behind\\_areas\\_phase\\_2\\_analysis\\_report.pptx](https://localtrust.org.uk/wp-content/uploads/2019/08/Left_behind_areas_phase_2_analysis_report.pptx)



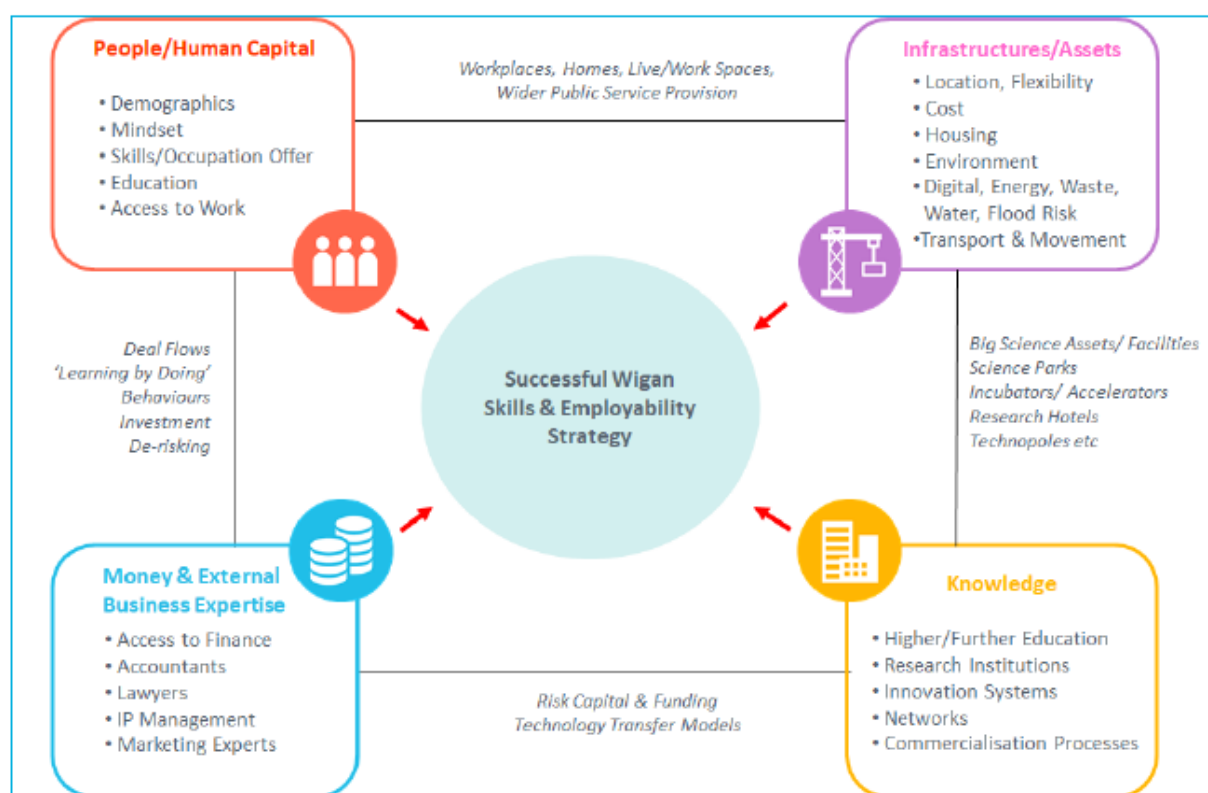
**Figure 3: Place based assets assessment framework – Towards a wider understanding of productive economies**



It is also worth noting at this point that, through consultation, we have learnt that some local authorities are already starting to think more holistically about their local economies as distinctive places. As an example, Wigan in particular are clear about how they conceptualise their local economic development, seeing it as an “economic development ‘ecosystem’”. They see economic development, skills and employability as not operating in isolation from the wider components that make for successful place-based economic success.<sup>19</sup> Wigan are thinking not just in terms of employment sectors but are considering human capital, financial capital, infrastructure/assets and knowledge. They recognise that providing opportunities for residents to secure quality employment opportunities is determined not just by the presence of productive firms and sectors.

<sup>19</sup> Wigan Council (2019) *Volume 2 – A refreshed employment and skills strategy for Wigan: The Strategic Framework*, p.3.

Figure 4: Wigan Strategic Framework<sup>20</sup>



It is illustrative to directly link this local thinking with the economic complexity analysis carried out in the GMIPR. The complexity analysis concluded that Wigan had competitive strengths and more employment concentrated in the centre of the UK industry space network<sup>21</sup>, in industries relating to construction, warehousing and storage, and wholesale and retail activities. Wigan also has areas of comparative advantage in manufacturing, such as textiles, chemicals, plastics and machinery. These are industries that Wigan (and GMCA) has the best opportunity to intervene in and support to build up and create quality employment growth. Manufacturing industries that can benefit from Wigan's existing supply chains, storage and logistical capabilities could represent the most feasible development opportunity.

But for this strategy to have the greatest chance of success, it is also critical to link such a comparative advantage-based growth strategy to wider local assets. In particular: land to support future industrial growth; an intelligent local skills strategy that examines the existing skill sets of local residents in relation to the requirements of the growing sectors, identifying any gaps and delivering appropriate training; particular physical infrastructure needs; and local authorities working with GMCA and other public institutions in an entrepreneurial way to target scarce resources effectively.

The nature of the local opportunity will vary from place to place, as per the logic of economic complexity. But the more intelligent approach of the complexity analysis, which is sensitive to particular local circumstances, is potentially a major breakthrough for GM economic strategy.

<sup>20</sup> Figure taken from same source as in footnote 19.

<sup>21</sup> The UK Industry Space is "a network perspective that helps visualise structural differences between UK local authorities, both in terms of current industrial specialisations and future development possibilities"; as footnote 16, p.6.

Furthermore, starting from such opportunities, it is also necessary to then build in appropriate place-based assets in a holistic way to give the strategy the best chance for success.

## 5. Elements of the framework and their application in GM

### Employment capacity assessment (traditional factor endowments)

The framework draws on the established economic *factor endowment* concept. In macroeconomics these are the inputs into the production process (of goods and services) within a nation state – Land, Labour, Capital and Enterprise. They are the basis of national competitiveness and determinants of international trade – what is produced and sold internationally.<sup>22</sup> These are adapted here to measure the economic value/competitiveness of local places – particularly through an assessment of employment capacity: the capacity of a local place to provide quality employment opportunities locally for residents. The availability of quality productive employment is assumed as a useful way of addressing spatial inequalities.

**Enterprise and Capital** - The sectoral analysis already undertaken in the GM economic complexity work considers the importance of local sectoral employment concentrations and their local spatial distribution and clustering. It is assumed here that the potential of enterprise (start up and growth of firms) and capital (machinery and technology present within firms and sectors) as contributing factors to productivity is adequately covered in this existing work. It is important however for both GMCA and GM local authorities to consider the findings of the economic complexity work for their respective areas and integrate this into a wider approach to place productivity as suggested in this report.

The enterprise and capital-based elements incorporated into economic complexity work need to also acknowledge the other factor endowments in local places, particularly land and labour.

**Land** - The availability of land for future economic development in local areas is a critical basis of future productivity and competitiveness and this is a core underlying premise of the planning system, including the GMSF and local plans. Land has been considered an important factor in economic competitiveness for many years.<sup>23</sup> In conventional urban land economics, land is a crucial resource given its relative fixed supply (although there is the ability to increase productivity via greater density), it has no cost of creation although it involves costs to develop, it has multiple uses (agriculture, residential, employment), and there are opportunities to derive rent from it given its scarcity.<sup>24</sup> The revised Greater Manchester Spatial Framework proposes 18 new sites for developing industrial/warehousing and office space within the plan period 2018-2037. IGAU has welcomed the emphasis on a 'Northern competitiveness area', as many of GM's severely income deprived places are located in this zone.<sup>25</sup> It is recommended that the land allocations in the GMSF integrate with the

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<sup>22</sup> Heckscher, E. (1919) *The effect of foreign trade on the distribution of income*, p.497-512.

<sup>23</sup> In 1817 Ricardo for instance considered land as a determining factor in the relationship between food prices and rents; Ricardo, D. (1971) *Principles of political economy and taxation*.

<sup>24</sup> Balchin, P., Bull, G., & Hieve, J. (1995) *Urban land economics and public policy*. Macmillan International Higher Education.

<sup>25</sup> Lupton, R. and Macdougall, A. (2019) *Inclusive Growth Analysis Unit (IGA) response to the GM Spatial Framework consultation*. Inclusive Growth Analysis Unit.

findings of the economic complexity analysis where appropriate. The availability of land for economic development needs to be considered as it provides the capacity for future development of new industries building on existing assets. The full potential of sectors and firms cannot be realised without an appreciation of land as it is required for start-up (location) and expansion (relocating to a new site or premises) purposes.

**Labour** – Similarly, the capacity of local skilled labour is also key. Skills are universally acknowledged as a determinant of productivity.<sup>26</sup> Firms and sectors require skills to be more productive and to expand to create further employment. The key point here is that the potential of linking local disadvantaged communities (via their ability to access employment opportunities) to growth, thereby achieving inclusive growth, is to a great degree determined by the skill sets of residents (skills supply) in those communities, and how well they are matched with employment demand (the skills required by sectors that have potential to grow as part of the economic complexity analysis). Local authorities in GM are focussed on ensuring their residents can access employment opportunities. Oldham considers the strong aspirations of young people and working adults to be assets, and are clear in their aims about raising them. Their priority is the provision of high-quality careers advice and guidance, improved school/industry linkages and promoting the opportunities arising in growth sectors in Oldham and Greater Manchester.<sup>27</sup> Several initiatives are being promoted that link young people to industry, including work placements. Skills and education also feature in Wigan’s local approach. Quality of educational institutions is highlighted as a significant factor in both Wigan and Oldham, in that school improvement can help provide the educational foundation for local people to go on to develop industry relevant skills. Wigan also recognises the role of the foundational or everyday economy in providing productive forms of employment that may not provide high levels of £GVA but include craft-based or service skills and expertise.<sup>28</sup>

Both GMCA and GM LAs should consider conducting an assessment of the skills capacity within local places vis-à-vis the economic complexity analysis for the area: to what extent do local residents possess the skills required by the sectors that economic complexity analysis identifies as assets and opportunities to create productive employment? This approach needs also to consider existing GM policy on skills alongside local assessments of the local resident skills base that have already been undertaken.

## **Wider place-based assets as determinants of productivity**

Going beyond traditional economic factors, critical to the framework are wider types of asset (forms of capital, institutions and infrastructure) within local places, which provide important contributions to productivity and are therefore integral to all actors within local economies. Wider assets must be linked to more traditional economic factors to enable them to achieve their full potential. This section highlights, for each asset category, how wider assets can build on the economic complexity analysis with examples of this already happening in GM.

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<sup>26</sup> For example, skills are fundamental to the United Nations ECOSOC Ministerial Declaration 2012: Promoting productive capacity, employment and decent work to eradicate poverty in the context of inclusive, sustainable and equitable economic growth at all levels for achieving the Millennium Development Goals.

<sup>27</sup> Oldham Council (2016). *Oldham Strategic Investment Framework: Investment, skills, jobs and homes*, p.16.

<sup>28</sup> Wigan Council (2019) *Wigan Economic Vision*, p. 36.

**Infrastructure** - There is universal acknowledgement that connectivity within a place and to other places is vital for productive economic development and economic growth.<sup>29</sup> The ability of firms and workers to get about, trade and grow is enabled by transport infrastructure and the better its quality, the more productive an economy becomes. Similarly, the quality of digital infrastructure (e.g. internet speed and capacity) is an increasingly important determinant of competitiveness in an innovation-led knowledge economy across all industrial sectors. This is recognised at the local level, in Wigan's Strategic Framework for example. Oldham Council considers the Metrolink as vital to its local economy and its connectivity to other places. They view the Metrolink as an asset, and an enabler in building an attractive place to live and visit. They have invested in superfast broadband and improved the 'public realm' creating "the setting for new development and investment opportunities".<sup>30</sup> The transport system is acknowledged as a means for residents to get to and from work efficiently.<sup>31</sup> Similarly, a large aspect of Wigan's approach is based on 'Infrastructures/Assets', including assets such as transport and movement. They view the forthcoming HS2 project as an important economic asset, alongside The Wigan Exchange Project, which, by 2030, will offer connectivity along the West Coast Mainline and improved local connections, and so productivity improvements.<sup>32</sup> The view is that by 2030 'out of town does not exist', meaning that Wigan will have physically connected up existing businesses with new business sites, so that they can work better and more efficiently together.

As such, a review of the quality of infrastructure in places is important to build on the economic complexity analysis. The ability of firms and sectors to become more productive in a local place will be determined also by the existing and planned infrastructure available to them. Connectivity across GM between local areas, not just in and out of the regional centre, were also raised as important in the Local Authority Network workshop<sup>33</sup>.

**Natural capital** - Natural capital has an intrinsic value as a stock of assets vital to sustaining economic production (e.g. clean air, water and trees). Its degradation can limit economic growth. Work by the OECD has considered natural capital as an input into the production process, finding that ignoring natural capital can lead to under- and over-estimates of the productive capacity of places.<sup>34</sup> Natural capital assets can sustain enterprise and employment if harnessed in innovative and productive ways. National Parks, for instance, attract significant investment and enable many productive firms to trade and create productive employment. Locally in GM, Oldham recognise the Peak District as an asset – over 25% of Oldham is Peak District land. A key project in their 'Place programme' is to improve and open up public spaces and environmental assets.<sup>35</sup> This illustrates a will to improve natural capital, and improve access to it. In addition, a clear example of Oldham considering the economic potential of natural capital is the Alexandra Park Eco-Centre project, which aims to create an environmental centre of excellence using the latest green technologies. They see the opportunity to rebrand Oldham as a 'green and growing' borough, creating productive employment opportunities at the same time as

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<sup>29</sup> For a helpful recent report that sets out the assumptions underpinning the importance of infrastructure as a contributing factor to productivity, see: Rhodes, C. (2018) *House of Commons briefing paper, number 6594: Infrastructure policies and investment*. House of Commons Library.

<sup>30</sup> As footnote 27, p.14.

<sup>31</sup> Oldham Council (2016). *Oldham Work and Skills Strategy 2016-2020*, p.48.

<sup>32</sup> As footnote 28, p. 7.

<sup>33</sup> The IGAU organised a GM Local Authority Network in 2019 that met on four occasions to share learning around inclusive growth policy and activities underway in their respective local areas.

<sup>34</sup> OECD (2013) *OECD economics department working papers: Productivity measurement with natural capital*.

<sup>35</sup> As in footnote 27, p.27.

utilising their abundance of green space.<sup>36</sup> The Eco-Centre is the first phase of a wider project called the 'Northern Roots project', which is set to be the UK's largest urban farm and eco-park. "Northern Roots has the potential to further establish Oldham as a green and growing city. Known for its environment, leading on sustainability, food economy and natural capital it will support the delivery of the Oldham Model supporting an inclusive economy, thriving communities and co-operative workforce".<sup>37</sup> MEN picked up on this development too, claiming that the project could make Oldham the 'Eden of the North'.<sup>38</sup> Wigan are also aware of their "wealth of green and blue spaces", and they are proposing "cutting edge economic transformation of heritage and environmental assets". It is clear from their vision that they see links between these assets and opportunities for attracting new enterprise and residents to the area: "In 2030, the borough of Wigan is known for beautiful green and blue spaces, both natural and manmade. We are known for our cutting-edge economic transformation of heritage and environmental assets. Through an intelligent and widely supported borough-wide plan, these great assets have been connected and turned into an iconic and well-known magnet for new residents and businesses."<sup>39</sup>

There is an important read-across here to climate change and the need to meet global, national and local declarations to move to carbon neutrality. Many of GM's local authorities have declared a climate emergency and the GM target is to achieve carbon neutrality by 2038. The capacity of GM's natural capital to contribute to this target is important, and the contribution of new technologies and innovation in this field will make a contribution to new forms of productive employment harnessing the value of natural capital. Both GMCA and GM LAs need to assess how they can join up their respective work on low carbon economy and natural capital and consider its value in contributing to economic productivity and inclusive growth.

**Social capital** - Civil society both reflects and enables the bonds and networks of trust and knowledge – sharing – that underpin all complex economies and societies. In this respect this framework draws on established work in the social capital field.<sup>40</sup> There has been much work on how social capital contributes to economic growth and productivity, but Puttnam's (2000) analysis stands out:

- Social capital makes collective problems easier to resolve, as there is less opposition between parties. This results in improved social environments, such as safer and more productive neighbourhoods.
- It makes business transactions easier, since when people trust each other, there is less of a need to spend time and money enforcing contracts. As a result, economic prosperity increases generally.
- It widens our awareness of our mutual connectivity. This can improve the quality of our civic and democratic institutions.
- It helps to increase and speed up the flow of information, which, in turn, improves education and economic production.

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<sup>36</sup> See: <https://www.oldham-chronicle.co.uk/news-features/139/main-news/125535/oldham-council-to-discuss-new-ecocentre-and-northern-roots>

<sup>37</sup> See: <http://committees.oldham.gov.uk/documents/s101031/Northern%20Roots.pdf>

<sup>38</sup> See: <https://www.manchestereveningnews.co.uk/news/greater-manchester-news/urban-farm-microbrewery-sports-zone-16469504>

<sup>39</sup> As in footnote 28, p.14.

<sup>40</sup> Jane Jacobs emphasised the value of social networks in the 1960s, especially in cities. More recently Robert Puttnam has stressed the link between social capital and economic performance, see: Putnam, R. (2000) *Bowling alone: America's declining social capital*.

- It improves our health and happiness through both psychological and biological processes which require human contact.

So, the more social capital in a local place, the higher its value and so contribution to a local economy. The Wigan Deal, co-produced with residents, highlights the value of social capital. A key priority for residents is to be able to come into the town centre and enjoy it, not just for retail but wider social experiences and sense of community.<sup>41</sup> The process of creating the Wigan Deal in itself is an example of building social capital between local council and residents. Wigan MBC accept that this is still a work in process, however they argue it has changed the Council's relationship with local people. Also work on revitalising town centres, as retail declines given growth in online shopping, is increasingly pointing to the role of town centres as hubs of social capital with positive economic impacts.<sup>42</sup> Oldham is prioritising social inclusion in deprived areas by focusing on engagement, high quality Information, Advice, and Guidance (IAG), provision of a single case worker to co-ordinate access to services, and the promotion of social cohesion, active participation and volunteering.<sup>43</sup> Health and wellbeing is seen as a key asset to be nurtured in Oldham and this is explicitly linked to productivity – “good health is good business”<sup>44</sup> – as well as the other way around: “good work is good for your health”.<sup>45</sup> They also have a ‘Thriving Communities Programme’, an objective of which is to conduct community asset mapping.<sup>46</sup> They are developing a ‘Thriving Communities Index’ with community consultation to provide better intelligence to plan their services.<sup>47</sup> In this way, across GM, social capital needs to be better mapped and understood in local places and its capacity to contribute to economic productivity recognised.

**Public institutions** - The importance of the state (and increasingly the local state) in coordinating local economies has been increasingly accepted by economists, particularly post financial crash. Mazzucato's Entrepreneurial state (2013) perhaps best captures this new analysis, whereby the state has a crucial role to explore and experiment where the market will not take risks.<sup>48</sup> The role of the local state is in co-creating and shaping markets, not just addressing market failures. Local states can invest to help crowding in providing assurance to markets. They can create a vision for a place that sends a clear signal to the private sector. In addition, parts of the local state, such as public libraries, are crucial social infrastructure institutions that can extend their roles to support education and skills, enterprise, knowledge sharing and exchange, providing the glue that supports disadvantaged places. Klinenberg (2018) has recently argued they are critical social infrastructure, physical spaces and organisations that can shape the way people interact and develop.<sup>49</sup> Large public sector anchor institutions also form a significant component of the foundational economy of places – non tradable services that provide critical volumes of quality (comparatively well paid) employment opportunities.<sup>50</sup> In GM the local authorities own land and property and have begun to take a greater stake in their local

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<sup>41</sup> Wigan Council (2019). *The Deal 2030*, p.43.

<sup>42</sup> The Institute for Place Management has conducted research and published helpful literature reviews in this area. See: <https://www.placemanagement.org/research/>

<sup>43</sup> Oldham Council (2016). *Oldham Strategic Investment Framework: Investment, skills, jobs and homes*, p.16.

<sup>44</sup> As footnote 31, p.50.

<sup>45</sup> As footnote 31, p.15; quoting one of the GM skills and employment priorities.

<sup>46</sup> Oldham Cares (2018) *Thriving Communities Programme update*.

<sup>47</sup> Oldham Council (2018) *Thriving communities and place based integration*.

<sup>48</sup> Mazzucato, M. (2013) *The entrepreneurial state: Debunking public versus private sector myths*.

<sup>49</sup> Klinenberg, E. (2018) *Palaces for the people: How social infrastructure can help fight inequality, polarization and the decline of civic life*.

<sup>50</sup> See: Bentham, J. et.al (2013) *Manifesto for the foundational economy*, CRESC Working Paper No.131.

economies directly. For example, a number of them, such as Stockport, have taken a direct stake in their town centres, by purchasing shopping centres. However, there is potential to take this further, building on the economic complexity analysis, but investing in local economic strengths and supporting innovation. In GM, both GMCA and GM LAs need to consider their role as public institutions that can actively intervene more to shape markets and connect this intervention to the challenge of addressing spatial inequalities.

**Cultural institutions** - There are numerous studies of specific cultural institutions (e.g. museums, festivals, artist studios) and how they have a direct economic impact in terms of creating employment and multiplier effects through supply chains. They also have an indirect economic impact (although more difficult to measure) in areas such as education and learning, tourism, place making, regeneration and health and well-being. Work by Nesta (2013) for example found evidence that skilled workers sacrifice higher wages to locate in areas with strong cultural clustering, that creative cities seem to be more productive and that there is evidence of ‘innovation spill-overs’ from cultural clusters into the commercial creative economy.<sup>51</sup> As part of places, cultural institutions clearly attract visitors to an area which includes related expenditure in the local economy. They also contribute to the heritage and identity of a place providing a collective sense of belonging to a place. There is a clear will to develop local cultural assets in local authorities, but resources have been constrained. Each of GM’s local authorities directly maintains their area’s cultural assets including museums, art galleries and leisure and sports infrastructure (or indirectly via investing in leisure trusts and other providers). Wigan Council regard their heritage buildings as assets, as well as their strong culture of sport. Oldham has a Cultural Regeneration Programme, which they see as a means of “enhancing the use of existing assets”.<sup>52</sup> In particular, they mention their galleries and libraries, and recognise the need to promote these: “Enhance the use of existing assets – including Gallery Oldham, Oldham Library, Lyceum, The Queen Elizabeth Hall and George Street Chapel.” These assets are considered as part of wider regeneration. The Old Town Hall in Oldham’s centre is considered as a catalyst for investment in the town centre and seeing Oldham as a place to do business productively.<sup>53</sup> Oldham views its cultural assets as an instrument for attracting inward investment (visitors and new business) to the centre, and for making the area an attractive place to come to live. There is clear evidence of strategic thinking around “greater promotion and marketing” of their existing cultural assets for economic outcomes.<sup>54</sup>

Across GM, the economic contribution of its cultural assets needs to be better understood and integrated into economic strategy in its own right as it can make an important contribution to the challenge of addressing spatial inequalities by providing productive forms of activity.

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<sup>51</sup> Nesta published econometric work in this field as part of a broader set of studies which found that cultural institutions are a critical component of creative communities that are more productive. See: Landesman, R. (2013). *Creative communities: Art works in economic development*.

<sup>52</sup> As footnote 43, p.24.

<sup>53</sup> As footnote 43, Foreword, p.2.

<sup>54</sup> As footnote 43, p.27.



## 6. Conclusions & implications for GM and its local places

GM has experienced economic growth in recent years, but this has largely been concentrated in its regional centre. Whilst this agglomerated office and leisure-based service economy has provided many GM residents and places with prosperity, this has not translated into economic growth across the city region. Moreover, there remain areas of severe deprivation, particularly in the outer northern areas of GM, that are persistent and show limited signs of renewal.

GM faces a dilemma. On the one hand it is positioned at the heart of the north and so always will be central to any national efforts to rebalance the national economy. Yet it has its own internal complex imbalances between growth in the core and outer periphery and distribution in the north and south of the conurbation. To address both imbalances, it is necessary for the whole of GM to make a contribution.

This report is intended to aid GMCA and GM Local Authorities in their thinking around how to address spatial inequalities and build confident places in local areas that contribute to a more productive GM whole that is greater than the sum of its parts. It proposes that we need to think about economic development in a more holistic way including wider assets as they intrinsically link as direct and indirect enablers to economic complexity and productivity.

As part of the GM Inclusive Growth Analysis Network, a workshop was held in late June 2019 involving a group of GM local authority officers to firstly test the usefulness of the framework and secondly try to establish what thinking was already underway in local places. Key findings included:

- LAs already starting to think about places in a holistic way. Wigan and Oldham being illustrative examples referred to throughout the report.
- There is a growing consensus around this type of approach – the LGA place making approach is similar as well as work by think tanks.
- The framework represents a good fit with emerging thinking and is a helpful framework to apply to pull together understanding of places and how inclusive growth can be supported.
- The GM vision needs to better build on and integrate its constituent parts to create something greater than the sum of the parts.
- Specialisation of local places is helpful – but there is an implicit risk in putting all eggs into a single basket – diversification is needed as well. What a place currently has should not completely guide its future – also need to be ambitious and imaginative about aspirations and shaping places.
- We should not solely focus on sectors where there is comparative advantage but also sectors where there is a large volume of employment.
- Land and skills are critical as well as comparative advantage of sectors. These in particular need to be connected to sector strengths better.
- There is a lack of understanding about local assets. Local areas themselves can tell the story better but also need to be supported by GM and to build complementarity between the assets across GM.
- Local residents (from disadvantaged communities) can be better connected to local assets.
- Transport infrastructure needs to be improved beyond the current hub and spoke system, orbital routes can be weak and lack investment.
- Local voices and democracy can also be built into evaluation as well as indicators.

- Need to encourage redistribution of growth across GM from overheated places to those that need it.
- Public/anchor institutions are critical.
- GM, local and places (neighbourhoods) – need an integrated vision and approach with more bottom up intelligence and policy design.

There are to a degree some artificial dichotomies that have developed across in GM in recent years. This is not necessarily because of GM and its public institutions, but perhaps more a corollary of the national policy context post-financial crash. The period of austerity in local government has imposed constraints on the capacity of local government.

The limitations (or certainly perceived limitations) of these concepts emerged in the discussion with officers from the authorities and include:

- The inherent contradiction in the idea of 'Greater Manchester' as something distinct from its constituent parts. GM can be greater than the sum of its parts, but only through supporting the parts, not simply the whole.
- The division between 'place' and 'people' and groupings of services in local areas in this way also has its limitations if the full potential of places is to be maximised to the benefit of local people.
- The GM concepts of 'growth' and 'reform' which since the first Greater Manchester Strategy in 2009 have featured in GM strategic thinking. Local authorities communicated instead the importance instead of concepts such as 'resilience', 'confidence' and 'inclusion' in local place making.

This work suggests that a way forward is for both the GMCA and GM Local Authorities to value different types of thinking, at city-region and at local level, strategic and place-specific. A clear implication here is, first, to recognise the value of each of these kinds of knowledge/thinking; second, to find ways of optimising the way in which these two knowledge bases communicate in order to achieve common objectives (i.e. reducing poverty and spatial disparities).

It is clear that we can be thinking in much wider terms about what the direct possibilities for economic development are in local areas, and what factors enable productive work and economic activity locally. The contributions of wider factors such as social capital and public institutions are being acknowledged in academic literature, as well as in local authority thinking. There are many examples when looking at Wigan and Oldham case studies of both a will to think widely and creatively about ways of bringing prosperity to their regions, and also acknowledgement of the multiplicity of social and economic factors that support people to be prosperous in both their work and wider life.

At the same time, there is an apparent shift in city-region level thinking in terms of valuing what local places have to offer to the whole through the recent economic complexity work. The fundamental challenge of addressing spatial inequalities across GM can be moved forward by building on current GM (particularly recent economic complexity analysis) and local approaches and thinking already underway. The relationship between the GMCA (which is still a relatively new institution) and the more established 10 local authorities can continue to mature towards a greater level of collaboration and alignment around of place-based priorities. This will be important to tackle the complex challenge of how to address imbalances within GM.

A framework which integrates factor endowments (land and labour) into the sectoral (enterprise and capital) based economic complexity analysis at the local level can help with this. This includes wider place-based assets (other forms of capital, institutions and infrastructure) in local areas in the sense of their intrinsic contribution to productivity, economic and social value. By better integrating these wider assets into economic strategy and thinking more about their capacity to provide quality employment and productive forms of activity for individuals in deprived areas and communities, GM can become better at tackling spatial inequalities and so contribute to inclusive growth.

Both GMCA and GM local authorities should consider the findings of the economic complexity work for their respective areas and integrate this into a wider approach to place productivity as suggested in this report, also integrating the framework components:

- **LAND:** It is critical that the land allocations in the GMSF integrate where appropriate with the findings of the economic complexity analysis and other wider place-based assets.
- **LABOUR:** Both GMCA and GM LAs need to conduct an assessment of the skills capacity within local places vis-a-vis the economic complexity analysis for the area and wider assets.
- **INFRASTRUCTURE:** A review of the quality of infrastructure in GM's local places, both in and out of the urban core, but also across the conurbation, is critical to build on the economic complexity analysis and to connect wider assets.
- **NATURAL CAPITAL:** Both GMCA and GM LAs need to join up their respective work on low carbon economy and natural capital and consider its value in contributing to economic productivity and inclusive growth.
- **SOCIAL CAPITAL:** Across GM social capital needs to be better mapped and understood in local places and its capacity to contribute to economic productivity recognised.
- **PUBLIC INSTITUTIONS:** In GM, both GMCA and GM LAs need to consider their role as public institutions that can actively intervene more to shape markets and connect this intervention to the challenge of addressing spatial inequalities.
- **CULTURAL INSTITUTIONS:** Across GM, the economic contribution of its cultural assets needs to be better understood and integrated into economic strategy in its own right as it can make an important contribution to the challenge of addressing spatial inequalities by providing productive forms of activity.